OWNERSHIP & CONTROL - 1993

MARCH — APRIL

Star 1/3/93

Looking for new business

Brian Gilbertson, head of Gencor, is on the prowl. He's looking for other companies like Engen to give Gencor's profits another boost. He's moved two of Gencor's top men into Gencor's new business division — Bernard Smith head of Engen is appointed chairman and Hans Smith, former MD of Samancor is MD. All the group's new business operations have been concentrated into this one division

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Star 1/3/93

Absa to combine banking arms

By Stephen Cranston

The four commercial banking arms of Absa — Allied, United, Trust Bank and Volkskas — will be combined from April 1 under one chief executive, Nallie Bosman, at present head of Trust Bank/Volkskas.

His deputy will be Sid Booysen, the former executive head of Allied/United. All the regional offices will report to him

Bosman says there will be important client and operational benefits including shorter lines of administration, faster decision-making and client query response times and better use of staff.

Very few retrenchments will be required, Bosman says

The commercial banks have already been divided into two head offices, for Allied/United and Trust Bank/Volkskas.

Each group has five regional offices These will be replaced by eight regional offices

Absa will open a regional office in Port Elizabeth and have four regional offices in the Transvaal

Under them will be 26 sub-regions, with managers appointed to metropolitan or rural branches

Each regional manager will manage all four brands and the credit, human resources, administration and business development functions will be centralised.

(232)

Star 2/3/93

Shareholders' watchdog hopeful for Supreme's listed subsidiaries

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By Marc Hasenfuss

Supreme Manufacturing (Suprman) and Protea Furnishers (Profurn) — listed subsidiaries of the liquidated Supreme group — look set to carry the burden of 7 000 disgruntled investors

At meetings around the country last week, Supreme's debenture holders really had no other choice than to ratify the group liquidators' proposal to take up shares in Profurn and Suprman.

The other choice was liquidating the two operations to gain a meagre 20-30c in the rand "first and final" payout.

Shareholders' Association chairman Issy Goldberg investigated both operations and believes they offer Supreme investors the best chance to recoup their losses.

He said. "It is manifestly absurd to oppose the liquidators' proposal that the listed companies be freed to carry on business."

Issy Goldberg . . . relieved of debt, two companies could prosper.

He pointed out that of the total R320 million invested by the 7 000 debenture holders, only R64 million flowed into Profurn and Suprman

About R260 million of investors' funds were involved in a series of unlisted companies and investments by the Supreme controllers into speculative ventures which were now reduced to "metaphorical rubble."

Goldberg estimated that proceeds from these "mediocrities" could realise possibly less than 5c in the rand.

"The destiny of the R320 million invested lies solely in the future performance of Profurn and Suprman"

He described Profurn as an embryonic Ellerine Holdings — catering identically for the same target market (mainly black householders).

Profurn had a debt of R45 million to the liquidated Supreme companies, but the liquidators' "share swop" scheme would convert this huge debt into equity.

In other words, the share capital of Profurn would be increased but the debt would be removed.

Goldberg thought that, provided the economic weather did not deteriorate further, Profurn — with its tight management — could make increasing profits.

He said the same applied to Suprman — which had a debt to the liquidated Supreme groups of R17 million "The company has excellent prospects in an improved economic climate"

Suprman manufactures stainless steel kitchen sinks and operates a major furniture manufacturer, Victoria Lewis.

Both companies, relieved of their heavy debt, could well prosper, said Goldberg

Star 2/3/93

Paper titles move urged

CAPE TOWN — The registration of newspaper titles should be taken out of the political sphere, Dene Smuts (DP Groote Schuur) said yesterday

Speaking in a debate on the Imprint Amendment Bill, she said the Newspaper Press Union and Media Council were both opposed to registration of newspapers

The Department of Home Affairs had little more than a trademark function to avoid possible clashes between similar or identical titles.

As long as a Minister could regulate registration procedures, there was a danger of political abuse "All that is really necessary, in the public interest and for the public record, is that a newspaper's publisher, address and proprietor be printed in every copy," Smuts said. — Sapa

Star 2/3/93

Abakor to be privatised

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CAPE TOWN — The Government is going ahead with the privatisation and stock exchange listing of Abakor, the State corporation which controls 41 percent of the abattoir industry, Agriculture Minister Dr Kraai van Niekerk announced last night.

The deregulation of the meat industry had removed the last obstacles to privatising the corporation, he said.

Abakor no longer had a guaranteed market as before and would have to operate in a free market.

Abakor operates the abattoirs at Witbank, Pyramid near Pretoria, Krugersdorp, Johannesburg, Springs, Benoni, Bloemfontein, Kimberley, Cato Ridge, East London and Port Elizabeth — Political Correspondent

Record R7-bn traded on futures market

By Derek Tommey Star 2/3/93

South Africa's money men are going wild about the futures market which allows them to hedge against future developments.

The South African Futures Markets (SAFEX) reports that February was another record month with some 272 000 options and futures traded with an underlying value of more than R7 billion (232)

Stuart Rees, Safex's chief executive officer, says there were many reasons for the growth in business, but the main one was the increased awareness among professional fund managers of how futures and options can be used to enhance the performance of their portfolios

Average daily volume in February was 13 614 contracts, which wa 35 percent more than in January.

Star 2/3/93

Allied yacht sponsorship not invalid, says ex-MD

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Court Reporter

There had never been any suggestion that a R4,5 million sponsorship of the Allied yacht in the 1990/1991 BOC Yacht Race was invalid, former Allied Group Ltd managing director Kevin de Villiers told the Rand Supreme Court yesterday.

He was responding to comments made by dismissed Amalgamated Banks of South Africa (Absa) chief executive officer Bob Aldworth at an Absa board meeting in September 1991 to discuss the contract between Allied and Tytherley Investments Ltd

The latter handled the sponsorship and publicity of the Allied yacht, which was skippered by John Martin

Tytherley's Peter Mancer is suing Absa for R1,5 million of the R4,5 million contract, claiming it became liable for payment when Allied merged with Volkskas Group Ltd and UBS Holdings Ltd to form Absa in April 1991

Absa maintains it has paid Mancer all the money it owed

In an affidavit, Aldworth said the agreement between De Villiers and Mancer was not a contract but a device to obtain tax benefits to which Allied was not entitled.

De Villiers told Mr Justice W J Hartzenberg that he had met the Receiver of Revenue to establish his attitude towards the proposed sponsorship and possible tax deductions The formal motivation for the tax benefits had been left to senior bank officials

Referring to minutes of the September 1991 board meeting, M Tselentis, SC, for Absa, said Aldworth [illegible] the directors tha[illegible] owed Mancer between R300 000 and R400 000 De Villiers replied that there had been no suggestion that the contract with Tytherley had not been valid

The trial continues

BUSINESS

Options market for non-residents

NON-residents and emigrants would be able to trade in the JSE's Traded Options Market (TOM), the JSE said yesterday.

A mechanism was being implemented by the stock exchange in conjunction with the South African Reserve Bank to allow non-residents and emigrants to trade in TOM. BDAY 3/3/93

Present exchange control regulations precluded non-residents and emigrants from the equity options market.

"By using TOM, foreign clients of JSE broking firms will be allowed to buy and sell both call and put options on Barlows, De Beers, Driefontein, Gencor and Rusplats, as well as the all share index and the all gold Index. This list will expand as demand requires," the JSE said.

Apart from the usual benefits associated with options, foreign investors would earn interest on cash margins remittable at the commercial rand rate of exchange.

Participation by foreign clients was expected to benefit TOM. 232

JSE executive president Roy Andersen said: "This is an opportunity for brokers to service a wider client base and the expertise of foreigners may well contribute to the development of the market."

The hedging and arbitrage opportunities potentially available in TOM could also stimulate liquidity in the underlying cash market.

Foreign clients would trade as ordinary clients of brokers and appropriate banking arrangements had been identified with the Exchange Control Department of the Bank.

Non-residents and emigrants could use their financial rand or blocked rand balances for TOM trading. — Sapa.

Star 4/3/93

Transnet may test fifth issue of Elfi on Safex

(232)

Transnet will not proceed with the fifth issue of its Equity-Linked Fixed Investment (Elfi) gilt stock following the Reserve Bank's ban on foreign trading in it, the group said yesterday

A spokesman said continuous trading of Elfi IV stock would not be affected by the Reserve Bank's objections

Transnet was looking at alternative instruments for Elfi V that would satisfy the central bank's con cern at capital outflows on the balance of payments

At a meeting called by Transnet last night bankers and brokers voted in favour of proceeding with the Elfi V issue

The Transnet spokesman said, however, that the group had already examined numerous alternatives to proceed with Elfi V, one of which was the possibility of testing Elfi on the SA Futures Exchange (Safex)

An announcement on this issue would be made before March 15 and its portfolio would be very similar, he said.

The meeting was also told that about 30 percent of Elfi III and IV stock was held by non-residents, resulting in a yearly outflow of R75 million

Index-linked

The Elfi fixed interest stocks consist of bull and bear tranches which are linked to changes in the JSE overall index.

Transnet general manager Eugene Kruger also told the meeting the parastatal's cash requirements for the 1993-94 financial year were R5,4 billion, due largely to the repayment of loans

Of this, R1,6 billion would be funded internally, R2,9 billion had already been pre-funded through various actions in the financial markets This meant R900 million was still outstanding

Transnet's loan portfolio of more than R20 billion consisted of R4,1 billion in foreign loans, and rand-denominated loans of R16,1 billion, mainly raised from the money and capital markets

Pre-funding already undertaken, was at an average cost of 13 percent. Of the R2,9 billion borrowed, 80 percent was raised in medium-term issues on the capital market.

To extend the range of available medium term securities, Transnet would immediately create a market in its T001 (2002) stock. — Sapa.

Outlook for equities more encouraging

Star 4/3/93

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By Derek Tommey

Equity prospects for 1993 are more encouraging than last year, says Clive Turner, the outgoing chairman of the Association of Unit Trusts However, any recovery is likely to be mild

Agricultural conditions have improved. The political climate should also improve.

He says there appears to be more urgency among the major political parties to reach an early settlement and also some realisation of the economic damage being caused by the impasse.

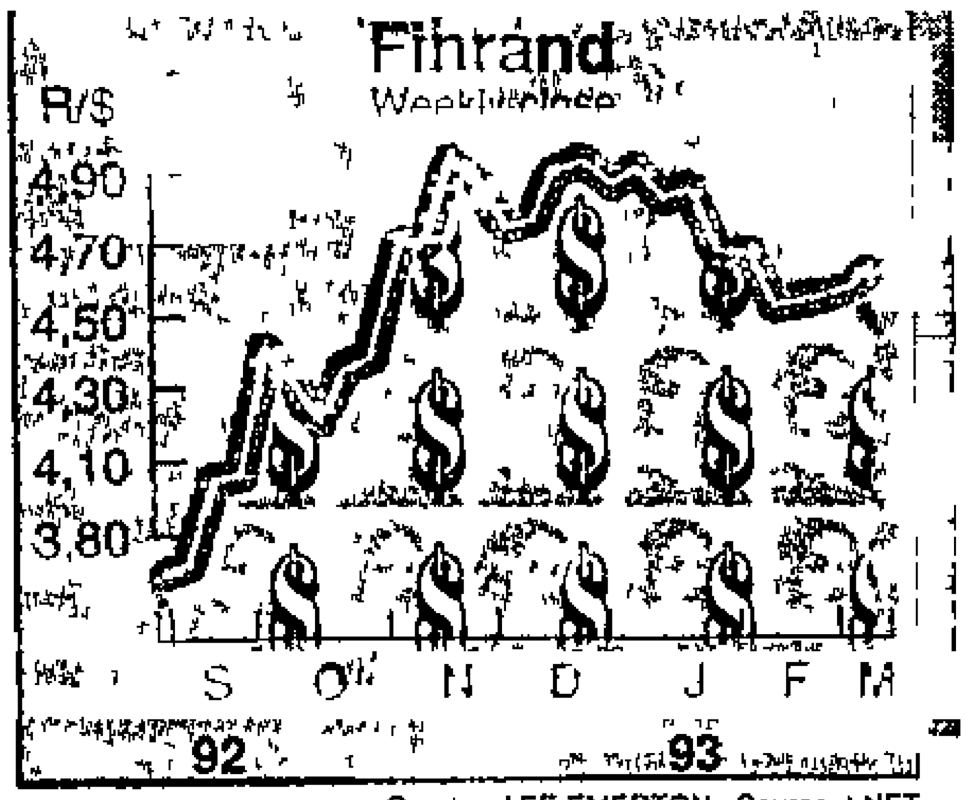
The introduction of an interim government would help restore confidence and law and order and increase the possibility of foreign capital inflows.

The significant fall in inflation and interest rates over the past year will also improve the consumer's position in the year ahead.

Unfortunately, he says, the weak state of government finances and therefore the strong likelihood of increased indirect taxes will offset some of the more encouraging developments expected this year.

The market va,lue of all unit trusts at December 31, 1992 amounted to R13,5 billion compard with R11,4 billion at the end of 1991

Total sales in 1992 reached R4,6 billion. Repurchases rose by 40 percent Net investment grew by 67 percent to R2,5 billion.



Graphic LEE EMERTON Source: NET

Bank's Elfi move stirs up a storm

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TIM MARSLAND

A ROW is brewing over the Reserve Bank's refusal to allow foreign participation in Transnet's planned Elfi V issue, which was to have replaced the maturing Elfi III issue BDAY 4/3/93.

At a meeting convened by Transnet last night, about 60 broking and banking representatives voted in favour of the equity-linked fixed interest (Elfi) instrument continuing They said they would press for the Elfi V issue to get the go-ahead

The Bank has said it will not allow foreign participation in a new Elfi issue because of the harm to the balance of payments

Elfis are split into a bull and a bear tranche and are linked to the JSE's all share index The bear is negatively linked, which means the capital value declines as the all share index rises

To make it attractive, the bear tranche offers a 25% coupon, which attracts non-residents who make the initial investment via financial and blocked rands but are paid interest in commercial rands Only the interest can exit the country

An investor who bought the Elfi I issue and held it for the full three-year maturity would have recovered just 21% of initial capital value, excluding coupon payments

After the meeting, Transnet treasury manager Johann van Schoor said about 30% of the Elfi III and IV issue was held by foreigners This meant a potential outflow of R75m a year

However, Van Schoor pointed out that only about R30m would be due to the Elfi issue, since this represented the difference

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Elfi

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☐ From Page 1

between the Elfi coupon rate of 25% and that offered by other fixed interest securities such as the 15% on the Umgeni 55 bond

Van Schoor said Transnet had considered reducing the coupon rate to between 16% and 18% However, the Bank would not agreed to that

Van Schoor told the meeting foreign participation in the Elfi IV issue would still be allowed Foreigners would also be allowed to switch from the maturing Elfi III into the Elfi IV He said Transnet would continue to offer carry facilities in the Elfi stock, but this would be at a lower rate than the current 14,5%

Van Schoor said Elfis could not be listed on the JSE as the exchange could not differentiate between resident and non-resident transactions Consideration was being given to listing the instrument on the SA Futures Exchange

Asked if Elfis could function as a non-listed instrument, brokers agreed this could work, but not very well

Releasing details of Transnet funding requirements for 1993/94, Transnet group GM Eugene Kruger said about R900m would be required from the local debt market A total of R5,4bn had been required, but R2,9bn of this had been prefunded while R1,6bn would be generated internally The R5,4bn consisted of capital expenditure of R1,3bn, a R400m repayment of a European loan, R2,1bn in repaying the T002 and the Elfi III issue, a R600m repayment under the third interim debt arrangement, and R1bn in bridging loans

The R400m European loan, which fell due in the middle of the year, would probably not be rolled over but this would depend on prevailing interest rates and the political situation The terms of the R600m under the debt standstill had still to be negotiated by the Bank

Van Schoor said Transnet had R4,1bn in offshore loans, and R16,1bn in local loans Of the local loans, R1,2bn was in the money market and R14,9bn in the capital market with 58,4% in the long area

The bulk of pre-funding at R1,7bn had been done in the short area of the market Transnet would focus on making its T001 issue more popular

He said turnover by Transnet in its own bonds as a result of its market-making activities was R245bn, with total turnover about R700bn It had turned over R180bn in other bonds as part of hedging activities

The finrand lost 6c in early trade on the Elfi move from its overnight close of R4,5625 but recovered to close at R4,6010 Despite Bank intervention, the commercial rand closed at a record low of R3,1535 from R3,1513

Star 4/3/93

TOM to open doors to foreigners

Non-residents and emigrants will be able to trade in the Traded Options Market (TOM) on the Johannesburg Stock Exchange

The JSE says a mechanism to allow this is being implemented in conjunction with the Reserve Bank

By using TOM foreign clients of JSE broking firms will be allowed to buy and sell call and put options on Barlows, De Beers, Driefontein, Gencor, Rusplats as well as the all share and gold indicies

The list will expand as demand requires — Sapa

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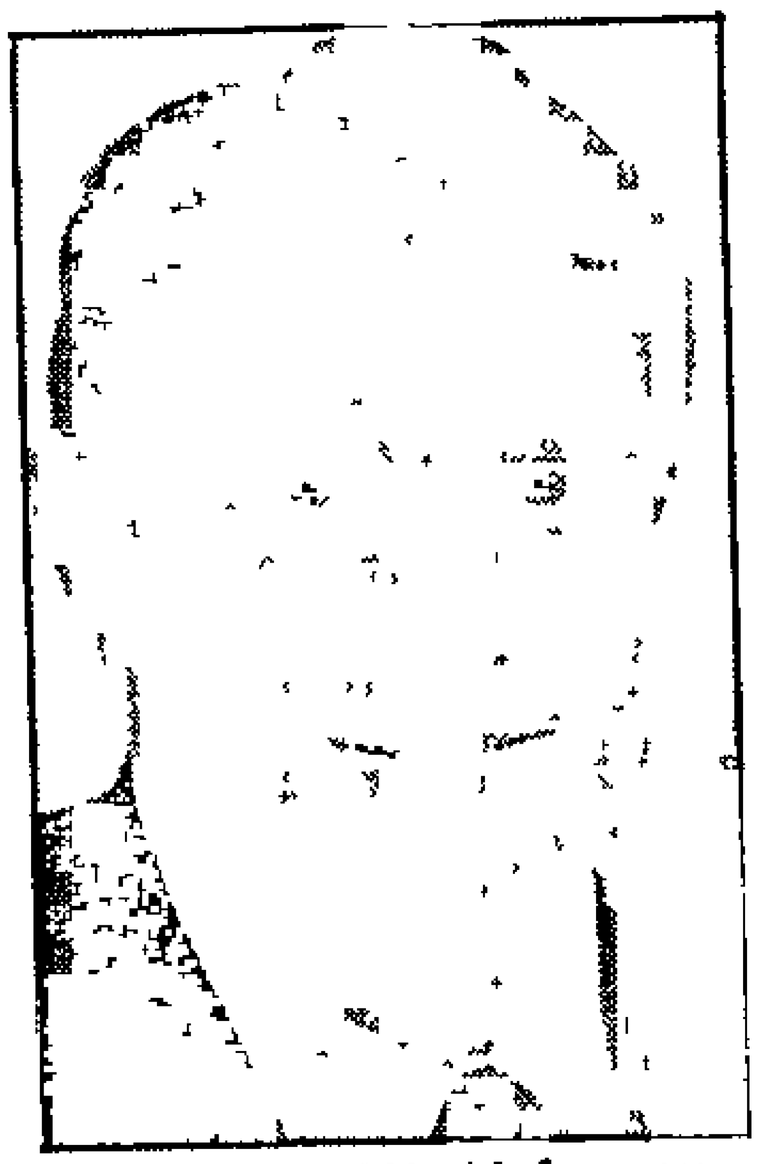
Star 4/3/93

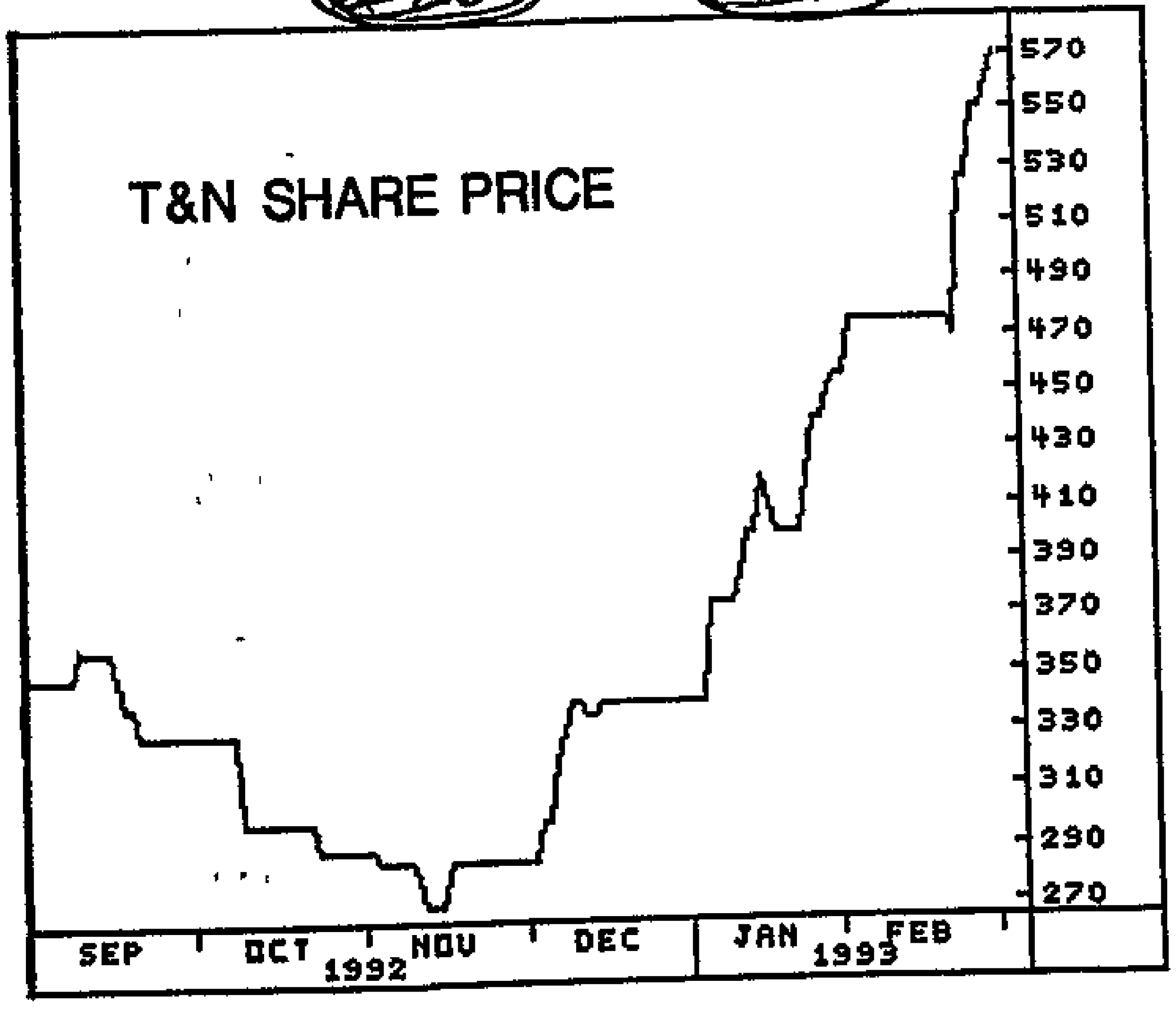
Companies warned to invest or face losing market share

(232)

By Tom Hood



Bill Cooper, T&N chief executive . . "surprised at our own success."



CAPE TOWN — South African industries will have to be international players even if they are not exporters

That is the message from Bill Cooper, chief executive of diversified industrial group T&N Holdings, which in the year to end-December lifted its earnings a share 23 percent to 86c, its dividend by 41,7 percent to 34c and its operating profit by 21,5 percent to R48,5-million

These results, says Cooper did not happen by chance

"In South Africa, the thrust is to grow your business through exports as the local market is dormant"

Although the group's local markets shrunk, its market share and volumes increased, suggesting that competitors took the brunt of the recession

But most South African companies tend to be introverted rather than outward looking, he says.

As tariff and political barriers drop, there will be new international competitors in the domestic market

"Things could turn up more quickly than people expect Usually, when this happens, there's a trebling of uptake If people start importing, we will lose our market share"

The key here is not to hold back on investments T&N has committed more than R10-million in the past financial year

Ferodo, which made a particularly good showing was allotted R2,5-million to increase disc brake capacity by 25 percent

"We are surprised by our own success. We seem to have got the marketing mix right"

Cooper says the group is budgeting for a 50 to 70 percent increase in turnover at FHE Automotive in 1993

The company has expanded to incorporate a number of technologies and now provides a full range of heat exchange products

Last year, two injection moulding machines were installed at a cost of R3-million and the investment in a new plant for automotive heaters has been justified by two major contracts from Nissan

A joint venture with an air-conditioning company later this year, to be known as Ebcon, entails an investment of R4,5-million This will facilitate the manufacture of a full range of fully packaged cooling systems

AE Bearings in Pinetown operated at 100 capacity throughout last year Shortly before Christmas, the company installed a new bearing line and will add another "in the not too distant future"

Another major development — a R3,2-million investment in AE Sinterline in Pietermaritzburg — will give the company both a local and international edge Raw material for high quality bearings which was previously imported from Australia can now be produced locally

Glacier Bearings invested R800 000 in upgrading high precision machinery and TBA Industrial is installing a new calendar at a cost of R300 000 to replace antiquated equipment dating as far back as 1920

Cooper emphasises that T&N has invested in products with a long-term strategic importance which has meant significant changes in operations and management input

Because of this T&N disinvested from loss-making Pinetown-based resin business British Industrial Plastics for a tidy R2,3-million profit in September

The related moulding powder plant was another grey area

"When they lifted import controls, we took the full brunt of international competition The plant had to operate differently

"We invested R1,3-million in additional machinery and revamped the whole plant"

Masterbond delay lost extra R21,3m

B.Day 4/3/93

LINDA ENSOR (232)

CAPE TOWN — The month-long delay in bringing a court application for the provisional liquidation of the Masterbond group resulted in the public investing R21,3m of new money in the group in September 1991, the Nel commission of inquiry into the Masterbond collapse heard yesterday

On August 26 1991 Masterbond attorney, Hazell & Rabie partner Joubert Rabie, was given instructions to prepare liquidation papers for certain companies in the group. He said he was informed by Masterbond directors that there was not sufficient cash to meet commitments as no funds were coming in However, on September 3, Rabie was instructed by former Masterbond MD Johan Brits to terminate immediately the drawing up of liquidation papers and to destroy them

He was told the insolvent situation had been reversed by reworking the cash flow to mid-October and the group was solvent.

"If, in fact, the liquidation instructions were not reversed, and the group was liquidated in early September, all these investors would not have lost their money," Hendrik Klem said in his cross-examination Masterbond was provisionally liquidated on October 2 1991.

Klem put it to Rabie that the Masterbond group had traded in insolvent circumstances in September in contravention of the Companies Act, as it was quite clear by end-August that it could not pay its debts Rabie said this had been raised with the directors.

Despite the illiquidity of the group, former Masterbond chairman Koos Jonker and MD Johan Brits issued a Press statement on September 4 reporting sparkling results. Pre-tax profits for the previous financial year had risen 307% and funds under administration by 48%.

The release said that "barring unforeseen circumstances the group would continue trading profitably".

Klem said the Press statement was the "biggest lie ever" and suggested that it was issued to inject confidence in the group in order to extract more investments Rabie said he had been surprised to see the situation had suddenly become so rosy

Furthermore, a newspaper quoted Jonker as saying that because Masterbond's merger with Pretoria Bank had failed to materialise, Masterbond was now overliquid. This statement — described by Judge H Nel as "obviously misleading" — contradicted the explanation given to Rabie that the group's illiquidity stemmed from the Reserve Bank's failure to release to Masterbond the R80m of investors' money tied up in the bank.

It emerged from Rabie's evidence that former Masterbond financial director Lawrence Perrin had disagreed with Brits over the liquidation.

In late August 1991 Perrin had argued that Masterbond's doors should be closed to the public as he did not see any possibility of its trading successfully

He said Club Mykonos could not be salvaged and he thought it unlikely the Masterbond group would be taken over by a financial institution.

Perrin resigned from the group on September 7 On September 5 he had opposed Brits' instruction to terminate the liquidation application and had continued compiling affidavits

Keys pledged not to privatise Abacor — Cosatu

(232)

DIRK HARTFORD

BDAY 4/3/93

FINANCE Minister Derek Keys had given Cosatu an undertaking that Abacor would not be privatised under the current government, Cosatu general secretary Jay Naidoo said yesterday

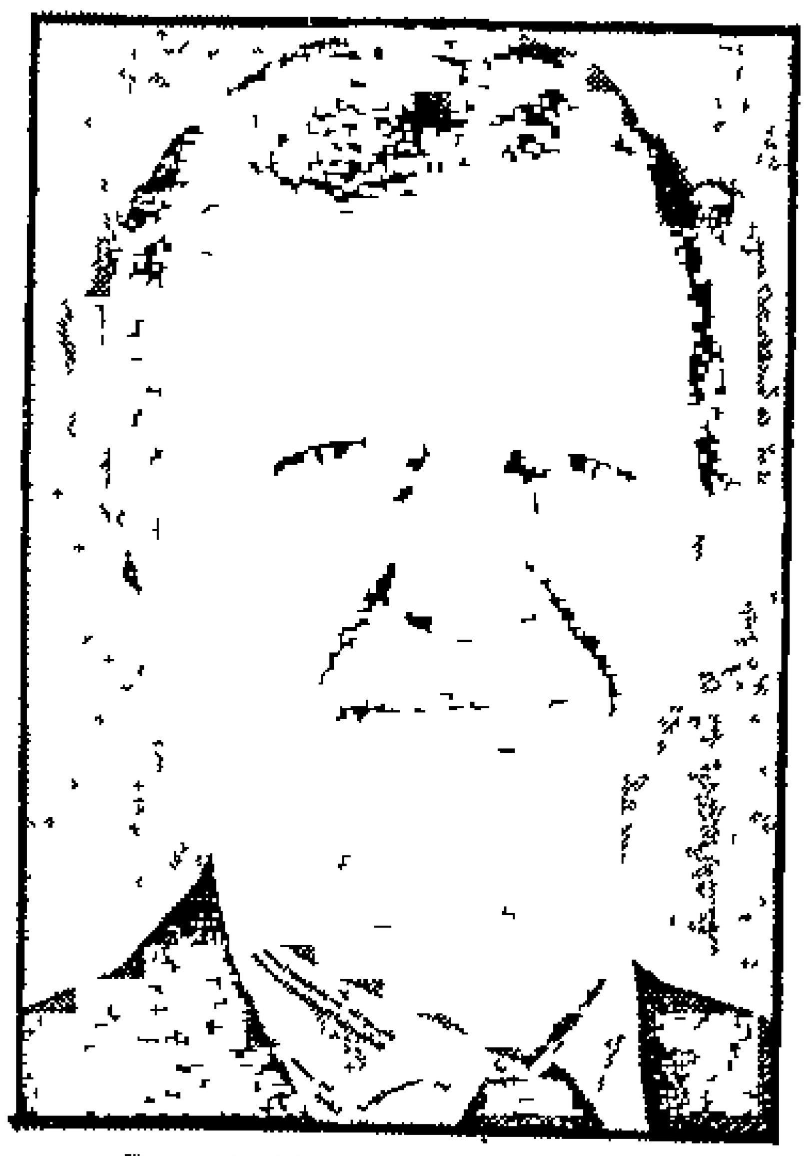
If reports that government intended to privatise Abacor by the end of May were true, then government was reneging on its undertaking, Naidoo said

He called on Keys to "bring his colleagues into line" with the understanding reached

Cosatu has long been campaigning for a halt to all "unilateral economic restructuring"

Agriculture Minister Kraai van Niekerk said on Monday that the privatisation of Abacor would go ahead with a JSE listing by the end of May He said deregulation of the industry had removed the last obstacle to privatisation

Naidoo said Cosatu had agreed it was necessary to deregulate those controls — like the bar on the production of hides and skins at abattoirs — which made Abacor uncompetitive But Abacor's future was still subject to negotiation — which privatisation was trying to pre-empt



Derek Keys . . . tells of secret help for Cape bank.

Rail body stands to lose R100-m

Star 5/3/93 (232)

CAPE TOWN — The eventual loss of the South African Rail Commuter Corporation after the final liquidation of the Cape Investment Bank (CIB) would amount to roughly R100 million, Transport Minister Dr Piet Welgemoed said yesterday.

Speaking during a special debate on the report of the Joint Committee on Public Accounts, he said that at the time of liquidation, the corporation's investments, including interest, with CIB amounted to R269 363 169.

The outstanding amount at the end of January 1993, after interim payments by the liquidator of CIB, was reduced to R131 041 560.

Welgemoed said the corporation had borrowed more money than was required to meet its shortfall Excess funds were then invested in financial institutions to make a profit to reduce the shortfall

CIB was one of the institutions in which the corporation invested its funds.

DP deputy finance spokesman Jasper Walsh said it was appalling that no commission of inquiry had been set up yet to look into the SARCC's massive loss.

He said the joint committee had recommended six months ago that the State President appoint such a commission.

"This is a dereliction of duty and yet another failure of this Government," Walsh said.

"It makes nonsense of the State President's resolve to fleck corruption to the bone, and we ask why? Who has what to hide? Why are the facts being deliberately withheld?"

STOCKBROKERS FM 5|3|93

Another investigation

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Another broker is under intensive investigation by the JSE for possible offences which involve one of the country's largest insurance institutions Questioned about the matter, JSE surveillance director Rob Barrow simply says. "I really cannot comment"

The *FM* learns from reliable sources that the broker is Frikkie Kruger, now operating a sole partnership The institution involved is SA giant Sanlam And the broking firm is, once again, the unfortunate Frankel Pollak Vinderine (Frankels), which has struggled over the past year to recover from the devastating effects of the Blank debacle, involving Old Mutual

Kruger was sufficiently senior to be included in the firm's name which, at one stage, was Frankel Kruger Vinderine

After the discovery of the activities of Greg Blank and his arrest early last year, Frankels CE Sydney Frankel ordered the installation of extensive computer-driven checks to monitor share dealing procedures in his firm, one of the JSE's largest These revealed jobbing activities which Frankel concluded were prejudicial to the firm, and might have been outside JSE regulations Apparently, the matter was later investigated by Attorney-General Frank Kahn Approached by the *FM*, Kahn says any decisions taken were made after his transfer from this area of responsibility Attempts to question advocate Petrus Marais of the Office for Serious Economic Offences in Cape Town were redirected to Johannesburg Deputy Transvaal Attorney-General Jan Henning says it was decided not to proceed with any charges at the time

Sanlam senior GM Ronnie Masson declines to comment on any relationship between Sanlam and Kruger. However, he says "Sanlam checks regularly on its procedures In no case have we found evidence of any irregularities" That makes the confirmation of the *FM's* information from a number of reliable sources all the more puzzling

Kruger's relationship with Frankel was severed in mysterious circumstances in November 1991 "I resigned," says Kruger, adding that he had wanted to leave for some time However, he admits he clashed with Frankel about the introduction of the "no jobbing" rule

Asked about the possibility that charges may be brought against him, Kruger responds. "I would be very surprised I am quite unaware of it. I deny that I have ever conducted front-running of shares You are hitting me with a bolt from the blue"

Frankel tells a different tale, however "Kruger's services," he says, "were terminated with immediate effect for a number of reasons on November 1 1991 I have not been notified officially that any charges against him are pending If charges are in the process of being laid, the matter would clearly be sub judice and I decline any further comment until I know about this"

Repercussions which might flow from charges against Kruger could include a consideration of the responsibilities which may be deemed to rest with brokers to uphold and preserve the good name and reputation of the exchange

David Gleason

ISCOR FM 5|3|93.

Looking for the bottom

A worrying feature in Iscor's interim income statement is the continuing decline in operating profit, despite a marginal increase in turnover. Even more worrying is the fear that management can do little now to reverse the trend.

With world and local demand for steel low, and little prospect of improvement this year, Iscor probably did well to increase exports and raise turnover by 5,8% But operating profit plunged 18,3%, showing the sacrifice the steel producer is making to maintain volumes.

The story is told by an operating margin which stood at 9,3% a year ago, dropped to 8,7% at the year-end in June, and is now 7,2% MD Willem van Wyk says Iscor has embarked on an active programme to boost cash flow, including extensive cost cutting, but admits that has limited benefits

But certain factors may indicate Iscor is nearing the end of its profit drought, and

Iscor's Van Wyk . *extensive cost cutting*

FM 5|3|93.

earnings growth could resume, perhaps in the second half For one, Iscor seems to have a grip on the spiralling debt which crippled earlier results This was a hangover from its R4,3bn capital spending spree in the late Eighties and early Nineties

Interest-bearing debt increased only marginally to R2,56bn Restructuring of debt from short- to medium- and long-term loans, with a 32% reduction in capex to R267m and falling interest rates, shaved R20m off the interest bill. The R69m drop in operating profit negates that, but the end of the capex programme and slightly lower gearing of 31,3% shows a better trend

At least two indicators suggest second-half results could improve One is the average 9% increase in the price of domestic steel from the beginning of the year The second is that industrial unrest, one hopes, won't cost

MELTDOWN

Six months to	Dec 31 '91	Jun 30 '92	Dec 31 '92
Turnover (Rbn)	4,05	4,56	4,29
Operating income (Rm)	376	372	307
Attributable (Rm)	171	175	125
Earnings (c)	9,2	9,3	6,7
Dividends (c)	3	3	2

Iscor any more sales than in the past year, when it lost about R60m

Assuming the same operating margin and turnover growth in the second half, a reduced interest bill and no further one-off costs should lift earnings Year-end EPS of at least 14c does not seem unrealistic

Exports will benefit from the weaker rand/dollar rate Export prices continue to drop, and the world market is oversupplied, but there are hopes that demand could pick up late this year and accelerate in 1994

World consumption increased by about 1 Mt last year, and is expected to rise 2%-3% in 1993 Some estimates are that this should increase world production by about 0,5%. A revival in the world steel market could stimulate demand in the more profitable local market Van Wyk is pinning Iscor's hopes on "any upturn in either the world or local economy We are geared to benefit from an upswing."

It's important for Iscor to maintain capacity to at least recover variable production costs With increased exports — now 53,3% (49,1%) of total sales — capacity usage has fallen only slightly, from 96% at year-end to about 94%

One wonders if the benefits of the capital spending programme, about half aimed at beneficiation, the remainder on maintain-

cont →

Star 5/8/93

Armstrong debenture scheme heavily in debt

By David Canning (232)

DURBAN — Many investors in provisionally liquidated Armstrong Currie Trust — part of a group first founded in Durban in 1964 — are desperately trying to discover whether they have any chance of recovering money.

Apparently only the trust division of the group, which which has a property portfolio of more than R630 million and administers more than 150 properties in Natal, was provisionally liquidated in the Johannesurg Supreme Court on Tuesday with debts of R38 million.

Staff in the five branches throughout Natal said they were awaiting news while some investment brokers were sent a fax message informing them that the trust division had been placed in provisional liquidation

Armstrong Currie Trust was, like the recently-failed Supreme, engaged in marketing of debentures in a range of ventures

It recently became embroiled in a dispute with Chicken Licken over 13 franchises which it claimed to have The issue reportedly eroded confidence in the group and the entire Sandton-based Armstrong Currie board of directors quit over the issue.

Cash flow problems reportedly meant R3 million in debentures falling due in March could not be met Assets are about R30 million, in associates, subsidiaries and debtors

The Sandton head office telephones were unmanned yesterday and the sole remaining director, John Cope, was locked in meetings in Durban all day Despite repeated calls, he was unavailable for comment.

The group, which has several divisions and employs over 650 staff, was established in Durban by chartered accountant John Currie in 1964 as a property administration concern.

The core business of the group is still property administration — through Armstrong Currie Properties. Other divisions operate in security, restaurants, commodity trading and broking

FM 5/3/93.

ANGLOVAAL INDUSTRIES

FM 5/3/93 (232)

Hoping for better

Increased exposure to cement producer Anglo-Alpha, after the acquisition of a 25% stake and, to a lesser extent, a further 4% — taking the stake to 60% — in Consol, played a major role in Anglovaal Industries (AVI)'s results for the six months to December. This puts it well on track towards achieving eight consecutive years of real growth in financial 1993.

AVI's share of associated company earnings rose substantially to R13,8m (R3m), largely because of the Anglo-Alpha investment which contributed a tenth of group earnings Consol's acquisition of the Contred minority shareholding resulted in both Tredcor and Tycon becoming wholly owned subsidiaries Another investment was the purchase by Aveng, a subsidiary of AVI Diversified Holdings, of further Tristel Holding shares, raising its interest to 97,6% (94,1%).

A tough operating environment and rising gearing provided mixed fortunes for construction & electronics subsidiary Grinaker Its electronic division's EPS dropped 31% to 4,4c but, thanks to a good performance by the building division and Siltek, Grinaker Holdings increased EPS 24%. Its contribution to AVI's earnings remained unchanged at only 3%

I&J, whose product prices were depressed by oversupply on domestic and international markets, suffered a 19% decline in earnings, it contributed 13% (20%) to AVI's bottom line (232)

AVI Diversified Holdings, with interests in textiles and engineering, was affected by continued unrest in the area around Mooi River Textiles. It provided 17% (21%). But the 4% and 18% improvements in pre-tax profits of Consol and National Brands, meant their contributions to attributable earnings were maintained at 27% and 28% respectively. This, with additional investment income for AVI, more than offset lower earnings by the other interests.

AVI's turnover rose by 6% to R4,2bn, but this was at the expense of margins, limiting the increase in operating profit to 1% or R371m Interest paid declined 3% to R41,7m. A lower effective tax rate reduced this charge to R136m (R146m), leaving taxed profit up 7% at R194m.

Attributable earnings increased an impressive 21% to R147m. However, EPS were up by a more modest 9% to 464c, following an increase in issued shares.

Increased capex of R144,2m (R102,3m) and Consol's R210m acquisition of the Contred 25,6% minority holding reduced the net cash position 70% to R141,9m

Management is forecasting improved earnings for the full year, but the extent of this improvement depends largely on business conditions

AVI remains a rewarding investment Though the share is not cheap, the prospect of an improved payout in the present climate could preserve the premium rating

Marylou Greig

SAFE BET: *Especially in era of corruption and high inflation*

Unit trusts are mushrooming

Star 6/3/93 232

MAGNUS HEYSTEK

THE Association of Unit Trusts' newly elected chairman, Bernard Naicken, has a philosophy which could be adopted as the credo of his industry: educate the consumer aggressively on unit trusts and market them responsibly

Naicken, who has an executive position at Sage Group, has been involved in the development and marketing of unit trusts for a long time, during which he has seen the industry develop from a "period of hibernation" during the '70s to the rapidly changing industry that it is today

"During the '70s, in the aftermath of the '69 stock market crash, the industry experienced a net outflow. The situation has changed dramatically, and unit trusts are now reshaping the financial landscape," he says.

Assets

More funds are being created all the time, with a wide variety of applications

In 1977 the total assets of the local industry were about R350 million.

Today the figure stands at R13,5 billion A similar trend was seen in the United States, where total assets grew from $50 billion (about R158 billion) to $1,6 trillion (about R5,06 trillion) during the same period

The reasons for the surge in unit trusts in most Western countries are clear, Naicken says.

"More people have come to realise that unit trusts are a very simple and efficient way to accumulate capital, which has a good chance of growing faster than the inflation rate

The investment risk is reduced by a diversified spread of investments, they are very flexible investments and also very visible

"The performance figures of unit trusts are

BERNARD NAICKEN: Recently appointed head of association.

scrutinised by the press, commentators and the public every three months Unit trust prices are also published daily by all the large newspapers across the country. This all adds up to a greater understanding of the product"

In a country where financial scams and corruption are being exposed almost daily, the unit trust industry has an excellent reputation as a result of a very good regulatory framework.

While the industry is largely self-regulating, it does have the Unit Trust Control Act to offer even greater protection. "This is very reassuring in a world of Supreme Holdings and Masterbonds," he says.

However, while the growth in the number of investors and total assets of the industry has been exceptional in recent years, Naicken points out that it constitutes only about 4 percent of life companies' total assets. This indicates that unit trusts still have great potential in the years to come

Increase

More needs to be done to promote the concept as well as the understanding of unit trusts Naicken is the first to admit this. But, as he says, this costs money.

A recent increase in the annual service fee from 0,5 percent to 0,75 percent was a step in the right direction.

It will enable the industry to spend more on educating the growing number of people entering the investment world for the first time.

Expanded unit trust info

STAR 6/3/93 [redacted] (232)

THE Association of Unit Trusts has decided to start supplying the unit trust investor with better detailed information on the performance of their funds

The current structure of the information sent out in the daily unit trust table is to be expanded to include the income distribution over the past 12 months, and the high and low selling prices of the fund over the previous 12 months.

The new format has the approval and support of the various unit trust fund managers

UNLISTED SHARES TRAP THE UNWARY

THOUSANDS of investors are placing their money at risk by buying shares and debentures in unlisted companies without obtaining adequate information, says Harmful Business Practices Committee (HBPC) chairman Louise Tager

The HBPC has several investigations under way into various operations. It has also reported some cases to the police where fraud was suspected (232)

Professor Tager says the average person is often the target of risky ventures because the amounts involved are usually small Brokers frequently have little knowledge of what they are selling S Times (Buss) 7/3 1993

She says investors must seek advice from other sources and ask for recently audited financial statements before making decisions

Amic to broaden base

S/Times (BUSS) 232

By JULIE WALKER

AMIC chairman Leslie Boyd aims to broaden Anglo American Investment Corporation's spread to cushion it from the strong influence of commodity cycles. 7/3/93

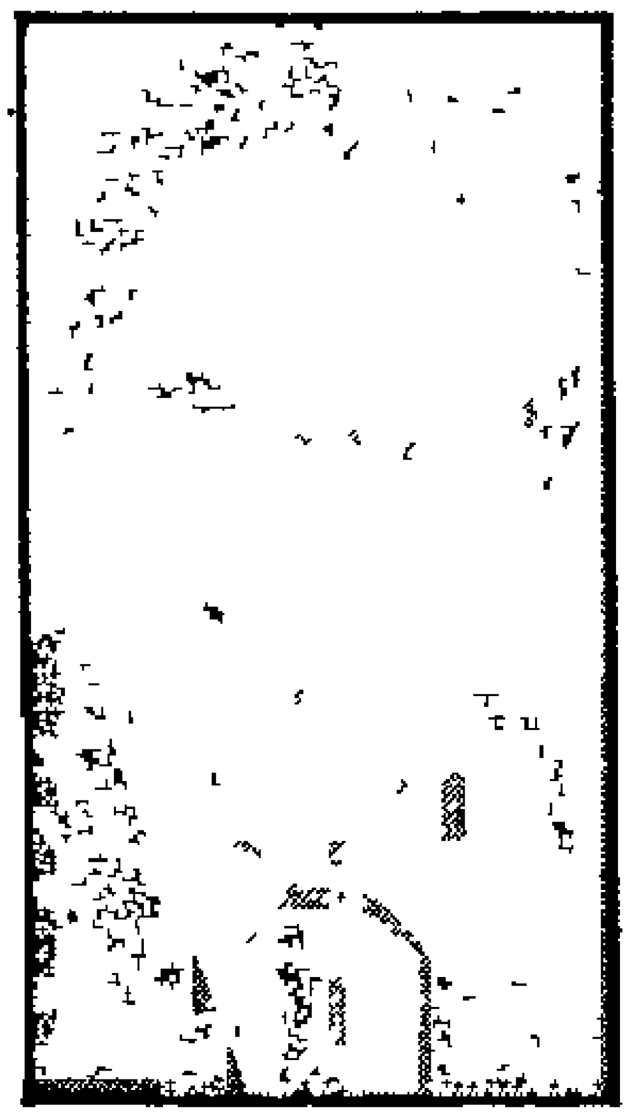
Presenting annual results, in which attributable earnings fell 12% to R352-million and earnings a share by 15% to 617c, Mr Boyd said the group did not intend to get rid of its current businesses but to invest in consumer-oriented avenues, such as it did in 1992 with McCarthy-Prefcor and the Rheem can plant.

Swap

Mr Boyd said divisionalisation was under consideration because of certain financial inefficiencies within the group

Last year it effected a share swap to add parent Anglo American's 49% stake in LTA to its own 23% holding. More moves can be expected.

Amic's gearing is only 12% and there is plenty of capacity to fund new projects.



LESLIE BOYD

Mr Boyd hopes that Eastern investors, such as from Japan and South Korea, will enter joint ventures with Amic and negotiations are already under way in this respect.

He said he had yet to be convinced of the benefits of unbundling, citing no benefit in maximising profit for shareholders. Amic's head office employed only about 20; its operations are managed on site.

Declined

Although another tough year is expected in 1993, Mr Boyd says Amic could at least equal those of 1992 Budgets were prepared before the end of last year, since when the rand had declined against the dollar.

Export sales were about 42% of 1992's R6,78-billion turnover, and export profits about 30%.

Amic was R60 on Friday, a third off its June peak but R9 higher than the October low

An unchanged 350c dividend yields 5,8%. Shareholders will be allowed to take up to half in shares; De Beers and Anglo American intend to do so.

Star 8/3/93

Fancourt group to appeal

CAPE TOWN — The directors of Golf Estates have decided to appeal against the final liquidation orders of the Fancourt group of companies, says chairman Andre Pieterse (232)

Three Fancourt companies, including the luxury golf resort near George, were finally liquidated by Mr Justice H L Berman in the Supreme Court in Cape Town on Friday

Mr Justice Berman said he saw no point keeping the Fancourt companies alive "to wait for any further apple-in-the-sky offers"

The companies were technically and commercially insolvent and had been so for a long time

Mr Pieterse said the board of Golf Estates regretted the expected loss that debenture and part-bond-holders would suffer, as well as concurrent creditors after Friday's liquidation

"Fancourt's financial difficulties resulted from the collapse of Masterbond, which was unable to provide the agreed financing in order to complete the project," Mr Pieterse said.

"The false perception that Fancourt was part of the Masterbond group of companies, the resulting stigma and the failure of the five-year moratorium agreed to by the curators of Masterbond, finally deprived the company of the ability to reach its objectives" — Sapa.

'Hopelessly insolvent' Fancourt wound up

BDAY 8/2/93 (232)

LINDA ENSOR

CAPE TOWN — The exclusive resort Fancourt was finally wound up in the Cape Town Supreme Court on Friday after a protracted legal battle which the judge said was completely unnecessary as the three companies involved were hopelessly insolvent.

But Golf Estates, the controlling shareholder of the Fancourt group, would appeal against the order, chairman André Pieterse said at the weekend.

The winding up followed the withdrawal of the R40m purchase offer made by Dubai-based Geap International because of certain legal difficulties regarding the ranking of Masterbond bonds. Masterbond investors have R116m tied up in the resort.

Masterbond curator Arnold Galombik said instead of taking over the resort with all its liabilities, which would have involved Geap in complex disputes over the distribution of proceeds, Geap would make an offer to the liquidators for the assets. The liquidators would consider all offers made and then distribute the proceeds according to the laws of insolvency.

In his judgment, Judge H B Berman said it was time to cut off the resort's artificial support system and placed Fancourt Holdings, Fancourt Properties and Fancourt Hotels under final liquidation.

Opposition to the liquidation by former Fancourt chairman Pieterse was unreasonable, the judge said, as the resort was irretrievably insolvent.

Pieterse was also criticised by Berman for his "scurrilous attacks" on the curators.

Berman would not allow the costs of the opposition to be included in the costs of the winding up.

Liquidity affects short-term rates

TIM MARSLAND (232)

SHORT-term interest rates hardened yesterday amid fears that liquidity would tighten further during the week, dealers said

The key 90-day liquid BA rate kicked up to 11,75% from 11,60% while the Reserve Bank indicated the money market's daily debt to the Bank at R5,287bn from R5,257bn

Dealers said investors were nervous due to the lack of liquidity and reports that the Bank was not prepared to step in to help the market

One dealer said corporate investors had moved away from the short end of the market and were borrowing paper with a maturity of more than one year

BDAY 9/3/93

The dealer said the only area of activity was in project construction finance Investors would probably stick to the sidelines until the Budget.

Another dealer said there was a lot of short-dated assets on offer He said the market was in for a rough ride over March, although some alleviation would be provided by about R1,3bn still to flow into the market in the form of drought relief.

Haggie MD critical of Board's merger ruling

232

By Stephen Cranston

Haggie MD Chris Murray has criticised the Competition Board for stopping the merger between Haggie subsidiary Copalcor and its competitor Non-Ferrous Metals

Murray argues in the Haggie annual report to December that a merger or some form of rationalisation of these businesses is a prerequisite to the local non-ferrous industry becoming globally competitive

He quotes the American economist Tom Hazlett who notes that in contrast to the US anti-trust policy, the European and Asian economic models are based more on issues concerning international competitiveness

Star 9/3/93

In many developing countries a high concentration in domestic markets is accepted, or even encouraged, to assist in garnering greater market overseas.

Competition Board chairman Pierre Brooks says that a merger might help Copalcor as a producer of basic products but would not necessarily help downstream fabricators

"The merger would create a monopoly, and we have received complaints from a number of Copalcor's customers This monopoly would enjoy tariff protection and it has the right to buy all scrap metals as long as it can offer to pay up to 15 percent less than exporters can fetch overseas"

He points out that competitiveness internationally is often achieved by exporting at a marginal price and charging a full price domestically

In the year to December, Copalcor's turnover was down by 10 percent and the operating margin slashed from 5,7 percent to 2,3 percent. This was largely caused by vigorous domestic competition

Murray says this trend should be reversed in 1993 as the division will benefit from a new copper casting facility, the upgrading of the continuous cast bronze plant and the rationalisation programme

In contrast, the steel wire and rope division increased its operating margin from 11,5 percent to 12,8 percent The operating profit improved by 13 percent even though turnover increased by just two percent

Productivity gains, increased exports and improved demand for mine winding ropes were the main factors which contributed to this good performance

The engineering consumables division was unable to improve turnover but it increased operating profit by 24 percent

Murray says the division has the potential to improve on this further and make a more meaningful contribution to the group's performance

Competition Board to probe Abacor, Ratplan

CT 19/3/93 (232) MEAT (183)

Own Correspondent

JOHANNESBURG — The Competition Board yesterday announced it would investigate whether state-run abattoir corporation Abacor was a monopoly

Board chairman Pierre Brooks said the investigation could be completed within two months — before Abacor's planned listing at the end of May

Brooks also confirmed that the controversial service station rationalisation plan (Ratplan) would be probed to determine whether it was in the public interest.

The Abacor investigation arose from a complaint by Pretoria-based Midnoord Verspreiders cc that Abacor unjustifiably refused to supply it with fat.

Abacor, which conducts 40% of SA's slaughterings, is due to be listed with its R200m net assets being offered for less than R70m

Meat producers will get 45% of the shares, the meat trade 30%, the public 20% and Abacor staff 5%

Brooks said his previous pronouncements on the Abacor privatisation — that it be split up — would not affect the investigation However, if the privatisation proceeded before the probe was completed, this would be taken into account

Abacor MD Frans van der Vyfer was not available for comment yesterday

Brooks said it was hoped that the Ratplan investigation could be completed in four to five months

The Ratplan, an agreement between government and the eight oil companies, restricts entry to the fuel retail market.

Brooks confirmed that the announcement followed a board report to Cabinet on the status of the Ratplan and its agreements

Public Enterprises Minister Dawie de Villiers had approved the probe.

Defaulting brokers' clients briefed

B/DAY 10/3/93. (232)

INVESTORS were yesterday briefed by the JSE on progress made in meeting their claims arising from recent stock-broker defaults.

Investors were informed by means of individual notices that in the case of the default of Andrew Forbes and Co the JSE paid "general" claims totalling R952 110 from its own funds.

"General claims are those which in terms of the JSE Guarantee Fund rules are reimbursable in full and relate to monies paid by a buyer or due to a seller in compliance with sections 22/27 of the Stock Exchanges Control Act.

"Following the decision by insurers not to progress with the original claim lodged by the JSE on behalf of investors having in the main 'limited' claims, (limited in terms of the Fund rules as to quantum), opinion has been obtained from senior counsel and a revised claim is being finalised by MIB, insurance brokers to the JSE," a statement said.

"This has proved to be an expensive, protracted and complicated task."

The JSE bore the costs of this

"The JSE and the advisers are doing their utmost to expedite completion and submission of the claim for R15 327 453 (including the amount of R952 110 already paid by the JSE). The resubmission of the claim by MIB is imminent."

Business Day Reporter

It said Volkskas Bank had released all client scrip valued at R1,3m pledged by Ben Janse van Rensburg & Co and the scrip had been returned to clients.

"Claims originally estimated to be R3,5m (including the R1,3m described above) have, based on returns from clients, proved to be less and the unsettled claims are now R406 354."

The bulk of these claims amounting to R393 558 were "general" and would be paid shortly. Claim forms would be sent to investors within the next week.

The JSE said it had paid general claims totalling R881 656 arising from the default of H G Crosby & Co. Clients' scrip to the value of R162 317 pledged to First National Bank had been released.

In terms of the JSE's Guarantee Fund rules the remaining limited claims could be paid only when the final liquidation and distribution account with the insolvent firm had been confirmed by the Master of the Supreme Court and when insurance proceeds had been received.

A claim for R2 829 513 (including the R881 656 paid by the JSE) has been lodged with the JSE's insurers

It said current indications were that no investors' claims would arise from the default of Kritzas & Co.

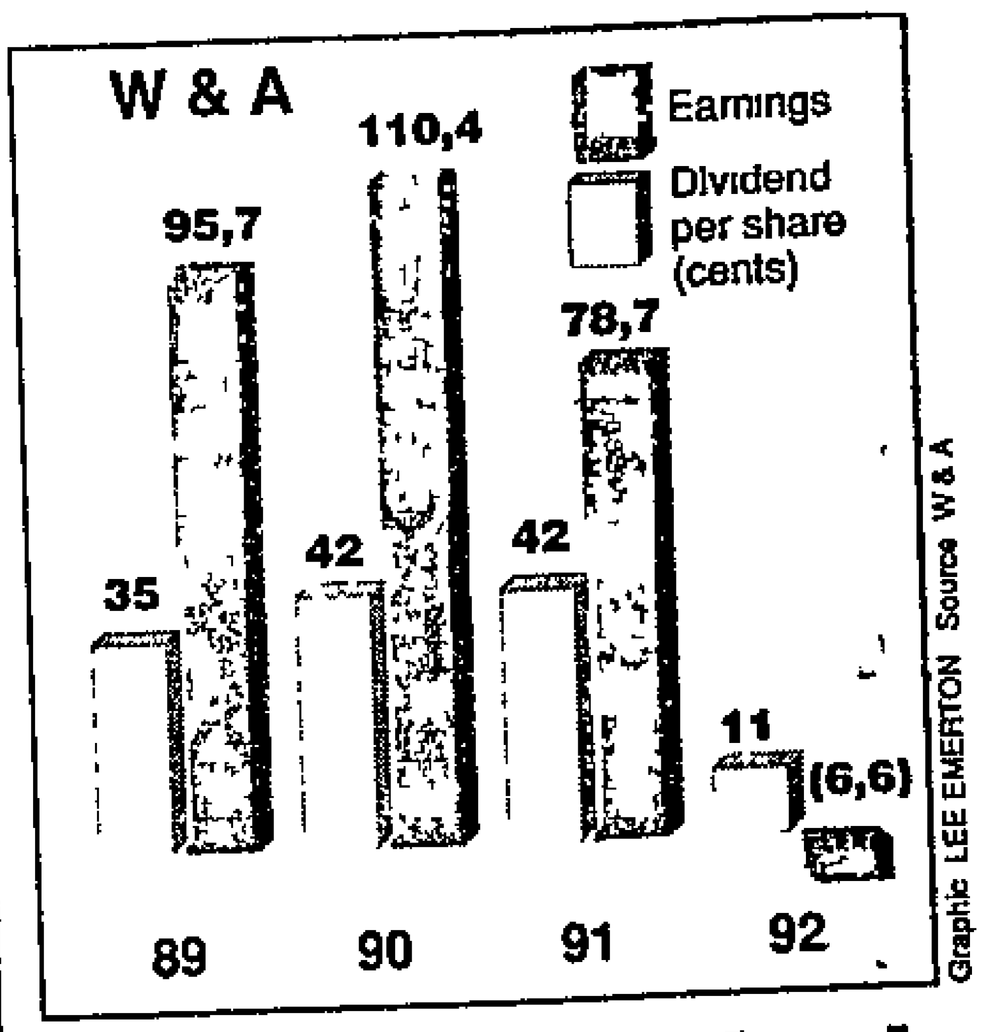
'Deregulation to cut prices'

232

WHITE women in the major metropolitan areas believe the greatest impact of the deregulation of the Banana and Meat Boards would be a reduction of prices.

A public opinion poll by Research Surveys in January this year asked 800 women what effect the scrapping of the two boards would have on prices CT 10/3/93

Fifty-four percent thought there would be lower prices if the Banana Board were scrapped and 49% if the Meat Board were abolished



New W & A criteria reflect R11m loss

MARCIA KLEIN 232

AFTER a revamp of its accounting criteria, W & A Investment Corporation yesterday announced an attributable loss of R11,5m in the year to end-December from a profit of R129m in the previous year

Executive chairman Jeff Liebesman said the loss was exacerbated by items included in the reassessment of accounting criteria and did not accurately reflect the group's performance over the year.

Results reflected mixed performances by its operating divisions, more conservative accounting policies and various write-offs and provisions.

The group announced it would raise about R650m in a rights offer, through the issue of ordinary shares at 175c a share, which would result in Trencor gaining joint control of the group.

The marginal decline in turnover to R3,19bn from R3,2bn and the 35% reduction in operating profit to R217,6m (R335,5m) was not strictly comparable with the previous year because of the sale of JD Group's debtors' book and the disposal of Burhose Liebesman said AAF, Gentyre's tyre division, Fabric Library, Form-Scaff/SGB, Housewares and the JD Group had performed well

The decline in operating profit was largely a result of more conservative accounting policies, rationalisation costs as-

□ To Page 2

W & A

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□ From Page 1

sociated with the acquisition of offshore scaffolding businesses, a decline in Natbolt's export sales, a reduction in the contribution of Gentyre's industrial products division and rationalisation that followed, and a decrease in corporate profits

Higher borrowings relating to capex on new plants and expansion were reflected in the 8% rise in the interest bill to R164,1m (R151,8m), which saw pre-tax profit decline to R53,5m from R183,7m

Liebesman said the group's stricter accounting approach mainly affected non-taxpaying companies, and a number of taxpaying businesses turned in strong performances This accounted for the rise in taxation to R6,7m from R3,6m

Earnings attributable to outside shareholders rose to R58,5m (R52,1m) because of an improved performance by JD Group and Housewares

W & A reported a loss of 6,6c (earnings of 78,7c) a share, and passed its final dividend

Extraordinary items of R218,5m related "to exceptional and non-recurring write-offs"

A *pro forma* balance sheet, reflecting the effect of the proposed rights issue, showed gearing would come down to 44,6% and total shareholders' interest would increase to R1,6bn from R975m

Liebesman said group recapitalisation and the continuing disposal of non-core assets would reduce gearing further in 1993 and provide a sound base for W & A

He said 1992 should be viewed as the year that W & A cleaned up, enabling management to focus on operating activities He expected the group to return to profitability and dividend payments in 1993

Bidvest details its plans for restructuring

(232)

MARCIA KLEIN

IN A major restructuring, Bidvest Group subsidiaries Afcom and Crown Food are to delist from the JSE and become wholly owned subsidiaries of Bidvest.

The group announced yesterday that after these transactions, Bidvest would embark on a R31m rights offer to reduce borrowings, and holding company Bid Corporation (Bidcorp) would hold a R14,3m rights offer to follow its rights.

The announcements followed a cautionary announcement issued jointly last week by Bidcorp, Bidvest, Afcom and Crown.

Chairman Brian Joffe said the deal would give Afcom and Crown minorities a chance to participate directly in Bidvest. He said growth opportunities in Bidvest were stronger than in its subsidiaries. The two listed companies were fairly small businesses with similar shareholders.

The group had had to decide how to develop and whether to sell businesses down to the listed companies or sell up to Bidvest. He said institutions had indicated that they would prefer to invest in the holding companies with a larger market capitalisation.

B/DAY 11/3/93

The decision to take out the minorities in Crown and Afcom would result in a more cohesive group, and would reduce the conflict of interests within the group's companies Catering interests, for example, were currently held in listed Crown as well as wholly owned Cater Plus.

The deal would give the holding companies access to cash flows in the subsidiary companies and would result in cost savings.

After the transaction, Bidvest would have a market capitalisation of R820m. This size would be attractive to institutions and would give the group the ability to make a major acquisition, Joffe said.

In terms of the proposed scheme, Afcom shareholders would be offered 3 92 Bidvest shares or debentures for every 100 shares held, or 265c a share Crown shareholders would be offered 2,5 Bidvest shares or debentures or 190c a share.

Joffe said it was expected that there would be a small acceptance of the cash alternative.

FNB's scrip poser

FM. 12/3/93

Why is First National Bank (FNB) sitting on about R6m of scrip which belongs, apparently, to the clients of defaulting broker Andrew Forbes? Because it was pledged, or so it seems, as collateral cover by Forbes for overdraft facilities provided by FNB

An angry Forbes client tells the *FM* that the broker lodged scrip held by it in safe custody with FNB to cover bank loans

"FNB accepted the scrip, clearly without ascertaining that title and right in the stock could, in fact, be passed by the broker Now the bank's holding on to the paper on the basis that possession is nine points of the law Meanwhile, innocent shareholders and users of the JSE are being unfairly prejudiced"

Pressed for comment, FNB CE Barry Swart says "This is a bit tricky and I'm afraid I really can't comment at this stage I hope you will understand."

The value of the scrip held by FNB at current market prices accounts for about 40% of the total claims of R15,3m against Forbes FNB's reluctance to part with the paper is curious in view of its earlier willingness to release scrip in relation to the default of broker Hilary Crosby

The *FM* understands the matter of right and title in the scrip lodged by Forbes with FNB is complex; it may appear straightforward, but legal sources say resolving it could take some time. JSE executive president Roy Andersen says: "The matter was satisfactorily resolved in the Crosby case and I hope the same can be achieved for the Forbes clients"

Meanwhile, the JSE reports that Volkskas has released all client scrip valued at R1,3m pledged by defaulting broker Ben Janse van Rensburg, which has been returned to clients Claims originally estimated to be around R3,5m turn out, on investigation, to be much less. Unsettled claims stand at R406 000. The bulk, about R394 000, will be settled within a few weeks

A claim for R2,8m has been lodged with the JSE's insurers in respect of the Hilary Crosby default That includes R882 000 already paid to clients by the JSE Indications are that no claims will arise out of the default of Kritzas & Co.

While the JSE is processing many claims arising from recent defaults, the largest — the Forbes debacle — remains substantially unresolved The argument about who holds title to scrip deposited with FNB has only just begun and the JSE's claim against its

FM 12/3/93 (232)

insurers, which has been rejected once, seems set to become protracted

Forbes clients would be unwise to expect a speedy resolution *David Gleason*

FOX FM 12/3/93. (232)

about his results "We did fine all the way round, especially in turnover, but our industrial products division proved the Achilles heel" Indeed, it did — and, as a result, an 8% increase in turnover slid into a whacking 29% decline in operating profit, to R37,7m

Rolfe says Gentyre's industrial products operations are being totally restructured That includes closing branches and introducing a new management team. If haemorrhaging in this area can be contained, there's every reason to accept Rolfe's view that Gentyre should be able to improve earnings this year

David Gleason & Louise Randell

W&A FM 12/3/93 232

Red ink from the white knight

The final dividend has been passed and there is blood all over W&A's 1992 accounts Not that this should have come as a surprise The *FM* warned the day of reckoning was at hand after interviewing chairman Jeff Liebesman and white knight Neil Jowell *(Leaders* February 12)

Jowell was specific "Substantial write-downs may result from (new accounting policies for) 1992" Liebesman concurred; he thought the changes would be spread across the accounts — and they have been.

The first startling fact is that the new accounting methods have produced a bottom-line loss of R11,5m Operating profit declined to R218m (1991 R335m) Though Liebesman says the 1991 figure included R31m from Burhose and corporate profits of R29m, the decline is substantial

Secondly, none of the huge interest bill of R164m has been capitalised, as some was in past years. The effect is that after-tax profit fell to R47m (R180m) and, after attributing R58m to outside shareholders, there is a loss equal to 6,6c/share

Thirdly, there is a below the line write-off of R218m in extraordinary items restraints of trade, goodwill, losses on the sale of shares and properties and provisions on discontinued operations

All this flows through to the balance sheet Total shareholders' interest is down R342m, much of it owing to another write-off of R156m in goodwill. That leaves, apparently, R321m goodwill still in the balance sheet Liebesman says this represents the difference between tangible assets and stock market valuations of the core listed subsidiaries

No investor can read these accounts without concluding that major changes to the style and conservatism of the underlying accounting policies have been applied But it was logical that new partner Trencor would insist on this and it is probably wise to take the punishment on the chin in one blow.

This leads, of course, to the forthcoming rights issue It is interesting that this has grown to R650m — previously it was supposed to raise about R500m Nearly all will be applied in retiring debt in W&A, mostly long-term loans, which should decline by R558m, and the balance in an R82m reduction in current liabilities — one reason for principal banker Absa to have expressed such unreserved approval of the new arrangement.

DIFFERENT ADDITION

Year to December 31	1991	1992
Turnover (Rm)	3 228	3 189
Operating income (Rm)	335	218
Attributable (Rm)	129	(12)
Earnings (c)	78,7	(6,6)
Dividends (c)	42	11

Liebesman *thought the changes would be spread across the accounts*

Broking analysts are uniform in approving of the new accounting policies. "This is exactly what we expected," says one. "It is a final indictment of the policies applied in the past" An early guess by an analyst is that W&A's indicated share price after the rights issue, for which the closing date is apparently April 30, is in the area of 190c.

Shareholders may take comfort from the knowledge that conservative and prudent accounting policies are now firmly in place.

David Gleason

W&A SUBSIDIARIES

A curate's egg

Predictably, 1992 results from a number of W&A group companies released this week are a curate's egg. Furniture retailer **JD Group** did surprisingly well, motor-related **Vektra** increased profits after a year of restructuring but its results are difficult to dissect and tyre manufacturer **Gentyre** was undermined by a poor performance from its industrial products division

It was a tough year, says JD Group (JD) chairman/CE David Sussman. The results are difficult to evaluate because of the introduction of a revolutionary method of funding the debtors' book Midway through 1991, a private company, JD Sales (Sales), owned by Nedcor, Absa and Standard, was formed to acquire the book at par, then about R600m Since then, through a complex method of monthly preference share dividend payments to JD, Sales finances the debtors' operation

The effect is to give the banks access to a good quality debtors' book, remove debtors altogether from JD and eliminate its gearing. Results for the first full year show that JD has swung its interest element by R20m — from paying R15,2m in 1991 to receiving R5,6m That permeated through to a bottom line which is 21% better than 1991's

As a consequence and in the absence of borrowings, JD's balance sheet is strong. NAV has improved 13% to 754c That compares with a share price of 525c and suggests investors should consider the stock seriously

The dust hasn't settled after last year's reshuffle at Vektra, which now has two operational subsidiaries listed **Varex** (formerly Eddies Stores), comprising non-franchised replacement parts businesses and unlisted motor dealer Venture Motor Holdings.

The structure of the balance sheet has been dramatically affected by the full consolidation of Varex: previously some Varex businesses were equity-accounted partnerships A write-off of R9,9m of goodwill reduced ordinary shareholders' funds by a sixth but permanent capital rose by a third Investments, mainly capitalised partnerships, fell from R34m to R1,5m after consolidation, helping to double current assets.

But this restructuring is opaque without divisional figures. Results include the businesses Vektra sold to Varex from March 1992. Varex's results cover a 10-month period so as to conform with Vektra's year-end seasonal trading differences make annualising Varex's results meaningless

Vektra's unaudited results reflect difficult trading conditions Operating margins fell from 5,2% to 4,9% on slightly lower turnover. But a big reduction in finance charges, thanks to efficiencies in working capital, lifted pre-tax profits by nearly a third and increased undiluted EPS by about 17%: diluted EPS rose by 5,5%.

Varex, the largest contributor to Vektra, performed satisfactorily, achieving operating margins of 9%, says chairman Alan Schlesinger Fierce competition and vehicle thefts are expected to stifle growth in the domestic market, but management is exploring alternative opportunities

Volume sales at Williams Hunt, Venture Motor Holdings' principal component, were deliberately reduced to improve the quality of turnover and limit exposure to vehicle repurchase undertakings Significant losses in 1991 have been turned into profits but no indication of the extent is given

It's hard to forecast 1993 results without divisional financial data Schlesinger believes Vektra can produce nominal growth, though market conditions remain tough

Gentyre chairman Terry Rolfe is rueful

JSE surveillance on full alert

GRETA STEYN

THE JSE's surveillance department has been placed on full alert for Monday's "triple witching hour" — the simultaneous expiry of equity futures, options and Elfi contracts

JSE president Roy Andersen said yesterday the JSE's surveillance department would pay close attention to activities on the floor as volumes were expected to increase sharply An important measure to ensure a smooth close-out was an increase in the number of price recorders chalking up prices, he said. Eight price recorders would be able to handle the heightened activity better than was the case last year.

It is understood futures market players requested the JSE to ensure there were no late trades included in the index, which determined the prices of derivatives Andersen said last year's complaints about the index not being finalised at 4pm — when the derivatives contracts expired — had reflected difficulty in coping with the big volume, but the increased number of price recorders would solve the problem

Dealers said there were fears of a repeat of last year's debacle The JSE's on-line index on Reuters had not been finalised by 4pm but kept being updated for the next half-hour, throwing the derivatives markets into disarray

JSE trade is expected to be dominated by the expiry of derivatives contracts, representing billions of rands in equity Players fear volatility in underlying stock as large derivatives holders might try to support their derivatives positions by activities in the physical market At previous close-outs, there were 50-point swings in the JSE index before and after close-outs

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Stock exchange braces for its 'witching hour'

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By Derek Tommey

The JSE is bracing for a hectic day's trading on Monday and a particularly frantic last 60 minutes as it experiences the South African version of the American "triple witching hour"

This happens when a number of derivatives such as futures contracts, which are linked to the movement of share indices, are closed out.

Fortunes running into millions of rands can depend on whether the indices rise or fall in the hour preceding the close

As a result, holders of futures contracts try to move the market and the share indices in their favour in this time — often giving rise to frenetic trading conditions

The JSE has had its triple witching hours before

But the one on Monday is expected to be something special because of the record amount of money involved

Trading in derivatives — based mainly on the overall share index — has taken off in the past 18 months because investors and financial traders have come to appreciate their uses

One result is that the amount of money involved in derivatives has risen enormously

Stuart Rees, chief executive of the South African Futures Exchange (Safex), estimates that R8 billion worth of derivatives could be closed off after Monday's witching hour

On this basis, a one-point movement in the overall index could result in an gain or loss of more than R1 million

It is clear that futures contract-holders, who obviously have tremendous resources, are likely in this situation to try and influence the overall index by buying or selling the shares that make up the index

However, Rees says that the two sides to the contracts are probably so well balanced that the ultimate effect of their efforts will be small

Nonetheless, he believes the small investor should keep clear of the JSE on Monday

One derivative that will attract a great deal of attention on Monday is Transnet's equity-linked fixed-interest security, Elfi 3, which was issued in March 1991 and will be closed out at 4 pm

More than R1 billion has been invested in Elfi 3 — half in a bull tranche and half in a bear tranche

Greater risk

Investors holding a bull tranche receive a rate of interest of 4,5 percent, while those with the bear tranche get 25 percent, which is designed to compensate them for the greater risk they are taking

Elfi 3 is also linked to the overall index and a one-point movement up in this index enriches the bulls by R147 000 and impoverishes the bears by a similar amount

A one-point movement downward has the reverse effect

Yesterday the bull tranche, which was issued at 98 percent, was standing at 117,6 percent

Holders of this tranche, therefore, are showing a 20 percent capital appreciation

The bear tranche was issued at 102 is now standing at 82,4, showing a loss of 19,2 percent

Holders of the bear tranche will not be too badly off because they will also receive the dividend of 50 percent (two years at 25 percent), which will help offset the capital loss

But they would have been better off if they had bought the bull tranche or invested in other fixed-interest stock

Andrew Norton, senior derivatives dealer at brokers Simpson McKie, believes there will be a significant push by Elfi 3 bull tranche-holders to get the overall index up on Monday

● The JSE says it will step up its surveillance of closing trades on Monday

Last year seven senior brokers supervised the chalk traders in the last 15 minutes of trading, but there have been complaints that this was not adequate

Looking back on privatisation

FM 12/3/93

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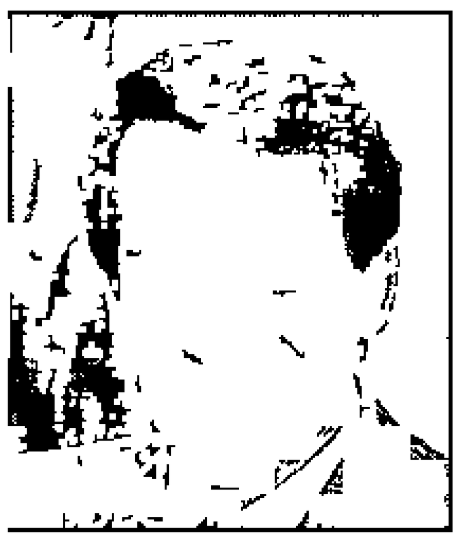

Pieter van Huyssteen headed government's Privatisation Unit for five years. Last month, he left to join accountants Price Waterhouse Meyernel as CE, corporate finance

***FM:* There's been only one privatisation — National Sorghum Breweries — since the ANC was unbanned. With the ANC's vociferous opposition, is government still committed to privatisation?**

Van Huyssteen: Government's policy to commercialise and restructure public enterprises is still very much on track Once the commercial viability of an entity is established and a competitive market exists, government will privatise Public Enterprises Minister Dawie de Villiers's statement last month that the privatisation of Abacor would continue confirms this De Villiers also said the domestic operations of SA Airways could be privatised soon

There have been delays in the process, however, since P W Botha committed government to privatisation in 1988.

Yes The single biggest problem is that most State enterprises have never operated as commercial organisations, so it's been very difficult determining profitability In most instances they have rendered services almost regardless of cost because the taxpayer inevitably foots the bill or because they were able to finance themselves through government-guaranteed loans

Thus, these State enterprises had to be restructured to operate on a commercial basis first before a decision to privatise could be taken Still, one has to remember that British Airways was only fully commercialised seven years after Margaret Thatcher announced the British government's plans to do so

What are some of the other problems you have encountered?

At a time of political transition we have had to take cognisance of a host of political groups claiming a variety of interests But we have always stressed that privatisation is a policy with an economic objective rather than a political one Given the poor economic climate, economic considerations have to outweigh political objections

Another problem is high unemployment Government doesn't want to be accused of paving the way for retrenchments in an irresponsible manner

The bureaucratic thinking in management has also hindered reform But one can't blame management and staff for taking time to adapt to new policies They've always been part of a central State system that has shown little respect for cost or for using return on capital as a yardstick for performance

Are the large pension fund deficits a major hurdle in transforming State enterprises into viable commercial entities?

Certainly the size of the pension deficit affects the enterprise's ability to make profits The problem, however, is an historic one, caused by over-staffing, super-attractive benefits and large numbers of non-contributing pensioners

Changing the funds' investment policies to yield better returns will improve the situation In the past, pension funds have had no investment freedom — government limited investments to prescribed stock that yielded low returns

What have been the successes of commercialisation over the past five years?

Splitting up the old Post Office into Telkom and the new Post Office has made profits and losses visible — a major achievement Customer orientation has become a priority for all commercialised ventures For example, seeing Telkom's MD make a public confession on television is a consumer first for SA But we need another few years to reap the benefits of competition, especially with regard to tariffs

The commercialisation process has enabled Transnet to take on private-sector partners, thereby improving its use of assets — for example, in Cape Town's waterfront development

The commercialisation of Safcor (SA's forestry corporation) and Denel (spun off from Armscor) has also been successful

But some say privatising Armscor's divisions would have been more successful than hiving them off into the commercialised Denel.

I believe that opting for the commercialisation route first was the better choice But government and Denel should consider the advantages of joint ventures with the private sector and sell off assets where possible

However, government must ensure that State assets don't merely become huge private monopolies when the intention was to create greater competition

Has privatisation been successful?

The privatisation of Iscor was very successful in terms of government's objective at the time, to sell off 100% of the assets and optimise the proceeds for socio-economic infrastructure projects It's a pity the world steel market collapsed, with severe adverse effects on Iscor's share price

The privatisation of National Sorghum Breweries, which was accomplished by the private sale of the company to its consumers, employees and distributers (there was no listing), proved that each case should be evaluated on its own merits

Privatising Abacor has been more difficult because the corporation has operated in an over-regulated environment that first needed to be deregulated to maximise competition

Why the move to the private sector?

I believe that SA's economic recovery is largely dependent on the ability of the corporate world to restructure itself to operate in deregulated and competitive markets, both locally and internationally

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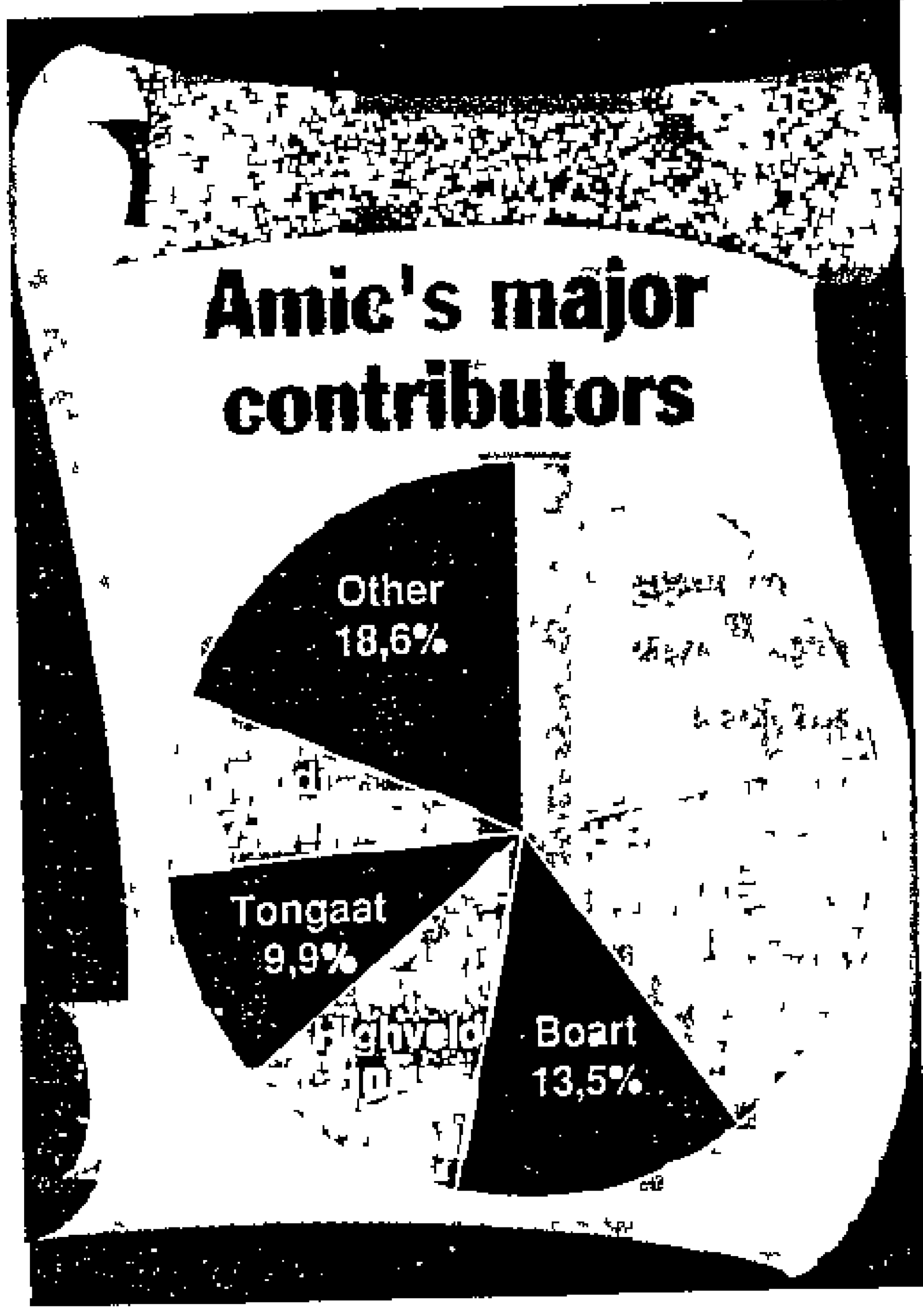
AMIC FM 12/3/93 232

Reviewing the structure



By and large, 1992 was a rotten year for most SA companies and results from industrial giant Amic fully reflect this Turnover improved marginally, but the real pain was felt in attributable earnings, which fell 12% to R352m.

The directors clearly believe, perhaps rather bravely, that the worst is over They announced an unchanged final dividend at the expense of cover which falls to 1,8 times Fairly predictably, chairman Leslie Boyd says he is happy with that level, though I would offer no odds that he will move it back above 2 as swiftly as prudence dictates

Amic derives its considerable revenue from six main sources, which together contributed 81% of equity earnings in 1992 (see graph) Of these, the most important remains Scaw, again Amic's largest single contributor, with earnings of R76,5m AECI turned in a modest performance, but Boart International rather remarkably maintained earnings at R48m, despite declines in most of the markets it serves A particularly unhappy result came from Mondi, which more than halved its earnings to R51m Against the trend, Tongaat managed a small increase (5%) in earnings, more than offset by a decline of 20% in Highveld's performance

Against that sombre background, Boyd — recently appointed to succeed the illustrious Graham Boustred — says he has been reviewing Amic's structure and its business That is, of course, a normal event in the life of any enterprise The surprising part of his statement, however, comes in a rare admission for an Anglo executive director "The first objective," says Boyd, "is to make the group more financially efficient" It is a sentence loaded with meaning

He intends to accomplish this by divisionalising some or all of Amic's wholly owned subsidiaries, rationalising and consolidating industrial interests held jointly with Anglo and, finally, by reducing the effect of the commodity cycle on the group

What does "divisionalising" mean? Boyd managed to be abrupt and forthright at a press conference without answering the question It is possible to contemplate Boart, wholly owned, becoming a division of Amic But the benefits that action might bestow are unclear Would it give untold tax advantages or would it make it easier for Amic to raise cash for Boart's capital programmes?

Boyd says Amic is a company with nothing in it Divisionalising wholly owned subsidiaries will give it more substance, that will make it easier to raise money successfully

The rationalisation programme is plain enough It makes little sense for the greater Anglo group's holdings in, say, LTA, to be divided between Boart and Anglo American Putting the two together will give Amic a 72% holding in the construction company, which will thus become an important subsidiary Whether it will then operate any better is another matter

Reducing Amic's exposure to the commodity cycle is understandable Boyd says the moves to merge McCarthy with Prefcor and Highveld's Rheem can plant are examples of this business philosophy

These plans are all well and good, shareholders will be more intent on ascertaining whether the successive years of falling earnings — there have been three so far — have ended Boyd says they have In quaint language designed to avoid any suggestion of a commitment, Boyd's prediction for 1993 is that "Amic's earnings will at least equal those of 1992"

He will earn some faint applause if he is right

David Gleason

FM 12/3/93 (232)

CIB FM 12/3/93 (232)

For whom the bell tolls

The mystery over the SA Rail Commuter Corp's lost millions, in the liquidated Cape Investment Bank (CIB), deepens It has now emerged that the appointment of retired Transvaal Judge John Trengove, as arbitrator, was overruled by Cabinet in favour of former Chief Justice Pierre Rabie, who found in favour of the Reserve Bank This apparently followed high level Cabinet intervention in a secret arbitration between the corporation and the Bank.

The question of the corporation's R249m investment in CIB surfaced again last week during a snap debate in parliament Opposition spokesmen all called for the resignation of former Transport Minister George Bartlett, following a R100m loss by the corporation after the liquidation of CIB on April 11 1991 On December 18 1990, Prima Bank, in a Bank-inspired takeover, took control of CIB

The secret arbitration, on which the *FM* was first to report (*Current Affairs* September 13 1991), followed a settlement proposal by former Judge Oscar Galgut, during a S417 liquidation application in Cape Town. Judge Galgut called attorneys representing the Bank and the corporation together and suggested that the parties settle on a 80/20 basis, with the Bank taking the 80% loss and the corporation a 20% loss

After Judge Galgut's proposal, all parties, including former corporation MD Kobus Nel and attorneys Antonie Gildenhuys and Alec Brooks (of Hofmeyr Van der Merwe) returned to Johannesburg to discuss the settlement At that stage, then corporation chairman, Bart Grové, who has since been fired over the debacle by Transport and Posts & Telecommunications Minister Piet Welgemoed, had been in touch with Bank Governor Chris Stals to discuss the matter

According to *FM* sources in the corporation, a meeting was held at Stals's office in about September 1991 to discuss Judge Galgut's settlement proposals The meeting was attended by former Finance Minister Barend du Plessis, his Cabinet colleague Welgemoed, Nel and Grové, accompanied by Gildenhuys, and Registrar of Deposit-Taking Institutions' Hennie van Greuning Justice Minister Kobie Coetsee was also present at the meeting

The *FM* has also learnt that the meeting took place, in what has been described as "unpleasant circumstances" According to *FM* sources, it was clear that Galgut's settlement proposals would not be acceptable to Cabinet To those present it was also clear that Du Plessis held Grové responsible for the corporation's losses This, according to the *FM's* sources, was not disputed by Welgemoed.

Why Coetsee was present at the meeting is unclear However, in 1991 highly confidential documents were sent to the Justice Department to explain why a R25m claim by the Bank, against CIB, had twice been denied by the Master of the Cape Supreme Court The documents were for the attention of Justice Department Director-General Jasper Noeth, after he had intervened in the matter

As a result of the meeting in Stals's office and, it seems, through direct Cabinet intervention, it was decided that the settlement proposals would not be accepted Parties then agreed to resort to arbitration

According to *FM* sources, attorneys for both parties, Roodt & Wessels representing the Bank and Hofmeyr Van der Merwe the corporation, agreed to ask Judge Trengove to chair the arbitration proceedings Judge Trengove was contacted by attorney Louis Wessels and two dates were put to him, which, according to *FM* sources, suited him

However, at a later stage, Wessels again called Judge Trengove and informed him that they (the parties) had made other arrangements At that stage, the *FM* was told, Cabinet had opted for former Chief Justice Rabie to act as arbitrator

In his findings, Judge Rabie said the Bank never had any intention of entering into a loan agreement with CIB, despite having placed a R300m deposit with the bank The deposit, said the Judge, was nothing more than a "simulated transaction" which, in the evidence of Stals, was described as merely being "an instrument" to transfer R15,37m (in interests) to CIB.

Judge Rabie's finding was criticised by the corporation's legal team which — in correspondence — claimed that the arbitrator had not dealt with the numerous legal arguments which had been raised during arbitration As a result of Judge Rabie's finding the corporation dropped three other claims against the Bank

Earlier it had been suggested that the Bank had persuaded corporation GM Willem Louw to roll over R103m which was due to have been paid out earlier to the corporation Two days later, on March 30, the Bank withdrew its R300m deposit This was four days before Prima Bank MD, the late Johan Bellingan, had agreed to take over the corporation's R103m debt into Prima's books

During last week's parliamentary debate, Welgemoed said Bank officials claim they had never requested the corporation to roll over its payment "There has been no finality (uitsluitsel) over these differences of opinion"

However, in evidence during the liquidation application of CIB, deputy Registrar of Deposit-Taking Institutions, Christo Wiese, testified that the Bank's Carel Oosthuizen, had persuaded Louw to roll over the R103m

In a conversation between Louw and Oosthuizen on March 28 1991, Louw asked Oosthuizen "How should we handle the things (die goed) which expire today? Do we have to extend (verleng) it?"

Oosthuizen replied: "Yes" He then added. "I think that at this stage we have to roll it over on a day-to-day basis, unless you have prescriptions which indicate that it should be rolled over on a monthly or three-month basis"

Later, in a sworn statement, a copy of which is in the possession of the *FM*, Louw said that, during a Burgerspark Hotel breakfast meeting with Van Greuning and Oosthuizen in December 1990, Van Greuning had allegedly told him "Do not withdraw your money now because there is an amalgamation with CIB and the announcement will follow in the press" Louw said that Van Greuning had also told him that the corporation would be informed on a regular basis of developments

Finally, Van Greuning said "In the light of the information which I have given to you the corporation will not suffer any losses," alleged Louw in his statement *Eddie Botha*

Concern over Russia buoys platinum price

BDAY 12/3/93.

MATTHEW CURTIN

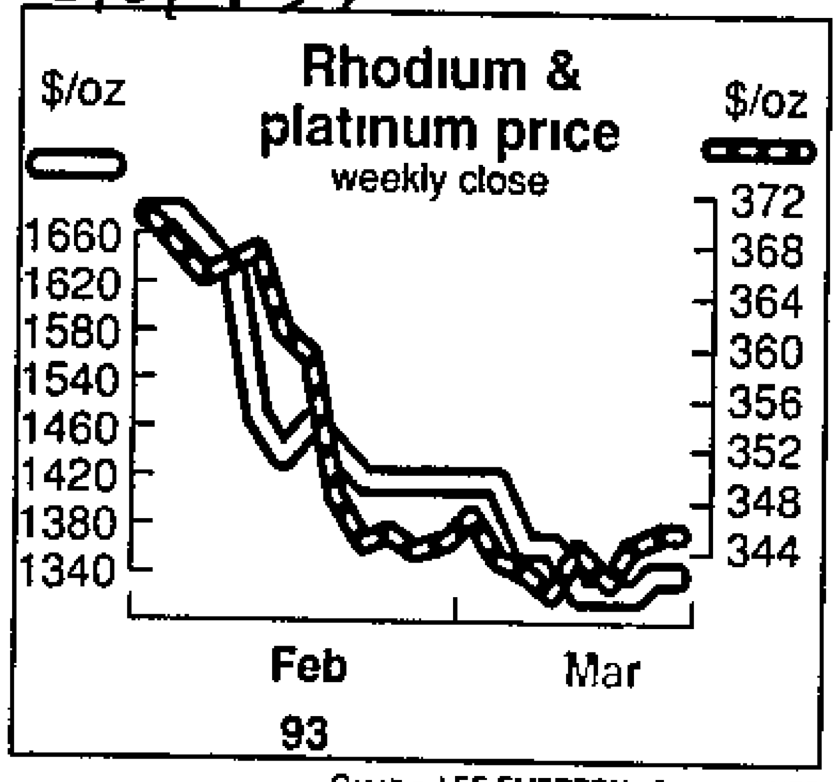
THE upward movement in platinum prices gathered momentum yesterday as the metal touched $350/oz after having fallen to $340 only a matter of days ago

Platinum was fixed in London yesterday afternoon at $350,50 against a morning mark of $348,95, nearly $4 up from $345 on Wednesday

Reuter reports that the stronger dollar boosted precious metal markets with platinum and palladium prices lifted by concern that the state of the Russian economy could affect Russian metal supplies Palladium was fixed at $107 ($103,75) an ounce

The higher prices carried JSE platinum shares higher with the index rising 49 points to 3874 Potgietersrust Platinums, JCI's developing platinum mine expected to be a low-cost open-cast producer, put on 50c to 950c to record the largest gain

Prices for rhodium steadied above the $1 300 an ounce mark, quoted in Zurich in a $1 300 to $1 450 trading range. Rhodium is primarily consumed by the motor industry for use in catalytic convertors, unlike platinum and palladium for which there is wider industrial and investment demand The metal is usually sold by contract with little spot trade, unlike other precious metals



Graphic LEE EMERTON Source I NET

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Reuter reports the Mineral and Energy Affairs department said estimated figures for the country's platinum group metal reserves in the Bushveld complex, the platinum-bearing geological formation northwest of the PWV, had nearly doubled to 58 900 tons after a change in the way resource figures were calculated The new estimate implied SA held about 88% of world platinum group metal reserves

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The Minerals Bureau said "Thanks to greatly improved mining methods and refigeration technology it is now possible to exploit economically platinum group metal-bearing ore bodies of the Bushveld complex at far greater depths"

Economists see cautious JSE trend

(232) LINDA ENSOR

CAPE TOWN — A cautious approach would have to be adopted towards the stock market this year, Boland Bank economists said in the bank's latest Economic Review

Basing their comments on the view that the overpriced US stock market was due for a correction, they said this would have an adverse effect on sentiment on the JSE

Prospects for economic and corporate profit growth remained limited and investors would remain cautious about the political situation

However, they foresaw a re-evaluation of gold shares on the back of improvements in the rand gold price and increases in the average profitability of the gold mining industry Gold share prices had since November attracted strong foreign investor interest. Prospects for a further rise in the rand gold price were looking good, the economists said

The rand gold price reached an 18-month high of R1 030 in 1993 due to sharp depreciation in the exchange value of the rand relative to the US dollar Indications were that the dollar would remain relatively firm as interest rates came under upward pressure from a revival in the US economy BIDAY 12/3/93

The economists calculated that a dollar gold price in the region of $340 to $350 per ounce might result in a further rise of up to 20% in the price of gold shares "Provided that the world economy meets general expectations and begins to pick up by the second half of 1993, the dollar price of gold could also show an improvement as a result of a stronger demand for jewellery" 12/3/93.

Liquidations 'to peak this year'

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BDAY 15/3/93

MARCIA KLEIN

THE number of liquidations of companies and close corporations was likely to peak during 1993 as more and more companies found it impossible to continue trading through the prolonged recession.

Various credit rating experts said some medium- to large-sized businesses, including some listed companies, were at risk of liquidation during the coming year

They said the relationship between company failures and interest rates seemed to indicate that the level of liquidations would begin to come down towards the end of the year as interest rates continued their downward trend

But Kreditinform MD Ivor Jones said what was of more concern was that larger-sized companies were showing more risk of failure This meant that even if the actual number of liquidated companies declined, the effect of the liquidations on the economy would be more severe than in previous years

He said the percentage of JSE-listed companies which Kreditinform rated as at risk had increased to 10% in 1991 from 7% in 1989

Recent Central Statistical Service figures showed 2 408 companies and close corporations were finally liquidated in 1992, an increase of 28% over 1991. In January, 218 companies and close corporations were finally liquidated, an increase of 28% over 1991. This level of liquidations was expected to climb during 1993

Figures also showed that 23,7% more insolvencies of private persons, individuals and partnerships were recorded in 1992 than in 1991

A total of 5 018 insolvencies represented a 23,7% increase over the previous year

The average of 418 insolvencies a month was 16,4% higher than the previous highest average recorded, which was 359 in 1986

Credit Guarantee economist Luke Doig said "Our evidence tends to suggest that medium-sized businesses are starting to feel the pinch"

The construction industry was particularly vulnerable, largely because it was both labour and capital intensive The manufacturing industry was also under pressure due to depressed demand and lower retail sales, he said

Garth Foot, who is manager of the insolvency division of Syfrets Transvaal, said statistically insolvencies followed a seven-year cycle. In addition, the peak in insolvencies traditionally followed two years after a peak in interest rates Statistically, 1993 would be a year in which insolvencies and liquidations peaked.

Foot said the cause of most insolvencies was management. Owners of smaller companies were more able to control their businesses. Larger companies were able to employ the financial expertise necessary to manage the business. The medium-sized businesses were generally more vulnerable to failure

Big Four still weaving complex web of control

(232)

The recurring debate about the concentration of economic power in the hands of giant corporations will be stirred afresh by the latest edition of *Who Owns Whom* on the Johannesburg Stock Exchange, reports MICHAEL CHESTER

NEW profiles of the titans of high finance in the South African business world show that four mega-empires still command ultimate control over 78 percent of the R500 billion economic clout of the Johannesburg Stock Exchange

The massive and complex network of control held by the quartet of giant conglomerates is laid out in detail in the new 1993 edition of the *Who Owns Whom* annual analysis of investment patterns

Author Robin McGregor explains that assessment of control is based on the size of share portfolios in individual companies — not necessarily complete ownership, but investment stakes big enough to influence any final word about corporate affairs.

A first move is to ascertain what insiders call the market capitalisation of the JSE — in short the overall value of all the shares as quoted in current deals That, on JSE statistics amounted to no less than R501 324 million at the end of last year

McGregor sets out every year to track down not only the majority stakeholders in each of the hundreds of listed companies but also precisely who holds control of them when it comes to boardroom decisions

A 1993 count shows the four titans of the SA business world between them hold the reins on 78,1 percent of the huge market capitalisation total — or R391 billion

According to the survey, the Anglo American Corporation, the vast mining and industrial conglomerate created by the Oppenheimers, still commands the largest empire

On McGregor calculations, though its share of the total had toppled from a peak of 60 percent in 1987 — largely as a result of the collapse of world gold prices and the slide of De Beers diamond shares — a current slice of 33,7 percent of overall control still assured Anglo American of the No 1 slot.

Sanlam whose interests spread from insurance to the multiple tentacles of Gencor is placed at No 2 with 15,6 percent.

Rembrandt, the tobacco and liquor multinational now credited with ultimate control of both Amalgamated Banks of South Africa (Absa) and Goldfields SA, comes in third with 14,6 percent.

SA Mutual — running neck-to-neck with Sanlam in the insurance sector but also now counting the Barlow Rand industrial giant in its fold — has increased its share of control to 14,2 percent.

McGregor extends the list to discover that the Top Ten companies in the share portfolio league now control as much as 96,2 percent of total JSE market capitalisation

The batting order brings in companies under the control of their own directors, the Liberty group under Donald Gordon, Anglovaal, corporations under State control, Pepkor, Ventron and the F S Group

The exhaustive analysis goes as far as probing the ownership of about 25 000 companies either with their own JSE listing or else the subsidiaries or associates of bigger corporations

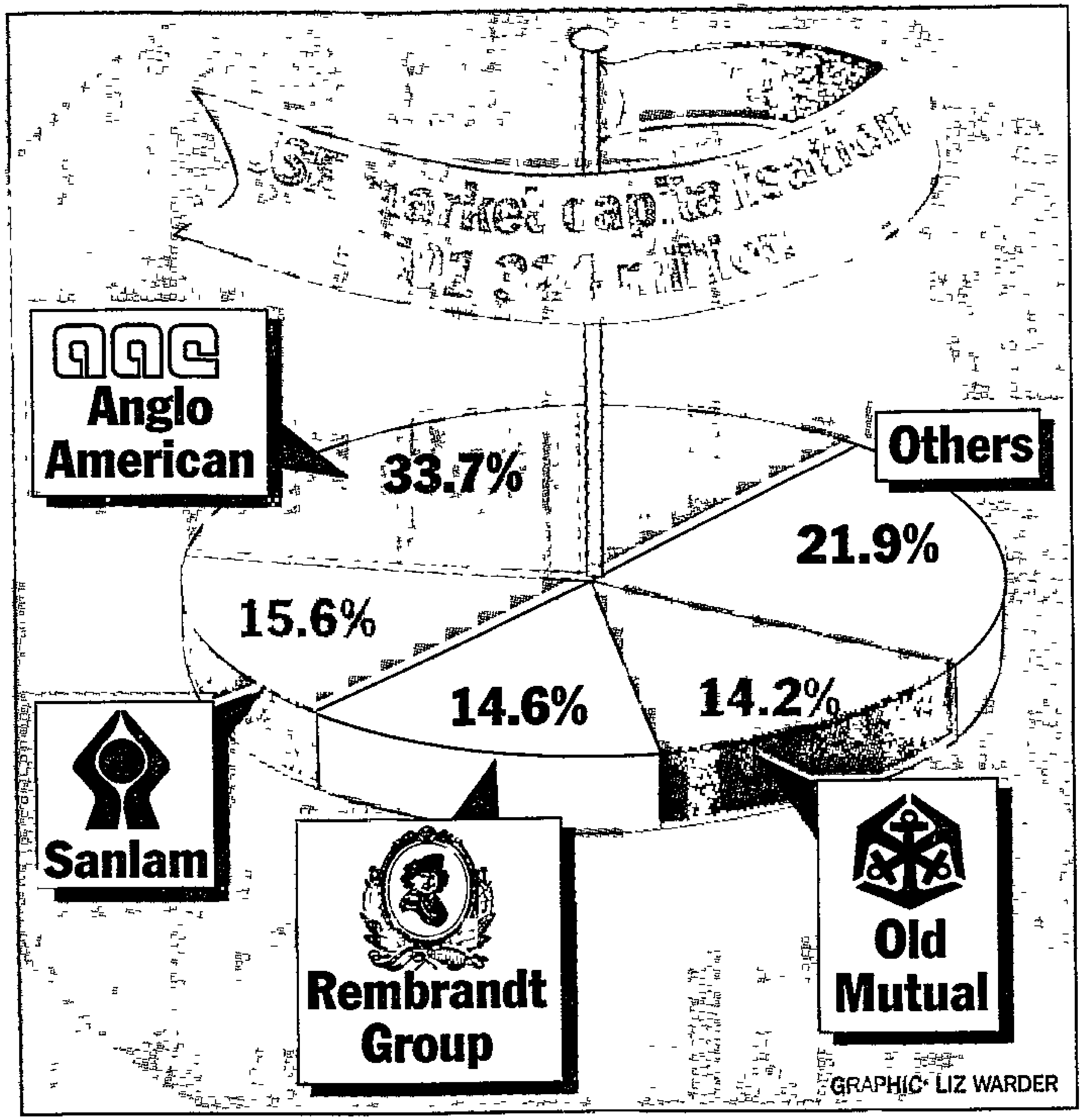
That goes hand in hand with a two-year record of all shareholders with stakes of more than 1 percent in listed ordinary shares.

Nor does McGregor end at that. He also peels away the layers of mystery about the silent movement of shares into a proliferation of ubiquitous nominee companies that normally draw a curtain around themselves

He rounds off the exercise with an examination of the number of multi-directorships held by several of the high flyers in the business world

Here one discovers that the top of the league-table is shared by Anglo American colleagues Clem Sunter and Michael King, who each sit on the board of directors of as many as 24 companies

Meyer Khan of SA Breweries and Warren Clewlow of Barlow Rand come in as joint runners-up with 18 directorships each.



GRAPHIC: LIZ WARDER

Basil Hersov and Clive Menell, who between them hold the helm at Anglovaal, each sit at 17 different boardroom tables.

The detailed charts that draw the web of shareholdings in the portfolios held by the stock market giants — such as Anglo American, Rembrandt, Old Mutual, Sanlam, Liberty and Anglovaal — form a treasure trove of information for observers following the complex unbundling exercises that several of them have started.

More than that, the new *Who Owns Whom* should also prove invaluable as a factual reference as the political debate hots up about the pros and cons of arguments about anti-trust legislation and the extraordinary concentration of economic power in South Africa

Not forgotten, though, are the thousands of small investors who have poured savings into unit trusts The performance of all the trusts as measured by the University of Pretoria, is set out for comparisons.

McGregor has now extended the exercise to bring in explanations of who's who in the stock exchanges operated in neighbouring Zimbabwe, Botswana and Nambia — which adds another 76 listed companies and almost 1 000 subsidiaries

The new 1 085-page *Who Owns Whom*, published by Juta, is priced at R349 □

MONEY MARKETS by Tim Marsland

Liquidity expected to ease over rest of month

BFOM 15/3/93 232

THE money market seems to be over the worst of its liquidity problems for now

Friday's shortage at the window dropped to R4,159bn Seen against the recent record high of R5,287bn, it is far more palatable, although still some way off the R3,5bn it has averaged over recent months.

Banks have been using bankers acceptances at the window, which has been costly, so treasurers will be relieved when it's back to using Treasury bills and the like

Liquidity will continue to ease for the rest of the month. Government is expected to spend about R4bn this month, which will come out of its account at the Bank.

Short-dated rates have yet to match earlier levels, something the central Bank may be not too upset about

It may feel that rates were perhaps too low anyway, so it would like to see them hover around these levels for a while Treasury bills are now near the levels set in November, which the Bank might be more comfortable with.

The market overreacted in January when some players took rumours of a two percentage point reduction in Bank rate as fact In the end, the Bank rate was cut to 13%, so yields of above 12% in the money market are more acceptable

It has taken the market a while to drift back into line with reality

Nervousness surrounding the liquidity has seen corporate borrowers switching away from the overnight market into the three-month and one-year area

On the capital market, players have been jobbing away their days over the past few weeks. This will change on Wednesday when the Budget is unveiled

There are likely to be hushed silences when it comes to the deficit — the storm will probably follow afterwards A light shower at first, with the real thunder on Thursday and Friday once the Budget has been digested Brollies are recommended

Deficit predictions range from R22bn to R28bn It would be wiser — no matter what the official deficit — to tread cautiously.

Government's crystal ball is notoriously badly tuned when it comes to deficits.

An interesting feature on the market this week was the tiny parcels of municipal bonds that have changed hands on the JSE floor. These seldom trade, so it seems someone has taken advantage of the lull to engage in portfolio switching

Secret probe ordered into Tollgate and subsidiaries

BD/2/M/15/3/93 (232)

LINDA ENSOR

CAPE TOWN — A secret commission of inquiry into the affairs of the liquidated Tollgate Holdings group and its subsidiaries is to take place in terms of Section 417 of the Companies Act following an order handed down in the Cape Town Supreme Court on Friday

The order was granted by Judge H L Berman after an application brought by Tollgate liquidators Bessie Bester and Tjaart du Plessis Bertrand Hoberman SC was appointed commissioner of the inquiry In terms of the Companies Act, its proceedings and findings are confidential

Meanwhile, an application for the provisional liquidation of the Paarl wine estate, Rheboksloof, owned by a family trust set up by former Tollgate director and current Motor Racing Enterprises (MRE) MD Mervyn Key was postponed to March 24 in the Cape Town Supreme Court on Friday

Key indirectly controlled a major share of the family trust, the court heard Rheboksloof's assets were said to include an historic Cape Dutch homestead, winery, two restaurants and winery and were worth about R10m, court papers said.

Absa brought the urgent application on the basis of alleged debts of about R20,6m, including an overdraft of more than R3,5m, a further R16m owed in terms of a preferential share option agreement entered into between Absa, Rheboksloof sister company Parmalat Investments and Rheboksloof, and a R1,1m guarantee for Parmalat

Key's purchase of MRE from Tollgate Holdings for R6,63m last year is under scrutiny Last week the Rand Supreme Court placed the financial affairs of MRE under control of Tollgate liquidators after they claimed that Tollgate had sold the company at below market value

Absa corporate banking manager Johan Steyn claimed in papers that Absa, Parmalat and Genref had entered into an agreement in August 1992 in terms of which Genref bought a Parmalat preference share worth R15m from Absa The agreement stated that Absa would have to buy back the share if Parmalat failed to declare a dividend, or pay Genref its share of the dividend, by February 26 this year

No dividend was paid or declared and Absa was forced to buy the preference share from Genref for R15m plus R1m in interest Absa had a separate counter put option with Rheboksloof, obliging the company to buy the share from it if it had to buy it from Genref

Steyn said Rheboksloof had failed to buy the share when Absa had called upon it to do so

Many have no access to safe water

MARIANNE MERTEN

ONE in three SA residents did not have access to safe water while almost half lacked adequate sanitation, the Water Research Commission said in a statement at the weekend

Commission research manager Charles Chapman said the biggest problem was informal settlements

Not only were inhabitants in areas without safe water at risk of contracting diseases, but other communities were also threatened during periods of good rain as pollution was likely to spread to rivers and other water sources

The commission had started examining the possibility of making appropriate technology available to affected communities and to involve them in water and sanitation management, a statement said

Alternative means of financing sanitation and water supplies, such as the use of prepaid water metres developed by the commission and Eskom, would also be examined

An Eskom spokesman said although the installation of prepaid water meters was technologically simple, municipalities shied away from the legal implications

The project had had to be put on the backburner because water, unlike electricity, was considered a basic human right of which nobody should be deprived, he said

Education for correct water usage was essential because SA's limited water resources would be exhausted between the years 2020 and 2030

W & A rights issue finds some favour

Star 16/3/93 (232)

By Stephen Cranston

The market has generally reacted favourably to the announcement of the W&A R650 million rights issue, even though the euphoria of the alliance with Trencor has worn off and the share price has fallen from 350c to 210c

The main attraction of the issue is the price of 175c, which even Martin & Co, which has not been favourable to W&A recently, describes as "an interesting speculative buy"

Dilution

This puts W&A on a prospective P/E ratio of eight times, and is at a discount to the 210c diluted net asset value

Although there will be a dilution of three times in the number of permanent equity instruments, the main feature of the issue is that it will bring debt down from R1,37 billion to R720 million, and gearing of well over 100 percent down to 44,6 percent

But Ed Hern, Rudolph analyst Syd Vianello says that W&A will have had to service the higher borrowings for the first four months of the financial year.

W&A might incur a further loss after the payment of interest on convertible debentures and dividends will be stingy so as to conserve cash, he says

Although W&A's loss of R11,5 million for the year to December did not exactly impress the market, W&A was given credit for the use of more conservative accounting principles, which led to R218,5 million of exceptional write-offs and provisions

There is some concern, however, that as with Rusfurn this could only be the first of several asset write-downs.

Moreover, W&A still carries R321,3 million of goodwill which it defines as the market value of its assets less their carrying value, which is an unusual definition, at best

Without this goodwill, gearing increases to 56 percent

Much of the credibility of the Trencor management team is at stake and it is widely assumed that the present W&A management, although nominally in joint control, will take a back seat, and that Trencor's Ray Hasson is effectively the chief executive.

At the very least, Trencor's expertise on transport will help W&A.

The JD Group has 1 000 trucks and coal distributor MacPhail also has a considerable fleet Trencor is a successful exporter of truck containers and will be able to apply its experience to W&A's product range

Management

Until now W&A has been considered to be weaker than the sum of its parts.

In the short term, W&A has been able to turn around businesses and motivate management.

But because of the debt at the centre, W&A has not had the money to support the capital expenditure wanted by its subsidiaries when they need to grow

Even after the rights issue W&A is not out of the woods

It will need to make a priority of reducing gearing further by asset sales.

Record futures close-out 'was a damp squib'

MERVYN HARRIS and TIM MARSLAND 232

THE close-out of March futures contracts worth a record R2bn saw a spurt of activity in the last 10 minutes of trading on the JSE yesterday as portfolio managers sought to maximise profits before the final bell. BDay 16/3/93.

The late burst of activity came after an otherwise uneventful session which saw an orderly close-out, but some dealers regarded the biggest local close-out yet seen as a "damp squib".

National Futures and Options MD Brett Stacey said "The close-out was done without too much manipulation of share prices which shows that the interaction between the futures and spot market has matured.

"People in the futures market can be confident of the way it went without getting hurt at the end of the day. Volumes were buoyant and it was good to see the way the two markets feed off each other," he added.

On the SA Futures Exchange, about 43 000 futures and options contracts changed hands yesterday, compared with an average of about 15 000 a day. Much of the volume was the result of options being exercised

SA Futures Exchange assistant GM Patrick Burley said surveillance on the JSE floor ensured that proceedings had been orderly and well managed.

Late buying of golds lifted the JSE all gold index from nine points shortly before the close to finish 15 points higher at 1 053. But most of the action was on the industrial board

Portfolio managers took advantage of the close-out to sell shares in the hope of getting better market prices at the end of the day.

This happened as the industrial index recouped an early loss of 21 points to end the day 13 points up at 4 482

Transnet's equity linked fixed interest (Elfi) III instrument also closed out yesterday for settlement on April 1 A dealer said Transnet would start buying the Elfi III back from today. The final value would be calculated against the closing overall index level yesterday of 3 459.

Star 17/3/93

Solid earnings rise predicted for Pepkor

(232)

By Stephen Cranston

A greatly improved performance from Tradegro and the additional interest from a R262 million rights issue will push up Pepkor's earnings by 15 or 16 percent to about R114 million in the year to February, analysts predict

Frankel Pollak Vinderine retail analyst Egon Trampitsch says the contribution from Tradegro will be R23 million greater as Checkers has moved into profit, and after tax the additional interest from the rights issue will add R7 million to the bottom line

Tradegro is still a long way from its goal of a two percent operating margin — it might come in at less than one percent — but it is gaining market share and is unlikely to need to pay tax for at least three years as it has an assessed loss of R160 million

Trampitsch says the contribution from other operations will be R10 million lower

Pep Stores is suffering from unemployment and lower disposable income at the bottom end of the market.

At best it will make an unchanged contribution and at worst report an earnings decline of about five percent

With more than 1 000 outlets and a slowdown in the opening programme for new stores, there will be little earnings boost from new floorspace in the year.

If its earnings are unchanged, Pep Stores will report a dismal 7,5 percent compound earnings growth over four years, which implies that the present price:earnings ratio of 23 is over-demanding.

Pepkor, of which Christo Wiese is group chairman, also controls Smart Centre, Cashbuild, Ackermans and Tradegro, deserves its 28 price.earnings ratio rather more as it includes a number of recovery opportunities

Ackermans, which has spent the year upgrading its 124 outlets to address the B and top end of the C income groups, will incur a loss, Trampitsch predicts.

George Huysamer's Helen van den Bergh says Ackermans is moving into a very competitive segment of the market, which is occupied by Jet and the credit chains Topics and Pages.

It is also the market segment which was dominated until recently by Woolworths, which is anxious to regain its position.

She nevertheless believes Ackermans will make a modest profit

Smart Centre, the credit chain, has been losing market share to its strongest competitor, Sales House, which has adopted a more aggressive marketing position.

Smart Centre's merchandise selection needs to be reviewed, Van den Bergh says

The overseas operation, a 31-store chain in Scotland called Your More Store, is also expected to show a loss

Although it is trading well at store level an infrastructure has been put in place, which is designed to support a much larger chain and accordingly has higher costs

Christo Wiese, chairman of the Pepkor group

No deal on Wesplat, says Lonrho

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LONDON — Lonrho yesterday dismissed as "purely speculative" reports that it was near a deal that would lead to the sale of part of its stake in Western Platinum (Wesplat) to Gencor.

Paul Spicer, Lonrho's deputy chairman, said he would not confirm any reports on talks with Gencor, but denied suggestions that discussions had narrowed to three options that involved Gencor lifting its stake in Wesplat.

"It's all speculative stuff," Spicer said. "We have no comment to make."

Lonrho owns 73 percent of Western Platinum and Gencor 27 percent.

Spicer was responding to a report in the Financial Times quoting an unnamed Lonrho executive as saying Lonrho was considering several options to reduce its estimated R800 million debt on Wesplat.

Rights issue

The first option was that Gencor would raise its interest to 49 percent.

Under another plan, Lonrho's platinum mines would be floated off as a separate company on the JSE.

A third option would involve placing Lonrho's platinum assets into one of the quoted investment companies, for example Tweefontein United Colliery. The investment company would than have a rights issue to raise funds.

The talks are expected to end this month and despite Lonrho's refusal to confirm the report, analysts believe a deal is likely.

Lonrho broke off merger talks with Gencor last year when it decided to sell a large interest in the company to Dieter Bock, a German financier. — The Independent and Financial Times.

Company tax cut, but shareholders will pay

Star 18/3/93

232

By Derek Tommey

The dual company tax system announced in yesterday's Budget was an interesting development and could well be a very productive innovation, Marius van Blerck, Anglo American group tax consultant, said last night.

The system is aimed at stimulating new investment.

Finance Minister Derek Keys said the present company tax rate of 48 percent was to be reduced to 40 percent.

However, to offset the resultant loss of taxable income from this measure, a 15 percent tax will be levied at source on all dividends paid.

Van Blerck said that the tax cut in itself would give companies more funds to reinvest. And more funds — both from company resources and reduced tax payments — would become available for investment if shareholders accepted smaller lower dividends.

Roy Andersen, chairman of the Johannesburg Stock Exchange, said Keys had done a good job in difficult circumstances. But he added that the JSE was disappointed the market securities tax had not been abolished, as promised.

He said the new dual tax structure would help growing companies. But it would probably deter certain companies from paying dividends

This might result in investors switching to fixed-interest securities in the corporate bond market.

Keys said the dual rate should prove an important incentive for the new and fast growing company

The more a company exploited investment opportunities and financed itself, the lower its tax rate would be.

Job-creation

"Such investment is not only important from a job-creation perspective, but can also serve to stimulate domestic demand"

The tax rate would be cut to 40 percent on taxable income for the years of assessment ending on or after April 1 1993.

A company tax of 15 percent would be levied on all profits distributed by companies from March 17, except for those distributions declared by listed companies before this date, but payable only subsequently This declaration should have been made public.

Keys said the tax on distributed profits would apply irrespective of the recipient.

The tax is in no way a tax on shareholders, inasmuch as the lower rate of 40 percent on taxable income enhances any company's ability to distribute more profits.

"A fast-growing company observing a 3,1 ratio of earnings to profit distribution can pay the same dividend as before and plough back more profits."

Under the dual tax rate such a company would pay a de facto rate of 43 percent.

Keys said the proposed dual company tax system would also apply to mining companies Gold mines would have a choice between the existing and the new system to ensure that this important sector, with its own tax formulae, was not disadvantaged in any way

Marginal mines whose profits are less than 5 percent of revenue do not pay tax, but can pay dividends.

The new system would mean that they would have to pay tax on their dividends, so they are better off as they are.

The tax rate on gold mines which adopt the dual tax system and pay tax on their dividends will drop from 58 prcent to 49 percent.

The Budget also benefits non-gold mining companies as their tax rate drops from 49,44 percent to 40 percent.

He pointed out that within the company sector, double tax would be avoided by giving credit to companies for profit distributions that attracted the 15 percent tax.

As a transition measure, this credit would also be given for similar revenue received since September 1 1992 or any later distribution date.

The first payment of the tax on distributed profits would fall due on July 31 and would cover distributions that became payable between March 17 and July 1 this year Thereafter the tax would be payable within 30 days.

Keys said he assumed that offshore companies would now find SA a better tax proposition too.

"Indeed, this measure reinforces the incentive already available for foreign companies to reduce their tax liability through loan financing and the resultant tax-free interest.

"The new tax dispensation also meets the important criterion of non-selective tax treatment of domestic and offshore companies"

Unbundling legislation to come

DRAFT legislation would be introduced to support the unbundling process of the country's large corporations, Finance Minister Derek Keys said in the Budget

BDAM 18/3/93

He said unwieldy corporate pyramid structures had developed due to company acquisitions, mergers and reconstructions resulting in cost inefficiency in the use of capital

REPORTS Business Day Reporters Political Staff Sapa

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JSE REACTION 232 [redacted]

Mild stimulation [redacted]

FM 19/3/93

Stockbrokers and investment managers generally feel that the Budget contains no nasty shocks which could send the market into decline and, with some exceptions, the revised tax structure should benefit corporate profits and cash flow

Martin's Richard Jesse agrees the Budget will dampen consumer spending but believes the cut in the corporate tax rate will favour rapidly expanding companies

RACY FM 19/3/93 (232)

A curious agenda

A small hurricane is blowing around Racy Group Holdings Two months ago the controlling shareholders rammed through a resolution under S 228 of the Companies Act, which in effect stripped Racy of its assets and turned it into a cash shell

Disaffected minorities led by Syd Gervis ("Gervis for Service" — the Edenvale Toyota dealer) gave notice they intended

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employing countermeasures. And they have Last month they petitioned the Minister of Trade & Industries to appoint inspectors under S 257 of the Act to investigate the affairs of Racy The Minister has asked controlling shareholders either to respond by providing essential information, or to postpone a special general meeting scheduled for today A Racy spokesman says the company is endeavouring to meet the Minister's request

The special meeting was called by Racy's controlling shareholders with a curious agenda, the effect of which, if all the proposals are approved, will be to constitute sole control of Racy in the hands of one shareholder — Ivor Jacobson, a member of one of the controlling families

As the proposals for consideration by the meeting are special, they require approval by 75% of shareholders present and voting to become effective They are unusual in that they propose conversion of all ordinary shares into redeemable prefs, the issue of new ordinary shares to Ivor Jacobson only, and the immediate redemption of the newly created redeemable prefs

The proposals would remove all minority shareholders on terms and conditions set down to the satisfaction of the controlling families (the Jacobsons and Hendlers)

Gervis confirms he intends to keep fighting It all goes to show that in the world of minority shareholders every day brings another surprise

David Gleason

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"Keys is trying to get growth and investment going, and I think he's doing it imaginatively His example of a company paying the full tax rate with dividends covered three times shows that, under the revised structure, earnings will increase by 10%

"Companies now paying a much lower effective tax rate and generously distributing dividends will be adversely affected, but I don't know if that's a bad thing "

Jesse believes that overall the Budget could have a mildly stimulative effect on the market, with the possible exception of consumer stocks — where p e ratios often exceed 20 — because of the implications for consumer spending If so, shares most vulnerable are those in the food, retail and durables sectors.

Liberty Asset Management chairman Roy McAlpine feels most parts of the Budget were expected and discounted, the exception being corporate tax "The new structure will have different ramifications for different companies, the 15% tax on distributable income could be a shock for some But I don't expect a material effect on the market "

Frankel Pollak Vinderine CE Sidney Frankel finds the Budget well constructed He believes the cut in corporate tax rate gives encouragement to companies, while the tax on distributable profits should not have a dramatic effect on investors

"It should not really affect shareholders because of companies' ability to increase earnings. Overall I think that, in the context of Keys's five-year plan, it's the best Budget we could expect "

Effects of the new tax structure on corporate profits will be influenced by companies' present effective tax rates, the amount of

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dividend paid and the dividend cover Though most are expected to benefit, those which already have very low effective tax rates could be faced with unexpected additional demands on cash flow

An obvious possible casualty is Sappi, which last year had a tax rate of 1% and a tax charge of R3,2m, but paid a dividend of R225,4m Iscor's tax rate was 0,1% and its tax charge R3,3m, it paid a dividend of R112,1m Highveld Steel's tax rate was 4,8% and its tax charge was R39,8m, it paid a dividend of R39,8m

On the other hand, many companies have been paying high tax rates while distributing a limited proportion of earnings These could enjoy significant improvements in cash flow

Anglovaal Industries (AVI) had a tax charge last year of about R290m, an effective rate of some 43% on the R681m pre-tax profit A rate of, say, 35%, could reduce the tax charge by around R52m AVI maintains a high dividend cover (5,2 times last year), so tax at 15% of the R52,4m ordinary dividend would have been only about R8m

Plate Glass last year posted pre-tax profit of about R217m, on which it paid tax of about R100m, at 47% If this rate were dropped to, say, 39%, an additional R18m would have been retained The 15% tax it would have incurred on the R34,2m dividends would be about R5m

There was some disappointment in the market that there is still no further progress in phasing out MST, as some had expected it might be cut from 1% to 0,5%, for example

The announcement that legislation will be introduced to assist unbundling, including a qualified exemption from stamp duties on share transfers by listed companies, is seen as one more step towards restructuring corporate SA But brokers note that the practical steps have yet to be taken ■

US subsidiary gives big boost to Telemetrix

BDay 19/3/93.

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Business Day Reporter

TELEMETRIX, the London- and JSE-listed electronics and information systems group, increased earnings threefold after doubling profits in the 1992 financial year

The group announced yesterday that pre-tax profits doubled to R45,5m, after a net exceptional charge of R4,2m, from R19m

The group overcame difficult economic and trading conditions, particularly in the UK and Europe, to increase turnover 17% to R455m

Earnings a share increased from 8c to 23c, mainly as a result of a doubling in attributable profit from the group's US listed subsidiary GTI

The dividend for the year was increased to 3,7c from the previous 2,8c

The directors reported the net exceptional charges of R4,2m were made up of costs of R20m relating to the closure of loss-making businesses reported at the interim stage, and the disposal of surplus properties, less a gain of R15,8m from the sale of 329 000 shares of common stock in GTI Corporation.

Chairman Arthur Walsh said after restructuring the group was more clearly focused on its core businesses, supplying specialised electronic components and test equipment

The group's net cash at the year end was R5,1m against borrowings of R22,3m in 1991

Walsh said the improvement arose from the sale of GTI shares for R33m and cash generated from operations.

GTI continued its sales and profit growth during the year under review. Profit before tax increased 104% to R37,6m on sales up 37% to R283m

Zetex, the UK-based specialist semiconductor manufacturer, nearly doubled profit before tax from R5,1m to R9,7m on sales which were 31% higher at R73,9m.

Altron has a 7% stake in Telemetrix

Unbundling steps 'could go further'

ANDREW KRUMM (232)

LEGAL and financial sources have welcomed government proposals to boost the unbundling process, but say it could have gone further

Hofmeyr Van Der Merwe tax partner Emil Brincker says government could have extended the proposed stamp duty exemptions — allowed to listed companies planning to transfer quoted shares — to non-listed companies

"The apparent restriction of the incentive to listed companies is unfortunate," Brincker said

In his Budget review Finance Minister Derek Keys proposed the stamp duty exemptions and said to facilitate unbundling pyramid structures, dividends in specie would be exempt from secondary tax on companies, set at 15%

Deloitte and Touche tax manager Jocelyn Rindel said government could have used additional measures to assist the process — such as allowing assets to be transferred at book and tax values

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Supreme investors accept rescue plan

(232)

LEIGH HASSALL

IN A near-unanimous vote, aggrieved debenture holders of the liquidated Supreme group have agreed to rescue two listed companies from closure in a bid to recoup some of their lost funds.

In a final tally made yesterday, 96 percent of debenture holders agreed to a deal in which they would receive shares in the two companies in lieu of their outstanding loans to the Supreme group

The liquidators — effectively the debenture holders — will now have a 95 percent interest in Protea Furnishers and a 97 percent stake in Supreme Manufacturing

After approval of the deal by the Supreme Court and the Johannesburg Stock Exchange, debenture holders will be entitled to receive scrip in these two companies proportionate to their lost funds The new shares have been estimated to be worth between 20c and 30c

Debenture holders were offered a payout of 7c in the rand if the assets of the two listed companies were attached and the companies closed

The liquidators are hoping to find an underwriter for the acquired shares in order that debenture holders might be offered a cash payout as an alternative to receiving the shares.

Big Four rule SA business, okay!

ARG 20/3/93 232

MICHAEL CHESTER

NEW profiles of the titans of high finance show that as few as four mega-empires in the South African business world still command ultimate control over no less than 78 percent of the R500 billion economic clout of the Johannesburg Stock Exchange

The massive and complex network of control held by the quartet of giant conglomerates is laid out in detail in the new 1993 edition of the "Who Owns Whom" annual analysis of investment patterns

Author Robin McGregor explains that assessment of control is based on the size of share portfolios in individual companies — not necessarily complete ownership, but investment stakes big enough to influence any final word about corporate affairs.

McGregor sets out every year to track down not only the majority stakeholders in each of the hundreds of listed companies but also precisely who holds control of them when it comes to boardroom decisions

A 1993 count shows the four titans of the South Africa business world between them hold the reins on no less than 78,1 percent of the huge market capitalisation total — or R391 billion

According to the survey, the Anglo American Corporation, the vast mining and industrial conglomerate created by the Oppenheimers, still commands the largest empire

Sanlam, whose interests spread from insurance to the multiple tentacles of Gencor, is placed at No 2 with 15,6 percent

Rembrandt, the tobacco and liquor multinational now credited with ultimate control of both Amalgamated Banks of South Africa (Absa) and Goldfields SA, comes in third with 14,6 percent

SA Mutual — running neck-to-neck with Sanlam in the insurance sector but also now counting the Barlow Rand industrial giant in its fold — has increased its share of control to 14,2 percent

McGregor extends the list to discover that the Top Ten companies in the share portfolio league now control as much as 96,2 percent of total JSE market capitalisation

The batting order brings in companies under the control of their own directors, the Liberty group under Donald Gordon, Anglovaal, corporations under State control, Pepkor, Ventron and the FS Group

The exhaustive analysis goes as far as probing the ownership of new fewer than 250 00 companies either with their own JSE listing or else the subsidiaries or associates of bigger corporations

That goes hand in hand with a two-year record of all shareholders with stakes of more than 1 percent in listed ordinary shares

Nor does McGregor end at that He also peels away the layers of mystery about the silent movement of shares into a proliferation of ubiquitous nominee companies that normally draw a curtain around themselves

He rounds off the exercise with an examination of the number of multi-directorships held by several of the high flyers in the business world

The new 1 085-page "Who Owns Whom", published by Juta, is priced at R349

Rewarding shareholders

S| Times (Buss) 21/3/93.

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By JULIE WALKER

THE cut in corporate tax rate from 48% to 40% and the introduction of a 15% company tax on dividends might prompt companies to follow the method of shareholder-reward adopted by Sondor, the Cape-based manufacturer of polyethylene and vinyl acetates and rubber and plastic converter.

On Wednesday, Sondor proceeded to issue 24-million unsecured, indivisibly linked non-interest-bearing redeemable subordinated bonus debentures of 15c (the bonus debentures) one per ordinary share held

No separate bonus debenture certificate is issued and shareholders' rights will be recorded by endorsing existing share certificates or new ones issued after March 29

Sondor intends to repay the bonus debentures in half-yearly instalments equal to 25% of its pre-tax profits It will not declare dividends until the bonus debentures are repaid in full. Sondor has adopted this procedure before, and R8,22-million is still outstanding on the first issue; it will be repaid before the second tranche of repayments begins. Sondor believes that the bonus debenture will save the company an effective 15% in tax.

Private companies widely use the bonus debenture method every year and public companies can be expected to follow, tax-rulings permitting.

Minorities are given the runabout by Racy

STimes (Buss) 21/3/93

By JULIE WALKER

RACY postponed Friday's general meeting for a week to give its directors time to respond to the Minister of Trade and Industry's investigation into the affairs of the company

The investigation was asked for by certain minority shareholders who felt oppressed at the way in which Racy's directors bought the assets of Racy at a large discount to audited worth Standard Merchant Bank advised minorities the deal was fair and reasonable

Racy's general meeting proposed to convert the ordinary shares into redeemable prefs and redeem them at 50,59c The effect would turn shareholders into non-shareholders, thereby denying them the right to proceed against the company as an oppressed minority under section 252 of the Companies Act

Racy says the conversion/redemption method was chosen to reimburse shareholders of the cash in Racy as cheaply and tax-efficiently as possible Other methods could have achieved the same end without removing shareholder status

Standard Merchant Bank advised the minority to consult their own advisers on the effect of the redemption

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Response

A special resolution was required to pass the proposal, and minority votes came to more than the 25% required to block the vote

It was never put to the test, because only a simple majority was required to postpone the meeting until after Racy has replied to the Minister

SMB's Andrew Leith said he would think about telling minorities what the response contained

Racy chairman Ivor Jacobson said after the meeting that the minority would still be able to proceed in terms of common law if they were no longer shareholders

He questioned the motive of a veto that could result in membership of an unlisted public company

In reply, the minorities say they are adamant that a fair price will be paid for Racy For them it has become a matter of principle

Green light for Gencor

St Times (Buss) 21/3/93 (232)

By CIARAN RYAN

THE Gencor board is expected to decide within the next two weeks to unbundle its R14,5-billion empire

"All the excuses are gone," Gencor chairman Brian Gilbertson said this week after Finance Minister Derek Keys announced that draft legislation would be introduced during the current session to facilitate unbundling

Mr Keys exempted profits related to unbundling from the 15% tax on distributed profits introduced in this week's Budget.

Gencor's share price ramped from 910c a week ago to 1 060c this week in anticipation of an unbundling, reducing the discount to underlying assets from 26% 10 days ago to 8% on Friday

Unbundling refers to the sale or distribution of shares in a holding company to shareholders in the operating companies with the purpose of removing the holding company

Mr Keys says corporations have developed unwieldy pyramids over the years as a result of mergers and acquisitions

"Structures of this sort frequently mean cost inefficiency in the utilisation of capital," he told Parliament this week

"The growing need experienced by groups to shed these structures is a very positive development that calls for encouragement"

Removed

Pyramids are disallowed in several countries because they allow a minority shareholder to exercise effective control of a large group

Unbundling can unlock value in the underlying assets of a holding company

Mr Gilbertson says the final obstacle to unbundling the group has been removed and the matter is being referred to the board of directors

He adds that one way to unbundle would be to distribute shares in Gencor to shareholders in the major operating companies — Malbak, Sappi, Engen and Genbel

Genmin, which houses the mining interests, might be renamed Gencor, while Genbel might be retained as a vehicle to fund mining ventures

Genbeheer shareholders could receive Gencor shares and Genbeheer would then disappear

Mr Gilbertson rules out the possibility of a complete break-up of the group

Malbak and Genmin comprise a large number of listed subsidiaries which in theory could be split from the parents

Peter Davey, mining analyst with Frankel Max Pollak Vinderine, says the group could be unbundled piece by piece, with Engen and Malbak the first to go

"Another way would be to split the group into industrial and mining Brian Gilbertson is a mining man, so he would probably go with Genmin"

He says the effect of the secondary tax on companies will hurt Gencor's dividend income from subsidiaries He says the shares should trade at around 900c in view of the changed tax regime

Mr Gilbertson says unbundling would have relatively little effect on Gencor's head office staff because of the highly decentralised management style

Heavy

Mr Davey says the unbundled units within Gencor are worth no more than R10 altogether and advises investors to sell at current prices

"Institutional investors may want to offload Gencor if the group is to be unbundled because they may end up with too heavy a weighting in unwanted shares

"They may, for example, find they end up with too many Sappi or Malbak shares This will create selling pressure, and I think shares are likely to correct from this level"

Bester's firms sink

St Times 21/3/93 (232)

FIVE companies in which Pretoria businessman Theunis Bester had an interest were placed in final liquidation this week.

Bester Investments, Terrabest, Geldkor, Thebes Investments and Afrisake all operated from Silverton, Pretoria

Conman's Swiss account is frozen

S/Time 21/3/93

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By CHARMAIN NAIDOO

A SWISS bank account belonging to the late Roy Myers, the international conman at the centre of a multimillion-rand forex fraud involving some of South Africa's most prominent families, has been frozen

Trustees of the Myers estate — he was declared insolvent three months before he killed himself — won an 11th-hour dash last Thursday to recover R2,5-million secreted in the account

The Bonny Rig Foundation, registered in Liechtenstein with the fund account kept at the Swiss Volksbank in Zurich, was set up by Myers last September and managed by a Swiss attorney, Dr Urs Wehinger

Hiding

Myers's aged mother, Mrs Beatrice Cohen, 71, of Cape Town, was named as the sole beneficiary of the fund

On September 18, the day the foundation was created, $1,5-million (R4,8-million) was transferred from the Coutts and Co bank in London to the Swiss Volksbank

Twelve days later, $500 000 (R1,6-million) was sent back to London, evidently for use by Myers, who had left South Africa and was in hiding in that city

Myers fled South Africa last September leaving behind an angry mob who claimed he had robbed them of millions

From his hideout in London, he claimed those people who accused him of theft had, in fact, been his partners in crime. He said he had helped them smuggle currency out of the country

Last week liquidators brought an urgent application in the Cape Town Supreme Court to prevent Mrs Cohen from touching the millions of rands secreted by her son

In an affidavit, trustee Oliver Powell said of Mrs Cohen "... despite her years (she is) wily, evasive and cagey"

A letter from London attorneys Paisner and Co, acting for the trustees, shows that Mrs Cohen and her husband had transferred £250 000 (R1,25-million) on September 15 last year from their account at Barclays Bank (Whetstone) to an account at Lloyds Bank (Pall Mall)

On October 21 they transferred £230 000 (R1,15-million) from the Lloyds account to the account of Centre Trust Ltd in Jersey — where the funds were to be held by a trust to which Mr Cohen had signing powers

On November 26, Mr Cohen instructed the trustees to transfer about £214 000 (R1,07-million) from the trust account to the account in Ireland of an associate of Myers at Myers's request

In November Myers's associate, Mr Frank Fallon, approached the attorneys with information — which is how they discovered the existence of the money

The court heard that more than R22-million had been hidden by Myers in Ireland, England, the United States and Switzerland

Inquiry

This week major players in the Myers saga were interrogated during a trustees inquiry held at the Master's Office in Pretoria

Mr Allan Levin, attorney for the joint trustees, refused to comment because, he said, the proceedings had been held in camera.

In a startling new development this week, a statement made by Myers just weeks before he killed himself came into the possession of the Sunday Times

In it he revealed how he met potential clients — named in the document — and how he drew them into his forex export web

Star 22/3/93

Racy in name, but not in deed

(192)(332)

(232)

By John Spira

One of SA's longest-ever corporate tussles continues to drag on.

A shareholders' meeting on Friday produced yet another postponement to enable the majority shareholders in Racy Group Holdings to respond to an application by the minorities to the Minister of Trade and Industry to block the sale of the company to a third party

Racy has been suspended from the JSE since January 11

Shareholders are being offered a redemption of capital of about 51c a share, payable in cash on March 24 1993

Racy was floated in 1987 After dipping to a low of 22c, the shares peaked at 65c in June 1992 Prior to their suspension they stood at 44c

The Racy board — also its majority shareholders — comprises the the Jacobson brothers, the Hendler brothers and Ian Freeman

Faced with declining earnings and dividends, the directors felt Racy's Diesel City division was unlikely to perform as expected, that Hendler Industrial Carriers needed an infusion of equity

They attempted to sell Diesel City, hoping the money raised could be applied to Hendlers, thereby focusing Racy as a dedicated transport group and making Hendlers more saleable Potential buyers were approached, but no deal concluded

Last December shareholders were advised that, subject to their approval, Racy (effectively Hendlers) would be sold to the Hendlers for R12,75 million. The Jacobsons agreed to buy Diesel City from Racy for R3,5 million

A general meeting was held on January 11 and the purchase by the Hendlers approved

Standard Merchant Bank, commissioned by Racy to act on behalf of minorities, concluded that the terms of the sale were fair and reasonable

Racy would then become a cash shell, with cash of R12,3 million as its only asset

On December 17, Racy shareholders had been advised that should Racy not acquire assets satisfying the JSE's listing requirements, nor find a buyer for the Racy shell before March 19, Racy's net cash resources would be distributed to them by way of a reduction of capital

The distribution would be 51c a share and give them the chance to realise their investments

A consortium of minority shareholders opposed the disposal At a meeting called to approve the sale of assets to the Hendlers and Jacobsons, the consortium made a counter-offer of 56c a Racy share

The offer, at 5c a share above that of the proposed capital distribution, elicited an outcry to the effect that minorities were being oppressed because if the consortium was offering 56c a share, then the majorities would accept the higher offer

However, the critics failed to note that the consortium's offer was heavily conditional.

It required.

- Undertakings relating to Racy's financial status — undertakings necessitating the Jacobsons personally bearing costs of R400 000
- Restraint of trade undertakings by the Hendlers
- The Jacobsons having to renege on their undertaking to vote for the legally binding Hendler offer

Understandably, the majorities rejected the consortium's offer, whereupon it (the consortium) lodged an appeal with the Minister for the appointment of inspectors to examine the firm's affair

Star 22/3/93

Malbak squeezed to maintain its interim earnings

(232)

By Stephen Cranston

Malbak will be under pressure at least to maintain earnings per share for the six months to February.

It is among the most highly rated industrial conglomerates, with a dividend yield of 2,1 percent, compared with 4 percent for Barlows, 3,8 percent for Murray & Roberts and 3,2 percent for Safren

At R16, it trades at more than twice net asset value.

The market believes Malbak showed strategic foresight in positioning itself as a consumer-oriented group when it bought Fedfood (now part of Foodcorp) and SA Druggists and sold cement and engineering group Darling & Hodgson and half of Standard Engineering

The extent of its late-1991 rights issue was open to question. It increased its issued share capital by almost 50 percent and sat on R769 million of cash at August year-end.

If it had, say, increased share capital by 30 percent, it would still have low gearing and would be able to show a respectable increase in earnings per share

This statistic has been pedestrian, falling from 136c in 1989 to 114c last year. And there will be a further dampening from an increased tax rate.

Malbak paid an effective tax rate of just 30,7 percent in the last financial year, largely because of exempt income and tax allowances, much of which has now fallen away

But the tax rate for the full year will reflect the eight percentage points fall in the standard rate of company tax

With cash at the centre, Malbak is in a position to look at investment opportunities straight away.

Investors advised to be cautious on gold

B/DAY 22/3/93 (232)

LINDA ENSOR

CAPE TOWN — Investors should regard gold shares with caution, notwithstanding the shares' recent sharp rebound on world markets, Old Mutual unit trust fund manager Adrian Allardice said at the weekend.

"Given the cyclically depressed jewellery and industrial demand (which absorb 80% of annual supply), and prospects for a firmer dollar and gold sales, the short term outlook is not very encouraging.

"One should not be negative on the longer-term outlook, however. If world economic growth increases at a faster rate, the outlook for commodities in general, including the gold price, could improve substantially," Allardice said.

The January and February rally of gold producer shares led to a 21,7% rise in the JSE's all gold index, despite the drop in the gold price to $328 from $333.

Mirroring international demand for gold shares, the Toronto gold index rose 9,6% in spite of a 1,7% appreciation of the Canadian dollar against the US currency.

Allardice said the rise in the JSE share prices was partially due to the 6% depreciation of the rand against the dollar which effectively lifted the rand revenue for the gold mines. Buying appeared to have been triggered by concerns about US President Bill Clinton's economic policies.

Despite the strong performance over the past two months, however, the JSE all gold index was still about 21,5% lower than a year ago. To sustain a rising trend in gold share prices, an increase in the gold price was necessary, Allardice said.

LINDA ENSOR

HCI sues former Tollgate directors

B|DAM 22/3/93

CAPE TOWN — JSE-listed Hosken Consolidated Investments (HCI) is suing three former Tollgate Holdings (TGH) directors, including former chairman Julian Askin, for more than R33m on the basis of an indemnity they signed (232)

This emerged in papers ~~presented in the~~ Cape Town Supreme Court on Friday in support of the urgent provisional sequestration application brought by Absa against former TGH director Mervyn Key.

Key, former chairman of Motor Racing Enterprises, is facing charges of fraud, foreign exchange contraventions, forgery and uttering involving about R13m

Key was provisionally sequestrated with debts said to total R26,53m He did not oppose the order, obtained by Absa on the basis of an unpaid, R311 831 overdraft, a R20,7m suretyship for the debts of his provisionally liquidated Rheboksskloof wine estate and a R5,5m TGH loan

These debts excluded the R33m plus interest which HCI is claiming from Askin, Key and former TGH executive director Lawrie McIntosh, on the basis of a signed indemnity for a put option obliging HCI to buy 1,9-million TGH shares at R14,38 each (R27,3m) from Absa, as well as interest of 18,5% on this amount from April 8, 1992 An additional R5,9m plus interest is also

□ To Page 2

HCI

B|DAM 22|3|93

claimed

The debt allegedly arose from an agreement signed in February 1991 and was taken over by HCI when it assumed responsibility for Duros Group's obligations to Volkskas Bank.

Absa instituted legal proceedings against HCI in December to recover the money equivalent of the shares which had no value after TGH's liquidation HCI in turn instituted proceedings against the three former directors

Meanwhile, it emerged from the papers that Askin played an active role in preventing the implementation of security clauses of a R5,5m loan agreement between TGH and Key

Court papers showed that Askin instructed TGH's lawyers, Sonnenberg Hoffmann & Galombik, not to implement the security clauses of the loan agreement pending Key's sale of Rheboksskloof which was then under negotiation This meant that TGH's loan of R5,5m made in July 1992, about five months before to the group's provisional liquidation, was an unsecured loan

In terms of the agreement, a general

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□ From Page 1

notarial bond ~~worth R3m~~ should have been executed over Key's movable assets in favour of TGH, and a suretyship as well as a R5,5m second mortgage bond over its immovable property should have been executed by Rheboksskloof in favour of TGH

Absa regional GM Dudley Davies said the R5,5m had been "misappropriated" from TGH He contested the R39m estimate of Key's assets made in June 1992 as overstated, saying the provisionally liquidated Rheboksskloof, which Keys had valued at R28,2m, was hopelessly insolvent and had a realistic value of R9,37m

Davies submitted documents to court to prove that Key had forged a letter from the Formula One Constructors' Association (Foca), which holds the international rights to Grand Prix motor racing events, in order to get Reserve Bank approval for the export of $4,3m (about R13m)

The allegedly forged letter was dated May 1991, when MRE was still owned by TGH, and referred to negotiations between Askin and Foca

Adv Gavin Woodland told the court Foca had never requested the money

Supreme investors give nod to share deal

(232)

B/DAY 22/3/93

PETER GALLI

SUPREME investors on Friday approved a proposal to accept shares in JSE-listed Protea Furnishers and Supreme Manufacturing in place of securities currently held on their behalf for money lent to those companies

"Votes were cast for R128,75m — just under 50% of the R270m invested by debenture holders Votes in favour were received for R124,44m or 96,65% of this, while votes to the value of R1,91m were against the proposal and R2,4m abstained," the liquidators' investigating accountant Peter Goldhawk said at the weekend.

The formal meeting with debenture holders was held in Johannesburg after being postponed for three weeks last month because the meeting was not quorate Friday's meeting was attended by about only 200 of the 7 000 investors

The results would be taken to the Master of the Supreme Court for approval and the consent of the Supreme Court would then be sought "We hope that the matter will be heard within the next two weeks

"If the judge agrees, a rule nisi will be ordered and, if there are no objections within three weeks, the result of the meeting will become final," he said

The liquidators were striving to ensure that the debenture holders obtained the best opportunity of realising their assets either by holding shares that would hopefully increase in value over time or by selling them to a buyer at an agreed price

"I am actively negotiating with several interested parties in this regard, but it is far too early to say what the outcome will be," Goldhawk said

Debenture holders would ultimately approve any final decision and "at no stage will they be forced to take any particular route if there is more than one alternative available"

Three possibilities existed Firstly, if a buyer could be found to take up some of the shares, they could choose between shares or cash Secondly, if a buyer was found for all the shares at the right price, investors would receive only a cash payment Thirdly, if no buyer could be found for any of the shares, they would get only shares

The first creditors' meeting and full report back was scheduled for April 15 and would be held in Johannesburg. This is the same day that the Section 417 inquiry into the activities of the companies and its directors will begin

"We have asked the Master — with the consent of the liquidator — to allow this hearing to be open to the public as far as possible In certain instances the evidence will be led in camera, but we are looking to keep it as accessible as possible," Goldhawk said

Stockbrokers rapped for breaking rules

MERVYN HARRIS

STOCKBROKERS George Huysamer & Partners have been found guilty and censured by the JSE Committee for technical infringements of various rules by dealing in Powertech shares in December

The charges related to a time bargain deal of 750 000 Powertech shares ahead of the company's acquisition of Picbel and Pichold

BIDAY 22/3/93

A time bargain deal is the sale of shares an investor owns or is entitled to own in future

The sale contravened the Stock Exchange Control Act which states that "a stockbroker shall, before he sells the shares, satisfy himself by means of proof in writing that the person requesting him to sell the shares is the owner or is entitled to become the owner".

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The deal was apparently done on behalf of an investor who was taking advantage of the premium Powertech shares were trading to Picbel-Pichold, to make a larger profit by selling Powertech shares he would be entitled to own under the scheme

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Stockbrokers

At the time of the deal, the Powertech shares involved in the transactions were not listed as the scheme still had to be approved by minority shareholders

Huysamer was found guilty of not taking the necessary steps to ensure by means of proof in writing that the clients were the owners of the Powertech shares sold, and to ascertain by which date the client would be entitled to acquire possession of the shares

Seven other broking firms were also charged with similar offences for dealing in Powertech shares, but after an investigation only one firm was found guilty and censured. The other charges were either withdrawn or the firms were found not guilty

Star 23/3/93

FSG share issues to top R1,41-m

(232)

By Sven Lunsche

Trencor and FS Group have finalised details of the rights issues of FSG companies, which will result in joint control of the group by Trencor and a consortium headed by FSG chairman Jeff Liebesman

The four groups in the FSG stable, W&A and its pyramids, Waicor, FSI and FSG, have announced rights offers with a combined total of more than R1,41 billion

At the same time Trencor will be investing R273 million to give it an effective stake of 28,5 percent in W&A In addition Trencor will underwrite a further R58 million in the rights offers

Announcing its investment today, Trencor says it will exercise joint control of the FS Group at board and executive levels It has nominated its joint managing director, Raymond Hasson, as joint executive chairman of W&A.

In terms of the R654 million rights issue by W&A, 373,5 million new shares will be offered at 175c on the basis of 200 shares for every 100 held

Waicor is offering 433,4 million new shares at 70c on the basis of 150 new shares for every 100 held Waicor's issue is valued at R303 million

Further up the structure, FSI is set to raise R244 million, with 24,4 million shares offered at R10 each on the basis of 250 shares for every 100 held.

The ultimate pyramid, FS Group, plans to raise R113 million, with shareholders offered 180 new shares at 100c each for every 100 held.

Amic unlisted companies battle with conditions

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BDay 23/3/93

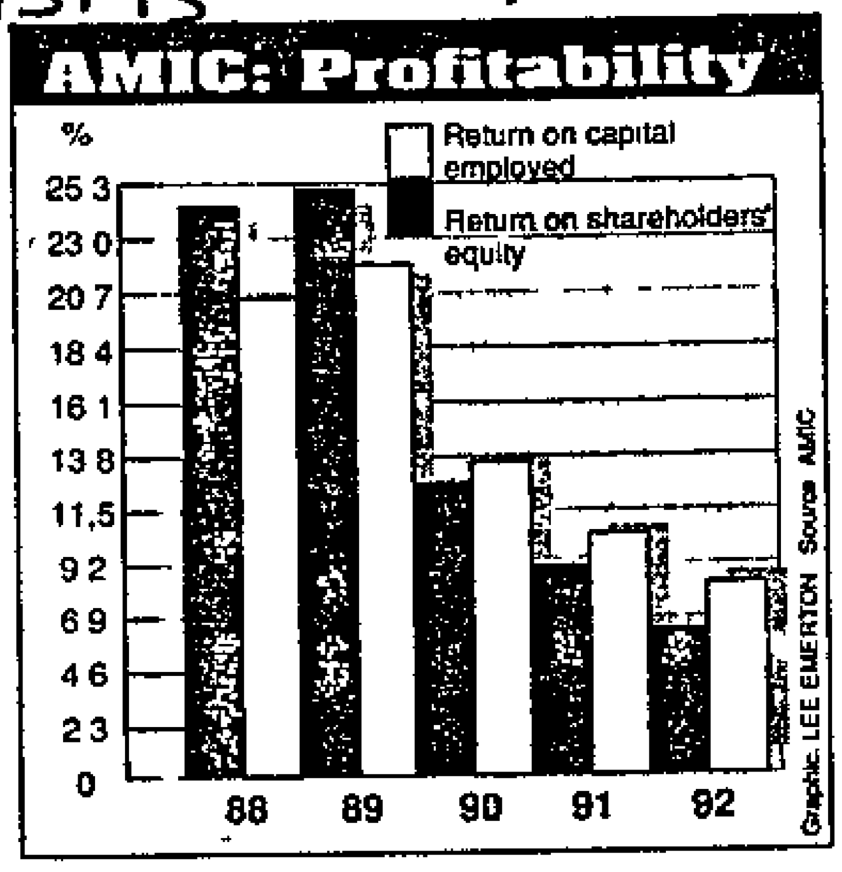
MATTHEW CURTIN

SHARPLY reduced earnings, restructuring and heavy job losses marked the performance of the main unlisted operating subsidiaries owned by Anglo American Industrial Corporation (Amic) in the year ended December 31 1992.

Only Control Logic (Conlog), a supplier of electronic products for the motor, electricity pre-payment metering and process control instrumentation markets, showed improved profits.

Amic directors said in the 1992 annual report that Conlog's earnings improved 87% on 77% higher turnover — no figures were supplied — because of improved sales of electricity metering equipment and products for the car industry, in spite of the depressed conditions. Conlog was likely to improve earnings in 1993.

Amic's engineering interests fared poorly. Scaw Metals's workforce was reduced by 10% to 6 100 (6 800) as the year was characterised by "an abrupt and dramatic weakening in domestic demand" for rolled steel products in particular. Attributable



earnings fell 10% to R76m (R84m) on pre-interest and pre-tax income of R86m (R98m), although Scaw remained the largest contributor to Amic's earnings.

Greater emphasis was put on exports, but world prices fell to a four-year low for Scaw's products, in addition to the relative strength of the rand. Scaw faced another year without significant earnings growth.

Boart, primarily a supplier of drilling equipment to the mining industry, continued "extensive rationalisation and restructuring programmes begun in 1991" which sustained the profitability and contained losses in the group's main businesses. The depressed mining sector hit demand for its productions in SA, Canada and Europe, with attributable earnings falling to R47,6m (R48,2m).

Restructuring at Boart, which made a number of acquisitions during the year, including Netherlands-based hydraulic press maker BK-Hydromooi BV and former East German, but privatised, ceramics manufacturer Aumaer Oxidkeramik, "should enable (its operations) to operate more profitably at current levels of business", the directors said.

Earnings at Mondi Paper tumbled to R51m (R110m) on lower pre-interest and pre-tax profit of R118m (R183m) after a year of excess production capacity, high stocks, slack demand, turmoil caused by currency devaluations in Europe, and spiralling paper imports.

With improved debt levels and improved working capital, Mondi was budgeting to maintain earnings.

Amic, whose listed interests include stakes in Highveld Steel and Vanadium, Tongaat, McCarthy Group and LTA, reported attributable earnings of R352m (R401m).

Radio 702 tunes in to Finance Week

BIDAY 23/3/93

MARCIA KLEIN and LINDA ENSOR

RADIO 702 has stepped in to become a substantial minority shareholder in Finance Week (FW) in a R520 000 deal which is the culmination of months of speculation on the magazine's future (232)

However, there was confusion yesterday about the implications of the sale to 702 Neither TGH liquidator, Progressive Administration's Chris van Zyl nor major creditor Absa were informed of the move, they said

Finance Week Holdings (FWH) has issued 8 000 new ordinary shares to Radio 702 Publications — the wholly owned subsidiary which houses Radio 702's print interests — at R65 a share. FW editor Allan Greenblo and Radio 702 MD Stan Katz said yesterday this gave Radio 702 Publications a holding of just under 22% of the enlarged share capital The shares were issued for cash

Greenblo revised his initial offer of R65 a share down to R35 after a dispute over the terms of the tender Greenblo said the liquidator had asked for a revised offer, adding that he was not prepared to offer more than the net asset value of FWH as any premium over net asset value would represent goodwill arising from himself and his staff

"I am uncertain as to what is going on and it is hopelessly premature for me to comment at this stage," an Absa spokesman said

TGH liquidator Van Zyl said he could not comment on the development until he had clarity on which company had issued the shares If new shares were issued by FWH thereby whittling down the rights of TGH, then he might have to consider taking action

He did not believe that FWH was entitled to issue shares without consulting its shareholders and believed that TGH, as a major shareholder in FWH, should have been informed In fact he had been given an undertaking by FWH that he would be kept informed of any transactions

Company Auto publisher and contender for TGH's Finance Week shares, Stuart Murray, said the development had come as a bit of a shock "As far as I know no shareholder has been informed of the move"

Murray said he had referred the matter to his legal advisers to ensure that the Finance Week/702 deal was not pre-emptive of the outcome of the auction of TGH's Finance Week shares

BIDAY 23/3/93

(232)

NEWS IN BRIEF

Two casinos liquidated

TWO Durban casinos were provisionally liquidated yesterday with debts of R786 500 and a claim by the owner that in the days prior to the ban on gambling, punters had gambled on credit and he had no hope of recovering that money.

Deneys Reitz Dyter, the sole member of Ocean Palace close corporation, owned a casino in Florida Road and at the Blue Waters Hotel on the Marine Parade. He said in an affidavit before the Supreme Court that in January this year the casinos' book debts had risen to R200 000.

No plans in pipeline to unbundle Gencor

BDay 23/3/93 (232)

FINANCE Minister Derek Keys may have paved the way for the unbundling of holding companies in last week's Budget, but there are no immediate plans to unbundle mining house Gencor, says chairman Brian Gilbertson

Gilbertson said yesterday that fiscal obstacles in the way of unbundling were removed in principle in the Budget, an encouraging development for the mining house which had stated often in the past that it favoured the strategy

Government intended passing "enabling" legislation, waiving the imposition of marketable securities tax and the new tax on distributable profit on the distribution of shares and dividends in specie which would take place in an unbundling exercise

However, Gilbertson said new legislation represented only a first stage

Gencor would have to examine still tobe published details of the new legislation, before deciding whether it would proceed with unbundling The issue was likely to be put on the agenda at monthly board meetings, but much work was still to be done

Unbundling would allow Gencor shareholders to transfer their shareholdings into the group's major operating companies, realising the mining houses's full worth — Gencor shares consistently trade below net asset value — and improving the tradeability of the remaining listed stock!

It was Keys, as Gencor chairman, who first mooted the idea in October 1990

MATTHEW CURTIN

Speaking on Keys' behalf, senior executive Dawie de Jongh said the group was "seriously studying the option of breaking up the conglomerate into its constituent companies"

"The real purpose would be to capture the conglomerate's discount and realise the full value of its underlying assets," he said

It was reported at the weekend that Gencor was two weeks away from a decision on unbundling, which would affect only some of the group's operating companies such as paper and pulp producer Sappi, fuels group Engen and industrial holding company Malbak

A recent senior management reshuffle within Gencor has fuelled speculation that the group was edging towards a major restructuring programme. Mike Salamon, former MD of coal producer Trans-Natal, succeeded Hans Smith as MD of Samancor, with Smith's appointment as head of Gencor's new business division Impala Platinum MD Mike McMahon and Engen MD Rob Angel joined Salamon as new appointments to the Gencor main board

Marinus Daling, chairman of Gencor's holding company Gencor Beherend and vice-chairman of Sanlam, said last month Gencor's unbundling was on the cards, but only after fiscal impediments had been removed

W&A to raise R653m through rights offer

SOWETAN 23/3/93

(232)

MARCIA KLEIN

W & A Investment Corporation has announced that it would raise R653,6m at 175c a share in a rights offer which would see Trencor become a joint controlling shareholder in the FS Group

The FS Group includes W & A and holding companies Waicor, FSI and FS Group

In a separate announcement Trencor said it would invest R273m to obtain an effective undiluted holding of 28,4% in W & A In addition, it has agreed to risk sub-underwrite a further amount of R57,8m in terms of the rights offers of all of the FS Group companies

W & A announced that FS Group would offer 113,1-million shares at 100c a share on the basis of 180 new ordinary shares for every 100 held.

Subsidiary FSI would offer 24,4-million shares at 1 000c a share on the basis of 250 new shares for every 100 held The offer would take place following the consolidation of FSI's share capital on a one for five basis, effective on March 29

Waicor, in which FSI has a 76,6% stake, would offer 433,4-million shares at 70c a share on the basis of 150 new shares for every 100 held

The R653,6m W & A offer would see the group offer 373,5-million shares offered on the basis of 200 new shares for every 100

Trencor would have an effective 26,5% interest in W & A on a fully diluted basis by subscribing for shares renounced in its favour by W & A's ultimate controlling shareholder the Liebesman consortium and the companies in the FS Group

Trencor and the Liebesman consortium would have joint control of the FS Group at board and executive levels, including the appointment of Trencor joint MD Raymond Hasson as joint executive chairman of W & A

Trencor directors said the recapitalisation of the FS Group companies in terms of the offers and the continuing disposal of non-core businesses would release the full potential of the core businesses of the FS Group. Trencor's investment would produce satisfactory returns

Salient dates of the offers would be published on March 31

South African Police Planning has already been carried out for the optimal utilization of Commando members for these purposes

The hon the State President has already announced that Commandos are to be utilized to a greater extent in rural areas He did so during his opening speech this year

SAP: legal fees

*20 Mr D H M GIBSON asked the Minister of Law and Order

What was the total amount paid by the Government during the latest specified period of 12 months for which information is available for the legal fees incurred by members of the South African Police in respect of (a) defence in (i) criminal and (ii) civil cases, (b) inquests, (c) commissions of inquiry and (d) other legal actions? B503E

The MINISTER OF LAW AND ORDER

Accounts for the payment of legal fees do not specify the required categories, and as a result thereof the system of the South African Police has not been adapted in order to differentiate such categories The differentiation cannot be made, as a result of the extent of the administrative process

JSE: protection of investors

*21 Mr R R HULLEY asked the Minister of Finance

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(1) Whether the ~~Johannesburg~~ Stock Exchange Guarantee Fund established in terms of section 30 of the Stock Exchanges Control Act, 1985 (Act No 1 of 1985), has shown any shortcomings in respect of the proper protection of local and foreign investors in respect of defaulting brokers, if so, what is the (a) nature and (b) extent of these shortcomings,

(2) whether he and/or the Registrar of Stock Exchanges has investigated or intends investigating these shortcomings with a view to bringing about improvements, if not, why not, if so, when,

(3) whether he will make a statement on the matter? B504E

The MINISTER OF FINANCE

(1) No The Act and rules contain requirements regarding the settlements of certain securities transactions and the rules of the JSE and its Guarantee Fund provide that in the event of a broker not complying with these requirements, claims of clients (classified as "general claims") shall be paid in full by the fund Other claims (classified as "limited claims") are subject to a maximum payment of R1 million per defaulting stockbroking firm

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In terms of the rules of the JSE and its Guarantee Fund claims on the fund shall first be met out of the proceeds of any claim on an insurance policy taken out by the JSE on behalf of broking firms and only after the estate of a defaulting broking firm has been excused In the interim, however, due to the time required to finalise a full audit of the accounts of the defaulting firms to establish the extent of the default and to categorise clients' claims, the JSE decided to assist investors and has paid all general claims that have been proved from its own funds

In addition to protection under the Guarantee Fund, the JSE has insurance cover of R100 million Upon the exhaustion of the R100 million cover in any one year catastrophe cover of R50 million for any one occurrence per broking firm immediately becomes applicable Claims in respect of the losses of three firms involved have been submitted to the JSE's insurers One claim had to be reconstituted and a resubmission of the revised claim is imminent

(2) The matter is currently under active investigation by the JSE in consultation with the Registrar of Stock Exchanges to determine in what respect, if any, the protection envisaged for investors in the event of default of a broker could be improved

(3) No

SADF: printing press

*22 Mr R R HULLEY asked the Minister of Defence

(1) Whether the South African Defence Force (SADF) has purchased or intends purchasing a multi-colour printing press at a cost of more than R1 million, if so, (a) for what purposes and (b) what is the (i) make and (ii) purchase price of this press,

(2) whether the SADF has received any objections to this purchase, if so, (a) what objections and (b) from whom? B505E

The MINISTER OF DEFENCE

(1) Yes

(a) To meet die SADF's classified printing requirements

(b) (i) Heidelberg Speedmaster, model 102FP+L

(ii) RM 4,62

(2) Objections were submitted to the Department of State Expenditure and a working group was appointed with representation from the SA Defence Force, the Government Printer and the Department of State Expenditure The objections were thoroughly investigated taking the SA Defence Force's requirements for rationalisation of posts, security considerations, centralisation and cost efficiency into account The conclusion was reached that the cost was justified in the light of these factors

(a) The objections were

— that a large surplus capacity exists in the RSA printing industry,

— that there is under-utilized printing capacity at the Government Printing Works, and

— that in a time of scaling down the SADF should not purchase equipment of this nature

(b) A tenderer and the Printing Industries Federation of South Africa

Prisons: mothers with children

*23 Mr A J LEON asked the Minister of Correctional Services

How many mothers were confined to prison with their children in 1992? B507E

The MINISTER OF CORRECTIONAL SERVICES

In the interests of the infants, small children and the parents involved, as well as in the absence of suitable alternatives, imprisoned mothers are allowed to care for their dependent children in South African prisons

On 31 December 1992 there were 202 mothers together with one or more children in prison

In line with international practice, regulation number 94 of the regulations promulgated in terms of section 94 of the Correctional Services Act, 1959 (Act No 8 of 1959), makes provision for a female prisoner to keep her child with her in prison during the period of lactation and for such further period as may be necessary, subject to prescribed conditions The necessary clothing, food and medical treatment may be provided by the State for the period for which a child remains in a prison

Standing departmental directives also determine that a child may remain in prison with the mother for as long as is deemed necessary for medical and nutritional purposes Thereafter it should be endeavoured to remove the child from prison, subject to a certificate by the medical officer to the effect that the child would not suffer psychologically or physically if separated from the mother In a case where removal from prison is appropriate, it is a requirement that a suitable home should be obtained for such a child beforehand Social work personnel of the Department of Correctional Services investigate the placement possibilities for these young children in co-operation with external social work organizations When placement is arranged the mother, family, foster family or institution personnel, as applicable, are consulted

All children are examined by the medical officer as soon as possible after admission to a prison or after birth in order to determine which medical treatment and nutrition is to be prescribed The child's mass is taken monthly and the necessary injections and immunisation as applicable are administered by a qualified nursing sister, or otherwise arrangements are made for the administration thereof at the local clinic

At every prison where children stay with their mothers, a member of the nursing profession is responsible for the necessary super-

cont.

Prison warders: sexual molestation

189 Mr L FUCHS asked the Minister of Correctional Services

Whether any charges of sexual molestation were laid by prisoners against warders during the period 1 March 1992 to 28 February 1993, if so, (a) how many and (b) how many of these cases were investigated by way of (i) an internal inquiry and (ii) a court process? B421E

The MINISTER OF CORRECTIONAL SERVICES

(1) (a) Yes, six (6) complaints of alleged sexual molestation were received

(b) (i) Four (4) complaints of sexual molestation were investigated internally (departmentally) In respect of 3 of the complaints no substantiation could be found for the allegations In the remaining case the member was charged departmentally in terms of Correctional Services Regulation 71 (1) and found guilty In addition, an inquiry in terms of Correctional Services Regulation 77 (1) was instituted against the member in order to determine the suitability of his further employment in the Department This inquiry has not yet been finalized

(ii) Two (2) complaints of sexual molesting were investigated by the South African Police The Attorney-General ordered prosecution, but in both cases the members were found not guilty

The Department regards any complaint of sexual molestation of a prisoner by a member of the Department in a very serious light Such misconduct is not tolerated and strict action is taken against such offenders

Companies in liquidation

194 Mr K M ANDREW asked the Minister of Justice (232)

How many companies were placed under compulsory liquidation in the area of each Master of the Supreme Court in 1992? B440E

The MINISTER OF JUSTICE (232)

The under-mentioned information refers to compulsory as well as voluntary liquidations, as separate information concerning compulsory liquidations is not readily available

Bloemfontein	62
Grahamstown	35
Cape Town	470
Kimberley	24
Pietermaritzburg	174
Pretoria	921
Total	1 686

Persons bankrupt

195 Mr K M ANDREW asked the Minister of Justice (232)

How many persons were declared bankrupt in each division of the Supreme Court in 1992? B441E

The MINISTER OF JUSTICE·

Bloemfontein	506
Grahamstown .	308
Cape Town	582
Kimberley	88
Pietermaritzburg	351
Pretoria	3 468
Total	5 303

Equalisation Fund: payments to Sasol

203 Mr R R HULLEY asked the Minister of Mineral and Energy Affairs

(1) Whether the payments received by Sasol from the Equalisation Fund were increased during the financial years 1990–91 and 1991–92, respectively, if not, why not, if so, (a) by what amount per litre was it so increased on each occasion and (b) what was the total amount received by Sasol in respect of tariff protection in each of these financial years,

(2) what was the average derived crude oil price in each of the said financial years? B458E

The MINISTER OF MINERAL AND ENERGY AFFAIRS

(1) No The floor price formula according to which Sasol receives tariff protection is still unchanged at USD 23 per barrel The real tariff protection amount in cents per litre, fluctuates from month to month, up or downwards, based on differences between the derived crude oil price and the USD 23 per barrel floor price

(a) Falls away

(b) The value of Sasol's tariff protection on synthetic fuels for the 1990–91 financial year amounted to R222,5 million and for the 1991–92 financial year to R537,5 million

(2) 1990–91 USD 24,2 per barrel
1991–92 USD 18,6 per barrel

Middle Eastern oil. price range/payment to Sasol

204 Mr R R HULLEY asked the Minister of Mineral and Energy Affairs

(a) What is the price range, expressed in US dollars, of Middle Eastern oil at present, (b) what is the payment to Sasol in cents per litre and (c) in respect of what date is this information furnished? B459E

The MINISTER OF MINERAL AND ENERGY AFFAIRS

(a) USD 14,20 to USD 18,05 per barrel

(b) 8,5 c/ℓ

(c) December 1992

Activity gives capital market a boost

BIDAY 24/3/93 (232)

TIM MARSLAND

INSTITUTIONAL activity boosted the capital market yesterday as yields dropped to levels last set around the March Budget, dealers said

Some dealers were confused by the move as not all were apparently aware of the institutional buying — put at about R500m

Dealers party to the deals said it indicated institutions had regained confidence in the market They said institutions had digested the Budget and came to the conclusion that bonds were cheap

The long-dated Eskom 168 bond ended at 14,590% from a previous 14,720% — equivalent to a R6 420 gain in value on a R1m bond Government's R150 bond was last at 14,480% from 14,630%

In the medium area, Transnet's T007 yielded 13,955% from 13,910% and Telkom's TK05 yielded 13,790% from 13,910%

A dealer said the market had been waiting for institutions to set the trend in the market, which up to now had been led by speculators

Institutions had written about R500m in put options, which was a further signal of confidence that the market had topped out and rates were set to head lower

Put options give the holder the right to sell stock at a certain level by a specified date.

Speculators also played a large part in yesterday's activity. One dealer said they had expected rates to rise rather than fall and sold stock earlier based on this view When rates fell, they had to buy in stock to meet their obligations, which helped speed up the fall

Long-dated bonds strengthened the most ~~Dealers~~ said Reserve Bank moves to tap the medium end of the market for funds through the new R160 issue which matures in 1996 put a lid on gains in that area

Added to this was fears that Bank rate would at best be cut by one percentage point this year, which meant institutions favoured the long area rather than the medium and short area as was the case in the past.

Another dealer said the rise was surprising and blamed the fall entirely on short covering by speculators

He expected the market to range-trade for the next few months.

Another said the focus would be on the money market in the next few weeks, where liquidity was expected to ease due to high government spending flowing into the market.

The excess liquidity would spill over into the capital market, which would help rates to ease further

Bill will enable JSE to amend rules

BDAY 24/3/93 (232)

LINDA ENSOR

CAPE TOWN — Enabling legislation to allow the Johannesburg Stock Exchange to make regulations on such matters as dual trading, the admission of corporate members and commissions negotiated by stockbrokers was tabled in Parliament yesterday.

The Financial Institutions Second Amendment Bill proposes to amend the Stock Exchanges Control Act to make it possible for the JSE to amend its rules — if this is deemed necessary — though only with the approval of the Registrar of Financial Institutions

Financial Services Board legal services manager Franso van Zyl said yesterday that the current legislation prohibited the JSE from making rules on dual trading and the admission of corporate members and it prescribed a fixed commission for brokers

This meant that the JSE was constrained to continue with a single capacity system, with limited access and fixed commissions.

Certain key amendments to the Insurance Act are also proposed by the Bill

The present prohibition on offering a financial inducement to take out a long-term policy has been extended to cover short-term policies as well

Van Zyl said short-term policies were being marketed by companies offering inducements such as prizes. People were lured into taking out policies which they had not properly considered and which they might not have wanted in different circumstances.

If the policy was subsequently cancelled, the policyholder could lose a lot of money. The Bill proposes to broaden the ambit of inducements which can be offered to include any benefit whatsoever.

A further proposed amendment relates to the tightening up of the services offered by friendly societies to prevent them from carrying on insurance business outside the control of the Insurance Act

Van Zyl said friendly societies were not regulated to the same extent as insurance companies. An amendment of the definition of insurance business is proposed to mean life and sickness benefits exceeding R5 000, including bonuses. Previously the cut off was R1 000 excluding bonuses.

The Bill allows prospective policyholders to decide upfront at the proposal stage whether they wish the payment of their policy to be paid inside or outside SA, instead of having to wait until the policy is issued to do this

A proposed clause would regulate the payment of fees to brokers by people other than insurers, for instance clients who are asked to pay a service fee over and above the commission paid by insurers

Van Zyl said these regulations were necessary to prevent the exploitation of unwary policyholders.

Amendments to the Pension Funds Act are proposed to provide for the deduction of arrear contributions from benefits payable The prohibition on reduction of benefits in Section 37A of the Act was previously wide enough to cover arrear contributions, which was unacceptable to pension funds, the Memorandum to the Bill stated

The Bill also proposes amendments to the Unit Trusts Control Act to allow property unit trusts a wider scope of investment by permitting them to invest in holding companies which have property-owning subsidiaries rather than being restricted to investing in the subsidiaries as was the case in the past

The proposed Bill promotes the independence of the Financial Services Board and rationalises its functions by transferring to it certain powers exercised in various Acts administered by the board

Van Zyl said this would enable the board, which was now fully self-funding, to charge fees for services rendered under the different Acts

Star 25/3/93 (232)

Over 5 000 bankruptcies

In 1992, 1 686 companies had been liquidated and 5 303 people were declared bankrupt in the seven divisions of the Supreme Court, Justice Minister Kobie Coetsee told Parliament yesterday.

Star 25/3/93

Building giant liquidated

CAPE TOWN — Building and civil engineering giant, Basil Starke Holdings, (Pty) Ltd, was finally liquidated in the Cape Town Supreme Court yesterday because it is unable to pay its debts. At least six subsidiary companies, Basil Starke Civils, Basil Starke Building, Basil Starke Plumbing, Basil Starke Plant Hire, Shotblasting Services and Fleet Maintenance company will all be affected by the order.

(232)

Three M & R concrete companies to merge

Star 25/3/93

Finance Staff

Three concrete masonry companies in the Murray & Roberts stable — Cape-based Calsica Bricks, Tricrete Transvaal and Border Concrete — have been merged to form a new company, Inca

Bob Low, chief executive of the new company, says the decision to merge was a difficult one

"All of the entities are major players in their own regions and are fiercely protective of their names, reputations and product lines"

Although autonomous managements within a region have been the key to each of the companies' successes, national cohesion would allow pooling of knowledge and resources

"The new structure will allow us to retain the benefits of the individual operations while taking advantage of shared technology and improved ranges," he said

The three founding companies will trade under the INCA logo in their various regions, where they are among the market leaders

tems, the converter-canning operation in the Delta Group, received the General Motors supplier of the year award

Because catalytic converters are not yet used in SA, Algorax's output ends up in the export market

After the implementation of Phase VI of the local content programme in 1989 and in order to boost export opportunities for the local car industry the German company Degussa set up Algorax as a joint venture with the Industrial Development Corporation

It was constructed to a large extent by local contractors, although they conformed to Degussa standards

Algorax supplies coated monoliths to Mercedes, Volkswagen and Delta

Joint venture in Zimbabwe strikes gold

Star 25/3/93

HARARE — A Zimbabwean mining company exploring for gold in conjunction with a Canadian firm is expected to commission a new mine which will create 600 jobs, Ziana news agency reports

The exploration by Antares of Canada and Forbes and Thompson of Zimbabwe has been successful and drilling is expected to begin within six months

Forbes and Thompson MD Morris Thompson said yesterday exploration had cost Z$4 million so far

Thompson said results of the exploration had been promising and there was potential for a mine at the southern end of Vumbachikwe mine, where the drilling would begin — Sapa

Mining 'will kill' St Lucia habitat

ADRIAN HADLAND

PRETORIA — Opencast mining at St Lucia would result in major, irreparable damage to the habitat, an international wetlands monitoring body has found

In a report issued yesterday, the Convention on Wetlands of International Importance (Especially as Waterfowl Habitat), or Ramsar, said the mining operation would significantly alter the soil characteristics, dune structure and beaches of the area

"The SA authorities should consider whether, in view of the importance of the St Lucia system, the application to exercise mining rights should be refused on principle," the report concluded.

SA was one of the original seven contracting countries which established the Ramsar convention in 1971

St Lucia is one of 12 SA sites on the Ramsar list detailing wetlands of international importance.

Conducted in May last year by Ramsar experts, the survey indicated it would not be possible to reconstitute the original vegetation at St Lucia by rehabilitation measures

The elevated water table as a result of mining would affect the beaches and seaward face of the dunes of the barrier, and also the wetlands of the eastern shores, it said

Tourism would be affected as the proposed mining would take place at the gateway to St Lucia, causing a "long-term drop in the popularity of the area"

It would also be impossible to restore the original dune structure It must be doubted, the report said, "whether a complex dune forest which has gown up over millenia can ever be really reconstituted with such an altered dune structure and soil composition"

The Ramsar mission said its report did not seek to interfere with, "pre-empt or supplant the national process" under way

The Environmental Affairs Department said the report "may be presented to the review panel or indeed used as a supplementary document by the Cabinet when it reviews the findings of the EIA"

Sapa reports that Parliament's refusal to deal with a Bill to outlaw mining at St Lucia and 11 other internationally recognised SA wetlands has been condemned by the Campaign for St Lucia.

The Joint Committee on Private Members' Legislative Proposals deferred consideration of the Wetlands Conservation Bill until after the review panel's report

The Bill would have given effect to the Ramsar provisions

Key Family Trust's debt is R20,8m, says Absa

BLOM 25/3/93 LINDA ENSOR 232

CAPE TOWN — Absa brought an urgent application in the Cape Town Supreme Court yesterday for the provisional sequestration of the Key Family Trust set up by the provisionally sequestrated Mervyn Key

Judgment on the application will be handed down by the court today BLOM . 25/3/93

Absa regional GM Dudley Davies said the trust had bound itself as surety and co-principal debtor to Bankorp for the liabilities of Key's Paarl wine estate, Rhebokskloof and its sister company Parmalat investments.

The only asset of the trust was its stake in Rheboksskloof and Parmalat The total debt to Absa was R20,8m, Davies said

The trustees of the trust are Key, his father Cedric Key, who is in Australia, and former Tollgate director Lawrie MacIntosh, who is believed to be in London.

Meanwhile Key's Paarl wine estate Rheboksskloof was provisionally wound up without opposition in the Cape Town Supreme Court yesterday

Bad debts will rise, experts warn

BIDAY 25/3/93

ANDY DUFFY (232)

BAD debts and business failures will continue to rise this year, credit rating companies have warned

KreditInform, Information Trust Corporation and Credit Guarantee Insurance Corporation said that despite lower interest rates, poor corporate cash flow was unlikely to improve, and its effect was actually spreading

At best, the companies expect this year to mirror last year's level

But levels could deteriorate still further when the economy improves, if banks seek to recoup debts by selling a company's assets in a rising market "Most companies have a cash flow problem," said CGCI senior economist Luke Doig

"It's not just small companies, but middle-sized companies that are starting to feel the squeeze."

KreditInform and Information Trust Corporation said that building and the heavy engineering industries would be the hardest hit as order books dried up

The value of court judgments for corporate bad debts in 1992 rose 44% on 1991 to R443,9m Company liquidations rose 28% to 2 408 last year. The upward trend continued into this year, in January liquidations were up 29% on the month in 1992

However, the Johannesburg Chamber of Commerce, which represents around 15 000 companies in the PWV region, was slightly more optimistic

Chamber president Stuart Morris said interest rate cuts and the recently introduced dual corporate tax system should slacken cash flow constraints

IDC puts unbundling on hold

Star 26/3/93

232

By Sven Lünsche

The unbundling of the two listed investment arms of the Industrial Development Corporation (IDC) — Industrial Selections (Indsel) and National Selections (Natsel) — has been put on hold until unbundling legislation is announced later this year.

The IDC said in a cautionary statement today that such legislation was not expected until June.

The IDC has previously announced proposals to unlock the underlying values of Indsel's and Natsel's investments through distributions of cash or their listed shares.

This would reap about R500 million for the IDC.

The listed investments include Sappi, Sasol, Palamin, Implats and CG Smith and are valued at just over R1 billion.

SUPREME GROUP (232)

Signs of light

FM 26/3/93

Supreme debenture holders may end up with some of their money sooner than they were first led to believe — provided actions now being contemplated by the liquidators are concluded successfully

In a series of complicated deals, the liquidators are considering three courses of action to realise the assets of Supreme group for the benefit of debenture holders They include a distribution to debenture holders of their pro rata portion of shares in listed companies Protea Furnishers and Supreme Manufacturing Holdings, supported by an underwriting of the arrangement which will enable holders to sell their shares with little delay

An alternative is to negotiate the sale of the shares in bulk to a major buyer or buyers. That would enable the liquidators to distribute the proceeds immediately to debenture holders Finally, the liquidators are contemplating a distribution of the shares without the underpin of an underwriter. Auditor Coopers Theron's investigating accountant Peter Goldhawk says that is the least acceptable of the alternatives being canvassed

Meanwhile, an adjourned meeting of debenture holders has approved the liquidators' arrangements substituting shares in Profurn and Supreme for securities which legal advice showed to be doubtful or invalid The effect of the transaction is to settle debts owing to the companies in liquidation with shares in the listed companies This protects the position of debenture holders

And it's been agreed that the S 417 commission of inquiry into the conduct of the Supreme group's affairs will be held in public This is an unusual departure for S 417 commissions, which usually conduct their examinations in secret However, Goldhawk says the liquidators are determined that debenture holders should have access to as much inside information as possible

That may not give anyone much to cheer about, but at least it will draw back the veil of company concealment *David Gleason*

Unit trusts for futures market

BDay 26/3/93

TIM MARSLAND

232

UNIT trusts would, in the next few weeks, get the go-ahead to trade in the futures market, SA Futures Exchange CE Stuart Rees said yesterday

Addressing a conference on derivative markets, he said the industry had proposed the rules it would trade under

In effect, unit trust managers will be able to purchase futures contracts and will also be able to buy options to buy or sell these contracts at set prices This will insure their portfolios against unfavourable movements in the spot investments, such as shares

As a result, the performance of unit trusts is expected to be enhanced

Financial Services Board deputy executive officer Gad Ariovich said the new rules, expected to be published in the Government Gazette in the next few weeks, would allow unit trust managers to use futures and options as part of their hedging strategies

However, they would not be allowed to write options, since this would create an unacceptable risk

This limitation had been proposed by the industry itself, he said

Ariovich said speculation on the futures and options market would not be allowed Local unit trusts should follow the UK example, where the "common sense" ruling applied

Reuter reports he said the total exposure to all derivative positions should not exceed 20% of the value of the fund He suggested that no speculative activities be allowed and all exposures to derivatives be covered

He recommended that supervision of adherence to the suggested limits be carried out by the trustees of unit trust funds

He said investigation by a sub-committee of the Unit Trust Advisory Board had come up with suggested limits on unit trust participation in derivatives

FM 26/3/93 (232)

TOLLGATE FM 26/3/93 (232)

Another R33,2m fallout

Another R33,2m suit arising from the Tollgate collapse has come to light Absa's application last week for the sequestration of Tollgate ex-director Mervyn Key mentions an action it has brought against Hosken Consolidated Investments (HCI) for this sum

Absa's founding affidavit says an option vests with it to "put" a block of Tollgate Holdings (TGH) shares to HCI When Absa tried to exercise the option last May — involving principal of R27,3m plus R5,9m interest — HCI wouldn't accept Absa started taking action against HCI in December

This saga began in 1988, when Volkskas ex-executive Johan Claasen was chairman of Tollgate Another former Volkskas executive, Hennie Diedericks, now MD of the Post Office, was then MD of TGH

TGH acquired 25% of Gants Holdings from the Gant family with effect from July 1 1988 Gants became a subsidiary of TGH on January 1 1990 TGH paid the Gant family with TGH shares (then trading at about 550c) valued at about R15m

After this transaction, the Gant family apparently delivered 1,9m TGH shares to Volkskas, which valued them at R14,38 each (R27,3m), to cut its exposure to that bank

To indemnify itself against any risk in holding these shares, Volkskas contracted the right to "put" the block to Duros, then holding company of TGH TrustBank guaranteed Duros's obligation in terms of the "put" It must have seemed a secure way for Volkskas to eliminate R27m of Gant debt

Before Diedericks joined TGH, he was the Volkskas manager responsible for Gant family affairs So, for him, the deal was gratifying, as he assisted both his past and his present masters Doubtless, his influence was felt in the appointment of Volkskas ex-CE Pieter Morkel as chairman of Gants as soon as the transaction was concluded

When Julian Askin and his consortium acquired effective control of the heavily borrowed TGH in early 1990, preventing its collapse, his reorganisation plans involved shrinking the business This began with merging Duros into TGH

Askin approached London merchant bank S G Warburg to collaborate with the local Senbank in the restructure When the Duros/TGH merger was proposed, Volkskas refused to vote its TGH shares, presumably because its "put" option against Duros would cease to be enforceable.

Senbank, taking the place of Bankorp stablemate TrustBank, which had guaranteed Duros's obligations to Volkskas, arranged for HCI to be substituted for Duros Senbank then guaranteed HCI's obligations to Volkskas

Now that Senbank is part of Absa, the latter will have to make good the put option if it fails to pin the liability on HCI Should Absa's case against HCI fail, it presumably will have to write off an additional R33m Senbank and Volkskas are now both Absa subsidiaries, so it can't claim from itself

Should HCI lose, it has a claim against Mervyn Key, Julian Askin and Lawrie Mackintosh, all of whom were directors of TGH and under another indemnity are jointly and severally liable for the full amount of HCI's losses HCI MD Michael Lewis (as a director of TGH) was also a signatory, but his liability is limited to R3m

HCI is opposing the Absa claim Both parties decline to comment *Gerald Hirshon*

READERS' PORTFOLIOS: BEATING THE BROKERS

(232)

FM 26/3/93

***FM* readers** often get better returns than stockbrokers from fictional share portfolios The *FM*'s 1992 readers' portfolio competition was no different than in previous years, but this time both top performing portfolios were selected by people who had been in the broking community

Both were first-time entrants to the competition If any observation can be made it's that former brokers like winner Wouter Brink, and off-duty professional market-watchers like second-placed David Klopper, can produce much better returns than their colleagues when they have enough scope to take risk

Brink, who ran his own small broking business until 1977 when he became a Cape-based industrialist, selected a portfolio which gained an outstanding 92% over the year That compares with the JSE All Share index's loss of 5,3% over the same period, and the Industrial index's gain of 4,6% The *FM*, which led six leading brokers in the similar brokers' portfolio competition, managed total price appreciation of only 44,4%

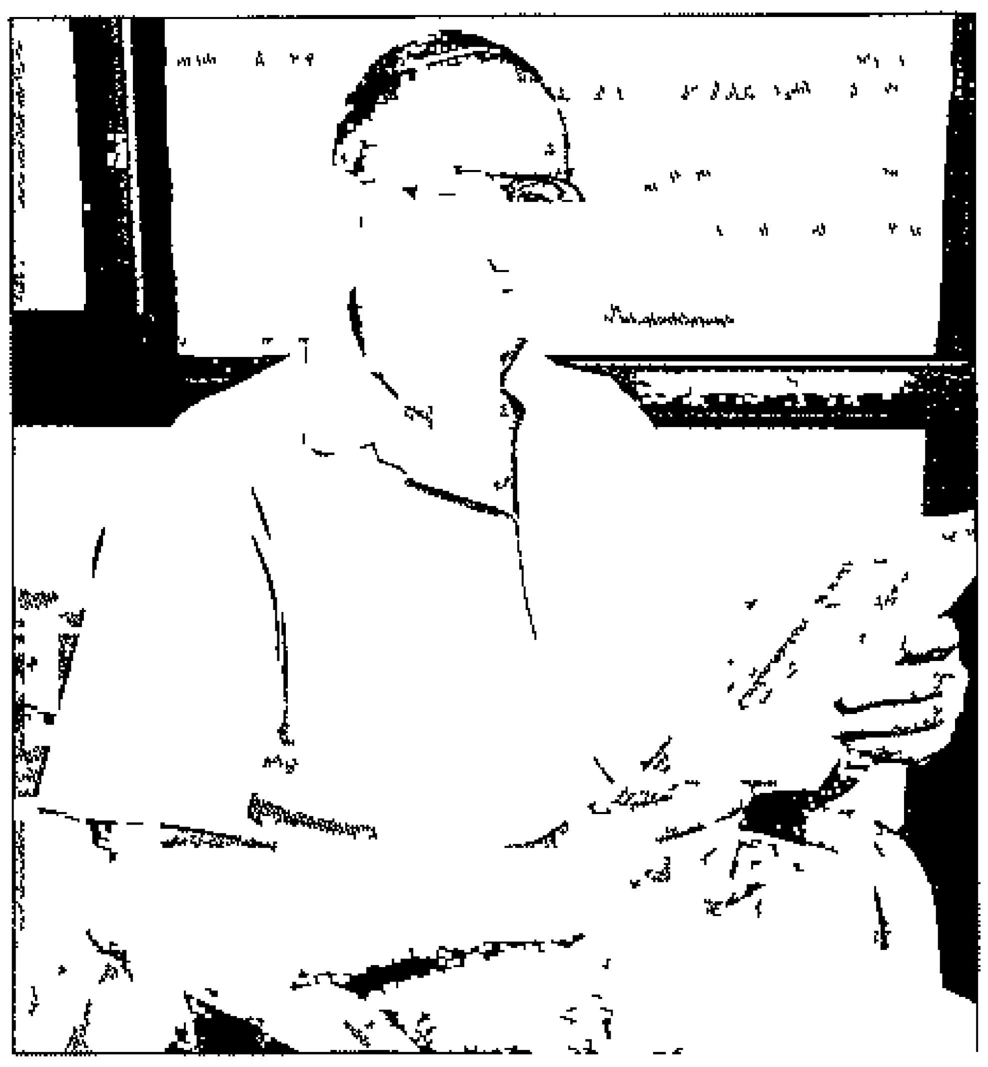
There's often only a few percentage points between the winning portfolios, but Brink's selection was way in front — the second-placed portfolio showed capital appreciation of nearly 70%.

Brink did it by concentrating on penny stocks — five of the shares in his portfolio were bought at an opening price of 50c or less His most expensive was R27

His top performing share was Inmins, the mining supply company, which started the year at 1c and ended at 4c, giving capital appreciation of 300% Also in the portfolio were both holding companies, Winhold (no gain) and Winbel (up 50%), on the premise that with share prices of 2c each, and with the potential gearing benefits of the group, any upturn in the mining industry "would have led to a tremendous recovery "

That recovery didn't quite happen, but the inclusion of mining exploration share Foston (up 120%), and agricultural chemical and equipment supplier Farmag (up 204%), boosted his overall appreciation.

Brink says the electronics sector was looking good at the beginning of 1992, so he chose what he correctly judged was the underpriced Datakor (152%) He was also bullish about entrepreneurs taking over Checkers, so he included Tradegro (up 86%) and Tradehold (up 41%)



Winner Brink *concentrated on penny stocks*

Placor was chosen because of its acquisition by SA Breweries, though it didn't show great gains (8,3%) up to the time it was delisted Waicor (down 41%) was the only share to show a loss Brink admits it was "the lemon in my portfolio I thought (chairman) Jeff Liebesman would pull it off " Considering recent developments with Trencor, Brink ~~simply~~ had his timing wrong

He deliberately picked shares that went against the trend "You have to take an outside chance in this kind of competition " Though Brink says he now wishes he had put money into the portfolio, he admits to "having a few bob" in some of these shares

Klopper, a portfolio manager with Absa Trust (when he entered the competition he was working for broking firm Ed Hern, Rudolph), also says he felt he had to choose shares with an outside chance "You have to consider the shares out of favour — it's a case of six or out "

He looked at sectors, including mining exploration shares Digoco (the convertible prefs gained 300%), Foston (120%) and Revere (down 100%), as well as gold mining share Nigel (down 73% when the share was suspended), in the hope that the gold price might strengthen

Textile shares Frame (35%) and Seardel (down 41%) were included because Klopper felt that, as cyclical shares, they looked cheap at the time and would recover strongly if the economy picked up

Klopper also anticipated the good performance of the electronics sector, and put in SPL (177%), while he hoped the shake-up at Lonrho would boost sugar share Lonsugar (50%) Like Brink, he included Farmag (204%) The remaining counter in his portfolio was Valard (24%).

Brink, who wins a case of champagne for his winning entry (Klopper gets a year's subscription to the *FM*), says he does not feel positive about the market at present "Institutions are chasing everything on the market, I think the prices are just too high," he says "They are bound to crack sooner or later "

BOND MARKET 232 [redacted]
FM 26/3/93

Deriving support [redacted]

Derivative instruments are playing an increasingly important role in stimulating trade in underlying instruments on the bond market

While a bond issue's size is important in determining its popularity (level of trade), the range of underlying derivative products, particularly options, linked to the bond is becoming more significant

The more derivative instruments that are linked to a bond, the greater the trade levels of the underlying instrument This is because a transaction occurs in the underlying stock each time an option is exercised (where an option-holder chooses to exercise a put or call option, the other party has to buy or sell the underlying paper) CONT →

ECONOMY & FINANCE
FM 26/3/93

The RSA 150 and Eskom 168 stocks have a wide range of derivative instruments linked to their bonds, which helps to explain their high levels of trade The RSA 153's derivative market is less developed [redacted]

However, trade in the domestic bond market is dominated by sheer size — that of the RSA 150 with around R32bn in issue Next issue in size is of E168 paper (roughly R16bn), the RSA147 (R14,8bn) and the RSA153 (R22bn) In February, around R13,7bn of the RSA 150 was traded on the JSE, which reflects about 30% of total market trade, according to Simpson McKie's Marilyn Visser 232 [redacted]

The bigger the ~~bond~~ issue, ~~the~~ more players will be attracted to the paper in the knowledge there will be many other buyers and sellers Also, in the bigger issues, the issuer makes a market in the paper, which assures traders there will always be a player trading in the stock Eskom and the Reserve Bank are significant makers in their stocks

But, despite the Eskom 168 issue being smaller than the RSA 153 issue, the 168's February turnover on the JSE was around R8,3bn and the RSA 153's R5bn

A bond's maturity also determines its popularity because, for mathematical reasons, long bonds are more attractive to hold (assuming the investor reads interest rate movements correctly) Mathematically, shifts in the capital value of these bonds are greater, given any movement in rates The RSA 150 expires in 2005, Eskom's 168 in 2008, the RSA 147 in 2000 and the RSA 153 in 2010

Considering their size, term and linked derivatives, these four stocks, with February trade on the JSE worth almost R44bn, dominated all other stocks JSE trade in the other six most active stocks totalled less than R12bn last month ■

RACY

FM 26/3/93

232

No break in logjam

What will it take to break the logjam surrounding still suspended Racy?

Racy, listed in the transport sector, hit the news late last year when the directors announced their intention to sell the main assets to the three Hendler brothers, all of whom are directors The sale was structured in terms of Section 228 of the Companies Act, which provides that votes from a simple majority of shares are adequate approval

The deal met stubborn resistance from disaffected minorities, led by former motor dealer Syd Gervis He submitted an alternative (and conditional) offer which effectively valued the share at 56c, compared with 51c in the deal with the Hendlers The offer was rejected, significantly because the Hendlers made it clear to their controlling shareholder partners, the Jacobsons, that failure to proceed with a legally binding agreement would result in their seeking appropriate redress

Gervis then petitioned Trade & Industry Minister Derek Keys to investigate Racy in terms of S257 of the Companies Act Minorities hope such an investigation will lead to an application to the courts under S252, which protects minorities against oppression

Chairman Ivor Jacobson agrees the situation has now reached a stand-off He hopes Keys will decline to send in inspectors However, he is faced with near certain defeat at a resumed general meeting on Friday, which he postponed for a week following a suggestion by the Registrar of Companies

He is asking shareholders to agree to some novel steps, including converting the ordinary shares into prefs, redeeming the prefs at a rate which equals the R12,3m received for the sale of assets and subsequently issuing new ordinaries to a single shareholder — Ivor's brother (and MD) Allan Jacobson

Any alteration in the structure of a company's capital requires a special resolution and 75% approval Jacobson is unlikely to win this That will leave Racy in a state of limbo, sitting on cash of R12,3m and facing delisting, probably in August

The major matter separating the parties is the price at which Racy's assets were sold Jacobson says the deal was at arm's length, at a price which Standard Merchant Bank (SMB) agreed was fair and reasonable Minorities dispute SMB's conclusion

Asked why — if the money value preventing resolution is as little as 5c a share — he

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does not arrange to close the gap, Jacobson retorts that it's distasteful to him to give some parties "huge" windfall profits

David Gleason

FIRST NATIONAL BANK

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How serious?

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Management of First National Bank is being required, under oath, to reveal whether information pertinent to creditors of liquidated KPL Etsa was available to FNB but not to creditors in general Two senior general managers and one other official of FNB have been subpoenaed to give evidence to the Office for Serious Economic Offences (Oseo), arising from the liquidation of KPL

← Cont'd

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Creditors of KPL have claimed (*Economy* March 19) that the company was trading recklessly — possibly a Companies Act Section 424 offence — and that FNB might have been party to this Attorney Hugh Eiser of Eiser & Kantor has stated that, on the instructions of the liquidator, a summons for the recovery of R28m will soon be served in connection with this allegation

But Phillip Reynolds, the provisional liquidator, says he can only instruct summons to be issued after a further meeting of creditors who must give him, in turn, the necessary instructions For that purpose, particulars of the claim have been drafted He is not sure the sum involved will be R28m "The amount depends on matters to be settled including disputes on several major KPL contracts "

Viv Bartlett, one of the FNB senior general managers involved, says the bank will not back down on the principle that it has the right to try to save a client in trouble "Otherwise, there could be twice the number of liquidations we've been seeing "

No hope

Reckless trading is commonly defined as trading in circumstances where there is no hope of trading back to profit, combined with the concealment of facts which might affect a creditor's judgment about the extension of credit facilities

Reckless trading charges are usually reviewed by the liquidators Investigation with a view to any possible prosecution has conventionally been the responsibility of the SA Police commercial branch Oseo was formed a year ago to handle big cases of white-collar fraud and its decision to become involved in the KPL liquidation, when the office admits to being short-staffed, raises some key issues

The Investigation of Serious Economic Offences Act does not attempt to define what constitutes a "serious economic offence " That seems to be in the competence of the office's director Unofficially, Oseo explains that the discretion is invoked when any allegation might involve the public interest When a major institution, in this case FNB, is implicated even marginally, Oseo could deem investigation to be in the public interest This would be compounded by the amount, R28m of creditors' money But an amount of R10 000 or less might be a matter for Oseo's attention, if it represented a discrepancy in the accounts of a government department

Oseo, apart from confirming that it has asked for evidence from the three officials, will not discuss the case During the liquidation proceedings, there was a hearing held in terms of Section 417 of the Companies Act, which may not be reported

Some sources close to the dispute say KPL, which was a longstanding client of FNB, traded at a loss and ran up a substantial overdraft with the bank In an effort to rescue the situation, FNB undertook to subordinate enough of its overdraft to restore technical solvency, though this aspect was not finalised Allegations of reckless trading flow from that position, though bank sources suggest that many details of the company's full situation, which might have caused the bank to act differently, were not available to the bank

Creditors, on the other hand, claim they would not have extended credit had they known the facts which they allege were available to the bank

Bryan Deans

New tax not an incentive

BDay 26/3/93.

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JOHN DLUDLU

THE secondary tax on companies (STC) — announced by Finance Minister Derek Keys last Wednesday — will provide neither an impetus for growth nor be an economically efficient incentive for business Instead, it is the antithesis of a market where individuals freely choose how they organise their companies

This is the view of Wits University business economics lecturer Sinclair Davidson on Keys's dual tax proposals The STC — which comes into effect on April 1 — is a 15% tax rate on distributed income and is accompanied by a reduction in the company tax rate from 48% to 40%.

The STC, Davidson says, will result in a decrease in dividends and so increase retained earnings

"This constitutes a source of cheap finance for the firm, but is expensive for shareholders and ultimately society"

And it would remain relatively cheap only in the short term, he said.

"Keys seems to think that investment from retained earnings is free This is the only explanation for the STC that is consistent with the view that firms should be self-financing and so reduce their tax burdens His idea is to channel funds into 'productive' investment rather than into the 'unproductive' hands of owners"

Davidson argues that the use of retained earnings is not free He points out that this system may encourage the entrenchment of existing managements which may well be inefficient. It does this by reducing the need for incumbent managements to compete for outside funds, which they normally do on the basis of their firm's efficiency

Automatic reinvestment also increases the costs of capital to new firms by denying shareholders the opportunity to invest those foregone portions of their dividends in new firms. Those dividends, Davidson argues, are rather invested on their behalf in existing firms This can be construed as a barrier to entry for new, potentially innovative, firms The foregone shareholders' returns, which would be greater than those offered by the existing firm, are a further cost of retained earnings

He says Keys, as a corporate insider, cannot appreciate that investors may wish to use their money in other ventures apart from reinvestment

Companies that have fewer or no new investment opportunities are penalised by the STC for paying out excess cash as dividends

"Also penalised are those individuals who chose to buy traditionally high dividend shares in order to earn income Now those individuals bear the cost of the growth that this measure will bring forth"

Anglo American group tax consultant Marius van Blerck recognises the validity of Davidson's argument He adds, though, that it is only one side of the coin

Van Blerck said these negative effects would apply strongly only if the STC encouraged the retention of funds by companies that had no productive use for them "I'll be surprised if this resulted"

The positive aspect of the STC, he points out, is that companies with possible investment opportunities are encouraged to invest retained earnings in such projects

"Ultimately the shareholders will benefit handsomely if these investment decisions are correct"

With the improvement in the political climate and with many parties committing themselves to growth and productivity, he feels that the STC will give further impetus to potential investment opportunities

"In the final analysis, the positive effects of the STC far outweigh its negative effects"

Hofmeyr van der Merwe tax partner Elim Brincker believes that although the overall lowering of the tax rate may serve as an incentive for economic growth, the imposition of STC will certainly create a tendency in companies to reduce dividends, "Well-established companies are unlikely to venture into new fields incompatible with their existing business operations. History shows that new ventures are conducted in separate entities due to the risks involved"

He believes the imposition of the STC will result in firms overcapitalising on existing business structures or reverting to capital intensive projects as opposed to labour-intensive projects — a tendency that is in direct conflict with Keys's objectives

Brincker further argues that, depending on the dividend cover, a tendency may develop to declare only a certain percentage of profits to shareholders and then channel funds to shareholders by other means

Absa has Allied yacht tax dilemma

INSIDER TRADING
edited by Mervyn Harris

BDAM 26/3/93 (232)

SOMETHING of a dilemma, we hear, in Absa's boardroom. Should the banking group persist with plans to appeal against the judgment which awarded sports promoter Peter Mancer his full claim plus costs in the Allied Bank yacht dispute?

Absa, which assumed Allied's liabilities after the merger of UBS, Volkskas and Allied, argued that it was not liable under the sponsorship contract agreed by Allied's former MD Kevin de Villiers and Mancer. It described the sponsorship contract as a sham devised simply to avoid tax.

Even the judge said he could see no commercial logic in Absa opposing Mancer's claim and that he only accepted with "reluctance" assurances from Absa's counsel that opposing Mancer was not a means of pursuing Badenhorst's fight with De Villiers.

Absa insiders now wonder if the board's clear view of the contract's invalidity would preclude the banking group from claiming the tax allowances which the contract clearly (and legitimately according to the judge) envisaged.

If Absa still believes the contract was a tax evasion sham, should it now refund the Receiver of Revenue all tax benefits received for the promotion? In its heads of argument ahead of the hearing, Absa said it would refund the Receiver if a sham was proved.

Attorneys and accountants estimate that the Mancer case and ancillary investigations into De Villiers' management of Allied have cost Absa about R10m.

Investigations over nine months by outside accountant Steve Ochse, assisted full time by about eight of Absa's internal auditors, completely cleared De Villiers of any suspicions of mismanagement at Allied.

Ahead of last Monday's judgment, Absa approached Mancer to settle on at least three occasions, but Absa's settlement proposals were turned down as they contained demands that Mancer should declare the yacht promotion a sham. Effectively he would have declared that his court testimony was perjured.

Some Absa executives are asking whether the banking group should commit more money and further risk losing the yacht promotion tax allowances by appealing against the Mancer judgment.

We hear that one of Absa's attorneys (carried away with hyperbole perhaps) pointed out that Mancer might be advised to settle as Absa had R80bn it could use to fight the case.

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STILL on the subject of Absa, why did Tollgate liquidator Chris van Zyl reject editor Allan Greenblo's initial unqualified R65 a share offer for Tollgate's shareholding in Finance Week?

Rejection is unlikely to have displeased Piet Badenhorst, who is at odds with Greenblo over Finance Week's publication of a statement from Greenblo's old friend and fugitive banker Bob Aldworth and impassioned editorials for Absa to take the heat off Aldworth.

The dispute came despite the fact that, back in 1991 when the Mancer issue was emerging, Finance Week sided with Absa and published highly critical and possibly defamatory articles about Mancer and Kevin de Villiers, implying that Mancer's commercial relationship with the SABC was "a R2m sting".

After the liquidator's refusal, Greenblo came back with a R35 a share offer, which was again turned down.

If Greenblo's initial offer had been accepted, Tollgate's creditors would have received R0,5m.

It is unlikely that a realistically higher bid will be forthcoming, particularly as Greenblo has now strengthened his control of the magazine and raised extra capital through the 702 deal.

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YET again, we hear that some Absa directors and legal advisers have advised Piet Badenhorst to drop an appeal in the Mancer case.

Apart from the likely cost, there is the adverse image of the country's largest banking group acting the Goliath against the Mancer David. More to the point, the Supreme Court judgment was founded on the facts of the case and thus leaves little room for leave to appeal being granted.

We also hear of contingency plans by some directors to find a replacement for Badenhorst should Absa's present CEO decide to take early retirement or leave banking to pursue his own interests.

Talk is that if an appropriate candidate could not be found in SA, a senior banker would be recruited from abroad.

The ultimate irony, we also hear, is that some Absa directors have considered approaching Kevin de Villiers, the former Allied MD ousted from the group after he had supported FNB's bid for Allied against the UBS bid led by Badenhorst.

De Villiers' background has already been thoroughly investigated at Badenhorst's instigation, and his record at Allied speaks for itself.

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DE BEERS has notched up a surprisingly strong third diamond sight worth more than $0,5bn at the upper end of some estimates, we hear.

The market's excitement at the news can perhaps be detected in De Beers' share price which has surged on good local and overseas demand to R72,50, its highest since the share collapse last October.

De Beers is always coy about the sights — the CSO releases only mid-year and year-end diamond sales figures — but the market is patching together an encouraging picture of the diamond business.

The March sight — diamond industry terminology for the 10-times-a-year meetings at which the CSO offers rough diamonds for sale to diamond dealers — finishes today, and analysts put the value of the diamonds sold at between $420m and $550m, in line with the first two this year.

Even if diamond sights in the rest of the year subside to $300m a time, the CSO is looking at at least a 5% increase in sales at $3,6bn compared with $3,42bn in 1992.

The key to the good CSO sales lies in the evaporation of supplies from war-torn Angola and the impact of the 20% export tax imposed recently in Russia, curbing Russian diamond supply.

The "deluge" of Russian material De Beers expected to happen has not and, we hear, De Beers' directors hope quotas limiting sales through the CSO can be lifted by year's end.

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OLD Mutual is closing in on its former head trader Colin Harper, who was offered indemnity from prosecution for his testimony in the Greg Blank share-dealing irregularity scandal.

Harper has been offering restitution to Old Mutual, which is determined to recover money from him even if that involves court action.

The Reserve Bank is said to be holding money seized from Harper, and Old Mutual's eventual claim will depend on the profits made by Harper and the damages incurred because of the fraud.

Quick action by Old Mutual froze the offshore accounts of the assurer's former investment fund managers David Schapiro and Marco Celotti, who were key players in the fraud. As they fled the country and remain at large, the investigation is still open.

The recovery of money from Harper will please, among others, policyholders who have been incensed by the fact that Harper is still living in luxury and may still be operating a casino at his palatial home in Hermanus.

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MARKET speculation is that Rand Mines Properties is considering selling its highly profitable property holdings and operations to Barlow Rand Properties (Barprop) in a multimillion-rand deal.

Sources said it was likely that Barprop would take over its township land holdings, Cape farmland and investment land and buildings.

If the negotiations were successful, RMP would retain only its gold recovery operations and these would most likely be taken over at a later date by Randgold and Exploration — part of Barlow Rand's mineral resources division — and the listing terminated.

Barprop would benefit significantly from such a move as RMP's land is well located and reflects active demand — more than R30m has been sold over the past few months.

Such an acquisition would position Barprop well for a property upturn and increased demand for commercial, industrial, retail and residential land.

As a developer it could also add value to the land by developing office blocks and industrial parks rather than just selling undeveloped land.

Unless RMP intends to sell its gold recovery assets later, or the land is sold at realisable market value, the benefit of the imminent deal with Barprop is unclear.

While RMP's property interests generated only a quarter of group turnover at R48,13m, compared with R141,34m from gold recovery operations, they posted a pre-tax profit of R22,48m compared with a R3,2m loss on gold recovery operations in the year to end-September.

Profits from property operations were 35% up on the previous year because of township land sales to major institutions and a rise in rental income.

According to its 1992 annual report RMP had 26ha of investment land and buildings valued by the directors at R28,92m, 27 529ha of mining and undeveloped land and mineral rights valued at R6,4m, 782,9ha of partially developed land worth R17,89m, and 47,5ha of township land holdings valued at R6,39m.

Of the 27 529,5ha of undeveloped land, 24 390ha is vacant farmland in the Cape. A sale would necessarily involve the preparation of an independent and audited valuation of the property portfolio.

Of the balance, 45% is land permanently encumbered by deposition areas and other mining infrastructure, 9% is reserved for underground mining, and 15% encumbered by material viable for reclamation mining.

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WE HEAR government is about to respond to a JSE request for an increase in the minimum capital requirements of stockbroking firms.

An amendment to the Stock Exchange Control Act will bring capital requirements in line with the rise in inflation.

For one-man operations, capital requirement will be lifted to R50 000 from R20 000, while a joint partnership faces an increase to R100 000 from R40 000. Every additional partner will have to put up R25 000 rather than the R10 000 at present.

The JSE has its own rules for liquid asset requirements of firms to exceed liabilities on a daily basis and these requirements are more stringent than the new changes to the Act.

As part of its long-term research project, the JSE is also considering reviewing these requirements because of the increase in the number of products handled by brokers, such as futures and options. But any changes will not take place for many months.

Another amendment tabled in Parliament this week will make the Stock Exchange Act neutral in regard to matters such as fixed commissions, corporate or individual membership and dual or single capacity trading.

This will place the JSE in a position to change its rules, if deemed necessary, when it receives the results of its research project into the future structure of the market.

BAD ADVICE: *So debenture holders may get more than expected*

Supreme: glimmer of hope

Star 27/3/93

(232)

BECAUSE institutional financial advisers neglected to point out pitfalls, some Supreme victims may yet get a bigger payout, writes LEIGH HASSALL.

ALL IS not lost for debenture holders of the liquidated Supreme group.

They could receive higher-than-expected returns depending on an inquiry into the role of banks and building societies in the ongoing Supreme saga.

The conduct of banks, building societies and other financial institutions that advised investors to move their funds into the Supreme group will be the subject of an investigation under section 417 of the Companies Act

More than 7 000 debenture holders, many of them pensioners, invested combined savings of over R300 million in Supreme debentures and preference shares About half of this originated from banks and building societies on behalf of investors

The inquiry into the role of these institutions could determine whether the relevant debenture holders are able to make a claim against their respective institutions

A successful outcome will yield debenture holders a substantially higher return than the currently expected 22c to 30c in the rand.

If the investors' claims against the institutions are successful, a higher payout will also be paid to the remaining debenture holders — those who did not invest on the advice of financial institutions

Oliver Powell, one of the joint liquidators of the Supreme group, said the Master of the Supreme Court had approved the appointment of an independent attorney to act for debenture holders to investigate the involvement of institutional advisers who recommended the Supreme investment to their clients

He added that such an approval would not have been obtained if the provisional liquidators had not believed there were reasonable grounds for a claim against the financial institutions.

The investigation arises after thousands of complaints were received by the liquidators from aggrieved investors who felt their advisers at financial institutions had given them poor guidance.

At an informal meeting of Johannesburg debenture holders held last month, tales of anguish against the institutions abounded In some cases, investors were under the impression that their funds were nestling safely in fixed deposits, and not channelled to Supreme debentures

Other investors told how debentures in Supreme had been renewed by their advisers without their permission There appeared to be a common misconception that the Supreme companies were in some way related and financially backed by the institution.

It seems from these confused accounts that the financial institutions did not always act solely in an agency capacity when channelling funds to Supreme

For example, some advisers at the institutions retained the debenture certificates and automatically credited the interest earned on the debentures to the investor's bank account. Under normal circumstances, investors should have been informed when the term of their debentures expired

Financial advisers who directed funds to the Supreme group earned a commission of between 1 and 3 percent, as opposed to the market rate of 0,5 percent

On the other hand, Supreme debentures attacted interest rates which varied between 2 and 3 percent above comparable rates for other investments

Wednesday March 24 quotations for unit trusts:

General Equity Funds:

ABSA	142,55	133,37	5,54
BOE Growth	156,70	146,41	3,46
Community Growth Fund	111,47	105,29	na
CU Growth	120,43	112,44	4,22
Fedgro	127,22	118,79	4,83
Guardbank Growth	2543,01	2367,33	4,74
IGI Life*	130,34	121,97	3,52
Metfund	194,37	180,54	4,24
Metlife	116,74	109,05	6,42
Momentum	250,59	234,75	4,23
NBS Hallmark	947,34	894,79	5,16
Old Mutual Investors	2601,83	2424,78	3,69
Sage	2388,57	2229,41	4,06
Sanlam	1640,67	1537,57	3,37
Sanlam Index	1233,36	1155,58	3,92
Sanlam Dividend	457,90	429,91	4,68
Southern	205,09	192,11	3,95
Standard	1184,02	1112,47	6,98
Syfrets Growth	298,00	279,15	4,40
Syfrets Trustee	117,73	110,36	4,50
UAL	2080,07	1953,26	5,17

Specialist Equity Funds:

Not available at time of going to press

Potential High Growth Unit Trust for Old Mutual

SOUTH 27/3 - 31/3/93. (232)

Old Mutual Unit Trusts is launching a new potentially high performance general equity fund, which will be aggressively managed.

Old Mutual Growth Fund, which begins trading on April 2, will focus on providing maximum performance through active liquidity and investment management. The fund manager is Arnold Shapiro.

Old Mutual Unit Trusts' manager Selwyn Feldman predicts a strong inflow into the new fund. "General equity funds have traditionally provided the best returns on the JSE and this new flexible fund will have the additional advantage of being actively managed for maximum returns.

"One of its key advantages is that it will be able to accumulate meaningful stakes in smaller and medium sized companies with impressive potential, while the fund manager will actively manage liquidity. The investment mix will be continually altered in the light of expected market conditions with the fund manager continually seeking tactical and strategic opportunities, especially among the lesser known names on the JSE. In short the Old Mutual growth fund will attract investors who wish to entrust the Old Mutual investment team with their complete discretion in growing their wealth."

To increase the attractiveness of the new fund still further, the management company is offering a 40% discount on the 5 percent initial charge, on all new investment during the first month.

The Growth Fund is easily affordable, with the minimum monthly of R50 and the lump sum minimum of R500 The management fee is 0,7% per year with distributions payable in August and February.

Old Mutual already attracts some 42% of investments in South Africa's Unit Trust industry with total funds under management of more than R3,5 billion.

The new fund will bring the number of Old Mutual unit trusts to seven — well ahead of competitors — and Old Mutual now offers a wide spread of funds with varying risk and performance profiles

POSITIONING OF FUNDS

LOWER RISK	MEDIUM RISK	HIGHER RISK
INCOME	[illegible]	INDUSTRIAL MINING GOLD

Tollgate and the PO boss

(232)

POST OFFICE boss Hennie Diedericks is the latest high-profile South African to become embroiled in the row over the R400-million collapse of Tollgate Holdings.

Mr Diedericks took the extraordinary step this week of distancing himself from press reports linking him to the Tollgate debacle.

S/Times (Buss) 28/3/93.

He says he takes exception to the attempts at compromising his good name "I am prepared to discuss and divulge any applicable information, as far as it concerns me personally, with any formal legal body"

By JEREMY WOODS

Mr Diedericks was appointed as Tollgate managing director in 1988 and left a year later when Julian Askin became chairman

Business Times has learned that a summons, drawn up by directors of Tollgate Holdings — but never served — contains serious allegations against Mr Diedericks concerning his role at Tollgate Holdings

When officers acting for the Office for Serious Economic Offences raided Mr Askin's Constantia home in early February, Mr Askin claims they took away "one file in particular, naming a top public sector official" and "for which I made sure I was given a receipt"

Relaxed

Business Times has learned that the file contains the summons drawn up against Mr Diedericks

It contains allegations concerning his role with Tollgate subsidiary Xpanda as well as his service contract with Tollgate

"Askin and the others running Tollgate are in trouble and they are just trying to throw mud and discredit me," says Mr Diedericks

"I have never even met Julian Askin and I feel very relaxed about anything the police may find in his files about me

"Part of my leaving settlement with Tollgate was the option to buy a company called Xpanda, a security company in Natal When I went back into banking I decided not to exercise that option" He said that neither he, nor Tollgate, had paid anything for the option "There was no direct value attached to the option"

Advocate Petrus Marais of the Office for Serious Economic Offences, declines comment "All aspects of Tollgate will be investigated, but our priority is to investigate the current situation and work backwards," he says

Mr Diedericks says "I inherited a lot of assets (at Tollgate) I was never involved with any transactions as such My role was as a mere manager following instructions from my executive committee

"The whole operation was run on an executive committee basis and I was not the executive chairman"

He maintains he had an "option" to buy Xpanda, not an "obligation"

Xpanda subsequently went into liquidation, with losses of several million rands

Mr Diedericks was later appointed managing director at Volkskas before taking up his position at the Post Office last September

He says his departure from Absa was "definitely not a response to Tollgate being put into liquidation by Absa"

"I left Absa some months before Tollgate was put into liquidation I agreed that I would not discuss my reasons for leaving Absa, and that is something I have kept to"

Cableway heads in shares battle

S/Times (Cape metro) 28/3/93 232

By JEREMY WOODS

A BID to expropriate all the shares in Cape Town's Table Mountain Aerial Cableway, by a new company with the same directors as the existing company, has been stopped by strong opposition from shareholders — many of them from the oldest families in Cape Town

And a small band of angry TMAC shareholders who sold out their shares to the new company, now believe they are worth far more than they were paid — and they want them back

The fight over Cape Town's Cableway, built in the 1920s by a group of prosperous and farsighted Capetonian families, was triggered recently by the sale of a 30 percent stake in TMAC, by Mr Dennis Hennessy, a former chairman, to a new company, AY Investments

AY Investments, which has on its board some of the directors of Table Mountain Aerial Cableway, bought the Hennesey stake for R200 a share and then snapped up some other family trusts at the same price to give them majority control

The directors of TMAC, who are also directors of AY Investments are Mr Louis de Waal, Mr Ron Reid and Mr John Harrison

Once the Hennessy stake was bought, AY Investments launched a bid to buy out the rest of TMAC's shareholders, some of whom have had their shares passed down through generations

Some shareholders claim to have had calls from Mr Harrison, which they interpreted as "pressure" to accept the offer for their shares.

TMAC shareholders, many of whom are elederly, were contacted in places as far away as England, New Zealand, Israel and New York, and advised to sell their shares for R200 a share

If they did not, and AY Investments gained 90 percent of the shares, they were apparently told, their shares could be expropriated

While this approach persuaded some families to sell, it stimulated a very different reaction from others

Aggressive

"It just didn't smell right We didn't feel we were fully in the picture," says Mrs Mary Hahn, who has been campaigning against the takeover

Perhaps one reason for the allegedly aggressive purchase of TMAC shares, is the blossoming of an idea that could enable hundreds of thousands of tourists to catch a new cable car service from the Waterfront to Signal Hill

Once there, a continuous bus service to the existing Table Mountain Cableway would take tourists to the top of Table Mountain

Though not involved with TMAC, Waterfront boss David Jack likes the idea — no doubt because it would bring another attraction to his successful Waterfront development

"We have been approached by the Table Mountain Aerial Cableway Company for a base station that would go up to Signal Hill and then be linked with a shuttle bus through to the upper cableway," he said

"I believe it would certainly complement the Waterfront development, and we have the infrastructure here that will be compatible with it"

One of the major problems with the present cableway, is waiting times and parking at the lower cable station Mr Jack believes the new scheme would help resolve these problems

"In Rio more than 60 percent of people use only the lower ride to the first viewing station, and Signal Hill could provide that"

But from a TMAC shareholder perspective, a price of R200 a share could be considered less than generous

"People who try to eat too much of the cake often finnish up with indigestion ," said Issie Goldberg, chairman of the Small Shareholders Association.

He is unhappy that some shareholders sold their shares without being in the full knowledge of the potential a new cableway to Signal Hill would bring to the exisiting cableway

He believes that some 10 percent of TMAC shareholders who had sold their shares, would buy them back if they could

"Some are hopping mad about their sales, and want them reversed," he said

Letter

Also of significant interest to TMAC shareholders are loans of TMAC funds to Signal Hill Cableway Ltd and a company called 44 Dock Road Ltd.

A letter from solicitors acting for TMAC shareholders says "Our clients would like to have full details of the facts surrounding the loan of monies by Table Mountain (TMAC) to two companies which could possibly be in direct opposition with it They would like the identity of the directors and the shareholders of these two companies disclosed, together with any interest Messrs De Waal and Reid might have in them"

"They would also like full details surrounding the circumstances under which the decision was taken to lend Table Mountain's money to those companies and the reasons for the loans They furthermore enquire what relationship these two companies have with Table Mountain, both past and anticipated, and what future relationship, such as joint ventures, are planned"

Mr John Harrison, a director of TMAC, Signal Hill and 44 Dock Road companies, denies that any pressure was brought to bear on the elderly shareholders of TMAC to sell their shares

"Its a question of how you view pressurising I was simply telling the shareholders I spoke to, the facts

"If a number of developments in the pipeline come off, there could be an interruption in the flow of dividends from TMAC I have dealt with elderly people before, and I felt morally obliged to tell them the situation, as they might have relied on those dividends."

He said details of the loans to Signal Hill and 44 Dock Road were contained in the notes to the accounts, and though there was no "formal agreement" to repay the interest-free and unsecured funds lent, "there is an understanding between the joint directors to do so"

A former stockbroker with the JSE firm of Ferguson Bros , Mr John Harrison said the price of the TMAC shares were valued as "fair and reasonable" by accountants Ernst & Young

If plans to refurbish the existing cableway and build the new cableway to Signal Hill materialised, he did not rule out a stock market quote for the whole development

"We will have to raise a lot of money and that is one way of doing it," he added

MONEY MARKETS by Tim Marsland

Govt looks to market makers

BDay 29/3/93

THE Reserve Bank is approaching stockbrokers and banks to gauge their views on the appointment of market makers in government stock and will issue a discussion document soon

A market maker buys and sells a particular stock to enhance marketability, thereby reducing funding costs The issue has been on the agenda since the Bank took over the market making of government stock in 1990 232

The Bank's turnover, at about 20% of the formal and informal capital market, provides potential market makers with food for thought

Total turnover for the year was about R250bn It did 300 deals a day in stock and about 495 deals a day in the options market These are weighty numbers for any market maker

Countering this is that the Finance Department might not be entirely open with market makers about what it is doing in the market It might, for instance, continue doing special deals with institutions At present, these deals make up about 3% of the Bank's business Not knowing what the other hand is up to can be problematic for a market maker

The Umgeni Water Board, in particular, has successfully used an external market maker for its stock and it is totally open with its market makers As a result, funding has become a simple matter for the water authority Of course, it is much easier for Umgeni to be open with its market makers than it will be for government

These limitations on openness will be the acid test for anyone wanting to go into the market-making business

Before taking the step, a potential market maker should ensure that the information channel remains unblocked Otherwise there could be lot of cheap paper floating around that the market maker did not know about

DIAGONAL STREET

Snags in way of new cash for JSE

STimes (BUSS) 28/3/93 (232)

By Julie Walker

IF A foreigner buys shares in a JSE-listed company, has he invested in South Africa?

Not really, because secondary trade does not place new capital in the company

Yet potential foreign investors canvassed by large groups say they would like to invest in SA under the mantle of properly managed existing companies

The catch is that they cannot easily acquire new shares directly No SA company has an open mandate to raise capital by issuing a parcel of new shares to a potential foreign partner

SA's large groups are treading softly to encourage a change in JSE listing requirements for the issue of authorised shares for cash other than by a rights issue to existing shareholders

The JSE's practice note on the waiver of pre-emptive rights in equity issues says a company's articles of association should provide for the pro-rata issue of authorised shares to members unless issued for the acquisition of assets

The practice note outlines circumstances under which the JSE would exercise its judgment

1) Where 90% of shareholders in general meeting agree to waive their pre-emptive rights after full disclosure of the details and effects of the proposed placing on earnings, net asset value, given by all the directors and an independent third party;

2) Where it is a genuine rescue, where the company would otherwise fail

Where the JSE agrees to an issue of shares, it must be for no more than 10% of the enlarged equity base; if at a discount it must be motivated, it must not influence any control elements, the placement must be completed within a month of passing the resolution, and shares must not be issued where the directors or controlling shareholders know of any take-over bid

These rules are believed to stifle flexibility and render equity financing a least-cherished funding option

Brian Christie of stockbroker Martin & Co has studied the JSE's share-issuing rules and how they compare with other bourses

Mr Christie says the JSE's normal rights issue rules are excellent in that all shareholders have a pro-rata renounceable right to new shares, and that the offer is underwritten

The shortcomings arise from the nearly two months in which risk has to be carried either by the company or the underwriter

The underwriter usually charges 1,5% of the amount raised for carrying the risk, and often has considerable influence on the issue price

"If the risk period of 55 days was not so long, the discount to market price could be trimmed from the norm of between 10% and 20%," says Mr Christie

Unfortunately, the JSE's new rules regarding the issue of shares for cash do not deal with the time and risk problems associated with a standard rights issue

The procedure still takes at least 38 days and is an unwieldy one This might explain why few companies have taken advantage of it

Mr Christie says America has a much more flexible approach to share capital American companies can buy back their own shares, effectively reducing capital In addition to normal rights offers, they can keep shares "on the shelf" for issue to raise cash in a variety of ways

Companies may register a statement about shares they intend to issue in the next two years and do so at any time in that period (the JSE offers 30 days) as long as they provide a short-form statement.

Normally, they hire an underwriter to dribble the shares into selected stock markets

Not all companies qualify for the shelf method Those that do not must use a cash offer of a single issue of shares to an underwiter who places them as he can

There is also a "best efforts" cash offer where investment bankers are hired to sell as many shares as possible on market with no guarantee on how much is raised

No pre-emptive right is recognised in America, reliance being placed on the strict rules relating to directors' fiduciary duty to act in the best interest of shareholders

A share issue normally takes place at a slim 2% to 2,5% discount to protect existing members

In the United Kingdom, rights offers need not be underwritten If they are, the discount is 10% to 20%, if not, it is much greater

The London Stock Exchange requires annual renewal of a special resolution allowing directors to issue shares, still subject to certain disclosures Shareholder watchdogs have added their own requirements

Broadly, UK directors win approval to issue not more than 5% of the company's equity in 12 months for cash, not more than 7,5% in any rolling three years, and at a discount of not more than 5% including placing commissions

Recently, UK companies have opted for the claw-back provisions of vendor placings (where assets are bought for an issue of shares placed on the market) to issues for cash

Shares are placed with new investors, but existing shareholders are given the right to claw back their pro-rata entitlements should they so wish

Australian companies can annually issue 10% of their issued shares without seeking shareholder approval of the specific issue although general authority is required to issue shares

"This shows there are no universal rules for the issue of shares," says Mr Christie

First prize for JSE companies would be that each formulates a scheme for such issues, subject to JSE approval, and puts it annually to shareholders for approval

Slim, trim plan for corporations

(232)

Draft legislation would be introduced to support the unbundling process of the country's large corporations, said Finance Minister Derek Keys.

He said unwieldy corporate pyramid structures had developed due to company acquisitions, mergers and reconstructions resulting in cost inefficiency in the use of capital.

"The growing need experienced by groups to shed these structures is a very positive development that calls for encouragement," Keys said

The draft legislation was to be introduced during this session of Parliament.

"Moreover, the new 15 percent tax on distributed income will not apply to unbundling-related profits," he said. — Sapa.

Star 30/3/93

New name for Picapli

232

By Stephen Cranston

Following its acquisition by Powertech, Picapli has been renamed General Technologies (Gentech)

Powertech CE Peter Watt says the new name has been implemented to strengthen the association of Gentech with the corporate name

"The name clearly identifies Gentech with its parent without restricting the focus on its present market in domestic appliances"

Gentech will undergo a broad-based structural reform programme aimed primarily at improving quality standards, customer service and safeguarding profitability

Picardi Holdings has exercised its put option, exchanging its remaining shareholding in Gentech for 1,4 million Powertech shares and 80 000 new shares in Altron

Interim results for the six months to December will not be announced as they would not take into account the restructuring of operations since the change of control.

Instead, preliminary results for the eight months to February will be published towards the end of April

Malbak works on unbundling plan

B/DAY 31/3/93

(232)

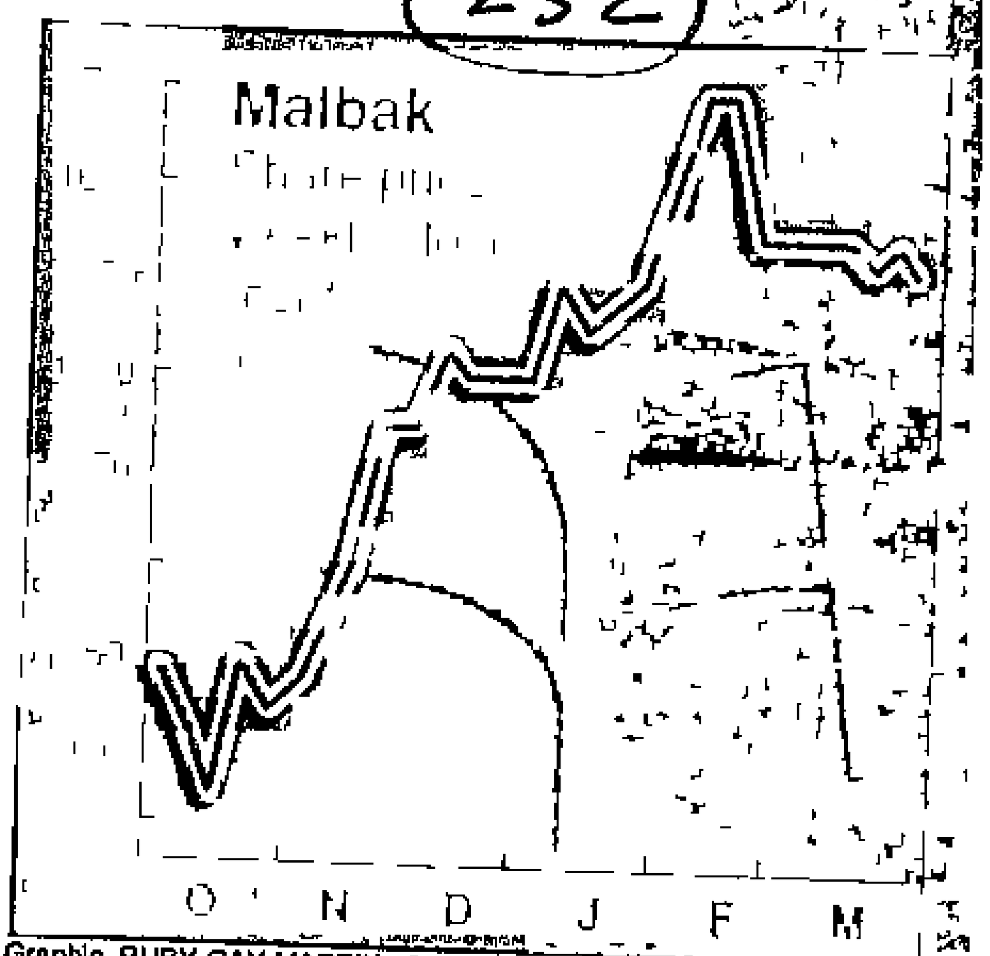
MARCIA KLEIN

THE Malbak group was continuing with plans to unbundle Malhold, which holds 39,5% of Malbak, through distributing Malbak shares to Malhold shareholders by means of a dividend in specie, executive chairman Grant Thomas said yesterday.

The announcement was made in conjunction with Malbak's interim report to end-February, in which sound results from all of its diversified consumer-related businesses enabled it to increase attributable earnings by 12% to R170m (R152m)

Earnings rose only marginally to 55,5c (55,1c) a share because of the higher number of shares in issue The group, whose major interests include food group Foodcorp, packaging group Holdains, SA Druggists, furniture retailer Ellerine and international operations, increased its sales 9% to R5,39bn (R4,96bn), and its operating income 8% to R388m (R360m).

Thomas said consumer demand in most areas was affected by the recession and difficult sociopolitical conditions, and this had led to increased pressure on margins



Graphic RUBY GAY MARTIN Source I-NET

A strict focus on productivity improvements and working capital efficiencies, together with lower interest rates, resulted in a 20% reduction in the interest bill to R64m (R80m) and a 16% rise in pre-tax income to R324m (R280m).

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Malbak

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Income after tax was 11% higher at R209m (R188m) The interim dividend was maintained at 12,5c a share.

Gearing was reduced to 23,8% (28,4%), and the group generated R500m in cash from operations

Major contributor Foodcorp, formed after Malbak acquired Fedfood and merged it with Kanhym, contributed 19% or R33m to attributable earnings Thomas said rationalisation and productivity improvements, as well as lower interest and tax charges, enabled Foodcorp to increase earnings in a competitive market.

Malbak's packaging and paper interests, held through Holdains, contributed to 17% or R29m of earnings. Thomas said it had improved earnings in a competitive market where volumes were static

Extensive reorganisation saw SA Druggists increase its contribution from 11% to 12% or R20m of earnings

Ellerine and Malbak Motor Holdings had produced "particularly pleasing results and increased their market shares"

But Tedelex was still being affected by weak consumer demand and competition from imports

The international division, which mainly includes the UK-based paper and plastic packaging products group MY Holdings, had continued to improve its contribution despite the devaluation of the pound Thomas warned that business conditions in the UK remained difficult.

He said the benefits from recent acquisitions, which included Fedfood and SA Druggists, were becoming evident

The Budget was likely to dampen consumer demand further But "continuing productivity improvements and market share gains" should enable the group to maintain its earnings a share in the full year despite the higher number of shares

No details of the unbundling were given Thomas said it would take place once legislation was passed to facilitate it and provided that there were no other impediments

Malhold maintained its interim dividend of 35c a share.

Malbak lifts earnings despite lower demand, higher tax rate

Star 31/3/93

By Stephen Cranston (232)

Despite a higher tax rate and lower consumer demand, diversified holding company Malbak lifted its attributable earnings by 12 percent to R170 million in the six months to February.

But because of an increase in the number of shares in issue, earnings per share were up just one percent to 55,5c, although chairman Grant Thomas had predicted slight fall at the earnings per share level.

The interim dividend has been maintained at 12,5c.

Malbak is unbundling its holding company Malhold.

Thomas says that following the announcement that enabling legislation will be passed to facilitate unbundling, Malhold plans to distribute its Malbak shares to Malhold shareholders by means of a dividend in specie.

Foodcorp was the largest contributor to earnings with 19 percent in a competitive market. It benefited from rationalisation and productivity improvements, although the drought pushed up raw material prices and put pressure on margins.

Packaging and paper group Holdains contributed 17 percent, increasing earnings in an environment marked by static volumes.

SA Druggists contributed 12 percent of group earnings and is starting to show its full potential.

Grant Thomas . . . confident about the future

There were particularly good results from Ellerines and Malbak Motor Holdings, which both increased market share.

Tedelex is still being affected by weak consumer demand and competition from imports, which are not subject to what Thomas calls a "correct" level of tariffs.

Made up of these three latter companies, the branded consumer goods division's share of earnings improved from 11 percent to 14 percent.

The international division continued to improve its contribution, despite the devaluation of the pound, reflecting a sound performance by all its constituents.

Packaging company MY Holdings experienced declining volumes and a continued pressure on margins.

Malbak's turnover increased by nine percent to R5,4 billion, and operating income by eight percent to R388 million

The reduction in borrowings and in interest rates caused a 20 percent reduction in finance charges to R64 million, which led to a 16 percent increase in pretax profit to R324 million.

Because of a reduction in assessed losses, Malbak's effective tax rate rose from 32,9 percent to 35,5 percent.

The increase would have been higher without the new dual rate of corporate tax.

The tax bill was up by 25 percent to R115 million.

The balance sheet is strong, with gearing down from 28,4 to 23,8 percent and cash on hand is R675 million.

Thomas is confident about the future: "The recent Budget is likely to dampen consumer demand still further, but due to continuing productivity improvements and market share gains, it is expected that earnings per share for the year to August will be maintained, despite the greater number of shares in issue."

Malbak gears up for share 'unbundling'

CT 31/3/93 (23)

From MARCIA KLEIN

OHANNESBURG. — The Malbak roup was continuing with plans to nbundle Malhold, which holds 39,5% f Malbak, through distributing Malak shares to Malhold shareholders y means of a dividend in specie, xecutive chairman Grant Thomas aid yesterday.

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Thomas said consumer demand in most areas of activity were affected by the recession and difficult socio-political conditions, and this had led to increased pressure on margins.

A strict focus on productivity improvements and working capital efficiencies, together with lower interest rates, resulted in a 20% reduction in the interest bill to R64m (R80m) and a 16% rise in pre-tax income to R324m (R280m).

Income after tax was 11% higher at R209m (R188m) The interim dividend was maintained at 12,5c a share

Gearing was reduced to 23,8% (28,4%), and the group generated R500m in cash from operations.

Major contributor Foodcorp, formed after Malbak acquired Fedfood and merged it with Kanhym, contributed 19% or R33m to attributable earnings. Thomas said rationalisation and productivity improvements, as well as lower interest and tax charges, enabled Foodcorp to increase earnings in a competitive market.

Malbak's packaging and paper interests, held through Holdains, contributed to 17% or R29m of earnings. Thomas said it had improved earnings in a competitive market where volumes were static.

Extensive reorganisation and rationalisation saw SA Druggists increase its contribution from 11% to 12% or R20m o earnings

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Elfi curbs hit futures market

TIM MARSLAND

RESERVE Bank moves to stop foreigners buying new equity-linked fixed interest (Elfi) issues has caused a sharp falloff in futures market activity, draining some liquidity from an otherwise active market, dealers said yesterday.

SA Futures Exchange figures show foreigners owned only 5% of futures contracts traded on the exchange compared with a peak of 15% shortly before the March 15 close-out which coincided with the expiry of Transnet's Elfi III contract.

Exchange assistant GM Patrick Birley said this meant foreigners owned contracts worth about R180m from the peak of R550m. BDM 31/3/93.

Foreigners bought the contracts largely to hedge against potential capital loss of the Elfi III bear tranche. They let the contracts expire along with the Elfi III since there was no need to roll over the futures contracts

Elfi is split into a bull and bear tranche and is linked to the JSE's all share contract. The bull gains in value if the index rises while the bear is worth more if the index falls (232)

On the Elfi III issue, Transnet paid a fixed interest rate of 4% on the bull issue and a 25% rate on the bear issue The high interest rate on the bear issue attracted foreigners since they are able to repatriate interest earnings but not the capital because of foreign exchange controls.

A futures dealer explained that foreigners were able to buy less of the Elfi IV issue with the money received from Elfi III since the Elfi IV was more expensive. This meant they needed fewer futures contracts to hedge their Elfi positions

Birley said foreigners tended to take once-off positions in the market, rather than play futures on a daily basis

Star 1/4/93 (232)

Sage trusts pay less

Sage unit trusts have announced income distributions for the six months to March of 40,4c per unit in the case of Sage Fund and 2,3c per unit in the case of Sage Resources Fund

For the financial year to end-March, the total income distributions were 83,8c per unit in Sage Fund and 5c per unit in Sage Resources Fund.

In the year to end-March 1992, income per unit was 98,7c in Sage Fund and 6,7c in Sage Resources Fund.

The distributions for the past year reflect the effect of the reduction in interest rates on income from liquid assets. — Sapa.

JSE to open doors to financial companies trading in derivatives

Star 1/4/93

232

By Derek Tommey

In a major break with tradition, the Johannesburg Stock Exchange is to open its doors to financial companies trading in derivatives — though with tight restrictions on what they will be allowed to do.

Until now, only individuals have been allowed to be members of the JSE.

Corporates have been pressing to join the JSE for some time. But the existing members, who have unlimited liability, have generally been against the move.

They have feared that institutions, with their huge financial resources and limited liability, could take away their business.

However, the development is seen as giving JSE members the best of both worlds.

It will enable the corporates to trade in areas where it is to their and to the market's benefit.

But, at the same time, they would not encroach on the activities and independence of non-corporate members.

Roy Andersen, executive president of the JSE, said last night the move would greatly expand volumes of trading, thereby boosting liquidity and benefiting members.

He expected financial institutions such as Investec Bank, Rand Merchant Bank, Standard Merchant Bank, FirstCorp and others active in the futures and options markets to become members.

A spokesman said last night that the committee researching the future structure of the JSE had decided to introduce, as soon as feasible, a new class of membership to be known as a "derivatives broking member".

These would be corporate bodies, which were creators of derivative instruments and registered members of a financial exchange created and licensed in terms of the Financial Markets Control Act, 1989, he said

Access

Consideration would be given to allowing them access to the JSE market floor and to trading in shares in the JSE index as a principal.

However, they would not be permitted to trade in any other equities or to trade for or on behalf of any client

The proposal will have to be approved by Parliament

But the JSE hopes that amending legislation will be passed this session

JSE moves to help futures traders

TIM MARSLAND

THE JSE is to allow SA Futures Exchange (Safex) members to trade index-linked shares on the exchange's floor as a means of increasing the market's liquidity

The JSE said yesterday it would introduce a new class of membership, to be known as derivatives broking members The step was taken to help futures traders offset their risks in the equity market.

Safex members will be allowed to trade shares that are part of the indices on which futures contracts are based However, they will be allowed to trade only on their own accounts and not for clients

The move means that major institutions, merchant and commercial banks, mining houses and parastatals will have direct access to the JSE floor, something brokers have resisted strongly. Among Safex's members are Old Mutual, Liberty Asset Management, JCI, Genbel, Rand Merchant Bank, Standard Merchant Bank, Discount House Merchant Bank, Eskom and the Maize Board

The step is seen as part of the JSE's move towards allowing corporate membership JSE president Roy Andersen said the new rules would come into effect when Parliament passed the Stock Exchanges

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JSE

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Control Act.

"Although we have a lot of work to do to put the new structure into place, I'm confident that all obstacles will be overcome and the new members admitted this year"

Stockbrokers were unlikely to see a fall-off in broking fees since the move would add liquidity to the market, which would benefit stockbrokers, he said

The JSE statement said futures traders would not be allowed to buy shares for investment purposes, and would be allowed to trade only against "principal self-created open positions or agency business"

Futures traders would be allowed to buy more shares than needed to cover "real net principal open positions, subject to prudent ratios to be determined". In the futures market, an open position refers to the number of contracts in the market

Safex assistant GM Patrick Birley said "We encourage any move that will add liquidity to the JSE, since it will have significant benefits for our market"

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Same again from Amaprop

(68)

Anglo American Properties (Amaprop) yesterday declared an unchanged final dividend of 35c per ordinary share.

This means that the company has maintained the payment of a total dividend of 50c per ordinary share for the financial year

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Estimated profit after tax attributable to shareholders is R33 million, or 73c per share (1992 actual: R36 million, or 78,5c per share).

Estimated earnings before tax are R38 million (1992 actual R51 million).

The payment of interest at the rate of 50c per unit for the period October 1992 to March 1993 will be made to holders of Amaprop loan stock.

This brings the total annual payment to unitholders to 100c, once again maintaining the payment made in 1992. — Sapa

Bulk wine exports opposed

BDAY 1/4/93

LINDA ENSOR

CAPE TOWN — The bulk export of SA wine was damaging the reputation of good quality branded varieties, Stellenbosch Farmers' Winery (SFW) international agents unanimously agreed at a news conference yesterday

The agents from the UK, Switzerland, Taiwan, Zimbabwe, Denmark, Hong Kong, Singapore, US, Mauritius and Holland are in SA to attend the Nederburg auction on Saturday

"Bulk exports of cheap wine is bad news for SA wine," Dutch agent Otto Lenselink said

The agents said SA wine was bottled in the importing country, and there was no guarantee standards were being maintained as it was often mixed with other cheap wines — despite being sold under an SA label

They said the dumping of cheap SA wine on international markets was destroying the efforts of brand wine exporters to build up an export market for quality wines This was happening at a time when SA wine was a relatively new entrant on the international scene and had not had sufficient time to establish the reputation of its branded wines

"It is ridiculous to imagine that it is possible to sell cheap, unknown co-operative wines in Europe," German buyer Ingo Mack said "The only chance SA producers have to succeed is by selling good quality brand wines and investing a lot in advertising"

This was especially the case, Mack said, as wine consumption was declining in Europe, despite the huge surplus, and it was likely that only consumption of good wines would rise He believed SA wine producers had to improve their marketing efforts dramatically

SFW international affairs director Dick Coleshaw said the biggest danger facing the SA wine industry on the international market was for it to get the reputation of producing good, cheap, boring wine

Businessman owes R24m

232

SUSAN RUSSELL

JOHANNESBURG businessman Louis Ernest Raubenheimer, who is liable for debts of more than R24m incurred by two of his companies, was provisionally sequestrated in the Rand Supreme Court yesterday

The application for Raubenheimer's sequestration was brought by Xeratech, which has a R5,4m claim against him

Xeratech director Robert Peter van der Merwe said in an affidavit the claim was for goods sold and delivered to Raubenheimer's company, Integrated Visual Communications, under a dealership agreement

Van der Merwe said Raubenheimer had furnished a statement which put his assets at R7,2m as opposed to liabilities of R3m

However, Raubenhimer had signed suretyships for IVC and another of his companies, Central Copier Systems, in respect of the Xeratech debt and R18m and R1m owed to Absa and Standard Bank respectively

Both companies had been provisionally liquidated and Raubenheimer's shareholdings of about R900 000 were valueless

It was quite clear from this, he added, that Raubenheimer's empire had collapsed and he was insolvent

Free political prisoners' call

BDAY 1/4/93

MARIANNE MERTEN

THE ANC PWV region would launch a campaign for the release of political prisoners still in detention, regional peace desk co-ordinator Robert McBride said yesterday.

McBride told a news conference in Johannesburg there would be a march from Daveyton's Sinaba Stadium to Modderbee Prison tomorrow as part of a "massive campaign" to demand the release of the prisoners.

He also said 43 members of the ANC Phola Park branch, who were awaiting trial, had suspended their nine-day hunger strike after receiving official assurances that their complaints would be attended to.

The strike was a protest against allegedly abusive wardens and a lack of medical facilities.

Correctional Services spokesman W/O Rudi Potgieter said yesterday there were no prisoners on hunger strike at any prison.

He said the complaints at Modderbee were being dealt with by the prison head and the prisoners had indicated they were satisfied with how the matter was being handled.

Meanwhile, 23 political prisoners at Leeuwkop Prison said in a statement yesterday they were forced to apply for their release through the Office for Indemnity, six months after the record of understanding between government and the ANC.

This, they said, was contrary to the record of understanding. They demanded to be released at the end of this month.

FINANCIAL MARKETS
(232)

Opening up

FM 2/4/93

Corporate membership of the JSE will soon be legalised The Financial Institutions Second Amendment Bill, tabled in parliament last week, proposes to amend the Stock Exchanges Control Act to make it possible for the JSE to amend its rules, with the approval of the Registrar of Financial Institutions

The enabling legislation allows the JSE to make regulations on such matters as dual trading and the admission of corporate members Existing legislation prohibits the JSE from making its own rules on these issues.

If the Bill is passed it will not automatically result in dual trading and the admission of corporate members as these issues are self-regulated by the JSE body.

JSE president Roy Andersen confirms that the amendment gives the JSE greater flexibility in running its affairs "The revisions to the Act will enable the JSE to implement the recommendations of the research committee looking into the future structure of the market "

Andersen won't be drawn on the committee's recommendations but a market source says the committee has made "significant progress" and is expected to deliver its report to the JSE committee within a few months

The Bill also proposes amendments to the Unit Trusts Control Act to allow property unit trusts wider investment scope, permitting them to buy into holding companies which have property-owning subsidiaries, instead of being restricted to investments in the subsidiaries Also, unit trusts may now own a

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portion of a property with the consent of the Financial Services Board. This allows unit trusts to get stakes in large property developments

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Association of Property Unit Trusts chairman Kevin Moore says the amendments represent two years of discussions with the board through the standing advisory committee on unit trusts.

Though the Bill introduces many changes to the Insurance Act 1943, few were unexpected. Major legislation aimed at protecting consumers when buying insurance will be written into the expected Financial Services Control Bill and the separated legislation covering the activities of long- and short-term insurance companies.

A Financial Services Board spokesman confirms the changes in the amending Act are simply designed to tidy up a few matters while the final legislation is prepared. The change to Section 20*bis* of the Insurance Act, obliging brokers to pay over premiums within 15 days of the end of the month in which they are received, has already been regulated — though criticised by brokers for its effect on their cash flows.

Short-term insurance intermediaries will now have to disclose any fees charged over and above their earned commissions; they may not offer inducements to clients to sign insurance contracts Both provisions are in line with long-term insurance practice.

But the accompanying memorandum to the Bill does mention "the development of certain practices in the marketing of short-term insurance " The intention, apparently, is to give the FSB the power to regulate marketing arrangements which are against the interest of the consumer Regulations have already been made to restrict the retailing practice of selling so-called insurance policies to protect the sellers in credit deals Some of the practices have been deemed to contravene the Act. ■

FOSTON FM 2/4/93

Goodbye

232

Exploration sector company Foston has been delisted from the JSE The company has had a chequered career since its listing through former construction company Gough Cooper in 1990

Foston was brought to the boards by liquidated Cape Investment Bank (CIB) with a portfolio of coal mineral rights and properties (I must declare a passing interest be-

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cause I was MD of the company for 16 months until last April when Foston was bought by new controlling shareholders from CIB's liquidators)

Early in 1991, management announced the discovery of material irregularities in Foston's business involving a former director The conclusions of a comprehensive private investigation were passed to the commercial division of police Director Brett Kebble says the Transvaal Attorney-General has taken no further action despite regular promptings A civil action is in process

Failure to resolve the issue means Foston was unable to complete its annual accounts for the past three years Under duress by the JSE to produce the financial statements, it submitted these last week However, auditor Coopers Theron disclaimed an opinion and the lateness of submission, with the auditor's severe qualification, meant the JSE decided to delist the share which, ironically says Kebble, was close to a rights issue which would have recapitalised Foston and set it on a new course

Shareholders will be unhappy about the delisting which, for minorities, is the closest thing there is to corporate death *David Gleason*

FOX

MALBAK (232) FM 2/4/93

Beating the spending cycle

Given the state of the economy and the way in which so many companies have exhibited signs of distress and strain, Malbak's half-year results are remarkable Earnings have risen 12%, the dividend has been pegged and the trading margin maintained

Financial director Brian Steele says all divisions increased their contributions That found its way through to a substantial increase in earnings, diluted at the per-share level — with EPS rising only 1% — by virtue of last year's rights issue

Turnover increased to R5,4bn (R4,9bn) and operating income rose to R388m (R360m) The interest bill fell to R64m (R80m) because of reduced borrowings (down R120m) and the effects of the steady reduction in the interest rate That left Malbak with pre-tax profit up 16% at R324m Tax, however, was 25% up at R115m

The balance sheet continues to display all the attributes of strength and liquidity The group holds cash reserves of R675m and it makes use of R1,9bn in what it calls, rather quaintly, non-interest-bearing debt but which is, in effect, its use of monies made available largely by grateful creditors

Malbak progenitor Derek Keys's recent pronouncement as Minister of Finance encouraging unbundling hasn't fallen on deaf ears CE Grant Thomas says the intention is to progress with plans to distribute pyramid Malhold's shares in Malbak to Malhold shareholders through a dividend *in specie*

Malbak's business is divided neatly into seven divisions, of which the biggest contributor continues to be the food sector Foodcorp provided R33m or 19% of attributable earnings and a comparison against pro forma figures — based on Fedfood and Kanhym results — shows a 14% annualised increase

The paper and packaging division produced R29m or 17% Chairman Grant Thomas says the improvement arose mainly out of the reorganisation of Holdains' plastics division Healthcare contributed R20m or 12% and Thomas says he thinks the division is on the verge of realising its potential.

Branded consumer products produces a slightly different picture Furniture group Ellerines revealed startling results — the kind which are the envy of most other CE's in this tough busines The same can't be said, though, of poor Tedelex — for so long a lame duck (almost since Gencor bought it) in an environment which isn't conducive to this kind of enterprise. The company was the worst performer in Malbak's stable, though Steele is at pains to point out it reduced its losses substantially

Malbak's Thomas . *benefits from the reorganisation*

The international division comprises MY Holdings (involved in packaging in the UK), Eagle Freight and Protea International Both operate out of SA but their earnings are largely demarcated in foreign currencies Steele says the recent devaluation of sterling affected the division's performance but, despite that, it contributed an enhanced R16m (R12m)

These results confirm the market's high regard for a group which combines strong management with a well balanced portfolio At 1 575c, the 13,8 p.e based on 12-month earnings is slightly below the industrial sector's average earnings multiple of 14,9 That suggests the share is undervalued *David Gleason*

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past year, is another matter

A resurgent SA economy will be achieved only if there is a determination by leaders of industry to invest that is what Finance Minister Keys meant when he told analysts after his Budget "Tell them (businessmen) to be of good heart and to get out there tomorrow and start new enterprises."

On that basis, the hearts of the men at 44 Main Street are in the right place *David Gleason*

AMIC

FM, 2/4/93.

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Planning more grass roots projects

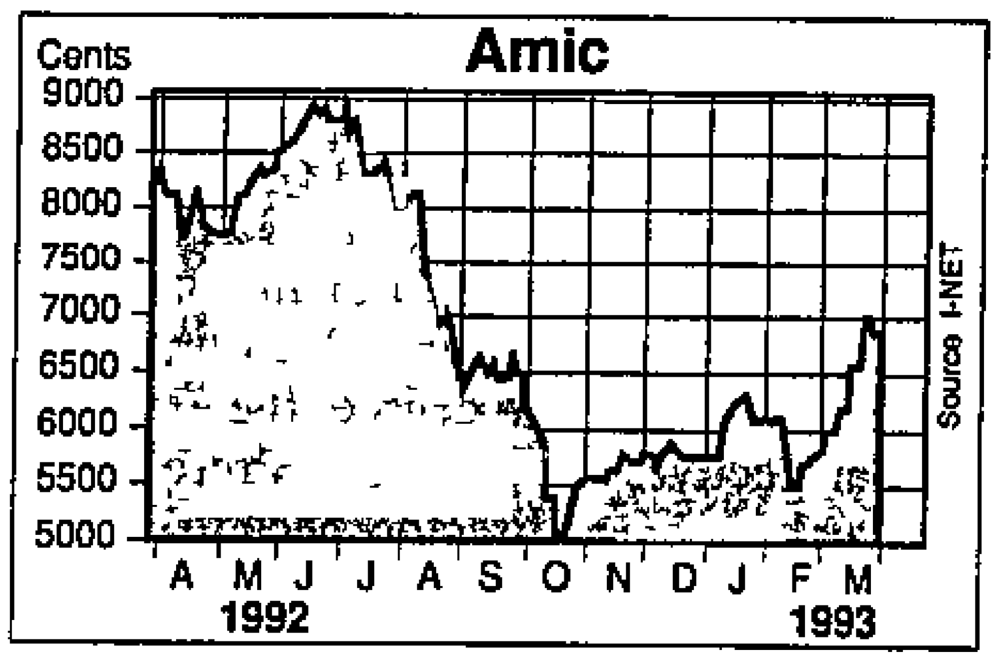
Activities: *Diversified industrial group with investments primarily in iron, steel and engineering, industrial explosives and chemicals, mining and construction equipment and services, pulp, paper, forestry and timber products, sugar and food, electronics and electrical engineering, freight and travel, motor vehicle components, assembly and distribution, and building and construction*
Control: *Anglo American and De Beers*
Chairman: *L Boyd, Deputy chairmen H K Davies and A J Trahar*
Capital structure: *57m ords and 1m 5,625% cum 1st prefs Market capitalisation R4,05bn*
Share market: *Price 7 100c Yields 4,9% on dividend, 8,7% on earnings, p e ratio, 11,5, cover, 1,8 12-month high, 8 950c, low, 5 150c Trading volume last quarter, 290 000 shares*

Year to Dec 31	'89	'90	'91	'92
ST debt (Rm)	365	398	470	288
LT debt (Rm)	450	271	516	369
Debt equity ratio	0,15	0,11	0,13	n/a
Shareholders' interest	0,59	0,65	0,63	0,64
Int & leasing cover	32,9	20,0	17,4	4,3
Return on cap (%)	16,8	11,3	9,5	6,1
Turnover (Rm)	5,78	6,12	6,46	6,86
Pre-int profit (Rm)	1 310	799	643	598
Pre-int margin (%)	18,3	9,3	6,7	8,8
Earnings (c)	1 180	836	731	617
Dividends (c)	350	350	350	350
Net worth (c)	7 034	7 372	7 701	7 372

Probably the most noteworthy aspect of Amic's 1992 results and its annual report is in the accompanying comments to financial journalists of chairman Leslie Boyd Despite another gloomy year, Amic is contemplating more grassroots projects through joint ventures with international partners These could easily add up to another R400m and are in addition to the involvement in the Columbus stainless steel project

Amic's annual report emphasies the extent of the travails of the past four years This company, Anglo American's industrial arm, condenses within its 48 pages information which illustrates profoundly the damage which SA business has sustained

Turnover was 5% higher at R6,8bn This contrasts sadly with the official annual inflation of around 10% and translated through steeply lower earnings from operations (down 32%) and an almost constant share of




Amic's Boyd *looking for more financial efficiency*

earnings from associates, to R352m in attributable earnings That was only 12% less than last year In the circumstances, it was better than might have been expected

EPS of 617c were down 15,6% The directors held the dividend at 350c and the dividend cover has now fallen to 1,8 times — the last time it was at this level was in 1984

Amic is structured in a manner which neatly divides its operating subsidiaries, principally Highveld, Mondi, Scaw and Boart and its associates — the most important being AECI, Tongaat and the Bill Venter-administered companies Altron, Ventron and Powertech This structure is now receiving much attention in Amic's small head office

Boyd says. "The first objective is to make the group more financially efficient " This is unusual, coming from an Anglo American executive director, because it implies the group has not been efficient in the past

Boyd admits as much, when he concedes there is a need to manage cash resources better in future There is more to this, however Amic's team now contemplates a process of divisionalising the principal operating companies at the centre That raises the spectre of command control, though Boyd emphasises his own and the board's understanding that success lies in retaining operational autonomy "Our principal lesson is from Highveld, where an independent management structure has ensured consistently good results in the face of poor economic conditions "

The effect would be to create, for example, Boart and Scaw operating divisions with a centralising of cash resources That would give Amic, for the first time, a real operating structure complete with profits, losses and earnings at the centre That, in turn, will make it much easier, says Boyd, to raise finance needed to pursue new projects

Will it, though? It's hard to conceive of a situation where Amic, deprived though it might have been of substantive results in the company itself, would ever have found difficulty in raising additional funds What are pedigrees like Amic's for, after all?

That raises the issue, therefore, of new projects Boyd — ever the canny Scot — will say only that Amic is contemplating "two or three" grassroots projects and he hopes announcements will be made in the next few months "We have partners in these developments and we have to be sensitive of their requirements " Boyd says they will be modest in the context of Anglo American, probably around R200m each

Among Amic's major contributors, Scaw and Boart International continue to provide good returns even in straitened economic circumstances — and Boart, of course, does business around the world Highveld stood up well, given over-supply in world markets and a contracting local market

Where there is cause for concern is in AECI and in Mondi The pulp and paper producer saw 54% of its earnings disappear down the plughole — down to R51m from 1991's R110m Boyd shrugs his shoulders when asked about this "World pulp prices have halved There are many producers out there, especially the North Americans, who are bleeding so badly they're making losses " At least Mondi's still making profits and there are signs now the international market's improving, so 1993 may be a better year, particularly with capital spending trimmed to the bone

AECI continues to look like an elderly gentlemen out on a gentle stroll MD Mike Sander has already conceded in an interview with the *FM* that in at least two key areas the technology which the company is employing is significantly out of date He says it would cost about R700m to introduce state-of-the-art technology All this must be of concern to Amic, sitting on nearly 40% of AECI's equity Given Boyd's impatience with assets which don't work for a living, developments at AECI over the next year will be interesting

More than anything else, the policy adopted by Amic should tell observers that Anglo has decided to persist with taking the lead in pressing on with capital development projects Whether the lesson will be taken to heart by other SA companies and managing directors, most of whom have displayed a mesmerised paralysis of inaction over the

BUSINESS

Time for tough cop

WMail 2/4-7/4/93. 232

The world's toughest financial cop has shown controlled capitalism pays off

REG RUMNEY *reports on what South Africa could learn from the US Securities and Exchange Commission*

THE widespread use in South Africa of nominees to conceal ownership would not be allowed if this country followed the US Securities and Exchange Commission (SEC) rules

The SEC, known as the world's toughest and most effective financial cop, requires that the true identity of any shareholder with more than five percent of a company be known

This emerged at a Worldnet briefing at the US embassy last week, where through a satellite link-up SEC staffer Ann Wallace and corporate lawyer and ex-SEC member Joseph Connolly spoke to a small gathering about the SEC.

They were quizzed about the SEC's operations by the South African Institute of Chartered Accountants (SAICA) technical director Monica Singer and Johannesburg Stock Exchange general manager Neil Carter

Asked about the SEC's power of enforcement, Wallace said the SEC can impose fines on companies that do not comply with its regulations, but she stressed that the main thrust is disclosure The agency, set up in the depression years to protect small investors, requires companies to disclose reliable information to make it possible for investors to judge risk

The disclosure requirements are broad any stock offered to the public must comply with the SEC rules but the commission does not try to protect potential stockholders against all risk.

Wallace stressed the SEC aimed to force companies to provide a minimum of information The regulations cannot, practically, embrace all companies However, the board of any company will have to make decisions about how much more should be disclosed to attract public money

"If you elect to go to the market the cost is to provide disclosure "

Asked about self-regulation, Connolly emphasised that a healthy alliance existed between self-regulatory groups and law

An illustration of the difference in regulatory approach is demonstrated by the JSE's handling of companies which refuse to comply with internal regulations and the SEC's method

Carter said the JSE would suspend or delist companies which did not comply with its internal regulations Wallace remarked that disclosure is better than suspension, which may be detrimental to the market And, indeed, the JSE thinks long and hard before suspending a company, which could hurt the minority shareholders more than the company itself

The accounting profession is regulated by the SEC as well Wallace said financial statements must comply with the US Generally Accepted Accounting Practices No alternative methods, such as the treatment of goodwill, are allowed "Our system provides across-the-board accountability Financial statements are fundamental for the integrity of markets," she noted

Connolly added that accounting firms were keen to comply with the SEC's requirements. Not only company directors can be sued for issuing misleading financial statements Shareholders have been known to go after a "deep pocket" — the accounting firm that vetted the financial statement

Asked about the costs of regulation, Wallace noted the sound base of small shareholders in the US and the reputation for integrity the markets enjoy Against this, she said, the costs were infinitesimal However, the SEC by law has to undertake a cost-benefit analysis before issuing any new regulations.

The SEC's regulations are seen as onerous elsewhere German firms, for instance, have not been able to enter US markets because their accounting practices don't measure up to SEC requirements The SEC is flexible, though

Industrial giant Daimler-Benz AG said this week it would comply with US regulations and publish more financial information so it could become the first German firm to get a listing on Wall Street

The deal rests on a compromise agreed with the SEC on what should be disclosed.

Naturally, SEC-style regulation would run into some resistance in South Africa. "Regulation is flavour of the month," says Carter, who cautions against over-regulation for our much smaller markets.

Important questions are, he says How far should regulation go, who should do it, and will it solve our problems. Moreover, he adds, regulations costs money

It would be better to handle regulatory problems through a beefed-up Companies Act or expanded JSE listing requirements

Disclosure shouldn't be for disclosure sake And self-regulation should be given a chance to work, Carter adds

Singer, on the other hand, finds it most admirable that the SEC has legislative teeth The South African Companies Act, even when improved in line with SAICA suggestions, will probably not be backed up by enforcement.

In theory, directors of companies have strict responsibilities but disciplinary action against those who act against the interests of the company and shareholders are not easily enforceable

Supreme failure knocks Suprman

(232)

BDay 2/4/93.

MARCIA KLEIN

FURNITURE and steel products manufacturer Supreme Manufacturing Holdings (Suprman) fell deeply into the red in the year to end-December as it made significant write-offs of monies owed to it by liquidated holding company Supreme Holdings

Suprman reported an attributable loss of R11,9m (profit of R146 000) — which translated into a loss of 1,8c (earnings of 0,3c) a share — after extraordinary write-offs of R10,2m These largely reflected monies owed to the group and guaranteed by Supreme Holdings

Financial director Peter Esterhuysen said that in extremely troubled times, which included the liquidation of its holding company, the recession and the severely depressed furniture and building markets which Suprman served, the company had held its operations together

Turnover improved by 10,1% to R78,7m (R71,5m), and operating profit was 157% higher at R1,4m (R532 000)

But a significant rise in net financing costs to R3,1m (R944 000) resulted in a R1,7m loss (R412 000 loss) before tax The loss before extraordinary items was R1,8m against a profit of R254 000 in the previous year No dividend was declared

Esterhuysen said all monies owing to the group had been reneged on

Directors said the high gearing of 79% (30%) was largely due to consolidation of heavily bonded properties following the liquidation of Supreme Holdings

The company intended to dispose of the properties in the current year, Esterhuysen said Once they were sold, cash would be released into the group and gearing would be reduced to 35%.

Esterhuysen said Suprman's subsidiaries were involved in the furniture and building markets, which had had a particularly difficult year Furniture manufacturer Victoria Lewis had performed reasonably well, with turnover increasing by 30%

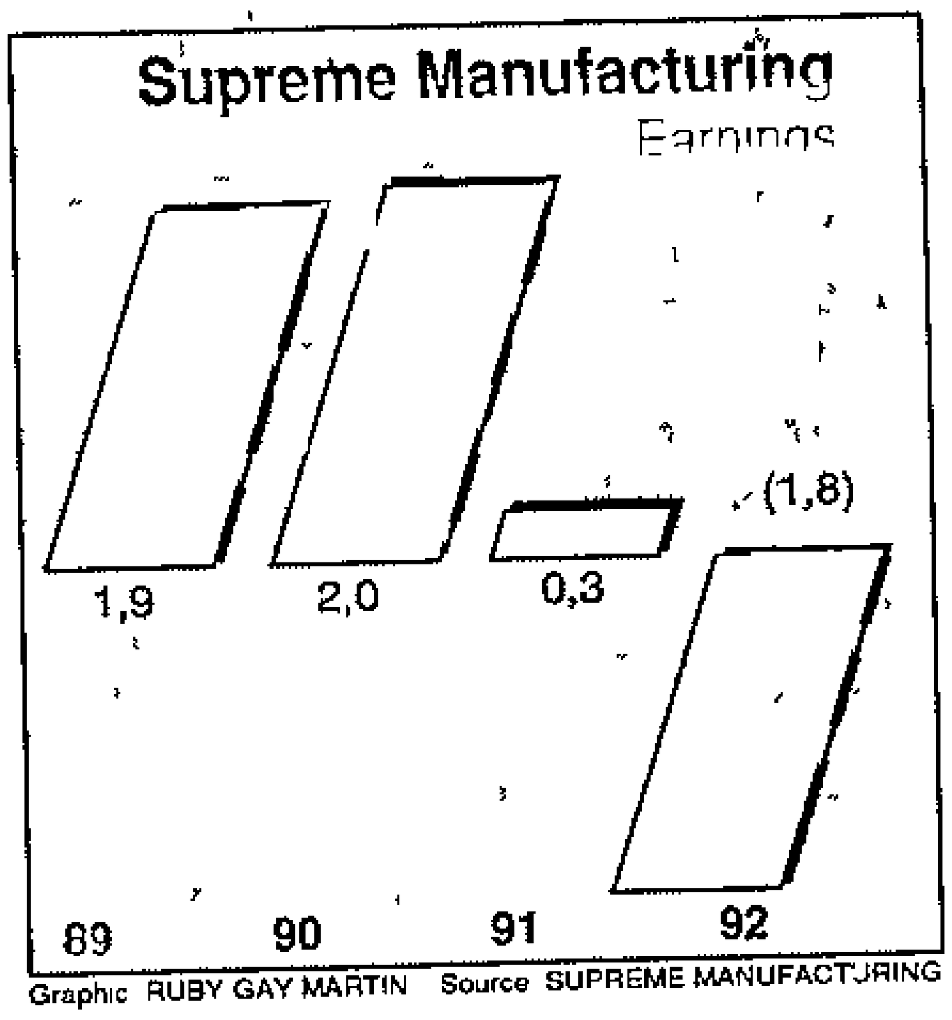
Stainless steel products manufacturer Mewa had been tied into the kitchen sinks market It had diversified into the consumer market by increasing volumes in cookware and had won orders.

Insulated Structures, which makes cold rooms and refrigeration units, was operating in the building industry, where there were no large projects It would release some new products in the coming year

All the companies in the group were restructured and unprofitable divisions and companies closed down

Esterhuysen said prospects for the coming year were good The balance sheet had taken the knock of the write-offs, and all of the businesses had been rationalised

Suprman had budgeted for a profit in 1993, but not at the level it would have hoped for He believed it would generate acceptable returns within three years



Graphic RUBY GAY MARTIN Source SUPREME MANUFACTURING

NATRUST FM 2/4/93

High quality portfolio

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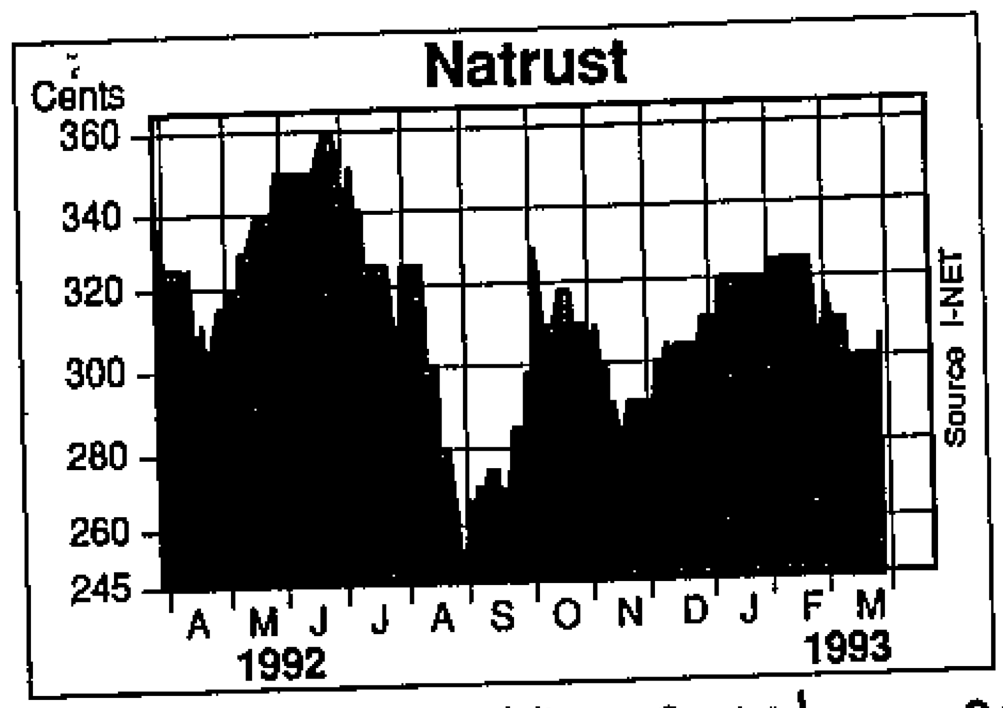
Activities: *Investment trust*
Control: *Management agreement between Absa and Sanlam*
Chairman: *J J Brown*
Capital structure: *27,6m ords Market capitalisation R84m*
Share market: *Price 305c Yields 4,8% on dividend, 5,4% on earnings, p e ratio, 18,5, cover, 1,2 12-month high, 360c, low, 250c Trading volume last quarter, 159 000 shares*

Year to Dec 31	'89	'90	'91	'92
Shareholders' int (Rm)	9,4	10,5	11,4	12,7
Investments (Rm)*	67,3	70,5	106,5	111,5
Net income (Rm)	1,8	2 1	2,3	2,5
Earnings (c)	6,4	7,8	8,4	9,0
Dividends (c)	4,6	5,6	6,7	7,4
Net worth (c)	244,5	259,0	393,8	407,3

* At market value

An investment trust is often attractive for investors who want to buy blue chips, but who earn only beer money Natrust is just such a share and, at a price of R3, is an affordable strong performer In contrast to the JSE All Share index's 5,3% decline in the year to end-December, Natrust increased its NAV at market value by 3,2%



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COMPANIES FM 2/4/93 232

Ten investments, with a net market value of R97m, constitute more than 87% of the portfolio These are Richemont (22,4%), Rembrandt Controlling and Rembrandt Group (18,4%), Pepgro and Pepkor (16%), Gencor Beherend and Gencor (6,6%), Anglovaal (6,5%), SA Breweries (5,2%), Tiger Oats (4,4%), Barlow Rand (3,4%), M&R (3%) and Nampak (1,6%)

The blue chip to fall from grace last year was De Beers In the midst of De Beers's fall from R82,25 to R44,60, Natrust struck out two-fifths of its 50 000 shares it held in its portfolio Other changes were minor Trans-Natal Coal debentures were sold and the shareholding in Bankorp was converted into cash on takeover by Absa Rights in Gencor and Gencor Holdings as well as in Tiger Oats were taken up

Cash held remains a low R3,2m (1991 R4m) Chairman Jean Brown says quality shares are becoming more expensive and offer little value Exactly how much longer will group policy — of investing only in companies with above-average prospects and sustained long-term income and dividend growth — last?

Director John Liackman says management will re-address the weighting of stocks soon Non-cyclical, second-liner shares with emphasis on rand hedge stocks are being considered However, with so little cash in the bank, purchases will have to be made on a switch basis Failing that, a rights issue could raise funds

Investment trusts usually offer a low divi-

TOM COMPETITION HOTS UP

(232)

FM 2/4/93

Though Davis Borkum did well to climb four positions, the second week of the TOM competition saw Genbel's Lucien Verrezen extend his lead Two of the university teams performed splendidly, Wits ousting the mysterious Elephant to take third place overall — a spot worth R10 000 in JSE-sponsored prize money

Despite continued volatility in the All Gold index, which ranged between 1 121-1 195, some participants were not able to extend their gains The tremendous leverage of options means that leaders can't rest on their laurels, profits can be undone and losses recouped quickly

Last week's 5% rise by Driefontein Consolidated (Dries), from R37,75 to R39,75, saw its at-the-money call option gain nearly 50%. One good trade can catapult a backmarker into the Top 10.

Overall, gains outweigh losses in the contest, with losers 11,6% down on average and winners 19,1% up. The underlying portfolio is now 0,3% up

TRADING PLACES

		% Return
1	Lucien Verrezen, Genbel	99,3
2	Davis Borkum Hare (DAV)	48,9
3	University of the Witwatersrand	34,8
4	Shannon/Edwards, Kaplan & Stewart	30,8
5	Lurie Johnston	24,7
6	Elephant	8,2
7	Bus Ad, University of Natal PMB	8,0
8	D Boyiatjis	3,3
9	Davis Borkum Hare (DBH)	2,4
10	Phin	2,3

Schools will suffer, defiant heads warned

ARGT 2/4/93

(232)

JOHN VILJOEN
Education Reporter

A DEFIANCE campaign by principals in Western Cape schools could cause poor conditions in their schools to deteriorate further, Department of Education and Training area director Dr Johan Brand has warned.

More than 60 principals were refusing to provide the department with information on pupil numbers, he said in an interview yesterday

If the action continued it would have a detrimental effect on every school concerned, Dr Brand said.

His office would be unable to motivate its bid for additional teaching posts and would be unable to support its claim for the building of additional classrooms and school buildings

The principals' action would cause problems in the provision of textbooks, stationery and furniture for the next year because the department would have to work on 1992 figures

Advance planning for the expected growth in pupil numbers over the next five years would suffer greatly because his office would not have up-to-date statistics, he said

The principals submitted a list of grievances to Education Minister Mr Sam de Beer last year but were unhappy with his response

The most important of their demands is that principals in acting positions be appointed permanently

Dr Brand said this matter was getting the DET's urgent attention But his department could not act unilaterally against regulations applying to all government departments

The principals had been placed in positions above their level of qualification and paid an acting allowance.

He was sympathetic to their plight and many had done excellent work.

But if they continued with their action their communities would suffer, Dr Brand said.

"The Western Cape is going to go backwards," he said

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South 3/4 - 7/4/93.

A mad March for many

S/Times 4/4/93 [BUSS]

By JULIE WALKER

THE last week of March produced a shocking set of financial results from SA's listed companies.

Of the 17 companies reporting preliminary figures, only four increased profits over the previous comparable period

They were Uniserv, which recovered from a poor showing at Sun Couriers last year to improve sevenfold, Engen, up 10%, Grove Properties, up 6%, and Congella, which raised earnings 22%

Among the 22 reporting interims, SA Druggists raised earnings 70% after good recovery under new management, and sister company Holdains raised profit a share by 6% Their holding company, Malbak, edged up 1%

Harwill improved, Presto continued its rally on much reduced turnover and a flattering, but unexplained, abnormal item making profit higher than turnover, and Witwatersrand Gold Mine pushed earnings up 14%

Losses

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There were several loss-makers Office furniture company Matheson & Ashley lost another R2,2-million in the six months to December 1992, although this was less than previous losses

Sanlic continued its depressing run, down another R1-million

Interlinked property shares Fenix, Abbey and Propcor all scored big losses — Abbey was minus R13,7-million in 1992

Towel company Glodina lost R3,6-million, clothing manufacturer Towles Edgar Jacobs R2,3-million and clothing retailer Bergers almost R6-million Bergers announced a R17-million rights issue to recapitalise

Publisher Penrose lost R700 000 in the 18 months to December 1992 Diamond company CDC was R1,4-million in the red at the interim and saddler IB Joffe was down R400 000

Investment in loss-maker Flitestar led to a loss of 315c a share by the diversified Pretoria company Rentmeester Beleggings in the six months to December 1992

DIAGONAL STREET

ST Times 4/4/93 (B155)

Tarnished treasurers

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THE major finding of Deloitte & Touche's corporate treasury survey is that SA's corporate treasurers have a long way to go to be remotely competitive internationally

Companies representing more than 80% of the JSE's market capitalisation, as well as most parastatals, responded to the survey conducted by Abigail Gammie of Deloitte & Touche's financial institutions team.

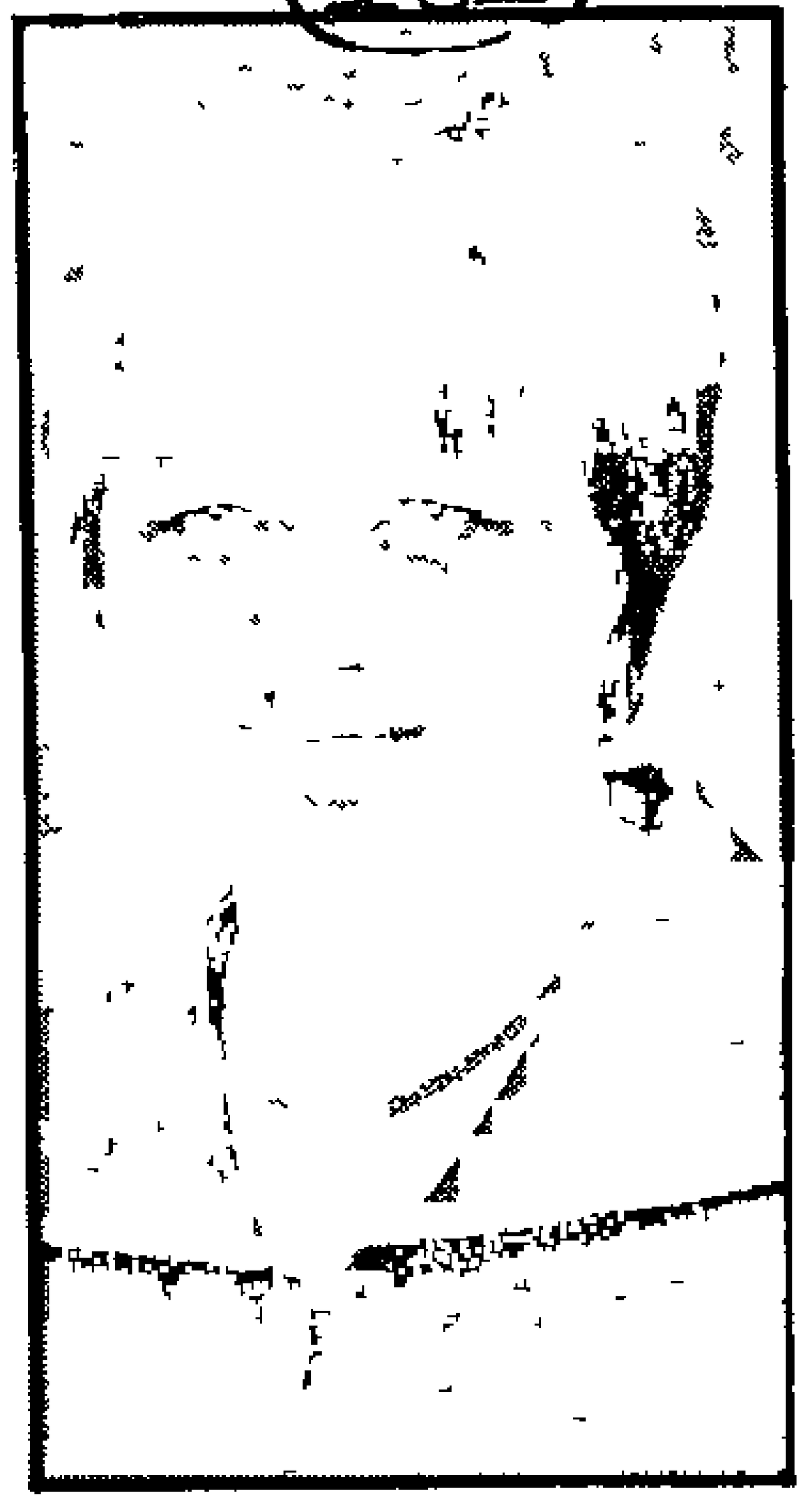
Mrs Gammie, who has researched the same subject in Britain and the Antipodes, is not surprised by the finding. She says that most of SA's treasuries are staffed by chartered accountants and others untrained in the treasurer's disciplines of cash-flow handling, foreign-exchange exposure, borrowing and investment.

The low liquidity in SA's financial markets arises mainly from this lack of sophistication among managers

A well-run treasury must ensure the group has enough cash to meet its obligations "Companies go bust not because they aren't profitable but because they run out of cash," says Mrs Gammie.

Treasurers also have to borrow at a cost-effective rate appropriate for assets required — she gave Eskom's long-term funding for long-term power station projects as an example

There is a greater awareness



ABIGAIL GAMMIE

about managing foreign exchange risk — many South African companies learned the hard way when the rand collapsed in 1985, and its continued decline remains topical.

Investments need to be made in the light of best returns in the available time-frame.

"Annual savings made by a well-run treasury of a large organisation can be hundreds of millions of rands," says Mrs Gammie. More than 40% of the 87 listed respondents have turnovers exceeding R1-billion.

Generally, the staff at corporate treasuries was thin on the ground — 75% had fewer than five — while the range of responsibilities was wide, due to centralisation of treasury functions

In contrast to Britain, where a third of treasuries are regarded as profit-centres, most South African ones operate as service centres.

More alarmingly, one of SA's big four banking groups failed to figure consistently in the rankings, and most respondents had only ever dealt with 12 out of the then 70 registered banks Only one bank scored consistently highly.

Few treasurers made use of derivatives, such as interest-rate swaps, forward-rate agreements and options on interest rates and foreign exchange.

Most had no strategic policy on how risk might be managed, nor did corporates use the capital market to issue debt or to hedge risk.

South African banks in particular need to be on guard for the advent of foreign competition anxious to get its hands on the huge turnovers of corporate SA.

STEFAN HAYDEN . . . 'too good to go under the hammer'

Badenhorst's R100m 'grudge'

SI Times (Buss) 4/4/93 S8 232

By CIARAN RYAN

A FRESH storm blew up this week around embattled Absa chief executive Piet Badenhorst, who stands accused of harbouring a "R100-million grudge"

Sports promotor Peter Mancer, whose home was raided by Mr Badenhorst's son, Frikkie, and other tax officials this week, is considering a multi-million rand claim against Absa

The claim follows a letter Mr Badenhorst wrote to SABC chief Wynand Harmse in May 1991 instructing him not to deal with Mr Mancer or former Allied managing director Kevin de Villiers

Mr Mancer says this letter led to the cancellation of contracts to the value of R10-million worth of sports sponsorships

Red-faced tax officials acknowledged on Friday that they mistakenly believed from press reports that Mr Mancer's company, Tytherley Investments, had been involved in alleged tax irregularities

Teubes Prinsloo, chief director, operations, at the Department of Inland Revenue, says the raid on Mr Mancer's home and the offices of his attorneys and auditor was prompted by a misunderstanding of a press report regarding "possible misuse of sponsorships for tax purposes in the tax industry"

Inland Revenue officials were under the impression that the company was South African registered and had not filed tax returns while it is in fact registered in Ireland

The raid followed a week after an unsuccessful R1,5-million court action by Absa where Mr Justice Hartzenberg said the Absa case made no business sense

Questions are now being raised as to whether Mr Badenhorst will survive as chief executive of Absa

One businessman, who contacted Business Times on Friday, says he intends closing his account at Volkskas in protest at what he describes as the malicious treatment of Mr Mancer and others by Mr Badenhorst over the last two years

Several Absa shareholders have told Mr Mancer they have complained to 25% shareholder, Rembrandt, demanding Mr Badenhorst's resignation

It is estimated that Absa spent R10-million in internal investigations and in bringing the court action against Mr Mancer

"Now Absa is threatening to spend more shareholder money in an attempt to appeal the case How much longer will Absa shareholders put up with Piet Badenhorst's costly personal vendettas?" asks Mr Mancer

The dispute with Absa dates back to 1990, when Kevin de Villiers ran Allied Allied and Mr Mancer signed a R4,5-million agreement which granted Allied exclusive European TV advertising rights to the BOC yacht race

Absa claimed the agreement was a tax ruse and therefore invalid Mr Justice Hartzenberg cleared Mr Mancer of any wrongdoing

The day after judgment was handed down, the Johannesburg sheriff arrived at Allied Bank in Absa Towers and attached two Treasury bills worth R2-million.

Mr Mancer believes Mr Badenhorst is using him to attack Mr de Villiers

Mr de Villiers says "I do not flatter myself into thinking that he is conducting a campaign against me in particular."

Commissioner of Inland Revenue, Hannes Hattingh, who admits that the inclusion of Frikkie Badenhorst "looks suspicious under the circumstances," has taken control of the investigation

"It was not a raid," says Mr Hattingh "That is not the way we handle things But I cannot comment further until I have all the facts"

He says various disciplinary codes may be invoked if it is found that a tax inspector was acting for an outside party He would not say what action would be taken

Referring to Absa's court action against Mr Mancer as "a R100-million grudge" against Kevin de Villiers, Mr Justice Hartzenberg expressed surprise at the lengths to which the bank went to prove dishonesty by former managers at Allied

The R100-million refers to the premium Absa paid for acquiring control of Allied when First National Bank, supported by Mr de Villiers, bid the price up by nearly 50% in a bitterly-contested battle for control

Absa declines to comment. Chairman Herc Hefer says Absa cannot comment because of pending legal proceedings

Two men up a pole

ON A Saturday morning in September 1991 Peter Mancer found two men climbing up a telephone pole in his neighbour's garden He later found out that they were removing an unauthorised telephone-tapping device. Someone had been listening into his conversations.

Disgraced former Absa director Bob Aldworth claims Piet Badenhorst ordered Peter Mancer's and Kevin de Villiers's phones tapped. Mr Aldworth alleged that Mr Badenhorst had spent about R80 000 on phone tapping.

"I asked the men. 'What the hell are you doing'?" says Mr Mancer "They replied: 'We're fixing a complaint.'

"I ran inside to contact the Post Office and ask them if they had sent a maintenance team to my house. They told me that there was no maintenance team in my area When I went outside again, the two men raced off in a Post Office vehicle.

"I later found out from the Post Office that my lines had been monitored, but that neither the Post Office nor the SA Police had authorised the tapping."

Absa have not responded to Mr Aldworth's allegations that tape recordings of taped phone calls were played to senior Absa staff members.

SHOWING STRAIN Peter and Debbie Mancer after raid

PROFITING FROM CHANGE

S/Times 4/4/93

Andy Andrews

ON BUSINESS

OUTSTANDING performance is very difficult to maintain. It seems that corporate success is a relatively fleeting experience.

A decade ago, Tom Peters and Bob Waterman published their marvellous book *In Search of Excellence* and reported on 43 of "the best run" companies in America.

Only two years later, Business Week, a leading business publication, reported that 14 of the 43 — almost one out of every three — was in financial trouble. The reason? "Failure to react and respond to change."

Almost every industry has found that its market leaders have been devastated by changes that they failed to notice, failed to understand and failed to respond creatively to.

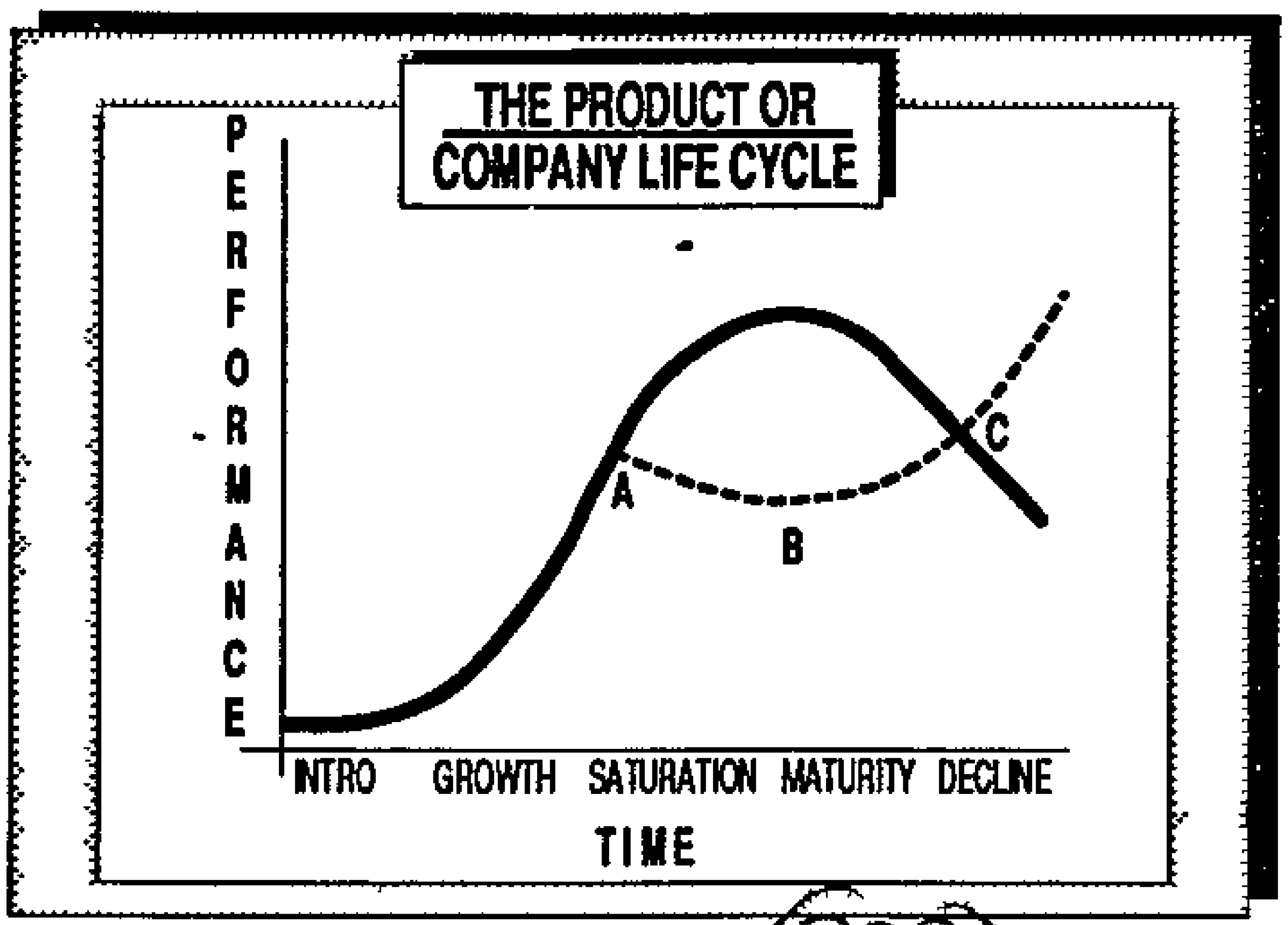
■ IBM has seen the world change from a hardware driven world to a software driven world.

■ General Motors has seen its market shift to smaller, higher quality cars.

■ Southern Sun has seen the market downscale towards the City Lodge concept and is belatedly trying to respond by downgrading its hotels to cheaper "Garden Court" hotels.

■ NEI has noted that its major divisions have shifted their emphasis from installing new equipment to servicing existing machinery.

■ The telex business has been wiped out by the fax machine, and the courier business has had to adapt dramatically in order to survive.



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Misjudged

All of these industries and firms have one thing in common: they all misjudged the impact of structural changes in their industries that are transforming the way customers want their needs satisfied.

The sad part is that many of these firms would have survived and would have continued to prosper if they had been prepared for change and had reacted more appropriately.

In fact, the new market leaders are often the companies that initiated change and did not merely react.

We are all familiar with the "product life cycle" curve, which argues that products grow slowly at first, then accelerate as market acceptance is obtained and finally growth slows as the market becomes saturated and matures and then may even decline as new products are introduced and begin their own growth phase.

Companies should be aware that unless a product or service is continually improved in the eyes of the customers, then it may be under threat.

Every company should be continually asking its customers about their needs and how they want those needs satisfied — what technologies could do the job? What additional services could be provided? What mechanisms are there to make it more convenient to buy the product?

This means paying attention to change of all types — legal, social, political, technological, demographic, lifestyle and cultural. And then each company should study these changes and carefully assess their combined impact on the company's offering.

It is vitally important to look for the patterns and trends with changes.

Clearly, one of the most important changes and patterns to monitor is that of competitor activity. It is vital to identify the competitor, since the competition typically emerges from an area you least expected.

Telephone companies thought competition could only come from firms that had copier wire connecting customers, but today radio and satellite have made their entry barriers obsolete.

Sometimes the time to start changing your product or service is the day you introduce it. Today's markets are characterised by "instant information" and your competitors can and often do respond instantly.

Mistake

The latest "time to change" is at point A in the graph. At this point you are still growing but at a slower and slower rate. You are probably very profitable and are pretty complacent. You felt you have earned the opportunity to enjoy your success.

That is the big mistake.

This attitude, bred from success, is the cause of decline.

The change driven company will start changing at point A in the graph at the very latest. They will accept the decline to point B, because they see this as an investment and believe that at point C they will have a new product that is entering its own growth phase.

If they had stayed with their first product they would be like many of the ageing giants who were yesterday's success stories.

Yesterday's heroes have yesterday's products and concentrate on yesterday's performance. They are managing in the past, but are often the last to know it.

What we know about change has already changed and unless you are working very hard to make your existing business obsolete you won't be around to enjoy anything.

■ *Dr Andrews is Director of the Graduate Institute of Management and Technology and co-founder of Laird-Andrews, strategic financial consultants*

SA gold going great guns as world prices start to boom

S Times 4/4/93

232 By JULIE WALKER

AFTER languishing at seven-year lows in dollar terms for most of the year, gold climbed $12 to above $340 and a five-month high this week — a rise led by gold shares around the world.

This week, the JSE all-gold index had climbed by two-thirds since November The depreciation of the financial rand means an even bigger climb in dollar and sterling terms

The Toronto Stock Exchange gold index has climbed by almost a quarter this year, and Australian shares are at highs

Mining Journal's Gold Mining Newsletter says that South African golds led the way and fuelled rises in gold shares elsewhere

It quotes London broker Smith New Court saying that South African golds are on attractive and sustainable dividend yields, whereas some American operations look vulnerable.

In rand terms, gold is approaching R1 070 — the highest ever — whereas in yen, gold is at a 15-year low Debate on the supply-demand equation revolves around expected higher gold demand for jewellery countered by anticipated increased central bank sales of gold

Demand

Credit Lyonnais Laing believes the central bank sales story has been overdone It surveyed what percentage of the reserves of major gold-holding nations was in gold, and came up with about 40%.

Germany has only a quarter in gold, and France and Italy nearly half

Writing early in March, Laing forecast that the tight fundamental supply-demand balance would push gold strongly higher after it tested $325, which is has now done

The view persists that a gold price rally would be hit by forward selling, currently very light.

The World Gold Council has identified a 9% rise in demand for gold, to 3 057 tons this year, mainly from jewellery

Far-Eastern demand rose 23% in 1992 to 706 tons, largely jewellery This offset depressed demand in Japan — down 17%

Mining Journal notes that Germany coin distributors seem to be stocking up in anticipation of the removal of 14% VAT and strong demand from Eastern-bloc countries on currency uncertainties

This is helping to reverse the long-term downtrend in gold bullion coin demand

Acquisitions help buoyant Tomkor beat the recession

BIDTY 5/4/93 (232)

DUMA GQUBULE

PRETORIA-based property company Tomkor reported a 40% increase in pre-tax profit to R4,2m for the year ended February.

But a substantially higher tax rate, including the new special tax on dividends, reduced growth at the pre-tax stage to 11%.

Earnings before the special tax were 19% higher 23,6c (19,9c) a share giving a dividend of 20c (19c) a share

Directors said the company was pursuing an active acquisition policy at a time of relatively depressed property prices. The company had spent more than R14m in purchases and developments

Rentals received increased 10% to R20,1m (R18,2m). Profit before interest was up 4,7% to R15,5m (R14,8m).

Interest paid fell to R11,2m (R11,7m), reflecting lower interest rates, and after-tax profit jumped to R4,2m from R3m.

The provision for tax more than doubled to R1,9m (R912 000), reflecting the exhaustion of assessed losses and a R159 000 provision for the new secondary tax on companies.

The directors said gearing, at under 50%, was well within acceptable limits for a property development company Tomkor's balance sheet remained strong with a net asset value of 906c a share

The recession would have a further impact on vacancy levels However, on the positive side, this also created good acquisition opportunities.

Profit in the year ahead would at least match that of the past year, they said.

Tomkor's acquisitions and developments for the year under review amounted to more than R14m. The development of an automotive service and shopping centre was progressing well at a cost of R5m for the year, directors said

Phase three of the Elardus Park shop and office complex was virtually complete at a cost of R3,9m and letting was progressing according to projections.

The company's shares are currently priced at about 310c, yielding 7,6% on earnings and 6,5% on the dividend

Hopes still alive for Supreme debentures

Star 5/4/93

(232)

By Des Parker

DURBAN — Despite a flood of red ink in the financial accounts of Supreme Manufacturing Holdings (Suprman), prospects for debenture-holders in the company's liquidated parent — Supreme Holdings (SH) — have not diminished.

On the contrary, having now written off large sums owed to it as a result of the SH liquidation, the manufacturing business is in a better position to live up to the hopes of the liquidators — holding out the promise of a better payout for debenture-holders in the liquidated company.

With the overwhelming support of debenture-holders, the liquidators last month acquired controlling interests in Suprman and SH's other listed interest, Protea Furnishers (Profurn), with a view to selling the shares to raise funds to distribute to debenture-holders.

This is subject to supreme court ratification

A spokesman for the liquidators says negotiations with prospective buyers among the big groups has started, and he is optimistic finality will be reached in two to three months.

He is not concerned, he says, that the Suprman share price has fallen by half to 5c Net asset value of the company is of the order of 18c.

The liquidators have said they hope to pay out 20c to 30c in the rand from the sale of the shares and from other realisations. The spokesman says this is still likely.

Suprman, with three operating subsidiaries producing furniture, stainless steel goods and refrigeration equipment, realised an attributable loss at the December year-end of R11,9 million (R146 000 profit previously)

The bulk of the loss stemmed from the write-off of a R10,2 million extraordinary item, due in the main to sums owed to the group and guaranteed by SH

Despite its domestic woes and difficult trading conditions in the furniture and building sectors in which the company operates, Suprman managed to raise turnover 10,1 percent to R78,7 million (R71,5 million) and to almost treble operating profit, to R1,4 million (R532 000)

Interest charges escalated to R3,1 milllion (R944 000), with gearing up from 30 percent to 79 percent because of the consolidation of heavily bonded properties following liquidation of SH

Suprman plans to sell these, which should reduce gearing to about 35 percent.

Financial director Peter Esterhuysen says prospects are good for acceptable returns within three years The balance sheet has taken the brunt of the knocks and the group has been restructured, with unprofitable divisions closed down

● An inquiry in terms of the Companies Act into the failure of SH starts in Johannesburg on April 15.

Star 5/4/93

Hallmark going strong

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Hallmark Mutual Fund reached R50 millon in the last quarter of its financial year to March, up from R47 million at the end of the December quarter

The fund is paying a dividend for the six months to March of 17,47c, placing the units on a current yield of 4,6 percent.

Managing director Ken Burns says liquidity has been maintained at 21 percent, including cash and gilts, the same level as at the end of the December quarter

Since its flotation in August 1988, the fund has earned a return of 20 percent a year, against the JSE overall share index return of 19 percent and the consumer price index (CPI) annual inflation rate of 14,1 percent

Net sales after repurchases — which increased in the March quarter — were just under R2 million — Sapa

Norwich fund posts 13,4% overall return

BIDAY 5/4/93 (232)

LINDA ENSOR

CAPE TOWN — Norwich Unit Trust achieved an overall return of 13,4% for the year to end-March compared with the 4% rise in the JSE all share index

A quarterly income distribution of 4,44c a unit was declared, bringing the total for the past year to 12,14c

Norwich Management MD John Bowman said a relatively fully invested strategy had been adopted The portfolio was repositioned in the last quarter to give more emphasis to mining shares which constituted 40% of equities, the remainder being shared by industrials and financials

Major investments during the quarter included additions to holdings in Anglos, MidWits and SPL.

New holdings were established in Anamint, Fintech, GDM, Imphold, NBS, Palamin, Southvaal and Vaal Reefs and major sales were in BTR Dunlop, CNA Gallo, De Beers, Gencor, PP Rust, Rustenburg, Sappi and Trencor

The top five shares at end-March were Anglos, Anamint, Liberty Life, Richemont and SA Breweries.

Liquidity at end-December was 13,5% but this was increased to 19% at end-March as the fund managers believed the JSE was likely to consolidate unless the strong recovery in the gold price continued. A lift in commodity prices could benefit the mining sector as major economies moved out of recession and inflation indicators picked up

Bowman pointed out that the average, annual "all-in return" of the fund since its inception in August 1988 was 18,9%.

Firm market aids Momentum trust

232 ANDREW KRUMM 88

THE Momentum unit trust posted an 11,75% return for the year to end-March, its performance buoyed by a firmer share market in the last quarter, the management company said last week. BDM 5/4/93.

By comparison the return on the all share index for the year ended March was 3,4%. Despite a marked rise in unit price, the fund attracted few new investors as market value (indicative of the inflow of investment funds) stood at R54m in March against R53,7m in December 1992

Momentum unit trust spokesman Peter du Toit said liquidity rose to 20,1% (December 1992: 17,8%) although "the overall equity exposure of about 80% is high in view of the present economic conditions in SA".

The most notable changes to the Momentum unit trust portfolio over the past quarter were the additions of Stanbic, Amgold and Gold Fields. Gold mining and financial shares now made up 11% of the portfolio.

Unbundling measures could focus on special scrip dividend

BIDAY 5/4/93. (232)

LINDA ENSOR

CAPE TOWN — Inland Revenue is considering structuring its draft legislation on unbundling on the declaration of dividends in specie — a special scrip dividend — as a way for groups to get rid of their pyramid structures.

An Inland Revenue spokesman said at the weekend that no finality had been reached on draft legislation to support unbundling but that it would be ready shortly.

Finance Minister Derek Keys said at the conclusion of the first reading on the Budget debate on Friday that draft legislation to support unbundling would be introduced during this parliamentary session.

Unbundling measures would initially apply to groups with a listed company, but he would consider extending them to unlisted companies if they were effective.

The Inland Revenue spokesman said consideration was being given to structuring the draft legislation on the basis that holding companies which stood between the trading company and its ultimate parent company could declare dividends in specie up the pyramid ladder to the parent company without being liable for payment of the secondary tax on companies and of non-residents tax on interest.

Long-term assurers, which paid tax on dividend income, would also be exempted from paying tax on the dividend in specie received.

The Inland Revenue spokesman said no final decision had been taken on whether to limit tax exemptions to a specified percentage shareholding, as was the case when the moratorium on the payment of stamp duty on intra-corporate transactions was introduced in the late 1980s.

In this case, only where the shareholding was 75% or more were the transactions exempt from stamp duty.

It was likely that exemptions would initially be effective for a limited period, with the possibility of extensions later.

Exemption from stamp duty, initially in effect for one year, was extended twice and had been helpful in cleaning up corporate structures, the spokesman said.

Malbak continues, almost without fail, to deliver the goods

BDAY 5/4/93

MATTHEW CURTIN

(232)

MALBAK's recent history is something of a whirlwind, a swirl of acquisitions, reorganisation and rights issues in the past 10 years

Last week's announcement that subsidiary SA Druggists (SAD), acquired 18 months ago, plans to raise R201m through the issue of new shares suggests there is little chance the group is ready to settle down.

Frenetic though Malbak's activity has been, market confidence in the group and its subsidiaries remains high Executive chairman Grant Thomas says this is borne out by the constant premium to which Malbak shares trade over the group's market-related net asset value, albeit on his calculations of the worth of the group's unlisted assets

Analysts agree that even if the premium is only small by their estimates, it should be higher, such is Malbak's track record and management competence

Malbak's record is based on its proven ability to acquire financially flabby companies and restructure and redirect them along the path of real earnings growth

Every time Malbak has made a new acquisition, the same questions have been asked has the group become too big, will real earnings growth be sustainable, where will the next acquisition come from? The fact that the conglomerate has delivered every time, as Thomas is quick to point out, is not necessarily reason for assuming Malbak will make of the mid-'90s what it made of the late '80s Thomas insists it is

Since 1984 Malbak's history has been tied up with the strategic rethink which took place within its two main shareholders, Gencor and Sankorp First, Gencor started to realign its assets — a process likely to culminate in its unbundling — with the divestment of its industrial companies in 1987

Malbak acquired stakes in engineering groups Haggie and Standard Brass, meat supplier Kanhym, electrical goods supplier Tedelex and furniture group Ellerine, all poorly rated and poorly performing at the time Only Tedelex remains a problem company today

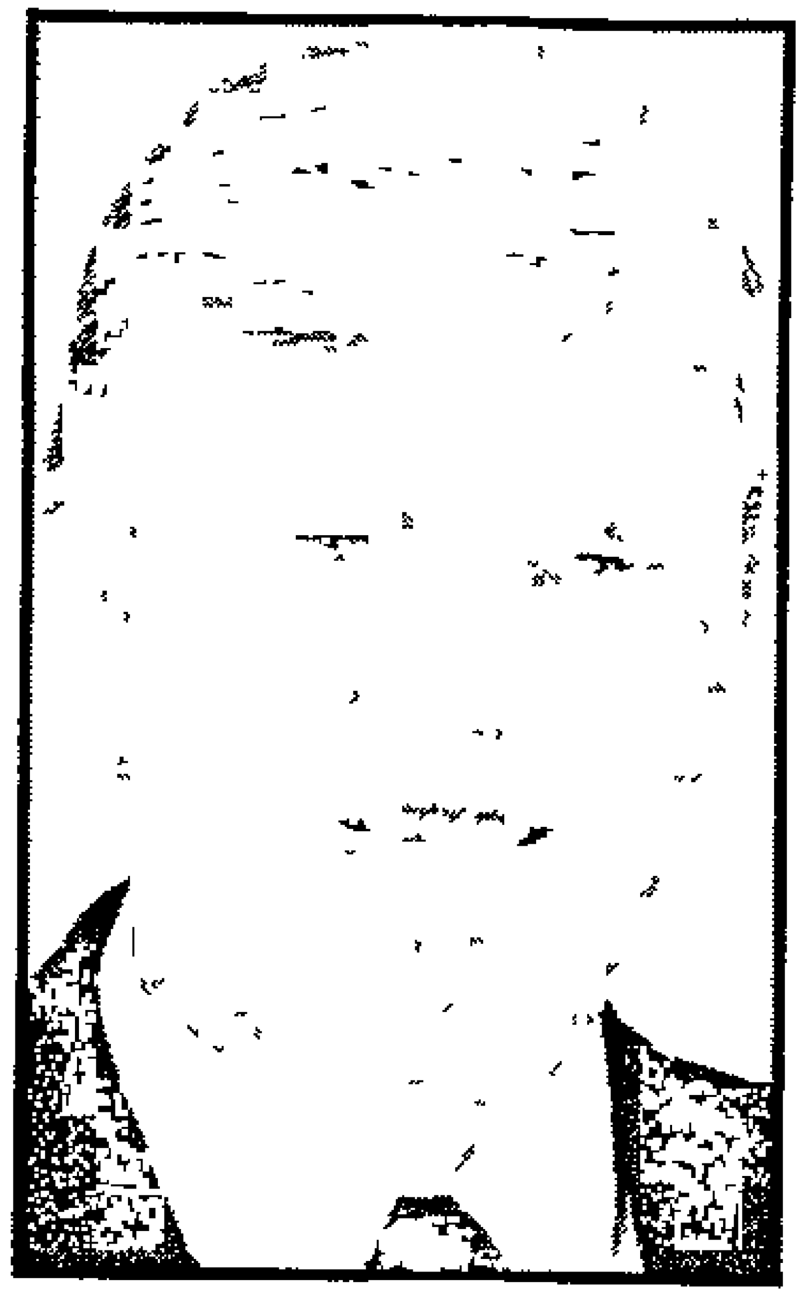
Secondly Malbak, alongside Murray & Roberts, became the vehicle for the regrouping of Sankorp's portfolio originally held in Federale Volksbeleggings, whose lack of success prompted its delisting in 1990 From Sankorp, Malbak bought Fedfood — merged last year with Kanhym to form Foodcorp — and SAD, immediately combined with the old Protea pharmaceutical businesses

The shakeup has left Malbak as Sankorp's consumer-orientated arm, M & R with the gross domestic fixed investment businesses, and Fed-Volks' old service operations such as Teljoy and Avis relisted under the Servegro banner

Thomas says these developments coincided with new thinking within Malbak which, long associated with sluggish growth in the engineering and motor trade sectors, decided to target higher-growth businesses for future expansion pharmaceuticals in 1985, and food in 1987

The result is the modern Malbak based on "five pillars" food, packaging, pharmaceuticals, consumer products and its smaller international operations Whatever Malbak has bought since 1984 — and the targets have invariably been underperforming companies for which there were no other buyers — the pattern has been the same, and ruthless balance sheets cleaned up with whatever write-offs have been necessary, senior management replaced and non-performing assets sold

Good examples are Standard



☐ THOMAS

Engineering, formed through the reorganisation and revamping of Gencor's Standard Brass, which has proved more or less impervious to the depressed conditions in its sector; and MY Holdings, the UK industrial group which almost proved a disaster for Malbak.

The group overpaid for MY in 1988 at the height of the company's earnings growth, and Ian Willis, chairman of Holdains — created by the merger of Malbak's paper and packaging interests in late 1990 — was packed off to England to rescue the company as high local interest rates made its debts unsupportable The Malbak formula was applied, and a smaller, debt-light MY is back in the black, its share price up 25% on the London Stock Exchange in the past year, and Willis back in SA

It is hard to pin Thomas down on exactly why Malbak has been so successful in turning these companies around, beyond textbook management techniques decentralisation, senior management autonomy combined with strong corporate focus.

One analyst suggests the key is that Malbak head office runs its subsidiaries like a portfolio manager, willing to retrench, sell and write off whoever and whatever is necessary to achieve its strategic goals

It is a management style long-entrenched which sets the group apart from Anglo American, for example, where family ties to businesses may make such calculated action difficult to take

Another factor is head office's insistence on tight financial control systems and free flow of information Thomas sits down every day with a list of "exceptionals" — indications of financial and operating performance inconsistent with the standards Malbak has set — which can be addressed fast.

Malbak's big mistake — its flirtation with the tyre business through the now-liquidated Quality Tyres — hurt because the fraud perpetrated by local management slipped through these controls

In addition, Malbak and its subsidiaries are all listed companies, with effort exerted on ensuring shares are modestly traded by placing stock with institutions That enables fair market valuation of the companies and gives managers a high public profile and exposure to shareholder pressure to perform This contrasts with the anonymity of senior management of subsidiaries at Barlow Rand and Amic — where managers in unlisted subsidiaries have only just become entitled to join Amic's share option scheme to improve their "identity" with the wider group

Thomas says he is not unduly concerned about where new opportunities will arise, stressing that Malbak has much room for "organic growth"

Malbak's war chest, ready and waiting, is impressive R675m in cash and stakes in several strong businesses which do not fit its core strategy — Haggie, Standard Engineering and computer supplier ICL There would be no shortage of potential buyers for these interests which, if sold, might raise another R400m

The sceptic can point to the fact that Malbak's acquisitions have nearly all come from friendly shareholders, and as the group grows it may find it harder to compete for attractive new businesses

However, head office has an active corporate finance division It set up the MY deal, all but clinched a Foodcorp/Heinz deal in 1992, and engineered Holdains' acquisition of Crown Cork, moving the packaging group into the canning business where it had been noticeably absent

The prospect that Gencor will unbundle its assets looms — facilitated by the Budget of Finance Minister Derek Keys, a former Malbak chairman — but the move is unlikely to affect Malbak beyond improving the marketability of its shares However, it may reinforce Malbak's reputation as the SA conglomerate which adds value at the centre

LETTERS

Payout knocks Minaco

DUMA GQUBULE

MINACO Granite & Marble reported a 39% drop in attributable earnings to R3,2m (R5,3m) in the year ended December, despite increasing sales by 38% to R41,6m (R30m) BIDAY 7/4/93

This was equivalent to earnings of 10,8c (16,3c) a share. The company did not declare an annual dividend

Operating profit was up by a third to R8,1m compared with R6,1m the previous year The group's interest bill increased sharply, to R3m from R156 000, and pre-tax income was down 15% to R5m

After-tax income rose to R4,7m (R5,6m). But a new entry on the income statement, an R855 000 payment to an outside shareholder, was the main reason for the drop in attributable earnings to R3,2m.

At the interim stage, the company said financing of off-shore business and large local contracts were the reasons for the higher interest payments

The group had commenced investigations into the provision of trade finance.

GuardBank unit trusts outstrip JSE indices

ANDREW KRUMM

ALL FOUR GuardBank unit trusts outperformed comparable JSE indices in the year ended March 31 1993, with the best performances coming from Guardbank Industrial and GuardBank Income funds

A spokesman said the GuardBank family of unit trusts reported "satisfactory to excellent" results The year-old GuardBank Industrial Fund notched up a 25,85% return for the year (including capital appreciation and dividend reinvestment), bettering the financial and industrial index (7,24% return) by a large margin.

Fund manager Liberty Asset Management (Libam) said although the industrial fund remained small, it grew 29% during the March quarter due to a strong investment inflow, ending at R15,05m in market value in March (R11,64m December 1992)

BIDAY 7/4/93

Its sibling the GuardBank Income Fund continued to attract investment as interest rates dropped and rose to R175m in market value in March, against R153,6m in December. The income fund gave investors a total return of 19,51% over the period

The flagship GuardBank Growth Fund, which ranks among the larger unit trusts on the JSE, notched up a "highly satisfactory" 14,22% total return for the year. The fund more than regained the market value it lost in August last year, to finish the March quarter valued at R1,644bn (R1,498bn December) Libam said acquisitions were concentrated in the mining sector during the quarter, with a new holding in Amcoal, and additions to the Rusplats and Rand Mines holdings

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Meanwhile, the GuardBank Resources Fund gave investors a 6,23% total return, outperforming the various mining indices, with the exception of the booming gold index

Libam said the outlook for the share market would depend largely on the durability of the US economic recovery, and prices on Wall Street The behaviour of the gold price, and the outcome of multiparty negotiations would significantly affect local market sentiment in 1993

Investors' interest in Iscor surges

B/DAY 8/4/93

232 260

EDWARD WEST

THE 54% rise in Iscor's share price from a record low of 61c at the end of 1992 to 94c yesterday had been characterised by strong institutional backing and exceptionally large traded volumes, analysts said yesterday.

The 85 deals involving 3,56-million shares which pushed the share price up 1c to 94c yesterday followed active trade last week which saw almost 27-million shares trade hands in 275 deals.

The surge of interest in Iscor follows yesterday's release of a SA Chamber of Business survey of confidence levels which said steel and engineering companies were the most positive they had been for more than four years in February.

Although this level of optimism was expected to subside slightly in March, the rising trend was expected to continue, the survey said.

An analyst said Iscor's share price had been undervalued and the interest in Iscor shares had been led by overseas investors keen to invest in cyclical recovery stock.

Durbanville races ended

Political Staff

CAPE TOWN — There would be no more race meetings at Durbanville and the racing industry in the Western Province would not increase stakes, MEC in charge of horse-racing Dawie le Roux said yesterday

These steps had been taken to make the industry stronger, and rescue it from its crisis, he added.

The industry was also considering the possibility of reducing stakes in the province.

He said the decision had been taken by the Western Province clubs as a move to limit overheads. The clubs had also decided that there would be fewer Wednesday meetings with races incorporated with certain Saturday meetings.

Le Roux said a new effective administrative foundation had now been laid. New staff were being trained intensively — and "I need not expand on how clean new brooms sweep".

The MEC said that good progress had been made with the amendment of the ordinance. Deadlines would be met with the draft ordinance ready on July 1. The final product would be ready at the end of the year.

He said that the recommendation of the Dienar Report on bookmakers and their activities in the four province, was being incorporated into the Cape's ordinance

Bitter ending to TPA's 'final' budget debate

SIDM 8/3/93

ADRIAN HADLAND

PRETORIA — What was probably the final budget debate of the Transvaal Provincial Administration ended in acrimony yesterday when several CP MPs walked out of the Ou Raadsaal in protest

The action followed a rebuke by the extended public committee on provincial affairs chairman Salam Mayet after CP members' comments on the fact that an Indian was now chairing what was once an "Afrikaner" committee.

Hatred and venom eventually consumed the hater, Mayet said, and the CP members left the chamber.

Douglas Gibson (DP Yeoville) said the meeting of the public affairs committee, which proposed a R6,7bn budget for the province, was probably "the last session of its kind" Regional government restructuring was expected to take place within the next year, with the incorporation of self-governing states.

TPA MEC Andre Cornelissen told the committee negotiations on new political structures and rationalised provincial administrations were well under way.

He urged government to proceed with legislation to permit bilateral agreements between the TPA and Transvaal's self-governing territories.

During the Cape provincial committee's budget debate in Cape Town yesterday, MEC for roads Frik van Deventer said export fruit farmers lost up to 5% of their crop — or R5m — a year because of badly tended roads Money budgeted for roads fell far short of what was needed.

Roger Hulley (DP Constantia) said during the debate Table Mountain was in a disgraceful state. It was meant to be a fynbos showcase, but had become infested with hundreds of thousands of black wattles which would be expensive to remove.

In the Natal provincial budget debate in Maritzburg, MEC for Natal Health Services Peter Millar said outpatient fees for low-income families would be increased by one third at some Natal hospitals. This was part of a revised package which would result in uniform fees throughout SA

Cabinet approves District Six plan

SIDM 8/3/93.

Political Staff

CAPE TOWN — The Cabinet has given the go-ahead for the formation of a community land trust to redevelop District Six — 30 years after its inhabitants were forcibly removed.

The step could finally lay to rest government's most controversial Group Areas Act enforcement

Cape Administrator Kobus Meiring announced in Parliament yesterday that a decision had been taken to launch the trust, which would take possession of the land and set development guidelines.

Meiring said a non-profit company would be responsible for the development project, while a third independent body would handle allocation of housing units

Meanwhile, a massive R500m housing project for 36 000 homeless families on the Cape Flats was announced yesterday, after two years of negotiations, by Community Services MEC Dawie Le Roux.

The Serviced Land Project was a true joint venture with the communities involved, he said during the debate in the joint committee on provincial affairs for the Cape

Le Roux said 950ha of land had been identified on the Cape Flats for the settlement of 36 000 families — more than 200 000 people.

Dodo's extinction official

SIDM 8/3/93

SUSAN RUSSELL

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STEWART and Lynne Dodo's clothing company, S M Dodo Fashion Boutiques, was liquidated in the Rand Supreme Court this week with debts of R2,9m.

The company, represented by Stewart Dodo, brought an urgent application for its own winding up.

Stewart Dodo said in court papers that the company, which had four upmarket women's clothing stores under the name Elle, was commercially insolvent.

Dodo said the luxury section of the clothing market for which his company catered, had been particularly hard hit by the decline in the economy

The company, he said, had assets of about R500 000 as opposed to liabilities of R2,9m. It had incurred losses of R800 000 since July 1 last year.

Dodo said he had also suffered a heart attack last month and was unable to attend to the company's affairs for an indefinite period while he recuperated. There was no-one else to run the company during his recuperation.

Dodo said the company had just been able to pay its March wages, but might not be able to do so this month.

A liquidator needed to be appointed urgently to ensure there was no pilferage in any of the retail outlets, he said

NEWS IN BRIEF

Lascho Mining in liquidation

LASCHO Mining cc was placed in liquidation by the Rand Supreme Court yesterday with debts of R5,1m and assets of R1,3m. The application was brought by Lascho Mining. Lascho Mining's Terence John Otto Barron blamed the decline in the mining industry and the economy for the company's situation.

Shootout at Parkhurst bank

AT LEAST five people were injured yesterday when seven men armed with AK-47s started shooting during an abortive bank robbery in Parkhurst, Johannesburg Police said the men arrived at the bank in a bakkie and confronted security guards unloading money. The guards refused to hand over the cash and the robbers opened fire before driving off

Cape Deeds Office probe

THE report arising from the departmental investigation into alleged irregularities at the Cape Town Deeds Office had been referred to the attorney-general, Regional and Land Affairs director-general Coenie

Standard's Extra Income Fund posts 15,1% return

BIDAY 8/4/93

(232)

ANDREW KRUMM

STANDARD Bank unit trusts continued to enjoy strong sales during the March quarter, attracting about R148m in new investment, Standard Bank Fund Managers MD Derek Finlayson said yesterday.

"Gross sales for the March quarter were 35% up on 1992 levels and were dominated by a move into the Extra Income Fund, where sales rose 90%."

Finlayson said net inflows into the equity-based funds had held up, despite a lacklustre stock market, which registered "barely positive" returns for the year to end March.

The lower-risk Extra Income Fund was the top performer in the bank's unit trust stable, posting a 15,1% return for the 12-month period, as interest yields were enhanced by capital gains on convertible debentures and gilts.

It was closely followed by the larger Mutual Fund which reported a 13,4% return for the year — compared to the meagre 3,8% return on the JSE All Share Index for the period — while the Gold Fund gave investors a 9,1% return.

The two other Standard unit trusts, the International Fund and the Industrial Fund, did not post returns, as both were less than a year old.

Finlayson said the Mutual Fund, worth R649m in market value at quarter-end, had adopted a conservative approach and maintained liquidity at a high 37%. Similarly the Industrial Fund kept liquidity at 57%, which saw the total return on the industrial index fall to 1,3%.

The Gold Fund, though, benefited from the 50% surge in the JSE All Gold Index during the quarter, and embarked on an active buying programme with purchases in Harties, SouthVaal, VaalReefs, and Beatrix, among others.

"This reduced the liquidity level in the Gold Fund from 29% to 14%, with further reductions likely on share price weakness as the fund moves to a more fully invested position."

However, as poor economic growth prospects were unlikely to provide a fillip to company earnings in 1993, and given the overvalued share prices, the Mutual Fund would continue to hold a conservative equity exposure in the next quarter.

Finlayson said interest rates ~~were~~ likely to remain at higher levels in 1993. "Gilt market rates have not followed the inflation rate all the way down, and real rates have opened to their widest level in about 23 years.

"This reflects investor concerns that single digit inflation is not sustainable, and that future borrowing requirements to be sourced from the capital market are likely to keep rates high," he said.

Fedgro unit trust posts 12-month return of 8%

BIDAY 15/4/93

(232)

AT THE end of the first quarter of 1993 Fedgro unit trust posted a 12-month return of 8%.

Fedgro's asset base grew from R39m to more than R44m during the quarter

Fedgro said that during the quarter a cautious strategy was followed, "while the portfolio manager continually looked for opportunities where value for unitholders was perceived over the medium to longer term".

"The portfolio had minimal exposure to gold producers — less than 2% — while having a substantial holding of 18% in the more stable mining financials.

"The exposure of 15% to the financial sector was quite appropriate as the financial index improved by 24% over the past 12 months, leading the growth in the unit price," Fedgro said

While equities were seen as the long-term growth component of the portfolio, liquidity was carefully managed to the current level of nearly 17%. The total equity component constituted 71% of the fund, leaving the balance of 12% in fixed interest securities

"During the last quarter one new counter was added to the portfolio. Fintech, the new addition, provides Fedgro investors with greater exposure to the high-growth electronics sector.

"At the quarter end the largest holdings by market value were FNB, Anglo American, Stanbic, Fedsure and Richemont," Fedgro said. — Sapa.

OCTODEC FM 9/4/93

Repeat story (232)

Octodec, formed in 1990 by concentrating mature properties in a debt-free loan stock company to provide a tax-efficient, high-income investment, has returned interim EPS similar to last year's — no small achievement in the depressed property market

Interest received was 42,2% lower at R573 000 (1992 R995 000) Interest paid on secured loans fell to R49 000 (R57 000) The declines filtered into bottom-line profits, leaving a 3,9% lower return per linked unit

Octodec earns rentals from commercial, business and industrial properties, mainly in the Pretoria area It owns 84 developed properties with relatively low maintenance costs Focus on smaller commercial and industrial tenants is a strength in a climate that favours start-ups by smaller businesses

Chairman Alec Wapnick says growth in 1992-1993 was expected to come from growth in income from existing leases A 1,6% rise in rental income for the interim period substantiates this forecast, and is also

FM 9/4/93 **FOX**

welcome in view of the R28 000 the group has had to provide for Finance Minister Derek Keys's new Secondary Tax on Companies (232)

Profits this six months should be similar to the interim, says Wapnick, but an explanation for the low 6,9 p e is necessary Tomkor shareholders may still be adjusting their portfolios to reflect the hive-off of Octodec, which was floated through a rights offer to Tomkor shareholders Once this adjustment has taken place, the price could rise to bring the yield in line with the sector's average

Kate Rushton

FM 9/4/93. (232)

THE JSE

Thin edge

FM 9/4/93 (232)

There is a corporate foot now wedged tightly in the jamb of the JSE's hitherto unsullied door Last week's announcement that it is shortly to introduce a new class of member — derivative broking members — has divided the financial community sharply between those who welcome the move with genuine warmth and those who say it is the precursor of what will eventually become a wholesale takeover by the financial institutions

The Trojan Horse is being introduced by the JSE in an effort to improve liquidity in the equity market and provide derivatives traders with a cost-effective method of hedging trading activities The JSE's decision was carefully canvassed with members of the committee researching the future structure of the exchange

Corporate members may be "corporate bodies" — merchant banks and financial institutions that are also members of other exchanges such as Safex and the Bond Market Association Part of the qualification is that they must need to be able to trade against principal, open, self-created positions in derivatives, by dealing in defined equities A major concession is that they can trade in equities as principals net of marketable securities tax and, of course, they won't have to meet any broker commissions

Windows of opportunity

Sceptical brokers say the new arrangement doesn't take account of windows of opportunity For example, a merchant bank may have a substantial position in an Elfi tranche which is, in turn, hedged with a significant holding of corresponding futures If it is assumed this strategy has been accounted for in a particular way, which includes the futures' leg being shown as a platform, then the merchant bank can legitimately stand in the marketplace as a net principal (market maker) in all the shares which are components of the All Share index

Disgruntled equity members of the JSE say it is precisely that kind of construction which will lead to demands by new derivative broking members for full corporate membership

In fact, the example quoted is a comparatively simple play knowledgeable dealers say there are many more sophisticated strategies available "The nature of derivatives and the level of knowledge about them is now so sophisticated and comprehensive," says one leading player, "that it's really questionable that a surveillance team will ever be in a position to detect (subtle) abuses if, indeed, those are intended "

Rand Merchant Bank MD Paul Harris says the example quoted is a good one But he's anxious the JSE's efforts should be grounded in a genuine effort to reach an accommodation with the financial institutions now outside the ambit of the JSE

JSE executive president Roy Andersen says a special task force is examining the enhanced surveillance techniques that will be necessary, together with the full implications of the exchange's decision which, he emphasises, is made in principle only On this basis, it seems unlikely the new class of membership will be thrown open much before the end of the year *David Gleason*

GOLD SHARES (232)

Back in f(l)avour FM 9/4/93

As London stockbrokers shut up shop for the weekend last Friday, the few that still call business in SA stocks must have been bemused by their good fortune In an extraordinary week, SA golds were the latest and tastiest flavour Demand — much of it from North America — was so strong that exhausted dealers barely had the strength to close their books and record their deals

Of course, that frenetic activity flowed over on to the JSE For the past fortnight dealings on our gold board have increased daily Total trade for the week to March 26 at R876m was the best for four years.

Reasons for this activity aren't hard to find The All Gold index bottomed in late January at much the same time as the Belgian government announced a huge sale of some of its bullion stocks — said to have been as much as 200 t

Within days the gold index had started to move up on sudden international realisation that SA's gold mines were turning in an impressive set of December quarterly results There was universal evidence of emphatic cost controls with the suggestion that further cuts in production costs had still to work through the accounting system, coupled with real proof of clever hedging techniques

To round it off, SA golds were offering offshore yields between 10%-12% — returns impossible to match elsewhere For example, leading US gold producers at present offer dividend returns of 1%-2% and the US long bond rate is of the order of 6,5% To cap that, there was some suggestion the finrand, then at a particularly high discount approaching 40%, might strengthen, giving rise to the possibility of currency appreciation

All that brought an accumulative gleam to the eye of US income funds — followed somewhat belatedly by general funds and interestingly, not at all by the resource and gold funds Of course, US gold funds haven't exactly been sitting on a superfluity of money in recent years and analysts say there will have to be a real performance by gold in dollar terms — to at least US$350 an ounce — before cash starts flowing in again

What recent weeks do prove is that, in spite of SA's gloomy economy and gloomier

FOX FM 9/4/93 (232)

outlook for a political resolution, if our industries can get it right, there is considerable willingness from abroad to invest.

Of course, that always was true about people who chase fast bucks *David Gleason*

OHIO/SPL. FM 9/4/93

Facing Caesar's fate

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Beware, the soothsayer told Caesar, the Ides of March The record date of the deal in terms of which former electronics-listed Ohio sold its trading assets to JSE-listed SPL was, coincidentally, the same March

see cont

FOX FM 9/4/93.

15 And Caesar's fate seems likely to be shared by Ohio

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In terms of the deal, SPL bought Ohio's assets for R8,4m, of which R6m was paid cash and the balance by issue of 800 000 SPL shares At recent meetings of shareholders and debenture holders, the deal was approved overwhelmingly That was followed by redemption in full of outstanding debentures, and the payment to shareholders of the balance of the available cash

This leaves Ohio with about R100 000 cash and 800 000 SPL shares (current market value about R5m) However, the SPL shares have been pledged by Ohio as a guarantee to support its warranties to SPL. In theory, Ohio can't touch the SPL shares until about next March

However, Ohio has been declared a cash shell by the JSE and its shares suspended It's not as though directors didn't know that would happen they issued a circular to shareholders specifically acknowledging that after the deal Ohio would be classified a cash shell

Shareholders are now sitting on shares which they cannot now trade openly To cap it, the company will be delisted in mid-November unless by then new assets have been injected which justify Ohio's continued listing

Ohio CE Rob Brothers says directors accepted the designation of a cash shell because the JSE's listings department was adamant the deal could proceed only on that basis He says the alternative was to go on arguing, which might have put the entire transaction at risk Instead, he accepted the ruling and intends now to appeal through the Financial Services Board

There's some doubt about that, though Apparently, an appeal notification must be lodged within a certain time and Ohio is long past that This is all very well the fact is that shareholders now have an asset which they are unable to trade on the market

That isn't the underlying reason for the JSE's existence *David Gleason*

VOLATILITY HELPS TOM PLAYERS

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FM 9/4/93

The volatile All Gold index has created excellent trading conditions for the Traded Options Market (TOM). Genbel's Lucien Verrezen strengthened his hold on first spot, worth R30 000 in prize money, after three weeks of the *FM*/JSE-sponsored TOM top trader competition. Trading from campus, thus at some disadvantage, the Simpson McKie-sponsored Wits team has done well to grab second place from Davis Borkum Hare's DAV.

Lower down, the leader board has been shaken up considerably — a trend that could continue if the JSE remains volatile. To achieve the spectacular returns shown, traders must buy rather than write options. Because the buyer of an option pays a non-refundable price, the option only has value if the underlying asset price moves significantly. For the same reason, stable market prices are anathema to the option buyer.

Overall, 16 of the 25 teams are making profits. As options are a zero-sum game, participants' net gains must be offset by losses elsewhere. Simtex, acting as a marketmaker, is suffering a R6m trading loss, though has thus far earned over R3m in brokerage and clearing charges.

SPRINTING AHEAD

		% Return
1	Lucien Verrezen, Genbel	246,4
2	University of the Witwatersrand	115,4
3	Lurie Johnston	86,8
4	Davis Borkum Hare (DAV)	81,0
5	Frankel Pollak Vinderine	59,1
6	Pandora	42,9
7	Shannon/Edwards, Kaplan & Stewart	25,6
8	Phin	16,2
9	Bus Ad, University of Natal PMB	14,3
10	D Boyiatjis	10,6

A JSE committee decision, giving Safex members access to the equity floor to trade shares underlying futures positions, may help TOM liquidity, but the implications are not yet clear.

The dividends credited to loan account can escape tax

Star 10/4/93

LEIGH HASSALL

SHAREHOLDERS of smaller companies will be relieved to learn that dividends previously credited to their loan accounts could escape the new 15 percent tax on dividends.

Speaking at a breakfast meeting last week, hosted by accountants Anderson Rochussen Crisp, Professor Dennis Davis of Wits University said there was tremendous confusion over whether such dividend transfers would attract the new tax.

The debate has been raging as to the nature of such transfers since the announcement of the new tax in Minister Keys's Budget speech on March 17 1993.

A classification as "paid" would free the accumulated amounts from the tax. On the other hand, because the amounts were never physically paid, but merely transferred to the loan accounts, this could render them as unpaid and subject to the tax.

Davis has now clarified the situation, saying that Inland Revenue has conceded that in terms of the law these amounts would be regarded as tax-free distributed dividends — but only provided certain criteria had been met.

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Common practice

Firstly, a resolution must have been passed by the company before March 17 1993 declaring the dividend and the amount of the dividend.

Secondly, the dividend must have been credited to the loan account prior to March 17 1993.

It is common practice among private companies to leave the dividends in the business by transferring the amount to the shareholder's loan account.

Davis also clarified the situation concerning scrip dividends. He noted that Revenue had accepted that scrip dividends fall out of the definition of dividends and therefore will not attract the 15 percent tax.

Harry Rubin of accountants Ernst & Young highlighted some other issues concerning the new tax. He noted that there was a misconception that close corporations (CCs) escape the tax. This is not the case as CCs are taxed as companies and therefore will bear the extra tax.

Deferral advantage

Rubin pointed out that if a company or CC pays out all the after-tax profit as a dividend, the effective tax rate is 47,8 percent — not much of a saving from the previous company rate of 48 percent.

The recent reduction in the company tax rate to 40 percent, while the maximum marginal rate remains at 43 percent for married taxpayers, provides for some tax planning. Rubin said directors of private companies and members of CCs could benefit by the timing advantage of a deferral of income tax.

He noted that a director or member could pay himself a salary to the extent at which he reaches his maximum marginal tax rate of 40 percent. The remaining business profits would be taxed at the company rate of 40 percent instead of the maximum marginal rate of 43 percent. The 3 percent is a saving now, however, when the business profits are withdrawn at some future stage, they will be subject to the 15 percent dividends tax.

Star 10/4/93

Most unit trusts missed bull run in golds

(232)

DEREK TOMMEY

THE March quarter was not particularly good for the unit trust industry, with few trusts able to match the 9,2 percent gain in the all share index The performance of most trusts was affected by the depressed state of the industrial share market, which resulted in the industrial share index showing an insignificant 1,4 percent increase in the quarter In addition, most of the general trusts also missed the strong rise in the gold share market

According to GuardBank Management Fund, the gold share index started the year at 799, bottomed at 771 on January 20 and, led by overseas buying, moved strongly ahead to close at 1205 on March 31, reflecting a substantial gain of 50,8 percent for the quarter

This sharp movement took most investment managers by surprise, for, at the start of the year, most unit trusts had only a minimal investment in gold shares.

Few optimistic

It is obvious that few portfolio managers held out any prospect for a gold share recovery this year

Only the specialist gold trusts had a substantial investment in gold shares The Old Mutual Gold Fund had 67 percent of its portfolio in golds But this is what one expects from a gold share trust An Old Mutual official explained "We felt that the trust should be fully invested in gold shares at all times If the gold market starts running and we're not invested, then our unit holders have cause for complaint"

He added that investors who put their money in the gold trust were assumed to know what they were doing; that they had weighed up the risks and were prepared to take losses if these arose "Therefore there was no need to try to protect them from an adverse market"

This policy of being fully invested paid off handsomely for the holders of Old Mutual Gold units, which achieved an outstanding capital appreciation during the quarter of more than 45 percent

Even better

The other "pure" gold fund, Standard Gold, had 43 percent of its portfolio in gold shares Its unit holders had capital appreciation of around 33 percent If the trust had not been 29 percent liquid at the start of the year, these unit holders might have done even better.

Other "specialist" trusts had a reasonable part of their portfolio in gold shares Southern Mining had 19 percent of its money in gold, GuardBank Resources 17 percent, Sage Resources 14 percent, Sanlam Mining 13 percent and Old Mutual Mining 11 percent

An analysis of the portfolios of the general equity funds showed almost a complete lack of interest in gold shares Sanlam Index was exceptional with a 5 percent stake But of the rest, four had 3 percent of their funds in gold shares, seven had 2 percent in golds, three had 1 percent in golds and the remaining seven had none

Wrong-footed

However, many of these do have substantial investments in shares of mining houses such as Anglo America, GFSA, Gencor, Anglovaal and JCI which have large gold share investments themselves So some of the recent gains in gold shares should work their way through to unit holders in time

There is no doubt that many portfolio managers were caught on the wrong foot by the gold share rally This is highlighted by the comment of a unit trust analyst in January that "in the last quarter of 1992 the smart money was selling gold shares and De Beers" (So far this year De Beers shares have risen 30 percent)

This almost complete lack of interest in gold shares at the beginning of the year is not easy to understand Since August the rand has been steadily depreciating against the dollar, leading to a significant rise in the rand gold price

Foreign investors were able to appreciate these developments, as they triggered the rally in gold shares It is a pity that South African portfolio managers were not there first

FUTURE WATCH: *A 'north-o-centric' bias could obscure understanding of the truly global changes affecting Earth and its 5,4 billion inhabitants*

A planet in peril

STAR 10/4/93. (235)

GLOBAL change threatens to plunge the human race into crisis. But what can be done? PAUL KENNEDY examines the options.

NO OBSERVER of contemporary trends can doubt that, as we pass from this century to the next, we will all be affected by powerful forces for global change

The internationalisation of manufacturing, services and investment flow and their effect on companies, towns and entire regions is intensifying New technologies, bright with promise for their inventors and investors, threaten to undermine traditional ways of making, growing and trading things National currencies are dwarfed by the sheer volume of daily foreign-exchange dealings.

As Earth adds nearly 95 million people to its total population each year, the pressure on environments and resources increases, the pace of illegal migration quickens, and entire societies in the developing world collapse under the strain. While each of us has to grapple with our own needs we are also beginning to look anxiously towards the future.

Given the complexity of these forces for global change, it is not surprising that interpretations of what they might imply

focused were we to attempt to answer the question. "What are the really big forces for change bearing down upon our planet between now and 2025?"

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ture and utilities Demographically their societies will be adolescent, with perhaps half of their populations under the age of 20 (or even, as in Kenya's case under 16) — an ideal re-

tal and scientific resources to become environmentally "clean" by early next century, the effects of such virtue on the atmosphere are likely to be eclipsed by the continued in-

youth?

If the latter cannot get jobs in the developing world, or if the rich countries' slide towards protectionism undercuts poorer nations' chances of paying their

ing the amount of development monies to at least the internationally agreed target of 0,7 percent of GDP annually, ensuring that such aid goes to environmentally sound, sustain-wards the future.

Given the complexity of these forces for global change, it is not surprising that interpretations of what they might imply abound. To the "techno-triumphalists" in the United States — such as economist George Gilder and Ben Wattenberg of the American Enterprise Institute — capitalist enterprise and scientific breakthrough are transforming our lives in profound, though beneficial, ways that only left-wing doom-sayers will deny.

To Kenichi Ohmae, chairman of the Japanese arm of management consultant McKinsey, a "borderless world", in which the rules of the global market prevail over traditional State-centred concerns, and governments become increasingly invisible, is in sight.

By contrast, Lester Thurow, dean of the Alfred P Sloan school of management at the Massachusetts Institute of Technology, detects the emergence of three giant trading blocs — north American, European and east Asian — engaged in a bitter, head-to-head struggle for global economic advantage.

The most recent world economic forum in Davos, Switzerland, was full of talk about protectionism, containing surging Japanese trade surpluses, paralysis in world trade talks, the sagging German economy, saving Russia, and quarrels over aerospace subsidies. Not everyone, it seems, finds capitalism's "creative gales" as stimulating as Gilder.

To focus on issues such as United States-Japan trade relations or the plight of French farmers, important as they are, betrays a very "north-o-centric" bias that could obscure understanding of the truly global changes affecting Earth and its 5,4 billion inhabitants. Upon which trends should our gaze be focused were we to attempt to answer the question. "What are the really big forces for change bearing down upon our planet between now and 2025?"

The first is that there are likely to be many more of us — perhaps as many 9 billion people — and that about 95 percent of newcomers will be born in the poorer regions of the globe.

By contrast, the populations of the world's richer societies are forecast to grow slowly or even (as in Japan, Italy and France) to decline — unless, of course, they admit the many millions of immigrants eager to flee their own lands.

Europe, North America and Japan might slug it out commercially during the next few decades, but as they do so their collective demographic power will be falling steadily. When this century began, Europe was at the height of its international influence and, perhaps not coincidentally, enjoyed its brightest share of world population. During the next century, that share will shrivel to 7 percent or less.

These demographic forecasts suggest that the 21st century could bring neither a "new world order" nor a "borderless world" but, instead, a deeply troubled and fractured planet.

China's population, which already (at 1,1 billion) outstrips its land resources, is projected to rise to 1,5 billion.

India is heading towards 2 billion. Africa, buckling under its 680-million inhabitants, has perhaps only the growing pandemic of Aids to curb its forecast rise to 1,6 billion by 2025, large rises are also expected in the populations of Indonesia, Bangledesh, Pakistan, Brazil, Mexico and Iran.

In all these places, gigantic internal migrations will take place as peasants seeking jobs stream into shanty-cities of 20- to 25 million inhabitants with totally inadequate infrastructure and utilities. Demographically their societies will be adolescent, with perhaps half of their populations under the age of 20 (or even, as in Kenya's case, under 16) — an ideal prescription for social turbulence.

Why should a Piedmont farmer or a Tokyo housewife concern themselves with the plight of Bangladesh? Hasn't our planet always contained a rich minority and a poor majority? Will we not have enough of a challenge to prepare our own societies for the technology-driven changes of the next century without being distracted by the fate of badly run developing countries? What, in any case, have the poverty-stricken peoples of Africa in common with well-heeled bankers and brokers engaged in creating a "borderless world" in the north?

Apart from humanitarian grounds, there are three powerful reasons to take seriously these disturbing demographic trends and to seek to lessen their impact. The first is the possibility that the collective economic activities of 5 billion to 8 billion people might indeed be contributing to global warming as ever more trace gases pour into our atmosphere.

It is no longer an issue of local environmental damage, serious though it is to witness the gross pollution of the Mediterranean and the disappearance of the Aral Sea; the destruction of plant species and wildlife habitat in Brazil, and the steady denuding of India (where forest cover has shrunk from one-half to one-seventh during this century alone). The planetary ecosystem could be at stake.

While the developed countries probably possess the capital and scientific resources to become environmentally "clean" by early next century, the effects of such virtue on the atmosphere are likely to be eclipsed by the continued increase in pollutants from fast-industrialising countries.

If we are concerned about the more of this in the future?

And how far will the robotics varied consequences of global warming, rises in sea levels, increased heat stress and greater weather instability, we need to devise technologies to help poorer nations to reduce emissions.

The prospect of further surges in large-scale illegal migration from stress-ridden, overpopulated societies to richer, demographically stagnant regions in the north could be equally serious. Already, millions are being held in camps or are en route from central America, Africa, south Asia and the Middle East to the US, Germany, Australia and other favoured destinations — this movement being stimulated (ironically) by a communications revolution which displays, globally, television programmes like "Dallas" and "Brideshead Revisited".

The Spanish and Italian navies patrol daily to check the flow of illegal immigrants. As Africa's population threatens to treble while Europe's stagnates, ought we not to expect much revolution coming out of Japan — where automated factories are assembling products more efficiently and cheaply than plants employing low-cost labour in south-east Asia — undermine the task of creating 40 million to 50 million new jobs worldwide each year to ensure employment for fast-growing youth?

If the latter cannot get jobs in the developing world, or if the rich countries' slide towards protectionism undercuts poorer nations' chances of paying their way in the world through exports, should we really be surprised if masses of people head north to find employment? Are European nations — already showing signs of xenophobia — capable of becoming real multicultural societies? If not, will the racial tensions worsen?

If we prefer to see secular, pro-Western regimes in power in Cairo and Athens, is it not in our own best interest to seek to improve their countries' conditions? Must we wait until Rome or Frankfurt are in range of north African-based missile systems before we get serious about proliferation of arms?

> **Demographic forecasts suggest that the 21st century could bring a deeply troubled and fractured planet**

This brings us to the fundamental question. what, if anything, can be done in the coming years to ameliorate and slow (better still, reverse) these potentially dangerous trends?

Clearly, a great deal depends on the peoples and leaders of developing nations. European and American assistance can hardly be expected to produce improvements in countries where corrupt and obstructive regimes prevail, ethnic and religious rivalries dominate politics; deeply held animist or fundamentalist religions impair any changes in the status and education of women (thus impairing the prospects of reducing average family size), and faulty economic policies smother growth. We ought to be ready to offer a package of policies to reform-minded, developing countries which plead for our co-operation and aid.

These should include increasing the amount of development monies to at least the internationally agreed target of 0,7 percent of GDP annually; ensuring that such aid goes to environmentally sound, sustainable projects in co-operation with local communities, and not to the clumsy "giganticist" schemes of the 1960s (steel mills, huge dams, etc), supporting the tens of thousands of engineers and scientists released from Cold War-related research to produce low-level solutions to these global problems — solar energy projects in general are a good example here; transferring the fruits of breakthroughs in bio-tech agriculture (disease-resistant and heat-resistant crops) without requiring large patent and user fees from poor nations.

Requests from tens of millions of married women in developing countries for safe, cheap contraceptives to permit them to stablise family size must be responded to, and access to education for as many girls and women in those societies as possible must be aided.

None of these programmes guarantees that we will head off global disasters. Taken together, however, they offer the best prospects of repairing at least part of our planet's troubled condition.

One further ingredient is necessary. Concerned intellectuals, editors, businessmen and members of the public cannot by themselves ensure that such reform policies will be implemented. This requires the whole-hearted co-operation of political leaders, especially those in today's richer democratic societies. — Financial Times, London

● *The writer is professor of history at Yale University and is author of* The Rise and Fall of the Great Powers *and* Preparing for the Twenty-First Century

(Bus Times) S. Times 11/4/93

Imperial going great

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By DON ROBERTSON

SIXTEEN financial institutions are backing Imperial Group's R186-million acquisition spree

They believe that Imperial, which has bought seven companies in the past 20 months, has better than expected growth expectations

Imperial Group's operating company, Imphold, has issued an additional 25,2-million shares for total acquisition or to increase investment in eight companies

In each case, the sellers have been able to renounce some of the shares to financial institutions at market prices But most sellers have retained some Imphold shares

Among the institutions are Old Mutual, Sanlam, Liberty, Metlife, Board of Executors, Norwich Life, Investec and Metboard as well as the Iscor, Transnet, First National Bank and Motor Industries pension funds Last June only 7,5% of the issued share capital was held by the public, making the shares almost untradeable

The balance was held by nominee, insurance, pension and other corporate bodies, again indicating the enthusiasm which financial institutions have for the group

No 9 in last year's Business Times Top 100 Company awards, the Imperial Group is a broadly based industrial holding company involved in car rental and leasing, motor retailing, transport and trucking, insurance, finance and property

In the five years to December it showed a return of 98,8% a year

The acquisition trail began in mid-1991 when Bill Lynch, current chairman of Imphold, bought a 23% interest in the company Since then, the group has added car retailing, tourism, trucking and fleet lease operations to its core business.

Tanker

Mr Lynch forecast in February that although trading conditions in all divisions would remain problematic, "we are confident that the growth trend will continue for the foreseeable future"

Earnings in the half-year to December were 26c a share, up 20,4% on the 21,6c in the previous year in spite of an 11-million increase in the average number of shares in issue

Since this projection, the group has bought Garden Route Tours for R4,7-million and Tanker Services for R88,5-million, including the loan account of R33-million, resulting in a further increase in the issued share capital of 9,3-million

Tax

The corporate tax rate was reduced in the Budget, making forecasts more difficult.

It is expected, however, that Imphold's tax rate will fall from 45% at the interim to about 38% for the year This would leave earnings at about 58c a share if growth continues at the same rate and on the increased capital This compares with earnings in the year to June 1992 of 45,7c a share, or an increase of 27%

Mr Lynch says all acquisitions have settled in well and in every instance management has been retained The group has expanded into tourism and is preparing for an upturn in this sector

Payout problem

S Times (Bus) 11/4/93

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MINORITY shareholders, especially those who depend on dividend income, could find themselves at the losing end of the new dual company tax announced in the Budget.

No doubt, minorities are relieved that Finance Minister Derek Keys did not reintroduce a tax on dividends they receive But concern is mounting about future dividend payments.

The dual system involves a drop in the company tax rate from 48% to 40% and an accompanying secondary tax on companies (STC) of 15% on profit distributed to shareholders

It has been generally welcomed because it will encourage companies to plough back their earnings and reinvest in their operations — a development that will benefit minorities looking for long-term growth in their investments

The flip side will be, as intended, lower dividend payouts. Companies are likely to increase dividend cover — it has historically averaged between 2 and 3 times — as they strive to become more tax efficient

Shareholders can expect to see companies increasingly issuing scrip dividends, which are not expected to be subject to STC This means that those minorities who rely on cash income will have to sell their scrip on the JSE and risk fluctuating market prices.

Companies may also consider offering scrip or cash as dividend

An interesting legal issue might be whether a cash dividend could be offered at a lesser amount than scrip It might be challenged on the grounds that not all shareholders were treated equally.

JSE executive president Roy Andersen, in supporting the move by Mr Keys, says investors will always be able to move their investments into companies that declare high dividends

Mr Andersen believes the situation could also result in a marginal shift in investor preferences from equities to fixed-interest yielding securities, such as the JSE's new corporate bonds.

Shareholders Association of SA chairman Issy Goldberg has some reservations. Although he commends Keys on the dual company tax system, he says "For every use of good intentions there is invariably abuse."

He fears that some companies may use the system as an excuse for not paying dividends Others may not pay reasonable dividends even though they have healthy cash resources Another area of concern is that directors may compensate themselves for lower dividends received on the shares provided as part of their packages

Foschini stitch in time

Bus S Times. 11/4/93

FOSCHINI Group is in the throes of a reshuffle designed to ensure long-term management continuity and to position the company for growth The restructuring sees Neville Goodwin, managing director of Foschini Stores, take on additional duties as deputy managing director of the group

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Red Robb, managing director of Markhams, moves to deputy managing director of Foschini Stores. Dennis Polak takes Robb's slot as Markhams managing director while remaining managing director of Pages. Doug Murray becomes general manager of Pages.

John Hoffman, managing director of American Swiss, takes charge of the group's overall retail jewellery merchandising. This includes 153 American Swiss stores, 76 Sterns shops and 320 in-store American Swiss boutiques.

"We expect this move to bring about significant savings through the benefits of economies of scale," says Foschini Group managing director Clive Hirschsohn.

"At the same time, it is extremely important that Sterns retain its separate identity."

Foschini Group board changes result in Elliot Osrin, a director of Foschini Ltd, becoming non-executive chairman.

DIAGONAL STREET

Shares for those who can wait

(Bus Times) S I Times 11/4/93

By Zilla Efrat

THE shares of companies that could be called producers of industrial commodities are expected to gain in price in the long term The billion-dollar secret is to know when to move into them.

Counters such as Amic, AECI, Iscor and Sappi are all poorly rated now and appear to be out of favour with investors But, with few bargains to be found on the JSE, are they ripe for the picking?

Pinpointing when the commodity cycle will turn seemed to be the dilemma of several analysts I spoke to this week. Unlike economists, none ventured any concrete forecasts

Most, however, do not expect the cycle to turn for at least another six months and no significant returns are seen in the next 12 months

But, with the JSE anticipating improvements possibly up to a year in advance, there seem to be some signs that investors foresee a turnaround or believe these shares cannot fall any further

Some commodity-type industrial shares have edged up from their lows in the past few months. An example is Iscor which reached 98c this week after bottoming at 61c at the end of last year

Nonetheless, analysts say these shares are not for the impatient and call for at least a medium-term outlook.

Senekal Mouton & Kitshoff analyst Rob Cattich says. "There are gains to be made if these shares are held for two to three years."

But, regarding short-term prospects, he asks "Would you want to hold shares in a company that is going to report about three sets of lousy results?"

Right now there appears to be little to indicate that industrial output is picking up in the Western world.

The prices of certain commodity categories have shown signs of turning, but several key groupings have fallen even further this year

The US is showing indications of a strong recovery and it is hoped that this will spin off into other markets.

Although some British economic indicators have been encouraging, large economies like Germany and Japan remain ~~weak~~

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Even if prices do improve in the US, it is not certain that SA exporters will get better prices.

More important for several producers of "industrial commodities", the prospects for an upturn in the SA market, where they are assured of higher margins, remain uncertain.

Most analysts believe that some commodity markets, at best, may be close to the bottom, but there are no signs of improvement.

One says "Commodity producers are still swimming against the tide"

The grim picture is highlighted by recently announced December yearend results. Off a low base, Amic's earnings were down 12%, Highveld Steel's by 16% and AECI's by 12%

In addition, Iscor's earnings plummeted 27% and Samancor's by 31% for the interim to December

Most analysts forecast that Sappi will show a drop in earnings of more than 20% when it announces its results for the year to February later this month. There are also fears that it may cut its dividend for the first time since 1985

Poor forecasts sent Sappi's share price to a low of 2 400c last month, but it had edged up to 2 450c by the middle of this week.

The industrial commodity-type product companies are not expected to produce any significant turnaround in earnings in the short term, even off low bases, unless world market conditions improve

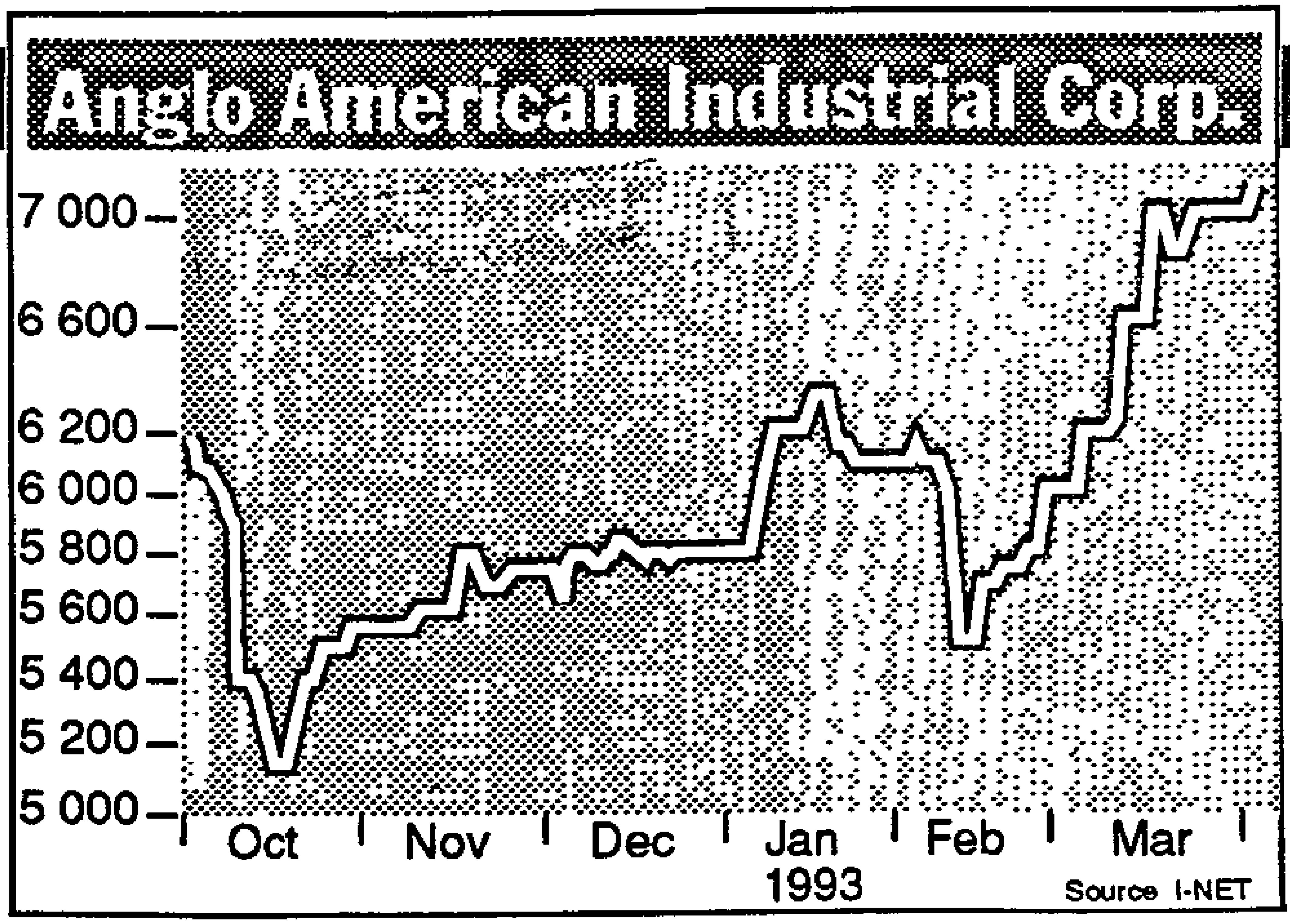
This is in spite of some positive factors on the horizon. They include the current favourable rand-dollar exchange rate, as well as lower interest and inflation rates

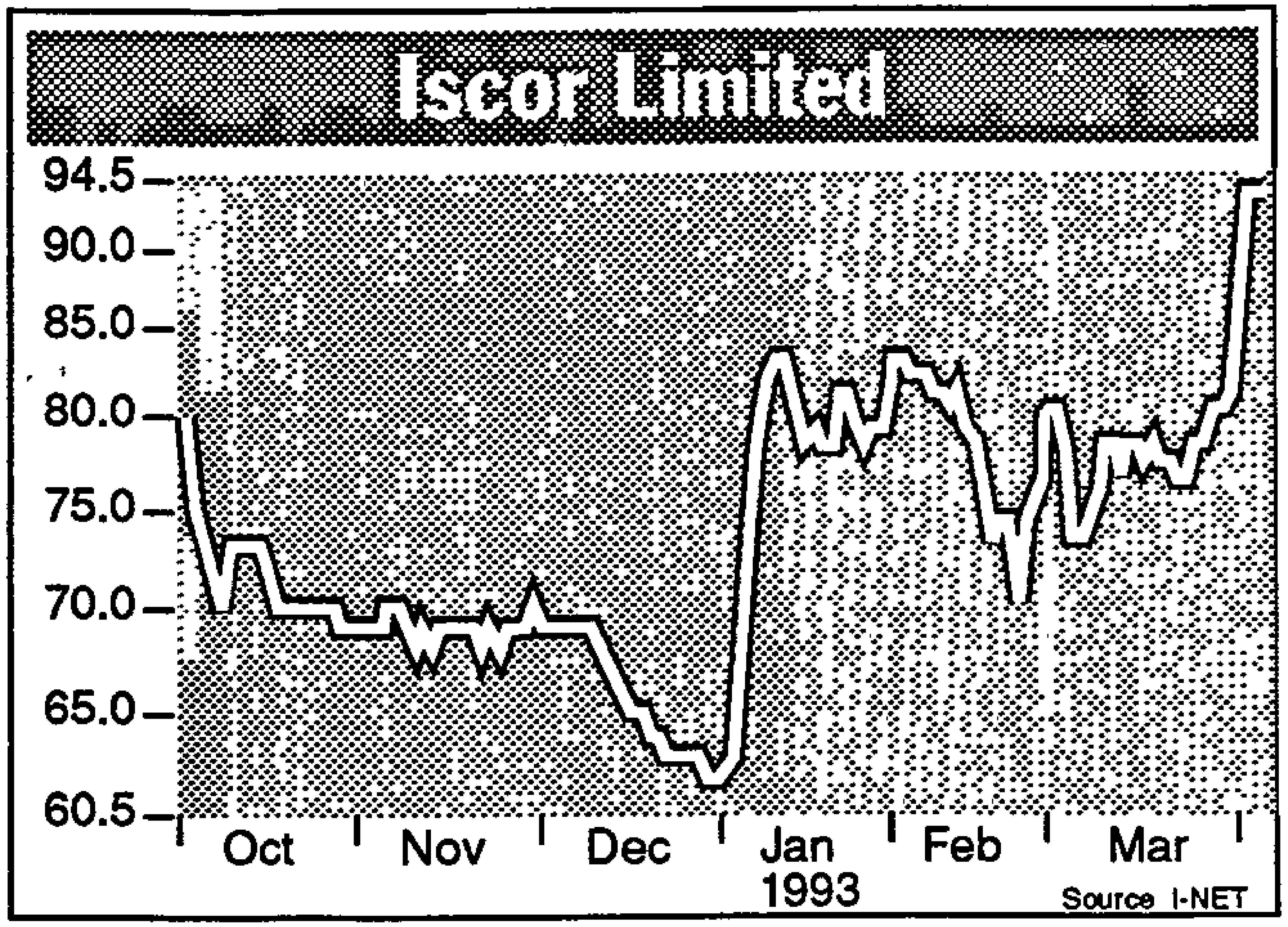
Most companies have reduced their capital expenditure programmes and some have managed to reduce gearing

Rationalisation and streamlining programmes have left them "lean and mean" and pipelines are mostly empty Thus, a small improvement in market conditions could have a dramatic effect on productivity

Most of these companies, however, will not benefit from the latest drop in the tax rate to 40% because they have relatively low effective tax rates, benefiting, as they do, from export and capex allowances. Indeed, like Sappi, they could be knocked by the 15% tax on dividend payouts

As in most things in life, timing is everything.





DIAGONAL STREET

Shares for those who can wait

(Bus Times) S1 Times 11/4/93

By
Zilla Efrat

THE shares of companies that could be called producers of industrial commodities are expected to gain in price in the long term The billion-dollar secret is to know when to move into them

Counters such as Amic, AECI, Iscor and Sappi are all poorly rated now and appear to be out of favour with investors But, with few bargains to be found on the JSE, are they ripe for the picking?

Pinpointing when the commodity cycle will turn seemed to be the dilemma of several analysts I spoke to this week. Unlike economists, none ventured any concrete forecasts

Most, however, do not expect the cycle to turn for at least another six months and no significant returns are seen in the next 12 months

But, with the JSE anticipating improvements possibly up to a year in advance, there seem to be some signs that investors foresee a turnaround or believe these shares cannot fall any further

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Nonetheless, analysts say these shares are not for the impatient and call for at least a medium-term outlook.

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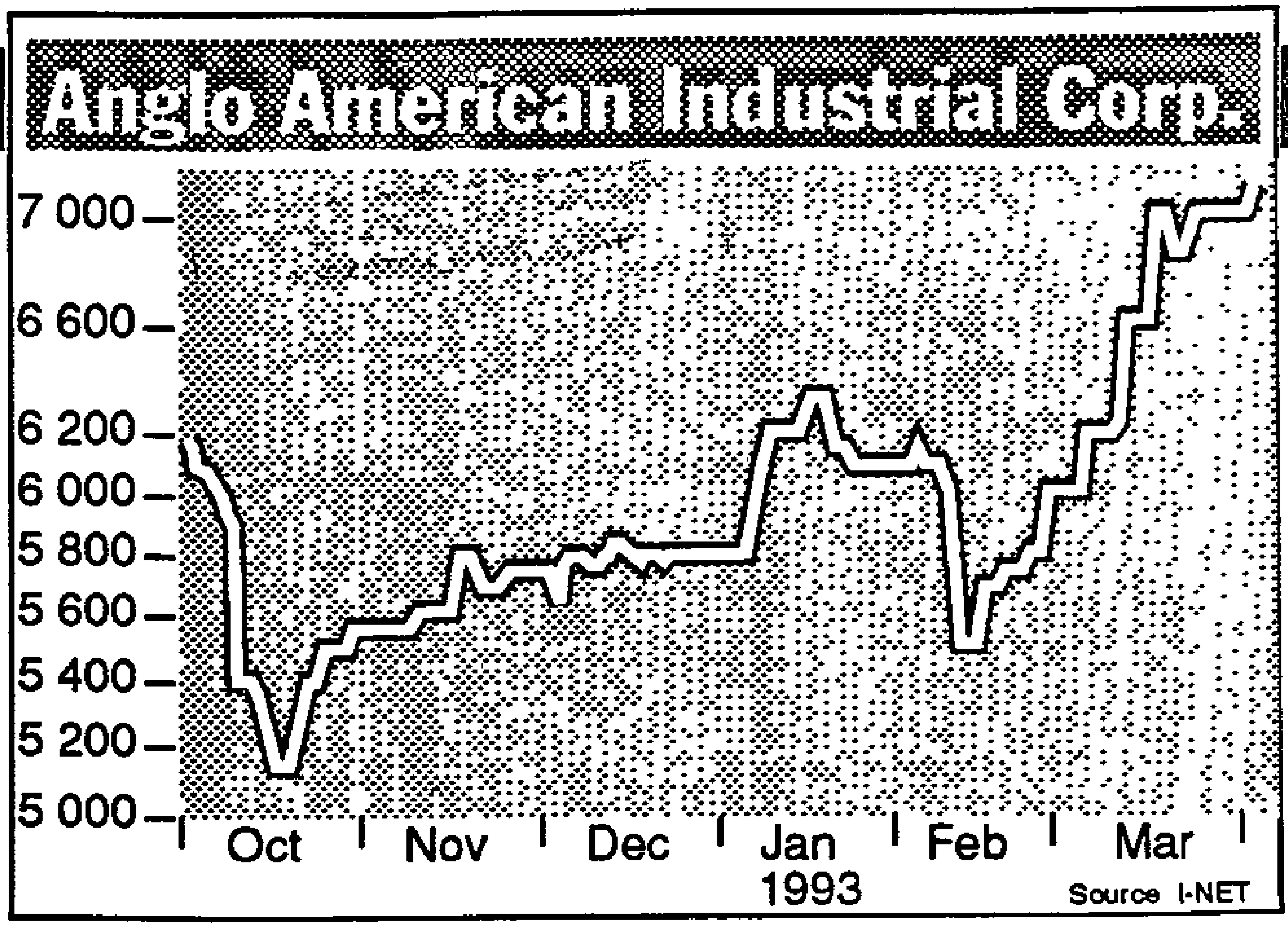

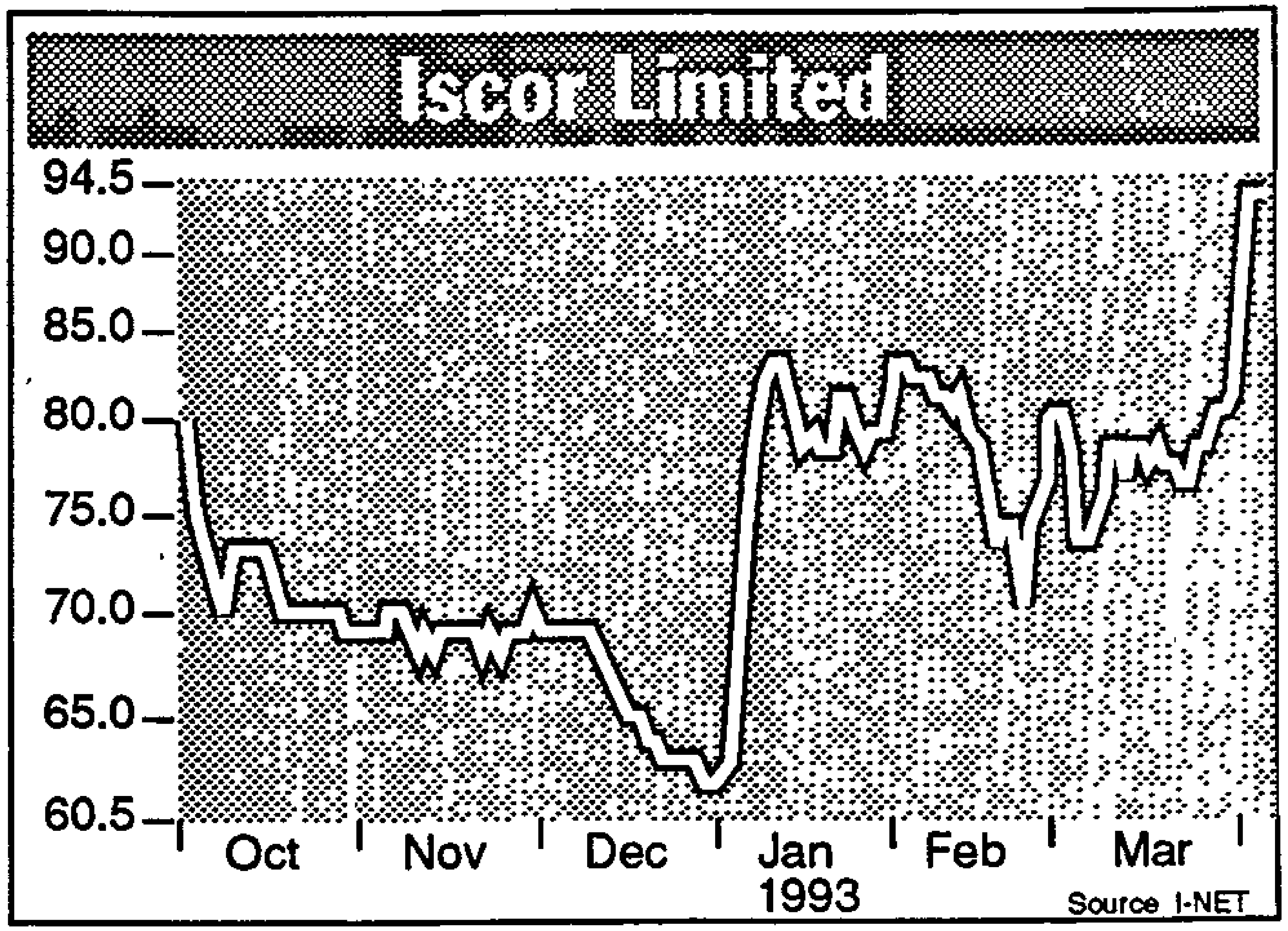

No more secrets, but fuel deregulation unlikely

B DM 11/5/93 (232)

LINDA ENSOR

SA's status as a developing country with huge scope for increasing the amount of fuel it consumes is likely to require the maintenance of some form of regulation of the industry.

This is a key concept underpinning the Mineral and Energy Affairs report on deregulation.

Another recommendation expected from the report — due to be submitted to Mineral and Energy Affairs Minister George Bartlett within the next few months — is abolition of most of the secrecy provisions surrounding SA's fuel industry. Fuel industries of most of the mature, industrialised countries of the West are largely deregulated. This is not the case in Singapore, Korea, Hong Kong and Japan where some form of regulation is enforced.

Absence of strong government involvement in the context of growth carries the danger of unbridled competition and pricing monopolies which would be disastrous for motorists, says Mineral and Energy Affairs director-general Piet Hugo. SA's base fuel price is lower than that of most European countries. If levies and taxes are included, it is one of the lowest in the world.

There are 3,7-million passenger cars in SA, with an estimated 4,5-million likely by the year 2000. National Association of Automobile Manufacturers of SA figures show there is an average of 12,4 people to one passenger car in SA. In the US the average is 1,8, Western Europe 2,7, Eastern Europe 14 and Africa 73,5. The figures show the potential for growth of the SA fuel industry.

Hugo said government wanted to move into a new era of total transparency about fuel industry operations. Imminent lifting of the oil embargo and easing of the country's international relations had facilitated this process.

"Secrecy creates suspicion and we want to break with this once and for all," Hugo said. Only the names of the countries of origin of imported oil, shipping details and the country's strategic reserves would have to be kept secret. SA would only have to retain secrecy provisions until the lifting of the oil embargo by the UN and Arab oil-producing countries. Then the industry would operate in open market conditions.

Industry experts do not foresee any major deregulation of the oil industry in the short term, if for no other reason than the restrictions placed on the investigation by Bartlett. Guiding principles laid down were that deregulation should not result in an increase of fuel prices and unemployment; small businesses should not become unprofitable; and synfuel production should continue.

Another constraint on early deregulation is that the tail end of the agreement between government and Sasol — reached when government sold its 50% stake in the petro-chemical giant — only lapses in 1996 when the final instalment on the Central Energy Fund's R2,3bn loan to Sasol 3 is paid off. Sasol has been given warranties for tariff protection and is paid compensation when the oil price is lower than $23 per barrel.

In the 1990/'91 financial year the value of Sasol's tariff protection on synthetic fuels amounted to R222,5m and for the 1991/'92 year to R537,5m.

Between 1985 and 1992 Sasol received a total of R1,76bn in tariff protection from the state. The most important regulating mechanisms governing the fuel industry are:

- The in bond landed cost (IBLC) is used to ensure import parity pricing and is the price paid to oil refiners for their refined product and to Sasol for its synfuel. Underrecoveries or overrecoveries, which occur through the use of IBLC, are settled by way of the equalisation fund,
- Oil refiners are obliged to purchase a substantial portion of Sasol's volumes which include all its synfuel production and its share of the Natref production. No refining margin is made on this product which represents about 40% of inland demand.

Last year about R100m was paid to oil companies as compensation for limiting their output in order to distribute Sasol products;

- Sasol's synfuel production takes place behind a barrier of protection in terms of which the state guarantees a minimum floor price of $23 per barrel. Tariff protection is paid if this price is not achieved,
- Imports of refined products are prohibited unless there is a shortfall in local production and no independent imports are allowed,
- The wholesale and retail margins are fixed by the state with a targetted pre-tax return on assets employed of 15% in the case of wholesale. Industry experts say the returns on wholesaling and retailing assets are not much higher than 10% at present;
- Oil companies are granted an inland transport allowance to cover the cost of fuel piped inland. The two inland refiners, Natref and Sasol, also receive this allowance even though their product is manufactured inland and no transport costs are incurred,
- Limits of about 8% have been placed on Sasol's market share of the national retail market;
- The number of service stations controlled by each oil company is regulated by the so-called rat plan (Service Station Rationalisation Plan). The plan also restricts entry by newcomers and outlaws the sale of petrol at lower than government-approved prices.

The costs involved in perpetuating this complicated system of controls are massive, but those in support of the status quo argue that costs have to be weighed against the substantial savings in foreign exchange which accrue from domestic fuel production. SA needs its synfuel volumes from a foreign exchange point of view, they say.

However, recognising the importance of Sasol's output does not require the maintenance of tariff protection and it is likely that this will be removed after 1996.

A separate question is the status of Sasol as a private company reaping benefits for shareholders from its privileged, protected position. A strong case could be made for its reconversion into a public utility especially as some believe it would not be able to compete in a free, open market without protection. Yet abolition of tariff protection is vital, some executives in the oil industry say, to level the playing fields between all the fuel producers.

Those in favour of regulation also point to overseas experience where competition arising from deregulatio resulted in a radical drop in the numbe of outlets and of employees as servic stations move towards self servic They cite the fact that 50 000 employee in SA could lose their jobs and man small businesses could be forced out business

Arguments in favour of continue regulation do not wash with Pick 'n Pa chairman Raymond Ackerman who b lieves that fuel prices could be cut b about 10% in a free market.

A competitive environment wou also reduce the excessive margins gua anteed the oil companies and aboli subsidisation of Sasol and Natref.

Ackerman's critics point out that h permarkets selling petrol would be ab to cut prices and make up losses on ot er lines of merchandise. This would r sult in service station closures in t vicinity as they would not be able compete.

In the end, the veil of secrecy whi surrounds fuel industry operatio makes a rational assessment of the pr and cons impossible and adds fuel to t flames of distrust. Government needs play open cards and let the public kn what they are paying for and why

Star 12/4/93

IGI unit trust buys into mines

Finance Staff

The fund managers of the IGI Unit Trust engaged in heavy buying and selling the first quarter, turning virtually a quarter of the R48 million portfolio

Purchases, totalling R8,62 million, included 18 000 Driefontein worth R711 000, 70 000 Kloof (R2,45 million), 11 000 Vaal Reefs (R2,28 million), 100 000 PP Rust (R975 000), 25 000 Liberty (R1,575 million), 10 000 Bid Corp (R40 000) and 25 000 AECI (R230 000).

(232)

Sales of more than R3 million included 5 400 Anglos, 110 000 Gen Beheer, 15 000 Safren and 25 200 Remgro

The fund managers say that because the economy is in a strong position to benefit from rising commodity prices in a world recovery, they have taken a pro-active stance on precious metals and have preferred to be in mines rather than in mining houses

They have taken a generally more bullish stance on the stock market, having reduced liquidity from 26 percent in the fourth quarter of 1992 to 14 percent.

ICS to list 62%-held Sea Harvest

EDWARD WEST

ICS is to list Sea Harvest on the JSE, it said yesterday. This move follows the investment of a further R72m in the fish product company.

Sea Harvest has become a 62%-held subsidiary of food group ICS after its acquisition of an additional 12% stake in the company for R72m in cash from Spanish-registered Pescanova SA.

ICS and Pescanova previously each held 50% of Sea Harvest.

ICS would seek a listing for Sea Harvest in July. BDAY 12/5/93

Pescanova would divest itself of a further 28% interest in Sea Harvest by way of a private placing, diluting its remaining stake to 10%, a statement said.

Sea Harvest operates a deep sea trawler fleet from Saldanha Bay and processes a wide range of fresh and frozen fish products.

It has fresh fish distribution terminals at City Deep, in the Transvaal, and at Epping in the Cape.

ICS MD Nick Dennis said the increased shareholding in Sea Harvest was a strategic move into an associate which had been a major contributor to profits in the past.

"The value-added nature of Sea Harvest's products, and its access to international markets is in line with ICS's strategy of growing the branded and value-added component of the portfolio," Dennis said.

ICS's earnings a share would have increased 2,3% to 150,4c from 147c a share had the deal been effective in ISC's financial year to end-September 1992. 232

ICS's net asset value would have fallen 11,9% to 1060,8c from 1204,1c a share based on its and Sea Harvest's balance sheets as at September 30 1992.

The listing, for which a prospectus was being prepared, was conditional on Reserve Bank and JSE approval, the statement said.

Rand Mines interim dividend unchanged

BDay 12/5/93 235

JONO WATERS

RAND Mines, now the holding company of Randcoal following its restructuring last October, declared an unchanged interim dividend of 100c a share for the six months ended March 1993.

The figures have been restated for comparative purposes.

Rand Mines was broken up into four separate entities — Randgold & Exploration, PGM Investments, Rand Mines Properties and Randcoal with effect from October 1.

The group's only investment now is a 71% stake in Randcoal.

Turnover in the period amounted to R791m compared with the restated figure of R766m for the six months ended March 1992.

Operating income before interest fell to R101m (R120m) and finance charges were lower at R16,3m (R38,3m), leaving operating income of R84,8m (R81,3m).

Interest bearing debt had decreased to R92,6m (R129m).

Investment income fell to R10m (R21,8m), and pre-tax profit was lower R94,8m (R103m).

Tax payment of R4,5m (R2,4m) included R3,9m for the payment of the Secondary Tax on Companies.

After-tax profit fell to R90,3m (R101m) and R20,4m (R22,5m) was paid to outside shareholders. Preference dividends were lower at R2m (R2,2m).

Attributable income dropped to R67,9m (R76m) or 510c (455c) a share.

Chairman John Hall said the international coal market was depressed and prices and demand were weak because of the world recession.

Inland coal sales were 13% lower but Eskom demand had grown.

Profits from the Eskom-tied collieries were expected to remain at current levels for the second half of the year.

However, the prices received for coal exported to Europe and the Far East in the current six months would be lower than those received in the period to March.

Although the rand was expected to remain relatively weak against the dollar, this would not compensate for the lower prices.

The final dividend was likely to be cut as a result of the expected lower earnings, Hall said.

EXECUTIVE SUITE

to show an increase in earnings a share for the next five months.

nificantly to the results, achieving major sales and consolidating its position in the financial services sector.

The company's networking divi-

the year were Outsourcing and 60%-owned Persetech Botswana, established to market group products there as part of an expansion into Africa

Broker system to beef up JSE surveillance capacity

BDAY 12/5/93

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MERVYN HARRIS

SURVEILLANCE capacity of the JSE would be enhanced from the end of this month when all broking firms would be using the broker deal accounting system, executive president Roy Andersen said yesterday

In the most comprehensive annual address yet delivered to members, he said the number of firms using the system increased from 14 to 43 during the financial year to end February The remaining five would have the system by the end of May.

The surveillance department had been strengthened by a recruitment drive and the use of more sophisticated techniques to identify unusual or abnormal transactions.

The enhanced capability of the system was reflected in the successful identification and correction of uncovered short sales by two brokers.

Turnover on the equity market increased to R23,1bn from R22,7bn the previous year, but the number of deals declined from 560 000 to 455 000. Liquidity remained constant at 4,3%

Capital raised mainly through rights issues totalled R11,6bn, below the record R14bn raised the previous year but well above the R5,7bn raised two years ago

Andersen said a feature was the return of foreign investors as net buyers Turnover in the gilt market was a record R621bn compared with R251bn the previous year with the highlight being the SA Breweries R1bn bond issue.

The Traded Options Market (TOM) experienced a disappointing year As a result, the JSE wrote off the balance of unamortized development expenditure. TOM was now being run by a skeleton staff pending implementation of a restructuring of the market and introduction of new derivative members

The JSE's R709 000 loss during the year was in line with budget, but the TOM write-off lifted the total loss to R14m.

The JSE took a stronger line on companies meeting reporting requirements by raising listing criteria from January 1. During the year 38 warnings had been issued to companies Thirty-five had responded and three suspended The listing of one company had been terminated.

Goals for the new year included a harmonising of listing requirements with international standards which would mean additional disclosures by companies at time of listing but more flexibility in raising capital.

Low demand hurts Protea

LINDA ENSOR

CAPE TOWN — Low consumer demand for insurance, higher levels of policy lapses and fierce competition had continued to affect Protea Assurance in the first quarter, chairman Denis Fletcher said at the group's AGM yesterday

Business had also felt the effects of the high crime rate

BDAY 12/5/93

"On a more positive note, weather-related losses — which are often experienced during this period — have been minimal, and this is despite the worst storm experienced in the Cape for many years"

Protea suffered a gross loss of more than R4m as a result of the fire at the Duncan Dock Cold Store on January 1, but the net loss was much lower after recoveries from reinsurers

Last year Protea converted the R6,8m loss suffered in 1991 into an attributable profit of R22,8m

Fund blames 'stagnant market'

ANDREW KRUMM

THE IGI unit trust failed to beat the JSE all share index for the year to end-March, posting a 2,1% return against the (comparable) 3,4% return on the index.

Fund managers attributed the performance to a "stagnant market", adding that at end-March the index was only 10 points higher at 3 560 than a year earlier.

They said the fund — administered by IGI Fund Managers — had engaged in heavy buying and selling during the first quarter, turning over nearly R12m of the R48m portfolio. A more bullish stance on the stock market saw liquidity reduced to 14% in the March quarter from 26% in December 1992 (232)

"Because the SA economy is in a strong position to benefit from rising commodity prices in a world recovery, we have taken a pro-active stance towards precious metals," the fund managers said

Counters bought included Driefontein, Kloof, Vaal reefs, PP Rust, Liberty, Bidcorp and AECI, while Anglos, Gen Beheer, Safren and Rembgro were among shares on the sold list. BIDAY 13/4/93

A dividend of 2,17c a unit was declared

Overheating fears keep futures lagging behind

BDAY 13/4/93. (232)

TIM MARSLAND

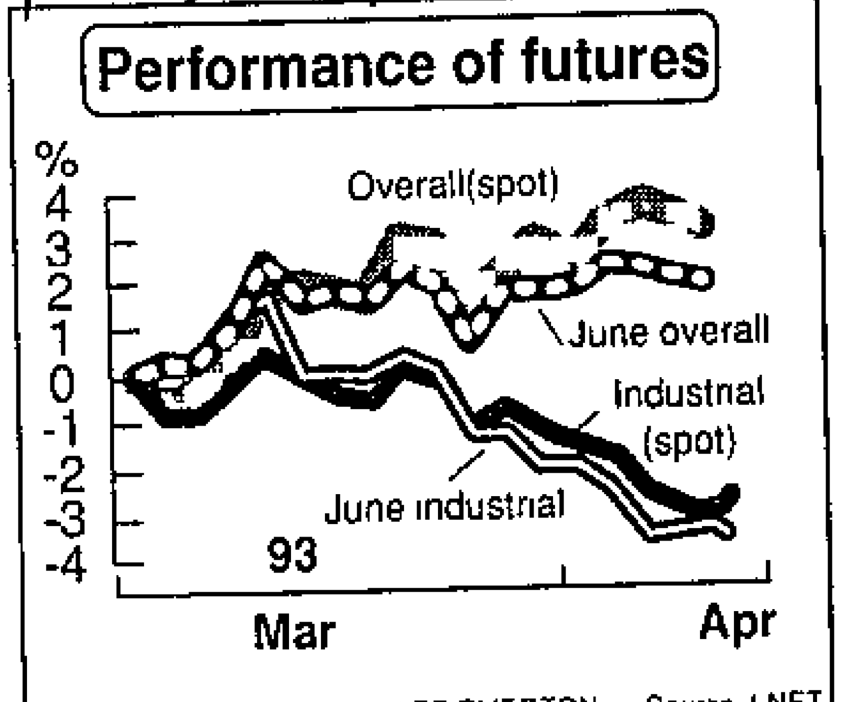
FUTURES contracts were lagging behind the underlying spot market by more than 1% because of market concern that shares had overheated on the JSE, dealers said at the weekend

In addition, the recent rally in the gold market had camouflaged the underlying weakness of the market, they said

As shown in the graph, the industrial contract for June delivery has fallen about 3,5% since the quarterly close-out on March 15

But the near-month all share contract has picked up about 2% in the same period, helped by a 14% rise in the June all gold contract

The futures contracts are priced at the index level multiplied by R10



Graphic LEE EMERTON Source I NET

Portfolio managers tend to use futures contracts to insure their investments against unfavourable movements

The contracts expire quarterly and their final value is equal to the closing index of the JSE on that day.

A dealer said the weakness in the industrial contracts also reflected investors switching from that sector into the all gold and all share futures to take part in the gold bull market

The number of June all share contracts (open interest) written through the SA Futures Exchange has doubled to about 15 700 contracts from the close-out level. The number of industrial contracts has risen to just 4 600 from 3 400, showing the lack of interest in the industrial sector.

One dealer noted that institutions had been active sellers of industrial futures, which he described as "irresponsible"

If the industrial sector turned, those institutions would significantly underperform the rest of the market

They should rather be selling the underlying shares to take advantage of the differential between the spot and futures, he said

Investment practices on verge of revolution

Star 13/4/93

232

By Derek Tommey

As the full implications begin to emerge of the dual tax system announced by Finance Minister Derek Keys, it is becoming evident that the investment scene in South Africa is on the verge of a revolution.

It means changes in the way companies are valued, it means the value of dividends will have to be re-assessed, traditional investment yardsticks such as dividend yields could become irrelevant; and small and large investors, including unit trusts, could have to look again at their investment policies

Because there was some confusion over exactly what Keys intended, many people have been slow to grasp the full effects of the tax system unveiled in his Budget speech.

But a statement by Keys a few days ago has clarified the situation.

The guts of the dual system is that companies, after they have paid the new 40 percent company tax, will be liable for the 15 percent tax on dividends only if they pay dividends in cash

But if instead they pay scrip dividends — the issue of shares to the value of the dividend — no tax is payable

Roy Andersen . . . investors might probably have to switch

The implication is that many companies are likely drastically to reduce their cash dividend payments.

Moreover, a substantial number might even decide to pay no cash dividends at all, paying only scrip dividends instead They could easily justify such a policy

They could point out that paying cash dividends will put up their tax bill and leave with them less to invest

Paying out scrip dividends only would not increase their tax burden, but would leave them with 60 percent of their profits to invest, against 35 percent previously

Investing this higher percentage would greatly accelerate their profit growth and boost the share price

Therefore, they can argue, it would be in the best interest of shareholders to get scrip dividends rather than cash

Large institutional investors are likely to favour such a policy

They frequently complain that companies pay them dividends which they have a problem investing Then every four or five years the same companies come to them for new capital

Large investors say it makes more sense to let companies keep the cash and pay out scrip only

Small investors who need cash may not like receiving scrip dividends or small cash payments. They could, of course, sell the shares they receive

However, with brokers imposing a minimum charge of R30, and with odd lots usually changing hands at a discount to the market price, they are unlikely to get the full cash value of scrip dividends

Roy Andersen, executive president of the Johannesburg Stock Exchange, says investors seeking income rather than capital growth might probably have to switch part of their investments from shares to corporate bonds such as the SAB 12 percent 2000, now yielding 14,6 percent.

It is likely to take some time before companies decide on their new dividend policies

They will first need to assess investment policies and relations with shareholders

There are, in fact, many aspects of the dual tax system needing careful investigation

Nonetheless, companies opting for scrip dividends only and reinvesting 60 percent of their profits are, if they make the right investments, clearly going to shine.

Altogether, it seems that listed companies, the share market and the economy are about to enter a period of exciting growth

Investment options under scrutiny

By Bruce Cameron

STAR 13/4/93.

CAPE TOWN — Investment in the best of times is difficult. In the worst of times it can be suicidal.

With the SA on the brink of fundamental but uncertain change, investors need to protect savings and investment and realise a proper return.

The tax and economic policies of future governments could play havoc with investments, while exchange controls strictly limit the safe haven of investment abroad.

Finance house, Board of Executors, has completed a study of the three major scenario-planning exercises conducted in SA in an attempt to answer the vexing questions for investors.

Tom Boardman, Cape executive director of BOE, says the study has provided answers and alternatives for investors

He says the investment advice given by the finance house takes into account that SA can take either the high or the low road.

The scenarios find there will be redistribution of wealth, whichever road SA takes.

Redistribution could take a high road financed by high growth and pragamtic taxation, along with investment in human capital through education.

Or it could be financed by destructive taxation and printing money.

The second route would result in increased government spending and high inflation.

Inflation has played a pivotal role in investment thinking in the past few years, with equities and property providing the best returns.

If SA follows the high road, BOE urges investors to look at

- Domestic growth stocks, in particular companies involved in electrification and consumer goods, which would flourish if the economy achieved potential growth rates of at least five percent;
- Long-term bonds showing yields of more than 14 percent at the moment, which could be a good bet if inflation rate stays at single digits

Low-road options include·

- Financial rand stocks, i e shares in companies such as Richemont or Minorco whose assets and ownership are overseas, or those companies whose operations are mainly offshore.

The rand would devalue on the differential of inflation rates protecting the investments

On this basis, gold shares could also be an option as the gold price is set in dollars;

- Krugerrands, which could be a better bet than gold shares because they are not affected by problems such as wage pressures, and
- Collectables such as stamps, art, jewellery, which are also an option, but not generally recommended because they are usually bought at retail prices and sold at wholesale prices

Weak performances from Sage unit trusts

BDAY 14/4/93. (232)

ANDREW KRUMM

BOTH Sage unit trusts reported weak performances for the year to end March, with returns following rising JSE trends but underperforming comparable indices

Management company Sage Holdings said the relatively static performance of major shareholdings in the Sage Fund resulted in a 2% return, compared with the 3,4% on the JSE all share index.

However, Sage Fund's "longer term performance remains satisfactory, with a total return of 21,4% per annum over the last five years," it added.

The group's mining and resources unit trust, Sage Resources, posted a -2,8% return, against the -7,8% and -2,4% returns on the Mining Producers and Mining Financial indices respectively.

Sage Holdings director Bernie Nackan said Sage Fund's total net assets grew 7,2% to R938m in March from R875m in December. The rise resulted largely from capital appreciation as there were no major inflows of investment funds in the period

He said Sage Fund made a "significant" new investment in Delfood during the quarter, and added Kinross, Genbel, Midwits, Sage Group and Sentrachem counters, among others Holdings in De Beers, Western Deep Levels, GFSA, Rusplats, Richemont and others were reduced

Sage Resources's assets "increased strongly" to R54,9 from R48,3m over the quarter primarily due to a high weighting in the gold sector (The gold index recovered, jumping 50,8% during the quarter.)

New holdings were established in Delfood, Genbel, Randfontein and a number of other mines, while holdings in Rusplats, Engen and Sappi were reduced.

Although liquidity in the Resources Fund stood at 18,2% at end March, fund managers had taken a "cautious stance" on the timing of an upswing in global commodity prices

"The food and retail sectors are likely to show relatively disappointing results in the current year, and these sectors could weaken from their current high rating," the company said.

Tollgate Holdings: liquidator reports

B/DAY 14/4/93 232

LINDA ENSOR

CAPE TOWN — The estimated realisable value of all the assets of the liquidated Tollgate Holdings Group Ltd (TGHL) amounted to R18m compared with the group's total liabilities of R405,5m, a report submitted to the Master of the Supreme Court yesterday showed

TGHL is a subsidiary of the group TGH, which was formerly listed on the JSE and held all TGHL's operating companies

The report by TGHL's liquidator, Progressive Administration's Chris van Zyl, said creditors with claims totalling about R395m would receive a concurrent dividend of R7m or 1,8c in the rand Only R7m of the R18m is available to creditors as R10,6m is payable in full to Absa Bank for shares pledged In all Absa is owed R306m and concurrent creditors R99,5m.

TGH liquidator Cape Trustees' Bessie Bester said yesterday no calculation of the estimated realisable value of TGH's assets had been completed as the total extent of its assets had not been determined and there had as yet been no proof of claims. Apart from the companies held through TGHL, TGH had owned UK company Jaton Holdings and had substantial claims against overseas companies.

The calculation of TGHL's estimated realisable value took into account all the group's assets apart from one, wholly owned Athlone Trust with a book value of R6,7m and an unknown market value

The book value of TGHL's assets was R204m compared with its estimated realisable value of R18m

Van Zyl said yesterday TGHL was not expected to get anything from its wholly owned subsidiary Fetlar Foods — which had a book value of R153,3m — as it was "hopelessly insolvent"

The shares held by TGHL in Hoskin Consolidated Investments had a book value of R32,6m but were given an estimated realisable value of R10,6m

Van Zyl's report said a commission of inquiry under Section 417 of the Companies Act would be held into the affairs of the Tollgate group. The inquiry would clarify the personal liability of TGH's former directors or officers

"At this stage there would appear to be reason to believe that the directors or officers or former directors or officers of the company can be held personally liable for damages or compensation or for any debts or liabilities of the company."

Star 14/4/93

Sage Fund's return beats overall index

By Stephen Cranston

Sage Fund's return for the twelve months to March was two percent, compared with a 3,4 percent return from the overall index

(232)

Over the past five years, however, there has been a compound return of 21,4 percent

In the March quarter, total net assets increased from R875 million to R938 million.

Foreign assets, primarily because of the weaker rand, rose from R60,3 million to R64,3 million. Domestic liquid assets declined from R133,1 million to R117,5 million, representing 13,6 percent of domestic assets

Sage Resources Fund's return was a negative 2,8 percent for the year to March, compared with a negative 7,6 percent return from the JSE mining producers index and a negative 2,4 percent return from mining producers

Total assets increased from R48,3 million to R54,9 million over the past quarter, primarily as a result of a relatively high weighting in the gold sector

On March 31, liquid assets amounted to R10 million, representing 18,2 per cent of net assets

Unbundling proposal

Star 14/4/93

for Welkom and Ofsil

By Derek Tommey

Welkom and Ofsil shareholders could find the value of their investments increasing sharply if proposals to unbundle the companies and distribute their Freegold shares to shareholders get the go-ahead.

(232)

The three companies said last night that this move was being considered.

Should it happen, it would be followed by the delisting and liquidation or deregistration of Welkom and Ofsil

However, the arrangement is dependent upon the appropriate legislation being passed by Parliament as proposed by Finance Minister Derek Keys in the Budget last month.

Welkom and Ofsil shares stand at a discount to the value of their companies' underlying investments.

But for this discount, the market value of Ofsil's shares would be R135 million, or R6 a share, higher.

The market value of Welkom shares would be about R110 million, or R3,10 a share, higher

Ofsil holds 58,76 million Freegold shares, while Welkom holds 6,14 million shares in Freegold and 6,8 million shares in Ofsil.

The directors of the companies involved say the proposal would be of considerable value to shareholders as

- The discount to underlying net asset value at which the Welkom and Ofsil shares have traded in the past would be released to shareholders;
- The administration costs of Welkom and Ofsil would be eliminated, and
- The recent announcement by Keys suggested the arrangement could be accomplished at very little cost to shareholders

Shareholders in Welkom and Ofsil are advised to exercise caution (code: do not sell) in dealing in these companies' shares

There will be more news when the unbundling legislation is promulgated

Finrand, shares battered by news of Hani slaying

Star 14/4/93

(232)

By Neil Behrmann

LONDON — SA securities slumped on international and local markets yesterday in response to the latest bout of turbulence in the wake of the assassination of SACP general-secretary Chris Hani.

Hardest hit by investor uncertainty was the financial rand, the investment currency, whose value fell by almost five percent.

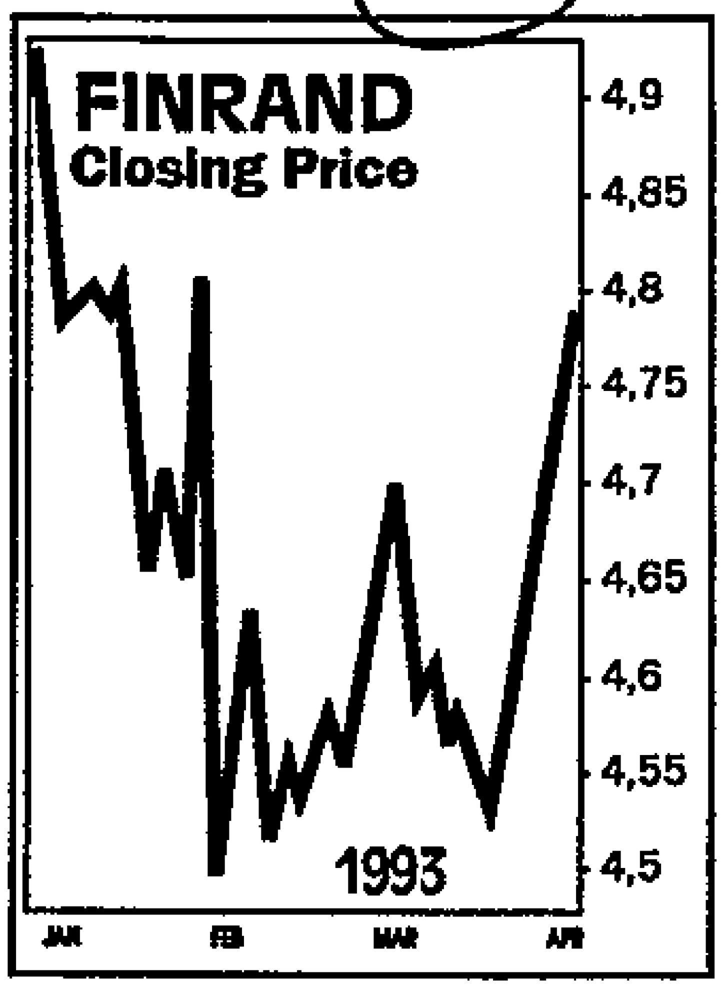
The lower finrand, however, helped to limit losses on the JSE, where the overall index fell by 1,6 percent, or 57 points, to 3532 and the gold index by 3,4 percent, or 43 points, to 1221.

The slump is a warning that there will be a flight of international capital unless political parties move swiftly towards an interim government.

In London, compared with last Thursday's close, gold shares crashed by an average of 10 percent, with Anglo American down to $23 from $25,50, diamond giant De Beers to $15,75 from $17 and Vaal Reefs to $47 from $50.

The financial rand tumbled 4,6 percent to R4,78 from Thursday's R4,56 close in volatile trading, reflecting international concern about possible strife in coming days.

As a result, the discount to the commercial rand widened to 34 from under 30 percent.



Several dealers said the collapse in the finrand and securities prices was not accompanied by a wave of selling.

Instead, the market was thin and nervous, and largely reflected cautionary moves by professional dealers marking down prices.

Bond prices also weakened and the yield on long Eskom bonds jumped to 22,7 from 21 percent.

Since SA securities are bought through the finrand, their prices partly reflected the slide of the currency.

British, German and Swiss holders took an even worse beating because the dollar, and hence the rand, weakened against their currencies.

During the morning, it appeared that the market was fairly sanguine about SA's political situation.

At one stage, the finrand had fallen by less than two percent and gold share prices were down by only two percent.

Yet it appears that players were fearful of selling from New York after large-scale purchases of gold shares in the past few months.

The gold share market had become overbought and between November and last week, the Financial Times gold share index had doubled. So shares were due for a correction.

The weakening bullion price did not help.

Dealers fear that the finrand will be tested in coming days.

International investors are nervous about today's day of mourning.

If there is insignificant violence, the finrand and SA securities are expected to strengthen.

Indeed, if the financial rand and SA securities strengthen abroad, it would be an indication that international investors are prepared to wager their money on political settlement.

"Institutions were impressed with the statements by De Klerk, Mandela and other political leaders who emphasised that peaceful negotiations should not be disturbed," said a London dealer.

STAR 14/4/93

Liquidations up

The wholesale and retail trade, catering and accommodation have been the hardest hit in the recession, Central Statistical Services figures show. (231)

The number of liquidations in the above businesses in February rose by 24,4 percent over February last year

Overall, the number of companies and close corporations liquidated rose by 5,1 percent to 207, compared with February last year — Sapa. (232)

Finance Week editor's bid accepted

232 (MB)

LINDA ENSOR

CAPE TOWN — Finance Week editor Allan Greenblo's bid for 7 610 Finance Week Holdings shares at R60 a share has been accepted by Tollgate Holdings liquidator Chris van Zyl.

The shares, representing 26,7% of the company's share capital, became available when their owner, the TGH group, was placed in liquidation.

Greenblo's final bid, worth R456 600, was way above the R10,50 a share he offered initially and gives Finance Week a market value of about R1,7m.

Rand Merchant Bank has loaned Greenblo the money to purchase the shares.

The requisite majority of proven creditors in number and value yesterday approved resolutions giving Progressive Administration's Van Zyl full discretionary powers to make a final decision on the disposal of the Finance Week shares. After the creditors meeting yesterday, Van Zyl said he had decided to approve the Greenblo offer.

He said the TGH creditors — the biggest of which was Absa — had decided that Greenblo's offer was the most beneficial "having regard to all the complications and restrictions placed on the manner in which the liquidator could dispose of the shares".

Basically, the creditors believed the "hassle factor" involved in accepting another offer was too great even though Co-Auto chairman and Finance Week founder Stuart Murray had tendered R60 a share.

In terms of Finance Week Holdings' articles of association, the purchaser of shares has to offer them to existing shareholders on a pro rata basis before taking them up. In effect thi[s] could mean that the purchaser ends up with n[o] shares.

Greenblo has given the undertaking that [he] would abide by the articles of association a[nd] he has also indemnified Van Zyl against a[ny] claims arising out of his decision.

14/4/93

Star 14/4/93

JSE and finrand feel the heat in wake of violence

(232)

Finance Staff

Share prices on the Johannesburg Stock Exchange fell sharply yesterday in response to the latest bout of violence following the Chris Hani assassination.

Hardest hit by investor uncertainty, however, was the financial rand, South Africa's investment currency, which plummeted by almost 5 percent to R4,78 to the US dollar as foreign investors expressed their concern about possible damage to the economy in view of the planned stayaway and further mass actions

The slump is seen as a warning that there will be a flight of international capital unless political parties move swiftly towards an interim government.

Local economists warned that the upturn in the economy could be delayed further if mass action was extended beyond today's stayaway

The impact on the economy is set to feature prominently at today's regular meeting of Reserve Bank governors, a Bank source indicated.

On the JSE, the overall index fell 1,6 percent, or 57 points, to 3532 and the gold index fell by 3,4 percent, or 43 points, to 1221

Star 15/4/93

Tollgate worth a lot more, says Absa

By Derek Tommey (232)

Absa will recover a substantial sum of money from bankrupt Tollgate Holdings, says deputy chief executive Dr Danie Cronje

He was commenting last night on a report that the Tollgate group had assets of only R18 million to meet liabilities of R405,5 million, of which R306 million is owed to Absa

He said the report was based on a misunderstanding The report submitted by the liquidator of Tollgate Holdings to the Master of the Supreme Court on Tuesday referred to TGH, and and not to Tollgate Holdings

TGH had cross-guaranteed the liabilities of the other companies in Tollgate group to Absa

"The report therefore reflected the liabilities of all the companies in the Tollgate group which were co-principal debtors along with TGH, but only the assets of TGH"

Cronje said the businesses and assets of these other companies were of substantial value and far in excess of R18 million and Absa held various forms of security over them

He said Absa had already made adequate provision against losses that might arise from the liquidation of Tollgate Holdings

"Absa's managment and its auditors are satisfied that adequate provision has been made for any loss to the bank arising from the liquidation of Tollgate Holdings"

Analysts say Absa acquired the Tollgate Holdings problem when it took over Bankorp and its subsidiary company Trust Bank last year

The Tollgate debt was incurred by Trust Bank and market opinion believes it could have been one of the factors in the merger

Consequently, Absa was probably fully aware of the size of the problem from the beginning

Absa did not acquire Bankorp at much of a discount, estimating it paid the equivalent of R1 228 million

This compares with a figure of R1,339 billion for total shareholders' interest given in Bankorp's interim statement for the six months to December 1991.

But while Absa did not get much allowance for Trust Bank's bad debts in the purchase price, it seems it has provided against them in good measure

Since acquiring Bankorp, Absa has provided R650 million against bad debts — equal to roughly half the amount it paid for Bankorp

As it is difficult to see such losses being incurred by United Bank or the Volkskas parts of Absa, it would seem these provisions must relate to Bankorp, and especially to Trust Bank

Therefore Absa should be well cushioned against any problems arising from Trust Bank's old debts

Liquidators worried about small debtors

BDAY 15/4/93

(232)

PETER GALLI

THE Armstrong Currie liquidators were concerned many small debtors would go insolvent if immediate payment was demanded, joint provisional liquidator Brian St Clair Cooper said yesterday

The debenture marketing company was provisionally liquidated last month with debts of R38m and assets of about R30m This followed the resignation of five directors after "a material breach of an agreement of sales of Armstrong Currie shares"

Cooper said most of the R38m in debenture holders' funds was invested in loans to certain trading concerns, including restaurants, take-away shops and property, and debtors varied from "several hundred thousand rand to several million".

"These agreements are being checked and we are negotiating the recovery of the money, but, if we push for immediate payment, this could result in multiple liquidations and the recovery of very little As such, we are negotiating to obtain the best deal for all," he said.

Five of the six Armstrong Currie directors had resigned on March 1, after cancelling the agreement to buy the Johannesburg President BMW franchise and the original agreements for control of the company, Cooper said.

This was four months after these directors had taken control of Armstrong Currie from the Couvaris brothers Shortly afterwards the new directors sold their control in the President BMW franchise, a company distributing sorghum beer and a bottle store to Armstrong Currie.

"In respect of the President BMW deal, R2,1m was paid in instalments, but the deal was then cancelled by them when February's R700 000 instalment was not made The original agreements, in terms of which the directors acquired control of Armstrong Currie, were then also cancelled," Cooper said

These contracts were being examined and negotiations were being held with the directors concerned The order finally liquidating Armstrong Currie was granted on Tuesday The Johannesburg meeting of Armstrong Currie creditors would be held on Wednesday It would be followed by meetings in Maritzburg and Durban on April 23

The provisional liquidators will ask debenture holders to pass several resolutions. These include authorising them to apply to the Supreme Court "for extension of powers" and to agree to any reasonable offer made to the company by any debtor, as well as to sell any of the company's assets

GuardBank Industrial turns out tops

8/1007 15/4/93 (232)

ANDREW KRUMM

GUARDBANK Industrial Fund confounded market trends by becoming the top performing unit trust for the year to end-March despite a lacklustre share market in its specialist sector on the JSE.

According to a University of Pretoria quarterly unit trust survey, the industrial fund reported a 23,61% return for the period, far outperforming the meagre 1,27% return on the industrial index

The Metboard Income Fund again took second spot, with a 21,83% return for the year, while previous top performer UAL Gilt Unit trust came third, reporting a 20,85% return.

Pretoria University Graduate School of Business's Prof Hugo Lambrechts said the GuardBank Industrial Fund not only stood out in the industrial sector, which was characterised by low returns, but beat all other JSE equity indices as well.

The closest performance among equity funds came from the UAL Selected Opportunities unit trust, with a 19,25% return for the year, he said

GuardBank fund managers Liberty Asset Management (Libam) attributed the performance to investing in quality financial and industrial shares, and a defensive liquidity position (28,3% of portfolio value at the end of March)

Libam deputy MD Dave Golembo said the year-old unit trust's top 10 holdings included Liberty Holdings, Metropolitan, FNB, Richemont, Sasol, Nampak, Reunert, SAB and Stanbic "We also did quite a bit of buying during the quarter as a strong investment inflow saw the fund grow 29% to R15,05m."

Lambrechts said "gilt and income funds made small capital losses during the quarter as medium-dated gilts performed rather badly"

A UAL fund manager said interest rates had held at December 1992 levels during the first two months of 1993, but jumped sharply in March The rise was particularly evident in medium-dated stock, he said.

However, "the 12-month performance figures still reflect a sharp drop in interest rates in the second and third quarters of 1992, which effectively buoyed gilt unit trust returns for the year to end-March 1993"

The fund manager added bond traders believed interest rates would be lower at the end of 1993, as a rise in rates in March 1993 was largely a result of once-off phenomena

Lambrechts said the greatest swing in unit trust performance during the quarter had come from the gold funds Previously bad performances had changed dramatically as the Gold Index rose more than 50% during the quarter

This had allowed funds like the Old Mutual Gold Fund, which closely tracked the gold index, to turn a -28,36% return for the year to end-December into a 12,05% return for the 12 months to March, he said

The boom in gold shares had a spinoff effect on mining and resources unit trusts, which also exhibited swings in performances, but not to the extent seen in the gold funds

SHAREHOLDINGS (232) FM 16/4/93.

Unbundling . . . on tippy toes

Unbundling has arrived The concept's been given the kiss of approval by no less than Anglo American, which has announced its intention, provisionally and hedged with caution, of delisting two of its holding companies and distributing their Freegold shares to shareholders

Welkom and Ofsil, which together hold 55% of Freegold, the world's largest gold producer, are headed for the knacker's yard Shareholders will walk away with Freegold shares instead A leading investment analyst welcomes the proposal, saying "Ofsil and Welkom are prime examples of intermediate and totally unnecessary companies "

Anglo says it's encouraged to make the move by Finance Minister Derek Keys's Budget announcement that he intends introducing legislation to enable the distribution of underlying shares to take place comparatively cheaply It's widely known the costs associated with distributing underlying shares has been one factor which has deterred companies from doing this in the past

Another factor Anglo quotes is that shareholders in Welkom and Ofsil will no longer suffer discounts to underlying NAV This may be so, however, a quick calculation of their prices relative to the primary underlying Freegold shows that Ofsil is trading at a discount of a mere 2,5% and Welkom only 9,2% On that basis, there's not much in it

Then there's the matter of Anglo's control of Freegold As things stand, Anglo controls both Welkom and Ofsil and, therefore, can vote their joint 55% holding in Freegold With Ofsil and Welkom gone, Anglo would be able to vote only its (and Amgold's) direct holding in Freegold

Questioned about this, an Anglo spokesman prevaricated "We would hesitate at this early stage to put a figure on what Anglo's direct holding will end up as We'll have to wait for the legislation to be tabled before we can calculate its effects Obviously the arrangements will have to be acceptable to the broad span of shareholders " That clearly means Anglo will need to be satisfied ultimate control won't be jeopardised

The answer seems to be that Anglo's control position won't be affected very much Amgold at present holds 6,5% of Freegold directly and through its 15% of Ofsil and 30,7% of Welkom (which in turn owns 5,2% of Freegold and 30,4% of Ofsil) it is likely to end up with another 13,8% Then Anglo itself owns 4% of Freegold directly and 6% of Ofsil, equivalent to another 3% of Freegold

Add all these up and they come to 27,3% of Freegold, which on its own is likely to confer effective control of a company with a market cap of some R4bn Even that is unlikely to be the end of the story, there are almost certain to be other shares stashed away in unidentifiable vehicles like E Oppenheimer & Son, to say nothing of "friendly" institutions And Freegold owns 20% of Welkom, which means, in effect, that it owns 1% of its own shares

David Gleason & Michael Coulson

Freegold chairman Clem Sunter
the busker unbundles

(232)

Star 16/4/93

Supreme probe begins

By Leigh Hassall (232)

An inquiry into the affairs of the two liquidated Supreme companies began yesterday in Kempton Park

The inquiry in terms of S417 of the Companies Act will investigate the affairs of the companies and the conduct of the directors in the period prior to liquidation

The role of the investment brokers and the institutions which advised their clients to invest in Supreme debentures and preference shares will also be under the spotlight.

The inquiry is set to last for three weeks and is being heard by Mr Justice Galgut

Admittance to the hearings has been restricted to creditors of the group and their legal representatives.

The first meeting of creditors of the two liquidated Supreme companies was held in Pretoria on Wednesday.

Anglo subsidiaries delay dividend payout

Star 16/4/93

Anglo American subsidiaries Amgold, Anglo American Investment Trust (AAIT) and New Central Wits (NCW) have decided to delay the announcment of their results and dividends for the past financial year.

232

An Anglo spokesman says this follows the announcement by Minister of Finance Derek Keys in his Budget speech of the introduction of a Secondary Tax on Companies (STC) to be levied on the net amount of dividends distributed.

The directors of the companies concerned say there is still some uncertainty regarding the practical application of aspects of STC and urgent clarification is being sought on these matters

"Accordingly, the directors consider it to be in the interests of Amgold, AAIT and NCW and their respective shareholders that no dividends should be declared until after these uncertainties have been resolved

"At this stage it is not expected that the accrual and payment dates of the respective dividends will differ markedly from prior years," Anglo says

Further announcements will be made by the individual companies as soon as they are in a position to do so — Sapa

CU fund returns 9,47%

BDay 16/4/93 ANDREW KRUMM (232)

COMMERCIAL Union Growth Fund reported an "above average" 9,47% return for the year to end March, bettering the 3,4% on the all share index, CU said yesterday

Fund manager Roger Wanless said the marginal growth in the fund's market value to R27m at the end of the March quarter (December R25m) was largely a result of capital appreciation and not investment inflow.

"We increased our holdings in Interleisure and purchased a new holding in Wooltru at favourable prices," senior GM Alex Murray said

"We took the view that Interleisure had resolved its tax problems with regard to film schemes, and would continue to enjoy high occupancy levels in its cinemas"

The Wooltru purchase was motivated by the retail group's switch back to basic clothing items and the success of sales outlets catering to the black consumer

The fund's top five holdings were Premier (6% of portfolio value), CU (5%), Richemont (4,8%), Rembrandt (4,1%) and SAB (3,6%)

Supreme BDAM 16/4/93.

From Page 1

(232)

camera and are confidential unless the Master or the court rules otherwise.

Joint provisional liquidator Brian St Clair Cooper said yesterday that when the Master granted the Section 417 order, it was for a private inquiry However, he indicated at the time that he wanted the inquiry to be as open as possible.

"The provisional liquidators have not misled anyone as we are bound to act on the instructions of the Master Our statements that the inquiry would be as open as possible reflected his view at that time," Cooper said

However, the commissioner appointed by retired Appellate Division judge Oscar Galgut — who is hearing the inquiry — expressed concern that people giving evidence could be prejudiced if allegations made at the inquiry subsequently turned out to be false That persuaded the Master, Jan Jordaan, that the inquiry should not be open to the public.

Supreme inquiry closed to the public

BDAM 16/4/93. (232)

PETER GALLI

IN A last-minute move, the Master of the Pretoria Supreme Court has decided not to allow public access to the Section 417 inquiry into trading by the liquidated Supreme Group The inquiry opened in Kempton Park yesterday

The decision, late on Wednesday, flew in the face of repeated assurances by the joint provisional liquidators that investors and the public would be allowed to attend the hearing

About 7 000 people invested more than R300m in Supreme Group debentures before two of the group's companies were provisionally liquidated in November

One investor said the decision "smacks of a cover up" She added "Many investors have lost their life savings and cannot afford to travel to Johannesburg to attend the three-week hearing"

The exclusion of the media means investors will be in the dark about matters pertaining to their investments until the official report on the hearing is released

Section 417 inquiries are always held in

To Page 2

UNIT TRUSTS FM 16/4/93

When will the apple fall?

The traditional New Year improvement of the All Share index helped most managers of general equity unit trusts report better performance in the March quarter For the year to March, most outperformed inflation of 9% and the 3,8% rise in the All share index

But what comes through clearly is that, with a few notable exceptions, investment managers barely changed their portfolios Decisions were heavily influenced by a number of factors, principally lacklustre US economic activity and, at home, deteriorating economic fundamentals, weakening corporate profits, overvalued share prices and continuing political uncertainty (232)

Fairly predictably, investment managers remained cautious, with liquidity maintained at the relatively high levels of the preceding quarter Though quarterly figures

FM 16/4/93 . (232)

from the Association of Unit Trusts have yet to be released, individual funds show average liquidity of 20%

The main exception is BoE Growth Fund, which cut liquidity even further to 4,2%, from a year-end sector low of 10%, despite selling all its Winkelhaak, Rusplats, GFSA, JCI, Industrial Selections, Murray & Roberts, Fraser Alexander and Wooltru (about 15% of the portfolio) New entries were Randfontein and Boland convertible debentures And holdings in Anglo, BoE, Richemont, Fintech and Rembrandt Group were raised

The fund was one of the top performers, achieving a total return of 15,1% on a repurchase-to-repurchase basis in the year to March, against 10,9% in the year to December Guardbank Growth returned 14,2%, Norwich 13,4% and Momentum 11,8%

Gold funds showed a marked improvement in the quarter, benefiting from the 50% gain in the All Gold index Movement into these shares and a more fully invested position saw a reduction in liquidity Standard Bank Gold Fund improved its performance markedly from a negative 23% in the December quarter to a positive 9%

High income funds continued to prove the best investments, showing annual returns of 22% by Metboard Income Fund and 19,5% by Guardbank Income Fund

But if all seems calm and under control in the industry, it's unlikely to remain so for long Consolidated Fund Managers (CFM) MD Clive Fox set the cat among the pigeons last July when he bluntly told investors in equity-based funds to get out of the market or switch to fixed-income funds

His latest missive repeats this call, homing in on the industrial sector, which he says has defied gravity to an astonishing degree Industrials offer little value, he believes, both on the local market and abroad "The dividend yield on the local Industrial index is only marginally higher than the record low of the last 23 years achieved in June 1992" CFM's advice is to reduce exposure to this sector and investors may well ponder the extent to which the industrial sector has made up ground last seen in the days before the Crash of October 1987 *Marylou Greig*

Sanlam unit trusts perform poorly

BDay 16/4/93

LINDA ENSOR

CAPE TOWN — Sanlam unit trusts performed poorly in the year to end-March, keeping pace with neither the inflation rate nor the JSE indices.

The best performer in the stable was the Sanlam Industrial Trust which produced a return of 6,41% over the year The market value of the fund increased over the last quarter to R254,4m (R247m at end-December) while liquidity rose to 24,1% (23,6%)

Over a three-year period the industrial fund has achieved an annual growth of 18,4% compared with the 17,6% average annual rise in the JSE's Industrial Index and the average annual inflation rate of 12,8%

General equity fund Sanlam Trust produced a -0,7% return with the market value of its portfolio remaining almost static at R612m Liquidity rose to 26,1% (24,8%) over the quarter

The fund's biannual income declaration of 27,2c per unit brought the total for the year to end-March to 52,2c Over three years Sanlam Trust has produced an average annual return of 8,7%

The Sanlam Dividend Trust produced a 5,13% return in the year to end-March and an average annual return of 14,5% over three years Market value of its portfolio stood at R130,2m (R109,4m) at the end of the quarter while liquidity rose to 37,3% (36,7%) A biannual income of 11,4c was declared (232) (58)

The Sanlam Index Trust posted a -1,8% return over the last year and an average 5,5% annually over the last three Its worth at end-March stood at R942,6m (R906,7m) while liquidity was up to 24,4% (23,5%).

The Sanlam Mining Trust's annual return to end-March was -7,67% and its three year average -6,9% Total assets at the end of the quarter were R73,1m (R70,3m) and liquidity was 28,9% (24,6%)

All the funds increased liquidity levels Former portfolio manager of all the Sanlam unit trusts, Stafford Thomas, who has been replaced by Nel van Niekerk, said the gold exposures of the funds had been reduced from their former heavy weightings More volatile industrial shares were replaced by less volatile ones and commodity holdings were lightened

The strategy adopted was more biased towards selling than buying, he said

NISWA (232) ([illegible])

Resorting to aphrodisiacs

Appearances are sometimes deceptive, but it certainly looks as though the first foray by a Namibian company on to the JSE is heading for an ignoble end Niswa, listed on the DCM board last May after a private placing and with a pre-listing statement bubbling with optimism, was suspended by the JSE at the beginning of this month for failing to produce financial statements

It's understood Niswa didn't publish results because auditor Deloitte Touche would not sign them without qualification Apparently the directors were averse to publishing the accounts with a qualification and preferred to have the shares suspended

That is because Niswa expects a significant "financial event" by month-end, which it believes will keep Deloitte Touche happy and remove the need for a qualification

The *FM* can't confirm any details Three of the five directors at the time of the listing, including financial director Andrew Fraser, have since resigned FM 16/4/93.

Chairman Nico Swart, who lives on a farm in the Gobabis district of Namibia, could not be contacted Repeated calls to his unlisted telephone number were met by an answering machine

Shareholders will have cause to pray that Niswa's meaningful "financial event" wasn't supposed to be the proceeds from 42 elephant tusks and six rhino horns, which Swart and fellow Namibian Johannes Helsdingen were caught trying to sell in February

Swart was sentenced last month in Pretoria Regional Court to a fine of R40 000 and two years' imprisonment but the jail sentence and half of the fine were suspended conditionally It is understood that he paid the R20 000 due and headed home Locals haven't seen him frequenting the fleshpots of Windhoek since

In May, Fraser said Niswa, basically a general dealer with two trading stores, a service station, a bottle store and 4% of a cattle trading operation, would use its listing as a mechanism to generate funds to exploit opportunities in Namibia and SA Specifically, it was on the lookout for food-related opportunities in SA

Deloitte Touche in Windhoek will not comment but its Sandton office says there was a problem relating to a sale agreement between Swart and Niswa's trading subsidiary That agreement included the transfer

see cont

FOX FM 16/4/93.

of a property, which has not yet taken place

Placed privately at 37,5c, Niswa's shares were met enthusiastically on the first day's trading and climbed to 55c. They peaked at 68c in July and have been on a steep decline ever since, dropping to 5c at the suspension on (appropriately?) April 1.

Niswa has until month-end to produce results or face delisting The question is how did this company get on to the JSE boards in the first place? ([illegible]) ([illegible]) Shaun Harris

FM 16/4/93. (232)

MINORITIES (232)

When in doubt, regulate

Starkly outlined by the concentrated attention of angry minorities, it's hardly surprising that cynical manipulation of the Companies Act should attract the authorities' attention Now the horse has bolted, they've arrived to repair the stable door with a standard bureaucratic response· more regulation

The Standing Advisory Committee on Company Law has told Trade & Industry Minister Derek Keys it believes the Securities Regulation Panel should be empowered to supervise and control any transactions which involve the disposal or purchase of the underlying assets of a business Committee member Michael Katz says such a change will enhance the protection available to minority shareholders FM 16/4/93.

There have certainly been many examples in recent months in which the underlying assets of businesses have been disposed of through S228 of the Companies Act, which requires only a simple majority of shares voted at a general meeting, rather than a takeover offer or scheme of arrangement.

Of course, those are regulated by the panel's code of practice and also require the approval of the courts, so it's little wonder businessmen should take advantage of a route which isn't constricted by controls

Unfortunately, it means that, on occasion, minorities can be faced with majority shareholders arranging to sell the underlying assets of their businesses to buyers which may include themselves That certainly happened in the recent cases of Micor and Racy The situation is often traumatised when minorities question the valuations applied to their assets — that's usually when sides are drawn and accusations, accompanied by unflatteringly virulent epithets, are flung into battle

Katz says the committee thinks it important to introduce "neutrality of form" into the process of how businessmen decide which course of action to follow

There are three methods of acquiring the assets of a business· by purchasing control, which means getting hold of 30% or more of issued shares — which triggers the attention and regulations of the panel; deal through a scheme of arrangement, which automatically invokes rule 29 of the panel's Takeover Code and requires the final assent of the courts, or by buying the underlying assets

The first two courses invite the close attention of the regulatory authorities, the third uses S228 of the Companies Act Katz calls it "the soft underbelly of company regulation." He says that, because the code has a statutory framework, relevant portions of the Act need to be amended — and that's unlikely to be concluded before the end of 1994's parliamentary session.

Of course, all this presupposes the committee's opinion to be inviolate That's not so, says attorney John Jarvis, senior partner in a major Johannesburg law firm, who takes strong exception to the committee's proposals.

Jarvis argues that protection of minority shareholders is already carefully written into the law. "Any oppressed shareholder," he says, "has recourse under S252 of the Act, which gives the court wide powers where there is oppression or unfairness." An argument often advanced against S252 is the huge cost of litigation, but Jarvis says there's no reason to change the law to give minority shareholders the status of royal game

Jarvis believes including the sale of assets as an "affected transaction" in terms of the panel's Takeover Code will pose it with an almost insuperable conflict unless the rules of the Code are changed. At present, the panel is precluded from judging "the commercial advantages and disadvantages of an affected transaction " But arguments about the purchase price of underlying assets are what this is all about: if it's not careful, the panel will find itself creeping around in a minefield.

The *FM* has taken the view (*Leaders* January 22) that it is not persuaded the answer to protecting minorities lies in further regulation We already have too many rules and too much red tape. Minorities must learn to protect themselves and the machinery to enable them to do so is powerful and in place

Nothing will ever replace the determination of involved shareholders to secure treatment which is fair and reasonable. Unfortunately, it seems the authorities intend to move progressively down the US path of increasing regulatory involvement and interference. These are issues of corporate governance which need the widest debate before they are implemented *David Gleason*

Syfrets unit trust takes in 14,4%

58 232

LINDA ENSOR

CAPE TOWN — General equity unit trust Syfrets Growth Fund achieved a total return of 14,4%, including income and capital growth, in the year to end-March. Blorry

A quarterly income distribution of 3,58c a unit was declared, bringing the total for the year to 12,65c a unit.

The portfolio managers adopted a cautious approach to the market over the quarter and liquidity was increased 23,75% (20,4%). The sideways movement in financial markets was used to fine-tune and steady portfolios, Syfrets unit trust marketing manager Kevin Hinton said yesterday. 16/4/93

A net inflow of R100m was the highest in the industry, Hinton said, and resulted in the market value of the fund rising to R883m (R746m). No new holdings were added to the portfolio though the stake in Afrox was sold off.

The conservative Syfrets Trustee Fund posted an annual return of 4,7%, experienced a net inflow of R2m and declared a quarterly income distribution of 1,13c a unit, bringing the total for the year to 4,66c a unit Sales were made in De Beers, Rusplat, Barlows and Liberty, while more Edgars and Sasol stock was acquired

The Syfrets Income Fund posted a 16,3% return for the year, falling behind the 24% rise in the all bond index A net inflow of R87,1m brought the fund's market value to R702m. A quarterly income distribution of 3,36c a unit brought the year's total to 14,5c

An 18,3% annual return was produced by the Syfrets Gilt Fund which ended the quarter with R266m The fund declared a quarterly distribution of 32,23c a unit and an annual payout of 132,11c.

Mixed fortunes for Southern

SOUTHERN unit trusts' cautious strategy achieved mixed results for the year to end-March BDM 16/4/93

Southern GM, investments, Carel de Ridder said the R175m Southern Equity fund posted a 14,65% return for the year, which compared favourably with the CPI of about 9% However, a University of Pretoria (UP) Graduate School of Business survey said the smaller Southern Mining fund reported a -3,19% return (290)

De Ridder said a recovery in mining shares helped swing the Mining fund's performance up from the -13,32% return for the year to end-December 1992

Sibling funds Southern Pure Specialist (market value R10m) and Southern Income (R13m), neither yet a year old, did not report returns for the period

Southern's cautious strategy entailed maintaining liquidity while avoiding more cyclical counters, he said The Equity Fund

ANDREW KRUMM

bought into GFSA, Tempora, Dalys, Suncrush, Sunbop, Didata and Toyota, and sold Mobile CDs (232)

The Mining Fund sold all gold shares bar its holding in Randfontein, reduced an investment in De Beers and doubled a stake in Gencor Liquidity of the fund — valued at R21,6m at quarter end — was 26,3%

The "socially responsible" Southern Pure Specialist Fund achieved a return of 6,45% for the quarter. It would "continue to exclude investments such as those in liquor and gambling companies" and had added Wesco and Suncrush to its portfolio

De Ridder said the Southern Income Fund remained mostly liquid

Income distribution of 3,9c a unit was declared for the Southern Equity Fund, 3,29c a unit for the Mining Fund and 1,71c a unit for the Pure Specialist Fund

CRISIS OF CONFIDENCE: *Killing came at the worst time*

Star 17/4/93

Hani factor hits investment

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THE assassination of Chris Hani last weekend has shattered a fragile investment mood and once more shown how volatile and unpredictable the local investment world is, says MAGNUS HEYSTEK.

THE already fragile investment mood in this country was shattered by yet another unpredictable factor this week the Hani factor It could however have taken a number of other forms the assassination of other political leaders, a nationwide uprising or whatever

It once again underlines the unpredictability and volatility of the local investment world.

This week was a prime example the stock market plummeted for two days, then rebound the next.

The mood on the stock market is likely to remain nervous for some time while the long-term effects of the Hani factor — likely to be negative — are digested

In other markets the reaction was just as swift, volatile and nervous The financial rand (which, fortunately for most, is restricted to non-residents only) plummeted and capital market rates soared (which is bad news)

And I have no doubt that other investment markets, like the property market, will feel the effects of this for weeks and months to come

The greatest short-term damage was the shattering of a fragile emerging confidence among whites in particular It could not have come at a worse time — just when the democratisation process was back on track and former firebrands like the late Hani were accepting peace as the only path to a prosperous future

The impact of this dramatic new development could be significant. Some political commentators see in it a groundswell shift in the political mood of the masses which could be ominous

The cost of the stayaway cannot be measured in rands and cents While the SA Chamber of Business has put the estimated direct costs at anything between R500 million and R2 billion, the long-term effects are potentially enormous

Foreign investors who, if reports are to be believed, have in recent months started looking at South Africa afresh for renewed investment must have been greatly discouraged by the massive media coverage of the week's events

The Hani factor will delay new foreign investment. Secondly, the Hani factor is likely to delay an upswing in the local economy

The recession, already in its 50th month, is likely to stretch out even more, perhaps even until such time as a new government is in place

The outflow of capital, already a wave, will no doubt increase, as will emigration This loss of capital, both human and monetary, is something this country can ill afford

While difficult to quantify, the loss of an estimated 200 000 young South Africans since 1985, mostly skilled and educated, is hurting the economy badly

Just think of all the business ventures, skills and taxes such a group of people could have been contributing to the economy right now

Most investment markets are likely to be damaged

ST Times (Buss. Times)

Sentrachem dual tax boost

18/4/93

By ZILLA EFRAT

SENTRACHEM's results are one of the first to reflect the benefits of the dual tax system announced in the Budget.

Attributable earnings rose 25,6% in the six months to February. Without the tax change they would have risen 18% — still an impressive showing for a chemical company in the current tough economic environment.

The dual tax system, which entails a fall in company tax to 40% and a secondary tax of 15% on dividends payouts, bolstered Sentrachem's earnings a share by an extra 2c to 32,3c (25,7c)

Managing director John Job says that because this addition is insignificant in Sentrachem's total funding, the benefits have not been earmarked for anything

He does not expect the tax change to lead to a major shift in Sentrachem's dividend policy, especially in the current year. The group has always had a conservative dividend policy, with annual cover usually three times

Dividend cover has traditionally been more conservative at the halfway mark — as can be seen by the 4,6 times covered interim dividend of 7c (6c) announced this week

Squeeze

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Sentrachem's interim earnings also benefited from a 14,5% dip in net financing charges and a 62% spurt in export sales. Exports now account for 13% (9%) of the group's turnover, which rose 13,3% to R1,3-billion in the six months

Operating income, however, was down 1,9% at R114,6-million, even though the consolidated results from Sentrachem's six divisions rose 6%. This is due to "certain non-recurring items" and a squeeze on operating margins

The group this week approved a R20-million expansion of its Mancozeb fungicide plant at Sasolburg. Some larger projects, which could cost between R50-million and R200-million, are being examined

The income statement includes a R15,3-million extraordinary item, which largely relates to the closure of the unprofitable Styrochem plant

Of the amount, R3-million was spent on investigating the acquisition of Australian chemical company Chemplex. This amounted to 1% of the purchase price and Dr Job says the money was well spent in helping the group to decide not to go ahead with the deal

He expects earnings for the year to be ahead of last year's, but growth is likely to be less than the 25,6% of the first half.

Tollgate: Absa will get some cash back

S Times (C Metro) 18/4/93.

ABSA Bank will recover a substantial amount of money from collapsed Tollgate Holdings, says the bank's deputy chief executive Dr Danie Cronje.

He was commenting on a report that the Tollgate Group only had assets of R18-million against liabilities of over R400-million, of which some R300-million is owed to Absa.

The report submitted by the liquidator of Tollgate Holdings to the Master of the Supreme Court this week referred to TGH, and not to Tollgate Holdings.

Mr Cronje confirmed that the assets of Tollgate Holdings were of substantial value and worth much more than R18-million.

S Times (Buss. Times) 18/4/93 (233)

NO PLACE TO HIDE

LEAD times for decision-making on the JSE are becoming longer as the number of investment options dries up

Frankel Pollak Vinderine analyst Dee Campouroglou says investors in the industrial market tend to anticipate earnings trends two years ahead when looking at the correlation between price movements and earnings recovery.

Lead times were about six months in the 70s and 15 to 18 months in the 80s, she says

One cause of the growing lead time is a lack of liquidity on the JSE — an old story which some believe has been overplayed Because of foreign-exchange controls, too much money follows too little scrip in SA

This is shown by the fact that the JSE turns over only about 4,4% of its market capitalisation in a year

SA institutions, unable to invest abroad, are reluctant to sell stock — even when it underperforms — because they fear they may be unable to pick it up again at a similar price

While they hold this stock they are increasingly looking to the futures market to cover themselves. Only well-traded, less tightly held shares — such as market leader De Beers — show large price fluctuations

The JSE's increasingly low turnover may have caused a "safety net" which has contributed to the industrial index's sustained rise, in spite of some dips and dives, since its low in early 1988

The ascent, although in line with trends on other major bourses, has largely been out of kilter with SA's political uncertainty, deepening recession and negative earnings growth, on aggregate, in real terms of industrial companies over the past few years (see graph above)

Campouroglou says the longer lead times reflect an "anticipation factor" of earnings growth recovery

A recent example is the rise of the retail and furniture sectors in spite of dismal sales of the goods they handle

She suggests that, at current levels of the industrial index, investors are discounting an earnings growth recovery, in real terms, of about 20% in the next couple of years

She questions whether industrial companies in general will be able to deliver this growth If not, prices will have to fall to reflect fundamentals

Southern Life general manager, investments, Paul Beachy Head believes the "safety net" may apply only in the longer-term and has "never stopped shares from coming down when people panic in the short-term"

He says it did not help the JSE to avoid the sharp falls of 1987 and 1990, the latter ahead of the Gulf War The JSE also fell sharply in last year's third quarter in the wake of the Boipatong and Bisho killings

DIAGONAL STREET

Industrials ride high, but look dodgy

S Times (Buss. Times)

232

INDUSTRIAL shares look expensive — a factor which could make the sector increasingly vulnerable if up-beat expectations do not materialise.

The industrial index's earnings and dividend yields are close to the lows reached before the 1987 crash — even though prospects for corporate earnings remain gloomy for the short-term at least.

Indeed, the index's average dividend yield is only marginally higher than the record low of the past 23 years.

The industrial index has continued to edge upwards, albeit unsteadily and with some large dips, since 1988 in spite of continuing recession and political uncertainty (see graph above right).

The JSE is by no means alone in this ascent.

Other major markets look fully priced. Some are trading higher — on expectations of market recoveries from next year — than they did before the 1987 collapse.

By Zilla Efrat

According to the Consolidated Fund Managers' Hotline, some global stock-market watchers believe that Wall Street, as measured by the Standard and Poor 500 Index, is more overvalued than at any time in its history — more expensive than in 1929 and 1987.

The average price earnings ratio on the JSE is half of that on Wall Street. But perceptions are up-beat ahead of an expected recovery.

As with markets abroad, the JSE appears to be discounting large earnings bounces off low bases when market conditions turn.

Lower inflation and interest rates are expected to boost corporate earnings. Some large exporting cyclical industrials could benefit from the weakening rand-dollar exchange rate.

Although industrials have underperformed in the past two months in favour of mining counters, they are increasingly showing lack of value. This has heightened the sector's risks, because there is hardly any comfort zone if corporate earnings do not match great expectations.

Most analysts, however, do not believe industrials are ripe for a near-term correction. Only a degeneration into South African political chaos or an international market collapse could, it seems, send the JSE on a downward spiral.

Southern Life general manager, investments, Paul Beachy Head says that as long as the bull market on Wall Street remains intact, South African industrials are unlikely to collapse in spite of their apparently expensive levels.

He does not expect a sustained bear market unless there is a significant external catalyst.

Beachy Head says one of the biggest threats to shares on Wall Street is rising inflation, which would lead to a higher interest-rate pattern.

However, when the market does turn, certain counters, which until now have been over-performers, could lose some of their sparkle.

Beachy Head says many high-quality industrial shares have traded at large premiums as institutions seek to protect themselves from difficult market conditions.

He believes this "defensive flight to quality" may abate as world liquidity improves and other areas of the market start to perform, reducing the premium these top-quality shares attract.

The declining inflation rate may also result in JSE industrials losing their status as an inflation hedge.

Frankel Pollak Vinderine analyst Dee Campouroglou says the inflation rate needs to remain below 10% before investor views of industrials change.

Although this is unlikely to happen this year because of the recent VAT and petrol price rises, she believes that a structural shift to lower inflation should come in the next few years.

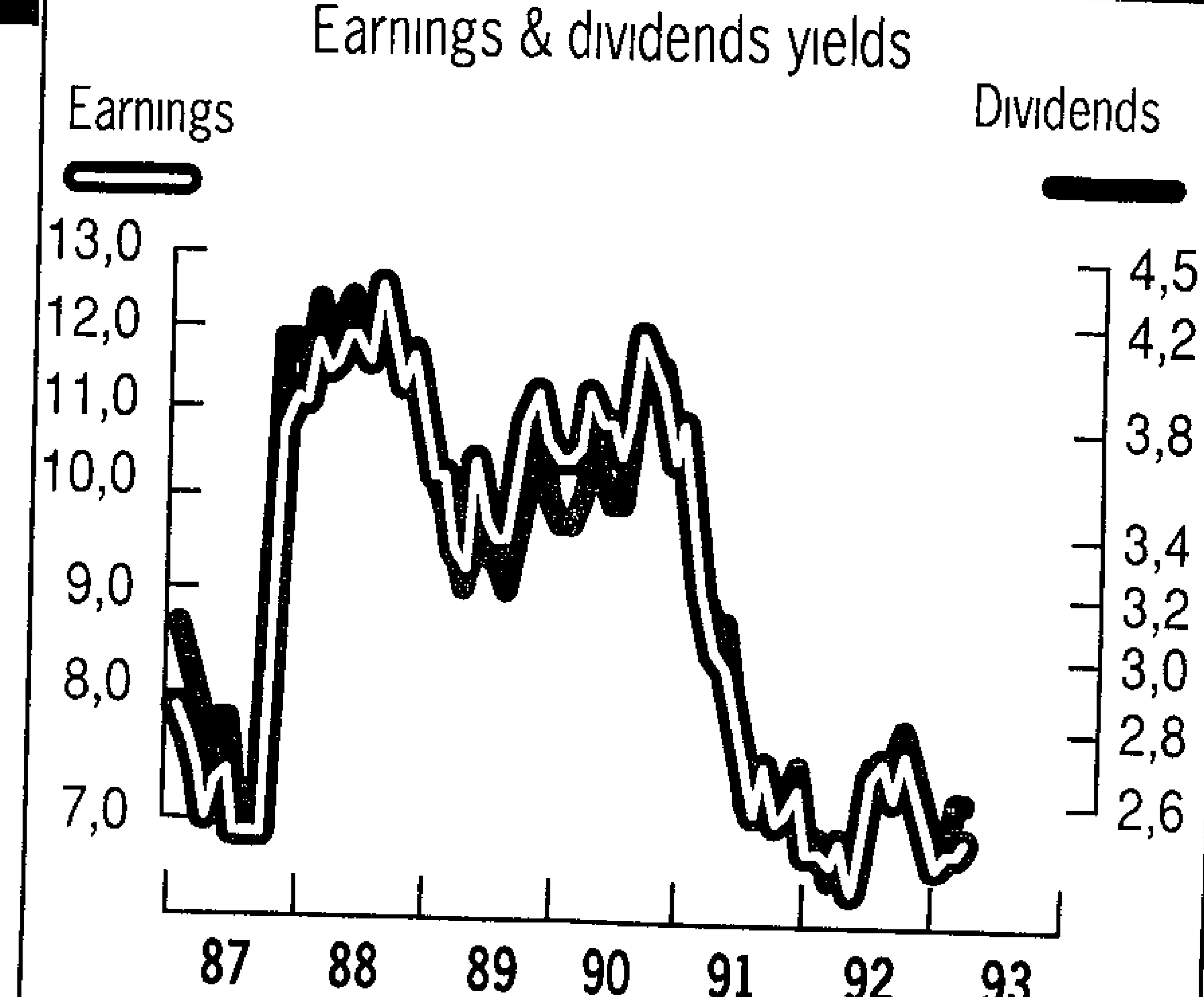
Historically, inflation below double digits — last seen in SA before 1975 — has been associated with a poor industrial market.

On a more optimistic note, some analysts expect the JSE to get a boost later this year as some kind of political settlement is reached and sanctions finally fall.

In addition to increased South African confidence, a return of interest from international fund managers, although small in their terms and most likely to be in minings, is likely, they say.

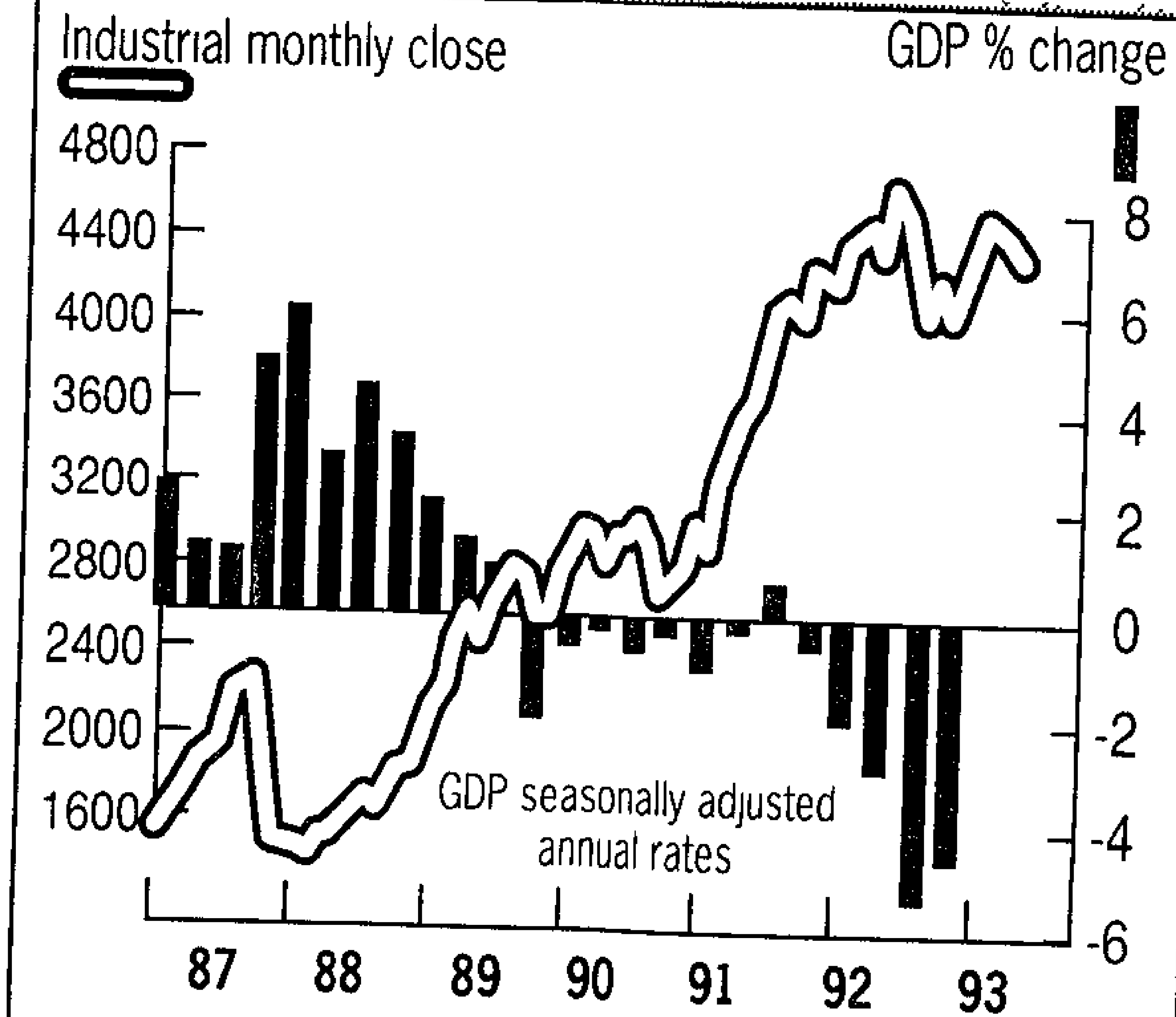
PAUL BEACHY HEAD: JSE is safe as long as the bulls run in Wall Street

Industrial Index



Graphic LEE EMERTON Source I-NET

Industrial index & GDP



Graphic LEE EMERTON Source I-NET

Threat to put lid on top SA musical

STimes 18/4/93. (232)

By PETA KROST

THE show must go on — but not before the words of a South African award-winning musical comedy are rewritten to suit an international plastics company.

Tupperware has taken offence at the use of its trademark name and products in *Plastics*, written by Cape Town playwright Shirley Johnston, and has refused to back down until all references to the company have been deleted from the script

Miss Johnston won the prestigious South African Co-ordinating Performing Arts Council best playwright award for *Plastics*, a satirical comedy, in 1992 The play referred to Tupperware as the "synthetic salvation".

The musical is scheduled to open at Johannesburg's Alexander Theatre next week and then to go to Pretoria's State Theatre and the Grahamstown Festival.

Unimpressed by the play's prestige, Tupperware managing director Colin Woodin said "This is not the type of image we want to portray"

The company would have been none the wiser if the Performing Arts Council of the Transvaal (Pact) had not contacted it to discuss possible sponsorship for the production

"We thought they would be willing because the play shows the versatility of their product," said Pact administrative head Cloe Saunders

"We obliged when they requested a copy of the script but their answer was a lawyer's letter forbidding us to go ahead with the play and threatening a court interdict if we did"

Miss Saunders said she was amazed because Pact and the playwright had no intention of defaming Tupperware

Tupperware insisted that all reference to its products be deleted and that any props that could be identified as Tupperware products should not be used

Despair

"Tupperware said the play would do irreparable harm to its reputation," said Miss Saunders

Miss Johnston said she had tried to rewrite the script "not using Tupperware" but it had meant "a total rehash" of the lyrics

"What's more, we cannot get Tupperware to agree to our suggestions on a name for the plastic ware that would fit in with our other lyrics"

Plastics features three Sandton housewives on the brink of despair because their high standard of living is about to disappear as their husbands have been retrenched

With the help of a rich black woman who teaches them how to cope in the new South Africa, they start manufacturing "dishwasher-proof, bullet-proof and cultural-weapon-proof plastic wear which becomes a uniting force in South Africa"

The high-pr[illegible]le cast — including acclaime[illegible] [illegible]tress Gaby Lomberg, M-Net [illegible]esenter Henrietta Gryffenberg, CCV presenter Motshabi Tyele and Radio 5 newsreader Louise Saint Claire — were working on final rehearsals when the storm erupted

They are now waiting for a final decision on the changed lyrics so they can relearn their lines

Meanwhile, Mr Woodin said he didn't see what the fuss was about.

He said his only intention was to protect Tupperware's trademark which he thought was being shown in a derogatory light in the play and added that he didn't see the lawyer's letter as "threatening".

Gold shares to the aid of unit trusts

ST Times (Buss) 18/4/93 (232)

By TERRY BETTY and SEAN VAN ZYL

A 50% increase in the all-gold index in the first quarter of 1993 helped gold unit trusts to turn from negative returns to beating the inflation rate.

Price gains by gold shares also helped many general and specialist equity funds to beat the all-share index and inflation rate on a repurchase-to-repurchase basis in the year to the end of March

Figures published this week show that the Old Mutual and Sanlam funds turned in unspectacular performances in the past year But Board of Executors (BoE) and Guardbank funds were bright over the year

BoE senior portfolio manager Ryk de Klerk says gold could prove to be a millstone around the neck of fund managers in the current quarter He believes gold shares could face a downward correction

Mr de Klerk says many fund managers have started to increase liquidity because the market is expected to be highly volatile Returns could weaken in the current quarter

Prognosis for the industrial sector and consumer stocks is also poor VAT and fuel-price increases have reduced disposable income Consumer stocks and industrials in general will come under pressure

Guardbank Industrial was the star of industrial funds The one-year-old fund delivered a return of 23,61% The rest returned between 2% and 8%.

Liberty Asset Management director David Golembo attributes this to the fund's concentration on good-quality shares, such as Liberty Holdings, Metpol, Stanbic, Sasol, SA Breweries and Metro Cash & Carry

He says that even though the industrial market is seen as being expensive shares of value are still available

~~Mr Golembo~~ thinks gold and mining shares are vulnerable because of adverse political pressure

Foreigners have been buying these shares on yield considerations The political discount which virtually disappeared at the beginning of the year is likely to widen Foreign investors are likely to reassess their acquisitions

Mr Golmebo says the political upheavals of the past week have not caused an upsurge in repurchases by unit trust holders.

"They are mature and realise this investment is not a short-term punt."

Old Mutual, whose Investors' Fund is the largest in the market, showed a negative growth of -4,36% for the past 12 months Old Mutual portfolio manager Jeremy Bolton says that although this is disappointing, there is no problem with the portfolio

He attributes the poor performance to bad timing, the fund having only 10% liquidity, and the fact that some major share prices did not fare too well He says the shares are of good quality Examples are Richemont, Safren and Barlows

Most fund managers favour shares with foreign-based earnings This is because foreign economies are expected to recover much faster than South Africa's.

Investors heavily exposed to industrial shares should get out of the market, says Consolidated Fund Managers managing director Clive Fox.

Mr Fox is convinced that stock exchanges, including the JSE, face a major fall, surpassing those of 1987 and 1969 CFM has sold its industrial holdings

Mr Fox says the main concern is the lack of world liquidity which could defeat attempts by industrial powers to revive their economies

Aid

"The 1987 crash did not happen out of the blue, it happened largely due to the fact that the market ran out of cash."

He says the Group of Seven's $43-billion aid to Russia is of prime concern

"In many respects, such aid would be like pouring cash into a bottomless pit"

The G7 powers announced this week that an aid package exceeding $43-billion would be extended to Russia

"A concerted aid package to save the crumbling Yeltsin leadership will put upward pressure on the US Budget deficit and will reduce much-needed liquidity in the US economy"

Company round-up

INTERIMS	Turnover (Rm)	% change	Profit before tax (Rm)	% change	Earnings a share (c)	% change	Div a share (c)	% change
† Allwear	57,5	−13,2	−0,147	—	−1,2	—	—	—
Allwear Gr	—	—	−0,13	—	—	—	—	—
Sentrachem	1330,0	+13,3	79,2	+5 0	37,3	+25,6	8,1	+17,3

† 10 months including Shirleys

Dial-
S Times
a-Movie
(Buss Times)
on the
18/4/93
move

TALK has it that video and compact disc franchise company Dial-a-Movie is set to gain a "big brother" through a rights issue, to be announced in the next few weeks

It is believed that a financial institution with foreign banking interests will obtain a 30% stake in the retailer by underwriting the issue.

The move, it is said, will pave the way for international expansion of Dial-a-Movie's Top CD chain

Executive chairman Brian Cunningham will not comment, but the possibility of a rights issue and foreign venture was alluded to when interim results were announced recently.

(232)

Dial-a-Movie was one of the JSE's top performers in the first quarter of this year, when its share price rose 355%.

The counter, now trading at 100c, moved from 15c in July last year to peak at 110c.

The rise followed an announcement that earnings for the six months to December had almost trebled from 5c to 14c a share in spite of a market plagued by price-cutting.

The group's fortunes have changed since it began a major thrust into the CD market in 1989 and rid itself of the losing consumer electronic Top Tec chains at the end of 1990.

The CD business is expected to make up two-thirds of profits in the current year to June — when, according to Cunningham, attributable earnings could be up by more than double.

There are now 20 Top CD franchises and one more will open in Cape Town in May.

After this the group will consolidate its position until September, when it will again embark on an expansion drive

Industrial share index said to be overpriced

STAR 19/4/93.

By Des Parker (232)

DURBAN — An investment management firm believes the JSE industrial share index cannot "defy gravity" for much longer

In its CFM Hotline newsletter to clients, headed Red Alert, Consolidated Fund Managers (CFM) says industrial markets worldwide are overpriced and exposed to the effects of a widely expected re-rating of Wall Street.

The author says the 10-year upward trend in the Dow Jones industrial index is particularly vulnerable to the potential for reduced liquidity in the US economy in the event that America pours money into the "largely insurmountable" problems of the former Soviet Union.

US aid for Russia could set back the budget deficit programme and put paid to America's faltering economic recovery

Lower liquidity would force interest rates to rise, which would have the effect of attracting away funds that have been pouring into listed shares in unprecedented amounts.

"Certain global stock market-watchers now believe that Wall Street, as measured by the broadly based Standard & Poors 500 Index, is more overvalued than at any time in history — more expensive than in both 1929 and 1987," says Hotline.

Last year, unit trusts accounted for 96 percent of the new investment in listed shares in the US The newsletter says the dividend yield on the JSE industrial index is now only marginally higher than it was last June, when it was at a 23-year low.

Star 19/4/93

(232)

Changes at Holdains

Holdains is restructuring its Sun Packaging and Bakke subsidiaries and establishing a co-ordinated trading arm for the two companies.

The trading arm will maximise their strengths in the food and beverage tray market, says Holdains.

The trading arm is to be known as Bakke Distribution & Marketing Ernest Snoek has been appointed MD.

"In view of the strategic importance of these businesses, senior Kohler director Stan Burton is relocating to the Western Cape," says chief executive Richard Bruyns

He says the new structure is a sequel to a careful review by Holdains of its position in the market which followed last year's delisting of the Sun Packaging group of companies.

"One of the great strengths of Sun Packaging and Bakke is their comprehensive distribution system throughout South Africa

"Each will continue to operate as a separate manufacturing unit with its own environmentally responsible technologies.

"But with the joint marketing arm we will eventually have one set of distinctive products instead of the current duplications," says Bruyns — Sapa.

Unit trust growth 'a sign of the sector's potential'

BDAY 19/4/93

(232)

ANDREW KRUMM

THE unit trust industry took off in the first quarter of 1993, with the total value of assets invested jumping 8,5% to R14,626bn in March, against R13,479bn at end-December 1992.

Unit Trust Association chairman Bernard Nackan said, "The latest figures confirm the underlying strength of the unit trust sector, and highlight the industry's potential"

Total industry assets currently made up less than 3% of total market capitalisation on the JSE

"When one considers this figure together with Reserve Bank statistics which show that unit trusts constitute less than 4% of the nation's savings, it is evident significant opportunities lie ahead to increase market penetration."

Nackan said gross sales for the March quarter topped R1,29bn, although repurchases increased to R685m, leaving a net inflow into the industry of R604m.

This was significantly smaller than the total R738m net inflow during the December quarter.

However, better performances on the JSE in the first three months of this year saw total industry assets appreciate by more than R540m, compared to R26,7m in the quarter to end December — which accounted for the improved growth in industry assets in the March quarter

Nackan said general equity funds had attracted the major proportion of new investment in the three months to March, absorbing R296m (December R329m)

"The general equity funds remained the mainstay of the industry, representing 74% or R10,8bn of the total assets"

And continuing a trend begun a year ago, the income funds also drew a significant portion of new investment, adding R225m (December R365m) in net sales to end the quarter with assets of R2,3bn. Only the specialist equity funds experienced growth in net sales, pulling in R84m in the three months to March, compared to R44m in December.

"South Africans now operate about 1,224-million unit trust accounts (in 49 unit trusts), a 22% increase in the past 12 months, and more than two-and-a-half times the number of unit holders five years ago," Nackan said.

Industry statistics showed that over a 12-month period the general equity unit trusts achieved a weighted average return of 4,5% compared to the 3,8% on the JSE all-share index and an inflation rate of 9%, while the income funds posted a 17,9% average return for the year

Industrials bear brunt of downturn

B/DAY 20/4/93 (232)

GRETA STEYN and MERVYN HARRIS

FINANCIAL markets gyrated yesterday in thin trade, with bearish sentiment held in check by the relative calm that prevailed during Chris Hani's funeral

Banks closed their dealing rooms early, compounding the problems of JSE dealers, who were unable to get a financial rand quote in the afternoon.

The financial rand opened 10c weaker at R4,96 to the dollar and briefly traded at more than R5,00 before clawing back to end the day at R4,96 Dealers said prices were marked down, but there was very little trade as players remained glued to their television sets

The uncertainty on the JSE was reflected in the fact that the weak finrand and firmer precious metal prices had only a minimal positive effect on rand hedge shares

Leading industrials took the brunt of the downturn, with the index falling 34 points to 4 333

Fears of political turmoil bolstered precious metal prices, with the rand gold price rising to R1 080, nearing its 1989 peak.

However, players did not fully trust the gains as prices were expected to retreat if calm returned to SA

Some operators opted for an insurance hedge by buying Krugerrands, which rose R17 to a year high of R1 127

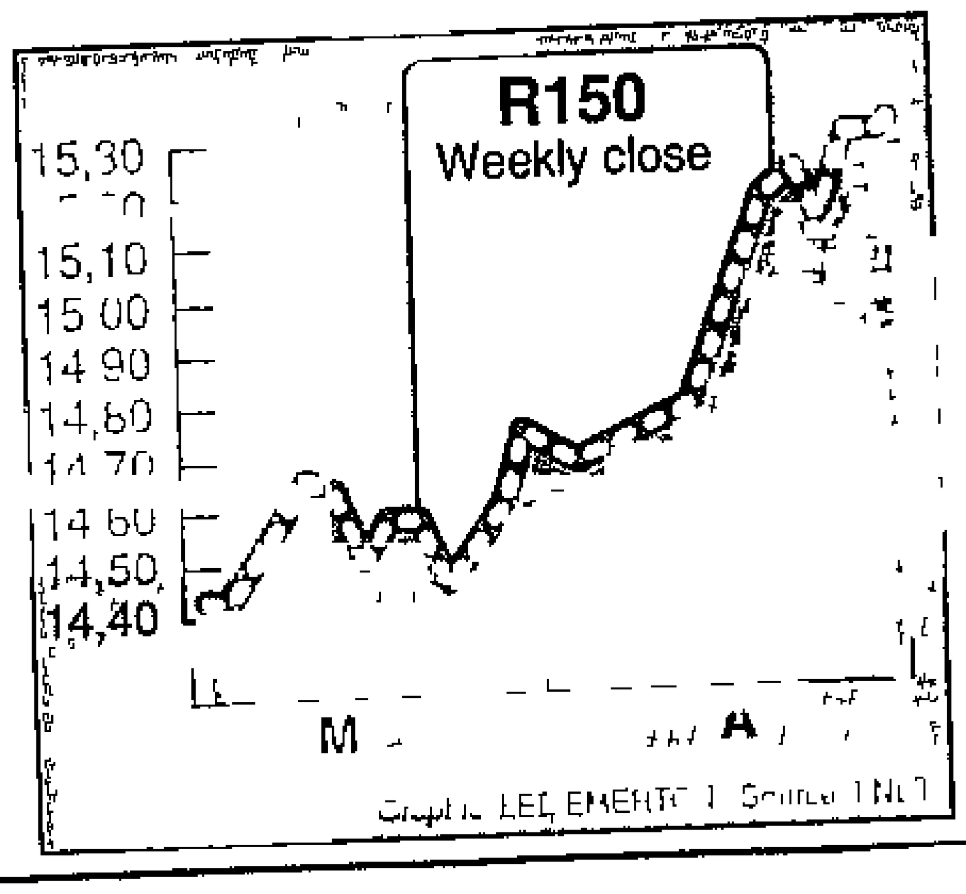
Capital market rates opened about 13 points higher but swung back as institutions stayed out of the market and jobbers were wary of pushing rates too far in the absence of any serious incidents of violence

The rate on government's R150 stock ended only one point higher at 15,30%.

"Taking a major short position means the country has to go up in flames for us to make money No one really wants that. It's a no-win situation and we would rather stay out of the market," a dealer said.

The commercial rand shrugged off the day's events, strengthening to R3,1828 from R3,1938 as the dollar weakened on international currency markets.

The dollar hit a record low of 110,65 yen yesterday as global markets were dominated by moves to reduce the trade imbalance between the US and Japan



Mr Price set to achieve R100m in sales

DUMA GQUBULE

MR PRICE, wholly owned subsidiary of JSE-listed Specialty Stores, expects to achieve sales of R100m by February 1994.

Specialty joint MD Laurie Chiappini said yesterday Mr Price had shown growth from its beginnings of only four stores four years ago to the present 50.

Turnover in 1990 was R8,9m, but with rapid growth he believed sales would reach R100m by the end of financial 1993/'94

Chiappini said Mr Price would open 12 new stores over the next year and would become an even larger contributor to Specialty's profits in future

Specialty would publish its results for the year ended February later this week. At the interim stage Specialty's turnover increased sales by nearly a third to R164,4m from R125,3m

Smart Centre turns in a natty set of results

BIDAY 20/4/93 (232)

MARCIA KLEIN

SMART Centre increased its earnings 31,8% to 29c (22c previously) a share in the year to end-February — a year marked by significant expansion and depressed consumer demand

The results compared a 12-month period with eight months in the previous year because of a change in year-end to match that of holding company Pepkor

Turnover, which included that of stores acquired and developed in terms of Smart's expansion programme, rose 61,4% to R191m from R118,3m.

On an annualised basis, turnover was 12% higher than in the previous 12-month period MD Charles Fox said turnover in the second half grew 12% after increasing only 4% in the first half on the back of the closure of some Kappa stores.

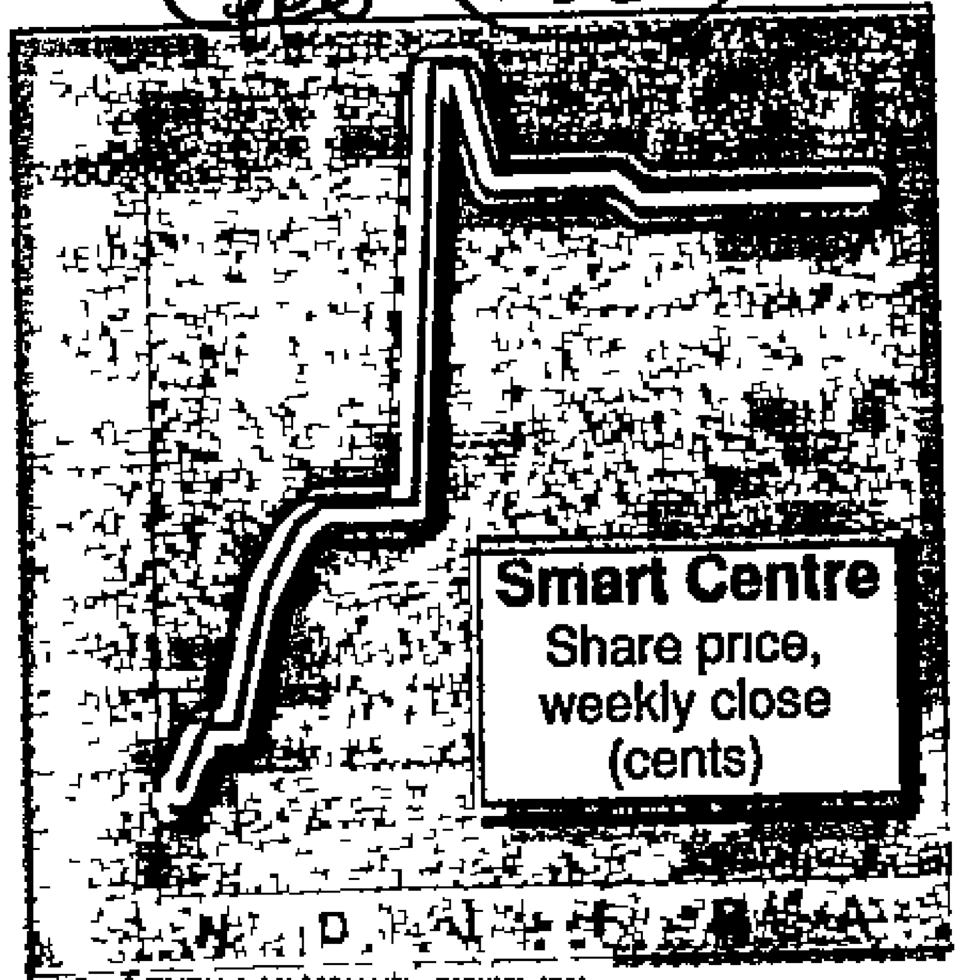
Operating profit rose 21,9% to R24,8m (R20,4m). Fox said Smart Centre's strategy had been to pursue quality growth and to limit the amount of discounting, maintaining margins

A vigorous store development programme had affected margins in the short term During the year, Smart bought seven stores, opened 11 and closed 10, leaving it with 144 at year-end.

Fox said good asset management and a strong balance sheet enabled the company to speed up its store development programme and take advantage of a soft property market to obtain new and enlarged stores at reasonable rentals.

The expansion included the acquisition of seven stores in Pretoria These formed the base of the company's 14-store Patrick Daniel mens' clothing chain

A reduction in taxation, reflecting new tax legislation, saw profit after tax rise 33,6% to R11,4m from R8,5m. Attributable profit, after outside shareholders' interest, rose 34% to R10,3m (R7,7m).



Graphic RUBY GAY MARTIN

A below-the-line extraordinary item of R164 000 referred to the adjustment of a deferred tax liability at year-end.

A higher dividend of 9c (7c) a share was declared. Shareholders were offered bonus shares in lieu of a cash dividend.

Fox said a company tax rate reduction in the coming year would lessen Smart's tax burden and increase earnings.

Smart would be "taking a more aggressive marketing stance" and would show higher levels of growth "within a continued policy of tight asset management and limited discounting". Smart was introducing a new logo as research had shown that its current logo was a little harsh and insufficiently fashion-orientated.

Chairman Christo Wiese said management expected earnings growth in the coming year. Trading for the first month of the new year had been encouraging. Smart would soon open a store in the Carlton Centre, and was looking at other major city centres

Anglo sets sights on the appliance market

STAR 30/4/93.

232

By Derek Tommey

Mining giant Anglo American is about to move into the domestic electronic appliance market

And befitting its status as SA's biggest mining house, it intends doing so on a fairly large scale.

Engineering News reports that Anglo's subsidiary Amic is investigating making colour television tubes in South Africa in a joint venture with Daewoo, a major South Korean appliance company

The proposed factory will cost R600 million and produce 800 000 colour tubes a year

The investigation should be completed by October

Expectations

If the factory gets the go-ahead, it will take about two years to reach the production stage

The plan stems from expectations that by the turn of the century South Africans will be buying a million new colour television sets a year — a number that could be easily reached if Eskom's drive to bring electricity to black homes maintains its current momentum.

Amic director Hilton Davies says the tube project is only one of a number his company and Daewoo are investigating

The news of the project will be no surprise to the market.

About six weeks ago, Leslie Boyd, deputy chairman of Anglo and chairman of Amic, told The Star his company could soon become a leading producer of domestic consumer goods

Boyd said Amic was being repositioned to lessen the effect of the commodity price cycle on group earnings

The end to sanctions had opened doors to new investment from overseas.

Amic was now looking to Japanese and Korean consumer goods companies to establish joint ventures in SA, he said

Amic is already a major car manufacturer, producing Ford and Mazda cars through its Samcor subsidiary.

Anglo already has a growing indirect interest in the supply of domestic electronic appliances through its 29,2 percent stake in the Altron electronic group.

Altron recently aqured Picapli, the appliance company in the Pickard stable

This company, renamed Gentech, has 39,9 percent of the fridge and freezer market.

Gentech, which manufactures under the KIC label, represents several international companies including Indesit, Whirlpool, Daewoo and Hitachi.

Altron chairman Bill Venter said recently his group was being restructured in order to be more flexible and meet market needs

Gentech chairman Peter Watt says the company aims to acquire improved technology by seeking closer ties with foreign partners.

He expects sales to rise as more people get access to electricity

Eskom has made no secret of the fact that it has embarked on a major drive to bring electricity to townships.

It provided electricity for 145 000 houses last year and plans to electrify a further 150 000 houses this year

Discussions

Eskom and the Life Offices Association are holding discussions on lending money to Eskom to help it carry on electrification projects.

It is understood that these loans will be at below market rates of interest.

This will enable life assurers to show their critics that their funds are being used to help improve the lot of lower-income groups.

However, makers of domestic appliances should get another boost when proposals to build 250 000 new houses a year for people in the lower-income group get off the ground.

This could follow immediately after a political settlement has been reached.

Local investors hug stock market sidelines

Star 20/4/93

By Sven Lünsche

The stock market was quiet yesterday as local investors hugged the sidelines during the Chris Hani funeral.

The financial rand, however, fell to a four-month low of R5 to the dollar, before recovering to a close of R4,97, with foreign investor confidence jolted by fears of renewed violence.

Higher precious metal prices and intervention by the Reserve Bank contained the finrand's loss for the day to 8c.

Nevertheless, the currency is still trading at a discount of 36 percent to the commercial rand, compared with a discount of 30 percent before Hani's murder.

The commercial rand rose by 2c against the dollar to R3,176 as the US currency continued to weaken on international markets.

Dealers, on both the stock and currency markets, warned that the volatility looked set to continue as the ANC launched its six-week mass action campaign today.

The day of mourning on Wednesday and yesterday's funeral virtually paralysed the market, with local institutions staying on the sidelines and foreign investors gradually reducing their SA holdings.

This trend looked set to continue unless the ANC managed to contain their demonstrators, a JSE dealer said.

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On the JSE, the overall index was five points lower at 3558, hit by a 34-point decline in the industrial index to 4333.

The gold index gained five points to 1208 as the gold price strenghtened to a London afternoon fix of \$339,60, after briefly trading at above \$440 in the morning.

Some platinum shares staged a slight recovery on the back of a higher platinum price

Rand hedge counters, both on the mining and the industrial boards, attracted some interest as the weak financial rand allowed foreign investors cheap access to local stocks.

On the capital market, rates of long-term gilts rose further amid investor uncertainty – the rate on the benchmark E168 closed at 15,31 percent from 15,28 percent on Friday.

The short-term 90-day bankers' acceptance rate held steady at 12,25 percent yesterday after rising by three percentage points on Friday.

Futures trading to be automated

BDAY 21/4/93

232

TIM MARSLAND

THE SA Futures Exchange is developing an automated trading system in line with global developments in that area, exchange assistant GM Patrick Birley confirmed yesterday

The prototype was being developed at a cost of about R150 000 While international systems would be looked at, it was hoped that most of the development work would be done locally

Birley said that the new system was expected to come on stream in about 18 months' time

Global exchanges, including London's International Stock Exchange, have done away with the open outcry system of trading in favour of screen trading Screen trading has benefits in that it improves surveillance and therefore market integrity

Birley said the development was a natural step forward in the market

Futures trade in SA currently is currently conducted by prices being advertised on screens while the actual trade takes place over the telephone

Safex CE Stuart Rees told a futures conference recently "We are convinced that automated trading represents itself as the logical method of trading in this day and age

"It will reduce costs to the market and it will improve surveillance and therefore market integrity dramatically"

COMPANIES

Provisional order on Starke firms

BD 21/4/93

LINDA ENSOR

CAPE TOWN — JSE-listed civil engineering and construction companies Basil Starke Group and its parent Basil Starke Investments were provisionally wound up in the Cape Supreme Court yesterday

This followed the provisional liquidation of subsidiary Basil Starke Holdings a few months ago

(232)

Trading in the two lines of stock had been suspended for some time

Basil Starke Premier Marketing and Basil Starke Somerset Park, subsidiaries of Basil Starke Holdings — the group's main civil engineering arm — were also provisionally wound up Basil Starke Holdings went into final liquidation on March 24

Basil Starke Investments company secretary Rento Garschagen said in an affidavit that the company had assets of R8,3m and liabilities of more than R14m, about R10m of which was owing in terms of sureties signed on behalf of Basil Starke Holdings and Basil Starke Group

The company could not pay its debts and was insolvent

Garschagen said Standard Bank had frozen Basil Starke Investments' bank account after the liquidation of Basil Starke Holdings The company also could not pay its debts and was insolvent

Garschagen said in view of the liquidation of Basil Starke Holdings and the "imminent liquidation of other subsidiaries", the existence of Basil Starke Investments was no longer necessary

The return date of the provisional winding up orders granted by Acting Judge Farlam was June 4

Active buying by UK bank

Finrand up as markets bounce back

(232)

BDAY 21/4/93

TIM MARSLAND and MERVYN HARRIS

FINANCIAL and equity markets stormed back yesterday, reassured by the relative calm after SACP general secretary Chris Hani's funeral

Renewed confidence saw active UK and US buying of the financial rand, which appreciated a hefty 8,5% against the dollar to return to levels before Hani's assassination The unit ended at R4,66 against the dollar from Monday's R4,9650 close.

Dealers said the Reserve Bank had been active in the market, sparking off the rally in the morning and smoothing out the afternoon's activity

They said a key factor in the market was active buying by a UK bank. The bank sold large amounts of finrands on Monday, fearing a bloodbath during Hani's funeral.

US banks had also been buyers in the market, which dealers believed was linked to purchases of gold shares on the JSE

A US dealer was reported to have told local banks the US was optimistic about SA's future

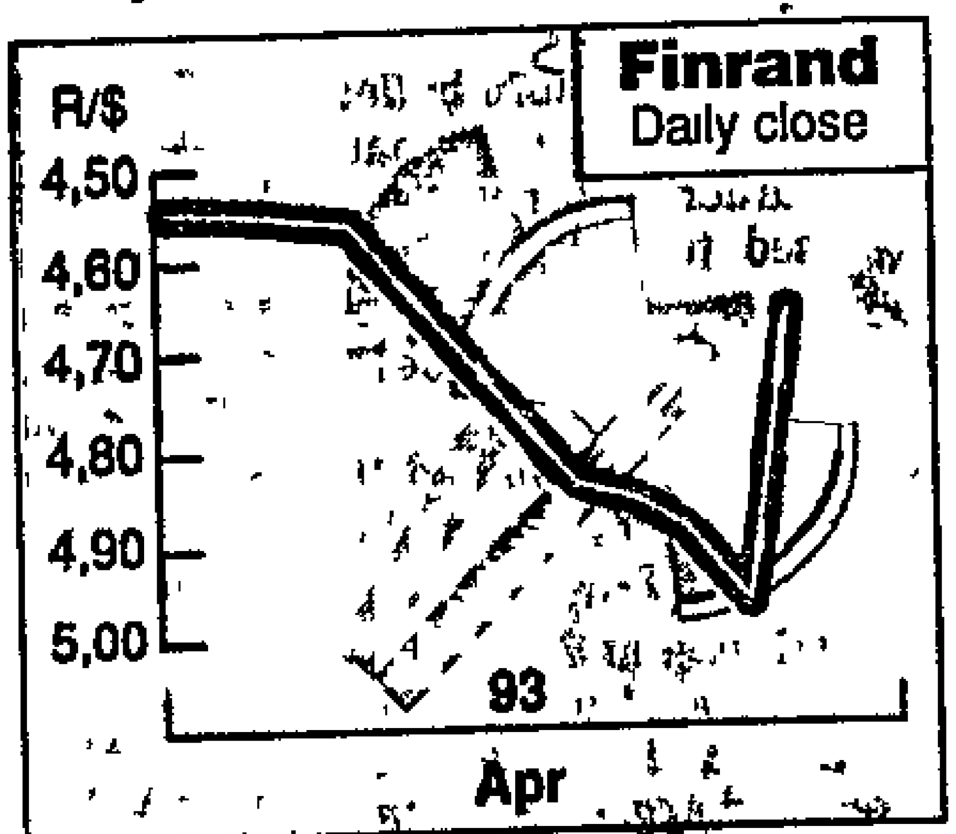
The offshore interest was highlighted by the continued strength at the close

Foreign and domestic investors returned in force to lift share prices sharply The all gold index rose 36 points to 1 244 and the industrial index gained 21 points to 4 354 The overall index was up 26 points to 3 582 as profit-taking pared early gains

Dealers said the market was buoyed by gold's rise to a six-month high but optimism was tempered by caution as the ANC prepared for mass action

The capital market found early gains difficult to sustain in the afternoon after an ANC briefing on planned mass action

The Eskom 168 bond ended 15 points up at 15,130% while government's R150 made the same gain to 15,130%. Transnet's T007 gained 19 points to 14,730% while Telkom's TK05 picked up 15 points to 14,740%.



Graphic: LEE EMERTON Source: I-NET

Hani: Top UK cop to assist

CT 21/4/93

From CHRIS BATEMAN

LONDON. — Britain's best known and most respected policeman, Commander George Churchill-Coleman, arrives in Johannesburg this morning to assist the probe into Mr Chris Hani's assassination.

The former head of the British anti-terrorist branch will aid and monitor local detectives investigating the murder of the South African Communist Party leader.

A second top European policeman, believed to be a German, will also assist the investigation. He has not yet been named.

President F W de Klerk's government sought the ANC's approval and is hoping the appointment of two foreign and impartial policemen to the SAP's investigation team will avoid potential accusations of a local police cover-up.

Polish immigrant Mr Janusz Walus was arrested soon after the murder. Mr Clive Derby-Lewis, the Conservative Party President's Council member, has also been detained in connection with the assassination.

Current head of London's Metropolitan Police, Commander Churchill-Coleman achieved fame for his successes against IRA outrages when he headed Britain's anti-terrorist unit.

His most recent success was in spearheading a campaign to eradicate racism from the Metropolitan Police.

The police veteran has a formidable reputation as a fair-minded and relentless investigator.

The move to send Commander Churchill-Coleman to South Africa is by far the strongest British government response yet to help contain the current crisis sparked off by Mr Hani's killing.

Witwatersrand attorney-general Mr Klaus von Lieres und Wilkau said Commander Churchill-Coleman was nominated by the British government after it was approached for assistance by the National Peace Secretariat.

Marke

CT 21/4/93

Investors flock back as funeral unrest abates

(232)

By AUDREY D'ANGELO
Business Editor

MARKETS stormed back yesterday following the relatively peaceful funeral of SACP chief Mr Chris Hani — and sent the foreign investment unit, the financial rand, soaring.

Renewed confidence saw active UK and US buying of the finrand, which appreciated a hefty 8,5% against the dollar to go back to levels last seen before Mr Hani's assassination.

The finrand ended yesterday at R4,66 against the dollar from Monday's R4,9650 close as foreign investors also bought South African gold shares.

But last night business leaders warned that the mass action campaign called by the ANC, SACP and Cosatu could cause irreparable economic damage if it was carried out "irresponsibly".

They also warned that the worst South African recession ever was not over yet.

At a press conference last night SACP chairman Mr Joe Slovo warned that strike action was always on the cards as an option in the programme of mass action.

Yesterday the Johannesburg Stock Exchange's Over-all Index closed 24 points higher at 3 582. The All-gold Index closed 36 points higher at 1 244 and the Industrial Index 19 points higher at 4 352.

Stockbrokers and analysts said the rapid recovery of the JSE and the finrand showed that most people now expected political negotiations to be resumed and reach a successful outcome.

A US dealer was reported to have told local banks that the US was optimistic about South Africa's future.

He said 53 people had died in the Los Angeles riots last year while the Hani funeral went off relatively smoothly.

Mr Rob Lee, economist and senior portfolio manager at the Board of Executors, said "From the reaction of the finrand and the capital market, investors think Monday went off relatively well."

Stockbroker Mr Richard Lomberg of Davis, Borkum, Hare, said "The worst did not happen on Monday, and civil war has not broken out. Now we are back in business.

"People are remembering that rolling mass action last year did not mean the end of the world."

MEETING TO SPEED UP TALKS

See PAGE 2

Referring to the planned campaign of mass action, the SA Chamber of Business and the Afrikanse Handelsinstitut said in a combined statement that "no action which will further harm or destroy the economy or cause more violence, disruption or damage to property, as has been experienced over the past week, should be embarked upon.

"Further actions of this nature risk causing irreparable economic damage and permanent alienation of foreign investors."

Sapa reports that IFP leader Chief Mangosuthu Buthelezi said yesterday the ANC-led alliance's call for rolling mass action was a major setback to negotiations.

Chief Buthelezi was speaking on his return from Rome where he and Bophuthatswana President Lucas Mangope met United Nations secretary-general Dr Boutros Boutros-Ghali.

Regarding the mass action campaign, Chief Buthelezi said the ANC was following the same strategy as last year when negotiations were delayed.

"It is ridiculous. The delay (in negotiations) was caused by them (and) as at Codesa they are doing the same again."

Soar

SLIP-SLIDING AWA
top) Yael Rimer, 10, fr
Liat, 14, and Orif an

Star 2/4/93

Basil Starke construction companies liquidated

CAPE TOWN — The Basil Starke Group construction company and three sister companies were provisionally liquidated in the Cape Town Supreme Court yesterday.

The companies are Basil Starke Investments and Basil Starke Group, which are listed on the Johannesburg Stock Exchange, and Basil Starke Premier Marketing and Basil Starke Somerset Park, which are owned by Basil Starke Holdings

Basil Starke Holdings, the group's main civil engineering arm, was finally liquidated on March 24.

Basil Starke Investments owns 87 percent of the Basil Starke Group's shares. The Basil Starke Group in turn owns Basil Starke Holdings

The applications were made by the companies and, in the case of Basil Starke Holdings' subsidiaries, by liquidator Ralph Millman.

In papers before the court, Basil Starke Investments company secretary Rento Garschagen said the firm owned 7,65 million ordinary shares and 3,5 million preference shares in Basil Starke Group

Basil Starke Investments had assets of R8,3 million and liabilities of more than R14 million, he said.

Nearly R10 million liability came from signing surety for Basil Starke Holdings and Basil Starke Group

The company could not pay its debts and was insolvent. Acting Justice Farlam granted the provisional winding-up order and set the return date for June 4. — Sapa.

(232)

Star 2/4/93

Gencor buys 25 percent stake in Richards Bay Minerals

By Derek Tommey (232)

Gencor has bought a 25 percent stake in Richards Bay Minerals (RBM) for R671,2 million, and opened the way for the Industrial Development Corporation's (IDC) two investment trusts — National Selections and Industrial Selections — to distribute their holdings to their shareholders

The IDC said last night this would take place as soon as Parliament passed legislation facilitating the unbundling

It said the Industrial Selections shares were worth about R3,20 each, compared with yesterday's market price of R2,95

National Selections shares are worth R3,41 (market price R2,85)

The proposed unbundling has been facilitated by the sale by the IDC and the two trusts of their interests in Richard Bay Minerals to Gencor for R102,1 million in cash and 4,43 million Engen shares — worth about R176 million.

The Government will get a rake-off from the unbundling

All listed shares received by the IDC from the unbundling as well as any shares received direct from Gencor will be placed with the Public Investment Commissioners

Gencor says the purchase of RBM shares from the IDC, the two trusts and from Old Mutual, has increased its stake from 25 to 50 percent The other shareholder is Britain's RTZ.

Gencor will pay for the RBM shares with 9,1 million Engen shares, 1,5 million Malbak shares and cash

If the acquisition had taken place a year ago it would have increased Gencor's earnings by about one percent.

RBM has low production costs making it the premier mineral sands operator in the world.

As a result it has remained profitable, with a strong operating cash flow, despite the worldwide recession, says Gencor chairman Brian Gilbertson.

FM 23/4/93 232

UNIT TRUSTS

Carefully staying liquid

Significant change characterised the unit trust industry in the past quarter Figures from the Association of Unit Trusts show that in the year to March there was a noticeable swing into gold shares Most of the change took place in the March quarter

Behind the move was a 50% rise in the All Gold index Increased exposure to golds was achieved by taking up excess liquidity rather than reducing exposure in other sectors Nevertheless, average liquidity of general equity portfolios remains a high 20%

In the past year the industry has been characterised by managers' defensive stance, particularly in general equity trusts which were largely influenced by political irresolution, poor economic recovery in SA and abroad and the lacklustre performance of the gold price Portfolio managers displayed their nervousness about bullion and gold counters by reducing their exposure to the mines considerably That philosophy was applied to commodities across the board

However, there has since been a noticeable change in perceptions, the latest association quarterly report shows that fund managers softened their stance and added at least some gold shares to portfolios which, nevertheless, are still biased mainly towards industrials and to a lesser extent financial shares

Interestingly, though industry assets of R14,6bn at the end of the quarter were at a record high, association chairman Bernard Nackan notes that they represent only 2,65% of JSE total market capitalisation and less than 4% of total national savings.

Gross sales for the quarter of R1,3bn were the second-highest ever. Though repurchases increased to R685m, the net inflow was a satisfactory R604m The number of unit trust accounts held by the 49 funds increased 22% on year-ago levels to 1,2m. General equity trusts, traditionally the core of the industry representing 74% or R10,8bn of total assets, drew a R296m net inflow during the quarter

The net R225m which flowed into high income funds reflects investors' perceptions of the direction the market is taking, along with lower interest rates. These funds, which represent 16% of industry assets, continued to prove good investments and achieved the best annual returns, ranging between Metboard's 22% and Standard Income's 15%

But a longer-term picture of performance over five years shows that general equity trusts have, on average, achieved higher returns than specialist and high income funds Syfrets' Growth fund remained top performer with a return of 28%, followed by Guardbank (25%), Standard Mutual (23%), UAL (23%) and Momentum (23%) Inflation averaged 13,6% over the five years

Over 12 months, the top performing funds remain constant BOE Growth, along with Southern Equity, produced the best returns, at 15%. Interestingly, neither has existed for five years They were closely followed by Guardbank (14%), Syfrets Growth (14%), Standard Mutual (13%) and Norwich Trust (13%) Old Mutual Investors' Fund (-4%) and Sanlam Index Trust (-2%) lagged

Though gold funds showed a marked improvement in the quarter, reflected in turnarounds by Standard Bank Gold Fund from a negative 23% in the December quarter to a positive 9% and Old Mutual Gold Fund from a negative 28% to a positive 13%, the All Gold index has since eased Its instability indicates considerable market uncertainty, influenced as much by internal events as by world bullion prices The roller-coaster ride might continue

Marylou Greig

HOUSE OF ASSEMBLY

QUESTIONS

†Indicates translated version

For written reply

General Affairs

Mossgas/Sasol/Atomic Energy Corporation: cost of fuel projects

289 Mr G C ENGEL asked the Minister of Mineral and Energy Affairs

(a) What, with reference to syntehtic fuel projects, was the total direct and indirect cost to the State, including the cost of subsidized loans, in respect of (i) Mossgas, (ii) Sasol (all phases) and (iii) the Atomic Energy Corporation for the 1992–93 financial year and (b) what is it estimated will the corresponding costs be for the 1993–94 financial year?
B675E

The MINISTER OF MINERAL AND ENERGY AFFAIRS

(a) (i) Mossgas

Interest on commercial loans R330 million (CEF (Pty) Ltd)
Tariff protection Nil
Synthetic element Nil

(ii) Sasol

Tariff protection R642 million (Equalisation Fund)
Synthetic element R100 million (Equalisation Fund)

(iii) Atomic Energy Corporation

Operating activities R359,452 million
Redemption of loans and interest R92,506 million

(b) (i) Mossgas

Interest on commercial loans R212 million
(Equalisation Fund)
Synthetic element Matter still being negotiated

(ii) Sasol

Tariff protection Should the derived crude oil price be the same during the 1993–94 financial year as during the preceding financial year, the tariff protection will be approximately the same as for the 1992–93 financial year
Synthetic element The amount to be paid has not yet been determined

(iii) Atomic Energy Corporation

Operating activities. R303,460 million
Redemption of loans and interest R165,636 million

Mossgas project: Shares/shareholders

296 Mr R R HULLEY asked the Minister of Mineral and Energy Affairs

(1) Whether any (a) State-owned or (b) private sector organizations have an option to become a shareholder in any company connected with the ownership and operation of the Mossgas project, if so, (i) what is the specific nature of such options, (ii) which organizations hold or held such options, (iii) what, in each case, is the percentage of the (aa) ordinary and/or (bb) preference shareholding applicable to such options, (iv) what, in each case, is the price payable for shares in terms of such options and (v) on what date does each of these options expire,

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(2) whether any such options (a) had lapsed and/or (b) had been formally declined as at the latest specified date for which information is available, if so, what are the relevant particulars,

(3) what is the latest audited rand value of each share which is at present the subject of any option still outstanding in terms of paragraph (1) above;

(4) whether he will make a statement on the matter?
B682E

The MINISTER OF MINERAL AND ENERGY AFFAIRS

(1) (a) No

(b) Yes

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(i) Engen Ltd has the right to subscribe to a 30% shareholding in Mosshold (Pty) Ltd The price to be paid when exercising such right will be 30% of shareholders funds which in total will be used to fund 40% of peak funding of the project. The peak funding requirement of the project will be based on the consolidated balance sheet of Mossgas six months after commencement of commercial production

(ii) Falls away—see (i) above

(iii) (aa) Falls away—see (i) above

(bb) None

(iv) R1 447 million

(v) 30 September 1993

(2) (a) None

(b) None

(3) An audited valuation of the Mossgas shares is not available

(4) No

MELAMET COMMISSION FM 23/4/93 232

There is no profit in protection

No amount of regulation can remove risk

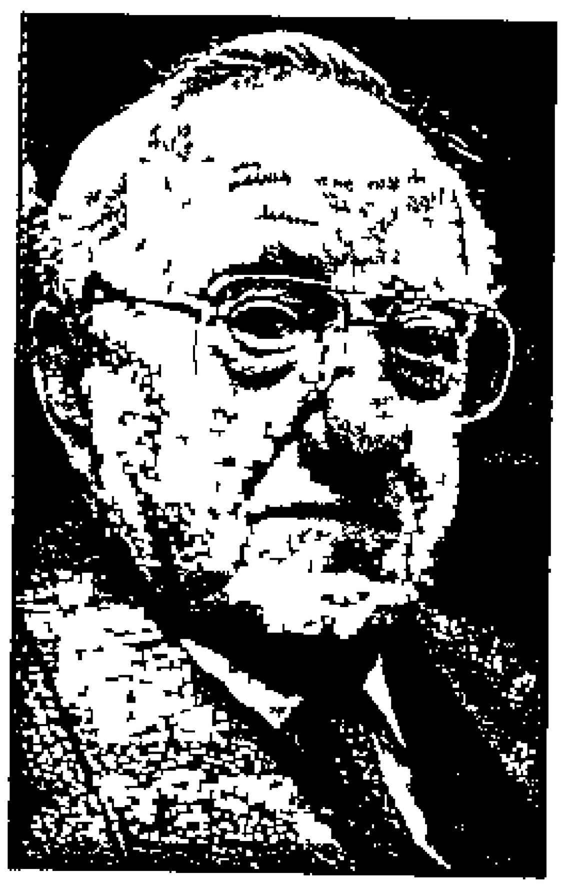
Every individual has the inalienable right to invest foolishly. Many do — then complain bitterly when the investment is less than satisfactory. Those caught in the Masterbond and Supreme debenture fiascos have been loud in condemnation of the authorities.

The truth, of course, is that as long as the two groups offered much higher returns than were available from other investments, nobody complained. On the contrary, there was a whispered admiration for whizz-kids who were able so brilliantly to defy the laws of economic gravity. The high-income returns they provided rapidly became a staple diet for pensioners.

The crashes, when they came, were predictable and traumatic. Angry and bewildered investors accused every organisation and individual associated with company, corporate and institutional regulation of a variety of sins, nearly all of omission and all relating to perceived dereliction of duty.

What duty? Well, clearly, the responsibility for protecting individuals against the consequences of their investment decisions.

The tendency of the State to interfere in citizens' private decisions should be resisted. However, two developments in recent weeks indicate that a growing body of opinion is driving SA towards increased regulation in these areas.



Melamet

The first is the Standing Advisory Committee on Company Law's proposal that certain sale and purchase transactions, relating to the underlying assets of public companies, should be brought within the surveillance of the Securities Regulation Panel (SRP). The second is the Melamet Commission of Inquiry's proposed establishment of a national super-regulatory body to control all aspects of the financial services industry.

Judge David Melamet and his four-member commission unanimously recommend the establishment of a "super-regulatory" body, which they propose should be called the Financial & Investment Services Commission (Fisc). They say it should be responsible for guarding against systemic risk (any risk which challenges the financial system) and providing reasonable investor protection.

Around the world in recent years there has been increasing acceptance that the financial services business must be seen as a single industry. The Melamet report spends some time examining the need for a comprehensive approach to regulation.

In the past, institutional business was easy to define: for example, a building society operated within clearly defined parameters. However, increasingly there is a conglomeration of financial services within a single group. For example, it is common to find a bank which markets insurance policies and unit trusts as well as home loans.

In circumstances such as these it is clearly

P.T.O. → cont →

UNBUNDLING

Another coup for Genmin

FM 23/4/93

Unbundling is developing momentum Gencor's wholly owned subsidiary General Mining Metals & Minerals (Genmin) has just bought the interests of Old Mutual, the Industrial Development Corp (IDC), Natsel and Indsel in Richards Bay Minerals (RBMH) for a handsome R671,2m The acquisition doubles Genmin's stake in RBMH to 50% and gives investors and the market, for the first time, an indication of RBMH's worth — a substantial R2,7bn

Indsel and Natsel will receive their disposal consideration as a mixture of cash (R102,1m) and 4,4m Engen shares. The disposal constitutes a material change in the portfolios of Indsel and Natsel and will obviously affect the distribution to be offered to shareholders in their planned unbundling

The IDC sale follows government directives last year to mobilise finance for industrial development and is linked to its unbundling of investment trust subsidiaries Indsel (52,1% owned) and Natsel (50,8%)

How the IDC will unlock the value of investments within these two companies has occupied investors' minds since the first cautionary four months ago A dividend *in specie* including a cash option close to underlying NAV was deemed the most feasible (*Fox* December 11) Shareholders will be offered either cash or shares

To help shareholders to value their investments in Indsel and Natsel, IDC has disclosed portfolio details allowing for pre- and post-disposal NAVs to be placed on the two companies. Indsel increases NAV by 14,6c to 320c a share and Natsel by 16c to 341c.

Indsel is trading at 280c and Natsel at 285c Discounts of 12,5% and 16,5% respectively emphasise the way unbundling can unlock wealth for shareholders' benefit Specific terms will be announced only once there is clarity concerning unbundling legislation — which is not expected before end-June

Gencor will in total pass on 9,1m Engen shares and 1,5m Malbak Had the additional RBMH stake been included in 1992 results, there would have been a modest 1,0% increase in Gencor's EPS, says chairman Brian Gilbertson However, Genmin's contribution would have risen to nearly 35% from 31%

In setting the payment terms, he says Gencor wished to keep enough cash not to impair its ability to finance major projects The Engen and Malbak shares are surplus to its needs, he says. Indeed, 9,1m Engen are only 6% of its equity, which will leave Gencor holding some 56%, while 1,5m Malbak are only 0,5% of its equity

By coincidence, Malbak also announced this week that it is renouncing about two-thirds of its entitlement in SA Druggists (SADrug)'s pending R201m rights issue SADrug will place the shares with institutional and private investors and staff

This will cut Malbak's stake from 84% to 76% of an enlarged equity, so will certainly make the SADrug share more marketable, as well as conserving cash for Malbak

But if these deals are any indication, Gencor seems prepared to unbundle only to the extent of not losing control And while the IDC is divesting itself of RBMH, concentration of 50% ownership at Gencor (RTZ owns the other 50%) is the reverse of unbundling

Kate Rushton & Michael Coulson

BIDAM 23/4/93

Tax burden 'will worsen debt'

ANDREW KRUMM

THE heavy tax burden would push people deeper into debt this year, Credit Guarantee senior economist Luke Doig said yesterday.

"Many individuals are incurring debt or running down their savings to meet daily living expenses. Yet, in its 1993/'94 budget, government requires the private consumer to provide some 42% of total tax revenues, up from 32% five years ago."

Company contributions to the fiscus had dropped from 23% in 1988 to less than 14% this fiscal year — more a result of a decline in profits during the recession than any beneficial tax structure.

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Doig said four interest rate cuts in the past year had given the individual a measure of relief, but little additional respite could be expected in the near term.

In 1992 insolvencies rose 24% to more than 5 000. Default and consent judgments against individuals rose 25% to R2,8bn.

The high individual tax burden would depress consumer demand which, with protracted negotiations and labour unrest, would impair business confidence, investment plans and performance. Company liquidations and civil default judgments against firms were expected to remain at uncomfortably high levels in 1993.

In the first two months of this year liquidations were 16% higher than in the corresponding year-earlier period. Civil default and consent judgments against businesses were virtually static at R27m.

"There exists the real possibility of a fourth successive year of economic decline, unless a dramatic turnaround occurs in the next three months. Credit analysts will have to exercise extreme caution well into 1994," Doig said.

Unregistered hauliers face prosecution

BIDAM 23/4/93.

TRACY SCHNEIDER

ROAD transport operators not registered in terms of the Road Transport Quality System (RTQS) would be prosecuted after July 1993, NPA Road Traffic Inspectorate deputy chief John Schnell said yesterday.

Schnell told the Outlook for Trucks seminar in Johannesburg operator registration had been poor, reflecting a lack of awareness and urgency. Since July 1992, 11% of the 40 000 operators had registered. He blamed this on lack of information about requirements and the purpose of RTQS which was to create an environment of safety and quality in road transport deregulation.

Operator registration was a key element to ensure performance, compliance and safety were placed with proper officials

Legislation required all operators to be registered by July 1993

"Given the present tempo of registration, it is clear that many operators will not comply," said Schnell.

SA low on productivity

BIDAM 23/4/93

PRETORIA — SA's competitiveness and productivity were rated among the lowest of 14 newly industrialised countries, the Swiss-based International Institute for Management Development said recently.

Its report also found SA to be a forerunner in alcohol and drug abuse, divorce and road accidents. SA employees were not motivated and attitudes and values were not conducive to competitiveness and high productivity.

In the study SA was compared with 13 other newly industrialised countries, including Mexico, Singapore, Korea, Greece, Pakistan and Venezuela.

Factors looked at were science and technology, management quality, infrastructure, the role of government, human resource development and motivation — Sapa

Clash over 'anti-trust legislation'

ARG 24/4/93

(232)

BRUCE CAMERON, Business Staff

MR Mike Levett, chairman of Old Mutual, clashed with ANC economics department chief Mr Trevor Manuel over the concentration of ownership on the Johannesburg Stock Exchange

Appearing with Mr Levett at the Southern Africa Institute of Chartered Secretaries and Administrators international conference in Cape Town this week, Mr Manuel reaffirmed that an ANC government would look closely at the control of 84,6 percent of all shares on the JSE by six companies, including Old Mutual

He pointed out that anti-trust legislation was not a product of communist Russia but of the United States and that Finance Minister Derek Keys was also in favour of "unbundling"

The ANC was committed to anti-trust legislation but "it is necessary to emphasise the ANC is not opposed to large firms as such"

Mr Manuel said some of the major spin-offs of unbundling would be new opportunities for ownership and the control and establishment of small and medium-sized business

Mr Levett said, in the case of Old Mutual, it was not valid that control was exerted over companies in which it held significant holdings

Old Mutual policy was not to interfere in the management of companies, as it did not have the skills

Its job was to invest money where it gave a good return to policy holders.

MALCOLM MACDONALD: Capital raised for new ventures

IDC bails out of its mature investments

S/Times (Buss. Times) 25/4/93

By CIARAN RYAN

THE Industrial Development Corporation plans to unlock billions of rands for industrial development by selling its listed investments. It will begin with the unbundling of investment trust companies, Natsel and Indsel, which will raise more than R900-million.

IDC announced the sale of its effective 16,7% interest in Richards Bay Minerals to Gencor this week for about R450-million and its decision to equity fund 50% of Sappi's R1-billion Saiccor mill expansion. IDC senior general manager Malcolm Macdonald says the group plans to sell its effective 20% in Sasol, worth about R2-billion, "when market conditions are right". IDC sold a third of its holding in Sasol for R1-billion and a minority stake in Sentrachem for R103-million in 1992.

"This is in line with our commitment to mobilise capital for new industrial ventures," says Mr Macdonald. "To take part in the projects we have identified, we will have to liquidate most of our mature investments."

IDC has come under attack for sitting on billions of rands in mature investments instead of releasing the money for development.

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Pension

"This is no longer applicable," says Mr Macdonald. "We will sell these investments when conditions are right."

Mr Macdonald says the unbundling of Natsel and Indsel should be completed by July. Shares in the underlying companies will be distributed to Natsel and Indsel shareholders. IDC holds slightly more than 50% of both companies.

It will sell its equity stakes in both to the Public Investment Commissioner, which manages the State pension funds. IDC is awaiting legislation for tax exemption on profits arising from unbundling.

IDC will buy back minority-held stakes in unlisted companies when Natsel and Indsel are unbundled.

IDC owns 16% of Iscor, worth R283-million, and all of unlisted phosphate producer Foskor. Market conditions are unsuitable for a sale of these assets, says Mr Macdonald. Demand for phosphate remains depressed and Iscor is trading at less than a third of its net asset value.

IDC has committed R3,5-billion in the past six months to three projects in which it has acquired equity stakes: the R7,2-billion Alusaf aluminium smelter expansion, the R3,5-billion Columbus Stainless Steel project and Sappi's mill expansion at Saiccor.

A further R100-million has been committed for a pilot plant to recover alumina, magnesia and potash from phlogopite at Foskor. A total of R1-billion is allocated each year to fund small and medium enterprises.

Rim

Mr Macdonald defends IDC's role in financing capital-intensive projects such as Alusaf and Columbus in spite of IMF and World Bank criticism that they do little to ease unemployment. Fewer than 2 000 jobs will be provided by these two projects — at a cost of more than R10-billion.

"There are no viable alternatives," he says. "If we had a labour-intensive project which was viable we would fund it. Our labour-intensive industries cannot compete with the Pacific Rim countries.

"SA has a high propensity to import and once the economy turns, we will start to run into balance-of-payments problems which constrain economic growth.

"We have to create the conditions which will allow the economy to grow and that requires a healthy balance of payments. These projects will earn foreign exchange which will help to pay for economic growth."

S/Times (Buss. Times) 25/4/93

Pickard Jnr loses all in bank failure

By JEREMY WOODS

JAN PICKARD Jnr, former chairman of the collapsed Cape Investment Bank, has offered his entire estate to CIB liquidators in a bid to settle any claims they may have against him

Tinus Slabber, his legal adviser, says "We have offered the entire estate of Mr Pickard Jnr to the liquidators to settle all outstanding claims The payment is for a substantial but undisclosed sum "

Nothing

Mr Pickard Jnr and three directors of the bank are being held personally liable for R142-million of losses in one of the largest claims of its kind in SA

Mr Slabber says it has become clear that civil actions concerning CIB will last several months and result in extensive legal costs

Mr Slabber says "If they settle now, there will be financial benefit If they choose not to settle, the costs of the case will be so expensive there will be nothing left at the end of it

"Win, lose or settle, Mr Pickard will end with nothing

"The offer to settle is purely a financial consideration. Jan Pickard strenuously denies all claims against him. He's in a no-win situation "

Mr Slabber says the liquidators have been offered full access to the Pickard estate, including any benefits that may accrue to him from family trusts

"The proposal includes that if any hidden benefits or assets that accrue to Mr Pickard are found, the liquidators ~~will be~~ entitled to them "

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Summons

CIB, which failed in April 1991, was founded by the Pickard family, its largest shareholders

A summons by CIB liquidator Tjaart du Plessis in the Supreme Court, Cape Town, says a "reckless" R1-billion punt in Eskom stock was one of the reasons for the CIB collapse

Mr du Plessis was not available for comment on Friday

But Gerald Mallinick, senior partner of Cape Town attorney Mallinick, Ress, Richman and Closenberg, acting for the liquidators, confirms that the offer is being considered

"We are looking at an offer and will make a decision in due course," he says

S/Times (Buss Times) 25/4/93

Minnow on De Beers' heels

By DON ROBERTSON

A DEVELOPMENT Capital Market (DCM) company could rank second to De Beers in the number of shares issued if its latest deal goes through

Quick Holdings (Quickco), British owned and a survivor of the 1987 rush for a DCM listing, is negotiating a reverse takeover of Intercontinent Carriers (ICC), a freight group based in London

(232)

A deal could boost Quickco's profits to more than R1-million and qualify it for a JSE main board listing The listing would be sought next year.

Financial director Malcolm Lucas says it is intended to offer shares for the acquisition, which would effectively give ICC sellers more than 30% of Quickco

The deal is almost assured, ICC managing director Max Irving having been apppointed chief executive of Quickco earlier this year

Quickco shares are trading at 11c, having risen from 1c a year ago. They have a net asset value of 4c

Sources say the deal, which could cost between R5-million and R10-million, is being negotiated at a share price of 6c and will mean a large increase in Quickco's equity

Recent deals have resulted in a huge increase in its issued share capital. After the ICC deal, Quickco could rank second to De Beers with the largest number of shares on the JSE

The company, mainly involved in freight-customs clearing and forwarding, was listed with an issued share capital of 118-million In recent months, it boosted its asset base by acquiring a property at Plettenberg Bay through the issue of 26-million shares and a dairy farm in the Free State for 23-million shares

Since then, it has bought ship-repair and stevedoring company Dusty Miller of Durban for 76-million shares, subject to shareholder approval This takes the issued share capital to 243-million

Although the major shareholding will be in Europe, Hong Kong-based Yin Wo has a 30% interest in the group and was the main decision-maker in Quickco Now that Mr Irving and ICC have been attracted to the group, decisions will be taken in SA

ICC is involved in the transport of commodities such as fertiliser, tea, tobacco, maize and waste paper

B'brook holders lose out

STAR (BUS) 25/4/93

By DON ROBERTSON

SHAREHOLDERS in liquidated Barbrook Mines will lose their money because of an offer for the company which has been accepted by the liquidators

The offer is from Maid 'O the Mist, a venture between Rand Merchant Bank (RMB) and Stefan Hayden, who rescued Eersteling mine last July

Barbrook's liabilities exceed its realisable value by more than R94-million The intention is to cancel the issued share capital without a return. Barbrook was placed in liquidation in January 1992 and delisted in August It was commissioned by Rand Mines in June 1989

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Full

Major shareholders Rand Mines, Randgold Exploration and Anglo American will be treated like the others and will receive no payment for their shares.

But as major creditors, they will receive part of their claims All other creditors will be paid in full

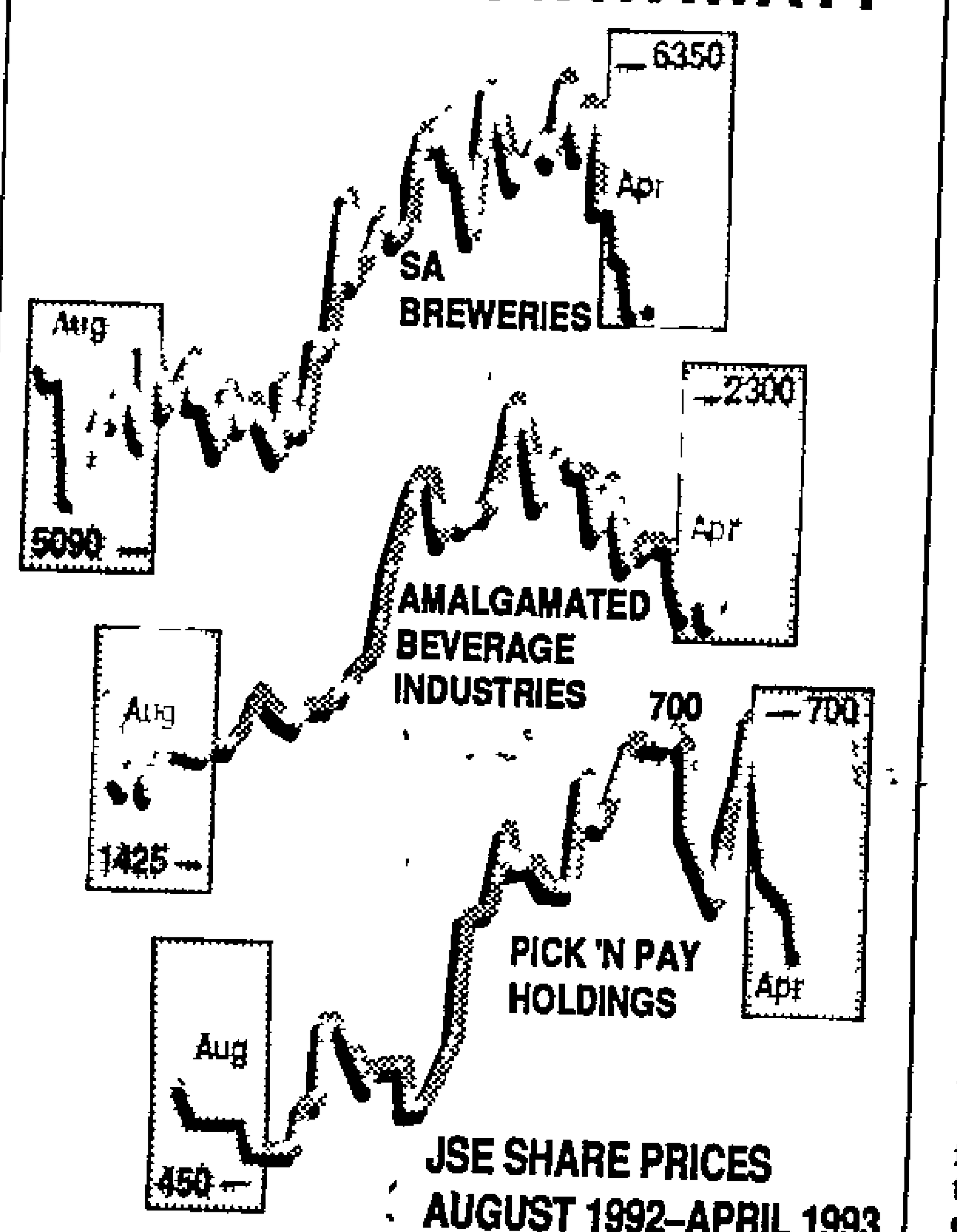
Rand Mines and Anglo American will receive some payment for their variable rate A notes Randgold will forfeit payment on its B notes

Mr Hayden, who will head Barbrook, believes the mine can be operated profitably, but not on the originally projected scale.

ST Times (Buss. Times) 25/4/93

Buyers' blues hit industrials

CONSUMER STAYAWAY?



JSE SHARE PRICES AUGUST 1992–APRIL 1993

SOME blue-chip consumer companies are feeling a double pinch — from their customers and from investors.

Counters such as SA Breweries, Amalgamated Beverage Industries, Pick 'n Pay and Suncrush have come off fairly sharply after reaching highs earlier this year.

They appear to have peaked ahead of their time on expectations of a recovery which is now looking further away.

These price corrections seem to highlight confusion about when trading conditions and the economy will start to pick up.

The uncertain time perspectives of a turnaround are discouraging. South African investors often climb into highly rated shares a year, or even two years, ahead of an improvement. This is the result of steadily rising decision making lead times because of the JSE's poor liquidity

Analysts say these highly rated consumer stocks, many of them tightly held, now offer little room for upside movement.

Given the gloomy news coming from their trading environments, they are not expected to produce the earnings growth demanded by their high price.earnings ratios.

Their previous ratings were discounting better earnings prospects which are now looking dimmer. The horizon is littered with factors which could further dampen disposable income and consumer spending.

They include costlier petrol and the higher-than-expected VAT rise announced in the Budget The increased costs are expected to add to the inflation rate in the near term.

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A threat to confidence and markets is the proposed rolling mass action campaign which could last until the end of May.

In general, any major improvements in the consumer market is not expected until a political settlement is in place.

Not all highly rated consumer-related counters have come off lately. The share prices of companies like Utico, Wooltru and Foschini are holding up well.

Analysts say blue-chip industrials, including the consumer stocks, have for some time been regarded as the only places to be invested in.

Unlike mining and commodity shares, they were showing reasonable earnings growth in spite of the recession. Industrials are now being seen as fully rated, even expensive and possibly vulnerable.

Many investors are switching to mining counters, some of which look inexpensive and many of which should benefit from the weakening rand-dollar exchange rate

Many consumer shares have traditionally traded at a premium to the market. A major reason is that they are expected to benefit from rising population growth rates, increasing urbanisation and the emerging black market in the long term.

Some, especially the beer and beverage companies, trade in markets which usually show continuing real growth

ABI's market for carbonated soft drinks has grown 9% annually for the past 30 years. On the other hand, SA Brews last year suffered a drop in per capital beer consumption for the first time in decades — a reflection of unrelenting recession.

SA Brews is not forecast to produce any meaningful real earnings growth in its 1993 and 1994 years These expectations can be seen in its share price It bottomed at 5 050c a share last August, hit a high of 6 350c in March and is now trading about 5 775c

A similar trend can be seen in other companies that serve the consumer market

ABI reached its yearly low of 1 450c last July, edged up to 2 300c in January, only to fall to its current 1 900c.

Pick 'n Pay Holdings moved from its August low of 463c to peak at 700c in March before falling back to 560c. After a sustained rise, Suncrush peaked at 50 000c in January and is now trading at about 43 500c.

Cadbury Schweppes has followed a similar trend, but its share price has not fallen so steeply in recent months. Some analysts, however, do not expect it to deliver the same rate of earnings growth as in the past

Although these shares are coming off a premature rise, most analysts believe they will not lose their high status in the long run. They offer management strength, strong brands and markets with growing long-term potential

GROUND FLOOR

SITINGED CRUSS. Times

Golden day for JSE

25/4/93

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A LAST-MINUTE surge in the gold price pushed gold shares sharply higher on the JSE on Friday. Fears over Russian President Boris Yeltsin's future in Sunday's referendum created huge demand for bullion, dealers said.

The All Gold Index shot into new territory, preliminarily closing the week at 1 317 — a high not seen in more than a year The rise was almost 10% up on the week and 99 points up on the day

At the close of Friday's trade on the JSE, the gold price was $345 an ounce, a level last reached in October and up from the previous week's second fix of $337,85 The rand was sharply higher at R3,1533 against the dollar from Thursday's R3,1750. The rand price of gold edged to R35 000/kg on Friday's advances

BUSREP 26/4/93

Liquidation kills dividend

TRACY SCHNEIDER 232

THE liquidation of majority shareholders in Profurn's holding company — Supreme Industrial Holdings — resulted in the furniture and appliance group not declaring any dividends for 1992, despite substantial profit.

Profurn recorded a 20,1% increase in turnover to R158,1m and a 15,4% rise in profit attributable to shareholders to R5,9m.

However, earnings a share fell from 7,3c to 6c because of an increase in share issues arising from a 1991 rights offer.

In its latest annual report, the group said 252-million ordinary shares had been issued to repay a R45,3m loan due to the liquidated Supreme Holdings.

Tight control over assets left stock levels largely unchanged and emphasis was placed on improving the debtors' book.

Three new Protea stores and two Supreme stores were opened in key trading areas: "Expansion opportunities will continue to be evaluated taking cognisance of available financial resources."

Poll boosts mark against the dollar

BDM 27/4/93

ANDREW KRUMM

THE dollar lost ground to the German mark yesterday, ending two-and-a-half pfennigs down on Friday's close at around DM1,5680 in Johannesburg as the Russian referendum dominated trade in world currency markets.

One dealer said while President Boris Yeltsin's apparent victory made the dollar less attractive as a "safe haven", it boosted the Deutschmark — the currency considered most vulnerable to political and economic fluctuations in the former Soviet Union.

Reuter reported the dollar trading at around DM1,5670 in Europe late yesterday, holding above technical support levels. However, analysts warned that the US unit could rally in the midweek, bouncing back to the DM1,57-DM1,575 level, before slipping to trade in the DM1,54-DM1,55 range towards the end of the week.

The commercial rand firmed on the back of the weaker US dollar, gaining a full cent during the day to close at R3,1412. But, in tracking dollar movements, the commercial rand weakened against the basket of currencies. Dealers said the sharp move in the gold price had given the commercial rand some support.

There was no Reserve Bank intervention during the day, allowing the rand to achieve its own level Dealers said although finrand trade was range-bound, the finrand looked stronger as a result of the higher gold price. The unit closed at R4,58 to the dollar.

"The demand for finrands was equity-driven as international investors sought to buy gold shares on the JSE on the back of a strong gold price," a dealer said.

'Sentiment fuels gold bull run'

BDM 27/4/93 (232)

MATTHEW CURTIN

THE bull run in gold prices and shares has taken market and mining industry sources by surprise, but few are convinced that market euphoria is based on anything more than sentiment and speculative buying.

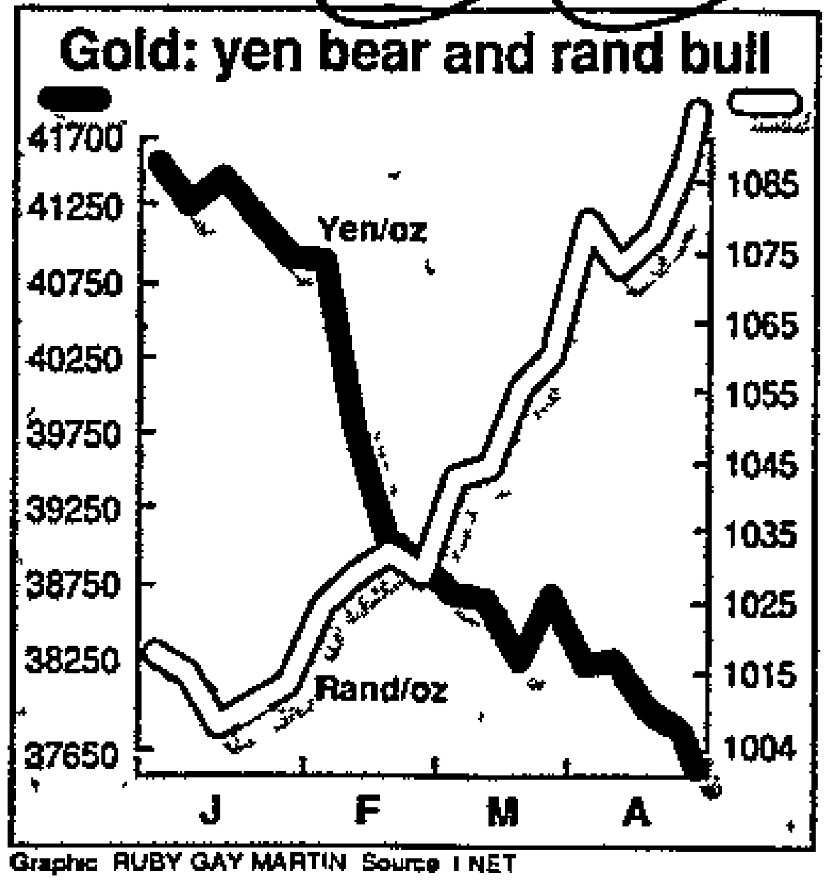
For all the factors believed to be boosting prices — from anxiety over political stalemate in Russia to billionaire George Soros's investment in the US mining industry and technical analysts' confidence the metal has "broken" its bear run — gold watchers are quick to point to the absence of substantive change in the gold market to justify the price increases.

Genmin mineral economics manager Francois Prins said yesterday his research focused on the longer term forces influencing the market which suggested gold prices "were fundamentally undervalued". With primary demand for the metal — from jewellers and industry — outstripping mine supply by a wider margin every year, gold prices could be seen to be too low, but only by 10%.

However, gold prices remained primarily driven by sentiment, with key bearish factors being the continued threat of central bank gold disposals and the attraction of better performing investment instruments

Gengold director Tom Dale said while the dollar prices might have bottomed, gold was increasingly "price elastic" because jewellery demand dominated the physical gold market "We are unlikely to see any fireworks," he said.

The belief gold and mining shares were "oversold" had also been strong, but SA dealers and investors were normally more sensitive to "any glimmer of hope in the gold market"



Graphic RUBY GAY MARTIN Source I NET

Analysts agreed institutional buying on the JSE yesterday had been slight, with higher share prices driven by "jobbing"

One analyst said "Soros's entry into the gold market is adding to the current euphoria but I would still exercise caution The more emphatic Yeltsin's victory in the referendum is, the more speculators fancy the prospects of taking the impressive profits on offer, the more likely gold prices and shares will settle faster than they rose"

Gold Fields Mineral Services CE Stewart Murray said it was all very well for investors to buy gold shares, but without corresponding interest in gold bullion, they were likely to make only speculative gains "Central banks may start to mobilise reserves with higher bullion prices, and producers may increase forward sales, although most pundits felt producer selling would take place above the $340 level, and it does not seem to have happened so far"

Confidence in CMI shares revived

BDM 27/4/93. (232)

JONO WATERS

FIRMING ferrochrome prices and signs of growing co-operation between SA producers and Japanese customers has revived investor confidence in Consolidated Metallurgical Industries (CMI), JCI's loss-making ferrochrome producer CMI's share price has nearly doubled in the past month

CMI shares closed unchanged on the JSE yesterday at 450c, but the stock has climbed steadily from a low of 240c in March

SA producers have been forced to cut production and lower contract prices as a result of world oversupply in the ferro-alloy, a key ingredient in the making of stainless steel, while cheap material exported from Russia has knocked spot market prices

However, European spot prices have risen to $0,40 a pound in the past week from lows of about $0,33/lb in January Market commentators believe cutbacks by producers will result in production outstripping supply before the end of the year

CMI recently confirmed it had reopened a furnace in Rustenburg and had orders for chrome ore from its nearby mine The JCI-owned producer also announced in January it had commissioned a feasibility study with Japan's Nippon Steel and trading house Mitsui for the establishment of a chrome mine in the north-eastern Transvaal

Rival producer Samancor announced last week it had signed a deal with Nippon Denko which may see the Japanese company buy one of its ferrochrome furnaces

CMI MD Zed van der Walt said he viewed the share price rise as "speculative"

Frankel, Pollak, Vinderine analyst Kevin Kartun said the increase could be a result of investors taking "a macro view" of commodities, confident prices were set to rise because the majority of the world's industrialised nations were starting to show signs of recovery

However, Kartun pointed out that the shares were tightly held and demand for small amounts of stock could easily push the price up

Another analyst said the main reason for CMI's rise was that the replacement cost of the company's capacity three months ago was more than double its market capitalisation

Judgment today in murder trial

Own Correspondent

PORT ELIZABETH — Two men accused of killing Addo farmer and businessman Andre de Villiers will know their fate tomorrow when judgment in the trial will be passed in the Port Elizabeth Supreme Court.

Umkhonto we Sizwe member Tamsanqa Mali, 23, and Lindile Stemele, 25, have both pleaded not guilty to the murder of De Villiers outside his home on the farm Athelstone, near Addo, on the night of August 17 last year.

De Villiers was fatally wounded with a Makarov pistol when he arrived home at about 8pm that night.

The two men have also pleaded not guilty to two counts of attempted murder arising from shots fired at De Villiers' wife, Elizabeth, and his son, Louis, 19, on the same night.

They have also pleaded not guilty to a fourth charge of attempted armed robbery, but admitted to a conspiracy to commit armed robbery.

No evidence was led by the defence yesterday and counsel for the accused, Glenn Goosen, told Mr Justice Van Rensburg the defence wished to close its case.

Etienne Pretorius, SC, for the State, asked for the conviction of Mali and Stemele on all charges.

Pretorius said if the men were not found guilty of murder, they should be found guilty of culpable homicide on the grounds that they had known that firearms would be used, and by acting in common purpose with the men who had the guns. BDAY 27/4/93.

He said Mali, Stemele and the other two men had planned the robbery together. They had travelled to the farm together, waited together for De Villiers to arrive, and upon returning home together they spent the night together in Port Elizabeth.

Land sale would have paid Absa debt — Key

BDAY 27/4/93.

LINDA ENSOR

CAPE TOWN — Former Motor Racing Enterprises chairman Mervyn Key has claimed in an affidavit that Absa Bank "vindictively" prevented him selling his Paarl wine estate, Rhebokskloof, so that he could settle fully his debt with the bank.

The affidavit has been filed to oppose his sequestration — at the instigation of Absa — on grounds that he is not insolvent. The case is due before the Cape Town Supreme Court this week.

Absa brought the provisional sequestration application on March 19 in the light of an alleged debt by Key of R21m.

Key said he intended to claim damages against Absa for unlawfully breaching the banker-client relationship by disclosing his financial circumstances to a prospective purchaser of part of Rhebokskloof, a Mr Weedon.

By February this year he had reached an agreement in principle with Weedon for him to buy the less productive part of the estate, Homestead Valley, for R11m.

He claimed that First National Bank had agreed in principle to take over the balance of Absa's exposure to Key on condition the sale was concluded

Key said Weedon's legal representative told him on March 4 that Absa senior manager Danie Brits had advised him not to proceed with the sale and Weedon had then immediately suspended negotiations.

Key claimed that this act so severely prejudiced him in his capacity as surety that it extinguished his R20,7m surety obligations to Absa.

"In the present economic climate it is almost impossible to credit that Absa would actively discourage a willing purchaser of this calibre," Key said.

He submitted that the total security held by Absa in terms of mortgage bonds over Rhebokskloof, which he said was valued at about R25m, exceeded its total claim

Key asserted that if Rhebokskloof was sold, all the liabilities of Rhebokskloof, its sister company Parmalat Investments and himself to Absa would be wiped out.

He noted his intention to bring a substantial claim for damages against Absa, Absa regional GM Dudley Davies in his personal capacity and all those involved in publishing unfounded, untrue and unsubstantiated allegations that he had committed fraud, foreign exchange contraventions, forging and uttering.

Davies made these allegations in Absa's application for Key's provisional sequestration.

Key said the allegations, all of which he denied, had had a "devastating effect" on him. He had not been charged with these offences, and even if he had been it was a breach of the sub judice rule and contempt of court to refer to evidence having a bearing upon them.

Key said he had been arrested on a suspicion of fraud and had not been given any further information on the case.

It was a matter of "grave concern" that Absa professed to be privy to the investigations, he said.

Star 28/4/93

Hard times take toll on Gencor

By Derek Tommey

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Hard times hit the earnings of mining and investment house Gencor in the six months to end-February

Lower contributions from two of its major investments — Genmin and Sappi — limited to six percent the growth in attributable earnings to R593 million

Earnings were also diluted by a 17 percent increase in share capital.

This resulted in earnings dropping 10 percent to 43,1c a share

Nonetheless, Gencor is paying an unchanged dividend of 16c a share

Chairman Brian Gilbertson says he is dissatisfied with with Gencor's share price discount to underlying assets

The market value of the group's shares is R3,25 billion, while total underlying assets are worth R100 billion.

Unbundling

Gencor is close to a decision on unbundling, but it has to balance two issues.

It has to be large enough to undertake "mega projects", achieve improved returns and, at the same time, release value to shareholders

Gencor does not expect any strain on its central financial resources as a result of the major projects in which it is involved

Analysing earnings for the rest of the year, Gilbertson says international markets offer some comfort in the gold price, but nothing for the rest of group businesses.

Earnings will also be affected by the South African political situation and its impact on the financial rand

If the financial rand strengthens, returns should look better, he says.

But as no improvement in business is expected before the end of the financial year, earnings in the six months to end-August are unlikely to match those of the six months to end-February, he says.

A

Supreme opts for liquidation

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PETER GALLI

SUPREME Industrial Holdings (Supreme) would be voluntarily liquidated in the next few months and its assets paid to shareholders, the directors said yesterday.

Its holding companies — Supreme Holdings and Supreme Investment Holdings — were liquidated last November.

On January 26 1993 the company transferred its entire shareholding in listed Supreme Manufacturing Holdings to Supreme Holdings in settlement of its loan to that company. BDAY

On the same date, Supreme approved a direct issue, by subsidiary Protea Furnishers, of shares worth R45,4m directly to Supreme Holdings in settlement of Profurn's loan to that holding company. As a result, Profurn would no longer be a subsidiary of Supreme Industrial.

"The directors and the liquidators have agreed that arrangements will be made for the payment of all the debts of the company," directors said. "As its only likely asset will then be about 80-million Profurn shares, these shares will be distributed among shareholders and the company voluntarily liquidated." 28/4/93

Investigative accountant appointed by the liquidators, Peter Goldhawk, said Supreme Industrial now owned only a minority interest in Profurn. "As such, it had been decided to liquidate it and distribute those shares in the form of a liquidation dividend."

Supreme yesterday posted an attributable loss of R23,87m in the year to end-December from a profit of R2,77m in 1991, mostly due to an extraordinary item of R23,46m for losses on the sale of shares and provisions against the carrying values of investments.

Supreme Industrial to be liquidated

Star 28/4/93

282

By Sven Lünsche

Supreme Industrial Holdings (SIH) will be placed in voluntary liquidation, the directors announced today in a statement accompanying the 1992 financial results.

SIH, a subsidiary of recently liquidated Supreme Holdings (Supreme), recently transferred its entire shareholding in Supreme Manufacturing to Supreme in order to repay its loans to the holding company

It also agreed that another subsidiary Protea Furnishers (Profurn) would issue shares valued at R45,4 million to Supreme to repay Profurn's loan.

SIH's only likely remaining assets — after repayment of all debts — are 80 million Profurn shares which would be distributed to shareholders, the statement says

"The company will thereafter be voluntary liquidated."

For 1992 SIH reports a R23,9 million loss compared with a R2,8 million profit previously

The losses comprised a taxed loss of R403 000 and an extraordinary item of R23,5 million, "relating to losses on sales of shares and provisions against the carrying values of investments".

The balance sheet shows shareholder interests at end-December totalled R12,2 million

Investments in subsidiaries were R27,2 million and the amount due to Supreme R15,3 million

Gold backs off as profiteers move in

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DUMA GQUBULE

THE gold share rally fizzled out on profit-taking by investors on the JSE yesterday as world bullion prices held on to recent gains, despite a mild recovery of the dollar in world currency markets. BDay

The gold price rose to a London morning fix of $352,80c, but slipped to close only 55c up at $350,75. 28/4/93.

A dealer told Reuter: "It's backed off for the moment. I think some people are afraid of resistance at $360."

Stockbroker Dawid Meades said gold bulls would be satisfied if the price consolidated at present levels for a few weeks. "Markets like to move in steps. Another sharp rise would not be good for the market." Frankel, Pollak, Vinderine joint MD David Shapiro said the difference between this gold price rally and previous ones was the worldwide interest in gold.

Another analyst said the gold price had been swept higher by speculative activity by commodity funds and short-covering by investors with massive short positions in the metal. "Such speculative rallies are usually short term."

On the gold board, shares fell back, with the index changing direction after soaring 17% over the previous two days. The gold index shed 32 points to 1 394.

An analyst said: "Some investors are worried the wheels will come off the rally if producers or central banks come into the market. A turnaround by the weak dollar would also be bad news for the gold bulls."

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Deregulation 'will help curb economic crime'

(24/232)

STEPHANE BOTHMA

DEREGULATION by government and the proper policing of surviving regulations were important steps in tackling economic crime, SA Institute of Business Ethics director David Lapin said. BDAY 28/4/93.

Organised business should press for deregulation and, through funding and lobbying, motivate the teaching of values from pre-school to adult levels, Lapin said in the institute's publication, Concepts

However, only when domestic violence was brought under control to allow for a less criminal macro-environment would efforts to address economic crime succeed.

He said economic crime was rooted in three sources — the personality of the criminal, his or her immediate environment and the macro-environment.

"Even a highly principled individual switches into a different mode of conduct when he feels his security is being threatened," Lapin said.

Many businessmen perceived society to be the adversary threatening their economic survival.

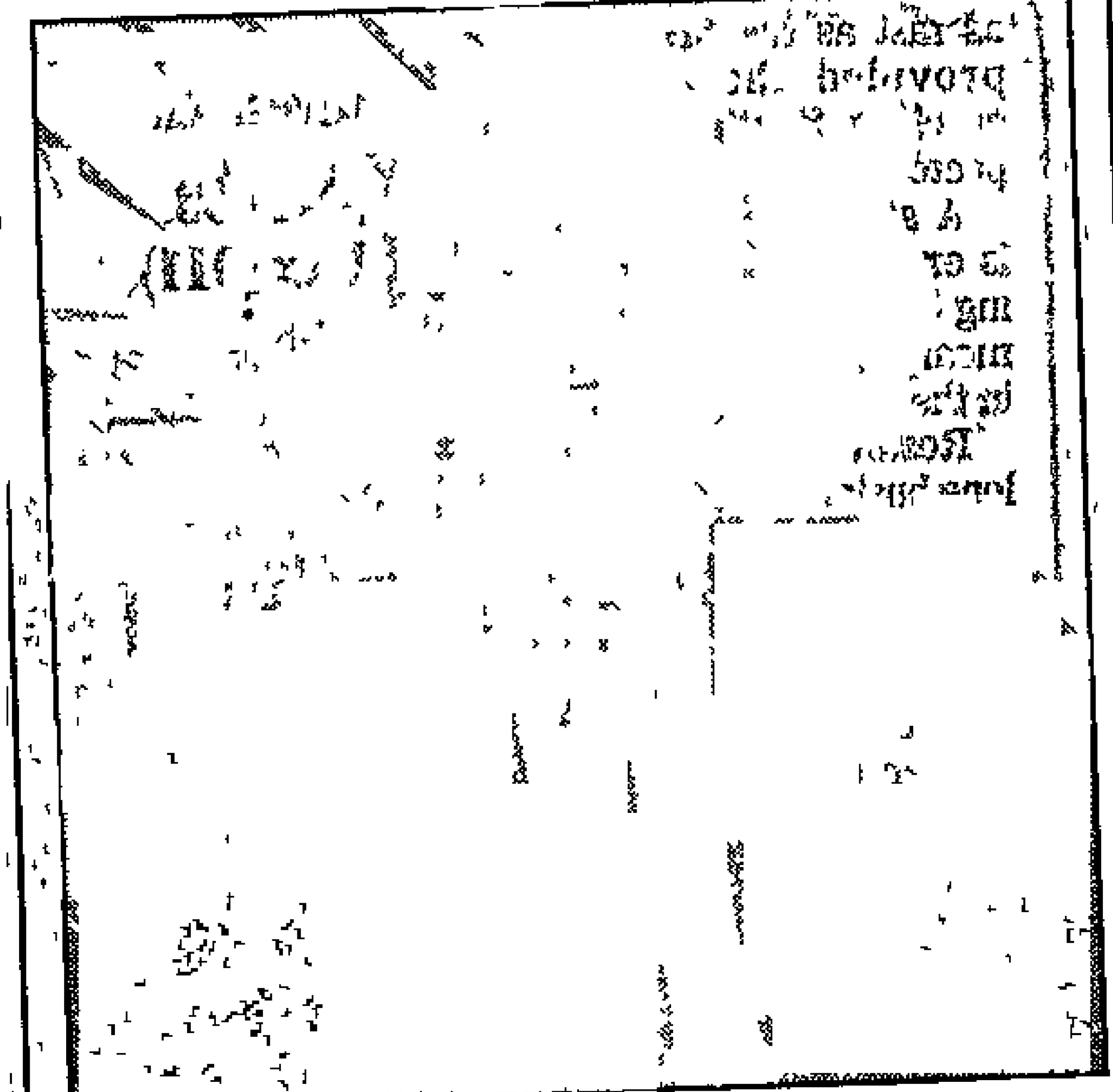
"They see their income and savings whittled away by inflation with living standards having fallen by 13,5% since 1989 Their income is being overtaxed by a government that has been less than judicious in the management of the taxes it collects," he said.

Businessmen saw competitors smuggling to avoid import duties, and others fraudulently claiming export and other government incentives and creating nest-eggs overseas by sidestepping exchange control regulations.

"And government, incompetent to police its labyrinth of regulations and laws, deals with it all by new legislation and higher taxation," he said.

Worst of all, businessmen lived in constant fear of being stripped of their assests by criminals whom government had not yet been able to control.

As part of a strategy to combat economic crime, business should promote values and the profiles of candidates for promotion should include an element of moral character People of moral standing should be glamorised in corporate advertising campaigns, he suggested



Executive chairman Grant Andrews ... trading profitably and back in black this year.

De-listed Grant Andrews to focus on core business

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STAR 28/4/93.

By Leigh Hassall

A character-building time is how Grant Andrews, executive chairman of de-listed group Grant Andrews Holdings, describes the past 18 months.

During this period the company de-listed from the JSE after reporting a year's loss of R7,6 million and endured a touch-and-go flirtation with insolvency.

The problems of the group centred on a too wide, too quick diversification programe within a recession-hit industry.

Can a company survive after the ignominy of losing its stock exchange listing?

In an interview Andrews said the company had been trading profitably since June last year and would be back in the black in the current financial year.

After the de-listing, in a bid to emerge from its financial quagmire, the group disposed of all its operations but those of its original business — the supply of office furniture to the upper end of the corporate market.

With the backing of a large financial institution, which now owns 49 percent of the equity, the company has got its debt-to-equity ratio down to 66 percent from 97 percent at the time of de-listing.

In the 16 months to December 1992, after a change in year-end, the company reported a much-reduced loss of R2,2 million after an extraordinary expense of R1,9 million from discontinued operations.

In the future the company would stick to its core business, concentrating on organic growth, Andrews said.

JSE property sectors will offer 'good value in future'

(232) (58)

BDAY 28/4/93

PETER GALLI

THE property sectors tended to show relative stability on the JSE and, as the underlying property market consolidated and vacancies were absorbed, would offer good value for the investor, Hyprop chairman Bryan Jackson said in the latest annual review

He said that at present yields, property trusts and loan stocks were attractive alternatives to physical property and the gilts market

"Property owners had to compete, not only on quality and location of property, but also on monetary value being offered to the tenant.

"Competition for tenants was particularly fierce and rental increases were unusual when vacant space was leased. It was also very difficult for new space to be leased at projected rentals."

Space in older office blocks had accordingly fallen vacant and were particularly difficult to re-let, regardless of quality, Jackson said.

The problem had been compounded by the proliferation of office rights granted by local authorities in response to previous demand, he said.

Prime retail developments continued to show growth and supported the view they could outperform other property sectors during a protracted recession

Hyprop's interest earnings were expected to decline again in 1993 because of a smaller cash holding.

The company started the year with cash holdings of R21,47m but, after R4,67m was invested in Morningview Office Park and R1,58m in the rest of the portfolio, stood at R14,03m at the year-end

Vacancies were 4,79% at the year-end and had been reduced to 3,68%

"Should the portfolio remain unchanged in 1993, distributable income is expected to remain in line with that of 1992 and growth should resume in 1994," Jackson said

In the year to end-December, the total income distribution to Hyprop combined unitholders dropped to 68,57c from 70,93c in 1991.

The share was untraded yesterday, reflecting a buyer at its May 14 1992 low of 630c, but no seller.

Star 29/4/93

Cashbuild earnings fall

By Stephen Cranston

Cashbuild's earnings fell 25 percent to R3 million in the eight months to February, compared with the eight months to February 1992.

The year-end was changed from June to February when control passed from Tradegro to Pepkor, making comparisons difficult. But on a comparable basis, turnover was up 12,4 percent at R328 million.

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MD Gerald Haumant says growth in turnover is attributable to the increase in the number of stores from 72 to 80 rather than the performance of existing ones.

The expansion helped diminish cash resources from R17,6 million to R4 million and led to an increase in borrowings from R947 000 to R18,2 million.

A dividend of six cents has been declared.

Tax rose from 40,9 to 52,4 percent because of timing differences arising from the change in year-end and the introduction of the secondary tax on companies

Haumant says margins were under pressure as conditions in the building industry remained depressed, that but market share increased.

Cashbuild's share of the cement market distributed through merchants rose from 8,8 percent to 9,7 percent.

Iscor's policy of subsidising exports by inflating the price of steel to the local market to a 40 percent premium over the international benchmark forced Cashbuild to sell below cost to match the price of imported wire and galvanised roofing.

But prospects of a national housing initiative augur well for the group's future, says Haumant.

TOLLGATE FM. 30/4/93

Merv's swerve

(232)

Tollgate Holdings ex-director Mervyn Key, fighting in the Cape Town Supreme Court against sequestration, alleges that Absa engineered his predicament so that it could claim against a bad debt warranty, soon to expire, provided by Sankorp when Absa acquired Bankorp

Absa, which is bringing the application, claims that Key owes the bank R21m and that his liabilities far exceed his assets

Key's answering affidavit argues that he should not be sequestrated because he is not insolvent and, given the conditions under

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which Absa has petitioned for ~~his~~ sequestration, he has been so materially prejudiced that his indebtedness to Absa should be expunged

Key says he began to market his wine estate, Rheboksskloof, in September because he was advised by Absa representatives that policy decisions taken by Absa would effect him adversely He avers that Absa "had certain warranties regarding bad debt which it had obtained due to its acquisition of Bankorp and that the warranties expired in June 1993"

Key says "a certain Mr Weedon" had agreed in principle to buy a less productive portion of Rheboksskloof estate with moveables on it for R11m but the agreement was upset when Absa's Danie Brits, without Key's knowledge and in breach of the banker-client privilege, advised Weedon not to proceed with the purchase Key says Brits did so expressly to ensure the sale did not take place.

He says that if the sale to Weedon had taken place, First National Bank would have taken over the balance of his exposure to Absa In this light, "Absa's actions simply did not make any business sense"

I asked Absa if it holds any warranty from the vendor of Bankorp or any other party which warrants the repayment of proven bad debt If so, who issued the warranty and for how long it is valid? Secondly, did Brits advise Weedon not to buy part of Rheboksskloof?

No answers were forthcoming Presumably, Absa is satisfied that court proceedings will be revealing enough

The case was to be argued in the Cape Town Supreme Court on Wednesday this week *Gerald Hirshon*

FORBES & JSE FM 30/4/93.

Set for the duration

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Innocents who thought claims against liquidated stockbroker Andrew Forbes would be resolved quickly will have to think again If they are unlucky, they could wait as long as another 30 months

The JSE constantly talks about its Guarantee Fund (which has assets of about R80m) but has so far paid out from its own funds only about R1m to certain classes of claimant That leaves about R14,3m to resolve Forbes failed in July and resolution turns, apparently, round the matter of insurance

The JSE Guarantee Fund, established in terms of the Stock Exchanges Control Act, covers clients who have bought and sold shares within the definition of the seven-day rule — typically where the client is obliged to pay for or deliver shares within seven days

Any transaction which does not comply with the seven-day rule is deemed to fall outside the Guarantee Fund and dealt with under the JSE's in and out fidelity insurance policy Most clients affected by the Forbes

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failure fall into this class

An initial claim by the JSE against insurers SA Eagle and Lloyd's of London was rejected by SA Eagle on the grounds, apparently, that it is not possible for a company to insure against its own fraudulent actions It doesn't answer why such a policy was placed and accepted in the first place

The claims were re-examined by the JSE, reprocessed and resubmitted a few weeks ago JSE director of operations Neil Carter says attorneys representing the JSE and SA Eagle will meet within weeks to consider and, if possible, resolve technical and legal matters MIB insurance broker spokesman George Thornton says it appears Lloyd's, which hasn't responded officially to the claims, is taking its lead from SA Eagle

Carter puts as cheerful an interpretation on proceedings as he can Nevertheless, there's no denying the pervasive feeling that the matter will have to go to the courts for resolution The introduction last week of commercial courts as a separate division on the Witwatersrand could make it possible for such a case to be heard within two months A senior Johannesburg attorney emphasises the new system will work "only if the parties to a dispute co-operate fully"

Of course, resolution by the Supreme Court isn't necessarily the end of the matter A party dissenting from the judgment may seek to appeal and that could mean a delay of another two years In total, therefore, it could take anything between two and 26 months before the matter is concluded

Finally, there's the scrip worth about R6m, owned by Forbes clients and lodged by Forbes with First National Bank as collateral against overdraft facilities The JSE's approach was to claim from its insurers, leaving SA Eagle to resolve the issue with FNB

However, FNB executive director Viv Bartlett guardedly says the bank has taken legal advice and will announce its position within a few weeks That could mean some scrip will be released early But it's clear from what Bartlett says that there are different classes of scrip which will receive different treatment

The final issue which must be worrying some of Forbes's ex-clients is what will happen if the JSE fails to persuade its insurers to pay up, then loses a subsequent legal action

Carter says he hopes it won't come to that But if the exchange does lose, it will be faced with the nasty choice of disappointing users or levying members to make up the amounts claimed — which won't win many friends in the broking community

David Gleason

Star 30/4/93

'Rationality suspended' in gold market

LONDON — The fire in the gold market ignited by high-profile investors Sir James Goldsmith and George Soros continued to rage yesterday as the price moved up to a nine-month peak of $356,70 and the excitement spilled over into silver and other precious metals markets

"The propaganda about the Goldsmith and Soros deals has been overwhelming," said one trader. "I am getting calls from investors who have difficulty picking up the phone, let alone understanding the gold market.

"But nobody wants to sell gold Professionals are having to buy to cover option positions

"Sir James and Soros have provoked a weight of money that means rationality is suspended. Who knows when it will end?"

Some traders said silver was centre stage yesterday as the price moved to a 21-month peak of $4,36 an ounce in London before easing back to close at $4,325, up 21 cents from Wednesday's close

Platinum, like gold, reached its highest price for nine months in London and closed at $384,50, up $10,30

Gold eased back to close last night at $355,25 in London but in Hong Kong this morning opened higher again at $356

Seven weeks ago the metal was at its lowest for seven years but at the weekend it was disclosed that Soros, who made $1 billion in the currency markets last September, had bought shares in Newmont Mining, the biggest North American producer, and Sir James, the Anglo-French deal-maker, had taken out a huge number of options to buy gold.

Jeff Christian, managing director of New York-based precious metals consultancy CPM, said gold was ready for an extended move upwards, but it was still susceptible to sales by central banks, which had 35 000 tons in their vaults.

Central bank sales had brought about 33,7 million ounces net of additional bullion to the market since 1987. — Financial Times.

Star 30/4/93

Pepkor outdoes operating companies

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By Stephen Cranston

Thanks to the proceeds of a R262 million rights issue, Pepkor, achieved considerably better results than its operating companies in the year to February

Attributable earnings rose 28 percent to R120,5 million and earnings per share 17 percent to 71,7c.

Group turnover increased 70 percent to R7,76 billion, mainly because Tradegro's turnover was included for the full year instead of the five months for which it was included last year

Chairman Christo Wiese says the relatively small increase in earnings, compared with strong turnover growth, can be attributed to the lower margins in the food sector than those in clothing

Tradegro's operating margin was less than one percent, compared with about 12 percent for Pep Stores and Smart Centre

Tradegro accounted for 68 percent of group turnover

Operating profit, which was up 26 percent to R267,3 million, was supplemented by investment income nine percent up at R39,6 million Finance charges were almost unchanged at R54,7 million

Because of the turnaround in Tradegro, which made an operating profit of R44,1 million, compared with a loss of R47,8 million the previous year, outside shareholders' interest was up 90 percent to R40,8 million

Tradegro MD Whitey Basson says the group has kept prices low as part of a four-year programme to gain market share

So far, 18 Checkers stores have been converted to Shoprite, and Basson says sales on average have increased by 35 percent since conversion

A further 50 stores a year will be converted over the next two years

The only stores to keep the Checkers name will be in A income areas and in Natal, where there is a strong low-price perception of Checkers.

All but one of the former Checkers warehouses has returned to profitability

Ackermans, which is now wholly owned by Pepkor, made a loss because the costs of refurbishing the chain were taken through the income statement.

Ackermans has been repositioned further upmarket, somewhere between Pep and Woolworths.

Pepkor deputy chairman Nols Louw says the benefits of the revamp will only be felt next year

Pep's Scottish subsidiary Your More Store continued to make a loss as it has an infrastructure suited to a far larger chain

The Pep chain had a tough year, with rising unemployment reducing the customer base

In contrast, the Stuttafords chain performed well in the department store segment.

It acquired three Garlicks stores, effectively eliminating its only national competitor.

Cashbuild suffered from a 25 percent fall in earnings and from an increase in the effective tax rate from 40,9 percent to 52,4 percent.

Smart Centre experienced depressed consumer demand. A vigorous store development programme had a negative effect on operating margins in the short term.

Louw says Pepkor's R372 million cash holdings should cushion it against swings in consumer demand which could gobble up cash The group holds R1,12 billion in stock.

He says the group is constantly assessing acquisitions, but would only consider buying a company with good management and not requiring an injection of the group's management skills, as was the case with Tradegro

guessing, please

investments have shown an appreciable improvement If anything, therefore, the balance sheet is now considerably stronger

What is clear is that no-one, least of all the analysts assembled to listen to Ogilvie Thompson's words of wisdom on an open line from London, is prepared to say how 1993 will turn out for De Beers Wisely, to a man, they say they'll have to consider matters Yes, well, of course. *David Gleason*

GENCOR

Even tougher times

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Chairman Brian Gilbertson predicted a tough ride for Gencor in the year to August with no significant upturn in revenues before 1994 The 10% drop in first-half earnings bears out his forecasts But times are even tougher than he expected. He is reconsidering the verbal forecast made last October that shareholders might receive an increase of about 2c a share in this year's total dividend in spite of lower earnings

The maintained interim indicates caution.

FM 30/4/93 -

MAINTAINED INTERIM

Six months to	Feb 28 '92	Aug 31 '92	Feb 28 '93
Attributable income (Rm)	562	699	593
Earnings (c)	47,8	55,5	43,1
Dividends (c)	16,0	29,0	16,0
Net asset value (c)	1 435	1 341	1 336

Gilbertson comments. "I would be surprised if we don't at least maintain the final but I'm losing my nerve a little over intentions to increase the payout."

The reason is the grim business conditions facing each of Gencor's diverse mining and industrial operations Though there have recently been more favourable signs, with the decline in ferrochrome prices halting and gold starting to perform, Gilbertson remains cautious

"The gold price has only started to move in the last four days. I'll get excited about it when the price is up another $50," he says

Gencor is heavily committed to new projects in the pursuit of real growth They include the R7bn Alusaf expansion, the R3bn Columbus stainless steel expansion, the R1bn expansion of Sappi's dissolving pulp mill at Saiccor and the R800m upgrading of Engen's refinery in Durban

Latest development (*Fox* April 23) was the raising of Gencor's stake in Richards Bay Minerals from 25% to 50%, at a cost of R671,2m, paid mainly through the sale of some equity ~~stakes in Engen and Malbak~~ 232

Those sales again raised the issue of Gencor's possible unbundling of its nonmining interests which Gilbertson says will be put shortly to the Gencor board for a decision

He says: "At the meeting three questions will be put to the directors — whether we unbundle, if so to what extent we unbundle and how fast we do it I cannot be more specific and there are powerful arguments both for and against unbundling "

If the group goes all the way with unbundling proposals, Gencor would pass all its stakes in the various industrial subsidiaries to its shareholders and be left only with its mining interests. FM 30/4/93

Despite the bad times, Gencor continues to spend heavily on exploration which absorbed R50m in the six months to February (previous comparable six months R39m)

The search for a suitable vehicle outside SA to expand the group's international mining and exploration business remains the priority following the failures to do a deal with Lonrho over its international mining interests and get control of Australian coal mining group Oakbridge.

Lonrho spurned Gencor's overtures The Oakbridge deal was killed by the tighter exchange controls imposed by the SA Reserve Bank on the use of the financial rand for such investments Gilbertson notes that a US company, Cyprus Minerals, now appears to have made a successful bid for Oakbridge

"This lack of an international mining arm continues to be our single biggest failure It's a critical area and we are continuing to work on it, which is why Hans Smith has been moved from Samancor to work with Bernard Smith in the new business division "

Gilbertson concedes the Reserve Bank restrictions are a serious hindrance. "To meet them you have to find a very good project overseas and there are not that many of them to be found at the bottom of the commodity business cycle "

The share has recovered from its 12-month low of 895c last November to current levels around 1 150c but has underperformed the general recovery in the mining house sector.

A maintained final would put Gencor on a forward yield of 3,9%, which is by far the highest of the major mining houses and compares with a sector average of 2,7%

Though the short-term forecast is for another drop in earnings in the second half, Gencor remains an attractive investment through its exposure to real growth from new projects across the industrial and mining sectors and the prospect of resurgent income from investments such as Samancor and Gengold. *Brendan Ryan*

Platinum and silver prices soar

JSE swept by new wave of gold fever

BDAY 30/4/93

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MATTHEW CURTIN

GOLD fever resurged on the JSE yesterday. Bullion prices bounced back above the $350 mark, then passed $355, to give the all gold index a 104-point boost

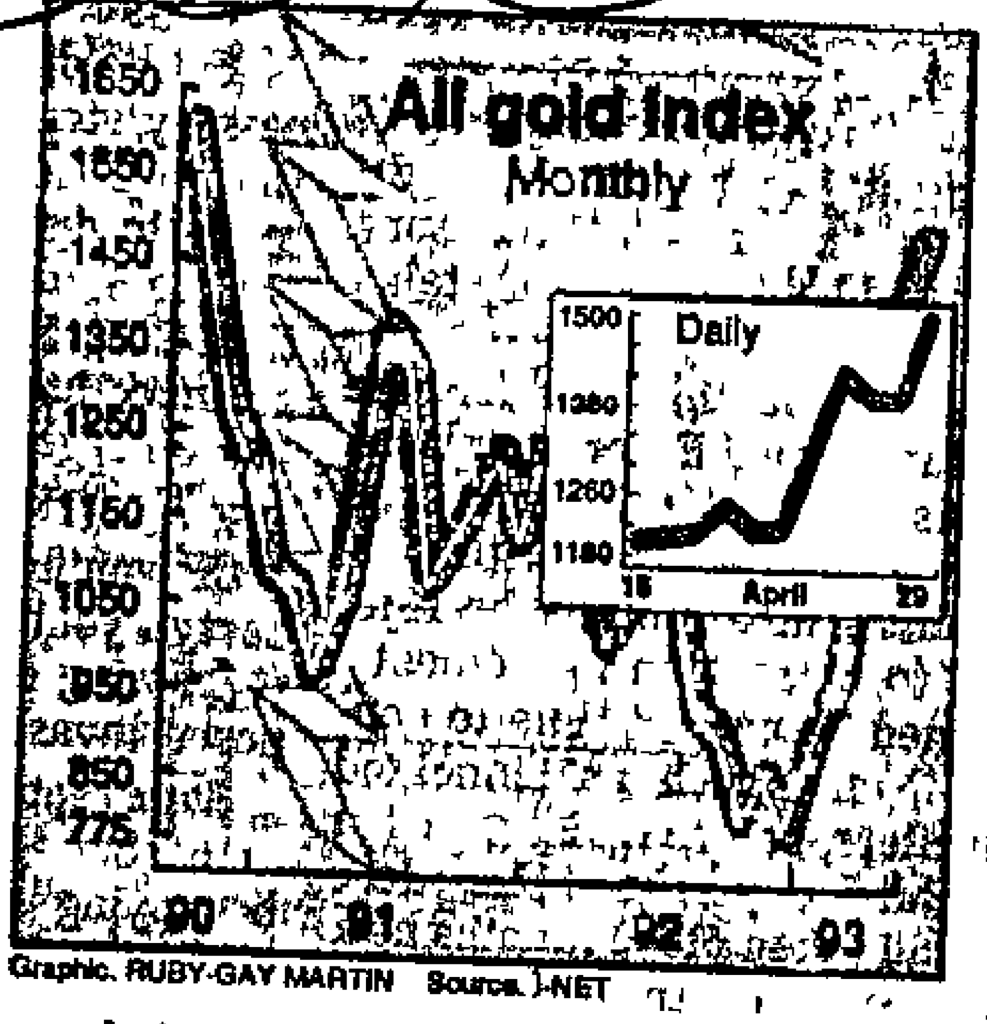
The index raced passed the 1 500 mark, its highest level since October 1990, but profit-taking in late afternoon trade saw the gold board close below the day's highs at 1 497, compared with the previous day's close of 1 393.

Gold rose to nine-month highs of $355,60 in London yesterday afternoon and closed at 354,80, up from $349,70 on Tuesday and $351,65 on Wednesday. The metal was quickly followed by platinum which also hit a nine-month peak of $384,50 at its London afternoon fix, up more than $10 from the previous day.

Silver prices surged towards two-year highs, continuing their run above $4,00 to reach $4,36 in afternoon trade.

Reuter reports of strong Middle East demand for silver on Comex in New York, which sent gold futures scudding towards $358 before closing lower, coincided with rumours of heavy demand for gold in Hong Kong, with the Bank of China being a possible buyer.

Precious metals were buoyed by the dollar's weakness against the yen and Deutschmark, but market sources attributed confidence in the bullion market and hectic trade in gold shares to the "Soros factor" — the decision by Hungarian billionaire George Soros to buy a $400m stake in US gold producer Newmont Mining. The



Graphic: RUBY-GAY MARTIN Source: I-NET

market was torn between two schools of thought: Soros's move was market manipulation on an unprecedented scale, or another shrewd decision which had caught the gold market at a crossroads.

One analyst said. "Soros went in and went in big. Perhaps he realised that with gold languishing at $320 to $330 many SA and US mines were running into trouble. Add that to a fragile bond market in the US, fears about US and world economic recovery, long-standing sentimental factors such as potential crisis in Russia, plus investor disaffection with gold. That gave Soros the perfect opportunity to invest in gold and turn the market around"

He added that at $355 gold shares were expensive, but as long as there was confidence bullion prices could rise higher,

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Gold

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there would be buyers for gold shares.

However, there were still no fundamental reasons to justify the bull run, especially as the $30 increase in prices in recent weeks quickly transformed the profitability of marginal producers, eliminating any threat to mine supply.

Simpson McKie analyst Rodney Yaldwyn said the scramble for gold shares was astonishing, with small players picking up lightweight counters, and overseas institutions buying heavyweight stock. "Many investors seem to have been caught with their pants down and now don't want to miss out on the bull run, but they have left the market hugely overvalued."

National Futures and Options MD Brett Stacey said trade in gold futures contracts had been "very hectic" but the gold market was suffering from "too much hype The market has moved up so fast that it is now just an accident waiting to happen."

A dealer said "The gold market is overpriced, and it's reflected in the futures market in which gold contracts are trading at a 30-point discount to spot, the first time in many months"

French firm 'may want aid deals'

ANDREW KRUMM

BDAY 30/4/93.

FRENCH construction group Bouygues's interest in a bigger slice of SA contractor Basil Read could stem from a desire to tap the future flow of EC and French development funds to southern Africa, sources speculate.

The speculation follows Basil Read's cautionary announcement yesterday that negotiations between the two groups had not yet been finalised. (232)

One source said: "One has to look at why Bouygues, which has a R34bn turnover internationally, is interested. The major reason is probably that overseas donors envision much infrastructural investment in southern Africa over the next few years."

The deal made "geographic sense". Aid usually came with the stipulation that companies from the place of origin participated in the provision of the development service. Bouygues was probably looking "to cash in" on the flow of development assistance.

"France has just had a change of political leadership, and the conservatives now in power appear about ready to make a contribution to southern African development."

Basil Read MD Chris Jarvis yesterday declined to comment on the issue of price, and declined to specify what additional stake Bouygues would take. He did say Basil Read would keep its name should the deal go through. "Indications are that negotiations will end before the end of May."

Absa denies initiating summons served on De Villiers, Ronan

SOWETAN 30/4/93 232

ANDY DUFFY

THE Absa banking group yesterday denied it had initiated the summons served this week by police on former Allied MD Kevin de Villiers, who must appear in the Johannesburg Magistrate's Court on May 24 to answer charges of conspiracy to commit fraud

A similar summons was served on De Villiers' former personal assistant at Allied, Patrick Ronan. An alternative charge is attempted theft. There is also a charge of perjury.

An Absa spokesman said police had acted on instructions from the attorney-general However, an official in the attorney-general's office said Absa had lodged a complaint with the attorney-general in November, and presented evidence to back its allegations The investigation then opened.

The charges stem from a case Ronan brought in January 1992 when he claimed R115 000 from Absa/Allied for allegedly contravening the Basic Conditions of Employment Act. He claimed his dismissal in July 1991 breached a 12-month notice period agreed in writing with De Villiers. De Villiers was called as a witness during the hearing.

The case was dismissed after the validity of the written agreement was called into question The State prosecutor passed on details of the case to the attorney-general, though no investigation was opened at that point.

The Absa spokesman said that if the group had handed over evidence to the attorney-general in November, this was only the information compiled during its defence of the action by Ronan.

"There was no further effort from Absa's point of view," he said

De Villiers said the charges were "irritating" Ronan declined to comment

COMPANIES

Platinum takes off in gold's wake

JONO WATERS

PLATINUM rose $8 yesterday on the back of gold's strength in early London trading to an eight-month high, pulling up all the shares on the JSE platinum board

However, analysts said platinum's fundamentals had not changed as the rhodium price was still languishing at six-year lows

Platinum was fixed in London yesterday afternoon at $384,50/oz, up $1,50/oz on the morning fix The metal was fixed at $374,20/oz on Wednesday afternoon Rhodium was trading unchanged at $1 075/oz.

Davis, Borkum, Hare analyst Alex Wagner said gold had triggered off platinum's rise, but Japanese discount house buying had accelerated on the price increase.

The platinum market was still shaky as rhodium remained weak If the rhodium price rose, it would mean the fundamentals had changed.

Wagner believed platinum had seen the bottom of the market and the price would slowly improve BDAY 30/4/93

Fergusson Bros, Hall, Stewart & Co analyst Philip Marillier expected the price to rise, but not soon "I don't think the fundamentals have changed that much," he said.

Wagner said investors' expectations had been reflected in the platinum mines' share prices (232)

Marillier said the shares appeared overpriced, but added the market seemed to think the price was sustainable

Mediocre returns on Old Mutual unit trusts

232

ANDREW KRUMM

THE Old Mutual group of unit trusts posted mediocre results for the year to end-March, as returns generally tracked trends in the various JSE sectors

The Income fund remained the top performer, with a 16,71% return The Investors fund continued to underperform with a -4,36% return

According to the University of Pretoria quarterly unit trust survey, the dismal result from Investors put the fund at the bottom of the general equity unit trust performance log It remained the largest of all unit trusts on the JSE It grew by a further R194m — most of which was capital appreciation — to end the March quarter at R3,236bn in market value (December R3,042bn)

Old Mutual said "Highveld and National Selection were added to the Investors portfolio, while the holdings of Barlows, Absa, Engen and SAB were increased There was a part switch from De Beers into Anamint"

Unit trust manager Selwyn Feldman said the Gold fund had an active quarter, emerging as a "star performer" on the back of a higher gold price The fund posted a 12,05% return, significantly up on the -28,36% for the 12 months to end-December 1992 The fund was valued at R63m at quarter end

The R100m Mining fund showed a similar swing, reporting a 1,78% return for the period to March, compared to -17,56% for the year to end-December 1992

Feldman said "Gold shares probably offer fair value at the current bullion price, and one can expect the (pending) quarterly results of the gold mines themselves to be much improved on the previous quarter" However, for the all gold index to remain bullish, an increase in the dollar price of gold was needed

Turning to the Old Mutual specialist equity unit trusts, Feldman said the Top Companies fund had posted a 5,33% return, while the Industrial fund showed a 2,96% return

Both funds grew more than 14% during the March quarter The Top Companies was valued at R181m, while the the Industrial fund stood at R112,4m

All Old Mutual unit trusts — with the exception of the Mining fund — had net inflows of investment in the quarter About R21,7m flowed into the Investors fund, R1,8m into the Gold fund, R3,4m into the Industrial fund, R13,7m into the Top Companies fund and R9m into the Income fund

Total value of all Old Mutual unit trust portfolios rose during the quarter — mostly due to capital appreciation — to end at R3,824bn (December R3,560bn), Old Mutual said

TIME HOLDINGS FM 30/4/93

Time running out

232

The fate of Time Holdings hasn't been announced but the share faces suspension if 1992 results are not released by end-April. As the *FM* goes to press, it is known that privately owned building company LBS intends to apply for the provisional liquidation of Time Property Development, a wholly-owned subsidiary of Holdings

A combination of events fuelled market jitters Crippling debt prompted restructuring and capital-raising exercises As part of these, assurance arm Time Life was sold in November to Holdings shareholders. Holdings no longer has a stake in Time Life. Another aspect was a proposed rights issue in Holdings but this has been postponed pending the outcome of negotiations.

In December last year, Time suspended payment to contractor Basil Read (now the subject of litigation and arbitration) for a construction contract in Jan Smuts Avenue Time chairman Colin Hibbert says: "Failure to recover monies owing to Time by Read has exacerbated our cash situation."

This month, further provisions were announced against the carrying value of low-cost housing land, followed by a cautionary announcement concerning the restructuring and strengthening of the balance sheet.

The share price, reflecting draining confidence, has fallen from about 100c to 20c this month alone. The *FM* asked the JSE's listings department to clarify the situation but spokesmen couldn't furnish details, claiming the exchange is unaware of developments at Time.

This lack of information is surprising given the significant move in the share price in a short time. An industry commentator remarks that if this occurred in the US, the shares would almost certainly be suspended by the Securities & Exchange Commission pending a company announcement

An informed source says a potential white knight is negotiating with Time What will this mean for shareholders? Timecon owns 45% of Holdings and is equally held by Concor and the Hibbert family.

Concor chairman Brian Murphy says that if these talks fail "we will be unaffected; we

FM 30/4/93 **FOX**

have fall-back positions" He would not elaborate. Minorities will, as always, be less fortunate.

232

Rumour-driven markets can be false. Perhaps the JSE should ensure better quality of information and more responsive trigger mechanisms relating to the suspension of shares

Louise Randell

OWNERSHIP & CONTROL

1993

MAY — JUNE

Tuesday, April 27 quotation for unit trust:

General Equity Funds:

ABSA	142,32	133,12	5,42
BOE Growth	155,96	145,70	2,96
Community Growth Fund	111,90	105,65	na
CU Growth	120,51	112,51	3,69
Fedgro	129,11	120,56	4,76
Guardbank	2577,26	2398,96	4,67
IGI Life	129,65	121,33	3,35
Metfund	188,08	174,79	4,38
Metlife	118,82	111,01	6,31
Momentum	256,61	240,51	4,13
NBS Hallmark	933,54	871,66	4,54
Norwich	365,05	340,85	3,56
Old Mutual Investors	2637,97	2457,58	3,92
SAGE	2406,26	2245,04	3,73
Sanlam	1596,76	1495,60	3,49
Southern	205,75	192,62	3,94
Standard Bank	1194,32	1122,27	6,92
Syfrets Growth	295,10	276,35	4,58
Syfret Trustee	117,30	109,95	4,24
UAL	2077,81	1950,91	5,36

Planning ahead

South 1/5-5/5/93.

232

Investors have been quick to grasp new long term investment opportunities offered by unit trusts, says Old Mutual Unit Trusts' Manager, Selwyn Feldman.The outstanding inflation-beating returns offered by unit trusts has been the major factor contributing in Old Mutual Unit Trusts having the largest client base in the industry. Another contributing factor is the wide range of funds and packages offered by the company meeting the diverse needs of investors.One such package is Old Mutual Retirement Trust specifically tailored to meet the investor's retirement needs.

Retirement Trust is an investment in the R3 billion strong Investors' Fund and is specifically aimed at investors who want to supplement their retirement annuity or who want to invest the cash lump sum received from the annuity on their retirement. Most people who fall into this category no longer have dependents and can therefore afford to supplement their retirement annuity with a unit trust investment to ensure that they will be well provided in the future.Retirement Trust is also an easily affordable investment with a minimum monthly investment amount of R50 and a minimum lump sum investment amount of R500.A second option available to the investor who has a lump sum to invest is Old Mutual's Phased Portfolio. When investing a lump sum in unit trusts there is always some timing risk. This can be combatted by either attempting to invest when unit prices are low (a near impossible thing to gauge) or otherwise by spreading one's purchases over time This is where Phased Portfolio will benefit the investor. A minimum lump sum of R25 000 can be invested in Old Mutual Income Fund. The Income Fund is a relatively secure investment in interested bearing securities and government stocks with minimal capital fluctuations The lump sum is then transferred, on a monthly basis, to any of Old Mutual's higher risk/higher growth while minimising timing risks!

Of course, the longer the investment period, the greater the chances of achieving inflation beating growth.It is important to remember that unit trusts are not a substitute for a saving account. Every investor should have sufficient savings to cover for emergencies, as well as adequate life cover.

A unit trust investment should be regarded as a supplement to these undertakings. "Old Mutual Unit Trusts intends to continue developing new flexible packages for this sector of the market.

The number of account holders who are making repeat investments in our funds indicates that we are meeting market needs."

OLD MUTUAL UNIT TRUSTS

Helping you make the most of the stock exchange

TOMMY EDMOND SA Druggists has begun to advertise its generics in a way that, will make people more cost conscious

Gilbertson and Gencor on the Keys' success trail

S | Times (Buss)
2|5|93
(232)

WHEN Brian Gilbertson succeeded Derek Keys at the helm of Gencor 16 months ago his first task was to inveigle financial institu tions to follow a R2 billion rights issue

Mr Keys' departure came at short notice and the story is that there were five contend ers for the top spot Whoever took over had a hard act to follow and a tough task to under-take in a receding economy

It is with some relief, therefore, that the plus points outweigh the negatives at Gencor and that the latest results are a credit to management

Mr Gilbertson says. "We adhered to two fundamentals in the past year Executives were asked to try to maintain earnings as best they could and we tried to keep a cash cushion"

This has not been to the detriment of new projects In the past year, Gencor has invest ed, seeking partners where necessary, in pro jects such as Alusaf, Columbus Stainless Steel, Engen's Genref, Sappi's Hanover and Saiccor and the Richards Bay Minerals deal

All these moves give rise to a critical issue if Gencor had been unbundled, would its components alone have been big enough and credit worthy enough to pledge the kind of money required for such investments?

"It is the very issue we will discuss at board level," says Mr Gilbertson.

Gencor has aired the most views on unbun dling itself and Mr Gilbertson says he will not meet analysts and shareholders again while the matter is unresolved.

He told them this week that the group was poised to make a decision

Mr Gilbertson says the value of Gencor is at a R3 billion (about 15%) discount to net asset value Although shareholders would like to bring that to book and have increased flexibility, they still need the managerial skills of such groups as Gencor to act for them in investing in large projects.

Practically, the groups run autonomously day to day

"But there are certain advantages for them to have an interested mother hen look-ing out for them," says Mr Gilbertson

Mr Keys made sweeping changes to the way in which Gencor was run when he took over from Ted Pavitt in 1986

Mr Gilbertson believes he has strength ened the management team (and is pleased that no key executives have left during his tenure)

He appointed Engen's Rob Angel, Impala Platinum's Michael McMahon and Trans-Natal Samancor's Mike Salamon to the Gen-cor board

Director Bernard Smith leads a new busi ness opportunities division to pave the way for the next phase of growth

Gencor maintained its dividend for the six months to February 1993 in spite of a 10% fall in earnings Engen, Malbak and Genbel did well, but Sappi and Genmin struggled.

Mr Gilbertson says the lack of success in making foreign investment has been the big-gest disappointment.

"We had two deals almost stitched up in Australia, but had to let them go because of exchange control problems Even Sappi's Hanover deal got through only by the skin of its teeth"

Genbel, which handles Gencor's invest ments, has shunned golds in recent years, but managing director Anton Botha re-entered the market shortly ahead of the latest bull run

Gencor's share price has moved from be low R9 last November to R11,60, although it was above R13 last June

*Gencor's public relations machine must have wielded some influence in trotting out the chairman at results time Mr Gilbertson was obliged to sacrifice his squash game to meet me — for only the second time The other occasion was when his wife was in volved in a car accident

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FOR SALE

Protea takes over Midrand's R28m de luxe hotel

S[Times(Buss] 2/5/93

By CHERILYN IRETON

A R28-MILLION luxury hotel opens in Midrand on June 15 — three months later than planned — under newly appointed operator Protea Hotels.

The 177-room Midrand Protea Hotel, developed and owned by Gold Fields Property Company, was to have been opened by Park Hotels in time for the Kyalami Grand Prix in mid-March (232)

MIDRAND PROTEA HOTEL Late in opening

However, Park's promise of foreign funding was scuppered by political developments in South Africa, says Park Hotels chairman Peter Bold, and the agreement with Gold Fields Property was terminated

Protea Hotels stepped into the breach as manager and is hiring the 111 people needed to staff the hotel which will apply for a four-star grading

It is at the Olifantsfontein off-ramp alongside the N1 between Johannesburg and Pretoria.

It is close to the Kyalami racetrack, Grand Central Airport, the Volkswagen conference centre and BMW's headquarters.

Protea managing director Arthur Gillis says the hotel will be mainly for individual business travellers visiting the Midrand CBD and those wishing to use the hotel's conference facilities or those available at the Volkswagen centre

The hotel will be able to take 120 conference delegates

Terminated

The delay in opening the hotel has cost Gold Fields Properties three or four months of lost rental, says Gold Fields Property chairman Mike Tagg

"But Midrand is a good area and we expect the hotel to do well

"We didn't want to go into the hotel business per se Park Hotels, as operator, was to have paid us a flat rental, but it could not fulfil its financial obligations and the agreement was terminated With Protea our returns will be tied to turnover," says Tagg.

The Midrand Hotel was to have been Park Hotel's pilot venture. Mr Bold says the group, although effectively dormant, still plans to enter the hotel trade. However, each time plans get off the ground, there is another political incident that upsets potential funders

Ozz buys Unihold arm

21/5/93
ST [BUSS]

OZZ has paid R35,5-million for the wear-parts business of Unihold, which reported an R18-million loss in 1992. The assets comprise capital and claims of Dimbaza Foundries and the business and assets of Boksburg Foundry, Mine Steel Products and Unicast Steel Foundry and Ground Engaging Tools.

Unicast Foundry incurred losses last year, obliging Unihold to write off R17-million. It also wrote off R3,2-million on Dimbaza, which it bought early in 1992.

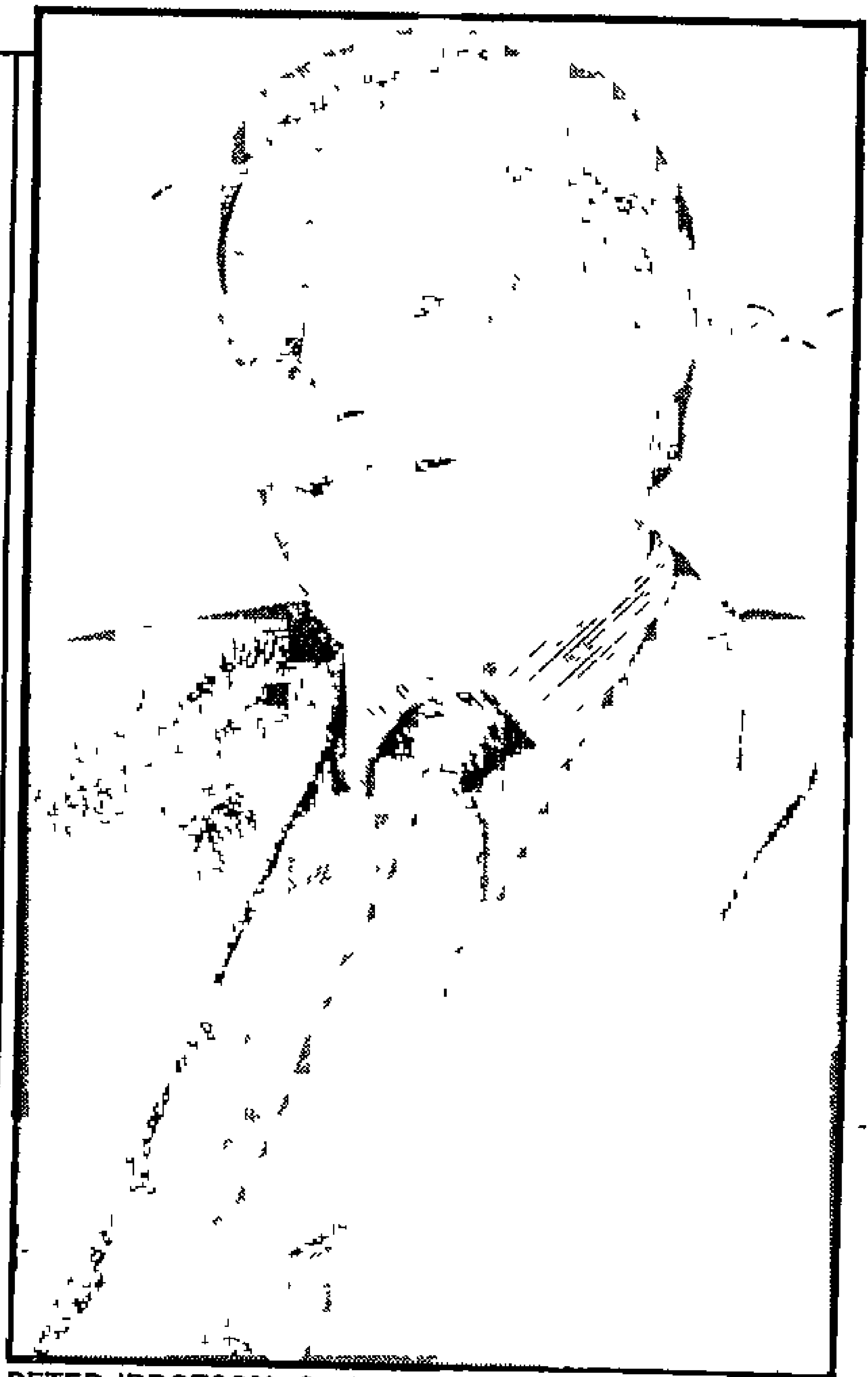
(232)

Hungry Persetech gets Tarsus stake

S/Times (Buss) 2/5/93

232

By ZILLA EFRAT



PETER IBBOTSON. Cash on hand for more acquisitions

INFORMATION technology group Persetech could become the dominant force in the desktop office computer and peripheral markets after its purchase of a 70% stake in Tarsus Technologies for an undisclosed cash sum.

Tarsus is the South African distributor of Compaq PC systems.

Further strategic prurchases may be announced in the next few weeks Persetech is cash flush and seeks more acquisitions

Director Peter Ibbotson says the deal lifts Persetech to SA's third-largest information technology group from place No 5.

The acquisition brings several additional leading brands to his firm's PC, printer, graphics and components stable.

Tarsus managing director Leo Baxter says that since gaining its independence from Siltek in January last year, his group has consolidated its product offerings, embarked on a marketing drive and raised turnover by 60%

Compaq entered the SA market through Tarsus in July 1992. It gained market share after reducing its prices to match those of non-branded products.

Leading

Targeted at corporate buyers, Compaq occupies a strong position in most international markets. It is the leading PC brand in Europe and has started outstripping other computer groups in quarterly sales

Tarsus also supplies the Oki dot matrix and laser printers, OTC line printers, Epson point-of-sale printers, Samsung monitors, Fijitsu Microteck scanners and Roland plotters Mr Ibbotson is confident that the deal will have long-term benefits for both parties.

He says Tarsus is a notable player in the microcomputer and peripherals distribution business and is well positioned for continued growth.

Tarsus and Persetech's TSD, which sells the competing Acer brand, will operate independently, each maintaining its own dealer channels and programmes, says Mr Ibbotson

Shops top rail line

THE BRIDGE, SA's first commercial air-rights development and first major retail development since the Carlton Centre, opened above the railway lines in Johannesburg this week The cost of the project is R39-million

Broker restricted after breaking rules

MERVYN HARRIS (232)

THE JSE has restricted stockboker Elaine Price, trading as E Price & Co, from trading on the exchange after she made an undisclosed bear sale while trading on her own account, sources said at the weekend

Price was not available for comment, but sources said the market went against her position BDM 3/5/93.

The JSE said the small broking firm, of which Price is the sole director, was restricted from trading on the JSE on Friday after an investigation by the JSE Inspectorate Department

The sources said Price went to the inspectorate as soon as she sustained the loss, informing it that she had transgressed JSE rules and undertook to meet her obligations within 24 hours

The money is believed to have since been paid in full to the JSE clearing house

Price was one of the first women to run her own broking operation; begun four years ago after 18 years on the exchange

The restriction means she must arrange for all clients' business to be channelled through another broking firm pending the finalisation of the investigation.

The JSE said a full audit had been called for, but indications were that all securities held on behalf of clients were intact

Powertech trims its payout to 9,2c

Star 3/5/93

232

By Sven Lünsche

Altron subsidiary Powertech, which has been on a major expansion drive this year, nevertheless managed to improve bottom-line profits by 6,5 percent to R46,3 million (R43,3 million) in the 12 months to end-February.

During the reporting period Powertech acquired Aberdare for R150 million and Gentech (formerly Picardi Appliances) for R6 million.

Earnings per share increased slightly from 32,3c to 33,9c despite the higher number of shares in issue after the R64 million rights issue

The total dividend for the year at 9,2c is slightly down from the previous 9,5c.

Operating results show turnover five percent lower at R1,09 billion (R1,15 billion) as a result of the sale of Brown Boveri's industrial division.

Operating income fell to R105 million (R117 million).

The directors say the business climate "was one of the least favourable in years".

The add that the continued economic and political uncertainties dictate cautious expectations for the year ahead

20 pc boost for Aflife

Star 3/5/93

232

Finance Staff

African Life reports good earnings growth in the 12 months to end-March based on a strong improvement in both premium and investment income.

Earnings per share were up 20 percent to 22,5c (18,7c) and the total dividend is 23 percent higher at 14,8c (12c).

Shareholders are again offered bonus shares in lieu of the dividend.

MD Bill Jack says the fast-growing broker division and success in the group benefits market lifted recurring premium income 42 percent to R98,1 million (R69,3 million).

Coupled with a 20 percent rise in investment income to R19,8 million (R16,5 million), this boosted total income by 44 percent to R124,6 million.

Union Mines swaps sectors

232 JONO WATERS

UNION Mines was changing from the tin to the manganese sector on the JSE following a transmuted listing which would enable the company to raise R1,5m

A statement said yesterday the cash was needed for developing the Kapstevel manganese deposit in the north-eastern Cape, acquired by Union on January 25.

Davis Borkum Hare analyst Alex Wagner said yesterday Union was too small to go to the market with a rights issue. The transmuted listing was a mechanism for raising capital to bring the company's new manganese mine into production.

Union, formerly owned by Gold Fields, stopped tin production in 1986 after the mid-'80s crash in tin prices. BDAY 4/5/93.

Operations were restarted in 1989 when Gold Fields' Vogelstruisbult Metal Holdings sold its 30% stake to Union's current owners, a consortium including Nico Lotterie and Dirk Lubbe.

Union Mines has bought the Kapstevel manganese deposit for the equivalent of 17,6-million Union shares (R7,04m). This brought the issued share capital in Union to 20-million shares.

Lotterie, with 14,2-million shares, has to raise R1,5m in the next 12 months for developing the mine. The transmuted listing statement issued yesterday said R500 000 was available for immediate use.

The operation was expected to yield about 40 000 tons of manganese this year and produce a profit after-tax and capex of R860 000. Production was expected to rise to 130 000 tons in 1994.

Brigh
from

MARCIA KLEI

SIGNIFICANTLY
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to 33,9c from 27,7c

Telemetrix bounces back

BDAY 4/5/93 DUMA GQUBULE

TELEMETRIX was confident its core businesses would maintain strong positions in their respective sectors, chairman Arthur Walsh said in the 1992 annual review.

Telemetrix, the UK-based electronics group listed on the JSE, bounced back from a first-half loss and nearly trebled its earnings to 23c (8c) a share for the year ended December. The dividend was raised to 3,7c (2,8c) a share.

CE Tim Curtis said management had focused on eliminating loss-making activities and improving the profit margins of the three main businesses in the past year.

GTI, the US-based local area networking products and electronics subsidiary, contributed 62% to turnover and 52% to attributable earnings.

Wholly owned Zetex, a UK-based specialist semiconductor manufacturer, contributed 16% to turnover and 28% to attributable earnings, while Trend, a manufacturer of telecommunications test equipment, contributed 15% to turnover and 13% to operating profit.

Firmer bullion boosts JSE share prices

MATTHEW CURTIN

THE all gold index broke back above the 1 500 level yesterday as gold shares on the JSE were buoyed by firmer bullion prices which edged towards \$360/oz

The index closed 43 points higher at 1 504 The all share index rose 44 points to 3 777 on the back of the stronger gold shares, while platinum shares went to levels last seen in July 1992

Rustenburg Platinum and Impala Platinum each rose to 400c to close at R79 and R62 respectively

Public holidays closed financial markets in London and Tokyo, but gold closed higher at \$357,60 in Zurich, after trading at \$358,50 during the day The metal traded close to one-year highs at more than \$358 in New York

Renewed enthusiasm pushed platinum to a \$391 close in Zurich, compared with London's Friday close of \$386,75

Reuter reports that bullion prices were boosted by strong Asian buying following weekend news that the IMF had reservations about an EC suggestion that the fund sell some of its gold stocks to finance cheap loans to poor countries

On the JSE, where blue chips Driefontein and Anglo American Gold Investment Corporation (Amgold) led the list of best-traded stock by value, interest focused on marginal and independent gold mines

232

4/5/93

Time seeks provisional liquidation

232

ANDREW KRUMM

B/DAY 4/5/93

AN APPLICATION for the provisional liquidation of beleaguered Time Holdings and four subsidiaries will be heard in the Rand Supreme Court today

The application, made by Time Holdings CE Colin Hibbert, was filed yesterday afternoon by Ramsay Webber attorney Ian Sinton.

Time Holdings and subsidiaries Time Property Developments, Time Projects, R McCarthy (Pty) Ltd and Time Housing would be affected

Time Holdings' move to liquidate followed last-ditch attempts to restructure its balance sheet, futile appeals to shareholder Concor for further capital and yesterday's suspension of trading on the JSE after the group's failure to publish its annual results before the deadline on Friday

Hibbert said in a statement yesterday "Negotiations to raise additional equity capital and/or loan finance to assist the group to trade through its liquidity problems were not successful within the deadline established."

Hibbert said several hundred employees would be affected However, every effort

To Page 2

Time

B|DAY 4|5|93

232

From Page 1

was being made "to save employees' jobs, in particular those within the R McCarthy Construction group, given the severe recessionary conditions in this industry".

Sinton said the Time group had experienced severe cashflow problems over the past two years and was hard pressed to meet creditors' claims.

Hibbert declined to specify how much Time owed its creditors.

Sinton said. "All the group's surplus cash has gone into funding its (R10m a year) interest bill on millions of rands worth of township properties" Time Holdings had buyers for the properties, but because of bond boycotts no banks would grant bonds to prospective buyers.

He said in spite of the liquidation application the group was technically solvent as non-liquid assets could cover liabilities The group had some "very good contracts" which had attracted two independent offers to rescue the company, or portions of it. One came from a pension fund administrator, looking for someone to manage a property portfolio, while the other came from a listed property development group which wanted Time Holdings' expertise and contracts on hand. Both parties needed time to carry out diligence studies, and had been doing so for 10 days.

However, Time Holdings' directors decided on Friday that they "could not stall any longer" and the decision was made to apply for provisional liquidation today.

OK posts R45-m loss, passes final dividend

Star 4/5/93

(232)

By Stephen Cranston

The OK, after breaking even in the first half, has reported a R44,9 million loss for the full year, equivalent to 361,4c a share. The final dividend has been passed

Group turnover increased by five percent over the previous year to R5,28 billion

But high interest rates, lower levels of fixed overhead recoveries and a higher level of shrinkage resulted in a 52 percent fall in operating income to R49,9 million

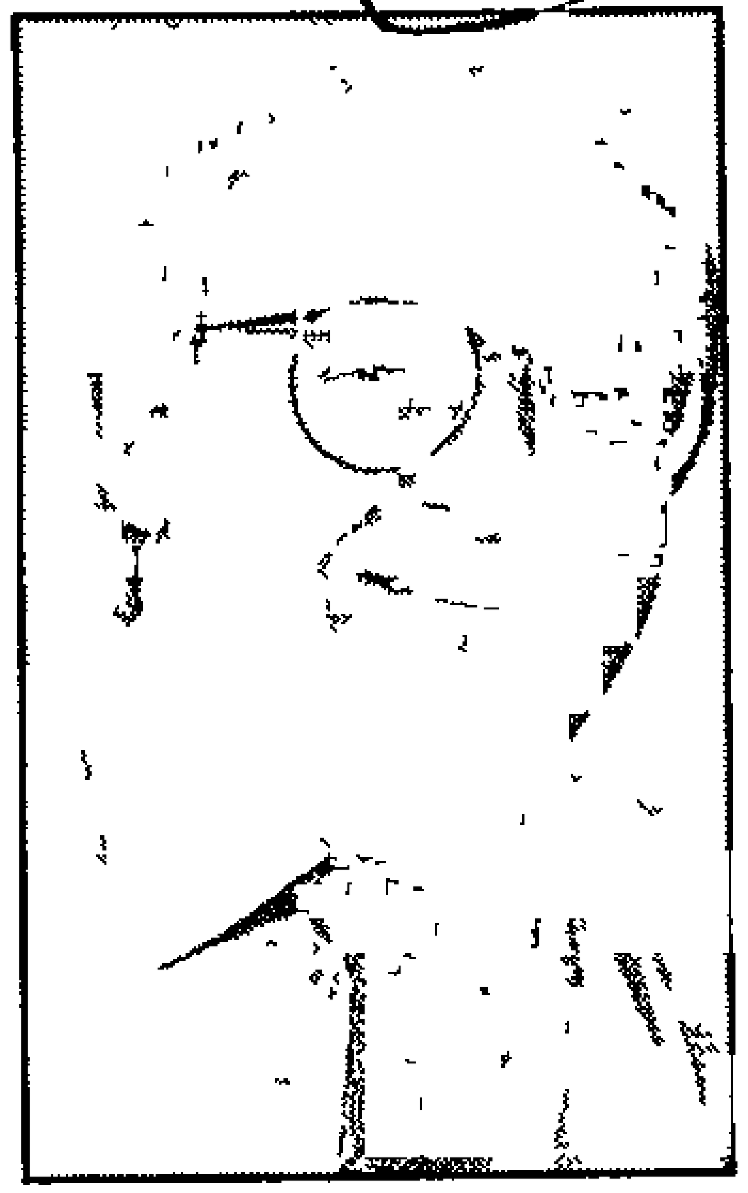
Gearing

Gearing increased from 195 percent to 253 percent, which led to an increase in interest paid from R107,3 million to R123,8 million

MD Mervyn Serebro says management has conducted a critical examination of the entire group in the light of ongoing political and economic uncertainties.

Significant structural changes are being introduced to stem the decline in activity and to re-position the group to cater more effectively for the needs of the OK's defined markets

Separate operating boards have been introduced for OK Stores and the Hyperama



Mervyn Serebro . determined to re-establish OK as dominant retailer in its particular market segment

In contrast to OK Stores, the Hyperama continues to trade profitably, and a new store recently opened at Fourways, north of Johannesburg

There has been significant rationalisation of the OK Stores marketing division and the product range is being vigorously refocused

Some success has already been achieved, as is demonstrated by the R102,6 million reduction in closing stocks to R679,3 million

No such success has been achieved with the debtors' book, which increased from R580,6 million to R671,3 million

Serebro says peripheral businesses not directly associated with the core retail mass market operation, including its property development business, have been or are in the process of being closed down or severely curtailed.

The OK is upgrading its information systems.

Challenge

Serebro says the improved, real-time information resulting from this will enhance the decision-making process and further assist in giving the group a competitive edge.

A number of these upgrades will also have favourable long-term benefits as they will form the platform for further more sophisticated upgrades

He says the ongoing process cannot be expected to yield results immediately.

But he argues that management is determined to face the challenge of reshaping the business within the present economic realities as a matter of urgency.

The bulk of the significant costs of restructuring has been recognised up front.

On top of the ordinary losses, the extraordinary losses amounted to R40 million

There was an extraordinary net write-off of R16,4 million from the store closure programme, which now numbers 25

Costs from the discontinuance of certain lines of merchandise accounted for a further R8,8 million and the cost of the closure of peripheral business activities, together with retrenchments, accounted for R14,8 million

After these losses, shareholders' funds have been reduced from R368,9 million to R278 million and the net asset value per share from R27,97 to R20,82

Serebro says that the OK, despite being vulnerable to the political strife that has ravaged the country, is determined to re-establish itself as the dominant retailer in its particular segment of the market

But he says that although steps have been taken to return the group to profitability, it will take time and further losses are expected in the current year.

But he says the results should start reflecting the benefits of the new strategic direction

Star 4/5/93

Deregulation plans anger pharmacists

232

The Pharmaceutical Society has expressed its outrage at proposed legislation to allow "non-pharmacists" to operate and own pharmacies, saying it would be impossible for the statutory body to prevent transgressions and punish them

In a statement the society said that if total deregulation of ownership were to go ahead, "allowing food chains to open pharmacy areas inside supermarkets and medical schemes to open their own limited service dispensaries", many already struggling pharmacies would go to the wall. This would deprive "long-serviced communities of healthcare services accessible to all". — Sapa

Time liquidation bid hits court snag

(232)

ANDREW KRUMM and
SUSAN RUSSELL

THE Time group applied for provisional liquidation in the Rand Supreme Court yesterday, but withdrew the application after the judge indicated he was not happy it had been brought by the directors alone

Time attorney Ian Sinton said "The judge indicated the application should have been supported by a shareholder or a creditor He asked directors to get this support and come back later in the week "

Time was preparing an affidavit by shareholder and creditor Time Consolidated Investment, Sinton added

"So it should all be over by the end of the week," he said BDM 5/5/93.

In court papers supporting the original application, Time Holdings CE Colin Hibbert said a drain on cash reserves caused by a R10m a year obligation to service interest on unsaleable land and unexpected damages arising out of an unresolved dispute with Basil Read over the timeous completion of a Rosebank project had led to the group's present position

Socio-political factors had led financial institutions to withdraw from the mass housing market, particularly in black areas, he said Prospective home owners could not obtain finance and Time Housing found it had to service interest of R10m a

☐ To Page 2

Time

BDM 5/5/93. (232)

☐ From Page 1

year on its borrowings without the necessary sales to finance this interest. Hibbert said Time also found itself having to finance unforeseen damages of more than R5m because of the Rosebank dispute.

Time Property Developments had unsuccessfully attempted to obtain a court order releasing Basil Read performance guarantee money to pay the alternative contractors and subcontractors employed to complete the work. Hibbert said Time's bankers had refused to provide bridging finance for this purpose.

The companies now found they could not meet the claims of concurrent creditors as they fell due

"During the week ending April 23 I received two independent approaches from the managers of a state pension fund and a JSE-listed property developer with a view to their acquiring control of Time Holdings and injecting sufficient finance into the companies. Both parties wished to acquire the companies as a going concern."

Hibbert said he initially agreed to delay winding up proceedings until the end of April to give interested parties time to submit their offers. However, negotiations had not yet reached a stage where a successful change of control and recapitalisation were probable.

☐ Concor Construction MD Brian Murphy said yesterday Concor would "substantially recover" its investment in Time through certain warranties and securities Murphy said Concor was not invested in Time Holdings as reported, but rather in Timecon. Timecon was not among those companies applying for provisional liquidation.

JSE holdings must be reviewed — Mandela

CHRIS BATEMAN (232)

LONDON — A commission of non-aligned experts would be appointed to review the "unacceptable" control of the JSE by four major conglomerates and advise a new government, ANC president Nelson Mandela said yesterday

BIDAY 5/5/93

Mandela told a media conference he would use Prime Minister John Major's invitation to urge British business to invest in SA as this was now "becoming crucial".

"I want to convey the message that as soon as a date for elections is announced the international community will be allowed to invest," he said.

Sapa reports he did acknowledge, however, that violence was the "main obstacle" to outside investment.

Emphasising that the economic commission was his "own view", Mandela said there could be no free market on the ownership of shares if 75% of the JSE was owned by four conglomerates

He said he saw the right wing as the "greatest threat" because they were entrenched in the system

To allay white fears and to stem an exodus he had met police generals in January and policymakers of the Dutch Reformed Church last Monday.

Another crucial move would be to lower expectations of blacks because it could take as long as five years before a new government could address serious socioeconomic problems

B/DAY 5/5/93

NEWS IN BRIEF

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Liquidations doubled

THE number of court-enforced liquidations had doubled over the past four years while the registration of new companies had dropped 20% over the past three years, the Trade and Industry Department said in its annual report, tabled in Parliament yesterday

In 1989 there were 527 court-enforced liquidations and 524 voluntarily liquidations, but in 1992 there were 1 037 court-ordered and 154 voluntary liquidations During 1992, 6 241 new companies were incorporated compared with 7 711 during 1990

Unit trusts free to use derivatives

BDAY 6/5/93. (232)

LINDA ENSOR

CAPE TOWN — The Unit Trust Advisory Committee has decided to allow equity unit trusts to use derivatives but to limit their gross exposure to all forms of derivatives to 20% of the fund's value.

Wording of the required regulation is being finalised and would be gazetted shortly, Financial Services Board deputy executive officer Gad Ariovich said yesterday

No naked, or uncovered, positions would be allowed and derivative positions would have to be hedged by holding assets (short positions) or cash (long positions).

It was decided to give fund managers the flexibility to choose whether to use simple but restrictive methods or more costly, less restrictive methods to calculate exposures or to determine whether a portfolio was appropriate for hedging. Choosing one of the methods would depend on the level of sophistication of the fund's data-processing systems. These two methods would be described in greater detail in the regulation due to be published in the Government Gazette.

It would be the responsibility of unit trust trustees to ensure that the limits on the use of derivatives be adhered to at all times

While the Unit Trust Advisory Committee decided that unit trust funds should be allowed to buy and sell listed futures and to buy listed put options and call options, there was no consensus about the writing of options by unit trusts This aspect is to be subject to further investigation

No recommendations were made on limits based on the net exposure of the fund to derivatives as more research was considered necessary Also, excluded were the conditions under which new funds specialising in derivative investment could be established.

"In principle most of the subcommittee members have no objection to the establishment of pure derivative funds provided that derivatives are not used to gear the fund," said the report of the subcommittee which investigated the use of derivatives by unit trusts.

The report recommended that derivatives not be used as a vehicle to exceed the current investment limits of 5% or 10% in a particular security. Nor should it be used to obtain a negative investment, to gear the fund and to obtain an investment of more than 95% in equities.

The committee considered the use of derivatives an important tool for efficient portfolio management but not for speculation

Star 6/5/93

ABI shrugs off decline in sales

By Stephen Cranston

Despite the first decline in sales volumes for many years, soft-drink bottler Amalgamated Beverage Industries (ABI) has reported a 19 percent increase in earnings per share to 77c for the year to March The dividend has been increased by a similar percentage to 37,5c

Turnover, net of excise duty, increased by nine percent to R1,09 billion, but trading profit was up 19 percent to R148,5 million. (232)

Sales were particularly high in the last quarter of the previous year, but fell in the last quarter of the year just ended because of cooler weather, a drop in consumer spending, mass action and higher excise

MD Alex Reid says efforts to improve productivity and cut costs at all levels have proved extremely successful.

ABI has increased its direct sales to the informal sector by setting up a network of small distribution depots which are accessible to informal traders.

During the year, major agreements with franchisors Coca-Cola, Sparletta and Schweppes were re-negotiated with the object of updating and improving the long-term relationship, which has given the bottler such a stranglehold on the soft-drink market

The alliance will need to be particularly strong to fight off a possible challenge from Pepsi

Financial director John Busschau says Pepsi's entry is well advanced and already has a level of presence, but ABI has been preparing for some time

ABI's long-term debt has fallen by 37 percent to R18,5 million and gearing from 29 percent to 17 percent.

Capital investment has been tightly controlled and has fallen from R105 million to R78 million

Reid says that consumer spending is likely to remain depressed But despite little material improvement in sales, ABI will achieve a reasonable growth in earnings and dividends, he forecasts

Star 6/5/93

Altron earns and pays more

By Stephen Cranston

Altron, the holding company for Altech, Powertech and Fintech, has reported an 11,1 percent increase in earnings per share to 543,1c in the year to February. The dividend has been raised from 159c to 170c.

Turnover increased slightly from R2,645 billion to R2,719 billion, but operating income fell from R294 million to R281 million, reflecting an austere market environment.

Net interest received increased by 52 percent to R26,5 million.

The star performer of the group was Fintech, which increased attributable earnings by 31 percent, despite pressure on margins.

Altech's attributable earnings were slightly lower, but it has diversified into new products and markets, making a breakthrough in the pre-paid electricity metre business.

Powertech acquired the remaining interest in Aberdare Cables from SA Philips and minorities.

(232)

It diversified into the electrical appliances market through the acquisition of Gentech. It improved attributable earnings by seven percent.

Chairman Bill Venter says the group pursued its policy of strategic acquisition, while simultaneously investing in new markets and growth opportunities in the high-tech industry at home and abroad.

He says that through its technology development programme, Altron remains responsive to its markets and opportunities.

Altron remains a leader in its core operations and continues to be well-positioned in its current markets and for markets that will develop once political settlement has been reached, he says.

Masterbond investors warned on legal costs

BDAY 7/5/93

232

LINDA ENSOR

CAPE TOWN — The Masterbond curators have sent a circular to the 20 000 investors in the shipwrecked Masterbond group urging them to seek independent legal advice on the action to be brought by Masterbond Victims' Association chairman Don MacKenzie against the Department of Finance and/or the Reserve Bank

"It is possible that should the action be unsuccessful the claimants (investors) could be held liable for the legal costs of the parties against whom action was instituted Any such liability might not be affected by the compensation with Mr Levin," Horton Griffiths said on behalf of the curators

Attorney Allan Levin has agreed to act for Masterbond investors on a contingency basis, which means he would be paid only if the action was successful.

MacKenzie said in an interview yesterday that the Law Society had given its approval for Levin to represent the investors on a contingency basis and he was awaiting a reply from the Bar Council as to whether senior counsel could act on a similar basis.

He said the claim for damages was based on the allegation that the authorities were fully aware as far back as 1985 that there were criminal activities being perpetrated at Masterbond, and that numerous Acts were being contravened.

HoD bid to halt chalkdown

A MORATORIUM has been imposed on merit awards to teachers falling under the House of Delegates, the Minister of Education and Culture, Mrs Devi Govender, announced yesterday

The government would also form a joint committee with the SA Democratic Teachers' Union to resolve the chalkdown by more than 2 000 teachers in Natal.

Dr Bahdra Ranchod, chairman of the Ministers' Council, and Mrs Govender will also meet Sadtu executive members today

(232)

The union said the merit award scheme had caused divisions in staff rooms

CT 7/5/93

Mrs Govender said 2 800 teachers had applied for merit awards last year and 778 had been awarded at a cost of R1,6 million The merit awards constituted an increase in salary from five to 10%

Mrs Govender met three members of the HoD opposition yesterday to discuss the crisis and agreed that "drastic measures" would have to be taken to restore normality — Political Staff, Sapa

HL & H pays the price of losses at Rainbow Chicken

Star 7/5/93

By Stephen Cranston

A reduced contribution from its timber and sugar operations and a loss at Rainbow Chicken led to a 66 percent decline in earnings per share to 28,1c from Hunt Leuchars & Hepburn (HLH) in the year to March.

The final dividend has been slashed from 19c to 8c, and the total dividend for the year is down 35 percent to 21,5c.

CE Neil Morris says the hoped-for economic recovery failed to materialise, while drought conditions worsened, resulting in the worst agricultural conditions in many years.

Only spices and branded food products manufacturer Robertsons had a satisfactory result, improving earnings by 15 percent to R37 million.

A poor sugar crop halved the contribution from Transvaal Sugar to R15,9 million.

The group has nevertheless begun construction of a second sugar mill in the Onderberg area of the Eastern Transvaal, at an expected cost of R480 million.

Morris says that good late summer rains have improved Transvaal Sugar's prospects.

HLH Timber's contribution fell from R25 million to R17,6 million, but the loss-making Densa sawmilling operation has been sold.

In addition, SilvaCel, which produces hardwood chips for the export market, has a full order book.

HLH Timber acquired Eagle Furniture from April 1 this year and the remaining 50 percent shareholding in Bailey's Furniture Manufacturers and is now the country's largest exporter of value-added softwood products.

There was a R16,25 million share of associated companies' losses, because of losses incurred by Rainbow

Reduced selling prices and a drop in the demand for white meat were the main factors in the poor Rainbow performance.

There was a tight rein on investment, and cash invested to expand operations fell from R270 million to R45 million.

Gearing fell from 12 percent to 10 percent and total interest paid was five percent down at R31,5 million.

The effective tax rate, however, increased from 22 percent to 35 percent, due mainly to reduced dividend income and the secondary tax on companies provided on the final dividend.

Morris says low consumer demand is expected to lead to no economic growth in 1993, but that prospects in general are better than in the previous year.

He says significant earnings growth should be achieved in the current year.

LIFE ASSURANCE FM 7/5/93

Time passes (232)

Timelife Insurance, the youngest of SA's life offices, has posted excellent results for 1992 Yet the figures could make the minority shareholders of Time Holdings, the JSE-listed group which owned Timelife until last November and who are now watching their remaining assets slip away, wonder if they got a fair deal

Time Holdings was suspended by the JSE earlier this week This was quickly followed by an application for provisional liquidation Time Holdings' problems flow from an unsuccessful foray into low-cost housing development

Timelife, though a small life office and suffering the new business strain which typifies young life assurance operations, was the jewel in Time Holdings' trophy room It was expected to go for an independent listing in about three years' time MD Bill Haslam says that is still the plan, despite Time Holdings' problems

In a reshuffle of Time Holdings' interests last November, Timelife ceased to be a subsidiary and 67% was allotted to construction group Concor with the balance held by Timelife's directors, brokers and some individual shareholders At the same time, Concor acquired 30% of Time Holdings for R9,4m

A Concor spokesman has said (*Fox*, April 30) that the company has a "fall-back position" to comfort it against problems in its Time Holdings' investment Concor's holding in Timelife could be precisely that

It's difficult to value a young assurer because of the twin concepts of business strain and embedded values — the value of contracts written but from which profits will still flow If Time Holdings' shareholders and the

cont

liquidator want to know if they parted with an asset at a knock-down price, they will have to bring skilled actuaries on board

Haslam, himself an actuary, says that when the restructure was organised late last year, there were four independent actuarial assessments of Timelife's worth The price set for Concor's acquisition was R2,80 a share, which was a discount to the lowest of the four valuations

Haslam says the assurer's net premium income last year was R25,8m, up 46%, with most coming from recurring premiums The asset value climbed 43%, from R33,6m to R48m Investment income totalled R2,8m, an improvement of 45% on the previous year Benefits paid to policyholders increased from R1,7m to R4,4m

By the standards of the life industry, Timelife is tiny Old Mutual has assets of nearly R90bn But Timelife is considered by many assurance observers to be an office with good potential, servicing mainly the A and B-plus income groups It has been innovative in developing products linked to investment and home purchase

It is distancing itself from the problems at Time Holdings, though Haslam remained a director of the parent company after the restructure In a news release concerning Timelife's results this week, Haslam comments "Timelife is in no way affiliated to Time Holdings It is also important to point out that no Timelife policyholder funds are invested in Time Holdings group"

To finance growth, Timelife will need new capital Haslam is confident this can be found ■

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REPUBLIEK VAN SUID-AFRIKA

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GENERAL NOTICES

NOTICE 396 OF 1993

FINANCIAL MARKETS CONTROL ACT, 1989

AMENDMENT OF DEFINITION OF LOAN STOCK

Under the power vested in me in the definition of "loan stock" in section 1 of the Financial Markets Control Act, 1989 (Act No. 55 of 1989), I, Petrus Johannes Badenhorst, Registrar of Financial Markets, hereby—

(a) designate the institutions as set out in the Schedule as institutions of whom instruments issued by them creating or acknowledging indebtedness, shall be regarded as loan stock for the purposes of the said definition, and

(b) specify treasury bills as excluded from the said definition,

with effect from **7 May 1993.**

P. J. BADENHORST,
Registrar of Financial Markets.

SCHEDULE

1. The following State-controlled institutions·

   Armaments Corporation of South Africa Limited·

   Armaments Development and Production Act, 1968 (Act No. 57 of 1968).

   Atomic Energy Corporation of South Africa

   Nuclear Energy Act, 1982 (Act No 92 of 1982).

   National Housing Commission·

   Housing Act, 1966 (Act No. 4 of 1966).

   Small Business Development Corporation·

   Small Business Development Act, 1981 (Act No. 112 of 1981)

ALGEMENE KENNISGEWINGS

KENNISGEWING 396 VAN 1993

WET OP BEHEER VAN FINANSIELE MARKTE, 1989

WYSIGING VAN OMSKRYWING VAN LENINGSEFFEK

Kragtens die bevoegdheid my verleen in die omskrywing van "leningseffek" in artikel 1 van die Wet op Beheer van Finansiele Markte, 1989 (Wet No 55 van 1989)—

(a) wys ek, Petrus Johannes Badenhorst, Registrateur van Finansiele Markte, hierby die instellings soos uiteengesit in die Bylae aan as instellings van wie instrumente, deur hulle uitgereik, wat 'n skuld skep of 'n bewys van skuld is, geag sal word leningseffekte te wees vir die doeleindes van genoemde omskrywing, en

(b) spesifiseer ek hierby skatkisbiljette as uitgesonder van genoemde omskrywing,

met ingang van **7 Mei 1993.**

P. J. BADENHORST,
Registrateur van Finansiele Markte.

BYLAE

1. Die volgende Staatsbeheerde instellings

   Krygstuigkorporasie van Suid-Afrika Beperk

   Wet op Krygsontwikkeling en -vervaardiging, 1968 (Wet No. 57 van 1968)

   Atoomenergiekorporasie van Suid-Afrika Beperk·

   Wet op Kernenergie, 1982 (Wet No 92 van 1982).

   Nasionale Behuisingskommissie:

   Behuisingswet, 1966 (Wet No 4 van 1966)

   Kleinsake-ontwikkelingskorporasie

   Kleinsake-ontwikkelingswet, 1981 (Wet No 112 van 1981).

South African Roads Board.

South African Roads Board Act, 1988 (Act No 74 of 1988).

South African Broadcasting Corporation

Broadcasting Act, 1976 (Act No 73 of 1976)

Uranium Enrichment Corporation.

Uranium Enrichment Act, 1970 (Act No. 33 of 1970).

South African Abattoir Corporation.

South African Abattoir Corporation Act, 1992 (Act No 120 of 1992)

South African Rail Commuters Corporation.

Transnet Limited

Telkom SA Limited

2. Other bodies

South African Housing Trust Limited

Development Bank of Southern Africa.

Independent Development Trust

3. Any water board established in terms of the Water Act, 1956 (Act No 54 of 1956)

4. Any technikon or university established by law

5. The Governments of, or any local authority within the territory of—

Swaziland,
Lesotho;
Botswana;
Namibia;
Transkei;
Bophuthatswana; and
Venda

6. Lesotho Highlands Water Scheme.

7. The governments of the following self-governing territories in terms of the Self-governing Territories Constitution Act, 1971 (Act No 21 of 1971)

Gazankulu.
Lebowa

Suid-Afrikaanse Padraad·

Wet op die Suid-Afrikaanse Padraad, 1988 (Wet No 74 van 1988)

Suid-Afrikaanse Uitsaaikorporasie

Uitsaaiwet, 1976 (Wet No 73 van 1976)

Uraan Verrykingskorporasie

Wet op Verryking van Uraan, 1979 (Wet No 33 van 1979)

Suid-Afrikaanse Abattoirkorporasie

Wet op die Suid-Afrikaanse Abattoirkorporasie, 1992 (Wet No 120 van 1992)

Suid-Afrikaanse Spoorpendelkorporasie

Transnet Beperk

Telkom SA Beperk.

2. Ander liggame.

Suid-Afrikaanse Behuisingstrust Beperk

Ontwikkelingsbank van Suidelike Afrika.

Onafhanklike Ontwikkelingstrust.

3. Enige waterraad ingestel ingevolge die Waterwet, 1956 (Wet No 54 van 1956)

4. Enige technikon of universiteit wat kragtens wet gestig is

5. Die Regerings van, en enige plaaslike bestuur binne die grensgebied van—

Swaziland,
Lesotho;
Botswana,
Namibie,
Transkei;
Bophuthatswana, en
Venda

6. Lesotho Hoogland Waterskema

7. Die Regerings van die volgende selfregerende gebiede ingevolge die Grondwet van die Selfregerende Gebiede, 1971 (Wet No 21 van 1971).

Gazankulu.
Lebowa

NOTICE 397 OF 1993 (232)

STOCK EXCHANGES CONTROL ACT, 1985

AMENDMENT OF RULES OF JOHANNESBURG STOCK EXCHANGE

I, Petrus Johannes Badenhorst, Registrar of Stock Exchanges, hereby under section 12 (8) of the Stock Exchanges Control Act, 1985 (Act No 1 of 1985), after consultation with the committee of the Johannesburg Stock Exchange and with the consent of the Minister of Finance, add to the Rules of the said Johannesburg Stock Exchange the rules as set out in the Schedule

P. J. BADENHORST,

Registrar of Stock Exchanges

KENNISGEWING 397 VAN 1993

WET OP BEHEER VAN EFFEKTEBEURSE, 1985

WYSIGING VAN REELS VAN JOHANNESBURGSE EFFEKTEBEURS

Ek, Petrus Johannes Badenhorst, Registrateur van Effektebeurse, vul hierby kragtens artikel 12 (8) van die Wet op Beheer van Effektebeurse, 1985 (Wet No 1 van 1985), na oorlegpleging met die komitee van die Johannesburgse Effektebeurs en met die toestemming van die Minister van Finansies, die Reels van genoemde Johannesburgse Effektebeurs aan met die reels soos uiteengesit in die Bylae

P. J. BADENHORST,

Registrateur van Effektebeurse.

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SCHEDULE

1. In this Schedule "Rules" means the Rules and Directives of the Johannesburg Stock Exchange, as revised and introduced on 26 February 1984, and as amended or added to since that date

2. The Rules are hereby amended by the addition to Section 1 of the Rules of the following rules·

1 60 3 From 7 May 1993 until the date on which a financial market licence is issued to the Bond Market Association as contemplated in section 9 (1) of the Financial Markets Control Act, 1989 (Act No 55 of 1989), all rules of the committee of the Johannesburg Stock Exchange which applied to the trading, clearing and settlement in respect of gilts and options on gilts on 9 August 1990, and as amended or added to since that date, shall be deemed to the *mutatis mutandis* of full force and effect in respect of any instruments declared as securities by the Registrar of Stock Exchanges under section 1 of the Act with effect from 7 May 1993

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NOTICE 398 OF 1993

STOCK EXCHANGES CONTROL ACT, 1985

DECLARATION OF CERTAIN INSTRUMENTS AS SECURITIES

Under the power vested in me in the definition of "securities" in section 1 of the Stock Exchanges Control Act, 1985 (Act No. 1 of 1985), I, Petrus Johannes Badenhorst, Registrar of Stock Exchanges, hereby declare the following instruments, namely loan stock as defined in section 1 of the Financial Markets Control Act, 1989 (Act No 55 of 1989), and options on such loan stock, as securities for purposes of the Stock Exchanges Control Act, 1985, with effect from **7 May 1993.**

P. J. BADENHORST,

Registrar of Stock Exchanges.

BYLAE

1. In hierdie Bylae beteken "Reels" die Reels en Voorskrifte van die Johannesburgse Effektebeurs, soos hersien en in werking gestel op 26 Februarie 1984, en soos sedert daardie datum gewysig of aangevul.

2. Die Reels word hierby gewysig deur die Afdeling I van die Reels die volgende reels by te voeg·

1 60 3 Vanaf 7 Mei 1993 tot die datum waarop 'n finansiele mark-lisensie uitgereik word aan die Effektemarkvereniging soos beoog in artikel 9 (1) van die Wet op Beheer van Finansiele Markte, 1989 (Wet No 55 van 1989), word alle reels van die komitee van die Johannesburgse Effektebeurs wat op 9 Augustus 1990 van toepassing was op die verhandeling, verrekening en vereffening ten opsigte van prima effekte en opsies op prima effekte, en soos sedert daardie datum gewysig of aangevul, geag *mutatis mutandis* van volle krag en effek te wees ten opsigte van enige instrumente wat deur die Registrateur van Effektebeurse met ingang van 7 Mei 1993 kragtens artikel 1 van genoemde Wet as effekte verklaar word.

KENNISGEWING 398 VAN 1993

WET OP BEHEER VAN EFFEKTEBEURSE, 1985

VERKLARING VAN SEKERE INSTRUMENTE AS EFFEKTE

Kragtens die bevoegdheid my verleen in die omskrywing van "effekte" in artikel 1 van die Wet op Beheer van Effektebeurse, 1985 (Wet No 1 van 1985), verklaar ek, Petrus Johannes Badenhorst, Registrateur van Effektebeurse, hierby die volgende instrumente, naamlik leningseffekte soos omskryf in artikel 1 van die Wet op Beheer van Finansiele Markte, 1989 (Wet No 55 van 1989), en opsies op sodanige leningseffekte, as effekte vir die doeleindes van die Wet op Beheer van Effektebeurse, 1985, met ingang van **7 Mei 1993.**

P. J. BADENHORST,

Registrateur van Effektebeurse

NOTICE 380 OF 1993

DEPARTMENT OF MANPOWER

LABOUR RELATIONS ACT, 1956

CANCELLATION OF REGISTRATION OF AN EMPLOYERS' ORGANIZATION

I, Gerhardus Coenraad Papenfus, Assistant Industrial Registrar, hereby notify, in terms of section 14 (1) of the Labour Relations Act, 1956, that as I have reason to believe that the Pretoria Master Bakers' Association is not functioning as an employers' organization, its registration will be cancelled unless cause to the contrary is shown within a period of 30 days from the date of publication of this notice.

G. C. PAPENFUS,
Assistant Industrial Registrar
(7 May 1993)

KENNISGEWING 380 VAN 1993

DEPARTEMENT VAN MANNEKRAG

WET OP ARBEIDSVERHOUDINGE, 1956

INTREKKING VAN REGISTRASIE VAN 'N WERKGEWERSORGANISASIE

Ek, Gerhardus Coenraad Papenfus, Assistent-nywerheidsregistrateur, maak hierby kragtens artikel 14 (1) van die Wet op Arbeidsverhoudinge, 1956, bekend dat aangesien ek rede het om te vermoed dat die Pretoria Master Bakers' Association nie as werkgewersorganisasie funksioneer nie, sy registrasie ingetrek sal word, tensy redes daarteen binne 'n tydperk van 30 dae vanaf die datum van publikasie van hierdie kennisgewing aangevoer word

G. C. PAPENFUS,
Assistentnywerheidsregistrateur.
(7 Mei 1993)

NOTICE 381 OF 1993

FINANCIAL SERVICES BOARD

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 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 the date of publication of this notice

KENNISGEWING 381 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 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.

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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 4.90

4.90 *Nominee companies*

4.90 1 A broking firm may establish or maintain a company with the main object of being the registered holder of securities exclusively on behalf of such firm or on behalf of its clients

4.90.2 <u>In the case of a corporate member the shares in the nominee company shall be beneficially owned by the corporate member or its director(s)</u> **[**Only broking members in the same broking firm or the corporate member may hold shares in that firm's nominee company **]**

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4 90.3 In the case of a sole proprietor or partnership the shares in the nominee company shall be beneficially owned by the sole proprietor or all of the partners and be registered in the name of the sole proprietor or one or more of the partners in the broking firm [The directors shall ensure that such company incurs no liabilities other than those normally incurred as a result of its acting as a nominee in respect of securities.]

4 90 4 The members/directors shall ensure that such nominee company incurs no liabilities other than those normally incurred as a result of its acting as a nominee in respect of securities.

4 90 5[4] Such company's powers shall be limited to the main object set forth in 4 90 1, and such other acts as may be necessary to achieve the said object.

2. PROPOSED AMENDMENT OF RULE 5.70

5 70 *Good delivery*

5.70.8 1 . .

5 70 8.2 Where a broking firm has introduced faulty or tainted scrip and before replacing such scrip has been declared a defaulter or where a broking member ceases to operate as such by death or by expulsion [before replacing such scrip], the JSE shall replace such scrip to the broking firm which first received it against—

3. PROPOSED AMENDMENT OF RULE 5.300

Managed accounts

5.300 6 . . .

5.300 6.1

5.300.6.2 on the second business day of each settlement period, pay to or receive from the JSE Trustees (Pty) Limited the difference between the total of the schedule of cash balances referred to in 5 300.6[7].1 and the total amount held by JSE Trustees (Pty) Limited on behalf of the clients of such broking firm as at the close of business on the last day of the preceding settlement period

5.300.7 Every request by a broking firm to withdraw cash other than a payment in terms of 5.300 6[7].2 or 5.310.2.2 on behalf of clients from JSE Trustees (Pty) Limited and every schedule referred to in 5 300 6[7] 1 and 5 310 2.1 shall be signed by two partners or directors or by a partner or director of the broking firm and a senior official in the employ of the broking firm or, in the case of a one-man firm, the proprietor and a senior official in the employ of the broking firm or such other persons as the Committee may, in special circumstances, approve. The name of the person other than the sole proprietor, partner or director who may sign such withdrawal shall be approved by the Committee on an annual basis.

4. PROPOSED AMENDMENT OF RULE 5.310

Dealing in Krugerrands

5.310 .

5.310.1 . .

5 310 1 1 Any cash thereby held by the broking firm shall forthwith be repaid to the client or his order, or be dealt with under 5 310 2 and may only be withdrawn under the signature of two persons referred to in 5 300 7[8];

5. PROPOSED ADDITION TO RULE 5.380

5.380 18 1 Delivery of Krugerrands by a broking firm to a client shall only be effected by the firm against positive identification of the purchaser or his duly authorised representative through an official document of identity Delivery of Krugerrands shall take place—

5 380 18 1 1 personally to the purchaser or his authorised representative and against the issue of an official receipt clearly recording the signature, name and address of the recipient and the number of Krugerrands, or alternatively

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5.380.18.1.2 by registered post with the broking firm retaining the postal slip clearly recording the name and address of the addressee for the purpose of record subject, however, to the purchaser consenting to this form of delivery in writing and acknowledging full responsibility for the risks involved

5 380.18.2 Krugerrands shall only be delivered to the order of a client if the broking firm is in possession of a written instruction by the purchaser to effect delivery to such order and then only against proof of identity of the purchaser and his authorised agent in terms of 5.380 18.1

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 4.90

4.90 *Benoemde maatskappye*

4.90.1 'n Makelaarsfirma kan 'n maatskappy stig of in stand hou waarvan die hoofdoelstelling is om die geregistreerde houer van effekte uitsluitend namens sodanige firma of namens sy kliente te wees.

4.90 2 In die geval van 'n korporatiewe lid, sal die korporatiewe lid of sy direkteur(e) die voordelige eienaar(s) van aandele in die benoemde maatskappy wees [Net makelaarslede van dieselfde makelaarsfirma of die geinkorporeerde lid mag aandele in daardie firma se benoemde maatskappy hou.]

4.90.3 In die geval van 'n alleeneienaar of vennootskap, sal die alleeneienaar of al die vennote die voordelige eienaar(s) van aandele in die benoemde maatskappy wees en sal dit geregistreer wees in die naam van die alleeneienaar of een of meer van die vennote in die makelaarsfirma. [Die direkteure moet seker maak dat sodanige maatskappy geen verpligtings aangaan nie behalwe dié wat normaalweg aangegaan word omdat dit as 'n benoemde ten opsigte van effekte optree.]

4 90 4 Die lede/direkteure sal verseker dat sodanige benoemde maatskappy geen verpligtinge aangaan anders as dié wat normaalweg aangegaan sal word as resultaat van sy optrede as 'n benoemde ten opsigte van effekte nie.

4.90.5[4] Die bevoegdhede van sodanige maatskappy word beperk tot die hoofdoelstelling in 4 90.1 uiteengesit en sodanige ander handelinge wat nodig is om gemelde doelstelling te bereik

2. VOORGESTELDE WYSIGING VAN REËL 5.70

5.70 *Goeie lewering*

5.70.8.1 . . .

5.70 8 2 Waar 'n makelaarsfirma wat defekte of bedorwe effektebewyse aan die mark gelewer het en [tot 'n wanbetaler verklaar is] voor vervanging van sodanige effektebewyse, tot 'n wanbetaler verklaar is of waar 'n lid ophou om as sodanig op te tree weens dood of skorsing, vervang die JE sodanige effektebewyse aan die makelaarsfirma wat dit eerste ontvang het teen—

3. VOORGESTELDE WYSIGING VAN REËL 5.300

Bestuurde rekenings

5.300.6 . . .

5.300.6.1 . . .

5.300 6 2 betaal aan, of ontvang van, JSE Trustees (Edms) Bpk op die tweede besigheidsdag van elke vereffeningstydperk die verskil tussen die totaal van die in 5 300.6[7] 1 bedoelde opgaaf van kontantsaldo's en die totale bedrag wat JSE Trustees (Edms) Bpk namens die kliënte van sodanige makelaarsfirma soos by die sluiting van besigheid op die laaste dag van die voorafgaande vereffeningstydperk gehou het

S

Nedcor group sees rise in interim earnings, dividend

Star 7/5/93

By John Spira

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Nedcor posted a 22 percent net income gain to R234 million in the six months to March.

Earnings are up 19 percent to 121c a share, with the interim dividend similarly higher at 25c.

Although interest income declined marginally, interest expense fell by a larger percentage, resulting in net interest earned advancing 11 percent to R881 million.

Other income rose by 22 percent to R574 million to boost total income to R1,46 billion — 16 percent ahead of the comparative 1991-92 figure.

Expenses were held to a 15 percent increase

The specific and general risk provisions totalled R120 million (R90 million), lifting Nedcor's provisions to 2,8 percent of advances and acceptances — the highest in the industry.

The tax charge was only 2 percent higher, reflecting the benefit of the new secondary tax on companies

On a divisionalised basis, Nedcor Bank contributed R190 million to group net income (up 23 percent), Cape of Good Hope Bank R9 million (up 13 percent), Syfrets R9 million (up 15 percent) and UAL R26 million (up 19 percent).

Deferred tax

Segmentation of Nedcor Bank shows Nedbank's net income contribution 22 percent higher at R110 million, Finansbank's up from R1 million to R7 million, Perm's 15 percent better at R38 million and Nedfin's at R35 million (R30 million).

The directors have decided not to apply the lower tax rate to the balance of deferred tax (R334 million at September 30 1992) in the form of an extraordinary credit to income.

Instead, the benefits of a substantial portion of the reduced deferred tax balance will be spread over the life of the transactions to which they apply.

Shareholders are being given the option of taking the interim dividend via a capitalisation issue of shares in the ratio of 1,1628 shares for every 100 held, or a cash payment of 25c a share

The former option is based on a Nedcor share price of 2 150c — a 10 percent discount on the ruling level.

The directors say the increase in value-added tax, the prospect of lingering unrest and the prolonged recession "make it more difficult to continue the past trend in core profits growth"

They nevertheless expect the results for the full year to show an increase in real terms

Chief executive Chris Liebenberg says: "The results should be seen in the context of Nedcor travelling a long-term strategic road with the object of creating long-term value for shareholders"

EQUITIES: *Exploit weakness in market, investors told*

'Don't sell new SA short'

STAR 8/5/93.

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LEIGH HASSALL

INVESTORS should not give up on South African equities in these times of political crisis, but should take a long-term view.

This was the message of André du Plessis, of stockbrokers Ed Hern, Rudolph, when addressing the The Star Investors' Club at yesterday's Planning for Wealth seminar.

Problems

"Despite all the problems, this is not the time to sell South Africa short, but rather time to watch events closely and match them with an appropriate equity strategy," he said.

Investors should accept that political setbacks were an inevitable part of the ongoing transitional process, and should focus on the economic growth potential of the new South Africa.

Quality stocks would, in the long term, continue to provide consistently superior returns. "Investors should take advantage of any weakness in the market over the next six months and avail themselves of the superb investment opportunities available."

On the outlook for the JSE, Du Plessis said the market, with the exception of gold shares, was delicately poised to react to both internal and external developments. The price of gold bullion seemed to have bottomed out, he said, predicting only a gradual improvement after the initial recovery spurt. He cautioned investors against expecting an explosive bull market in gold, as the upside was likely to be capped by forward selling by mining producers, by the fear of central banks entering the market as sellers, and by occasional short selling by major Middle East speculators.

The firmer bullion price, while helping to underpin the market, was unlikely to compensate for any adverse political developments on the home front or international economic developments. An external factor likely to have a dampening effect on the JSE was the expected lack of real growth in Organisation of Economic Co-operation and Development countries in the next year, and the continued depressing effect on commodity prices.

Du Plessis said any setback in the currently overrated international equity markets would further affect the JSE as the South African market closely followed Wall Street.

OPTIMIST. Dr Cees Bruggemans, chief economist at First National Bank, addressed the Star/FNB Investors Club seminar held in Johannesburg yesterday. He maintained inflation could go as low as 7 percent next year if taxes were not increased again □ Photograph. KAREN FLETCHER

"The US market is vulnerable to a correction in the short term due to a number of factors. The pace of economic recovery is slowing, corporate profits are likely to be lower in the next two quarters, and there is understandable nervousness on Clinton's new tax proposals." There was also increasing socio-political pressure to stimulate world economies, and this would precipitate higher inflation and interest rates.

The dominant internal factors influencing the JSE were the socio-political environment and prospects of slow earnings growth over the next two years.

Du Plessis suggested that those investors expecting a breakdown in negotiations and increased violence should be heavily geared to rand and financial rand hedge shares. Pronounced political progress, on the other hand, would lead to a sustained economic recovery, even in the face of sluggish growth in the world's leading industrial nations. This scenario would obviate the need for a heavy rand hedge, and greater emphasis could be placed on financials and industrials, including consumer and cyclical stocks.

The important role played by local institutions limited the downside potential of the local market. Institutional cash-flows had grown by more than 20 percent a year in the last two decades, with a substantial portion being directed into equities. The estimated cash flow for this year was more than R33 billion.

Defensive

In response to a question on the merits of the banking sector, Du Plessis recommended an exposure of at least 8 percent, and a further 7 percent in insurance stocks, recognising the defensive nature of these sectors and prospects of real earning growth over the next two years.

Rosy future for property listings

Star 8/5/93

PROPERTY EDITOR

INVESTORS should look out for new property trust and loan stock listings in the next 24 months. So says Niki Vontas, chairman of the Association of Loan Stock Companies and managing director of Abcon Properties.

He forecasts that over the next two years the sector will become aware of major opportunities in financing infrastructural and social structures, as well as mass housing.

Vontas told a meeting of the Investment Analysts Society this week that while it had become fashionable to give the sector a poor rating, the records showed that, over a 12-year period, the returns on property unit trusts (PUTs) and loan stocks had been well ahead of inflation — and compared well with the performance of the JSE all share index.

He noted that the sector now had a market capitalisation of R6 billion — roughly R4 billion in the portfolios of 16 trusts and the remainder in 14 loan stocks.

However, investors needed to exercise caution, as by far the largest proportion was invested in office, retail and industrial property — where rentals have been flat or drifted lower for some time.

Ian Watt, property investment manager for Old Mutual, told the gathering that there was another effect of the general economic decline which needed to be addressed.

This was the fall in the actual value of buildings, in terms of what could be realised in the market if they were sold.

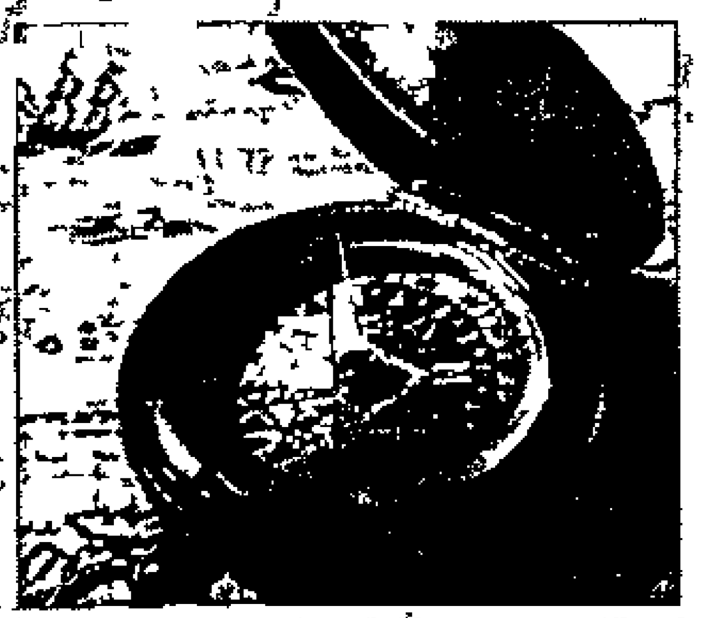
Upward trend

In Europe and the UK, the average drop in value had been between 20 and 25 percent, but in South Africa the trend had been to increase steadily the listed value of buildings in line with inflation.

Portfolio managers needed urgently to review this situation, he said.

Vontas said there was also a need for more disclosure by PUT and loan stock management companies.

Before committing themselves, investors needed to consider whether there was a definite investment strategy and record of sound asset management.



Heady stuff but beware

ST Times [Buss] 9/5/93

Dawie against copper merger

MINISTER of Public Enterprises Dawie de Villiers has endorsed the Competition Board's recommendation that the proposed R600-million merger between Copalcor and Non-Ferrous Metals be blocked A notice declaring the proposed merger unlawful will be published in the Government Gazette this week. The board opposed the merger on the grounds that it gave the two companies control of the copper scrap market

FUND WILL TRACK JSE SWINGS

CBUSS 9/5/93

A UNIT trust with a difference — the All-Share Index Fund — will be launched in July

S/Times

To be managed by FISC Investment Management with the backing of Prima Bank the fund will represent the mix of equities comprising the JSE all share index. Its fortunes should track the JSE s movements.

FISC founder Herman Steyn says the difference lies in the fact that futures contracts based on the all share index will be used to manage the fund subject to a restriction that only 2[illegible] of the underlying value of the unit trust may consist of futures.

Hugo Lambrechts, compiler of the University of Pretoria's Unit Trust Survey reports that management of an ind[illegible]x fund is relatively passive because it has only to present a mirror view of the underlying indices without the need for research based selection of better potential performers

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Although the fund may have to be rebalanced regularly to keep up with index changes the overall management costs should be lower than the 0 75% maximum

Mr Steyn says the fund will be targeted at small to medium pension funds whose individual administration costs are disproportionately high and at individuals.

More details will be available closer to the fund s launch

Dr Lambrechts notes Fortune magazine s comments about the 1990s being the decade of the equity index funds which have built up assets of \$16-billion since 1991

Fortune says few portfolio managers succeed in beating the index over 15 years or more.

According to Dr Lambrechts statistics eight SA funds have operated for 15 years or more

On a lump-sum investment, the all share index has returned 26,6% a year That from the funds ranges from a low of 22,3% to a high of 28,2% Six did worse and two better

On a level monthly investment the all share index has returned 19% topped by all the funds, the best being Guardbank s 25%

BUSINESS BRIEFS

S/Times (Buss) 9/5/93

Abakor listing delay

THE Abakor listing is unlikely to go ahead as planned this month because political turmoil has had an adverse effect on the market, says Eugene van Rensburg, chairman of the Policy Unit for the Privatisation of Public Enterprises

"A decision on the timing of the listing will be made within a week or two," says Mr van Rensburg (232)

The JSE has not received an application for the listing

The privatisation proposal has drawn criticism over claims that the slaughter industry has not been deregulated and Abakor's control of the market would be entrenched.

S Times [Buss] 9/5/92

Boost for oil services

SOUTH AFRICA'S fledgling offshore oil services industry has taken a leap with the formation of a venture between Pentow Marine and French-based Feronia International Shipping (Fish) (232)

Pentow is owned by Murray & Roberts and Safmarine Fish is a member of the CNN shipping line.

S/Times (Buss) 9/5/93

Chickens come home to roost as Rainbow misreads the market

(232)

By CHERILYN IRETON

RAINBOW Chickens' R77-million loss is the second largest reported by an industrial company this year, but stand-in managing director Neil Morris tips the chicken producer as a recovery stock

The blood that has flowed at Rainbow was to a large degree because of a misreading of the market. management was still in expansion mode while cheap imports were flooding the market

Rainbow, which was acquired by Rembrandt subsidiary HLH in 1989, was used to expanding at a rate of 9% a year But saturation of the white market and the effects of the recession on buying patterns caught management off guard

Neglected

"We took action at the half-year to cut production and to begin exports, but there was a flood of imports which we only picked up late," says Mr Morris

Mr Morris took over as acting chief executive at the beginning of the year and immediately switched the emphasis to sales and marketing, an area regarded as of secondary importance during the expansionary period

Mr Morris has installed a new sales director — he was with Hunt Leuchars & Hepburn (HL&H) subsidiary Robertsons — and has encouraged senior management to set up networks that will enable market changes to be detected quickly

"My major task now is to find a chief executive officer for the group," says Mr Morris

The country's chicken producers have formed an export organisation to remove the surplus capacity.

"Most producers are loathe to reduce production and cause any further unemployment," says Mr Morris.

But Rainbow, whose market share slipped from 50% to 46% — despite the liquidation of Delmas Chickens — has 25% spare capacity and should benefit from any upturn in consumer spending

Although white urban consumption of chicken has reached a peak of 31 kilograms a head a year, black metropolitan people eat only an estimated 14 kilograms of chicken each a year. Blacks in rural areas eat about nine kilograms a year Mr Morris estimates that as urbanisation increases, so will chicken consumption

Maize

Another factor which will help cost containment is a reduction of the maize price. Mr Morris is confident that a new government will see the need to allow cheap maize imports

"I can already notice a freeing of the system," he says

Rainbow's share price is at 210c — off its February low of 185c, but a long way from the high of 515c a year ago

Parent HL&H's earnings dropped 66% to R42-million

OK moves to stop the rot

SITimes (Buss) 9/5/93

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OK BAZAARS' yearend accounts are riddled with red ink, but signals from its Johannesburg headquarters are more positive than they have been in years.

The R45-million bottom-line loss reported by the retailer for the year to March is the sixth-largest shortfall posted by a listed industrial company in the past year and amounts to a R2 000 loss for every worker on OK's payroll.

Revamp

On the ladder of industrial losses OK is topped by Rusfurn (R77-million), Rainbow Chickens (R77-million), Cons Frame (R74-million), Unispin (R50-million) and Frame (R46-million)

In spite of this, and the message that it will be two to three years before the new executive team — headed by managing director Mervyn Serebro — expects a satisfactory turnaround, there is re-

By CHERILYN IRETON

lief among investors and consumers that at last something is being done to stop the decay

It is still too early to judge the revamped board — installed after managing director Gordon Hood announced his retirement in January — particularly since OK Stores still has the appearance of a chain out of touch with its consumers

Hyperama on the other hand is profitable, although its share of group sales and profit contribution remains secret.

Mr Serebro concedes that OK Stores has "strayed" and pivotal to the new board's revival plan is a strategic repositioning which will be announced soon

Under the microscope of the executive team are the range of goods carried by OK Stores, its prices, service and management.

Merchandise ranges are being ruthlessly rationalised

Mr Serebro says: "Our customers need to know that they can find a hammer and a screwdriver as well as a range of basic globes and plugs in our stores That doesn't mean we have to carry the entire specialist range of tools and hardware."

OK Stores has identified its market as the emerging nation, the middle- to lower-income groups being drawn into urban areas.

Brutal

The largest — and growing segment of sales in its 160 shops is still food.

Sales held above R5-billion for the year, but pressure on margins halved operating profit to R50-million. Extraordinary write-offs of R40-million did the most damage to shareholders and the final dividend was passed.

"We've been brutal with the write-offs — as painful as that has been — because we believe that is critical to our recovery process," says Mr Serebro.

"Despite initiating remedial action, which includes a R102-million reduction in stock, we are still not comfortable with the structure of our balance sheet. But by deranging and more aggressive stock management we have set in motion significant changes for a group that has traditionally increased its stock year after year"

The hair-raising interest bill of R124-million stems from debt of R703-million. This translates to gearing of R2,53 for every R1 of shareholders' funds. Mr Serebro says this will be whittled away by funds freed through reducing stocks. There are no plans to recapitalise.

In the meantime consolidation is the watchword, with no store openings or closures planned for the year

Mr Serebro has no illusions about the task facing management.

"Essentially we have to get back to retailing. We will resuscitate this business by giving customers what they want at prices they can afford."

Basil Read under pressure of Time

S/Times CBuss J 9/5/93

By TERRY BETTY

THE threatened collapse of Time Holdings and several subsidiaries could put pressure on construction company Basil Read

Basil Read is suing Time Developments for about R8-million for withholding payments on a development in Jan Smuts Avenue, Rosebank, says Timeprop developments managing director Colin Taylor

However, Mr Jarvis says the amount is much more than that

If it succeeds in its action, Basil Read will rank as a concurrent creditor for amounts not covered by payment guarantees, says Basil Read managing director Chris Jarvis

He says some payment guarantees are in place, but they do not cover the full amount owed

Timeprop is suing Basil Read for about R8-million in penalties for allegedly not completing the contract on time

This ~~is the key issue in dispute~~ 232

Months

The two parties have been involved in an acrimonious tussle since the beginning of the year

Mr Jarvis says that for several months Basil Read has been trying to bring the matter to arbitration as stipulated in the contract. He hopes that if Time goes into liquidation, the liquidators will speed up this process

Basil Read has been hit hard by the recession.

Mr Jarvis says the effect of the recession has been more pronounced on Basil Read than others in the sector because of its large property holdings and exposure to the housing market

Financial statistics seem to indicate that the company is undercapitalised

Republic Ratings, which was asked a few months ago by a financial institution to compile a report on Time Holdings and the construction industry, shows Basil Read to be in need of emergency surgery

Its key ratios are below industry norms — for the year to June 30, 1992, it had a debt:equity ratio of 203,9% and an operating profit margin of 0,1%, which Mr Jarvis says is closer to 1%.

Republic's figures also highlight the extent of the company's negative operating cash flow of more than R40-million last year. This probably accounts for the high finance charges.

Discount

In the year to June 30, 1992, Basil Read showed an attributable loss of R9,1-million For the six months to December 1992 there was a loss of R14,9-million which includes a R9,5-million provision for write-down of property values

At 60c, Basil Read's share price is trading at a 79% discount to net asset value

But a rescue could be mounted by French multinational Bouygues

Bouygues, one of the largest construction firms in Europe, acquired a 25,9% stake in Basil Read in February and is said to be considering taking more

Analysts say Bougues is unlikely to allow Basil Read to fold

Basil Read said at the beginning of May that negotiations should be completed by the end of the month

ISG gets the mix right and raises its operating income

S/Times (Buss) 9/5/93

A QUARTER of the way through the expected two-year restructuring of ISG, chief executive Brian Mehl is pleased with the way things are going

(232)

In the six months to March 1993 the marketer and distributor of IBM and other products raised operating income by 19% to R37-million on a 9% rise in sales to R548-million.

Cash-flush ISG unfortunately suffered from a drop in interest rates, but won on the lower corporate tax bill, allowing it to raise earnings a share by 1,5c to 17,2c and hold the dividend at 8,5c

ISG has spent R4,6-million of the R20-million set aside last year for its corporate restructure into 25 business units

Mr Mehl says ISG had the right people all the time; now they are running their own divisions and the results endorse the confidence placed in them

"Obviously, there has not been a 100% success rate But we are on track with our projections," says Mr Mehl

Combination

"Before the restructure, I used to tell customers they were getting the service of 1 500 staff members But when I look back, I see that was not the case Clients only ever dealt with one team and did not always get the benefit of the group's expertise.

"Our best skills are being channelled into the biggest operations where they are most needed There is a focusing combination of small-business mentality with big corporate backing."

Mr Mehl says feedback from customers is positive and ISG's own systems are moving into place

"I don't want to give the impression that everything is absolutely hunky-dory here. But can you see that I'm looking more relaxed than I did six months ago?"

The share price was 190c then It is now 300c — that must be a relief in itself Mr Mehl expects the growth trend to continue in the second half of the year It is hoped to lift the dividend from last year's 22c, in which case the forward yield looks attractive at more than 7,5%

DIAGONAL STREET

Ideas make Datakor run

S/Times [Buss] 9/5/93

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DATAKOR chairman and chief executive Nic Frangos makes a simple yet telling contrast of the problems facing his industry when compared with others.

"When someone upgrades to a bigger car the cost is higher, the car does more and the margin for the dealer is greater

"But when they upgrade a computer, the new one costs far less, does much more and the margin is halved"

The ability to deal with this kind of problem has sorted many men from the boys in the computer business

Mr Frangos says "The barriers to entry in our business are falling and mavericks are inevitable."

By the same token, buyers ought to be more aware of the risks A good reputation is not built overnight

At the heart of Datakor's 32 operating units lies Unidata, arising from the Unisys acquisition by Mr Frangos' Mercedes Datakor in 1988

"Not only did we immediately split Unisys from being a command-control monolith into 16 operating business units, we merged it with Mercedes Datakor's operations

"We have achieved spectacular results. We believe in decentralised management and have put in much effort to train people down the line

A former sales manager who now heads a division needs to know about costs as well as revenue"

The upside is that instead of a handful of ideas going down the organisation from the top, many surface from the ranks

For example, one idea was the venture between Datakor and First National Bank to pay 400 000 rural pensioners through a biometric reader — an automatic teller machine that reads a thumbprint. It takes about 60 seconds to pay out.

"Pension day is like a fun day now instead of a two-day trial," says Mr Frangos

Not every idea is a winner Datakor spent R45-million on strategic development in the year to March 1992, but wrote off R25-million of it.

"The acquisition of Cortech cost us about three times what we expected But it has brought us a substantial contract with the Weather Bureau."

Will it improve the television weather forecasts?

"That's the whole intention In America, the forecasts are amazingly accurate for up to five days ahead because they interpret all the input data properly."

Another Datakor star is software division Compusons, which distributes the products of international giant Computer Associates

Mr Frangos says the key to staying ahead is to anticipate customers' needs "You also need great products"

The tough economic climate and the high earnings base limited the climb in Datakor's attributable income to 12% It made R40-million from turnover of R679-million The group had net current assets of well over R100-million at March 31, almost half in cash

The shares at 290c — more than treble the net asset value — are a rand below their February peak, on 10 times historic earnings

If Mr Frangos' expectations of improved profits are achieved, there is much potential at this price

NIC FRANGOS: Pension day now a fun day

Tax benefits not included in Nedcor income

S/Times (Buss) 9/5/93

By Julie Walker

NEDCOR elected not to take any of the benefits accruing from the change in corporate tax on its deferred tax provisions in the six months to March 1993.

This is in contrast to a rival which took the net benefit into the income statement last week.

Nedcor chief executive Chris Liebenberg says a substantial part of the benefit has been factored into the pricing of client deals.

A portion of the reduction represents a spreading of future benefits on the transactions and will be dealt with over the life of the deals.

So, rather surprisingly, Nedcor's tax rate edged up 2% to R167-million out of pre-tax profit of R401-million.

Mr Liebenberg says that tax is an expense that requires management. Splitting out the 21% rise in transactional taxes, Nedcor's statutory tax actually declined.

(232)

The bulk of the R234-million net income came from Nedcor Bank (Nedbank, Nedfin, Perm and Finansbank), at R190-million. UAL continued strongly and Syfrets and Cape of Good Hope Bank both chipped in R9-million.

Non-interest income was R574-million, 22% above 1992 and about 40% of the total income. Mr Liebenberg hopes the proportion of non-interest income will climb in future as it is still short of the long-term strategic target.

The rate of increase in expenses was contained at 15%, and comprised a favourable 64% of income. "Top banks are in the early 60%s," says Mr Liebenberg.

Nedbank managing director Richard Laubscher says the group successfully put in new technology at the client interface, and attention is now on networking and mainframes. Provisions are already being made against costs.

Nedcor will retain cash by making a capitalisation issue of 1,16 shares a 100 at R21,50 — about a 10% discount to the current share price of R23,75. Members declining may accept 25c cash — well up on last year's interim but aimed at restoring the distribution ratio.

Small change going

S/Times (Buss) 9/5/93

NAMIBIA will not mint 1c and 2c coins when it introduces its own currency in October. Sweden will mint R1,8-billion worth of Namibia dollars and pay R9-million of the R13-million bill.

There will be three notes $100, $50 and $10. Coins will be for $5, $1, 50c, 20c 10c and 5c. A reason for the policy is the possibility that Namibia will leave the SA common monetary area and dismantle exchange control.

The Commercial Bank of Namibia says SA's new 1c and 2c coins require the use of a magnifying glass to establish their value.

What value?

Insolvency nightmare recedes

S Times L Bus 9/5/93

THE worst may be over when it comes to liquidations and insolvencies, latest statistics indicate

Civil debt shrank from R576-million in January and February 1992 to R493-million in the same months this year Insolvencies are also down 7,9% for the period (232)

First quarter company liquidations are 4,1% higher than that of last year. But Credit Guarantee senior economist Luke Doig points out they were particularly high, at 290, in March 1992, a factor that distorts comparisons

He adds that the number of forced liquidations, as a percentage of total liquidations, has eased from 90% in 1992 to 86% in the first quarter of 1993

Time provisionally wound up

BDAY 10/5/93

SUSAN RUSSELL

TIME Holdings was provisionally wound up in the Rand Supreme Court on Friday, soon after obtaining liquidation orders against three subsidiaries

The Time group applied for provisional liquidation early last week, but withdrew the matter after the judge expressed concern that the application, brought by its directors, was not supported by a shareholder or creditor

Time was granted provisional winding up orders against subsidiaries Time Property Developments R McCarthy and Time Housing late on Thursday

An application for the provisional winding up of Time Holdings was brought by Time Consolidated Investments on Friday

Time Holdings CE Colin Hibbert blamed the group's situation on financial institutions' withdrawal from the mass housing market and on R5m unexpected damages arising from an unresolved dispute with Basil Read

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Hibbert said in spite of the demand for housing built by Time, prospective purchasers were unable to obtain mortage finance

As a result, Time found itself having to service about R10m interest a year on borrowings without having the requisite sales to finance this

Hibbert said the dispute with Basil Read over timeous completion of a project in Rosebank had left the group having to finance unforeseen damages of more than R5m until the dispute could be resolved in arbitration

Time's bankers had refused to advance the group bridging finance until the damages could be recovered from Basil Read, Hibbert said

ANC concerned about farm exodus

RAY HARTLEY

THE ANC was concerned about a potential flight of agriculture skills as white farmers became increasingly worried about their security, ANC agriculture official Derek Hanekom said at the weekend

He said farmers seemed to be staying put for the moment, but a marked increase in inquiries by farmers considering selling up and leaving SA had been reported

He admitted that ANC youth league official Peter Mokaba's "kill the farmer" slogan had made it more difficult for the ANC to address misconceptions about the organisation's future agricultural policy with farmers

BDAY 10/5/93

A spokesman for a western Cape estate agency dealing in agricultural property said farmers from elsewhere in SA were showing growing interest in wine and fruit farms in the area because they were not the target of violence

Transvaal and Natal farmers were, however, struggling to sell their properties at reasonable prices, indicating a declining interest in agriculture in those areas

ADRIAN HADLAND reports that Transvaal Agricultural Union president Dries Bruwer said farmers would not be intimidated into leaving their land

The meeting of farmers in Potchefstroom last week demonstrated a new spirit among the farming community underlying their determination to defend their properties and livelihood, Bruwer said While some farmers had left SA and headed for Zambia, this had been for economic and not political or security reasons

Umkhonto free to train in SA — govt

RAY HARTLEY

GOVERNMENT would not oppose the training of Umkhonto we Sizwe members within SA borders provided no laws were broken, Law and Order spokesman Capt Craig Kotze said at the weekend.

BDAY 10/5/93

Umkhonto would be free to do the same kind of training presently undertaken by organisations such as the Afrikaner Weerstandsbeweging.

Government would, however, oppose any efforts to "usurp the functions of the police and SADF", he said.

Commenting on a report that the ANC had struck a deal with government allowing it to train its military wing inside SA, Kotze said he was unaware of an agreement on the matter, but Umkhonto training in drilling and marching was "within the letter of the law"

ANC spokesman Carl Niehaus said the issue had been discussed in meetings with government, but cautioned that negotiations were not at a point where a firm deal had been concluded on the matter.

He said security matters would probably be the last area where agreement was reached because of their centrality to the balance of political power.

Government and ANC negotiators reportedly reached the compromise in discussions about a special national peacekeeping force to police violence-ridden areas once a transitional executive council came into being.

Foreign investors buoy JSE turnover

BDay 10/5/93.

232

MATTHEW CURTIN

AS GOLD hit a nine-month high of $357,50 on Friday it emerged that foreign investors had made net purchases of SA equities worth nearly R1bn in the past two weeks

The surging gold price and weak finrand have induced huge foreign investment in local gold shares and record turnover on the JSE. Exchange figures show foreign transactions amounted to net investment of R613m in the last week of April

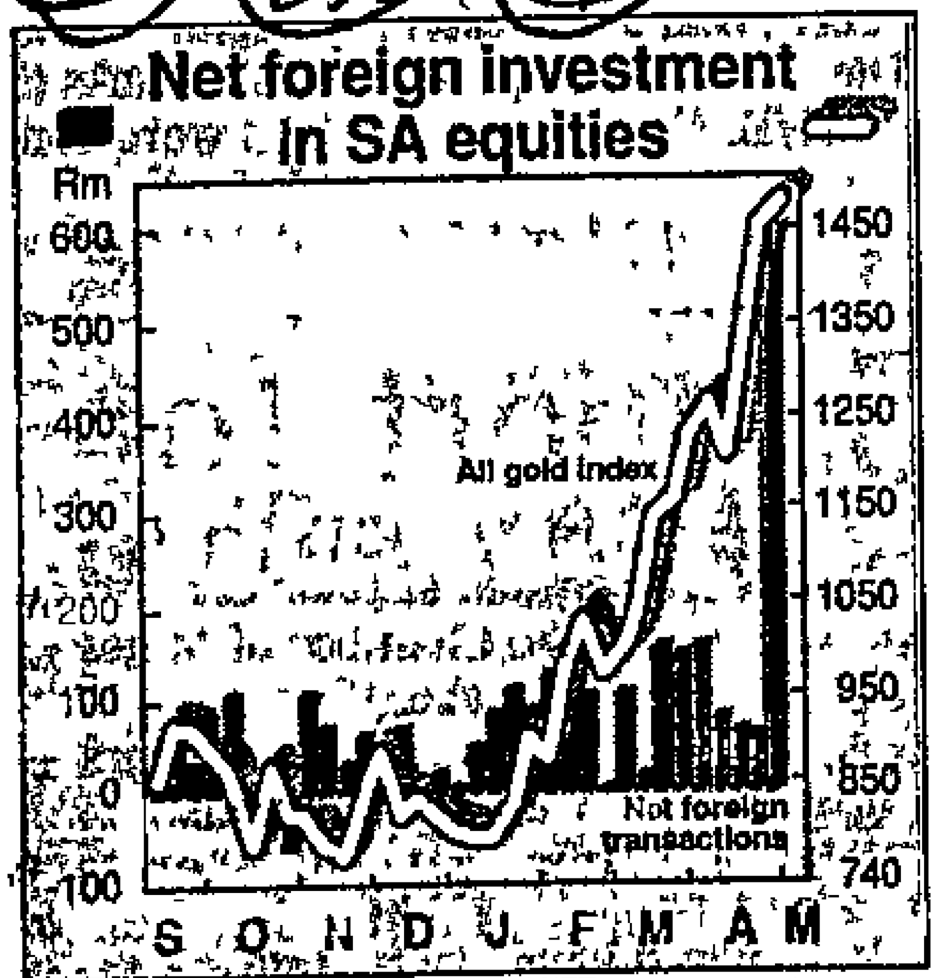
Figures for last week are not yet available, but dealers said foreign activity remained high, although slightly below the feverish activity which followed the previous week's news that billionaire George Soros had invested $400m in the US gold mining sector.

The spate of foreign investment compares with average net disinvestment from the share market of R9m a week in 1992 and R78m a week in 1991

The all gold index moved back towards last week's highs of more than 1 500, buoyed by the firming bullion prices. The index gained eight points to close at 1 483 as gold prices recovered their upward momentum on Friday

Foreign share buying has pushed the value of shares traded on the JSE to new records, with shares worth R1,6bn changing hands in the past two weeks.

The interest in equities has been accompanied by good buying of gilts, with net



Graphic RUBY GAY MARTIN Source I-NET

foreign transactions in the bond market passing the R50m mark in the second half of April.

Foreign purchases of SA shares have outweighed sales for four consecutive quarters. That compares with regular quarterly disinvestment by foreigners since 1986, the sole exception being the third quarter of 1988

However, the higher figures reflect to some degree the double accounting on foreign transactions which the JSE introduced last year to monitor all trades. If shares are bought by arbitrage dealers from London and sold on the JSE, the deal is counted as two trades

Star 10/5/93

Langeberg maintains its dividend

Finance Staff

232

Hard hit by depressed trading conditions both locally and overseas, earnings at Tiger Oats' food processing subsidiary Langeberg dropped 14,3 percent in the six months to end-March.

Despite the fall in earnings per share to 18,8c (21,9c) the group has maintained its interim dividend at 5c.

Turnover during the six months improved by 5,2 percent to R360,5 million (R342,7 million), but operating profits fell 11 percent to R37,2 million (R41,8 million).

Langeberg says the effects on trading as a result of the continuing economic recession were aggravated by increased competition due to the weak export market.

While the pineapple division failed to improve on its previous loss, the deciduous division showed real growth in earnings.

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Looking ahead, the directors say they expect a further weakening of both the domestic and overseas markets but the extent of the decline in earnings will be determined by efforts to reduce overheads and the sale of shipments of available stock.

The company raised its borrowings from R74,4 million to R101,7 million, but maintained gearing at 32 percent

Star 10/5/93

RMP gets Barlow properties

By Sven Lünsche

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Barlow Rand has consolidated its property interest into Rand Mines Property (RMP) in a deal valued at close to R100 million.

In terms of the transaction RMP will pay Barlow Rand R71,5 million in cash for its 78 percent holding in Barlow Rand Properties (Barprop) with effect from April 1

RMP will further issue 3,2 million shares, valued at R24,5 million, to Barlow Rand, which, in turn, will distribute them to minority shareholder so they will maintain their percentage shareholding in RMP.

Barlows' stake in RMP is expected to be maintained at about 56 percent.

Commenting on the deal, RMP says it paid slightly more than the listed price for Barprop after evaluating the Barprop portfolio

While the acquisition dilutes earnings by 2,5 percent when compared with 1992 profits, RMP forecasts a small positive effect on earnings for the year to end-September 1993.

RMP chief executive and Barprop chairman Colin Steyn says RMP raised the bulk of the R71 million cash payment through the realisation of its existing portfolio of investment properties.

Outlining the advantages of the deal he says "RMP now becomes an even bigger property group with two key arms — land development through RMP and property investment through Barprop."

Its London listing is to be cancelled

Star 10/5/93

Refocus at Fraser Alex

By Stephen Cranston

Fraser Alexander has sold a 75 percent interest in its contract mining operation to management as part of a refocusing exercise to concentrate group efforts and resources on its core businesses

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The operation, previously part of the mining division, undertakes underground mining, tracklaying and shaftsinking on a contract basis. It will trade under the name Econotrack

Chairman Peter Flack says "Our peripheral activities have been under review in the light of the strategic necessity to build up our core operations

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"While contract mining is an essentially sound business, it is not in the mainstream of our environment-driven core divisions and as such does not fit into our long-term plans"

Flack says the retained interest in Econotrack is evidence of the group's confidence in the business and the ability of management.

Liquidations 4 pc up in first quarter

Star 10/5/93

By Sven Lünsche

232

Central Statistical Service (CSS) figures show a continued rise in both insolvencies and liquidations in the first quarter this year.

Recently released CSS figures show that company liquidations in the first quarter of this year totalled 683 — 4,1 percent up on the same period in 1992.

Insolvencies for the first three months were up by 3,3 percent to 1 004 compared with last year.

The total value of civil debt judgments in the first two months of the year, however, declined from R576 million in 1992 to R493 million.

The share of civil debt judgments against individuals fell from R511 million to R422 million, but rose against companies from R65 million to R71 million.

Credit Guarantee economist Luke Doig says the figures appear to indicate that the peak of the recession, as reflected in debt judgments may have been reached.

"Our experience indicates, however, that the worst is not necessarily past and that we have rather reached a plateau in these figures," he says.

Doig adds that the lagged but positive effect of the four interest cuts over the past 15 months, taken with the suggestion of another, should offer some respite as the year progresses.

Breakdown

He also provides a sectoral breakdown of the number of liquidations since the start of the current recession in mid-1989.

The share of the financial services sector as a percentage of total liquidations has fallen from 40 to 25 percent.

The share of manufacturing, however, has increased from 12 to 18 percent and wholesaling and retailing from 30 to 39 percent.

Lion's share of Columbus capex for local firms

Star 10/5/93

Finance Staff

Almost 65 percent of the capital spent on the Columbus stainless steel project will be awarded to local contractors, says chief executive Fred Boshoff.

Responding to criticism that major contracts valued at R1,8 billion had gone to offshore contractors, Boshoff said at the weekend that South African firms "simply do not have the expertise to provide these units on a performance-guaranteed basis".

This was recognised by local firms, none of whom had tendered for these specific contracts.

Boshoff added, however, that overseas contractors had been asked to use local resources wherever possible.

"We estimate that at least R230 million of the R1,8 billion awarded to foreign suppliers, will be placed locally in a subcontracting capacity," he said.

South African companies would take the lead in the remaining 187 orders and contracts that were still to be awarded, he said.

To date, more than R260 million in contracts had been awarded to local business, Boshoff said.

Star 10/5/93

Langeberg maintains its dividend

Finance Staff

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Turnover during the six months improved by 5,2 percent to R360,5 million (R342,7 million), but operating profits fell 11 percent to R37,2 million (R41,8 million).

Langeberg says the effects on trading as a result of the continuing economic recession were aggravated by increased competition due to the weak export market.

While the pineapple division failed to improve on its previous loss, the deciduous division showed real growth in earnings.

Looking ahead, the directors say they expect a further weakening of both the domestic and overseas markets but the extent of the decline in earnings will be determined by efforts to reduce overheads and the sale of shipments of available stock

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Star 10/5/93

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By Stephen Cranston

Fraser Alexander has sold a 75 percent interest in its contract mining operation to management as part of a refocusing exercise to concentrate group efforts and resources on its core businesses

The operation, previously part of the mining division, undertakes underground mining, tracklaying and shaftsinking on a contract basis. It will trade under the name Econotrack.

Chairman Peter Flack says "Our peripheral activities have been under review in the light of the strategic necessity to build up our core operations.

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Finance Staff (232)

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Amgold lifts total dividend

Star 11/5/93

Finance Staff ~~244~~

Anglo American Gold (Amgold), the investment holding company of Anglo's gold mines, increased its total dividend for the year to end-March by 5,1 percent to R~~10,25 (1991/2·~~ 975c) a share (232)

This follows on ~~an~~ unchanged final dividend declaration of 500c.

The improved dividend payment reflects a 6,1 percent rise in investment income from R219,9 million to R233,4 million as a result of higher dividends paid by Amgold's subsidiaries.

Provision

Interest earned, after administration expenses, declined to R54,3 million (R63,1 million), although there was a R15,4 million surplus on sale of investments during the year

Prospecting costs increased by R1,9 million to R35 million and provision against investments and loans was increased from R10 million to R15 million.

That left net income 5,1 percent higher at R247,6 million (R235,5 million), which was distributed to shareholders.

The directors' valuations of listed and unlisted investments, including loans (at market value), show an increase of 5,4 percent to R5,37 billion (R5,09 billion)

Amgold's net asset value at the end of March rose by 5,1 percent to R5,73 billion (R5,45 billion), equivalent to R237,31 (R225,85) a share.

Foreign operations help PGSI to 45% earnings increase

Star 11/5/93

(R43)

By Stephen Cranston (232)

A turnaround in its international holding company Belron has enabled Plate Glass and Shatterprufe Industries (PGSI) to report a 45 percent increase in earnings per share to 304c in the year to March. The dividend is maintained at 150c

Operating profit increased from R212 million to R270 million and finance costs increased from R25,7 million to R32,8 million.

Because of the buy-out of minorities in Glass SA and PG Bison, earnings attributable to minorities plunged from R59 million to R3 milliom.

But the issue of 13,5 million preference shares increased dividends from R9,5 million to R39 million.

Attributable income, however, more than doubled from R34,6 million to R79,1 million

Chairman Ronnie Lubner says earnings in the second half were 168c a share, up 20 percent on the first half.

The local operations encountered an extremely difficult trading environment for the full year.

Cheap imports

Demand for building glass fell by nine percent as there was competition from cheap imports in the first half.

In the second half, however, temporary duties were imposed, which effectively curbed these imports.

Demand for automotive glass for vehicle manufacturers was down six percent and the normally resilient replacement glass market also declined

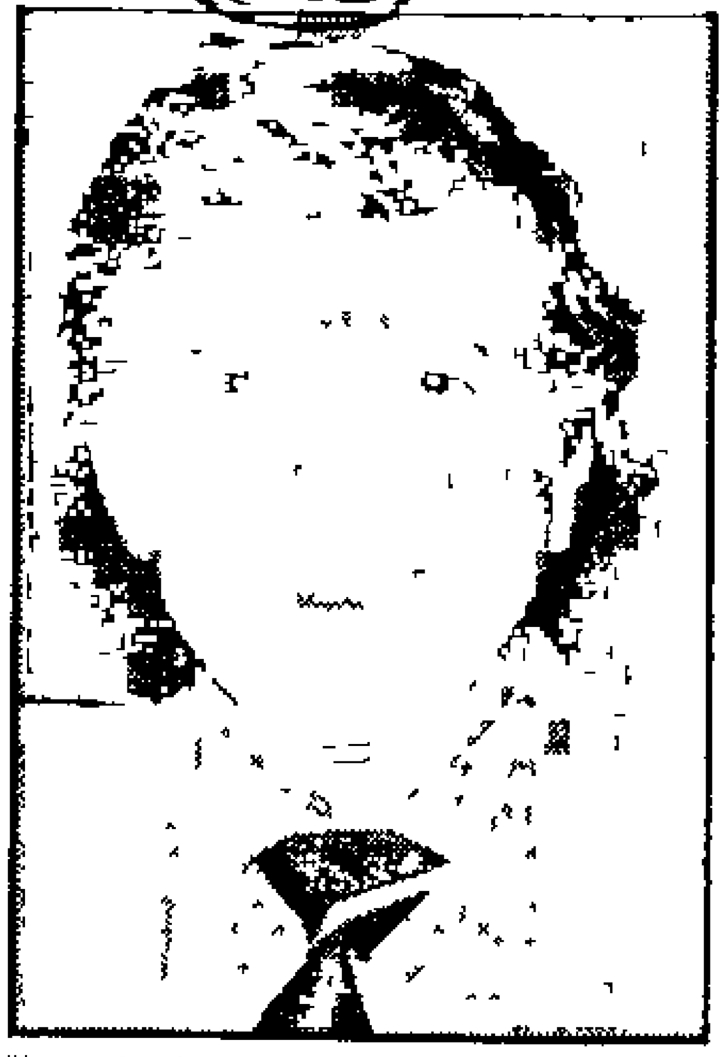
Glass SA was nevertheless able to minimise the adverse impact on profits by cost-cutting and increased exports, but profits fell

PGSI financial director Mike Read says a lot of the benefits of the present cost-cutting will come through this year.

The furniture and building industries were also in decline and volume sales of PG Bison's board products fell by six percent and of its laminate products by eight percent.

There was some reduction in overheads, but this was not enough to offset the reduced activity and so its profits declined

The star performer for the year was the UK-based Autoglass operation, which saw its profits boosted in the last quarter by



Ronnie Lubner . . . local operations had difficult trading year

the introduction of windscreen inspection as part of the vehicle roadworthy test.

Lubner says this reinforces the group's confidence in further growth for the year ahead.

The Benelux operation is already profitable and in the rest of Europe, including France, Germany, Italy and Portugal, the development process continues and increased market share resulted in a reduction of losses.

In the US there was growth in sales and market share. With overheads below those of prior years, there was a significant decrease in losses

In the fourth quarter the Australian operations were separated to concentrate more effectively on the automotive and building glass replacement markets.

Disappointing

Lubner says performance since then has been encouraging, but results for the full year were disappointing

PGSI's borrowings increased by R88 million to R231 million and gearing from 40 percent to 62 percent to fund working-capital requirements and the restructuring costs.

Lubner says that the results in the fourth quarter and early trends in the new year indicate a continuing improvement in Belron International.

The unsettled political environment and severely depressed trading conditions locally make it difficult to forecast a turnaround for the domestic operations

But PGSI has spare capacity to cater for any upturn locally and still has recovery opportunities internationally.

Star 1/6/93

Investec earns more, pays more

By Stephen Cranston

(232)

Investec Bank has reported a 24 percent increase in earnings per share to 188,3c in the year to March.

The dividend, 2,1 times covered by earnings, has been raised 29 percent to 90c

This was achieved despite a 57 percent increase in bad debt provision to R30 million.

Chairman Bas Kardol says there was a tightening demand for credit, higher bad debt levels, reduced imports and the continuing deferral of capital expenditure decisions.

Higher interest margins, the acquisition of Allied Trust Bank from Barclays Plc and organic growth in interest earning-assets pushed net interest income up 63 percent to R172 million

There was a 30 percent growth in other income, mainly because of an improved performance from treasury and trading activities, which pushed total income up 46 percent to R270 million.

Operating income, which has been disclosed separately for the first time, accounted for 60 percent of total income, down from 65 percent in the previous year.

The acquisition of Allied Trust Bank (ATB) increased offshore income to 41 percent of the total.

Investec will continue to grow ATB's private client deposit base and will introduce new activities to support international operations, such as corporate finance and project finance and additional treasury activities.

Assets rose by R1,73 billion to R5,60 billion, mainly due to the ATB acquisition. Assets under management increased by 11,1 percent to R10,1 billion.

Certain under-performing areas were substantially rationalised. The group has moved out of residential property management.

Investec is well-capitalised, with a risk-weighted capital-to-assets ratio of 14,3 percent, compared with the eight percent required by the Banks Act in 1995.

Rand Mines earns less, pays same

Star 12/5/93

232

By Stephen Cranston

Profits from Rand Mines, which holds the controlling interest in Randcoal, slumped from 510c to 455c a share in the six months to March. The interim dividend is unchanged at 100c.

Rand Mines says 1993 profits will be considerably lower than those achieved in 1992, and that the final dividend will reflect this.

Although profits from Eskom-tied collieries are expected to remain stable, prices received for coal exported to Europe and the Far East will be substantially lower in the second half.

Operating profit fell by 15 percent to R101,1 million, mainly as a result of reduced margins on exports.

Interest payments fell by R22 million to R16,3 million as a result of lower bank borrowings and reduced interest rates

Inland sales were 13 percent lower because of weaker demand and fierce competition.

Demand from Eskom grew at Kendal power station, but the severe drought and water shortage in the Witbank area forced Duvha power station to operate below capacity for part of the period.

Capital expenditure for the six months was R118,7 million and capex for the remainder of the year will be R173,2 million.

Non-mining interests to be shed

Gencor to proceed with unbundling

BDAY 12/5/93. 232

MATTHEW CURTIN

GENCOR has given the green light to plans to unbundle its non-mining assets in the biggest shake-up in SA corporate history for years.

Chairman Brian Gilbertson said yesterday the mining house would distribute shares in its non-mining operating subsidiaries to shareholders in a single "big bang" transaction.

At the same time, Gencor's holding company Gencor Beherend, whose only asset is a 54% stake in the mining house, would pass its shares on to shareholders before being liquidated.

Sanlam, through its industrial arm Sankorp, and Rembrandt would lose direct control of Gencor and its subsidiaries, but would retain effective control of the new-look companies. Both parties would reduce their holding from a direct 50% to an effective 30% or more Control would be exercised through a single voting pool, and excess shares placed on the market.

Gencor was likely to distribute its shares through a special dividend, passing its stakes in Genbel, Engen, Malbak/Malhold and Sappi to its shareholders

The exercise would take place in September, the start of the 1994 financial year, once enabling legislation proposed in this year's Budget was promulgated in Parliament.

Gilbertson said the driving force behind unbundling was the group's determinaton to release the full value of Gencor's underlying assets.

The group's stock had consistently traded at a 20% discount to the net asset value of its operating subsidiaries.

Unbundling would enhance the value of the non-mining assets and "in time" would narrow the discount at which the streamlined Gencor — effectively a listed version of mining division Genmin containing the group's gold, platinum, coal, steel and other minerals interests — would trade to its net asset value.

The move would also improve the tradeability of the shares of companies in the Gencor fold.

Gilbertson said without the comfort of earnings from Malbak's industrial interests or Engen's fuel businesses, Gencor would have to be "more nimble-footed" in operating businesses so closely tied to commodities markets.

He said the intense internal debate about whether to proceed with unbundling had raised critical issues outside of the immediate task of unlocking shareholder value.

First, conglomerate structures were increasingly regarded as inefficient by investors worldwide.

"If the present Gencor did not already exist, no one would dream of joining Engen, Genbel, Malbak, Sappi and the mining businesses intc a single conglomerate," he said.

Second, unbundling brought Gencor in line with investor and public aversion to concentrations of power and control structures in business.

In addition, concern that the likes of

☐ To Page 2

Gencor

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☐ From Page 1

Sappi and Malbak would be weaker without links to a mining financial house ran against the clear financial solidity of those companies.

He said Gencor was confident it would retain "the critical mass" necessary to undertake major resource projects, particularly as it planned to use the opportunity of unbundling to raise another R1bn through the placing of excess Sanlam/Rembrandt shares on the market. The close links with these shareholders, which had enabled the group to take on projects of the size of the R7,2bn Alusaf smelter. expansion and R3,5bn Columbus stainless steel venture, would remain.

● See Page 8

Gencor reshuffle 'by September'

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CT 12/5/93

Deputy Business Editor

THE unbundling of Gencor represented a major corporate finance exercise which was expected to be completed by the start of the new financial year on September 1, according to chairman Brian Gilbertson.

Although shedding its non-mining interests, Gencor would stay with the existing assets of Genmin. While the name Gencor would be retained, it would effectively become a listed version of the currently unlisted Genmin

Gencor Beherend, the controlling pyramid which has nothing but a 54% stake in Gencor, will in effect pass its shares in the underlying companies on to its shareholders and then be liquidated

Gilbertson said in terms of the restructuring, Gencor would probably, through a dividend in specie, effectively pass its shares in Sappi, Malhold, Genbel and Engen on to its own shareholders in proportions which still have to be agreed.

"There are sound business reasons for the reshuffle. It is expected to add shareholder wealth by reducing the discount to net assets at which Gencor has traded for years. This discount is currently R3,8bn or 19%."

In addition, he said, the marketability of the shares of all the affected companies will improve substantially.

"Instead of owning 50% to 60% of these companies, Sankorp and Rembrandts' holding will decline to 35% and the rest of the shares will be on the market"

Mr Gilbertson said unbundling would give shareholders in Gencor greater focus and flexibility. Instead of being invested in a basket of unrelated interests, shareholders would end up with direct investments in focused companies.

"These companies are major businesses in their own right, well established in their industries, well financed and well managed."

Star 12/5/93

Gencor in R8 bn unbundling

(230)

By Stephen Cranston

Mining giant Gencor is to break up its assets of R20 billion into five independent companies.

Shareholders in Gencor's four non-mining subsidiaries, together worth R8 billion, will be rewarded because the group's holdings will be distributed to shareholders free.

The subsidiaries are energy group Engen, paper and pulp producer Sappi, industrial holding company Malbak and investment group Genbel.

Gencor chairman Brian Gilberson said yesterday these groups already operated as independent businesses.

"Their chief executives are unanimous that the chickens no longer need the mother hen," he said.

The unbundling will be completed by September 1.

The shareholding of Gencor's two major shareholders, Sanlam and Rembrandt, will fall from between 50 to 60 percent to 35 percent of the affected groups.

Although the scale of Gencor's unbundling is unprecedented in South Africa, the group is following a worldwide trend for conglomerates to dispose of peripheral businesses to focus on core activities.

However, its main rival, Anglo American, has been lukewarm on the topic.

Last year, deputy chairman Graham Boustred said South Africa needed more, not fewer, Anglos to carry out major capital projects.

ANC mineral and energy affairs spokesman Paul Jordan said the ANC favoured unbundling as it led to a deconcentration of power.

And ANC president Nelson Mandela said in London last week there could be no free market in shares if 75 percent of shares were owned by four groups — Anglo American, Sanlam, Old Mutual and Rembrandt.

The number of shares which will trade in the unbundled companies will increase considerably, and this usually lifts their value.

● Gencor in talks with Shell – Page 19

Gencor sets sights on worldwide expansion

Star 12/5/93

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By Stephen Cranston

Gencor has opened negotiations with Royal Dutch/Shell and its mineral resources company Billiton to acquire a worldwide portfolio of metal and mining assets.

Yesterday's announcement contributed to the 20c increase in the Gencor share price to R11,95

In contrast to Anglo American, Gencor's international mining interests are low-key, although it has active exploration projects on most continents.

Its most notable offshore asset is a pair of gold mines in Turkey.

Chairman Brian Gilbertson says acquisitions are being considered as far afield as Surinam, Australia, Brazil, Canada, Colombia and Ireland

The negotiations would also include the Collahuasi copper project in Chile and a marketing and trading company in Holland, which has a global office network.

Gilbertson says if the negotiations are successful, "we plan to create a publicly quoted international natural resources company, which will be floated when the timing is right".

Brian Gilbertson . . . we plan to create a publicly quoted international natural resources company

He says the group will also consider contributing other assets, including its international assets, particularly its interests in Consolidated Rutile in Australia and Sao Bento in Brazil.

But, Gilbertson stresses, discussions are at a very early stage

Gencor hopes to take the businesses on as going concerns because it does not have the management structures in place offshore to handle major acquisitions

The potential price of the acquisitions remains undisclosed, but Gencor says it plans to finance them by way of non-strategic assets held offshore and through offshore borrowings

The restrictions on the use of the financial rand for offshore acquisitions make the use of funds sourced from South Africa impractical.

Gencor has considered including possibly one major local asset in the transaction, and hopes to attract one or more equity participants or financial institutions to the venture, says Gilbertson.

A mining house analyst says the venture shows that Gencor is still large enough to consider major acquisitions, even after unbundling a large part of its assets to shareholders.

But there could be problems finding equity partners in mining ventures because the short-term outlook for commodities is bleak.

Billiton's earnings plunged from $262 million in 1989 to $12 million in 1991.

Just as Gencor is moving out of the energy field through the sale of Engen, Shell is planning to concentrate more on its core energy business by reducing its exposure to mining. BP sold its entire mineral portfolio to Rio Tinto Zinc in 1989.

Companies identified for the acquisition are gold mining operations Boddington in Australia, Bogusu in Ghana and Lerokis in Indonesia; alumina/aluminium operations Worsley in Australia, Alumar and Valesul in Brazil, Paranam in Surinam and Aughinish in Ireland; lead/zinc operations Cadjebut in Australia and Pering in South Africa; the Cerro Matoso Nickel operation in Colombia and the Selbaie copper/zinc operation in Canada.

Star 12/5/93

CNA Gallo holds steady course

(232)

By Leigh Roberts

CNA Gallo has managed to maintain earnings, despite another year of depressed consumer spending.

Attributable earnings were R53,5 million (R53,1 million) for the year to March.

The directors are satisfied with the results, given the state of the economy and the group's sensitivity to discretionary spending.

Earnings a share of 161c (161c) were achieved, with a final dividend of 54c being declared, bringing the annual payout to 67c (67c).

MD Dennis Cuzen says the group performed better in the second half, thanks to emphasis on margins, cost containment and good shrinkage control.

Turnover, on a comparable basis, rose about six percent, with an overall increase of 15 percent to R967 million after the inclusion of Nu Metro, which was previously equity-accounted. During the year CNA Gallo acquired the other half of Nu Metro.

The acquisition caused interest costs to rise R3,4 million to nearly R12 million.

The tax charge was held steady at R33 million, with the group bearing the higher rate of 48 percent because of its March year-end.

The extra 15 percent tax on dividends (STC) will not be paid this year, as input credits have been received from subsidiaries' dividends.

A feature of the income statement is the R4,5 million extraordinary loss, relating to CNA Gallo's share of the extraordinary write-offs of associates Waltons and Silveray.

The loss arises from the associated companies' acceptance of the Receiver's settlement offer on the film partnership agreements.

The balance sheet reflects a R40 million write-off against shareholders' funds, being goodwill on the acquisition of Nu Metro. It caused net asset value to fall from 592c to 543c a share.

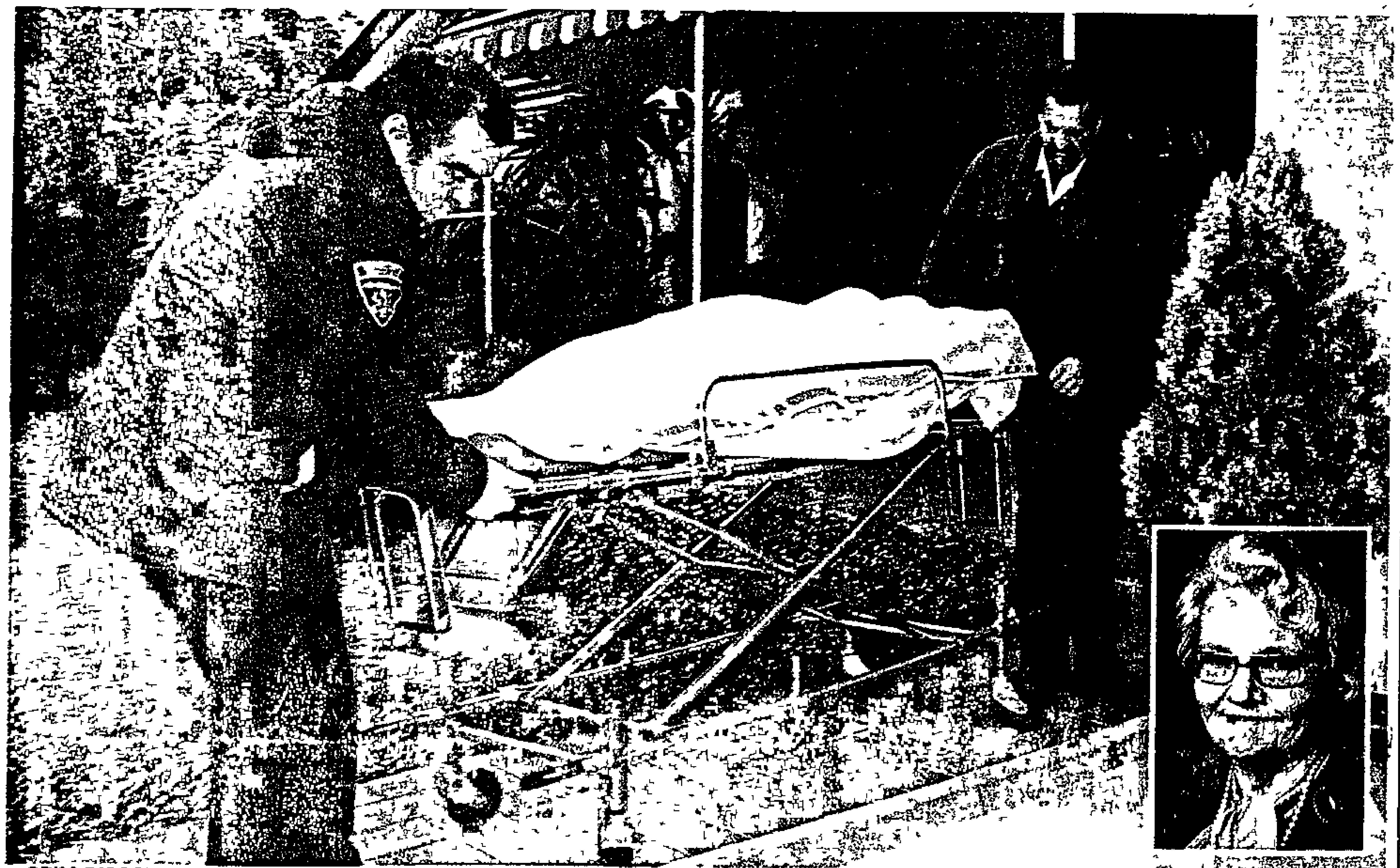
The Nu Metro acquisition was financed from in-house funds. Accordingly, short-term loans are sitting at R34,8 million, putting the group in a temporary net current liabilities situation.

The group is expecting a moderate increase in next year's earnings, aided by the reduction in tax rate.

BREAK-UP

CT 12/5/93 (232)

Billion-rand SA business unbundling



GRIM DISCOVERY Police remove the body of Mrs Immanuelle de Jager, 75, from her De Eike Street, Kuils River, home yesterday after she had been bludgeoned and stabbed to death by intruders Two men have been arrested in connection with the murder and are expected to appear in court tomorrow
INSET Mrs De Jager

Pictures ANNE LAING

MAGGIE ROWLEY
Deputy Business Editor

IN a move set to change the face of big business in South Africa, one of the country's four largest conglomerates, Gencor, has announced it is to go ahead with a multi-billion rand unbundling.

The restructuring will ostensibly shed the mining house of all its non mining concerns, including Sappi, Malbak, Engen and finance arm Genbel Investments

At the same time controlling shareholder Sankorp is to surrender outright control of Gencor

Gencor said the transactions were subject to "imminent unbundling legislation"

This could well see the other major conglomerates, Anglo, Barlows and Rembrandt — who together with Gencor control the vast majority of companies listed on the Johannesburg Stock Exchange (JSE) — following suit.

A week ago ANC president Mr Nelson Mandela said in London that control of the JSE by four conglomerates was 'totally unacceptable" and called for a commission of experts to review the situation.

'Unlocking wealth'

Gencor's move is also likely to impact on other smaller, but still strong, JSE-listed groups such as Liberty Life and Anglovaal

In a statement yesterday Gencor said the move was aimed at unlocking shareholder wealth.

Gencor chairman Mr Brian Gilbertson said conglomerates were out of favour around the world "Investors like focused pure-play businesses and the public is suspicious of corporate giants"

Affected Gencor companies put in a mixed performance on the JSE after the announcement. Engen added 25c to R43,25 while Sappi lost R1,50 to R31,25 and Genbel closed 5c down at R6,45

Gencor also announced yesterday that it is to enter into negotiations with Royal Dutch/Shell and its Billiton group to acquire various metals and mining assets from it.

A Sapa report said Gencor was also discussing the acquisition of mining and mineral operations as far afield as Surinam Australia, Brazil Canada and Colombia

Mr Gilbertson said if the negotiations, which are still in early stages were successful, they planned to create a publicly-quoted international natural resources company

● How the unbundling will work — Page 8

Star 12/5/93

JSE gilt market turnover sets record

By Sven Lunsche

Turnover on the gilt market in the year to end-February surged by almost 150 percent to a record R621 billion, JSE president Roy Andersen said yesterday

Presenting his review for 1992-93, Andersen said liquidity in April had surged to its highest level in more than five years as a result of the rise in gold share prices

JSE liquidity — the value of shares traded as a percentage of market capitalisation — rose to 6,14 percent in April, compared with an average of 4,3 percent for 1992-93

Foreign investors, who became net buyers of shares in the second half of last year, had continued to invest strongly in mining counters since February

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In 1992-93 foreigners invested a net R785 million, a remarkable turnaround on the disinvestment of R3,96 billion in 1991-92.

Reviewing overall conditions for 1992-93, however, Andersen said trading volumes on the share market and share price performances were disappointing because the JSE, "which acts as a barometer for the economy, accurately reflected the lack of business confidence"

The weak state of the economy was exacerbated by the crippling drought, a disappointing gold price and continuing violence and political uncertainty

He appealed to political parties "to speed up negotiations and reach a fair and equitable solution as soon as possible"

In 1992-93 2,3 billion shares with a value of R23,1 billion were traded in 454 924 deals — on average virtually unchanged from 1991-92

At the end of February the JSE's market capitalisation was R532,9 billion (1991-92 R532,5 billion)

Fewer listings

The poor trading volumes, coupled with a decline in the number of company listings from 720 to 677, had an adverse impact on the JSE's financial results for the 12 months — income of R61,4 million (1991-92 R63,6 million) was offset by expenditure of R66,6 million (R61,4 million)

The JSE had decided to write off R13,3 million in development costs of the Traded Options Market (TOM), which began trading at the beginning of last year

Trading was still disappointingly thin and the market was being run by a skeleton staff.

The JSE had spent R1,53 million last year on legal and accounting fees relating to broker defaults.

While the JSE had paid R2,2 million out of its guarantee fund to clients of these brokers, it was reviewing rules of the fund to facilitate faster settlements of claims

● JSE chairman Humphrey Borkum said yesterday the government had withdrawn enabling legislation concerning dual capacity and full corporate membership, pending the outcome of an investigation by the JSE into its future structure

Black group buys Met Life

Sowetan - 13/5/93

■ WAY FORWARD Part of unbundling includes breaking down Sankorp mining arm Gencor:

By Mzimkulu Malunga

A GROUP OF black business people scored a major coup this week when they acquired a R140 million shareholding stake in a leading life assurance company controlled by Sanlam.

In the second-largest development since the acquisition of National Sorghum Breweries, a group of black business people have bought a 10 percent stake in Metropolitan Life

The deal, to be announced today, involves more than R140 million.

Although Sankorp, which owns Metropolitan Life, were tight-lipped about the matter yesterday, sources close to the company believe the move is part of the unbundling process, which includes breaking down its mining arm, Gencor, into five companies.

Metropolitan has assets of around R2 billion

Blacks who form part of the deal include Soweto community leader and businessman Dr Nthato Motlana, former Pan Africanist Congress deputy president Mr Dikgang Moseneke, former KaNgwane chief minister Enos Mabuza, economist Mr Don Mkhwanazi and National African Federated Chambers of Commerce president Mr Archie Nkonyeni

Sources say they received a loan from the Industrial Development Corporation to acquire a stake in Metropolitan

Economic observers say unbundling moves by the likes of Sankorp will be viewed in a positive light by the broad liberation movement, which advocates the breaking down of monopolies

Many believe this is the beginning of a black takeover of Metropolitan

Gencor wins initial approval

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GENCOR has won a favourable initial response from the investment community for its decision to go ahead with unbundling, coupled with an approach to buy the mineral businesses of international oil group Shell.

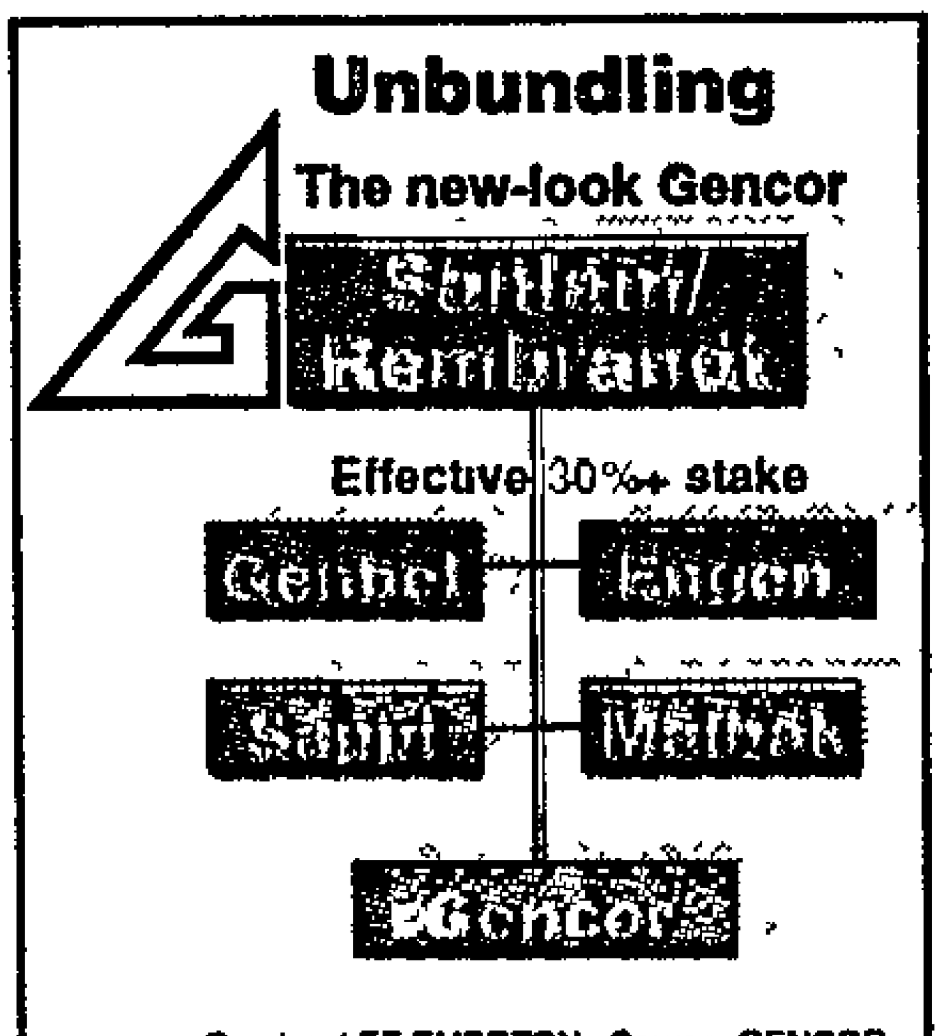
However, generally good reaction was tempered by uncertainty over what exactly the new Gencor would look like — depending on the outcome of talks with Shell and the success of other ventures — and a small drop in Gencor's share price in heavy trade on the JSE yesterday. The stock shed 15c to close at R11,80, after falling as low as R11,40 as nearly R4m worth of shares changed hands in 82 deals.

Analysts noted that although unbundling would rekindle the debate over financial restructuring in SA, what was good for Gencor was not necessarily good for other mining houses and conglomerates.

Martin & Co analyst Richard Stuart said Gencor's decision was "a milestone in corporate development in SA". It was significant that Gencor had taken an unequivocal decision to go ahead with the exercise. "Gencor has developed what may become the model for corporate governance in the new SA."

Unbundling also reflected growing awareness since 1990 at Sanlam that absolute control of companies was not necessary given that smaller shareholdings could still leave institutional shareholders

☐ To Page 2



Graphic LEE EMERTON Source GENCOR

Gencor

B/Day 13/5/93.

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with significant influence.

Gencor also deserved credit for being in a position to make an offer to Shell for Billiton. The acquisition would complement Gencor's moves towards mineral beneficiation in SA. It would also give access to Billiton's diversified resource base, management and trading operations, which would be crucial in strengthening Gencor's resistance to the commodities cycle, once shorn of its non-mining assets.

Financing the deal remained a challenge, given that it would be done entirely offshore. Stuart said Gencor would contribute assets and look to raise a mixture of debt and equity, preferably with a wide spread of international institutions, to invest in the new Gencor/Billiton international mining business.

In contrast to raising equity from overseas investors in an SA company, the group would be selling equity in international assets at the bottom of the commodities cycle, but backed by strong management resources.

Davis Borkum Hare senior partner Max Borkum said control still rested firmly with major shareholders Sanlam and Rembrandt. The issue of a special dividend to distribute Gencor shares in its non-mining assets to shareholders, and the placing of excess shares in Sappi, Engen and the other subsidiaries on the market, would prove a welcome boost to liquidity on the JSE.

Analyst Mannie Pohl said the biggest headache for Gencor in securing a deal with Billiton — which had been on the market for some time — would be agreeing on a price.

Frankel, Pollak, Vinderine analyst Peter Davey said unbundling was likely to make decision-making easier for the new Gencor board, but it was too early to judge the efficacy of the process.

Market sources welcomed chairman Brian Gilbertson's comments that he foresaw Gencor moving in line with the UK's Cadbury report recommendations for more diverse and independent representation in company boardrooms. Gilbertson said the Gencor board would consist of an important representation from management, through executive directorships, outnumbered slightly by a body of independent non-executive directors. Together they should outnumber the significant representation of shareholders.

Anglo American sees no need to unbundle

BDM 13/5/93. 232

After Gencor's announcement of its unbundling plan, ANGLO AMERICAN yesterday explained its views on the subject

IT IS important to understand that the major groups in SA have very different structures. While there may be some where major unbundling may make sense (provided the desired efficiency and shareholder value gains are realised), Anglo American does not believe that its current structure, which has served shareholder and national interests well both locally and internationally, requires such steps

Anglo is not a conglomerate — a term which refers to a single firm, with a single set of shareholders, engaged in a plethora of unrelated lines of economic activity. It is a mining finance group with different levels of holding and operating companies, many of which are listed, with separate though overlapping shareholders.

Anglo has neither a controlling company nor any pyramid structures designed purely for holding purposes, and there is already an excellent market in both Anglo and De Beers shares, in both cases well over 50% being held publicly, including substantial foreign investment.

Thus the corporation continues to believe that the rationale of mining finance house has validity. At all levels in mining, industrial and commercial operations, skilled management is brought to bear, supported by specialist technical and financial inputs from the centre.

This also facilitates the provision of risk capital at acceptable rates. The combination, in sum, amounts to expert support for entrepreneurial management

Equally, the size and strength of the group facilitates the undertaking of big, long-term and capital-intensive projects which are export oriented, add value to primary commodities and earn large amounts of essential foreign exchange.

Without the existence of the group structure, the risks and costs of such projects might be too great and some might not be undertaken. The size, strength and diverse interests of the corporation are also attractive features for overseas companies considering joint ventures and technology transfers

The wider geographical and product diversity of the corporation, so carefully built up over the years, is calculated to lessen the effects of volatile commodity price cycles, to the long-term benefit of the shareholders, and is a marked strength when compared with the vulnerability of more narrowly focused companies to sharp falls in the prices of individual commodities.

Although large in the SA context, Anglo American is proud of the fact that it and associated companies have built or created from scratch companies whose present market capitalisation represents almost a fifth of that of all the companies listed on the JSE.

And investors have a wide choice of level and degree of business focus within the group. For example, an investor wishing to target gold could invest in Vaal Reefs, Amgold or Anglo itself, and in the industrial sector investments could be made in Highveld, Amic or Anglo

Adjustments can and will continue to be made to the Anglo structure when circumstances alter and new opportunities arise That such changes, for example, are being contemplated to the structure of Amic and the holding companies of Freegold is public knowledge.

Anglo American chairman Julian Ogilvie Thompson

LETTERS

Rembrandt, Sanlam 'will still control Gencor companies'

CT 13/5/93

(232)

By AUDREY D'ANGELO
Business Editor

DESPITE the unbundling of Gencor ultimate control of the companies will still be in the hands of Sanlam and Rembrandt, Brian Kantor, professor of economics at the University of Cape Town, pointed out yesterday

"These large companies will still be tightly controlled, but through an unlisted company rather than a listed one"

Kantor said he thought tight control by a major shareholder was beneficial rather than harmful

"Managers give a good performance when they are under tight control by a strong shareholder, who will intervene if things are not going well

"But the group was strongly managed by Gencor Whether Sanlam will exercise better control than Gencor remains to be seen"

Pointing out that companies usually grew into large diversified conglomerates for the benefit of managers, who ran less risk of reporting unsatisfactory results if they had a wide range of interests, Kantor said that each company would now be more focused

Gencor was now purely a mining company, no longer combined with industrial interests Presumably, management would be compensated for this higher risk factor through higher salaries

Wolfgang Thomas, a former professor of economics at the University of the Western Cape and now regional manager of the Small Business Development Corporation, said the unbundling was "an exciting" move

"It is in line with thinking worldwide, and strikes a soft chord with the ANC and other extra-Parliamentary groups.

"It certainly reduces pressure for more nationalisation or State interference. A wider spread of shareholder ownership is what is really desired"

Questioning whether the unbundling of Gencor really meant a much wider spread of ownership, Thomas said it was, nevertheless, "a signal in a certain direction"

He said research had shown that the management style in big conglomerates was "not conducive to risk-taking and individual enterprise"

The man at the top was under pressure to produce high average returns The existence of large conglomerates also resulted in monopolistic or semi-monopolistic power "If you are part of a big stable you have so much arm-twisting power

"There is all sorts of networking among members of these groups, and there are so many ways of dampening competition"

Thomas said that if the conglomerates unbundled, SA banks would have to be more prepared to take risks "In Germany you find the big banks are shareholders in companies Here the big groups virtually have their own banks."

Uncertainty clouds Gencor

unbundling decision

CT 13/5/93

(232)

From MATTHEW CURTIN

JOHANNESBURG — Gencor has won a favourable initial response from the investment community for its decision to go ahead with unbundling, coupled with an approach to buy the mineral businesses of international oils group Shell

However, generally good reaction was tempered by uncertainty over what exactly the new Gencor would look like — depending on the outcome of talks with Shell and the success of other ventures — and a small drop in Gencor's share price in heavy trade on the JSE yesterday The stock shed 15c to close at R11,80, after falling as low as R11,40 as nearly R4m worth of shares changed hands in 82 deals

Analysts noted that although unbundling would rekindle the debate over financial restructuring in SA, what was good for Gencor was not necessarily good for other mining houses and conglomerates

Martin & Co analyst Richard Stuart said Gencor's decision was "a milestone in corporate development in SA" It was significant that Gencor had taken an unequivocal decision to go ahead with the exercise "Gencor has developed what may become the model for corporate governance in the new SA" Unbundling also reflected growing awareness since 1990 at Sanlam that absolute control of companies was not necessary given that smaller shareholdings could still leave institutional shareholders with significant influence

Gencor also deserved credit for being in a position to make an offer to Shell for Billiton The acquisition would complement Gencor's moves towards mineral beneficiation in SA It would also give access to Billiton's diversified resource base, management and trading operations, which would be crucial in strengthening Gencor's resistance to the commodities cycle, once shorn of its non-mining assets

Financing the deal remained a challenge, given that it would be done entirely offshore Stuart said Gencor would contribute assets and look to raise a mixture of debt and equity, preferably with a wide spread of international institutions, to invest in the new Gencor/Billiton international mining business

In contrast to raising equity from overseas investors in an SA company, the group would be selling equity in international assets at the bottom of the commodities cycle, but backed by strong management resources

Davis Borkum Hare senior partner Max Borkum said control still rested firmly with major shareholders Sanlam and Rembrandt The issue of a special dividend to distribute Gencor shares in its non-mining assets to shareholders, and the placing of excess shares in Sappi, Engen and the other subsidiaries on the market, would prove a welcome boost to liquidity on the JSE

Analyst Mannie Pohl said the biggest headache for Gencor in securing a deal with Billiton — which had been on the market for some time — would be agreeing on a price

Frankel, Pollak, Vinderine analyst Peter Davey said unbundling was likely to make decision-making easier for the new Gencor board, but it was too early to judge the efficacy of the process

Market sources welcomed chairman Brian Gilbertson's comments that he foresaw Gencor moving in line with the UK's Cadbury report recommendations for more diverse and independent representation in company boardrooms Gilbertson said the Gencor board would consist of an important representation from management, through executive directorships, outnumbered slightly by a body of independent non-executive directors. Together they should outnumber the significant representation of shareholders

Star 13/5/93

Shell SA lifts capex to R270-m

By Sven Lunsche

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Shell SA boosted capital expenditure by more than R100 million to R270 million last year

In its business report for 1992 Shell says the bulk of the investment programme was devoted to the R450 million upgrade of the Sapref refinery, a joint venture with BP, which is scheduled for completion later this year

Chairman John Kilroe foresees further investments, "given a stable political and economic environment in South Africa"

Shell, however, describes the trading environment last year as very difficult, which led to disappointing results for the coal and metals division.

The oil division's results were satisfactory, with turnover increasing from about R4,25 billion to R4,75 billion

Shell's total turnover showed a more modest rise to about R5,7 billion (1991: R5,35 billion), while operating costs rose from R590 million to R630 million

Gencor could get stake in LME

Star 13/5/93

By Neil Behrmann

LONDON — The book value of assets which Gencor is negotiating to buy from Royal Dutch/Shell, is worth around $1,3 billion (R4,1 billion), according to sources close to the oil company.

Total net book value of Shell's mining and metals company, Billiton, is $1,8 billion, they say.

Gencor is negotiating to buy around 70 percent of these assets.

If the deal goes through, Gencor will be the only South African company to hold a direct stake in a member of the London Metals Exchange (LME).

The company, which trades under the name of Billiton-Enthoven Metals, is among the top five trading firms on the LME.

It deals in copper, aluminium, zinc, lead, nickel and tin on the exchange and in other metals too.

Bullion

Billiton is also a member of the London Bullion Market Association and trades in gold and silver for its mines and metals businesses. They mainly produce precious metals as a by-product.

A Shell spokesman said it was early days and the process of negotiations would take several months.

A Gencor source also said the group would need to examine Billiton operations in detail before making a firm price.

As a result of depressed metals markets and provisions, Billiton showed a loss of $75 million last year, against a profit of $12 million in 1991.

Sources within the Shell group said, however, there would be synergy between Gencor and Billiton operations.

Billiton produces nickel, lead, zinc and gold and aluminium. Its interests would be combined with Gencor's foreign operations.

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Ownership reshuffle looms in wake of unbundling

Finance Staff

The break-up of Gencor's industrial empire could spark a major reshuffle of ownership between Sanlam and Rembrandt, Gencor's controlling shareholders

However, South Africa's two other leading conglomerates, Anglo American and Old Mutual, said yesterday they had no plans to follow in Gencor's unbundling footsteps

Shares worth millions of rands are to be given away free to Gencor shareholders with the break-up of its assets of R20 billion into five independent companies.

Thys Visser, managing director of Rembrandt Group, which has a 30 percent stake in Gencor, said that within the next few months "there could be a major realignment of ownership between ourselves and Sanlam."

This would involve a possible exchange of holdings in the parts of the unbundled Gencor with, for example, Rembrandt surrendering Genbel Holdings for additional holdings in Engen.

The involvement of other major companies cannot be excluded.

Visser conceded the unbundling would not necessarily result in a major change of ownership patterns.

The main effect would be the removal of control through pyramid structures.

Unbundling of Rembrandt was "not something we would like to discuss at this stage", he said.

Gencor will relinquish control of Engen, paper and pulp producer Sappi, industrial holding company Malbak and investment group Genbel.

Finance Minister Derek Keys, who initiated the unbundling while he was head of Gencor, has welcomed the move.

In its reaction, Anglo American yesterday reiterated that it did not believe its current structure, "which has served shareholder and national interests well, both locally and internationally, requires such steps"

Anglo said in a statement that it had neither a controlling company nor any pyramid structures designed purely for holding purposes and there was already an excellent market in both Anglo and De Beers shares.

"We have different levels of holding and operating companies, many of which are listed, with separate though overlapping shareholders"

The company reaffirmed its view that without the existence of a large group structure, the risks and costs of large capital-intensive projects "might be too great and some might not be undertaken"

Anglo said changes t the structure of Amic and the hold-ing companies of Freegold were being contemplated, as adjustments could and would continue to be made to the overall Anglo structure.

Old Mutual also rejected suggestions that it emulate Gencor

The insurance giant's chief operating officer, Gerhard van Niekerk, said Old Mutual would be unable to unbundle itself

It was not a conglomerate, but could best be described as the biggest co-operative SA, representing more than three million policy-holders.

"We invest their money We don't control companies."

It was inevitable that when an organisation such as Old Mutual was successful in investing money on behalf of policyholders it would "own quite a bit of corporate SA," he said.

BRIEFING

Star 13/5/93

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Behind the unbundling

The unbundling of Gencor promises financial and political benefits to shareholders, writes CLAIRE GEBHARDT.

ALMOST three years ago, Gencor, South Africa's second largest mining house, indicated it was considering the merits and feasibility of unbundling.

On Tuesday, the group announced plans to unbundle its non-mining interests in a "big bang" deal which will halve the value of the group's shares traded on the JSE to about R8 billion from R16 billion.

One of the reasons given then, and repeated on Tuesday, was the expected increase in wealth of Gencor and parent company Genbeheer shareholders which would result.

But apart from unlocking value, unbundling can be viewed as a political manoeuvre aimed at restructuring to avoid prosecution under any anti-trust policies of a new government.

Unbundling effectively dilutes the power that large corporate pyramid strutures wield.

After unbundling, Sanlam and investment arm Sankorp will still be the biggest shareholder in the companies concerned, but they will no longer have absolute control.

Together with Rembrandt, and in certain instances with Genbel, their shareholding will vary between 35 percent to 40 percent.

Brian Gilbertson, executive chairman of Gencor, has conceded that there was a political slant to the deal.

The ANC is known to favour unbundling as a means of reducing economic concentration and opening up the economy.

Most analysts concede that corporate power is likely to be of great symbolic and practical importance in the years to come as blacks strive for political and economic gains.

The feeling is that because monopolies exert so much control over the economy blacks, whilst holding political power, would remain economically weak.

Currently, four of South Africa's largest conglomerates, Anglo American, Sanlam, Old Mutual and Rembrandt, control between 70 percent and 80 percent of the stock market.

Corporate giants have long feared that even if some form of nationalisation is not implemented, legislation could be passed preventing multi-tier structures (pyramids).

A new government might try to reduce conglomeration by forcing a wholesale collapse of the pyramids into single-tier companies, said Davis Borkum Hare analyst Dr Jos Gerson recently.

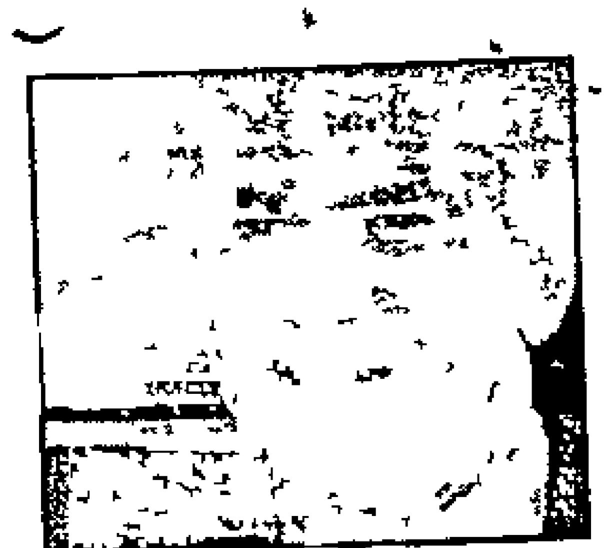
He noted that most of the large groups, and in particular the family-controlled groups, would probably resist such a move.

"It will almost certainly generate a great deal of conflict between business and government, and hamper development."

Conglomeration in South Africa has been aggravated over the years by exchange control and disinvestment which has led to mergers and take-overs.

(A conglomerate is defined as a holding company and a group of subsidiaries engaged in dissimilar activities.)

However, more optimistic observers have hoped that if, and when, politics are normalised, and exchange control removed, the major groups might voluntarily spin off a range of their non-core subsidiaries and/or shareholdings.



Political . certainly, says Brian Gilbertson

Gencor is likely to earn significant praise for being the first to do so.

The unbundling means that Gencor will relinquish control of its three industrial arms — paper and pulp producer Sappi, consumer group Malbak and energy company Engen — and its investment arm Genbel.

Another plus is that because unbundling allows control of the subsidiary companies to pass on to the existing management of the various companies, businesses should hopefully become more democratic.

Managers will be directly responsible to boards elected by shareholders.

Unbundling will also result in a more focused approach on core industries and a subsequent sell-off of smaller less significant holdings.

Gencor, for instance, will concentrate on mining, metals and mineral beneficiation.

For the man in the street the unbundling exercise could see business risks associated with unbundled subsidiaries increase due to a higher chance of business failure because of a lack of previously available financial resources.

Gencor says its unbundled companies will continue to have access to financial help.

The good news is that unbundling should increase the tradeability of listed shares.

The JSE is not an efficient liquid capital market. A large percentage of shares is locked in the control structures of holding companies and pyramids, and do not trade.

By turning large corporations into numerous smaller businesses, unbundling might create a real stock market at last.

Sankorp has said it envisages the elimination of other pyramids in the group such as Murray & Roberts Investments and Malhold. □

Star 13/5/93

Black business coup

(232)

Own Correspondent

A group of prominent black businessmen has scored a major coup, paying R140 million for a 10 percent shareholding in Metropolitan Life from Sanlam.

The consortium includes Soweto community leader and businessman Dr Nthato Motlana, former PAC deputy president Dikgang Moseneke, former KaNgwane Chief Minister Enos Mabuza, economist Don Mkhwanazi and National African Federated Chamber of Commerce president Archie Nkonyeni.

The move could be the start of a black takeover of JSE-listed Metropolitan, which has assets of about R5 billion.

Speculation is rife that Sanlam, which holds 49 percent of Metropolitan through investment arm Sankorp, could also offer its remaining 39 percent stake to the mainly black policyholders.

Sources close to the company believe the move is part of the unbundling process which includes the breaking up of mining arm Gencor into five companies.

But Anglo American has reiterated that it has no plans to follow suit as its existing structure "has served shareholders and the national interest well".

● See Page 14

Anglo determined not to unbundle

ANDY DUFFY

ANGLO American Corporation has stamped on any suggestion that it will follow in Gencor's footsteps and break up its corporate empire. BDAY

The group, which with main shareholder De Beers accounts for about 20% of the JSE, said that despite Gencor's arguments in favour of unbundling, the rationale for retaining Anglo's structure remained.

Without Anglo's size and business spread, major capital expenditure — such as the Columbus scheme — could be cut back, while shareholders could be exposed to sharp falls in individual markets.

Anglo also said there were no "compelling" political reasons to change. The economic arguments in favour of unbundling were still debatable. 13/5/93.

In announcing Gencor's unbundling plans, chairman Brian Gilbertson said the "tide of economic development and growth is against concentrations of power and control structures", and that unbundling would release the value of its underlying assets. (232).

Some analysts said similar arguments could be applied to Anglo, which had traded at an average discount of 28% to underlying assets. Ivor Jones, Roy mining financial analyst Doug Brooking said it could be asked: "If it's right for Gencor, why shouldn't it be right for Anglo?"

Gencor's move might also strengthen the hand of political forces in favour of unbundling. The ANC said yesterday it was

To Page 2

Anglo

BDAY 13/5/93. (232)

From Page 1

sure "other companies would take their cue from Gencor".

Although Anglo holds stakes in much of the JSE, it said 80% of these companies had been greenfield ventures. "We don't feel inclined to apologise for creating new companies," a spokesman said.

Other analysts added that Anglo could boost performance through its current programme under which certain areas of the business, such as Amic, were rationalised.

"Anglo believes in a different strategy (to Gencor), and there are pros and cons for both," Frankel, Pollak, Vinderine analyst Peter Davey said. "One could argue this is nibbling at the edges. But for Gencor it's a very bold step."

See Page 10

Unbundling: New law set for parliament

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ARGT 13/5/93

BRUCE CAMERON, Business Staff

LEGISLATION to pave the way for the unbundling of South Africa's conglomerates is about to go to parliament.

And Ministry of Finance spokesman Lesley Lambert said today that if the legislation proved successful in helping to unbundle companies listed on the Johannesburg Stock Exchange the Minister of Finance, Mr Derek Keys, would consider extending it to unlisted companies.

She said the legislation had been drafted by the Receiver of Revenue.

Outside parties had been consulted and it was scheduled to go before parliament this year.

"In essence the legislation will facilitate unbundling by exempting from stamp duty the shares trasferred to shareholders from the unbundling company.

"These shares are nominally distributed by way of a dividend in specie."

Miss Lambert said the dividend would not be subject to the new secondary tax on companies.

Gilbertson: Boardroom visionary?

(232)

Gencor's decision to ditch its pyramid structure and distribute underlying assets is a revolutionary move, reports **REG RUMNEY**

W/Mail 14/5 - 20/5/93.

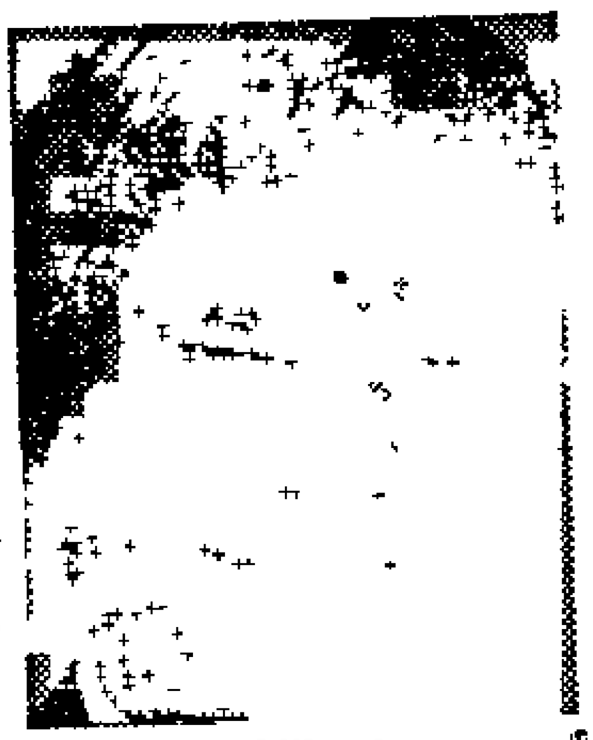
GENCOR'S unbundling announcement, the pinstripe-suit equivalent of revolution, will put pressure on other South African conglomerates to follow suit.

Gencor's commitment to ditch pyramid Genbeheer and distribute underlying assets to shareholders is motivated by the desire to unlock the value of those underlying assets.

Instead of investing in Genbel, Sappi, Engen, Malbak and Genmin through Gencor, investors will invest directly in a new Gencor incorporating Genmin and focusing on mining, and in those underlying companies.

Rembrandt, itself another candidate for unbundling, will with Sanlam still control more than 30 percent of Gencor and those companies

Gencor must also have been prompted by the political unpopularity of conglomeration and the threat of possible anti-trust legislation by a future government



Brian Gilbertson

The move, cautiously welcomed by a member of the African National Congress' department of economic planning, will especially focus attention on giant conglomerate Anglo American Corporation.

ANC minerals and energy policy co-ordinator Paul Jourdan argues that the coincidental announcement by Gencor of a sizeable international deal makes nonsense of Anglo's contention that conglomeration is necessary to be able to operate in tough world markets

Gencor is negotiating to buy the metal mining businesses of Dutch-registered Billiton International from Royal-Dutch Shell. The deal, which could top $1-billion, would make the slimmed down Gencor a major force in international metals mining

Gencor chief Brian Gilbertson has said, however, that because of, among other difficulties, the problem of financing the project it has a less than 50 percent chance of succeeding. Unlike Anglo, Gencor does not have a cash-rich offshore arm

According to Robin McGregor, Anglo American controlled 33,7 percent of market capitalisation in 1992, mainly due to the fall in De Beers share price.

Sanlam controls 15,6 percent, Rembrandt 14,6 percent, and SA Mutual 14,2 percent.

Anglo this week quickly dismissed in a statement any idea it would follow suit. "It is important to understand that the major groups in South Africa have very different structures

"While there may be some where unbundling may make sense (provided the desired efficiency and shareholder value gains are realised), Anglo American does not believe that its current structure, which has served shareholder and national interests well both locally and internationally, requires such steps"

Anglo repeated the classical argument for diversification. This is that wider geographical and product diversity is calculated to lessen the effects of volatile commodity price cycles.

This is an increasingly unpopular stance worldwide as firms focus on core businesses, divesting themselves of those activities in which they do not have any special expertise

The unpopularity with shareholders of widely diversified groups is reflected in the gap between the share price and the underlying value of the assets of the company Anglo reportedly trades at an average discount of 28 percent.

Gencor leads the way out of SA's corporate laager

BDM 14/5/93

JIM JONES

232

GENCOR's unbundling leap of faith will be analysed microscopically, by protagonists who believe the decision is necessary to release entrepreneurial talent, and by antagonists who fear that dismantling a business empire will affect their own status and security

I make no apology for the implicit subjectivity of this opening paragraph It is intended to be contentious and to initiate a debate which is becoming increasingly relevant.

Conglomerates and corporate monoliths here are no different from those abroad and no more immune by virtue of their size from the changing zeitgeist — the spirit of the times

In a statement published yesterday in Business Day, Anglo American stoutly declared that it was not a conglomerate with a pyramid structure designed purely for holding purposes It also claimed that its size and strength facilitated the undertaking of big, long-term and capital intensive projects True But the claim begs the question of whether an introverted approach to capital raising is more efficient or more appropriate than an approach which mobilises capital from other sources

Anglo claims with some justification that it has brought new projects on stream — the Moab gold development and the Namakwa beach sands ventures are often mentioned But critics counter that Moab is not so much a new venture as simply a replacement for production being lost at neighbouring Vaal Reefs

Anglo believes that, without the group structure, some projects might be too costly or risky to undertake A counter-argument is that a group structure does not reduce the risk of individual projects — risk is inherent in each project as the Rand Mines catastrophes clearly proved

But the question the Gencor unbundling has raised is whether monolithic corporate structures constructed to provide impregnability from takeovers are better able to deal with the country's present economic and social challenges

The mismanagement, waste of resources and collapse of Rand Mines is local proof that the group system is not infallible The Barlow Rand group might have believed it could mobilise the skills and capital needed to sustain a dynamic and growing business But, as the Rand Mines shambles showed, management was living in a fool's paradise

Rand Mines' parentage made it easier for its management to raise the cash which poured into the financial failures of ERPM, Barbrook and Crocodile River The security which association with Barlow Rand implied meant that management could be less rigorous in its planning than would have been the case with independent ventures

SA is not unique Around the world there are innumerable examples of how successful, large companies can become corporate dinosaurs General Motors, Eastman Kodak and IBM spring to mind in the US alone. Success, as Fortune magazine put it recently, breeds the potentially ruinous problems of size and complacency, the usual encumbrances of success — among them arrogance and bureaucracy

Arch-delegator Derek Keys believed this when he headed Gencor He carried the idea into the Cabinet and is putting his ideas into place in an attempt to get SA's moribund economy off its backside

Apprehensive critics of unbundling are already claiming that unbundling has not released value as Gencor's executives claim Rather, share prices of the parts of the group that are to be set free have tumbled That, proponents believe, was inevitable Rationalisation has to include a settling-in period as investors think about restructuring their portfolios.

Share price reductions are not necessarily a bad thing It can be argued that the price drops of Engen and the others express their cost of capital more realistically, and that this will help management make more rational decisions on new ventures

The tax incentives to unbundling and investment which Keys introduced in this year's Budget helped lead the economic horse to water Now comes the question of how it will be persuaded to drink

Gencor is already sipping Unbundling will peel away the layers of bureaucracy which had hindered decision-making When final decisions have to be taken by a mahogany row remote from market realities, they run the risk of turning sour Remote executive coteries which jealously guard the power which exclusivity provides run the risk of taking decisions based on inadequate information. They also risk taking decisions on information that has been carefully screened and packaged by lower-level managers pushing pet projects to speed their progress up the corporate ladder, rather than because of any entrepreneurial drive.

Keys's encouragement of unbundling is founded on a belief that it releases entrepreneurial energy because managers become responsible to the marketplace rather than to a head office functionary Corporate bureaucracies established as part of no corporate plan stifle initiative Acquisition is favoured over business creation. How can you make an entrepreneur or venture capitalist out of a corporate man who is preoccupied with pension benefits or the status of his position in the hierarchy?

Independent companies can tap the equity and debt markets on the merits of their own ventures, while those in centrally controlled groups have to stand in line while an investment committee decides between competing capital demands from within the group In addition, an independent management is more likely to be more free to choose how its firm's profits are to be divided between reinvestment and dividends, than a firm which has to pay its profit tithe to the group

Keys's secondary tax on companies encourages operating firms to reinvest their profits Extended to the dividends of holding companies, it could change group managers' attitudes towards pyramid cash flows

As Fortune put it referring to the bureaucracy which was the downfall of IBM. "The processes of how decisions were made became all-consuming" What was decided became less important. That, with the benefit of hindsight, was clear from the fact that IBM's management, secure in the power it believed was conferred by size, fought tooth and nail for years in the anti-trust courts against the unbundling which it now admits is essential for survival

Unbundling is the logical means of developing the decentralised management needed to take decisions based on closeness to the market Perhaps more to the point, decentralised management is almost certainly more aware than mahogany row and its sycophants of the political realities of a changing SA Reaction time is becoming all-important

As one observer puts it, SA's mining and industrial groups have their roots in the laager mentality and in coporate inferiority complexes They facilitate the wasteful protection of the inefficient. Size is believed necessary by executives frightened of hostile takeovers Energies are expended building protectionist barriers rather than on the fundamentals of generating the sound profits and market ratings which would deter trivial takeover attempts

Our post-war history has distorted our corporate culture The groups themselves have grown through acquisition, but by paying prices which reflected the scarcity of takeover targets rather than intrinsic investment worth. Perhaps our form of corporate development was needed in an increasingly hostile world But the world is no longer politically hostile and the old structures are becoming less appropriate

FM 14/5/93.

THE JSE FM 14/5/93

Spare a dime for a broker

What price TOM? That's a question which must be close to the hearts of many brokers after the release by the JSE of its annual report and accounts this week (232)

In fact, the JSE's executive has considered it prudent to write off R13,3m of the initial costs incurred on the development of the Traded Options Market and the effect is to drive a substantial hole through the income statement the year's net deficit is R14m, a cool R14,5m worse than last year's result

For an organisation which tries to balance its books, that's an uncomfortable situation However, this shouldn't be interpreted to mean the JSE's balance sheet is weak, with fixed assets valued at cost and the generation last year of a positive cash flow which reduced debt and improved gearing, executive president Roy Andersen has cause to feel some satisfaction

Nor is he unaware of the underlying root cause of TOM's problems he concedes in his review that "trade is still disappointingly thin" and says it'll take at least another year before volumes are at significant levels

The unspoken truth is even worse it is that TOM hardly exists at all And if it is to be regenerated it will require a major change in the way the Johannesburg market is ordered That is probably why there is a perceptible anxiety about the introduction of the proposed new class of corporate derivatives trader (*Fox* April 9) and which appears to have run into a parliamentary roadblock, at least for the time being (see also *Fox*)

The JSE's income fell about R2m, principally because of a lower volume of throughput And total expenditure rose nearly R4m or 6%, much of that taken up in legal expenses relating to the default of some brokers and costs relating to intensified surveillance policies The write-off of TOM expenditure merely worsened the out-turn

The message is that it's expensive to be a broker these days, especially if the community wants the privileges of exclusivity and, at the same time, to demonstrate its willingness to provide a totally clean, irreproachable, service (232)

Illiquid market

There are some other points worthy of note the first is that the JSE's famous illiquidity hasn't improved one iota, it remains a deadly 4,3% of the equity market's capitalisation Andersen puts the best face he can on it and says he believes the decline (of previous years) may have been arrested The issue remains the most intractable in the JSE's long list of matters requiring urgent resolution.

Second, some good news for a change Foreign investors are piling into the JSE In the second half of the year their activities were such as to reverse completely the gloomy trend of net disinvestment and the surge in bullion prices in recent weeks has cemented the new direction

Lastly, the gilts market turned in a record R621bn turnover — and that exceeds 1992's record by a huge R470bn Plus the effect of the recent surge in equity trade (volumes and values have doubled) will work its way through, if sustained, to a significant improvement in the JSE's income over 1994

Whatever the achievements of the last year, they will all pale by comparison with the efforts needed in 1993 The JSE is an important national institution whose method of operation and regulation must be efficient, profitable and transparently beyond reproach

The struggle for a satisfactory resolution of the JSE's pressing problems will revolve around the way the community responds to the recommendations of the Katz Committee, due out shortly Brokers should be aware there is more than a passing interest in the way they order their affairs *David Gleason*

DREAMS FOR SOME, NIGHTMARES FOR OTHERS

FM 14/5/93. (232)

The *FM*/JSE Traded Options Market competition had a nail-biting finish last week After leading for almost the entire competition, Genbel's Lucien Verrezen was cruelly pipped at the post on the last day of trading by Lurie Johnston's Vaughn Sammons

The *FM* presented the Top Trader Trophy to Sammons. The JSE, which ponsored the cash prizes, presented a cheque for R30 000 to Sammons, R20 000 to second-placed Verrezen and R10 000 to Garth Curry from Davis Borkum Hare, who came third

Twenty-five teams, including three from universities, took part in the eight-week competition. Due to the illiquidity of TOM, Simtex was obliged to create theoretical prices — and that's one reason for the unrealistically high returns achieved by the leaders. Nevertheless, the competition shows the potential of options in a volatile market

Sammons ended with R130m cash, closely followed by Verrezen with R125m

By contrast, the biggest loser lost only R500 000 This is one of the attractions of options — given a volatile market, profits are theoretically unlimited whereas risk (maximum possible loss) is fixed.

Simtex, acting as a marketmaker, lost R561m, largely because it accepted every deal In real life, marketmakers are good only for limited volume at the quoted price The 25m contracts traded during the competition would have earned just over R50m in brokerage and clearing fees On its busiest day, Simtex processed more than 1m contracts on 219 deals

***FM*'s McNulty** . *presents Top Trader trophy to Sammons*

PIPPED AT THE POST

		% Return
1	Lurie Johnston	12 918,3
2	Lucien Verrezen, Genbel	12 389,1
3	Davis Borkum Hare (DAV)	7 325,3
4	Shannon/Edwards, Kaplan & Stewart	6 555,9
5	University of the Witwatersrand	5 383,5
6	D Boyiatjis	4 752,4
7	Phin	2 440,9
8	Davis Borkum Hare (DBH)	2 083,8
9	Pandora	854,6
10	High Five	531,2

May 14 1993

Gencor may pay premium to Shell

Bdory 14/5/93. (232) (230) (xxx) (xxx)

MATTHEW CURTIN

GENCOR may be willing to pay over the odds for Billiton, Shell's mining and minerals division, which has a book value of $1,8bn, reports from London say

Gencor shares rose a meagre 20c in heavy trade on the JSE yesterday, in contrast with the gold-inspired rally in leading mining stock, as the market continued to digest news of the group's unbundling and proposed acquisition of Shell's mining interests

The stock closed at R12 as nearly 1,4-million shares changed hands, the most interest investors have shown in the counter for more than a year

Chairman Brian Gilbertson reiterated that it was too early to comment on the possible size of the deal It is understood Gencor and Shell have struck a strict confidentiality agreement regarding negotiations

The London Financial Times said "Some of the juiciest mining and metals assets which Gencor wants to buy might slip from the SA group's clutches because other companies have pre-emptive rights to them "

Billiton would have to give partners in joint ventures an opportunity to match any terms it was willing to accept from a third party

The report said much would depend on the prices Gencor was ready to offer and the group could be offering more than $1,8bn because "the move is of tremendous strategic importance to the SA group"

The Financial Times said Shell had given Gencor and its adviser London merchant bank S G Warburg 120 days to sort out what, as Gilbertson has already admitted, would be complex financing arrangements given Reserve Bank exchange control policy

An analyst at London stockbrokers Credit Lyonnais Laing said it was rumoured Gencor could be offering up to $2bn for Billiton "While Shell has stuck with its mining interests long after most oil companies have sold out their metal sides, Billiton is not a slumbering jewel waiting to be unlocked as one could have argued was the case with RTZ and the purchase of BP Minerals "

He said Gencor would have to avoid creating a large vehicle that, "like poor old Minorco (Anglo American's offshore natural resources group), is of little interest to foreign investors and persistently sells at a large net asset value discount"

Billiton's assets include the Boddington gold mine in Western Australia, which produced 352 000oz of gold in 1992, of which it owns 30%, together with US aluminium group Reynolds Metals (40%), Australian mining group Newcrest (20%) and Kobe Aluminium Associates of Japan (10%)

The same shareholders own the associated Worsley Alumina business, while Billiton has 40% and 41,5% stakes in Brazilian aluminium producers Alumar and Valesul

The Collahuasi copper project in Chile is jointly owned by Billiton, Canadian metals group Falconbridge, and a subsidiary of Anglo American South America

CORPORATE GOVERNMENT (232) FM 14|5|93.

Regulating the regulators

There's nothing quite like a good argument to settle who supports what Even so, members of parliament, supposedly accustomed to the energetic airing and debate of deep-seated antagonisms, were taken aback at the vigour of the repartee when members of the Financial Services Board (FSB) and the Life Officers Association (LOA) gave evidence recently to the standing committee on finance

What gave rise to this sharp clash was the innocuous sounding Financial Institutions Second Amendment Bill At the heart of the dispute is the delegation of ministerial power It has become a feature of SA in recent years for Ministers increasingly to arrogate their powers in favour of executives or regulators One result has been a proliferation of individuals in positions of great authority who, it subsequently turns out, are neither accountable nor responsible for actions that are radical and far-reaching.

One casualty of the row which has erupted is the JSE's intended new class of member — derivative broking member, which the JSE announced some weeks ago it intended to introduce shortly The delay which results from the need to re-draft the Bill will provide some relief for those in the financial community who hold that it's simply the beginning of what will be a wholesale takeover of the JSE by the naturally acquisitive financial institutions

Irritated by the intransigence displayed by those giving evidence and reluctant to be drawn into the dispute as an arbitrator, the parliamentary committee has apparently kicked the Bill into touch. That will please the LOA and its strange bedfellows — those within the JSE who oppose moves to widen the broking constituency

The antagonisms which find their expression in the argument about ministerial responsibility and power, come at a time when various crucial aspects of corporate governance and financial industry regulation are being closely examined

One result of the Bill would have been to enhance the power of the FSB Foul, cries the LOA, which points to the recent report of the Melamet Commission concerning the establishment of a super-regulatory body, the Financial & Investment Services Commission (Fisc) The Bill would effectively cut across the Melamet recommendations which haven't yet been considered by the Cabinet

Compounding the confusion, as the LOA was quick to point out, is the JSE's own examination of its constitution and intended future method of operation, the Katz Committee, set up last year partly in response to pressure exerted by the parliamentary standing committee

Members of parliament will be forgiven for having been somewhat unnerved by the passionately stated arguments by both sides of what is traditionally a reserved and, theoretically at least, gentlemanly area of commercial activity And they have decided, logically in the circumstances, that hurried action now could be detrimental to efforts to sort out the regulation of the financial services industry. The message to the industry appears to be to get its house in order before asking parliament for enabling legislation

Andersen *won't say when the committee will publish its findings*

And that will include waiting for the recommendations of the JSE Research Committee JSE executive president Roy Andersen says the bulk of the committee's work has been completed but he won't be drawn on when it will publish its findings

Many aspects need to be resolved, not least among them such issues as dual capacity trading in a stock exchange paralysed by an endemic lack of liquidity and the introduction of negotiated commissions

And there's no escaping another central issue if ministerial power is to be converted in a new dispensation to self-regulation within the wider financial community — including how companies and institutions operate and are governed — then the matter of how to regulate the regulators becomes one of paramount importance *David Gleason*

NEDCOR FM 14|5|93

Conservative treatment

There seems to be something of a tortoise-and-hare race going on between the share ratings of Nedcor and First National Bank Comparisons between banks can be mislead-

FM 14/5/93

GENCOR

232

The end of the pyramids

Gilbertson's bold moves will change corporate thinking

It is nothing short of the boardroom equivalent of revolution In a dramatic statement earlier this week, Gencor chairman Brian Gilbertson announced his group's intention to press ahead with a total unbundling and restructuring scheme It will involve the distribution of Gencor's shareholdings in all of its non-mining assets

To reinforce the intent, pyramid company Genbeheer, which holds 54,8% of Gencor, intends that those shares, together with those it will receive in the underlying assets, will be distributed to its shareholders That means Genbeheer will disappear in due course Sappi, Malbak, Engen and Genbel will all become independent companies with totally distinguishable groups of shareholders

The full extent and ramifications of the decision will take some time to filter through the elite corridors of corporate SA But one thing is certain after May 1993 things are unlikely to be the same again In simplistic terms the deal, which Gencor directors envisage will be executed in what they describe as a "single, big-bang transaction," carries a notional market value of about R8,7bn That's quite enough to turn the JSE on its head

Almost simultaneously, Gilbertson announced that Gencor has agreed to proceed with negotiations with Royal Dutch Shell for the acquisition of Shell's major metal mining businesses — held essentially through Dutch registered Billiton International Billiton's net capital employed in 1991 was US$2,1bn, the group has operating mines in Australia, Canada, Chile, Colombia, Ghana, Indonesia and SA

Gilbertson makes plain his anxiety that Gencor's unbundling plans and its latest foray into overseas acquisitions shouldn't be confused or linked "It's purely an accident that the announcement about our negotiations with Shell has come within a day of the unbundling statement It certainly wasn't our wish to link these"

Intriguing though Gencor's foreign adventure may be, it is the unbundling which will attract most of the short-term attention Unbundling has become corporate SA's hottest topic since Minister of Finance Derek Keys first placed it in the spotlight when, as chairman of Gencor, he thought it could be a means of unlocking added value

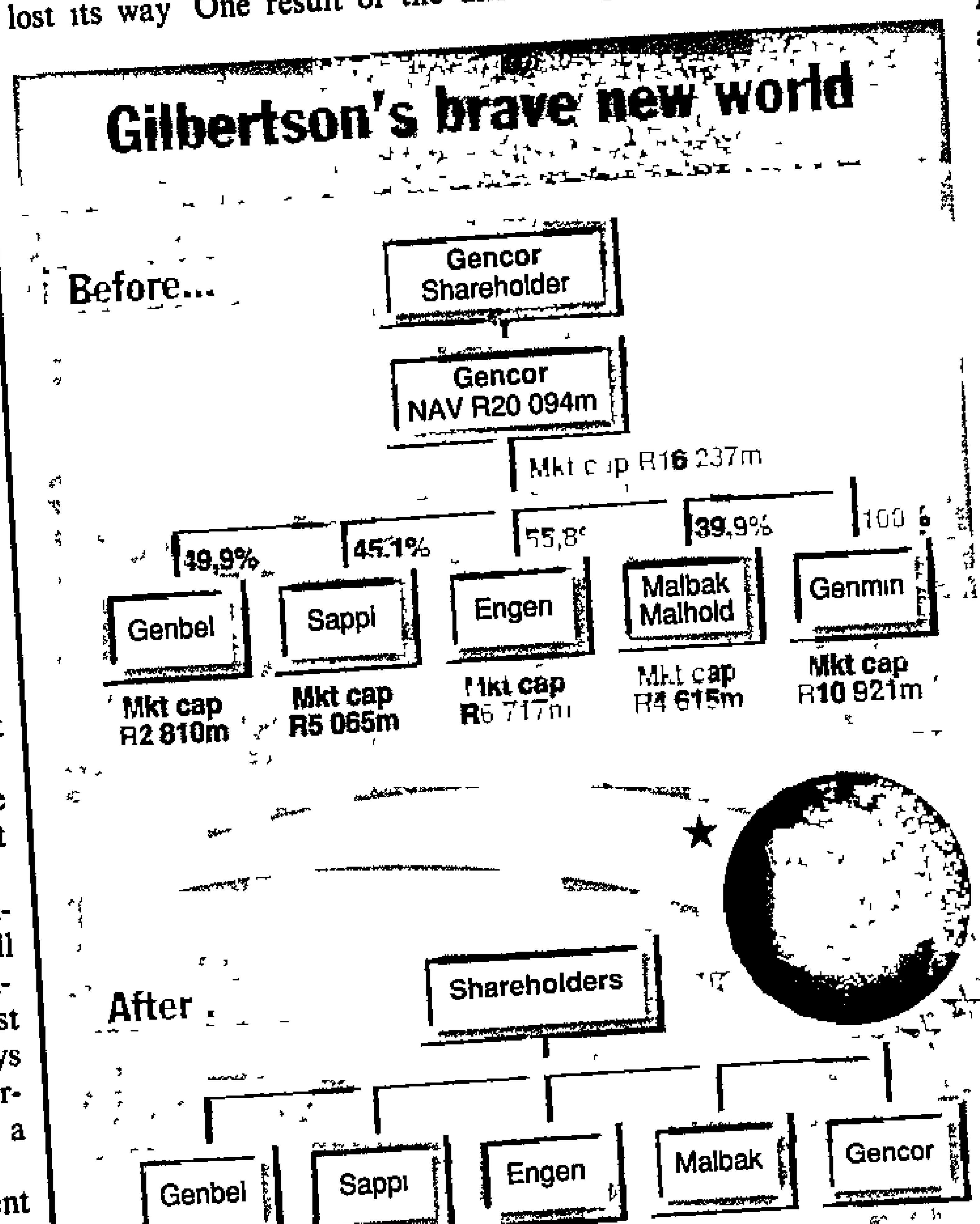
Since then it has come to mean different things to different constituencies The word is used with such abandon that it threatens to become dispossessed In some circles it has taken on almost pejorative overtones, associated as it is with conglomerates, pyramids, inadequate competition and concentrations of economic power — all those terms which are employed as bogeymen by economists of the Left

Examining the philosophy behind Gencor's decision to make itself appreciably smaller, Gilbertson concedes that the pervasive hostility to pyramids and conglomerates, particularly overseas, exercised some influence on Gencor's board However, he's quick to point out that the prevailing discount between Gencor's NAV and the value imputed by the marketplace — sometimes as much as 20% and currently about 19% — was considered the single most important factor And that certainly accords with Keys's original thinking when he was first casting about for ways to unlock value for the group's shareholders

A third factor, says Gilbertson, is the disfavour with which conglomerates are viewed overseas. The disparate nature of Gencor, involved as it is in mining, industry, paper, oil and finance, leaves outsiders with the impression that it is a group which has lost its way One result of the unbundling will be that Gencor will be highly focused on mining and minerals beneficiation and marketing If Gencor did not exist in its present form, says Gilbertson, "no-one would dream of joining Engen, Genbel, Malbak, Sappi and the mining businesses into a single conglomerate"

Unbundling Gencor — passing its holding of shares in the non-mining companies through to the ultimate beneficial owners — also means that Gencor will become significantly smaller One calculation is that the non-mining assets comprise about 45% of the group at present On that basis, the new Gencor will have an NAV of around R11,1bn compared with the current R20,1bn

Truncated Gencor will effectively be a listed version of the presently unlisted Genmin, except that it will also include the cash and portfolio assets of present Gencor The remaining group will still be, of course, a substantial mining house — but its business will be focused exclusively on the management of its mining assets Those interests include the gold mines managed by Gengold, Impala Platinum, Richards Bay Minerals, Samancor, Trans Natal and the massive Alusaf aluminium and Columbus stainless steel projects



It cannot be often, indeed it may be unprecedented in SA company history, that a major mining house deliberately seeks to make itself smaller In an age when men put store and prestige by the size of the businesses they manage and control, actions of the kind taken by Gencor's directors bespeak either an intrinsic belief in a brave new world or a view taken solely on hard economic considerations

Another aspect arises out of the early antipathies of the ANC to big business and from its Freedom Charter, to which it clung resolutely (but about which little is heard now) Black governments have frequently nationalised free enterprise and

& cont.

P.T.O.

Star 14/5/93

24-carat day for JSE buyers

(232)

Finance Staff

Gold continued on its bull run overnight — briefly touching a 17-month high of $370 in New York — as the first words of caution about the "unsustainable" surge in the price were sounded.

After touching the $370 level, gold fell back slightly to a close of $368,55 It eased further in Hong Kong this morning to open at $366,55.

Nevertheless, it was a 24-carat day for investors in gold shares on the JSE yesterday as the market exploded in reaction to gold's surge, which was accompanied by a rise in the platinum price to a 10-month high.

Within 20 minutes of the opening bell yesterday, gold shares had rocketed by more than 10 percent on average and as the gold price remained buoyant the surge in values continued.

At the close, the gold index had soared by an astonishing 192 points to 1636 — more than 13 percent.

The euphoria spilt over into the industrial sector which added 44 points to 4449. The all-share index rose by 124 points to 3888.

"I can't remember when last I saw such hectic activity at the opening bell," shouted stockbroker Tim Michel above the din

Trading volumes rocketed as institutions, private investors and foreigners placed huge buying orders for shares in short supply.

Gold's renewed surge since Wednesday was caused by heavy buying of gold by US-based fund investors, reigniting the fire started in the market by high-profile investors Sir James Goldsmith and George Soros three weeks ago.

Additional factors include fears of higher US inflation.

But there were words of warning, particularly from overseas analysts.

The Financial Times in London, quoting analysts and bullion dealers, described the market as "explosive" and "having lost contact with reality"

Ted Arnold, analyst at Merrill Lynch, said: "It will all end in tears, although, in the short term, the weight of fund-buying can push gold prices up to virtually any level."

Andy Smith, analyst at the Union Bank of Switzerland, said the rally was inspired by options activity while buying of physical gold was dropping steeply

Gold has now risen by more than $40 since it hit seven-year lows of $326,50 just two months ago. The gold-share index has more than doubled after bottoming on November 10.

NOTICE 415 OF 1993

FINANCIAL SERVICES BOARD

THE JOHANNESBURG STOCK EXCHANGE

232

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 an 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 amendment 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.

KENNISGEWING 415 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 wysiging, 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 6.20.6.1

Rates of brokerage on securities, option transactions and Kruger Rands.

6.20.6.1 For transactions in gilts where the broking firm acts as an agent brokerage shall not exceed the following rates:

In transactions where the nominal value is—	*Brokerage rate as a function of the yield to maturity*
Less than R20 000	0,05 per cent
R20 000 up to R99 999	0,03 per cent.
R100 000 upward	at discretion

Broking firms may, at their discretion, charge a minimum brokerage of R10, and in transactions of under R100 000 nominal may **[**shall**]** pass on to the client the relevant Gilt Clearing House charge (if any), which shall be separately shown on the brokers note

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 WYSIGING AAN DIE REËLS VAN DIE JOHANNESBURGSE EFFEKTEBEURS

1. VOORGESTELDE WYSIGING VAN REËL 6.20.6.1

Skale van makelaarsloon op effekte, opsietransaksies en Krugerrande

6.20 6 1 Vir transaksies in prima-effekte waar die makelaarfirma as 'n agent optree sal die makelaarsloon nie die volgende skale oorskry nie·

By transaksies waar die nominale waarde—	*Skaal van die makelaarsloon as 'n funksie van die opbrengs tot vervaldag*
Minder as R20 000 is	0,05 persent
R20 000 tot R99 999	0,03 persent
R100 000 of meer is	eie diskresie

Makelaarsfirmas mag, na eie goeddunke, 'n minimum makelaarsloon van R10 vorder en mag **[**sal**]** by transaksies waar die nominale waarde minder as R100 000 is die relevante koste (indien enige) van die Prima-effekteverrekeningskantoor, wat apart getoon sal word op die makelaarsnota, van die klient vorder

(14 May 1993)/(14 Mei 1993)

Abakor puts JSE listing on ice

BDM 14/5/93.

TIM COHEN

CAPE TOWN — Government announced yesterday that Abakor would delay its listing on the JSE until market conditions improved and the newly commercialised company had diversified successfully

Agriculture Minister Kraai van Niekerk said in a statement the main reason for the delay was the uncertainty in the meat industry following deregulation earlier this year.

The delay, which took place at the recommendation of Abakor's management, would give the company an opportunity to consider further diversification which would result in additional value being added to Abakor's products

Although Abakor has proved a profitable venture, its market share is understood to have declined since deregulation of the meat industry.

Further deregulation is considered possible.

Abakor MD Frans van der Vyver said that given the weak ~~economic~~ and agricultural climate, listing the company now would be "nothing more than irresponsible".

(232)

Van der Vyver said there were many opportunities for co-operation and building of sound relations Abakor was currently investigating several projects

One of the significant advantages of the establishment of Abakor as a public company was that it would be freed of the trading constraints laid down in the old abattoir legislation

"Now that we have loosened the chains, Abakor is in a position to show better results over a period of time so that prospective investors would be in a better position to make better considered assessments," he said.

Star 14/5/93

24-carat day for JSE buyers

(232)

Finance Staff

Gold continued on its bull run overnight — briefly touching a 17-month high of $370 in New York — as the first words of caution about the "unsustainable" surge in the price were sounded

After touching the $370 level, gold fell back slightly to a close of $368,55 It eased further in Hong Kong this morning to open at $366,55

Nevertheless, it was a 24-carat day for investors in gold shares on the JSE yesterday as the market exploded in reaction to gold's surge, which was accompanied by a rise in the platinum price to a 10-month high.

Within 20 minutes of the opening bell yesterday, gold shares had rocketed by more than 10 percent on average and as the gold price remained buoyant the surge in values continued

At the close, the gold index had soared by an astonishing 192 points to 1636 — more than 13 percent.

The euphoria spilt over into the industrial sector which added 44 points to 4449 The all-share index rose by 124 points to 3888.

"I can't remember when last I saw such hectic activity at the opening bell," shouted stockbroker Tim Michel above the din.

Trading volumes rocketed as institutions, private investors and foreigners placed huge buying orders for shares in short supply

Gold's renewed surge since Wednesday was caused by heavy buying of gold by US-based fund investors, reigniting the fire started in the market by high-profile investors Sir James Goldsmith and George Soros three weeks ago.

Additional factors include fears of higher US inflation.

But there were words of warning, particularly from overseas analysts.

The Financial Times in London, quoting analysts and bullion dealers, described the market as "explosive" and "having lost contact with reality"

Ted Arnold, analyst at Merrill Lynch, said "It will all end in tears, although, in the short term, the weight of fund-buying can push gold prices up to virtually any level."

Andy Smith, analyst at the Union Bank of Switzerland, said the rally was inspired by options activity while buying of physical gold was dropping steeply

Gold has now risen by more than $40 since it hit seven-year lows of $326,50 just two months ago The gold-share index has more than doubled after bottoming on November 10.

Star 14/5/93

AWB set to join Volksfront

(304)

By Norman Chandler
Pretoria Bureau

Reversing its earlier opposition to the Afrikaner Volksfront, the AWB says it will link up with the new organisation after all.

Eugene TerreBlanche, leader of the AWB, told a public meeting in Witbank last night the AB's decision had been made to "mobilise the volk to resist the Government's capitulation"

It was also announced at the meeting that the Mineworkers' Union and the Iron and Steel Labour Union were joining the Volksfront.

TerreBlanche told about 2 000 supporters he expected the announcement of the AWB's decision to be a "great shock to both the Government and the African National Congress"

The AWB boycotted the founding meeting of the Volksfront in Pretoria last Friday The only representative attending was its Wenkommando leader, "Commandant-General" Servaas de Wet.

Sources in Pretoria said today TerreBlanche had been persuaded not to take action against De Wet.

Ten days ago, TerreBlanche said the Volksfront would splinter the right-wing movement.

A right-wing meeting at the Union Buildings, Pretoria, on May 29 will be addressed by TerreBlanche, General Constand Viljoen, the interim chairman of the Volksfront, and Dries Bruwer, president of the Transvaal Agricultural Union

Star 14/5/93

No tax on PC pay packages

Members of the President's Council, which is to be abolished on June 30, would be compensated according to precedents set at the dissolution of the senate and provincial councils, President de Klerk said yesterday

He said the amounts, which he did not specify, would be tax-free.

The packages would be paid out on June 30 and would not include the five percent salary increase envisaged for political officials from July 1 — Sapa

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(3004)

The packages would be paid out on June 30 and would not include the five percent salary increase envisaged for political officials from July 1. — Sapa

(260)

and further growth in export values.

"If the gold price continues its steady performance, this will undoubtedly benefit export earnings," he said.

Gouws warned, however, that confidence and the resultant boost in demand for goods and credit were still some way off.

"Slower wage and salary increases, higher unemployment figures and the hike in VAT will combine to slow demand over the next few months," he forecast, adding that second-quarter production could also be adversely affected by the April stayaways.

"The factors are not yet in place that will give us a lift-off and the economy will continue to bump along its current lows for the remainder of the year," he said.

the Plessey board.

the gold price has risen by $25 or

physical gold was falling steeply.

and encourage investment in non-residential construction.

Metlife passes to black control

Star 14/5/93

By Stephen Cranston

Effective control of life assurer Metropolitan Life (Metlife) will pass from Sankorp to the black shareholders of Metlife Investment Holdings (Methold)

In a press briefing in Johannesburg yesterday, Sankorp CE Marinus Daling said Methold had bought a 10 percent holding in Metropolitan from Sankorp for R134,9 million.

This is equivalent to R20 a share, the average at which Metropolitan's shares have traded over the three months preceding the agreement.

Methold will have the right to acquire a further 20 percent in Metropolitan within five years, and Sankorp's remaining 30 percent will be combined in a voting pool with Methold's share.

Funded by IDC

Methold will be funded by the Industrial Development Corporation which has provided R137 million in exchange for 137 million renounceable letters of allocation.

Daling said Sankorp had decided to dispose of a portion of its holding for the sake of black economic empowerment.

"If we are to have strong economy, it is important that everyone participate and be in control of capital."

Metropolitan Life is the ideal vehicle for this empowerment as 85 percent of its policy-holders are black.

He said the deal had been structured on strict business principles. "History has already shown that paternalistically driven black economic empowerment tends to fail."

Signing the deal to establish Methold. Front from left: Jan de Bruyn, Marinus Daling, Dr Ntatho Motlana. Back: WS Pretorius, Attie du Plessis, Marius Smith

Daling said the move was not connected with the unbundling of Sankorp-controlled Gencor. "Unbundling is about improving focus and removing pyramids. This is not what we are doing here."

He said Sankorp would look at further disposals to the black community, but believed the present issue represented a considerable amount of capital to be absorbed.

The R137 million offer is somewhat larger than the R40 million share offering in National Sorghum Breweries

Methold shares will be sold to blacks only in units of one rand, with 20 shares corresponding to one Metropolitan share.

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They will be sold primarily through Metropolitan's 3 000-strong sales force, which itself is 88 percent black.

Black-controlled businesses and funds will be able to buy shares, but nobody will be able to control more than 10 percent of Methold's shares.

Metropolitan MD Marius Smith said there would be marketing benefits from the deal.

It would be easier to sell policies to those who held an indirect stake in the company, and many people would wish to support a black-controlled business.

With a black-controlled board it would be easier to attract high-calibre black staff and it would be beneficial that Metropolitan was no longer controlled by Sanlam, which was now competing with it in the black market.

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Methold chairman Nthato Motlana, who will become chairman of Metropolitan, said he hoped Metropolitan's investment policy would focus more on the black market and look at investment in low-cost housing.

Daling said while it was easy to identify investment opportunities in the First World sector, they were harder to find in the Third World sector, but that they nonetheless existed.

Star 14/5/93

Star 14/5/93

Restructure for Meritex

Star 14/5/93

CAPE TOWN — Meritex has announced a restructuring of its its manufacturing business after a net loss of R7,5 million in 1992/93

"To maximise competitive ability, we have decided to focus on core competencies in-house and to source non-core activities externally," says financial director Dave O'Donovan.

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The earnings a share loss for 1992/93 was 48c, while net asset value at year-end fell to 27c.

"Losses since the beginning of the current year have been reduced," says chairman Ed Gordon. — Sapa.

Gencor unbundling makes political sense

DES PARKER 232
Weekend Argus Correspondent

DURBAN. — Political kudos and an enhanced flow of trading profits are the carrots enticing South Africa's corporate giants to follow Gencor's example and dismantle their corporate structures. ARGT 15/5/93

The prospect of punitive legislation in the form of anti-trust laws is the stick the ANC is waving should the moguls not voluntarily loosen their control on the bulk of the means of production

Unbundling effectively dilutes the power that pyramid structures, or holding companies, wield, by distributing shares in the hands of these omnipotent head office structures to shareholders of operating companies

In so doing, it gives a greater say in the businesses to the smaller shareholders while diverting the flow of profit into a greater number of hands

Almost three years ago, when Derek Keys was its MD, Gencor (South Africa's number two mining house) became the first conglomerate seriously to moot the idea of unbundling

In March this year, Mr Keys, President De Klerk's choice to succeed Barend du Plessis as Finance Minister, removed a major obstacle to unbundling when he spoke in the Budget of legislation to be introduced in the current parliamentary session to expedite the process for business wishing to follow that path

The wealth distributed among shareholders would be exempted from the 15 percent tax on dividends. The authorities had already tacitly agreed not to tax punitively the profits realised by unbundling companies

The political climate is conducive to taking the plunge. The ANC has moved perceptively away from talk of nationalisation, but has held to the view that scaling down the concentration of corporate power must be central to restructuring the economy

Only last week, ANC president Nelson Mandela said in London it would be important to review the "unacceptable" control of the Johannesburg Stock Exchange by four conglomerates — Anglo American, Sanlam, Old Mutual and Rembrandt He said there could be no free market in shares if 75 percent were held by the four groups

ANC mineral and energy affairs spokesman Pallo Jordan said recently the ANC was in favour of unbundling as it led to a deconcentration of power

Not surprisingly, Mr Keys welcomed the Gencor move, saying it would result in five entrepreneurs instead of only one which had an outstanding track record "We are shaping a mould from which some future corporate structures might be cast"

Gencor's main rival, Anglo American, remains lukewarm

Deputy chairman Graham Boustred said recently South Africa needed more, not fewer, Anglos to undertake major capital projects, and chairman Julian Ogilvie-Thompson says the corporation is not a conglomerate, but a mining finance group with different levels of holding and operating companies

No controlling company nor pyramid existed to hold ultimate control No "compelling" political argument existed for unbundling by Anglo, while a dissolution of its size and strength would put paid to the major capital projects it was capable of, such as the Columbus stainless steel venture

Other big names were similarly cool Barlow Rand said it was "constantly" looking at the possibility of unbundling non-core interests but had no such plans now

Anglovaal chairman Basil Hersov appeared to rule out unbundling entirely "Our shares do not trade at the sort of discount applicable to other conglomerates and, in addition, our controlling shareholders are full-time executives of the group and not passive investors

"In any event," he went on, "I do not believe the simplistic statement that so-called conglomerates trade at a discount to their underlying companies, on the contrary, the underlying companies trade at a premium over their normal value because they are part of a much stronger group"

In fact, despite vociferous opposition, some far-flung corners of the Anglo empire are involved in self-fragmentation The group elected recently to distribute the underlying assets of holding companies Welkom Gold Holdings and Orange Free State Investments and liquidate the businesses

Closer to home, diversified publishing company Argus, ultimately controlled by Anglo, has split its interests clearly between newspapers (Argus Newspapers) and its other interests.

Anton Rupert's Rembrandt, one of the business houses referred to by Mr Mandela, has kept out of the debate, although it is directly affected by the Gencor move, losing its direct joint control with Sankorp of the mining house

The effect of Gencor's unbundling, expected to be completed by August 31 this year, is that Gencor will relinquish control of its three industrial arms — paper and pulp company Sappi, consumer group Malbak and energy company Engen, as well as its as investment arm Genbel

Gencor will emerge as purely a mining, metals and mineral beneficiation company, with interests, among others, in gold, platinum, coal, ferroalloys, stainless steel and aluminium

Chairman Brian Gilbertson said "If the present Gencor did not already exist, no-one would dream of joining Engen, Genbel, Malbak, Sappi and the mining businesses into a single conglomerate"

He said releasing the full value of the group's underlying assets was the "driving force" behind unbundling Gencor shares had consistently traded at a 20 percent discount to the net asset value of operating subsidiaries

Gold retreats as Fed considers rise in rates

Star 25/5/93

By Neil Behrmann

LONDON — Gold is meeting resistance around $380 an ounce after reports that the US Federal Reserve Board is considering raising interest rates.

Fed officials have voted to lean towards higher short-term interest rates because they are concerned that inflationary pressures are building up in the economy.

As a result the dollar rose sharply yesterday and in New York gold tumbled from a peak of $381 to close at $373,90.

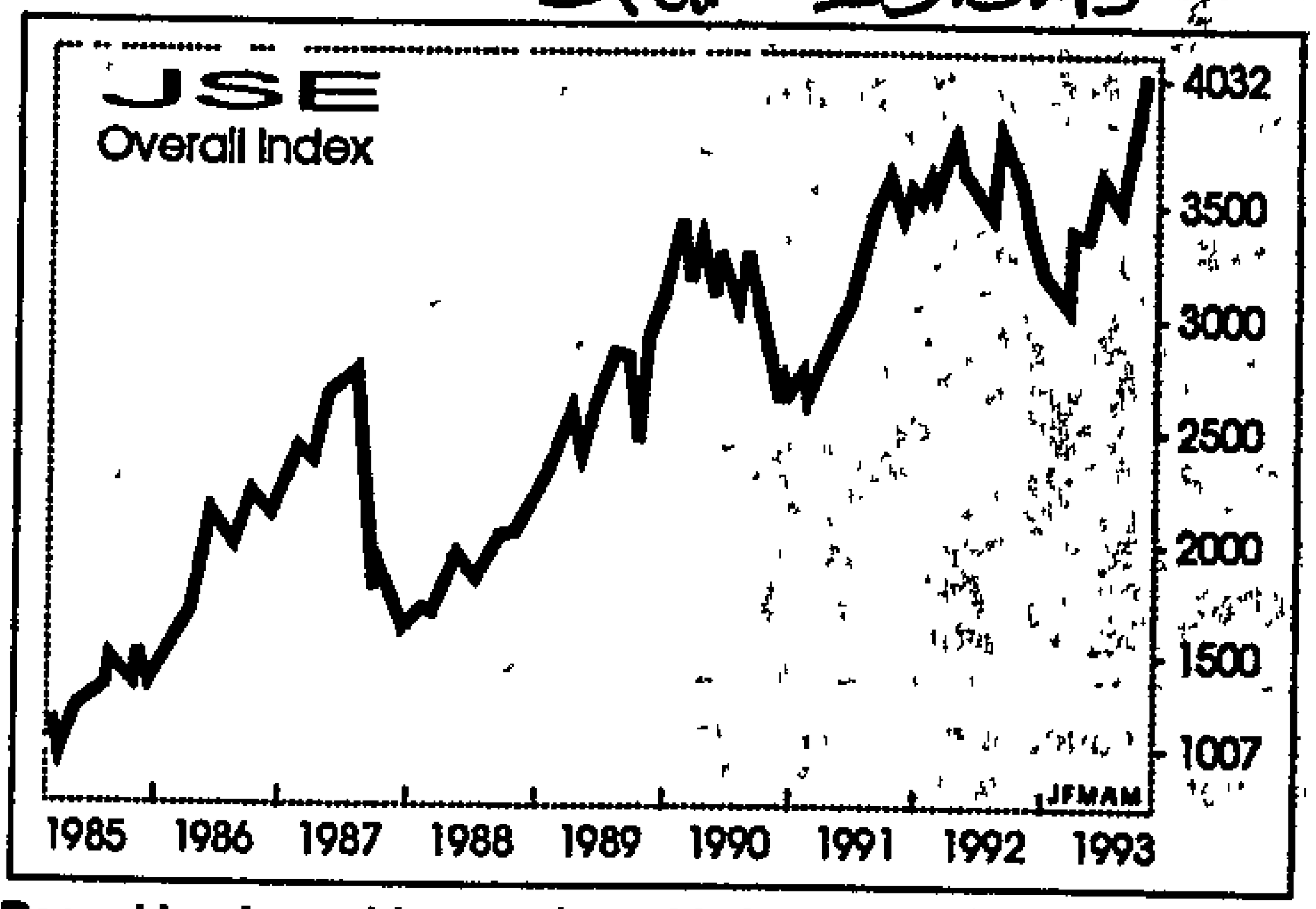
Some analysts are saying the time has come to be wary of proliferating bullion bugs who are leaving isolation wards and are making all sorts of predictions about the price.

Of course, South Africa can only welcome the 14 percent rise in gold since the seven-year low of $327 in March.

The problem, however, is the quality of buying.

Daily gold volumes on New York's Commodity Exchange, the futures and options market, have surged in recent months by four times to 70 000 to 100 000 contracts, each equivalent to 100 ounces of gold.

The open interest of these contracts have more than doubled in the past few months to 177 000 contracts



Record level . . . driven up by gold shares the JSE overall index rose above 4000 for the first time yesterday.

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Since commodity funds and speculators have been overwhelmingly bullish, there are a lot of short-term gold holders out there, hence the sharp reaction on Monday.

A US bullion manager warns of "black holes " in the market where sharp price moves can take place on small volumes.

There is sufficient speculative money to drive gold through $400 In the longer term, however, gold market prospects depend on solid jewellery demand, accelerating Western inflation and on hopes that buyers from China and other Asian countries will pay higher prices.

Bullion dealers say that US, Swiss and other portfolio managers and private investors are far from convinced that gold is entering a major bull market.

Far too often, in the past five years, gold has surged, faltered and then tumbled as disenchanted investors dumped positions and ran for cover.

The price has traded in a narrow 15 percent range of $330 to $380 range for several years, although there were brief breakouts from time to time. Many an investor was caught near the top of the band.

Serious investors are unsure whether US inflation will rise sharply in an economy with high unemployment, spare capacity and uncomfortable levels of private debt.

The same applies to Europe. Germany is dragging European economies downwards. Britain's recession has ended, but recovery is slow and patchy.

There is also a question mark over China and the Far East, after record purchases of gold in the past year.

Dealers and analysts of the Union Bank of Switzerland, Deutsche Bank, Morgan Guaranty and others are detecting a sharp decline in orders from the Far East.

Imports by Singapore, Taiwan, Hong Kong and other parts of Asia have fallen sharply. China's authorities are cautioning that they will clamp down on inflation.

The gold market is thus delicately balancing between speculative demand from the West and price resistance from the East.

If gold were to stabilise between $350 and $380, Far Eastern buyers may well re-enter the market. But it is difficult to estimate on what scale.

If the price were to surge, Far Eastern hoarders and jewellers would be sellers, dealers say.

But if gold fails to move, commodity funds may grow impatient and sell.

Sentech autonomy on the cards

Star 15/5/93.

Sentech, the SABC's signal distribution arm, may soon fall under the authority of an independent broadcasting body, reports MANDY JEAN WOODS.

THE possibility of the SABC divesting itself as the sole shareholder in its signal distribution arm, Sentech, is being considered, industry sources said this week.

Sentech was formed in October 1992 as a limited company, wholly owned by the SABC and with four directors from the SABC: Wynand Harmse, Gert Claasens, Steve Schubach and Neel Smuts.

Sources said the thinking at Auckland Park was that because of what Sentech does — install, maintain and operate transmitters for radio and television broadcasting — it would be a viable proposition to have it fall under the regulatory authority of an independent broadcasting authority (as proposed by the Government and its negotiating partners), with its own board of directors drawn from all sections of the community

Sentech MD Neel Smuts, responding to the reports, said he would welcome such a move "We would like to serve all broadcasters in South Africa We have the skills, the infrastructure and offer competitive services"

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While the SABC is ~~currently~~ Sentech's major client, it also works for M-Net, Radio 702, the BBC, Radio Pulpit and some broadcasters in the TVBC states.

"We have not experienced any resistance from clients because we are owned by the SABC, but I know from my own observations that clients would be happier if Sentech were in control of an independent board of directors," Smuts said.

In the new broadcasting era where there may be dozens of radio stations and more television stations, it could be awkward if Sentech were owned by the SABC "It may be difficult for it to resist the temptation to advantage itself," the sources said

On another note, Smuts said Sentech was set to move into new markets beyond its established area of activity as a distributor of radio and television services.

"We are now offering radio paging signal distribution, datacasting and multi-point microwave distribution," he said. These services are available to both the public and private sectors

Smuts stressed Sentech would not be competing with radio paging operators, but would instead be providing them with supporting infrastructure and service.

The datacasing services would distribute one-way computer-to-computer data on the FM signal. Here, the banking and retail sectors were being targeted, he said.

Multi-point microwave distribution would allow for the local transmission of video and audio-signals, a technology being targeted at business, professional and educational customers as an encrypted signal.

Sentech would also offer transmission site-sharing to telecommunications operators as it owns and operates some 120 high sites nationally.

Motlana takes over at Metropolitan

CITPRESS 16/5/93

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By ZB MOLEFE

LONG-TIME black economic empowerment apostle Nthato Motlana this week put action where his mouth is – he is in a group of black businessmen who have paid R140-million for shares in one of the country's leading insurance companies

The landmark deal, financed to the tune of R137-million by the Industrial Development Corporation (IDC), could be the start of a black takeover of the Johannesburg Stock Exchange-listed insurance company Metropolitan Life

In terms of the deal the Metropolitan board was reconstituted on Friday Dr Motlana is chairman and his deputy is former KwaNgwane chief minister Enos Mabuza.

Other board members are Dikgang Moseneke, an advocate of the Supreme Court, and former PAC deputy president, Nafcoc president Archie Nkonyeni, Durban businessman and ANC corporate affairs advisor Don Mkhwanazi and Cape educationist Franklin Sonn

Dr Motlana, a mover and shaker in the black economic empowerment process, told City Press "It should not be forgotten that as late as 1990, when the ANC was unbanned, one of its major statements on black economic empowerment was that blacks had to get into mainstream business

"When this opportunity came (to buy shares in Metropolitan), we were at the time looking for an insurance company where we could invest We realised that an insurance company had the ability to mobilise black money"

■ See Page 6.

Another tame year for Tiger

S1Times (Buss) 16/5/93

(232)

By CHERILYN IRETON

TIGER Oats warns that it may not achieve profit growth this year. That could be the first dent in its earnings record since Barlow Rand took control of the food group 10 years ago.

Tiger is South Africa's largest manufacturer and distributor of staple foods and its results at the half-way mark reflect the burden of both the recession and drought on consumer spending and profit margins.

Earnings slipped 3% to 106c a share for the six months to March, forcing the board to waive any increase in the interim dividend of 28c.

Chairman Robbie Williams says 1993 will be a difficult year.

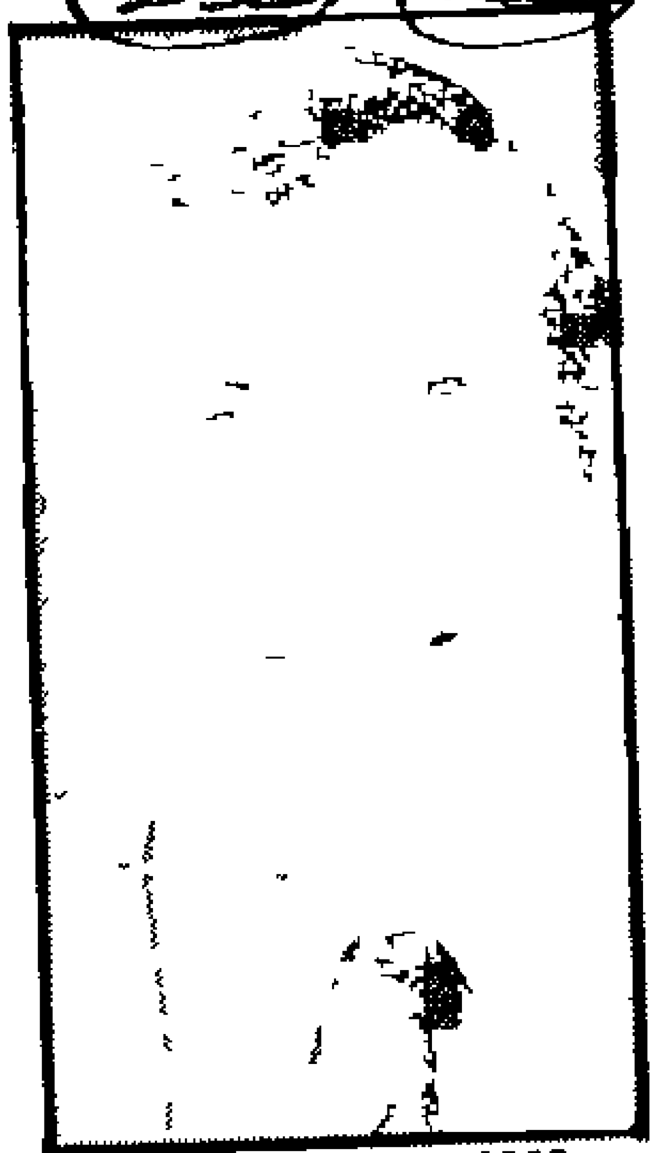
"The recession has lasted much longer than expected and we cannot expect an improvement in earnings for the year."

Food accounts for about two-thirds of the group's profit. So in spite of a strong start by its pharmaceutical operations which lifted their contribution to earnings by 40%, attributable profit rose only 3% to R159,1-million.

Earnings a share slipped because of an increase in shares in issue.

Sales rose in rand terms, but profit margins fell to 6,5% from 7,1%.

Tiger Foods contribution to the bottom line was down 11% at R103,4-million. But its problems went further than the estimated 3% volume decline in food manufacture brought on by shrinking purses.



ROBBIE WILLIAMS

Consumers once again resisted yellow-maize imports, leading to high stock returns. Manufacturing yields suffered because of processing difficulties linked to the poor quality of the imports.

The broiler and egg operations, serving an over-supplied domestic market, recorded losses and there was weak demand for canned foods.

Mr Williams says "We also incurred shake-down costs in bringing major facilities on stream."

Operating problems plagued the newly acquired foreign vegetable-oil processing plants. Nonetheless, Mr Williams believes that the investments will come right.

The arrival of Uncle Ben's rice in SA does not seem to have ruffled market leader Tastic which produced good returns and says it is well posititioned to face the new competition.

Diverse

Mr Williams says Tiger will continue to press the Government to allow imports of maize for animal feed in the Cape. Yellow maize landed at Cape Town is R135 a ton cheaper than the product railed from the Transvaal.

Mr Williams regards Tiger's performance as "reasonable under the most difficult trading cirumstances". He believes its inherent strength will result in continued growth.

"The group is diverse, carefully structured, has strong management and is well placed to turn any improvement in the overall economy to real advantage.

"Our policy of continuing to invest despite a declining, difficult economy will pay off in better times. We have the ability to generate cash and our gearing remains conservative at 28%."

Tiger's short-term prospects are likely to keep the share from its high of R50 in February this year before it became known that January was one of the worst on record for Tiger Foods. The share is trading at R42,25, off its April low of R40.

The new tax scheme reduced Tiger's tax charge by R22-million.

Defeat turns into victory for Majuba

S/Times (Buss)
16/5/93
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By Julie Walker

RANDCOAL and Eskom have made the best of a bad job in reaching agreement on the future of Majuba colliery

Not only do they appear to have lost none of the R500-million and more invested in a colliery which is to be closed, they managed to come up with a solution about the supply of coal to the power station and largely absolve themselves of blame Pollution-control authorities are the unwitting villains

In brief, in 1981 Eskom invited tenders for a large power station to be built away from the Witbank coalfield It had been told by pollution officer Martin Lloyd that any new stacks would have to be fitted with equipment to prevent the addition of more filth into an already burdened atmosphere

Eskom accepted Randcoal's tender for Majuba, south of Amersfoort in the south-eastern Transvaal At that time, no coal was being mined in the vicinity and the field was relatively unexploited

The field was big and its coal of acceptable power-station quality It was also deep — 300m against about 80m at Witbank It was a single seam split into two blocks

There was some devolatilisation — the burnable bits of the coal having been driven off

But the 181 boreholes drilled by then did not tell the whole story By 1986 another 200 boreholes enabled Randcoal geologists to recognise the potential for a dolerite problem, although no new disturbances were uncovered

Only in 1989, when the shaft had been sunk, allowing access to the coal seam, did the full picture begin to emerge

A series of horizontal boreholes into the coal seam disclosed high levels of dolerite dykes and sills around the shaft pillar

Subsequently, a series of geological testing methods, previously unavailable, confirmed that the whole coalfield was riddled with dolerite dykes and would never be suitable for the planned and cheap long-wall mining method

In Australia, longwall mines simply plough through the dykes, but Majuba's dolerite is far too hard for that

Conventional room-and-pillar mining would be too wasteful because large pillars would be needed for support at that depth Working costs would be too high, the amount of mineable coal jeopardised

Consistent

Moreover, the dykes caused devolatilisation of nearby coal, making it unsuitable for a power station

The Majuba field could never economically yield enough coal to run six generating sets, three of which are nearly complete and three on hold

This year, on the admission of disaster, Eskom asked suppliers if they could bring in coal from outside Majuba It received 17 worthwhile offers, several from Witbank producers

Eskom accepted Randcoal's proposal to increase the size of the consistent Khutala coalfield — it supplies Kendal power station — and rail the coal to Majuba, partly along the upper stretches of the Richards Bay line

A 70-kilometre link will have to be built, as will loading and offloading facilities

The Majuba mine will be closed and stripped Mining would have been hazardous at best because of poor roof conditions, methane gas and the need to treat high-fluoride water pumped out

But neither Randcoal nor Eskom will be worse off financially Randcoal chief executive Allen Cook explains "the secret of how this miracle happens"

Mining costs at Khutala are about R20/ton — half the expected cost at Majuba had it gone ahead. This cost differential is enough to absorb the cost of railage and still service return on capital for the original Majuba investment and additional money required to expand Khutala

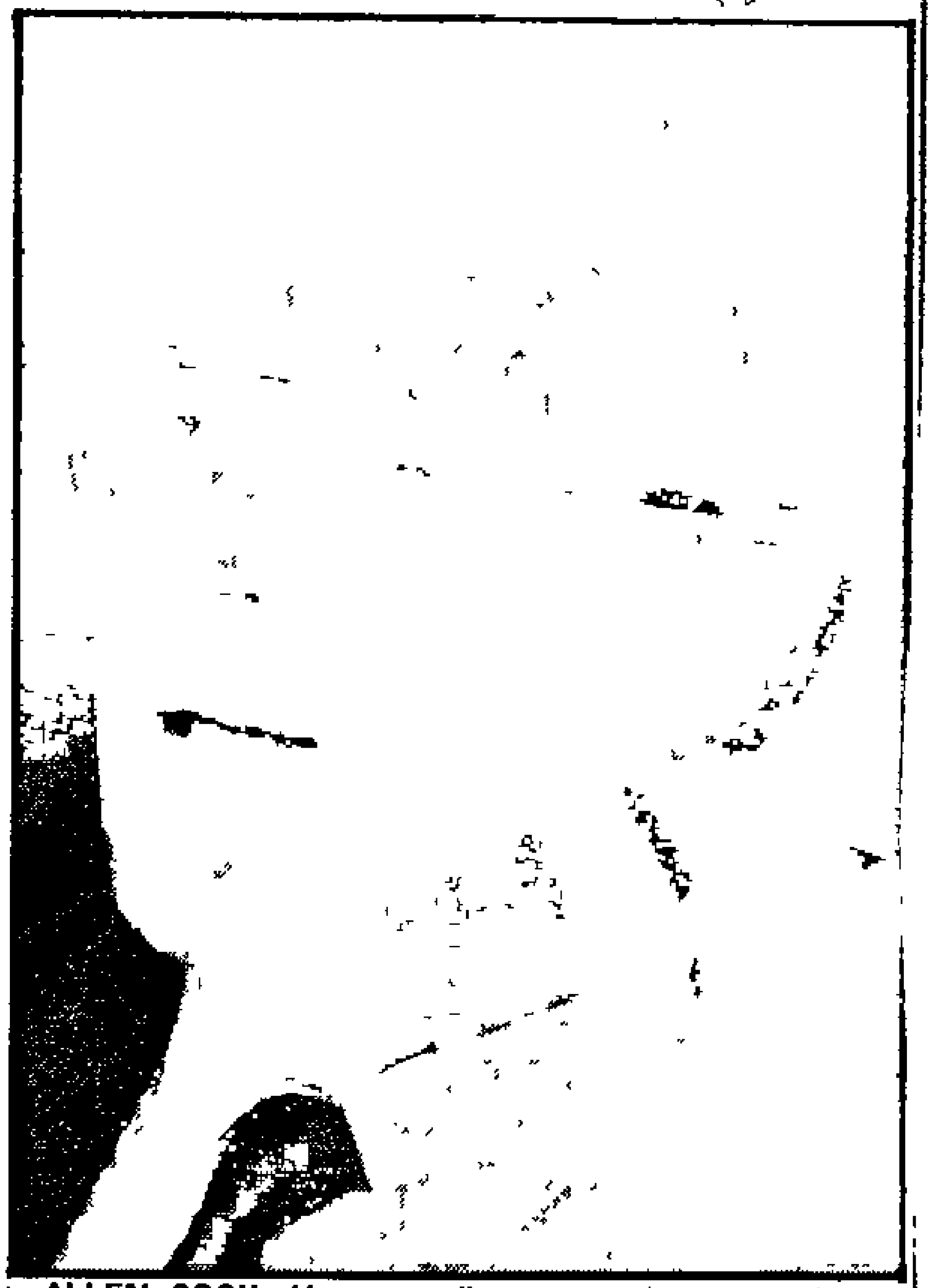
"In a weird sort of way, the R200-million Randcoal spent at Majuba will still be an asset," says Mr Cook

It will cost R560-million to extend Khutala, against which R80-million of salvageable equipment from Majuba can be offset

There will be short-term cash-flow benefits to Randcoal Eskom says it will build all six sets at Majuba now

"With 17 viable offers to rail coal to Majuba, there is more scope to build power stations away from the Highveld," says Mr Cook

"But if anyone had suggested that 10 years ago, he would have been laughed out of sight The sums were not right at that time.'



ALLEN COOK: How a colliery miracle came about

BUSINESS

ST (Buss) 16/5/93

Pickle takeover

ROBERTSONS has bought the Carmel pickle brand from I&J (232)

Carmel's products include pickled cucumbers and onions and sandwich spreads and relishes. It dominates the pickled cucumber market with a market share of more than 50% says Robertsons managing director Mike Brownlee.

ment and technical expertise

SA Breweries says no single group has outright control of its shares and points to the threefold premium of the share price to net asset value

"There is no value to unlock by unbundling SAB," says group financial director Selwyn MacFarlane. "We are a focused consumer group Unbundling applies to conglomerates with interests which do not fit together, such as Gencor"

Rene de Wet, managing director of Pick 'n Pay, says unbundling would result in the Ackerman family's losing control

"From a shareholder point of view there is a lot of value attached to the Ackerman control of the group"

Business leaders praise Gencor's decision to demerge its non-mining interests Although Sankorp will retain effective control, the move is seen as an important step for shareholder democracy

put unbundling on the corporate agenda when he was Gencor chairman, says. "Gencor has an outstanding record as an entrepreneur I welcome the announcement of plans to unbundle in the belief that it will result in five entrepreneurs"

Brian Kantor, professor of economics at the University of Cape Towns, says that although control of Gencor's operating subsidiaries will remain with Sanlam, shareholders will have a stronger influence on affairs

"Now the operating companies will be controlled directly through Sanlam rather than through the intermediary of Gencor management which may not necessarily be a good thing.

"We need to persuade the ANC that tight control by shareholders is a good thing They appear to have picked up the US view of anti-trust behaviour which is outdated and un-

R500m to bring electricity for all

S/Times (BUSS) 16/5/93

By KEVIN DAVIE

ESKOM and the life assurers have struck a R500-million groundbreaking deal to part finance Eskom's R3-billion "electricity-for-all" drive

The project — the assurers have agreed to a first tranche of R500-million — is the first by the Investment Development Unit of the Life Offices Association

The IDU was set up to facilitate the flow of funds under the control of the life and pensions industry to socio-economic development.

The IDU has been investigating mechanisms to do this A life-assurance source says Eskom involvement was the key to the scheme and the first tranche of R500-million.

The life business is expected to earn a market-related return on the 15-year bonds which Eskom will issue The bonds are structured so that yields are low in the early years but improve with time.

"There is no capital risk, although there is a risk on the yield," says a source

Eskom intends to bring electricity to at least a million people a year

It is better placed than most to enter the high-risk area of socio-economic upliftment because the pre-paid meters it installs ensure that it gets paid

Attempts to provide housing and other social services for blacks have, in contrast, largely been frustrated by rent, mortgage and service boycotts, high costs and poor quality and inefficient systems for collecting payment.

Two go

STELLENBOSCH-based Gilbey liquor group chief executive Peter Fleck and human resources director Anton Erasmus resigned at the same time this week to follow other interests

Parent company International Distillers & Vintners president of the Africa region Howard Smith, says successors have not been appointed

Breaking up (not so) hard to do

S/Times (BUSS) 16/5/93

SOME Sanlam-controlled companies were unbundled this week while another was bundled in a set of moves which have changed corporate SA forever.

Comment by KEVIN DAVIE

SA BUSINESS is characterised by an over-concentration of control in a few white hands while few blacks are shareholders.

There will be enormous pressure in a democratic South Africa for artificial barriers — such as pyramid controlling structures — to market entry to be dismantled and for have and have-not disparities to be dealt with as rapidly as possible.

Two deals — announced by companies in the Sanlam stable this week — have these objectives.

First Gencor said that its pyramid structure would disappear as soon as Finance Minister Derek Keys's unbundling legislation had been passed. Two companies would go, leaving five stand-alones in Genmin (to be renamed Gencor), Engen, Malbak, Sappi and Genbel.

The intention is to free control of these companies and unlock value for shareholders through improved share liquidity, management independence and competitiveness

In the SA context this has come to be known as unbundling. A company increases its exposure to market forces by stripping away holding companies which may help thwart takeovers.

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Only days later Metropolitan Life, also part of the Sanlam stable, said that a new company, Methold, would be set up with a 40% stake in Metropolitan.

A special voting arrangement will ensure that control passes from Sanlam's industrial holding arm, Sankorp, to Methold.

Metropolitan has assets of R4,8-billion. Methold will have mostly black directors and blacks will make up 10% of the shareholders with a five-year option to increase this to 30% Metropolitan has good growth potential as a savings and investment vehicle for blacks.

So desirable ends have been achieved in one case through unbundling and in another through bundling This suggests that the ends — improved competitiveness and wider ownership of the economy — are more important than the means.

Competition Board chairman Pierre Brooks takes a simple view on the unbundling issue. He says in the past there have been incentives to conglomeration. This needs to be changed so that the incentives favour de-conglomeration and the improved competitiveness which this will bring

Much of corporate SA is at present impervious to takeovers because pyramidal control makes takeovers an unlikely possibility.

But attempts at big-stick solutions, such as enforced break-ups, could replace an unhappy situation with an even unhappier one. As Gencor and Metropolitan have shown this week, win-win solutions are possible without using big sticks.

S/Times [Buss] 16/5/93

Institutions miss boat as golds run on the JSE

By JULIE WALKER

THE JSE had one of its best days since 1987 on Friday as the gold price continued to rise

Gold peaked on Thursday at $369,50 an ounce before retreating. The second London fixing on Friday was $368,20 — more than $10 up on the week.

A London trader said "Volatility — is the outlook."

He said trade had been thin as investors waited to see whether gold's bull run would end in tears

The JSE All-Gold index hit a peak of 1 668 points on Friday, 14% up on the week and more than double the November low

Stockbrokers reported interest from abroad, especially New York.

Opinion was that SA institutions — for long bearish about gold shares — had missed the boat

A dealer said. "They want to buy when the market comes off a bit, but it's never for long enough and there aren't the sellers"

Another reported strong interest from private clients, but no rush of rookies

"It's not like 1987 when all three telephones rang all day long," he said

Foreigners' favourite Vaal Reefs jumped from R265 a share to R314 on the week, R16 of the gain coming on Friday Other big movers were Amgold up R35 at R295, Gold Fields of SA R16 to R105 and Anglo American R11 to R137 — all year's highs

Many tickey stocks scored big percentage increases, although trifling in absolute terms Gazgold put on 5c, or 3 8%, to 18c in spite of the theft of a bakkie containing 8kg of its gold near Pretoria Battling Joel gained 30c to 285c after announcing a possible merger with thriving Beatrix Loser Doornfontein gained 50% to 345c — it was 45c in January.

Golds pulled platinum shares up in spite of little change in the metal price. Rusplats put on 550c to R83 — there was a bear sale at R82 — and Impala and PPRust edged higher De Beers added R3,25 to R83

The financial rand behaved unpredictably, swinging up and down by 10c a day. Technically, it should have appreciated in the light of foreign demand and rising share prices It closed at 468c to the dollar — 7c weaker than last Monday

The World Gold Council publication Gold Demand Trends reported that demand for gold was 632 tons in the first quarter of 1993 — 24% greater than the 1992 figure.

Reuter reports that Hungarian-born billionaire George Soros said he would stay in gold for at least six months But he warned that the price could be rising too fast.

Peak

"I think the trend is upward, but perhaps it's going up too quickly," Mr Soros told French radio station Europe 1

"It could start to attract the interest of the authorities, who would step in to brake it."

If too many speculators piled into gold, the price would correct itself — "but I'll stay invested at least six months in gold" Gold has risen steadily since early March on the back of record world buying and peaking output.

It took off at the end of April after news that Mr Soros had bought about 10% of leading producer Newmont Mining Corporation from Sir James Goldsmith

Mr Soros said Asia was the main new source of demand for gold Chinese investors in particular were worried about inflation, he said.

But the gold market was wrong if it expected a jump in global inflation — recession was the problem

Mr Soros said the Bundesbank should have the courage to cut short-term rates to 3% or 5%

S/Times [Buss] 16/5/93

Belt-tightening time

By TERRY BETTY

PEOPLE are eating less as the recession gobbles up their disposable income.

Food sales have dropped by more than 20% in real terms since 1991 They fell 10% in the past few months alone

"The period since January has been the worst for food sales across the board," says Econometrix economist Tony Twine

"This reflects the pressure on disposable income of families As jobs are lost at an accelerated pace, people are faced with little or no disposable income"

Food sales have fallen at a greater pace than other retail goods

Mr Twine suggests that this shows the greatest squeeze is being felt by those at the bottom of the income scale

"Families with enough money to spend on goods other than food have not cut their spending as much"

However, Mr Twine says the figures are distorted because more families have switched their purchases from the traditional retailers to the informal sector

He says that buying down — for instance, eating potatoes instead of meat — will be reflected as a fall in the value of food sold

● See Page 6

Pressure on the barons of JSE rises

ST Times [Buss] 16/5/93

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By CIARAN RYAN

PRESSURE is mounting for a break-up of South Africa's corporate conglomerates which are blamed for concentrating economic wealth in the hands of a tiny elite

The super-corporations came under the spotlight this week after Gencor decided to unbundle — one of the most significant events in SA business history

The Competition Board wants a revision of rules which allow pyramid companies on the JSE. A few families are able to control more than R100-billion of listed companies. In some cases, the families hold less than 10% of the equity

Anglo American, Barlows, Anglovaal and Rembrandt say they are able to mobilise capital for large projects, in many cases their assets trade at huge premiums to net asset value and that they bring considerable expertise to group companies.

The ANC plans to introduce tough anti-trust legislation which may enforce unbundling

An ANC spokesman says "Conglomerates can lead to monopolistic practices Holding companies are able to exercise control over the investment policies of the operating arms

"This constrains the growth potential of small and black business"

Competition Board chairman Pierre Brooks says pyramiding — it allows minority shareholders to control huge conglomerates with relatively little capital outlay — deters foreign investment

"We have excessive economic concentration and foreign businessmen have complained to me of the extent of pyramiding in SA. It is something they want to see removed before investing here."

JSE president Roy Andersen welcomes Gencor's decision, saying: "We believe this unbundling will make an important contribution to improving liquidity on the JSE."

Sankorp chairman Marinus Daling says. "We need investment in SA. Our highly controlled corporate structure is foreign to northern hemisphere investors."

Anglo American defends its corporate structure and cross-holdings on the basis that size is good for capital agglomeration.

A Barlows spokesman says unbundling would not unlock shareholder wealth because the shares do not trade at a discount to underlying assets

Tight

Analysts say Barlows' net asset value is understated because of large unlisted holdings

A Barlows spokesman says a head office enables a sharing of management and technical expertise.

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Business leaders praise Gencor's decision to demerge its non-mining interests Although Sankorp will retain effective control, the move is seen as an important step for shareholder democracy

MARINUS DALING Out of kilter with northern hemisphere investors

Finance Minister Derek Keys, who put unbundling on the corporate agenda when he was Gencor chairman, says "Gencor has an outstanding record as an entrepreneur I welcome the announcement of plans to unbundle in the belief that it will result in five entrepreneurs"

Brian Kantor, professor of economics at the University of Cape Towns, says that although control of Gencor's operating subsidiaries will remain with Sanlam, shareholders will have a stronger influence on affairs

"Now the operating companies will be controlled directly through Sanlam rather than through the intermediary of Gencor management which may not necessarily be a good thing

"We need to persuade the ANC that tight control by shareholders is a good thing They appear to have picked up the US view of anti-trust behaviour which is outdated and increasingly subject to criticism in America where shareholder control is generally weak," says Professor Kantor

Paul Beachy Head, general manager of investments at Southern Life, says "There are pros and cons to everything. I think Gencor has sacrificed some of the critical mass required to finance and undertake mega-projects such as Alusaf"

R500m to bring electricity for all

ST Times [Buss] 16/5/93

By KEVIN DAVIE

ESKOM and the life assurers have struck a R500-million groundbreaking deal to part finance Eskom's R3-billion "electricty-for-all" drive

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The IDU has been investigating enter the high-risk area of socio-economic upliftment because the pre-paid meters it installs ensure that it gets paid

Attempts to provide housing and other social services for blacks have, in contrast, largely been frustrated by rent, mortgage and service boycotts, high costs and poor quality and inefficient systems for collecting payment.

Anglo's in the hunt

S/Times [Buss] 16/5/93

By JULIE WALKER

GENCOR chairman Brian Gilbertson's admission that there is a less-than-50% chance of the company's doing a deal with Shell on Billiton probably stems from the pre-emptive rights of the target firm's partners in various projects

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One is a company owned by Minorco — Anglo American's foreign arm — and Anglo itself in the Chilean Collahuasi copper project.

According to the London Financial Times, Minorco-Anglo paid $190-million for a third stake in Collahuasi. Billiton and Falconbridge are equal partners.

If Billiton were to sell, it would have to give the partners an opportunity to match any offer by a third party Anglo American says it would certainly exercise such pre-emptive right over Collahuasi.

Talk is that Anglo scrutinised the assets of Billiton with a view to their purchase, and found them wanting, other than Collahuasi.

Gencor will not be able to export cash to pay for Billiton. It has an exclusive 120-day option to work out a means of payment.

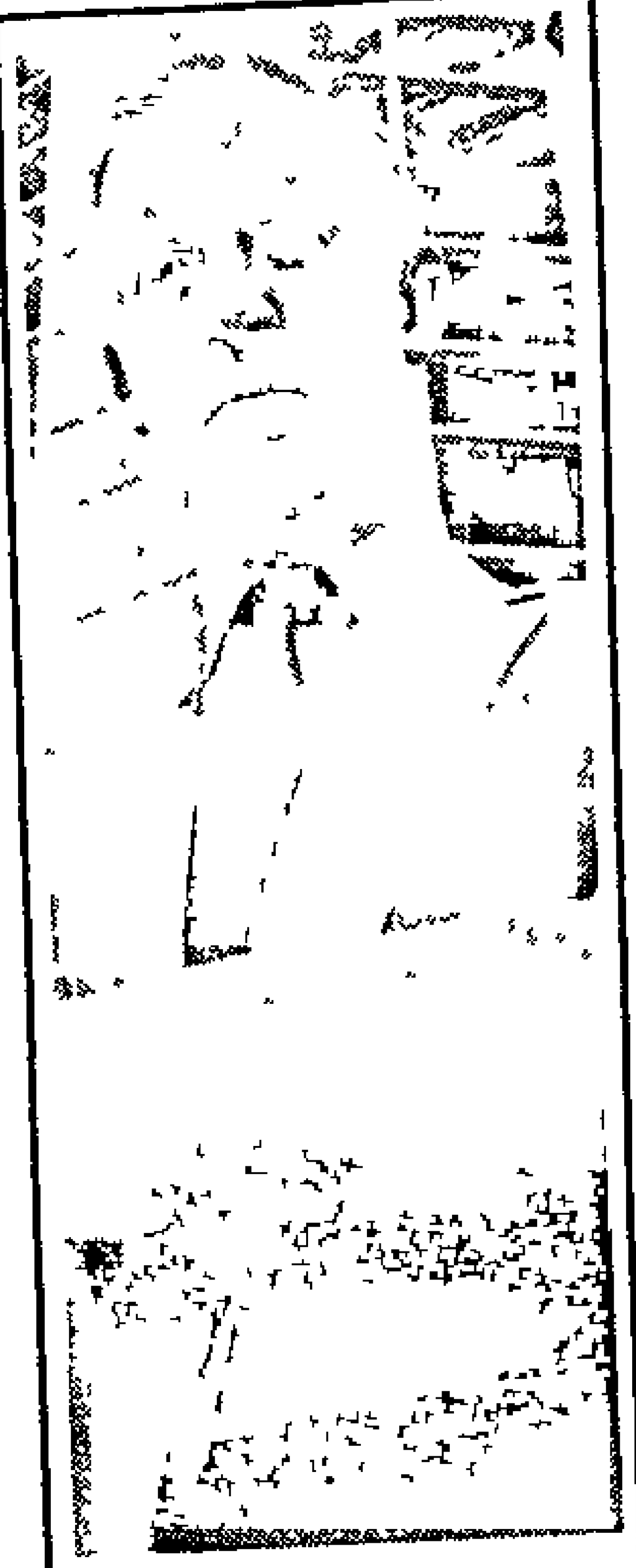
Fly in the ointment if it's no more than sop to ANC

S/Times (Buss.) 16/5/93

(233)

SIR James Goldsmith coined the term unbundling in 1989 during his Hoylake consortium's bid for BAT Industries.

Sir James meant something specific, and exciting, by it So novel was the term in an investment context that the Financial Times put the word in quotation marks



By JAMES PICTON

Derek Keys used the same word a year later In October 1990, as the world recession was biting and Gencor's earnings were at the start of a likely three-year fall, the word meant something very different and was much less enticing

Nevertheless, it gave the market something to chew on in addition to declining profits, and chew it did — in a most confused manner

In a nutshell, Sir James was saying that in BAT, on a single-figure multiple, were several large, potentially double-figure multiple companies screaming to be let out at over double their implied value in BAT — that is unbundling

Sir James was proved absolutely right

Mr Keys also meant what he said — effectively a distribution of assets (DOA) to shareholders

Hands

Whether or not the distribution of Gencor's assets to shareholders enhances long-term value remains to be seen and would be difficult to assess in practice

In Gencor's case, a DOA affects the parcelling off of its shares in Sappi, Malbak, Engen and Genbel to Gencor shareholders That would leave Genmin (the mining interests) as the remaining content of the Gencor share

If the primary reason for a DOA is to narrow or eliminate the net asset value (NAV) discount, then the whole idea is suspect

☐ A share which is part of a DOA — for example, Sappi or Malbak — could well find itself in hands which do not want it. An institution may already have its desired weighting, or be up to its legal limit, or be strictly a mining fund This could prompt selling and lower the price.

☐ Having a large parent lowers a group company's risk So a company cut loose in a DOA might move to a higher yield, again lowering the price

☐ A large, powerful house attracts new business Would Mobil have gone in with Trek if Gencor had not existed?

☐ Mining houses have a diversity of interests which give them a lower risk profile than the average of their constituents

☐ They conduct in-house banking operations, centralise buying, etc — all with economies and saving

☐ Rights issues for a whole lot of separate companies may prove more difficult or expensive than for a large parent

☐ There are many other areas, such as employee relations, wage bargaining, charitable donations, which a large group may well perform better — and in a more enlightened manner to the ANC's liking

Some commentators interpret the DOA as a part of the new SA, effectively breaking up great mining houses before the ANC does

All one can say is that, if a DOA is partly to do with placating the ANC, then it is actually a tacit acceptance of any such ANC move and an incitement to it

Power

It is giving in before putting up a proper argument against it It is defeatist and likely to discourage foreign investment

Why should foreign companies come to SA if majors here are throwing in the towel before the ANC has power?

The debate about banning pyramid companies and non-voting shares might be said to be revving up Why should certain shareholders, however great their creativity and flair in building a company, be accorded control to which their true shareholding does not, in equity, entitle them?

It is all very well to argue that, say, Anglovaal's Hersov-Menell and Pikwik's Ackerman have done exceptionally well for shareholders But that is not the point.

Times change, people retire, founding dynasties depart — and less scrupulous hands may manoeuvre themselves into power

Anglo-De Beers, Sanlam-Gencor, Hersov and Menell-Anglovaal, Anglo-JCI, Rembrandt, Liberty-GFSA have a seeming immunity to takeover Who can challenge managements to better manage their assets?

If previously bid-proof companies become realistic takeover targets, the mere existence of the fact should tend to narrow discounts

One cannot escape from the principle that 1% of a company's equity should carry 1% of the votes

Having stated that as a general principle, the issue immediately becomes confused by the concept of cross-holdings — another area in which the JSE is a world leader.

The existence of full voting shares only and takeover rules where cross-holdings exist would go a long way to removing criticism of inequity and protected managements of a tightly sewn-up corporate SA

The rules would help to change views at home (ANC) and abroad (potential investors)

The best answer to opening up entrenched corporate SA to the winds of competition and challenge is do away with limited or non-voting shares and bring in special takeover rules which ensure that companies with controlling cross-holdings cannot entirely frustrate the fruits of an outside bid

What then of the commercial merits of unbundling?

Skill

Discounts move around partly in response to management changes Gencor's discount hit 50% in 1985, but dived to 15%, and lower, after Mr Keys took over

This preamble seems to answer the question of mining houses' asset discounts and how to reduce or eliminate them without activating a DOA A change in JSE rules to free bid potential, improving managements, looking closely at dividend policy and raising return on capital — all happening over time — should narrow the discounts a lot

It would take a long time and much skill, but it appears preferable to the quick fix, implicitly defeatist DOA solution

The elusive DOA at Gencor should be seen as an amusing sideshow to distract investors from a three-year earnings decline

James Picton is a consultant for Anderson, Wilson & Partners

How spoils will be split on break-up

S Times (Buss) (232) 16/5/93

By JULIE WALKER

LEGISLATION to allow Gencor to go ahead with its unbundling is expected to be passed in September

Gencor intends to pass on its holdings in four listed companies to its shareholders Gencor's holding company, Genbeheer, will do the same and be dismantled

Former Gencor chairman and current Minister of Finance Derek Keys is to introduce legislation allowing unbundling to be duty free

Gencor has not released the terms of the unbundling, but estimates can be made from the group's percentage holdings in the underlying companies

According to figures prepared by stockbroker Kaplan & Stewart, holders of 100 Gencor shares will be entitled to 4,88 Sappi, 6,26 Engen, 15,7 Genbel and 8,89 Malbak shares to be passed on as dividends in scrip.

Potential

Using share prices prevailing on the day of the announcement, the market value of theses individual holdings is R6,57. The remaining assets of Gencor, namely Genmin, are worth R8,03c, making a total of R14,61.

Kaplan & Stewart corporate manager Peter Vogel says "Assuming the 19% discount to net asset value (NAV) on the unbundled assets is eventually realised and Genmin continues to trade at a 19% discount to NAV, Gencor should trade at R13

"This assumes that the share prices of Sappi, Genbel, Malbak and Engen do not adjust downwards due to the increased volatility in the shares"

Gencor is priced at R12

Holders of Genbeheer should receive 0,9 times the number of shares a Gencor member will get

Rembrandt Group is a large holder of Genbeheer. After unbundling, the combined Sankorp-Rembrandt stakes will be 32% of Genbel, 28% of Sappi, 42% of Malbak, 30% of Engen and 44% of Gencor

Sankorp could raise its holding in Gencor to subsidiary level of 50% and those in Sappi and Engen to above 35%

The dilemma for shareholders is whether it is preferable to have an unrealised yet potential profit arising from the discount of a conglomerate to net worth, or to run the risk of a realised loss in the event that after unbundling, the prices of the component stocks fall because of a glut of scrip on the market.

Although SA's unit trusts are relatively small players on the JSE, they are bound by rules which prevent a trust from having more than a certain percentage holding in any single entity

Those with full houses of any of the unbundled companies might be obliged to sell

Malbak chief executive Grant Thomas says the removal of Malhold from the group structure will be positive for Malbak The reason is that institutions complain they cannot buy enough scrip Malbak itself trades at a premium to net asset value

Flow

Engen's Rob Angel believes that unbundling has been discounted in the share price

Genbel chairman Tom de Beer says tradeability will improve Genbel's funding partnership with Gencor will be maintained and new ones developed with other Sankorp companies.

Sappi chairman Eugene van As says the best part is to have a direct shareholder with a strong cash flow It obviates Sappi's having to go to Gencor, and Gencor to Sankorp, when money has to be raised.

Genbeheer's Marinus Daling (also of Sankorp) says foreign investors might be reluctant to buy into, say, Foodcorp, which has Malbak, Malhold, Gencor, Genbeheer, Sankorp and Sanlam above it.

"They would be happier alongside Malbak, the real partner and controller," says Mr Daling

Happy families control R100bn of JSE wealth

S/Times (Buss) 16/5/93

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By CIARAN RYAN

FEWER than a dozen families control more than R100-billion of Johannesburg Stock Exchange wealth even though they own, in some cases, less than 10% of the shares in the operating companies

This is the magic of the pyramid company, common in South Africa but banned by most foreign stock exchanges

Harry Oppenheimer, Anton Rupert, Donald Gordon, Raymond Ackerman, Basil Hersov, Clive Menell, Bill Venter, and Vivian Imerman have personal control of business empires because of pyramids

If one adds institutional control, six major groups control 80% of JSE shares, according to McGregor's Who Owns Whom JSE market capitalisation is R600-billion

Rules

With a mere 8,31% of the shares in Anglo American Corporation, Harry Oppenheimer is able to exercise control over a group with a market capitalisation of R31,4-billion

Similarly, he controls the De Beers empire, capitalised at R30,7-billion It owns 38,7% of Anglo American

The Rupert family exercises outright control of the R13,7-billion Remgro empire with only 8,3% of the equity in the operating company It owns 47,9% of top pyramid Technical & Industrial Investments (TIB), which holds 60,4% of Technical Investment Corporation (Tegkor) and 9,6% of Rembrandt Controlling Investments

DONNY GORDON

ANTON RUPERT

Tegkor has 40,6% of Rembrandt Controlling, which has 51% of Remgro

Similarly, the Rupert and Herzog families control the R20,2-billion Richemont empire

Under existing rules, the Ruperts could sell control in TIB and pocket the premium any buyer would have to pay Shareholders in the downline companies would receive nothing

The Gordon family controls Liberty Life, capitalised at R14-billion, with slightly more than 8% of the equity, through four pyramid companies The family owns 61,2% of Liberty Investors, which has 100% of DGI Holdings, which in turn has 50% of Liblife Controlling Corporation, the holding company with 52,1% in Liberty Holdings It has 52,7% of Liberty Life

There are 67 pyramids on the JSE, 22 of which are family owned, says McGregor's Online Information

The notion of a tiny elite controlling huge empires may be repugnant to minority shareholders and those on the political left. But there are strong arguments in favour of family control

Raymond Ackerman's tight control of the group and aggressive marketing harvested a bonanza for shareholders Pick 'n Pay trades at more than three times its net asset value

Hostile

Liberty, controlled by Donald Gordon, trades at nearly twice its net asset value Remgro's premium to net assets is 250%

A JSE analyst says. "Research shows that well-run family businesses do better for shareholders than those run by professional managers"

Anglo and Rembrandt this week said unbundling was not for them.

Because pyramids entrench control by families and institutions, hostile takeovers are virtually unknown in SA

Competition Board chairman Pierre Brooks says hostile takeovers keep management on their toes and answerable to shareholders

Boost

Virtually all major SA companies are controlled through pyramids It means that other than exercising their right to sell shares in poorly performing companies, minorities have little or no scope for action

In London or New York, predators would target an underperforming company, fire the board and dismember the group to boost shareholder returns

The JSE banned pyramids in the late 1970s and early 1980s, but made an exception in the mid-1980s when Raymond Ackerman floated Pikwik, Pick 'n Pay's holding company Unlike other empire builders, Mr Ackerman agreed that if he ever sold control of Pikwik, Pick 'n Pay shareholders would also receive an offer

Pikwik opened the door for other empire builders such as Natie Kirsh, Jeff Liebesman and Bill Venter — none of whom agreed to make an offer to minorities if control in the top company changed

A pyramid can be formed by placing 50% plus one share in a holding company and then selling slightly less than half the holding company to others The process can be repeated again and again

ST Times (Buss) 16/5/93

Metpol steady on offer to blacks

By JULIE WALKER

METROPOLITAN Life (Metpol) shares were untraded on Friday after major holder Sankorp announced that 10% of its 40% holding in the life assurer would be sold to blacks

The shares will be paid for by the Industrial Development Corporation in a kind of warehousing operation The IDC will pay R20 a share to Sankorp, which will gross R137-million in the deal

The 10% stake will be the assets of a company to be named Metlife Investment Holdings (Methold) Its R1 shares will be sold to blacks, as happened with National Sorghum Breweries.

Sankorp chairman Marinus Daling says Metpol is ideal as a vehicle for black economic empowerment. A total of 85% of Metpol's business and 94% of new business is in the black market.

Metpol already mobilises savings of blacks and is largely staffed by them

Mr Daling says the deal was done at R20 a share because that was the price when negotiations began Even though it was now 175c higher, Sankorp will accept R20

He says paternalism in black economic empowerment tends to lead to failure

Methold has an option to buy another 20% of Metpol from Sankorp in the next five years Sankorp parent Sanlam has 10% Sankorp will initially have 30%, to be pooled with Methold's voting power

Metpol management, led by Marius Smith, will be retained, and more blacks trained to fill senior positions

Methold will appoint six of the 15 non-executive directors of Metpol and Sankorp three.

Methold's chairman is Nthato Motlana and the deputy Enos Mabuza Mr Smith will also serve the Methold board, as will the IDC's Jan de Bruyn and Gert Gouws. Dr Motlana becomes chairman of Metpol and Sankorp's Attie du Plessis the deputy.

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Sphere

Mr Smith says the move offers Metpol an outstanding marketing opportunity Metpol insures the lives of perhaps 6-million South Africans.

The new directors bring their own sphere of influence — nine of the 16 will be black after the changes.

The deal ensures Metpol's future as an independent group away from a possible conflict of interest with the parent Sanlam group, which is likely to raise its own presence in the black life-assurance market

Asked if Sanlam would apply the R137-million proceeds of the Metpol sale to black housing, a startled Mr Daling replied that it formed part of investment income in Sankorp and was pooled and apportioned as such

The question raised smiles from Dr Motlana and lawyer Michael Katz

No action on shares allocation

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S Times 16/5/93

THE Witwatersrand attorney-general has decided not to prosecute executive directors of the Allied Bank for alleged irregularities in the allocation of shares.

This follows an investigation into procedures followed by the bank's executive board in allocating 500 000 Allied shares to the former non-executive chairman, Mr Norman Alborough, in 1990.

Mr Louis Shill was chairman of the board at the time, and was among those investigated

The investigation was prompted by suspicions that the Companies Act may have been contravened.

ST Times (Buss) 16/5/93 (237)

Options mart write-off blots the JSE's books

JSE president Roy Andersen took the prudent step of writing off R13-million wasted on the development of the Traded Options Market (Tom) in the year to February 1993

Otherwise, the JSE would have had a reasonable year in spite of the poor state of the economy It aimed to break even, but expenditure before the Tom write-off exceeded income by R700 000 compared with the previous year's R561 000 profit

In his presidential address to stockbrokers, users and representatives of listed companies this week, Mr Andersen said it was good to see brokers smiling again after another year of low liquidity in the equity market — partly offset by record trade in gilts

Nonetheless, R11,6-billion of new capital was raised, most by industrial companies A score of companies went under and were delisted, 30 were taken over and delisted, as were six cash shells The 13 newcomers brought the number of counters to 677 at the end of February

Listing requirements were revised on a year's notice, and Mr Andersen said a tougher line was being taken with errant companies

Of the 38 threatened with suspension for failure to deliver financial statements, 35 came up with their reports.

Mr Andersen referred to the three broker defaults — Andrew Forbes, Ben Janse van Rensburg and Kritzas — saying R2,2-million had been settled from JSE funds to meet general claims A further R15,3-million of limited claims was still under consideration The rules of the R81-million guarantee fund were under scrutiny, he said

Only five firms were not linked to the new surveillance system and they would join by the end of May

Withdrawn

Mr Andersen reported an enthusiastic response to the idea of an African stock exchanges association at a meeting of African representatives this year Half the JSE's foreign-registered listings were incorporated in African countries, he said

JSE chairman Humphrey Borkum said that although the JSE was promoting changes to the Stock Exchanges Control Act in the current parliamentary session to facilitate the inclusion of derivatives-broking members, clauses dealing with single capacity and corporate membership had been withdrawn

Mr Borkum said the current provisions were to have been replaced with enabling legislation permitting any licensed stock exchange to regulate itself

But the JSE's major users claimed that the Bill effectively anticipated the JSE's own investigation into its structure and was premature The Financial Services Board withdrew the clauses

Mr Borkum said that when the JSE had decided its own destiny, enabling legislation would be reintroduced in parliament

Mr Andersen said that in spite of the challenges, he was optimistic about the future of the JSE and of South Africa There were definite signs a political settlement could be reached, the drought had ended, America's economy had turned and there was growing consensus on the economic strategies to be implemented domestically

Merger ban could cost R100m in alloy exports

S/Times (Buss) 16/5/93

COPPER-ALLOY processors Copalcor and Non-ferrous Metal Works (NMW) have protested at the Competition Board decision to disallow their merger.

The merger was banned by Public Enterprises Minister Dawid de Villiers.

Copalcor managing director Piet Malan says the decision is "not in the best interests of SA".

NMW director Bernhard Lazarus says "it is likely to have serious consequences for the metallurgical-engineering industries".

Neither company will challenge the decision.

Mr Malan says the merger would have generated an extra R100-million in exports in the next two years because of improved competitiveness, productivity and economies of scale.

Both insist that the planned merger would not lead to a monopoly position. Both have adopted other measures to improve competition and reduce costs.

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Gencor control of Wesplats ruled out

Star 17/5/93

By Sven Lünsche 232

Lonrho joint chief executive Tiny Rowland has ruled out any deal that would allow Gencor control of Western Platinum, the world's third-largest platinum producer.

At a rare press briefing on Friday, Rowland was adamant: "We will not be forced into a deal with Gencor and have no intention of selling control of Wesplats."

But Rowland, here to open Wesplats new No 4 shaft, left the door open for Gencor — owners of Impala, the world's second-largest mine — to raise its holding from the current level of 27 percent.

"We do not want to go below 51 percent, the rest is up for negotiation," the controversial founder of the UK-based mining, industrial, agricultural and financial empire said.

Rowland did not rule out a local listing for Western Platinum, whose fall in earnings from R149 million to R81 million in the year to September 1992 was accompanied by a surge in debt levels to R800 million.

It is widely speculated that talks between Lonrho and Gencor have been speeded up as a result of the Wesplats debt burden, which has been exacerbated by poor prices for platinum group metals.

Rowland and joint CE Dieter Bock, Lonrho's largest shareholder and generally believed to be the man to succeed Rowland,

Tiny Rowland at the opening of the No 4 shaft at Lonrho's Wesplats mine

stressed the importance of the SA mining assets in Lonrho's portfolio

"Wesplats is one our our most important assets and we have no intention of decreasing our interest," Bock said.

He added, though, that partnerships to develop local mining assets should not be ruled out.

Bock said this year's financial results would show a marked improvement in Lonrho's balance sheet

While not providing figures, he said that at end-March gearing was already substantially below the previous year-end.

Lonrho officials were at pains to stress that sound financial policies would revive Wesplats' fortunes.

Trevor Wilkinson, MD of Lonrho SA, said the No 4 shaft — named the Rowland shaft — would be the last to be sunk at the mine for a considerable period.

The shaft, built at a cost of R150 million, will be used to replace existing production at the Merensky reef, and also to exploit new ore at the UG2 reefs

He said Wesplats could produce a further 150 000 ounces at a cost of R3 000 per ounce, but had not plans to do so as this would further raise supplies to the market.

Wilkinson added, however, that Lonrho had signed long-term contracts with 14 "blue-chip" clients as long ago as 1988, which would ensure its production was taken up.

He regarded the recent loan of R75 million by one of its clients, Mitsubishi — the first loan to SA by a Japanese firm in 20 years — an endorsement of Wesplats' future.

Both Bock, a German property magnate, and Rowland expressed confidence in a democratic SA, hinting at greater investment once the current political problems have been settled.

Rowland, a longtime backroom operator in African politics, said he knew many of the key ANC officials and a government in which the ANC played a major role "would be absolutely ideal".

Bock, who has extensive property interests in the Cape, echoed his sentiments.

"I have heard stories of impending doom ever since I first started investing here in 1959. This has not happened and SA will continue to be a good place to invest," he said

Pretoria Portland Cement earns more, but pays same

Star 17/5/93

By Sven Lunsche

Pretoria Portland Cement's (PPC) earnings for the six months to March were up 11 percent to 137c (123c) a share

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An unchanged interim dividend of 50c has been declared.

Pre-tax profit rose by five percent to R91,8 million (R87,2 million) on the same percentage increase in turnover to R408,4 million (R389,1 million).

The bottom line was further strengthened by tax rate reductions totalling R33,3 million as a result of provision for deferred taxation.

This boosted retained income, after dividends, from R32,9 million to R68,4 million.

Income (after interest and tax) from the cement division was unchanged at R59,6 million, from lime 11 percent up at R28,9 million (R26 million) and from other divisions 28 percent higher at R6 million (R4,7 million).

MD John Gomersall says the results were achieved on the back of successful cost management and production efficiency.

"We expect demand for our products to continue falling in the second half," he says, adding that attributable earnings for the full year should be maintained at last year's R110 million level.

First ever earnings decline at Tiger

Star 17/5/93

By Stephen Cranston

For the first time in Tiger Oats' history, earnings per share have fallen.

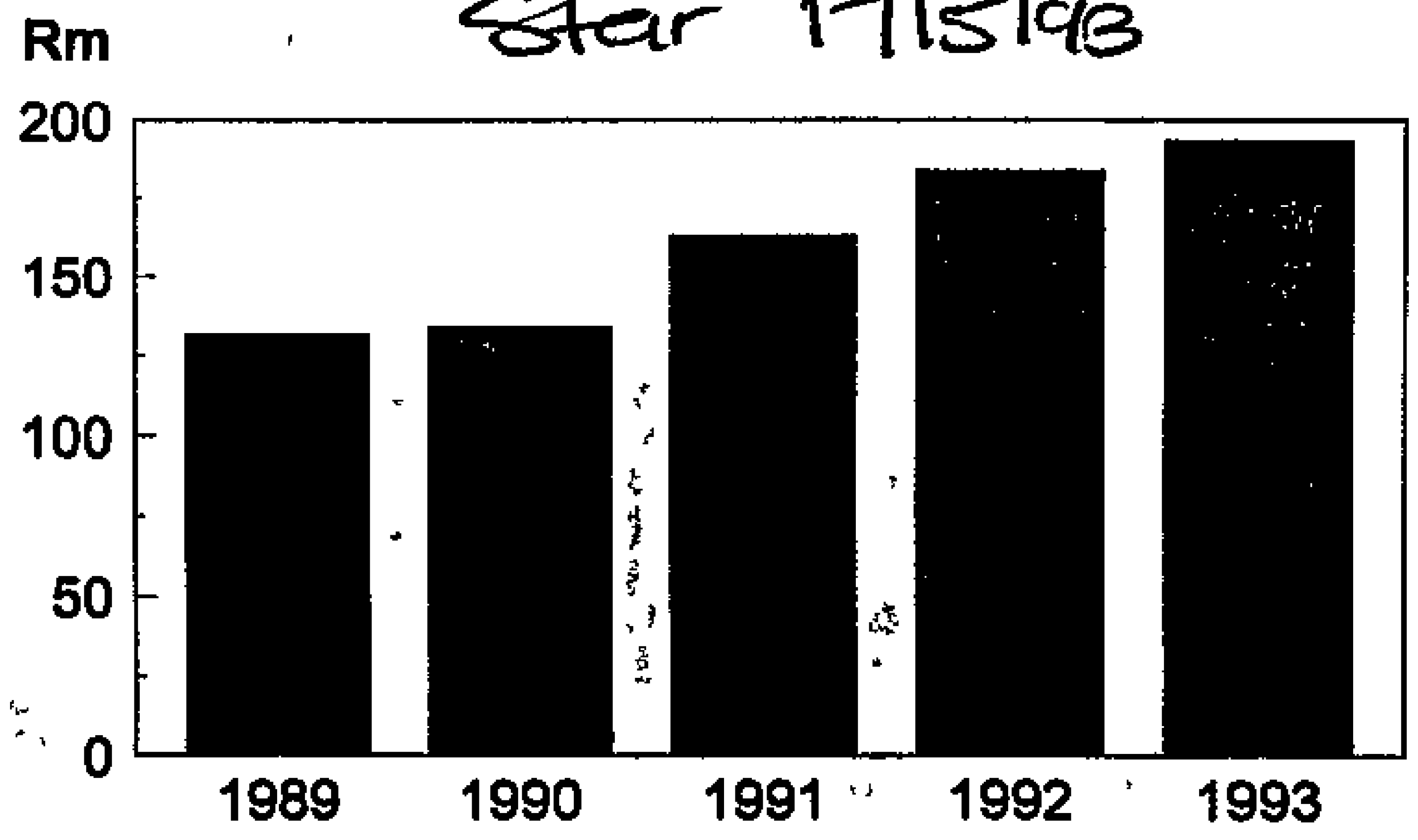
Despite stronger contributions from pharmaceuticals and fishing, there was a three percent fall in earnings to 106c in the six months to March.

The interim dividend has been maintained at 28c.

The contribution from Tiger Foods was down 11 percent to R103,4 million, despite the inclusion of six of months trading from Colman Foods, acqured at the end of 1991.

Sales from the food manufacturing subsidiaries increased by just 6,5 percent and volumes fell by an average of three percent.

Turnover increased by 11 percent to R4,95 billion, but operating profit was up just one percent to R320,5 million.



After-tax profit — five-year interim history

Margins

Chairman Robbie Williams says margins were squeezed, there were lower volumes in some divisions, and losses from the broiler and egg operations.

The depreciation charge was also up after last year's R652 million capital expenditure programme

Interest paid was down from R40,4 million to R37,9 million. The changes in company tax reduced the tax bill by R22 million, including R9,7 million of deferred tax.

Attributable earnings were up three percent to R159,1 million, but there was an increase in the weighted average number of shares because of the 1992 rights issue.

Williams says there were difficulties in the processing of poor-quality imported yellow maize, which led to lower manufacturing yields and a high level of stock returns because of consumer resistance.

Tiger will continue to press the Government to allow imports of yellow maize for animal feed production in the Cape as the current system prejudices Cape livestock and broiler producers

Yellow maize landed at Cape Town, where major animal feed production facilities are located, is up to R135 a ton cheaper than the product railed from the Transvaal.

There were also unforeseen operational problems at the new oil extraction plant in Kansas in the US.

But Williams argues that the offshore investment will prove a major strength.

Tiger has bought another vegetable oil extraction plant and a sunflower seed confectionery plant in the US

The contribution of the Langeberg food canning operation was lower due to weaker export prices and reduced local demand.

Langeberg's earnings were down 14,2 percent and the fact that the company must for the first time absorb tax in the current financial year may affect its prospects for the second half.

Tastic Rice had good returns in a competitive market and is "well-positioned to face new competition" in the shape of Uncle Ben's Rice

Beacon's results improved, although they were affected by reduced consumer spending, as the new facilities in Jacobs, Durban were bedded down.

The distribution interests, particularly Spar, continued to improve profits and market share. The baking and animal feeds interests also improved earnings.

The contribution from fishing increased by 88 percent to R9,4 million and that from pharmaceuticals was up 40 percent to R46,3 million

Williams feels the results are reasonable, given most difficult trading circumstances, but says the inherent strength of Tiger Oats will ensure continued growth.

Operations

Cash generated from operations increased by ten percent to R442 million, but cash requirements increased by R82,2 million, compared with a R120,9 million increase in the same period last year.

Last year, Tiger enjoyed the benefits of a R385 million rights issue.

Williams says the policy of continuing to invest, despite a declining, difficult economy, will pay off in better times.

But he says 1993 is proving to be a difficult year and an increase in earnings is not expected.

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Dorbyl earnings and dividend well down

Star 18/5/93

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By Leigh Roberts

Engineering group Dorbyl's earnings for the six months to March plunged by nearly half and the dividend has been slashed by almost a third.

Earnings a share fell 47 percent to 70,3c as the lack of fixed investment heavily affected group business

Downsizing of operations and related retrenchment costs of R8 million, taken above the line, also affected performance.

Shareholders have been cushioned from the full extent of the earnings fall as the interim dividend has been cut 29 percent to 20c (28c) at the expense of cover, which is down to 3,5 from 4,8 times last year.

Slimmer margins and an eight percent lower turnover of R1,29 billion reduced operating income by 31 percent to R47,1 million

Exports increased slightly to R211 million, comprising 16 percent of sales

The manufacturing division contributed the bulk of pre-tax profit, although profitability declined on low demand for transport equipment.

The trading division reported a 35 percent increase in pre-tax profit off an eight percent rise in turnover

The contracting division incurred a loss of R11 million after significant losses on the structural engineering side.

A higher interest bill of R20,5 million on increased borrowings further eroded profit.

On the positive side, the tax bill was 57 percent lower at R4 million, helped by export incentives An STC liability of R1 million was included in the tax charge

An extaordinary loss of R25,7 million arose from the closure of several ber of operations, particularly in contracting A further R20 million loss is expected for the full year

Gearing rose to 36 percent from 27 percent as borrowings jumped to R318 million from R235 million to finance capex of R101 million.

Lower earnings

Although results for the second half should improve, the group is forecasting lower earnings for the full year

The share is trading at a year's low of R11,50

● Metkor, which holds just over 50 percent of Dorbyl, showed a strong turnaround in earnings per share of 3,7c, compared with a loss of 0,55c previously.

An interim dividend of 5,41c (4,83c) is being paid

While subsidiaries Aspas Gas and Usko showed improved performances, the cost of discontinued operations at Dorbyl led to a charge of R8,8 million

'Business can help with privatisation'

BDAY 26/5/93.

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ADRIAN HADLAND

PRETORIA — The private sector should get involved in identifying state-owned enterprises and services suitable for privatisation, newly appointed Office for Public Enterprises and Privatisation CE Evert van Eeden said this week.

Limited government resources together with a lack of interest in the private sector had made more difficult the task of identifying unproductive elements of the economy still under government control, Van Eeden said

He urged business chambers and individual companies to point out areas of mismanagement and waste and to make recommendations regarding the privatisation of these sectors

These could include aspects of health, defence and education as well as the provision of services and the manufacture of goods, he said.

More efficiency could be obtained if tasks that were not necessarily a political responsibility could be parcelled out to the private sector

The move to privatisation would aid economic growth, create jobs and contribute to the restructuring of a competitive economy, he said

Van Eeden, who took over from Jasper Nieuwoudt on April 1, said privatisation had become popular during the Thatcher era.

It had subsequently become mired in controversy, rooted in a narrow ideological framework, and was seen for a time as the "fanciful idea of free market fanatics".

The changes in eastern Europe had given the need for privatisation new impetus and legitimacy

The bottom line was to bring transparency and accountability to the management of public assets and thereby stimulate efficiency and economic growth, Van Eeden said.

He appealed to the private sector to generate public support for privatisation and to involve itself directly in the consolidation of the commercial process

"We must overhaul the economic machine before it breaks down," he said

ANC officials return from four-nation visit

TWO senior ANC officials returned to SA yesterday after a fortnight away visiting Russia, China, Singapore and Switzerland BDAY 26/5/93.

ANC foreign affairs director Thabo Mbeki and Umkhonto we Sizwe commander Joe Modise had been invited by heads of government to brief them on the situation in SA.

Among matters discussed with the foreign leaders were measures to be taken to turn SA's economy around after sanctions were lifted. This would happen after an election date was announced and a transitional executive council had been established.

"These talks were particularly important in Switzerland where, among others, we met banking chiefs to discuss the rescheduling of SA's debt after a new government is elected," Mbeki said

The message the two ANC leaders received from the leaders they visited was that all were "keen there should be a speedy transformation (in SA) and would assist in any way they could in this transformation".

In Switzerland, the ANC leaders also discussed the controversial sale of the Pilatus PC-7 trainer aircraft to the SAAF.

Mbeki said he had pointed out that the deal violated a UN arms embargo.

Concerning the monitoring of a general election, Mbeki said the ANC was adamant there should be no recurrence of the UN elections monitoring debacle in Angola in September last year, when there were not enough observers at the polls to observe just and fair election processes. — Sapa.

30 years old, but OAU

Input needed from business in

Star, 18/5/93.

ANC welcomes unbundling

By Bruce Cameron

CAPE TOWN — The ANC has welcomed Gencor's unbundling and the sell-off of shares in Metropolitan Life to blacks as a first step towards breaking up the conglomerates and to spreading ownership

ANC economics spokesman Trevor Manuel said in an interview the unbundling had to be viewed as part of a trend to break up the conglomerates, increase competiveness and get rid of monopolistic trends in the economy, as well as to spread ownership among all South Africans

The ANC did not want to clash with business on the issue but would like to see business through interaction with political parties and labour initiate the process of increasing competitiveness itself

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He hoped the move by Gencor would lead the way for other conglomerates.

South Africa did not have a history of a sound competitions policy as in the United States and Europe.

But in SA anti-trust legislation could not be looked at in isolation because of the size of the conglomerates, cartel arrangements, trade policy including ad hoc tariff protection and general industrial policy.

An example was the housing material industry where the conglomerates controlled everything from cement, to bricks, to roofing and paint, resulting in higher prices.

All these different problems had to be examined to find to increase competitiveness, while protecting jobs and stimulating small- and medium-size business.

Referring to the Metropolitan Life change in ownership structure, Manuel said it would be interesting to see how an organisation under a chairman like Dr Ntatho Motlana would operate with a senior management that was almost entirely Afrikaans, white and male with a market of mainly black policy holders.

Gencor and Metlife show the way for future — ANC

BRUCE CAMERON
Business Staff

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THE African National Congress has welcomed this week's Gencor unbundling and the sell-off of shares in Metropolitan Life to blacks as a first step towards breaking up the conglomerates and to spreading ownership.

ANC economics spokesman Mr Trevor Manuel said in interview the unbundling had to be viewed as part of a trend to break up the conglomerates to increase competitiveness and get rid of monopolistic trends in the economy as well as to spread ownership among all South Africans.

ARG 15/5/93

Although unbundling took the issue of conglomerates to another plateau much research was still required as there were many questions unanswered.

He said the ANC did not want to clash with business on the issue but would like to see business through interaction with political parties and labour initiate the process of increasing competitiveness itself.

"Our first approach is co-operation."

He hoped the plateau established by Gencor would lead the way for the other conglomerates

South Africa did not have a history of a sound competitions policy as existed in the United States and Europe.

But in South Africa anti-trust legislation could not be looked at in isolation because of the size of the conglomerates, cartel arrangements, trade policy including ad hoc tariff protection, general industrial policy and apartheid policies of the past. Account also had to be taken of stimulating small and medium business.

An example was the housing material industry where the conglomerates controlled everything from cement, to bricks, to roofing and paint resulting in higher prices.

The motor vehicle industry with its high tariff barriers and unwieldy local content programmes, which had among other things resulted in the country lagging environmentally with lead-free petrol and where vehicles were not as fuel efficient as overseas comparative models was an indication of problems with government policy.

The pantyhose industry was now about 98 percent under a monopoly supplier.

All these different problems had to be examined to find the correct way to reactify the position to increase competitiveness while protecting jobs and stimulating small- and medium-size business.

Refering to the Metropolitan Life change in ownership structure Mr Manuel said it would be interesting to see how an organisation under a chairman like Dr Ntatho Motlana would operate with a senior management that was almost entirely Afrikaans, white and male with a market of mainly black policy holders.

JSE chief warns against danger of adopting short-term solutions to stimulate economy

Star 18/5/93

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By Sven Lünsche

JSE president Roy Andersen has called for the possible re-introduction of prescribed investments as part of a package to redress economic imbalances.

In a wide-ranging address on the challenges facing the JSE, Andersen said yesterday the temptation to grasp at short-term solutions to stimulate the economy would be great.

"What South Africa requires is free market policies with sustained long-term benefits and not premature and false kick-starts," he told the annual conference of the Institute of Retirement Funds at the Wild Coast

Before this was achieved, though, consumer and business confidence would have to be restored, which would require a reduction in violence, ongoing political progress and a clearer indication of the economic policies of a new government.

	MST (%)	LIQUIDITY (%)
Taiwan	,0	350
Germany	,0	140
Tokyo	,3	40
America	,0	38
London	,5	35
Johannesburg	1,0	4
Belgium	1,7	10

"A second important step is to obtain a speedy economic accord between all interested parties which will enable us to bridge the conflicting demands of our economy," Andersen said

One of the key areas was the need to address the serious backlog in housing, schooling and health care.

Meeting these basic needs of the majority of South Africans would require an amalgam of:

- Re-prioritising government spending
- Controlled government borrowing and the possible re-introduction of prescribed investments, or, preferably, the adoption of voluntary investment codes
- The attraction of support from bodies such as the World Bank.

The role of the JSE in a new South Africa was currently the subject of an extensive investigation by a research committee, headed by Professor Michael Katz, Andersen said.

The research phase of the project had been concluded and a start made to the drafting of the report

One of the key areas that had been addressed by the committee was the poor level of liquidity on the JSE.

Liquidity is defined as the value of shares traded as a percentage of market capitalisation.

The magnitude of the problem was illustrated by the fact that the JSE ranked bottom of a list of major stock exchanges in terms of liquidity

Andersen ascribed this poor showing to four key factors: exchange controls, Marketable Securities Tax (MST), tax uncertainty on sales of shares and the defection of small investors.

While most of these issues required longer-term remedies, Andersen called for the Government to fulfil its promise made two years ago and lift MST, which accounts for only 0,2 percent of government revenue

The correlation between MST and liquidity was clearly illustrated by the international trend, he said (see chart)

Safex revamps contract in bid to boost volumes

BIDAY 19/5/93 (232)

TIM MARSLAND

THE SA Futures Exchange has revamped its short-term interest rate futures contract in an attempt to boost volumes.

Safex CE Stuart Rees said yesterday the contract had been renamed the three-month bank bill It had been known as the three-month liquid bankers' acceptances contract

The change became necessary when the Reserve Bank scrapped the liquid BA earlier this month

Corporates are able to use the futures contract to insure themselves against unfavourable moves in interest rates

Rees said the banks had now agreed to provide two-way quotes at all times on the new bankers' acceptance However, banks were only prepared to make a market in their own paper, which limited the effectiveness of the spot market and in turn the futures market

There was "no chance" of the contract being scrapped, he said However, it would take a while for volumes to pick up

A senior money market dealer confirmed banks had agreed to buy and sell their own paper However, they would not necessarily be able to do this at all times since they might not have any of their own paper to sell

Banks were not prepared to sell other banks' paper, since it might not be of the same quality as their own

Star 19/5/93

Sage Group lifts earnings 18 percent

By Stephen Cranston

The Sage Group has reported an 18,2 percent increase in earnings per share to 60,5c in the year to March, compared with the results of Sage Financial Services, the name by which the company was known before restructuring

The group has not yet benefited from reduced borrowings and associated costs which will flow from the planned disposal of certain investments

But it did benefit from the acquisition of Absa's holding in Amalgamated Insurance Holdings.

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Distribution

Sage has reported a final ordinary dividend of 16c, lifting the total distribution for the year by 20 percent to 30c a share

Over the past five financial years, Sage Group has achieved an annual compound growth rate of 26,5 percent in earnings per share and 19,3 percent in dividends per share

The results follow those of Sage Life, the major core activity in the group.

Sage Life increased disclosed earnings by 21,2 percent

Annualised new premiums, including single premiums, rose 25,7 percent to R217,7 million for the year.

Star 19/5/93

Usko restructuring bears fruit

By Sven Lünsche

Usko, now undergoing a major restructuring engineered by major shareholders Iscor and Metkor, is showing the first benefits of the programme.

It reports attributable earnings of R9,4 million in the six months to end-March, against a R3,5 million loss in the first half last year

While operating income was sharply lower at R3,8 million (R9,4 million), the decline in debt led to a reversal of last year's R14 million interest bill to interest income of R1,3 million

However, retained income was reduced sharply to R95 000, as the group paid R9,3 million to preference shareholders.

In terms of the restructuring, borrowings of more than R100 million were converted into preference shares

'A' prefs received an interim dividend of R6,04 million for the interim period and 'B' prefs R3,3 million.

Santam's focus leads to growth

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BDM 19/5/93

LINDA ENSOR

CAPE TOWN — Short-term insurer Santam's limited exposure to the loss-making industrial and commercial insurance markets translated into a strong underwriting surplus in the six months to end-March and a 72,9% growth in earnings a share.

A 17,6% higher dividend of 20c (17c) on earnings a share of 78c (45,1c) was declared, giving a dividend cover of 3,9 (2,7) times

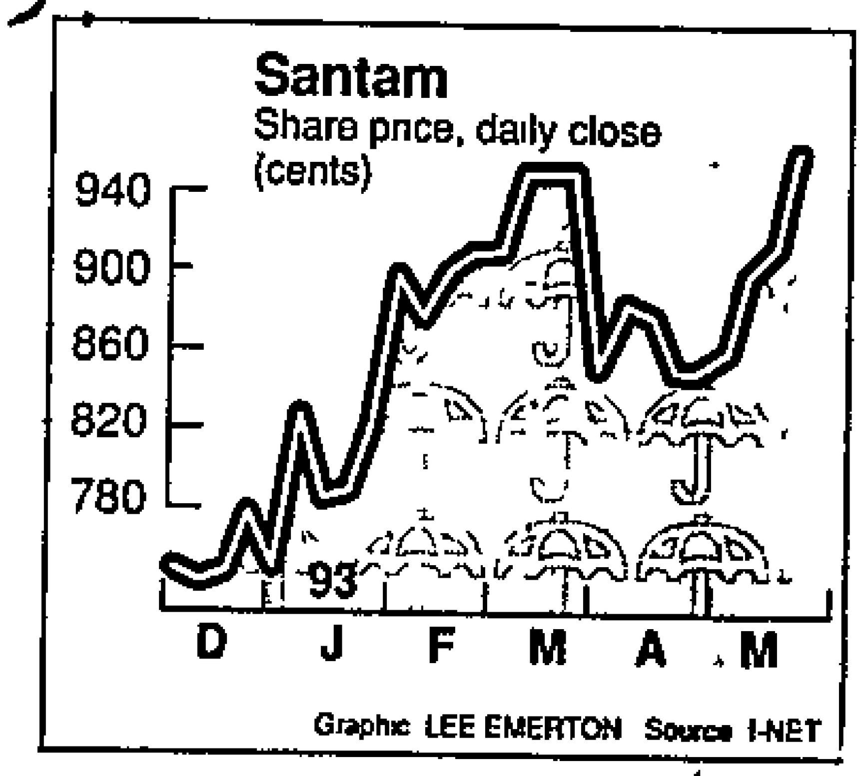
Gross premium income rose 10,4% to R625,2m (R566,2m) and net premium income by 9,6% to R553,5m (R504,8m) The underwriting surplus increased by 117,3% off a low base to R32,6m (R15m) while investment income grew 18% to R51,6m (R43,7m), resulting in a 74% rise in net attributable income to R56,4m (R32,4m)

Santam MD Jurie Geldenhuys said the results were very satisfactory.

"Santam is less exposed in the industrial and commercial insurance markets, which is the part of the insurance industry where losses are being made Also, we were not involved in any major fire or natural catastrophe losses, while the care being exercised by our policyholders with regard to the protection of their possessions is now paying off," Geldenhuys said

Santam's commercial and industrial portfolio represented about 20% of its total business Geldenhuys explained that it was an unprofitable sphere of activity because of the historically low premium structure Margins were so thin that a slight increase in claims resulted in losses.

Santam was considering increasing its premium rates in selected areas of its commercial and industrial portfolio Geldenhuys expected business insurance premiums to harden in future as a consequence of pressure from reinsurers.



The profit margin on the personal lines portfolio was satisfactory though there were signs of a pending decline in underwriting profits. While the number of claims had not risen dramatically, inflation-fuelled increases in the value of claims had occurred. While still very high, the number of burglary and theft claims had only increased marginally

Premium increases in the personal lines business had increased by an average of 6% during the six months while the growth in new business was less than 4%. Geldenhuys said the constraints on increasing gross premium income by means of premium increases meant that the focus in the next six months would be on increasing the number of policies on Santam's books.

Geldenhuys said he did not expect a higher rise in earnings a share in the second half

Total assets increased to R1,2bn (R1,1bn) and net asset value a share to 878,7c (651,4c). Cash on hand and bank balances at end-March were R202m (R139m)

Sankorp revamp almost complete

BDAY 19/5/93. (232)

MATTHEW CURTIN

SANKORP has all but completed its radical four-year restructuring programme with only the group's electronic interests still to be tidied up, CE Marinus Daling said yesterday

In the process, the group has restructured its industrial interests, exchanging absolute control for effective control of several companies through the Gencor unbundling, and taken a key step towards empowering the black community by disposing of a stake in Metropolitan Life (Metpol) to a black-owned company

Daling said the decision to proceed with the unbundling of Gencor's non-mining interests and the sale of a 10% stake in Metpol to Metlife Investment Holdings were final moves in the reorganisation of Sankorp's industrial portfolio.

The group's decision to reduce its stake in electronics group Datakor was part of plans to restructure Sankorp's electronics investments, which included other interests in Plessey, SPL Tek and a minority holding in Siemens (SA) Sankorp still had "work to do" on this front

Daling said Sankorp nevertheless retained a key role in looking after Sanlam's industrial interests "There is a large flow of capital from Sanlam to its operating interests which cannot be left to look after itself," he said Sankorp would continue to monitor and add value to those funds, a job which was impossible to do on an ad hoc basis, and required a hands-on approach from the Sankorp team

He noted that three years ago there were at least four diversified conglomerates in the Sankorp group With the re-organisation of interests between Malbak, Murray & Roberts and Servgro — the former FederaleVolksbeleggings — and after the Gencor unbundling, the Sankorp portfolio would consist of

- ☐ Gencor in mining and minerals,
- ☐ Engen in energy;
- ☐ Sappi in pulp and paper;
- ☐ Malbak as a consumer focused industrial group,
- ☐ M & R in construction and engineering;
- ☐ Sergro in the service sector;
- ☐ Sentrachem in chemicals,
- ☐ Absa in banking;
- ☐ Metropolitan Life in long-term insurance — aimed particularly at the lower income market — and Santam which is in short-term insurance;
- ☐ Automakers in the motor industry;
- ☐ Conshu in the footwear industry; and
- ☐ The group's various electronic interests.

Genbel, Gencor's investment arm, would become a Sankorp associated company in the unbundling exercise, opening up new opportunities "in the sense that it will play a similar role in the wider Sankorp group as it did within Gencor"

Sapa reports that investment analysis and information group McGregors chairman Robin McGregor welcomed the unbundling of Gencor, but said it did not rate the euphoria it had generated

Mining houses fearful of price flash in pan

Star 20/5/93

(232)

By Derek Tommey

Buyers of gold went wild yesterday and, in the almost complete absence of selling, pushed up the price by $16 at one stage to a 28-month high of $384.

It was later fixed in London at $381,90.

The rise brought the price increase in the past 10 weeks to $56. If this price is maintained, the fortunes of the mining industry and SA will greatly improve.

Gold shares boomed on the higher price and the JSE gold index closed 213 points higher at 1817, making a strong contribution to the 111-point jump in the overall index to a high of 3984.

The overall index has now risen 925 points, or 22 percent, since the beginning of the year, and the value of shares listed on the JSE has risen R60 billion to R408 billion

But while the gold mining industry welcomes the higher price, it remains extremely cautious.

"We would have to see this price maintained for at least six months before we made any policy changes," Tom Dale, deputy MD of Gengold, which manages 10 major mines, said yesterday.

He said some of Gengold's mines were in "survival" mode and for the present there was no thought of altering their status.

Officials at other mining houses also expressed delight at the higher price, but added they were nervous about the prospects for it continuing at current levels.

Bullion dealers said that yesterday's market was notable for the lack of selling.

It appears that gold producers worldwide withdrew from the market in the hope of getting a better price later. This did not deter buyers, generally believed to be US investment funds, which jumped in with abandon

Behind the buying, said dealers, was the compelling need for these funds to perform well

Low interest rates in the US (some savers are getting only 2 percent) has led to an inflow of money into unit trusts in search of a better return.

But the poor outlook for the US economy means that American shares have little attraction and funds have been looking to other investments

When they discovered that the gold market had become tight and that a small purchase could result in a large price increase, they became heavy buyers

This is one of the factors making bullion dealers nervous. For any move by the funds to take profits could lead to a sharp drop in the price — especially if it coincided with renewed sales by the producers

Dealers take the view that there must be more prolonged buying at the present price and a greater "depth" of buying — that is other people must acquire gold — before they can relax.

However, they see some hope for a sustained increase in the continuing heavy buying by the Chinese.

Also encouraging is the fact that many investors and users still regard gold as cheap at $380

Gold, after all, traded at above $400 for much of 1989 and 1990, so to users the current price would not be regarded as excessive.

So far the higher price has not had much effect on the mining industry

But it has already put a lot of money in the pockets of investors who are now R60 billion richer as a result of the rise in share prices.

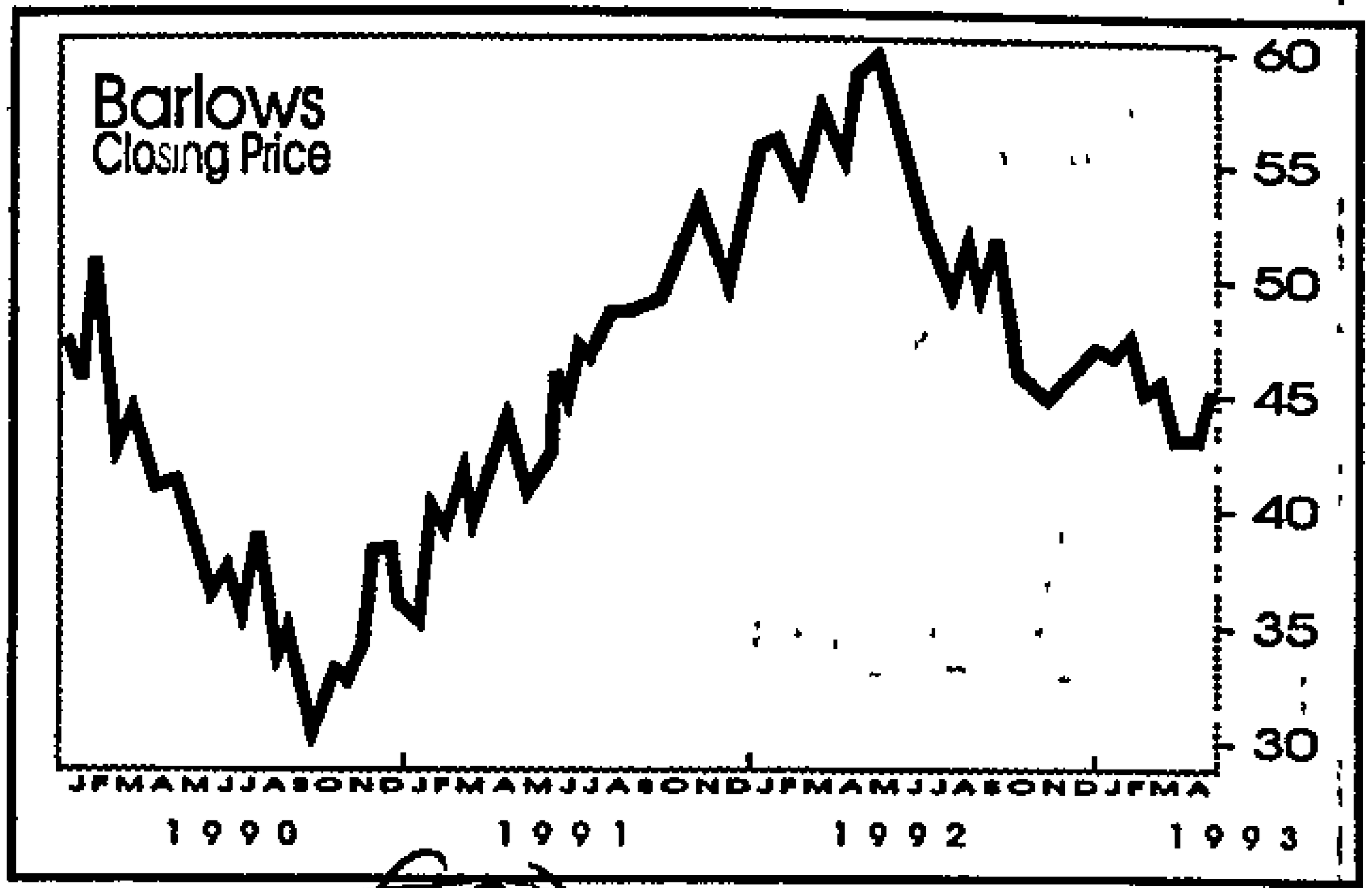
A lot of them are also cash rich through trading in gold shares as the gold price rose. Turnover on the JSE last week exceeded R1 billion

This indicates large-scale buying, but also large-scale selling as investors took profits and built up their cash holdings

Market takes pessimistic view of outlook for Barlow

Star 20/5/93

By Stephen Cranston



There was some cheer in the recent spate of results from Barlow Rand's subsidiaries, which has driven up its share price from R41 to R44.

But it is unlikely to be enough to offset the poor performers or — more seriously — the wholly owned operations, which are particularly prone to cyclical downturns.

In the last annual report chairman Warren Clewlow predicted that it would be difficult to show any growth in earnings during the year.

He now looks over-optimistic as analysts expect at best a five percent earnings decline, and at worst a 10 percent dip.

There is no doubt that the performance would be much worse if it had kept Middelburg Steel and not cleaned out Rand Mines over the last two years.

In today's environment the performance was not exceptionally poor, yet Barlow Rand's P/E of 10,1 and dividend yield of 3,9 percent are at a considerable discount to the industrial index, with a P/E of 15 and a 2,5 percent dividend yield.

This partly reflects diversity and lack of focus The focus is shifting towards consumer goods, which provide about 40 percent of earnings, but it still has important interests in commodities and capital goods.

Investor preference is certainly for more focused operations.

And there is concern that Barlows remains over-centralised, with the important decisions taken at Barlow Park, a long way from the coalface

Among the highlights, electronics group Reunert increased its earnings by 26 percent to R46,3 million, and the good news is that as this is held directly rather than through intermediate holding companies, 78 percent is attributable to shareholders.

Unfortunately, the shareholding structure is such that the holdings in most of its other jewels are under 40 percent.

There has been a 23 percent hike from packaging group Nampak (38 percent held), which has had considerable success managing costs and working capital; Romatex has added 42 percent, though admittedly off a low base.

In contrast, the wholly owned subsidiaries are the least attractive parts of the business

Last year, the three ugly sisters were tube manufacturer and steel merchanting group Robor, Barlows Electronics and building materials subsidiary Federated-Blaikie, which had a R54 million combined total lower contribution to earnings

Results from businesses in similar fields such as Gentech, Iscor and Boumat indicate that prospects are not exciting for these industries.

An unexpected drag on results was the poor performance of British subsidiary J Bibby, which saw its earnings plummet by almost three-quarters.

Its acquisition of the Spanish Caterpillar tractor dealer Finanzauto looked an ideal move in view of Barlow Rand's success with its Caterpillar franchise here over the last 65 years.

But the group is laden with debt and Spanish interest rates are high, so it made a loss.

J Bibby was responsible for 12 percent of the Barlows bottom line last year, but will contribute about three percent at the interim.

The food interests, which have provided steady earnings growth year in and year out have finally been hit by an economic downtrun, which has shown that they are not recession-proof.

FM 21|5|93.

UNBUNDLING

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Different strokes for different folks

Overnight, it seems, the unbundling process so favoured by Finance Minister Derek Keys has become the corporate sector's hottest property Last week's announcement by Gencor (appropriately, the group Keys left to go into politics) that it intends relinquishing holdings in nonmining assets in favour of its shareholders prompts questions about the approach and attitude of other mining finance houses

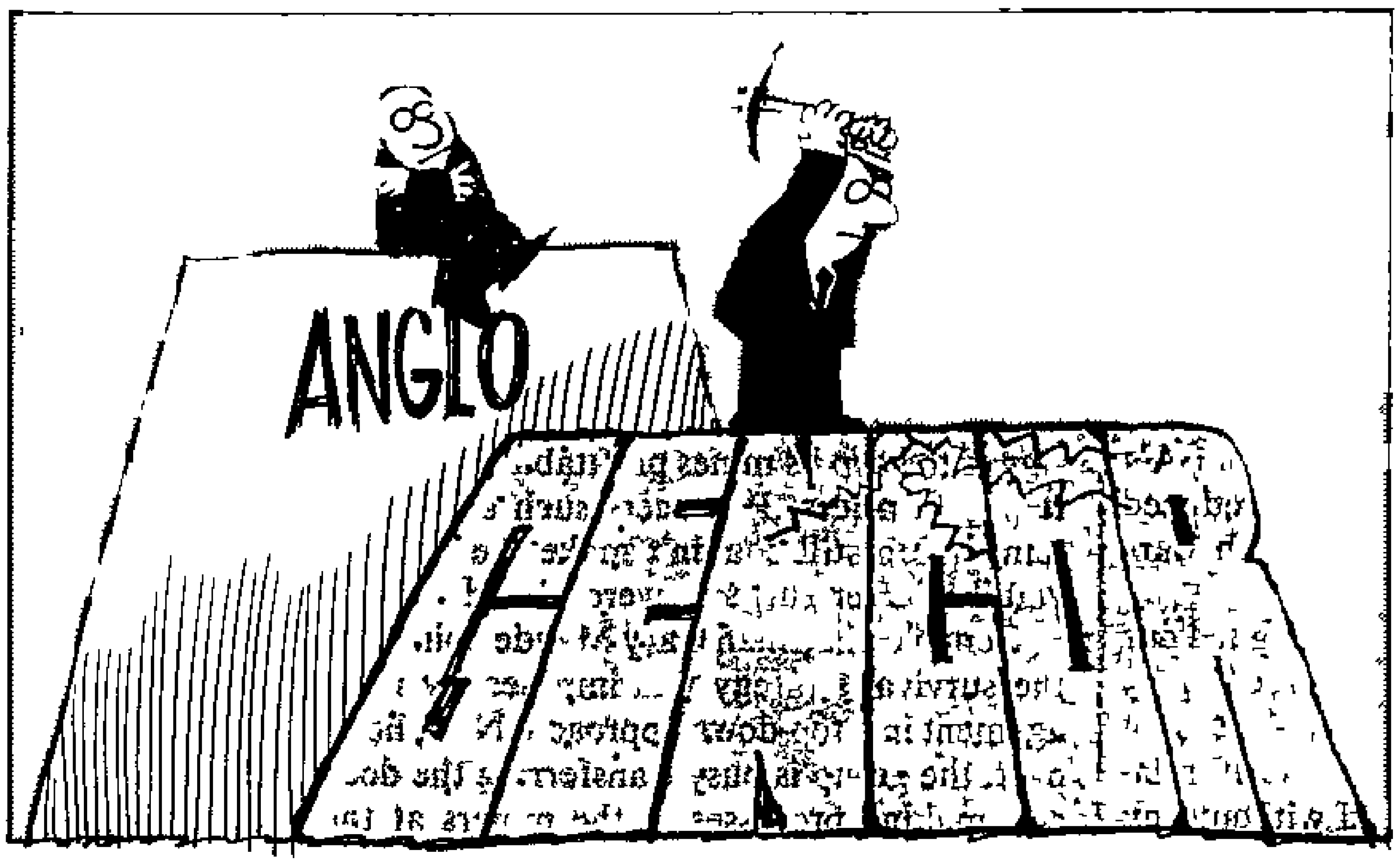
However, what may be good for Gencor — and there is doubt, apparently, even among its directors of the efficacy of its proposed and drastic plan — isn't necessarily a course with much to commend it to others. There's a danger unbundling will develop a headlong impetus of its own; directors and company executives must resist any populist movement which impels them into actions that may not be in the best interests of all shareholders

The philosophy of unbundling is underpinned by a number of concepts First, the conventional wisdom is that unbundling will unlock shareholder wealth, at present subsumed in the discounts at which holding companies trade It's assumed that turning companies like Sappi, Engen and Malbak into true independents will result in their share prices reflecting real asset value. There are good reasons, of course, why that may not happen; the theory remains to be proved

Second, it is widely held that conglomerates were a fashion of the Seventies, and no longer a structure apposite today The same is said of pyramids, the control structures adopted by some families and holding companies which earn such scorn and obloquy in the North American and UK corporate cultures

Third is the political dimension. It is suggested unbundling may give shareholders some protection against grasping and rapacious governments. That is an emotional appeal which plays heavily on the fears of businessmen And not without cause The record of African governments in nationalisation (theft) and heavy-handed intervention doesn't inspire confidence; but why and how unbundling magically confers inviolability isn't explained satisfactorily.

Some disadvantages of unbundling must also be considered Gencor, for example, is proposing effectively to become another Gold Fields — highly focused and exclusively enmeshed in capricious commodity cycles Unprotected by investments in paper, oil and a multitude of consumer-driven products, a future Gencor will be entirely at the mercy of markets and prices far beyond its capacity to influence.



It's not as though chairman Brian Gilbertson doesn't recognise this dilemma He knows only too well, which is one reason he's trying to stock Gencor's larder with cash reserves to carry it through bad periods.

By the same token, this may prove, curiously, to be the best of times for Gencor. With massive investments already made in Alusaf, Columbus and Richards Bay Minerals, it may have chosen the very moment to unbundle which coincides with the start of an expansionary phase in world commodity markets. That would indeed be serendipity

But there are other considerations for other groups It is no accident Anglo and De Beers, for example, are governed and controlled by a complex cross-holding structure. For a start, it cements family command; second, it precludes hostile takeovers from any other source, principally international

For example, Australian mining giant Broken Hill Proprietary (BHP) has more than once expressed a great desire to move into diamonds. It has expanded aggressively in this area and is the lead company in exploring Canada's new prospect at Lac de Gras. It doesn't take too much imagination to suppose that, if its cross-holdings were dismantled, De Beers would become a target for takeover by companies like BHP Then, the next logical step would be to move De Beers offshore — which would be tantamount to the loss of a priceless national heritage

Ironically, Anglo was the first to introduce opposition in two key areas formerly dominated in SA by a single player. They were steel, where Anglo challenged Iscor through Highveld Steel in the mid-Sixties; and pulp and paper, where Mondi offered the first sizeable competition to Sappi

Gencor's announcement raises the issue of control Sankorp and Rembrandt, which now together exercise absolute control (50%+) are prepared to make do with "effective" control in future. That means they're willing to see their stake diminish to 30%-40%: perhaps not coincidentally, the same as the Anglo/De Beers cross-holdings

Groups such as Anglo and Anglovaal broadened their base of operations to reduce dependence on narrow areas Anglovaal is now more of an industrial conglomerate than a mining house Such companies may be prepared to divest some assets at the peripheries of their businesses but will fight to the death to retain the integrity of core holdings It may be in SA's greater and broader interests that they do ■

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SHARE DISPOSALS

FM 21/5/93.

Safe haven pitfalls

The safe haven provision of the Income Tax Act (Section 9B) is riddled with traps for the unwary taxpayer, whether individual or corporate

The concession enabled a person to realise the proceeds, tax-free, of a quoted share held for 10 years or longer

This was valued by many taxpayers because a vexing issue in SA's tax law is whether realising an investment asset, such as shares or property, represents income or tax-free capital gain

Many shareholdings, including those of conglomerates, were immobilised for fear that the proceeds might be taxable as share-dealing income

The 10-year safe haven rule was introduced in 1990 but the qualifying holding period was reduced to five years in 1992.

Yet the fine print of Section 9B has mousetrapped many taxpayers who have made decisions, often by default, which have pre-

FM 21/5/93.

vented them from benefiting. Deloitte & Touche tax partner Willem Cronje identifies two main issues. (232)

The more important concerns the technicalities of election through the IT12 form (for individuals) or the IT14 (for companies) — in other words, the tax return. Since the section's inception, the forms have contained a box which asks the taxpayer to elect whether to take advantage of the safe haven rule. (A taxpayer might not want to claim the protection of Section 9B where he holds quoted shares that have dropped in price; it would suit him to present himself as a dealer and claim a deduction for a realised loss if he decides to sell.)

Many taxpayers have not realised that failure to fill in the box requiring the election constitutes a waiver of the right to claim safe haven status. This is made clear by Practice Note No 18, issued last month by Revenue

Right to elect

Fortunately, the 1992 amendment to section 9B provides a renewed right to elect and to override any earlier decision The renewed right of election arises in the first year of assessment, on or after March 18 1992, in which the first disposal of quoted shares takes place. The election then becomes binding in relation to all disposals of "affected shares" by that taxpayer (Affected shares are quoted shares held for longer than five years.) This includes shares in companies other than the holding which triggered the election

Cronje argues that some form of relief should also be given to taxpayers who failed to fill in the box calling for election, after the 1992 amendment, as most of them, in his experience, did not understand that default is deemed to be an election not to claim the safe haven

One way to do this would be through a temporary amnesty, available to defaulters (though not to those who elected not to choose safe haven status) Furthermore, argues Cronje, the tax forms should be changed to provide for a third option, that of deferring a decision. Then trivial sales of affected shares would not force an untimely decision on the taxpayer

Other points of importance dealt with in the practice note are:

☐ Transfer of shares, within a group of companies, as defined by the moratorium provisions in the Taxation Laws Amendment Act, does not interrupt the passage of time for safe haven purposes The same applies to the subdivision of shares or the issue of capitalisation shares But shares issued under a rights issue cannot benefit because these are paid for by ~~the~~ shareholder and so

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count as a fresh acquisition,

☐ When shares held by a trust are distributed to a beneficiary, he may not add the trust's period of holding to his own period unless its terms vested ownership in the beneficiary from the date of inception of the trust,

☐ Last year's amendment has a roll-over provision to protect share dealers from tax in the event of a swap,

☐ Section 9B provides for writing back costs and losses previously allowed to a taxpayer in relation to quoted shares (on the assumption that the proceeds would be taxable as income) now placed within the safe haven; and

☐ Where a taxpayer has over time acquired more than one parcel of shares in a particular quoted company, the fifo (first in, first out) rule must be applied to calculate the holding period of any parcel

Revenue also points out that a taxpayer who disposes of quoted shares held in a portfolio for less than five years will not be prejudiced by his election The proceeds will not be summarily subjected to tax but will be dealt with according to the general guidelines for distinguishing capital and income which have been built up in the case law over many years The ordinary rules will also apply to a taxpayer who has elected not to choose safe haven status ■

Gold 'tumbles' after highs

B/Day 21/5/93.

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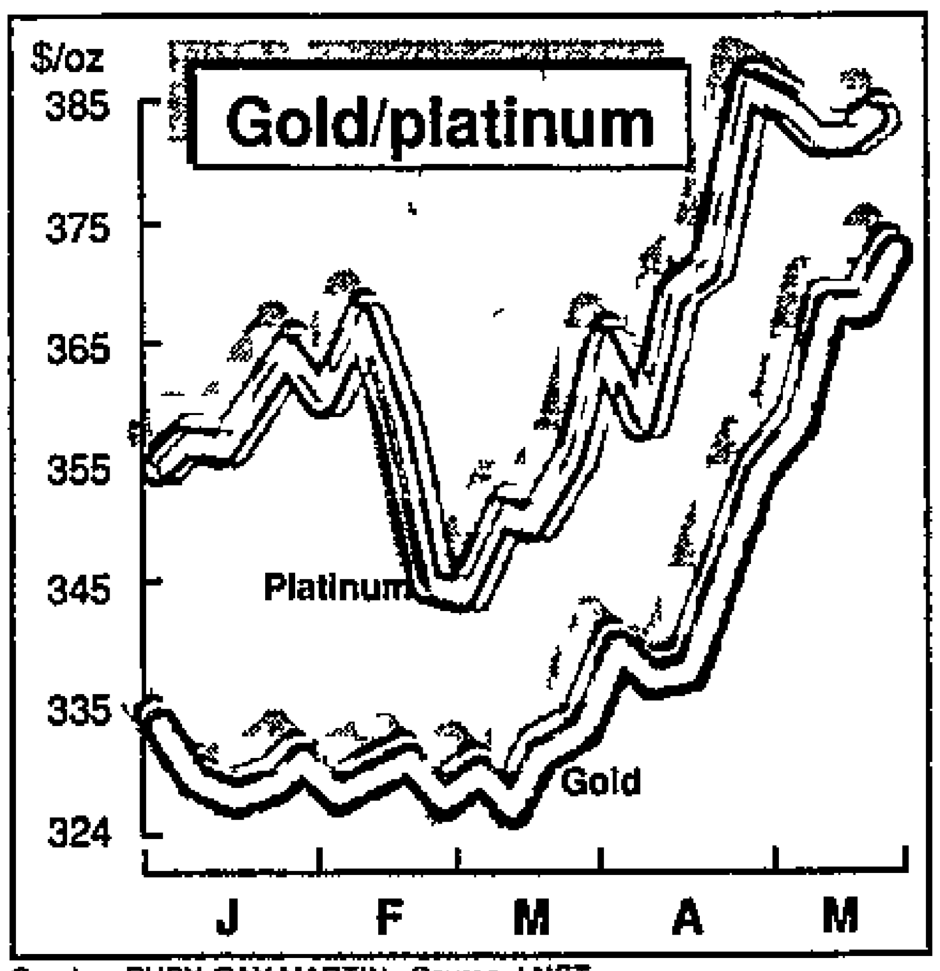

Graphic RUBY GAY MARTIN Source I NET

MATTHEW CURTIN

GOLD prices slumped yesterday after bullion had punched its way towards two-and-a-half-year highs of $385 in London and New York on Wednesday.

Gold prices broke past the $380 mark during the day on Wednesday, but late afternoon profit-taking in New York, coinciding with a rally on Wall Street, sent the metal tumbling.

The metal closed at $373,30 in London yesterday, a drop of $6,70 against Wednesday's finish of $380

In New York gold was trading at $373,60 by midday yesterday, against Wednesday's finish of $373,75.

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Gold

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☐ From Page 1

The jump in gold prices — to their highest level since the Gulf war — was matched by firmer platinum, palladium and silver prices, and sparked a new frenzy of share-buying by overseas and local investors on the JSE's gold board.

The all gold index jumped more than 13%, rising 213 points to close at 1 817 from 1 604 on Tuesday It was the first time the index had overtaken 1 800 since the rally in gold prices in August 1990 after Iraq invaded Kuwait. However, analysts expected shares to tumble today after the sharp correction in bullion prices

Heavyweight gold counters like Driefontein, Kloof and Vaal Reefs put on gains of 10-20%, with marginal and small independent mines showing 30-40% price rises.

Dealers said trading in gold counters was at its most hectic for a long time as share prices tracked every upward movement in gold prices. They said overseas investors returned to the gold board on Wednesday, with foreign institutions buying gold shares from local institutions such as Old Mutual and Liberty Life

Offshore unit trusts, specialising in gold and other mining shares, were also key players, but local demand for shares remained strong across the board.

Anglo American gold division marketing director Kelvin Williams said bullion prices were being driven by "a new breed of market participants with a new set of motives for speculating or investing in gold" Physical demand for gold had dried up at higher prices, and the current price was being determined by the new participants, not producers or consumers

Professional fund managers had been drawn into the gold market by the Soros-/Goldsmith publicity and sound fundamental market conditions for gold.

Williams said a key technical factor supporting the speculative bull run was the large number of call options bought. That led to "self-fulfilling price rises"

Market-making banks which had written the call options — the right to buy gold at a pre-set price — had in turn covered part of their option exposures by buying physical gold in the spot market. As bullion prices kept rising, they were obliged to cover ever greater percentages of their call exposure in the spot market, creating further demand for bullion.

He said these were fundamentally different conditions from those behind the gold price spikes in the early '80s, and the physical business which had dominated the market in the past two years

Williams said there were indications some North American gold producers had bought back gold positions, but it was possible that other producers might take "a sober view of gold prices", happy to sell gold forward at today's high prices which guaranteed management attractive profits and shareholders attractive dividends

A central bank source said US investment funds had replaced buyers of physical metal as the main market players in the past few weeks, which was some cause for "nervousness" about the sustainability of gold prices near $400.

Finrand poised to chase after dollar

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TIM MARSLAND

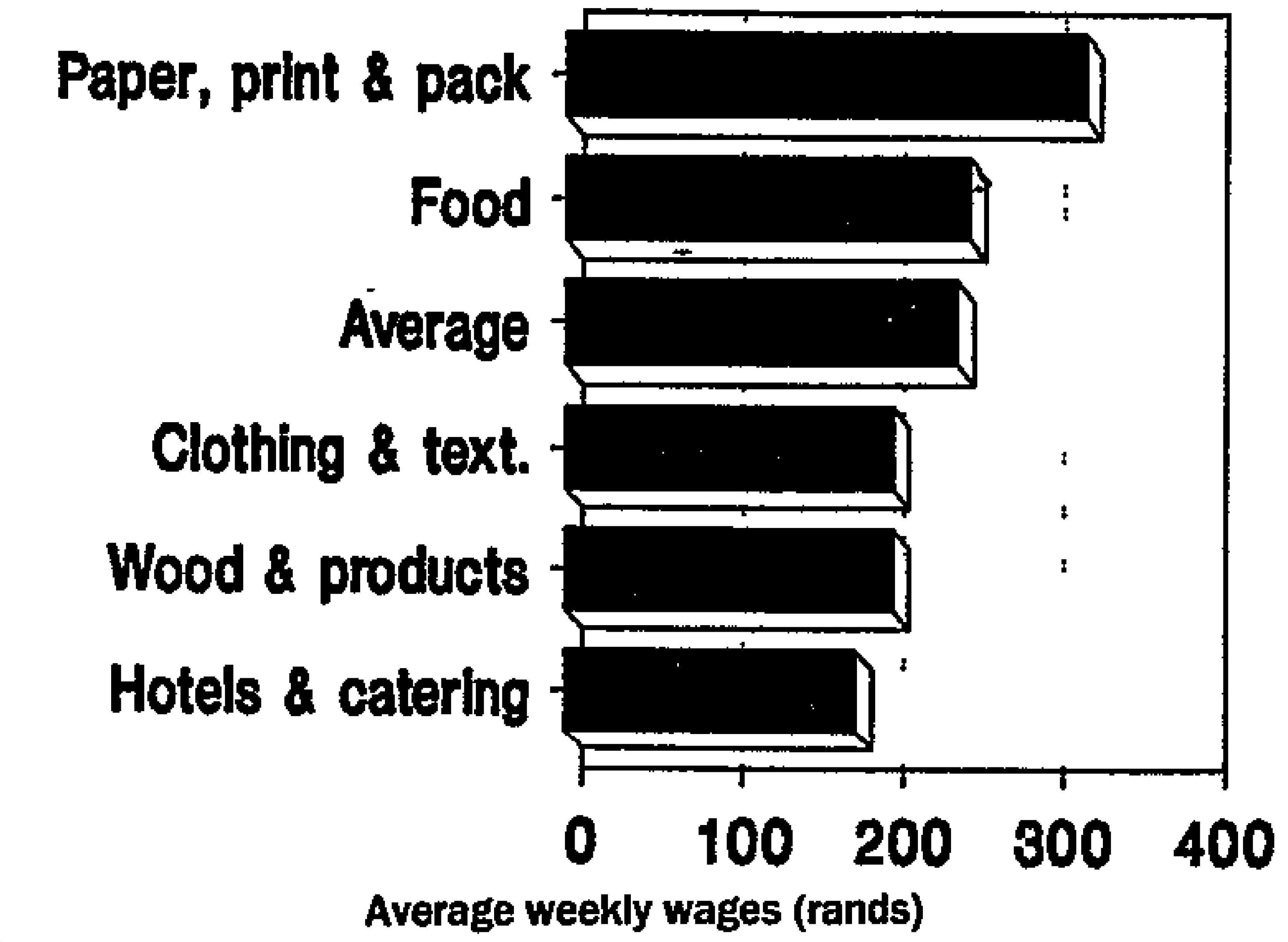
THE hike in the gold price and positive political developments helped the financial rand improve 7c to close at R4,6250 against the dollar in good turnover on Wednesday, dealers said.

The unit tracked trends in the gold price during the day, trading as low as R4,58 at one stage. B|Day 21/5/93.

A dealer said the unit was being priced in line with offshore demand for gold shares on the JSE. However, that demand would take a few days to go through the market because of the delay in paying for the share purchases.

He said sentiment towards the unit and the country had become more bullish with the rising gold price. This meant demand for the finrand was likely to increase, and it could start making real headway against the dollar. Progress on the political front was encouraging for foreigners and he saw pockets of foreign speculative buying picking up in the second half of the year, with real investment starting around the second half of 1994.

The capital market clung to gold's coattails, with some bonds in the shorter area ending the day up to 30 points better. Transnet's T007 ended at 13,755% from a previous 14,030%, and Telkom's TK05 at 13,750% from 14,040%. With bonds, lower yields mean the stock is worth more. A dealer said bulls were trading on the view that a better gold price would ultimately create scope for a cut in key interest rates.



Pay rises still topping inflation rate

By Paul Bell Star 21/5/93
Labour Correspondent

The fall in inflation has not been accompanied by a decline in wage increases.

According to a survey by the Labour Research Service (LRS), annual wage settlements averaged 13,9 percent between September 1992 and March this year.

(345)

Inflation over the same period averaged 10,2 percent — making a net gain for workers of 3,7 percent.

In its survey of 112 companies for its biannual review, the LRS says 72 percent of respondents awarded increases of 10,3 to 20 percent, while only 20 percent of the sample made awards below the inflation rate. The average wage was R243 per week or R1 023 per month.

Paper, printing and packaging workers were the highest paid, at R323 per week. Food manufacturing paid next best, at R250.

Worst off are the hotel and catering industry — a sector which, incidentally, is currently affected by industrial action — where, according to the LRS, workers are said to earn an average R180 per week.

CG Smith lifts earnings, repeats payout

By Stephen Cranston (232) Star 21/5/93

CG Smith was able to increase earnings per share by four percent to 461c in the six months to March.

The dividend has been maintained at 117c.

This was achieved despite an eight percent decline in the contribution from its main profit source, CG Smith Foods, which in its own results reported earnings per share of 151,2c and an eight percent cut in dividend to 36c.

CG Smith's turnover rose by seven percent to R9,5 billion.

Chairman Robbie Williams says trading conditions were tougher than expected. Operating profit was up just one percent to R719 million.

But a reduction in interest payments allowed pre-tax profit to rise by five percent.

The group was a beneficiary of the new structure which took R40 million off the tax bill.

Weak consumer demand and high raw-material costs reduced earnings at Tiger Foods.

Severe drought conditions encountered by the sugar industry led to a 21 percent fall in the earnings of CG Smith Sugar. Its tonnages were off 16 percent in the 1992/3 season and an estimated 25 percent for the 1993/4 season.

This was partly offset by a strong performance from the group's US-based operation, Monitor Sugar.

ICS did well to achieve a marginal improvement in earnings, despite falling volumes and surpluses in milk, red meat and chicken.

Star performers were Adcock Ingram and Logos Pharmaceuticals, which benefited from the success of new products and continuing focus on cost containment and operating efficiency. Their contribution increased by 40 percent.

Oceana Fishing profited through a strong performance from the cold storage division and restored profitability in the shipping and clearing operations.

Nampak's sales volumes fell 1,8 percent, but tight cost control, good asset management, lower interest rates and a reduced effective tax rate enabled it to improve attributable earnings by 22 percent.

Profits were maintained by Bevcan, Foodcan and Sacks, while the glass division achieved a modest profit. Sugar

Plastics was adversely affected by lower sales in the soft drink industry of PET bottles. The corrugated division was affected by the switch to plastic crates by SA Breweries.

There were improvements in the tissue and printing divisions, but declines from paper manufacturing and merchanting.

The textile market was also affected by difficult trading conditions, with profits declining in the fabrics and industrials divisions.

There were continued improvements in the carpet division. Island View Storage benefited from higher imports by customers.

The disposal of Crossley Carpets for R37 million and a drop in borrowings led to a substantial reduction in Romatex's interest costs. Its taxed profit improved by 42 percent.

CG Smith's cash flow from operations improved from R374 million to R592 million. Net cash flow after investment in future operations was R227 million (R117 million last year).

Gearing improved from 25,1 percent to 21,9 percent.

Williams does not expect any improvement in trading in the near future, but feels earnings for the full year are likely to show a small improvement.

BUSINESS: *Personal finance*

The most for your buck

w/mail 21/5/

Buying unit trusts over time is a good way to avoid the pitfalls of monthly swings **REG RUMNEY** *explains rand-cost averaging*

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RAND-cost averaging helps an investor get more bang for his buck when buying, for example, units in a unit trust But how does it work?

It has become common usage through the popularity of unit trust investments, though it isn't unique to unit trusts, remarks Sanlam Unit Trusts marketing manager Laurie Earp-Jones, writing in Sanlam's *Take Five* newsletter

Rand-cost averaging only applies to regular monthly investments and not to lump sum investments Indeed, the more payments the merrier

Take a unit in a unit trust that costs, for example, R8 in month one, R9 in month two, and R10 in month three, dropping back to R9 in month four

While unit prices change with demand and supply, the investor puts in the same amount each month, in this case R100, and so on

Because the units become cheaper or more expensive from month to month, the number of units bought each month will vary too Some months the buyer gets more units for R100, and in other months that R100 buys fewer units

As the table shows, after 10 months R1 000 has been invested for a total of 132,5 units Divide the total of the amounts in the middle column by the number of investments (10) and you get the average price per unit of R7,90

By contrast, the investor in this hypothetical example paid R7,55 per unit (Divide the amount invested, R1 000, by the number of units bought)

So the passing of time means the real average cost per unit is lower

Looked at another way, if the investor had bought the units at their peak price in the 10 month period of R10, he would have received only 100 units But what if he had been canny enough to wait until the units dropped to R5 a unit? He would then have doubled his investment for the same money Unfortunately, guessing the bottom of any market is by no means easy

By using rand-cost averaging the investor has the peace of mind of knowing he does not have to worry about the perils of poor investment timing

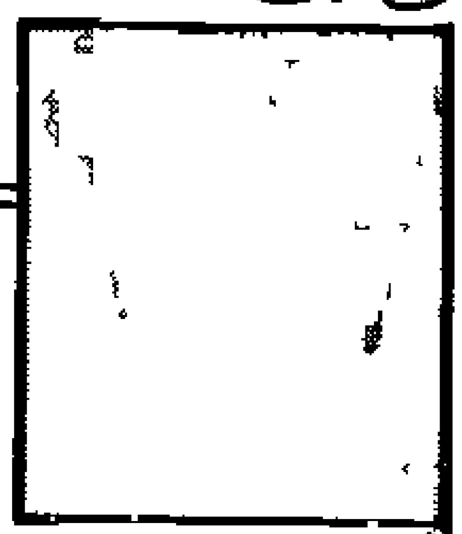
Rands invested	Rand price per unit	Units bought
100	8	12.5
100	9	11.1
100	10	10 0
100	9	11 1
100	10	10 0
100	7	14 3
100	8	12 5
100	7	14 3
100	6	16 7
100	5	20 0
1000		132.5

DIAGONAL STREET

Langeberg puts its faith in cost cuts for revival

SI Times (Buss)

23/5/93



By Julie Walker

LANGEBERG managing director Ray Brown expects improved productivity and cost cutting to see his group right

He gave sufficient reassurance in his presentation in Johannesburg to members of the Investment Analysts Society last week for the share price to rise 25c to 600c the next day A glamour stock when it was listed last year and traded at 925c, the price was down at 530c in April

Mr Brown warned investors to expect a fall in profit in the current year for the producer of sauces, jams, salads, canned fruit and vegetables

He said that three-quarters of Langeberg's 1993 pack — the total crop — had been sold, against the usual 90% by this time in earlier years

Mr Brown said that for the first time since sanctions were enforced eight years ago, America and Sweden had placed orders with the group America in particular used to be an important market and the orders ran to seven figures where none had been budgeted for

Deciduous-fruit exports to the European Economic Community and European Free Trade Area (Efta) nations made up 60% of the group's total and the Far East 29% Ten years ago virtually nothing was sold to the East

Langeberg has almost half of SA's 219 000 tons of deciduous fruit production, the other large players being Del Monte Royal's SA Preserving Co (Sapco), Ashton Canning and the growing Rhodes Fruit Farms

Mr Brown said the past two years had been characterised by Langeberg's measures to improve efficiency in a highly competitive business

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Its 10 factories had been whittled down to seven of equivalent output capacity Distribution depots had been closed in some areas and the regions served by others

Mr Brown said the pineapples business was still losing money The product was exported to the EEC, Efta and South America The future of this business would be decided between interested parties shortly because Langeberg would not continue to produce at a loss Pineapple concentrates made a profit, but the business could not be dictated by the merits of a by-product.

Mr Brown highlighted some barriers to entry in Langeberg's business Establishment costs were high and resources scarce Land could not suddenly produce more Strong brands were also important (Langeberg sells Koo, All Gold, Silverleaf, Naturlite and is licensed by British sauce company HP)

In the six months to March, the group's turnover edged up 5% to R360-million in spite of a 2% fall in volume

Operating margins came under pressure and income fell 11% to R37,2-million The interest bill was lower, offset by a tax provision

Mr Brown said Langeberg's assessed loss would be used up this year Tax would be paid in accordance with new legislation

Earnings a share fell 14% to 18,8c, but the interim dividend was held at 5c

The rise in cost of sales was well held below 5% and Mr Brown spoke of savings to come The new plant at Messina would probably not need more than 60 staff members where 400 had formerly been necessary

(86)

Creditors had been canvassed for better terms The industry was not seen as bearing such a high risk now — only a few years ago the terms were seven days from some major input suppliers

"We need creditors to come to the party too," said Mr Brown "We carry the cost of their stock for months and even years"

Debtors had been reined in, almost halving to below 40 days over the past five years

Mr Brown said Langeberg's quality was regarded as excellent by foreign buyers, but there was strong competition, particularly in Europe from Mediterranean producers which not only had a price advantage on transport costs but on tariff considerations

A sliding rand would help exports, but cost reduction, quality improvement, niche marketing and brand-building were the thrusts of Langeberg's strategy, he said

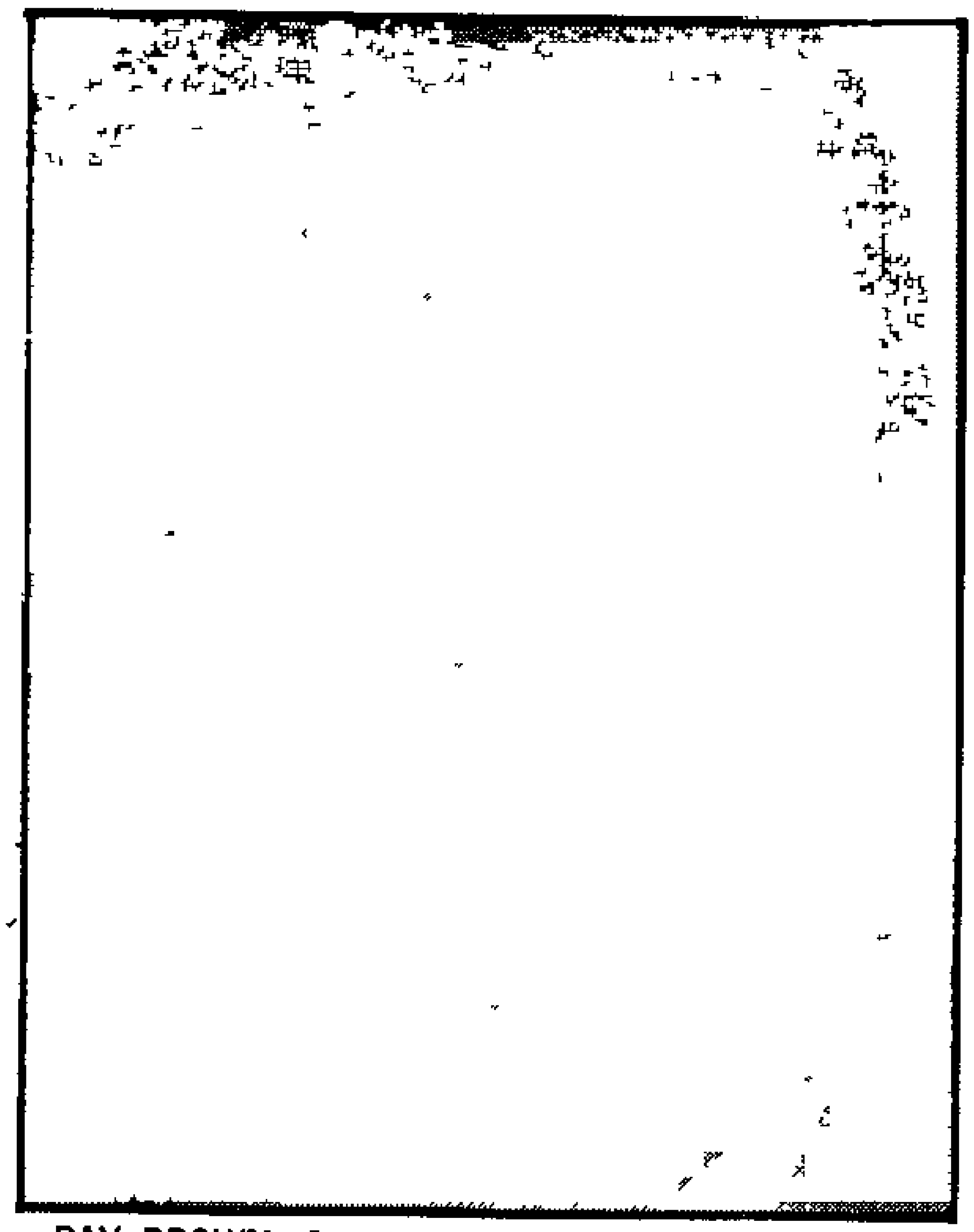
Domestically, the recession was affecting sales, but Langeberg was countering with new products and television advertising aimed at the black market

Mr Brown said that Langeberg was unlikely to match last year's profits, but in the longer run, it was a great company in a great business

He did not fear that changes in export incentives under a new government would be detrimental to fruit and vegetables He believed they would be targeted for increased exports

The analysts seemed mollified that Langeberg was doing its best in tough times Their concern shifted to the fortunes of Del Monte Royal's similar business, Sapco

A Sapco spokesman says that it differs from Langeberg in that it has long-term supply contracts with Del Monte Foods International, its principal customer Sales are agreed each season according to a "plan" (Del Monte's quotes), evaluated monthly At May, Sapco's sales are 100% of "plan" Del Monte Food's share price added 50c on Wednesday to 850c after some weakness



RAY BROWN: Sanctions go, but times are tough

Persetech's Soft Line stake

S Times (Buss) 23/5/93 (232) BT

PERSETECH has bought a major stake in Soft Line, distributor of Brilliant Accounting and TAS The amount paid has not been disclosed. Soft Line is a leader in SA-developed computer software and aims to build up foreign markets It is Persetech's fifth foray into software companies in as many months

ST Times (Buss) 23/5/93

Cement upstart in new challenge

(232)

By DON ROBERTSON

PETERMIX, one of the few independent cement producers to challenge the cartel operated by the big three, is to open a second blending plant at Nelspruit in October

It will have a capacity of 180 000 tons of SABS-approved blended fly-ash cement a year The cement will be sold in the Transvaal, Lowveld, Swaziland and Mozambique

The factory will cost R4,5-million, low by comparison with larger ones which cost more than R200-million

Petermix took on the cartel in 1988 when it opened a 216 000-ton capacity plant at Pietersburg

The company is owned by a family trust, Tobara Investments.

Director Keith Baragwanath says the cartel, operated by Pretoria Portland Cement, Blue Circle and Anglo-Alpha with the permission of the Competition Board, opposed the new plant. The cartel has excess capacity

Mr Baragwanath says about 65% of production from Nelspruit will be sold to the informal sector as is the case at Pietersburg

"The new plant will not only provide job opportunities, but will shorten lead times for users, cutting costs and ensuring a reliable supply"

Petermix buys the fly ash from the SA Cement Producers Association, but Mr Baragwanath believes the price of the extender is about twice what it should be.

The Business Practices Committee plans to issue a code for cement and blends.

The code will govern the production of cement and ensure that the user, especially the small builder, is not exploited by the supply of inferior products

The code was drawn up by the Portland Cement Institute. Executive director Graham Grieve says Petermix produces high-quality products

The Portland Cement Institute is supported by the three major producers, but it also conducts investigations on its own

MONEY

Some deliver, others fail on your savings

STTimes [Buss] 23/5/93

(232)

By CHERILYN IRETON

THE mixed success of professional investment managers last year underscores the need for vigilance when entrusting your savings to them

A ranking of the performance of independent investment managers in 1992, compiled by consulting actuaries Alexander Forbes Shepley & Fitchett, shows widely divergent returns on a single amount invested for the calendar year

Fairheads, Syfrets Managed Assets and Rand Merchant Bank earned returns of more than 17% for their investors

Allan Gray, which had nearly R6-billion in its care, managed only a 1,2% return against the 12% average

Alexander Forbes director John Hayward says investment performance should be measured over a long time

"But there is no point in waiting 20 years to establish that investment results have been unsatisfactory"

The turnover of investment managers is high in South Africa

The concentration of investment in a handful of the most marketable shares listed on the Johannesburg Stock Exchange has a profound influence on performance

This is shown by the 37% decline in the De Beers share price, which hurt the smaller portfolios administered by AFC Investments, Foord & Meintjies, Security Portfolio Managers and Southern Asset Management.

Volatile

Fairheads and Syfrets on the other hand, picked a winner by investing 8% and 5% of their respective funds in Trencor, which rose 82,5% on the year

Allan Gray did not disclose details of its shareholdings

Mr Hayward says research abroad has shown that only 10% of the difference in pension fund returns stems from selection of shares

About 90% of the divergence can be traced to the relative holdings of asset classes, such as foreign and domestic shares, property, fixed interest and cash.

Factor

"Since our institutions are prevented from investing in foreign shares, their equity assets are concentrated on 20 or 30 of the most marketable local shares

"It is this undue concentration on a few counters which promotes their volatility and makes the relative weightings of the institutional holdings an all-important factor in the overall performance," says Mr Hayward

Insurers underwriting managed fund contracts did not have nearly the same degree of success as the independents.

Liberty Life was the top performer among the large insurers, achieving a 11,4% return

Momentum's decision to write off 8% of its fixed properties last year was a factor behind its negative return of (0,2%)

Southern's SHOP portfolio was the top performer among the class of portfolios with assets of under R775-million It achieved a 15,1% return, thanks mainly to a 6% holding in Dimension Data, which achieved a 127% return over the year

Over three years, non-insurers Rand Merchant Bank and Syfrets Managed Assets come out top with returns of 22,7% year Allan, Gray trails with 11,5%

If all fund managers are measured over five years, Syfrets is first with 25,8% and Standard Merchant Bank a close second AA Life has the lowest return — 9,7%

In the eight-year analysis Syfrets is again tops with 28% and AA Life lowest at 17%

Comparative inflation rates are 9,6% for one year, 13,5% for three years and 13,6% for five

Long

Mr Hayward says these factors affected investment returns in 1992

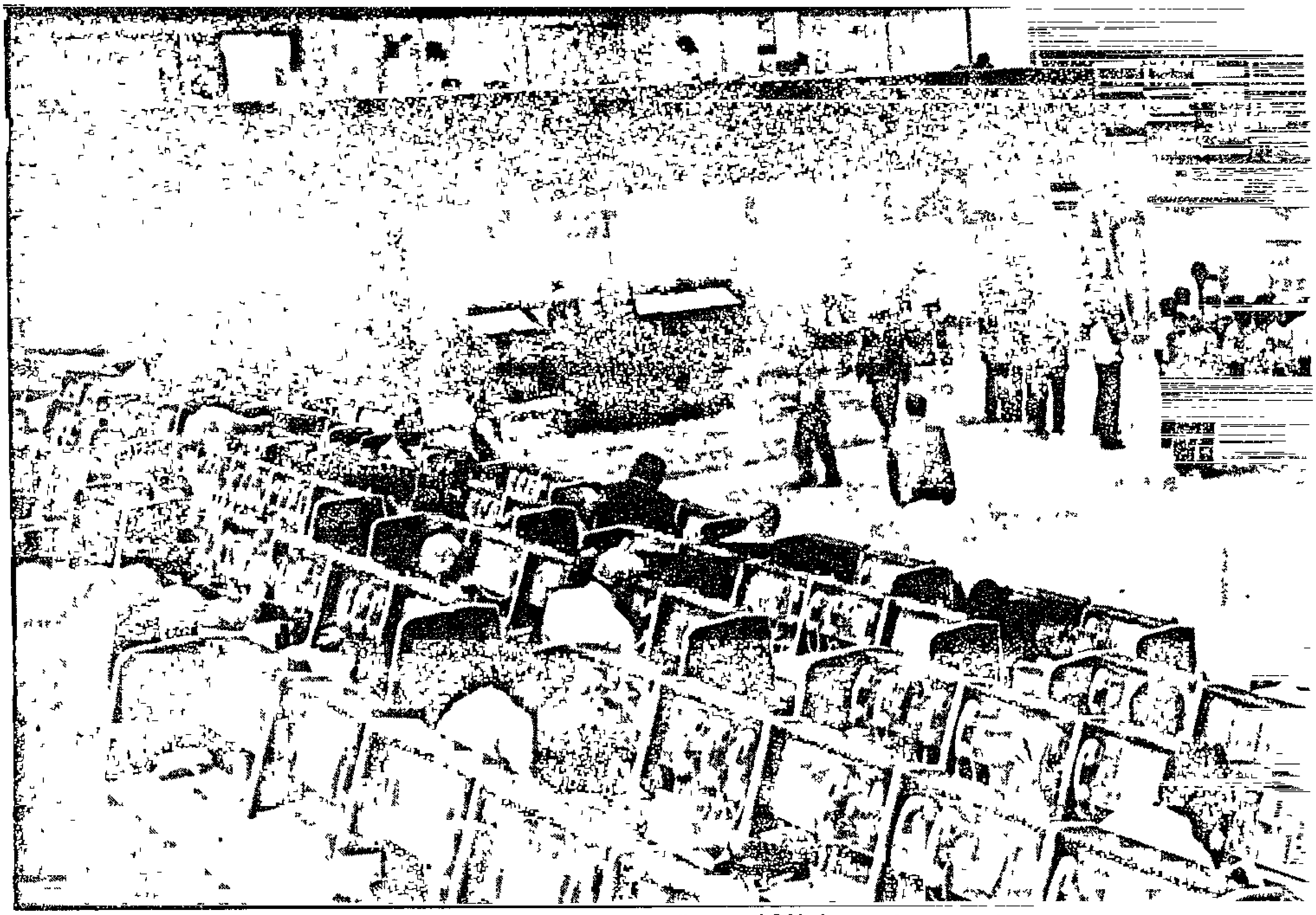
- World stock markets were relatively weak because of continuing recession The JSE all-share index fell 5,3% and the industrial index was up 4,6% Disillusionment about precious metals resulted in a 29,4% decline in the all-gold index and the mining financial index was 16,8% lower The financial index appreciated by 22,5%
- Interest rates at the long end of the market fell sharply The yield on the Eskom 168 opened the year at 16,2% and ended at 14,8%
- The gold price fell to a seven-year low and closed at $333,15 from $351,70 at the start The rand price of gold rose from R969 93 to R1 016,44 because of the rand's depreciation against the dollar
- The property market was bedevilled by the poor state of the economy The market was characterised by poor tenant demand, rationalisation of space use, rising vacancies and a decline in real rental growth The property market achieved a return of about 14% during the year The return of the JSE property trust index, including capital and income growth, was 6,6%

Portfolio managers

Annual investment (%) return on single payment for period invested 31 Dec 1992

YEAR	1	3	5	8
AFC Investments	10,8	16,7		
Allan Gray	1,2	11,5	18,8	22,7
BOE	9,1	14,8	20,1	23,3
Fairheads	17,7	21,2	21,3	
Foord & Meintjies	11,4	14,2	20,4	23,4
LIBAM	14,4	18,4	23,4	
RMB	17,4	22,7		
Securities Portfolio Managers	6,3	16,8		
Southern Asset Management	11,4	16,1	19,1	
SMB	16,1	21,0	25,2	25,0
Syfrets Managed Assets	17,5	22,7	25,8	28,0
UAL	10	15,8	21,9	22,6
Average	12	17,7	21,8	24,2
Commercial Union	11,2	15,3	20,2	23,2
Liberty Life	11,4	16,9	21,5	21,0
Momentum	(0,2)	9,6	15,5	19,3
Old Mutual (Multifund)	3,0	10,1	17,7	19,8
Sanlam (Focus)	7,3	14,9	20,2	22,4
Sanlam 100 plus	6,0	13,2	18,8	21,3
Sanlam 200 plus	6,1	14,7	20,5	26,6
Southern (Managegrowth)	3,9	10,7	18,0	19,2
Average	6,1	13,2	19,1	21,6
AA Life	0,7	4,6	9,7	17,0
Fedlife	10,3	14,6	17,1	19,4
Metropolitan	10,4	18,7	21,9	22,2
Norwich Life	4,5	11,9	15,4	18,4
Old Mutual (Omnifund)	3,0	9,9	15,2	19,1
Sage Life	11,2	17,9	21,0	22,6
Southern (SHOP)	15,1	16,9		
Standard General	13,5	15,2	18,3	20,8
Average	8,6	13,7	16,9	19,9

Graphic: [illegible] MERTON
Source: [illegible]ANDER FORBES



SHARE THE FEELING ... Recent moves by Metropolitan Life (Metpol), one of SA's largest insurance brokers, and Gencor, a holding-

IS IT TIM
Cl Press
TAKE ST

(232) (58) 2

By JENNIFER GRIFFIN

DESPITE the economic strides made in recent years by SA's black middle class, few blacks have become direct participants on the Johannesburg Stock Exchange by either investing their money or listing their companies

At present no companies owned by black South Africans are listed on the JSE, though there are some obvious candidates which could benefit by going public

"Black people have tended to shy away from the JSE In effect we would have been putting money into companies that we would not ever control," said Dr Sam Motsuenyane, a non-executive director of the African Bank, which opted not to become a listed company

Black-owned companies that have been listed in the past attacted mostly white shareholders, since whites still comprise the wealthiest sector of SA society The directors of black-owned businesses worry that if they list their company on the JSE then they may be gobbled up by larger, white-run companies and lose effective control over their businesses

JSE president Roy Anderson says that it is possible to structure a listing so that control remains in the black community By not being listed on the JSE, black businesses risk limiting their growth to a size where they cannot compete with their white counterparts

Recent moves by Metropolitan Life (Metpol), one of the country's largest insurance brokers, and Gencor, a holding company with mining, paper and oil subsidiaries, could lead to more blacks investing their money in JSE stocks and directly involving themselves in the stock exchange

Metpol, whose client base is 85 percent black, has decided to give blacks an opportunity to buy a portion of the insurance company Its major holder, Sankorp – a subsidiary of Sanlam, another large insurance broker – has decided to take 10 percent of its 40 percent stake in Metpol and sell it to a black-owned company, MetLife Investment Holdings

The deal, worth R135-million, will be underwritten by the Industrial Development Corporation, a government-funded organisation that supports industrial projects within SA

IDC will provide R137-million to Methold in exchange for 137 million renouncable letters of allocation The R1 shares will then be sold to Metpol policy holders, black pension and provident funds, and the public Under the agreement, nine of the 16 directors of Metpol will be black

The move is being hailed by black and white businessmen, including political leaders and trade union activists, as a first step towards the creation of a large black-owned insurance company which will in turn mobilise savings and assist with capital formation in the black community

"The black people must respond They must take advantage of any opportunity that comes their way," said Dr Motsuenyane, former head of the National African Federated Chamber of Commerce and Industry, which has called for quotas to make companies more representative Nafcoc suggests that 40 percent of the shares sold by companies on the JSE be owned by blacks by the year 2000

In a related move Gencor has become one of the first conglomerates in SA to unbundle its subsidiary holdings, which should lead to greater liquidity and more investors getting involved on the stock exchange, according to Anderson

"Part of the problem with black involvement in the JSE is that so much of the power is in the hands of giant corporations," said Dr Azar Jammine, chief economist at Econometrix, a private economic consultancy

Fewer than a dozen families control more than R100-billion of JSE wealth even though many own less than 10 percent of the shares in operating companies Six major groups control

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=, and Gencor, a holding company with mining, paper and oil subsidiaries, could lead to more blacks investing money on the JSE.

ME TO TOCK?

ClPress 23/5/93

(58) (232)

DR SAM MOTSUENYANE... "Black people have tended to shy away from the JSE."

Metpol move could signal a new trend

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...ten families R100-billion ... though ... 10 percent ...ing com... ...oups control 80 percent of the JSE shares

The pyramid structure that has evolved beneath most of SA's big conglomerates has entrenched the power of certain families, such as the Oppenheimers and the Ackermans As a result, hostile takeovers are virtually unheard of in SA, though Competition Board chairman Pierre Brooks says such takeovers keep companies answerable to shareholders

A pyramid can be formed by placing 50 percent plus one share in a holding company and selling less than half the holding company to others The process is repeated until a pyramid of often unrelated companies form beneath a parent corporation The practice is common in SA though it is banned by most foreign stock exchanges

"This is certainly a positive move We have this huge dominance of the corporate sector by a limited few – particularly mining houses and insurance companies," said Ed Osborn, chief economist for Nedbank

Typically, these conglomerates have received most of the flow of finance within SA The insurance companies have used those funds to continue to acquire and control other companies, according to Osborn

"The conglomerate is standing between the investor and the operating unit," said Osborn "Each of these units must stand on its own "

The weak Rand has caused companies to use their assets to acquire other South African companies rather than diversifying overseas This tendency had led to the concentration of power in the hands of a few big conglomerates

"Conglomerates are unpopular with the investment fraternity because they are removed from the investor," said Osborn "The investor places his confidence in the management of the conglomerate, rather than judging each individual company on its own merit "

The ANC plans to introduce strict anti-trust legislation which may enforce unbundling once a new government is in place Most analysts think that Gencor, whose former chairman is current Finance Minister Derek Keys, has decided to unbundle its non-mining subsidiaries for political reasons By being the first to unbundle, it should be protected from possible nationalisation by a new government

"It's a question of trying to pre-empt being forced to unbundle," said Dr Jammine

While the Gencor deal won't directly enable blacks to acquire a stake in the companies being unbundled, it should make it easier for new investors to involve themselves in the JSE

"The issue of unbundling per se will not on its own lead to greater black involvement," said Lockwood But it will help get rid of pyramid structures, which have entrenched white control of the economy

Leppin runs short of vitamin needs

S/Times [Buss]

23/5/93

LEPPIN's future is in doubt, it admits in its interim report tucked away in a Saturday newspaper a week ago

Another R1,1-million loss on turnover of only R3,4-million in the six months to January has almost wiped out shareholders' funds and the group has R2,1-million of net current liabilities Net asset value is 9c a share.

The last JSE trade was in March at 20c. (232)

The directors of the vitamin and food supplement maker, controlled by the Hanneman family, say the accounts were prepared on the basis that the company was a going concern This depends on the continued financial support of bankers and creditors

An explosion at the factory hurt turnover and an abnormal item of R914 000 arises from the insurance claim

Leppin lists as contingent liabilities an unlimited suretyship in favour of Standard Bank for Leppin subsidiary GW Leppin (Pty) The suretyship is supported by the subordination of the loan due to Leppin from the subsidiary.

GW Leppin in turn has guaranteed the overdraft facility of £50 000 — about R250 000 — by Barclays Bank to Leppin Sport (UK).

Still more, the previous landlord is claiming R141 000 in respect of alleged breaches of lease agreements.

Leppin needs more than a tonic to put it back on its feet.

S/Times [Buss] 23/5/93

European TV costs M-Net R400m so far

By JEREMY WOODS

JCI's R140-million purchase of a 25% stake in M-Net International this week means that M-Net will not have to seek any more South African funding for its European pay TV network, FilmNet.

FilmNet has cost M-Net R400-million so far (232)

FilmNet, which runs a service in six European countries, is set to break even in two to three years after which it should produce strong cash flows

M-Net's investment in FilmNet has been the subject of debate among some fund managers. They are worried that FilmNet is still chalking up losses.

But M-Net managing director Koos Bekker says: "People forget that it took M-Net three years to reach break even We have exactly the same situation with FilmNet. The nature of the pay TV business is heavy investment for the first three years, break even, followed by strong cash flows.

"That is what we experienced with M-Net and what we are experiencing with FilmNet.

"The only difference will be that FilmNet's earnings will be in foreign currencies and will come into the M-Net income statement."

Mr Bekker says the European market for subscription television continues to show "exceptional growth".

"Despite adverse economic conditions in Europe, particularly a severe recession in Scandinavia, FilmNet has raised its subscriber base to 600 000 homes Our intention is to develop FilmNet over the next few years"

Mr Bekker expects FilmNet to "break even two to three years from now, then swing into strong cash flows".

Reserve Bank regulations introduced last November, restrict M-Net's ability to fund foreign growth in spite of its having the capacity to do so.

Margins

Chairman Ton Vosloo says "The M-Net board had to look at alternative sources of funding to develop our interest in FilmNet and JCI was a natural partner.

"The company has an indirect interest in M-Net through its holdings in Times Media and Argus Newspapers and had the cash through its offshore structure."

JCI will subscribe for 25% of M-Net International, about R140-million, payable in cash The transaction reduces M-Net's effective stake in Nethold, which owns FilmNet, from 50% to 37,5%.

The other major partner in Nethold is Richemont, Rembrandt's foreign associate.

M-Net reports "satisfactory growth" for the year to March 1993

The subscriber base in SA grew to 775 000 households, including 19 000 subscribers in 13 African countries.

Operating margins rose from 11,5% to 15% as a result of an increased ability to spread fixed costs.

Turnover increased by 20% to R727-million. Profits attributable to shareholders rose by 2% to R28-million.

M-Net paid an 8c annual dividend in March — an increase of 13% on the previous payout

Classes mostly back to normal

CT 24/5/93

Own Correspondent

JOHANNESBURG. — Most schools in South Africa are expected to return to normal today following the suspension of the teachers' strike and the temporary scrapping of exam fees.

But SA Democratic Teachers Union (Sadtu) spokesman Mr Randall van den Heever warned the suspension of the strike "does not mean that campaigns in respect of locally based disputes in specific departments have been called off".

He said problems in the coloured and Indian education departments, and the refusal by the Ciskei and KwaZulu governments to recognise Sadtu still had to be dealt with.

Concession

The government agreed to re-open salary negotiations and to refer restructuring and retrenchments to the proposed national education forum.

But the salary concession has sparked union demands that the 5% wage increase imposed on all public sector employees be revised.

White public sector unions said the concessions extracted by Sadtu showed mass action was the only way to deal with the government.

Schools strike starts today

(232)

CT 24/5/93

By RONNIE MORRIS

SOME teachers in the Western Cape will start a two-day strike, defer exams and withhold exam papers today in protest at the continued rationalisation of teaching posts

The decision to strike was taken at an emergency meeting of the SA Democratic Teachers Union (Sadtu) regional executive committee on Saturday

However, the Cape Teachers' Professional Association (CTPA) and United Teachers Associations of SA (UTASA) have suspended their three-day national strike call following the government's undertaking to halt the rationalisation and retrenchment programme

This means that only members of Sadtu will be striking today

In a joint CTPA/UTASA statement last night CTPA president Mr Alf Vergotine said "our decision is in line with the 'return to the culture of learning' call by the broad democratic movement, which we respect and support"

A nationwide teachers strike was suspended last week after government education departments agreed to re-open negotiations on teachers' salaries and to suspend retrenchments

Ms Vivian Carelse, Sadtu regional chairwoman, said another meeting to "flesh out" the accord would be held on Wednesday,

She said the Western Cape strike was not an act of defiance but was in support of the union's position that locally based disputes could be addressed on an ongoing basis

Teachers protest at plan to cut 3 200 posts

Parents would be told in letters the reasons for the strike and the Western Province Senior Schools Sports Union and other sports bodies would be asked to suspend all coded sport for the duration of the strike

Tomorrow a regional strike council meeting would be held at the Macasssar Senior Secondary School to assess the situation and discuss further action

Mr Randall van den Heever, Sadtu general secretary, said that although the national strike had been suspended, Sadtu acknowledged there were still specific issues which needed to be addressed

The main point of dissatisfaction was that the government would continue to phase out 3 200 House of Representatives posts

There was also a dispute with the education authorities in the House of Delegates over merit increase but he was hopeful that the matter would be resolved today in talks with Dr Bhadra Ranchod, chairman of the Ministers' Council and Chairman of the Budget, Mr Van Heever said

He was satisfied with the government's response to the salaries issue and that the issue of teacher/pupil ratio would be referred to the education forum

In a full page advertisement in the Sunday Times yesterday, based on Monopoly, the popular board game, the ANC said the time had arrived to stop playing games with the lives of millions of children

"When you consider that less than 16% of all black students reach matric, and of those who do only two in 10 pass it, it should be patently clear that we are playing a game of chance with the very future of our nation," the ANC said

The University of the Western Cape and the Peninsula Technikon will hold a joint assembly, dealing with the education crisis, at the Great Hall at UWC at 12 30 today

The assembly will be followed by a march from UWC to the Department of Education and Culture regional offices in Bellville where a memorandum would be handed to the regional director by a delegation from the university and the technikon

Steady climb for De Beers shares

BDAY 24/5/93 · 232

MATTHEW CURTIN

DE BEERS shares reached their highest price on Friday since July last year as the stock continued its steady climb back towards the R90 level seen a year ago.

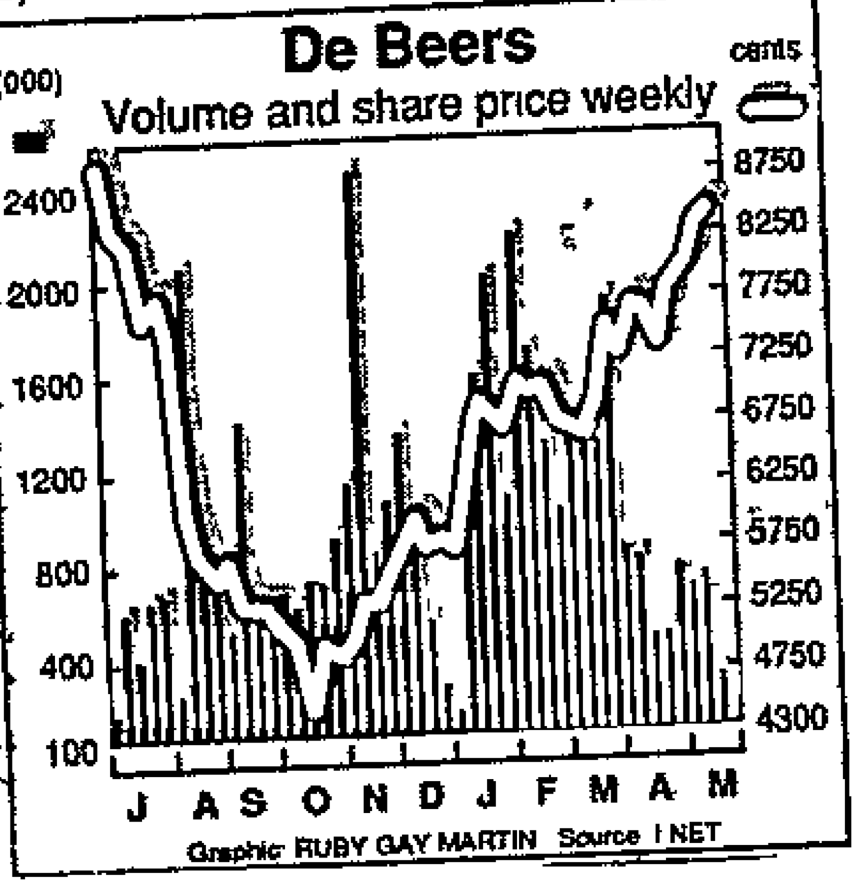
The shares rose 75c to R83,50, compared with its most recent high of R92,50 in mid-May 1992 but about twice as high as its October low of R44,25.

In recent weeks, the shares have tracked the steady climb in shares on Wall Street. De Beers' dependence on healthy diamond sales in the US, in contrast with poor retail demand in Japan and Europe, has helped cement the close correlation between the performance of the diamond stock and the Dow Jones industrial index.

Market sources were divided at the weekend over whether De Beers had entered expensive territory and would regain the R90 and R100 levels seen before last year's unexpected announcement of the dividend cut.

Edey Rogers analyst Keith Bright said although there was no question of the restored health of the diamond trade in 1993, the rise in De Beers above R75 could be "a false start" as overall retail diamond demand was likely to be flat again this year.

Investors could take heart from the strong diamond sales so far this year, which he estimated at $1,93bn. Last year's half-year sales figure was $1,79bn.



Graphic: RUBY GAY MARTIN Source: I-NET

However, Bright noted that even De Beers attributed the good sales to exceptional factors — low Angolan and Russian supply coupled with the US economic recovery — and sales would be lower in the second half.

In addition, diamond stocks remained high and the group's margins squeezed. The average 1,5% rise in CSO prices announced in February followed three years of flat prices, and De Beers was unlikely to be able to push through another increase in 1993 because of the fragility of US economic recovery.

The restored stability in the diamond trade would be offset this year by an, at best, flat performance by the group's large investment portfolio and the damage the recession had done to its cash balances.

Bright said investors could no longer take comfort from the cushion which De Beers investments and cash reserves once provided for poor trading conditions. In the year ended December 1992, combined investment income for De Beers/Centenary was almost unchanged at $211m and interest income tumbled to $103m from $207m.

In contrast, Mathison & Hollidge analyst Barry Sergeant said factors which had buoyed diamond sales so sharply this year had also transformed the diamond group's cash flow after a debilitating nine-month period last year when it had to mop up illicit supplies from Angola.

The turnaround was off a low base, but it would bolster De Beers' results in 1993 and 1994 if early signs that the Japanese economy was near the bottom of the recession proved correct and the US turnaround was sustained.

One encouraging sign was that it seemed many of the diamond mines supplying the CSO had reacted to the deferred purchases imposed on them by cutting back production rather than stockpiling diamonds at the mines.

Sergeant said De Beers shares could reach the R100 mark in the short to medium term.

Key Syfrets men to leave

LINDA ENSOR

CAPE TOWN — Six key executives of Syfrets Managed Assets (SMA), including MD Leon Campher, have announced their departure from the group to establish a new subsidiary of JSE-listed Coronation Syndicate.

SMA, the institutional investment management arm of the Syfrets group, has assets under management, including assets of its unit trust, of about R8bn

Those departing from end-June include Syfrets Growth Fund portfolio manager Tony Gibson who spearheaded the growth of the fund to its R700m level

Trustee Fund portfolio manager Matt Brenzel, SMA portfolio manager Thys du Toit, investment research division head Hugh Broadhurst and computer expert Nick Walters will also be leaving

They will take out an equity stake in a new company, Coronation Asset Management (CAM), a Cape-based company which will open on July 1 with Campher as MD

CAM would initially provide portfolio advisory services to pension funds and major institutional clients, Coronation Syndicate directors David Barnes and Gavin Ryan said yesterday.

SMA was quick to reassure clients that the developments were fully under control and that it would be "business as usual".

It said it had taken steps to ensure clients would continue to experience the same level of performance and service they had come to expect from Syfrets

"The parting is an amicable one. The main criteria for our negotiations are of course the long-term interests of the 60 000 Syfrets unit trust account holders as well as those of the private and institutional accounts currently managed by those individuals who will be leaving," the firm said.

Analysts expect Barlows to maintain dividend

BDay 24/5/93

BARLOW Rand was likely to maintain its first-half dividend at 54c a share on expected lower earnings to be announced this afternoon, analysts said

"Unfortunately Barlows is involved in markets that just haven't turned yet and are not going to in a hurry," said Syd Vianello of Ed Hern, Rudolph

Poor recent results from its UK-based J Bibby and Sons would hit Barlows' earnings hard, analysts said "It turns out that Bibby overpaid drastically for Spain's Finanzauto in the takeover last year," Vianello said

Analysts' forecasts were in the region of a 10% fall in earnings to 186c a share from a previous 207c but some analysts said the decline could be slightly bigger

Full-year results were not expected to be any better than those in the first half despite predictions by the group late last year that it hoped to maintain earnings in the current year

However, the expected dent in profits in the period to March 31 would have been worse had it not been for surprisingly good recent results from some of its interests, analysts said

Packaging subsidiary Nampak was the best example, they said Operating in stiff market conditions, the group reported a 21% rise in earnings to 313c for the first-half to end-March, well ahead of expectations (232)

Analysts said Barlows ~~would~~ have been aided by tax adjustments after the recent drop in the corporate tax rate to 40% from 48%, although the new 15% tax on cash dividends had been introduced as well — Reuter

Harare runs out of burial space

BIDAY 25/5/93

MICHAEL HARTNACK

HARARE — A crisis is looming for African traditional culture following the Harare City Council's warning that it is running out of graveyard space and cremations may soon become compulsory

"We fear what might happen later. The spirit of the dead person may come back and punish us for cremating the body," a traditional healer from the Nkayi area of central Zimbabwe, Rosemary Mazorodze, said in reaction to the council's announcement yesterday

"Four of the capital's seven cemeteries are full and three others are close to capacity, while the government delays acting on city council demands for commercial farms to be expropriated in the Mount Hampden area for new burial plots

Deliberately burning the body of a relative is "unheard of" in African culture, said Mazorodze

"There are some rituals which have to be carried out on a person's grave We cannot perform such rituals on a tiny grave, or over ashes"

Two years ago the city's medical chief warned that a crisis was inevitable in the late '90s due to the projected death toll from AIDS

Farmers bitter at the compulsory purchase of their land for peasant resettlement are even more resistant to seeing flourishing fields of maize and tobacco turned into a sterile area of mounds and tombstones

Burial plots cost up to R205 each

Delay 'likely' in oil deregulation

BIDAY 25/5/93 (232)

CAPE TOWN — As SA waits for the release of a government study on the merits of deregulating the oil industry, analysts predict no major action is likely until 1996

Mineral and Energy Affairs Minister George Bartlett said recently the report had been completed and would be released shortly Industry sources expect it within a week

Analysts did not expect any major changes until at least January 1996, when warranties on the tariff protection given to Sasol 3 lapse

"But what we can expect is some relaxation of the secrecy surrounding the whole industry because of the UN oil embargo," said one

This could be eased as early as June, depending on when the proposed transitional executive council was set up, he said

Although the ANC has said it would accept the lifting of most financial sanctions on SA once the transitional council system was established and a date for elections was announced, it wanted embargoes on oil and arms supplies to be retained until a democratic government was installed.

The Petroleum Products Act restricts publication of information on the source and price of SA oil supplies However, oil companies believe amendments ~~to the Act~~ could lead to better-informed public debate on the whole issue of deregulation.

Deregulation in respect of oil supplies was a "somewhat trickier issue", said an analyst "The main considerations are likely to be the effect on the synthetic fuel producer, Sasol, and on the already strained balance of payments, of allowing a free-for-all on oil imports"

The regulations governing the industry have come under increasing attack from businessmen such as Pick 'n Pay chairman Raymond Ackerman, who has said that if retail pump prices were deregulated, he would be able to cut fuel prices by 6c/*l*-7c/*l* at his hypermarkets

But analysts warned that the ensuing price war could lead to the loss of up to 50 000 jobs at petrol stations around the country

Small operators would not be able to cross-subsidise their fuel sales with non-fuel sales and would be forced to cut back on staff or close

There was also a fear, said one, that deregulating fuel prices could prompt some service station owners, especially in rural areas with no access to hypermarkets, to "charge what the market can bear, thus pushing up fuel prices in less developed areas" — Reuter

Pact reinforces links with Zambia

BIDAY 25/5/93

DURBAN — The signing of the "twinning" agreement between Umgeni Water and Lusaka Water & Sewerage yesterday was the latest sign of increasing contact between SA and Zambia.

Umgeni Water CE Graham Atkinson said the twinning "signals the start of an agreement between the two undertakings to exchange information and staff".

The agreement preceded the opening of the Water Institute of Southern Africa conference, which attracted a number of international experts.

"The staff from the Zambian company will be receiving in-house training at some of Umgeni's plants, and some of Umgeni's staff will be contracted to the Zambian company to lend expertise while training staff," Atkinson said.

The pact also involved development of laboratory services, computerised billing and customer service

Atkinson believed Umgeni Water would be able to contribute to Lusaka Water because Umgeni had been recognised as "a leader in the field of water management and especially the supply of water to rural areas, where the drought has been severe".

Lusaka Water MD Jeff Hendrich said he hoped this would be the first of many mutual agreements. — Sapa

Kitchen fraud burning buyers

BIDAY 25/5/93

TRACY SCHNEIDER

GULLIBLE home owners were losing up to R6m a year to fly-by-night kitchen manufacturers, industry sources said recently.

Kitchen Specialist Association (KSA) chairman Martin Macphail said the incidence of fraud among kitchen manufacturers had reached "epidemic proportions". Losses to unsuspecting customers were estimated at R500 000 a month

"The situation is difficult to control All we can do is make customers aware that they should deal with a reputable company," said Macphail

He said one trader had opened under five different names, taking R100 000 in deposits with him each time Individual customers had lost up to R30 000

Many incidents were not brought to the KSA's attention and deregulation of the industry had allowed the problem to grow to the point "of disaster"

However, the KSA was considering asking the Business Practices Committee to approve its code of conduct, thereby making any contravention of the code ~~a harm~~ful business practice

Under the new constitution, members were bound to conform to a strict code of ethics governing design, manufacturing, installation and service standards

Macphail said the total market turnover was estimated at R175m a year, with 80% of this from the PWV region

The industry had done better than expected for the first quarter because there had been a move towards home improvement and renovations

Star 25/5/93

Anglo likely to lead rights issue for ZCCM

By Sven Lünsche

Anglo American is expected to lead a $600 million capital rights issue for the troubled state-owned Zambia Consolidated Copper-Mines (ZCCM)

The respected Zambian business magazine Profit says in its latest issue that ZCCM would need between $2 billion to $3 billion to recover its financial health, of which at least half must come from new paid up share.

The magazine says that it is widely understood that Anglo, which is ZCCM's second largest shareholder with 27 percent after the state's 60 percent holding, has first right to subscribe to new shares.

"Assuming its right of pre-emption, Anglo should be given the job of raising the $500 million or $600 million capital required in pledges initially, from whatever source they wish."

The magazine stresses, however, that such a rights issue will depend on the willingness of the government to reduce its shareholding to closer to 20 percent.

Welcoming Anglo's likely involvment Profit adds: "The future of ZCCM is by far the most important long-term economic issue facing Zambia today, yet nobody is in charge of planning for it."

Other preconditions for the partial privatisation include a "very fast" valuation exercise to establish a generally acceptable value on ZCCM and its shares.

Profit says that a new board is also a matter of urgency and should be headed by a "person of real distinction and independence, who is respected by Anglo as well as by the government".

It also stresses the need for continued strong government representation on the board.

"Although Anglo must clearly be seen as an ally in the restructuring and refinancing, there will be times when Govt's interests will differ from those of Anglo."

- Since the change of government in Zambia two years ago, the country has rapidly developed into South Africa's second major trading partner on the continent.

Paul Runge, head of Safto's Africa department, said at a conference on Zambia's privatisation programme yesterday that SA's exports to Zambia in the first three quarters last year amounted to R770 million. This compared with R660 million for the whole of 1991.

Zambia's exports to SA, while still small, were also showing strong growth from R6,5 million in 1990 to R14 million in 1991 with further growth expected last year

Zimbabwe remains SA's largest trading partner in Africa.

Star 25/5/93

Secondary tax hits Amaprop

Finance Staff

Anglo American Properties (Amaprop) reports a sharp decline in earnings per share as it had to pay R2,6 million in the new secondary tax on companies (STC).

In the 12 months to end-March attributable earnings before STC were 5,5c lower at 73,37c (78,87c) a share.

(232)

Inclusive of STC on the unchanged total dividend of 50c, earnings a share fell to 67,70c.

Poor trading conditions and losses from the Carlton Hotel and township land sales, brought pretax profits down from R50,8 million to R40 million.

After company tax and STC payments taxed profits were 14,8 percent down at R33,7 million (R39,6 million)

Barlows maintains dividend despite 5% decline in earnings

Star 25/5/93

By Stephen Cranston

Losses by its Caterpillar franchise in Spain and a declining contribution from food manufacturing subsidiaries were two main reasons for the five percent fall in Barlow Rand's earnings per share to 196c in the six months to March.

But MD Derek Cooper says that because of its strong balance sheet and cash holdings, the group is holding the interim dividend at 54c. (232)

The recession, however, forced the group to retrench a further 5 000 people during the period.

Turnover was up 10 percent, largely because Finanzauto's (the Spanish franchise) sales were included, but there was little organic sales growth.

Declining food volumes were a major contributor to the five percent fall in operating profit to R1,301 billion, the first such decline since 1990.

The operating margin was down from 8,1 to 6,9 percent.

Interest payments were nine percent down at R279 million because of lower interest rates and reduced borrowings after the receipt of proceeds from the sale of Middelburg Steel & Alloys.

Barlows gained a further R33 million from the reduced company tax rate.

But because some assessed losses had been used up, the effective tax rate fell only marginally from 34,5 to 34,1 percent.

Net working capital was reduced by R19 million, helping to increase cash available from operations from R579 million to R851 million.

Investment in future operations fell from R678 million to R456 million. Capital commitments are down from R1,31 billion to R754 million.

Cooper says a pleasing feature of the results has been the six percent increase in the contribution from industry to R122 million.

This was helped by strong contributions from the telecommunications, electrical engineering and computer sectors.

Steel merchanting and processing, housed in Robor Industrial Holdings, performed better than expected, but still below 1992's results.

Earnings from consumer durables fell by a third in a weak market for white and brown goods.

Federated-Blaikie's loss was much reduced following the closure of facilities and rationalisation.

Derek Cooper . . . pleasing contribution from industry

There were improvements in productivity and market share by Plascon. Motor dealerships improved turnover and better asset management led to higher earnings.

The demand for earthmoving equipment was slack. Sales to Angola, which is an important market, dried up with the resumption of civil war, and there was lower demand for parts and service.

The contribution from mineral resources was down 13 percent to R90 million, but Cooper says the restructuring of Rand Mines into stand-alone operating units has proved beneficial.

Improvement at Nampak and Romatex led to a 22 percent increase in the contribution from packaging and textiles to R60 million.

Food and pharmaceuticals saw their contribution down eight percent to R70 million, despite stronger results from Adcock Ingram and Ocean Fishing.

Sugar was badly affected by the worst drought on the Natal south coast for many years.

The contribution from UK subsidiary J Bibby was down 70 percent to R14 million. Finanzauto's loss reflected the problems of the Spanish economy in which earthmoving equipment volumes are down to one third of 1990 levels. But the EC has contributed 26 billion for infrastructural development in Spain, which should boost sales.

Cooper says the decline in earnings is likely to be greater in the second half. But Barlows expects to maintain its final dividend.

Star 25/5/93

Gold generates dream profits on JSE

By Magnus Heystek
Personal Finance Editor

Forget about the Dream Machine at Sun City. The *real* gambling money has now shifted to the Johannesburg Stock Exchange.

Riding on the back of renewed interest in physical gold worldwide, gold shares on the JSE have, on average, risen by 156 percent since the market bottomed out in November.

Annualised, that means a return on your money of more than 300 percent.

But this disguises the astounding gains made by several marginal gold mines. It also underlines the huge profits you can make on the JSE if you get it right.

Take, for instance, the share price of the Doornfontein Gold Mining Company.

In January you could buy shares in this basically worthless mine for as little as 45c each. Yesterday Doorns was trading at 615c a share — an increase of 1 266 percent.

Had you spent R1 000 on Doorns shares, they would now be worth R13 666.

The surging gold price, it seems, came too late to save Doornfontein — unless there is a change of heart — since Goldfields, which controls it, indicated earlier this year that Doorns was to close.

● Yesterday the JSE gold index rose by 90 points to 1 884 as gold rose to $380.

At this level, however, gold met resistance in New York after reports that the US Federal Reserve Bank was considering raising interest rates, thus dampening inflationary expectations.

Gold closed in New York last night at $374,15 and opened in Hong Kong this morning at $374,90.

● Gold meets resistance — Page 18

Poor growth stifles Barlows earnings

~~150~~ 232

BDM 25/5/93.

MARCIA KLEIN

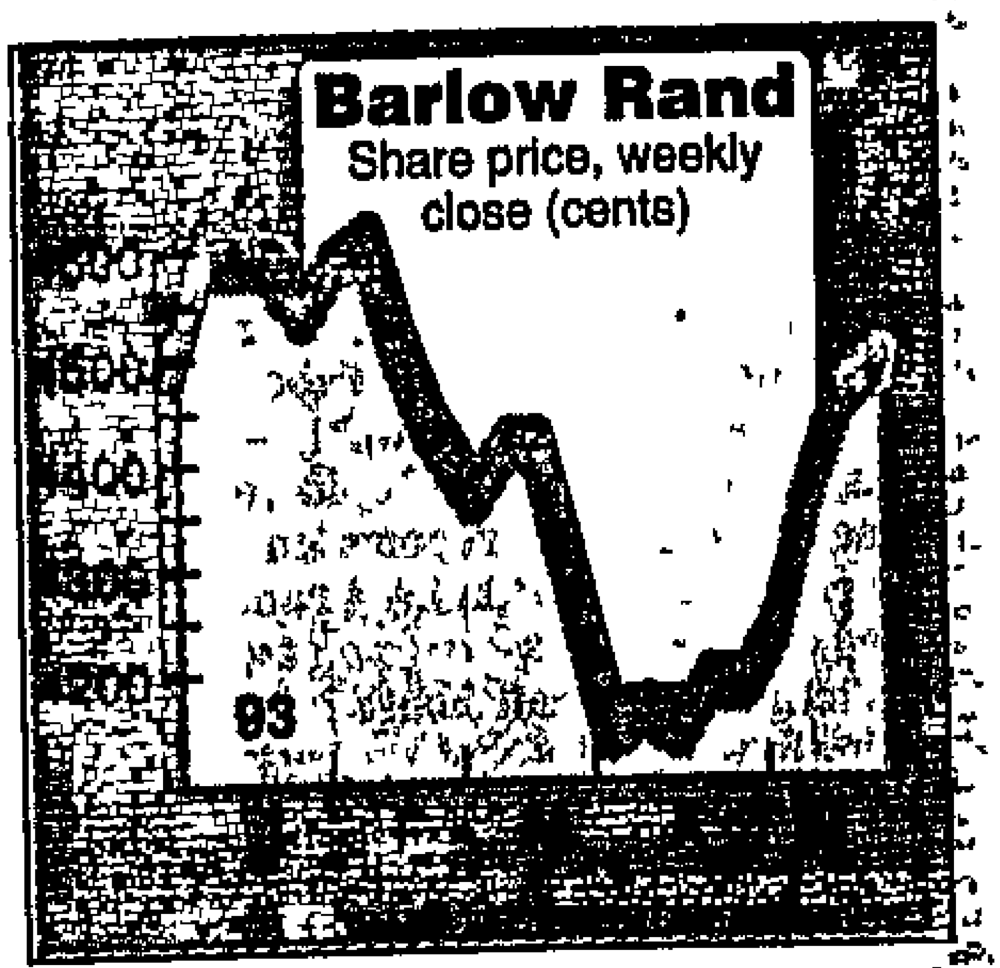
BARLOW Rand's attributable profit declined 4% to R384m (R400m) in the six months to end-March. A lower contribution from its mineral resources, food and international interests offset better results from the packaging, textile and industrial divisions.

Earnings were down 5% to 196c (207,3c) a share on a higher number of shares in issue. The interim dividend was maintained at 54c a share

MD Derek Cooper said the 10% increase in turnover to R18,7bn (R17,1bn) reflected higher turnover, but little real growth, in all divisions Strong turnover growth was reported by international arm J Bibby which included the acquisition of Spanish Caterpillar dealership Finanzauto.

Operating profit before interest declined 5% to R1,3bn (R1,4bn) as margins, particularly in its food interests and J Bibby, came under pressure The average margin was reduced to 6,9% from 8,1% previously

The interest bill declined 9% to R279m (R305m) But lower rates and reduced bor-



rowings after the receipt of the proceeds from the December 1991 sale of Middelburg Steel & Alloys were partly offset by a fourfold increase in J Bibby's interest bill.

Pretax profit was 3% down at R1,2bn (R1,3bn). Tax was 4% lower at R414m (R432m) as a lower company rate and deferred tax release were offset by secondary tax on companies. Cooper said the

□ To Page 2

Barlows

BDM 25/5/93 · ~~150~~ 232

□ From Page 1

lower tax had a R33m positive effect at the attributable level.

The 128% increase in Barlow's share of associates to R23m (R10m) was largely due to NBS and its leasing interests. Net income was down by 1% to R823m (R832m), but an increase in profit attributable to minorities, which reflects more minorities in C G Smith Sugar and a good performance by the computer interests, saw a 4% decline at the attributable level.

Mineral resources, feeling the effects of depressed coal demand and prices and a 13% drop in the local market, contributed 23% (26%) of attributable profit.

Food and pharmaceuticals results dropped 8% on the back of a decline in food volumes and the effect of the drought, bringing their contributions to 18% (19%) of attributable profit.

International interests' results dropped 70% to contribute only 4% (12%) to profits, reflecting a sharp drop in J Bibby's results with losses in Finanzauto.

The industrial interests increased their contribution to 32% (29%) of profits. Cooper said Reunert and Persetech had performed well. Results from steel processing and distribution operations were lower, and consumer electric products reported a sharp fall in earnings as the household durables market declined. Packaging and textiles increased their contribution to 16% (12%) of profits on the back of buoyant results from Nampak and Romatex.

Cooper said the group had continued to stabilise the cyclicality of earnings. Commodities made up 22% of profits, but consumer and end-user interests' contribution rose to 43% (36%) of earnings.

Trading conditions would remain difficult in the second half. Attributable profit for the full year would "show a decline at a rate greater than the 4% of the first six months", but the total dividend should be maintained at 173c a share.

Management rebuff led to SMA investment team's departure

(Bday) 25/5/93.

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LINDA ENSOR

CAPE TOWN — The rejection by Syfrets' senior management of equity participation proposals by Syfrets Management Asset (SMA) executives was apparently the reason for their departure to join a newly formed rival asset management company

Sources said the restructuring proposals apparently involved an element of unbundling and would have allowed the key executives to take part in the equity of SMA, a subsidiary of Syfrets, which was owned by Nedcor

The six executives, considered the core of SMA's investment team, were told yesterday to leave immediately rather than serve out their notice to end June

SMA management apparently considered it untenable for SMA — which had total assets of about R8bn — to continue operating with its core team on the way out Investment responsibilities for Syfrets unit trust funds and certain institutional investment portfolios had been reallocated within its 40-strong investment team with immediate effect, Syfrets joint MD David Rennie said yesterday

Capital market portfolio manager Rob Nichol has taken responsibility for co-ordinating activities until the return from leave of Syfrets joint MD in charge of investments Ashton Dominy

Those departing — SMA MD Leon Campher, Syfrets Growth Fund portfolio manager Tony Gibson, Syfrets Trustee Fund portfolio manager Matt Brenzel, SMA portfolio manager Thys du Toit, investment research division head Hugh Broadhurst and computer expert Nick Walters — planned to join Coronation Asset Management, in which they would have an equity stake.

Campher would be MD of the new company, a subsidiary of JSE-listed Coronation Syndicate, directed by former UAL executives Gavin Ryan and David Barnes.

Coronation Syndicate had proposed that its new subsidiary undertake SMA's asset management functions on a contract basis Rennie said this possibility was being considered.

Market response to the departure of the team has been snappy, with a stream of applicants already vying for the vacancies

St Helena to step up gold production

WELKOM — Gengold's St Helena gold mine plans to increase gold production by 55kg a month to 520kg a month by vacuuming gold underground

The Transvac process, unique to St Helena, is currently allowing the mine to recover 65kg a month. St Helena wants to increase its Transvac recovery to 120kg a month by the end of 1993.

To achieve this, St Helena is counting on government granting its request to extend its working week to seven days

St Helena says it plans to reduce costs to R22 000/kg from the current R29 000/kg by increasing the amount of gold produced per ton milled and by streamlining its management structure to improve productivity

BDM 26/5/93

However, St Helena geologist Gary Chapman says the mine has already cut its costs to the bone, and is relying heavily on the Transvac system to increase the amount of gold it produces.

"We can't rationalise any more unless we close shafts," Chapman says

St Helena has reduced its workforce to 3 000 from about 12 000 in 1989. — AP-DJ

W&A boss promises return to profitability

BDM 26/5/93 232

MARCIA KLEIN

THE W & A group would return to profitability and dividend payment in 1993 on its strengthened balance sheet and association with Trencor, executive chairman Jeff Liebesman said in the annual review.

Earlier this year the group announced an attributable loss of R11,5m (profit of R129m) for the year to end-December. It also announced a R650m rights offer, which would result in Trencor gaining joint control of the group.

Liebesman said the R650m raised and the Trencor deal had been appealing as the process of selling non-core interests "and applying the funds to group debt had proved a long, slow one"

The group received an immediate cash injection of about R650m and a partner, Liebesman said. Now degearing and focusing would proceed from a financially secure base and at a steady pace. Gearing after the rights issue was 44% from 139,6% at year-end.

He said the principle of acquiring underperforming assets and turning them into good businesses remained a sound philosophy. But as the group had started with no equity, it had to borrow to acquire and had needed quick returns on its investments

High interest rates and the severe recession had placed strain on the group, and the debt burden was an obstacle to growth In an attempt to degear the group and improve its focus, W & A began to dispose of non-core interests, but progress was slow.

Liebesman said financial results to end-December were poor, but it was a good year for getting the group into shape

UK-based AAF, the tyre division of Gentyre, The Fabric Library, Form-Scaff/SGB, the housewares division and JD group had perfomed well

The consumer distribution division's contribution to W & A had declined, and National Bolts had turned in a loss

The motor dealership business had returned to profitability, and the automotive replacement parts investments had been incorporated into a new listed company Varex Corporation.

The offshore scaffolding, shoring and formwork operations were expanded through a R116,8m acquisition, and AAF had made a number of acquisitions. FSI Holdings was listed on the Zimbabwe Stock Exchange The group sold its interest in Noristan and, since year-end, had sold Sembel-It for R18m

Liebesman said the operating environment was unlikely to improve in the short term, but the group was confident about the future Core businesses had the resources to withstand and even prosper in arduous circumstances, and the balance sheet had been strengthened

NEI Africa merges two divisions

BDM 26/5/93.

ANDY DUFFY

ENGINEERING group NEI Africa has combined two of its 10 divisions in an effort to weather depressed market conditions

The UK-owned group, which in the year to December suffered attributable losses of R18,1m, merged its troubled Ical division into boiler manufacturer John Thompson Africa

The R120m-a-year company would be headed by JTA MD Garth van Nierop.

Ical MD Terry McGowan would leave, and further staff losses were expected as NEI salvaged Ical's profitable business

NEI MD and CE Laurence Hyslop said closures and retrenchments would be decided by the division's management soon.

The combined operation would be profitable by the year end

The merger was in line with plans outlined by NEI earlier this year to restructure after a deterioration in its performance

Ical, which at one time accounted for more than half NEI's turnover, had seen orders for utility boilers dry up.

NEI planned to sell two other divisions However, Hyslop said there had been no movement on these proposals since the company reported its results in March.

Star 26/5/93

Servgro beats own forecast

By Stephen Cranston

Servgro, Sankorp's leisure and services subsidiary, has reported a 14 percent increase in earnings per share to 47,2c in the year to March, well ahead of the 10 percent increase predicted in last year's listings prospectus.

The dividend has been increased by 14 percent to 19c.

The results were achieved despite a lower contribution from Interleisure, and almost unchanged contributions from Teljoy and Interpark.

Strong improvements were achieved by Avis, Price Forbes and Fedics.

Chairman Peet van der Walt says the results were achieved through a combination of cost and asset control and improved management efficiency.

Rationalisation during the year included the slimming down of Teljoy Business Services, the closure of some of Interleisure's sports wholesale operations and the focus of the food division on three core brands, Squires, Mike's Kitchen and RJ's.

Interleisure's working capital was reduced from R62 million at its year-end last June to R35 million in March. Rights to screen Disney films were also acquired.

Developments included the acquisition of Willis Faber Enthoven and the establishment of PFV London, which should be profitable in 1994.

Price Forbes processed R3 billion worth of policies during the year.

Fedics saw good organic growth and served 336 million meals during the year.

New in-flight kitchens were built in Johannesburg and Durban and there was a major retail outlet development at Jan Smuts Airport.

Avis's operational efficiency was improved by the Wizard computer system.

Servgro's turnover increased by 14 percent to R921,4 million and its operating margin improved from 12,4 to 12,8 percent. Gearing improved from 23 to 19 percent.

Van der Walt expects economic conditions to remain difficult in the current year as consumer spending will be depressed and tourism is unlikely to improve before 1995.

But earnings and dividends should improve because of recent rationalisation and developments.

Gold bounces up again

Gold appears to have settled in a tight trading range of between $373 and $380 an ounce.

After falling to a low of $374 in early European trading yesterday the metal bounced back in late afternoon trading in London and New York.

On New York's Commodity Exchange yesterday it jumped $4,60 to $378,50, which was $1 up on London's close.

In Hong Kong this morning it opened at $379,05. Star 26/5/93

Gold's latest rise was in part spurred by the renewed fall of the US dollar to record lows against the Japanese yen, but analysts believe it is set for a brief period of consolidation.

"Most of the big buying has been done in the present run," a European trader said. "Now the market is in the hands of smaller investors."

Analysts expect the upswing will resume and say the market is in the same bullish mood as before, but opinion differs on how far prices could fall.

Dealers see $372 as the level gold will rebound from. But technical analysts are less optimistic, citing $363. — Sapa-Reuter-AP.

Brenner Mills doubles up

Star 26/5/93

Maize-miller Brenner Mills doubled taxed profit to R7,5 million in the year to February.

Chairman A Brenner says turnover increased by 29 percent over the previous year.

Improved margins and overhead control resulted further in a doubling of earnings a share to 32,8c.

Cash resources at the end of the period amounted to R13,1 million (R6,2 million).

Brenmill has declared a final dividend of 10c a share, pushing the total for the year 10c higher to 18c. — Sapa

ROLEX

BUSINESS

US computer giant to set up shop in SA

Star 26/5/93

By Sven Lünsche

The world's third-largest computer group, US-based Digital Equipment Corporation (DEC), is to set up a wholly owned subsidiary in South Africa in July.

It is the first major American company to take a stake in the country's future since the large-scale disinvestment of the Eighties.

The establishment of Digital SA will be accompanied by significant investment in education and black business.

Announcing the deal yesterday, DEC vice-president for strategic resources, John Sims, said despite volatility in SA "now was the time to invest"

"We have consulted widely with leaders across the political spectrum and with our major multinational customers who operate here and they have all said it is time," Sims told a press conference.

He said an estimated $2 billion was invested in the SA information technology industry annually, which made it the largest market in the world in which the group was not invested.

DEC last year reported worldwide sales of $14 billion from its operations in 99 countries

US Ambassador Princeton Lyman said earlier that more US companies were likely to follow DEC's lead.

Outlining details of the investment, Alan Peters, general manager of Digital SA, said the new company would provide sales and back-up for DEC's wide range of computer systems.

While refusing to divulge sales details, Peters said Digital SA aimed to be a market leader in its field of operation.

It is estimated that current sales of DEC equipment in SA total R50 million to R100 million a year and that about 800 local companies have DEC systems installed.

Peters said DEC, which had been strongly opposed to investments in "Apartheid SA", did not authorise sales in this country.

However, industry sources say that most sales were conducted through Olivetti Information Technology, which has been appointed by Digital SA as one of the authorised resellers of DEC products and solutions.

Digital SA will also extend its successful Reach educational project to South Africa, in terms of which 100 scholars a year will be selected for a four-year fully funded educational programme.

Alan Peters . . . aiming to be a market leader

First black-controlled computer firm formed

Star 26/5/93

By Sven Lunsche

The first black-controlled computer group in South Africa, Bheki Computer Systems, has been formed in the wake of Digital's entry.

Bheki has been named as one of the two local value-added resellers of Digital products, the result of three years of negotiations between black businessmen and Digital

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The operational core business of the new group is DDS Computer Systems, an independent company acquired by Bheki because of its experience in the Digital backup market

Bheki is backed 25 percent by SA's third-largest information technology group, Persetech, which has two seats on the Bheki board.

The Thebe Investment Corporation is the largest shareholder with 45 percent.

Chairman of Thebe, businessman and former KaNgwane Chief Minister Enos Mabuza, will also chair the new group.

Thebe itself is owned by a trust controlled by senior ANC leaders including Nelson Mandela and Walter Sisulu.

Mabuza defines Thebe's main task as redressing the economic imbalances caused by apartheid.

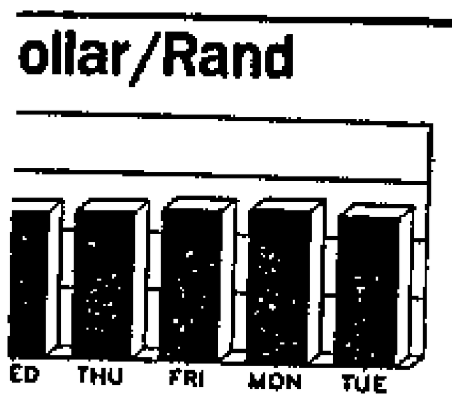
Bheki will be managed by Gibson Thula, whose Vela International will hold 25 percent of the new group. The remaining ten percent in Bheki will eventually be owned by staff.

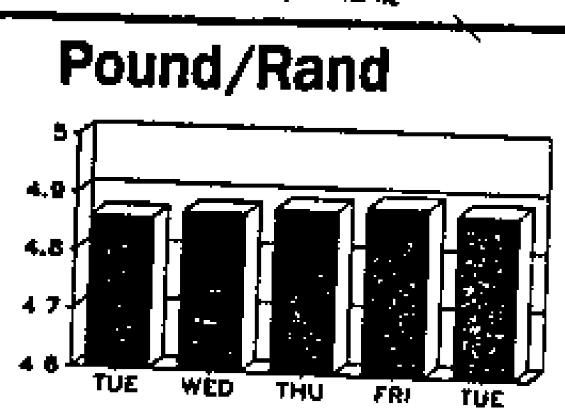
Thula said yesterday that Bheki had a strong track record based on the fact that DDS had been operating successfully and profitably in the Digital market for some time

He said Bheki hoped to improve computer usage across a range of community organisations, government and parastatal and business enterprises.

"We want to develop our own competitive edge and not receive favours as a result of our majority black shareholding," he said

DDS managing director Mike Bogatie becames operational director of Bheki, which will start operations on July 1.





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Star/FNB Investors Club

THE next meeting of the Star/FNB Investors Club, which takes place on Thursday June 17 at the Sandton Holiday Inn, will focus on the Johannesburg Stock Exchange and stock market investments.

Do you want to find out what the prospects for the JSE are, how the stock market works and how you can invest on the JSE? Then this seminar is for you.

Booking is essential. To book please call Cordev Marketing on (011) 483-3214 during office hours. Club members pay R15 while non-members pay R30.

Keys seeks wider union for customs

Star 26/5/93

By Bruce Cameron

CAPE TOWN — Finance Minister Derek Keys is set to renegotiate the Customs Union to enable membership to be spread to a wider range of countries in the region.

In a speech to a conference at Somerseet West of bankers from 12 countries in the southern African region, Keys said he hoped to redefine the benefits of the union, which were lopsided against SA.

Allocations to Botswana, Lesotho and Swaziland as well as the four independent homelands were large in relation to what they contributed. With the imbalance it would be impossible to bring in new members.

"Clearly we have to sit down and see if we can come to a definition of a larger customs union.

Keys said South Africa was also preparing for new relationships with the the IMF and World Bank, as well as the European Community.

Consensus

These organisations were insisting on political consensus before new relations could be finalised. This would be possible within six weeks of the formation of the Transitional Executive Council (TEC)

Keys said he was keen to see negotiations with the EC start as soon as possible. But SA would not seek entry into the Lome Agreement, which gives developing countries access to the EC

Turning to domestic policies, Keys said the normative economic model, published earlier in the year for revitalising the economy, would be taken to its next stage by August.

The plan would also form part of the agenda of a finance subcouncil of the TEC which should be established soon.

Arrival of Syfrets investment team adds R24-m to Corsyn

Star 26/5/93

By Derek Tommey 232

The news that Syfrets's top investment team is to join investment company Coronation Syndicate (Corsyn) has boosted the value of Corsyn shares by R24 million to R75 million.

In the process, it has increased the value of the Corsyn shares held by controlling shareholder David Barnes by about R12 million to R40 million.

Acording to latest reports, Barnes holds 52 percent of Corsyn's shares

Since Monday, when the news about the team was announced, Corsyn's shares have risen 250c to 800c.

Barnes is not the only person to benefit; the holdings of Gavan Ryan, who has a 26 percent stake, have risen by about R3 million to R20 million.

Barnes has become a wealthy man in an extremely short time.

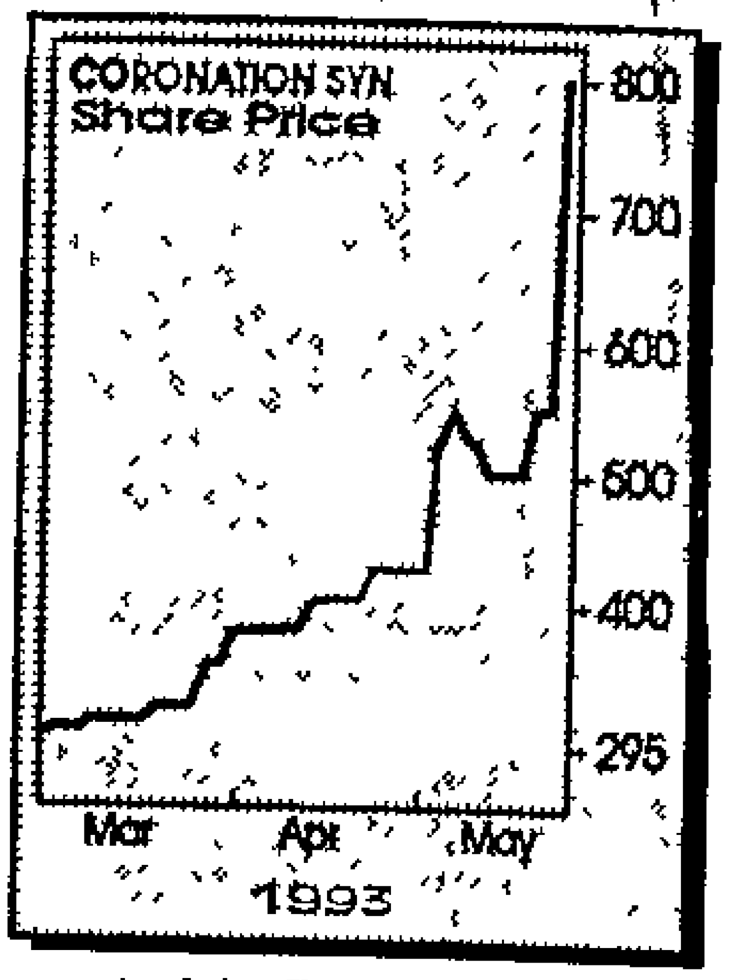
Last September, a syndicate of Barnes, Ryan and UAL obtained control of Corsyn by buying 3,96 million shares from the controlling shareholders for 105,3c a share, or R4,17 million.

Corsyn then acquired Barnes's Securities Development & Trading (SDT) for R3,6 million in exchange for 3,46 million new shares, also at 105,3c a share.

The 7,4 million shares acquired by the consortium at a cost of R7,8 million were equally divided among UAL, Barnes and Ryan Subsequently, UAL sold its shares to Barnes

This outlay of R7,8 million has now grown to R60 million.

It is clear that the prospect of getting shares in Corsyn and achieving returns similar to those enjoyed by Barnes and Ryan must have been a major factor in inducing Syfrets's top team to join Corsyn, say observers.



Some people believe Syfrets should have done a deal with the six in order to keep them

But bankers say no major organisation could ever reward its employees the way Corsyn might.

This is not to say that major organisations are not handsome payers. Barnes worked for UAL for 10 years, spending most of his time running its bond department and becoming a multi-millionaire in the process, says one source.

But Barnes wanted more than this and left UAL in 1990 to start SDT.

Ryan was an executive director of UAL until he joined Corsyn — highlighting how strong is the lure of equity. Some people have questioned whether the acquisition of six new employees justified a R24 million jump in Corsyn's market value

But with other companies in the same business standing on earnings yields of 6 percent, the six need only increase Corsyn's earnings by R3,6 million before tax to justify such a share price increase.

BUSINESS

Morkels' recovery defies the sceptics

Star 26/5/93

By Marc Hasenfuss

CAPE TOWN — Morkels' resurgent performance in the year to end-March should close the sizeable discount gap in the current trading price of around 110c a share and net asset value of 175c a share.

Prospects for the financial year ahead look solid and the directors' profit growth predictions will not be taken lightly by the investment public this time around.

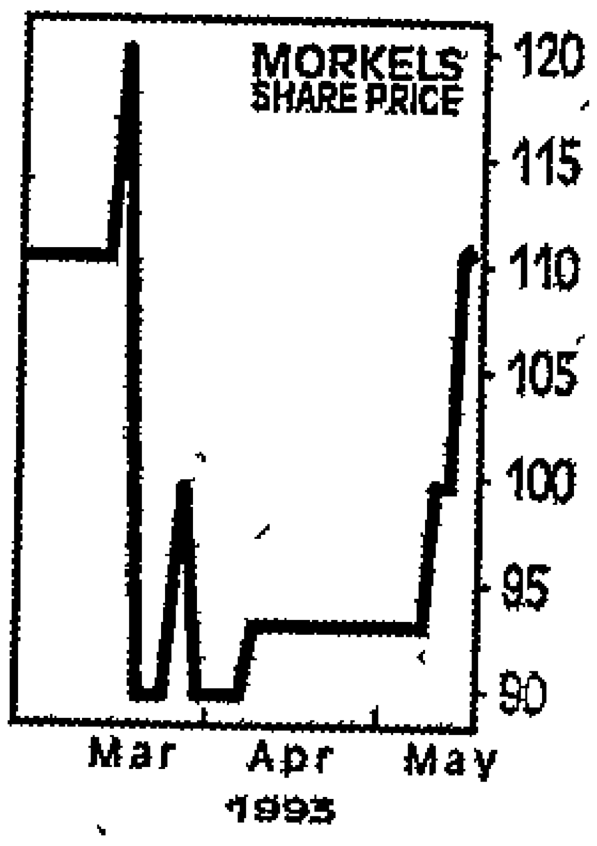
After slumping into the cheap seats in the previous year Morkels directors set an ambitious target of 40 percent growth in earnings a share.

Investors were sceptical, believing it would take longer for the retailer to recover from what was perceived as too-rapid expansion.

Cash use

However, the unbelievers were stunned as management's successes in containing operating costs, maximising merchandising profitability and tightly controlling cash use helped Morkels more than double profits to R9,8 million.

The management's achievements are underlined by the fact that tight trading conditions in the furniture and sport equipment sector limited



the rise in turnover to a meagre four percent at R319 million for the period under review.

Managing director Carl Jansen stressed the importance of "getting 80 percent of the business renewal task done in 20 percent of the time — and thereafter initiating continuous strategic improvement."

He said the most impressive gains were made from the business renewal programmes recorded by the group's core household furniture, appliances and home entertainment business.

These businesses, which operate through the credit-based 94-store Morkels chain, transformed a slight two percent growth in sales into an impressive 54 percent profit improvement.

Morkels' cash-based 44 outlet Totalsports sports goods chain lost out to postponed purchasing decisions as price escalation of basic commodities forced consumers into more conservative buying patterns

Totalsports still managed a solid 18 percent in sales to R60 million, yielding profits of R4,8 million.

The strategic phase of rapid Totalsport store roll-out had ended "Once investment in an expanded management structure had worked through the chain, the quality and the standard of return on assets were considered favourable."

R3-m loss

Wholesaler Ajaysports achieved sales of nearly R9 million but Jansen said a lack of brand and product continuity caused a loss of more than R3 million.

Morkels would try to restore viability to the wholesale operation by plans to strengthen Ajaysports' management, secure strategic supply lines and broaden the customer base.

Jansen is confident Morkels will continue to improve on current earnings through its business renewal programmes

However, he said conservative financial objectives were being set in view of the uncertainty of the future and little likelihood of consumer confidence improving in the short term

Dividends unchanged

Star 27/5/93

Anglovaal's three gold mines have declared largely unchanged dividends for the year to June.

Hartebeestfontein increased its final dividend to 65c (45c) a share, leaving the total for the year unchanged at 95c (…).

The total dividend at Village has been maintained at 20c, but ET Consolidated has reduced the total from 14c to 12c. (232)

The final dividend declaration at Zandpan has been adjusted to meet the requirements of the Secondary Tax on Companies. — Finance Staff.

BUSINESS Indirect stake in insurance giant

Sowetan 27/5/93

Shares on offer to blacks

■ **Selling price will be R1 each says Methold chairman Nthato Motlana:**

By Mzimkulu Malunga

THE newly established Metlife Investment Corporation will invite the black public to buy its shares in a month's time

Methold chairman Nthato Motlana said the shares would sell at R1 each

It is not clear how many shares will be issued to the public but the company has a total of about 6,8 million shares

'Methold was born out of a transaction in which a group of blacks bought a 10 percent shareholding in insurance giant Metropolitan Life

Owning shares in Methold gives a shareholder an indirect stake in Metpol The latter's shares are priced at over R20 on the Johannesburg

Dr Nthato Motlana

Stock Exchange

Motlana said his company had an option to increase its stake in Metpol to 29 percent

"Such a development will depend on how fast the shares are bought"

Metropolitan Life would take a lead in investing in socially responsible areas such as housing, he said

The company would also attempt to influence other major players in the insurance industry to do the same

"We are aware that returns on investments like housing are low We will have to balance them with other forms of investment yielding high profits "

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Socially responsible

If insurance companies do not start investing in socially responsible projects now, a future government would force them to do so, according to Motlana.

"But if we start doing it now, at our own pace, there will be no need for the government to pass legislation to that effect."

Key's option deal 'at core of dispute'

BIOPMY 27/5/93. (232)

LINDA ENSOR

CAPE TOWN — The crux of the dispute about the solvency of former Tollgate Holdings director Mervyn Key revolved around the legality of a put option agreement between himself and Absa, the Cape Town Supreme Court was told yesterday.

The submission was made in the court hearing of Absa's applications for the liquidation of Key's wine estate Rhebokskloof, and for the sequestration of his personal estate and the Key Family Trust

In terms of the put option agreement, Rhebokskloof's sister company Parmalat Investments issued a R15m preference share to Genref This was backed by an Absa put option Absa, in turn, had a counter put option against Rhebokskloof, and Key bound himself as surety and co-principal debtor for Rhebokskloof's liabilities

Key's legal representative, Peter Hodes SC, argued that if this agreement was found to be illegal in terms of Section 38 of the Companies Act, Key's estate would not be insolvent as he would not then be liable for R16m (the R15m capital sum plus dividends) Section 38 prohibits a company from funding the purchase of its shares

Key claims that Parmalat Investments assisted in the purchase by Absa of its share by paying the stamp duty and costs of the deal, but this was denied by Absa.

Hodes raised the possibility of the question of the validity of the agreement being referred to oral evidence, and Judge H L Berman agreed that the Section 38 point was of "considerable importance" in the matter

Absa counsel Jeremy Gauntlett SC argued that at a very early stage Key had accepted the sequestration of his estate and did not raise the alleged illegality of the put option agreement until much later

He also argued that Key was not authorised by the directors of Rhebokskoof nor the trustees of the Key Family Trust to oppose Absa's winding up applications

Gauntlett argued that Rhebokskloof, the Key Family Trust and Key himself were all insolvent He submitted that Key had debts of R26m

The hearing continues today

Prempharm lifts dividend

Finance Staff

Star 27/5/93

Rationalisation has paid off for Premier Pharmaceutical with a 33 percent rise in earnings to 78c a share for the year to end-April.

The final dividend of 21c brings the total for the year to 33c, up 36 percent.

The company, previously Twins Pharmaceuticals, says that though growth in turnover was only four percent, operating income rose 11 percent, thanks largely to the pharmacuetical division, which showed real growth in sales and profitability

The other divisions performed below expectations

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Good asset management, tight control of working capital and the R78 million share issue in March resulted in interest received of R7,2 million.

Severin Mining granted own liquidation

SUSAN RUSSELL

FORMER Investment holding company Severin Mining & Development Co (Pty) Ltd obtained a final order for its own liquidation in the Rand Supreme Court yesterday

According to court papers, Severin's liabilities exceeded its assets by R3 944 602 BDay 27/5/93

Company director Louis Michael Caroll said in an affidavit that Severin's creditors were Severin-Southern Sphere Mining, which was owed R3 913 021, and Severin Development Corporation, which had a claim of R32 016 232

Carroll said the company had no reasonable prospects of being restored to solvency

The final liquidation order was granted by Judge H Flemming

Trencor's backing will help revamp at W&A

Star 27/5/93

By Stephen Cranston

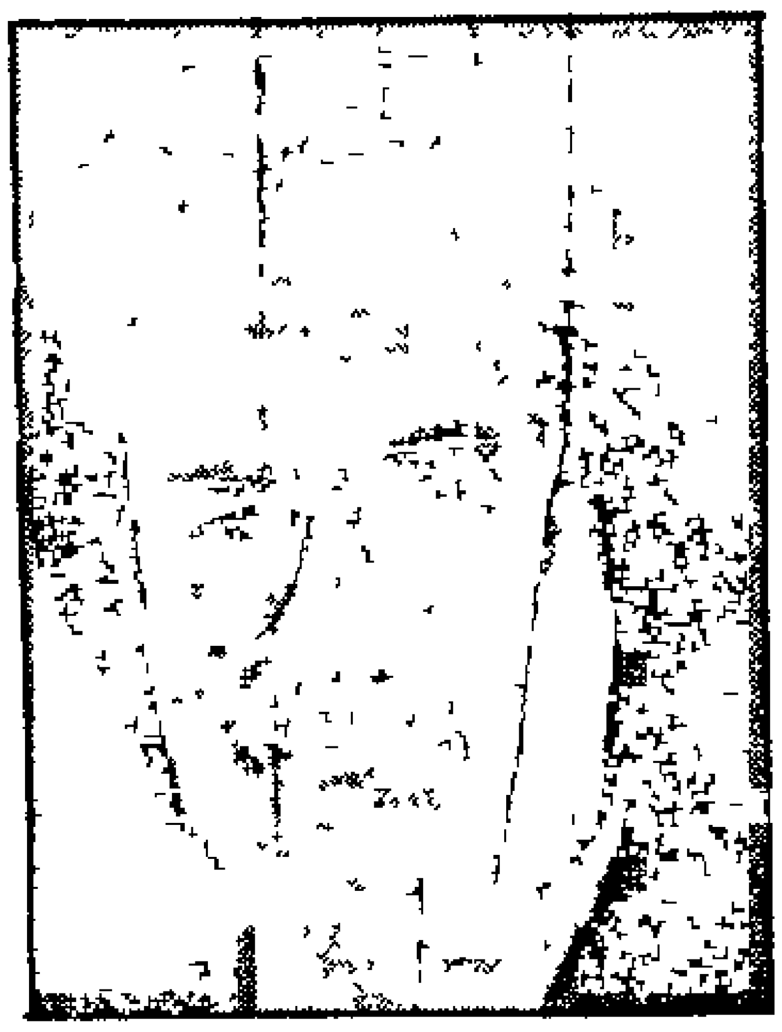
The de-gearing and focusing of W&A will proceed from a financially secure base and at a steady pace, says executive chairman Jeff Liebesman.

Writing in the annual report for the year to December, Liebesman says that through Trencor's support of the R650 million rights issue, W&A has acquired a partner "whose sure hand will be of invaluable assistance to us in guiding this group to that destiny we envisaged when we founded it."

He says that while there has been speculation about the compatibility of the two corporate cultures, there is high level of affinity and respect between W&A and Trencor, as well as complete agreement on the broad principles of W&A's future.

Liebesman is unrepentant about his policy of building the group with high borrowings. He says that the group was founded on the principle of building wealth and value for investors by acquiring underperforming assets and turning them into good businesses.

"Because we started with no equity, however, we had to borrow to acquire and we needed reasonably quick returns on our investments.



Jeff Liebesman .. heavy debt burden proved obstacle to growth.

"In normal times these would not have been pressing problems, but the harsh regime of high interest rates and severe recession which ensued placed great strain on the group"

Liebesman says that the heavy debt burden proved an obstacle to growth and a distraction for management

It clouded the market's perceptions of the group and prevented a proper appreciation of the group's assets and achievements

During the year W&A sought to define its core interests which it says covers businesses with substantial growth potential in real terms, are of an appropriate size, supply basic products and services to essential industries or mass consumer markets, and are capable of providing the required level of returns.

These core businesses include Gentyre, spares and motor car distributor Vektra, the scaffolding interests in Form-Scaff and AAF Industries, JD Group and National Bolts.

Management is reluctant to pick out its non-core businesses too specifically, but they are believed to include W&A Textiles, Metrotoy and coal distributor MacPhail, the 31 percent holding in Milstan and perhaps Housewares Exclusive and John Craig.

Increased contributions to W&A were shown by the JD Group (up from R16,2 million to R19,7 million), Form-Scaff (up R1 million to R43,9 million), AAF Industries (more than doubling from R3,2 million to R8,2 million) and Curnow M&G (more than coubling to R394 000).

All other group companies had reduced contributions with industrial and automotive fasteners showing a R1,8 million loss.

Anti-trust laws: 'Predatory' SAB a prime target

Business Staff (232) ARG 28/5/93

JOHANNESBURG — SA Breweries (SAB) will be directly in the firing line under any new anti-trust laws, says Davis Borkum Hare senior economist Jos Gerson

He told delegates at a Free Market Foundation meeting on economic concentration and anti-trust here that this was not because SAB was a monopoly or because it was ripping off the consumer

"It is simply because they have been predatory in their power with regard to potential rivals who tried to break into the market in the past"

SAB would need to create a niche in its market for other players, despite the fact that it had demonstrated its efficiency against competitors in Africa to the north and in world markets.

There was a tendency in Third World countries to pick up outdated equipment and he feared that the ANC was in danger of importing "the whole white elephant of anti-trust".

Mr Gerson criticised South African economists for being "yesterday's men".

The majority, according to a survey by Professor Duncan Reekie of Wits University, were in favour of stringent anti-trust laws, despite a worldwide move away from this outdated philosophy.

Gencor and Sankorp had unbundled for political reasons, which was a luxury South Africa could not afford when economic growth was unable to keep pace with population growth

Mr Gerson said he favoured the Chicago School view that where monopolies or concentrations of power did develop, they came about as a result of superior efficiency

Star, 28/5/93

Publishing fracas over joint venture

Staff Reporter

Publishing giants Macmillan Boleswa say there is "nothing secretive" about their proposed joint venture with ANC-linked Thebe Investment Corporation

A morning newspaper yesterday reported that ANC president Nelson Mandela had been called in to defuse the row which has developed within the publishing world Other publishers reportedly viewed the proposed deal as a "repugnant attempt by Macmillan to corner the educational market by establishing a special relationship with the ANC"

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The Thebe group was set up by the ANC as a black economic empowerment strategy

Macmillan Boleswa managing director Luchi Balarin said his company had been asked to submit a proposal for the establishment of a publishing company which would meet Thebe's requirements.

Balarin said the proposal fulfilled a Thebe requirement that it and its black investors should have majority control of any new project He denied that similar deals had led to monopolies by Macmillan in Botswana and Swaziland.

Shareholders cautioned over Unidev proposals

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MARCIA KLEIN

UNIDEV today cautioned shareholders that proposals were being considered which could affect the share prices of Unidev and holding company Unicon. Earnings of 2,1c (2c) a share for the 14 months to end-February were reported.

Results were not strictly comparable as they reflected a change in year-end from December.

Turnover figures were not given. Profit before finance costs was R6,8m from R4,9m, and attributable profit was R2,7m from R2m previously.

Joint MD Jon Brett said the decline in net asset value had been largely attributable to losses relating to Unidev's investment in food company Hyperette, which had been placed in liquidation. Unidev had a 31% stake in Hyperette, but "had no management involvement or influence in regard to this investment". Losses and provisions relating to this investment were included in a R13,9m extraordinary item.

Brett would not comment further on the cautionary announcement.

The share closed yesterday at 16c, after trading as high as 25c at this time last year and as low as 10c in November.

Star 28/5/93

Cautionary from Unidev

Unidev lifted attributable profit to R2,71 million for the 14 months to February 1993 (R2,04 million in the 12 months to December 1991).

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The directors caution shareholders in a statement accompanying results that proposals are being considered which, if implemented, could affect the share price of Unicon and its subsidiary Unidev.

Earnings a share for Unidev rose marginally to 2,1c from 2c.

Profit before tax was eroded by finance costs of R3,368 million.

Unidev is not declaring a dividend because cash generated in the group is being used to repay borrowings. — Sapa.

Moves afoot to place curbs on controlling shareholders

Star 28/5/93

By Derek Tommey

Moves are under way to prevent controlling shareholders from ignoring the views of minorities and to curb the activities of anyone soliciting funds from the public under false pretences.

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On another level, plans are being made to harmonise local company law with that of the European Community in order to encourage foreign investment in SA

Roy Andersen, president of the JSE, says he expects changes in the Securities Regulation Code on Take-Overs and Mergers.

It is intended to expand the code to cover areas such as the disposal of a business entity in order to provide additional protection for minority interests, especially in the light of a minority resistance to certain disposals.

The need to expand the code arises from companies circumventing restrictions on disposal of control.

They are bypassing the more onerous provisions of the code, but are using Section 228 of the Companies Act, which deals with the disposal of assets.

The section enables the controlling shareholder to vote his own shares and to obtain approval for such transaction by a simple majority of shareholders in general meeting.

The Registrar of Companies, PB Roodt, says the standing advisory committee on company law is looking into the matter of companies issuing shares to the public and calling these "private placings" so as to avoid registering a prospectus.

Roodt says in his report to Parliament that there are seven cases of suspected share offers without registered prospectuses. The cases are still being investigated by the police

He says the Companies Act does not indicate clearly when an offer of shares is to regarded as an offer to the public

It is usually left to the courts to decide But at the stage when a court makes a decision in such a matter, the damage has already been done

Should a company issue shares or debentures to the public by way of a private placing, it is evident that the registrar will know nothing about the offer and will not be able to exercise any control over it.

While the Masterbond group initially registered a few prospectuses, thereafter it continued to make offers by means of private placings.

Roodt says the standing advisory committee has decided in principle, insofar as it is feasible, to bring company law into line with the law of SA's most important trading partners, in particular those of the EC.

The aim is to create an environment in which the foreign investor will feel at home This should contribute towards the promotion of investment in job-creating sectors

In 1992 some 7 469 new companies were formed — 48 more than in 1991.

Their authorised capital was R8,5 billion, which is 10 times more than the R805,3 million of a year earlier. However, the 1992 figures were greatly inflated by two developments.

The first was the incorporation of two semi-government organisations, South African Forestry Company (authorised capital R1,5 billion) and Denel (R1,4 billion).

The second was the registration of a number of foreign airlines as external companies The inclusion of these companies' total capital lifted to R5,2 billion the authorised capital for new external companies.

The 1992 recession did not dampen enthusiasm of South Africans for starting their own businesses

Some 6 252 new private companies were registered last year, which was 107 more than in 1991

Star 28/5/93

Farm-AG lifts earnings 69 percent

DURBAN — Farm-AG lifted earnings 69 percent in the six months to February, thanks to improved performance by Sanachem, a reduction in borrowings and lower interest rates

Net income before extraordinary items was R10,8 million (R6,4 million a year ago).

Interest payable fell from R19,5 million at August last year to R9,2 million.

Income attributable to shareholders was R9,6 million (R4 million).

(232)

Earnings per ordinary share were 74,4c (44,7c). No interim dividend on ordinary shares has been declared, but it is hoped a final will be declared in October.

During the period, the group closed subsidiary Harvest Chemicals as it continued to incur losses and no buyer could be found. — Sapa.

TIMESHARE (232)

Bids and counterbids

FM 28/5/93

Shareholders in the liquidated Natal South Coast Cabanas del Mar and Cabanas del Sol timeshare resorts at Winkelspruit, near Amanzimtoti, should soon know whether they have a realistic hope of salvaging their investments There's a deadline of noon today for offers to buy the properties.

Liquidators Coopers Theron Du Toit (Ca-

* * CONT-D

 (232) FM 28/5/93.

banas del Mar) and Aiken & Peat (Cabanas del Sol) initially set a February 25 deadline for offers to buy the two complexes This was later extended to March 18 and then May 28 to allow one bidder, the Shareholders' Action Committee, representing many timesharers, additional time

Though Property Mart of Orange Grove, which is handling the sale for the liquidators, had not received any tenders at the beginning of the week, director Bill Hartland is unperturbed. "It is usual for bidders in sales like this to hold back until the last possible moment " He adds that there has been considerable interest with 19 sets of bid documents requested.

In addition to outside bidders, at least one other offer (in addition to the action committee) was scheduled to come from within the Winkelspruit timeshare community The difference, however, is that it is aimed at saving just one of the two resorts.

Timesharers at the complexes were left high and dry when the resorts were liquidated last year through the failure to service a R5,5m bond held by Metboard *(Property* December 25) The 4 000 timesharers quickly discovered that ownership of timeshare weeks never gave them security of tenure

Timesharers from both resorts combined under the Shareholders' Action Committee, chaired by Carl Mischke, with the intention of either raising funds themselves to save the resorts, or ensuring that the properties fell into "friendly hands."

Rival bidder and timeshare owner, businessman Ken Turner, who has owned time at Del Mar for a decade, believes, however, that Mischke's plan, though a good one, creates additional debt burdens for timesharers Instead, he proposes putting up the money to save Cabanas del Mar as a business venture. The risk would be his, but so would the profit if the venture succeeds

Turner explains that he and his brother-in-law, garage owner Gerald Vorster, estimate that R3m should be sufficient for its bid and to fund the complex over immediate debt needs "We put up R1m and raised a R2m bond from Volkskas for the offer, which was submitted two months ago. We want to put timesharers back into the position they were in before November, where they own their weeks."

Reason for targeting only Del Mar, Turner explains, is that timeshare weeks there are 98% sold while Del Sol has 2 000 unsold weeks and debts of R3,5m "If timesharers put up capital to save the two resorts Del Mar residents will subsidise Del Sol's."

Schalk de Wet, spokesman for Coopers Theron du Toit (Cabanas del Mar), accepts that there is a risk of such subsidies, but says it will be the liquidators' function to ensure that the offer accepted will best serve creditors' interests "That we will know when the bids are opened," he says

If Turner's bid succeeds, timesharers will be asked to pay his organisation R72 a month for each week owned inclusive of levy (the levy portion, which is not more than 50%, will be subject to adjustment in line with CPI fluctuations) — that is, R800 a year per week After six years, title to the complex will be handed over free of charge or debt to the timesharers' share block company "We will have recouped our investment and renovated the complex without landing the timesharers in debt," maintains Turner

He adds that to give timesharers maximum protection they will pay instalments directly to a Volkskas-managed trust account Turner's company will not be allowed to draw on that account for anything other than proven monthly overheads till the R2m bond is repaid

"We're not knights in shining armour, but we would like to do something to restore the tarnished image of the timeshare industry. Our profits depend on how quickly we can pay off our bond to the bank," he says ■

FM 28/5/93

INTRUST FM 28/5/93

High risks, big rewards

Intrust offers an interesting alternative investment, not only to unit trusts but also to other investment trusts, largely because of the selection of its shareholdings. Theoretically, the risks are higher but so far performance has justified this (88) (232)

In the year to March, Intrust shareholders received a return of 61% (based on the 55% increase in the share price and assuming dividends were reinvested), much better than the top performing unit trusts and investment trusts over the period

Earnings growth isn't so important for investment trusts Returns are measured on share price and dividend growth

Activities: *Investment trust concentrating on selected second-tier companies.*
Control: *Investec 47%; Fedsure 45%.*
Chairman: *B Kardol.*
Capital structure: *20,9m ords Market capitalisation R62,7m.*
Share market: *Price 300c Yields: 3,4% on dividend, 3,4% on earnings; p:e ratio, 29,7; cover, 1,0 12-month high, 310c, low, 195c Trading volume last quarter, 150 000 shares*

Year to March 31	**'91†**	**'92**	**'93**
Dividend income (Rm)	1,0	1,48	2,41
Net investment income (Rm)	1,04	1,33	2,09
Earnings (c)*	9,88	9,97	10,11
Dividends (c)*	8,7	8,1	10,1
Net worth (c)*	180,2	234,5	340,8

† 18 month period
* Restated to show 10-for-1 share split

The difference with Intrust is that whereas other trusts tend to hold a fairly broad spread of blue chips, making for safe but not always spectacular performance, it concentrates on what management calls "green chip" companies — basically second-tier stocks chosen for above-average growth opportunities.

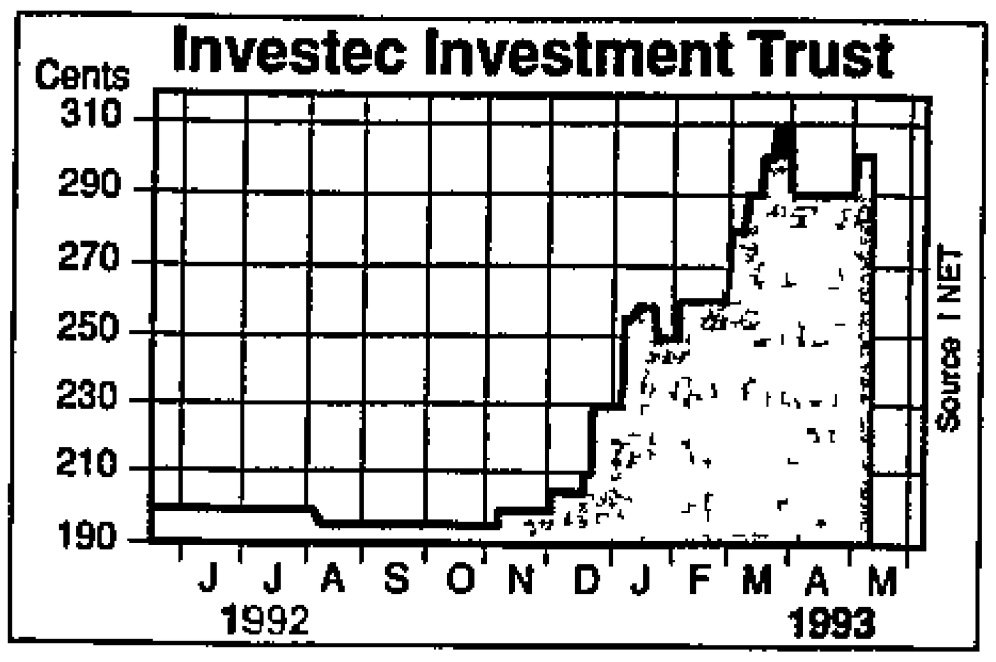
Executive Zelda Zaayman says this means the company does not have to get involved in traditional portfolio management. "We are a stock selection vehicle and don't have to keep a balanced portfolio."

This might sound somewhat *laissez faire*, but Investec, a group which takes itself seriously, is in the background Says Zaayman "Investec is a conservative company. We don't like to lose money"

So far, Intrust has done well. At present only four companies — Berzack Brothers, Bidvest, Fedsure and Fenner — make up its portfolio. Except for Berzack, all showed solid share price appreciation and growth in earnings and dividends Market value of the portfolio gained 50% over the financial year, from R46m to R69m, or 91% from the time the shares were bought.

Berzack has been disappointing but Zaayman believes it remains a good investment "It has been through a rough time, largely because of a troubled foreign investment Without that, earnings growth would have increased If one believes in the new SA — where supply of cables and related products for electrification will be important — this is the sort of investment to have."

An important stock selection criterion is the management of the companies concerned, Zaayman says The small size of its portfolio is a problem which Zaayman hopes to rectify this year. "We would like to grow



(88) (232)

to about R250m from the present R75m" The ideal way would be through the issue of Intrust shares for investments This conserves cash and improves the spread of shareholders, making the share more tradeable

Investment trusts like this offer a few exceptional advantages to private and institutional investors Management fees are low — 0,75% of market capitalisation of investments — and the portfolio often represents shares which don't trade much and would otherwise be difficult to pick up

Based on the past year's performance and a reasonable rerating of the share relative to the sector, Intrust looks attractive This will be an important year for the company. It must expand its portfolio and make sure it selects the right stocks For investors prepared to risk a little for a greater reward, the share is worth looking at *Shaun Harris*

LEBAKA

Less dough

(232)

Bread may be the staple ~~diet but~~ it's of little consequence when the nation is eating less This axiom is clear from Lebowa Bakeries' interim results The baker and confectioner reports a 22% drop in attributable earnings to 10,9c a share

Turnover of R47,6m is 8% down on a year

FM 28/5/93.

EATING LESS

Six months to	Mar '92	Sept '92	Mar '93
Turnover (Rm)	51,5	50,7	47,6
Operating income (Rm)	8,8	6,6	6,8
Attributable (Rm)	3,5	2 6	2,7
Earnings (c)	14,0	10,3	10,9
Dividends (c)	7,0	3,5	3,5

† Annualised

ago Population is around 2m but rural areas have been hard hit by the dip in disposable income Extreme pressure on margins (the effect of drought, despite good rains in some areas) and general political upheaval saw operating profit down 23% to R6,8m. Fixed

FM 28/5/93.

(232)

costs, though contained, ~~did not~~ fall ~~in the~~ same proportion. Interest paid was lower, but neutralised by a 47% decline in interest received. Lebaka should benefit at year-end from the new company tax rate

From February, Lebaka entered into a joint venture with Albany Bakeries The assets of Lebaka's Bushbuckridge branch and Albany's Barberton Bakeries were combined Financial director Timothy Lehong says the formation of Ridgeton Bakery, though not expected to have much impact this year, will bring benefits next year

Capex is still rising Of R13,1m budgeted for this year, under half was spent in the first half, some of which was on a bakery project which will start production in July. The remaining R7m will go on expanding activities and replacement costs

Over 70% of capex is to be funded internally This is positive for gearing, now a healthy 7,7% (10% at year-end)

With continued socio-political problems, affecting the consumer and labour markets, and unlikely to show marked improvement soon, management is aiming to achieve taxed earnings for 1993 similar to the R6,7m of the previous year.

The share price, at 130c, is down 12% since the release of the figures. With limited growth prospects, the counter is unlikely to offer much excitement *Marylou Greig*

SA BIAS & MERHOLD

Saved by its safety net

(232)

Activities: *Investment holding company with interests in listed SA Bias Industries and Merhold*

FM 28/5/93.

Control: *Sabvest 52,8%*

Chairman: *C S Seabrooke.*

Capital structure: *19,2m ords Market capitalisation R55,7m*

Share market: *Price 290c Yields 7,6% on dividend, 26,1% on earnings; p:e ratio, 3,8, cover, 3,4 12-month high, 370c, low, 210c Trading volume last quarter, 233 000 shares*

Year to Dec	'89	'90	'91	'92
ST debt (Rm)	1,3	7,8	6,3	4,0
LT debt (Rm)	12,5	19,4	9,4	7,6
Debt equity ratio	0,17	0,30	0,15	0,09
Shareholders' interest	0,69	0,60	0,68	0,73
Int & leasing cover	19,4	10,1	8,1	9,7
Debt cover	2,0	1,2	2,0	2,3
Return on cap (%)	24	20	22	16
Pre-int profit (Rm)	27,5	29,6	32,8	24,4
Taxed profit (Rm)	22,1	22,5	24,5	19,5
Earnings (c)	98,4	99,0	99,5	75,6
Dividends (c)	30	30	30	22
Tangible NAV (c)	411	471	495	527

The first earnings dip in 14 years for SA Bias Holdings (Sabhold) would have been far worse than the reported 24% if it had not been for its diversified interests A good performance by the financial and investment arm, 80%-held Merhold, offset the sharp decline at 87%-held SA Bias Industries (Sabind)

Pyramid **Sabvest** holds 53% of the group Its earnings are proportionate to those of Sabhold, which is still trading at a 45% discount to year-end NAV

Sabind makes and distributes accessories to the clothing, footwear and allied industries Its earnings plunged 42% on a 9% drop in turnover (figure not disclosed)

Chairman Christopher Seabrooke believes structural difficulties in the industry are not likely to be resolved So the group wants to broaden its focus through synergistic ventures with other industries

The trimmings, printing & labels and industrial divisions performed satisfactorily

FM 28/5/93

COMPANIES

Kirton and the metals & plastics operations, sensitive to consumer spending because they sell only to clothing and footwear industries, did badly UK-based manufacturer International Trimmings Plc produced strong results, with increased market share and profitability

Domestic operations have undergone cost reduction and efficiency improvement programmes Seabrooke says the benefits will come through this year Sabind's contribution to attributable income has declined recently but there was a marked drop to 47% (62%) in 1992 Seabrooke is optimistic about Sabind's performance this year and forecasts earnings growth of about 20%

Merhold activities, except for financial ones, are consumer-driven For this reason, Seabrooke revised EPS and dividend forecasts at the interim Year-end results show EPS up a creditable 15% with dividends raised 12%

Return on average equity and average total assets fell marginally to 17,4% (17,5%) and 3,2% (3,6%) respectively About 66% of net income comes from the finance division The trading and investment divisions contribute 19% and 15%

Net income from the finance division, in-

(232)

Activities: *Trade financing and factoring, export trading, investment and other related financial services*

Control: *SA Bias Holdings 79,8%*

Chairman: *C S Seabrooke.*

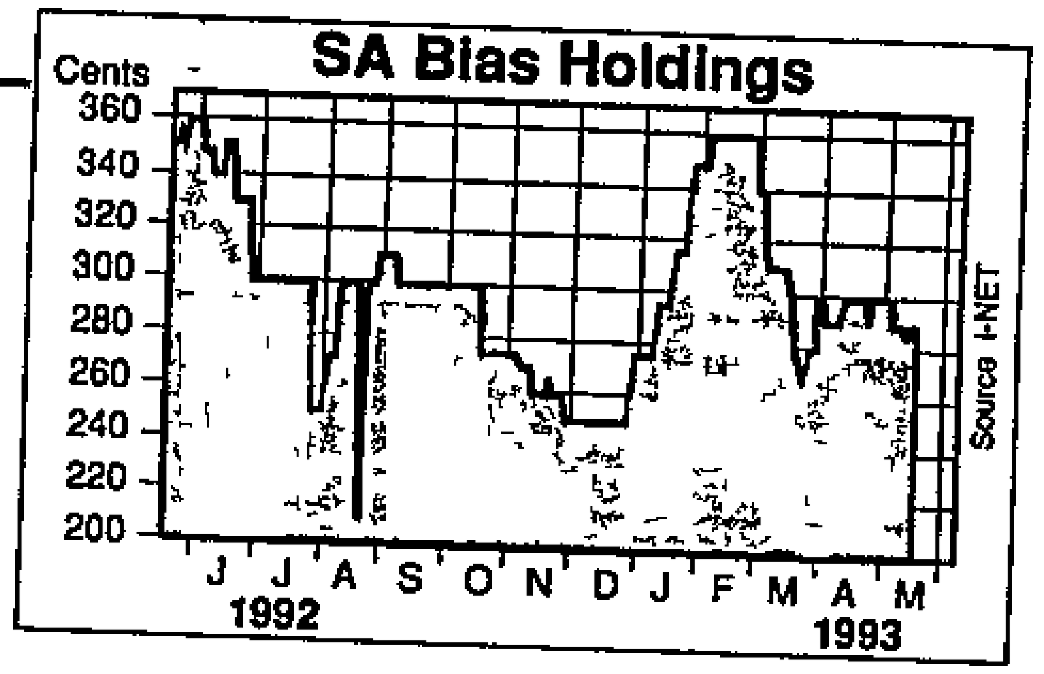
Capital structure: *18,3m ords Market capitalisation R48,5m.*

Share market: *Price 265c Yields 7,2% on dividend, 21,5% on earnings, p e ratio, 4,6; cover, 3,0 12-month high, 280c, low, 170c Trading volume last quarter, 420 556 shares.*

Year to Dec	'89	'90	'91	'92
Total assets (Rm)	341	359	378	410
Advances (Rm)	283	297	317	336
Gearing ratio	4,3	4,2	3,5	2,7
Taxed profit (Rm)	10,9	11,6	12,2	13,1
Return on assets (%)	3,6	3,5	3,6	3,2
Return on equity (%)	20,6	18,8	17,5	17,4
Earnings (c)	46,4	47,7	49,5	57,1
Dividends (c)	17	17	17	19
Tangible NAV (c)	226	254	283	328

volved in trade and working capital finance and receivables factoring, was slightly down at R8,29m (R8,31m) Factoring accounts for less than 10% of total advances

Mertrade performed adequately and is expected to do the same this year Not a trader in the ordinary sense, it has a number of agencies and product specialities but all business is pre-sold; so no inventories are



held and no positions are open

The investment division's acquisition of 25% (raised to 40% after year-end) of Consolidated Fund Managers was a strategic move, says Seabrooke The division is cash-positive and he sees it becoming more important Ultimately, management hopes finance and investment will each contribute 40% to net income with trading making up the remainder Seabrooke expects Merhold's earnings for 1993 to rise by 15%

The earnings growth forecast for Sabind and Merhold suggest an increase to at least 88c in earnings in Sabhold All four listed shares trade at a discount to NAV but there should be room for improvement if forecasts are met Sabvest is the cheapest entry, with projected earnings of 45c This puts it on a forward p e of 3,6 and at a discount of more than 50% to NAV

Marylou Greig

'Policy on fuel is load of codswollop'

DI CAELERS (232)
Weekend Argus Reporter

NEWS of the continued regulation of South Africa's petroleum industry has met with conflicting reactions The Motor Industries Federation claims it will protect motorists against price manipulation, but long-time deregulation activist Mr Raymond Ackerman says that's "a load of codswollop" and that the bottom line is the protection of monopolies and vested interests

Speaking after the release of the report, Mr Vic Fourie, executive director of the MIF, said "Maintaining a regulated fuel distribution industry means that motorists will be protected against the manipulation both of price and supply of fuel, and the jobs of 50 000 forecourt attendants will be assured for the immediate future"

Filling station operators countrywide, he said, were relieved and pleased that the Cabinet decision was to maintain regulatory measures for the time being

But, Mr Ackerman said he believed deregulation would eventually happen and that the decision was simply a lack of decisiveness at a critical time.

"I have no objection to protecting Sasol because the country has put a lot of money into it. But, that can easily be circumvented by making sure that everyone has Sasol at every pump. ARG 29/5/93

In a statement, Mr Fourie rejected the claim that deregulation would bring down the pump price of fuel.

Deregulation by the government would lead only to "re-regulation" by the major oil companies. The conglomerates already had geared themselves to it by moving more and more of the fuel to sites under their control.

South Africa's fuel production equals a R7 5 billion foreign exchange saving

State wants to keep secrecy on oil

232 ARG 29/5/93

■ Lifting the veil on South Africa's oil remains a delicate matter. But, would the quality of petrol, jobs and small business suffer under the spotlight?

REGULATIONS on the petroleum industry should stay, a Department of Mineral and Energy Affairs report, "Government's Involvement in the Oil Industry", advised Parliament yesterday.

Deregulation would affect employment, small business, the viability of the Synfuel industry and investment by the oil industry.

The report said a full, informed debate on the industry could not take place while the veil of secrecy over the industry remained in place.

Much information had been declassified, but sources of supply, crude-oil volumes and shipping should remain a classified secret until the oil boycott had been lifted officially by the UN and the Arab oil-producing countries

However, the department recommended that the basis of Transnet's tariffs should be more transparent.

The industry saved the country about R7,5 billion a year in foreign exchange through the SA oil refinery and Synfuel production.

"It is therefore recommended that the current regulatory measures be retained for the time being," said the report. This included import control.

The departments added that withdrawal of import control would have a negative impact on refinery investments and could lead to closures, jeopardise the present marketing arrangements of Synfuel products, and have a negative effect on the service-station industry and the supply and quality of products to consumers

In view of the impact of credit on wholesale and retail sales, the withdrawal of the prohibition on credit sales was not desireable

Sasol would lose money on its Synfuel production if its protection was withdrawn.

The department said: "Government also will be in breach of its undertaking to keep protection in place until at least January 1 1996."

Synlevy and compensation payments to the oil industry should continue until they could be phased out in line with market growth.

The future of Sasol would be discussed once the Auditor-General's report on its viability had been submitted.

Self-service at service stations should remain prohibited because its introduction would be expensive and lead to job losses.

But, Mr Rogert Hulley (DP Constantia) said South Africa's oil and fuel industry should be systematically deregulated in phases.

He was speaking during the Mineral and Energy Affairs Vote

Mr Hulley added that deregulation would lead naturally to increased competition and to lower pump prices for the consumer.

Firstly, the Ratplan — which regulates the number, allocation and siting of service stations — should be scrapped in stages starting with the urban areas and moving to smaller rural communities. The market should determine the viable location of outlets.

The minimum price of petrol then should be deregulated subject to the initial retention of a ceiling price and a prohibition of cross-subsidisation of oil and fuel products by non-industry entrepreneurs

"I believe this step would bring an average benefit of about 10 cents a litre in most major urban areas to South Africa's hard-pressed consumers"

Mr Hulley added that the secrecy which restricted the flow of commercial information on the oil and fuel industries should be scrapped.

The introduction of self-service facilities at service stations should be delayed until an upturn in the economy to retain the 50 000 jobs sustained by the industry.

Mr Hulley said doubts about the viability of the Mossgass project remained. Engen had the option of acquiring 30 percent of the holding company for R1,447 billion by September, but if it failed to do so this would be the final verdict on the viability of the project

The entire country could have been electrified, with the creation of about one million jobs, with the R12 billion spent to date on Mossgass — Sapa

EQUITY STAKE *proved the stumbling block*

Syfrets' shock loss of A team

Star 29/5/93

MAGNUS HEYSTEK

THE worst nightmare for a financial institution came true for Syfrets this week when the entire top management of its highly successful Syfrets Managed Assets (SMA) walked out to join a new, rival company.

Led by Tony Gibson and Leon Campher, who started SMA some five years ago, it very soon became one of the top investment fund teams in South Africa, with Syfrets Growth Fund leading the unit trusts pack

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Signalled intentions

The split between the executives at SMA and Nedcor-controlled Syfrets was apparently caused by Syfrets' unwillingness to provide the executives with an appropriate equity stake in the company This was just not the way things operate at Syfrets, a spokesman said this week

So far, 16 SMA senior staff (out of a total of 40) have either left or signalled their intention to leave by the end of the June quarter The team, which, apart from all the senior executives, included portfolio managers, researchers and computer personnel and administrative staff, has been poached by JSE-listed Coronation Syndicate

In the absence of joint MD Ashton Dominy, who is currently on leave, SMA will be managed by Rob Nichol, the head of the capital market section

Coronation Syndicate, controlled by former UAL executives Gavin Ryan and David Barnes, has formed Coronation Asset Management (CAM) with Leon Campher at the helm, where they will be given an equity stake in the company

According to press reports this week, CAM has offered to manage SMA's R8 billion investment portfolio on a contract basis

Syfrets this week put up a brave face Joint MD Dave Rennie described the departures as a major disappointment, but said it would be overcome

"Important as the departing individuals are to Syfrets, the reality is that they were part of a solid organisation comprising researchers, portfolio managers and diverse financial managers — all backed by the most sophisticated computer system operational in any local financial services institution," he said.

According to Rennie his company has received a "sizeable" number of inquiries from top-level individuals from rival companies Interviews had already taken place and the first appointments could be expected early next week

Keeping abreast

Meanwhile Syfrets has launched a direct communications drive with its clients, staff and relevant outside audiences in order to keep them abreast of developments within SMA

According to Rennie, Syfrets' management has already started to address the reasons which prompted staff to leave

"We are taking a serious look at all the issues surrounding the departure and will draw the necessary conclusions," he said in a statement

Wednesday, May 26 quotations for unit trusts

General Equity Funds	Buyers	Sellers	Yield
ABSA	150 79	141 05	5 12
BOE Growth	166 03	155 0	2 78
C G F	113 53	107 21	N a
Fedgro	138 34	129 19	4 44
CU Growth	128 16	119 65	3 47
Guardbank	2742 54	2555 37	4 39
IGI	139 16	130 14	3 12
Momentum	272 93	256 00	3 88
Metfund	208 88	194 12	3 67
Metlife	123 92	115 78	6 05
NBS Hallmark	984 66	919 43	4 30
Norwich	395 75	369 52	3 29
Old Mutual I F	2828 12	2634 69	3 65
Old Mutual Grth	243 22	226 69	N/a
Sage	2553 32	2382 64	3 52
Sanlam Trust	1686 35	1579 16	3 31
Sanlam Indx Trust	1326 49	1242 24	3 65
Sanlam Div Trust	462 09	433 18	4 84
Southern Equity	217 43	203 45	3 73
Standard	1252 88	1177 07	6 60
Syfrets Gr	308 31	288 77	4 38
Syfrets Trust	123 80	115 98	4 02
UAL	2214 78	2078 99	5 03
Specialist Equity Funds			
ABSA Ind	130 51	122 07	4 15
Guardbank R F	176 42	163 94	4 78
Guardbank Ind	132 24	123 88	5 51
Sage Resources	126 88	118 49	4 22
Sanlam Ind Trust	1024 77	959 75	3 34
Sanlam Min Trust	304 32	284 97	4 25
Southern Min	147 20	137 99	3 69
Southern Pure	121 45	113 67	N/a
Standard Cord	254 03	237 35	4 14
Standard Ind	109 56	103 28	N/a
Standard Inter	112 25	104 97	N/a
UAL Managed	1093 84	1031 20	1 27
UAL M/R	406 73	380 83	3 60
UAL S/O	1948 29	1023 11	3 53
Old Mutual Min	302 41	281 71	3 35
Old Mutual Ind	358 46	333 34	3 67
Old Mutual G F	175 74	163 80	3 10
Old Mutual Top Comp	261 00	243 17	4 27
Income/Gilt Funds			
Metboard Income	107 15	106 42	12 96
Guardbank Inc	118 77	116 33	13 89
Old Mutual Income	111 11	109 90	12 71
Southern Income Fund	535 57	524 86	N/a
Standard Income	94 06	93 09	12 53
Syfrets Inc	108 40	107 31	13 51
Syfrets Gilt	1080 36	1069 56	12 35
UAL Gilt Trust	1169 90	1158 21	13 19

Unit Trusts Provide An Income

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Sault 29/5- 21/6/93

Unit Trusts, in easily accessible investment in shares, aimes to provide you with potentially high returns on your money. And in order to give your money maximum opportunity to grow, it needs to remain invested for at least five years. But what about the investors who want an income from their investment? Or the investors who want a shorter term hedge against the risks of investing in shares? Here again unit trusts can help you...

Old Mutual Income Fund seeks to provide the investor with a reasonably stable investment which pays out an above average quareterly income. The Fund strives to achieve this by investing in liquid assets such as fixed interest securities, debentures, gilts and semi-gilts. These securities are issued by major corporations, commercial banks and government and semi-government institutions such as Eskom and SATS.

At present Old Mutual Income Fund are comprised of liquid assets, gilts and semi-gilts. Liquid assets encompass of the following:

Negotiable Certificates of Deposit - these are fixed deposits issued by a bank or building society. The issuing institution undertakes to pay, at some future date, the amount of the deposit plus the interest, as negotiated.

Cash on call - this is cash on hand.

Funds available for distribution - the daily interest accrued by the fund for distributions A distribution is the money paid out to investors every three months. Each investor gets a proportionate share of the distributions according to how much money he or she had invested in Old Mutual Income Fund.

Gilts and semi-gilts are longer term fixed interest bearing investments issued by the government or institutions. Gilts are a form of government borrowing - the government sells a stock, to obtain finance, and then undertakes to buy it back at the end of a set period. These investments are made for a predetermined period at a guaranteed rate of interest.

But Old Mutual Income Fund need not only be used as an income providor. Many investors use the Income Fund as a "parking bay". This is because the investment is reasonably secure and can be used to protect, or hedge, one's money. For example, if an investor is unsure of how to best invest his money or he is worried about investing on the Stock Exchange, he can invest in Old Mutual Income Fund. Once he has more confidence in the Stock Exchange he can move his money into a unit trust that invests purely in shares. These higher risks returns. The Income Fund is specifically designed to offer investors capital security and/or an income (as opposed to high capital growth).

Old Mutual Income Fund is ideal for people who wish to limit their risk and who wish to secure their capital while earning a regular return. The Fund might also appeal to those who wish to spread their investment net wider than investing in shares and thereby achieve some balance between risk and return.

For more information on Old Mutual Income Fund phone Old Mutual Unit Trusts' toll free number 0800-234-234.

Veil lifts on some SA oil-industry secrets

S/Times [Buss] 30/5/93

By KEVIN DAVIE

SOUTH AFRICANS got their first legal look in 16 years at a major chunk of the economy on Friday with the release of a report on the Government's involvement in the oil industry.

The report discloses some of SA's best-kept secrets in the sanctions age.

It says the SA oil industry made sales of R23-billion (7% of gross domestic product) at wholesale level last year.

Before their expansion began in 1991, SA's refineries produced 330 000 barrels of petroleum products a day.

Mossgas

Sasol's synthetic production was 150 000 barrels a day from an annual 34-million tons of coal last year.

Mossgas adds 45 000 barrels a day to SA's synfuel total.

Refinery expansions will bring capacity to 480 000 barrels a day by 1996. Four refineries and two synfuel plants supply 200 depots, 4 900 service stations and 100 000 direct users.

Refined product demand in 1992 was 19-billion litres, or 330 000 refined barrels a day.

The industry employs 111 000 people Exports brought in R600-million in foreign currency Refining returns (ROCE) averaged 12% before tax between 1988 and 1992

The pump price of petrol has declined progressively in real terms since 1980, the period of high prices after the fall of the Shah of Iran in 1979

Salaries paid by the refining industry totalled R1-billion in 1992. Retailers "added value to the tune of R2-billion during 1992 to wholesale turnover".

The report says deregulation increased prices in Greece, Spain, Singapore and New Zealand and lowered in the UK and France.

Minister of Mineral and Energy Affairs George Bartlett told Parliament on Friday that the Cabinet had decided the current regulatory measures — they evolved over 50 years — should remain unchanged for the time being.

But "secrecy will be lifted to facilitate an informed debate by all affected parties", according to Mr Bartlett.

Secrecy will apply to the sources of petroleum, suppliers, shipping and strategic reserves while the UN oil boycott is in place.

Mr Bartlett says prospects of deregulation have been raised with his department by extra-parliamentary groups on the basis that their constituencies and members will be the first — and worst — affected.

The Government's decision has been severely criticised by Pick 'n Pay's Raymond Ackerman.

He says there should be a five-year ban on self-service and Sasol should be sold at an agreed price.

"Regulation benefits the vested interests of the oil industry and the bureaucracy at the customer's expense. This is anti-South African."

Pick 'n Pay could cut petrol prices without introducing self-service stations which would threaten the jobs of petrol attendants.

Mr Bartlett says concern that tariff protection provides an unfair advantage to Sasol in the market has been discussed with the company.

"After consultation, Sasol has decided to completely separate its oil refining and marketing activities from those of its synfuel operations

Mr Bartlett says Sasol's synthetic fuels supply 39% of SA's requirements. Its protection amounts to 10,8c a litre.

If the Government had not amended its original undertaking to Sasol, these payments would now have been 38c a litre.

Mr Bartlett says Engen has told the Government that it will not take up its 30% stake in Mossgas and will also withdraw from its management.

Lowest

The Central Energy Fund will now have to supply all funds needed for Mossgas

The AA's Peter Elliott says a free-market system with minimal State intervention should result in increased competition, facilitating continuity of supply and the lowest possible pump price.

He says the AA's research shows that the exorbitant profits by Petronet on its pipeline have been used to cross-subsidise other Transnet operations, motorists receiving no benefit.

Battering for small business

S/Times [Buss]

30/5/93

By DON ROBERTSON

THE recession, now in its fifth year, has devastated small business.

Last year, 1 142 close corporations were forced into liquidation, a rise of 666% on the 149 that went bust in 1988 It also represents a 60% increase on the 712 liquidated in 1991.

In addition, 6 777 close corporations were deregistered in 1992 compared with 5 335 the year before.

But there was a modest increase in the number of close corporations registered at the end of 1992 — 35 005 from 34 553 in 1991 — says the report of the Registrar of Companies for the year to December.

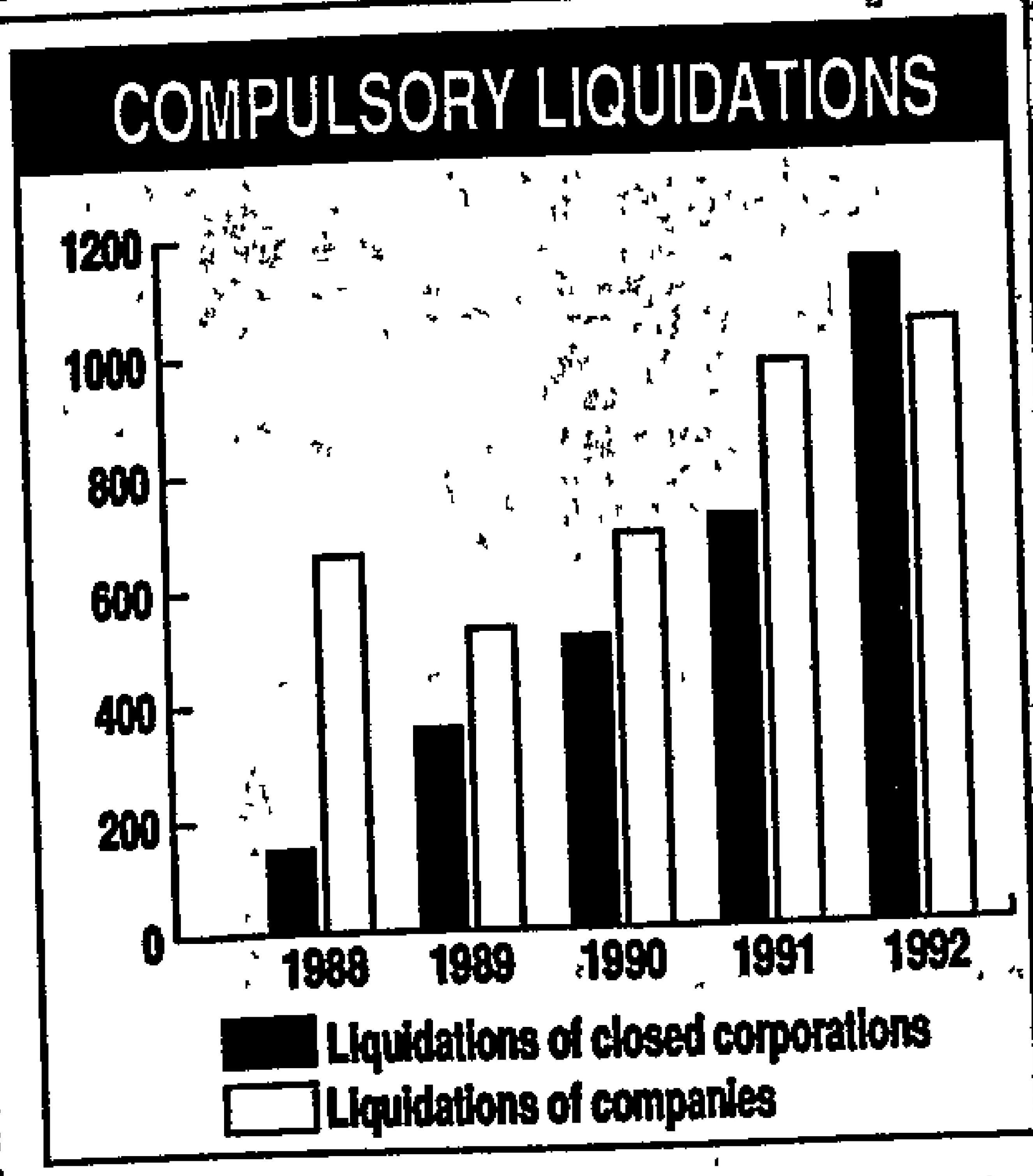
There is some indication that an end to the economic decline might not be far off. Forced liquidations of large companies between 1991 and 1992 rose by only 6,4% from 974 to 1 037. The number rose by 57% from 659 since 1988.

The incidence of voluntary liquidations was much lower for companies, declining by 12% between 1991 and last year. It increased by 188% for close corporations (232)

Airlines

The virtual lack of incentive to invest resulted in only 119 public companies being registered last year compared with 170 in the previous one.

A similar scenario existed for small companies, 6 252 private firms coming into existence against 6 145 previously.



Registrations of external companies rose to 110 from 77 in 1991, largely because of the increase in the number of foreign airlines.

There was a sharp rise in the authorised share capital of public companies, mainly because of the change in the nature of the South African Forestry company and Denel which added R2,9-billion in capital.

World Bank positive on SA loan

S/Times [Buss] 30/5/93

THE World Bank has an ...

... would be the engine that ...

He said SA's "needs" included political stability ...

Coronation's rise causing some concern

S/Times (Buss) 30/5/93

(232)

IT is unusual for two individual shareholders to hold 78% of a company and for both to be more concerned than delighted that the share price has risen more than tenfold — to 775c since its acquisition last August.

I refer to Coronation Syndicate, its managing director David Barnes with 52% and chairman Gavan Ryan with 26%.

Last August, Coronation Syndicate was a neglected two-bit mining investment company, seldom traded at 60c a share. It was controlled by Tweefontein United and ultimately, Lonrho, until along came Mr Barnes. He, his former employer UAL and UAL director Mr Ryan bought 66% of the shares at net asset value of 103c.

UAL has since sold out to Mr Barnes, whose reputation as a gilt dealer is near legendary.

Mr Ryan says a listed company was sought as a vehicle because it is much better for staff to take part in share-option schemes where a share has a market value. Coronation also had a London listing, regrettably relinquished this year, I believe, as a result of the Reserve Bank's policy on dual listings.

Earlier this year, Mr Ryan retired after 18 years at UAL and took a break before returning a fortnight ago to chair Coronation — and to oversee the setting up of a financial services division to be manned by staff leaving Syfrets Asset Management. It opens for business on July 1.

Coronation Syndicate intends to have a share portfolio Mr Barnes manages a division trading in options, futures and other financial instruments.

The decline in interest rates over the past year is enough for a prediction to be made of a good performance.

But such markets are notoriously volatile and it is natural that Coronation should seek other opportunities in financial services.

Syfrets' highly successful team was needed for two reasons: an excellent record, and a 12-year friendship between Mr Barnes and Syfrets' Tony Gibson.

Like Mr Gibson, Mr Ryan will be switching marketing tack from the strength and respectability of a reputable financial services institution to the advantages of a new financial services company. It merely underlines the point: the best assets of such an operation are the people.

Concern about the meteoric rise in the share price is valid: setting up an asset management company with staff, systems, and marketing for customers, does not come cheaply. Coronation Asset Management will incur all these costs upfront and with only three months of this financial year to go from its launch, expenses are certain to exceed revenue in 1993.

Mr Ryan says the share register has changed extensively since the takeover, but he jokes that perhaps the share price is so high because some people think Coronation is still mainly in golds.

"No matter what we do, the shares still climb. It will be difficult to meet those expectations."

Barlow boss pessimism on the nail

ST Times (Buss) 30/5/93

IT was with no self-satisfaction that Barlows managing director Derek Cooper was proved right about the state of the economy

I remember considering him a misery when six months ago he said he expected no improvement in economic conditions

Discussing the group's interim results for the half-year to March, we agreed this week that the recession had deepened Barlows raised turnover by 10% to R18,7-billion, but suffered a 4% decline in attributable earnings to 196c a share. The dividend was held at 56c

Mr Cooper aims to match the 1992 payment this year even though there is still little that looks bright.

Paint

The drop in profit was not contained by any once-off advantage of the change in rate on deferred tax provisions Barlows netted only R6-million from this source — hardly enough to make a difference on pre-tax profit of R1,2-billion

Only a political breakthrough will trigger the upturn in the economy, says Mr Cooper

He praises the efforts of Peace Committee chairman and Barlows director John Hall, particularly because the peace movement provides foreign visitors with something to latch on to without aligning themselves to political parties.

Barlows is a bundle of companies Mr Cooper has been learning from Wendy Luhabe, a recently appointed director of group food company ICS

The lesson in brief is that a township entrepreneur believes he cannot compete with big business not because of who owns it but because it is big and established

Taken to the 'nth degree, a group would have to divide itself down to its very matrix to make units small enough for newcomers to compete

In a nation short of capital, that is not a winning proposition Mr Cooper looks forward to the World Bank's $1-billion loans and similar, purportedly queuing to get into SA when it becomes politically correct to do so

Ventures

(232)

He says SA does not necessarily need companies to invest, but it does require capital "As a nation, we are grossly underborrowed"

Barlows is concentrating its cash at the centre of the group Calls on the R1-billion cash or near-cash will be twofold — potential ventures with foreign companies and demands for expansion and working capital when the good times roll again

Among the many investments, electronics and pharmaceuticals did well, and oddities, such as paint, also glowed

"People are upgrading their shacks and the do-it-yourself market in general is booming," says Mr Cooper

But food — usually a steady performer — did worse than in the first half of 1992 Drought ravaged the sugar crop and the troubles of the broiler market are widespread Mr Cooper says the chicken business is reviving.

Consumer-durable earnings did not match those of the previous year's first half, but did well Overall, including electronics, Barlows industrials made 6% more profit than in the first six months of 1992

DEREK COOPER: Praise for peace efforts in troubled times

There has been a swing in earnings' sources This time, 43% of earnings are consumer-generated and 22% derived from commodities — a reversal of the ratios only a few years ago

Global

Bibby served to remind that the recession is global

Mr Cooper says "We invested in Finanzauto in Spain because it is relatively underdeveloped and there had been good unit sales of earthmoving and other equipment "But yearly sales have dropped from 9 000 units when infrastructure was being built for the Barcelona Olympics and Expo to about 3 000 now We based our decision on 4 000 to 4 500 units a year

"There is 21% unemployment in Spain and whichever government is elected on June 6 will have to get the economy moving Spain has been granted £6-billion by the European Community's Equalisation Fund and it has to be spent on infrastructure What better way to get things moving than by spending somebody else's money?"

What better way indeed? Barlows has been shunned by analysts and its shares trade on 11 times historic earnings at R46 Sooner or later it has to start looking cheap

2 SUNDAY TIMES, Business Times, May 30, 1993

DIAGONAL STREET

Servgro paves way to money-spinning stake

S/Times (Buss) 30/5/93

By Julie Walker

SERVGRO outstripped both its and my expectations in its maiden year on the JSE

Listed last June, its portfolio of investments includes two listed companies, Teljoy and Interleisure It has stakes in five unlisted companies — Avis, Interpark, Fedics, Price Forbes and 22% of Nasionale Pers

Servgro executive chairman Peet van der Walt presented the group's results to the Investment Analysts Society in Johannesburg this week

Guess

Consensus on the performance is that Servgro provides an avenue through which to invest in established money-spinners Price Forbes, Nasionale Pers, Fedics and Avis

Regrettably secretive with the percentage breakdown in profit contributions from its components, Mr van der Walt preferred to flash a vague block chart showing the major performers At a guess, Price Forbes is tops with what looks like a fifth of the R50,8-million attributable profit (Mr van der Walt says my estimate is wrong, but cannot disclose the correct figure)

Interleisure looks to be second and Teljoy and Avis joint third Nasionale Pers is an investment and was not displayed

But a clue was given it earned R71-million in its latest year, covered the dividend 11 times and Servgro dividend-accounted its 22% That comes to a little more than R1-million Servgro did not disclose what it paid for the investment, bought from the Federale Volksbeleggings pension fund and Sanlam last year.

In the year to March 1993, Servgro turnover rose 14% to R921-million and a hard-won increase in operating margin meant 18% higher pre-interest income.

After deducting secondary tax, earnings a share were 14% up at 47,2c — a little lower than they would have been under the previous tax formula The dividend was raised by the same amount to 19c, yielding 3,3% at 575c

Not only my eyebrows were raised by the performance of Servgro's share price in the few days before the prospectus-beating results came out. It jumped from 510c to 575c in a week, including a rise of 25c to 575c on a single trade of 1 000 shares

Servgro said after the presentation that the price had fallen just as readily on trade of only 4 000 shares earlier in the year

The share is not readily tradeable in any event Sankorp holds 75% of the 110-million ~~shares in~~ issue, although this percentage could fall as scrip acquisitions are made

Mr van der Walt saw nothing of size worth buying in the year under review, other than insurance broker ~~Willis Faber~~ Enthoven

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Cinema

He outlined Servgro's business, saying it served 366-million meals, parked 4,75-million cars, showed movies to 16-million patrons, handled R3-billion of insurance premiums, serviced 300 000 television sets and hired out 230 000 cars in the year to March

Cinema attendance grew by 20%, mainly from Sunday shows, so it is surprising that Interleisure's earnings fell

They did so probably because of low margins Outside Johannesburg's northern suburbs, cinema-going falls when ticket prices are lifted But Ster Kinekor did not increase them last year

Interleisure incurred costs in establishing 29 Ster Kinekor screens, but the film studios were underused and sports results were disappointing

Teljoy earned the same as in the previous year, but its business services unit was closed

Mr van der Walt said a "big figure" was written off in closure costs and goodwill

Teljoy hoped to provide a cellular telephone service this year.

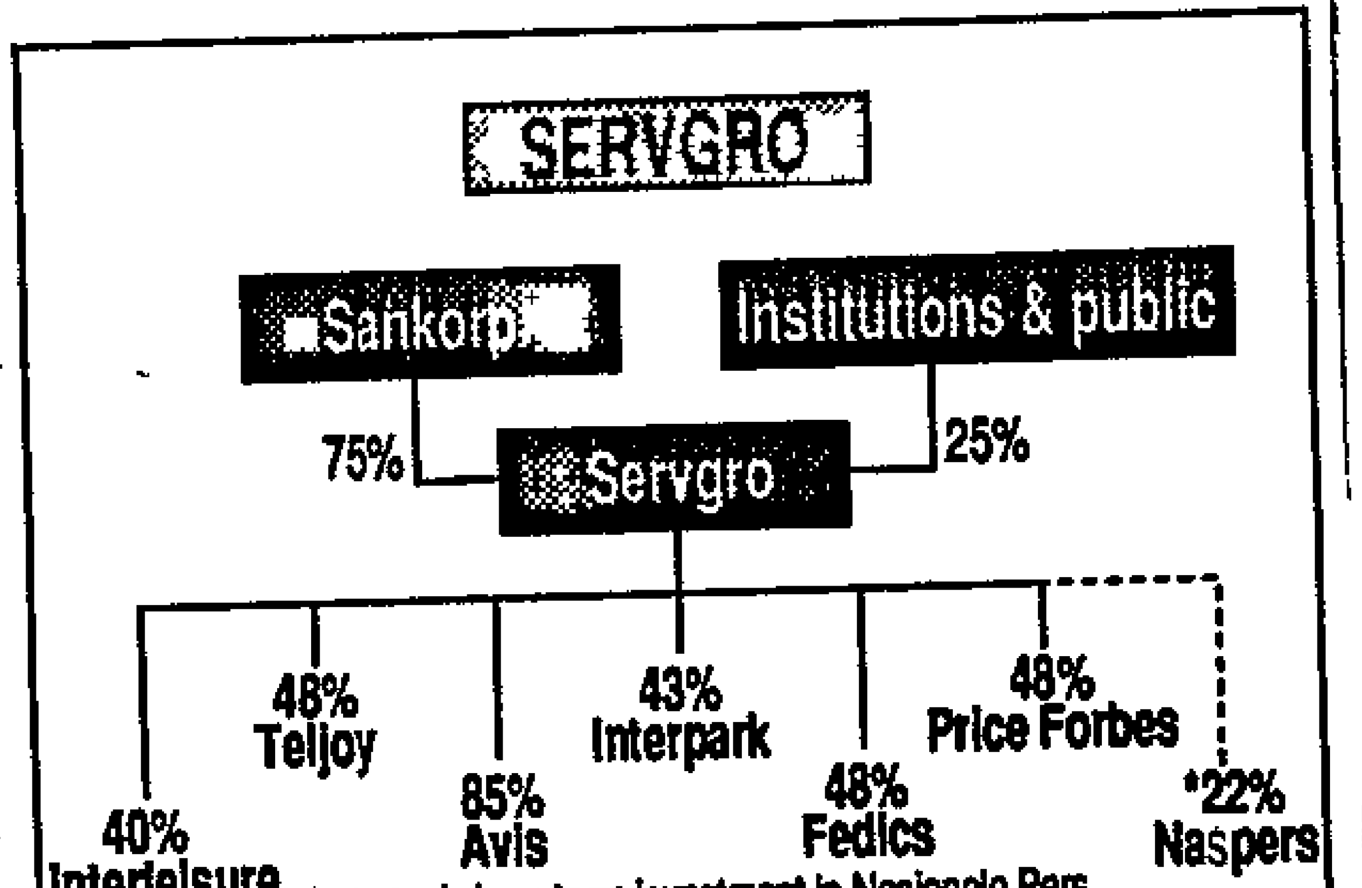
Servgro director and Price Forbes chief Paul Heinamann said his group's short-term operations were mature and growth was sought outside South Africa. Consulting actuary Alexander Forbes showed big growth in a rising market and volumes at Medicaid increased

Mr Heinamann warned that many insurers who had dabbled in medical insurance would face problems in two years' time.

Mr van der Walt said Nasionale Pers was ready for the new South Africa, especially through its newspaper for blacks, City Press, whose circulation had increased

On group prospects, he said the first six months of the current year would be marked by difficult economic and political conditions, but strong brands, a high market share and controls over assets and costs should boost earnings

I must confess to having had my doubts about Servgro, which I described as a re-hash of the old Fedvolks. So far, I have been proved wrong But I am not alone in wishing Servgro would be a little more forthcoming about where the bucks are made



* A strategic long-term investment in Nasionale Pers

Hopes run high for Premier earnings

Star 31/5/93

By Stephen Cranston

The market has strong expectations for Premier results for the year to April.

Analysts expect it will report an increase in earnings per share at least as good as, if not better than, the 14 percent achieved in the first half.

This might be surprising after its archrival Tiger Oats reported a three percent decline in earnings per share in the six months to March.

(232)

But Premier has the advantage that it no longer operates in the loss-making chicken and egg businesses, and has relatively little exposure to value-added aspirational products, in which volume sales have fallen by 10 percent in many cases over the last 12 months.

And w[illegible]nds it has tended to ou[illegible]

Its edible oi[illegible]an operating margin of 3,9 percent in its last financial year, compared with a 2,6 percent margin in Tiger's edible oil division.

Tiger's margin on milling and baking of 8,1 percent is somewhat better than Premier's 6,7 percent, but the two figures are not comparable as Tiger includes higher-margin operations such as Beacon Sweets, Fattis & Monis and Tastic Rice in this division.

Premier has been able to increase its share of the bread market, where it was already the biggest player, by marketing its Blue Ribbon brand nationally, and there has been a switch to bread products because of consumer resistance to yellow maize.

VAT was taken off white bread in April, which should allow bread sales to grow.

But much the most important contributor to Premier's results has been the unexpectedly fast turnaoround at Metro Cash 'n Carry under Carlos dos Santos.

This saw its attributable profit rise from R2,3 million to R24,1 million at the halfway stage and the operating margin is expected to increase further from its then level of 1,2 percent steadily to two percent or more.

Metcash not only sweetens the bottom line, but it is a major cash contributor because it has no debtors to fund and low capital expenditure requirements.

Metro itself virtually saturates the country with its outlets, although there is scope for growth in the larger Trade Centre stores.

Premier's pharmaceutical company Prempharm does not yet enjoy the rating or the success of Adcock Ingram, but it made a strong contribution last week when it reported a 33 percent increase earnings per share.

Premier's problematic pharmaceutical wholesaling interests should not be such a headache from now on as they have merged with Medical Cash and Carry Holdings, which has a substantial share of the market.

There will be considerable savings from the rationalisation of the operations.

Eyebrows were raised when Premier moved into the dairy business in February through the purchase of a 28,6 percent holding in Bonnita, as the ICS dairy division has proved a burden on that company.

But Ed Hern, Rudolph analyst Syd Vianello says that although Bonnita has 25 percent of the fresh-milk market, it should be seen as a cheese company and cheese provides better margins and is less subject to surpluses.

Premier could be entering the dairy market at a time when it looks like the milk surplus has been reduced and prices should start to rise.

The entertainment interests in Gallo and Teltron have been hit by the decline in consumer spending, but Clicks with its discount prices has been a beneficiary of the consumer's search for value.

Real earnings growth from Premier has been discounted in the share price, in which at R47,50 it sits on a P/E ratio of 18 and offers a dividend yield of 1,8 percent.

This is expensive, but Premier will be a beneficiary of increased earnings in the C and D income groups, through its food division and through Metro.

Star 31/5/93

Turnaround for Saambou

Saambou has resumed dividend payments after leaping out of the red for the year to March.

Attributable profit was R12,5 million (attributable loss of R68,8 million a year ago). (232)

Saambou has declared a dividend, for the first time since 1991, of 2c a share.

Group MD Johan Myburgh says the turnaround was largely due to Saambou's re-focusing to provide the individual pensioner and salary-earner with financial services.

Operating profit quadrupled to R37,4 million from R9,3 million in the previous year.

After rationalisation costs and a general risk provision, net profit was R25,3 million (net loss of R65,8 million in 1992). — Sapa.

Fairy tale — Chapter 25

Star 31/5/93

By Tom Hood

CAPE TOWN — The fairy tale success story of Pick 'n Pay turned to Chapter 25 this week when the supermarket chain's founder and chief executive, Raymond Ackerman, published his annual report — and some of the group's secrets.

It was 1am on a Wednesday morning in 1967 when a deal was struck and he acquired four small supermarkets in Cape Town.

Today the store count stands at 105 supermarkets, 14 hypermarkets, 11 Boardmans stores, eight Price Clubs and three Chain Reactions.

(232)

Ackerman admits a key factor in the group's success was to follow the three golden rules for a shop — position, position and position.

"The effort and skill devoted to site selection and store development have been of paramount importance in the success story of Pick 'n Pay," he says.

There had always been a shortage of zoned sites and, for those available, developers needed to be found.

In the late 1960s and early 1970s this proved no easy task.

Though Ackerman owned only four shops, a year after opening he persuaded investors on the JSE to buy shares in Pick 'n Pay so he could buy four more stores in 1968.

Raymond Ackerman . . . three golden rules

The experience in converting these proved valuable in the development of the first store built to the fledgling chain's requirements at Plumstead in 1969

Today, with 156,5 million shares in issue, the company has moved into another world, but is still taking big risks in the middle of the recession.

It plans a multi-million-rand expansion and more stores this year in Somerset West, Durban (two), Bethlehem and Johannesburg.

The Boardmans household goods chain will open stores at Northgate, Johannesburg, Durban Westville and La Lucia in Durban North.

The Stellenbosch store will be closed and a new one opened in Somerset West.

Price Clubs are planned for Kimberley, Rustenberg and Nelspruit.

From sales of R6,4 billion in the year to February, the group paid R5,5 billion for merchandise and expenses.

Of the R892 million remaining, three-quarters (R670 million) went in wages — 14 percent more than last year.

The directors received R5,3 million — a rise of 15 percent — for their services.

Almost R73 million was paid in total dividends by Pick 'n Pay Stores and the pyramid Pick 'n Pay Holdings — more than half of it going to controlling shareholder Ackerman, who owns 82 million shares (50 percent) in Pikwik, which holds 82 million shares (52 percent) of Pick 'n Pay.

Only R41 million — equal to 4,5c in every R1 — was kept by the company for future growth.

Productivity increased by 8 percent as turnover per employee reached R282 000.

Pre-tax profit a square metre rose 14 percent to R440.

Pre-tax income per employee rose 16 percent to R7 033.

MJM turns in star performance

Star 11/6/92

By Roy Cokayne

Martin Jonker Holdings' MJM has produced extraordinary results for the year to February, with net income rocketing 903 percent to R2,07 million and income attributable to shareholders by 928 percent to R1,86 million

(232)

Earnings a share were 786 percent higher at 62c (7c) and a final dividend of 2c is being paid. The company passed its dividend last year

MJM's improved results flowed from higher turnover, which rose by 20 percent, or R30 million, to top R180 million

Explaining the sharp rise in net income, MD Hannes Jansen says substantial write-offs occurred in the previous year as a result of the closure of non-profitable operations in the Cape-based Schus operation.

"The wisdom of this decision has clearly manifested itself in this year's results," he says

BoE's Lee warns of shakeout in US shares

Buss. Day 1/6/93

LINDA ENSOR

CAPE TOWN — A major shakeout in US share prices in the wake of the Dow Jones's recent climb seems highly probable within the next few months, Board of Executors senior portfolio manager Rob Lee says in the latest Investment Outlook

Such a development would inevitably lead to a sharp drop in JSE prices, which were vulnerable to weakness on Wall Street (232)

"The Dow Jones moved to new highs in May, defying weak economic data and the woes of President Bill Clinton as well as higher long-term rates and fears of increasing short-term rates US equity valuations are by all standards extremely stretched and therefore equity prices are vulnerable to significant downside "

The Japanese stock market — trading on a price-to-earnings ratio of about 90 times — also looked vulnerable, especially as the sharp strengthening of the yen would depress corporate earnings further in the short term

"The JSE indices are at historically low earnings and dividend yields, and are vulnerable to weakness on Wall Street and a breakdown of the negotiation process Careful share selection is even more important than usual in this highly uncertain environment," Lee said

He believed the gold price and gold shares were overextended and in need of a correction in the short term, but said there were sound technical and fundamental reasons to support a significant rise in the gold price

The underlying supply/demand fundamentals were becoming increasingly favourable for gold.

"Even without a change in investor sentiment towards gold bullion, the large and growing gap between static newly mined supply and fast-rising industrial and jewellery demand (mainly from Asia) was likely to provide increasing support to the gold price It now seems that investor sentiment is becoming more positive as well

"Fears of financial instability, including potentially higher inflation in the US, have again become a positive factor for gold "

While the recent rise in the gold price had boosted economic prospects, settlement of key political issues was "desperately needed" to take advantage of the growing potential for sustained economic recovery

DIAGONAL STREET

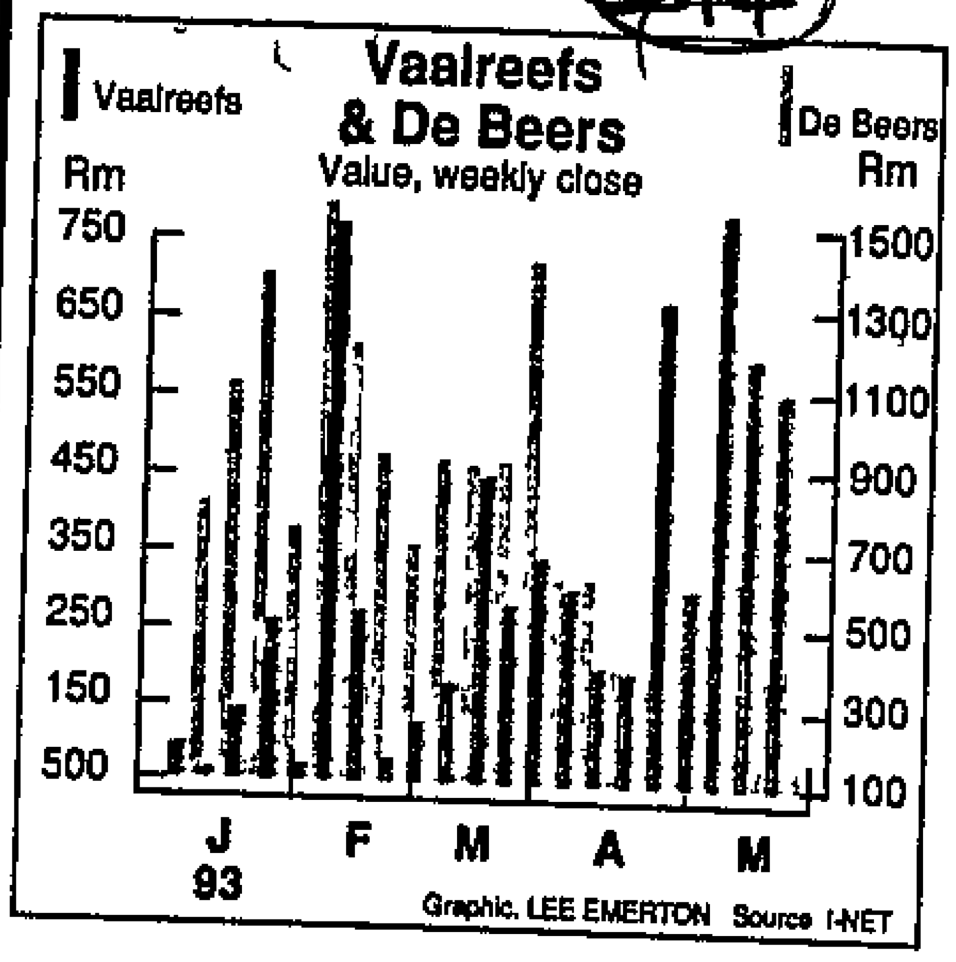
Stampede into gold demotes busiest shares

DE BEERS' position as the most actively traded share in value terms on the JSE has been challenged by the stampede into gold shares over the past few months. Buss. day

De Beers is still way ahead in turnover over the past year with 47,5-million shares worth R3,1bn changing hands in 22 600 deals. The price overall fell sharply, but ended R10 down on the year at just above R80 (232)

It is followed by Richemont with a trade of 35-million shares worth nearly R1,3bn in 13 600 deals — the price has risen by almost R5 to R42,50 — and Anglos, which has seen trade of 11,5-million shares worth R1,2bn in 12 000 deals. The price has risen R17,50 to R139.

But all three shares have recently been overtaken by golds with De Beers falling back into fourth place in trade over the past month with 2,7-million shares worth R224m changing hands.



Top of the pops is Dries with 6,5-million shares worth R325m changing hands in 2 450 deals over the past month. Vaal Reefs is second with 920 000 shares worth R278m changing hands in 1 400 deals followed by Kloof with 4,8-million shares worth R240m traded in 2 450 deals.

The gap has narrowed even more over the past week with Vaal Reefs' high price of R335 pushing it into top spot with shares worth R75m changing hands followed by Dries with a trade of R64m and the price rising to R61,50.

De Beers slipped back behind several other gold shares into seventh place with shares worth R36m changing hands.

Much of the heavy trade in De Beers several months ago came on the sell-off on news of a dividend cut and the subsequent recovery of the shares.

Steel group Iscor is still streets ahead in the volume stakes on a yearly basis with 230-million shares changing hands. But the gap has narrowed over the past month as lightweight gold and platinum shares have come to the fore.

Knights, the most popular gold share in volume terms, with a turnover of more than 23-million shares over the past month, is now hot on the heels of Iscor, which has seen 26,7-million shares change hands during this period.

The huge trade in gold shares has come on renewed foreign interest following the surge in the gold price, which is testing two-and-a-half year highs above $380.

Stockbrokerage Martin & Co's coup in teaming up with UK merchant bank Robert Fleming could strengthen its position as a global player in SA equities, and broaden its product base.

Martin's ability to plug into Fleming's global network, which includes its association with Jardine Fleming in Hong Kong and other Far Eastern countries, will further enhance its international reach.

This will place the firm in a strong position when foreign demand for SA equities opens up once a transitional executive council is in place. The demand will be fuelled by international fund managers measuring their performance against the world equities index.

The increased level of foreign interest in gold shares has seen a net inflow of close on R2bn on to the JSE this year. But this figure is a big underestimate of offshore trade in SA shares. Much of the trade in gold shares has been between non-residents and does not go through the JSE. It is therefore not included in the statistics on daily and weekly turnover.

MERVYN HARRIS

Firestone pins hopes on new Firehawk range

Buss. day 1/6/93

TRACY SCHNEIDER

IT WAS hoped the launch of Firestone SA's new high performance tyre range would give the company "a new lease on life after a difficult two-year period", MD Gavin Hardy said at the weekend (232)

Hardy said the Firehawk range would replace the previously unsuccessful high performance tyre range, drawing on technology from Firestone's new international owner, Bridgestone Japan

Firestone SA — now in the Murray & Roberts Engineering fold after being bought from Federale Volksbeleggings, had invested more than R100m in technology and expansion for the Brits plant over the past three years "This has resulted in the development of a tyre offering both performance and longevity," said Hardy

Saambou forecasts better days

EDWARD WEST

SAAMBOU Holdings profits are expected to improve by 50% in the current financial year if the economy does not get worse, says chairman Hendrik Sloet

In the year to end-March 1993, Saambou met its forecast of a turnaround to profitability after two years of losses, the financial services group's published results showed The group's largest shareholder is Fedsure, with a 33,4% stake.

Dividends were resumed after earnings climbed to 10c a share at year-end from the equivalent of 59c a share loss reported in the 1992 financial year The 1993 dividend payout was 2c a share

Net operating profit quadrupled to R37,4m (1992 R9,3m) after provisions for losses on advances of R45,2m (25,4m) Taxation climbed to R9,3m (R2,3m).

Directors said the increased net profit reflected the benefits of rationalisation during the year. Rationalisation costs amounted to R10,4m (R6,3m), which was written off as an extraordinary item.

Directors put R6m aside — also reflected as an extraordinary item — as a general risk provision against possible changes to operating risks. Buss·day

An extraordinary profit of R4,2m was realised on the sale of fixed property. No provision was made for a fall in property values and other investments compared with R68,8m the previous year. 11693

The group's share price rose strongly by 5c last week to close at 106c on Friday, only 1c off its 12-month high

Rand Merchant Bank top performing fund

Buss-day 11693

ANDREW KRUMM

RAND Merchant Bank (RMB) topped pension fund performance charts with a 23,1% (time-weighted) average return for the three years to end-March 1993, the First Bowring Consulting & Actuarial Services quarterly performance survey shows.

Standard Merchant Bank (SMB) made second spot with a 19,5% average return for the period, while Southern Life's SHOP fund came in third with a 17,8% return

Seven of the 20 funds rated — Momentum, Norwich, Old Mutual MULT, Old Mutual OMNI, Sanlam 100, Southern Managed, and Foord & Meintjes — failed to beat the average CPI rate of 13,2% over the three-year period.

First Bowring C & A executive director Lionel Goldblatt cautioned that returns reflected in the survey were not strictly comparable "Investment house returns in the survey were based on the aggregate performance of a number of separate pension funds under the full control of these houses The returns achieved by insurers, though, were based on the performance of pooled portfolios in which pension funds purchase units," he said

Among insurer managed funds only, top performers in the 14-fund insurer category for the three years to March 1993 were Southern's SHOP, Metropolitan Life's managed fund (17,2% return), and Sage Managed fund (17%)

Southern Life investments GM Paul Beachy-Head attributed SHOP's performance to aggressively tracking broad market moves timeously The small — and therefore manoeuvrable — SHOP fund had attracted a large cash inflow during the March 1993 quarter, which had been ploughed into gold mining and financials in early April. "But we are consolidating and not chasing gold shares at current levels"

Among insurer managed funds the Sanlam 100 remained the largest with R11,611bn (12,8% return) invested. Next in size of assets was the Sanlam 200 (R7,248bn; 14,2% return), followed by the Old Mutual MULT (R6,736bn, 9,0% return)

The larger funds — with the exception of SMB (R7,38bn invested) — had generally turned in below average performances in the three-year term with their size restricting manoeuvrability in the equities markets, Goldblatt said.

Meanwhile, the survey showed that the top performances for the five years to end-March 1993 again came from the investment houses' multiple portfolios SMB headed the list with an aggregate 26,3% return on its managed investment portfolios, followed by UAL (23,4%), and Foord & Meintjes (21,8%)

A source said Foord & Meintjes' short-term performances could jump in the next quarter as the investment house had 36% of its multiple portfolios invested in mining equities, compared with next highest, Norwich Life, with 24,2%.

Among the insurer-managed funds, Metropolitan (23,2% return) was top over five years, while second-placed Liberty generated a 22,9% return, and was closely followed by the Sanlam 200 (22,7%)

Over the 10-year period Commercial Union (21,2%) headed the performance listings, with Sage Managed (20,7%) and Metropolitan (20,5%) a close second and third

Gold cushions blows to Anglo's other interests

Buss. day 11/6/93

MATTHEW CURTIN

ANGLO American would declare an unchanged total 345c dividend today, after a year in which improved receipts from its gold and financial interests would have cushioned the blows to its diamond and platinum businesses, analysts forecast at the weekend

Anglo turned in attributable earnings of 724c and equity accounted earnings of 1 124c a share in the 1991/92 financial year, when results were significantly boosted by an increased R222m investment surplus

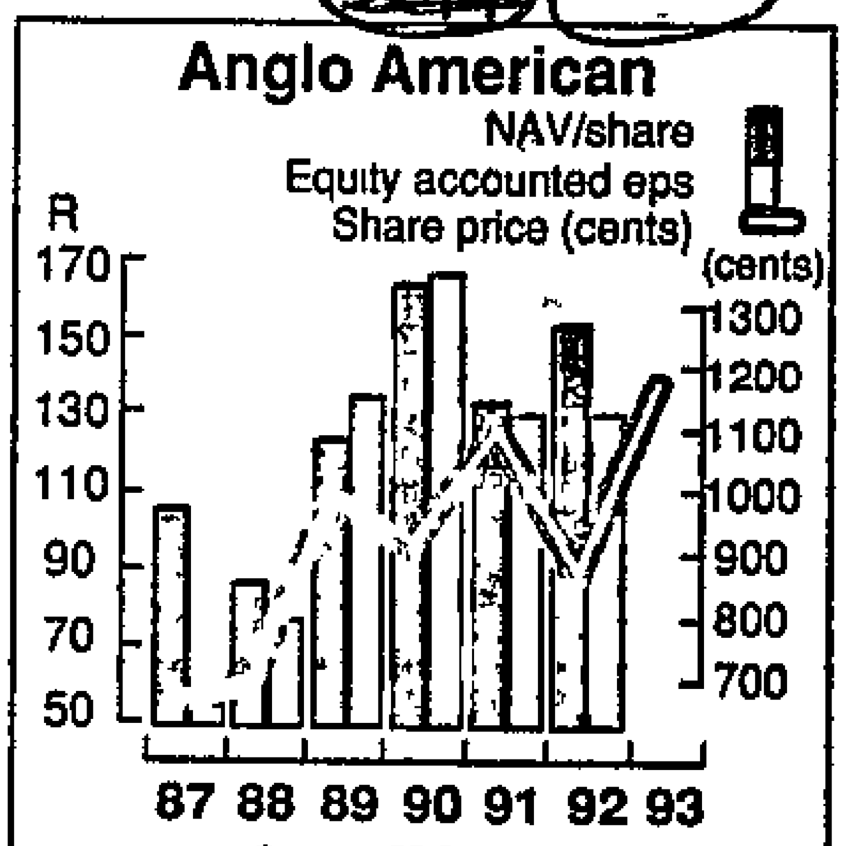
However, chairman Julian Ogilvie Thompson warned in December Anglo's performance would deteriorate further in the second half, after the release of interim results showing an 11% drop in attributable earnings to 251c and a flat 90c interim payout

Analysts expected no surprises from the preliminary results, though news might emerge of progress on the Gamsberg zinc mining project with Gold Fields and Anglo's possible return to the Copperbelt with the planned privatisation of Zambian state mining company ZCCM The corporation has already dismissed any prospect of unbundling

Fergusson Brothers analyst William Bowler said Anglo would emerge from 1992/93 in a powerful position to take advantage of improvements in the domestic and world economies

He forecast a 12% decline in attributable earnings to 624c and an unchanged final dividend

The only shadow hanging over the group was the "big challenge" facing



Graphic LEE EMERTON Source I-NET

De Beers in reviving growth in diamond jewellery consumption worldwide The diamond cartel was likely to start a "large promotional drive" to sustain diamond demand in its major markets and spur consumption in new ones

232

Anglo has a direct 6,7% stake in De Beers and an indirect one through its 52% holding in diamond investment group Anamint, which in turn has a 25,8% interest in De Beers. De Beers has holdings in Anglo and Anamint.

Bowler said Anglo's new Columbus stainless steel expansion project, a joint venture with Gencor and the IDC, had the best prospects of producing rapid growth.

Simpson McKie analyst Rodney Yaldwyn, forecasting a 16% drop in equity accounting earnings to 943c, said that although Anglo had more new projects "on its plate than normal", they were small in comparison with the group's size

He noted the only new greenfields project under way was the R1,1bn Namakwa Sands venture in the Western Cape. The R1,7bn Moab gold mine could be seen as replacement tonnage for neighbouring Vaal Reefs. Anglo's market value currently stood at R32bn.

Edey Rogers analyst Keith Bright, predicting a 11% fall in equity accounted earnings to 1 004c, said that the significance of Namakwa Sands, Columbus and Moab would be dwarfed by the cost of developing a Vaal Reefs gold mining complex or metals group Highveld Steel and Vanadium at today's prices

However, Anglo did remain financially powerful at its centre, contrasting with Gencor's ambitious expansion of recent years, its weak earnings growth and reduced dividend cover. Bright added Anglo might consider a small token dividend increase.

Mathison & Hollidge analyst Barry Sergeant, forecasting attributable earnings of 651c and equity accounted earnings of 955c, said the unknown quantities in the past year's results would be income earning in the continued tidying up of Anglo's investment portfolio and the contribution from its unlisted offshore interests.

Anglo subsidiaries contributing to its attributable earnings include Amgold, which declared higher dividends in the past year, Anamint, Amcoal, copper producer Palamin and ferro-alloys group Samancor

Its major associate companies, whose contributions are equity accounted, include JCI, offshore resources arm Minorco, De Beers, Rustenburg Platinum, industrial holding company Amic, South American Investments, First National Bank and Southern Life

Total dividend maintained

Anglo takes earnings blow in its stride

MATTHEW CURTIN
and ANDY DUFFY

ANGLO American chairman Julian Ogilvie Thompson said yesterday the corporation would maintain its total dividend at 345c a share for the year ended March 31 1993.

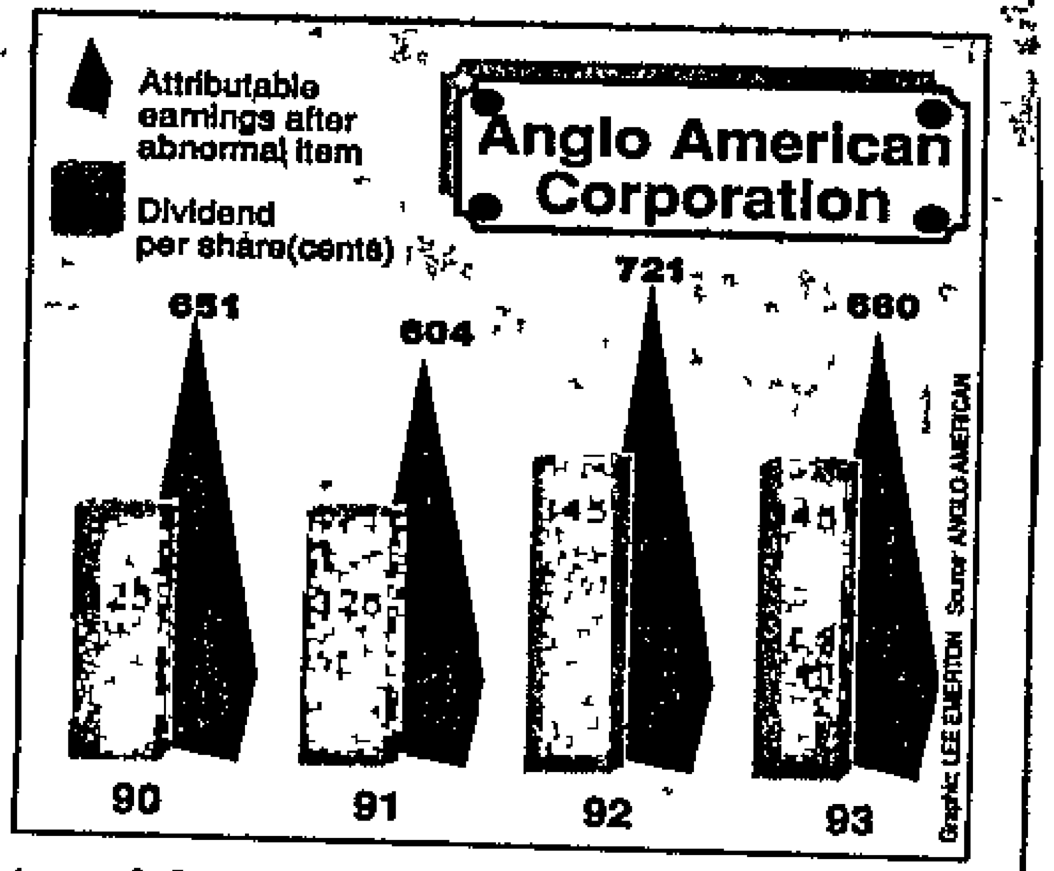
He told a news conference in Johannesburg that attributable earnings were down at 660c a share from 721c in 1992

The corporation's business spread only partly offset falling income from diamond and platinum interests, and a lower surplus from the realisation of investments Equity-accounted earnings fell 5% to R2,461bn (1 060c a share) from R2,6bn (1 121c), buoyed by contributions from Minorco and the group's other offshore interests, particularly in Latin America

Pre-tax income dropped 14% to R2,12bn, with investment income down 11% to R1,46m and surplus on the sale of assets down 79% to R46m, after the previous year's one-off sale of shares in Gencor and First National Bank.

Ogilvie Thompson said that given the recession gripping most of the company's markets and political uncertainty in SA, "profits had held up well".

The group's six new ventures reflected "the same logic of business and geographic diversity" that had enabled it to weather



torrid business conditions in the 1992/93 financial year

The multibillion-rand spread of new projects looks set to restore Anglo American's position as one of the world's major copper producers, while adding international stainless steel and branded foods businesses to its portfolio and confirming its status as the top gold producer

The presentation of the group's results, attended by all five deputy directors, emphasised the breadth of Anglo's mining interests and growing non-mining activities The upbeat message follows the corporation's robust rebuttal last month of suggestions that it would re-evaluate the

☐ To Page 2

Anglo

Buss. day 2/6/93

☐ From Page 1

way it did business after Gencor said it would unbundle its non-mining assets.

Ogilvie Thompson said there were high risks associated with the projects, which only a group of Anglo's size could undertake. The projects, flowing from Anglo's technical expertise, the exchange of ideas within the group and the "best use of the country's limited technical skills and financial resources", were

☐ The $442m capital spending programme at Mantos Blancos, the Latin American copper mining group 74,8% owned by Anglo American South America (Amsa),

☐ The R1,7bn Moab gold project next to Vaal Reefs,

☐ The R1bn Namakwa Sands project on the western Cape coast;

☐ The R3,5bn Columbus Stainless Steel expansion project, a joint venture with Gencor and the IDC;

☐ The R726m investment in the Del Monte/Royal acquisition; and

☐ The multimillion-Deutschmark high energy battery project, a partnership with Germany's AEG and Daimler-Benz.

Trading income fell 5% to R484m, but other income rose 79,7% to R124m Income from associates dipped R2m to R929m.

The tax charge was down 15% at R266m, and included secondary tax on companies of R14m After-tax profit was lower at R1,85bn (R2,14bn)

The contribution from diamonds, the mainstay of bottom-line earnings last year, was cut by 23% to R494m, while earnings from platinum were down 37% to R148m, after they were lifted in 1992 by Rustenburg Platinum's special dividend

Mining finance made the largest contribution, worth R617m and a quarter of total earnings The other major improvement came from financial services and property, up at R262m from R222m

Attributable earnings were lifted by a R114m abnormal item related to a reduction in deferred tax at subsidiary Amcoal after the cut in the company tax rate announced in this year's Budget.

Ogilvie Thompson said Anglo had adapted the concept of a mining finance house to Latin American conditions with the development of Amsa — "a sort of mini-Anglo" Its assets of $1bn were set to grow significantly in the years ahead

Deputy technical director (metallurgy and research) David Deuchar said the four expansion projects on the go at Mantos Blancos would establish the group as a major copper producer.

Mining at Collahuasi in Chile was expected to start in 1997/98 and see the creation of "one of the world's great copper mines". The mine was being developed as a joint venture between Amsa/Minorco and Royal Dutch Shell's Billiton and mining group Falconbridge Deuchar said should Gencor acquire Billiton, Anglo was likely to exercise its pre-emptive right to buy Billiton's interest, if the price was right.

Ogilvie Thompson said Anglo was conducting talks with the Zambian authorities about the proposed privatisation of state-run copper producer ZCCM However, details of privatisation were not clear. Anglo was awaiting the terms of any offer of shares in the company, but was clearly interested in increasing its stake.

● Picture: Page 3

Suncrush to subdivide shares

Buss·day MARCIA KLEIN 2/6/93

BLUE chip soft drink bottler Suncrush is set to lose its status as the JSE's highest priced share.

The Natal-based company has announced a subdivision of its ordinary shares which will see the shares adjust to about one 50th of the share price prior to the subdivision (232) (~~182~~)

Each of the ordinary shares of 50c will be subdivided into 50 ordinary shares of 1c each.

The share was quoted at Friday's close at R405 after coming off its yearly low of R400 established earlier this month On news of the split, the share rose yesterday by R15 or 3,7% to close at R420.

COMPANIES

Bonds ease on investors' optimism

Buss. day 2/6/93

TIM MARSLAND

CAPITAL market bonds recovered yesterday on the back of improved chances of a Bank rate cut later in the year.

Investors were basing their optimism on the latest money supply data, which showed growth of 3,35% for the 12 months to April, dealers said.

Most of the action was in the medium area, where bond rates eased almost 20 points in some cases. Transnet's T007 ended at 13,805% from a low of 13,760% and a previous 13,940% — a gain of R3 825 on a R1m bond. Telkom's TK05 closed at 13,785% from a previous 13,940%. Lower yields mean the bonds are worth more.

The bonds ended off their lows due to profit-taking later in the day. A dealer said the market was largely professional, with institutions still focused on the gold market. Professional players appeared to be "long" on stock (they had bought stock for which they still had to pay), and a few of these had taken advantage of yesterday's move to offload some stock.

Long-dated bonds failed to match the performance of medium-dated stock, however, with government's R150 closing the day at 14,940% from a previous 14,960% Eskom's popular E168 bond ended at 14,960% from 15% on Friday (232)

Cluster home site in limbo

Buss. 9cy ANDREW KRUMM 2/6/93

THE FATE of the former Waldorf cluster home site in Sandton remains in limbo, as bondholder NBS has not reached a decision on what to do with it.

The indecision follows the liquidator's recent rejection of a R2,7m offer by the Cohen Gur Group to purchase the 1,93ha site at an auction in late March.

The auction was held after the provisional liquidation of Strathborne Investments, which struggled to attract buyers for the R2m-apiece cluster homes, only one of which was built. NBS regional manager Gerry Gericke said although the site had initially reverted to the insolvent estate after the rejection of the Cohen Gur offer, it had been surrendered to the NBS. (232)

Gericke said a number of independent property companies had put forward proposals for the site. These made provision for a variety of options, such as the construction of 24 to 129 townhouse units, the subdivision of the land and sectional title sales.

Certain of these proposals would be submitted to the NBS board within the next two weeks, he said.

Saficon earnings plunge

Star 2/6/93

By Stephen Cranston

The continuing slump in the motor and building industries led to a decline in Saficon's earnings from a pro forma 50c to 14c in the year to March

Saficon consolidated the building supplies group Boumat as a subsidiary from the beginning of the year.

232

Its dividend has been reduced from 13c to 4c

Boumat, which remains listed, reported a 42 percent decline in earnings to 25c a share and a 40 percent reduction in its dividend to 6c.

Saficon chief executive Kurt Hipper says the group's results were affected by a relentless pressure on margins in all areas as the group fought to maintain its share of a shrinking market.

Turnover was static at R2,7 billion, and was affected by an inadequate supply of Volkswagen cars in the second half.

Hipper says operating costs were well contained and in some areas declined in the wake of major cost-cutting steps.

Operating profit was down 43 percent to R48,2 million and a reduction in borrowings led to a 29 percent reduction in interest paid to R29 million.

Attributable earnings fell from R17,8 million to R5,1 million

The size of the national vehicle market declined for the fourth successive year

This was compounded by a change in the product mix in these markets as consumers traded down to smaller models

The turnover of the motor businesses fell by R3,8 percent to R1,5 billion and a loss was incurred in this division, after accounting for a non-recurring consultant's fee.

Boumat underwent major operational, strategic and leadership changes during the year and improved its performance in the second half.

Boumat CE Adam Klein says that there should be a significant improvement in results for 1994

Anglo beats its profits forecast

Star 2/6/93

232

By Derek Tommey

Graham Boustred (left) and Julian Ogilvie Thompson at Anglo's press briefing yesterday.

Anglo American has given its shareholders several surprises.

Surprise number one is that its earnings for the year to March are better than predicted six months ago and the dividend has been maintained.

Surprise number two is that it is on the way to becoming a major South American copper producer.

Surprise number three is that it is a world leader in high-energy electric battery technology. In partnership with Germany's AEG, it will soon begin pilot plant production.

Equity-accounted earnings, which were expected to drop 11 percent, fell only five percent from 1 121c a share last year to 1 060c.

Attributable earnings before abnormal items were 14 percent lower at 611c (709c) But after abnormal items they were only eight percent lower at 660c.

Tax credit

The major abnormal item was a deferred tax credit of R114 million from Amcoal, resulting from the reduction in the company tax rate.

All this has helped Anglo pay an unchanged final dividend of 255c, making an unchanged total of 345c for the year.

At a press briefing yesterday, chairman Julian Ogilvie Thompson said Anglo American had faced difficult times, especially in South Africa.

However, he was pleased with the results, which again clearly demonstrated the logic of the corporation's business and geographic diversity.

The biggest increase in income came from mining financial activities, which contributed R617 million, or 25,1 percent, of income, against R565 million, or 21,7 percent, last year.

The biggest drop was in the surplus on the sale of investments, which fell 79,3 percent from R222 million to R46 million.

It was too early to forecast earnings for 1993-94.

"We sit like everybody else, hoping that the recovery in the US will be sustained."

Deputy chairman Graham Boustred said Anglo had begun research into developing a high-energy battery with the Council for Scientific and Industrial Research (CSIR) in the mid-1970s.

Results were so good that it had entered into a partnership with AEG and Daimler Benz in 1989

For the past two years a Mercedes Benz 190 has been used as a test bed for the battery and in this time it had travelled 43 000 km without the need for maintenance.

The battery gave the car a top speed of 130km/h and a range of 150km at 80km/h. It generated four to five times the power of a conventional lead-acid battery.

A pilot plant to make 300 batteries next year, rising to 450 by 1996, was on the way.

In 1996 Anglo and AEG would have to decide whether to embark on full-scale production, which would be 25 000 to 30 000 batteries a year.

Ogilvie Thompson said the group's 74,9 percent-owned South American mining company, Mantos Blancos, was planning significant expansion and was committed to capital expenditure of $442 million (R1,4 billion) in the next five years.

It was planning to produce 76 000 tons of copper a year at its Santa Barbara "big pit" mine, 40 000 tons a year at its Mantoverde mine, and 300 000 tons a year at its Collahuasi mine.

Deputy chairman Leslie Boyd said the success of Middelburg Steel & Alloys in the stainless steel market had made him far more confident about prospects for the Columbia project.

Star 2/6/93

No dividend to shareholders

Mercedes Benz of South Africa will not pay a dividend to shareholders this year. Mercedes chief executive Christoph Kpke yesterday denied earlier reports that the company had paid shareholders a dividend this year. — Ecna.

(232)

Bill will reform insolvency laws

Buss·day

TIM COHEN 2/6/93

CAPE TOWN — Legislation was tabled in Parliament yesterday which will amend the insolvency procedure in SA, mainly by reforming the requirements for issuing insolvency interdicts (2322)

The Bill aims to obviate problems identified by the SA Law Commission's project reviewing the insolvency law It proposes tightening requirements regarding identification of debtors or their spouses, which the commission regarded as inadequate

The Insolvency Amendment Bill proposes addressing the problem that interdicts remain in force indefinitely It is proposed that if an insolvent has not been rehabilitated within 10 years, he shall be deemed to be rehabilitated

The Bill proposes that a trustee should determine whether the correct particulars appear on the sequestration order and should take all reasonable steps to obtain the details

The Matrimonial Property Act provides that an application for the sequestration of a joint estate shall be made against both spouses

Various court cases have shown the problems experienced by a creditor who wished to have a debtor sequestrated but was unable to establish whether the debtors were married in community of property.

The Bill proposes that in such cases it will be unnecessary to bring an application for the sequestration of a joint estate against both spouses.

Poor trading hits Saficon earnings

EDWARD WEST

SAFICON Investments' earnings of 14c a share in the year to end March 1993 were well down on pro forma 1992 earnings of 50c as the group weathered slow trading activity.

Saficon's results were not comparable, with actual 1992 figures due to the majority stake acquired in associate Boumat during the year. Pro forma 1992 figures were based on the assumption that Boumat became a subsidiary on April 1 1991.

The dividend was lowered to 4c from 13c in 1992. CE Kurt Hipper said the group's motor retail and building material operations were affected by a severe downturn in trading conditions and pressure on margins.

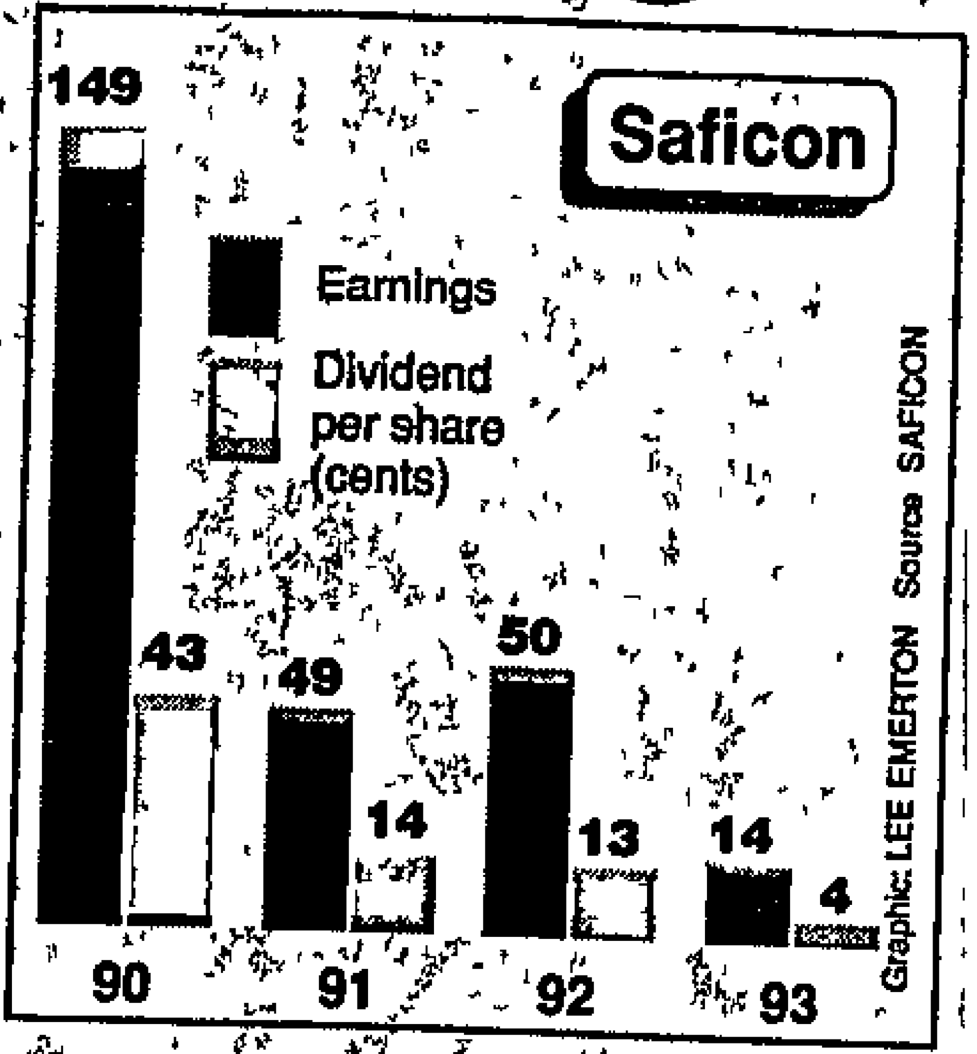
Turnover remained static at R2,7bn due to depressed market conditions and an inadequate supply of Volkswagen passenger cars in the second half. Non-recurring costs totalled R13m which included R11m in consultants' fees. The remainder comprised factory relocation and retrenchment costs.

Cost controls failed to offset the impact of dwindling margins, and operating profit fell 43% to R48,3m (pro forma 1992: R88,8m). A lower gearing ratio to 14% (32%) led to a 26% drop in interest paid to R29,1m (R39m). After accounting for tax of R10m (R21,3m) and outside shareholders' interests, attributable earnings totalled R5,1m (R17,8m).

Saficon's three motor businesses, Cargo Motors, Lindsay Saker and LSM Distributors were consolidated into one company which would improve operating efficiency and reduce costs, said Hipper.

The declining national passenger and commercial vehicle market for the fourth successive year was compounded by a change in product mix, as consumers traded down into smaller models, he said.

As a result, Saficon's motor businesses sales fell 3,8% to R1,5bn and after accounting for consultants' fees a loss was incurred in this division.



Hipper expected Saficon to increase vehicle sales volumes and regain lost market share in spite of the national dealer market remaining static this year.

Saficon increased its holding in building materials group Boumat to 63% during the year at a discount to its net worth which was reflected as an R8,1m extraordinary item.

Although Boumats earnings fell to 25c a share from 43c in 1992, it nonetheless contributed R4,2m to Saficon's R5,1m attributable earnings.

Hipper said Boumat underwent major operational, strategic and leadership changes during the year and reported an encouraging improvement in performance in the second half.

Progress had been made in rationalising the motor business, the full benefits of which were expected to flow through in 1994. Hipper expected this and the group's increased stake in Boumat to contribute to a material improvement in earnings in the 1994 financial year.

The results of Sakers Finance and Investment Corporation reflected those of Saficon, which is its sole asset. Saker's reported earnings of 24c a share (81c) and declared a dividend of 5c (20c).

Finns buy SA company

MARIANNE MERTEN

THE Finnish Nordberg Group, part of the Repola Corporation's Rauma Group, said yesterday it had acquired a 55% stake in the privately owned SA stone crushing company Nordberg for an undisclosed sum Buss. day

The deal is subject to Reserve Bank approval

Nordberg (SA) financial director Leon Chonin said yesterday he was pleased the Rauma Group had made the investment The SA company would benefit from greater export business and access to Finnish technology 2/6/93

A statement from the Nordberg Group issued in Helsinki yesterday said the acquisition supported the group's "continued commitment to the worldwide crushing industry"

The manufacturing plant at Vereeniging would become one of the three main facilities owned by the Finnish group. The others were in Finland and Brazil

Chonin said Nordberg SA expected net sales in 1993 to reach about R80m The group's international net sales would be more than \$290m. (232)

In 1988, the SA company was sold in a management buyout financed through Firstcorp Merchant Bank when the Repola Group bought the American parent company Nordberg Inc, but could not acquire its SA operations because of sanctions (193)

☐ Nordberg last year won the SA Non-Listed Company Award

Pepkor in place to unbundle

(320) 232

By ARI JACOBSON

THE PEPKOR group was well-positioned to unbundle should new legislation encourage this trend according to chairman Christo Wiese who addressed the Investment Analyst's society last night.

Wiese said that the divisional strategy of the group had allowed the businesses in Pepkor to be "absolutely autonomous".

CT 3/6/93

Here Wiese was referring to the Pep Stores division, Shoprite Checkers and the Cashbuild-Ackermans-Stuttafords-Smart centre component.

Wiese added that unbundled group's could become "fashionable in themselves".

Shoprite Checkers MD Whitey Bassson said that the stores under his command were now "the cheapest around" and this had been verified by relevant surveys.

He added that 40 Checkers stores would be converted to Shoprite stores this year and that would increase the turnover of the converted stores by as much as 40%.

Looking abroad Pep Stores MD Tony Haughton said that its 29 stores in Scotland would grow to 200 in the "the next few years".

Haughton said that Pep was also planning to set up stores in Mozambique and Zimbabwe to complement its presence in Botswana.

Investment performance lets down assurer Metpol

Buss. day 3/6/93

LINDA ENSOR

CAPE TOWN — Life assurer Metropolitan Life (Metpol) achieved sound premium income growth in the six months to end-March, but a sluggish investment performance constrained the earnings growth to a still respectable 21%.

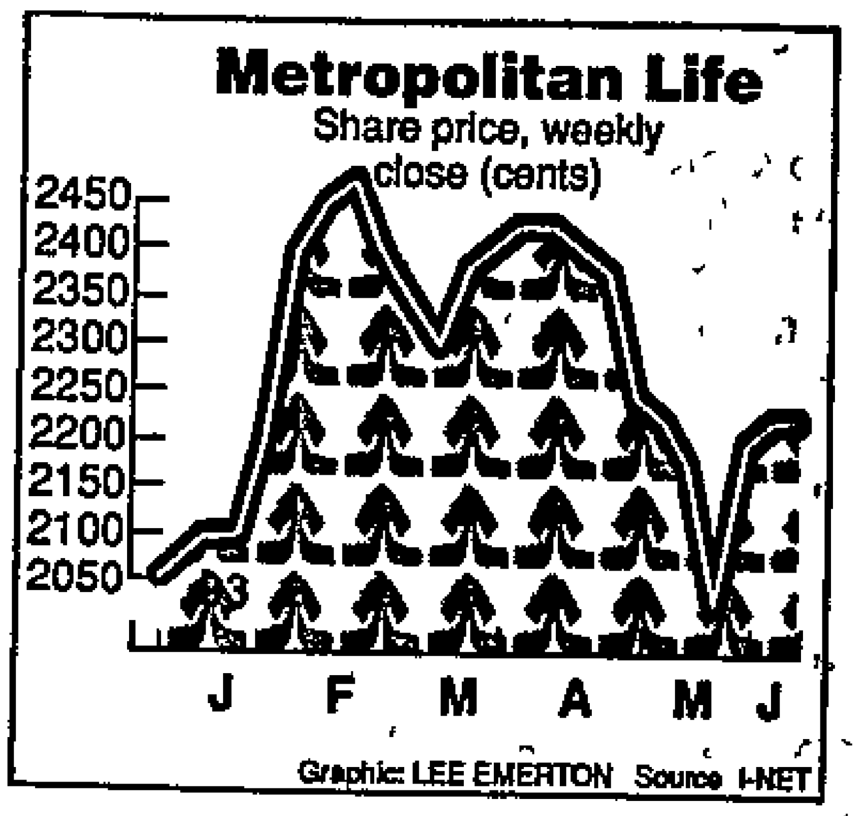
A 20% higher dividend of 24c (20c) was declared on earnings of 37c (30,5c) a share. In its previous financial year Metpol posted a 23% rise in earnings a share (58)

Total income in the six months increased by 18% to R668m (R567m), while the disclosed surplus attributable to shareholders grew 22% to R24,2m (R19,9m)

Recurring premium income, which represented 94% of total premium income, rose 20% to R450,5m (R375m) and single premium income (mainly from individuals) by 103% to R30m (R14,9m)

This gave a 23% hike in total premium income to R480,6m (R390m).

"In a period characterised by unrest and poor economic circumstances that affected our focus markets to a substantial degree, the increase of 23% in our premium income is considered to be good," MD Marius Smith said He added that the unrest had affected the mobility of field staff.



Senior GM, finance, Peter Doyle noted that the difficult economic climate was reflected in the sharp increase in policy surrenders and the resort by policyholders to the bridging finance facility provided by Metpol's Dynamic Life product. This provided for the financing of premiums out of investment funds.

Investment income inched up 6% (13% last year) to R187,5m (R177m), reflecting lower interest rates and slower dividend growth However, Smith said total returns, including capital appreciation, compared favourably with industry averages The market value of investment assets rose to R4,8bn (R4,2bn)

Total assets at end-March stood at R5,2bn (R4,5bn), and life insurance funds grew 16% to R4,7bn (R4bn).

Smith expected the satisfactory interim results to be maintained for the full year.

Metpol's major shareholder Sankorp announced recently that it was to sell 10% of its 40% stake to a black-owned company, Metlife Investment Holdings, for R135m.

Metlife would in turn sell the shares to institutions and to the life assurer's predominantly black policyholders who constitute about 80% of all its policyholders.

Doyle said the announcement of Metlife's acquisition had had a motivating effect on sales staff and he expected premium income to pick up in the second half of the year because of a more receptive market.

Cargo Carriers lowers costs

Buss. day 3/6/93

EDWARD WEST

ROAD transport group Cargo Carriers expected improved results this year after restructuring which had lowered costs, chairman Gerald Stein said in the group's 1992 annual report.

An extensive planning operation had been undertaken to focus the group The resulting restructuring had enabled operations to be managed from a lower cost base and the group was poised to expand market share, Stein said. (8322)

Sophisticated techniques were being used to monitor the group's operating efficiencies

The restructuring had led to a reduction in the work force at all levels, he said.

The reported pre-tax profit for the year to end-February 1993 had been improved by R10,43m

This was because of an adjustment made following a decision to depreciate vehicles over their useful lives based on the actual number of kilometres travelled or time.

Previously vehicles were depreciated on a straight-line basis over a period of five years

Without this adjustment, a loss of R6,98m would have been reflected.

Stein said industry deregulation, which virtually had been completed, had resulted in an oversupply of available transport capacity because of the economic decline.

This was forcing operators to charge subeconomic rates

While this was beneficial to customers in the short term, there was a long-term danger national transport infrastructure would be impaired.

This was being exacerbated by the inequitable situation under which foreign operators were permitted to transport goods within SA and their own countries free from the restrictions experienced by SA operators.

Selective enforcement of the Road Transport Quality System would lead to an increase in the already high number of accidents and unfair competition, said Stein.

Tetra Laval back after disinvesting

Buss. day 3/6/93

WORLD packaging group Tetra Laval has re-acquired its South African arm Tetra Pak after disinvesting in 1987 as a result of political reasons

Tetra Pak South Africa MD Richard Tonkin said yesterday his firm had operated for the past 14 years under a licensee arrangement.

"We have continued to flourish but the arms length relationship has meant compromises in a number of areas We really are looking forward to reconnecting with the strength of the international group," he said

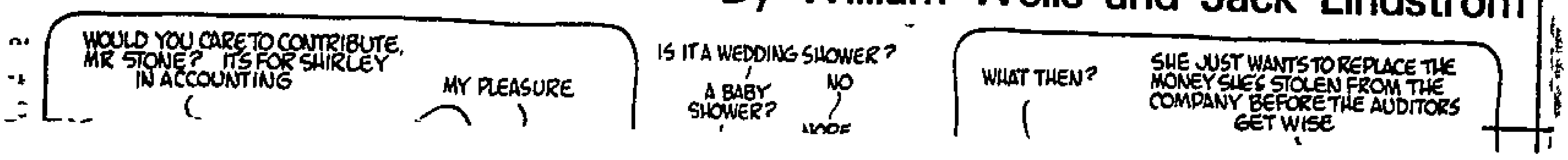
Following the re-acquisition, Tetra Pak and Alfa Laval South Africa would be merged under a new holding company to be known as Tetra Laval Southern Africa. (232)

This is a result of the Tetra Laval Group in mid-1991 acquiring international group Alfa-Laval AB, which supplies production equipment for the food and agriculture industries.

The two SA companies would continue to operate separately — Sapa

EXECUTIVE SUITE

By William Wells and Jack Lindstrom



Buss. day 3/6/93

Smart Centre to change image

MARCIA KLEIN

A LOWER tax rate and an encouraging level of trading since end-February would enable fashion retailer Smart Centre to show earnings growth in the coming year, directors said in the annual review

Smart recently announced a 31,8% increase in earnings to 29c a share in the year to end-February — compared with eight months in the previous year — against the background of significant expansion and depressed consumer demand.

In his review, MD Charles Fox said Smart would be "taking a more aggressive marketing stance in the year ahead". He said management expected to see "higher levels of growth within a continuing policy of tight asset management and limited ..

Consumer research had shown that the company's logo was not well received, and a new logo would be introduced which was more elegant and more in tune with its fashionable merchandise (232)

This year Smart celebrates its 25th anniversary The company started trading in 1968 in three small stores in Pretoria In July 1990 it listed on the JSE and in the following year, Pepkor gained a majority shareholding from Tradegro.

Fox said good asset management and a strong balance sheet had enabled Smart to speed up its store development programme during the past year. Taking advantage of a soft property market, it bought new stores and enlarged others.

The programme, which had affected more than 30% of the company's stores — had had a short term negative effect on operating margins. Fox said the benefits would flow through in the next few years."

Chairman Christo Wiese said that in the recession, Smart's strategy had been to pursue growth and limit the amount of discounting, thereby maintaining margins Although the store development programme had reduced the operating margin, it was still satisfactory at 13%.

Speciality expecting a real improvement

Buss. day. 3/6/93

MARCIA KLEIN

RETAIL group Specialty Stores was expecting a real increase in profit and earnings in financial 1994, chairman Nic Labuschagne said in his annual review.

Although the coming 12 months would not be much easier than the previous year, he said there was still "significant profit potential throughout the group".

In the year to end-February, Specialty reported a 2% increase in earnings to 84,9c (83,5c) a share on a 26% turnover rise to R368,8m (R293,6m).

Labuschagne said that all divisions — which included 143-store Milady's, store chain The Hub and 47-store cash retailing chain Mr Price — should show "meaningful improvements in operating margins".

This would be achieved on the back of continued tightening of expenses, productivity improvements and a turn in the downward cycle in consumer spending towards the end of the year.

Specialty had budgeted for turnover of nearly R500m (R368,8m). Sales of the young cash retailing division — which comprised the merged operations of Mr Price and Footgear — would exceed R100m Labuschagne said that the growth in cash retailing was in line with the group's strategy of achieving a better balance between the credit and cash businesses.

During the past year, the group had opened 12 new Mr Price stores, one Hub and one Milady's.

Labuschagne said 1993's results had been satisfactory, "but well below the true potential of the group"

Milady's and the Hub had reported declines in profitability. But the performance of the credit divisions had been compensated for by a significant improvement in profitability in the cash retailing division

Joint MDs Stewart Cohen and Laurie Chiappini said despite the fact that the past years had been difficult for retailers, the group had maintained its eight year record of unbroken earnings growth and remained " confident for the future".

Commenting on divisional performances, they said Milady's had difficulty exceeding the high base of the previous year, and reported a 9% decline in operating profit.

However, it had budgeted for a healthy improvement in performance on the back of tight cost controls and improved margins

Turnover was expected to exceed R200m, and the directors said that it now had the critical mass and systems infrastructure to show a strong rise in operating profitability. (232)

The Hub's margins had come under pressure, and its operating profits had dropped by 9%. It had also forecast a return to its "normal pattern of strong annual profit growth".

Cash retailing showed a significant improvement in profits due to more aggressive and focused buying and a national marketing campaign.

Another 10 Mr Price stores would be opened this year, mostly in the Transvaal. The current trend of increasing margins and profitability was expected to continue in this division, the MDs said.

Financial director Chris Tuill said cash sales were expected to grow to 36% of total planned turnover in the coming year, and the group planned to raise this to 50% in the medium term.

UAL projects team to form own company

Buss. day 3/6/93

LINDA ENSOR

CAPE TOWN — UAL Merchant Bank's entire projects team — including projects GM Leon Kirkinis — has resigned to form an independent financial engineering company in the securities market

The resignation of Kirkinis and senior managers Greg Barnes, Durk Holtes and Daan Wandrag about 10 days ago was confirmed yesterday by UAL managing director Geoff Richardson.

Kirkinis said the new, still to be named, company would be involved in developing, creating the market for and trading in new securities and in constructing unique financial solutions for the new SA.

An approach had been made for a substantial business partner to acquire a minority stake in the company, details of which would be released later.

Kirkinis was "absolutely" confident that the new company would draw the clients which used the team's services at UAL. The division had been a highly successful one for UAL, he noted.

The creative team had been together for six years and had a successful track record of developing innovative new product developments, including the recently announced Eskom Electrification Participation Notes, the Collateralised Housing Investment Paper (Chips) for low-cost housing and the Land Investment Trust for township land development.

The team was also responsible for developing the stripped zero coupon bond market and UAL's guaranteed unit trust-linked products.

The resignations occurred about the same time that Syfrets Managed Assets MD Leon Campher and five senior executives announced their resignation to form a new asset management company, Coronation Asset Management. Administration and research staff followed in their wake.

The Syfrets Managed Assets team resigned after their demands for equity participation were rejected by parent company Nedcor.

UAL is a sister company of Syfrets within Nedcor which has apparently adopted a firm policy against equity participation by all but exceptionally senior members of its staff.

(232)

Kirkinis said yesterday that the developments in UAL and Syfrets were unrelated though both revolved around the wish to participate in the equity of their respective companies.

"Due to the entrepreneurial nature of the business, we believe that long-term success is dependent on ownership by management," Kirkinis said, adding that there was no structure within UAL to allow the team to own their own business.

Kirkinis believed that the move to form separate companies was a natural, evolutionary development when people were successful. They then wanted more than profit sharing and incentive bonuses — they wanted to own their own companies.

Meanwhile, Syfrets joint MD Ashton Dominy said the first new appointments at Syfrets Managed Assets would be announced today. Two key portfolio management positions were being finalised. Dominy said Syfrets Managed Assets should be back to full strength in portfolio management by the end of the week and all key positions filled by June 15.

Denel's R235m profit pays dividend to state

Buss day 3/6/93

PETER DELMAR

COMMERCIALISED arms-based conglomerate Denel has declared a net profit of R235m and a R60m dividend for its only shareholder, the state

In its first year of operation, the former Armscor recorded turnover of R2,818bn from its 22 subsidiaries and divisions, against a budgeted income of R2,737bn. It paid R54m in tax.

Sales to government accounted for 55% of turnover, but the annual report predicted that this would decline within five years Exports of military arms to 37 countries accounted for 17% of income, or R480m. Exports by subsidiary Lyttelton Engineering (LIW) were R280m. It is believed most of these foreign earnings were made up of sales of LIW's G-5 and G-6 heavy artillery equipment. (2-32)

MD Johan Alberts said local and foreign orders for delivery during the current financial year or later were worth R1,9bn.

Because of recent defence cutbacks, Denel was still operating at below capacity. But Alberts said Denel hoped to increase turnover by up to 40%.

Chairman John Maree commented "To turn the sword into a ploughshare is the marvellous ambition which we have. But let me say, the market for ploughshares at this point in time is limited"

Denel's subsidiaries cover activities ranging from aircraft and vehicle manufacture to property management and advertising. Denel aimed to turn the commercial product portfolio, combined with exports, into the dominant part of its turnover within five years, Alberts said.

Explosives and ammunition maker Naschem contributed R165m to turnover, of which half came from export earnings. Another ammunition-manufacturing subsidiary PM exported 68% of its R145m income. Aviation division Simera posted income of R671m

PETER DELMAR

DENEL plans to take SA into the space age with a locally developed mini-satellite which could create thousands of jobs.

The company said yesterday its low-orbit Greensat would be marketed internationally from next week. The satellite weighed a fifth of similar satellites sold by other countries, and would cost about 20% of rival products' $300m price tag.

Denel chairman John Maree said low-level satellites were particularly useful for natural resource management, including the monitoring of pollution and geological surveys, and for town and regional planning and map-making. They orbited 300-700km above earth and covered specific areas within national boundaries.

Speciality expecting a real improvement

Buss. day 3/6/93

MARCIA KLEIN

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(232)

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Financial director Chris Tuill said cash sales were expected to grow to 36% of total planned turnover in the coming year, and the group planned to raise this to 50% in the medium term.

Buss. Day 4/6/93

Profit-share scheme pays dividends

MATTHEW CURTIN

WORKERS at Anglo American's Freegold and Ergo gold producers earned R32m and R4,2m respectively in profit-sharing bonuses in the year ended March 31, chairman Clem Sunter said yesterday.

The bonuses, negotiated between unions at company level during wage talks with the Chamber of Mines, were equivalent to average 3,7% and 10% additions to workers' paychecks in the two companies

However, the employment level continued to fall at Freegold which employed an average of 87 673 staff and contractors compared with 92 588 the previous year. Staff numbers at Ergo were almost unchanged at 1 654.

Sunter said in his yearly review of the companies' performance "Employees' understanding and acceptance of the (profit-sharing) scheme has been recognised as fundamental to its success and considerable effort is being made to ensure that the relevant information is disseminated among the workforce"

He said industrial relations at Freegold were "generally constructive" in the year.

"The parties have reached a common understanding of the company's problems and challenges, and have obtained general consensus on ways of tackling these issues," Sunter added. (232)

Extensive talks had taken place between management and workers after 86 deaths during the anti-VAT stayaway in November 1991 Hostel residents had elected boards of governors to two of Freegold's three hostels by mid-May this year, with elections pending at the third, following points raised by the Goldstone commission.

In addition, the Anglo/NUM negotiated "individual dismissal dispute and adjudication procedure" was fulfilling its role as a speedier, cheaper process for the resolution of disputes arising from individual dismissals.

Good progress was also made in the year in labour relations at an industry level, Sunter said.

However, Freegold's safety record was mixed in 1992/93

Disabling and reportable injury rates showed "slight increases" and seven workers had died in rockfalls at the Western Holdings mine in January. However, the overall fatality rate had dropped 24% in the year

Lower capital spending helped Freegold lift after-tax and capex profit to R290m (R279,5m) after poorer operating profit in the year.

Ergo's bottom-line profit rose marginally to R27,6m from R25,1m as increased capital spending ate into improved operating and after-tax performances

Buss. Day

Boart joins Polish group

4/6/93

MZIWAKHE HLANGANI

MINING equipment manufacturer Boart International had signed a joint venture agreement with Poland's state-owned copper mining company KGHM Polska Miedz SA, Boart chairman Hilton Davies said (232)

The joint venture would trade as Boart Lena. Boart would contribute R11m to the venture in return for a 51% stake in the new company, which would manufacture and market mining equipment in Lena, Poland.

In terms of the agreement, Boart would provide equipment, technology and finance for the project, Davies said

Davies said the venture signalled a strengthening of Boarts's presence in the eastern bloc

Prospects for growth were good, and new products would be developed for Polish and other eastern European markets, he said.

The plant would start operating in October.

Good news debt figures 'a mirage'

Buss. Day 4/6/93

GERALD REILLY

PRETORIA — Commercial and consumer debt dropped dramatically in May compared with April, the Information Trust Corporation said this week, but economists warned that it was likely to have been a statistical aberration.

They said there were no good reasons for a turnaround in the trend of increasing overall debt.

ITC figures showed a decline of more than 10 000 to 34 111 in consumer debt judgments in May compared with April Also the value of judgments dropped from R2,8m to R2,03m

(232)

Commercial debt judgments decreased from 5 532 in April to 5 279 in May The amounts involved totalled R55m in April and R51m in May

However the year-on-year figures show a big increase. In May last year there were only 3 836 judgments, involving R24,573m

This supported the view of economists that comparisons of May's figures this year with those of April could prove to be an economic mirage.

The number of liquidations of companies and close corporations declined to 141 in May from 157 in April, and sequestrations of individuals and partnerships fell to 256 from 370

There was also a decline in the value of dishonoured cheques — to R1,9m in May from R2,7m in April

Absa senior economist Adam Jacobs recommended caution in interpreting the figures They could be and probably were a statistical aberration, he said

Underlying factors pointed to little change in the trend for debt, insolvencies and sequestration to remain at uncomfortably high levels

A basic reason for the debt problem was that too many people were unwilling to compromise their living standards and were falling deeper into debt

For a number of reasons — including higher VAT, high interest rates, unemployment and inflation — disposable income would continue to shrink

The present distress could continue until a new government was in place, and then it would improve only if that government inspired confidence and trust

Stellenbosch University Bureau for Economic Research economist Nils de Jager said the bureau's surveys continued to show continuing retrenchments in most sectors.

Although there would be no significant turnaround in the debt problem by the year's end, inhibiting factors such as continued high interest rates, political uncertainties, unrest and bracket creep could dampen credit demand

Another factor was that the creditworthiness of many spenders had been exploited to the full

Malbak sells Standard stake

Star 4/6/93

By Sven Lunsche

Malbak has sold its 38 percent stake in Standard Engineering for R155 million to Murray and Roberts in terms of an option agreed to when M&R first made an offer to Standard minorities in 1991.

M&R, which will be paying cash for the stake, now owns 76 percent of Standard. (232)

The purchase consideration of R154,4 million is based on a price of R11,47 per Standard share.

Malbak says the sale is in line with its objectives to focus its business on consumer related products and would have a minimal impact on earnings. In the six months to February earnings would have fallen 1,1 percent.

Standard's inclusion would have boosted M&R's earnings by 1,7 percent in the second half of last year. It fits well into M&R's focus on fixed investment related businesses.

Specialty sees better times ahead

Star 14/6/93

By Derek Tommey

Specialty Stores, which had a turnover last year of R369 millionm, is expecting better times and profits this year

Chairman Nic Labuschagne says in his statement to shareholders the company expects the downward cycle in consumer spending to turn later in the year.

"This, together with the tightening of expenses and productivity improvements achieved over the past few years, should result in meaningful improvements in operating margins in all divisions.

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"While we do not expect a much easier year, there is still significant profit potential throughout the group, and thus a real increase in profits and earnings should be attainable."

Joint managing directors Stewart Cohen and Laurie Chiappini say sales this year should be close to R500 million from more than 200 stores.

"In Milady's, The Hub and Mr Price, the group has three profitable chains.

"Operating margins will rise in the years ahead as trading conditions improve.

"But a major improvement will come from exploiting the systems infrastructure in which we have invested over five years.

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"Almost all sales are now recorded on the 620 point-of-sale terminals and this provides instant information on merchandise movements

"The resulting lower markdowns and higher sales densities will significantly enhance margins," they say.

High-flying Clicks reveals plans for another share split

Star 4/6/93

By Tom Hood

CAPE TOWN — Clicks Stores is to sub-divide its shares to make them more marketable, giving shareholders 10 new shares for each ordinary (currently worth R29).

Shareholders were previously given two for one when the holding company was formed, so that investors who bought shares at the debut price of R1 now have an investment worth almost R60 a share.

Announcing the share split, chief executive Trevor Honneysett disclosed yesterday the company proposed to change its name to Clicks Group Ltd for a more accurate reflection of its position as an investment holding company apart from its trading subsidiaries Clicks Stores, Dickom Stores and Musica Stores.

(232)

The group is also seeking JSE approval to increase its authorised share capital from 226 million to 325 million shares after the split.

Turnover grew almost 29 percent to R950 million for the year to April, including for the first time the turnover of the Musica chain.

Trevor Honneysett . . . one new store a week

This figure should grow again in the year ahead.

Honneysett, who said he was bullish about prospects, disclosed that one new store would open every week in the current year.

Operating profit was 17 percent up at R55 million and by using the proceeds of the rights issue to pay off borrowings and slash its interest bill to only R717 000, pre-tax profit jumped 27 percent to R54,3 million.

Earnings were also up 27 percent to 138c a share from 123c for the previous 14 months, despite the increase in share capital.

The final dividend of 27c raises the total payout to 46c, against 48c for the previous 14 months.

Dividend cover has been increased from 2,4 to 3 times to help finance growth and market share.

Honneysett said 34 stores — 10 Clicks, 17 Diskom and six Musica — were opened in the year, bringing the total to 293.

"It's obvious the group had a fast-moving merchandise formula that worked in recessionary times.

"Achieving growth of this scale in a deepening recession, which included a disappointing Christmas and a particularly poor April after the assassination of Chris Hani, reflects both an increased market penetration and growing support from existing customers," he said.

Wiese calls for faith in future

Star 4/6/93

By Stephen Cranston

If South Africans ever needed faith in the future, along with drive and enthusiasm, the time is now, says Pepkor chairman Christo Wiese.

In the annual report for the year to February, Wiese says the economic climate is characterised by pessimism, a lack of trust and an unwillingness to commit to the future.

"The time has come for business leaders to break out of the cocoon of depression that has enveloped the economy; to take a fresh view of the new environment in which we must do business here and overseas; and that they skilfully develop the possibilities which open up for us to the advantage of the entire community."

At the release of the annual report last night, Pepkor vice-chairman Nols Louw, speaking for Wiese, who was ill, said Pepkor had adapted to new circumstances by decentralising to autonomous and profitable units.

Pepkor now comprises a corporate office which deals at arm's length with the operations and is not involved in the day-to-day running of the business.

Its role is to act as a sounding board and as informed, keenly interested owners to help operational management decide on major areas of opportunity.

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Core business

Pepkor's core business, Pep Stores, launched its Pep mini-store concept during the year, giving access to smaller shopping nodes in line with the policy of taking outlets as close as possible to customers.

Pep also carefully assessed and rationalised stores. It integrated the Frasers mine stores which fitted the Pep formula into the chain.

Overall, 57 stores were opened, but after closure and the disposal of poorly performing stores, the net number rose by four.

The number of Your More Stores in Scotland rose from 15 to 29 during the year and a further 20 are planned for this year.

Shoprite/Checkers managing director Whitey Basson said a focus on price had helped turn Checkers into a profit contributor. The group's market share grew 13 percent during the year.

The group converted 19 Checkers stores to the Shoprite trade name, resulting in a sales growth of more than 40 percent. A further 40 Checkers stores would be converted to the Shoprite name.

Referring to the current industrial action against Shoprite/Checkers, Basson said that although labour relations remained tenuous, he was committed to negotiation and resolving the dispute in the best interest of all stakeholders.

Anglo: Huge and getting bigger

Wmail 4/6 - 10/6/93. (232)

Anglo American released its annual report and boasted that big is beautiful. The corporation also described its new projects

REG RUMNEY *reports*

ANGLO AMERICAN flourished its annual results at a presentation this week as evidence that diversity is strength Going on the offensive against suggestions Anglo might follow Gencor's recent unbundling move, chairman Julian Ogilvie Thompson used the after-tax profit to defend bigness.

At R2,461-billion this is down five percent for the year ended March 1993 compared with the previous financial year

"The logic of the corporation's business and geographic diversity was again demonstrated in a year in which recession continued to grip most of the world's economies," stressed Ogilvie Thompson in the comment that accompanied the annual report.

The idea seems to be that poor performance in one part of the economy, business sector or world is balanced out by good performance in other parts. The downside continues to be the poorer rating investors accord a company whose main business they cannot get a handle on Anglo shares continue to trade at less than the company is actually worth. Based on the net asset value of almost R36-billion, or 15 392c a share, the gap between what investors are prepared to pay and the worth of the company was around 11 percent midweek when the shares traded around 13 700c.

That creditable five percent decrease in a bad year also hangs on a not-to-be repeated windfall of R114-million arising from the reduction in the tax rate of associate Amcoal to 40 percent Attributable earnings before that abnormal income were 14 percent down.

Also, Anglo's bottom-line profit for the 1993 year is 21 percent down from the 1990 peak of R3,117-billion.

Anglo also gave presentations on six big business ventures it is engaged in, as a way of showing what a big company can do Present alongside JOT were Anglo heavyweights Graham Boustred, Les Boyd and Clem Sunter to field questions.

The ventures also demonstrated the mind-boggling diversity of the interests Anglo is prepared to tackle — from precious metal to food to batteries for electric vehicles. Is there another company in the world that is involved in businesses as diverse as those represented by the Moab gold mine, the Namakwa sands project, the Columbus stainless steel project, South American ventures, the Del Monte Foods-Royal deal and a hi-tech battery for electric vehicles?

Ogilvie Thompson expanded on his theme, saying the new projects flow from technical skills, cross-pollination of ideas and entrepreneurial initiative in the different divisions of the group

The projects made the best use of limited skills and financial resources, he said. Only a company of the size of Anglo could afford the risk of engaging in new ventures of such size, he said.

Continuing the official line, Anglo's Michael O'Dowd discusses three of the big South African ventures, Namakwa, Moab, and Columbus, in the Anglo's magazine, *Optima*.

The capital cost of these projects together will be an enormous R5,5-billion But to put it into perspective, O'Dowd notes that this represents less than five percent of the new investment expected to take place in South Africa over the five years during which these projects will be developed.

The number of jobs actually created by that capital spending will be small The Columbus stainless steel project, for instance, will employ no more than 2 000 people.

Boyd explained at the presentation that Columbus was a "brownfield" rather than a "greenfield" project in that it had taken over the existing Middelburg stainless steel plant as a basis for expansion.

When it was taken over the plant produced 120 000 tons of stainless steel a year It is running now at 140 000 tons, and will be taken to 180 000 tons, with a total of 1 800 people, more or less the same number as were employed.

Eventually the plant will produce 500 000 tons of stainless a year with only a minimal increase in staff. O'Dowd puts the number at 2 000 employees.

This will make Columbus the third largest stainless steel producer in the world, and also put it in the world productivity league.

The small number of formal sector jobs underlines the lack of direct, formal sector job creation which can come from capital-intensive projects designed for highly competitive export markets.

Boyd stressed, however, that Columbus would create a multitude of opportunities in downstream and service industries. He said an estimated 10 000 jobs could be created in this way

However, many of those depend on the ability of local entrepreneurs to make use of the the stainless steel produced to make goods such as stainless steel pots and pans, and the availability of this raw material at a competitive price.

Temporary jobs will be created by the capital spending of Namakwa Sands, 90 percent of which is South Africa-based.

Anglo expects the Del Monte deal to produce jobs downstream as well. It is estimated the increase in food offtake from South Africa for Del Monte Foods International markets in Europe will create 50 000 to 60 000 jobs, chiefly in the western Cape.

The flip side of the coin of such capital-intensive projects is potential earnings of desperately needed foreign exchange.

Columbus is projected to earn foreign exchange of R16-billion in 1993 money terms in its first 25 years of operation

The Namakwa Sands project will bring in around R360-million a year in 1992 money How much Moab will earn depends on the gold price, but at its peak it will produce 13 tons of gold a year

Unlike manufactured goods, the use of foreign exchange in the production of exports is small Mining uses far less foreign exchange than, say, a project in the motor industry would to produce for export.

While, the range of projects detailed shows its diversity, Anglo is still very much a mining company Only around 28,7 percent of Anglo's earnings come from activities not related to mining.

Though it earns more from diamonds, in gold mining Anglo remains predominant. Its output of gold in 1992 was 277 tons, more than double that of its nearest rival Gold Fields SA, at 123 tons.

So despite its diversification, a rise in the gold price means a lot to the corporation — as long as it does not bring with it an increase in costs.

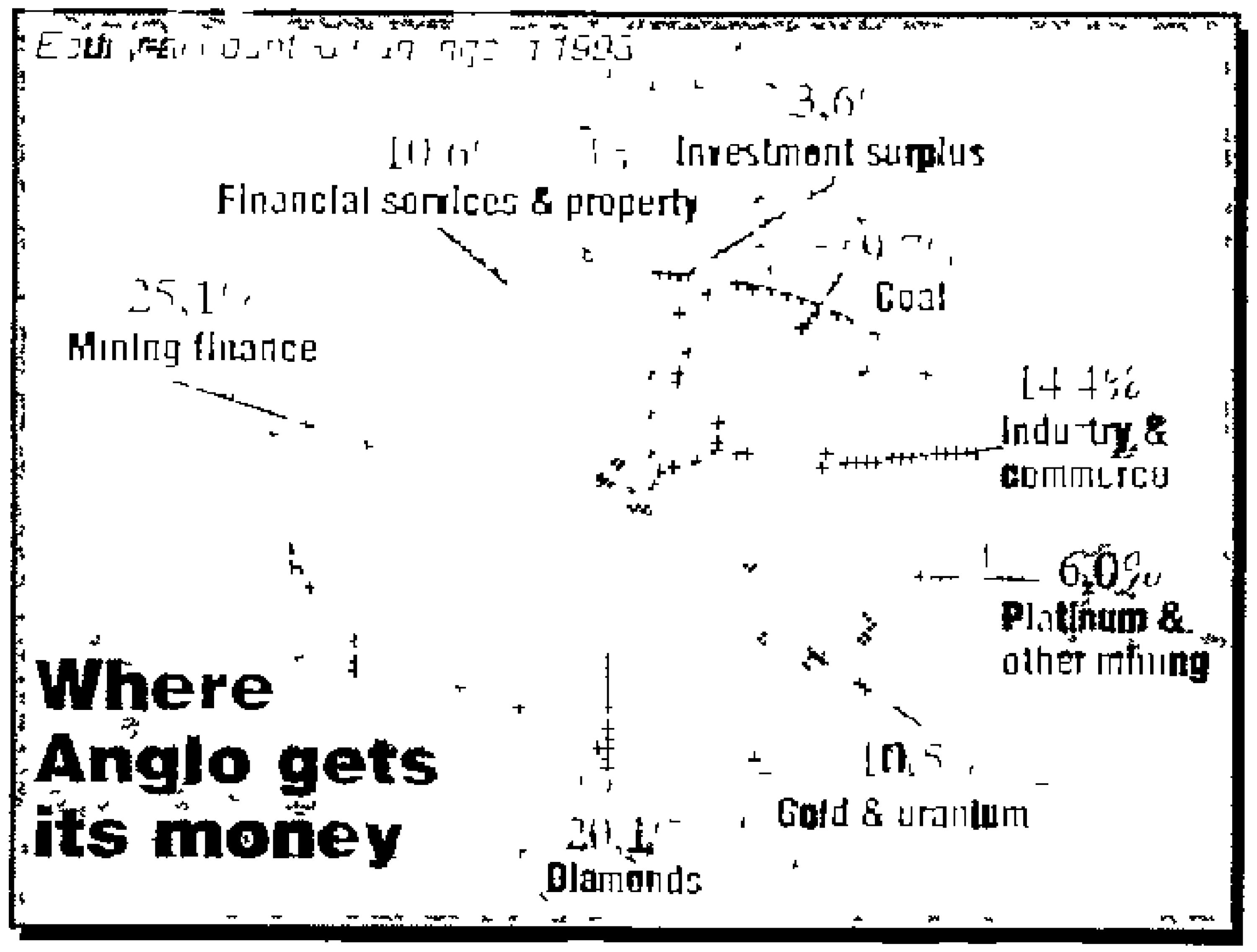
With no doubt an eye on increased pressure from the National Union of Mineworkers (NUM) Anglo gold division head Clem Sunter noted that Anglo had kept a lid on costs

The Moab gold mine also illustrates the nature of risk in large-scale projects such as Anglo has undertaken.

These projects are not technical breakthroughs, like AECI's biotech project. Only the battery project could be described as technologically innovative The rest are either simple, such as the Namakwa Sands project, which O'Dowd describes as an earth-moving job with a novel metallurgical process to beneficiate the ilmenite produced, use mostly existing technology such as Columbus, or are not new to Anglo, such as Moab

While the technical risks are not great, O'Dowd says, the market risks exist. Moab depends — as the other two do — on a view of the future price of its product.

Anglo, he says, has taken much greater risks, such as the opening of the Free State and Western Deep Levels gold fields.



FM 4/6/93.

SAFIA

Close out

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The SA Financial Instruments Association (Safia) is closing at the end of the month The organisation, formed in 1988 as the SA Futures Industry Association, played a key role in the development of the futures market Apart from overseeing the examination for futures traders, it ran seminars and often brought experts from abroad It also held an annual conference at Sun City.

The recession and competition from *Euromoney*, as well as inhouse courses at clearing banks, have undermined demand for its seminars and education programmes. Attendance at recent Safia conferences has declined.

Safia head Brenda Greyling says about 1 800 people have passed the exam since its inception but demand has slipped to two or three a month The SA Futures Exchange will now oversee the exam

Greyling is setting up an operation in Cape Town, "providing information services. I particularly want to educate underprivileged people about finance " ■

HOSKEN CONSOLIDATED INVESTMENTS

FM 4/6/93.

Eye back on the ball

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A rescue plan for HCI could mean a change of control

The 20th anniversary of the JSE listing of Hosken Consolidated Investments earlier this year looked as though it might also be the last HCI and its principal subsidiaries entered 1993 under a staggering debt burden (see table), the legacy of a string of bad investments and unfocused management

HCI has a proud history, dating back to the gold boom of 1888 when William Hosken, an enterprising Cornishman, started in mining equipment Just after the turn of the century, William Hosken & Co was appointed agent for Lloyd's of London — the start of involvement in insurance

Despite a reasonable turnaround for IGI Insurance (55%-held) and improved results for life assurer Safrican Life Investment Holdings (Saflife), HCI appeared to be heading for the wall

Shareholders must have been alarmed to see earnings continue to slide, liabilities growing nearly two percentage points faster than assets, and debt spiralling to R32m when interim results were published (debt was a negligible R3m just 18 months earlier) The share price dropped 59% over the year to R3,50 at the end of April

But since then it has picked up R1, the sharpest increase seen in the past year, while IGI and Saflife record even stronger gains of R1,85 and R1,50 respectively Why?

There's talk in the market of a rescue plan for HCI, conceived by executive chairman Michael Lewis He's not confirming or denying plans to recapitalise through a substantial rights issue, involving the renunciation of rights in favour of an underwriter That will obviously dilute or even change control.

All Lewis will say is that a strategy is being put into place to strengthen the financial structure of the group In addition, he says some unbundling is to take place

"We intend to restructure the group That needs to be done to sharpen our focus. Basically, we are getting back to where we belong — insurance And we will keep the short-term and life operations separate," he says

HCI's structure needs to be cleaned up It's now a confusing mish-mash of mainly insurance holdings, with a number of peripheral interests like property management, computers and printing

Even the core insurance holdings are complex An example is short-term IGI Insurance holding the majority interest in life assurer Saflife, which in turn is the holding company of IGI Life Assurance. A more clearly defined structure could conceivably unlock value Of all its listed interests, IGI Insurance is probably the most undervalued

Lewis

But apart from restructuring, HCI's critical need is for fresh capital Lewis, understandably, won't give any details of who might underwrite the rights issue He won't even confirm it's going to take place. But it's understood that he is negotiating with at least one party

It's rumoured there are as many as five potential suitors, including the Nedcor group and Old Mutual's short-term subsidiary, Mutual & Federal. It's said that even the Board of Executors might be interested in IGI's short-term business.

Another likely candidate is Investec It's no secret the bank has long been keen to expand into insurance and already has its share-swap alliance with Fedsure More recently, Investec started its own insurance broking operation

Lewis, of course, has strong links with Investec, as does HCI through the 1,4m shares it held in the bank and its holding company at its last year-end in March 1992. But Lewis confirms that a portion of that holding has recently been sold, partly to offset the substantial write-offs which are expected when HCI publishes results in the next few weeks Lewis was one of the founders of Investec and remains a non-executive director There's possibly enough mutual benefit to be derived from a link-up.

It's too early to point to a single potential backer, but news of negotiations seems to be driving the HCI group's share prices

Lewis says that when the group's annual results are published, they will show "a reasonable result on the insurance side" Earnings from the main subsidiaries, he says, are expected to show an improvement.

IGI lagged the rest of the short-term industry in returning to underwriting profits, mainly because of some huge write-offs, including R25m in Abacus last year — a legacy of one of the group's investments which turned sour

But at the last year-end, March 1992, IGI turned around, posting an underwriting profit of R9,5m against the previous year's loss of R9,1m At the interim IGI was still on a recovery path, showing an underwriting profit of R2,4m

Problems lie ahead Abacus could be a further drain on profits, though IGI MD

continued

W&A INVESTMENT

Cheek by Jow(el)l

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Activities: *Investment holding company with subsidiaries in manufacture and distribution of industrial and consumer products*
Control: *Waicor 50,1%*
Chairmen: *J Liebesman & R Hasson*
Capital structure: *505,7m ords Market capitalisation R910m*
Share market: *Price· 180c Yields: 6,1% on dividend. 12-month high, 405c; low, 165c Trading volume last quarter, 4,4m shares*

Year to	'90	'91	'92	*'92
ST debt (Rm) .	89,1	197,6	279,2	•197,2
LT debt (Rm)	942,4	867,7	1126,3	589,6
Debt equity ratio	0,98	0,87	2,1	0,56
Shareholders interest	0,35	0,34	0,23	0,46
Int & leasing cover	2,4	2,1	1,4	1,4
Return on cap (%)	11,7	12,5	8,0	8,0
Turnover (Rm)	3 037	3 228	3 189	3 189
Pre-int profit (Rm)	316,7	335,5	237,6	237,6
Pre-int margin (%)	10,1	10,3	7,0	7,0
Earnings (c)†	73 9	68 5	(40,0)	n/a
Dividends (c)	37,1	43,3	11,0	n/a
Tangible NAV (c)	288	239	(32)	119

* Pro-forma after rights issue
• FM estimate
† Undiluted

The 1992 results for W&A, principal operating company in the FSI group, are abysmal — but that is hardly news What will catch the investor's eye is the way the results are set out in the accounts and — even more important — how Trencor-type accounting policies are being brought to bear

It is no secret W&A was in trouble with its bankers and that Absa made it plain remedial action was needed urgently And it is generally conceded in the investment community that CE Jeff Liebesman executed a brilliant coup when he persuaded blue-chip Trencor to come on side.

Trencor's Neil Jowell spelt out his views right after the deal in unequivocal terms Trencor's board was satisfied it was buying into a (troubled) group possessed of many sparkling but underperforming assets, and

Joint chairman Liebesman .

. **and Trencor's Hasson**

he was quietly at ease with the price

In an exclusive interview with the *FM*, Jowell said the tried and trusted accounting principles which had stood Trencor in good stead would be introduced in W&A/FSI He knew full well one result would be copious red ink in the 1992 accounts For a man who had just committed his group to a huge and potentially demanding investment, Jowell was remarkably unperturbed.

Since then, Trencor troubleshooter and key strategist Ray Hasson has become a joint executive chairman (brothers Neil and Cecil Jowell will also join the board), a successful rights issue has raised R750m throughout the group, and a start has been made on implementing prudent accounting policies

However, some difficulties of interpretation have arisen For a start, R156m has been written off patents, trademarks and goodwill

There will be some dispute about the treatment; it has been brought to account in the balance sheet in a manner rudely described by some accountants as a "dangling debit " The inference is that the directors know they have to put it somewhere but aren't quite sure where

Extraordinary items of R218m below the line in the income statement include R50m for what is described as an "amount written off current assets arising from the adoption of stricter valuation criteria " This appears to be, in effect, an admission of a fundamental error in previous years — not unexpectedly, Liebesman denies this However, in the absence of detailed information, the *FM* believes the amount should have been charged against attributable earnings

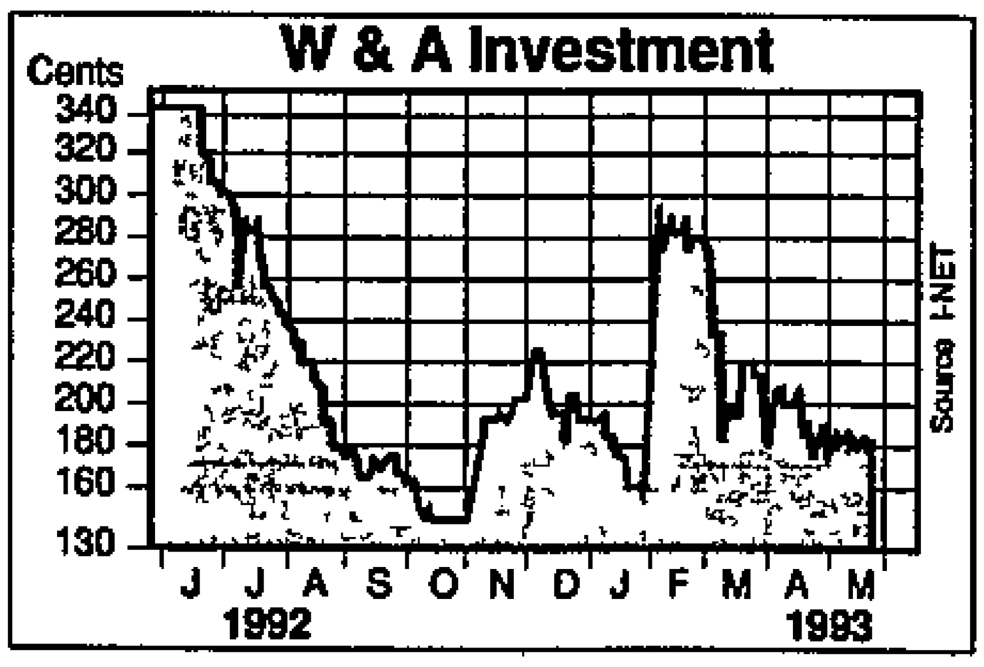
Lastly, attention must be drawn to the calculation in the accompanying table of tangible NAV as a negative 32c a share. The *FM*'s policy is to disregard as equity sums raised through debentures, whether these are compulsorily convertible or not

In the case of W&A, this means ignoring R303m. Liebesman says this is patently wrong, citing the trust deed which provides that, in the worst case — liquidation — the holders of these debentures will rank *pari passu* with ordinary shareholders

The *FM*'s view is that debentures aren't equity until they are actually converted

W&A's position at balance sheet date — December 31 — was parlous However, the rights issue has changed matters materially. Our table uses a post-rights issue *pro forma* which illustrates the dramatic way in which matters improve gearing declines from more than 200% to 56% and shareholders' interest doubles to 46%. What's more, tangible NAV (on the *FM*'s method) improves to a positive 119c a share

For the rest, most investors will know the bad news Last year was one best forgotten Even applying the company's figures, the attributable loss of R11,5m meant the final dividend was passed Liebesman believes the



group will return to profitability this year and dividends will be resumed So they should, after an injection of R750m to restore capital credibility

Can the Trencor and Hasson/Jowell influence restore W&A as a leading industrial conglomerate, dependable even in bad times, always reliable?

The *FM* would bet it can

David Gleason

VEKTRA/VAREX FM 4/6/93.

Shuffling the pieces

Investors will have to wait till next year to evaluate the acquisition of control of Varex by W&A subsidiary Vektra The deal is a reasonably simple reverse takeover Eddies, since renamed Varex, bought Femo, Parts

cont

UNIDEV FM 4/6/93

Still shrinking (232)

This investment group has shrunk dramatically in the past two years and further contraction can be expected as it strives to ease its enormous debt burden The directors have issued cautionary notices on Unidev and its parent, Unicon A clearer picture of their future should emerge within weeks

Since joint MDs Alan Chonowitz and Jon Brett moved from W&A in 1991, Unidev has shed investments in, among others, Rusfurn and Equikor In the past few weeks Hyperette, of which it held 31%, was liquidated, leading to an extraordinary charge of R13,9m, which had a big effect on NAV

Unidev also traded its 50% stake in the Medicor hospital group to Southern Life in return for debentures convertible to either shares in the hospital group's operating companies or about 1,1m Southern shares

The only operation left is wholly owned Prestige, which makes and sells household products Chonowitz says Prestige is performing well considering the recession But Medicor was responsible for the bulk of the R6,8m operating income generated in the 14 months to end-February — an annualised improvement of 18%

Chonowitz says Unidev must get rid of much of its stifling debt At year-end, interest-bearing debt of R28m was almost double shareholders' funds Total debt, which includes a R19m interest-free bank loan, is 4,5 times greater than shareholders' funds

He says a few proposals are being considered and he does not rule out delisting one or both groups The debentures received for the

DEBT LAGGED

Year to Feb 28	1991	*1993
Operating income (Rm)	4,9	6,8
Attributable (Rm)	2,0	2,7
Earnings (c)	2,0	2,1
NAV (c)	19,4	10,7

* 14 months

Medicor stake will probably be converted into Southern shares This could enable debt to be cut by about R34m And R700 000 could be raised by selling the remaining Equikor shares

Chonowitz says that if all goes well, Unidev will be left with little debt What will be left of Unidev remains to be seen

Simon Cashmore

(232) (230)

house sector Year-end NAV was R153,92 a share, but by last Friday this had climbed to R184, the share price's discount to this is 25,5%, having narrowed from almost 40% late last year The share should benefit from any further increases in the gold price, but otherwise it looks fully valued *Andrew McNulty* exempted from rent control, on condition that, subject to the provisions of section 28 of the said Rent Control Act, 1976, during a period of three calendar months as from the date of exemption of the relevant premises from rent control, the lessor may not require the lessee to vacate the premises, and further that during a period of two years as from the date of exemption of the relevant premises the rental in respect thereof shall not be increased by more than 10% per annum

J. T. ALBERTYN,

Ministerial Representative.

South-Western Cape.

van huurbeheer vrygestel is, op voorwaarde dat, behoudens die bepalings van artikel 28 van genoemde Wet op Huurbeheer, 1976, gedurende 'n tydperk van drie kalendermaande vanaf die datum van vrystelling van die betrokke perseel van huurbeheer die verhuurder nie van die huurder mag vereis om die perseel te ontruim nie, en voorts dat gedurende 'n tydperk van twee jaar vanaf die datum van vrystelling van die betrokke perseel die huurgeld ten opsigte daarvan nie met meer as 10% per jaar verhoog mag word nie

J. T. ALBERTYN,

Ministeriele Verteenwoordiger

Suidwes-Kaapland.

SCHEDULE

Address of premises	***Situation of premises***
1A and 1B Duthie Street, Malmesbury . . .	Erf 804 at Malmesbury.
3 Mark Street, Parow Valley . .	Erf 10216 at Parow
4 McCarthy Street, Parow .	Erf 4423 at Parow
31B St James Street, Somerset West .	Erf 928, Somerset West

BYLAE

Adres van eiendom	***Ligging van eiendom***
Duthiestraat 1A en 1B, Malmesbury	Erf 804 te Malmesbury
Markstraat 3, Parowvallei	Erf 10216 te Parow
McCarthystraat 4, Parow . .	Erf 4423 te Parow
St Jamesstraat 31B, Somerset-Wes . .	Erf 928, Somerset-Wes

GENERAL NOTICES

NOTICE 465 OF 1993

FINANCIALSERIVCES BOARD

THE JOHANNESBURG STOCK EXCHANGE

NOTICE REGARDING
AMENDMENT OF RULES

232

1. In terms of section 12 (6) of the Stock Exhanges 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 the date of publication of this notice

ALGEMENE KENNISGEWINGS

KENNISGEWING 465 VAN 1993

RAAD OP FINANSIELE 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

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PROPOSED AMENDMENTS TO THE RULES OF THE JOHANNESBURG STOCK EXCHANGE

1. PROPOSED AMENDMENT OF RULE 5.200.1

Trading procedures—Put-throughs

5 200 5 200 1 A broking firm which has an order to buy and an order to sell the same listed security on behalf of clients (excluding an order on behalf of a company in which the broking firm, its members or directors have a direct or indirect financial [an] interest and an order on behalf of a member of its staff) may, whether or not a sale has been recorded on the prices board, put these transactions through another broking firm subject to—

5.200.1 1

2. PROPOSED AMENDMENT OF RULE 5.270.6

Safe custody scrip

5 270 5.270.6 Every broking firm which holds safe custody scrip must balance the securities monthly with the safe custody ledger As evidence that the securities have been balanced, the broking firm shall furnish the Committee with a certificate to that effect. The certificate shall be signed by two partners or directors and shall be lodged with the Committee on or before the 15th day of the month following the month to which the certificate relates In the case of a single director corporate member or a sole proprietor, [one-man firm] the certificate must be signed by the director or sole proprietor and a senior official in his employ Certificates may, in special circumstances, be signed by such other persons as the Committee may approve

3. PROPOSED AMENDMENT OF RULE 8.50.9

Defaults

8.10–8 110 8 50 9 Scrip lent to or borrowed from the defaulter and loans of money made upon security of scrip shall be treated as stock exchange transactions and dealt with [prices fixed] in accordance with 8 60 3

4. PROPOSED AMENDMENT OF RULE 8.60.2

Defaults

8 10–8 110 8 60 2 2[3] "Partially completed transactions" means a transaction involving broking firms or users entered into in terms of these rules which have been completed except for the payment of a monetary accrual or delivery of a scrip accrual

[8 60 2 2 A nominated receiver or deliverer which, because of Clearing House procedures, incurs a loss in closing open transactions shall be reimbursed by the JSE and the JSE shall be entitled to claim the amount of such reimbursement from the Stock Exchange Estate of the defaulter.]

8 60 2 3[4] A defaulting broking firm shall not be entitled to any scrip that has been delivered to the Clearing House for its account by a deliverer and which is stil in the defaulter's Clearing House box and has not been paid for by the defaulter The General manager shall have the power to retrieve any scrip that such defaulter may have taken from the Clearing House box and for which the Clearing House has not been paid in full and which has not been pinned up so as to be identifiable as a client's property. Such scrip shall be returned to the deliverer by placing it in his Clearing House box and debiting his Delivery Account. The tra-Ansaction to which such scrip relates shall be regarded as an open transaction and dealt with in accordance with 8 60 3

8 60 2 4[5] In the event of a broking firm or the members of a broking firm being declared defaulters or a broking firm or user failing to pay its debit balance by the time required under the rules and directives or on demand or in the event of the securities and other property held for its account by the Clearing House being in the opinion of the General Manager insufficient to afford adequate security for its obligation to the Clearing House or failing on demand to furnish additional collateral, the General Manager in his discretion, having been unable to return the scrip to the deliverer under 8 60 2 3[4], may cause all or any of the securities or other property held by the Clearing House for the account of that broking firm or user to be sold The proceeds of such sale shall be applied to the repayment of the defaulter's, broking firm's or user's debit and any surplus shall be paid over to the broking firm, user or the defaulter's Stock Exchange Estate as the case may be.

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5. PROPOSED AMENDENT OF RULE 8.60.3

Defaults

8 10–8 110 8.60.3 The closing of transactions of the defaulting broker for settlement through the Clearing House shall be dealt with as follows.

8.60 3.1 The JSE shall procure that except in so far as obligations to the defaulter are involved, all open transactions or the uncompleted portions of partially completed transactions of the defalting broker are settled by the JSE buying in or selling out the securities in question or taking such other steps as may reasonably be necessary to procure that the obligations of the defaulter under such open transactions, partially completed transactions or settlement instructions are met

8 60 3.2 If the JSE cannot act in terms of rule 8 60.3 1 at a price which the Committee, in its sole opinion, considers reasonable and within such period as may be stipulated in the JSE directives, the JSE shall procure that the open transactions, partially completed transactions or settlement instructions referred to in rule 8.60 3 are reversed at a make-up price, fixed by the Sub-Committee appointed in terms of 8 50 1

[8 60 3.1 Il open transactions and the uncompleted portions of partially completed transactions shall be closed on the day of default

8 60 3 2 All differences shall be based on a price to be fixed by the Sub-Committee

8 60 3 3 Notwithstanding the provisions of this rule special bargains whether concluded by means of a put-through or otherwise and deals in unlisted securities with the exception of unlisted gilts shall be dealt with by the Sub-Committee as it deems fit in the circumstances attaching to the bargain, deal and the default]

6. PROPOSED AMENDMENT OF RULE 8.60.7

Defaults

8 10–8.110 8 60 7 Open transactions for settlement through the Gilt Clearing House shall be dealt with as follows

8.60 7 1

8 60 7 2 All open transactions for settlement outside the guarantee period or which are not for offset, shall be dealt with as follows [in terms of 8 60 3]

8 60 7 2 1 All open transactions and the uncompleted portions of partially completed transactions shall be closed on the day of default

8 60 7 2 2 All differences shall be based on a price to be fixed by the Sub-Committee appointed in terms of 8 50 1.

8 60 7 2 3 Notwithstanding the provisions of this rule special bargains whether concluded by means of a putthrough or otherwise with the exception of unlisted gilts shall be dealt with by the Sub-Committee as it deems fit in the circumstances attaching to the bargain, deal and the default

NOTICE 479 OF 1993

PROVINCIAL ADMINISTRATION OF THE CAPE OF GOOD HOPE

INFANTA· LEGALISATION OF SLIPWAY AND MOORING SITES OPPOSITE ERF 138, PORTION OF ERF 107, BREEDE RIVER LEOPARDS BEACH ESTATES CC

Notice is hereby given in terms of section 3 (5) of the Sea-Shore Act, 1935 (Act No 21 of 1935), that it is proposed to enter into a lease with Leopards Beach Estates CC in which provision is made for the legalisation of a slipway and mooring sites

A locality sketch of the area affected by the proposed legalisation lies for inspection at the office of the Chief Director Nature and Environmental Conservation, Provincial Administration of the Cape of Good Hope, Room 302, Utilitas Building, Dorp Street, Cape Town

Objections to the proposed lease must be lodged with the Chief Director Nature and Environmental Conservation, Private Bag X9086, Cape Town, 8000, on or before 5 July 1993

(4 June 1993)

KENNISGEWING 479 VAN 1993

PROVINSIALE ADMINISTRASIE VAN DIE KAAP DIE GOEIE HOOP

INFANTA WETTIGING VAN SLEEPHELLING EN VASMEERFASILITEITE OORKANT ERF 138, GEDEELTE VAN ERF 107, BREERIVIER. LEOPARDS BEACH ESTATES CC

Ingevolge artikel 3 (5) van die Strandwet, 1935 (Wet No 21 van 1935), word hiermee bekendgemaak dat dit die voorneme is om 'n huurooreenkoms met Leopards Beach Estates CC aan te gaan waarin voorsiening gemaak word vir die wettiging van 'n sleephelling en vasmeerfasiliteite

'n Liggingsplan van die gebied wat deur die voorgestelde wettiging geraak word, lê ter insae by die kantoor van die Hoofdirekteur· Natuur- en Omgewingsbewaring, Provinsiale Administrasie van die Kaap die Goeie Hoop, Kamer 302, Utilitasgebou, Dorpstraat, Kaapstad

Besware teen die voorgestelde verhuring moet by die Hoofdirekteur Natuur- en Omgewingsbewaring, Privaatsak X9086, Kaapstad, 8000, ingedien word voor of op 5 Julie 1993

(4 Junie 1993)

NOTICE 480 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 the date of publication of this notice

KENNISGEWING 480 VAN 1993

RAAD OP FINANSIELE 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 AMENDMENTS TO THE RULES OF THE JOHANNESBURG STOCK EXCHANGE

1. PROPOSED AMENDMENT OF RULE 5.60

Disputes, etc

5 60 5 60 1 In regard to disputes between members or broking firms arising out of stock exchange transactions <u>including, but not limited to, the interpretation of or the enforcement of the rules</u> or otherwise in connection with their rights and obligations as members, no member or firm shall institute legal, arbitration or other proceedings against another member or firm without first obtaining the consent of the Committee and subject to the provisions of the Act

5 60 2 No person shall institute any legal proceedings against the Committee or any member thereof which is likely to have the effect of altering or rescinding any decision of the Committee relating to a dispute in regard to a matter referred to in rule 5 60 1 [transaction]

5 60 3 The Committee shall have the power to intervene [or join] in any legal, arbitration or other proceedings relating to a matter referred to in rule 5 60.1 [the buying or selling of securities by a broking firm] or any other matter affecting the JSE other than a civil dispute instituted by a member of the public

5 60 4[5] The Committee may refuse to adjudicate or may, on hearing any case, make any order, other than an order for monetary damages, [apportion damages between parties] as it deems fit.

[5 60 4 Any person who refers to the Committee for adjudication a dispute relating to a stock exchange transaction shall before the date fixed by the Committee for the hearing of such adjudication—

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5 60.4 1 pay the fee prescribed by the Committee for an adjudication,

5 60 4 2 accept in writing the terms and conditions of adjudication laid down by the Committee and in force at the time such dispute is referred to the Committee]

5 60 5[6] In the case of adjudication by the Committee where a member of the public is concerned, he or his legal successor will be the only person recognised as the complaint in any complaint against a broking member

5 60 6[7] A member [person] referring a matter to the Committee for adjudication shall—[may]

5 6 6 1 state clearly in writing the issues involved and the nature of the dispute,

5 60 6 2 appear at a hearing if required to do so, and [but]

5 60 6 3 [shall] not be entitled to be represented at the hearing or to be accompanied by a legal representative.

5.60.7[8] The Committee may [from time to time and] in its sole discretion determine the type of dispute in which it will adjudicate.

5.60 8[9] Every stock exchange transaction shall be subject to the condition that no client shall be entitled to claim or demand from a broking firm scrip which can be related to or identified with any specific transaction, nor may a client of a selling broking firm insist that the scrip he delivers shall be delivered to a specific broking firm in settlement of a particular transaction

2. PROPOSED AMENDMENT OF RULE 5.61

Disputes, etc.

5 60 5 61 Notwithstanding the provisions of 5 60, the Committee shall have the power to prescribe specific procedures for dealing with disputes between members and [,] broking firms [and other persons] which relate to traded option transactions

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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 WYSIGING AAN DIE REËLS VAN DIE JOHANNESBURGSE EFFEKTEBEURS

1. VOORGESTELDE WYSIGING VAN REËL 5.60

Geskille, ens

5 60 5 60 1 Met betrekking tot geskille tussen lede of makelaarsfirmas wat uit beurstransaksies insluitend, maar nie beperk nie tot die interpretasie van of die afdwinging van die reels of op 'n ander wyse in verband met hulle regte en pligte as lede ontstaan, stel geen lid of firma regs-, arbitrasie- of ander gedinge teen 'n ander lid of firma in [nie] sonder om eers die toestemming van die Komitee te verkry en behoudens die bepalings van die Wet nie

FM 4/6/93 - (232)

SAKER'S

- **Total assets exceed R786 million**
- **Net worth per share increased from R9,42 to R9,95 despite low earnings**
- **Rationalisation reduces cost structure**

Audited preliminary announcement for the year ended 31 March 1993

Boumat Limited

Boumat Limited became a subsidiary company with effect from 1 April 1992 when the Group's holdings in Boumat increased from 32% to 51% During the year this holding was increased to 63% The pro forma figures shown for comparative purposes assumes Boumat became a subsidiary on 1 April 1991

Saficon Motor Holdings Limited

With effect from 1 October 1992 all the motor operations of the Saficon Group were consolidated into Saficon Motor Holdings, which should lead to reduced costs and improved operating efficiency

Results

Saker's sole asset is its investment in Saficon Investments Limited and the comments reported in the preliminary announcement for Saficon published today also apply to Saker's Shareholders are also referred to the preliminary announcement by Boumat which is also published today for information about that company

Earnings per ordinary share amounted to 24 cents (1992 pro forma 81 cents) A final dividend of 5 cents per share was declared on 1 June 1993 and will be paid on or about 15 October 1993

Financial position

The consolidated balance sheet at 31 March 1993 reflects a sound financial position

Future outlook

Our budgets for fiscal 1994 show a material improvement on our results for fiscal 1993

Annual report

The annual report is in the course of preparation and will be mailed to shareholders on or about 30 June 1993

Declaration of ordinary dividend in respect of the financial year ended 31 March 1993

Saker's Finance and Investment Corporation Limited

Notice is hereby given that ordinary dividend No 70 of 5 cents per share was declared by the board of directors on 1 June 1993, in respect of the financial year ended 31 March 1993 This dividend is payable to shareholders registered at the close of business on 1 October 1993 The share transfer register and register of members in Johannesburg and London will be closed from 2 October 1993 to 8 October 1993, both days inclusive Dividend warrants will be despatched on or about 15 October 1993 This dividend is declared in the currency of the Republic of South Africa and the date for determining the rate of exchange at which the currency of the Republic of South Africa will be converted into United Kingdom currency for payment of dividends from the London transfer office will be 14 October 1993 In terms of the Republic of South Africa Income Tax Act of 1962, as amended, non-resident shareholders' tax of 15 per cent will be deducted from dividends payable to shareholders whose addresses are outside the Republic of South Africa

By order of the board
Saficon Group Services (Proprietary) Limited
Secretaries
per **P D Taylor**
1 June 1993

Registered address
1st Floor Saficon Place
10 Sherborne Road, Parktown, 2193
Johannesburg
PO Box 61223 Marshalltown, 2107

Transfer secretaries
Central Registrars Limited
154 Market Street Johannesburg, 2001
PO Box 4844, Johannesburg, 2000

England (Saker's)
Barclays Registrars
Bourne House, 34 Beckenham Road
Beckenham, Kent BR3 4TU
United Kingdom

Audited consolidated income statement
for the year ended 31 March 1993

	1993 Actual (R'000)	1992 Pro forma (R'000)	1992 Actual (R'000)
Turnover	2 696 030	2 694 231	1 530 996
Operating profit	48 107	83 564	44 296
Net interest paid	28 732	38 777	21 380
Profit before tax	19 375	44 787	22 916
Tax	10 100	21 341	10 795
Profit after tax	9 275	23 446	12 121
Attributable earnings of associated companies	99	73	4 330
Profit after attributable earnings	9 374	23 519	16 451
Outside shareholders' interests	6 749	14 594	8 050
Dividends for preference shareholders	50	50	50
Earnings for ordinary shareholders	2 575	8 875	8 351
Dividends for ordinary shareholders	664	-	1 915
Secondary tax on companies	121	-	-
	1 790	-	6 436
Extraordinary items	4 073	-	819
Deferred tax adjustment	(794)	-	-
Earnings retained	5 069	-	7 255

Audited consolidated balance sheet
at 31 March 1993

Fixed assets	132 262	141 524	104 714
Investments in associated companies	3 723	3 498	51 043
Long-term debtors	11 382	10 196	762
Deferred tax	7 133	6 569	8 378
Current assets	633 350	634 163	262 339
Stocks	344 622	362 134	181 094
Accounts receivable	284 331	271 999	80 507
Tax prepaid	3 427	30	738
Total assets	786 880	795 950	427 236
Less Non-interest-bearing debt	476 310	431 947	163 103
Net assets	310 570	364 003	264 133
Financed by:			
Total equity	273 944	275 469	186 659
Ordinary shareholders' equity	108 416	102 725	93 518
Preference shareholders' equity	900	900	900
Outside shareholders' interests	164 628	171 844	92 241
Interest-bearing debt	36 626	88 534	77 474
Net assets	310 570	364 003	264 133

Other information

Number of shares in issue	10 900 472	10 900 472	9 574 060
Earnings per share (cents)	24	81	87
Dividends per share (cents)	5	-	20
Net worth per share (cents)	995	942	977
Debt. Equity ratio	0,13.1	0,32:1	0,42 1
Total debt: Equity ratio	1,87 1	1,88:1	1,29·1

Saker's Finance and Investment Corporation Limited
(Reg No 05/07759/06)

FM 4/6/93

(232)

UNBUNDLING

FM 4/6/93

Litmus test

(232)

The debate on the concentration of corporate power centres on two distinct issues By confusing the two, critics proffer solutions which are not only inadequate but might actually create further problems Davis Borkum Hare economist Jos Gerson explored the issues, at a recent meeting of the Free Market Foundation of Southern Africa

"The first," says Gerson, "concerns the fact that many products in SA are supplied by only two or three large firms whose combined market share is usually overwhelming The second concerns the fact that most of the large companies are controlled by a small number of powerful family shareholders who invariably hold a minority of underlying shares This is achieved by listing a pyramid holding company An owner who holds 50% of a holding company which, in turn, holds 50% of an operating company, has in effect only 25% of the underlying equity in the business Yet, since he holds the majority of shareholders' votes in the holding company, he retains effective control of the business"

In the first case, the solution most often advanced is a vigorous anti-trust policy But, in a small economy, there is a risk that breaking up market share will deprive companies of economies of scale that make them more competitive, locally and internationally The result of such action could well be higher, not lower, prices

The way to improve competition, Gerson suggests, would be to remove the barriers to competition — for instance tariffs which prevent imported substitutes from being sold at lower prices

In the second case, he argues, the problem is illusory "Pyramiding" plays a constructive role, allowing shareholders — through the controlling shareholder — to hold management to account "The shareholding structures that have evolved with the mutual consent of proprietors and outside investors have a compelling logic

"Families whose wealth is locked into the groups they control cannot afford the luxury of being punters (like so many institutional shareholders in the US) but are forced to act as proprietors Furthermore, the return they receive from their equity investment far outstrips the remuneration they may receive as directors and professional managers Therefore, they are less likely to expropriate corporate resources than professional managers who cannot effectively be held to account

"Opponents of pyramids often fail to realise that highly successful proprietors would act quite differently if their pyramids were collapsed and their control rendered less than absolute In such circumstances, they would no longer be happy to keep most of their private wealth locked up in their business

"Following in the footsteps of many British and American entrepreneurs, who diluted their shareholdings to the point where they lost absolute control, they would sell off most of their shareholdings and invest the bulk of their wealth in passive, diversified portfolios The erstwhile proprietor will have become a professional manager Directors' fees will begin to weigh more than the family's return on its shareholding"

Gerson argues further that "requirements concerning the extension of offers to minorities often create problems, especially if, and when, the founding entrepreneur, in the absence of a capable heir, has to relinquish control The solution is to make it easier (not harder as the Securities Regulation Panel has done) for the controlling family to sell all or some of its stake to other entrepreneurs Stringent requirements concerning the extension of offers to minorities serve to hamper this process Facilitating friendly takeovers, mergers and acquisitions should thus be an important concern of the State if it wishes to promote economic growth and the emergence of new controllers"

Proponents of a tough competition policy and dismantling of pyramids often invoke the cause of a free market "In this," says Gerson, "they betray a limited understanding of what markets are all about The market's role as an auction process which sets prices by reconciling the bids and offers of many buyers and sellers is obvious and relatively superficial The market fulfils another, less obvious but extremely profound, role It functions as a long-run adjudicator, constantly choosing among ways of organising firms, production and legal arrangements In this Darwinian landscape, superior firms (and market structures) gradually drive out inferior ones

"This insight, though long appreciated by scholars such as Friederich von Hayek, was overlooked by mainstream US economists (Chicagoans and non-Chicagoans alike) until the Seventies Since then, however, thanks to the work of Ronald Coase, Harold Demsetz, Oliver Williamson and William Baumol, perceptions have altered radically, especially in the field of anti-trust policy"

Gerson says the ultimate test of whether an unbundling exercise is worthwhile from a purely financial or economic (as opposed to political) point of view is whether or not it adds value at the operating company level The discount at which the holding company trades is of much less importance "There is nothing wrong with voluntary unbundling It is forced unbundling that threatens to be destructive and should be avoided" ■

Malbak exercises Standard sell option

EDWARD WEST

MALBAK had exercised the option to sell its 38% stake in Standard Engineering to Murray & Roberts (M & R) in a R154,5m deal, Malbak CE Grant Thomas said yesterday (489)

Malbak sold 13,5-million Standard shares to M & R for cash at R11,47 each This was the weighted average share price over the 60 days before May 27, the effective date of the deal. M & R now holds 76% of Standard (232)

The transaction was in line with Malbak's objective to focus its activities on consumer-related products and with M & R's objective to concentrate on gross domestic fixed investment-related businesses, a statement said.

Standard Engineering's activities include the manufacture and distribution of vehicle components, metal pressings and steel pipes and the design and manufacture of rolling stock. (582)

Thomas said Malbak's decision was a logical step following management control of Standard passing to M & R on May 1

☐ To Page 2

Malbak

Buss. Day 4/6/93

☐ From Page 1

1993 in terms of the agreement of the sale of Standard and Darling & Hodgson to M & R in November 1991. (582)

The deal increased Malbak's cash balance to about R850m. (232)

Thomas said the cash pile was viewed as a good strategic asset in the volatile socio-economic environment, some of it would be invested in existing operations and possible acquisitions. (489)

M & R financial director Lionel Bird said there was much commonality between M & R Engineering's and Standard's businesses

Had the transaction taken effect for the six months to end-February 1993, it would have lowered Malbak's earnings to 55c from 56c a share. It would have increased net asset value to 839c from 816c a share.

M & R's earnings would have increased to 180c from 177c a share had the deal been effective for the six months to-end December 1992. Net asset value would have fallen 5% to 2 184c from 2 299c a share.

No offer would be made to Standard minorities as the Securities Regulation Panel ruled this was unnecessary.

COMPANIES

Buss. Day 4/6/93

Tax charge sends Acrem plunging into red

DUMA GQUBULE

RETAIL company Acrem Holdings, suffering from a higher tax charge, plunged into the red in the year ended March, posting an attributable loss of R481 000 on a marginally lower turnover of R36,7m.

The result followed a 95% drop in earnings the previous year. Below the line was a R758 000 extraordinary charge reflecting legal costs incurred during the year.

A R7m special dividend was paid to delisted parent company Columbia Consultants, and shareholders equity was reduced to R32m (R40,2m). The company said Columbia had used the dividend to settle a R6,2m debt owed to Acme Stores, the Acrem group's main trading company.

Turnover slipped to R36,7m and operating income dropped 11,5% to R4,7m (R5,3m). Interest payments absorbed R2,8m (R3,8m) and net income before tax was down 10,6% to R1,9m (R2,1m). (232)

The tax charge was R2,4m (R1,9m) and the attributable loss came to R481 000.

The tax charge included R1,4m for a four-year phase-in of taxation on a portion of instalment sale allowances no longer allowed by the Act. (38)

Pick 'n Pay to step up growth — Ackerman

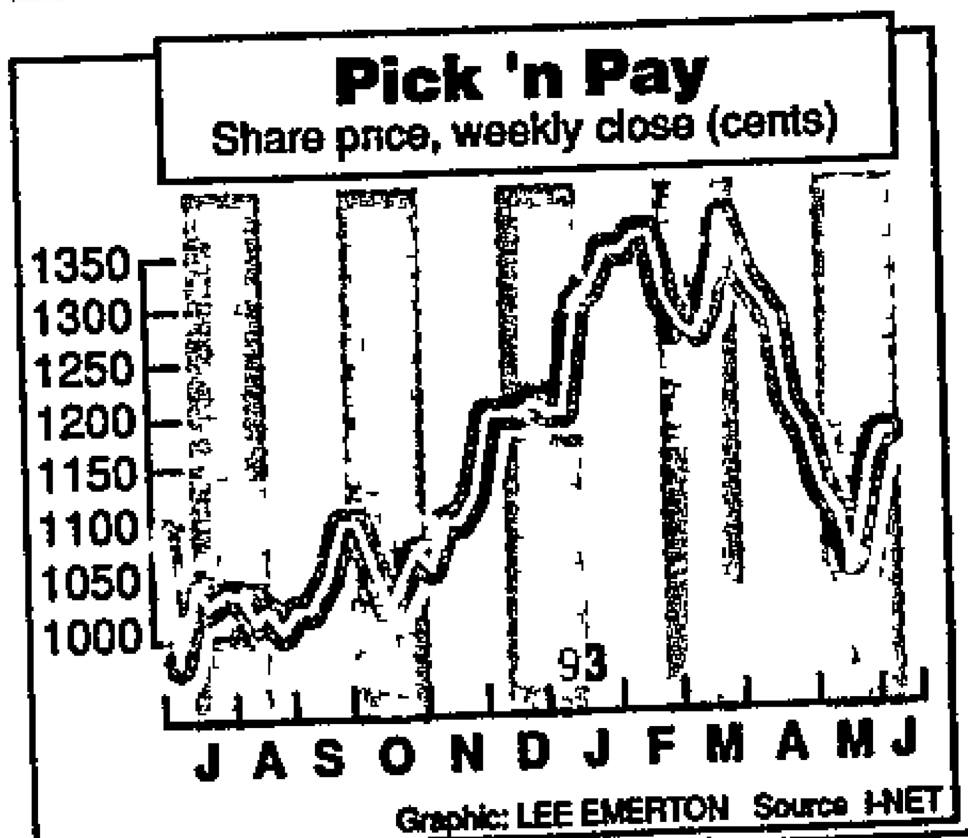
Buss Day 4/6/93

LINDA ENSOR

CAPE TOWN — Pick 'n Pay's earnings a share should rise at a higher rate in the current financial year than last year when a 10% increase was notched, chairman Raymond Ackerman said in the retailer's annual report.

He believed the economy would improve as the year progressed, adding that Pick 'n Pay was well placed to take advantage of any upturn. The group had achieved a compound growth rate in earnings of 13% over the last five years, the report showed.

"Lower interest rates, the drop in the inflation rate and the ending of the drought should contribute to putting more in the consumer's pocket. In the circumstances we plan to open a greater number of stores in the coming year," Ackerman said.



At end-February the group had 107 supermarkets, 14 hypermarkets, 11 Boardmans, eight PriceClubs and three Chain Reactions. (38)

Last year turnover increased by 8,6% to R6,4bn (R5,9bn), market share improved and the number of customer transactions was higher. Ackerman said the investment in information technology had reduced shrinkage and improved stock control.

The value of stock at R422m was only marginally above last year's R416m despite the fact that several new stores had opened. (232)

"Expenses were well controlled, resulting in an encouraging increase in the operating margin, which had been in decline over the last two years. Careful asset management led to cash on hand improving markedly from R190m last year to R309m."

The group's hardware and clothing divisions showed strong growth and ranges had been rationalised.

4/6/93

High turnover in futures

Buss. Day 4/6/93

TIM MARSLAND

TURNOVER on the SA Futures Exchange almost doubled that on the JSE during May as a result of the activity surrounding the rally in the gold price, according to Safex figures.

In total, almost 400 000 contracts valued at R7,9bn changed hands in May compared with March's 388 423 contracts. Turnover on the JSE during May was R4,1bn, putting Safex's turnover at 1,9 times that of the JSE.

In addition, the value of futures and options contracts opened through Safex has hit its highest level at 200 000 futures and options contracts valued at R3bn.

Futures dealers said the growth in turnover implied SA investors were making increasing use of futures as hedging tools.

Safex CE Stuart Rees said that the R3bn included the value of the underlying futures contracts and the intrinsic value of options contracts.

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Most of the growth came from options trade, with the number of open options growing to 134 534 contracts by the end of May from 94 524 at the end of April.

A Safex statement said that despite the increase in the number of contracts, total margin balances had grown by just 12%.

This was explained by Safex's "dynamic margining system", which set the level of the margin required to be deposited at Safex according to the risk an investor was running. Less risk meant Safex required a smaller margin.

Daily turnover grew sharply in May (a short month due to public holidays), with an average of 21 000 futures contracts and 7 864 options contracts traded each day.

New subsidiary for Coronation

Buss-Day 4/6/93

MATTHEW CURTIN

CORONATION Syndicate, the newly formed financial services group controlled by former UAL executive David Barnes, has reported after-tax profit of R1,53m, equivalent to 16,1c a share in the half-year ended March 31.

The results coincide with an announcement that the group has concluded a R15m deal in which it has set up a new wholly owned subsidiary, Bond Trading.

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Bond Trading joins Coronation Asset Management (CAM), the investment advisory wing staffed by eight former Syfrets Asset Management executives, and gilts, options and futures trading company Securities Development and Trading (SDT), as the group's three subsidiaries.

Coronation bought SDT in October last year and the interim results reflect SDT's performance. The results are not comparable with those of the same period in 1992, because Coronation has been transformed from a small mining investment company to a specialist trading group since a consortium led by Barnes bought the company from Lonrho in September

Net income stood at R2,59m, trading profit at R2,22m, before interest and dividend receipts of R379 000 and taxation of R1,07m In addition, Coronation reported a R3,08m one-off profit from the sale of investments in Duiker Exploration, Gencor, Genbeheer and New Central Wits

Coronation agreed to purchase Bond Trading from Barnes, its sole shareholder, with the issue of 10-million 5% convertible redeemable preference shares in Coronation at 150c a share

Barnes, who had managed Bond Trading on a full-time basis from March last year, guaranteed that the company would have shareholders' funds and loan accounts of at least R15m at June 30 this year, in addition to audited pre-tax profit of at least R12m in the year ended June 30. Bond Trading had actively managed assets of more than R100m and would renounce its management agreement with SDT.

(58)

The acquisition of Bond Trading, to be approved by the JSE and minority shareholders, would lift Coronation's NAV to 137,4c from 124c a share.

Chairman Gavan Ryan said the group would build up a long-term portfolio of equities and strategic investments.

Ryan said he was concerned at "the speed of the rise in our share price" in recent weeks. Trading companies depended on management "getting views of the market right" and Coronation's ambition was to build up its reputation over time

Coronation shares jumped to 800c last month from 250c at the start of the year They have since fallen to 650c, closing unchanged yesterday.

Investor confidence, boosted by the arrival of the well-respected Syfrets Asset Management team, has taken the company's market capitalisation to R62m, valuing the 52% and 25% stakes held by Barnes and Ryan at R32m and R15,5m respectively

Coronation Asset Management is 35% owned by its staff, understood to have left Syfrets because they were refused a stake in the Cape Town business.

Amendment Bill aims at boosting liquidity on JSE

Buss. Day. 4/6/93

TIM COHEN

CAPE TOWN — Amendments to legislation governing financial institutions was tabled in Parliament yesterday, including measures which would boost JSE market liquidity.

The legislation sets out changes to the Insurance Act, the Pension Funds Act, the Unit Trusts Control Act, the Stock Exchange Control Act, the Financial Services Board Act and the Safe Deposit of Securities Act.

The changes that have been proposed in the Objects of the Financial Institutions Second Amendment Bill to the Stock Exchange Control Act will allow JSE derivatives traders to hedge their positions in the spot market for equities.

The ability of derivative broking members to offset their own risk in this manner has not been feasible on the JSE floor until now and will lead to a more efficient market on the JSE, the Bill's memorandum says.

Overall market liquidity will also be improved as a result of this innovation, the memorandum says.

Penalties

(232)

The affected derivative broking members have to be registered members of a financial exchange that is a licensed institution in terms of the Financial Markets Control Act.

The provisions regarding the Insurance Act propose regulations on the remuneration of intermediaries for effecting short term insurance policies in order to prevent the exploitation of unwary policyholders.

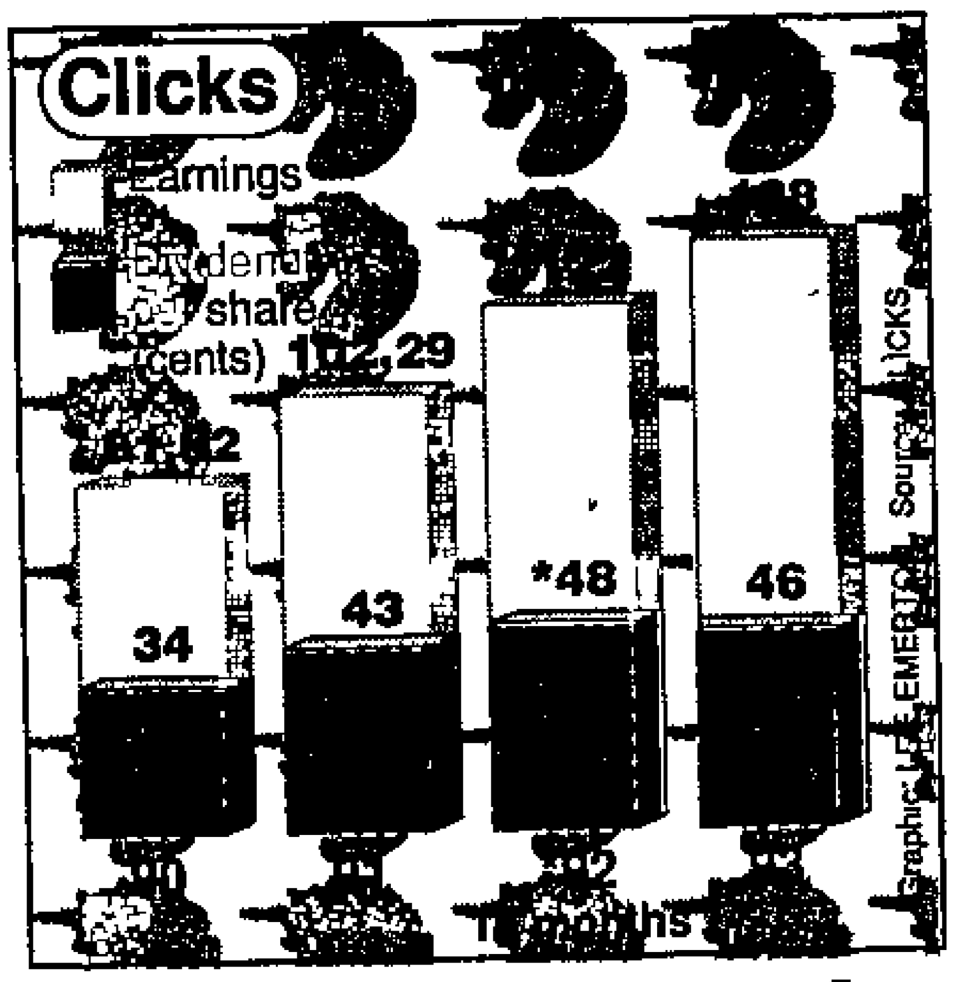
The legislation prohibits financial inducement to take out any policy — a provision previously only applicable to long-term insurance schemes.

The penalties for contraventions of the Act have also been substantially boosted, with the maximum fine for some contraventions being increased from R2 000 to R100 000.

The proposed amendment to the Unit Trusts Control Act extends the definition of a "fixed property company" to include companies which hold undivided shares in respect of immovable property.

The Bill proposes to extend the definition of "property shares" to make possible the ownership by a unit trust scheme of securities of holding companies which have fixed property companies as wholly owned subsidiaries.

Other amendments are aimed at eliminating administration and interpretative problems.



Clicks to split its shares 10 for one

Buss. Day 4/6/93

LINDA ENSOR

CAPE TOWN — Mass specialist retailing group Clicks Stores, which today reports a 27% rise in earnings a share, is to subdivide its shares on a 10-for-one basis to increase their marketability.

CE Trevor Honeysett said a name change to The Clicks Group was also planned to reflect the group's corporate structure as an investment holding company with three trading subsidiaries — Clicks, Diskom and Musica chains.

A final dividend of 27c was declared bringing the total for the year to end-March to 46c (48c for the previous 14 months) on a dividend cover of three times (2,4 times) which was increased to take account of continuing aggressive growth.

The year-end was changed from end-February to end-April but comparing earnings a share of 138c with the pro forma figure of 109c for the 12 months to end-April 1992, the increase was 27%. Earnings were diluted by the higher number of shares in issue as a result of the R52m rights offer. (232)

Despite the severity of the recession turnover rose 28,7% to R949,8m (R738m). The newly acquired Musica chain, which returned to profitability, contributed R55m to turnover, Honeysett said. Both Clicks and Diskom had traded well.

"Achieving growth of this scale in a deepening recession, which included a disappointing Christmas and a particularly poor April following the assassination of Chris Hani, reflects both an increased market penetration and growing support from our existing customers," Honeysett said, adding it was all the more impressive as it

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Clicks

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☐ From Page 1

came off an already high base.

In all, 34 new stores were opened, bringing the total to 293, and more would open this year. The group is investigating establishing stores in Namibia and Botswana.

The marginal increase in shrinkage and the initial losses experienced by Musica affected the operating margin, which slipped to 5,8% (6,4%), resulting in a 17% rise in operating income to R55m (R47m). However, the effects of the rights issue on gearing brought down the interest bill significantly and pre-tax profit rose 27%.

A lower composite tax rate of 42,5% (48,5%) boosted bottom-line growth to 42%.

Honeysett said the group had streamlined its management in its three trading arms to focus on market growth and customer service. A separate corporate services company had been formed — H Goldin Corporate Services — to provide the chains with support services.

The new stores, the Musica acquisition, a new distribution centre and warehouse and investment in information technology saw fixed assets rise to R88m (R46m).

Honeysett was confident about prospects this year and said Clicks would continue to invest heavily in information technology. It had also reached an agreement to market exclusively a popular cosmetic range of UK chain Boots in SA. (232)

The R1,3m released from the provision of deferred tax was treated as an extraordinary item, while the R4m premium paid on the acquisition of Musica was written off against stated capital.

Star 5/6/93

FNB overtakes two rivals

FIRST National Bank's instalment credit advances — of which some 90 percent comes from the WestBank division dealing in car finance — have overtaken those of competitors Standard Bank and ABSA, according to returns submitted to the Reserve Bank. (232)

The returns show FNB to have grown in both market share and total instalment credit advances — and this over a period coinciding with a downturn in the new car market. Returns show the total credit advances during 1991 and 1992 rising from R29,4 to R33,3 billion

Syfrets takes the bull by the horns

Star 5/6/93

BY ACTING decisively, Syfrets has overcome a personnel crisis. MAGNUS HEYSTEK reports.

SYFRETS this week started reassembling its Syfrets Managed Assets (SMA) team after 16 of its staff last week left to join a newly formed asset management company

Guy Woolford (34), senior portfolio manager at Southern Life, will manage the Syfrets Growth Fund, one of South Africa's most successful unit trusts, from July 1.

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Rebuilding

Jan Kuiper, an ex-director of stockbroking firm Ivor Jones Roy & Co, will assume responsibility for the management of certain institutional pension fund portfolios. Kuiper (41) started work this week.

"After an exhaustive and intensively selective process, Syfrets has filled the most important positions left vacant after last week's walkout and laid the foundations for future growth within SMA," said Syfrets joint MD Ashton Dominy. "This rebuilding will gather momentum in the coming weeks as more appointments are made."

Expressing satisfaction at the large number of unsolicited applications from top-calibre people, Dominy said it was a telling illustration of the reputation Syfrets had established, not only among the investing public, but also among the professional investment community.

Many investors have been alarmed at the flight of top management skills from SMA which, among other achievements, has been the most consistent unit trust performer in the past five years.

A number of top fund managers left Union Acceptances Limited this week in similar circumstances.

While Syfrets tried to downplay the possible effect on future investment returns, especially of Syfrets Growth Fund — now the second largest fund — it will take time to appease concerned investors. The only comfort investors would be interested in would be a continuation of their excellent returns

Several people have phoned me in the last couple of days for advice in this regard. My answer is that there is no immediate reason to be alarmed. The investment portfolio of the Syfrets Growth Fund has been built up over a period of time. It would be foolish for any new fund manager to storm in and start changing the portfolio.

Confidence

However, if people are still concerned about future growth prospects, my advice is to suspend future investments and perhaps put the money into another fund.

Syfrets needs to be congratulated on the open and transparent manner in which it has handled the crisis over the past two weeks It did not try to hide or downplay the management upheaval, as many other companies might have been tempted to do (and have done in the past) This instils confidence and bodes well for the way it handles the public's money.

S Times (Buss) 6/6/93

Absa Asia turns corner

By JULIE WALKER

AFTER a poorly timed start to business in Asia 10 years ago through TrustBank, Absa Asia is getting things right (53)

Absa appointed former Citibank employee and "freelance banker" Louw Burger to head its Asian operation from Hong Kong in January. (232)

Mr Burger says. "TrustBank opened a representative office in 1983 and upgraded it to a banking operation in May 1985 — only three months before the imposition of the debt standstill by the South African Government."

Sanctions

After being hamstrung by the standstill, the TrustBank operation returned to profitability four years ago With the takeover by Absa of TrustBank parent company Bankorp and the lifting of sanctions, attention has returned to foreign banking.

Absa Asia is achieving the second-highest returns on investment in the group Absa Asia is not a full bank, but is classed as a deposit-taking company It may accept only deposits for 90 days and longer

Mainly trade finance and corporate banking services are offered to Chinese and South African customers There is a full treasury

The most interesting development is the management of Chinese-held financial rands worth R330-million

Mr Burger says. "Deposits in Hong Kong can earn 2% or 3%, whereas the effective return from finrand investments is 16%. The Chinese realise that the interest is certain. The only risk is closing the 13% differential through currency movements

"They believe that is worthwhile — they do not view South African investment as unacceptably high risk."

New opportunity is in structured finance — a cross between corporate and project finance — particularly in China.

Mr Burger says: "I am often asked what will happen in 1997 when Hong Kong reverts to Chinese rule. What is already happening is that every Hong Kong businessman with money is investing heavily in Southern China. They are not afraid of Chinese rule.

"Hong Kong is very much part of Asia Other than the 300 000 expatriates and the British flag flying in the Governor-General's garden, it is China, not Guildford.

"Hong Kong business is not afraid of Beijing rule, particularly as China is thundering to capitalism. They view 1997 as a non-event."

An International Monetary Fund revaluation of all developing countries rated China's economy up from $400-billion a year to $1,7-trillion in terms of buying-power parity That makes it the third-largest global economy behind Japan and America.

China's economy has the potential to be bigger than the rest of the world lumped together, although this must be tempered with the warning from Europe — bullish but mindful of the potential for failure.

Mr Burger cites the nappy story to illustrate the prospects for consumer goods in China. Every year, 20-million babies are born there. Babies wear napkins for roughly three years That is a potential of 60-million nappy-wearing infants If each wore five a day, that is a market for 300-million nappies daily

Demand

"One machine can make barely 80 a minute, so the demand for production capacity infrastructure is high Work that out on every front of the economy and there is a huge market."

Mr Burger says his bank can lend up to US$5-million on individual projects, but it can act as a facilitator in raising larger amounts.

"If we can't fund, we can find the money There are 524 banks in Hong Kong and we are arranging joint-venture funding with several."

S Times (Buss) 6/6/93

Nedcor sparks competition

By CIARAN RYAN

NEDCOR'S refusal to allow staff members a share of profits spawned two competitors this week.

Twenty senior staff members in portfolio management, product development, research and information technology resigned from Syfrets Managed Assets and UAL Merchant Bank. UAL and Syfrets are part of the Nedcor group

Sixteen former UAL and Syfrets Managed Assets employees will join David Barnes and Gavan Ryan at the new Coronation Asset Management, which acquired Bond Trading from David Barnes in a R15-million deal on Friday

UAL Merchant Bank's entire project team of Leon Kirkinis, Greg Barnes, Durk Holtes and Daan Wandrag resigned last month to set up an investment development company aimed at providing innovative financial instruments

(232)

Mr Kirkinis says the team plans to link with the Central Johannesburg Partnership and civic organisations to develop financial solutions for inner-city redevelopment. Plans are advanced to renovate and sell flats to tenants

The UAL team pioneered several products offering market-related returns for development capital, notably the collateralised housing investment paper (Chips), which will raise R500-million for low-cost housing

"Obviously the resignations are an inconvenience," says UAL managing director Geoff Richardson "But Nedcor policy is not to allow pockets of equity participation in the projects in which staff members are involved

"That would cause all kinds of difficulties in the group There is a share option scheme which is very generous."

Syfrets joint managing director Ashton Dominy says 'This represents a serious loss of talent But equity participation is not for discussion

"None of our departed friends could complain of being underpaid. Some were earning more than the managing director"

Syfrets announced two replacements, Southern Life senior portfolio manager Guy Woolford and former Ivor Jones, Roy & Co director Jan Kuiper.

Nedcor chief executive Chris Liebenberg says those who resigned did so because they wished to run their own companies

Clicks trebles turnover

SI Times CC Metro J 6/6/93

By JEREMY WOODS

THE Cape-based Clicks group of stores has trebled its turnover to almost R1-billion over the past five years

In the next five years, Clicks plan to treble its turnover again

"That's what we call go-go," said chief executive Trevor Honneysett, after unwrapping a sparkling set of figures this week.

Despite the recession, Clicks increased pre-tax profits by 27 percent to R54,3-million, while overall operating margins reduced slightly to 5,8 percent (232)

The Clicks group now incorporates 141 Clicks stores, 90 Diskom and 66 Musica outlets, employing some 4 500 people

"All things being equal, we are looking to treble the size of the group in the next five years," said Mr Honeysett

Clicks Stores, now part of the Premier group, was first listed on the Johannesburg Stock Exchange in 1979

Growth

Since then, its average compound growth rate for both turnover and pre-tax profits has exceeded 24 percent a year

"We are opening a new store a week, and our intention is to have at least 200 Clicks, 300 Diskom and 150 Musica stores operating throughout Southern Africa within the next five years," he said

Future growth is also planned by building the business from its exisitng structure

"We are always on the look-out for ways to revitalise the stores we have already,"emphasised Mr Honeysett.

"An exciting example of this is the possibility of getting into the pharmacy business, if legislation currently under review allows us to do this Moving fully into the pharmacy business has big growth potential for us"

TREVOR HONNEYSETT
Clicks chief executive

Another development Clicks has just concluded is a deal to sell Boots No 7 range, the UK's fastest-selling cosmetics range, under an exclusive South African franchise agreement

The growth of Diskom, the group's other mass retailing chain, has also been dramatic

Acquired by the group in 1984, Diskom has grown from 16 to 90 stores over the past five years and is now contributing at least 20 percent of the group's turnover

The group's latest acquisition, the Musica specialist retail music chain, was bought in 1992 while Musica was trading in the red with 57 stores

After a policy of strict overhead rationalisation, the 30-year-old chain was turned back into the black within three months and is now budgeting for 85 stores by the end of the year.

Super Group takes Hultrans

S Times (BussJ 6/6/93

By DON ROBERTSON

A NEW force in the transport industry has emerged after Super Group's purchase of Natal-based Hultrans for R12-million

Hultrans was involved in a management buy-out, headed by managing director Michael Norris, four years ago

Super Group consists of Alex Carriers, Super Rent Truck Hire, Super Fleet Full Maintenance Leasing, Midway Truck Centres and the Doubletonner division

The combined operation will be the fifth-largest trucking group in SA

The deal involved the acquisition of about 130 truck tractors and 160 trailers from Hultrans, formerly a member of Huletts Group The merged operation has 270 tractors and 320 trailers

Super Group financial director Joel Klotnick says about R8-million of the purchase price was in cash and the rest in guarantees Most Hultrans staff members will be retained. Mr Norris will retire.

(232)

Both companies competed in long-distance haulage of paper, forestry products, steel and other dry goods

Mr Klotnick says "Alex Carriers has for some time been keen to expand its long-distance operations and Hultrans was offered to us as an established operation with a successful 25-year record"

The combined group will be able to rationalise its operations and incorporate the synergies which exist between the two companies.

Although the transport business is going through a tough time, Super Group enjoyed a successful past financial year and is looking to further improvements

Three suitors for ill Rusfurn

STimes [Buss] 6/6/93

By JULIE WALKER

FURNITURE retailer Rusfurn could be split up and sold to Wooltru, Trencor and JD Group

(233)

Exactly six years since the revamped Rusfurn returned to the JSE, parent Absa is said to have called for tenders for its holding in the troubled group

(232)

Rusfurn — it owns Dion, Russells and Rudicks — hinted last week that a deal was in the offing by advising shareholders to trade cautiously

JD was negotiating to buy Rusfurn late last year, but talks ended when Absa reconstituted the Rusfurn board and replaced chief executive Laurie Korsten with Keith Jenkins, former boss of KNJ Holdings, Metkor, Dorbyl and Usko.

Wooltru is believed to want Dion to complement its Macro wholesaling division. Dion and Russells accounted for 70% of Rusfurn's R1,4-billion turnover last year.

Rusfurn chains Russells, Rudicks, Dashaus, Mattress House, Wanda Frasers, Style & Value, Remus, Square Deals, Giddy's, Montana and Harmony would give JD a much larger slice of the market.

Trencor recently took control of W&A, parent of JD Group, and is likely to bring money and management skills to the party

Rusfurn ran into trouble because of the "apparent abandonment of basic principles of risk management in a chase for turnover prior to the current recession", says Rusfurn chairman and Absa executive Danie Cronje.

Matters were made worse by the "unfortunate" acquisition of Furniture Fair in 1989 It cost the group R230-million. All Furniture Fair and Arrow shops have been closed.

Absa has more than 90% of Rusfurn's ordinary equity — worth less than R5-million. It lent R250-million in preference shares to keep the company afloat. Another 13 banks had lent a total of R266-million to Rusfurn at June 30 last year

Wheels back on at Saambou

S/Times [Buss] 6/6/93

By Julie Walker

THE first thing Johan Myburgh noticed when he joined Saambou two years ago was that it was losing money.

The chief executive says "I thought I should do something about it."

After 1992's attributable loss of R68,8-million it was with pleasure that Mr Myburgh could report a profit of R12,5-million for the year to March this year — and restoration of a five-times covered dividend of 2c.

The share price rise since last year's low of 65c illustrates the reviving fortunes. It is now 94c and if Saambou can justify a forward rating of about 10 times earnings, the price could go to 150c.

Focus

Mr Myburgh told members of the Investment Analysts Society in Johannesburg this week that 1994's earnings would be between 15c and 17,5c a share.

Two years ago Saambou was burdened with poor properties. It lacked focus, competence, computer systems, even customers.

Mr Myburgh says "Lots of savers have been put off the smaller banks because of the collapse of Cape Investment Bank and Masterbond."

Saambou's advertising since he took over has been aimed at depositors — he believes borrowers will keep coming anyway.

The percentage of the bank's funding from individuals has climbed from 28% to 38%. The early target was 42%, but Mr Myburgh now aims for 60%.

The bank's intention is to provide low-cost financial services to salaried individuals and pensioners.

Mr Myburgh says higher margin business, such as personal loans, will be sought.

Saambou needs to achieve a return on equity of 35,4% to provide its own capital. The key will be to reduce operating expenses — R159-million in 1992 and R153-million in the past year. But Mr Myburgh is aiming for R129-million on the same asset base.

He says benefits will flow from the two-stage rationalisation now complete and from new systems. Computerisation has been outsourced to SPL. It — not Saambou — must control those costs.

The capital position is not critical. Primary capital of R140-million chips in 5,3% and secondary capital of R27-million another 1,1%, giving a sub-total of 6,4% against the 8% international target by the end of 1995. Surplus capital in the group, such as R40-million of tax losses, takes the ratio to 9%.

Saambou also aims to do something about the properties which caused R43,3-million of grief in 1992. Interest will no longer be capitalised now that the cost of the properties can be carried by Saambou.

Mr Myburgh says the alliance with largest shareholder Fedsure provides shareholder comfort and a means of securing capital through loans or debentures until the Saambou share price is adequate to stand a rights issue.

Scrip

In the 1993 year, Saambou was obliged to write off R36-million and provide R45-million, taking total provisions to R94-million, or 2,6% of assets.

Mr Myburgh says that when the tax loss has been used, earnings will drop. The effect is being smoothed by setting up a general provision. Last year it was R6-million, about a third of the total otherwise attributable. The dividend will be covered five times and scrip will not be an alternative until the share rating is stronger.

Miners seeking treasure under a turkey

S/Times [Buss] 6/6/93

I HEAR that Gold Fields of SA is considering development of a mine at Kalkoenkranz (turkey krans) in the Free State.

What would be different about it is the likelihood of a mineral-rights swop between GFSA and Anglo American Corporation. Neither will comment, but I am told that GFSA is keen to trade its mineral rights at Welgelegen — where Anglo has a large holding — for Anglo's holdings at Kalkoenkranz.

(232)

The reserves at Kalkoenkranz are believed to be 37-million ounces of gold — about the same as at Beatrix and of much better grade than Oryx's.

Lydex, a listed mining exploration company, could benefit from a green light at Kalkoenkranz. It has participation rights in the area.

(233)

But I must stress that it is early days. GFSA is not known for hedging gold production, and would likely want a higher and less volatile gold price before any development.

DIAGONAL STREET

Many eggs in different baskets good for Anglo

STimes [Buss] 6/6/93

A LITTLE diversity does Anglo American good. Chairman Julian Ogilvie Thompson says the group has limited an earnings decline in the recession because of its wide geographic and business spread

In the year to March 1993, group attributable earnings slipped only 8% to R1,5-billion, albeit partly due to a deferred-tax bonus of R114-million from 52%-held Amcoal

Equity-accounted earnings fell 5% to 1 060c a share because of higher retained earnings from associates, and Anglo's dividend was maintained at the previous year's 345c

Grade

This week's announcement in Johannesburg of Anglo's results was accompanied by presentations by key executives about six projects

Gold-division chief Clem Sunter spoke about the Moab project, the major deep-level gold mine which will furnish replacement tonnage for Vaal Reefs

Anglo had spent R155-million by the end of 1992 on the project, which is likely to cost R1,7-billion in 1992 money The recovered grade is forecast at 11g/t and the working cost about R180/t. Gold production will reach 13 tons a year

Group gold-mining costs crept up by 1,8% from 1990 to 1992, and a target of zero rise has been set for 1993

Mr Sunter says turnover in futures and options on the gold market peaks at about $600-billion — a trifle compared to the currency markets of $190-trillion

"It doesn't need much to switch into gold as an alternative currency to push the price higher," says Mr Sunter

The group's hedging programme is under review in the light of a rising dollar price of gold But he warns that gold mining is not out of the woods

Graham Boustred spoke on three projects — Namakwa Sands, Del Monte Foods International and Batteries

Namakwa Sands is a R1-billion project (in 1992 money) to recover mineral sands from the Namaqualand coast near Saldanha Bay The first furnace will be commissioned in 1995 at a cost of R785-million, of which the IDC will lend R300-million

Mr Boustred hopes that lessons learned will hasten installation of the second furnace, due in 2000

Annual revenue is expected to be R360-million ($104-million) in 1992 money

Mr Boustred says the seemingly short 35-year project life worries him, but additional reserves can be sourced

The main product is ilmenite, which will be made into high-grade titanium slag Co-products are zircon, rutile and high-grade foundry pig iron

"That takes me back to my roots," says the former steel man

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Roots

The products are used in paint, demand for which increases with the rising standard of living

"A fresh coat of paint will cheer us all up enormously," says Mr Boustred

Mr Boustred says many people wonder how Anglo American executives get on with the young and vigorous entrepreneurs at Del Monte Royal He says they get on extremely well, and he obviously holds Del Monte Royal's chief executive Vivian Imerman in high regard.

He believes the marketing of Mars products in South Africa has much potential

His last topic was the high-energy battery, which although far from perfection is making progress A 450-battery-a-year pilot project is to be commissioned in September, partly in Derby, England, and Berlin and Ulm in Germany, in partnership with AEG and Daimler-Benz

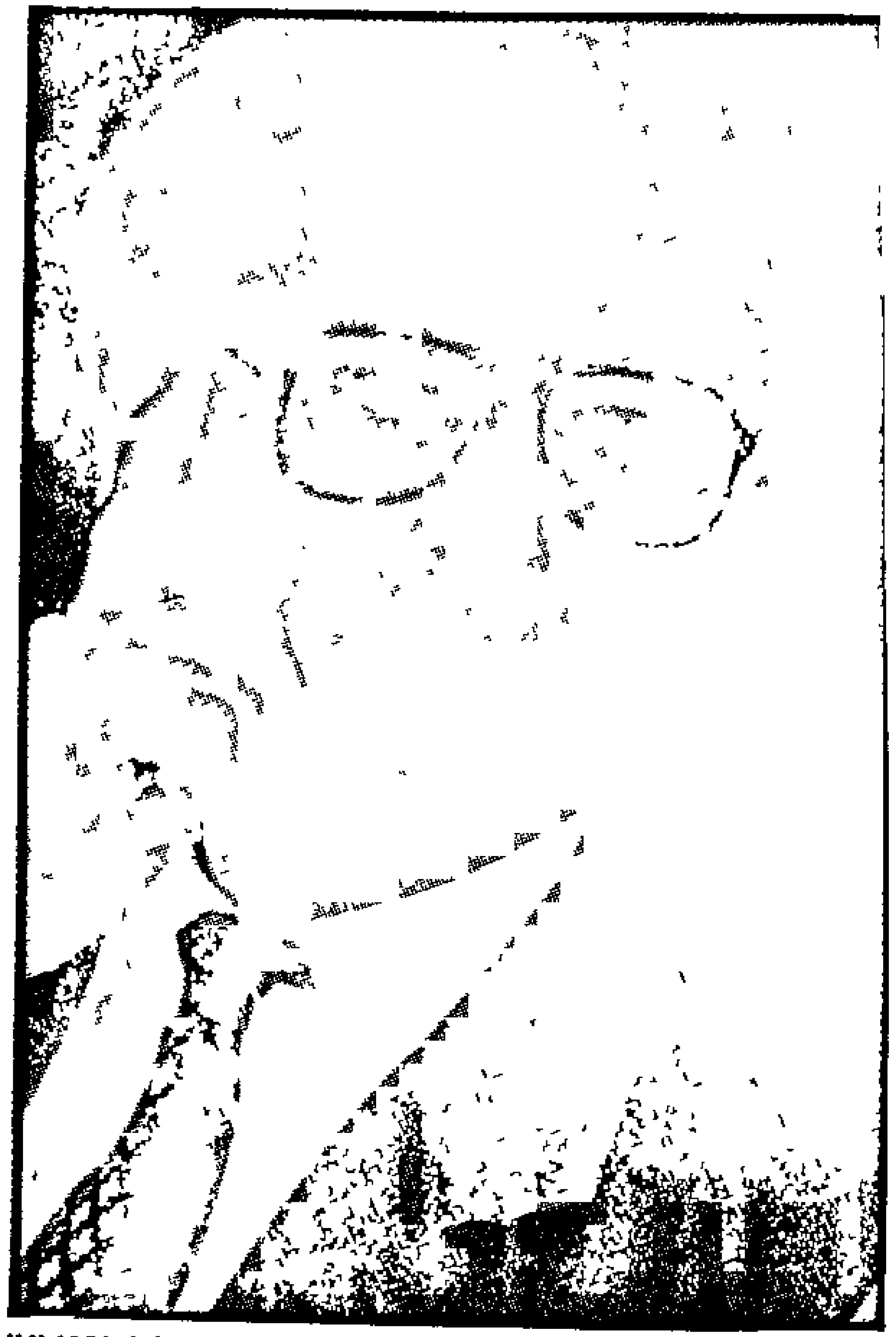
A Mercedez-Benz MB 190 can reach 130km/h, have a range of 150km at an average speed of 80km/h, and at 80% depth of discharge has a power of 20kW — something Mr Boustred says is important

Leslie Boyd spoke about Columbus, the R3,5-billion stainless-steel project in which Anglo American holds stakes through Amic (Anglo American Industrial Corporation), Highveld and Samancor

Columbus will earn R16-billion (in 1993 money) in its first 25 years It will be the world's largest single-site producer, making 500 000 tons a year at full capacity.

Mr Boyd defended the placing of R1,15-billion of contracts abroad, saying SA did not have the expertise to handle them. However, of this amount, R230-million would be placed in SA in addition to the R1,63-billion to be spent directly

Mr Ogilvie Thompson and



JULIAN OGILVIE THOMPSON: It pays to spread the risks

David Deuchar spoke about Anglo American South America (AMSA) — a sort of mini-Anglo American, according to the chairman

AMSA owns 74,9% of Mantos Blancos, which has committed $442-million to capital expenditure in the next five years Mantos Blancos is heavily invested in copper production and is upgrading plant and extraction methods to remain competitive

Anglo's Pick Six look like winners and the chairman has a point. one advantage of a big group is the spread of risk. If one fails, the others compensate

Futures profits for the small investor

ST Times (Buss) 6/6/93

By JEREMY WOODS

A MUTUAL-STYLE fund enabling investors to benefit from profits made on futures market indices without risking loss of capital, has been launched by Seeff Trust, stockbrokers Simpson McKie and Computrack.

The fund is the first of its kind in South Africa and has the approval of the Registrar of Companies

The Investment Guaranteed Futures Fund is for those who want to share in the profits of indexed futures while the safety of their capital is guaranteed

In effect, the only downside for an investor is the loss of interest on the capital committed to the fund for two years

Futures trading is used extensively by institutions and banks to reap returns in bull and bear markets (232)

But the large amounts of capital needed for entry to this market, as well as the specialist expertise required, bar the small investor

Seeff Trust managing director Mike Flax says "We have found a way for investors to benefit from the futures market and to limit their risk."

A minimum of R5 000 is placed with NBS Bank, deposit-taker for the scheme. The bank issues a certificate promising repayment in two years

The investor elects what percentage of capital needs to be guaranteed.

The Capital Guaranteed Growth Fund was developed by Simpson McKie

For the past two years, Simpson McKie has been monitoring a futures investment model designed and developed by Cape Town technical analyst Nick Gubb of Computrack.

This model has been derived from an American programme.

Mr Gubb says the return to the investor during the trial from mid-1990 to mid-1992 was 36% a year on fully guaranteed positions. It was 107% on full exposure positions.

The fund will publish its trading results monthly and quarterly

A prospectus is available from Seeff or Simpson McKie.

Gold props up NCW portfolio

MATTHEW CURTIN

THE outlook for New Central Witwatersrand's (NCW) gold investments was more promising than the other sectors covered in its portfolio, chairman Michael King said in his annual review.

However, no exploration drilling for gold on farms the company owned in the southern Transvaal was planned "in the forseeable future" (2311)

NCW's exploration programme was suspended in January 1992, a decision taken in the light of ruling gold prices and drilling results Conditions had not changed significantly since then, he said 7/6/93

At March 31, one of the company's biggest investments by value was its R13,9m stake in Anglo American Gold Investment (Amgold), plus stakes in Driefontein, Kinross, Vaal Reefs and Winkelhaak gold mines Buss. Day

King said the recent rally in dollar gold prices was encouraging The rise could be attributed to several factors, ranging from renewed investment interest in the metal, expectations that central banks would "not be disruptive in over-supplying the market", to anxiety about longer term implications of economic policies in some Western countries. (2327)

In contrast to gold, other sectors in the NCW porfolio were affected by the poor prospects of rapid recovery from recession given slow world growth, an austere SA Budget and political uncertainty. World economic recovery was necessary to sustain the recent recovery in the diamond trade.

NCW sold its small holdings in Anglo American Industrial Corporation and Barlow Rand in the year, and reduced its investment in Samancor from 35 000 shares to just 4 600.

The company increased its interests in Lebowa Platinum and Potgietersrust Platinums, and copper producer Palabora Mining

Its largest investment by value remained its 200 000 shares in De Beers valued at R14,3m. The market value of NCW's portfolio stood at R68,5m at year-end, the lowest since 1988.

Gencor may use 'passive' RBM asset to finance Billiton deal

Buss. Day 7/6/93

MATTHEW CURTIN

RICHARDS Bay Minerals (RBM), in which Gencor has a 50% stake, may be the most likely SA asset the mining house uses to help finance its proposed purchase of Billiton, Royal Dutch Shell's metals and minerals business.

A market source said at the weekend Gencor's holding in the Natal mineral sands producer was a passive investment and sat uneasily with the group's mining activities. International mining group Rio Tinto Zinc holds the remaining 50% of the company and its management contract.

He suggested Gencor might offer RTZ its stake in RBM to raise cash for the Billiton deal or in return for RTZ commitment to help finance the acquisition.

Frankel, Pollak, Vinderine analyst Kevin Kartun said that while RTZ was likely to be keen to buy Gencor's stake in RBM, it would do so only at the right price. Gencor doubled its stake to 50% in April with the R671m purchase of shares in RBM held by Old Mutual, the IDC and its two investment trusts.

(232)

Gencor chairman Brian Gilbertson has said the group had a less than 50% chance of pulling off the deal, given the difficulty of securing offshore finance — Gencor would not use the finrand — and adding that a deal could involve one of the mining house's SA assets. RBM and its aluminium smelter are Gencor's major unlisted SA assets.

Analysts agreed that a Billiton deal was fraught with complications, many stemming from the fact that a large number of Billiton's mining interests were joint ventures in which partners had pre-emptive rights to buy the group's holdings. Anglo American has said it would exercise its right to buy Billiton's interest in the Chilean Collahuasi copper project should it be put up for sale. Offshore arm Minorco was thwarted in its attempt to acquire Australian copper and gold producer Olympic Dam when Western Mining exercised its right to buy BP's stake in the business.

Analysts added that Gencor affairs were in a hiatus, its lacklustre share price reflecting uncertainty about the details and impact of unbundling, and the possible Billiton deal.

They said at least one institutional investor seemed willing to sell the stock short of R12, its highest price in the past year. Gencor's relatively low exposure to gold meant the shares had been neglected in the recent bull run on the gold board. Gencor shares closed 5c up at R11,75 on Friday.

BDAY 7/6/93

Zambian speaker

ZAMBIAN Deputy Finance Minister Paul Tembo is expected to make "important announcements with regard to the sale of state owned enterprises" at a Midrand conference tomorrow. Zambia Privatisation Agency spokesman Chipo Mweetwa said Tembo would address a conference entitled Commercialisation and Corporatisation in Southern Africa.

REPORTS Business Day Reporter Sapa

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Govt rulings a challenge to position of Glass SA

Star 7/6/98

By Stephen Cranston

Glass SA's control of the local industry has been challenged by two government decisions.

The Board of Tariffs and Trade (BTT) has refused to extend provisional duties on imported glass, which fall away on Wednesday

The provisional tariffs of 13 to 26 percent were imposed in February as part of a probe into dumping claims made by Glass SA subsidiary PFG Flat Glass

PFG said it would suffer material damage from imports during the investigation period

The decision was taken because unfavourable exchange rates have made glass imports uncompetitive.

But Glass SA CE Rod Fehrsen says glass distributors could easily start importing dumped glass again now that the anti-dumping duties have been removed.

"We don't object to fair competition, as long as it is on a level playing field. But when excess glass is dumped, it is not competing on equal terms."

But Triangle Glass GM Meri Williamson says that although the decision on provisional payments has no bearing on the BTT's final decision, she expects the BTT to reject the tariffs.

"Glass importers already pay duties of 15 percent on glass Additional levies could make this as high as 41 percent, allowing SA's only flat glass manufacturer once again to establish a monopoly."

There were written objections from hundreds of distributors and retailers when the current investigation into imports from Pacific Rim countries began last January after an identical inquiry threw out similar claims by PFG only six months earlier.

An application by glass distributors, including Triangle, has led to a Competition Board inquiry into the structure and control of Glass SA's holding company, Plate Glass and Shatterprufe Industries.

It will examine whether one or more companies in the PGSI group are in a monopoly situation against the public interest in any sector of the glass industry, whether they are engaged in restrictive practices and what acquisitions, if any, have been made in the past five years.

Fehrsen says it was inevitable that competitors would retaliate against Glass SA's recent application for further tariff protection.

"In addition to indignation about our dumping application, recent changes in our distribution policy have apparently contributed to complaints against us by our competitors."

Govt to give Competition Board teeth

CT 7/6/93 (232)

Own Correspondent

JOHANNESBURG — The government has given in to demands that its policy on business competition be given muscle and that the Competition Board get extensive new powers

Legislation is expected to be tabled next year giving the board powers to ban certain deals and mergers and impose fines of millions of rands

A spokesman for Public Enterprises Minister Dawie de Villiers confirmed at the weekend that recommendations were being framed to change legislation regarding the board and its operations Board chairman Pierre Brookes is heading talks which will lead to new legislation, pending cabinet approval

Brookes has previously argued that competition decision-making is too politicised The board at present only makes recommendations to De Villiers, who has the final say

Brookes wants undesirable business practices outlawed by legislation, not by government notice

Fines

He has argued that maximum fines of R100 000 are woefully inadequate In a recent discussion document, Brookes referred to Canadian competition laws which provide for fines of up to $10m

On Friday he added that EC competition rules made it possible for turnover-based fines to extract penalties running into millions of ecus

Brookes confirmed the board had been asked to draw up new recommendations "We have to come up with something, and if the basic principles are accepted by cabinet, the recommendations will be published for comment"

Brookes said the board would consult interested parties such as chambers of business and political parties before compiling its recommendations

Asked how many of his suggested changes were likely to be incorporated in the recommendations, Brookes said he did not want to speculate, but "the principles we have raised are sound and are based on substantial research"

Brookes said he could not speak for the government on the independence of the board However, international experience dictated that an effective competition policy had to be as depoliticised as possible

12% rise in earnings reported

Absa needs capital boost before 1995

Buss. Day 8/6/93

AMALGAMATED Banks of SA (Absa) would need a capital injection within the next two years, chairman Herc Hefer said at the release of the group's annual results yesterday

"Capital adequacy could present a problem in two years' time," he said, but added that this would not pose a problem in the coming financial year

Banks are legally required to phase in capital amounting to 8% of assets by January 1995 Absa's present risk-weighted capital adequacy ratio is 8,1%, the second lowest of the "big four" Standard Bank Investment Corporation has the healthiest ratio at 10,3%, followed by FNB's 9,8%

Hefer said the capital would not necessarily be raised through a rights issue He did not say how much would be raised, but recent rights issues of other major banks have raised about R500m

The group reported a 12% rise in earnings to 120,8c a share in the year to end-March from a previous 107,6c. The earnings performance was at the low end of analysts' forecasts.

The total dividend was up 10% at 43,5c a share from 39,5c The resultant dividend cover of 2,8 times remained below the group's targeted 3,0 times

CE Piet Badenhorst described the year as one of consolidation and said earnings growth had been satisfactory, given the extremely difficult environment

Hefer said "We suffered in the past year because of the uncertainties based on the rationalisation process," adding that rationalisation was "99% completed"

He expected earnings performance by the banking industry this year to be worse

SHARON WOOD

than the previous year.

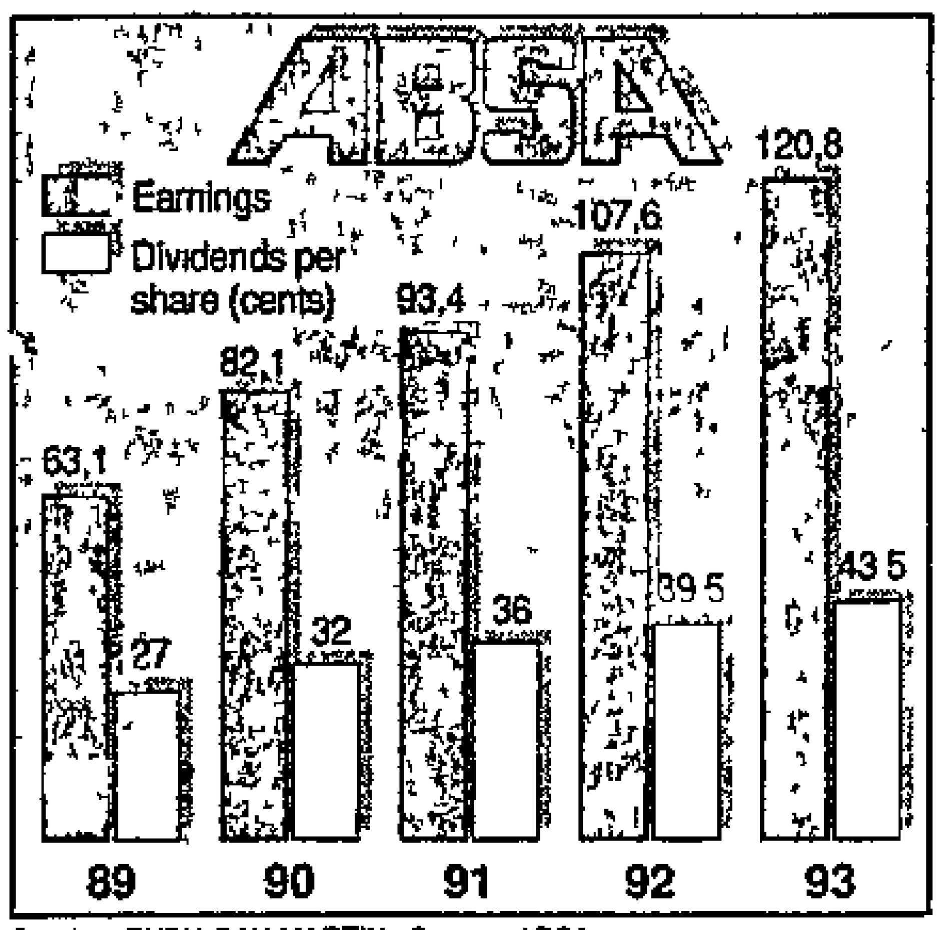
Hefer said the results were not strictly comparable with those at the previous year-end because of the acquisition of Bankorp on April 1 last year

Total assets rose 46,7% to R82,5bn (R56,2bn), within which advances rose 50,1% to R63,28bn from R42,17bn. Interest on advances increased 37% and interest payable by the group rose 28,8%

As a result of the widening on margins, net interest income jumped 69,1% to R3,69bn from R2,18bn (232)

Bad and doubtful advances climbed 73,4% to R781,4m from R450,6m Hefer expected the group's bad debt provisions to be lower in the year ahead and said bad and doubtful debt experience in the first month of the new financial year had been

☐ To Page 2



Graphic RUBY GAY MARTIN Source ABSA

Absa

Buss. Day 8/6/93

☐ From Page 1

more reassuring.

The group's taxation surged 123,3% to R446,1m from R199,8m, increasing the tax rate to 41,2% from the previous year's 29,8% Deferred tax and tax equalisation were included in the tax charge.

Hefer said the reduction in the rate of company tax had unfortunately become effective only after the end of Absa's financial year The group had accounted for the secondary tax on companies as an extraordinary item. (232)

Absa retained income of R470,4m, up 51,3% on the previous year's R311m

Return on average assets slipped to 0,87% (0,95%) and the return on average equity to 14,7% (16,3%). Badenhorst said both of these ratios would have to rise

Foschini keeps up strong growth

Buss. Day 8/6/93

MARCIA KLEIN

FOSCHINI maintained its strong growth record in the year ended March by lifting net attributable income 25,1% to R103,3m (R82,5m) on the back of improved performances by trading divisions Foschini, Markhams, Pages and American Swiss.

Last year's change in year-end from December to March meant results were not comparable with the previous 15-month period Unaudited results for the 12 months to end-March 1992 have been shown to facilitate comparison

Turnover rose 19% to R1,16bn from R976,3m, and operating income was 20,6% higher at R225m from R186,5m

The benefit of lower interest costs was reflected in the 29,9% rise in income after interest to R190,1m from R146,3m previously.

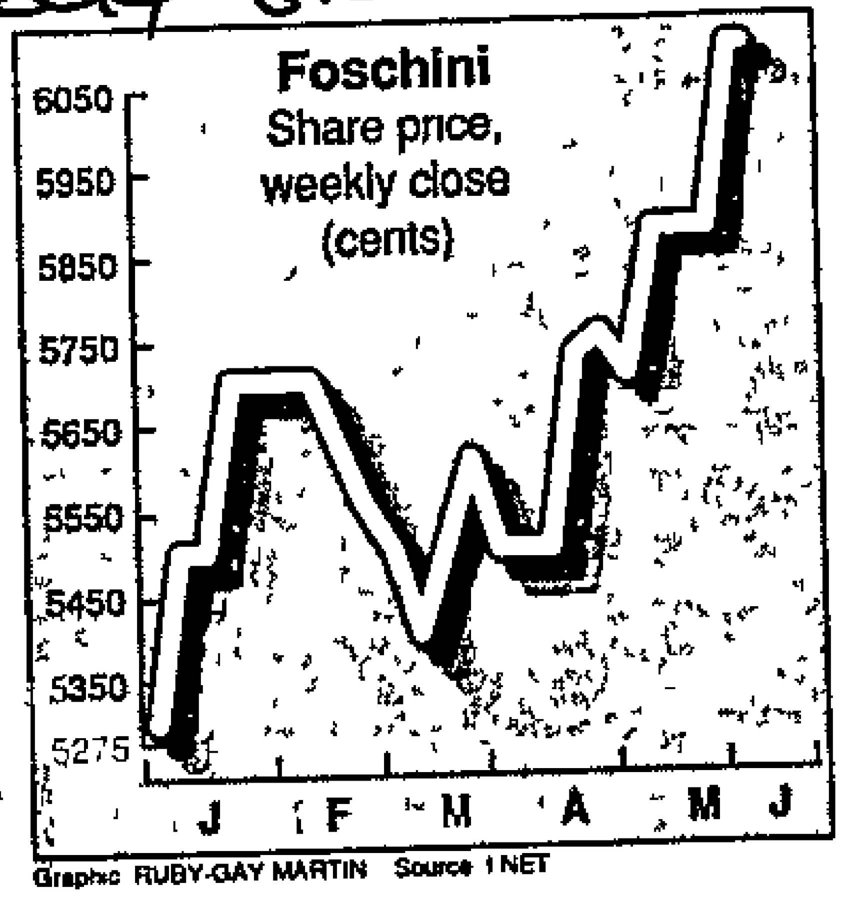
A 12,7% drop in Foschini's share of the net income of its associates to R5,3m reflected results from Oceana Investment Corporation, in which Foschini has a 35% stake Directors said its results were lower because of recessionary conditions in the UK and Australia.

(232)

Pre-tax income was up 28,2% at R195,4m (R152,4m) and after a higher tax charge, income after tax was 25,1% higher at R103,3m from R82,6m

In line with Foschini's scrip dividend policy, a final dividend of R63,4m was declared and would be settled by the issue of shares on the basis of one share for every 41 held

Results exclude the 76-store Sterns jewellery chain which was acquired from April.



Graphic RUBY-GAY MARTIN Source I-NET

MD Clive Hirschsohn said the results stemmed from the group's "spread of stores, effective preparation in anticipation of a difficult year, a commitment to managing costs, enhanced systems and a sharpened focus on merchandise range selections"

The balance sheet had been strengthened further, and gearing had dropped to 34,9% from 55,5%. The group had invested in further centralisation of its credit operations and in strategic systems developments.

The opening of new stores and an accelerated refurbishment programme saw an expansion to 713 stores, a net gain of 20 in the year

Hirschsohn said it was difficult to predict performances, but the group was planning an improved result.

Lewis Foschini Investment Company, whose major investment is a 50% stake in Foschini, reported earnings of R51,6m (R41,3m) The final dividend would also be satisfied by the issue of shares, on the basis of one for every 40 held.

Oceana profit sinks by 13,2%

Buss. Day 8/6/93

MARCIA KLEIN

OCEANA Investment Corporation, the UK group which is 35,3% held by Foschini, dropped its profit after tax by 13,2% to £3,3m (£3,8m) in the year to end-March.

The results include attributable income from three major investments, UK fashion retailer Etam, European restaurant chain Gioma Group and Australian bag and travel goods retailer Handbags International.

The drop in earnings largely reflected lower contributions by Etam and Handbags International.

Oceana is Etam's largest shareholder with a 36,37% equity interest. Directors said Etam's decline in operating income was partly responsible for the decline in net earnings. According to an international report, Etam's profits rose 3% to £10,9m in the year to end-January.

Results were also affected by lower rates and lower interest income in the group's cash balances, and a disappointing performance by Handbags.

Despite recessionary conditions in its markets, Gioma showed good progress in sales and profit.

Earnings a share dropped by 35,2% to 16,2p (25p) due to a higher number of shares in issue following the August 1991 rights issue.

A final dividend of 9,5p a share brought the full year dividend in line with the previous year's 11p a share.

Directors said despite lower earnings, Oceana's sound financial position has enabled the board to maintain dividends at the same level as last year.

Net assets at book value take into account a £1,6m write-off of goodwill relating to the acquisition of a further 2% of Etam.

COMPANIES

Sales House buys shoe interests

BUSS DAY 8/6/93

MARCIA KLEIN

EDGARS subsidiary Sales House has acquired the ABC and Cuthberts shoe businesses from Amrel in a R47,6m cash deal

The groups announced today agreement had been reached for Amrel to dispose of its interest in Shoecorp Shoe Stores — which holds ABC and Cuthberts — to Sales House, effective from June 1

The disposal consideration was based on the net asset value of Shoecorp, and settled by the issue of 630 000 ordinary shares in Edgars Amrel has arranged to place the Edgars shares with SA Breweries (SAB), the holding company of both Amrel and Edgars, at R75,50 a share

The deal was in line with Sales House's strategic intention to expand further in the footwear sector

(232)

Amrel's footwear interests were Shoecorp, which operated in the middle to upper sector with the emphasis on credit, and the lower income cash-based sector through Select-a-Shoe and Scotts. Amrel would focus on the cash generating businesses. In addition, the disposal would reduce Amrel's high level of gearing

The disposal would have the effect of increasing earnings and net asset value of Amrel, and would have a medium-term beneficial effect on Edgars' earnings

A source said it made sense to switch interests Sales House's strength was in footwear, while Amrel's results had been pulled down by its footwear division

Richemont down as Dunhill slumps

MERVYN HARRIS 232

RICHEMONT shares were under a little pressure on the JSE yesterday after UK luxury goods group Dunhill reported a sudden and sharp fall in overseas trading, particularly in Japan and Germany.

Analysts said that although Dunhill contributed only 9% of Richemont's earnings last year, the poor global economic outlook could also hit earnings from Rothmans and Cartier, the other tobacco and luxury goods groups controlled by Richemont.

IAN HOBBS reports from London that Dunhill chairman Lord Douro warned shareholders that the trading collapse since March indicated that Dunhill could not maintain present operating profit levels this year unless the world's major economies improved. BDM 8/6/93

He reported a 7% drop in pre-tax profits in the 12 months to March at £70,7m, with operating profits slightly down from £55,7m to £55,5m but with the final dividend up from 4,95p to 5,25p with a total payout of 8,15p compared with 7,7p last year.

With consumer spending in Spain and Italy also sharply down and recoveries in Britain and the US at best hesitant, his warning to shareholders was unavoidable, Douro said.

Absa rides out storms, lifts earnings, payout

Star 8/6/93

By John Spira

In a year of major rationalisation and a depressed economy, Amalgamated Banks of SA (Absa) did well to produce a 12 percent increase in earnings to 120,8c a share.

For the 12 months to March, the attributable income of Africa's largest banking group rose by 39 percent to R683,8 million — somewhat ahead of the figure projected by most analysts.

A final dividend of 26,5c (24c) has been declared, raising the year's total distribution by 10 percent to 43,5c, covered 2,7 times by earnings.

Addressing a well-attended gathering of investment analysts and journalists, chief executive Piet Badenhorst was not prepared to commit himself to an earnings forecast for the current year.

He nevertheless said that in view of the intense competition in the banking arena, the industry would probably face lower growth rates than in the past.

In keeping with the industry, debt provisions, including those in subsidiaries acquired during the year, increased steeply — from R636,6 million to R1,866 billion.

Piet Badenhorst . . . lower growth rates than in the past

(232)

Badenhorst considered the increase realistic and in accordance with Absa's conservative standards

The capital to risk-weighted assets ratio was 8,1 percent at year-end — sufficient, said Badenhorst, for the current financial year, though thereafter Absa's capital base would probably need to be further strengthened.

Detailing the results of the extensive rationalisation programme of the past year, Badenhorst pointed to the following achievements.

- The integration of Allied United, Volkskas and Bankorp.
- The divisionalisation of all wholly owned banking interests as trading divisions within Absa Bank.
- The restructuring of all non-banking financial services in a single, cost-effective financial services group.
- The transfer of banking business of each former banking group to appropriate divisions within Absa Bank.
- Integration of the head office and regional office activities of the four major retail banks.
- Integration of Allied's and United's computer, banking and operating systems, phase one of the planned integration of all the retail commercial banking systems.
- The centralisation and rationalisation of common support services and technology
- Co-ordinated and improved risk management.
- Integrated asset and liability management.

The future focus would fall on quality client service, the establishment of single computer banking systems, sustained profit improvement and controlled asset growth.

Chairman Herc Hefer said the staff retrenchment programme was now virtually complete.

"Considerable attention continues to be focused on building morale and welding the management and staff of merged organisations into a cohesive team."

Absa's full-year 12 percent increase in per share earnings compares with FNB's 20,3 percent for the six months to March and Nedcor's 13 percent for the same period.

The higher dividend yields 4,6 percent at the ruling share price versus FNB's 2,6 percent, Nedcor's 2,8 percent and Stanbic's 2 percent.

With much of Absa's rationalisation process now behind it, there should be some scope for a rerating of the share.

Foschini tops R1-bn in sales for first time

Star 8/6/93

By Stephen Cranston

Improved sales and margins enabled the retail fashion and jewellery group Foschini to increase earnings per share by 25,4 percent to 233c in the year to March. (232)

It will continue its policy of scrip dividends and pay a dividend equivalent to one share for every 41 held

Annual sales rose above a R1 billion for the first time, climbing by 19 percent to R1,16 billion.

Operating income increased by 20,6 percent to R225 million.

A reduction in long-term liabilities enabled the interest bill to fall 13,2 percent to R34,9 million.

The pre-tax margin improved from 15,6 percent to 16,8 percent.

There was a 12,7 percent decline in the contribution of Oceana Investment Corporation, the UK company in which Foschini has a 35 percent stake, from R6 million to R5,3 million because of the recessionary conditions in the UK and Australia.

Foschini's pre-tax income increased by 28,2 percent to R195,4 million.

Tax was 31,9 percent higher at R92,1 million, leaving taxed income up 25,1 percent at R103,3 million.

Group MD Clive Hirschsohn says that Foschini's balance sheet has been further strengthened and gearing has fallen from 55,5 percent to 34,9 percent.

Long-term liabilities are down from R179 million to R117,5 million

He attributes the group's performance to its to its spread of stores, effective preparation in anticipation of a difficult year, a commitment to managing costs, enhanced systems and a sharpened focus on merchandise range selections.

"We invested in further centralisation of group credit operations and in strategic systems developments.

Refurbishment

"We continued to open new stores and, with an accelerated refurbishment programme, expanded to 713 stores — a net gain of 20 on the year."

The 76-store Sterns jewellery chain, acquired after year-end, was not included in the results

Hirschsohn says it is difficult at this stage to predict performances for the year.

"Regrettably, unrest and violence are still prevalent and there are no indications of a sustained upturn in the prevailing economic environment.

"However, the group is planning for an improved result."

Lewis Foschini Investment Company (Lefic), the controlling pyramid, reported earnings of R51,6 million for the year and earnings per share of 118,1c.

It will also offer a scrip dividend, on the basis of one new share for every 40 held.

AIDS is a major issue for life insurance companies, and Sanlam is no exception

Star 8/6/93

Facing new challenges

OVER the past decade or so, the Sanlam cultural style has swung from that which is essentially Afrikaans to include a balance of English-speaking clients, and now black people.

The beguiling babies on the Sanlam television adverts wearing shirts, ties and nappies, now include two equally engaging black babies.

A new growth area for Sanlam, according to Desmond Smith, newly appointed managing director, is the black people investing in Sanlam policies

However, the track record of the company to date is so impressive that it may be difficult to surpass.

"We hope to continue as we have in the past. I believe that our employees see their roles as helping to create the future of the country rather than one of just working for a financial institution.

Politically involved

"Having worked with Sanlam for 25 years, this is the feeling I get from our staff members"

The role of the directors of Sanlam has included financial advice to government ministers over the years This advice has not always been followed, but is still sought

Dr Andreas Wassenaar was very outspoken on financial issues and he was followed by Dr Fred du Plessis But this flow of information has been both ways

"We have always had the ear of the government without being politically involved Sanlam cannot be accused of currying favour Its directors have often been critical of the government's actions In fact both Wassenaar and Du Plessis were two of the most outspoken critics of the National Party government

"The contacts have been through the finance ministers, the Financial Services Board and Registrar of Insurance Sanlam has been seen to be legitimate through its business dealings, its staff and the corporate social involvement programmes

Form of socialism

Continuing to play this role in the future, in which we shall have to deal with new political and economic role players, will be a challenge

"Mutual societies, of which we were one, actually smack of a form of socialism There is nothing wrong with the concept as long as it is run on capitalist principles, which we at Sanlam strive to do We don't do business which does not generate profit," says Smith

"From an investment point of view, the major challenge in the years ahead is going to be to find areas to invest money

"Within the group, our companies are continuing to create new investment opportunities For instance recently, Gencor, through Alusaf and Columbus and Sappi, have all created new opportunities Our group companies might wish to invest overseas, but Sanlam itself is unlikely to do so," says Smith.

Discussing the Sanlam staff policy, he says. "We want our staff to reflect, as far as possible, the composition of our business We believe that to be fair It is the only way in which we can effectively service our clients About 20 percent of our marketing staff is black.

"As far as women are concerned, we have too few male clerks and too few women managers Conversely, we have just appointed an English-speaking woman, Kate Jowell, to our board I would like to see women in general managerial positions

"I admit we have insufficient black administration employees, but we are taking active steps to redress the imbalance Black people are being encouraged to develop and grow within the company"

AIDS is a major issue facing life insurance companies and Sanlam is no exception It has been said that healthy policyholders are paying for AIDS victims

Smith says. "The incidence of HIV and AIDS sufferers is still not known with great certainty so it is difficult to plan a management strategy For some years we have set aside reserves, in excess of R200 million, to cover our AIDS exposure We were the first company to do so

"Last year we increased our premium rates specifically to provide for AIDS We will continue to increase our reserves and adopt a correct policy pricing in order to cater for future needs"

Three years ago, Sanlam's head office in Bellville in the Cape, decided to decentralise its regional offices

Commenting on this move Smith says "It has been a resounding success The reason for this increase is twofold

Competitive element

Firstly, the manager can see what business is coming in, plan the service of such business and manage it. Each region needs a different approach and by decentralising, we were allowing these difference to be implemented

Secondly, the psychological aspect has been even more important to the staff in the regions Giving the regions autonomy has been tantamount to providing an entrepreneurial business opportunity This autonomy has generated a tremendous energy which was not there, to the same extent, in the past."

Smith added that decentralisation had also introduced a competitive element amongst the regions.

Over the years Gencor developed into a massive conglomerate. This came as a result of specific investment opportunities that arose, such as the Mobil disinvestment and other opportunities

Unbundling of Gencor

The result was that the group lost its specific focus as a mining house. Furthermore, shareholders did not enjoy the full value of their investment because of the large discount (around 20 percent, or R3 to R4 billion) at which the shares trade on the JSE.

"With unbundling a Gencor shareholder will receive his pro rata number of shares in each of Sappi, Engen, Malbak and Genbel. He will still retain his Gencor shares which will comprise all the mining and related activities," says Smith.

The net result will be that a meaningful portion of the discount to shareholders' value can be unlocked A current Gencor shareholder will further hold shares in each of five totally focussed and independent groups operating in their own spheres of business. This can enhance their long-term prospects.

Smith says that the unbundling exercise will, to an extent, also address the problem of low tradeability on the JSE. It further addresses the problem of power concentration in the local economy

The unbundling of Gencor can be widely acknowledged as a brave step to enhance shareholders' value and to address their investment needs

Sanlam's clients will enjoy the greatest benefit from this because of Sanlam's current large investment in Gencor

■ MOVING AHEAD: Sanlam may originally have been founded to assist Afrikaners, but over the years clients have come to include a large number of English speaking South Africans According to MD Desmond Smith a new growth area is black people investing in Sanlam policies

Creating the future MD Desmond Smith

28 136 329 252 495

Professionals satisfied with Sanlam

Star 8/6/93

ONE marriage which seems to have been made in heaven, is between the Professional Provident Society and Sanlam, and has been happy for over 30 years

The Professional Provident Society (PPS) was founded on July 8 1941 by a group of concerned dentists who realised they were unable to obtain non-cancellable sickness and disability benefits from assurance companies who were active in SA at the time.

The aim and object of the founders was to create a mutual organisation in terms of which professional men and women could assist one another in times of illness or in the event of permanent incapacity

Today, PPS is a substantial organisation, with a membership of more than 50 000 graduate professionals from all professional groups and its assets are valued at over R700 million.

Members subscribe for "shares" in the Society, which are in fact units of benefit that provide them with the amount of cover they require. All surplusses from the operation of the Society are annually credited to members in proportion to their shareholding and each member's accumulated lump sum is paid to him on resignation or retirement from the Society, tax free

The association goes back to 1958 when Sanlam started to underwrite the Society's group life scheme. Two years later the Society decided to launch its own retirement annuity scheme for members and Sanlam successfully tendered to underwrite the scheme

(232)

This scheme, with assets in excess of R1,5 billion, is still administered by Sanlam, together with the PPS group life scheme

For Sanlam, PPS represents its largest corporate member

Sanlam markets all the PPS products, which include two further items not underwritten by Sanlam. These are four different types of shares, essentially to provide disability income and Profmed, the Society's medical aid scheme.

Desmond Smith, Sanlam's newly appointed managing director has worked closely with the Society for about 16 years Smith estimates the group life scheme might be the largest in South Africa, but he confirms it is the biggest handled by Sanlam

However, while PPS is financially the most valuable, it is not the largest in terms of membership. Individual members pay substantial annual contributions thereby creating large volumes of income

"PPS is a unique organisation in terms of its legal status. Originally it was registered as a friendly society or a benefit fund essentially to provide disability cover for its members.

However, PPS out of surplus funds and investment income, is declaring a dividend almost equal to the individual contributions. This is tantamount to members obtaining free benefits while building up a retirement fund with both income and benefits being tax-free," reports Etienne Huggett, PPS general manager

Sanlam has a separate department at its head office in Bellville, which acts as an interface with PPS and the agents

The one important issue for PPS is independence Through a market survey, the Society was able to confirm to its members that the Sanlam relationship was justified.

Other life companies wishing to gain a share in the action or even to take over the underwriting from Sanlam have been unsuccessful

ing day) was paid out in benefits.

PTO-10

Giant step towards black economic empowerment

Star 8/6/93

IN a dramatic move, the black community acquired a leading role in the control of Metropolitan Life (Metpol), a company with a market capital of about R1,5 billion Existing management and the involvement of Sankorp at board level will be retained

This came about through the sale by Sankorp of shares in Metpol to the newly established Metlife Investment Holdings (Methold). (2322)

The transaction, which makes Metpol the first company on the JSE in the control of which the black community plays a dominant role, has been financed by the Industrial Development Corporation (IDC).

Sankorp CE Marinus Daling said the sale resulted from Sankorp's desire to contribute meaningfully to black economic empowerment

Methold has been financed to the tune of R137 million by the IDC. This money will be used to acquire, as a first step, a 10 percent holding in Metpol, consisting of 6 745 496 ordinary shares at R20 per share, with options to buy up to a further 20 percent less one share within five years, The price of R20 was the average at which Metpol shares traded in the three months prior to the date of approval of finance by the IDC Although the price of the share has since risen above R20, Sankorp will honour the original agreement.

The funding from the IDC will be redeemed as money is generated through the issuing and marketing of Methold shares to the black community. The 40 percent of Metpol shares held between Sankorp and Methold is the basis for a voting pool agreement between these two parties

The agreement allows Methold, on acquisition of the initial 10 percent holding, to nominate six of the 15 non-executive directors, and Sankorp, which will hold about 10 percent of Metpol equity after all options have been exercised, to nominate three.

The chairman of Methold is Dr Nthato Motlana and the deputy chairman Enos Mabuza The other directors are Dikgang Moseneke, Don Mkhwanase, Archie Nkonyeni and Franklin Sonn Marius Smith, MD Metpol, will also serve on the Methold board, while the IDC has nominated Jan de Bruyn, a senior general manager of the IDC and Gert Touws, its manager of finance

Motlana said although the company had been created primarily to secure the shareholding in Metpol, it could come to play a larger role in black economic empowerment.

ure

s now ready for the company's 75th

Star 8/6/93

Every person is touched in some way

232

Sanlam 75 years

Millions of South Africans have benefited from Sanlam care. ANTHEA DUIGAN looks at the role of this major life assurer, which celebrates its 75th anniversary today.
Advertising: Linda Cohen

FEW people realise the extent of Sanlam's financial influence on their everyday lives You do not need to have a Sanlam policy to be "touched" by Sanlam in some way

Through its investments in corporations like Malbak, Murray & Roberts, Gencor, Siemens, Plessey, Santam, Pepgro, there are very few South Africans who are unaffected by Sanlam

Businessmen hire Avis cars. They also have bank accounts at Volkskas and Trust Bank or their houses (built with Blue Circle Cement) are mortgaged to Allied or United

Families dine out at Mike's Kitchens and the perhaps take in a show at Ster Kinekor. Even if you don't shop at Checkers, you probably buy Tabletop frozen vegetables, Enterprise bacon, fresh processed meat prepared by Kanhym, Carlton paper towels or loo paper, or even Simba chips.

But if you don't eat or use loo paper, you might work in a building erected by Murray & Roberts, or drive a Nissan fitted with Firestone tyres or fill your car at the Engen filling station around the corner.

While reading your newspaper this afternoon, you might be lounging on a sofa from Ellerines, with your feet clad in Conshu shoes, before cleaning the pool with HTH or planning to watch your Tedelex video

Or you might be sick taking prescribed drugs produced by Protea Pharamaceuticals or an effective cough mixture from SA Druggists

And if you disclaim all of these Sanlam-linked names, you cannot divorce yourself from the newspaper you are reading, which was printed on paper from Sappi, another company benefitting from a Sanlam investment

Finally, if you protest that Sanlam has no influence in your life, phone me. Siemens and Plessey devised and designed our telephone systems

Big role for black community

Sowetan 8/6/93

■ Control of Metpol company with market capital of R1,5 billion:

IN a dramatic move, the black community acquired a leading role in the control of Metropolitan Life (Metpol), a company with a market capital of about R1,5 billion. (232) (FT6)

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SOWETAN Tuesday June 8 1993

The many arms of Sanlam

Sowetan 8/6/93

■ **It touches everyone at some point:** 232

SS

FEW people realise the extent of Sanlam's financial influence on our every day lives.

You do not need to have a Sanlam policy to be "touched" by Sanlam in some way. Through its investments in corporations like Malbak, Murray & Roberts, Gencor, Siemens, Plessey, Santam, Pepgro, there are very few South Africans who are unaffected by Sanlam. Businessmen hire Avis cars. They also have bank accounts at Volkskas and Trust Bank or their houses (built with Blue Circle Cement) are mortgaged to Allied or United.

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Sustaining family concerns a difficult business

BDay 8/6/93

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MERVYN HARRIS

CONVENTIONAL wisdom that SA's economy is controlled by conglomerates is a myth As in the US, the UK, Australia, Canada and other Western countries, the SA economy is controlled by wealthy families Family business is big business and major economies are controlled by wealthy families.

At least 70% of listed JSE companies are estimated to be directly or indirectly controlled by families. Major corporations are in the hands of families such as the Oppenheimers, Ruperts, Menells, Ackermans, Venters, Gordons and Jowells.

The formation in SA of pyramid companies to enable families to retain control with a reduced equity holding is an example of the determination to entrench family control. But the dream of every father to perpetuate his business through his children does not often live longer than the founder of the business.

Research in the US and UK shows that 25% of family businesses survive into the second generation and only about 10%-15% survive into the third generation

The issue of why such a small percentage of family businesses survive into the second and third generation has become a dynamic new field of research and expertise

Harry Oppenheimer: patriarch of a family business.

Kessel Feinstein national chairman and managing partner Malcolm Segal says there is "a significant body of knowledge, research and learning which can enable the problems threatening the survival of family business to be identified and resolved".

Critical to resolving the issues is the role of the patriarch — the founding father of the business — and his spouse, the matriarch, although she may not be involved in the business other than in the early years. They are aware of the issues but have difficulty articulating them lucidly.

As Segal notes: "It takes courage to deal with the issues facing a family business. It can disturb relationships and people have a reluctance to upset the balances in a family. Decisions which are good for the business might not necessarily be good for family relationships It is painful to differentiate between two sons, one of which has greater ability than the other."

Instead of confronting such problems, the tendency is to let sleeping dogs lie in the hope that the problems will go away. This only worsens matters for, as children grow up and in-laws become involved, problems tend to become compounded

Succession planning is therefore a critical factor in the survival of a family business The decision when a patriarch should retire and who should take over can be traumatic "People are emotionally locked into their businesses which are often undercapitalised so that they cannot take their money out If something goes wrong, it can affect their retirement," Segal notes

Succession planning can be complicated if there is a non-family member more suited to taking over the helm than a family member There is also the question of whether family members should be remunerated by what they need or by what they are worth An organisation can be put out of kilter if family members are overremunerated — this antagonises non-family members.

The role of non-active family members in a business is another delicate issue which must be considered If brothers are running the business, what should be the right of their sisters to information and influence over policy?

Financial structures and strategies are important in dealing successfully with conflicts in family businesses This is where a family's relationship with its banker comes into play But while bankers make decisions on the financial statements themselves, the issues underlying the financial statements — the non-quantitive factors — are just as critical to the survival of the enterprise as the financial statements

"The banker ignores the emotional and psychological factors at his peril," says Segal

"It is dangerous and even destructive to attempt to solve the issues without the use of an outside facilitator The dynamics of each situation needs to be approached in a holistic manner, keeping the psychological and emotional issues in line with the fiscal, legal and strategic elements Making blood brothers into equity brothers is a crucial issue in succession planning "

Ethnic background is also an important factor in the structure and mores of a family business The cultural background must be taken into account when dealing with Afrikaner, particularly farming, communities, Greek, Italian, Jewish or Indian families Moreover, the role of the matriarch in an Indian family is different to that of the matriarch in a Jewish family while the matriarch in an Italian family tends to be much more overtly influential

"Some matriarchs are extremely powerful people in a family business and their role should not be underestimated although some tend to be less visible than others," Segal says Ultimately, family businesses which fail to resolve conflicts or succession planning are sold to larger companies which tends to lead to further concentration in the economy

LETTERS

Lion Match finances 'are primed for 1994'

Buss. Day 9/6/93

MARCIA KLEIN

DURBAN-based Lion Match's sound financial position would enable it to attain a satisfactory increase in earnings in financial 1994, chairman Laurie van der Watt said in his 1993 annual review.

The SA Breweries-held group, with interests in matches, packaging, shaving, home and garden products and appliances, recently reported a 22% rise in attributable earnings to R15,4m to end-March on the back of significantly reduced financing costs.

(2327)

Van der Watt said the sound financial position was evident in closing gearing of 19% (31%), a six times interest cover, cash flow from operations of R22,4m and a reduction in net financing requirements

In light of the group's expectations for the year ahead, capex programmes worth R23,9m had been approved Van der Watt said most would be spent on the packaging division, where capacity was being increased in the gravure operations Much of this investment would be funded by cash flow retained from operations

The group would also focus on exports, tightened costs controls and continuing strict cash management.

Commenting on divisional performances, Van der Watt said the lights division reported a marginal decline in turnover as domestic sales were affected by an influx of imported matches, but exports increased Reduced manufacturing and distribution costs and increased efficiencies enabled the division to more or less maintain trading profit

Disposable lighter sales dropped in real terms, but volumes and market share should be restored in the current financial year The lights division was the major contributor to trading profit, bringing in 56%

The packaging division was the star performer, increasing turnover by 13% and trading profit by 26% The label, folding carton, merchanting and plastics operations did well

In the shaving, home and garden division, Wilkinson Lion Consumer Products increased market share, but margins showed a marginal decline due to the highly competitive market Home and garden sales volumes were low

The appliances division's results reflected losses arising from the disposal of redundant, obsolete and reworked stocks, but no further losses would arise from this division

Equity accounted Amalgamated Appliances had a difficult year, with a loss attributable to Lion of "a disappointing R5m" Van der Watt said the rationalisation programme was largely complete, and its performance was expected to improve substantially in the current year.

B/Day 9/6/93

Odyssey and Frohlich organise a share swap

PETER GALLI

IN WHAT amounts to a share swap, the Odyssey Group has acquired a 100% stake in Rolf Frohlich Construction (RFC), while RFC MD Rolf Frohlich has acquired a one-sixth interest in Odyssey (232)

The parties would not disclose the value of the deals, which are effective on June 30, but RFC reported a turnover of R36m in 1992 It was involved in the construction of 11 Diagonal Street and the Carlton Court.

Odyssey's acquisition of RFC is designed to spearhead its move into commercial property development.

Odyssey, which is the holding company for RCI Southern Africa, holds a number of property assets.

Odyssey director Kevin Rawnsley said the group was looking for development opportunities in the commercial market, and the tie-up with RFC would assist in this.

Frohlich said "The emphasis of the enlarged group will be on developing and constructing high-quality commercial buildings in and around Johannesburg and the Sandton CBD"

The R200m Odyssey Group and its associates have been involved in residential property developments through board member and property developer Frank Brick, founder of Original Homes Estates, Abcon and the listed Abcon Property Trust.

Odyssey director and RCI chairman Bruce Ravenhill said the group would now have two major thrusts: the services division, which includes timeshare exchange organisation RCI, and the investment division.

Property valuation risks

BDay 9/6/93

PETER GALLI

MANY established property valuation methods could be creating a potential minefield of problems for local business, says RMS Syfrets valuation head Peter Parfitt

The fact that company directors are allowed to value their own properties without calling in a professional valuer is cause for concern, he says

"With the rise in company liquidations and the possibility of new tax legislation, the ramifications of subjective property valuations can be extremely serious for business and its shareholders" (232)

Independent professional property valuation is more important in these recessionary times than ever before, says Parfitt The fundamental investment principles are an increase in value and return on capital, but the determination of these principles for property is not so simple

Most companies tend to concentrate on short-term returns while failing to apply the same degree of scrutiny to property, often their biggest asset.

"Accurate property valuation is essential because it is the means whereby a property's performance can be rated It is also used to establish insurance values," he says.

While a company's short-term results might reflect profitable growth, its asset base — in real terms — could be eroding.

"The fact that this is eroding the short-term profitability of the company is often realised only when it closes its doors and shareholders find themselves with an empty shell," Parfitt says.

"It is an unfortunate fact that directors' valuations are one of the ways in which a company's asset base can be distorted. More often than not the property assets are not subject to audited scrutiny

"The dangers of this have been highlighted recently by the collapse of organisations that have reflected their supposed strength on paper by means of hugely exaggerated self-valued properties," he says.

SA Institute of Valuers Transvaal executive member Rodney Timm agrees, saying the problem with having director value their own property is that they do not have the skill, they may have reason to distort the figures and it is difficult for them to be objective when they are personally involved.

"The situation where directors are legally allowed to value their own properties needs to be addressed and we are working on this," Timm says.

Hi-Score, Score-Clicks showing improvement

B/Day 9/6/93

MARCIA KLEIN

PREMIER Group-controlled Hi-Score and its subsidiary Score-Clicks, which both have interests in Clicks Stores and Metro Cash & Carry (Metcash), have reported improved results for the year to end-April.

At the October interim stage, the groups were meant to report for the last time before becoming wholly owned subsidiaries of Premier. (232)

However, schemes of arrangement proposed by the Premier Group for the two companies in this regard were not implemented.

Premier now owns and controls 92,23% of Hi-Score and 97,49% of Score-Clicks.

Hi-Score reported earnings of 53,4c (37c) a share. A final dividend of 11c a share brought the full year dividend to 18c (16c) a share.

Score-Clicks reported earnings of 29,7c (20,4c) a share. A final dividend of 7c a share increased the full year dividend to 11c from 9,5c the previous year.

Results did not include income from Metcash, apart from dividends on the investment, as less than 20% of Metcash was held.

The company declared dividends of 14c a share for the year compared with 6c in the previous period.

Metcash continued to perform well, increasing earnings a share from 17,3c in the previous 10 months to 34c on a turnover increase of 28%.

Improved results from Clicks Stores — with good performances in its Clicks and Diskom outlets — were reflected. Musica, which was acquired by Clicks during the year, was restored to profitability.

Clicks' turnover on an annualised basis increased 29% and earnings a share rose from 123c for the previous 14-month period to 138c.

The new secondary tax on companies was treated as a charge against profits. The release from the provision for deferred taxation arising from the reduction in the rate of company tax was inlcuded in extraordinary items.

Clicks, which would continue store expansion in all of its chains, was expecting satisfactry growth in the coming year.

BiDay 9/6/93

New futures-linked fund

LINDA ENSOR

CAPE TOWN — A new futures-linked fund has been launched by Seeff Trust, stockbrokers Simpson McKie, Computrak and Futures & Options Trading.

The Investment Guaranteed Futures Fund would allow the ordinary investor to participate in index futures without placing his original investment at risk, Simpson McKie derivatives director Chris Niehaus said yesterday. The investors' capital would be combined to permit individual access to the futures market.

The structure of the fund was such that the investor could choose his own level of risk management from 100% secured to full exposure. (232)

Star 9/6/93

M & R a sign of the times

By Stephen Cranston

The recent dip in the Murray & Roberts share price reflects the extent to which the upswing in gross domestic fixed investment (GDFI) has been further delayed.

The price fell from R55 to R42, before improving ~~to its~~ present level of R48.

CE Dave Brink ~~says~~ that a year ago economists were predicting a four percent improvement in GDFI for 1993, but it is now predicted there will be a decline of nine percent.

He is puzzled by the recent share price fall, as there has been no change over the last two months in the internal or external environment in which the group operates.

232

Frankel Pollak Vinderine analyst Johan Snyman, for instance, still predicts it will increase its total dividend for the year from 180c to 194c, although he says there will be a small dip in earnings per share from 485c to 467c.

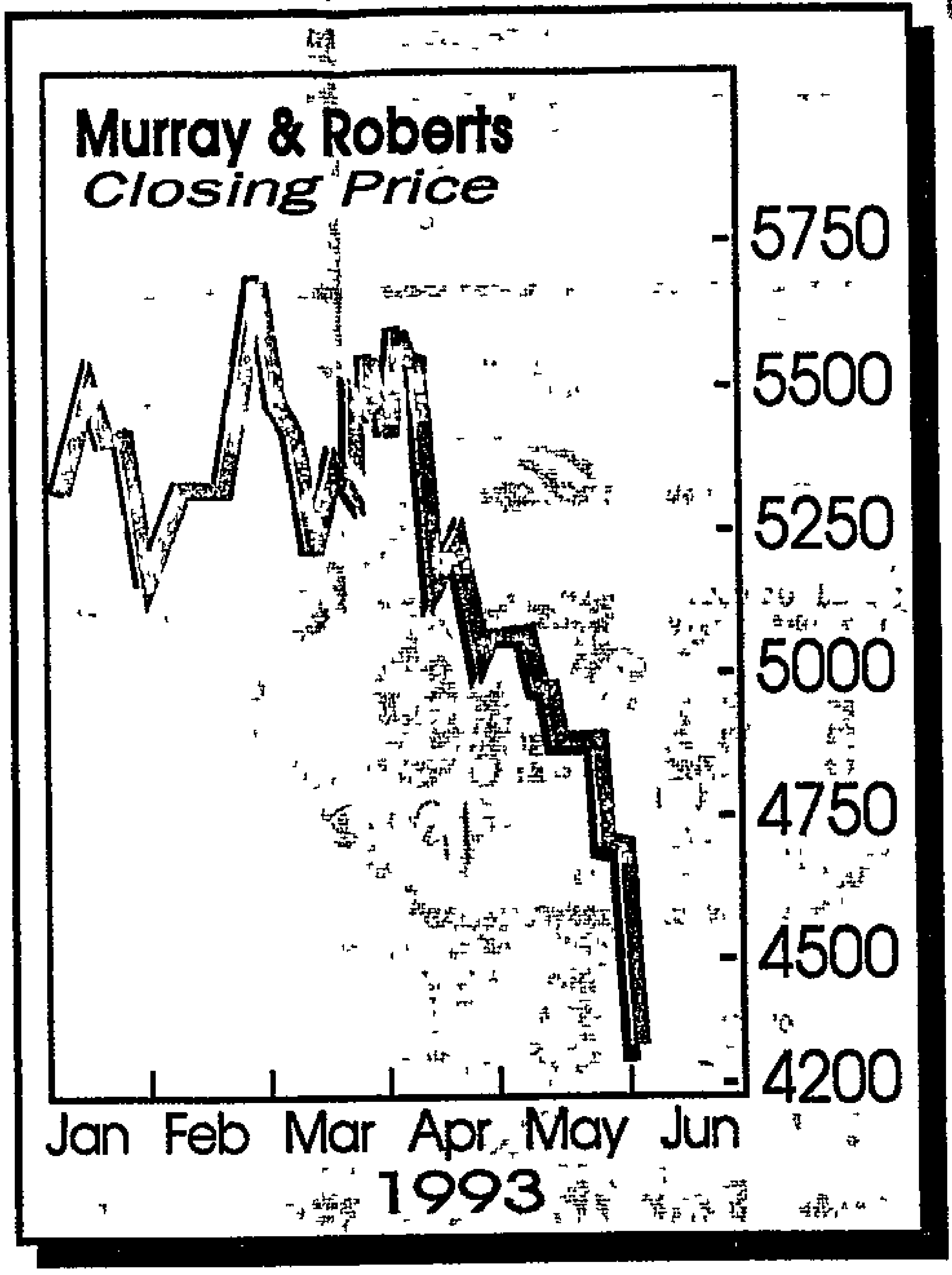
Yet M&R's decline of about 20 percent has far outstripped the declines in the major GDFI-based indices.

Over the same period, the building and construction index has fallen by seven percent to 2449 and the engineering index by three percent to 1622.

To some extent, M&R has fallen victim to the unbundling craze.

Because Sankorp is its major shareholder, some investors assume a plan must be in place to dismantle M&R into its components of construction, engineering, suppliers & services, materials and property.

This seems unlikely, however, at least in the short term, because Sankorp has earmarked M&R as the holding company for its GDFI-based companies and over the last two years has brought Darling & Hodgson, Standard Engineering and Firestone into the fold.



M&R's head office probably does add value because when group companies tender for business, the M&R name undoubtedly helps them to win contracts.

M&R has a lean head office with a good reputation for helping to impose financial disciplines.

With its "critical mass", it is able to consider listing a corporate bond, of perhaps R500 million, giving it advantageously priced finance

Brink says he is satisfied at the way in which the acquisitions have bedded down, although there are some lingering doubts in the market.

Firestone, in particular, can be seen as a consumer marketing business, which is not an area in which M&R has much experience.

The profitability of Blue Circle, acquired with the Darling & Hodgson purchase, might also be affected if the cement cartel is ever threatened with dismemberment.

Moreover, these acquisitions have been asset-intensive, which has diluted M&R's enviable returns on assets somewhat.

Score stores do well

Star 9/6/93

232

Business Staff

Hi-Score and Score-Clicks, in which the Premier group holds over 90 percent, have reported good results in the year to end-April, reflecting the performances of their two operating subsidiaries, Metro and Clicks Stores.

During the financial year Metro's earnings almost doubled while Clicks' profits were up by about 12 percent.

In terms of proposals by Premier, Hi-Score and Score-Clicks were to become wholly owned subsidiaries. However, these proposals were not implemented and the groups give no indication if other arrangements have been made.

Hi-Score's earnings per share rose from 37c to 53,4c and the dividend was up from 16c to 18c.

Score-Clicks' earnings improved sharply from 20,4c to 29,7c. The total dividend was 11c (9,5c).

Argus keeps head above water

Star 29/6/93

By Stephen Cranston

Reduced advertising volumes, thinner printing margins and lower discretionary spending restricted the increase in the earnings of Argus Holdings to a modest 4,8 percent in the year to March.

Attributable earnings improved by R4,3 million to R94 million and earnings per share by 7c to 220c.

In view of the poor operating environment, the dividend has been maintained at 55c. Turnover improved by 14 percent to R1,653 billion.

(232)

After a 5,5 percent improvement in the first half, second-half earnings rose by 4,3 percent to R58,2 million.

Group CE Doug Band says there was a change in the composition of the results in the two half-year periods, with 37 percent-held TML performing below expectations, turning in a 23 percent decline in second-half earnings after a 16 percent improvement in the first half.

Argus Newspapers, which saw growth fall from 9,5 to 6,8 percent for the full year, and CTP, which maintained an eight percent improvement in earnings, were in line with expectations.

M-Net turned a 17 percent decline into a two percent improvement.

CNA Gallo's one percent advance represented a good turnaround on the four percent dip at half-time.

(195)

Band says the performance was satisfactory in the current trading environment.

Argus Newspapers was operating off a high base, as the previous year's revenues were bolstered by advertising for the March referendum and the considerable adspend by the premium rate telephone industry, which fell sharply from June and had disappeared by December.

Supplements

Nevertheless, The Star achieved real growth in revenue from special supplements and features.

On a cautionary note, despite a buoyant first quarter in the year under review, advertising volumes fell across the board. The Pretoria and Cape Town markets were particularly lacklustre.

Circulation, hit by many stayaways, started to lift towards the end of the 12-month period, thanks to promotional activities such as Jokers Wild.

Band says that while newspapers may be mature products, they still have considerable penetration potential.

"Print will flourish as long as it is smart and aggressive. We need to convince advertisers that our publications must form part of their media schedules."

Argus no longer consolidates its interest in Afmed, which holds Caxton and CTP.

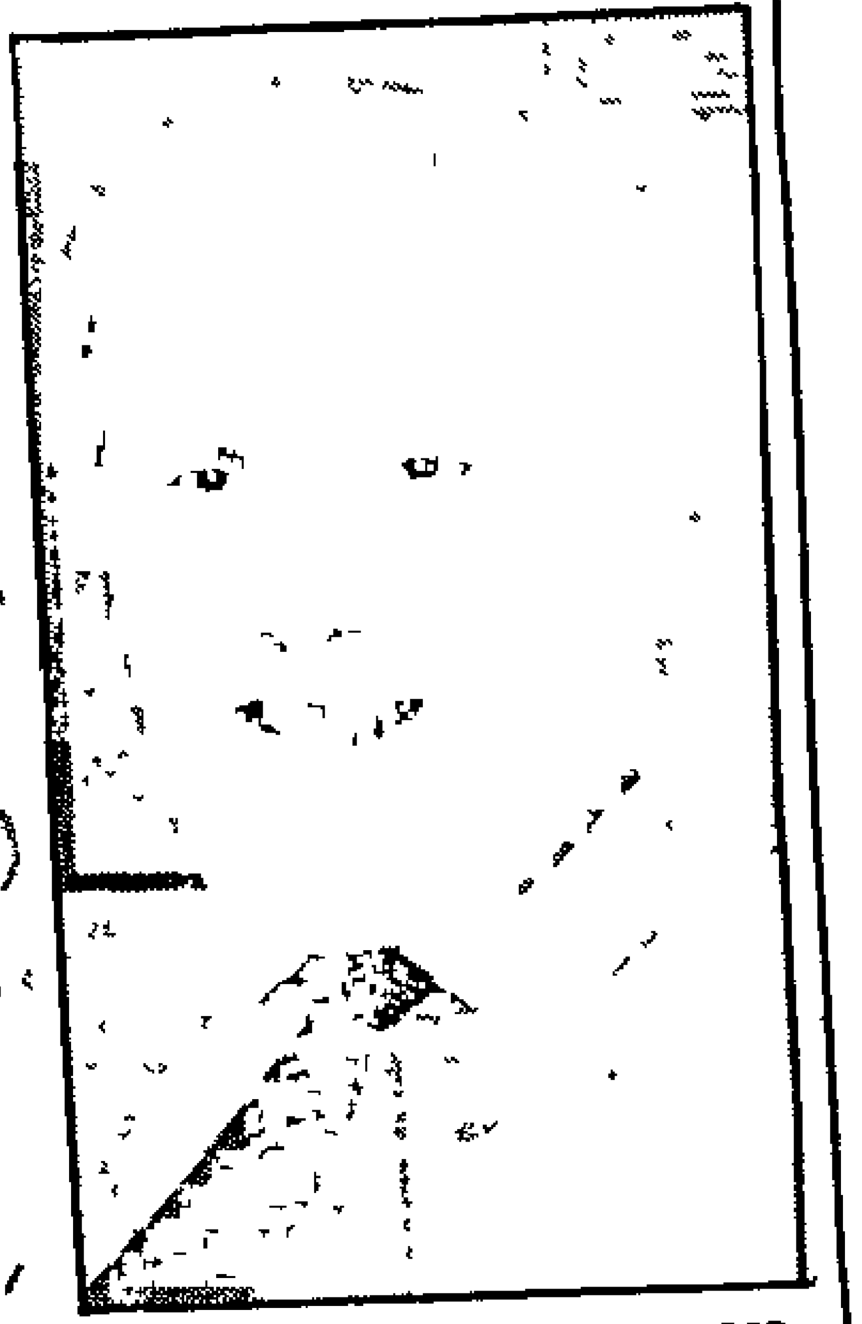
This follows the withdrawal by its co-shareholders of its right to appoint the majority of directors to the board — a withdrawal that was no doubt hastened by the court case between Argus and Caxton over the right to publish regional newspapers.

Argus has no immediate plans to sell its Afmed holding, but this could form part of the unbundling of its interests in the print media.

Band reveals that Argus is still committed to addressing the over-concentration of the print media, but that it has no plans to unbundle CNA Gallo or its 18 percent holding in M-Net.

The Argus balance sheet was further strengthened by a renewed emphasis on cash and asset management, resulting in net gearing reducing from 10 to six percent.

Net current assets fell from R30,2 million to R18,9 million, despite cash holdings rising from R32,4 million to R47,9 million.



Doug Band .. newspapers have considerable penetration potential

Fintech sets sights on new products

Star 9/6/93

By Stephen Cranston

Fintech will rely for growth on new product developments and launches initiated by its overseas partners, given the current lack of suitable acquisition opportunities, says chairman David Redshaw. 232

In the annual report for the year to February, Redshaw says XeraTech, which distributes the Xerox range, had another successful year.

In spite of a very flat market, especially in reprographics, turnover increased in real terms.

Further product introductions are expected later in the financial year, which will assist in achieving XeraTech's objective of total integration in document processing.

NDS, the franchise holder for NCR, won significant orders of both traditional and new products.

Two of South Africa's major banks placed large long-term orders for ATMs to expand their existing base of self-service outlets across the country.

Another bank placed a contract to develop and implement an image-based cheque capture and item processing system, which went live ahead of schedule.

The expected introduction of the GSM cellular network will provide valuable new opportunities for STC Business Communications, which has the sole distribution right for the Alcatel terminals.

Intertech has developed a new generation of interactive graphics-based software for the mining industry. The products are being used in several South African mining houses and enquiries have been received from Eastern Europe and the US.

Intertech has also targeted the Technical Information Management (TIM) market for expansion. TIM products address the problems faced by large enterprises in the management of huge volumes of technical information.

OK girds for further income losses

B Day 9/6/93

MARCIA KLEIN

OK Bazaars, which plunged into a R44,9m attributable loss in the year to end-March, is expecting further losses in the coming year Trading conditions remain difficult and the group is continuing with its programme to return to profit.

The extent of these losses was not outlined in the group's annual review, but chairman Meyer Kahn said future results should start reflecting the benefits of the OK's new strategic direction

(350)

MD Mervyn Serebro said trading conditions, especially in the retail sector, would remain difficult "for a considerable period" But various steps already had been taken to return the group to profitability

The R102,6m reduction in stockholdings signalled "a turning point in the group's ability to control asset growth" Borrowings decreased by R16,9m and would be further reduced in the current year.

Holding company SAB's R200m loan to OK is also reflected in the report

(232)

Information systems were being extensively upgraded, and this would enhance the decision-making process and also give the group the competitive edge

Serebro said management was "determined to face the challenge of reshaping the business".

During the 1992 financial year, turnover rose by 4,6% to R5,28bn. Serebro said the food participation of group sales was 60,3% against 59% in 1992because of continuing pressure on consumers to economise

Operating income was R49,9m from R103,8m in the previous year This was eradicated by financing costs of R123,8m, and gearing rose to 253% from 195%.

The Hyperamas were not as hard hit by trading conditions, and had a reasonable year. This because of accurate definition of its target market and timeous response to changes.

A radical change of direction has followed the progressive loss of market share in all divisions. The OK would once again become an "aggressive, customer driven discounter", Serebro said.

CP publishes proposals for the new constitution

Buss-Day 9/6/93

TIM COHEN

CAPE TOWN — The CP published yesterday its constitutional proposals, which insist on Afrikaner self-determination under a confederal constitution in a territory to be negotiated

The proposals, submitted to the negotiations technical committee on constitutional affairs, do not specify the territory the CP suggested should be set aside as an Afrikaner state

Nor do the proposals indicate specifically whether it will be possible for people in the territory who are not white to have the vote

The document argues, however, that in terms of international law, states are not obliged to grant the vote to non-citizens

Only Afrikaners would qualify for full citizenship in the state Afrikaners were defined as people who were "descendants of the Afrikaner nation and those patriots who share the same destiny"

CP MP Corne Mulder declined to say specifically whether this definition would exclude people who were not white, saying only that the definition was self-explanatory

Non-citizens within the Afrikaner state would not have the vote, would not be able to stand for Parliament, would not be able to lay claim to immovable property, but would have other private law rights.

On the territory, the CP document proposes that a process of negotiations should result in a legitimate set of boundaries "as opposed to mere unilaterally proposed instant maps".

The CP would present its proposals to the commission on the delimitation of states, regions and provinces, declining to release details of its proposals until they had been considered by the commission

In contrast to parties that proposed a unitary state or a unitary state with regional powers, the CP was proposing self-determination for those who desired it, and any other dispensation for the rest

These states — there would be at least two, the Afrikaner state and the New SA — would be bound together "for the benefit of all in a confederation of mutual acceptance and co-operation"

The confederal state would co-operate economically, in a way similar to the EC, and would share scientific and technical progress

The document concluded that if all parties to the negotiations were serious and accepted the realities, it would be possible to resolve SA's complex problems

"This may be our last opportunity to resolve our constitutional problems in a peaceful manner," the document said.

PAC rejects nationalisation

Buss-Day

TIM MARSLAND (232)

THE PAC would not nationalise industry if it came to power, PAC secretary for economic affairs Sipho Shabalala said yesterday

Addressing a conference on commercialisation and corporatisation at Midrand yesterday, he said the PAC did not have nationalisation on its agenda.

"I want to set the record straight. We will never nationalise buildings and so on We are not fanatics," he said 9/6/93

However, the PAC would like to see blacks on the boards of companies so that the workers "have a sense of ownership ... We want all people to have access to wealth," he said

PAC economist Mosebjane Malatsi, who is also senior policy analyst at the Development Bank, said the organisation's focus would be on black empowerment through education.

There were too few blacks with the know-how to handle the running of businesses Therefore, the organisation would make education a key priority, he said

added readings

DP MP attacks liquor Bill

Buss-Day 9/6/93

CAPE TOWN — Rather than stimulating competition, the Liquor Amendment Bill would protect certain players in the liquor industry, Geoff Engel (DP Bezuidenhout) told Parliament yesterday

Speaking in debate on the measure, he said the DP would vote against the Bill because the state's deregulation was unsound and licences and conditions of operation made such business inaccessible to local communities

Central government should not determine trading hours

"Due to the strong emotive, moral and religious issues at stake here, we believe the desired level (for setting hours and conditions) is third-tier government structures, namely local authorities, where each community can decide its wishes"

While the NP supported regionalism and devolution of power, it still demonstrated how selective its principles really were

The DP knew there were many opponents of the Bill who did not want any deregulation

However, experience in other countries had shown that deregulation did not necessarily increase alcohol consumption, and in some instances had actually decreased consumption and abuse

Government had not been even-handed in its deregulation programme, which continued to discriminate against beer sales in supermarkets or other retail outlets where wine sales were permitted

This was unjustified state interference originally prompted by the wine co-operatives against English business, he said

Earlier, Deputy Trade and Industry Minister David Graaff said the implementation of the Liquor Act was a dynamic process that depended on the perceptions of the society it served But all the problems would not be solved by the amendment

However, the industry had come a long way on the path of deregulation He had no doubt that Parliament might find it necessary to pass further deregulation measures in future

D G H Nolte (CP Delmas) said the CP would oppose the measure because it extended liquor trading hours, and the CP was against trading on a Sunday

At a time of increasing murders, robbery and death, lengthening selling hours would contribute only to more violence and unrest, he said — Sapa

Analysts warn of SA election chaos

Buss-Day 9/6/93

GERALD REILLY

PRETORIA — Political analysts disagreed yesterday on the readiness of political parties, particularly the ANC, to meet the formidable challenges in the "brief" 10 month run-up to an election

Willem Kleynhans said the country was totally unprepared for an election within a year and an attempt to hold one would end in chaos and a badly flawed result

Of the country's 22-million eligible voters, 17-million would be Third World political illiterates

It would take a year or more of intensive education programmes to equip them properly to take part in a democratic election

He said there were massive "no go" areas where parties would be unable to hold meetings without provoking violence and disruption

For the ANC, these areas included Bophuthatswana, Ciskei and KwaZulu, while NP recruiting efforts would not be tolerated in townships. The DP would not fare much better

Kleynhans said farmers were unlikely to allow the ANC to campaign on farms for the votes of the 500 000 enfranchised farm workers

He claimed the ANC had almost no election infrastructure and had put out the "begging bowl" in an effort to scrape together the R200m it claimed it needed to fight an election

However, Wits University political science associate professor Tom Lodge said an election in 10 months' time was feasible, with much hard work, and "certainly desirable"

He claimed the ANC was as well prepared as any other party at this stage but much remained to be done in registering and educating voters

In certain areas the ANC's organisation was "creaky" but then so was the NP's

Lodge said a delay in the election could lead to fragmentation of ANC support to the right.

An early election had the support of the business community, which believed it would lead to greater business and consumer confidence and stimulate investment

Some of the lustre goes out of Remgro

Star 10/6/93

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By Stephen Cranston

Despite a sharp fall in contributions from its food and timber subsidiary Huntcor and associates Gencor Beherend and Fralex and a loss from Dorbyl, the Rembrandt Group has increased earnings per share by a marginal one percent to 182,1c

The result was at the lower end of analysts' expectations, some of whom had forecast a six percent improvement

It is likely to put some pressure on the Remgro share price which, at R26, offers a thin 1,4 percent dividend yield and a P/E ratio of 14,3

Tobacco's growth was unable to offset the mediocre performance of other interests and the group's aura of invincibility has taken a battering

But it remains financially strong The dividend, declared in January, increased by 11 percent to 36,2c.

After a 4,6 percent improvement in earnings in the first half, second-half earnings were down by 2,2 percent

But if retained income of associates is excluded, which is a paper rather than a cash profit, earnings were up by 4,6 percent to 138,1c per share — an increase in line with that of SA Breweries, the other giant in the consumer sector

Turnover

Remgro still does not disclose turnover, but pre-tax income was up 5,5 percent to R1,238 billion This included a 2,8 percent increase in dividend income to R227,6 million

But there was a sharp increase in the effective tax rate from 36,3 percent to 38,7 percent, which brought taxed income up 1,5 percent to R759,3 million

As dividends had already been declared, there was only a R1,8 million charge for the secondary tax on companies, taken above the line

With the adjustment in the tax rate, the deferred tax provision was reduced by R3,6 million

The share of net income retained by associates was down 17,2 percent to R223,5 million

There were reduced contributions from the industrial and mining interests, only partly offset by improvements in financial services, which include Absa and Sage

Interest attributable to minorities, however, was down by more than half from R76,5 million to R32,2 million, mainly because of the 51 percent decline in Huntcor's earnings

Remgro's balance sheet remains exceptionally strong with its already negligible gearing falling from 3,1 percent to 2,6 percent

It has debts of R180,2 million and R6,9 billion in equity

There was a single payment of R460,7 million on October 1 to preference shareholders in Tegniese Mynbeleggings (TMB), a wholly owned subsidiary, who elected not to exercise their option to subscribe for ordinary TMB shares

Momentum in RMB deal

Buss. Day 9/6/93

PETER GALLI

RMB Holdings has sold its subsidiary Rand Consolidated Properties (RCP) to Momentum Life Assurers in a multimillion-rand deal

The renamed company, RMB Properties, will manage Momentum's R1,2bn property portfolio

Momentum Life MD Niel Krige declined yesterday to disclose the value of the deal, which would be based on net asset value of RCP at the year-end, but said it amounted to "quite a few million"

"The transaction will have no material effect on the earnings a share or net asset value a share of either RMBH or Momentum Life as RMBH holds 76,8% of Momentum, which in turn will hold 100% of RMB Properties," he said

Momentum Life Properties (MLP), which currently administers the group's property portfolio, would become dormant. MD Bryan Jackson said MLP had retrenched staff last year and there would probably be more retrenchments

Momentum Life chairman Laurie Dippenaar said major improvements had been made over the past year in the management of the existing property portfolio

The new company's mandate was to assemble a high-quality property portfolio and attempt to ensure maximum returns on a consistent long-term basis.

It would be the sister company to RMB Assets Management, which managed Momentum Life's non-property assets.

Jackson said "About 63% of Momentum's portfolio is in the commercial market, with 26% in retail and 11% in industrial property

(232)

"We also have about R200m invested in variable loan-stock companies Hyprop and Abcon.

"We have been aggressively cleaning up the portfolio over the past three years, where more than R250m worth of our properties have been sold and others bought," Jackson said.

Its focus would remain on low-risk, decentralised commercial properties

'Plenty of capital for privatisation'

8/Day 10/6/93

ADRIAN HADLAND

PRETORIA — Local institutions would have little difficulty absorbing privatised public sector enterprises, said Frankel, Pollak, Vinderine director Simon Oliver yesterday.

Oliver told a commercialisation and privatisation conference that doubts had been expressed as to whether local investors had the resources to finance the privatisation process.

Local institutions had a net cash flow of about R25bn a year available for investment, he said "Only a portion should be enough to absorb investments made available by the state."

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Certain safeguards were, however, required to ensure success, he said. These included starting the commercialisation process in public companies several years before privatisation to establish a track record, credible forecasts, a pricing policy to reflect investor confidence and a limit on foreign investor shares.

Price Waterhouse Meyernel corporate finance CE Pieter van Huyssteen told the conference earlier this week that in theory "every government enterprise should be a target for reform", including Transnet, SAA, Autonet, Denel and shipping ports.

Adam Smith Institute international director Peter Young said electricity generation and supply and telecommunications should be examined with a view to introducing a more competitive environment

Premier reports 16% earnings rise

BDay 10/6/93

MARCIA KLEIN

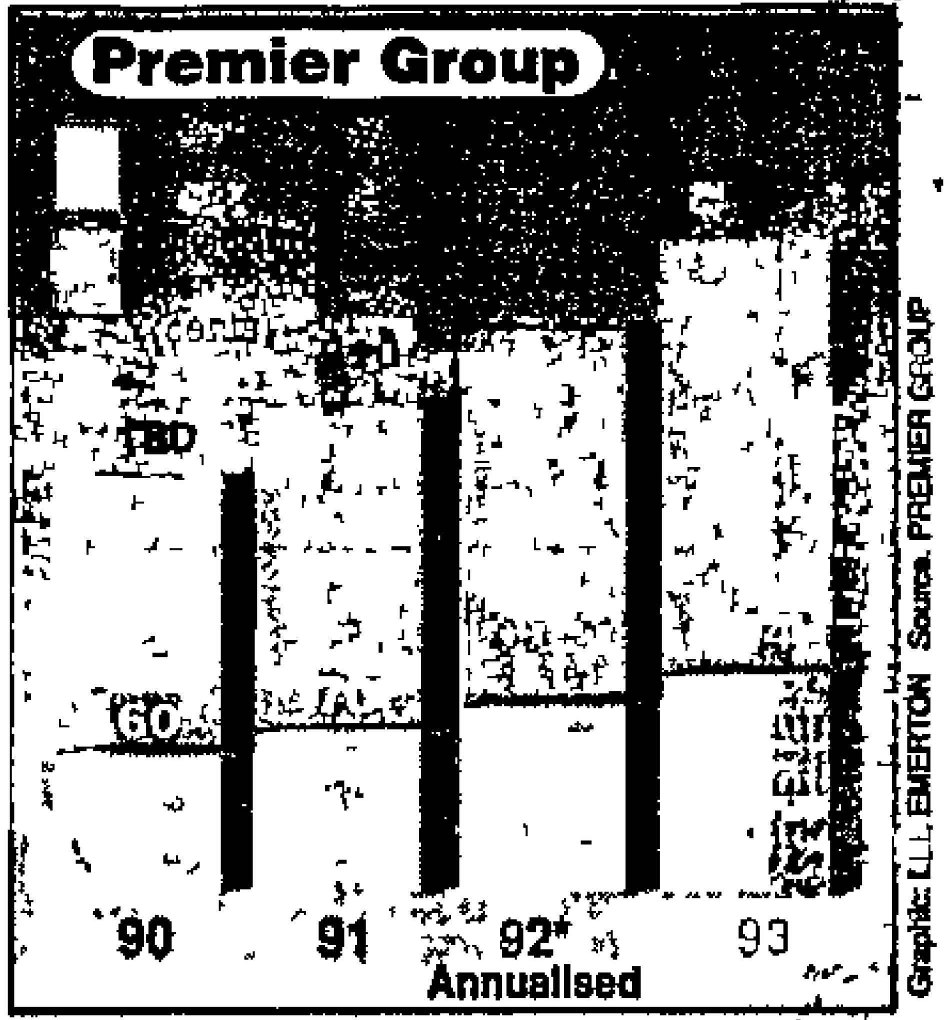
BENEFITS of acquisitions and disposals over the past few years, and lower interest and tax charges, enabled the Premier Group to report a 16% earnings rise to 283c (244c) a share in the year to end-April

The food, pharmaceutical, wholesale and retail group reported a similar increase in the full-year dividend to 94c (81c) a share after declaring a final dividend of 58c a share. (232)

Yesterday the share continued its recent gains by rising 75c to R51 (close to its January high of R53) on news of the group's results and of chairman and CE Peter Wrighton's target of real earnings growth in the coming financial year

Wrighton said earnings a share had grown at a compound rate of 23% a year in the past five years, and shareholders' wealth, including the increase in the share price and dividends, had grown at a compound rate of 63% a year.

Because the previous year contained 13 months, comparative figures for that period have been arithmetically reduced by one month. But comparative figures were not restated to reflect disposals or those interests which had been consolidated for the first time in the current year.



During the year, the group acquired a 39% interest in dairy producer Bonnita for R144m and increased its share and acquired management control of Premier Pharmaceuticals (Prempharm).

It increased its shareholding in Clicks Stores to 48% and marginally increased its share in Metro Cash and Carry (Metcash)

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Premier

BDay 10/6/93

☐ From Page 1

to 68,6%. United Pharmaceutical Distributors (UPD) was formed and the group's majority shareholding in Score Supermarkets was sold to management. Jabula Foods was sold to National Sorghum Breweries, in which Premier has a 10% share.

Group turnover rose by 3% to R10,2bn from R9,8bn, but Wrighton said turnover in comparable operations on an annualised basis was up by 13% (232)

Trading profit was 4% higher at R438,9m (R420,1m), and would have been about 10% higher if the previous year's figures had been restated. Margins were maintained at last year's lower level after the acquisition of Metcash.

A reduction in interest-bearing debt and lower interest rates resulted in a significant reduction in net interest paid and a 15% rise in pre-tax profit to R415,3m (R362,1m) Wrighton said one of the most effective changes in the group's structure over the past few years was interest cover, which had risen to 18,6 times from 7,3 times in 1992 and 4,6% in 1991.

Helped by a lower tax rate, after-tax profit reflected a 25% growth to R314,7m (R252m)

After an increase in the share to minorities, because of higher earnings from Prempharm, Metcash and Clicks, attributable earnings were 23% up at R233,8m (R190m) The lower increase in earnings a share was due to additional shares in issue.

The core food division maintained market share and marginally increased earnings, but its share of the group's attributable earnings dropped to 48,2% (58,2%).

The wholesale and pharmaceutical divisions showed significant increases in their contributions. Wrighton said Metcash had exceeded profit expectations and Prempharm, which had improved earnings substantially, was positioned to take advantage of acquisition opportunities. Clicks Stores showed good growth, CNA Gallo improved earnings marginally and Teltron — consolidated for the first time — showed a satisfactory improvement in results

He expected continued growth from Metcash, Prempharm and Clicks The food division would show improved results CNA Gallo was expected to resume earnings growth. UPD and Bonnita would contribute to results for the first time

☐ Premier confirmed that former chairman and CE Tony Bloom had been asked to resign as a non-executive director. Bloom, who heads UK company Sketchley, resigned from Premier in 1988

Nervous investors dump gold shares

MERVYN HARRIS

JITTERY investors offloaded quality gold shares on the JSE yesterday as the gold price fell more than $5 to dip briefly below the psychologically important level of $370. B/Day 10/6/93

Gold's decline came on speculative Middle East and US fund and commission house selling but the metal rallied to close $3,65 down in London at $371,45.

On the JSE, the metal's slight recovery lifted gold shares off their lows after the all gold index tumbled more than 100 points before finishing almost 6%, or 98 points, lower at 1 584 points (5491) (2327)

This means the index has declined by 9,8% (172 points) this week and by 16,7% (318 points) since peaking at 1 900 points two weeks ago.

Analysts said the index might come down to the 1 450-1 500 level where it could form a base before resuming its uptrend.

They noted that the bull trend was still intact as the index was still more than double its low of 743 at the end of last year.

Quality share losses saw bellwether Vaal Reefs fall 6,1%, or R18, to R274. This brought its decline to 20%, or R68, since touching a high of R342 last month.

Sale of govt businesses 'crucial'

BDay 10/6/93

(232)

ADRIAN HADLAND

PRETORIA — The large-scale privatisation of public sector business enterprises and assets was crucial to SA's economic survival, AHI chief economist Nick Barnardt said this week.

Speaking at a conference in Midrand on commercialisation and privatisation, Barnardt said privatisation would provide "billions of rands in cash" for development programmes while simultaneously relieving balance of payments (BoP) and fiscal pressures.

Any resource suitable for increasing spending on job-creation, infrastructure, community development and upliftment could not be ignored, he said.

The economic recovery predicted to begin next year could actually lead to a deepening of the BoP deficit and an early end to the upswing, Barnardt said.

Every cyclical economic recovery of the past three decades had been characterised by falling foreign reserves, a sharply depreciating exchange rate, rising inflation and higher interest rates.

"Macroeconometric analysis indicates that an upswing getting under way in early 1994, and accelerating into 1995, would be no exception," he said.

Competition Board chairman Pierre Brooks said commercialising public sector activities would require an "uncompromising" attitude from shareholders and directors.

"Excess capacity may have to be sold, leased or mothballed, personnel, regrettably, retrenched and directors and managers dismissed," he said.

Haggie wants to sell Copalcor

BDay 10/6/93

ANDY DUFFY

HAGGIE was planning to sell part or all of its struggling copper division Copalcor, the engineering group said yesterday.

The R1,2bn-a-year group, which through rationalisation is planning to cut Copalcor's operations by around 20%, said it would consider any reasonable offer for the business, but that buyers were reluctant to invest in SA.

The proposal follows a steady deterioration in Copalcor's performance, which in the past financial year cut its return on investment by two-thirds to just more than 3% — against the 20% stipulated by Haggie.

Haggie had already held talks about selling 50% of Copalcor to a German group, but the proposal fell through when the would-be buyer insisted on providing technological expertise, rather than cash, for the stake.

Although it stressed no prospective buyer had emerged since then, Copalcor was maintaining close contact with European players, it said.

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Market sources added that Haggie was also pursuing potential suitors, though it had accepted that the cash raised was unlikely to be "dramatic".

The size of the stake and the price would be determined by the proposed deal, Haggie group MD Chris Murray said. "We would look at anything," he said, "but there are no plans at the moment. Overseas investors are not falling over themselves to come in."

A sale would allow Copalcor to broaden its technological scope and penetrate other overseas markets, he added, while the buyer would gain from lower SA labour rates.

Haggie's copper products operations, which include Maksal Tubes and Chicks Scrap Metals, contributed sales of R433m — roughly 36% of group sales — in the year to December 1992.

Directors should be rocking the boardroom boat

BI Day 10/6/93

TREVOR WOODBURN

(232)

THE revolutionary unbundling of the Gencor pyramid will go down in history as a courageous move and will, no doubt, lead the way for other SA corporations However, by proposing to adopt, virtually to the letter, the recommendations and principles of the recent UK Cadbury committee on board structures, in practice, and virtually to the letter, Brian Gilbertson has become a leader in an even more fundamental business sense.

The public announcement that the Gencor board would be reconstituted to ensure non-executive directors are in the majority means executive directors will no longer be able to reign supreme. Furthermore, the board audit committee is to consist solely of non-executive directors, and so too the committee appointed to deal with executive directors' compensation packages.

The Cadbury report heralds a new era in corporate governance and seems destined permanently to change the way the UK's corporations and their boards operate

This is especially true on the committee's innovative recommendations pertaining to independent non-executive directors, who are "to be appointed on merit and not through any form of patronage" by a formal selection process, and given far wider powers of investigation and control

The intention is clear, in a somewhat ironic sense Open the boardroom doors to admit independents, says the report, and use precisely these individuals as watchdogs at those same doors — a strong contingent of impartial, "outside," non-executive directors to guard against the entry of undesirable and financially undermining practices. No more insular narrow-minded approaches, cosy complacency and unwillingness to rock the boat, not to mention the feathering of own nests.

The report expounds an articulate message. It is no longer adequate merely to bring high-powered visibility to the boardroom table. Each member must fill a strategic gap, with an analytical and specific area of expertise, and should be selected with this in mind.

The incestuous yet common practice of appointing non-executive directors from the ranks of the holding company or head office is implicitly discouraged.

It is very difficult and often impossible for them to be objective and impartial being, as they are, absorbed in company culture and day-to-day activities. Unhealthy and ineffectual "buddy" practices can be counteracted by exercising great care in the appointment of non-executive directors

Where can these non-executive directors be found? Academics, professionals and successful executives from other disparate companies spring to mind The report says people who are "free from any business or other relationship which might materially interfere with the exercise of independent judgment" should be recruited

The relative detachment of such directors will allow naturally for a broader and less biased overview, and make them more susceptible to bringing outside realities into the boardroom, thus guarding against the omnipresent peril of isolation and insulation from changing trends.

The Cadbury report emerged from a committee sitting in the UK But we cannot deny that the dangers it highlights are even more imminent in SA, where years of sanctions and isolation have not only created a "laager" mentality in politics but also in company boardrooms. What remains to be seen is to what extent SA companies have the courage to break out of this mentality, to open up and admit the independents, the outsiders, the foreigners who of necessity have been regarded as "enemies of the state" for so long.

As a further safeguard to ensure that these outside watchdogs are not permitted to become docile and submissive, the report suggests a further restraining measure limit their terms of office The perpetual problem is that the non-executive director's reliance on fees and long-term tenure makes him indisposed to "rock" the corporate boat or offer unpopular advice — which defeats the reason for his appointment in the first place.

In his pamphlet dealing with Myths and Facts in the boardroom, Boardroom Consultants chairman Hicks Wadron, himself a member of various boards, indicates that, in reality, CEOs welcome board members who rock the boat, and by making unbiased contributions and adding to the knowledge base often prevent it from sinking

Clearly, the time has come for SA companies to appreciate that boards consisting of head-nodding, rubber-stamping clones of the chairman are not only less useful but downright harmful to company performance

☐ **Woodburn is an executive search and management consultant.**

BI Day 10/6/93

BUSINESS DAY, Thursday, June 10 1993

Record death toll for police, soldiers

B/Day 10/6/93

A RECORD number of police and soldiers were killed in political violence in SA last month.

The Human Rights Commission (HRC) said 34 security force members were killed and 43 wounded in May — higher than any other month since the HRC began keeping records 17 months ago

May also posted the highest death toll related to political violence in eight months — a total 302 people

But the HRC said the 1 095 deaths recorded this year was nearly 25% lower than at the same time in 1992

Most deaths in May were around the Pretoria-Johannesburg area

More than 8 000 people have died in political violence since President FW de Klerk began dismantling apartheid three years ago — Reuter

Fedlife and Club Mykonos

B/Day 10/6/93

Own Correspondent

CAPE TOWN — Life assurance giant Fedlife's senior personnel approved an investment scheme for Club Mykonos in Langebaan (CML) — even though this scheme was considered undesirable — and invested R27m in it, the Masterbond commission was told yesterday. (232)

Fedlife assistant GM Denis Paizes, giving evidence, said that after attending a meeting at Masterbond's offices in the Cape in November 1991 to find out more about marketing property equity participation in CML, he felt "uncomfortable about the product"

Paizes said that during the meeting he "never saw a balance sheet or any audited statements of the resort" and described the scheme as "a package with little content"

In a memorandum to his superior, investments GM Ian Frazer, he said that "a scheme as ambitious as CML based on unstable financing from short-term deposits must be vulnerable".

At this point Paizes was warned by Judge H C Nel, who heads the commission, that witholding information was a contravention of the Commission's Act.

Paizes was reprimanded as he could not remember having further discussions with Frazer about the scheme supported by Fedlife, or who had given the go-ahead to implement the scheme.

He later said that it could be assumed that Frazer and marketing manager Bernard Goldman had given the all-clear for the investment scheme to go ahead

By May 1991, when Fedlife ended its involvement, R27m had been invested in the scheme by the life assurer

Star 10/6/93

Anglo ready to return to Zambian copperbelt

By Derek Tommey

Anglo American is interested in moving back to the Zambian copperbelt and acquiring a bigger stake in the main mineral producer, Zambian Consolidated Copper Mines (ZCCM), says chairman Julian Ogilvie Thompson. (232)

He said yesterday that apart from other considerations, the move would help Anglo protect the 27,3 percent stake it already has in ZCCM through its holdings in Zambian Copper Investments

Anglo was talking to the Zambian government, but whether anything came of the talks depended on what terms were offered, he said

Anglo would like to see ZCCM shed its non-copper investments

Much of ZCCM's profit had been diverted into these under the previous regime. Anglo would also like Zambia to take responsibility for repaying ZCCM's loans

The Zambian government, it appears, has heard Anglo American

Zambia's deputy Finance Minister, Paul Tembo, said in Johanesburg this week that Anglo probably had pre-emptive rights to buy back its shareholding in ZCCM when it was privatised, reports Sapa.

However, ZCCM's non-mining activities such as civil engineering and transport would probably be privatised separately, he said

"We want the mining company to be dealing specifically with mining ventures. We don't want to transfer a state monopoly to a private monopoly"

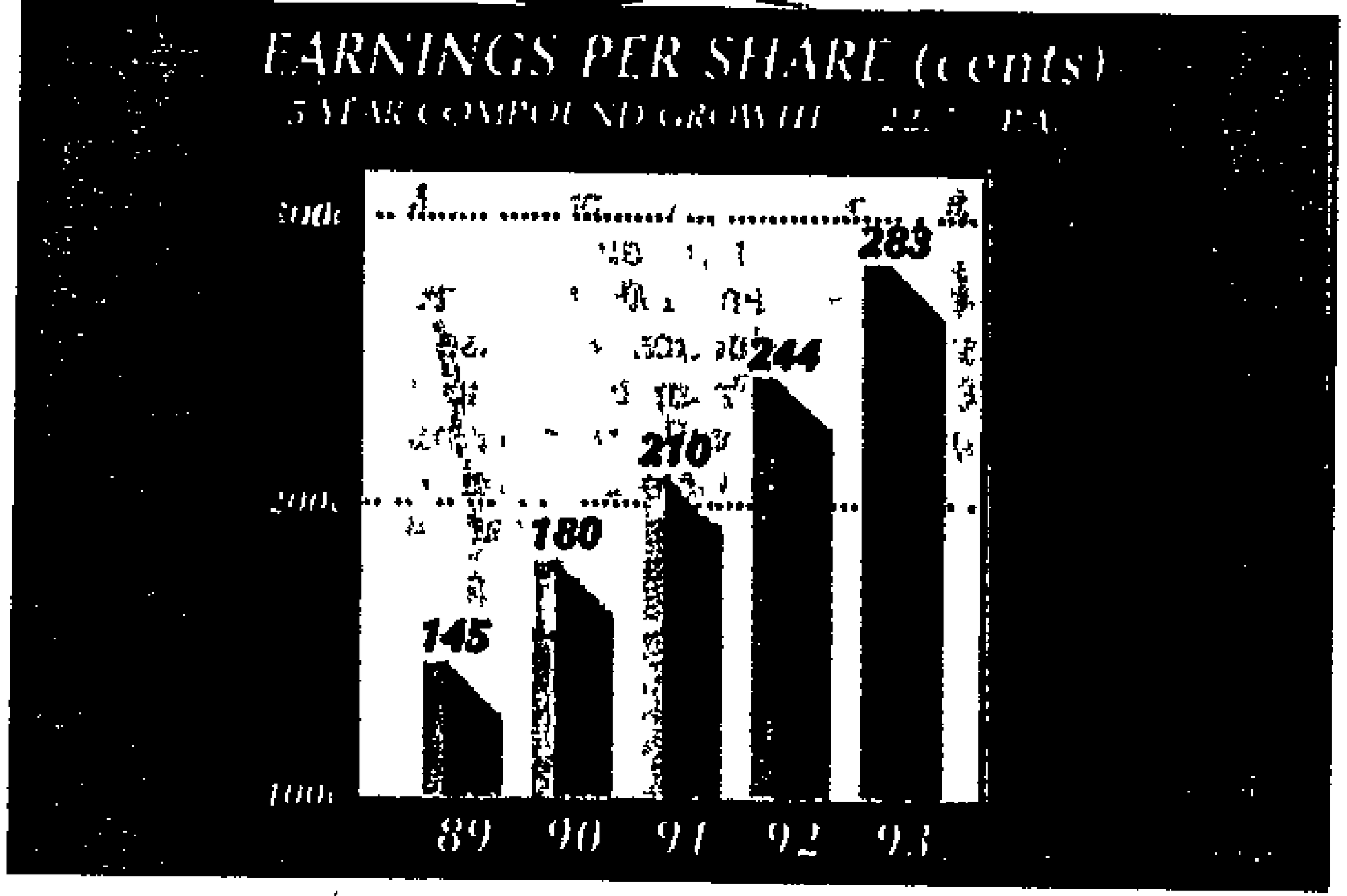
ZCCM's earnings would be reinvested in the company and not siphoned off to other sources, as had occurred before his party, the Movement for Multiparty Democracy, was elected to power three years ago.

Premier ahead of market forecasts

Star 10/6/93

(232)

By Stephen Cranston



The Premier Group has beaten market expectations with a 16 percent improvement in earnings per share to 283c The dividend has been increased by the same margin to 94c

Chairman Peter Wrighton says he has to thank Finance Minister Derek Keys for some of the improvement because about eight percent of the earnings growth is attributable to changes in company tax.

The effective tax rate fell from 42 to 36 percent

Turnover rose by three percent to R10,15 billion, although turnover from continuing operations increased by 13 percent

The operating margin increased from 4,3 percent to 4,4 percent, enabling operating profit to grow by four percent to R438,9 million

There was a sharp reduction in interest paid, helped by the strong cash generation of Metro It fell from R58 million to R23,6 million.

Attributable earnings increased by 23 percent to R233,8 million.

The food division's earnings were almost unchanged.

Drought, deteriorating socio-economic and political conditions and violence put margins under pressure

Maize margins were affected by the introduction of yellow maize, which met with consumer resistance, but they are expected to improve with the resumption of white maize sales

Metro Cash & Carry, Premier Pharmaceuticals and Clicks all exceeded profit expectations

CNA Gallo improved attributable earnings only marginally, despite the downturn in consumer spending. There was a satisfactory improvement from Teltron.

Premier continued its active policy of investment and disposals, acquiring a 39 percent interest in Bonnita Holdings, the second-largest producer of milk-based products.

It increased its shareholding in Premier Pharmaceuticals to 57,5 percent, giving it management and shareholder control previously shared with the Krok brothers.

Despite the acquisitions, gearing increased from 10,6 to 14,2 percent.

Premier sold its wholesale pharmaceutical interests, which were housed in Gresham and PDC, to United Pharmaceutical Distributors in which it has a 40 percent holding

Medical Cash & Carry, which owns the balance of the equity, has management control

Wrighton says, when he is asked why Premier continually changes its shape, which makes comparisons with previous years difficult, it is because he does not want Premier to become another General Motors or IBM

The results vindicate the recent strength of the Premier share price At R49 it is 20 percent up on levels of R40 a year ago, although below the R53 level it reached in January

It has a P/E ratio of 17,3 and a dividend yield of 1,9 percent, which is expensive, but other industrial companies on similar ratings have not produced results like these

Bankorp shock for Absa

Star 10/6/93

By Derek Tommey

Absa had a few unexpected surprises when it took over Bankorp at the beginning of last year, says Absa chairman Herc Hefer

He was commenting last night on the announcement that Absa was planning to write off against share premium R288,8 million of the R1,227 billion paid for Bankorp.

This 23 percent reduction in the value Absa places on Bankorp suggests that a fairer price for each Bankorp share at the time of the merger would have been 235c Absa paid 312,5c

232

Conservative

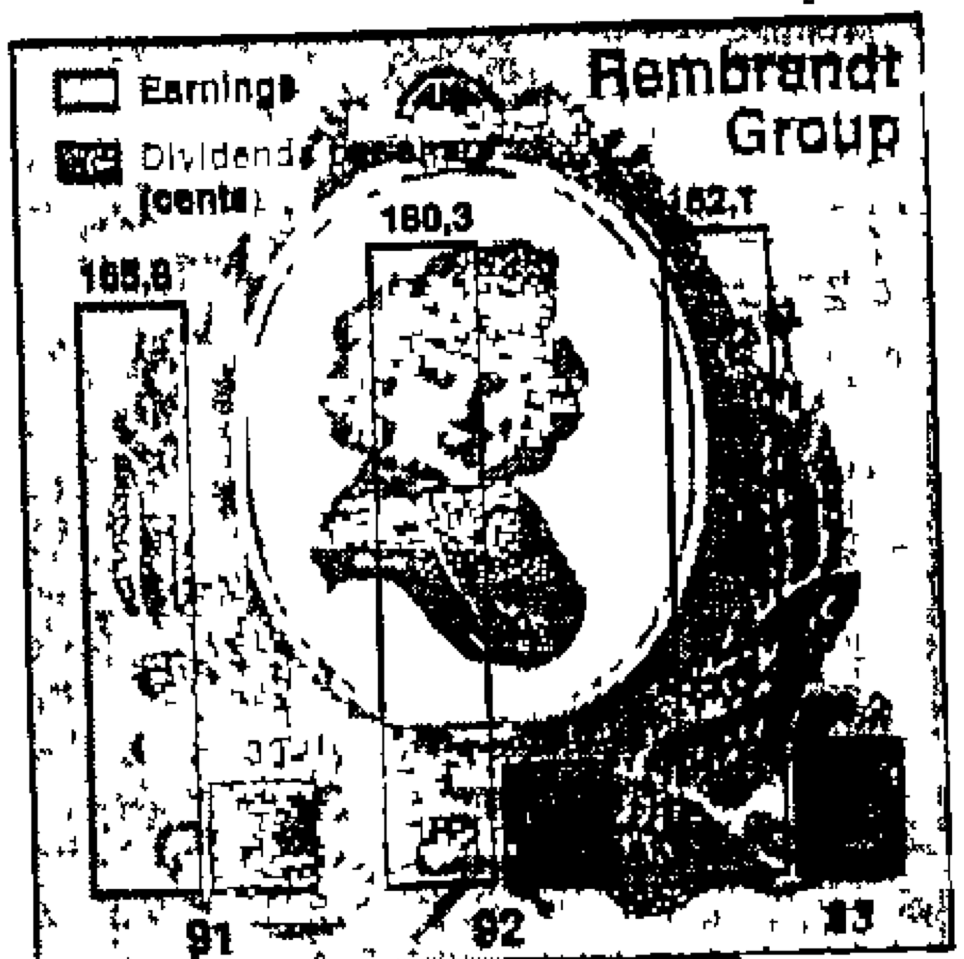
Hefer said in his chairman's statement that the application of Absa's more conservative accounting and provisioning policies and practices to Bankorp had resulted in the price paid exceeding the value of the net assets of the group by R288,8 million.

Subject to the approval of shareholders, Absa proposes writing off this amount against the share premium account.

The share premium account was increased by R989,9 million after the issue of 109,17 million Absa shares at R11,25 a share for the purchase of Bankorp

Hefer said last night that Absa was aware that a lifebelt had been thrown to Bankorp by the Reserve Bank in the middle of 1991 and a due diligence investigation was instituted before the offer price was determined.

Despite this, Absa still encountered some unpleasant surprises.



Graphic: RUBY-GAY MARTIN Source REMBRANDT

Remgro's 1% rise less than expected

MARCIA KLEIN

REMBRANDT Group's (Remgro) pedestrian 1% rise in earnings to 182,1c (180,3c) a share in the year to end-March was below expectations, market sources said yesterday. BlDay 10/6/93

But analysts added that an 11% higher total dividend of 36,2c (32,6c) a share, declared in January, could indicate the tobacco, mining, industrial and financial services conglomerate was looking forward to a better financial 1994.

They had forecast slightly higher earnings growth — of 3%-5% — for the year.

As the results of most of the listed interests were known, contribution from core tobacco interests must have been lower. They said trading conditions for consumer products were severely depressed, and there had been industrial action in some of Remgro's tobacco operations.

Tobacco probably showed little or no growth in volume, and bore the brunt of increased excise duties, they said. The group does not give turnover figures.

Net income before tax was up 6% at R1,24bn (R1,17bn), and net income after tax increased by 2% to R759,3m (R747,7m). Secondary tax on companies was included in taxation while the R3,6m favourable effect of the reduction in the company tax rate on deferred liabilities was accounted for as an extraordinary item. (232)

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Remgro BlDay 10/6/93

☐ From Page 1

Directors said earnings, excluding the interest on retained income of associates consisting mainly of cash earnings, increased by 4,6% to 138,1c (132c) a share.

Rembrandt Controlling Investments, which holds 51,1% of Remgro, increased its earnings to 134,9c (133,5c) a share and declared a final dividend of 16,29c a share. (232)

Technical Investment Corporation (Tegkor), which has an effective 20,7% interest in Remgro through its holding in Rembrandt Controlling Investments, reported earnings of 118,42c (117,16c) a share. It declared a final dividend of 14,3c a share.

Technical and Industrial Investments, with an effective 17,4% interest in Remgro through its shareholding in Tegkor and Rembrandt Controlling Investments, reported earnings of 125,5c (124,2c) a share. Its final dividend was 15,16c a share.

☐ Sources believe Remgro could be set to introduce major cigarette brands Marlboro and Merit. One source said it had secured the local licence and distribution rights for the brands from Philip Morris.

Analysts said the move would be good for Remgro, particularly as it meant Philip Morris was not looking at entering the SA market in competition.

It was not clear if the products would come in at a premium or in line with most standard brands.

Delcorp in R27m Chemserve deal

BDay 11/6/93

MARCIA KLEIN

THE Del Monte Royal Corporation (Delcorp) has sold half of subsidiary Roychem's businesses to Chemical Services (Chemserve) for R27m cash. This is part of its intended move towards disposing of what was once its core business.

The announcement yesterday follows various cautionaries, and much speculation that since the acquisition of Del Monte Food International, the chemical interests would be sold (232)

According to the announcement, Delcorp had decided to focus on its food-related interests and resolved to dispose of the chemical and pharmaceutical interests represented in Roychem

The deal, effective on June 1, saw Roychem dispose of chemical, distribution, agency and analytics businesses Holpro-Lovasz and M & T Chemicals to Chemserve Holpro-Lovasz was the cornerstone around which the Royal group was built.

Delcorp also warned that negotiations were continuing in respect of the disposals of the remaining businesses, Ferro Industrial Products (which was acquired in 1991 for R38m) and Laser Pharmaceuticals.

The effects of the two disposals on Delcorp would be reported after completion of all the transactions The purchase consideration was based on the audited NAV of the businesses

Delcorp said the chemical interests were once the core of the group's operations. But since the massive Del Monte Foods acquisition, the chemical interests were reduced to "an insignificant role in the group's affairs".

Chemserve also said it had acquired holding company AECI's 50% interest in Crest Chemicals to make it a wholly owned subsidiary

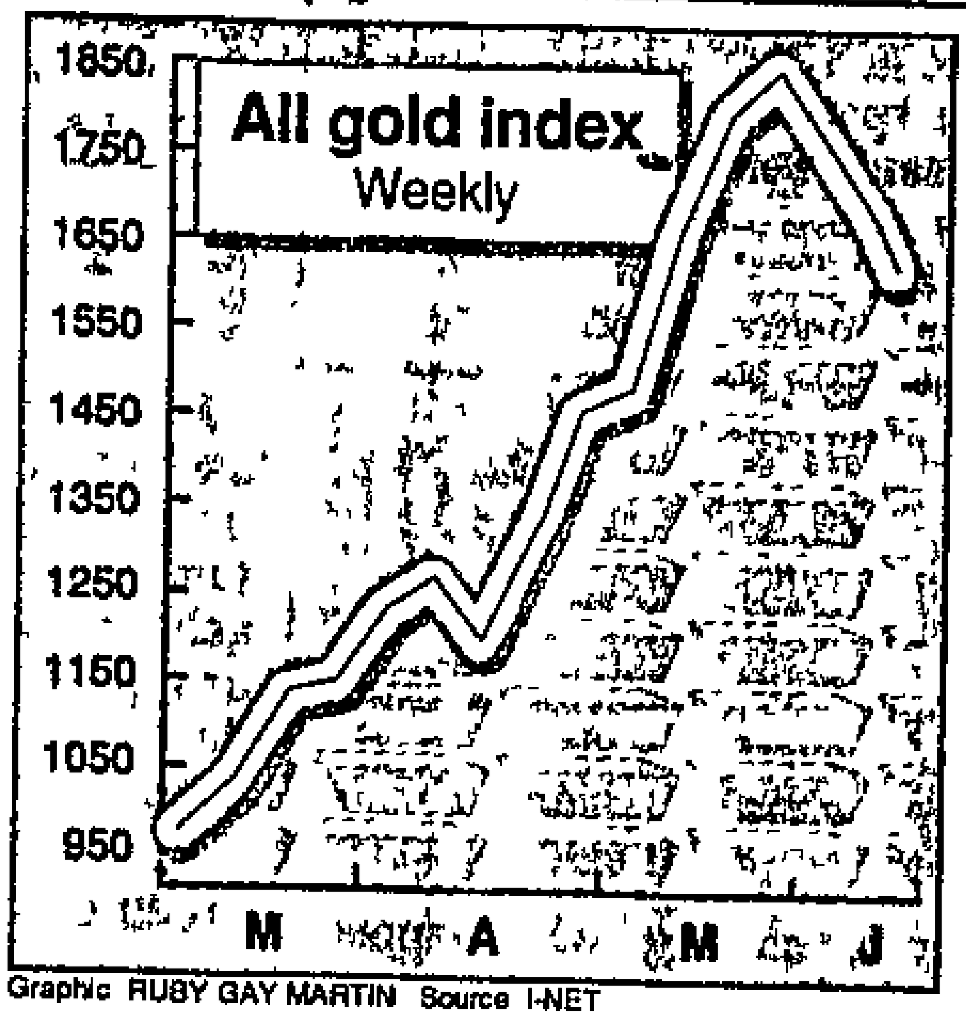
Chemserve would restructure its chemical distribution interests. Holpro-Lovasz and M & T would be renamed Holpro Fine Chemicals and would operate in the food, beverage, medical, pharmaceutical and allied industries.

Crest Chemicals would operate in all fields of industry not serviced by Holpro Fine Chemicals, including the mining, chemical and textile sectors

Chemserve said that Holpro would substantially broaden its product range and enable Crest to conduct its decanting operations in-house.

The acquisitions would strengthen Chemserve's position in the chemical distribution market in southern Africa, and bring sharper focus and improved service to the market

The transactions would have a negligible effect on Chemserve's earnings and NAV in the short term.



Graphic RUBY GAY MARTIN Source I-NET

Gold shares stage comeback on JSE

B/Day 11/6/93

MERVYN HARRIS

GOLD shares made a sharp turnaround on the JSE yesterday as investors piled back into the market to pick up the shares at their lower levels and stem the week's losing streak

After opening 31 points lower to bring its losses to more than 200 points this week, the JSE all gold index rallied on a slight uptick in the gold price to above $370 but came off its highs when the metal slipped back as the market was closing.

The index finished with a gain of 2,6% or 42 points at 1 626, with dealers ascribing part of the rise to short-covering after analysts said the index might come down to the 1 500 level before resuming its uptrend.

(232)

Gold closed $1,55 lower in London at $369,90 as it drifted back after testing resistance at $372. In New York it closed at $369,50, down $1,85.

Dealers said bullion markets were gripped by nervousness ahead of today's key US inflation data which could determine the near-term direction of gold.

Cash-flush funds were said to have underpinned the JSE rally on perceptions that the market had bottomed and the correction of the past week was over.

Foreign demand helped bellwether heavyweight gold share Vaal Reefs reverse an early 400c decline to R270 into a gain of R11 on the day to close at R285 but off a session high of R289

The better mood spilled over to the rest of the market and the industrial index gained 31 points to 4 591, to lift the overall index 1% or 41 points to 3 932 human resources manager Denis Joubert, an engineering ... Marcus and student Emily Ngubane.

Picture ROBERT BOTHA

Fedlife 'broke all the rules'

B DAY 11/6/93

Own Correspondent

CAPE TOWN — Life assurer Fedlife broke every investment rule by placing funds in Club Mykonos Langebaan (CML), said Hendrik Klem SC, leading evidence at the Masterbond commission 232

Klem said yesterday no credit checks were conducted on potential investors or on the underlying asset — the property at CML.

In addition, Klem said, all the funds were placed in a single investment and the "loan" by Fedlife was unique in that there was no underlying security against investor default.

An endowment policy, which was part of the security, had almost no value in the first year

The property equity participation scheme provided investors with a R200 000 "loan" from Fedlife for every R100 000 individual investment, and these funds were all placed in CML

The product was terminated in May 1991, by which time Fedlife had been instrumental in placing R27m in CML — R18m from its own resources and a further R9m through investors

Klem said Fedlife assistant GM, investments, Denis Paizes' damning report on the product was subsequently "overruled" by the marketing division at Fedlife.

Paizes, in a letter to GM, investments, Ian Frazer, in November 1990, said the product was "high risk" and added "we would not place funds in a single equity investment even if it was an Anglo American property"

Fedlife actuary Andy McGinn, who designed this product, said in evidence yesterday the product was introduced to IPC insurance brokers at a conference in late October 1990 and was still subject to approval by Fedlife.

However, senior manager, marketing, Albert Voigt, contradicting McGinn, said he understood the conference to be the launch and "it was all systems go from there".

Klem said sales began immediately after the conference, with no apparent authority from Fedlife.

Frazer told the commission he and Bernie Goldman, GM marketing, "were sucked into giving approval" to this scheme at the end of November 1990

Frazer continues giving evidence today

Buyers left high and dry as TV marketer crashes

(232)

By John Miller
Star Line

Hundreds of TV viewers who bought products from one of South Africa's best-known direct marketing companies have been left high and dry as the firm has been placed under provisional liquidation

Fonem International Group Corporation, of Ferndale and managed by Michael S Levitt, was provisionally liquidated last month

In November 1989 the company began advertising its various products on TV — one of the first of its kind to do so locally. But last year the company changed hands and Levitt took over.

The most recent products include rhinestone fashion accessories, a complex stepladder, a hair styler, a sewing kit and embroidery sets.

Jeanette Honiball, manager for Direct Response, which deals with M-Net's mail order-type advertising, said Levitt asked her to stop advertising his products on May 5.

On May 10 Levitt told Honiball he did not wish to discuss his company, saying he wanted to re-evaluate the business.

On May 13, Honiball said, the carpet was pulled from under her "He told me he was going to apply for provisional liquidation.

"At the time there was no reason to believe the company was in trouble All our credit checks, which are done regularly, came back clear."

The outlook for consumers who have placed orders and paid for products is not good. According to a circular which is about to be sent out by the liquidators, creditors will receive payouts of very small proportions.

Star 11/6/93

(232)

Fedlife rejects Masterbond claims

By John Spira

The Masterbond hornets are buzzing again, their nest having been disturbed by a rash of confused reports surrounding life assurance giant Fedlife's involvement in the debacle.

The stirring emanates from evidence being presented before the Nel Commission of Inquiry into the Masterbond collapse

Among the fingers being pointed at Fedlife:

- It had invested directly in Masterbond, using "sacred" pension fund money.
- It had hosted a meeting that placed a rubber stamp of approval on the ill-fated Club Mykonos project.

Intermediaries

- By tacitly approving of the Masterbond management, it had convinced intermediaries to sell investments in Masterbond.

Fedlife managing director Dr Morris Bernstein describes the reports as "riddled with inaccuracies".

He says: "Fedlife invested nothing in Masterbond or Mykonos."

Morris Bernstein . . . money came from general funds, not from pension fund portfolios

He explains Fedlife's involvement with Masterbond as follows: "We were approached by brokers who had been investing money in Masterbond and who had developed a package which required an endowment assurance to build up a fund to repay a loan.

"This package consisted of the investor putting one-third of his own money towards the purchase price of a Mykonos unit.

"The remaining two-thirds was borrowed via a loan to be paid by means of an endowment assurance.

"We provided endowment contracts at rates which were attractive to us."

Fedlife then lent money in the ratio of R2 for every R1 put up by the investor against the security of the investor's policy and a cession of his rights in Mykonos.

Clients

"We were assured that all these people were high net-worth clients."

The money lent by Fedlife — R18 million in total — came from the assurer's general funds and not from pension fund portfolios.

"Brokers who sold these policies are now negotiating with policyholders to repay the balance owing to Fedlife over a period of time," says Bernstein.

Star 11/6/93

Gold Fields Coal pays 40c interim

By Derek Tommey 232

Gold Fields Coal has declared an interim dividend of 40c, compared with a payment of 90c for the whole of last year.

Gold Fields Namibia has followed the same practice as last year and passed its interim dividend, though last year it paid a final of 15c a share.

The company's profits are closely related to the copper price, which has been depressed in recent weeks.

The company produces other base metals whose prices have also been weak.

Gold Fields Namibia had a turnover of R318 million last year, against R291 million in 1991.

Pre-tax profit was R10,9 million, against a loss R7 million in 1991.

Earnings last year were 68c a share after losses of 44c a share in 1991.

Rooiberg Tin, the country's only remaining listed tin producer, has passed its dividend again. Rooiberg last paid a dividend in 1989.

Oppenheimer bullish on gold

Star - 1/6/93

By Derek Tommey

Nicholas Oppenheimer, chairman of Amgold, which holds most of Anglo American's gold investments, is bullish about the outlook for gold and for the gold mining industry.

He says in his annual statement to shareholders that it is likely the current higher gold price will be maintained.

He says the SA gold mining industry, in particular, should be able to look forward to a healthy performance in the year ahead.

Looking to the year ahead, the gold market seems set to sustain strong support at current levels.

Demand from the Middle and Far East — the new centre of gravity for the physical market — showed no signs of abating in the first quarter of the year.

It is likely that some central banks will follow a policy of more active management of their reserves.

However, there is every reason to believe the activities of these banks will continue to be managed with discretion.

They can be expected not to disrupt materially the value of what remains one of their major assets.

(232)

The physical demand for gold, in particular, and for bullion in general will remain important to the health of the market in the future.

But the strong favourable balance between supply and demand has also been responsible for attracting investors back to the gold market.

Circumstances for gold in the year ahead look favourable.

The renewed interest in gold on the part of investors and speculators has lifted the dollar price.

This, combined with a weaker rand, saw gold reach an all-time high of R39 000 a kilogram in May.

He says the renewed interest in gold has come largely from speculators and investors new to the market.

It is by no means sure that the factors that influenced investor thinking in the 1980s will play the same role in determining investor decisions in the future.

19 - A better understanding is needed of consumer motivation in the developing markets, he says.

He says that the outlook for uranium producers has improved following the imposition of restrictions by the US on Russian dumping. SA uranium production fell from 5 300 tons in 1986 to 1 800 tons in 1992.

Labour relations continue to improve and 1992 wage negotiations were concluded amicably.

Star 11/6/93 (483)

R27-m deal

(232)

Chemical Services has bought Holpro-Lovasz and M&T Chemicals from Roychem for R27 million — Sapa.

FM 11/6/93 (232)

Where investors fear to tread

Venture capital is a dubious haven in a recession.

When the Development Capital Market was launched nine years ago it was described as one of the most important new financial market developments and promised opportunity for growing companies But few, if any, analysts now follow the DCM and its board has become an area where chalk prices are rarely posted

At the launch in May 1984, then JSE president Paul Ferguson emphasised that it would provide a nursery for other sectors of the board and was not a "rubbish bin" of companies which couldn't make it to the main board Though only 30% of DCM-quoted companies losing their listings did so through liquidation, it has developed a reputation of being just that

To be fair, lack of interest in the DCM can be attributed largely to the state of the economy A long recession is not conducive to the growth of small companies Once an interim government is ensconced, it's possible there could be renewed interest in DCM listings Unfortunately, there is no guarantee that any of these new listings will not follow in the footsteps of inglorious predecessors such as TDH and Milly's

Little did Ferguson know that the first listing on the DCM would also be the first casualty Building and construction group TDH had its shares suspended just over a year after listing It was placed in provisional liquidation in November 1985 and wound up shortly afterwards TDH had met DCM listing criteria but it is questionable whether investors realised that lower listing admission requirements meant higher risk

Ferguson had warned "The DCM does not take the risk out of the investment but it does remove the risk in the (main) market" This, however, does not change the fact that TDH was liquidated and its rosy prospectus forecast was horribly wrong Projected earnings for 1984 were estimated to be 20% up on 1983 and 1984 turnover was expected to increase 40% on 1983

TDH may have been one of many delistings that prompted the JSE to change DCM listing criteria this year Modifications include raising the subscribed capital of those applying for such a listing from R500 000 to R1m, in the form of not fewer than 1m shares (excluding revaluation of assets) Companies need not apply if they have an audited pre-tax profit below R500 000

They also need 75 shareholders (300 are needed for a main board listing) and a two-year profit history (A listing on the main board needs at least a three-year profit history) Those without any profit history must opt for the venture capital market

Before TDH was liquidated, its MD noted that the recession had dampened new listings on the main market, but said major problems were unlikely since there was wide support for the DCM from brokers, institutions and merchant bankers Companies no longer find that support

Sponsoring brokers during the listing boom now appear to distance themselves from the sector until mergers or acquisitions — and brokerage fees — are on the table It seems no analysts now follow DCM companies regularly The last known research done by any of the large brokerages was in April 1991 by Frankel Pollak Vinderine

That report warned that "whether buying or selling, investors should bear in mind that the DCM is characterised by very thin trade, and the volumes will often not support a large transaction The R30 basic charge detracts from the efficiency of dealing in small amounts of stock "

It also emerged from its research that published information is deficient in many of these companies This may partly explain the lack of interest in what was to become another Unlisted Securities Market (UK) or National Association of Securities Dealers Quotation Service (US)

Institutions, too, have veered away They choose to back larger, main board companies, making it difficult for the smaller DCM-listed ones to find anyone to underwrite their rights issues Who can blame them, considering it is so difficult to sell DCM shares? One suggestion is for the JSE to develop a DCM index, so a company's performance can be monitored against the overall DCM sector

In 1991 Frankel Pollak Vinderine proposed only four buy options — Blochs, Enrol, Cenmag and Macmed — out of 32 companies listed at the time All four are still listed and Macmed has been promoted to the main board The firm recommended 11 shares be sold

Only four companies graced the board at the end of the DCM's maiden year Ferguson was expecting at least two dozen to be listed within the first two years It was not until the listing of Juicy Lucy in December 1985 that a DCM-listing run began In 1986 there were 24 new listings and by the end of the following year a further 78 The largest numbers of new listings came in October and November 1987, during and after the Crash Shareholders found that to offload their shares they had to accept large price drops with buying interest scarce Now only 21 remain quoted on the DCM

The listings boom and subsequent Crash may have contributed to the high failure rate on the DCM Perhaps many were simply unsuited to a public listing, and equity capital ceased to be available when it was needed most, but poor management, or just bad luck, may have played a stronger role It's apparent that few of these companies considered the drawbacks of a listing

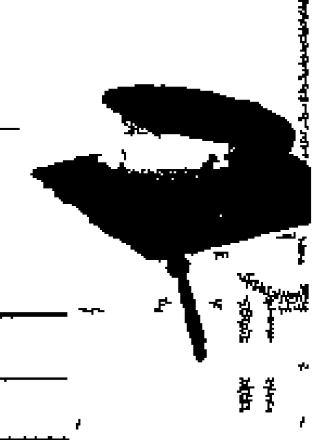
Disadvantages include the process of complying with the listing requirements and the wide publication of financial statements These are a burden on management time A listing also places restraints on a company's freedom of action and imposes the need to service equity annually The pressure to pay dividends also increases, as does the risk of a takeover And a disappointing performance can attract unfavourable publicity

Perhaps the management teams were often too concerned with the advantages of a listing Bonuses such as large capital inflow, marketability of wealth or portions of it, greater ability to raise capital and grow by acquisition, added status and prestige, as well as improved possibilities for employee incentive schemes were certainly attractive

One of the success stories of the DCM is private health-care provider President Medical (Presmed), listed on the DCM in 1986 and transferred to the main board in 1989 It was listed when institutions were more willing than today to part with their money and support a listed company — regardless of the sector Presmed has increased earnings fivefold since moving to the pharmaceutical sector, and has featured four years out of five in the *FM Top Companies* survey's top 10 ranking for return on equity

Financial director Chris Grevensteyn says the DCM allowed Presmed "to grow from a small unknown company to a large recognised group" He adds "Presmed, with no real profit history, would have really struggled to obtain a mainboard listing if it weren't for the DCM I feel some good companies can, and will, emerge from the DCM in the future" But he admits "Presmed's move to the mainboard gave it a higher profile and made its shares more tradeable"

Looking to graduate
DCM-listed companies



[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cenmac					
Enrol	26,3	55	78	78	78
Invicta	10,4	125	140	60	60
Leppin	2,2	45	45	[illegible]	20
Maxmech	0,5	75	75	[illegible]	5
ME Store	25,1	50	50	20	35
Norvic	0,8	38	38	3	2
Petra	<0,1	160	160	100	10
Quickco	17,6	[illegible]	33	1	15
Raptor	<0,1	190	250	250	50
Romens	0,3	55	55	10	10
Shocraft	<0,1	31	55	50	50
Spanjaard	0,1	70	95	60	84
Spicer	0,1	30	30	16	7

*Volume traded as % of shares in issue
Table does not include shares currently suspended

Few new companies have applied for, and been granted, a DCM listing in the past two years In May 1991, Petra Granite made its debut when it was listed through the Bakoven cash shell

Then came Niswa Listed in May last year, its share traded actively and its price performance was good The stock is now suspended Niswa failed to produce its financial statements on time It's understood the group did not publish results because auditor Deloitte & Touche would not sign them without qualification

This is the sort of negative publicity the DCM can do without Like TDH, Niswa presented the JSE and potential investors with a glowing pre-listing statement It calls into question how valid the information in these statements often is

Some companies such as Presmed and Spur have graduated to the main board with distinction Unfortunately, the fiascos and likes of Brokers Investment Co, Quality Tyres and Milly's remain stuck fast in investors' minds

Small investors — who were the most active in pre-Crash days — had their fingers burned and are not prepared to look at the DCM companies until the economic environment improves

Options left open to DCM companies vary A company can make an acquisition to increase its market capitalisation Or a company can be sold to a third party, which would buy the operating business, and sell the cash shell as was the case for Petra Granite Two other options delist by buying out minorities, or remaining listed and hope for a rerating

Only eight of the 21 DCM-listed companies paid dividends last year Earnings multiples range between 2,3 and 75, which shows the wide scope of investments available However, five of the shares' prices remain where they were at the beginning of the year Three, including Niswa, are suspended Several DCM shares are in the tickey-stock category A movement of 1c for some could mean a doubling of money — and vice versa

No new companies have recently applied for a DCM listing JSE president Roy Andersen says "Emerging businessmen have an increasing need to raise equity capital This will become even more pronounced once political stability is achieved and we have an upturn in the economy The JSE is therefore evaluating how it can be of greater assistance in this area The future role of the DCM is one of the factors being evaluated"

Investors should remember why the DCM was created Its main purpose was, and remains, to provide a springboard for smaller companies to list on the main board while providing those investors less sensitive to risk with an outlet for venture capital It also reduces risk in main board listings

Despite the failures, it has achieved a creditable pass rate of 70% which in the world of venture capital is not a bad score And as high-risk investments are never the most popular when an economy is in the midst of a long and deep recession, judgment on the DCM should at least be suspended until it can be seen in better perspective under more prosperous circumstances

Kate Rushton

DEVELOPMENT CAPITAL MARKET

Where investors fear to tread

FM 11/6/93

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(232)

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cont

FM 11/6/93 (232)

INSOLVENCY FM 11/6/93 (232)

Pros and cons

With rising numbers of personal insolvencies, some important issues concerning the ownership of life insurance and pension benefits have come under discussion For, in many cases, the value of a person's retirement benefits exceed the value of the estate conceded on sequestration — but only if the benefits were accumulated in good faith

It is common practice that retirement benefits due do not form part of an insolvent estate, except in specific cirumstances, because the result might be to throw the duty of maintaining the retiree on the State

Liberty Life has circulated some guidelines for its agents and brokers The effect of personal sequestration, the assurer points out, is that

- ☐ Civil proceedings for the payment of a debt against the insolvent are stayed,
- ☐ The capacity of an insolvent to contract is limited, and
- ☐ The insolvent is divested of the ownership and administration of his property "With exceptions, property acquired by or accruing to the insolvent during sequestration belongs to his insolvent estate"

A trustee can set aside some retirement provisions but not others.

- ☐ The trustee can set aside any transaction entered into before sequestration, by the insolvent, to defraud creditors For example, if a premium were paid on a life policy by the insolvent, with the intention of benefiting any person at the expense of any creditor, the court may order the owner of the policy to repay all premiums, with 6% interest,
- ☐ In terms of Section 23(7) of the Insolvency Act, the insolvent may, for his own benefit and without reference to his trustee, recover any reasonable pension to which he may be entitled for services rendered by him,

FM 11/6/93 (232)

- ☐ Section 37B of the Pension Funds Act states that, if the estate of any person entitled to a benefit in terms of the rules of a registered pension or provident fund or retirement annuity fund is sequestrated or surrendered, the benefit may not be attached or appropriated by the trustee,
- ☐ Life policies on the policyholder's own life that have been in existence for more than three years do not form part of the insolvent estate, to a ceiling of R30 000 The policy is only partially protected, Liberty notes, because, if the policy has been collaterally ceded, it will be protected only to the extent that the value of the policy exceeds the amount of the debt for which it was ceded, and
- ☐ If a ceded policy exceeds the amount borrowed against it, the excess of assets over liabilities in the policy cannot usually be claimed by the trustee for the benefit of creditors

The Insurance and Pension Funds Acts go into some detail to protect genuine retirement savings With the introduction of the Close Corporations Act in 1984, government tried to prevent abuse One provision allows the Master to decide whether any form of remuneration to a CC employee or officer before the winding-up was reasonable in the circumstances

Taking the three Acts together — Insurance, Pension Funds and Close Corporations — there could be both benefits to insolvents or severe penalties on retirement savings if a decision is taken to arrange for sequestration ■

HUYSAMER/FUNDSTRUST

Summons issued

FM 11/6/93

Stockbroker George Huysamer & Partners may be facing a claim of about R40m from Fundstrust's liquidators if an action to set aside the repayment of a deposit is successful A summons has been served

The issue arose apparently from an attempt by a bookkeeper to window-dress liquor house Gilbeys' September 1991 financial statements We understand that the bookkeeper, Margaret Harding, advanced about R40m of Gilbeys' funds to Fundstrust before that September year-end, and that these were in turn invested by Fundstrust in illiquid long-term investments (232)

So a Fundstrust representative, ~~allegedly~~ Ansie Kramer, solicited a R40m deposit from Huysamer, in return for a suitably attractive interest rate These funds were then deposited in Gilbeys' bank accounts, in the form of short-term deposits Some time after Gilbeys' year-end, the R40m was repaid to Fundstrust who, in turn, repaid it to Huysamer

However, at the time the deposit was repaid, Fundstrust was apparently already insolvent though still trading Fundstrust liquidators are therefore suing Huysamer for the R40m on the basis that Huysamer had no legal right to the funds because they enjoyed no "preferred" creditor status If the liquidators win the action, Huysamer will be obliged to return the deposit and claim against the business as a concurrent creditor

Liquidator Ralph Millman of Cape Trustees would not comment on the matter except to say a "summons had been served " Lawrence Stein Trustees and Sannek are joint liquidators with Cape Trustees

Huysamer's Werner Stals says the matter is highly sensitive, is *sub judice* and in the hands of their attorneys who, in reserving the rights of the clients, claim there are errors in this report but refuse to identify them

Gerald Hirshon

232

Wednesday, June 10 quotations for unit trusts

General Equity Funds	Buyers	Sellers	Yield
ABSA	148 49	138 89	5 20
BOE Growth	64 74	153 91	2 80
C C F	113 7	107 38	N a
Fedgro	136 55	127 85	3 18
CU Growth	127 55	119 09	3 48
Guardbank	2722 13	2533 61	4 42
IGI	136 67	127 85	3 18
Momentum	266 79	250 27	3 97
Metfund	206 77	192 20	3 70
Metlife	122 53	114 5[illegible]	6 11
NBS Hallmark	978 33	913 54	4 33
Norwich	385 37	359 84	3 37
Old Mutual I F	2775 74	2586 13	3 72
Old Mutual Grth	242 38	225 93	N/a
Sage	2529 15	2360 10	3 55
Sanlam Trust	167[illegible] 62	1565 30	3 33
Sanlam Indx Trust	1313 46	1229 92	3 68
Sanlam Div Trust	461 20	433 20	4 85
Southern Equity	214 63	200 82	3 78
Standard	1241 74	1167 21	6 66
Syfrets Gr	305 33	286 01	4 42
Syfrets Trust	122 02	[illegible]14 32	4 08
UAL	2203 45	2068 51	5 06
Specialist Equity Funds			
ABSA Ind	130 47	122 03	4 15
Guardbank R/F	169 95	157 89	4 97
Guardbank Ind	134 01	125 48	5 44
Sage Resources	121 66	113 61	4 40
Sanlam Ind Trust	1042 62	976 55	3 29
Sanlam Min Trust	293 09	274 43	4 41
Southern Min	141 55	132 73	3 83
Southern Pure	125 03	117 02	N/a
Standard Gold	23[illegible] 33	216 [illegible]6	4 54
Standard Ind	109 62	103 37	N a
Standard Inter	110 05	102 98	N a
UAL Managed	1092 88	1030 50	1 27
UAL M R	385 76	361 11	3 80
UAL S/O	1964 03	1837 62	3 50
Old Mutual Min	293 00	272 90	3 46
Old Mutual Ind	371 49	346 00	3 54
Old Mutual G F	16[illegible] 28	[illegible]50 30	3 38
Old Mutual Top Comp	263 72	245 86	4 23
Income/Gilt Funds			
Metboard Income	108 82	107 67	12 81
Guardbank Inc	118 40	117 16	13 79
Old Mutual Income	111 70	110 49	12 64
Southern Income Fund	539 32	528 53	N a
Standard Income	94 44	93 47	12 47
Syfrets Inc	109 24	108 15	13 41
Syfrets Gilt	1090 91	1080 00	12 23
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Unit Trusts - A Cost Effective Investment?

Soulr 12/6-16/6/93

Unit Trusts, the easily accessible investment in shares, aims to provide investors with potentially high returns on their money. But in order to achieve maximum benefits from a unit trust investment it is advisable to leave your money invested for at least five years...

But is investing in unit trusts cost effective?

And how much of the investment is the tax man going to get?

In response to the first question - there are three separate costs the investor incurs when investing in unit trusts. But the South African Unit Trust Association has ensured that these costs be kept at an absolute minimum - in order to give investors maximum advantage from their investment. These costs total no more than 8% of the investor's total investment, substantially less than most investments. The first cost is the initial charge which, by law, may not be more than 5% of the investment amount. This cost is deducted from the investor's money before it is invested in unit trusts.

The initial charge is split between commission payment (for the work the intermediary has done) and the remainder goes to the Unit Trust Management Company to cover marketing and operating costs. At Old Mutual Unit Trusts this initial charge reduces if the investment amount is over R20 000, and continues to reduce as this amount increases. A further service offered by Old Mutual Unit Trusts is aimed at Old Mutual Income Fund investors - the initial charge on this fund is only 1%. The Income Fund's focus is on providing the investor with an income and not high capital growth - again an example of Old Mutual's adaptability in striving to satisfy their clients' diverse needs. The second cost of investing in unit trusts is the service charge of 0,75% off the average month end value of the investment. But this cost is included in the buying price of the units - so when an investor buys units he is automatically paying this service charge. This charge is used to cover administrative costs. The final charge is the compulsory costs levied off all transactions on the Johannesburg Stock Exchange - these are the brokerage fees and marketable securities tax. This cost is minimal and is also included in the buying price of the units.

Though there are numerous different costs levied off unit trust, these costs are tightly controlled and result in unit trusts being one of the cheapest investment means.

Now to address the tax concerns - as you may well know interest on some saving accounts is tax-free, or partially tax-free. Well, investing in unit trusts is even better. Not only can unit trusts give you a very good return on your money, but all the dividends (the growth in the value of the shares) and the first R2 000 of all interest earned, is tax free. This makes unit trusts a very tax effective investment.

To find out more about unit trusts contact your nearest Old Mutual office or call Old Mutual Unit Trusts on their toll free number 0800-234-234.

MEDIATION: *Unravelling the legal tangle in Focus Holdings fiasco*

JSE chief chips in for victims

Star 12/6/93

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JSE president Roy Andersen has stepped in to mediate in the battle between stockbroker Kaplan & Stewart and its money market investors in the Focus Holdings fiasco.

Retailer Focus Holdings was put into provisional liquidation late last year and was finally liquidated earlier this year

Focus's direct shareholders and bankers were not the only ones who lost through the group's demise with them were individuals who had given monies to Kaplan & Stewart's money market operation to invest on their behalf.

In most cases the investors placed their funds with the stockbrokers, who acted as agents with a mandate to invest the funds in any public company

Offer to settle

A legal tangle has resulted between the embittered investors, who lost the portion of their funds invested in Focus Holdings, and Kaplan & Stewart

The latest in the continuing saga is that some investors have received an offer from the brokers to settle the matter

However, not all investors are happy with the deal, in which Kaplan & Stewart allegedly offered to repay the full amount of capital lost by investors.

What the investors find unacceptable is the terms of the deal The capital invested is to be made good in monthly instalments during the next five years

This period could be extended, as a clause in the offer says the payment will be deferred if the Johannesburg Stock Exchange's monthly turnover is less than a stated minimum

The offer also hinges on keeping details from the press

One disgruntled investor says the offer is "not good enough"

As no interest will be paid, what he will receive — once the effects of inflation are taken into account — will amount to about 38 percent of the capital he invested This would be even less should the five-year repayment term be extended

Disappointment

He says a group of investors met the JSE's Andersen this week to communicate their disappointment with the offer

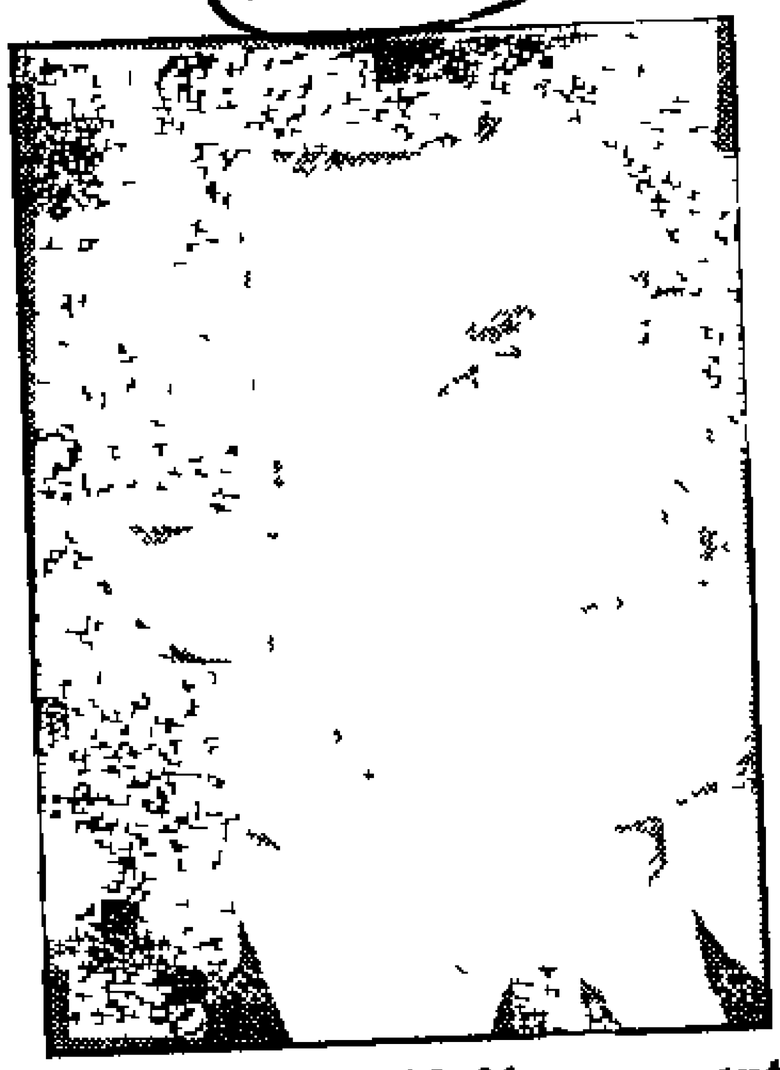
Andersen, says the investor, agreed to mediate on Kaplan & Stewart's offer Andersen has declined to comment on the matter

The investor ascribes the fact that an offer was made at all partly to Andersen's efforts

The offer was said to have been made on moral grounds and not with regard to any legal liability

However, if the terms of the offer are not amended, the investors have an ace up their sleeves, and say they will "pull out all the stops" in a bid to change the terms

The directors of Kaplan & Stewart say they feel it is inappropriate to comment at this stage



ROY ANDERSEN: No comment on the deal.

EFFORTS by the JSE's president to help investors who lost money in Focus Holdings through brokers Kaplan & Stewart have resulted in a secretive offer of compensation — but those who lost their capital remain extremely disgruntled, writes LEIGH ROBERTS.

Premier marches without a Bloom

S Times (BUSS) 13/6/93

By CHERILYN IRETON

TONY BLOOM parted ways with Premier Group this week in a restructure where board membership requires relevance to the new South Africa.

When the group's results were presented to investment analysts on Wednesday, few did not note the irony of how well Premier has done since Mr Bloom's departure for Britain

Mr Bloom, whose family had strong links with Premier, had been kept on as a non-executive director since his resignation as executive chairman five years ago Although he was supposed to develop and expand the group's international business arrangements, his participation dwindled to attending biannual board meetings

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Race

Last year he is believed to have sold his remaining shareholding, ending the Bloom family's investment in Premier

In presenting the group's figures, chairman Peter Wrighton unwittingly highlighted the strides made since Mr Bloom's departure Compound annual earnings a share growth over the five years was 23%

The share price has risen at a faster rate than both the JSE industrial and food indices. At the March 1988 year-end — when Mr Bloom announced his intention to emigrate — the share price was R4,50 (before Bevcon was stripped out). This week, Premier traded at R51.

Some food analysts say the 16% growth in earnings a share puts Premier convincingly ahead in its traditional race with Tiger Oats for investor affection

In truth, on historic information there is not much to choose between the two. Premier yields 5,5% on its year's earnings, Tiger at this week's price of R42,50 yields 5,4% This translates into a price earnings ratio of 18 and 18,4 respectively

The difference lies in prospects. Premier is aiming for real growth. Tiger, which recently reported a 3% drop in half-year earnings a share, warns that it may not achieve profit growth this year.

This week's celebrations focused on Premier's 80 years in business, an anniversary marked by turnover passing R10-billion.

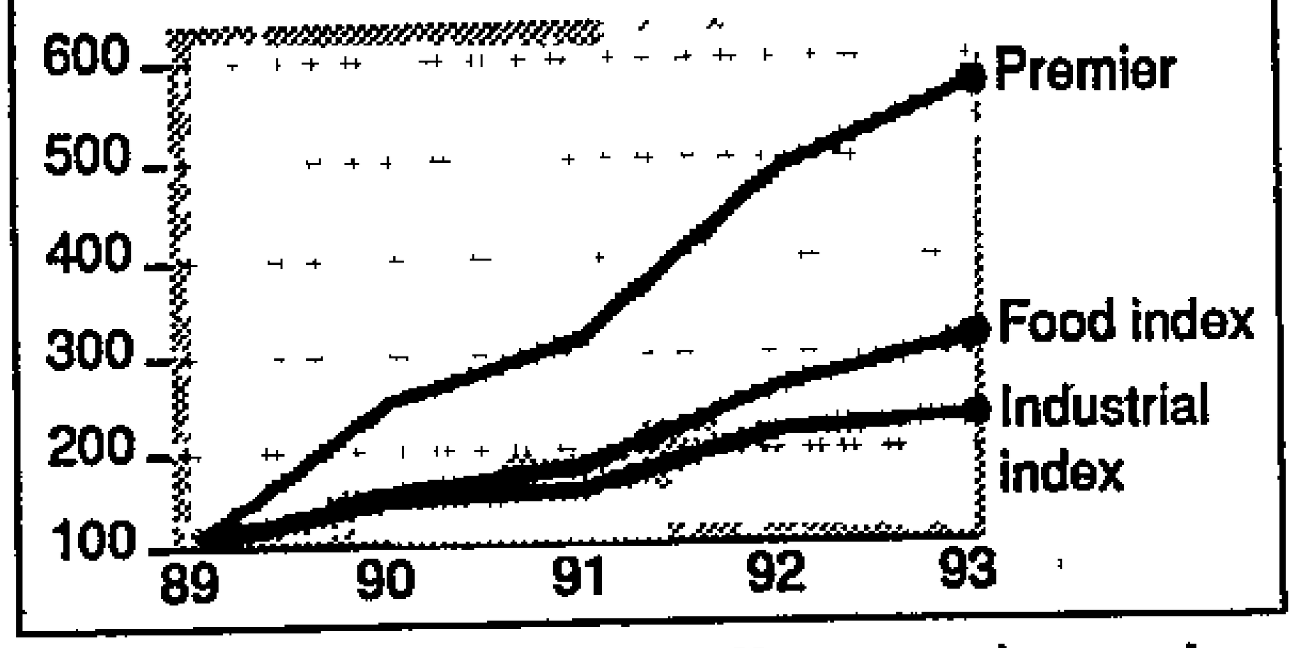
Compound sales growth in the 80 years has been 13,75% a year — there was no inflation for the first 60 years

Premier Group has changed vastly from its early form. Food accounts for under half its profits and pharmaceutical operations this year chipped in R45-million, or a fifth of the attributable profit of R234-million.

Premier is capitalised at R4,2-billion — surpassing the market value before the SA Breweries investment was stripped out into separate company Bevcon.

THE PREMIER GROUP

INDEX OF PREMIER'S AVERAGE SHARE PRICE COMPARED TO AVERAGE JSE INDUSTRIAL AND FOOD INDICES



DIAGONAL STREET

Bankorp source of much Absa woe

S/Times CRUSS J 13/6/93

ABSA shares shed 40c to 900c this week after the country's biggest banking group announced its first results which included Bankorp

The announcement was carefully exercised Chief executive Piet Badenhorst went out of his way to be casually courteous to the press, members of which were irritated that their invitations to the presentation bore the wrong time

The angle was one of "look how well we've tackled this Herculean task of fixing up Bankorp" I was left with the impression that original UBS shareholders who paid their R2 a share in 1986 would have been better off if management had never bought Bankorp

UBS was listed in December 1986 when initial trades were about 580c a share. It is now 920c — unspectacular in nearly seven years

Purge

Competitors did much better Standard went from R18 to R95, First National from R19 to R78, NBS from 270c to R17 and Nedcor from under R6 to R25 Admittedly, there have been many changes of shape and issues of shares

Perhaps Absa Mark I would have been a good place to stop Absa laid out its reasons for the merger, but was there any true inducement?

By Julie Walker

Bankorp's management it was certainly not — barely a single senior executive has survived the purge

Bankorp's assets appear responsible for the vast jump in bad debt shown in the year to March 1993 Bad and doubtful advances climbed from 1992's R451-million to R781,4-million There were several references to a member of Bankorp that had parted company with sensible lending practice — why not say TrustBank?

Absa chairman Herc Hefer says the application of Absa's more conservative accounting and provision policies and practices to Bankorp resulted in the price paid exceeding the net asset value by R289-million — to be written off against the share premium account

Absa's initial offer was 100 Absa shares for 330 Bankorp, — revised to 100 for 390 after due diligence After even more diligence it transpires that Absa still paid R289-million too much in shares of R11,25.

It is unlikely to have been the retailing network. Many sites earmarked for rationalisation carry two or more Absa group names

Maybe it was Bankorp's assessed tax loss But the R446-million Absa set aside on tax last year is more than double the previous year's

Some went into a tax equalisation fund. The unforeseen switch to secondary tax on companies was announced after the Bankorp purchase But the lower corporate tax rate came too late for Absa's financial year

Mr Hefer cries foul on two scores the financial services levy and the uneven playing field of those in the emerging commercial-paper market.

Worst

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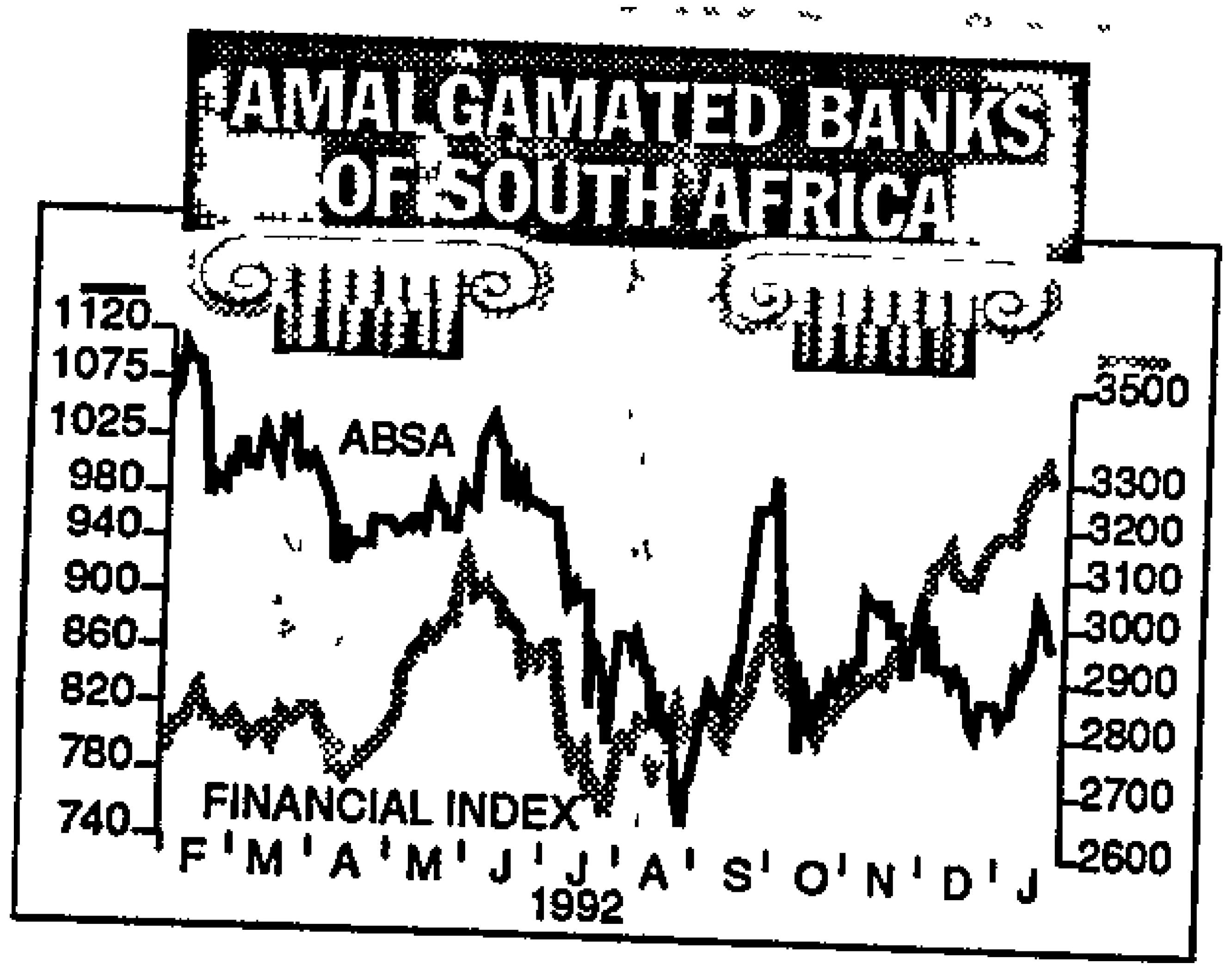
He says the first is grossly inequitable because banks should not be subject to the financial services levy — in reality taxation. For Absa last year it amounted to almost seven percentage points more than its effective income-tax rate.

"The Department of Finance should urgently re-examine the imposition of this discriminatory tax"

Mr Hefer says commercial paper became a feature of SA banking last year Banks will become increasingly involved in securities business where the corporate sector can better use the capital market.



Banks will be financial intermediaries and act as agents But, says Mr Hefer, there is a pressing need for equal terms for banks and securities firms in terms of capital and liquidity requirements

"In essence, securities firms engaged in banking-related business should be subjected to similar capital and liquidity constraints"

Absa raised earnings a share by 12% to 120,8c, putting the shares on 7,7 times historic earnings, and a dividend of 43,5c yields 5% The other banks are much more highly rated

The presentation included many slides of what Absa has achieved compared with other banks On the latest figures, Absa's return on average assets fell from being already the lowest at 0,95% to 0,87% Return on average equity was also the worst, as was capital adequacy

Absa will look for new capital in two years, though not necessarily through a rights issue

On the brighter side, Absa is the most tradeable share and earnings a share have climbed steadily

Absa forecasts an improvement in attributable profit in the year ahead Mr Badenhorst says the top men are in place, rationalisation (job cuts) is 98% complete, feedback says staff morale is rising (especially with each member's R500 windfall announced this week to compensate for trauma) and the group is a long way down the line on problem accounts.

Rusfurn

He had hoped to report one more solution, probably Rusfurn, but could not.

Mr Badenhorst also expects that the fortunes of the banking sector will not be as good as they have been in recent years

Absa must shine in tough circumstances if it is to gain the ratings of the smaller players in the sector

S Times CC Metro J

Intrust keeps growing

By JEREMY WOODS 13/6/93

INVESTEC Investment Trust (Intrust), has notched up an excellant performance for the year up to 31 March, outperforming JSE indices and unit trusts

Shareholders enjoyed a 61 percent increase in the value of their investment over the year — based on capital appreciation and assuming reinvested dividends This compares to the 12 percent return posted by the top performing unit trust (232)

The advance was mainly due to a leap in the Intrust share price from 200 cents to 310 cents at 31 March, compared to increases of 3 8 percent and 1 3 percent in the All Share Index and industrial index respectively A dividend of 10 1 cents per share was declared, 25 percent up on the year's deividend

The market value of the Intrust's underlying investments increased by 50 percent to R69 2-million, which translates into a net asset value of 341 cents, 45 per cent higher than the previous year

Intrust executive Ms Zelda Zaayman said Intrust's superior performance was due to its philosophy of investing in second-tier shares with above-average growth potential, or "green chips"

Diversification sees Lenco through the hard times

B/Day 14/6/93

EDWARD WEST

LENCO Holdings' diverse interests helped it overcome difficult trading conditions and earnings a share climbed 24,8% to 59,8c in the year to end-February 1993 from 47,9c the previous year

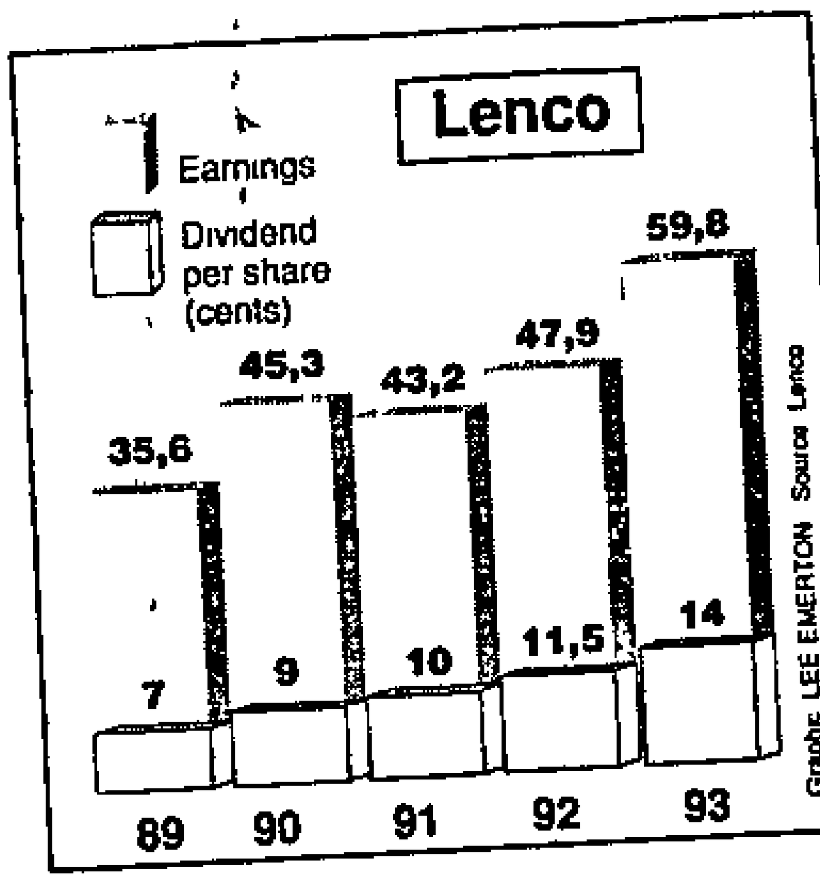
The dividend for the clothing, footwear and plastics packaging group was lifted to 14c (1992 11,5c) Directors forecast further real earnings growth in the 1994 financial year.

The 1992 figures were restated to reflect changes in accounting policies relating to fixed asset depreciation and the method of dealing with registered designs. This reduced earnings to 47,9c from 49,3c a share

Turnover climbed 30,5% to R594,06m Operating margins fell to 9,98% (12,57%) and operating profit improved marginally to R59,29m (R57,22m) Finance charges were virtually unchanged at R14,08m (R14,83m) but tax was reflected as income of R203 000 compared with the R5,55m paid out the year before

In earlier years, a subsidiary company invested in film schemes, resulting in tax savings Provision was made by adjusting the 1992 retained income to bring in the additional taxation payable in terms of the compromise offer announced by the Receiver of Revenue. The effect on group reserves was R1,8m

Taxed profit climbed 26% to R45,41m Interest-bearing debt climbed to R66,2m (R36,84m) An extraordinary item of R3,56m related to investment write-downs



Directors said the group traded well although conditions in the clothing and footwear sectors were more difficult than in previous years

The performance of the group's listed footwear subsidiary was the most disappointing feature, largely because of operating losses and higher than normal stock write-downs and debtors' provisions The other divisions performed up to expectations, the directors said

The results of Hendler & Hart were expected to improve after having a negative impact on 1993 results

Likely increases from the clothing and footwear divisions and a continued strong performance from the packaging division should result in further real earnings growth despite the fact that the group would become liable for taxation in the 1994 year, the directors said. (232)

The earnings of Lenco Investment Holdings (Lenvest), which holds a 50% (1992 52,18%) stake in Lenco Holdings, climbed to 39,7c (34,7c) a share Its dividend rose to 8,85c (7,6c).

Rusfurn sale spells change

Bi Day, 14/6/93

MARCIA KLEIN

THE sale of the Rusfurn group would significantly alter the playing fields in the furniture sector, according to analysts.

J D Group, which is believed to be interested in Rusfurn, could become the giant of the sector if it acquired a sizeable chunk of the group, they said.

Analysts said there were few furniture companies with the means or backing to take over Rusfurn.

It would not benefit any company to take on the acquisition unless it did not pay more than the value of the store sites and the name of the chain. Rusfurn's debtors' book was huge, and it had lost market share in some of its divisions

But the potential for growth was substantial if the new owners could manage the debtors' book and the stock levels. The acquisition would increase buying power (232)

Analysts said J D Group, with W & A and Trencor behind it, was the most aggressive in terms of wanting to expand Analysts said J D Group was certainly interested in Russells, the upmarket chain which was a significant player in the Rusfurn group.

Analysts said both Wooltru and Prefcor were interested in Dion. Dion would complement Game, and would give the Prefcor group the capacity to expand into the Transvaal. Wooltru's Makro and Dion would also have synergies between them.

It was unlikely Ellerine would be interested in Rusfurn, although it could buy stores in the western Cape, an area where it had room to expand

Duiker wins big coal export deal

MATTHEW CURTIN

DUIKER Exploration, the Lonrho-owned coal producer, has won multimillion-rand export coal contracts with Taiwan Power Company which are set to run until 1998

The supply contracts, which will nearly double the size of Duiker's steam coal exports, were valued at more than R500m for the supply of 4,4-million tons of steam coal over five years.

Duiker's export ambitions are at odds with its small allocation at the 49-million ton a year Richards Bay export terminal, and have led the group to back the construction of controversial new facilities, condemned by SA's leading exporters.

Amcoal, Randcoal and Trans-Natal, which export more than 30-million tons a year between them, have warned that an export drive by smaller producers will add to already-strong downward pressure on prices caused by the worldwide recession and fierce competition in the export coal trade. (232)

The new project, the Coal Export Joint Venture, investigating a new 12-million ton a year facility, involves Anglovaal, Gold Fields, Sasol, Iscor, Agipcoal, MacPhail and Duiker.

A company spokesman said yesterday the contracts provided for the export of 800 000 tons of coal during the next three years, and 1-million tons a year over the following two years

Technical director Hugh Stoyell said in a statement the value of the contracts was "expected to exceed R500m at the FOB vessel level" at 1993 prices

The group, the owner of collieries near Witbank and Vryheid, sold only 1,4-million tons of coal abroad in 1992, compared with 1,1-million tons the year before.

Stoyell said the contract price was satisfactory, adding "In the light of the present oversupply situation in the world steam coal markets, the award of these contracts represents quite a coup."

Natrawl to reduce debt

BASAJ 14/6/93

EDWARD WEST

NATAL Ocean Trawling (Natrawl) expected improved earnings this year, but was curtailing capital expenditure to conserve cash resources and reduce debt, said chairman Jack Walsh in the 1992 annual report.

He said Europe-based Megafish had formed a new association with Natrawl to exploit fishing rights off Mozambique following the write-off of a 40% stake in Natrawl's Mozambican associate, Natrawl (Mozambique) (2327).

Natrawl had sold some assets to the new venture and would initially hold a similar shareholding as that held by Natrawl (Mozambique). However, Megafish intended the new venture to acquire several more vessels and its injection of capital to finance the vessels would reduce Natrawl's shareholding.

Natrawl had contracts with the new company — Ocean Trawling of Southern Africa — to supply administrative and operational services, which, with other rationalisation measures, would have a positive effect on margins.

The construction of new premises on Maydon Wharf was postponed because of difficult economic circumstances. Depressed markets locally and internationally strained demand and prices for Natrawl's products last year, and earnings fell to 0,63c a share from 6,5c a share in 1991. The dividend was passed.

Lower tax bill lifts Ozz earnings

BDay 14/6/93

ANDREW KRUMM

A LOWER tax bill lifted property and engineering group Ozz Limited's attributable earnings 24% to 69,7c a share (1992 56c) on static turnover for the year to end-March 1993

(232)

Ozz directors said a dividend of 26c a share (21,5c) had been proposed, but would be paid out only once final legislation in June had clarified the application of the secondary tax on companies (STC)

"The company will reduce its STC liability by postponing the declaration to coincide with the dividend declaration of subsidiary companies, which are receivable on September 30," directors said.

Despite adverse economic trends, core operations maintained turnover at an unchanged R124,5m, while operating profit rose marginally to R19,2m (R18,8m)

Net interest paid rose 14% to R3m (R2,7m), reflecting higher borrowings which stood at 8% of equity at March 31

"Since then, additional equity and borrowings have been arranged to fund the recent acquisition of Umhold's wear parts business," Ozz chairman Gary Zulberg said.

Pre-tax profit rose marginally to R16,14m (R16,1m), while a significant drop in the group tax bill lifted attributable earnings to R9,25m (R7,4m).

Zulberg said. "The 30% drop in taxation to R5,1m stems from an investment in dividend earning preference shares. However, the company has not deducted the reduction in the deferred tax balance — resulting from the drop in the corporate tax rate to 40% — from its tax charge."

Ozz's annual compound growth in earnings a share has averaged 20,5% over the past four years, while compound growth in dividends averaged 26,8%.

MONEY MARKETS by Tim Marsland

BDay 14/6/93

Foreign signs of confidence

FOREIGN buying crept into the capital market again this week, helping rates to continue their downward trend.

Dealers report that foreigners were seen in the medium area, taking out smallish parcels of stock.

Rumour also has it that foreigners took out a parcel of long-dated Eskom 168 stock. Some dealers put the amount at more than R100m. Most see this as a sign of renewed foreign confidence in the country.

The financial rand also has something to do with the foreign interest. The unit has been hanging around the R4,60 level for some time, and any break above that point has been short-lived.

Foreign buying has also been seen in the Elfi market, apparently with some vigour.

JSE figures confirm the trend, showing a net outflow of capital market stock since March 15.

Politically, the atmosphere appears — to foreigners at least — to be on a better footing Many analysts believe that the key to a prosperous future lies in the hands of the foreigners. That is also true for the capital market, the danger being that an unexpected nasty event in SA could prompt a quick sell-off from foreign funds.

Some think the foreign activity of the past few weeks, although speculative, is the beginning of a flood of foreign investment that will arrive in SA about the middle of next year.

Meanwhile, institutions spent the week switching out of short-dated bonds into the long area. Dealers are at odds as to whether this is a wise move.

Interest rate bears think the decision is premature, while the bulls are convinced the timing is spot on.

The bulls point out that the yield curve is steepening, meaning better profits are to be had in the long area. However, the bears are by far in the minority, and the market is convinced a rate cut is on the cards in the next few months.

Commercial and industrial property

Tvl investors give auctions thumbs down

B/Day 14/6/93

THE sale of commercial and industrial properties by auction has not been well received in the Transvaal, as it still carries the stigma of being a forced or liquidation sale.

This is in spite of the hype surrounding these auctions last year, when they were touted as a niche market and a growth area in the industry.

J H Isaacs Transvaal auctioneering head Wayne Wright says there is little demand for auctions of commercial and industrial properties

"This method has not achieved the support we thought it would, as it is still regarded as a sale of last resort — generally a forced or liquidation sale. It is a bargain hunter's paradise out there"

He recently attended an auction where the business machinery and equipment were to be sold with the property. About 50 people attended the auction for the machinery, but left when it came to the property.

"If a property is well located and reasonably priced, there is no reason why it should not be sold by private treaty. This is preferable, as it is embarrassing and costly if the property is not sold because no one attends the auction," says Wright

A J C Burchmore Auctioneers spokesman says, however, that there is a growing awareness of auctions as an alternative to traditional broking

"The public needs to become aware that this is an acceptable way of selling property," he says.

Auctions are a far quicker way of selling property and the price obtained is often an accurate reflection of its market value. But, for this to be achieved, the negative connotations associated with auctions need to be removed, the spokesman says

After moving into their new premises at Wynberg recently, John Griffin Auctioneers and J C Burchmore formed a property division, known as Burchmore's Properties It will be involved in selling, leasing, leasebacks and auctions of commercial and industrial property.

Paul Vermaak, who will head up the division, says "Although the recession is biting, people are looking for cheaper buildings, so there is a lot of movement".

Acceptance

Pam Golding properties' auctioneer Hugh Denny says that while the Cape Town market still largely perceives it as a liquidation method rather than a selling method, it is starting to gain acceptance.

"We have handled a number of auctions this year and none of them were liquidation sales. While we are seeing some distressed sellers, we have decided not to undertake any liquidation sales," he says

Denny says if the media adverts are correctly worded and the marketing prior to the auction is correctly handled, it is generally successful. "But we have to work extremely hard before the auction.

"I find a number of auctioneers are not experienced or skilled enough to create the excitement and competition necessary for it to be successful."

Durban-based Williams Palmer Associates director Sheila Williams says auctions are one of the most popular means of selling property in Durban

"Demographics and market education play a part With Natal having a large Indian population, there was a significant change when the Group Areas Act was dropped two years ago

"This resulted in an influx of investors and the auction route has proved to be the most popular vehicle for them"

Sellers in the Transvaal are prone to over-expectations on price, while buyers see auctions as the place to pick up property at bargain prices This results in an imbalance, making the market unconducive to successful auctions, she says

"Once the economy picks up, the time will be right to relaunch auctions on the Reef," Palmer says

Syndications: handle with care

Star 14/6/93 (232)

By Alide Dasnois

CAPE TOWN — The mushrooming of property syndication schemes poses serious risks for investors, says Professor Louise Tager, head of the Business Practices Committee.

She told the Sapoa convention that these schemes generally attracted smaller investors who did not always realise their money was locked into the scheme; that unlisted shares could not be traded in the same way as listed ones.

"We're not saying these schemes should be stopped, but people must be properly informed. Full disclosure is critical."

The committee welcomed steps taken by Sapoa to regulate property syndication But it would not hesitate to take steps against misleading advertisements offering unrealistic profits

Investors considering syndication schemes should know they did not entail property transactions, that investors did not own the property and that public companies were obliged to issue a prospectus before offering shares to the public.

Expectations

The committee was also considering steps to protect consumers against the misleading use of words in transactions.

Professor Tager said words like ownership, property and share-blocks were being loosely used, creating expectations in the minds of consumers which were not met.

Examples of possible abuses·

- Share-block schemes — "The public does not understand that being a shareholder in a share-block scheme does not mean owning the property It is the company in which they hold shares that owns the property"
- Life-right schemes — "These are nothing more than leases for life The term life rights conveys the impression that the holders have a form of title, which they do not"
- Retirement villages — Elderly people were often attracted to these schemes by the promise of security and frail-care centres, but "security is often not provided and frail-care centres, if they are constructed at all, are more often than not used as recreation facilities"

This would constitute a harmful business practice, she said. The legislation on retirement villages was under review

Scheme to protect mail order buyers

Star 14/6/93

232

By John Miller
Star Line

Direct mail order companies are considering an insurance scheme to protect consumers should firms fold before goods are delivered.

Executive director of SA Direct Marketing Association (SADMA) Mel Brooks said consumer protection was a high priority.

The decision to launch an insurance scheme is timely following the recent liquidation of Fonem International Group Corporation, one of South African's best-known and the first marketing company to advertise on TV.

Fonem, which was a member of SADMA, has left hundreds of consumers out of pocket and they are likely to receive very little from a liquidation settlement.

Brooks said one of SADMA's members had gone to the UK to study protection schemes for consumers.

One proposal is that members take out insurance which will cover them in the event that they fold. An insurance company will provide a quote shortly, he said.

"We are serious about this and are working flat-out to have it up and running by December this year"

Unfortunately, like the association, the scheme will be voluntary Members who join the insurance scheme will get "an enhanced logo", said Brooks.

The association is also considering barring and throwing out members who refuse to join the insurance scheme.

Brooks pointed out that not all mail order companies ask for money upfront. In fact the biggest such company did not.

Under the code of practice, he said members were not supposed to clear and bank credit card deposits until goods had been sent.

Lynn Morris, national president of the Housewives' League, welcomed the proposed insurance scheme and said it was long overdue

Morris suggested that companies should not be allowed to deposit any money until the goods were posted. This could be part of the agreement with the insurance company.

Urgent call to invest in future

BiDay 14/6/93

LINDA ENSOR

CAPE TOWN — An urgent call for business to forgo expectations of short-term returns and to invest in the reconstruction and development of the country was made by Liberty Life vice-chairman Dorian Wharton-Hood at the annual conference of the SA Property Owners' Association on Friday.

"We must forget the idea that the criteria for investment should only be optimum, immediate, direct return If we do not forgo the expectation of short-term gain in favour of potential long-term returns, in a few years we shall no longer be able to expect any returns at all," he said

SA's impoverished communities could not rely exclusively on the political system for their welfare and progress. While creating wealth, business also had a crucial role in redistributing that wealth, particularly by redistributing opportunities

Wharton-Hood urged business to adopt share option schemes to enable employees to become shareholders and to support affirmative action programmes.

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"Only when we have fulfilled these obligations to help the disadvantaged help themselves do we have any legitimate right to insist on our rights to a free market, little government interference, low taxation, foreign exchange freedom and the freedom to unbundle our corporations as and when we see fit," Wharton-Hood said

SABC chairman and Idasa policy director Van Zyl Slabbert said the forces in SA seeking the centre in the areas of stability, growth, redistribution and legitimacy outweighed those fleeing from the centre, giving cause for optimism

However, there remained a threat of violence and militancy on the outer flanks, which made negotiation with the right wing urgently necessary There could be no prospect of holding elections unless ways were found to marginalise violence.

New company could seek listing

Sasol, AECI plan R2,5bn joint venture

B/Day 15/6/93

EDWARD WEST

SASOL and AECI plan to launch a petrochemical and plastics joint venture with a turnover of more than R2,5bn a year.

The company would be formed through the merger of the groups' petrochemical and plastics interests and could eventually be listed separately on the JSE, Sasol and AECI said at a news conference yesterday.

Sasol would hold 60% of the as yet unnamed company and AECI 40%. The proposed merger would mean the new company could embark on a R400m project to convert AECI's PVC from carbide feedstock to ethylene feedstock. (232)

The merged business would include Sasol's ethylene, propylene and polypropylene operations and AECI's chlor-alkali, PVC, polyethylene, cyanide and associated downstream converting companies.

Describing the rationale for the deal, the groups said production overcapacity and weak world petrochemical markets resulted in companies having to combine forces, rationalise activities and become increasingly focused.

AECI MD Mike Sander said the venture, which had been under negotiation for the past five months, would benefit AECI as it used the competitive advantages of Sasol feedstock to create a fully integrated world-class business.

AECI's PVC manufacturing facilities were currently operating from a cost base that was too high to compete effectively internationally. The restructuring of these facilities through the joint venture would reverse this situation.

Sander estimated that — depending on variable raw material costs — savings of up to $200 a ton could be achieved for some polymers through the joint venture.

Sasol MD Paul Kruger said the venture was a logical step in group strategy to add value to its feedstock strength by expanding into the polymer business. Sasol would also have access to an attractive project and a market for additional ethylene.

Furthermore, like the announcement to form a separate oil and petrol retail company, the venture with AECI was a step towards dividing Sasol's activities into separate business entities, said Kruger.

The R400m PVC conversion project was intended to be funded from cash flow generated by the joint venture, but outside funding might also be sought, the companies said.

Management for the new company would be appointed from outside AECI and Sasol and would operate independently.

The new company would have the designed capacity to produce about 600 000 tons of polymers a year.

AECI planned to supply about 450 000 tons of capacity to the merger — including 160 000 tons of its PVC production capacity — while Sasol would provide about 130 000 tons of capacity. Commissioning of the PVC conversion project was expected late in 1995, said Sander.

Discussions with Sasol customers Sentrachem and Hoechst were under way to secure their access to ethylene and propylene. The deal was subject to Competition

☐ To Page 2

Sasol, AECI

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Board approval, said Kruger.

Provided the discussions were successfully concluded, the proposed merger would become effective on July 1.

☐ Sander also said yesterday that discussions were under way between AECI and the UK-based Imperial Chemical Industries (ICI) following the completion of the ICI de-merger and the establishment of Zeneca as an independent entity specialising in biochemicals.

The purpose of the discussions was to review ICI's position in the businesses operated by AECI with a view to aligning ICI's interest in AECI more closely with ICI's international business strategy. ICI holds 38% of AECI. (232)

Sander said the talks, which would be completed within the next four months, were intended to change the structure and involvement of ICI in AECI rather than have it a reluctant shareholder.

Spar is third largest chain

BiDay 15/6/93

MARCIA KLEIN

THE Spar Group has overtaken OK Bazaars to become SA's third largest food chain, according to recently released industry statistics.

Spar said that in an industry where about R17,1bn worth of food was sold through major stores, Spar's food sales topped the R3,2bn mark in the year to end-February. Pick 'n Pay and Shoprite/Checkers remain the two major players.

Spar's market share grew by 1,2% over the last year. Group marketing director Brian Beavon said this growth was a result of "an aggressive new pricing policy, upgraded stores and the convenience factor".

Spar was aiming for turnover of R5bn in 1995. It was planning to open 40 new stores.

Growth in turnover would give the group more leverage with suppliers, resulting in reduced prices. This would enable the group's stores to be more competitive.

(232)

Beavon said the poor economy had led to changing shopping habits, with many women returning to work.

Spar had benefited from its revamping exercise to bring SA stores in line with the international Spar red and green line store concepts.

LTA staves off the worst of recession

MATTHEW CURTIN

CONSTRUCTION and civil engineering group LTA has staved off the worst effects of the recession and reported a 4% advance in earnings to 119c (114c) a share in the year ended March 31.

The Amic subsidiary declared a 35c total dividend compared with 32,5c in 1992.

Good cost control and improved interest income were responsible for a 15% improvement in pre-tax profit to R62,6m (R54,5m) after the group's turnover crumbled to its lowest level since 1988.

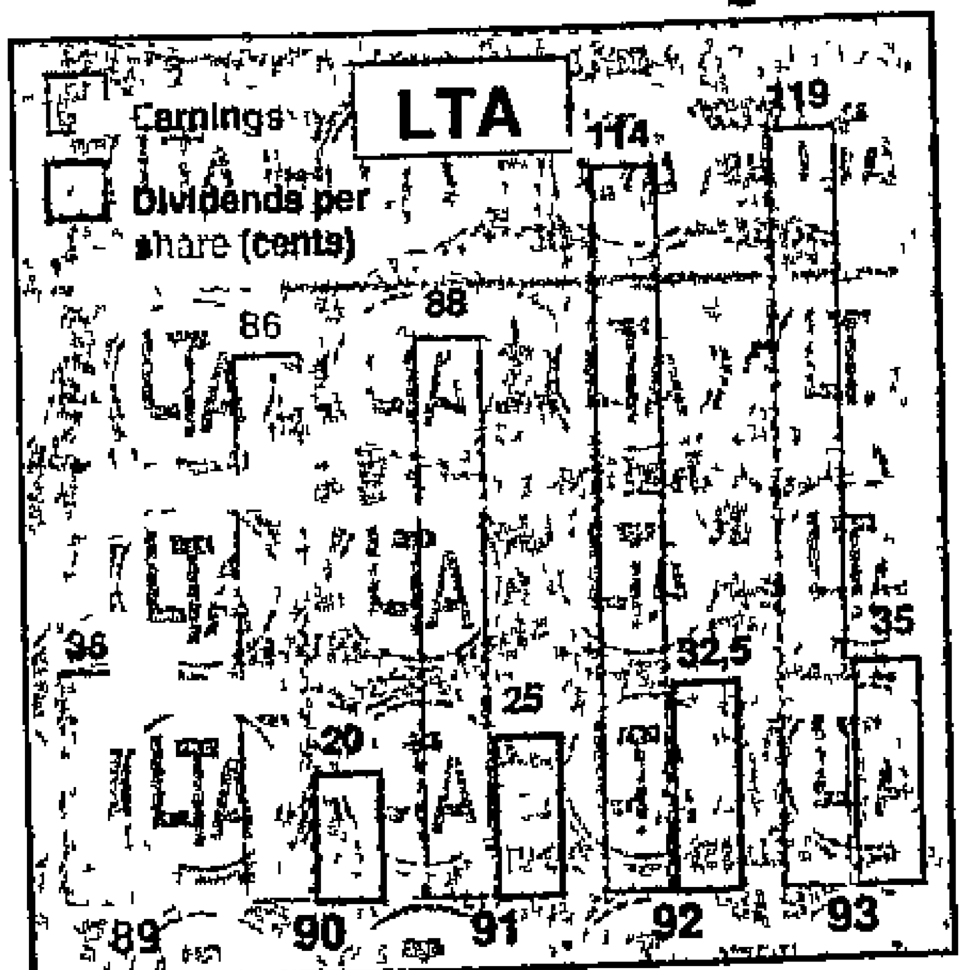
MD Colin Wood said yesterday the "disappointing" fall in revenue to R1,61bn from R1,88bn was directly related to the state of the economy. (2327)

The best LTA could do was to pick the most lucrative projects on offer.

Chairman Hilton Davies said Reserve Bank figures showed residential buildings, non-residential buildings and civil engineering works operated in 1992 at 74%, 77% and 66% of their levels in 1985.

He said the building division found conditions particularly tough and profits fell at structural steel and engineering business Steeledale. The civil and earthworks division, and the group's property, electrical and instrumentation activities improved profits.

Operating profit rose to R51,5m



Graphics RUBY-GAY MARTIN Source LTA

(R47,4m) due to hundreds of retrenchments in the year, low wage increases and reductions in overheads at the group's 50 profit centres.

Net finance income climbed sharply to R11,1m (R7,1m), in spite of an increase in LTA's long-term borrowings and reduced cash reserves, thanks to larger cash balances in the early part of the year.

The group fell under both old and new company tax regimes, contributing to a rise in tax provisions to R25,8m (R19,9m). After-tax profit stood at R36,7m (R34,6m),

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LTA

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☐ From Page 1

with attributable earnings improving to R32,4m (R30,3m).

Wood said shrinking volume of building work, a decline in down payments and capital investment in mining activities adversely affected group cash flow; but the swing was no cause for concern. (2327)

He added that LTA would do well to hold its performance in the current financial period, the nine months ended December 31 as the group brings its year-end in line with parent Amic after becoming a subsidiary in February.

Wood foresaw "no substantial growth" in sales or earnings until the economy recovered, an event which was proving impossible to predict.

Civil engineering contracts related to the Columbus, Alusaf and Namakwa Sands projects would bolster results for the rest of 1993, as would LTA's opencast mining operations and smaller businesses.

Davies said LTA remained active in southern Africa but had no large new projects in the pipeline on the scale of its abortive attempt to buy Angolan state contractor Constrei earlier this year.

Banks seek softer rules

BiDay 16/6/93

GRETA STEYN

MERCHANT banks — hard hit by recent changes to banking legislation — are holding discussions with the Reserve Bank in the hope that they can convince the Bank to modify the new rules.

The changes, which increase expensive cash reserve requirements, are bad news for the smaller trading banks such as Rand Merchant Bank, Prima Bank, Securities Investment Bank and Investec.

Merchant Bankers' Association (MBA) chairman Stephen Koseff, of Investec, confirmed yesterday that a subcommittee of the MBA and General Bankers' Association was talking to the Bank on the changes to liquid asset and cash reserve requirements. "We are hoping for reasonable progress in terms of a mechanism for calculating the requirements." (232)

Banks are required to hold cash and liquid assets in reserve against their liabilities to the public. Recent changes to the way in which liabilities are calculated raised the cost of holding reserves.

The Reserve Bank confirmed that discussions were taking place. Deputy Bank Governor Chris de Swardt said that any bank with a problem in meeting the requirements could apply to the Registrar of Banks for exemption, but the Bank had not given a blanket exemption and cases would be considered individually. He added the new requirements were being phased in over 15 months and that banks would have the opportunity to change their way of doing business.

Merchant banking sources said that in some cases, the cost of cash and liquid asset requirements would have a serious effect on profitability, and would require a radical change in the way these banks operated. It would require a move off-balance sheet, which the Bank would not

To Page 2

Banks

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From Page 1

want but might be powerless to stop.

Trading banks that "carry" capital market stock were especially exposed, as they would have to hold costly reserves against a balance sheet item that did not entail risk and was not a liability in the conventional sense, a dealer said. The big commercial banks were not affected to the same extent because their vault cash would count towards the requirements.

Bankers expected the Reserve Bank to exclude banks' liabilities to one another from the calculation of total liabilities against which reserves had to be held, while other changes might also reduce the cost. However, the banks had not yet received formal notice of a modification.

In the longer run, the possibility existed that trading banks could convert into trading houses that did not have to comply with banking legislation.

De Swardt said, however, that these operations would also have to comply with capital requirements. These requirements were still to be determined, and the creation of new securities trading companies was still being debated.

COMPANIES

Schamin buys Trojan for R6m

JONO WATERS

SCHARRIG Mining (Schamin) had acquired Trojan Mining for R5,9m to be paid for by the issue of 2,95-million shares at 200c a share, the company said yesterday.

Trojan, engaged in opencast contract coal mining and bulk earthworks, produced a turnover of R25m last year. Its principal customer is Trans-Natal's Eikeboom colliery. (232)

Trojan is Schamin's first acquisition since its listing in January. Last year Scharrighuisen Holdings (Scharrig) acquired the Transvaal operations of Norman Mining, which were included in Schamin's assets when the company was listed.

Scharrig MD Laurie Fisher said the acquisition would result in a minor dilution of the company's shares to 112,4-million from 109,4-million. B/Day 16/6/93

The takeover would increase Schamin's turnover by 20%, and earnings were expected to rise to 27,4c a share from the current forecast of 25c. Net asset value would rise to 74,6c a share from 69,9c.

Fisher added that Scharrig and Schamin were still on the acquisition trail. "We always have our eyes open," he said.

Investment analyst Robin Pegler said Trojan was strong in surveying and geology, an area which Schamin lacked. In addition, Trojan's plant equipment fleet amounted to 33 units, boosting Schamin's total pool to more than 320 units.

"The takeover will expand market share without any sacrifice of profit margins," Pegler said.

Edgars budgets for an upswing

B/Day 16/6/93

MARCIA KLEIN

EDGARS Group had substantially increased its capital budgets for the current year to R140m (R85m) in anticipation of an upswing in retail activity in 1994, CE George Beeton said in the group's annual review.

The group, which reported an 18% earnings rise to R185,8m in the year to end-March and budgeted for a satisfactory growth in the current financial year, had constrained its capex over the past two years

Expansion in the current year — including new stores and relocating, enlarging and refurbishing stores — would be funded from cash generated and gearing capacity.

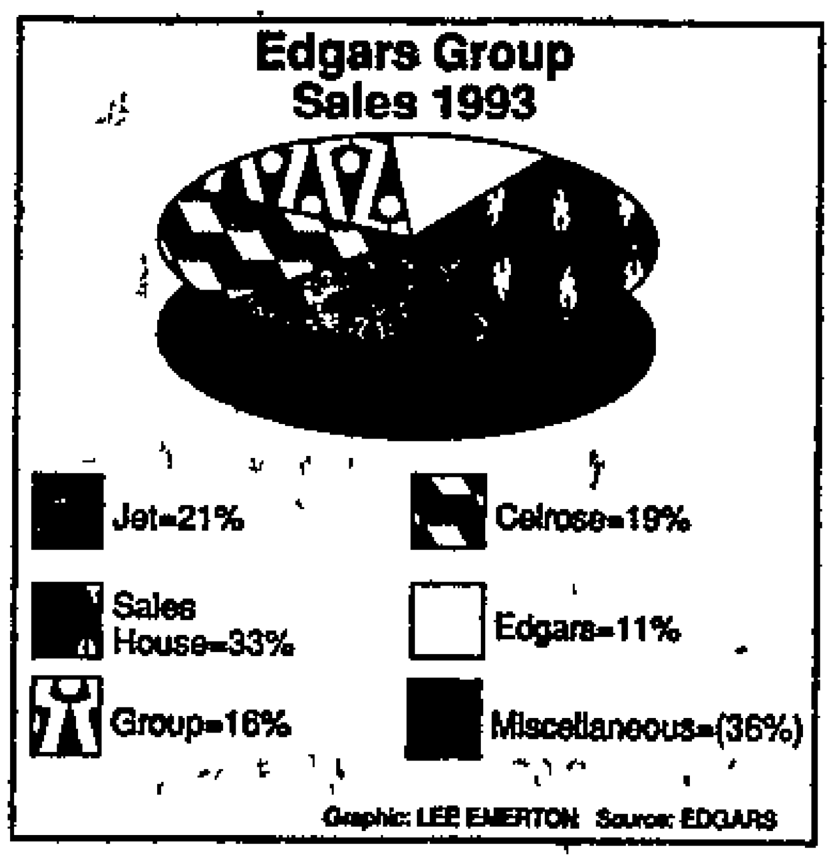
Beeton said the group, whose major chains include Edgars, Sales House and Jet Stores, had entered the new year "with current appealing merchandise, a lower risk debtors' book, reduced borrowings and a tightly controlled overhead base"

Growth would be restrained by the new year having 52 weeks against 53 in financial 1993. The VAT rate, violence and political and social adjustment clouded forecasting

Based on recent achievements, further market share would be gained. Edgars had budgeted for modest sales growth, but would show a satisfactory increase in earnings, boosted by a lower effective tax rate.

Beeton said the group's sales share of the Retailer Liaison Committee's clothing, footwear and accessories sample grew to 36% from 30,7% during the year

All three retail businesses recorded good results from focused merchandise and marketing programmes, and enhanced use of information technology. The in-house manufacturing enterprises collectively reported a loss for the period.



The Edgars market share dropped to 24,7% (25,1%), while Sales House increased its share to 7,2% from 6,1%, and Jet to 4,2% from 3,9%. There was scope for improved market share in ladies fashionwear, ladies intimate wear, home textiles and footwear.

(232)

Cash flow from operations improved to R340m. Gearing fell to a record 28%, collections were improved, and stockturn increased to 3,6 (3,4) times.

Beeton said the risk inherent in short-term debt was of concern. The repayment profile of the group's borrowings had been extended by negotiating a five-year R150m loan from holding company SA Breweries at a rate of 14,25%.

This loan would reduce long-term interest rate risk and earnings volatility

Star 16/6/93

Scharrig buys Trojan Mining

(232)

Business Staff

Scharrig Mining, a leading open-pit mining contractor, is buying Trojan Mining, which is in the same line of business, for R5,9 million.

Payment is to be settled by the issue of 2,95 million new shares at 200c a share.

The transaction is expected to increase Scharrig's earnings from 25c to 27,4c a share and increase its net asset value from 69,9c to 74,6c a share.

Mining analysts say that the activities of both companies are complementary.

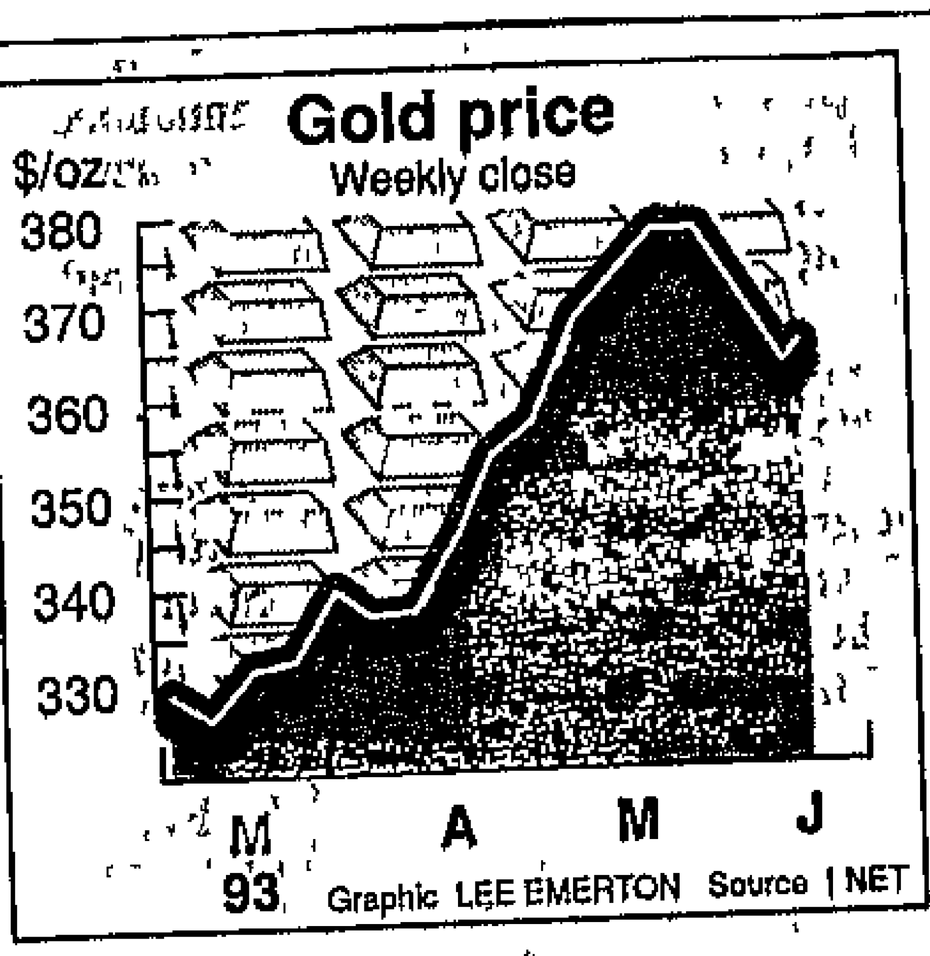
Trojan's principal customer is Trans-Natal's Eikeboom Colliery

Trojan's plant is new and is of 25 ton to 60 ton capacity, which is similar to Scharrig's.

One advantage of the takeover is that Trojan is short of plant, while Scharrig has surplus capacity. Trojan's 33 units will increase the Schamin group's total fleet to over 320

Trojan is said to be strong in the area of surveying and geology, a skill with Schamin has lacked.

The takeover allows Scharrig to expand market share without any sacrifice of profit margins.



Futures flurry buoys the market

B/Day 16/6/93

MERVYN HARRIS

A FLURRY of activity at the close-out of June futures contracts pushed all three major indices on the JSE to higher ground in the last 15 minutes of trading yesterday.

Players focused on the industrial index which shot up 20 points to finish with a gain of 39 points at 4 629. But the index was off its high as sellers were waiting to offload weighted shares at their higher levels.

The all gold index ended with a gain of 33 points at 1 595 to boost the JSE overall index 28 points to 3 932. Share advances outstripped declines by 86 to 45. (232)

Dealers said the close-out was orderly and professional and the real test of the market would come today as players were reluctant to take positions ahead of the expiry of futures contracts.

National Futures and Options MD Brett Stacey said: "Local institutions who missed out on gold shares and bought futures were ramping the market up."

A slightly firmer gold price set the tone for the firmer market trend from the opening bell. Gold closed $1,75 up in London at $365,75, despite the release of lower than forecast US consumer price data for May which underlined an easing of inflationary pressures. In New York gold closed up $4,20 at $369,50.

Dealers on the JSE said there were conflicting opinions on whether the figures were positive or negative for gold, but noted that the data had largely been factored into the market.

Platinum continued its recent softer trend and was fixed in London yesterday afternoon at $376,35. In late trade in New York it was up 70c at $380,70.

● Picture: Page 3

Mining houses search for a pot of non-gold

BDay 16/6/93

(210)

JONO WATERS

SA's mining houses were increasingly turning their attention to non-gold operations, Mintek president Aidan Edwards said in the latest Mintek Bulletin.

This trend was inevitable while gold prices remained static. Mining houses had invested in major ventures such as Columbus, Alusaf and heavy minerals operation Namakwa Sands. (232)

"Because the gold price has been stagnant since 1987 . mining houses have kept their gold-mining operations going by effective cost control."

Edwards said history was now repeating itself as major non-gold industries expanded rapidly in the '60s and early '70s when the gold price was $35/oz

"The SA industry began to turn to ventures other than gold, thereby lessening the country's dependence on the metal."

SA was likely to see the commissioning of another major stainless steel plant by the turn of the century which would account for 5% of world production.

SA's jewellery production was also set to rise resulting in greater demand for gold and platinum.

NEI Africa to lose more managers

BIDay 17/6/93

ANDY DUFFY

ENGINEERING group NEI Africa would sustain further management losses as part of its efforts to revive its flagging fortunes, chairman Peter Joubert said this week.

Speaking after the surprise departure of CE and MD Laurence Hyslop, Joubert said the company was in a "state of flux", and that its restructuring would mean the departure of further management. The losses would be drawn from the company's divisions rather than at board level.

The company was still planning to sell two of its nine divisions, and rein back the operations of its remaining businesses.

Hyslop's resignation, which surprised NEI's major institutional shareholder Old Mutual and industrial analysts, is the second key departure at NEI in two months.

In May, the group said Terry McGowan, MD of former cash cow Ical, would leave after Ical's merger with John Thompson Africa

2827

Amicable

The shake-up follows a torrid three years for the UK-owned group. Falling earnings, high debt, accounting irregularities and sour contracts cut NEI's net asset value from 2 722c in 1989 to 1 488c last year.

In the year to December 1992 NEI made an R18,1m attributable loss on sales of R582m, and unveiled plans to refocus activities and cut borrowings

Hyslop refused to comment further on the reasons for his departure Joubert said that the resignation had been amicable.

Joubert said Hyslop's replacement would be chosen by the end of July. There had been no pressure for the change from NEI's UK parent, nor from Old Mutual, which holds 38% of NEI.

Old Mutual said NEI had underperformed over the past three years, but that Hyslop had inherited many of these difficulties when he was headhunted to run NEI in January 1990.

Hyslop had done "quite well" in trying to revive NEI, Old Mutual assistant general manager (investments) Isak Mostert said.

Mismanagement is often the problem

Bdom 17/6/92 (180) (232)

IDENTIFYING the rot in credit control before it sets in is the key to staving off company failure, say asset management consultants.

Kessel Feinstein director Costa John says credit control and asset management is vital to medium sized companies, which are typically undercapitalised.

"With fewer 'early warning systems' for liquidity problems, they have a narrow margin of error in asset management.

"This means the company should carefully consider any additional sales they are trying to generate, as these may have serious cash flow implications."

He says the company can help control cash flow problems by applying a checklist for evaluating the "next sales order". Issues to consider are:

- The addition of extra days of credit for a special order. Consider whether cash flow will allow you to wait for payment;
- Will additional sales be obtained by sacrificing profit margins needed to finance the additional stock levels?;
- Does another sale create additional overheads that will continue beyond the transaction?;
- Has a sales opportunity created attractive profit margins, but much longer credit terms and higher stock levels?

Credit Guarantee marketing GM Hennie Wiehahn says statistics show mismanagement causes about 65% of failures.

He lists the obvious mistakes:

- Many companies are sales-driven and reduce margins to acquire increased sales;
- Sales decline as a result of deteriorating service levels or quality of goods sold;
- The business grows too rapidly and outpaces its management and financial capabilities;
- Companies in search of greater market share often allow a drop in the quality of debtors books, which ultimately results in poor cash flow and bad debts;
- Changes are made to senior management, who are incapable of running a profitable business.

Wiehahn says the liquidity ratio, which measures the ability of a company to meet its short-term liability by converting its stock and debtors into cash, is also important.

"Should the ratio be 1:1 or less, indications are the business is close to failure."

Turnover dips, but Winbel moves back into the black

B/Day 17/6/93

EDWARD WEST

THE Winbel group moved back into the black in the six months to end-March 1993, as forecast at the past financial year-end

Earnings a share climbed to 0,8c from a loss of 1,4c in the same period last year (1845)

Turnover was slightly lower at R99m (interim 1992 R102,8m), but operating profit improved substantially to R2,1m (R1,2m) Finance costs were lower at R690 000 (R2,3m) Tax was virtually static at R143 000 (R193 000) leaving attributable income before extraordinary items at R399 000 compared with a R730 000 loss last year

After last year's restructuring, the group could look forward to maximising the potential of its profitable core businesses and the long-awaited revival in the economy, directors said

Winbel, an investment holding company, owns 61% of Winhold, which in turn controls 73% of industrial and mining supplier Inmins and 86% of plastic bag, sheeting and office furniture manufacturer Plastall All the companies are listed (2327)

Winhold's operating income climbed to R2,1m (R1,1m) on the same turnover as Winbel Earnings were 1,1c a share compared with a loss of 2c a share at the same time last year.

Inmins' earnings a share climbed to 3,3c from a loss of 2,1c at the interim stage last year. The improvement reflected benefits derived from rationalisation and the restructuring of Inmins over the past few years

In spite of a 10% drop in turnover to R68,7m (R76,7m) — mainly because of closure and disposal of operations — operating income improved 8% to R1,3m (R1,2m) Finance costs fell by R1,9m compared with the same period last year after refinancing of Inmins in May 1992

Plastall remained in the red at the interim stage with a loss of 5,1c (-5,5c) a share Turnover increased to R31,1m (R27m).

Operating income was higher at R393 000 (R29 000), but the increase in financing costs to R949 000 (R620 000) whittled away profit

Setback for Southern plan

GRETA STEYN

SOUTHERN Life's plan to sell its 77% stake in African Life to the black community suffered a setback when a key player in the plan, Nthato Motlana, pulled out to join forces with rival Sankorp, sources said yesterday B/Day 17/6/93

Motlana became the new chairman of Metropolitan Life when Sankorp sold 10% of its stake in the life assurer to a new company, Methold, in a deal seen as a first major step towards black economic empowerment It is understood Southern Life's sale of Aflife had been scheduled for an announcement this week, but Motlana "crossed the floor" and forced Southern to delay the announcement and return to the drawing board The life assurer, in the Anglo American fold, is still committed to putting together a transaction

Motlana declined to comment but confirmed he had resigned from the boards of Southern and Aflife before the deal with Sankorp Sources close to Southern Life said he pulled out because of "tardiness" in putting together a deal (2327)

Aflife director Don Ncube, who is also a director of Anglo American, said yesterday it was no secret that African Life wanted greater black shareholder participation He noted the 1993 annual report said "a specific direction" in regard to participation in ownership of Aflife by black shareholders was being pursued "If it progresses as positively as we would hope, a major step forward will be possible," the annual report said. Ncube would not elaborate other than to say the situation had proceeded along those lines

Southern Life chairman Neal Chapman declined to comment on the possible effect of Motlana's departure on the assurer's plans He referred all queries on possible transactions to the last annual report

Speculation is that a transaction might be done with the ANC-linked Thebe investment company, but the need to depoliticise the arrangement might create difficulties in following that route

Southern owns about 77% of Aflife, which has assets of about R313m and gross premium income of R104,7m Aflife's share price rose 5c yesterday to 490c

Move would boost electrification

Eskom plans to 'unbundle' power supply

232

BDAY 17/6/93

PETER DELMAR

ESKOM was likely to be "unbundled" into a number of regional supply authorities following negotiations between itself, government, the ANC and civic associations, a spokesman said yesterday.

Senior GM Jan de Beer said the world's fourth biggest power seller would probably undergo drastic rationalisation arising from negotiations within the National Electricity Forum.

De Beer predicted rationalising electricity supply would raise the rate of electrification to 400 000 or 500 000 households a year — up to three times the number Eskom was connecting at present.

Benefits of doubling the rate of electrification would be profound, with the potential to create tens of thousands of jobs.

The electrification programme had also received formal approval by the World Bank. It was the first area of development most likely to benefit from foreign funding once a transitional executive authority was instituted or an election date set.

At the moment Eskom enjoys supply rights to only a fraction of households without direct power. Union and civic association representatives on the forum are believed to be pushing hard for the distribution function — currently residing with Eskom, municipal, TBVC and homeland distributors — to accelerate electrification Several models for a restructured industry are understood to be on the table

De Beer said the most likely outcome would be one in which electricity supply would be "parcelled out" to a limited number of regional distributors

There is general agreement that new, regional structures should be subject to a strong regulatory body, the nucleus of which could be supplied by the Electricity Council, which administers Eskom only

De Beer said it was "doubtful" that any of the existing electricity distributors, including Eskom and some of the leading municipal suppliers, would continue in their present form Sources say some parties to the forum have argued that Johannesburg, for example, should form a joint distribution authority with Soweto and other black areas.

De Beer said it was generally acknowledged that Eskom's generation and transmission infrastructure made it a "natural monopoly" However, there was unanimous agreement that the need to reform the power supply industry was most acute in the area of distribution

Eskom has indicated it was negotiating to take over power supply to residents from the black PWV municipalities.

'Credit insurance is essential for survival'

BDay 17/6/93

FACED by SA's high rate of business insolvencies, credit insurance has become fundamental to survival, says insurance broker Charles Nortje. (232)

The senior consultant for Integrated Risk Consultants, a Price Forbes subsidiary, says companies have realised that, in risk terms, capital tied up in customer receivables should be regarded in the same way as funds locked into property and capital equipment.

Before a debtor runs into default crisis he could create cash flow problems for the creditor, and this should be insured against, says Nortje.

However, he says the insurance industry is characterised by a lack of capacity and a hardening of rates.

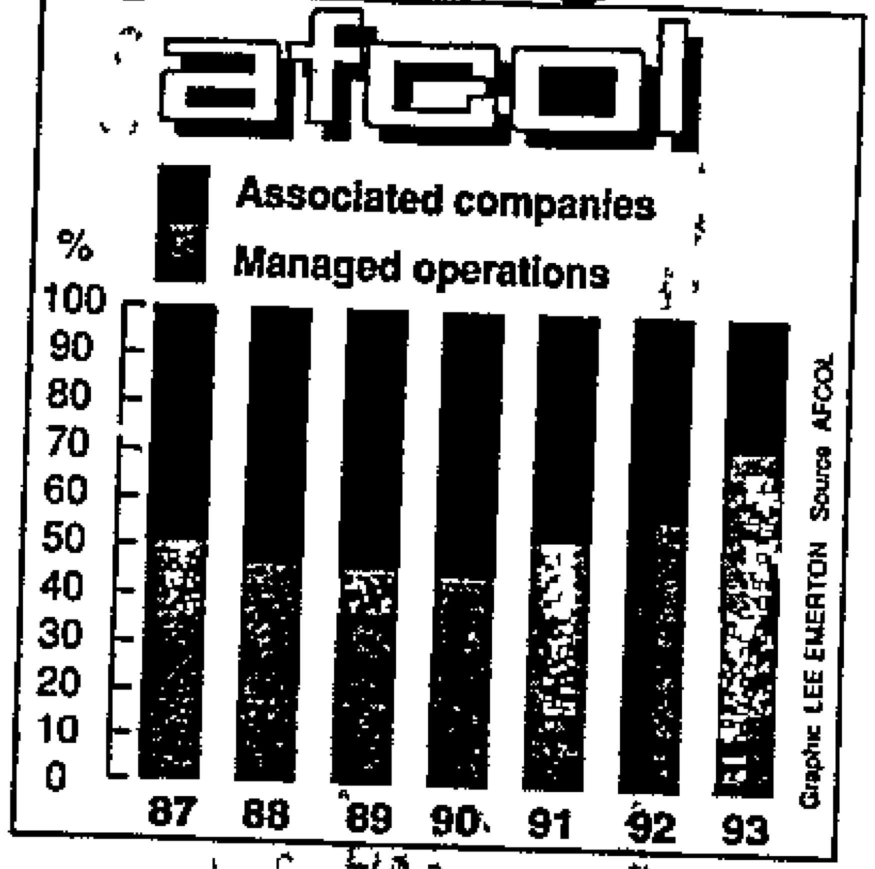
This is a result of the weak economy and the large and growing demand for cover. "Credit tends towards more of a business risk and is often not suited to a pure insurance treatment."

He says the solution is twofold: companies should improve their credit risk through sound management practices; and the first layer of credit risk should be retained by companies, with credit insurance taken for abnormal losses only.

Afcol confident for coming year

BDay 17/6/93

MARCIA KLEIN



MEASURES taken last year to improve furniture manufacturer Afcol's performance will see an increase in earnings in the coming year, says chairman Laurie van der Watt.

He said, in Afcol's annual review, that furniture would nevertheless remain weak for most of the year as growth in private consumption expenditure was not likely to become positive before late in the year.

In the past year, real private consumption expenditure on durables plummeted by 7%, "leading to a further slackening in real demand in the furniture manufacturing industry". This led to fierce price competition, short-time working and layoffs.

Against these conditions, as well as industrial action in most of its manufacturing operations, the group had therefore done well to hold turnover at R788,6m, just below the level of the previous year.

(188)

Van der Watt said industry turnover declined, so Afcol had increased its market share Exports improved 46% to R24,1m, and 18 Afcol factories were now exporting to 33 countries.

Trading profit declined for the full year, but was held at last year's level in the second half following wide-ranging cost cutting measures, including the discontinuance of three manufacturing facilities

An R114,4m favourable swing in borrowings significantly reduced financing costs, enabling the group's managed operations to increase earnings by 41% to R21m of attributable profit. Managed operations, which represented 72% of attributable profit, had performed well.

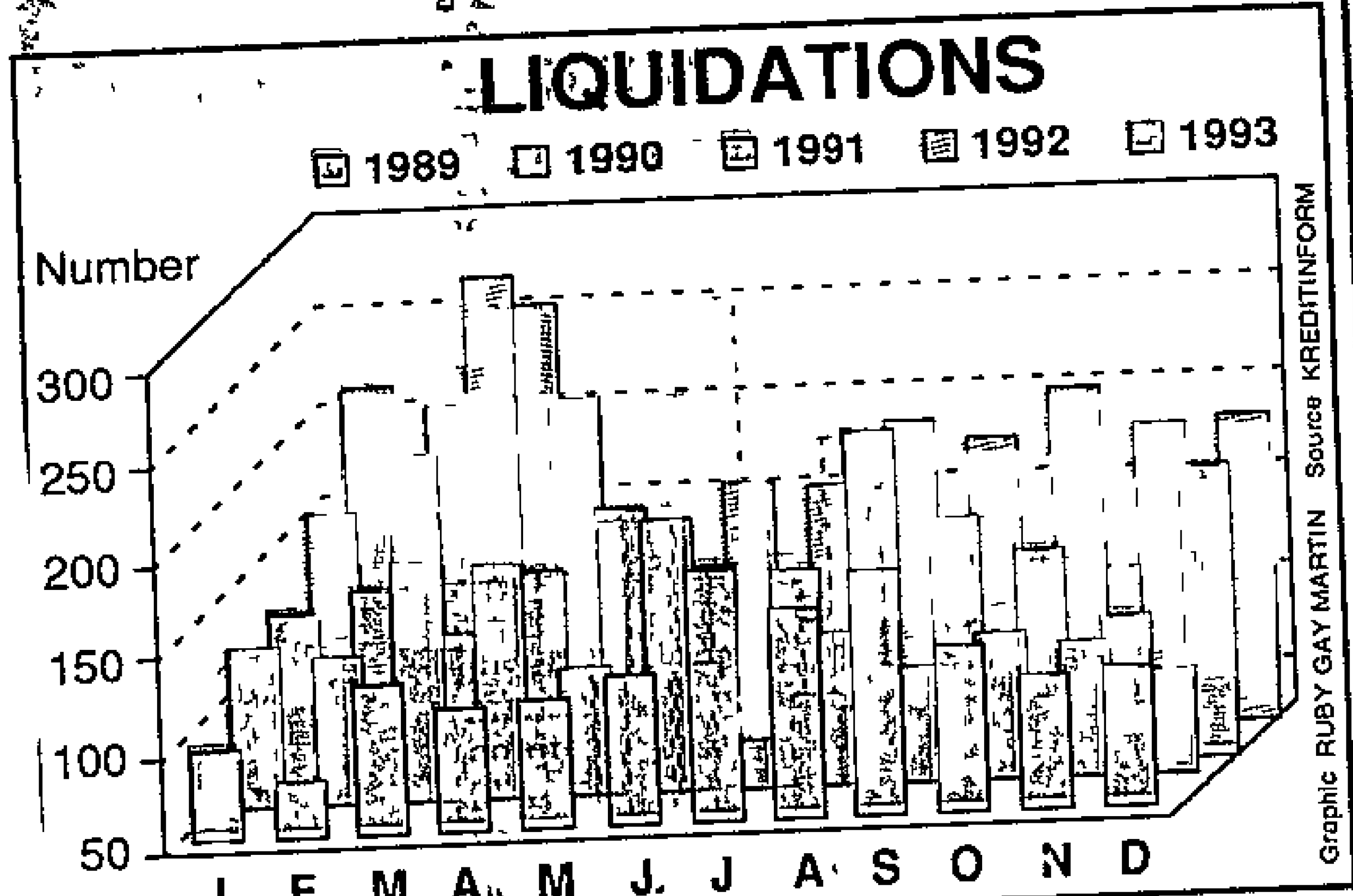
Group attributable profit rose by 13% to R29,3m, as equity accounted earnings declined to R8,3m (R11,1m) on the bottom line

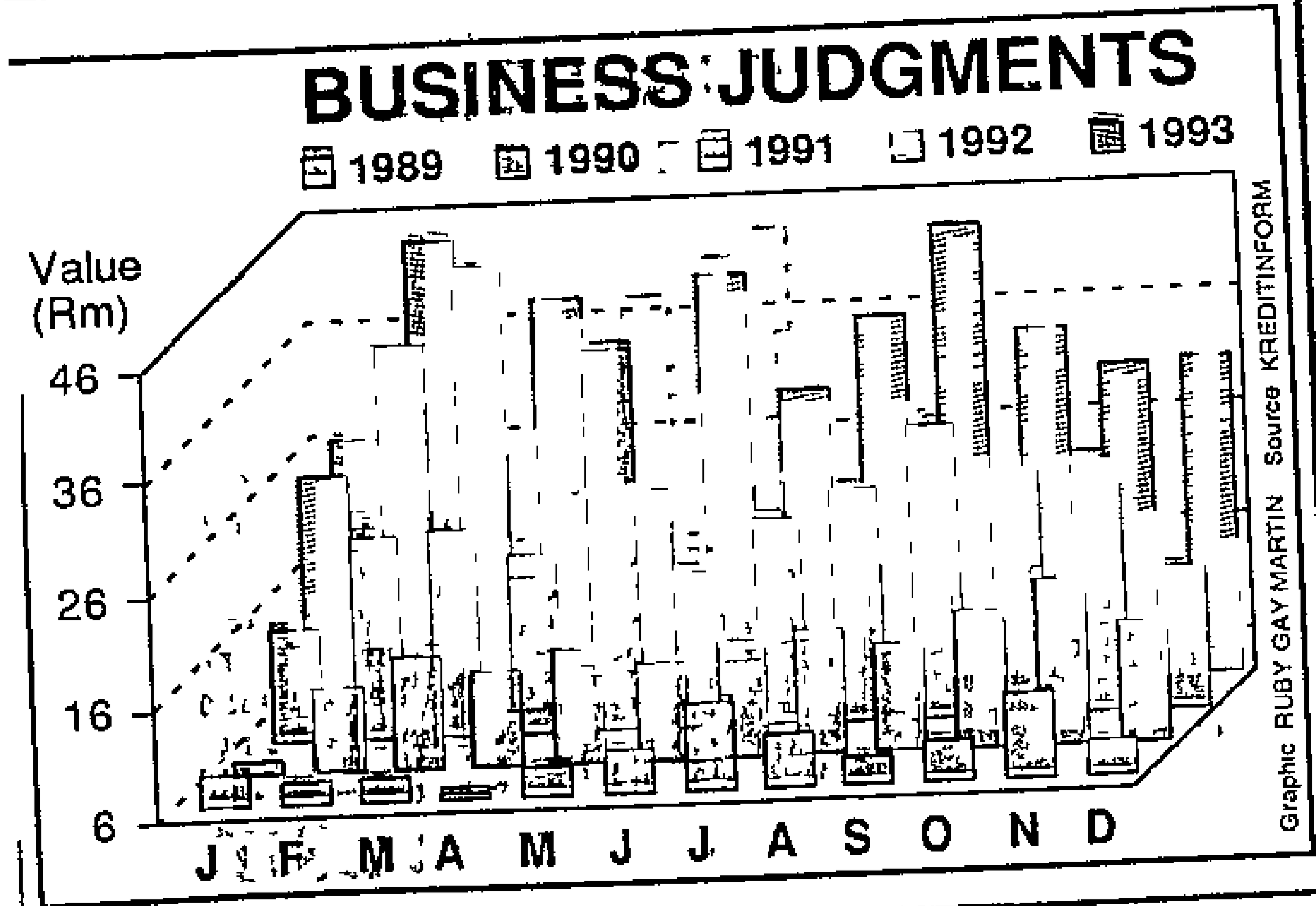
Equity accounted companies, including Romatex, Resinkem and Kallenbach-Hendler, performed much better than the previous year, with Romatex showing a 47% rise in attributable profit.

(232)

But equity accounted associates contributed less to group earnings due to the R95m sale of Spankor at the beginning of the year.

Credi





Light at the end of the tunnel of liquidations

BiDay 17/6/93

CORPORATE credit information organisations say the early signs of a decline in company liquidations and consumer bad debt judgments have appeared

Based on the latest insolvencies data, economic and monetary trends, the outlook is more encouraging than last year, although patterns in the next few months will confirm forecasts

Noting a high correlation between bad consumer debt and company failures, Kreditinform MD Ivor Jones bases his hopes mainly on the accepted economic principle that there is always an 18-month lag between interest rate movements and the number of insolvencies

Interest rates, along with inflation, have eased on a number of occasions since last year and this has taken pressure off companies that are highly geared

Since 1988, Jones says, growth in consumer spending and resultant debts have been phenomenal (see graph), with last year's judgments totalling R2,5bn, or 307% higher than in 1988

"However, if the year-on-year percentage increase is compared, a slight decrease in consumer judgments is evident to year-end 1992

"The 1990 increase was 158% higher than 1988, but in 1991 it dropped to 127%, with last year at 128%," he says

(232)

Jones says the effects of consumer judgments on the business sector are usually reflected the next year

While bad debt was up generally early this year, recent figures by Information Trust Corporation (ITC) support the belief that a slowdown is under way

"Although the economy is still in a slump, the drop in debt figures for May clearly indicate a change for the best," says ITC MD Tony Leng

ITC shows commercial judgments have decreased from 5 532 (R55m) in April to 5 279 in May (R51m)

Compared with May last year, the quantity of liquidations and sequestrations also slid, from 157 to 141 and 370 to 256 respectively

He says the nature of consumer bad debt dropped in May, with RD cheques totalling R1,9m, compared with R2,7m in April

And while April reflected 44 286 judgments valued at R2,8m for consumer debt, it dropped to 34 111 in May (R2,03m)

Leng attributes the improvement mainly to commercial organisations being more selective when granting credit, while consumers are looking after their credit records more carefully and are more selective in purchases

Jones says he is positive about economic prospects as "many elements have moved into place at exactly the right time"

"Inflation is the lowest in years, employment is stabilising and fewer retrenchments are being predicted, with improved control of wages and salaries"

Eskom may 'unbundle' to regions

232

CT 17/6/93

By PETER DELMAR

JOHANNESBURG — Eskom was likely to be "unbundled" into a number of regional supply authorities following negotiations between itself, the government, the ANC and civic associations.

Senior general manager Mr Jan de Beer said the world's fourth biggest power seller would probably undergo drastic rationalisation arising from negotiations within the National Electricity Forum

Mr De Beer predicted rationalising the electricity supply would raise the rate of electrification to 400 000 or 500 000 households a year — up to three times the number at present

Benefits would be profound, with the potential to create tens of thousands of jobs

The electrification programme had also received formal approval by the World Bank. It was the first area of development most likely to benefit from foreign funding once a transitional executive authority was instituted or an election date set

Union and civic association representatives on the forum are believed to be pushing hard for the distribution function — currently residing with Eskom, municipal, TBVC and homeland distributors — to accelerate electrification

There is general agreement that new, regional structures should be subject to a strong regulatory body, the nucleus of which could be supplied by the Electricity Council, which administers Eskom only

Mr De Beer said it was "doubtful" that any of the existing electricity distributors, including Eskom and some of the leading municipal suppliers, would continue in their present form

JCI still keen on Free State merger

BDay 18/6/93

ANDY DUFFY

JCI was still keen to merge its troubled HJ Joel mine with Gengold's Beatrix operation, but Gengold remained unconvinced, it emerged yesterday (232)

Following the suspension of talks earlier this week, JCI said yesterday that the "synergy" between the two Free State mines and the capacity to rationalise meant the merger was just a question of price (240)

"If we can agree terms," JCI finance director Vaughan Bray said, "then yes, we'll do it"

However, Gengold said it saw no "short-term advantage" in the merger, and it could not justify the expenditure needed to bolster the Joel operation. "It's not urgent for us," Beatrix consulting engineer Peter Robinson said "There is no advantage to be gained from the venture."

The negotiations were shelved last week following several months of discussions. The companies have not disclosed details of the proposed terms or reasons for the breakdown, but sources suggest JCI was looking for a one for six share swap — a price Gengold was not prepared to match

The proposed merger had been seen by industry analysts as the only avenue open to Joel to bolster its tonnage and profitability.

Temperamental grades and high costs have kept the trackless mine in a post-capex loss for the past three quarters

Although Joel lost had R1,6m after capex in the three months to March, JCI said the mine could move into the black within 18 months once sufficient ore reserves had been developed

O'Flaherty analyst Mark Madeyski said Joel would have to find about R200m to fund such development. But Joel's massive debt — including a R150m loan to JCI — would hamper such fund plans.

JCI had said during the talks that it wanted to convert Joel from a trackless to a conventional operation after the merger.

Beatrix found this level of capex hard to stomach, given Gengold's decision to hold off on major investment on its own operations until a higher gold price was sustained

Industry sources said JCI was also uncomfortable with the prospect of handing over the management of Joel mine to Beatrix.

The recent surge in the gold price, which should lift June quarter figures, may also have encouraged JCI to hold out for a higher price.

JSE ready to settle firm's client claims

B/Day 18/6/98

MERVYN HARRIS

THE JSE has stepped in to protect investors by offering to settle in full from its own funds limited client claims amounting to R8,17m against former stockbroker Andrew Forbes & Co (232)

It will pay R1,59m from its own funds in settlement of all claims against H G Crosby & Co and a further R12 795 in claims against Ben Janse van Rensburg & Co

The total payment of R9,7m is in addition to the R2,4m arising from general claims which have already been paid to clients of the three firms

The move should boost investor confidence in the JSE. There had been delays in settling limited claims pending the outcome of the JSE's revised claim on behalf of clients against the insurers under the stockbrokers' indemnity insurance policy.

JSE president Roy Andersen said "We sympathise with investors who have been waiting for the insurance claims to be settled. In view of the fact that settlement will be further protracted, the JSE has decided to make the payments to protect investors against the ravages of inflation "

The Forbes insurance claim was resubmitted to the insurers on March 29 after intensive discussion between the insurers, the JSE and their respective advisers The discussion, which identified a number of difficulties between the parties, was continuing and might be further protracted, the JSE said in an announcement today.

The Crosby insurance claim had been in abeyance pending a final outcome of the Forbes insurance claim and the payment would alleviate difficulties experienced by those clients of Crosby whose claims had been classified as limited

The JSE did not intend to extend the offers of payments to clients whose shares were, and remained, pledged to financial institutions. In such cases, clients should exercise their common law remedies. Settlement of claims should not be regarded as a precedent

However, the JSE was revising the maximum limit of limited claims from R1m to R5m a broking firm for transactions in all securities other than gilts. The increase for gilts would be the same.

Sea Harvest plans R168m JSE listing

BiDay 18/6/93

MARCIA KLEIN

ICS subsidiary Sea Harvest Corporation, which trawls, processes and markets deep sea fish, will make its debut on the food sector of the JSE on July 12 in a R168m listing

(232) (Fisheries)

In its prospectus published today, Sea Harvest said the purpose of the listing was not to raise capital but to enable Spanish company Pescanova to reduce its holding from 38% to a minimum of 10%. Pescanova needed to raise capital for its core business activities in Europe

Pescanova made 28-million ordinary shares at 600c a share available to selected financial institutions and other investors. The offer opens today and closes on July 2.

Sea Harvest became an ICS subsidiary in May 1993 after ICS acquired a 12% interest from Pescanova for R72m cash to bring its stake to 62%. Sea Harvest has changed its year-end from June to September in line with its holding company

Sea Harvest has provided forecast figures for the 12 months to end-June 1993 and the 15 months to end-September. Turnover at end-September would total R386m from R312,4m in June 1992 Pre-tax income for the 15-month period was expected to decline to R88,8m from R101,4m at end-June 1992 Annualised earnings would be 44c (60,1c) share, and the dividend would be 20c (34,6c) a share The company intended declaring two dividends a year Its annual dividend would be covered between 2,0 and 2,5 times by earnings.

CARGO CARRIERS FM 18/6/93

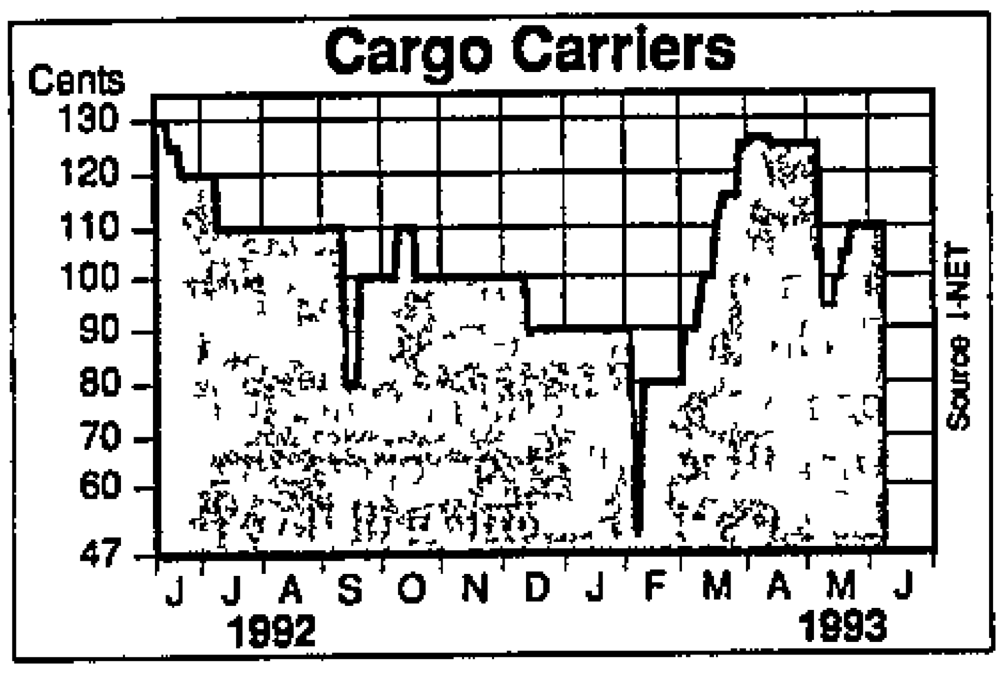
Accounting boost

Activities: *Road transportation* (332)
Control: *Bolton Industrial Holdings ~~34,8%~~*
Chairman: *G H Stein, Joint MDs M J Bolton, G D Bolton*
Capital structure: *20m ords Market capitalisation R22m*
Share market: *Price 110c Yields 10,6% on earnings, p e ratio, 9,4 12-month high, 130c, low, 80c Trading volume last quarter, 146 300 shares*

Year to Feb 28	'90	'91	'92	'93
ST debt (Rm)	18,7	29,1	20,8	7,7
LT debt (Rm)	10 9	7,5	7,7	8,2
Debt equity ratio	0,51	0,65	0,50	0,27
Shareholders interest	0,46	0,47	0,51	0,56
Int & leasing cover	3,31	0,93	0,13	10,7
Return on cap (%)	12,4	6,4	0,9	58,3
Turnover (Rm)	175	180	1821	175
Pre-int profit (Rm)	15,7	7,6	1,0	61,3
Pre-int margin (%)	9,0	4,2	0,5	35,0
Earnings (c)	37,3	0,5	(15,4)	11,7
Dividends (c)	13,0	3,5	nil	nil
Tangible NAV (c)	291	283	284	296

A change in the vehicle depreciation policy was behind the return to profitability of road transport group Cargo Carriers After a few

 FM 18/6/93 . (332)



years of attributable losses, financial 1993 saw the trend reverse with earnings of R2,3m translating into EPS of 11,7c

But the R10,4m (pre-tax) improvement did not result from rationalisation and better asset management It relates to an accounting adjustment Vehicles used to be depreciated on a straight-line basis over five years but management changed this to kilometres travelled or time

Though joint MD Murray Bolton justifies the move, saying it accords with current industry practice, it detracts from the underlying strength of Cargo's balance sheet, previously known for its conservatism Without the adjustment, the results would have been far different a loss of nearly R7m, rather more than the R6,4m loss in 1992

Cargo, second-largest of the listed private hauliers, appears to be hurting most but the industry in general remains unattractive Total tonnage carried by private hauliers fell 8% from the year before

Chairman Gerald Stein believes this is because deregulation of the industry has resulted in an oversupply of transporter capacity, which has forced operators to charge sub-economic rates. He contends that while, this might be seen as good for customers, "there is a long-term danger that the vital national road transport infrastructure will be seriously impaired"

Turnover fell 4% and, though the group has been scaled down accordingly and asset management tightened, tax losses of about R20m have helped to keep it going

The 22% decline in the interest bill to R5,8m is more positive. But this benefit is outweighed by R1,1m tax incurred on profit made by foreign subsidiaries plus an amount charged to deferred tax This contrasts with the previous year's tax credit of R3,1m Long-term loans were up 7% to R7,8m

Extensive planning exercise

An extensive planning exercise has been undertaken to focus the operations The resultant restructuring, says management, enables operations to be managed from a lower cost base So Cargo is poised to expand its market share and take advantage of any economic upturn Operating results for the second half-year were substantially better than those of the first half, thanks to a more cost-effective management structure and strict control over working capital and capex

This is especially encouraging considering that, historically, the second half has been worse than the first Bolton did warn earlier this year that the benefits would not be visible until February

Management believes it can turn the company around by using potential "pockets of opportunity" in the domestic market and regionally Nevertheless, the industry remains unattractive, as does the counter

DATES TO REMEMBER

Last day to register for dividends:
Friday Jun 25: ABSA 26,5; AKJ 3c, GF Coal 40c; Clinics 6,5c; Concorde 2c; Crookes 13,5c; Deelkraal 5c, Drie Cons 90c; Forim 2,4c; GFSA 145c; Kloof 65c; Medi-Clinic 4,4c, Santam 20c; Teljoy 9c.
Meetings:
Monday Jun 21: New Cent.
Tuesday Jun 22: Bolprop (Germiston); Boltons (Germiston); Bolwear (Germiston); Cargo (Germiston); SPL (Sandton).
Wednesday Jun 23: Gentech; Uniserv (Luxembourg).
Thursday Jun 24: Abbey (Cape Town), Aflife, Falcon Inv (Luxembourg); Fenix (Cape Town), Ninian (Durban); Pep (Parow); Pepgro (Parow); Pepkor (Parow); Propcor (Cape Town); RMB Hold (S) (Sandton), RM Props (S); Specialty (Durban), Storeco (Durban); Tradegro (Parow); Tradehold (Parow).
Friday Jun 25: Amcoal, Botswana RST (Gaborone), Coastal (Mobeni), Clyde (Springs); Didata (Randburg), Fintech (Midrand); Petra (Klerksdorp), Tafelberg (Bellville).
All meetings are in Johannesburg unless otherwise stated.
S = Special meeting.

Once the economy turns, transport will be one of the main beneficiaries This is what Cargo is counting on *Marylou Greig*

PREMIER GROUP ~~[illegible]~~ 232 FM 18/6/93.

A case where unbundling worked

Joe Bloom, Premier's legendary chairman, was fond of observing that his education was at the university of Newtown, the site of Premier's old Johannesburg head office He would have been pleased with the results — the group's 80th — announced by present chairman Peter Wrighton — even if they did emanate from the plush Killarney HQ, the folly of his departing son Tony

They took the market by surprise Premier's bottom line is better than expected and this continues a trend that started when Wrighton took the chair in 1989 The improving financial performance partly reflects changes in management but also follows changes in the activities from which the group derives its profits

Over the five years since the unbundling of the 34% holding in SA Breweries, EPS have grown at a compound annual rate of 23% while shareholders' wealth rose at a compound annual rate of 63% Market cap, at R4bn, is now more than it was before the unbundling

Attributable earnings for the year ended April jumped 23% to R234m That was achieved despite the increase of only 3% in turnover, to R10,2bn, though figures have been distorted by disposals, acquisitions and the consolidation of certain investments in which the group has a significant interest Turnover in comparable operations on an annualised basis increased 13%

Highlights of the income statement are the sharp reduction in net interest paid to R24m from R58m despite the 52% increase in borrowings (gearing remains an acceptable 14%), and the reduction in the effective tax rate to 36% from 42% Wrighton says the strong cash generation of Metro is behind the reduction in interest paid, while the drop in the company tax rate to 40% added eight percentage points to earnings growth

It's worth commenting on the perceived comparison between Tiger Oats and Premier The accepted wisdom had long been that Tiger returned a better yield and offered consistently better prospects, no longer Wrighton has produced results which now compare favourably with those of his major competitor, and Premier's positioning for the next year suggest its short-term prospects are probably better

BASKET OF GOODIES

Year to April 30	1992†	1993
Turnover (Rbn)	9,8	10,2
Operating income (Rm)	420	439
Attributable (Rm)	190	234
Earnings (c)	244	283
Dividends (c)	81	94

† 13 months annualised.

Premier's Wrighton *strong cash generation*

The reasoning behind this is the nature of Premier's diversified portfolio, important particularly in this economic environment where food, its core business, normally lags the general economic cycle by 12-18 months and is a relatively stable, if pedestrian, profit generator

This is borne out by the food division's almost unchanged earnings of R113m, or 48% of the total Pharmaceuticals increased its earnings contribution almost 60% to R44,9m, helped by Premier's increase in shareholding to 58% The wholesale division's R37,2m (R16m) contribution largely reflects the performance of Metro Cash & Carry, which exceeded market expectations Earnings by retail operations increased to R39m (R31m), the good performance by Clicks Stores more than compensating for the marginal improvement in earnings by CNA Gallo

Apart from the increased stake in Prempharm, Premier's active policy of investment saw the acquisition of a 39% stake in Bonnita Holdings, second largest producer of milk-based products It also acquired 40% in United Pharmaceutical Distributors (UPD) in a transaction which involved the disposal, to UPD, of its wholesale pharmaceutical interests, housed in Gresham and PDC Since year-end Prempharm has announced its acquisition of Leppin, strong in brand products popular among sportsmen

Of course, no-one gets everything right all the time Wrighton concedes he regrets the outcome of the action taken to remove the minorities in Hi-Score and Score-Clicks Rejection of the schemes by the minorities means these two companies now sit in an expensive limbo, and Wrighton says it's unlikely anything can be done to rectify matters for some time

Though always looking for potential acquisitions, Wrighton says growth is expected to come largely from expansion by Metcash into international markets About 17% of Metcash's turnover is now derived from outside SA This is expected to increase significantly in the next four to five years not only by cash & carry operations, established by strong joint-venture companies, but also through the export of grocery products to Africa, Asia and the Middle East

This recently developed chameleon-like adaptability explains the sharp rerating of the share The counter is no longer cheap, however, it is indicative of the confidence the market is displaying in Premier's ability to meet new challenges The price has risen faster than both the JSE Industrial and Food indices Now on a p e of 18,0 and a dividend yield of 1,8%, it should continue to outperform most other companies on a similar rating

Marylou Greig

Fonem: viewers stand to lose

Star 18/6/93

By John Miller
Star Line

Several hundred TV viewers could lose more than R150 000 in total following the provisional liquidation of one of the best-known direct marketing companies

(232)

Fonem International Group has advertised various products on TV since 1989 and was taken over last year by Michael Levitt The latest products include a super stepladder and a hairstyler

Liquidator Johan Venter said even though they had found stock of R50 000 in Johannesburg with a shipment of another R110 000 expected, this would not be enough to pay the company's debts

Venter said two other creditors were, between them, owed nearly R500 000

"As hard as it sounds, I think the customers who did send in for the various products will just have to write off their money"

He said most liquidation procedures take more than a year to conclude.

While this and other liquidations may affect many people, it does not stop any company owner from starting another business

As Venter pointed out, Levitt "is not personally insolvent"

Winnie Young, a Mondeor customer left in the lurch, believes media owners should take responsibility.

"The situation is despicable

"People should not be allowed to walk away scot-free and get away with things like this"

Levitt, when contacted by Star Line, did not wish to comment

NEWS FEATURE · *Fears that deal with multinational publishing company will lead to monopoly*

Thebe not ANC's 'business wing'

By Mzimkulu Malunga

■ SOLE SHAREHOLDER *Established by trust, whose members include Mandela:*

Officials of Thebe Investment Corporation are at pains to dispel any notion that the company is controlled by the African National Congress

"We have no direct relationship with the ANC," says managing director Vusi Khanyile

Those who label Thebe as the business wing of the ANC base their argument on the fact that most of its officials are either members or known sympathisers of the ANC

"When people work for the ANC and later leave the organisation, it does not mean the movement is involved in the projects those people are engaged in," said Khanyile, who used to work in the ANC's finance department

Since its inception, just about a year ago, Thebe has been doing business on the quiet until last month when news that it wanted to enter the school textbook publishing market through a joint venture with a multinational company, Macmillan, started circulating

There are fears that the proposed deal between Thebe and Macmillan would lead to a monopoly in the textbook publishing market under an ANC-dominated government

Khanyile said over the last three months intensive investigations of the feasibility of participating in publishing were undertaken and contacts were made with potential publishers in the South African market, including Macmillan

Contrary to reports, Khanyile said the company had not yet made deals with Macmillan

In response to the Macmillan affair, Khanyile said the decision to proceed with the publishing venture would depend on its viability

Khanyile also attacked those expressing concern over the political connotations of the proposed deal, saying that they themselves were linked to the Afrikaner establishment and the National Party

"To suggest that a black publishing company would only gain a position with a democratic government through corruption sounds very much like another way to keep black business out of the market," Khanyile said

Thebe was established by the Batho-Batho Trust, whose trustees include ANC president Nelson Mandela and his deputy, Walter Sisulu

The trust remained the sole shareholder in Thebe The trustees did not benefit as individuals from profits generated by the company "For them it is a community project" (232)

The ultimate aim was to convert Thebe into a public company and invite individuals to buy shares with the trust either relinquishing its share altogether or becoming just one of the stakeholders, Khanyile said

But the entity needed to establish a track record

Batho-Batho Trust's legal representative, Ismael Ayob, who is also Mandela's lawyer, said the funds with which the trust was set up were "modest" and came from "private sources" and not from the ANC

Other people, however, regard Thebe as the brainchild of the ANC's special projects department because Tokyo Sexwale sits on the board, an allegation emphatically denied by the company's general manager, Litha Nyhonyha

"From my understanding, the special projects department had a totally different brief altogether," he said

Though the company's management is uncomfortable about releasing figures, Thebe's investments, believed to be running into millions of rands, are spread across seven companies Some of the companies are wholly owned, others are joint ventures

The most publicised joint venture is Thebe's 45 percent shareholding in Bhekisizwe Computer Systems, which is one of the companies appointed to distribute products of the United States-based Digital Equipment Corporation

Other partners in Bhekisizwe are Vela International, which controls 20 percent and the Barlow Rand-owned Perstech, whose stake is 25 percent

Other Thebe operations include an import-export company, Thebe Trading, which will operate fully after the lifting of sanctions, Oriole, a travel company, and three property companies The company also owns Movement Marketing Enterprise which markets and sells ANC T-shirts, bags, caps and other items Khanyile says this company is currently undergoing restructuring though he won't elaborate

In addition to Khanyile, Thebe's board of directors includes, Enos Mabuza (chairman), businesswoman Wendy Luhabe, property developer Lester Peteni, insurance official Gary Harlow and former official of the National African Federated Chamber Commerce and Industry Moss Nxumalo.

Vusi Khanyile ... managing director.

THE NEW SA: *Privatisation a safeguard for future?*

Star 19/6/93

Retirement fund jitters

(232)

TRUSTEES, writes our finance staff, fear they might be expected to fund social reconstruction.

AS THE first non-racial elections draw near, pension and provident fund members and trustees' thoughts are turning to retirement funds' safeguards, says Johan van Rensburg, a director of Dewar Rand Group's financial services division

Contemplating

Until recently, Van Rensburg says, much of the debate on retirement funding centred on the relative advantages and disadvantages of pension and provident funds

"More recently, with the new South Africa swimming into view, retirement fund members and trusts have begun contemplating the likely future of retirement funds under a new political dispensation

"One of their main concerns is the perception, justified or not, that a future government might zero in on life assurers as primary sources of funding for social reconstruction

"This is no idle speculation, given the vast amount of capital controlled by these organisations

"After all, the two major Cape-based institutions alone account for nearly 30 percent of the Johannesburg Stock Exchange's total market capitalisation"

Van Rensburg says this train of thought is leading many trustees of sizeable funds to speculate whether it would be more beneficial to "privatise" their investments

This can be done by reregistering pension/provident funds currently underwritten (that is, managed and administered by an insurer) as privately administered funds.

Under the Pension Funds Act, the assets of an underwritten (or insured) fund may be owned only by an insurance company The fund is also managed and administered by the insurer, and audited at the same time as the insurer's annual review — the overall accounts being submitted to the registrar

The main difference between an underwritten and a private fund is that the assets of the latter may be owned by an insurer and/or the fund

The fund is free to use any registered portfolio manager — say a merchant bank — as investment manager

Fund administration is usually done by independent administrators, allowing greater flexibility in placing investments and insurance cover competitively A private fund's books must be audited separately by auditors and annual accounts submitted to the registrar

"Many investors find the notion of 'privatising' their funds attractive as a hedge against policy changes regarding the insurers," Van Rensburg says

Advocates point to significant commercial benefits, as it would seem from investment surveys that there is a tendency for non-insurance fund managers to provide better returns

However, one must question whether it is realistic to believe that underwritten funds will be "targeted" by a future government merely because their assets are owned by an assurer

"What seems conceivable is that, short of returning to the old policy of prescribed investments, a future government will want somehow to encourage socially desirable investment.

Constructive

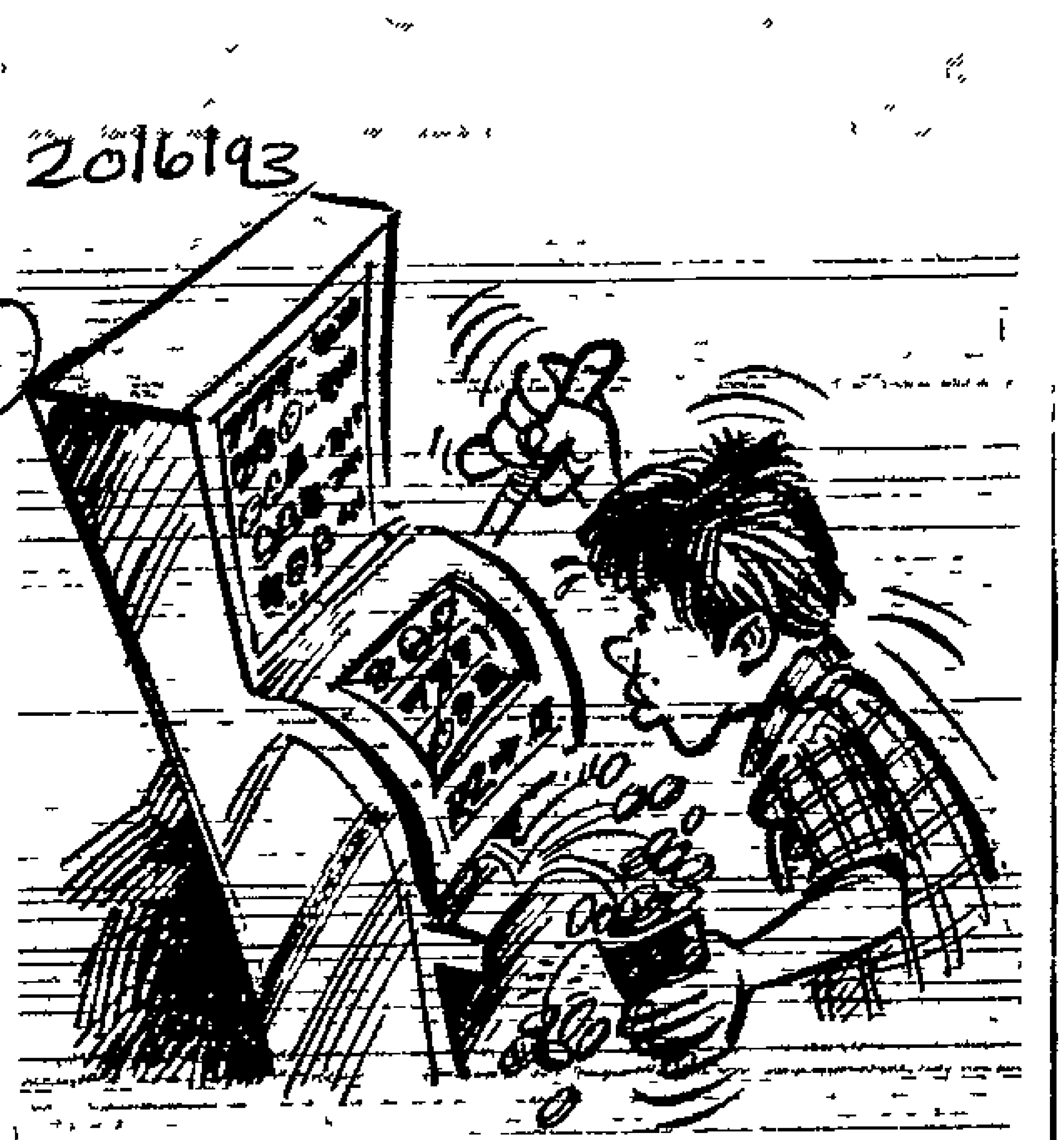
"Likelier still is that initiatives already started in this regard by the Life Offices Association (LOA) and others — in consultation with investors, communities and political leaders — will be allowed to accelerate and multiply," says Van Rensburg

"If so, a constructive and encouraging development will have emerged from the private versus underwritten debate"

MONEY

S Times (BUSS) 20/6/93

A profitable home for spare R20 000



By CHERILYN IRETON

AN investor asked a senior personal asset manager how best to invest R20 000 The reply was simple and dismissive "You may as well go to Sun City and gamble."

The attitude — understandable from someone used to dealing with individual portfolios worth millions of rands — is typical of a handful of financial institutions and stockbroking firms

Their profit potential from investors with less than R250 000 is limited, as is the ability to balance the risk. So these funds are often automatically ploughed into traditional instruments, such as unit trusts or fixed deposits.

Unit trusts are designed for small investors But they generally take time to appreciate and rule out active participation by the investor

Discouraged by the attitude to small investors, I approached a few investment advisers to see if they could come up with an imaginitive way to place money The benchmark was a young, single professional, not interested in owning property and not reliant on an income-generating investment.

The most interesting response came from Jill Bogie, general manager, finance, individual business development, at Liberty Life.

"Assuming the person has already provided for disability, health care, future life cover and will not require the funds in the foreseeable future, he could consider an investment in either a Persian carpet, an antique or a work of art.

"Capital bonds, unit trusts and fixed-interest investments are the obvious homes for any lump sums, but a young professional may want to get some enjoyment out of his investment.

"By buying a Persian carpet, an antique or work of art, the investor can enhance the appearance of his home and at the same time have an investment that may appreciate significantly in value.

"The beauty of Persian carpets, for instance, is that they do not necessarily depreciate in value if they are worn," says Miss Bogie

She warns that it takes a connoisseur to know whether a fair price is being charged Also, it is not always easy to sell at a fair price

"I wouldn't recommend such an investment unless the person had provided for his future through the traditional avenues"

The carpet and antique route holds dangers, warns Brian Bechet, general manager of Board of Executors

"The average person does not know how to judge the quality of what he is buying The general route is to buy the goods retail and sell them wholesale. But the price gap between the two is enormous"

AFC Investments portfolio manager Rudolf Schmidt says R20 000 does not offer many options unless the investor is prepared to take a risk.

"It's difficult to get a spread with R20 000 The market for small investors is restricted, particularly if you don't need income generators such as fixed deposits"

The question, says Mr Schmidt, is not so much as where to put your money but who will look after it.

"Unless you are investment-wise and have constant access to market information you could get burned if there is any swing in sentiment."

Mr Schmidt does not rule out unit trusts — "After all, they are nothing other than a managed asset."

But he advises the investor to be careful in timing the investment and to stagger buying units if there is any chance that the market will turn against him.

Mr Schmidt says some brokers will put together small share portfolios, but again the issue of who will manage the portfolio is critical.

It is essential that investors retain flexibility, says Mr Bechet.

He warns against schemes that will lock up funds for between five to 10 years.

Mr Bechet says that to make money grow faster than inflation it is essential to own shares Unit trusts are his recommendation.

"We suggest the funds be fed into unit trusts over 12 months to take advantage of averaging If you put the whole sum into a unit trust and the market drops, you could be seriously hurt."

Mr Bechet agrees that a downside is that unit trusts rule out individual participation An alternative might be a small share portfolio, but it would not give sufficient spread to balance the risk.

"One hundred De Beers shares cost R9 000, which does not leave much to diversify the portfolio and risk."

He warns against putting savings in gilt options, which are advertised to achieve remarkable returns.

"There is a huge correlation between risk and reward and in this case the risk is high You need market information to enable you to trade your way in and out if there is a change in direction."

Casino could make M

S Tr

By JEREM

INVESTORS in Club Mykonos who stood to lose R253-million when Masterbond collapsed could get most of their money back — and make a profit.

A rescue scheme for Club Mykonos was given the go-ahead this week in the Supreme Court, Cape Town.

But the main hope for Masterbond investors, Mykonos property owners and many creditors lies in the prospect of a casino licence for the club

Mykonos Homeowners Association executive director Ridge Riley says. "The Howard Commission's recommendations on legalised two casinos for the Mykonos is the only Western Cape that c requirements"

Mr Riley designe age and worked f with the curators

A casino licence value of shares tha received under the r

Giant who never forgot being little

C/Press 20/6/93

(232)

THE giant Premier Group is pleased to be the official sponsor of the 23rd Soutacoc Annual General Meeting, according to chairman Peter Wrighton

This is understandable· Premier has not fogotten its own humble beginnings – very similar to those experienced by black business today

Premier was formed 80 years ago on October 24 1913, and in February 1929 became a listed public company This was through the efforts of a handful of dedicated and talented men

Premier was the result of the vision of a penniless, illiterate Lithuanian immigrant, Joffe Marks, who started out selling mealie meal porridge to miners on the Rand.

He was a charismatic man who had a gift for making friends and learning entrepreneurial skills. Hard work and diligence made up the rest and he was able to buy the mill which supplied him, Perry's Mill

With great foresight the ambitious Marks persuaded a pillar of the English establishment, Dr Alexander Aiken – also a leading auditor – to become chairman of his fledgling company, Premier Milling.

The resultant Premier Group – one of SA's largest food and pharmaceutical producers and distributors – was built, say some, by by two Jews and two Scotsmen.

They were Joffe Marks, his nephew Harry Jaffee and Scotsmen Dr Alexander Aiken – principal of chartered accountants firm Aiken and Carter – and James "Jock" Elliot.

They were different men, but, say company historians, their talents were complementary. For instance Aiken's careful financial advice worked well in tandem with Marks' gregarious and aggressive marketing style.

Years later Joffe Marks was succeeded by his nephew Harry Jaffe, an astute businessman who was instrumental in organising and unifying the SA milling industry Another newcomer to the Premier stable was Arthur Aiken, son of Dr Aiken The younger Aiken was a sound financial manager who was to become the next chairman.

Joe Bloom, nephew of Harry Jaffe, was next in the chair He came armed with old-fashioned entrepreneurial spirit and an intuitive grasp of every facet of the business This was when the Jaffe family sold a controlling interest to the UK-based British Foods company

Then into the Premier picture came his son, Tony. A superbly educated and highly professional manager, he was a shaker and mover in his own right

Tony Bloom flattened the historic Premier pyramid structure while maintaining tight financial control from the group's Johannesburg head office. It is history now that it was the popular Tony Bloom who wrested control of Premier back from the hands of business giants Liberty Life, Johannesburg Consolidated Investments and Anglo American, who took large shareholdings in Premier.

Today, 80 years down the line, Peter Wrighton leads Premier, bringing great humanity combined with financial and organisational skills to the group

This year the group again posted excellent results. Turnover was up by 13 percent to R10,1-billion

Said Wrighton· "We are proud to be posting these excellent results during our celebratory 80th birthday year Premier was registered as a public company in 1913 and turnover during that year was £170 639 (R341 280)

Low advertising to subdue media

B/Day 21/6/93

MARCIA KLEIN

IN the light of depressed advertising volumes and pedestrian or no growth in circulations, media groups' results for the past financial year are not expected to reflect any real growth.

Times Media Limited (TML) and Argus Holdings are about to report results to end-March.

At the September interim stage, TML increased its earnings by 15% to 98c a share, but the interim dividend was raised by 9% in anticipation of a difficult second half.

Argus reported a 3,7% rise to 84c a share after the 5,5% growth in attributable earnings was diluted by additional shares in issue.

Argus said at the time that over the past two years, increased growth in the second half had been evident in the group's results. But this would not be repeated in the current year.

Analysts said that although results would be subdued, they were not expecting any "nasty surprises".

Results would in part reflect the fact that lower advertising revenues would be compared with relatively good growth in revenues in the second half of the previous year. (232)

Another inhibiting factor was premium rate telephone services which were introduced in October 1991. A profit boost from these services would be offset by costs associated with their sudden termination. In addition, the groups' share of the profits of M-Net would be lower.

Various industry sources said both general and recruitment advertising volumes had been depressed.

Adcorp Holdings, announcing its results for the year to end-December, said recently there had been a significant decline in recruitment advertising volumes. A spokesman said advertising volumes in the first quarter of calendar 1993 were generally in line with last year, when they showed a decline of between 15% and 20%.

In terms of prospects, analysts said media groups would benefit from elections scheduled for next year. Also, the economy was showing some signs of turning, so recruitment and other advertising would pick up.

Anbeeco second half slows earnings slide

BIDM 21/6/93

AUDIO and watch distributor Anbeeco Investment Holdings and its subsidiary, Supalek Holdings, reported improved results in the second half ended April which softened the impact of the drop in earnings at the interim stage. (2320)

Earnings for the year dropped 14,8% to R2,9m (R3,4m) on a 5,5% slide in turnover to R96,5m (R102,1m), against a 42% decline in earnings at the interim stage.

This was equivalent to earnings of 19,6c (23c) a share from which shareholders received a payout of 7c (10c) a share for the year.

Chairman and MD Tony Brookstone said the group had performed acceptably during the year under review, given continued difficult trading conditions in the sectors in which it operated.

The audio division enjoyed real growth in their Kenwood range which, together with attention to margins and cost containment, partially offset the impact of termination of the Samsung agency.

The watch distribution division's turnover had remained at about the previous year's levels as consumers resisted price increases attributable to deterioration in the yen/rand exchange rate

Operating income was down 26,9% to R7m (R9,6m). Brookstone said margins were mantained at acceptable levels and

DUMA GQUBULE

tight expense management had cushioned the impact on operating income

Interest absorbed R653 000 (R898 000) The tax bill fell to 41,6% (47,5%), and minorities took R796 000 (R1,1m). Attributable earnings were down 14,8% to R2,9m from R3,4m

Brookstone said strict attention to asset management across both divisions contributed to the balance sheet reflecting a sustained sound financial position

Trading conditions were not expected to improve while the recession continued and the exchange rate remained under pressure. Efforts were being focused on product line extensions tailored to changing market demands which would assist in lessening the impact

Supalek's earnings were down 30% to R1,7m (R2,4m) — after a 61% drop at the interim stage — on a 9% slide in turnover to R53,6m (R58,9m).

Earnings a share came to 5,2c (7,4c) and the total dividend was 3c (6c) a share.

Brookstone said improved results were achieved during the second half as had been expected at the interim stage.

Volumes and margins would remain under pressure, but efforts were being made to broaden the company's product range.

Northam Platinum needs refinancing

BiDay 21/6/93

ANDY DUFFY

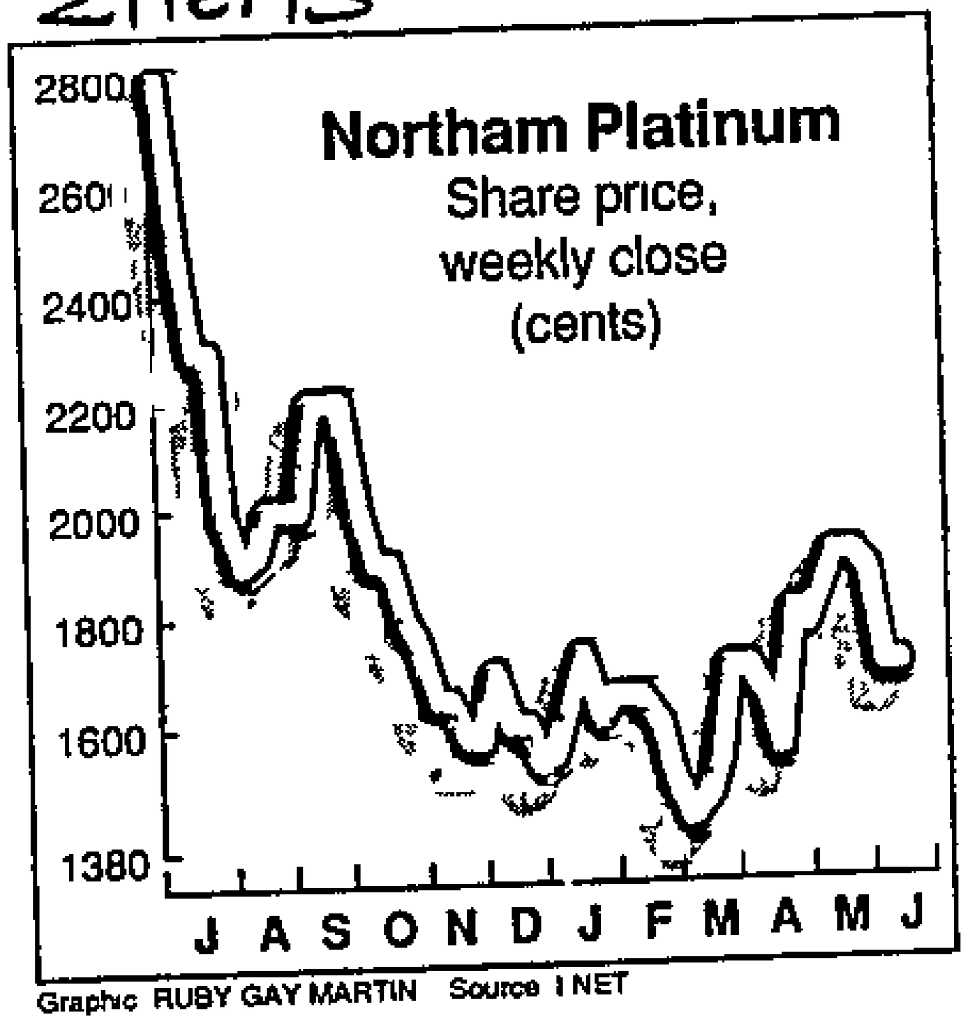
GOLD Fields of SA's Northam Platinum, which in December tapped investors for R350m, would have to be refinanced and was unlikely to pay its maiden dividend next year, the company warned at the weekend (232)

Northam chairman Alan Wright said current depressed prices for platinum group metals had derailed business plans for the developing mine

The mine was still likely to reach its full monthly production of 150 000 tons by August, but on current platinum group metal prices it was unlikely to hit its target of being cash positive by the second quarter of next year This would force Northam to finance vital capital expenditure through new debt, which would mean the payout to shareholders, who since 1986 have pumped R1,65bn into the project, might have to be shelved

"It wouldn't be prudent of the directors to pay a dividend if, in the short term, there had been no advances in repaying the loan account," Wright said

He said the company still had to determine what borrowing requirements would be He hoped the new debt would not be



Graphic RUBY GAY MARTIN Source I NET

higher than the R169m just paid off by the rights issue The failure of world economies to recover had subdued platinum group metal prices, throwing out Northam's pay-back schedule.

Northam's targets for both full production and cash generation have consistently slipped over the past year, but the warning is likely to come as a blow to shareholders, which include Sanlam and Liberty Life

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Northam

BiDay 21/6/93

☐ From Page 1

The heavily discounted offer was supposed to have left the mine debt-free and able to cover its capital expenditure until the mine began paying for itself

(232)

Analysts said the news was also likely to hit Gold Fields "It (the mine) is an albatross around Gold Fields' neck," Frankel, Pollak, Vinderine's Kevin Kartun said. "This is a bit of a disaster"

The brunt of the blame is likely to fall on rhodium rather than platinum prices

While Northam had said its cash positive target could be achieved on a $355/oz for platinum, the metal had moved from $365/oz in December to just under $380/oz last week. Northam's target price for rhodium, however, was $2500/oz. The metal traded last week at $850/oz, less than half its December level.

Star 21/6/93

Fish of a different colour

By Stephen Cranston

Sea Harvest, the ICS fishing subsidiary which is being listed on the JSE on July 12, should not be compared with already-listed fishing companies, says Richard Price, an analyst at sponsoring brokers Fergusson Bros.

Price says that Sea Harvest's earnings have been growing at a compound rate of 27 percent a year, compared with 13 percent for the industrial index, 14 percent for the fishing index and 16 percent for the food index

Sea Harvest will be listed in the food sector rather than the fishing sector of the JSE as it sees itself primarily as a fish and seafood distributor and marketer rather than a fishing company.

Sea Harvest is being listed to enable ICS's Spanish partner Pescanova to dispose of 28 percent of its holding in Sea Harvest. Twenty-eight million shares are being privately placed at 600c a share.

Pescanova wants to raise capital for its core business activities in Europe. (232)

It will nonetheless keep 10 percent of Sea Harvest and has already sold 12 percent of the company to ICS, which increased its stake from 50 percent to 62 percent.

Sea Harvest is primarily involved in trawling for hake, which has far more stable supply and demand than pelagic fishing (anchovies and pilchards) in which the listed fishing groups are involved.

At 600c, Sea Harvest will be listed on an historic P/E ratio of 10, which is well below the 15,3 rating on which its main competitor I&J trades.

Among the reasons for the modest rating is that Sea Harvest's attributable earnings are expected to fall by about a quarter, on an annualised basis, in the 15 months to September to 44c

The results will be affected by the continued recession in its main export market, the European Community, which is expected to show a 0,5 percent decline in gross domestic product (GDP) this year.

The market treats profit histories of unlisted companies with some scepticism as they have not been subjected to the disclosure requirements of the JSE, but it is clear that Sea Harvest has been the mainstay of ICS results in recent years

Its reported attributable earnings increased from R24,6 million in 1988 to R60,5 million in 1992.

Sea Harvest's balance sheet on April 30 showed negligible gearing, with R4,55 million worth of long term borrowings and R171,7 million of equity.

COMPANIES

Richemont likely to improve

MARCIA KLEIN

RICHEMONT, which reported disappointing interim results to end-September, was expected to show a marked second half improvement when it reported for the full year to end-March. B/Day 21/6/93

Analysts said there were indications that the full year results, due to be reported this month, would reflect an improved performance from tobacco — held through Rothmans International — and benefits of a weaker pound.

At the interim stage, the Swiss-based vehicle of the Rupert/Hertzog families reported a marginal increase in earnings in sterling terms. This translated into a decline in rand terms.

Recently Dunhill, which Richemont controls through Rothmans International, reported lower earnings. Although Dunhill's contribution to Richemont is not that significant, analysts said it was a good indicator of trading conditions in luxury goods. (232)

In this light, the group's other luxury goods interests, particularly Cartier, would show flat or declining earnings. This would be partly offset by tight controls and a generally better second half in tobacco operations.

Like its joint venture partner M-Net, Richemont's share of European pay channel FilmNet's losses would amount to R27,6m. But analysts said this would not have a significant effect on Richemont's results.

On Friday the share eased 40c or 0,9% to R42,35, but remained close to the R43 high of last month.

A source said the recent high volumes in Richemont were not ahead of results but in anticipation of an announcement.

The nature of the announcement is not known, but one analyst said it could relate to an acquisition by Dunhill.

Relief on way for firms unbundling

Star 22/6/93

By Chris Whitfield

232

CAPE TOWN — Legislation to facilitate the unbundling of companies was tabled in Parliament yesterday

The process — by which large companies hive off their various components into smaller companies — came under the spotlight recently when mining house Gencor announced that it was to unbundle

The Income Tax Bill also fleshes out regulations for the new Secondary Tax on Companies (STC) and makes provision for the scrapping of the Sixth Schedule limitation on life insurance business

Tax hurdles

Deputy Finance Minister Theo Alant, introducing the Bill in Parliament yesterday, said it "removes the tax hurdles that would have faced groups wanting to unbundle by granting an exemption from the (one percent) stamp duty on the transfer of shares in approved unbundling transactions"

Alant said the share issue in a registered unbundling deal would be exempt from the 15 percent STC.

"The proposed legislation does not accommodate the unbundling of the interests of a private company. Depending on the efficiency of the proposed measures, further amendments will be considered in the future."

On STC, Alant said the one aspect that had attracted criticism was that "old" profits — those that had been subject to 48 percent tax — would also be subject to STC when they were distributed

To strengthen cash flow advantages and to ensure that no STC would be payable on "old" profits until companies had the advantage of a reduced provisional tax payment, "the Bill provides that companies whose tax year ended between December 1 1992 and March 31 1993 are given until December 31 1993 to pay the STC due on dividends declared by them up to June 1993"

Life insurers

The Bill also embraces changes to the taxation of life insurers and policyholders, including the repeal of the Sixth Schedule, designed to prevent insurers from doing short-term deposit-taking business in competition with banks and limiting contracts to a minimum 10-year-life

Alant said the schedule would be replaced by "far simpler control measures under the Insurance Act"

A Finance Department source said the repeal would give life assurers greater freedom and make for a scientific assessment of their tax liability

The Bill also proposes that the Minister be given power to regulate the settlement of tax avoidance schemes It already proposed a one-off tax rebate of 1,5 times the initial investment in film schemes.

"The different financing methods utilised in other schemes will probably require different terms and conditions of settlement, and different enabling legislation will thus be needed," said Alant

Southern Platreef shares put on mysterious weight

Star 22/6/93

By Derek Tommey

The share market is intrigued by the sudden flurry in the shares of Southern Platreef Mining Company (Southplats), an almost bankrupt mining explorer

Earlier this year the share stood at 10c By the beginning of last week it had reached 55c.

Then, in a sudden spurt, it jumped to 100c on a turnover of 28 000 shares — involving an outlay of less than R28 000 (232)

A scrutiny of the annual report of Southplats and its controlling company South Wits does not help much.

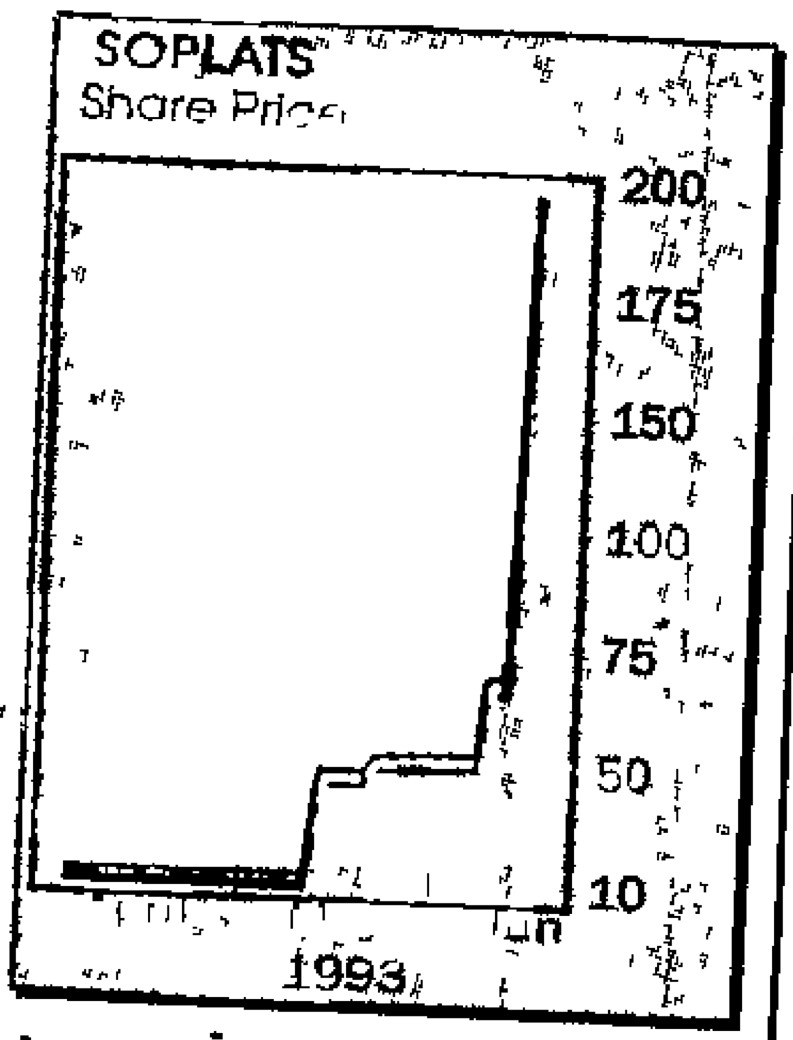
The main fact to emerge is that South Wits has given an unnamed third party an option to buy its 81 percent stake in Southplats for 4c a share.

Market talk is that this option has now been exercised, leading to speculation that the new owners will provide the cash to develop some of Southplats's mineral deposits and make the company viable. (2017)

Although Southplats has other interests, attention is centred mainly on its venture at Potgietersrus, which is estimated to have 7,3 million tons of ore containing copper, nickel and platinum.

The project was examined by LTA Process Engineering, the feasibility study engineers, but deemed too small to support the scale of operations envisaged.

However, a new assessment has concluded that the operation could be viable if scaled to a throughput giving a life of 11 years.



Further move to reorganise control of Sankorp group

B/Day 22/6/93

EDWARD WEST

THE removal of Murray & Roberts Holdings' (M & R) pyramid company M & R Investments (M & R Inv) represented a further move to reorganise and simplify control of the Sankorp stable of companies, M & R financial director Lionel Bird said yesterday

(232)

Sankorp and Sanlam hold 50% of M & R Inv which in turn holds 25,1% of M & R Holdings

M & R announced last week that, subject to the passing of unbundling legislation, M & R Inv would distribute its shareholding in M & R as a dividend in specie.

In the distribution M & R Inv shareholders would receive about 89 M & R Holdings shares for every 100 M & R shares held.

Sanlam and Sankorp controlled M & R with an effective 40% stake. With the delisting of M & R Inv, the control element would be eliminated, said Bird Sankorp was willing to lower its stake in M & R as part of its process to clean up its investments and free shareholder wealth.

The move would allow M & R Inv shareholders to hold shares directly in the operating group, while the discount to which the shares had traded traditionally would be eliminated, said Bird.

M & R Inv originally was called Anchusa, a pyramid company through which the Murray family and the original owners ensured control.

M & R Inv previously held 50% of M & R Holdings, but this was diluted to 25,1% by the paper issued to fund last year's acquisitions.

A JSE analyst said the removal of group pyramid companies went a long way towards creating greater transparency of group operations

This could become particularly significant considering the proposed widening of the Competition Board's powers and the implications of SA having to adhere to GATT provisions regarding the lowering of industrial protection measures.

The analyst believed groups which had removed controlling pyramid companies increasingly would come to the market for finance in future by issuing paper with no voting rights to maintain controlling shareholdings. The recent rights issue by Clinic Holdings was an example of this.

Relief for companies hit by STC

Tax package clears hurdles to unbundling

B/Day 22/6/93

CAPE TOWN — Major changes to SA's tax legislation were published yesterday, including measures to sweep away tax obstacles to unbundling and relief for companies hard hit by the timing of the new secondary tax on companies (STC). (232)

The legislation on unbundling puts into effect announcements made in the Budget. It limits tax relief to listed companies wanting to unbundle their listed interests and provides that the scheme be sanctioned by Inland Revenue

Deputy Finance Minister Theo Alant said in Parliament that the measures might be extended to unlisted companies depending on their effectiveness It is understood that government is concerned about the possible abuse of the scheme and its possible cost to the fiscus should unlisted companies be included

Putting into effect the announcement made by Finance Minister Derek Keys in his Budget speech this year, the legislation proposes that approved unbundling schemes will be exempt from the 1% transfer duty, which effectively blocked unbundling efforts in the past.

The issue of shares in approved schemes would also not be subject to STC or to the tax on foreign shareholders and the issue would not be classed as investment income in the hands of a long-term insurer.

TIM COHEN

The legislation also provided that companies whose tax year ended between December 1 1992 and March 31 1993 would be given until December 31 to pay the STC due on dividends declared up to June 30

Alant said while the introduction of STC had been welcomed, there had been criticism of the fact that "old" profits — those taxed at the 48% rate — were also subject to STC when they were distributed.

Keys had already pointed out that there was an immediate cashflow advantage to companies in that provisional tax payments for tax years ending after April 1 this year would be payable at the reduced rate of 40%, Alant said.

Measures were, however, necessary to strengthen this cashflow advantage and to ensure that no STC would be payable on "old" profits until companies had the advantage of a reduced provisional tax payment.

The Income Tax Bill, described as "the most extensive package of tax law changes since the implemention of VAT", also puts into effect a major change in accounting for foreign exchange losses and profits All gains and losses, irrespective of whether they had been realised, would have to be brought into account within a given finan-

☐ To Page 2

Tax package

B/Day 22/6/93 ☐ From Page 1

cial year

The Bill also virtually scraps rebates allowable for costs incurred in using sections of domestic premises for business purposes. Alant said there had been a tremendous increase in recent years in tax claims for parts of a home, usually a study, being used regularly and exclusively for business purposes

Because the validity of the claims was a question of fact, the Commissioner of Inland Revenue suffered a substantial administrative burden, and it was discovered, as often as not, that these rooms were not used exclusively for business purposes

The legislation therefore proposed that these expenses would not be claimable where the taxpayer was merely an employee or office holder, unless his income came mainly from commissions and his duties were not carried out mainly in an office provided by his employer.

The provision, which will affect teachers particularly but not professionals like lawyers, will come into effect on March 1 1994.

In addition, the Bill (232)

☐ Scraps measures intended to prevent insurers doing short-term deposit-taking business in competition with banks,

☐ Gives the Finance Minister wide powers to make regulations to provide relief for people who engaged in certain tax avoidance schemes until February 28 next year;

☐ Converts Section 37e of the Income Tax Act, which aims at boosting beneficiation of export products by accelerating write-offs, into a section aimed at adding value to products not necessarily for export, and

☐ Limits the ability of agricultural co-operatives to claim deductions for profit distributions to their members

Alant said that although Section 37e of the Income Tax Act was to be changed so that the export requirement would be scrapped, remaining conditions would be strictly enforced

Alant said agricultural co-operatives enjoyed more favourable tax treatment than other companies in that they were able to deduct from their taxable income profit distributions to their members.

Until recently they were restricted in the amount of business they were permitted to conduct with non-members, but this had recently been changed to enable co-operatives to conduct 49% of their business with non-members.

In order to ensure they did not enjoy an advantage over their competitors, it had been decided that bonus distribution would in future be tax deductible only to the extent that they represented profits generated from business conducted with members, he said.

Interest bill drop helps Unispin reduce losses

B/Day 22/6/93

UNISPIN, which featured among the five largest lossmakers in the industrial sector last year, significantly reduced its losses in the six months to end-March.

The knitting yarn manufacturer reported a loss of 8,3c a share from 60,6c in the previous year and 112,1c at the September year-end. Because of the loss for the six-month period under review, no interim dividend was declared.

The company said it had reached agreement to acquire the business of a competitor, subject to certain conditions.

Details and finalisation of the deal, which followed a cautionary announcement in April, would be announced as soon as the conditions were met. Unispin advised shareholders to trade with caution.

The improved results were achieved through a substantial reduction in operating losses and a lower interest bill, in spite of lower turnover.

Directors said the 10,4% decline in turnover to R52,7m from R58,8m was due to depressed economic conditions and the continued duty-free importation of knitted garments under the Structural Adjustment Programme.

In addition, turnover figures reflected Unispin's strategy of rationalising its product range "to concentrate on those products that contribute positively to an increased margin".

The operating loss before interest improved to R3,3m from R8,5m in the previous year.

(232)

In financial 1992, Unispin embarked on a R120m debt restructuring which saw Consolidated Frame Textiles increase its effective stake in Unispin to about 30%

The restructure of debt resulted in a substantial reduction in interest to R2,1m from R11,8m last year and "consequent strengthening of financial ratios" The attributable loss of R5,4m compared with R21,2m in the previous year and R50,4m at the September year-end

Directors said providing there was no further decline in the economy and in the textile market, the group expected to trade profitably in the current six-month period.

The group had traded profitably since January and would recover most of the losses sustained in the first quarter, directors said.

The share closed yesterday at 23c from a 40c high a year ago and a December low of 10c.

Nedcor negotiating move into Africa

B Day 22/6/93

GRETA STEYN

NEDCOR was negotiating to buy a stake in Merchant Bank of Central Africa as part of a strategy to move into Africa, spokesman Derek Muller confirmed yesterday (232)

News of an imminent deal was leaked to the Zimbabwean Press after a visit to the country by a Nedcor contingent

Muller said the conclusion of any deal was still some way off and any tie-up would be on a minority basis He would not disclose the amounts involved and whether a deal would be finalised through the financial rand or by raising offshore finance

It is understood that Nedcor's move into Africa will be through a tie-up with a Dresdner Bank-led consortium of European banks The consortium, known as Société Financière d'Outre Mer (SFOM), already has shares in banks all over Africa SFOM is expected to help arrange a minority shareholding for Nedcor.

The first hint of the tie-up came in April with the announcement of a Nedcor stake in the Commercial Bank of Namibia, in which SFOM is the majority shareholder

Analysts said Nedcor might be able to use the finrand to finance the acquisition in terms of a special dispensation the Reserve Bank was considering

Tax changes clear the way to unbundling

232

BT 22/6/93

By TIM COHEN

MAJOR changes to SA's tax legislation were published yesterday, including measures to sweep away tax obstacles to unbundling and provisions to provide concessions on the payment of Secondary Tax on Companies (STC).

The Income Tax Bill, described as "the most extensive package of tax law changes since the implemention of VAT", also:

- Requires that all gains and losses incurred in respect of foreign exchange transactions have to be brought into account within a given financial year, irrespective of whether they have been realised;
- Scraps measures intended to prevent insurers doing short-term deposit-taking business in competition with banks,
- Gives Finance Minister Derek Keys wide powers to make regulations to provide relief for people who engaged in certain tax avoidance schemes until February 28 next year;
- Virtually scraps rebates allowable for costs incurred in using sections of domestic premises for business purposes,
- Converts Section 37e of the Income Tax Act, which aims at boosting beneficiation of export products by accelerating write-offs, into a section aimed at adding value to products not necessarily for export, and
- Limits the ability of agricultural co-operatives to claim deductions for profit distributions to their members

The legislation limits tax relief granted to quoted companies wanting to unbundle their quoted interests and provides that the scheme must be sanctioned by the Commissioner of Inland Revenue.

Putting into effect the announcement made by Keys in his budget speech this year, the legislation proposes that approved schemes will be exempt from the 1% transfer duty, which effectively blocked unbundling efforts in the past

The issue of shares in approved schemes would also not be subject to STC or to the tax on foreign shareholders and the issue would not be classed as investment income in the hands of a long term insurer.

Unlisted companies

Deputy finance minister Theo Alant said in Parliament that the measures might be extended to unlisted companies depending on their effectiveness It is understood that government is concerned about the possible abuse of the scheme and its possible cost to the fiscus

Alant said the while the introduction of STC had been welcomed, there had been criticisms of the fact that "old" profits — those that were taxed at the 48% rate — were also subject to STC when they were distributed.

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Measures were however necessary to strengthen this cash flow advantage and to ensure that no STC will be payable on "old" profits until companies had the advantage of a reduced provisional tax payment.

The legislation therefore provided that companies whose tax year ended between December 1, 1992 and March 31, 1993 would be given until December 31 to pay the STC due on dividends declared by them up to June 30

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In order to ensure they did not enjoy an advantage over their competitors, it had been decided that bonus distribution would in future be tax deductible only to the extent that they represented profits generated from business conducted with members, he said.

ANC get set to meet FW over teachers

Political Staff

THE ANC and its allies are assembling a broad delegation for talks with President F W de Klerk about the retrenchment of coloured teachers, says regional ANC chairman Dr Allan Boesak

At a packed ANC meeting in Heideveld last night, he said coloured education Minister Piet Saayman was going ahead with the rationalisation of posts

Many Western Cape teachers had been told their services would be terminated when coloured schools closed tomorrow

But the dismissals would be discussed at a still-to-be-arranged meeting with Mr De Klerk

● Dr Boesak attacked PAC general-secretary Mr Benny Alexander for labelling the ANC "sell-outs" because of their stand on a transitional executive council and government of national unity

"Our position has nothing to do with selling out We're not selling out, as that stupid Benny Alexander says, but we are trying to foster reconciliation"

(232) CT 23/6/93

Morkels aiming higher

Star 23/6/93

By Stephen Cranston

Morkels intends capping its 100 percent improvement in attributable earnings in the year to March with a further 25 percent improvement in the year to March 1994

Writing in the 1993 annual report, MD Carl Jansen says it's assumed the economy will remain in recession, but that inflation and interest rates will not increase and consumer demand will not deteriorate further

Jansen says the expansion of the store base will be restricted to prime targets, that merchandise profitability will continue to build, but at a slower rate, and that working capital requirements will be curtailed to further improve the balance sheet.

The chain managed to increase profits by 42,5 percent on a negligible two percent sales improvement.

(232)

Totalsports increased sales by 18,3 percent, but this was still 23,3 percent below budget, which produced a profit of R4,8 million that was not an acceptable performance standard.

The sports wholesaler Ajay Sports was significantly rationalised during the year but made a loss of R3,2 million on R8,9 million of sales.

JSE in record-breaking vein

Star 23/6/93

By Derek Tommey

The Johannesburg Stock Exchange broke all records for turnover in May with R4 billion worth of shares changing hands

Altogether, shares worth R10,7 billion were traded in the three months to end-May, which is more than double the R4,98 billion in the same period last year

(2327)

The nominal value of gilts traded was also sharply higher, amounting to R148,3 billion in the three-month period

This was 52 percent higher than the R97,8 billion in the three months to end-May last year

Total equity market capitalisation at May 31 this year was R614,8 billion, an 11 percent increase on May last year.

A lot of these gains stemmed from the gold boom, which lifted the gold share index 92 percent in the three months from 960 to 1 847.

Reflecting the renewed interest in gold, the value of Krugerrands traded in the quarter rose to R64,5 million from R26,1 million a year earlier

These figures were announced by Roy Andersen, president of the JSE, last night, when he reported that the exchange was planning to move closer to black investors and entrepreneurs

The JSE intended telling the emergent black community "what the JSE is all about", he said

The biggest challenge facing the JSE was to ensure that emerging businesses could acquire capital The JSE was looking at ways to bring this about.

Richard Connellan, the head of listings and equity markets, said that broader share ownership should act as a "spawning ground" and encourage emerging black businesses to look to the JSE for additional permanent capital

Stokvels were emerging as major sources of funding for new businsses in the inforrmal sector

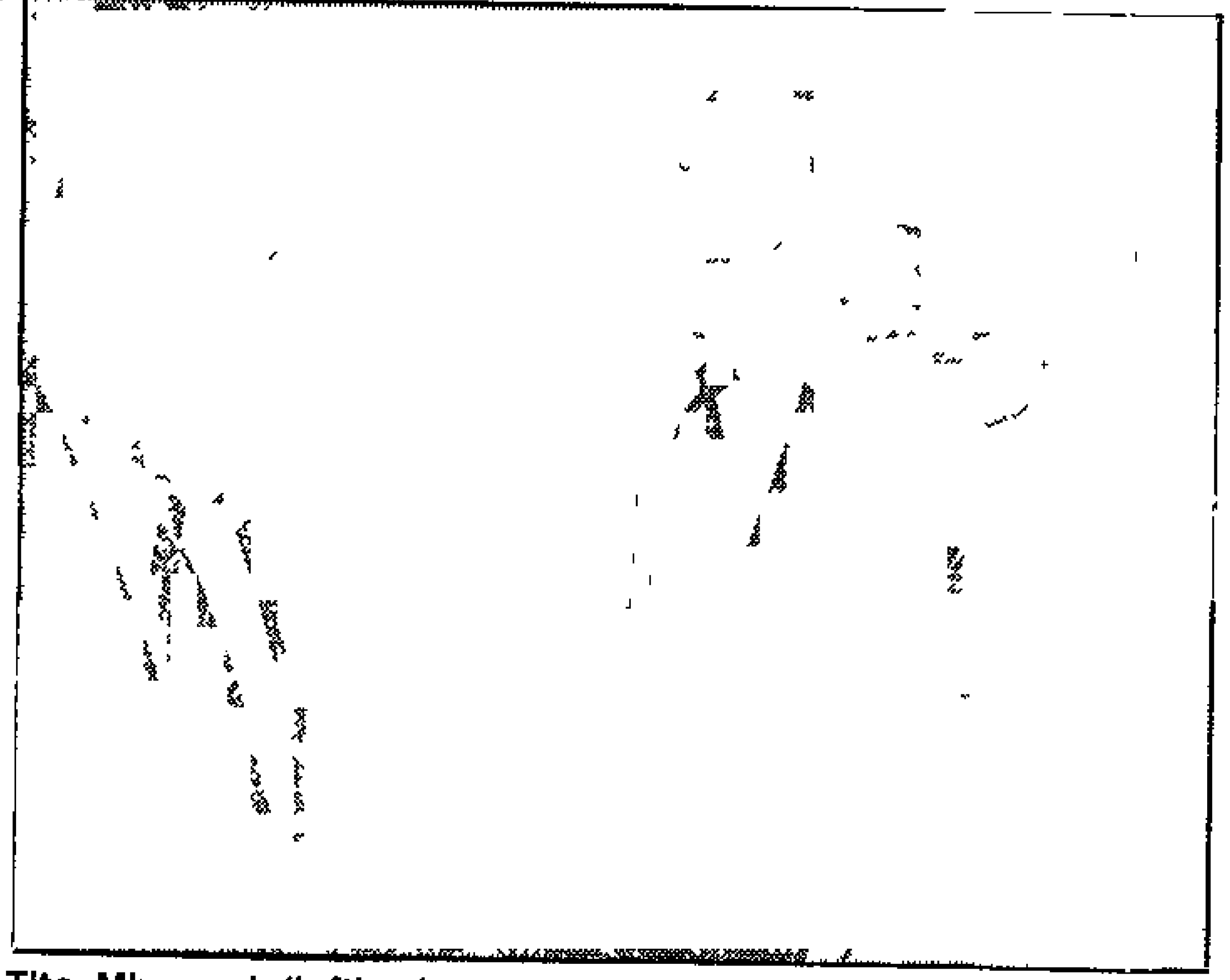
"It seems that it could be in the best interest of the JSE to become more involved in new businesses which are being initally funded by stokvels," he said

Should the enterprise be successful, the next stage of development for that business could be through a listing on the development capital market (DCM) — thus achieving a greater spread of ownership and risk

He said a possible avenue open to the JSE would be to stop depending on institutions, and instead promote new small companies for listing on the DCM by way of a concerted educational drive aimed at black investors

Once small companies moved to the JSE, hopefully they would attract institutional investment, he said

"In order to survive, the JSE must divert the flow of discretionary savings away from the institutions into direct ownership," he added



Tito Mboweni (left), deputy head of the ANC's Department of Economic Planning, in conversation last night with JSE president Roy Andersen (centre), and chairman Humphrey Borkum

Bidvest to acquire Safcor for R261-m

Star 23/6/93

By Claire Gebhardt

Bidvest is to acquire the business interests of SA Freight Corporation (Safcor) and its subsidiaries for R261,27 million, or R11,60 a Safcor share

(2144)

The businesses will be acquired from Safcor through a wholly owned subsidiary

The purchase price will be settled through the issue of Bidvest shares and debentures at R75 each

(232)

In terms of JSE rules Safcor will become a cash shell and its listing will be suspended

In the six months to end-December, Safcor increased earnings by 5 percent to 35,8c a share on a 24 percent turnover rise to R555,5 million

Prospects encouraging for Investec

Star 23/6/93

By John Spira

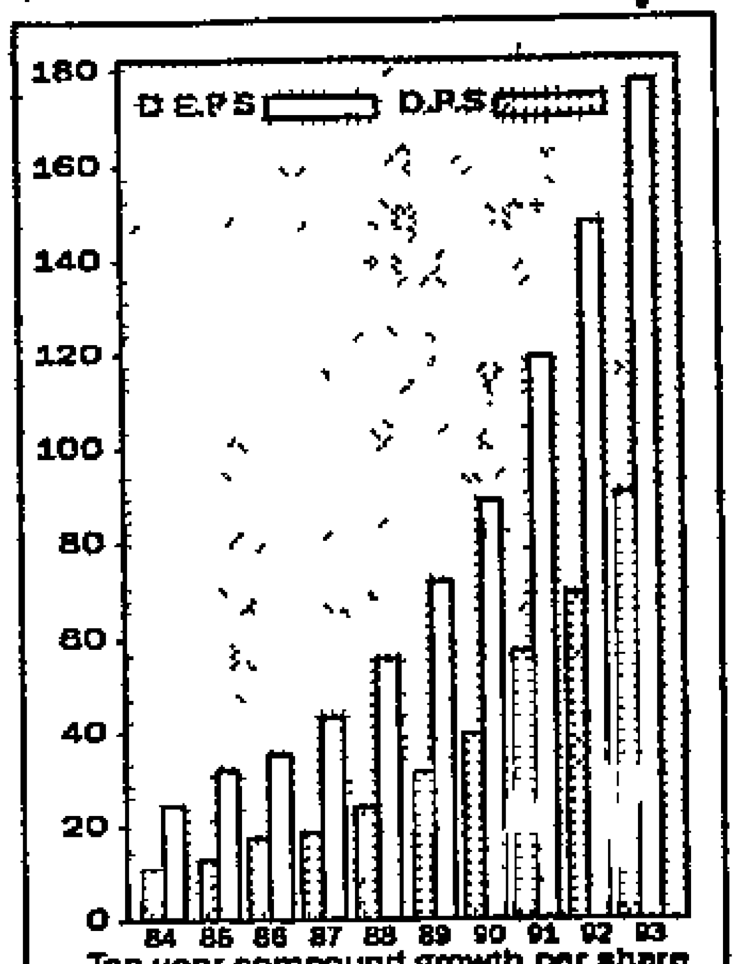
Investec, one of SA's fastest-growing banking groups, should enjoy continued growth in earnings and dividends in the 1994 financial year (232)

So predicts chief executive Bas Kardol in the group's 1993 annual report, which reveals that compound growth in earnings and dividends a share for the past ten years has been 25 percent and 27 percent respectively

In the year to March 1993, the respective figures were 24 and 29 percent.

Investec, says Kardol, enters the 1994 financial period leaner and more focused than previously after the sale of its residential property management division, a substantial cost-cutting excercise in Reichmans and the restructure of certain business units.

"The restructure has increased the level of decentralisation in Investec, which will enable the group's executives to focus more freely on the strategic development of our local and international operations."



Ten year compound growth per share
•Diluted earnings 25% •Dividends 26%

The acquisition of London-based Allied Trust Bank (ATB) had opened the door to new opportunities and had significantly strengthened the group's international presence.

Investec's shares are being increasingly regarded as a rand hedge investment — an impression confirmed by Kardol's revelation that non-rand income as a ratio of the bank's attributable earnings had risen from 32 to 41 percent, mainly as a result of the inclusion of ATB's results for the last nine months of financial 1993.

Kardol says that the development of the group's international activities remains one of its key strategic objectives

Southern Africa had been targeted as an important market.

Last year Investec's share price added 30 percent and it's gained another 28 percent so far this year.

At its ruling price, it yields 2,9 percent — below the banking sector's 3,3 percent average and more or less in line with the return currently offered by Nedcor

Star 23/6/93

(232)

Richemont, Rothmans, Dunhill in shake-up talks

Richemont, Rothmans and Dunhill were involved in talks initiated by Richemont about a possible reorganisation of their assets to create two new quoted groups focused separately on tobacco and luxury goods, Rand Merchant Bank (RMB) said yesterday.

Cartier Monde SA, currently controlled by Richemont and 47 percent owned by Rothmans, would become a wholly owned subsidiary of the luxury goods group.

Swiss-based industrial holding company Richemont has proposed that the reorganisation be effected on merger terms.

Shareholders in Rothmans and Dunhill would exchange their current interests for direct shareholdings in the new groups.

Richemont would continue to hold the majority shareholding in both groups.

As part of the proposed reorganisation, Rothmans and Dunhill would return to shareholders that element of their available cash resources considered surplus to the requirements of the new groups.

RMB said: "The reorganisation would produce two focused groups. The separate managements would be able to respond more effectively to the major changes facing the tobacco and luxury goods industries by concentrating exclusively on their field of business expertise.

"Richemont believes that the creation of the new luxury goods group would provide the opportunity for significant marketing benefits and increased efficiency."

RMB said it was proposed the structure of the new groups would be in the form of twinned UK and non-UK holding companies.

"This would allow UK and non-UK assets to be held in a way that mirrors the international nature of the two groups' businesses and should provide advantages to the companies and shareholders in respect of future dividend payments.

"Shareholders would receive units representing twinned shares in the holding companies, which would be listed in London."

Richemont would continue to have a controlling interest in the tobacco businesses and there would be no change as a result of these proposals to the underlying ownership of the quoted tobacco subsidiaries nor any change to the proposed reorganisation of Rothmans' East Asian interests currently in progress. — Sapa-Reuter

Barlows 'looking at unbundling'

B/Day 24/6

MARCIA KLEIN

BARLOW Rand yesterday issued a cautionary announcement which pointed towards an unbundling of the multibillion-rand conglomerate. (232)

The group said it had examined proposals which, if implemented, would result in Barlow Rand shareholders holding interests in subsidiaries C G Smith Limited and Reunert, in addition to their existing shares in Barlow Rand

It was intended that Reunert would acquire "certain of the group's electronics and electrical interests not already owned by it" Barlows added that consideration would also be given to the disposal or listing of certain group businesses.

A Barlows spokesman said yesterday the group could not comment further C G Smith and Reunert also warned shareholders to trade with caution

According to market sources the announcement was lacking in detail but implied an unbundling Although Barlows did not make it clear if it was looking at a distribution or sale of part or all of its holding in the two subsidiaries, an unbundling seemed certain

C G Smith holds Nampak, Romatex and C G Smith Foods, which in turn holds Tiger Oats, C G Smith Sugar, ICS, Langeberg, Oceana Fishing and Adcock Ingram. These interests contributed R130m to Barlows' attributable profit of R384m at the March 1993 interim stage.

Analysts said C G Smith made up a significant portion of the group and represented about R18 of the R44,45 share price If Barlows distributed its entire interest in C G Smith, it would become a considerably smaller group left with non-consumer-related businesses.

It made sense to start with the unbundling at this level. But a further unbundling of C G Smith, which could also be described as a conglomerate, was also possible, they said

Reunert was much smaller, but it was not clear what businesses it would acquire

The analysts said the possible candidates for listing were Plascon, the Caterpillar interests held in the capital equipment division and Barlow Motor Investments It could dispose of Federated Timber, smaller mining and industrial interests and possibly some of its listed sub-

To Page 2

Barlows

B/Day 24/6/93

From Page 1

sidiaries

Analysts said it was likely to retain offshore vehicle J Bibby & Sons, as well as most of its remaining mining interests and Caterpillar. (232)

There was some concern that if Barlows had to distribute its entire 60% holding in C G Smith, the market could be swamped with C G Smith paper that could result in some selling pressure There would be a large demand for Reunert shares as it became more tradeable

An unbundling would follow recent announcements of unbundling by the Gencor group and could place pressure on Anglo American Corporation to follow suit.

Sources said there was speculation that Barlow Rand MD Derek Cooper could be appointed to C G Smith.

SAB details its foreign interests

B/Day

MARCIA KLEIN

SA Breweries (SAB) has for the first time disclosed details of its foreign beverage interests, whose turnover totalled close to R1bn in the year to end-March

In his 1993 annual review, executive chairman Meyer Kahn said favourable changes in international attitudes towards political developments in SA allowed for more comprehensive reporting on the group's foreign beverage interests housed in Westgate Worldwide 24/6/93

The group said Westgate's attributable earnings grew by 18% to R79m (R67m) in the year to end-March, while turnover rose by 17% to R949,4m (R813,7m) SAB's total beverage interests reported turnover of R7,7bn, with the beer division's turnover totalling R5,2bn (232)

Westgate's 12% growth in total assets to R962,2m included capex of about R80m

Westgate, established to handle beverage-related investments and activities outside SA, had seven breweries and three bottling plants Beer brands included Dorada, St Louis and Chibuku (sorghum), and soft drink brands included the Coca-Cola, Sparletta and Schweppes ranges and Appletise and Pinalito spring water

Kahn said Westgate operated largely in sub-Saharan Africa through Netherlands-based subsidiary Indol International BV, which was "well established in Botswana, Lesotho and Swaziland" Westgate also had "significant strategic holdings in the domi-

☐ To Page 2

SAB

B/Day 24/6/93

☐ From Page 1

nant beverage operations in Zimbabwe and the Seychelles", and was looking at other sub-Saharan beverage markets

Westgate had also started to acquire and develop beverage interests in and around Europe Compania Cervecera da Canarias, the largest brewer in the Canary Islands, was a Westgate subsidiary (182)

In the UK, Appletise was distributed under licence from Westgate subsidiary Niagara International BV Export markets and franchises were being established in Europe and the brand rights for SAB's brands had been registered in markets worldwide Westgate also owned the Carling Black Label brand for southern Africa and sorghum brand Chibuku Kahn said the volume of lager beer sold in Westgate's markets declined marginally, in the year, but Chibuku benefited from changed consumption patterns Indol's southern African subsidiaries, the major bottlers of Coca-Cola, reported virtually unchanged sales Appletise retained its dominant market share in the UK and elsewhere

The annual report made no mention of a recent announcement by Hungary's State Property Agency that SAB had won the right to buy a majority stake in Hungary's largest brewer, Kobanyai Sorgyar

Kahn said SAB expected little or no growth in the European and southern African economies in the coming year But Westgate was committed to achieving reasonable improvement of profit each year, and had budgeted for a further improvement in the 1994 financial year

● See Page 11

Barlows points towards unbundling

232 CT 24/6/93

Own Correspondent

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AECI given good rating

EDWARD WEST BDay 24/6/98

REPUBLIC Ratings has given AECI an A rating for its ability to service long-term debt timeously and an A1 rating for maturities of less than 12 months.

Republic Ratings director Dave King said the ratings reflected the group's difficult operating conditions

The chemical industry's international competitiveness had been blunted as a result of high protective barriers in the form of controls and duties and a greater inward orientation during the sanctions era

With the commodity cycle trading at its lowest level in real terms in 30 years and the inroads made by imports in certain key market segments, AECI's margins had come under strain over the past three years (232)

However, the ratings were based on AECI's strong position in the domestic market and the steps taken by management to address strategic problems. This included the recent link-up with Sasol to enhance the cost-competitiveness of its polymer production facilities.

Its balance sheet had strengthened over the past financial year Apart from a R210m decrease in borrowings, the group had been released from R260m contingent liabilities and guarantees relating to Soda Ash Botswana.

Richemont's share frozen

B Day 24/6/93

MARCIA KLEIN

RICHEMONT's share was suspended on the JSE yesterday following an announcement that it would reorganise the assets of Richemont, Rothmans International and Dunhill Holdings to separate its tobacco and luxury goods interests.

The share was suspended at R43,15, after touching a high of R43,50 the previous day and a low of R32 in August last year.

Richemont will continue to hold the majority shareholding in both groups

(232)

Analysts said it was likely Richemont would use Luxco, which held Cartier and Piaget, as a listing vehicle for luxury goods, although possibly under a different name.

Richemont's luxury goods interests were held through Luxco and Dunhill, but Dunhill was held through tobacco subsidiary Rothmans. Cartier was controlled by Richemont through Luxco, but was 47% held by Rothmans Richemont said Cartier would become a wholly owned subsidiary of the luxury goods group.

Rothmans B and Dunhill revealed they would return their surplus cash to shareholders as part of the deal.

Analysts said yesterday that SA shareholders would be locked into Richemont and not have the option of exchanging their interests.

Resilient SAB expects to improve performance

B/Day 24/6/93

(232)

MARCIA KLEIN

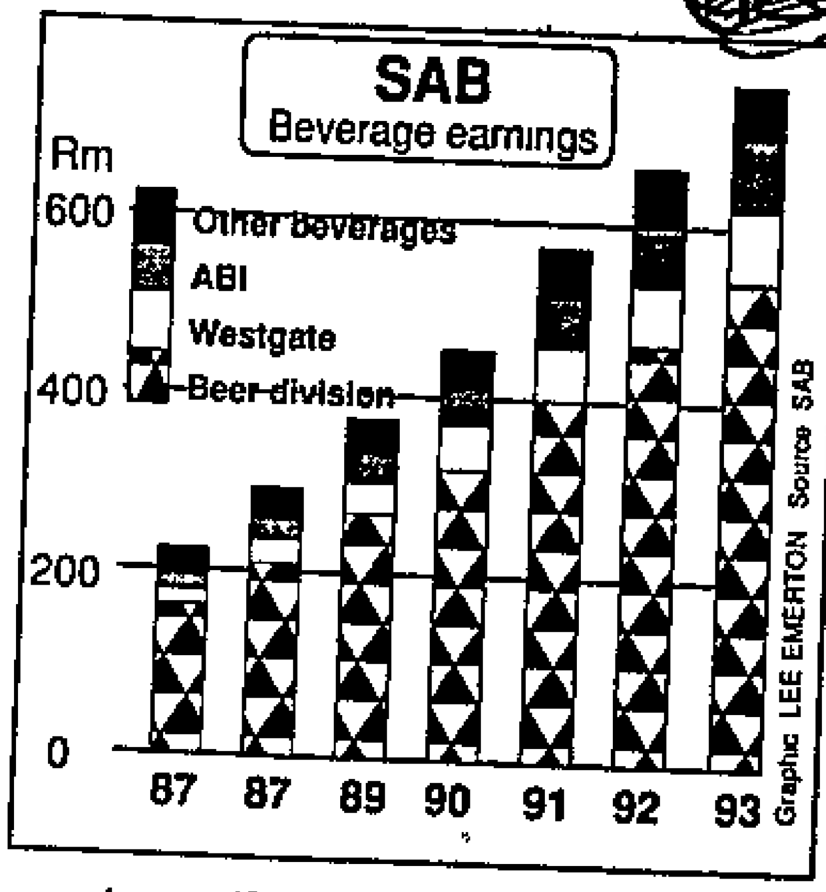
SA Breweries (SAB) was not expecting the resumption of real growth in private consumption expenditure before well into 1994, executive chairman Meyer Kahn said in his 1993 annual review

But SAB, which recently reported a 6% increase in attributable earnings to R825m on a 25% turnover rise to R21,8bn in the year to end-March, had proved its resilience, he said

In this light, an increase in earnings and in operating cash flows could be expected

Kahn said that over the past seven years the beer division's earnings had grown at a compound rate of 22,1% while other interests grew by 19,4% The seven-year average return was 20,7% against an objective of exceeding 20% per annum

During the year the group invested R1,4bn, with capex in the beverage interests amounting to R893m SAB had committed itself to capex of about R1,5bn in financial 1994, with beverage interests absorbing about R1bn This would include expansions at Alrode, Newlands and Prospecton breweries, upgrades of packaging capacity in the main plants; and over R200m for further container spending Retail and hotel interests would require about R250m and the consumer goods manufacturing activities would need about R200m.



The beer division increased its earnings by 16% to R541m on a 13% turnover rise to R5,2bn Kahn said sales volumes improved marginally and selling price increases were well below CPI, and the increased earnings were from improved efficiencies and greater productivity.

Kahn said liquor consumers at lower income levels switched from beer to cheap substitutes, and wine was benefiting from "its inordinately low excise contribution". The beer market also remained open to competitive threats from other liquor types like cider Several small competitors had entered the clear beer market, "and rumblings of competitive activity continue"

He said export sales, which had shown exceptional growth over the past two years, were marginally down This was partly due to increased export duties in Mozambique and unrest in Angola But sales had improved in the South American market, and more export markets were becoming accessible.

Due to the low level of beer volume growth, SAB had deferred plans for a new brewery in Port Elizabeth and closed its Isando and Bloemfontein breweries

Southern Sun, which managed the group's hotel interests had outperformed the rest of the industry, with group occupancies at 57% But net financing costs rose significantly and earnings from associates dropped. Total attributable earnings declined by 37% to R17,1m

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B/Day

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SAB

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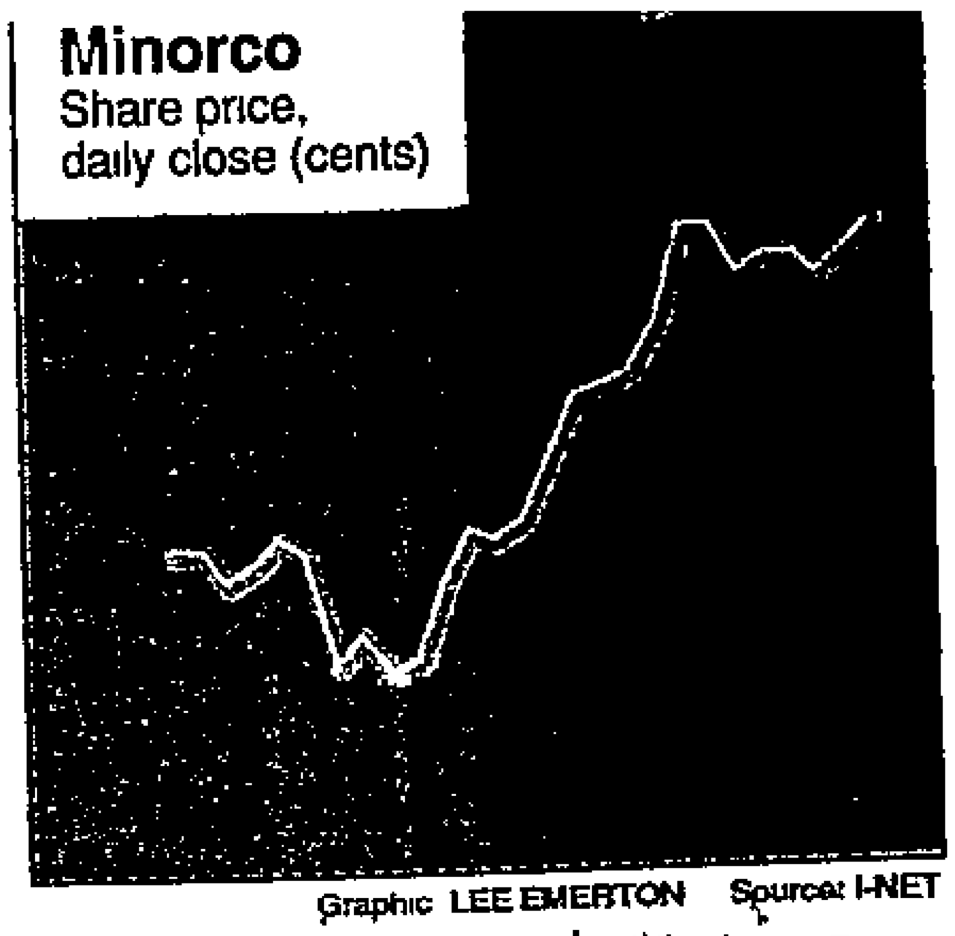
(232)

● See Page 11



Graphic LEE EMERTON Source: I-NET

Charter cuts link to Anglo-De Beers

B/Day 24/6/93

JOHN CAVILL

LONDON — Charter Consolidated is to cut the last link with the Anglo-De Beers family by buying back the 36% stake held in it by Minorco for £235,5m. (232)

The announcement in London yesterday pushed Charter's shares up by 18p to 652p, helped by figures which showed operating profits of the group's core businesses rose 11% to £31,3m on sales 16% higher at £538m in the year to March 31. (232)

The deal to buy out Minorco had been mooted since January when Charter said it was selling its 38,3% holding in platinum group Johnson Matthey. That raised more than £350m, with 20% taken by a company jointly owned by JCI and Minorco and the balance placed in the London market.

Under the scheme, a new company Charter plc will be set up. Its shares will be swapped one-for-one for Charter Consolidated stock except that Minorco will receive £235,5m — worth 622p a share — in a loan note which will be redeemed for cash. The new Charter will then have an issued capital of 68-million shares (against 106-million) with about 23% (compared with over 14%) held by SA investors.

Three Minorco directors will leave Charter — Gavin Relly, Peter Burnell and Tony Lea. Sir Michael Edwardes will resign as a director of Minorco and remain chairman of Charter plc.

Announcing the restructuring, Charter's CE Jeffrey Herbert said it suited both Minorco, whose strategy is to invest in resources, and his group.

"This is a great day for Charter," he said. "We have not been prevented from doing what we wanted by the major shareholder,

☐ To Page 2

Charter

B/Day 24/6/93

☐ From Page 1

but this removes perceptions in the market that Charter was somehow part of the Anglo empire and its own aims. These proposals will truly establish Charter as an independent, industrial company which we will grow through acquisition and disciplined management." (232)

He said that on a conservative estimate, the change would add 10% to Charter's earnings per share — depending on the level of interest rates. (232)

Herbert added that the scheme would make Charter plc virtually the only pure rand hedge share to be quoted on the JSE — although it has two subsidiaries in SA.

A statement from Minorco said that since 1981, Charter had been selling off its mining interests and evolving into an industrial company. With the sale of the Johnson Matthey holding there was "no longer any strategic reason for Minorco to hold a stake in Charter".

The £217m profit on the Johnson Matthey sale and new accounting practice — which treats previously extraordinary gains as part of ordinary earnings — has distorted comparison of Charter's figures for 1992-93. Under the new method pre-tax profit was £289,2m compared with £85,5m — which includes the surplus on the 1991 sale of Charter's holding in Minorco.

Net of asset sales but including Charter's share of Johnson Matthey earning, pre-tax profit was down by £500 000 at £71,7m and turnover slightly higher at £1,2bn.

The figures for Charter's four operating businesses — rail track equipment, mining machinery, quarrying and coal mining and building products and service — show sales of £537,7m (£462,5m) and a combined surplus before interest and central operations of £31,3m (£28,2m).

After the restructuring Charter will be left with net equity assets of £354m (£590m) worth 519p (556p) a share. It will have net cash of £147m.

Confusion rife over names and products

BIDay, 24/6/93

CONFUSION over the Ricoh, Gestetner and Nashua names and brand products is rife in SA

Some of the confusion could be allayed as Nashua — which distributes Ricoh products in southern Africa — and Ricoh have signed an agreement that extends their relationship into the next century

This puts paid to speculation that the relationship could be in jeopardy and gives Nashua the exclusive rights to all Ricoh-branded products

Nashua MD Jac Moolman says Ricoh enjoys the largest market penetration in SA compared to any other market worldwide.

Confusion in the local market stems largely from events overseas

Although Nashua (US) sold its local subsidiary to Barlow Rand in 1983 and Nashua became the Ricoh distributor, Nashua (US) sold its other subsidiaries, like those in the UK and Australia, to Gestetner.

When Gestetner faced troubled times in 1991, Ricoh supplied it with both Gestetner and Nashua copiers Ricoh also acquired 24% of Gestetner, which was raised to 29%.

"There is now confusion because Ricoh makes Gestetner-branded machines for the Gestetner subsidiaries and Nashua-branded machines for the Nashua subsidiaries," says Moolman.

(232)

In turn, Ricoh makes its Ricoh branded machines for its subsidiaries and distributors worldwide

Unit trusts to get the nod but there will be limits

BDay 25/6/98

232

THE unit trust industry is to get the go-ahead to invest in the futures market soon, according to the Financial Services Board Bulletin

The report says unit trusts will not be given carte blanche to trade in the market as some limits will be necessary, at least in the beginning

Unit trust performance is expected to be enhanced by trading in futures, due to the hedging potential of the market.

The report says the board looked at British unit trusts, since its rules were similar to those of the local unit trust industry That country's unit trusts have been trading in the derivative markets for a number of years The report outlines two approaches on the issue in SA

In the first, it says derivatives should not be used as a vehicle to exceed current investment limits of 5% or 10% in a particular security

Combined

They should also not be used to attain negative investment in any security and investment in derivatives should not be used to gear the fund and obtain an investment of more than 95% in equities.

It should also not lead to a negative investment in shares

Limits are to be placed on the buying and selling of options as well as the writing of options. It says investment in futures should be combined with options written by a fund to determine limits Also, all futures positions have to be covered.

The buying of options, which have limited downside potential, will only be losely regulated.

In the second approach, for managers using more sophisticated methods, deriviatives should not be used to exceed the current investment limits.

They should also not be used to attain negative investment in any security Similarly, the investment in deriviatives should not be used to gear the fund and obtain an investment of more than 95% in equities and should not lead to a negative investment in shares

In regard to limits on options and futures, the report says the total gross economic exposure to all derivative positions (futures and options bought or sold) should not exceed 20% of the value of the fund.

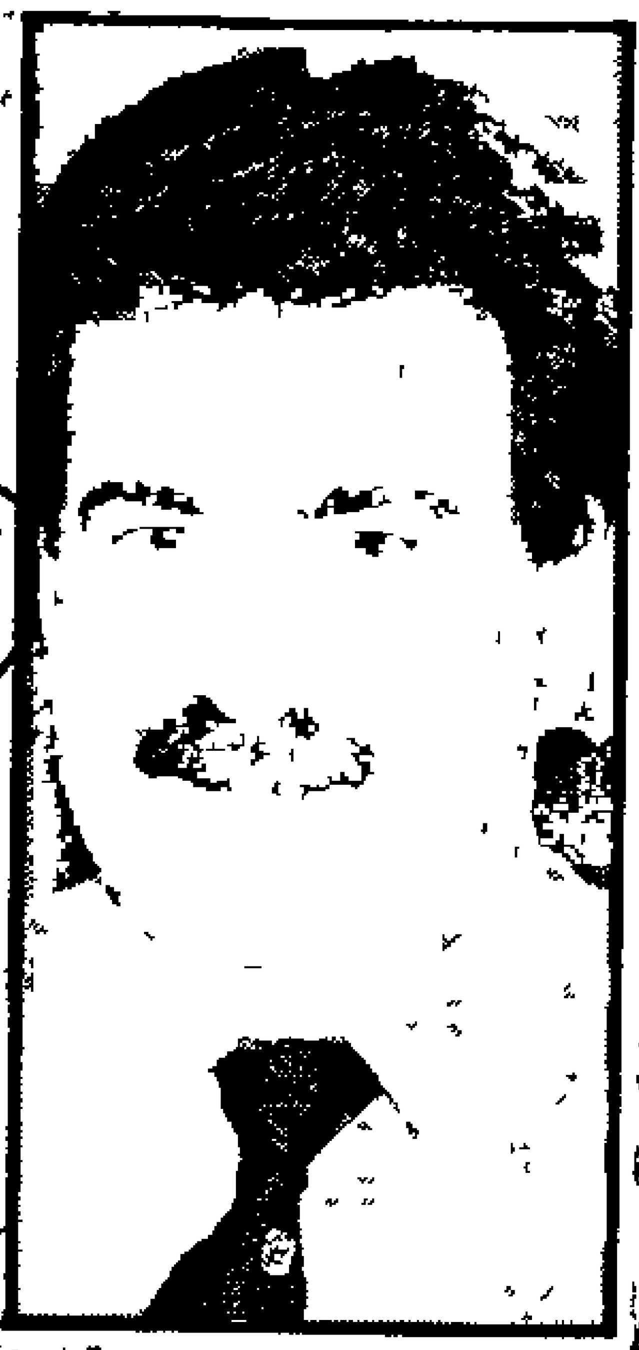
Covered

All derivative positions have to be covered. There must, in addition to the normal cash holding, be cash to cover the economic exposure from long as well as short derivative positions

Limits imposed on the buying and selling of options are the same as for the first approach

The report says the supervision of the new system will be left to the trustees of the unit trusts.

However, these additional functions will be a cost factor to the trustees and users of deriviatives should bear the costs of additional supervision to protect unit trust holders.



BRETT STACEY

JSE opens floor to derivative brokers

BDay 25/6/98

IN a move ~~widely~~ welcomed by futures brokers, the JSE has decided to open its membership to derivative brokers

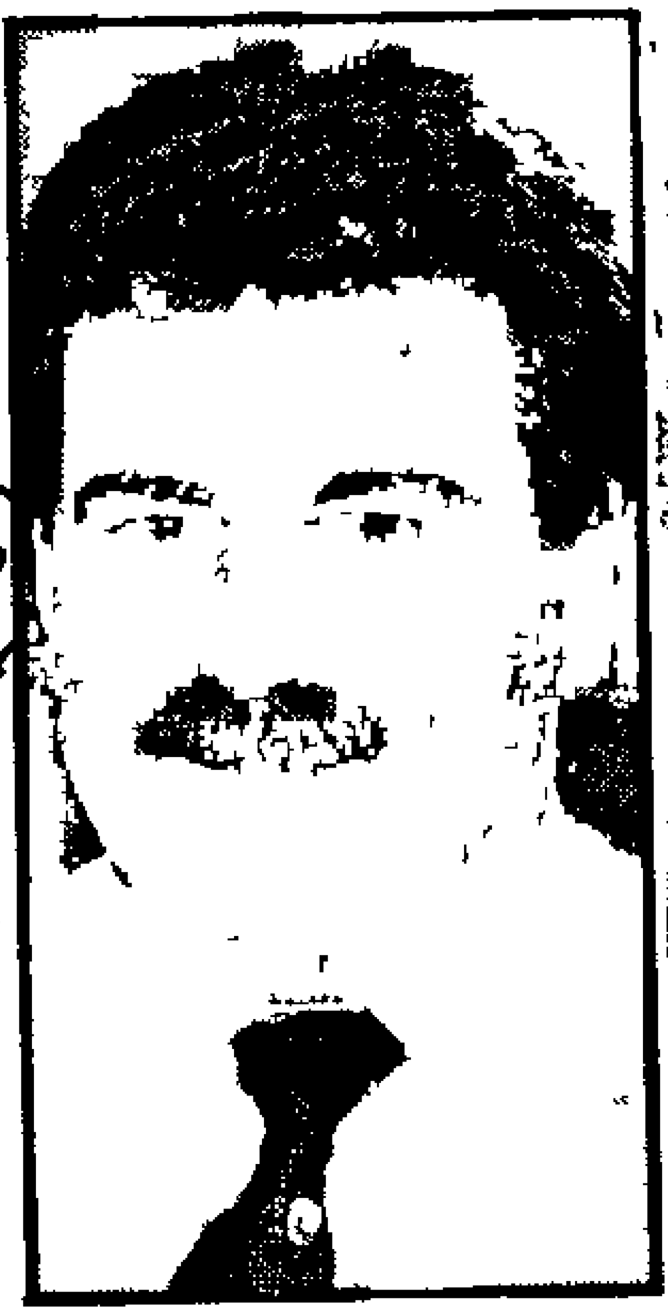
The decision gives derivative brokers limited access to the JSE by allowing them to trade on the floor only in those shares that make up the index in which they hold a futures position The JSE has still to finalise the nuts and bolts of the new membership class.

Amendments

JSE operations director Neil Carter says the necessary amendments to the Stock Exchanges Control Act are currently before Parliament and can be expected to be passed into law soon The new laws will allow the JSE to amend its rules to accept the new

Speculation earns spectacular returns

BLDAY 25/6/93


BRETT STACEY

THE recent bull run in the gold market has highlighted the effectiveness of using options to speculate, according to National Futures and Options MD Brett Stacey.

Stacey says that early in March, a speculator could have bought a call option (right to buy at a specified price — for example, 1250 on the June gold index future) for R2 900 when the gold index was at 1020.

Had the speculator exercised this option towards the end of May, when the gold index was about 1880, the net profit would have been in excess of R57 000 — a spectacular return of 2 000%.

However, Stacey says, if the gold market had collapsed, the loss would have been limited to R2 900, since options represent a once-off cost.

Limit

Options can also be used in other trading strategies to limit losses by affording speculators protection against open futures positions.

Depending on market conditions, options can be bought for time periods from a few hours up to several months

While most of the option activity up to now has been between banks and other large institutional players, this area provides exceptional opportunities for private individuals, he says

Limited potential losses in return for virtually unlimited potential profits make this market extremely attractive.

Stacey says that over the past year there has been tremendous growth in volumes on Safex, attracting increasing interest from individuals wishing to participate in highly geared speculative activity, as well as those wanting to hedge their equity portfolios

He says that equity index futures allow speculators the opportunity of speculating on stock market movements with little outlay and very small transaction costs.

232

Individual

The futures market lets the private individual make large profits for a comparatively small outlay, because the initial margin required from the investor is small compared with the size of the futures contract being negotiated.

However, Stacey points out that the leverage can result in enormous losses

JSE opens floor to derivative brokers

BDay 25/6/97

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Amendments

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There will also have to be changes to JSE trading systems and Carter says these will take the best part of the year to come to fruition. The move is significant, he says, as it will allow futures brokers to hedge their positions on the JSE floor.

Futures brokers have felt at a disadvantage to their JSE colleagues because they do not have direct access to the floor.

They also say that the move will eliminate time delays in obtaining live shares prices.

At present, there is a lag in futures brokers seeing latest prices made through open outcry being input into JSE computer systems.

Hedge

Carter says futures brokers may also feel the need to use the Traded Options Market — which until now has suffered thin volumes — to hedge their positions.

According to Safex CE Stuart Rees, the JSE move to allow Safex brokers to trade on the equity floor will boost volumes in both markets.

"Any move that will boost volumes on the JSE will ultimately assist the futures market, and such a position is to be welcomed," Rees says.

risking capital ... Tasc says a survey of past participants shows ... within the industry also gain broader exposure"

May 1990 to May 1993

By no means exclusive to sharp yuppy traders

BDay 25/6/93

MANY people tend to switch off when hearing the word "futures", tending to think they are complex financial instruments, the exclusive preserve of yuppy traders

This is not so The Japanese were using rice futures as long ago as 1650 and financial futures first saw the light of day in 1972 on the Chicago Mercantile Exchange

A futures contract, put simply, is an agreement to buy something at a fixed price for later delivery, but paid for in advance

Agreement

Put technically "A futures contract is an agreement to buy from, or sell to, a futures exchange, a standard quantity and quality of a specified asset, on a specific date, at a price that is determined at the time of trading the contract."

Safex's three main contracts — for which there are expiry dates every three months — are based on the JSE's all share, all gold and industrial indices

A contract costs the current index level multiplied by R10 For example, an all share contract, if the JSE index is at 3 900, will cost R39 000

An investor is not called on to pay the whole amount in one go All that is required is for an initial margin of R2 250 on the all share and industrial contracts and R2 000 on the all gold contracts to be paid into an account at Safex (which also earns interest)

The margin is based on the maximum amount a contract can reasonably be expected to drop in value in a single day

Should the contract make a loss, the investor is obliged to pay in the loss by 11h00 the next day Safex then pays the loss into the account of an investor who has sold a contract

So, it can be seen that there are always two legs to a transaction, with one side being the winner and the other the loser The process of matching the two sides of the deal is done randomly by Safex

The exchange sets the closing price of a contract at the end of the day through a process known as mark-to-market. This price is the average of all the prices shown by Safex members at the end of the day in each contract

The JSE indices represent price movements of the major shares listed on the JSE The main shares of the all share index are De Beers (which makes up about 8,2%), Anglo (7,6%), Richmond (5,4%), Gencor (4,6%), SA Breweries (4,32%, and Remgro (3,8%)

It can be seen that by buying an all share contract investors end up with a proportional equivalent of the shares in the index

Safex also has a system whereby it calculates the margin required according to the risk position

If an investor sells and buys the same number of contracts, then the risk is zero and the margin accordingly is much lower This is known as "dynamic margining" (232)

Right

Any investor who is unsure of the direction the market will take can also make use of options. These give the holder the right to buy or sell the futures contracts at a set price These are known as call and put options respectively

The price of an option depends on a number of factors the asset price, exercise price, interest rate, length of declaration period and volatility

Payment is the same as for the futures contracts in that the profits and losses are paid out daily When an option is exercised, the investor gets an actual futures contract rather than cash

Potential investors are advised by Safex to deal through registered members of the exchange

SA dealers' salaries on par with UK

BDay 25/6/93

LOCAL futures dealers are commanding salaries similar to their UK counterparts, surveys show.

According to a report on Good Morning Reuters World, the latest salary survey from leading London-based consultants Jonathan Wren shows that salary levels in the derivatives market have generally improved compared with last year

UK research shows that experienced professionals with a strong academic background combined with language skills can command salaries of up to £100 000, plus substantial bonuses.

Local derivative brokers, although unwilling to disclose exact salaries, say the better traders can command rewards of up to R1m a year, including profit sharing.

A basic salary of about R250 000 is more usual and many advertisements for derivative brokers offer that sort of salary.

Growing

The Reuters report says equity derivatives is a growing market and this has led to an increased demand among London banks looking for experienced professionals.

The demand has spread to currency options and growth of exotic markets has meant options dealers are more profitable than their associates in forward commodities and spot dealing.

It says Colin Jones, a senior consultant with Jonathan Wren, predicts that although the 1992 survey shows salaries had remained static, this year is expected to reflect a healthy increase.

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The cheque isn't in the post

A box of chocolates was all a small businessman used to need to sweet-talk a customer's accounts clerk into pushing his payment ahead of the queue Now that no longer works Chocolates have given way to threats, debt collectors and law suits as small businessmen fight to get their money out of tight-fisted customers, including some of the biggest companies in the country

After four years of recession, something had to give. Cash flow is drying up as each business tries to pass some of the pain on to the next Liquidations for the first quarter of the year rose 4,1%, to 683, compared with the same period a year ago Forced insolvencies were up 3,3% to 1 004 in the same comparative period Last year 1 142 close corporations were liquidated, 60% more than in 1991

Obviously not just the small fries are suffering Credit specialists say some big companies are on the verge of insolvency and will take some innocent bystanders down with them

"The morality of business has changed over the past few years, co-incidentally together with the enduring recession and uncertain political future," says Credit Guarantee senior economist Luke Doig "Lack of security has forced many to operate on a short-term horizon only and strength is the key to survival

"Ethics are on the back burner and a rape mentality exists, for example survive the day The small enterprise can rarely compete, let alone prosper, in such circumstances "

For a small businessman, remaining competitive often means letting unfinished work slide while he tries to get paid for jobs already done Nobody wants to list names for fear of making enemies, but all agree it's rare for a company to pay its bills on time

"I spend half of my days collecting debts You have got to thump on desks," says Clint Husemeyer, the MD of Pictech, a Johannesburg firm that imports air-conditioning equipment "Every company has instructed all of its people to lengthen the period of payment "

Husemeyer says there's always a run-around these days, it's part of the system The company needs a statement from the surveyor — in Rustenburg With that piece of paper in hand, the company then decides it needs a statement from the accountant — in Rosebank Then it needs three weeks to prepare the cheque At the end of the three weeks, you're told the paperwork simply disappeared and could you please deliver duplicates?

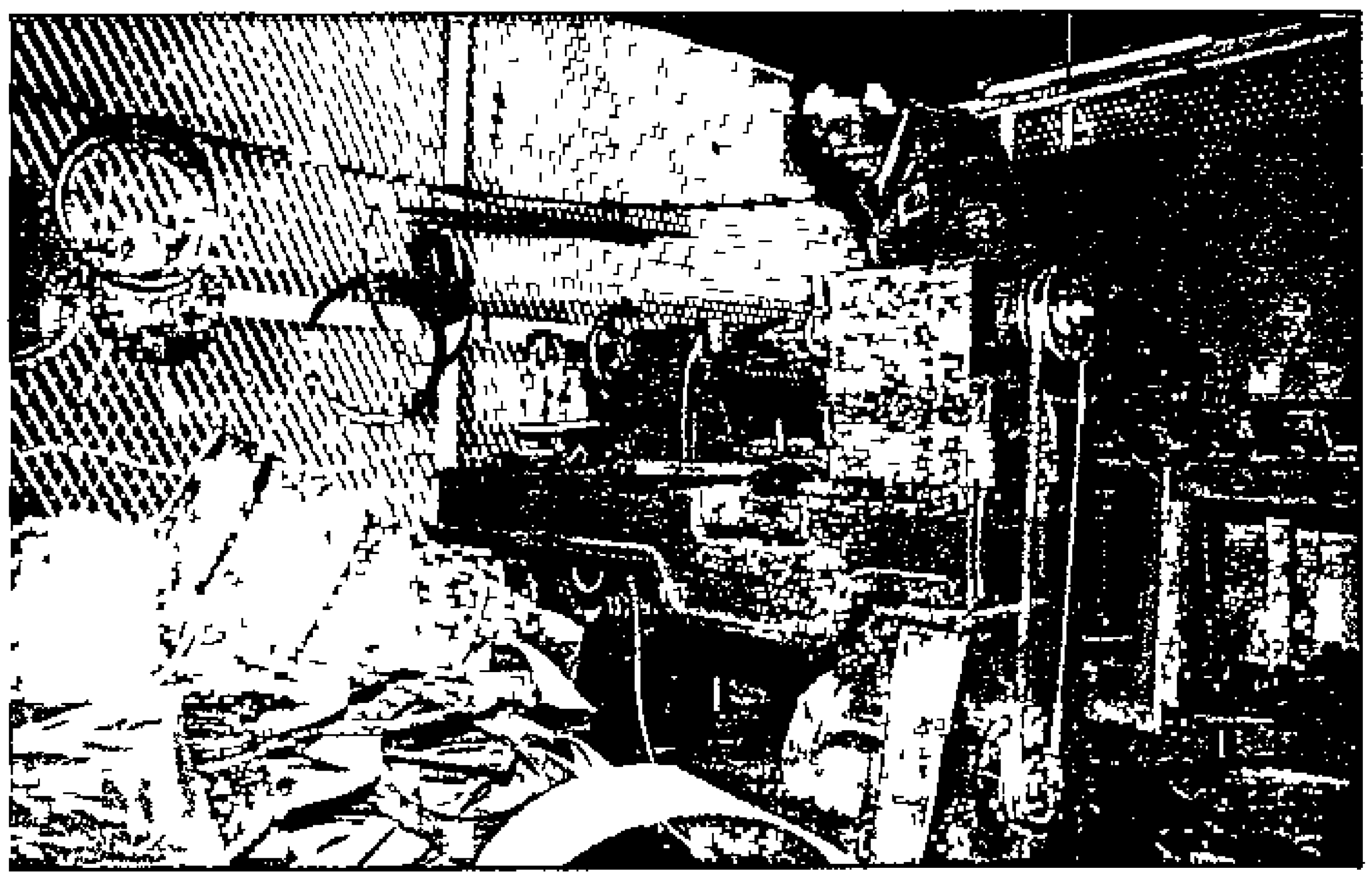
The cycle begins when those on the receiving end of the slowdown have no choice but to delay paying their own creditors and suppliers

"Big businesses pay very slowly but collect quickly," says Small Business Development Corp (SBDC) assistant GM Dawie Crous "We advise small businessmen to do the same "

SBDC senior GM Jo Schwenke says the song-and-dance routine is typical and comes down from the highest corporate levels "When the economy goes into decline, two directives go out The first goes to the sales staff to cut back on credit terms The second goes to buyers to take longer credit Small, private firms can put up little resistance in the face of such an onslaught

"The decision is usually made in some boardroom The board says terms must be increased from 60 days to 90 and if suppliers won't play ball, find new ones And the managers carry it out because it makes the bottom line look better "

But Kreditinform MD Ivor Jones scoffs at the notion that the big, bad conglomerate is taking advantage of the poor, unsuspecting small business owner He says it's a problem of too-high expectations among the little guys, many of whom are playing with the A-team for the first time



Working for a living *but will the customer pay?*

"All companies are not paying on time Few pay right on the nail Most extend their terms As the recession has worsened over the past few years, they have begun to look at their creditors as a means of finance But they must be educated to believe that they will not get away with nonpayment "

Jones says the problem is that small businessmen fear rocking the boat of a big business by demanding payment on time He says the "nice little letter" after 90 days gets thrown in the bin

And, he adds, too few small businessmen are willing to demand interest on overdue accounts, even if that condition is included in the contract

His advice? "When the cheque is due, be there Take a tough line You have to be upfront Let them know that you will be on their doorstep After a while, the clerk will remember the nagging woman from XYZ who's on his back again "

But small businessmen, who are usually workers as well as bosses, argue that they are often too busy doing a job to pester the accounts clerk On a Friday at the SBDC hive in Johannesburg, many of the work stands are empty because the proprietors are out hunting down their money And, if truth be told, they are, indeed, afraid of the consequences of being that squeaky wheel that demands its oil They can't help but ask themselves What if?

Husemeyer has his own way of eking out payment He drives around in a battered old bakkie and pretends he's just one of the humble employees instead of the MD "I get them to feel sorry for me by telling them my boss will fire me if I don't collect "

Jones, naturally enough, suggests enlisting a credit information bureau to provide background on potential customers A credit report sets out a company's ability to pay debts and tells you whether it pays on time Armed with this, a businessman can make deals knowing what to expect

Like many other entrepreneurs, Husemeyer depends on personal judgment rather than a professionally prepared credit investigation, which he believes often contains dated, irrelevant information He has his own tricks For instance, he is wary of taking on new clients because it could mean their credit has been cut off elsewhere One strict rule is that he never deals with a customer who drives a Porsche or doesn't haggle over price "He doesn't haggle because he has no intention of paying you, no matter what the price "

Schwenke acknowledges that it's not practical or even possible to find additional customers now, so it's important to learn to live with the ones you have "We would urge the small businessman who is being squeezed to have an open, honest discussion with the company at the highest level and to have a good go at it "

He says it might be possible to compromise with a recalcitrant corporate client by offering enhanced service or perhaps some concessions in exchange for prompt payment

"The wise companies take a reasonable approach," Schwenke adds "They use their muscle with discretion They know that without suppliers which offer good quality on time, they don't have a business Suppliers are not something to screw left, right and centre "

THE JSE

A boost for confidence

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The trial of former stockbroker Andrew Forbes and his accountant, Mark Lambert, will take place early in August SAP Commercial Crime Unit Major Piet Cronje says the case against Forbes and Lambert is scheduled to begin on August 9 and provision has been made for the trial to extend to September 3

Cronje says the charges against Forbes and Lambert embrace four main areas theft of clients' funds, misappropriation of scrip, misuse of clients' scrip to secure overdraft facilities for the firm Andrew Forbes, and reckless trading in terms of Section 424 of the Companies Act

Meanwhile, the JSE has agreed to step in to assist clients of Andrew Forbes who believe they've been prejudiced by the excessive time it has taken to resolve their claims JSE executive president Roy Andersen says the JSE has undertaken to meet the claims of former Andrew Forbes clients from the JSE's own funds The amount is R8,2m

The action has been taken, says Andersen, because the JSE is well aware of the frustrations of helpless clients Andrew Forbes was first suspended in July last year After the default, the books were written up and claims filed on behalf of clients with the JSE's insurers The claims were rejected on December 9 on the grounds that "as formulated, the claims cannot be advanced"

Subsequently, auditors prepared a comprehensive claim document in which every claim was re-examined and revalidated The omnibus claim exceeding 1 000 pages of evidence was resubmitted in March And that's more or less where things remained until last week's surprise announcement

Andersen says discussions between legal teams representing the JSE and insurers SA Eagle are under way and "I remain hopeful of a suitable settlement However, it's clear negotiations will be protracted and the JSE has decided to take unilateral action to assist clients"

It is an approach which should certainly encourage investor confidence in the JSE Among the many complaints received by the *FM* about this issue are some which excoriate the JSE for its perceived lack of interest in clients' plight and others for an alleged disregard for its own rules as these apply to client protection The decision by the JSE's committee to dip into JSE funds ahead of any settlement with the insurers is sure to earn the broking community some welcome plaudits

And the JSE has extended this principle to clients of defaulting broker H G Crosby The JSE has offered to pay R1,6m from its own funds in respect of all limited claims (the word limited is applied to differentiate claims between "general" — meaning those which fall precisely within the seven-day dealing and transaction rule — and limited, that is, those not qualifying as general)

Lastly, the JSE is paying a further amount (R12 795) in respect of defaulting broker Ben Janse van Rensburg

Meanwhile, the impasse between stockbroker Kaplan & Stewart (K&S) and some of the firm's clients appears close to resolution K&S had invested about R2m of clients' funds with Focus Holdings, a listed company subsequently placed in liquidation — and which, ironically, was listed with K&S as sponsoring broker That left clients high, dry and angry

Andersen, pressed into diplomatic action to resolve matters, is reluctant to comment but K&S partner Stan Lorge confirms he expects all affected clients to accept a settlement offer This is believed to be repayment

JSE's Andersen *taking unilateral action*

of their losses over 60 months without interest, but Lorge won't confirm this

A beaming Andersen says the JSE's actions should take the community well down the road to clearing up most of its remaining difficulties That, coupled with a resurgent gold price and a revitalised market, should be enough to restore happiness to brokers nervous about maintaining payments on their Porsches *David Gleason*

JSE ELECTION

Where is the passion?

This is make or break year for the JSE As the *FM* went to press, the exchange was preparing for its annual election of the all-powerful committee of members — effectively, the last word in authority for the broking community

Once again, there is a curious lack of interest in the process, made most evident in the lack of competition for places on the committee Last year's committee is again standing *en masse*, plus a solitary newcomer in Simpson McKie chairman Bill Yeowart There are 13 candidates for 12 places — hardly the kind of contest which inspires passion, dedication or even overt lobbying (within the JSE, lobbying is conducted distinctly *sotto voce*)

Yet this is the year in which the new committee will be required to present its considered blueprint for the future of the JSE The so-called research committee — effectively some members of the JSE committee with an equal number of institutional representatives, popularly called the Katz Committee after chairman and company law guru Michael Katz, has existed for more than 12 months It's high time the results were made public

Among important matters facing the broking community are such issues as whether the JSE should accept dual capacity trading, allowing members to act as agents and principals, the introduction of screen-based trading, broadening the scope of membership to encompass corporates such as merchant and clearing banks, and the introduction of negotiated commissions to replace the fixed commissions which so excite the ire of the institutions

JSE chairman Humphrey Borkum let it be known that the committee's recommendations would be brought before the membership and debated fully But where are the recommendations? There is widespread speculation among JSE members that divergences of opinion have opened up between Katz and his committee colleagues in certain key areas It's possible a parting of the ways might be unavoidable, but Katz wasn't available for comment

If it is true, the fall-out could be disastrous Some institutions, long dissatisfied with the system of governance of the JSE, might be tempted to exert overwhelming pressure on the authorities to ensure the exclusivity of the club is broken

Meanwhile, the interest in the annual election centres on whether long-serving Paul Ferguson will hold his seat (he scraped in last year by the narrowest of margins), whether Yeowart will succeed, and who will be the next chairman Borkum, chairman for the past two years, is due to hand over to Francois Tolken There's no certainty, however, that Tolken has accepted the position Based on that, the chances must be good that the next chairman will be an unexpected candidate

The dearth of members seeking election certainly raises eyebrows The *FM* conduc-

P.T.O.

INSOLVENCY LAW

FM 25/6/93 232

Threat to landlords

The law affecting the rights of certain creditors on insolvency has been fundamentally changed by recent legislation, but there is no unanimity that it is for the better Landlords' rights to attach tenants' moveable property to secure rent are particularly affected

The Security by Means of Moveable Property Act, which came into force on May 7, confers a secured right over certain types of moveable property owned by the debtor The type of asset to which the Act could be applied includes large indentifiable individual items which form part of the permanent capital of a firm — for example earthmoving equipment or vehicles.

On the one hand, says Werksmans' partner Maas van den Berg, the change in the law makes it easier for companies such as builders or civil engineers to borrow money against a pledge of this type of asset On the other, the ability to borrow on a secured basis against the security of certain assets downgrades the position of the landlord on insolvency It also opens the door to fraud by the debtor against the lender through borrowing twice against the security of the same set of assets

A crucial feature of the Act is that the special notarial bondholder does not need to take possession of the assets listed in the bond in order to "perfect" (establish) his security, though, says Van den Berg, it seems a special notarial bond registered before the commencement of the Act would still require to be perfected to protect the lender.

The Act places a special notarial bondholder at an advantage relative to the landlord, says Van den Berg The landlord has a specific form of security available to protect his claim for rent in the event of the tenant's insolvency. This is known as the landlord's lien or hypothec

This form of security also does not require to be perfected before insolvency. However, to the extent that some of those assets have already been made the subject of a special notarial bond, the position of the landlord is correspondingly weakened. To make matters worse, the Act gives the special notarial bondholder precedence over the landlord's hypothec, even if the landlord's claim arose before the bond was registered

The Act applies only to special notarial bonds, that is bonds on specified and identifiable moveable property The bond must be executed by a notary and then registered at the appropriate Deeds Registry As the registration process can take several weeks, this provides a window of opportunity during which a dishonest borrower can offer the same set of assets as security to two lenders and there is no means of verifying that a previous pledge exists ■

INCOME TAX FM 25/6/93 (232)

Enabling unbundling

A concession relating to the safe-haven rule is included in the unbundling provisions of the Income Tax Amendment Bill It applies to taxpayers who are share dealers On selling the distributed shares, they will be allowed to add on the period over which they held the shares in the unbundling company up to the date of unbundling This makes it easier for them to reach the safe haven minimum, which exempts them from tax on any gain.

The sections dealing with unbundling have been designed to cover the group structure of a pyramid — companies with several layers of which the topmost is the quoted unbundling company and the bottom layer comprises quoted shares to be distributed

Miles Divett of Sonnenberg, Hoffmann & Galombik says, to qualify, the unbundling company must hold at least 50% of the equity share capital of any intermediate company — listed or unlisted

Then the distribution of quoted shares held by the intermediate company, as part of

FM 25/6/93

an unbundling transaction effected by the top company, will qualify for the exemption — subject to other requirements This also applies to an intermediate company in the pyramid (232)

An unbundling transaction must be approved by the Commissioner and must be carried out (solely or mainly) to enable shareholders of the unbundling company to acquire all the distributable shares held by the unbundling company.

A distribution in kind will include shares distributed in the form of a

- ☐ Dividend (including a liquidation dividend),
- ☐ Total or partial reduction in capital, or
- ☐ Redemption of redeemable preference shares

This extended definition covers situations where

- ☐ The unbundling company might not have enough reserves to achieve a distribution in kind as an ordinary dividend, and
- ☐ Does not wish to be wound up

The definition of distributable shares is itself complex It deals mainly with the situation where the unbundling company, at June 21, held shares in one or more quoted companies But it also applies to the case where a company acquires additional shares in quoted companies after June 21 These may also constitute distributable shares if the Commissioner approves

Divett says the main basis covers

- ☐ Portfolio investors which want to unbundle quoted holdings — in which case at least one of the listed investments comprises not less than 10% of the equity share capital of one of the portfolio's listed components, and
- ☐ Investment holding companies which wish to unbundle Here the listed shares to be unbundled must represent at least 70% of the market value of the holder's assets

Apart from the stamp duty exemption, other concessions include.

- ☐ A transfer or registration of distributable shares will be deemed not a dividend for purposes of nonresident shareholders' tax; and
- ☐ A transfer or registration of distributable shares will not be deemed a dividend for secondary tax purposes Nor will the shares distributed be treated as taxable in the hands of a long term insurer

A shareholder, whose investment in an unbundling company is held as trading stock, will be deemed not to have incurred any cost in acquiring shares distributed to him He must reallocate a proportion of the cost of the shares in the unbundling company to the distributed shares

This must be done according to relative market values

Details of a proposed unbundling transaction must be submitted to the Commissioner in advance for his approval, which may be subject to conditions The application must be made before June 30, 1994

Approval granted by the Commissioner will lapse from the date of issue of the certificate, if the registration or transfer of the distributable shares has not been effected within six months of the date of approval — or within another period approved by the Commissioner

The approval will also lapse where.

- ☐ The Commissioner is satisfied that his approval was obtained through fraud, misrepresentation or nondisclosure of relevant facts, or
- ☐ Where an unbundling company or any other person involved fails to comply with the legislation or further requirements imposed by the Commissioner

Divett points out nullification of the exemption from stamp duty would expose the shareholders (as transferees) to duty at the penalty treble rate (3%), even though they might be innocent of any relevant default. This is inequitable

Another weakness in the Bill is an hiatus in the proposed amendments to cover the common situation where beneficial ownership is acquired through an unbundling, but registered ownership remains either with a nominee company or is retained by the transferor company as nominee for the beneficial owner. To prevent the payment of stamp duty under these circumstances, despite the unbundling concessions, the definition of qualifying situations should be broadened

Divett says the obligation to submit written particulars threatens to make Revenue's requirements unnecessarily detailed, given the experience of the moratorium Revenue officials may be victims of cumbersome detail more than the companies themselves!

As unbundling transactions will be confined to listed companies, the circulars to shareholders and explanatory notices which have to be issued anyway should inform Revenue The Commissioner should formulate objective criteria for approval — the appropriate approach — and then evaluate whether the proposed transaction complies ■

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EAST LONDON

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Time for a change

M&R Properties (eastern Cape) has replaced Time Developments, now in provisional liquidation, as the developer of Lantern Bay in East London (*Property* April 2) The city's river front harbour is being redesigned as a recreational and entertainment facility targeted at the local community

The announcement was made last week by Fuzz Loubser, Propnet CEO and MD of Transhold Properties, which has leased the land from Transnet for 50 years M&R has been appointed developer as well as manager of the complex for the first year after the completion of the first phase.

According to Loubser, the only differences between the two developers' schemes are that where Time had planned an intertwined three-phase scheme, M&R's has two clearly defined phases In addition, the cinema complex envisaged previously has been dropped as East London has enough cinemas.

Construction of the first phase began on Monday and is scheduled for completion by December 3

The 17 422 m² Lantern Bay site is within East London's working harbour on the northern bank of the Buffalo River between Buffalo Bridge and the Queen Elizabeth Graving Dock

The first phase comprising 2 000 m² of covered area involves the renovation of the old I&J Building and the berthing master's office and will house, among other tenants, speciality restaurants, action bars and pubs, a boutique, brewery and a boat chartering business

The second phase (2 000 m²), could involve the erection of a building — possibly an hotel — on the outcrop above the monument commemorating the opening of the graving dock Its design will highlight the area's Victorian theme

Since the site has magnificent views of the river, a large area has been left open for outdoor exhibitions, markets and displays. It also offers an ideal vantage point for watching water sports

To enable Lantern Bay to function efficiently the East London City Council is to implement new traffic measures, including a traffic light system along Settler's Way The council hopes there will be more development along this route The port's security gate will be relocated to make way for the scheme to give the public unrestricted access to the port and the Buffalo River

The R6m funding of the first phase of the project is in the form of a loan granted by Transnet to its property holding and investment company Transhold Properties The development is in line with its policy of adding value to its properties

Since Lantern Bay is still a working, commercial harbour, Portnet will retain control of the wooden jetty and the quay wall, but will allow Transhold Properties use of the jetty ■

Star 25/6/93

GDM geared to attract new business

(232)

John Cowper . . . Increased demand for services

By Stephen Cranston

The continued recovery of its clearing and forwarding subsidiary African Shipping enabled GDM Finance to report a 10,1 percent increase in earnings per share to 41,84c in the year to April.

Group MD John Cowper says that the attributable earnings of R10,7 million represents a 29 percent return on average shareholders' equity and a 30 percent compound return in the six years since listing.

The total dividend was increased by 9,7 percent to 17c.

Pre-tax profit increased by nine percent to R12,6 million and the use of tax losses in African Shipping and Repfin brought the tax rate down from six to five percent. Cowper says that the assessed losses in these two companies are unlikely to be used up before the next century.

The ratio of group borrowings in the trade finance companies at year-end was 3,4 to 1, well below the 5:1 maximum gearing for the group. Other finance companies have let gearing increase to 10:1 in the recent past, and in the case of Reichmans this led to huge losses.

Cowper says the conservative risk management, the ploughback of profits and dividends to control gearing, a rand hedge advantage derived from profits generated externally in the UK and Europe, a clearing and forwarding arm and a growing reputation for service have put GDM in a good position to attract new business.

He says there is good synergy between trade finance and clearing and forwarding. African Shipping recorded a 36,7 percent improvement in taxed profit from R2,4 million to R3,28 million.

Cowper says an agreed election date and the prospect of a transitional authority would give hope for an improvement in the economy.

Star 25/6/93

Zambian millers break into SA market

LUSAKA — Zambia's state owned National Milling Company (NMC), the country's largest milling firm, has broken into the South African market — exporting its livestock feeds.

NMC has also broken ground in neighbouring Zimbabwe for its stockfeed and was exploring further export potential to Botswana and Namibia, a company spokesman confirmed in Lusaka yesterday.

"We are also looking at exporting number three maize meal which is a by-product for animal feed," he added.

A ton of wheat bran is currently fetching $55 although this might be revised to bring it in line with increased costs of production, he said.

The exports were a surplus to the local demand by Zambia's farming community.

The spokesman however, declined to divulge details of how much foreign exchange would be earned, but stressed. "We can't just yet quantify our projected earnings because we are still processing the volumes of exports so far undertaken since we started the exercise a few months ago" — Sapa.

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Star 25/6/93

Another Roychem disposal

By Stephen Cranston

Del Monte Royal Corporation, which started life as Lovasz, a chemical producer, has almost completed the sale of its chemical interests with the sale of Laser Pharmaceuticals for R35 million in cash to Premier Pharmaceuticals (185)

The deal follows the sale of two of Roychem's major operations, Holpro-Lovasz and M&T Chemicals, to Chemical Services for R27 million (232)

After the acquisition of Del Monte Foods International by Royal Corporation in December, it was decided to concentrate on its food-related interests and to dispose of its comparatively insignificant chemical and pharmaceutical trading interests.

The switch to a food orientation began when Lovasz acquired Royal Beech-Nut in 1989 from disinvesting RJR Nabisco The group was then renamed Royal Corporation

The sale of Roychem's remaining business, Ferro Industrial Products, is under negotiation and shareholders are advised to exercise caution in share dealings.

Landau Colliery swings into action

Star 25/6/93

By Derek Tommey

Anglo American's Landau Colliery, constructed at a cost of R703 million, was officially opened yesterday — 21 months after the decision to go ahead with the project.

The colliery will produce 3,2 million tons of export coal a year and enable Amcoal, Anglo's coal arm, to take up its extra export quota through Richards Bay

This follows the planned expansion of the terminal there to a capacity of 53 million tons a year.

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Amcoal will source an additional 1 million tons for export from other collieries in the group

Landau has 123 million tons of mineable reserves, giving it a life expectancy of about 30 years

Additional reserves adjacent to the beneficiation plant should extend its life by a further 20 years

Julian Ogilvie Thompson, chairman of Anglo American, said yesterday Landau was a project that would lead the coal industry into the next century

"Not only has it incorporated the latest thinking and technology in opencast mining and coal preparation, but it has given attention to environmental issues."

Landau faces tough competition The recession has reduced industrial activity in all parts of the world and demand for coal has suffered.

But Amcoal has shown its determination to stay competitive by working smarter and cheaper.

Strict attention to costs, together with the competitive climate for project construction and the introduction of VAT, contributed to a capital saving of R100 million.

Landau will be run with a small complement of 250 staff The project sets high standards in productivity and its planned output of 13 200 sales tons a man-year rivals that of many of its First-World competitors.

Attention has been given to environmental issues and an environmental impact study was conducted before the project was given the go-ahead.

Mine officials said the retreatment of the old Navigation colliery dump would, for a start, help clear up the site of former colliery waste.

Abbey Holdings moots unbundling

232

CT 25/6/93

By MAGGIE ROWLEY
Deputy Business Editor

CAPE-based investment holding group Abbey, which has a 58% stake in Propcor and a 79% holding in Fenix Industries is considering unbundling measures, Propcor chairman Benny Rabinowitz said

At Propcor's agm yesterday, Rabinowitz said as the property company was currently structured, investors were unable to understand it or to see its intrinsic strengths

The R6 9m attributable losses incurred by Propcor last year, he said, stemmed mostly from the trading operations which had experienced tremendous pressure on margins and substantial write downs. The fixed asset portfolio, which currently boasts three strong properties on the other hand had performed extremely well

"As the company is presently structured the strengths of the fixed asset portfolio are lost and it would make more sense for these divisions to be separated to make the group more focused."

He said plans for the separation of the two divisions was still in an embryonic stage but it was the likely path ahead.

How and when would be dependent on their advisers, he said

Possibilities included unbundling the group through a separate listing, the formation of a loan stock company or even a unit trust

If a buyer was forthcoming, they might even consider selling off the trading operations which presently constitute about 25% of the company's total equity.

In an interview following the meeting he said it was possible the unbundling would not be limited to Propcor but could entail the entire Abbey group.

Rabinowitz told the agm that if the political climate continued to improve, the company should be back in the black this year but no dividends were likely as profits would be used to further reduce debt

The capital base of Propcor was substantially strengthened at the time of acquiring the remaining 50% of Partners in Property Ltd.

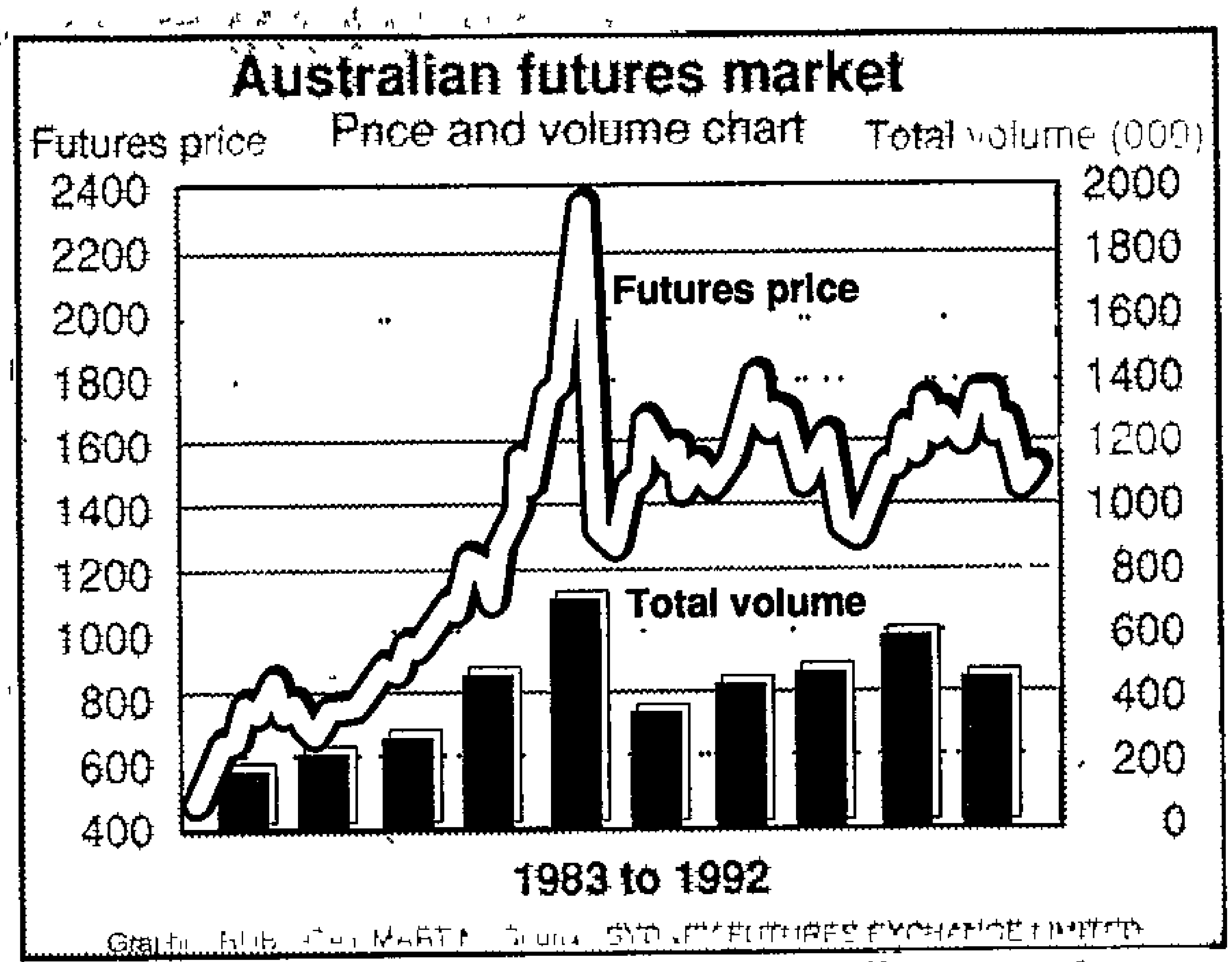
The fixed asset portfolio of Propcor was independently valued giving rise to a R11m surplus which was transferred to non-distributable reserves

Realistic and substantial provisions had been made against certain trading properties where high margins were no longer obtainable in the current economic climate.

"Having taken the bad medicine during the past year, the group is now soundly based to face the future"

Fenix Industries, in which Abbey has a 79% stake, had reduced losses substantially in the past year and was confident of continuing the trend of improved trading achieved in the second half of 1992, chairman Cedric Walton said.

Forecasting and planning was made difficult by the fact that due to the recession orders were coming in on a week to week basis



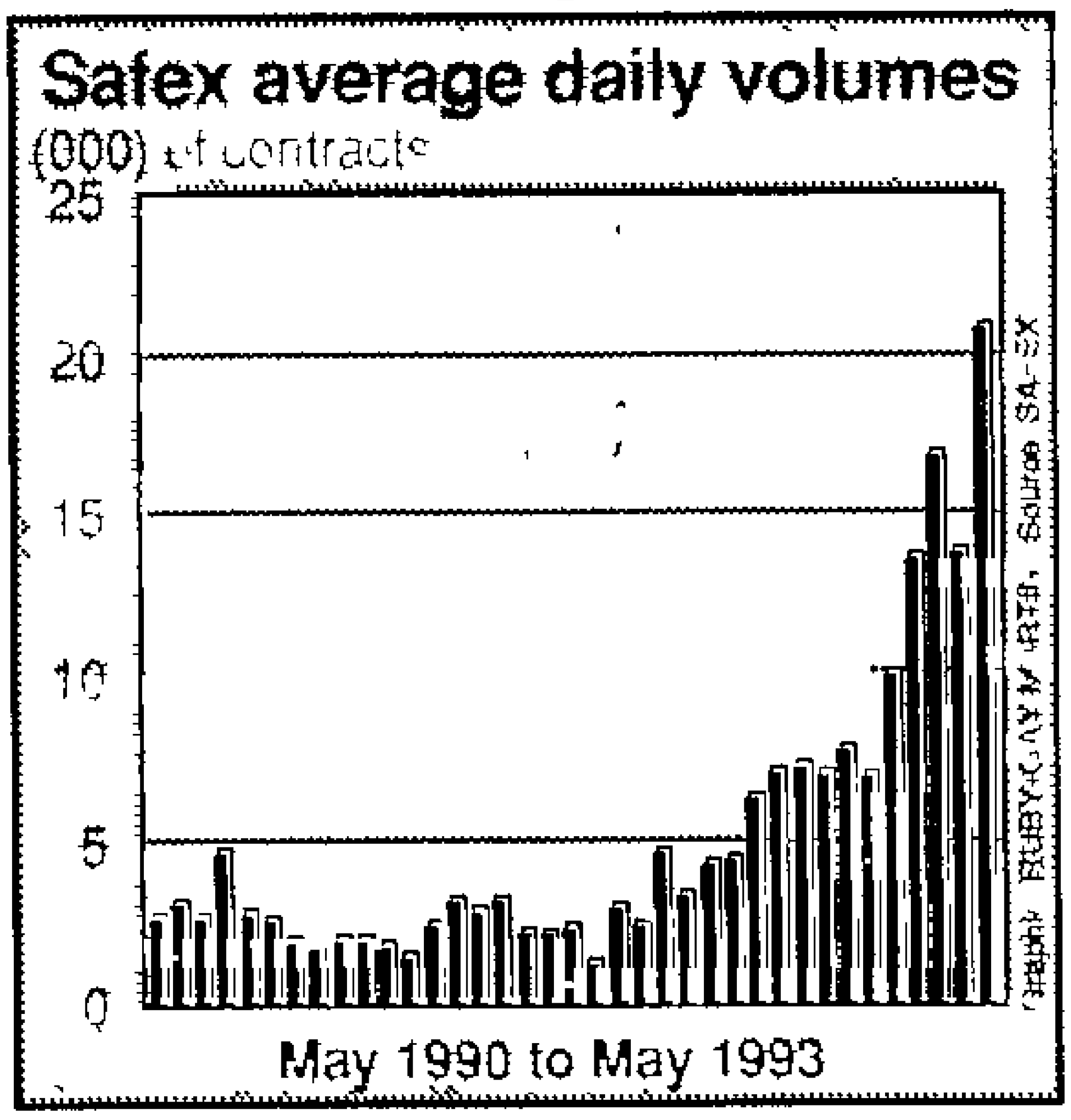
Six years down road, Safex has learnt from early knocks

BDay 25/6/93

THE idea of a formal futures market for SA was first mooted in April 1987 when Rand Merchant Bank lobbied for the informal futures market to be formalised into an independent exchange and an associated clearing house.

At the time, about 20 contracts a day were being traded on the informal market. A single contract was 10 times the size of current contracts, equating to 200 contracts in present day terms.

(232)



Prospectus

By September 1988, when Safex and its clearing house, Safcom, were formed in accordance with the prospectus devised by the Safex working committee, the number of contracts had fallen to 150.

In the intervening year until the exchange got going, the volume of trade grew to 2 000 contracts a day in April 1990.

Also, the E168 future was at that time the second biggest stock in the bond market, second only to the E168 itself.

In April 1990, Safex and Safcom took over the market and R68m in margin was transferred to the new clearing house. In August 1990 the exchange was licensed by the authorities.

At this stage, things started to go wrong for the fledgling market. The trading floor built at the request of the stockbrokers by the JSE was canned by Safex. DRS Brokers defaulted and was liquidated. CIB went under from overtrading, apparently in the bond market and for an insidious lending book, taking with it a lot of Safex volume, particularly in the E168 future.

As a result, volumes declined, particularly in the E168 future.

In response, Safex cut costs by reducing staff, reducing salaries of senior staff and by rationalising wherever possible.

Additional capital was contributed by clearing members and revenue was increased by raising the management margin fee.

Worked

Work was begun on restoring Safex's unfairly tarnished image.

The measures worked and in the year to June 1992, Safex reported a surplus of R2,2m and by the financial year-end volumes had recovered to an average of 4 000 contracts a day against a budget of 3 000 a day and a break even of 1 500 a day.

Safex CE Stuart Rees says the shocks that Safex absorbed served it well.

The leaner structure will be retained, he says, and the present management "will never again permit the creation of a top-heavy bureaucracy".

Barlows remains top industrial company

BiDay 25/6/93

MARCIA KLEIN

BARLOW Rand has retained its No 1 position in the Financial Mail 1993 Top 300 industrial companies rankings.

Released yesterday, the FM's 27th edition featuring industrial companies on the JSE showed that Barlows topped the table in terms of total assets and turnover, but slipped from second to third in the net profit ranking, behind Sasol and Remgro.

Sasol, which retained its net profit top ranking from the previous year, retained second position in terms of total assets and third position in terms of market cap. SA Breweries remained with the largest market cap, and held the third place ranking both in terms of total assets and turnover.

In terms of total assets, Iscor was fourth followed by C G Smith, Amic, Remgro, C G Smith Food, Sappi and Safren. (155)

Namsea showed the biggest upward move, improving its ranking by 116 to 201 from 317. Other big upward movers were Ceramic, Namfish, M-Net and Decovo. On the downward side, Usko lost 83 places to 178. Cullinan, ISG, Unidev and JD Group also lost some ground. (232)

Trencor headed the top performers category in terms of total return to investors over a five-year period. It was followed by Remgro, Cadswep, Tradegro and Utico.

There were only 12 new listings in 1992, the leanest year for new listings since 1983.

Propcor considers split into two companies

BDay 25/6/93

LINDA ENSOR

CAPE TOWN — Abbey Holdings subsidiary Property Corporation (Propcor) is considering splitting its trading and fixed asset businesses into separate companies with a listing for one.

Chairman and CEO Benny Rabinowitz said at the AGM yesterday all options were being looked at.

(88) (232)

He noted a lack of investor interest in the group as presently structured. While Propcor had three excellent properties with a good tenant base and good rental growth, its trading arm had made losses last year. This lack of differentiation confused investors who would understand the group better if it was split up.

In the year to end-December 1992 Propcor made a R7m attributable loss which translated into a loss of 25,2c (loss of 4,1c) a share. Rabinowitz estimated that about 75% of Propcor's capital assets were in the asset company and 25% were in trading operations.

COMPANIES

Roychem sells Laser for R35m

MARCIA KLEIN

ROYCHEM has sold Laser Pharmaceuticals to the Premier Pharmaceutical Company (Prempharm) for R35m cash in the penultimate deal in Del Monte Royal Corporation's (Delcorp) disposal of its chemical interests.

Earlier this month Delcorp announced it had sold half of subsidiary Roychem's businesses to Chemical Services for R27m cash. The deal, effective from June 1, saw Roychem dispose of Holpro-Lovasz and M & T Chemicals. (488) (232)

Roychem cautioned shareholders yesterday that the sale of its remaining business Ferro Industrial Products — which was acquired in 1991 for R38m — was under negotiation.

Once that sale was completed, Roychem would provide information on all of the transactions and the financial effects of the deals. BDay 25/6/93

The recent spate of disposals follows the December 1992 acquisition by the Royal group (now the Del Monte Royal group) of Del Monte Foods International.

Following the acquisition, Delcorp decided to concentrate on its food related interests "and dispose of all its comparatively insignificant chemical and pharmaceutical trading interests".

Prempharm said Laser manufactured and distributed over-the-counter pharmaceutical products, for which there was an increasing demand

Prempharm was well established in this growing market, and the acquisition would strengthen its presence. The sale of Laser is effective from today.

Plate Glass 'striving to regain blue chip status'

BIDay 25/6/93

MARCIA KLEIN

GLASS and timber group Plate Glass & Shatterprufe Industries' (PGSI's) results over the past few years had not been up to the standards achieved in the 1980s, chairman Ronnie Lubner said in the group's 1993 annual report.

He said in the '80s, shareholders' wealth — including share price growth and dividends — rose by an average 30% a year. PGSI aimed to regain its blue chip status through sustained and sound growth.

After a disappointing earnings performance over some years, PGSI increased earnings by 45% to 304c a share in the year to end-March on the back of a strong second half improvement in international division Belron International. But the SA operations experienced extremely difficult trading conditions and their markets showed sharp declines in activity

The strong growth in earnings in the past year was a step in the right direction, Lubner said. Results for the fourth quarter and early trends in the new year indicated a continuing improvement in the performance of Belron International.

But the political environment and depressed trading conditions in SA made it difficult to forecast the performance of the domestic operations.

Lubner said the group's expectations had not always been fulfilled, but had made it realise the need to reorganise almost the entire group

Glass SA had undergone a major re-organisation to meet increased competition locally and outside SA. Volumes and margins were under pressure. Volumes would recover in due course, but prices and margins would always be under pressure.

Board division PG Bison's domestic markets came under pressure as building activity fell by 7% and furniture industry volumes dropped 6%.

The next year would remain difficult, but some improvement was forecast due to the economies achieved from the division's restructuring The domestic market would continue to decline in the coming year, but some improvement was forecast from economies resulting from restructuring.

Belron International, which operated mainly in the automotive replacement glass installation market, experienced demand pressure.

But activity and performance improved towards the end of the year, and sales grew by 9% to R1,4bn. Apart from Australia and Italy, all countries showed improvements and operating profit for the group "increased markedly".

Further improvements were expected in the UK, Europe and US, while Australia would show a marked reduction in losses

PG Industries, quoted in Zimbabwe, reported a marked real decline in sales and a fall in operating profit. But earnings rose due to high levels of interest earned.(232)

The outlook for the coming year was uncertain. But PG Industries had contributed R3m to PGSI's earnings on a cash accounted basis and this level was again attainable in the coming year.

Plan to hive off and list Ackermans-Stuttafords

B/Day, 25/6/93

LINDA ENSOR

CAPE TOWN — Pepkor planned to hive off over time Ackermans and Stuttafords as a separate listed entity, chairman Christo Wiese said at the group's AGM yesterday.

He said the group had considerable cash resources (R373m at the February year-end) and while it was not actively pursuing acquisitions at present, would look at proposals which came its way. Wiese noted that it had been two years since Pepkor took over Tradegro. (232)

He was watching developments in the field of corporate restructuring with great interest, but said Pepkor would act only in the best interests of all its stakeholders

He was encouraged to see SA groups starting to position their companies to deal with the perceived over-concentration of the economy in the hands of a few conglomerates by unbundling and other measures.

Wiese believed SA business would demonstrate an innovative attitude in dealing with the situation as it developed and said Pepkor would do much more in the next year in terms of using funds to secure a better future for the country.

Shoprite/Checkers was on course to meet its budgets in the year to end-February 1994 and would be able to produce satisfactory results. Wiese expected the group's operating margin to move from its present 0,8% to between 1,5% and 2% "in the not too distant future".

Shareholders' association chairman Issy Goldberg noted that Shoprite/Checkers had assessed losses of R200m, which compensated at the bottom line for the relatively lower operating margin.

He said the assessed loss enabled the retail chain to sell its goods much more cheaply than other chains and to engage in a drive for market share without this affecting its profit.

Pep had budgeted for an extremely tough year and while Wiese was not very satisfied with its performance thus far, he hoped for an improvement in the third and fourth quarters on the back of political progress, the lifting of sanctions and improved agricultural conditions.

Shareholders approved the change of Tradegro's name to Shoprite Holdings to reflect its underlying subsidiaries, and the name of the existing delisted cash shell Shoprite Holdings was changed to Grocash.

Grocash, which is 20% held by members of the public, has cash of about R6m.

GDM generates 10% increase

DUMA GQUBULE (232)

INTERNATIONAL trade finance company GDM Finance increased attributable earnings by 10% to R10,7m in the year ended April. B/Day

This was equivalent to earnings of 41,84c (38c) a share from which shareholders received a payout of 17c (15,5c) a share for the year. 25/6/93

MD John Cowper said the success was attributable in part to the synergy between international trade finance and the clearing and forwarding activities of 64%-held African Shipping. The latter delivered a 36,7% increase in taxed profit of R3,28m (R2,4m) on a turnover of R181m African Shipping was becoming a major force and was expected to generate a turnover of over R200m in the current year.

The company maintained a return on shareholders' average equity of 30% since its listing six years ago, a performance that placed it well up on the list of the top 100 companies.

Pre-tax profit rose nine percent to R12,6m (R11,5m) and the tax bill fell to R575 000 (R648 000). After-tax profit rose to R12m (R10,9m) and preference dividends and minorities absorbed R1,3m (R1,1m).

Cowper said the group had total assets of R187m (R170m), shareholders funds of R39m and a market capitalisation of R77m (R66m).

Lonrho begins to sparkle

BDay 25/6/93

JOHN CAVILL

LONDON — Lonrho's share price jumped 6% here yesterday as the group disclosed a sharp recovery in profit and a fall in net debt to under £600m in the six months to March 31. (232)

The first figures to be released since German financier Dieter Bock bought 19% of Lonrho and became joint CE with Tiny Rowland are complicated by profits from asset sales to reduce the group's debt, which stood at £1,2bn at the end of 1991.

Turnover totalled £1,6bn against nearly £2bn in the previous half-year. After deducting discontinued operation there was a marginal increase of 9% to £1,3bn.

Operating profit from businesses climbed 22% to £67m. Profits of £56m on asset sales left pre-tax earnings (after interest paid of £41m — down 21%) at £87m, a rise of 74%. In terms of continuing operations pre-tax profit was 84% better at £35m. With a tax rate down from 48% to 22%, net attributable earnings soared by 330% to £56m.

Total earnings a share were 7,9p, a near quadrupling. But with those from retained businesses swinging from a loss of 2p a share to a profit of 0,8p, Lonrho is keeping the interim dividend unchanged at 2p

☐ To Page 2

Lonrho

☐ From Page 1

Lonrho reports that sale of its German properties had cut gearing to 35% (57%) and net borrowings to below £600m.

A statement by Rowland and Bock said its Ashanti gold production in Ghana was 16% up on last year at 380 000oz and profits were helped by the strength of the dollar against sterling. The gold price rise since the end of March will lift earnings further in the second half of the year.

SA platinum also benefited from higher output — platinum group metals were 39% up at 430 000oz and projected at 890 000z for the year — lower costs and the strong dollar. (232)

"Trading has improved since last year and, provided commodity prices do not deteriorate, the board views the remainder of 1993 with optimism," said the statement.

With Lonrho's interest bill set to fall further following sales of the Observer Sunday paper in Britain and the German properties, stockbroker analysts are forecasting pre-tax profits of £135m for the full year against £80m in 1991/92.

Safex in bid to boost interest from offshore

B|Day 25/6/93

(232)

SAFEX is looking at admitting foreign members within the next few months, in a move designed to boost offshore interest.

Foreigners have been allowed to trade in local futures contracts since December 1991, and options since December last year.

Safex CE Stuart Rees said the plan had been to allow foreign membership once offshore volumes picked up.

About 10% of futures contracts listed on Safex are foreign held.

However, the move was brought forward to try to boost foreign volumes now.

Safex instruments compare favourably with those elsewhere in the world.

According to a document on Australia's Sydney Futures Exchange, futures were introduced in 1983 and options in 1985.

Total

Foreigners account for about 10% of total trade. For 1992, open interest in the all ordinaries share price index (AOI) averaged 9 950 futures contracts and 600 options contracts a day. Daily trade averaged 1 350 contracts and options 29 500.

The AOI is a capitalisation weighted index and is calculated using the market prices of about 260 of the largest companies listed on the Australian Stock Exchange.

The initial margin on a futures contract is $6 000, while the fee per contract is $1,17 a side, according to the document. Reduced margining applies to spread positions.

On Safex, foreigners trade in the futures market through the financial rand investment unit, which in turn trades at about a 30% discount to the commercial rand residents are obliged to use

This effectively gives foreigners a 30% advantage over local investors.

The Reserve Bank sets the rules for the currency transactions and only authorised banks are allowed to complete the currency transaction. The Bank recognises two categories of foreigners — non-residents and emigrants with "blocked rands".

Non-residents are simply investors who live outside SA and the common monetary area (the TBVC states as well as Namibia, Lesotho and Swaziland).

Allowed

Emigrants with "blocked rands" are those who have left SA to live in another country but are forced to leave money behind in SA due to the Bank's strict exchange control rules. They are allowed to meet margin payments from their blocked rand accounts.

'Unit trust industry set to grow'

South 26/6- 30/6/93

(232)

OLD MUTUAL Unit Trusts have attracted one in four investors in unit trusts in South Africa says Unit Trusts manager Mr Selwyn Feldman. Feldman says there have been strong inflows into their seven funds and their assets have topped R4 billion for the first time.

The increase was due to the launch of their new Growth Fund in April and a spurt in their Gold and Mining Funds.

Another reason was the 40 percent discount offer on initial charges made in the first month

Feldman said investors were showing a 62 percent return on investments made one year ago in the "volatile" Gold Fund

However, he called for caution in the coming months given the recent run in the markets and advised investors to spread their investments.

He said the unit trust industry will grow this year with more black investors placing their savings in the industry.

Less than three percent of total savings are currently invested in unit trust industry.

TML boss calls for change of ad tune

S Times (Buss) 27/6/93

By JULIE WALKER

TIMES Media Limited (TML) managing director David Kovarsky says print has to believe in itself — it cannot still be reeling from the shock of television

"We have to change the mindset. Times Media has fantastic publications and we must run with them

"Too much emphasis has been placed on below-the-line advertising and it is time to examine this," says the man who succeeded Stephen Mulholland last October

TML's titles include Sunday Times, Financial Mail and Business Day.

Phones

TML's profit after extraordinary items in the year to March 31 was R38,2-million, 9% below the previous year's. (395)

Its constituents also changed. Although turnover added 6% to R348-million, profit from operations fell by 18% to R51,5-million

The biggest change was a jump in the share of associate earnings to R15,8-million The past year's income included undisclosed profits from foreign premium-rate telephone service Legion.

The 5% share in Radio 702 was sold for R1,3-million and the company was obliged to close its domestic premium-rate telephones (232)

This does not mean that TML will get out of electronics Mr Kovarsky says much is to be recouped from M-Net's foreign holding, Film-Net. M-Net aims to get into the cellular telephone market.

Pools

Mr Kovarsky says TML's Playboy magazine has good prospects.

Another venture could be football pools. The managing director of Vernons (UK) soccer pools attended a presentation by TML on its plans. Vernons would be involved if TML went ahead

Mr Kovarsky says difficult trading conditions and a weak economy are expected to continue. Earnings are expected to fall below 1993's

The dividend was raised 2c to 71c, but the share price shed R1 to R25 this week.

Why we need those 100 white men

STimes 27/6/93

232

BRIAN KANTOR says the group system in South Africa ain't broke and doesn't need fixing

I AM not quite sure what to make of the oft-quoted remark about the 100 white men who control our economy. The men referred to are presumably those directors who sit on the parent board of six or so groups of companies which dominate the listings on the Johannesburg Stock Exchange by share market value.

Are those receiving this message meant to take it as self-evident that not only are they the wrong colour and sex, but that there are also too few of them?

Surely much more important than their number, colour or gender is to understand what these men actually do and for whom; how well they perform and also how they are selected.

A large South African group is an alliance of a number of legally independent companies who operate the important mines, factories, shops and financial institutions quoted on the JSE.

The parent or group holding company, an Anglo-American, Rembrandt, Anglo-Vaal, Sanlam, Old Mutual or the linked Liberty Life-Standard Bank group — through its own directors and managers, the first 100 — will exercise shareholder control over the managers of the group's operating companies.

Ability

The operating companies, which typically will share some directors with head office, have to report to group headquarters on every major issue. The group directors have the essential power to appoint or replace the management of their operating subsidiaries. They are ultimately responsible for the performance of their group subsidiaries.

But of course the successful and proven senior managers of their key operating subsidiaries are exceptional men of outstanding ability who know their own worth. They also believe themselves to be engaged in a co-operative effort with the other leaders of the group and appreciate the technical and especially the financial support the group can offer.

Strong shareholders are clearly better than weak ones, especially in South Africa where small shareholders taken together cannot in effect be called upon in any meaningful way for finance

That is not to say that the groups always get their strategies right They may drain financial strength and management talent from their successful operations to support what turns out to be a poor investment decision.

Nor are the right people always given the important jobs at group or operating company level. It is for this reason that groups wax and wane and even disappear

Two of what were once South Africa's most powerful groups, Rand Mines and Consolidated Gold Fields, finally bit the dust recently. Among the most powerful of the first 100, the Ruperts, Gordons and Menells and Hersovs are men who now have power and wealth that were mere figments of their imagination 30 or even as little as 20 years ago.

Worth

The group system has proved its worth and not only in South Africa. It is also an important form of business organisation in Germany, Japan, Korea and Hong Kong

Groups of banks and operating industrial and commercial companies were once important in the US until they were forbidden in a wave of populist resentment in the 30s

A number of leftist luminaries in the US, like Lester Thurow, now believe that one of the key advantages the Japanese corporation has over its American counterpart is the opportunity group membership gives managers to take the long view.

A central problem of modern capitalism is the inevitable separation of ownership and control. Financing an efficient and therefore often very large business is beyond the capabilities of even the richest and most competent owner-managers.

Outside capital and managers have to be engaged if the enterprise is to grow. But few of these suppliers of capital will have enough at stake or enough competence to exercise the full responsibilities of ownership.

As in the American examples of GM and IBM, severe punishment delivered by the share market may not easily bring managers to serve their shareholders.

The group system is one where some important and possibly a small minority of shareholders are permitted to act as the agents of all shareholders.

This agency role performed by the group headquarters helps resolve the potential conflict of interest between managers and owners.

The group benefits from economies of scale in performing the control function for shareholders in a variety of unrelated enterprises. By diversifying its interests the group also gains a degree of independence from the business and capital market cycles to pursue its investment strategy.

To prosper, the leaders of any group have to be able to achieve two essential and difficult tasks. That is, first, to persuade many people to trust them with their money, and second, to invest it for them successfully.

Those who start a business of their own will have this ambition, but it is realised by few. The leaders who have built up and sustained the large South African groups have survived a stringent selection test.

The millions of South African shareholders, the owners dependent on the management of the groups, who are now largely members of pension funds and owners of insurance policies, have every reason to be satisfied.

In difficult times, savings invested in the share market and therefore managed by the large groups, have achieved outstanding returns

It is inevitable that a few groups will tend to dominate the JSE if allowed to. Because large groups such as Anglo and Rembrandt are heavily involved and have prospered internationally, the value of their shares is bound to be a large proportion of the JSE which otherwise reflects the limited scope of the South African economy.

But control of the JSE is by no means synonymous with control of the economy. For example, it is doubtful whether Anglo-controlled companies employ more than five percent of the labour force.

However important the groups, it is possible to expose them to effective competition at every level on which they operate.

Attack

The whole notion of too much economic power is absurd if the market is allowed and recognised to be the world market. This is why the Swiss or the Swedes worry very little about the size of their large companies They are well aware that they have to have large firms to compete effectively.

The attacks on the groups have come from various organisations not normally aligned with each other.

Some stockbrokers want to break up the groups to generate more share market turnover. The Left seems to distrust the groups because they are uncomfortable with the controllers — those white men.

At the same time some of the groups' managers would seem to want group control to be dissipated because they wish to avoid such tight control being usurped by what they regard as unqualified economic novices with a different culture

The issue of the groups in South Africa is surely too important to be decided by adherence to these hidden agendas

☐ *BRIAN KANTOR is professor of economics at UCT.*

● **Ken Owen is ill**

Master property franchise for Perm

S1 Times (Buss)

By TERRY BETTY

THE Perm, a division of Nedcor, has bought the master franchise for the world's second-largest property franchiser. (232)

Electronic Realty Associates (ERA) is an American-based franchiser with 3 300 offices and more than 35 000 full-time property agents.

Perm assistant general manager Gian Sdoya says the acquisition is part of a plan to increase mortgage lending.

The Perm has a stake in Realty 1, said to have the largest turnover in SA.

The Perm will not take part in the estate agency business of the ERA franchise, but will score from bond business referred to it.

Mr Sdoya says more than half of SA bonds are referred to banks by estate agents.

The Perm will allocate the franchises to medium-sized estate agencies. They will refer a certain percentage of turnover to the Perm.

ERA South Africa managing director Willie Marais says the franchise will start operations in 40 offices on Thursday 27/6/93

Mr Marais says estate agents want preferential financial treatment, such as lower bond rates, for their customers

They also wish to be part of an umbrella organisation and benefit from institutional advertising

Barlows sheds top dog spot in unbundling

By CHERILYN IRETON

BARLOW RAND will surrender its position as South Africa's largest industrial conglomerate when it is dismantled over the next three months. St Times

The world's 30th largest employer signalled this week that it would split into at least three units in an attempt to focus management and add value to shareholders' wealth. (Buss)

Barlows controls more than 35 major subsidiaries encompassing 400 operating companies in industry, mining, packaging, textiles, food and pharmaceuticals. (180)

Details are being worked out, but sources suggest that much of the holding function will be eliminated. (232)

CG Smith will keep all the food, packaging and pharmaceutical interests. Reunert will house electronic and electrical engineering.

Barlows will retain the remnants that are not sold or floated separately. This includes Barlows Manufacturing.

Speculation at the Barlow Park headquarters is that chairman Warren Clewlow will remain at the helm of Barlows. Managing director Derek Cooper will resign his seat on the Barlows board and move to CG Smith.

Robbie Williams and Brian Connellan who respectively chair CG Smith and Nampak will also quit the Barlows board.

A brief statement this week indicated that shareholders would be given stakes in CG Smith and Reunert proportional to their holdings in Barlow Rand.

The disposal or listing of certain group businesses is also being considered.

Analysts suggest the motor interests and Federated Blaikie will be sold. The ommission of Rand Mines and J Bibby & Sons in the statement suggests they may not be part of the plans.

One analyst says controlling shareholder Old Mutual has finally accepted criticism that Barlows is too big and unfocused and that the cumbersome structure is distancing it from the rewards of operating gems CG Smith and Tiger Oats. 27/6/93

However, the proposal being considered stops short of untangling CG Smith.

The analyst say two major mistakes in Barlows recent history could be the cause of its failure to optimise value.

The first was the expensive and disasterous foray into platinum through Barplats and the second the purchase of London-based J Bibby & Sons.

The Barplats fiasco — it resulted in mothballing a new platinum mine — was one of the reasons why Barlows decided to wean itself off commodity-linked profits. This led to the sale of Middleburg Steel & Alloys.

A key question in the unbundling is what will happen to the R1-billion cash Barlows earned from the sale.

The cash-flush group this week retained its spot as the Financial Mail's top industrial company, a position it has held for 21 years. Its assets of R21,58-billion are almost double those of Sasol and SA Breweries.

Last year directors and management fees cost Barlows R15-million.

SUNDAY TIMES, Business Times, June 27, 1993

DIAGONAL STREET

Aluminium squares up to steel in beer-can ring

S Times [Buss] 27/6/93

NAMPAK management faces a question is there a life for the humble steel can when the aluminium competitor starts its charge?

Nampak has invested R115-million in a steel beverage-can plant at Springs, commissioned a little ahead of Highveld Steel's Rheem aluminium-can factory

A strong environmental lobby in America has given aluminium cans virtually the entire market Aluminium is more expensive than steel But there is a payback in gathering spent aluminium and recycling it

That is only half the green picture Left to nature, a steel can decomposes years ahead of an aluminium one Energy costs to produce aluminium far exceed those for steel

Steel cans still have most of the market in Europe

Nampak managing director Trevor Evans presented some statistics to a meeting of the Investment Analysts Society in Sandton

Mr Evans says 16% of the 2,3-billion litres of beer brewed in a year in SA is sold in cans compared with 79% in Britain and 67% in America The other large market for cans is carbonated soft drinks, of which 20% is sold in cans

The national beverage can capacity is 2,95-billion a year It is expected to rise to 3,75-billion by 1994 The market has grown by 5% or more a year for a decade

Mr Evans says there are fine growth prospects for canned beer, indeed for the beer market South Africans drink less beer than people in similarly developed nations There is also the prospect of more brewers with an appetite for cans entering the SA market

Markets are also growing for cider, fruit juice and housebrand colas

In short, says Mr Evans, the beverage market grows at a faster rate than does gross domestic product

If the economy picks up from next year, spare capacity will come into use Even now supply can be tight at seasonal peaks But until then, the market is probably oversupplied

Competitor Crown — recently bought by Holdains — is believed to have shut one production line in the Transvaal and Nampak will consider closing an older one

Mr Evans hears Rheem is a little off its programme, which might ease the position

In Nampak's favour, steel for cans is reliably supplied by Iscor Although Alusaf will be running in five years' time, it might not produce the correct grade of aluminium It is impossible to run a high-speed plant with off-spec material

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The cost of aluminium will be based on world prices of raw material

Steel has room for technological improvement It is more robust than aluminium — "deliveries can be tough on cans", says Mr Evans

The Collect-a-Can project to recycle steel cans should improve recovery from 20% of those sold to above 50% in three years

The drinks can comprises only 16% of Nampak's business

Mr Evans says the returnable glass-bottle market is at a low One reason is that manufacturers wanted to see how well the 1,5-litre Pet (advanced polyethylene) returnable bottle shaped in the market — not well

He expects a recovery in glass bottles because suppliers have been squeezing 11 to 12 trips out of every bottle and there is bound to be a rush to top up

He describes the paper market as a bloodbath Although there are early signs of a recovery, Nampak has not been unscathed by persistently falling paper prices

New management at the corrugated cardboard division after the unfortunate Adrian Barker fraud incidents is competent Mr Evans says the impact of SA Breweries' switch from cardboard beer boxes to plastic crates has largely been absorbed

Perhaps the most encouraging feature of Nampak's presentation is its importance in global terms and its focus on being a world-class player Estimated to be the 12th largest packager in the world, it is certainly the most diversified

Its 15 divisions employ 21 000 at 122 sites and goods are exported to 47 countries Nampak has spent well over R1-billion in the past five years on technological improvements without tapping shareholders for money and

TREVOR EVANS Demand for our products growing

has still reduced gearing and lifted dividends annually

The shares are priced at R97, 17 times historic earnings Mr Evans says that although trading conditions remain tough, there should be a satisfactory improvement in earnings for the year to September

A favourable tax ruling will add 19c a share to earnings because of the write-back of a provision made last year

In the medium term, Mr Evans aims to improve the underperformers in time for the upturn in the economy

Demand for Nampak products is destined to grow — demand for the tightly held shares will do the same

MONEY

How to make a killing (or lose a shirt) in gilt options

S/Times (Buss) 27/6/93

By CIARAN RYAN

TRADING in gilt options is one of the fastest ways to make or lose a fortune.

Speculators are lured by the prospect of returns of more than 500% or even 1 000% in only a few months. But the path to instant wealth is littered with the corpses of those who lost their all in gambling.

It is not a market for those without cash to burn. Trade in gilt options is dominated by institutions hedging their gilt portfolios against adverse market swings.

Few private investors have the capital to invest in gilts, another word for bonds or long-term debt, carrying a fixed rate of interest. Gilts are issued in nominal amounts of R1-million.

Consequently, private investors feel more comfortable in the share market where 100 shares can cost as little as a few hundred rands. Furthermore, the factors which influence share movements are easier to track.

Concepts

"Few individuals trade in gilt options," says David Bullard of the Johannesburg Options Market.

"It is not easy to understand the gilts market because the concepts are different to trading in shares. Most players are large professional financial institutions trading big portfolios."

Options, like futures, thrive on volatility and money can be made — or lost — whether the market goes up or down.

Options are a right, but not an obligation, to buy or sell a certain stock or item within a given time. There are options on shares, gilts futures and commodities.

Unlike property, cars or gold bars, options are intangible. No profits are to be made if the underlying market does not move. Therefore, the option buyer expects the underlying market (shares, gilts or commodities) to move up or down.

DAVID BULLARD

Here is how it works. Assume trading in physical gold is permitted (it is not). An investor who believes the gold price will rise to $400 an ounce within a month may buy an option to secure an ounce of metal at the current $370, regardless of the price at the end of the month.

Assume the cost of this option is $20. His outlay is therefore $390, assuming he takes delivery of the gold, which he is not obliged to do.

This is known as a "call" option because it gives the holder the right to buy gold at a predetermined price by a given date.

As the gold price moves above $390, the option is said to be "in the money" or profitable. The option holder can sell at any point above $390 before the end of the month and make a profit. Below $390, the option is "out of the money" — selling will not yield a profit.

If gold rises as expected to $400 by the end of the month, the investor has made a profit of $10. If he chooses not to take delivery of the gold, he is still paid out the profit as if he had done so. On an initial outlay of $20, this is 50% return in one month.

This sort of return has made the options market popular among speculators.

In options terminology, $400 is the exercise or strike price — the price at which the option may be exercised.

Similarly, an investor who believes that the gold price will fall may buy a "put" option giving him the right to sell an ounce of metal at, say, $375 by the end of the month.

Assume the option costs $20. The gold price must fall to $355 before the option is "in the money". If it falls to $350 by the end of the month, the option holder has made a return of $5, or 25%, on a $20 outlay.

Because of this "gearing" factor small outlays can yield high returns. The speculator's potential loss is limited to the price of the option.

Similar principles apply to trading in gilt options.

The most-traded gilt options are the Eskom 168 and RSA 150.

Unlike the share market where a rising trend represents a growth in value, rising interest rates in gilts signal a decline in their value. This is because gilts carry fixed interest rates — 11% a year in the case of Eskom 168.

This 11% is less attractive if other investments offer 12% or 13%. Investors will therefore expect to pay less for Eskom 168 when there are better alternatives.

Conversely, if other investments offer only 9% interest, Eskom 168 is a more attractive and investors will pay more for it. Gilts are quoted in terms of their yield to maturity (YTM) rather than price.

The YTM is calculated by discounting the nominal value of the gilt (R1-million) and interest payments over its remaining life into present value. A rising YTM represents falling gilt value.

If there is a view that interest rates (measured in terms of YTM) will rise, buyers of gilts will pay less by waiting because a rise in YTM represents falling gilt value.

Institutions will "write" call options which give the holder the right to buy gilts at a predetermined price. They do this if they believe interest rates will fall — the option buyer takes the contrary view. Both expect to make a profit, therefore only one will have read the market correctly.

An institution that wishes to off-load Eskom 168 stock when the value is rising (YTM falling) will buy put options. This gives it the right to sell at a predetermined price.

Wipe

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A put option on Eskom 168 with a strike price of 15,25% (compared with the market rate of 15,055%) for delivery in August recently sold for R10 200. This means that Eskom 168 rates must move above 15,25% before the option is "in the money".

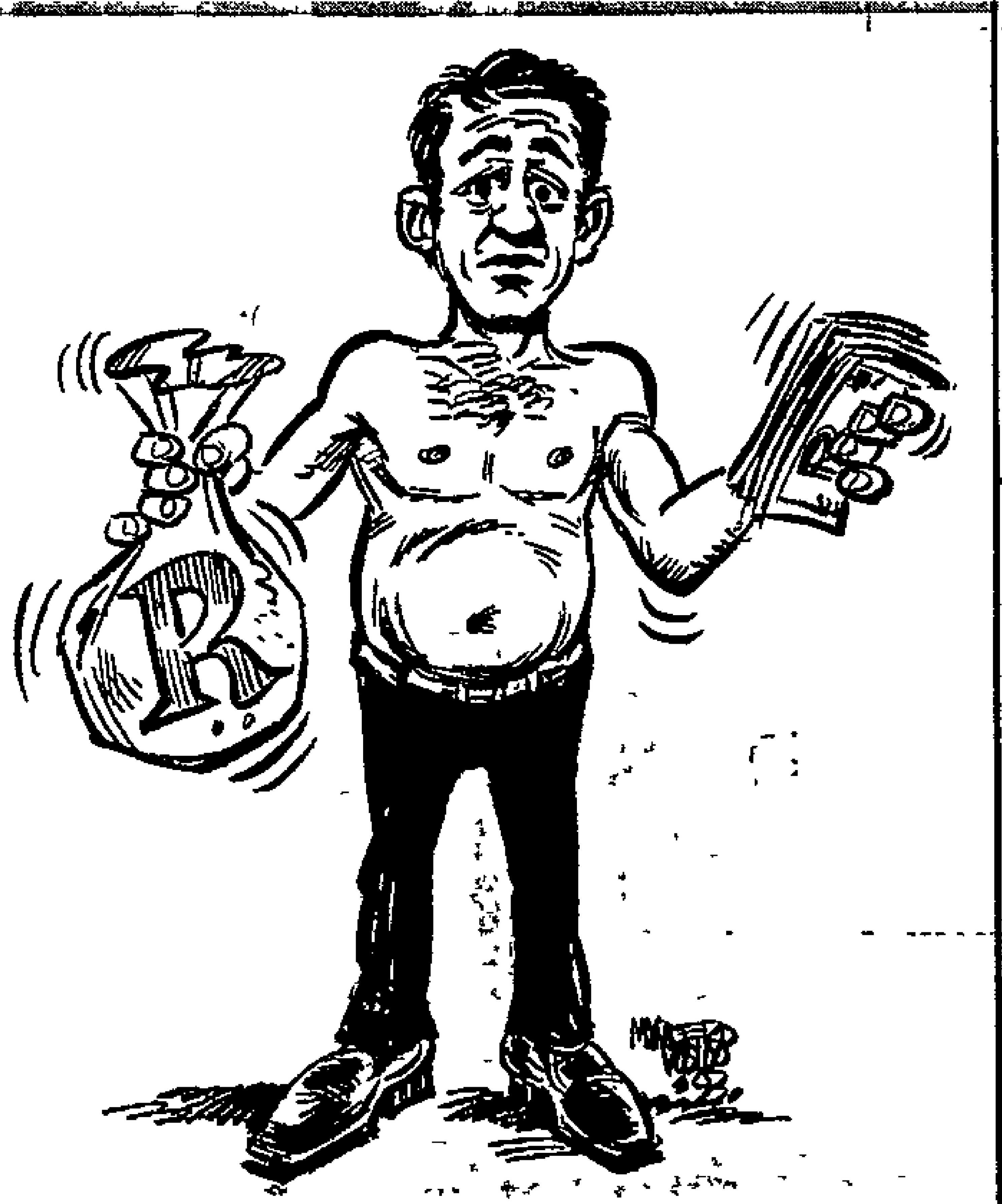
The price of the option is a function of interest-rate expectations, market volatility and the interest paid on other investments.

Each point — 0,01% — move in interest rates above 15,25% is roughly equal to a R500 profit for the option holder.

To recover the R10 200 cost of the option, interest rates must rise at least 0,21% — 21 points — above the strike price. If interest rates rise to 16% by August, a 75-point move above the strike price, the option would yield R375 on a R10 200 outlay.

Although such returns are exceptional, gains of 300% to 400% are not uncommon over three months.

For the inexperienced investor, however, the market can turn for the worse and wipe out the option's value.



SAB drivers win in-house contract

S/Times (Buss) 27/6/93

By DON ROBERTSON

IT has been tried before, but the idea of allowing truck operators, working for a major distributor, to own their own trucks has taken on a new concept at SA Breweries.

Black truck drivers at the Baragwanath depot of SAB have formed a close corporation and have won a contract for an inter-depot transport contract.

The formation of this new "informal" group has resulted in an order for 11 ERF truck tractors, costing about R500 000 each.

This story of co-operation between black and white businessmen creates a position in which owners become operators with the necessary benefits.

The new group, Wheels for South Africa CC, is an unexpected, but welcome spin off from the brewery's owner-driver programme, says SAB.

Bob Jones, general manager for truck sales at ERF says they were approached by the group which had no financial or credit track record and no assets other than their own 100 years of distribution experienece.

"The close corporation partners had been chosen from SAB's owner-driver programme and would be monitored for driver use, experience, customer orientation, technical capabilities and honesty."

"We realised that these people, with all their experience, probably knew more about distribution than most," says Mr Jones.

"We, therefore, saw the potential and took the initiative by submitting a proposal to our joint venture finance company, Wesbank. This proposal was approved."

The success of Wheels of SA was a pleasant surprise for depot manager, Deon Kriel, who had planned to award the inter-depot contract to "outside contractors."

St Times [Buss] 27/6/93

Liquidations down

APRIL 1993 showed the lowest number of liquidations in years. Information Trust Corporation (ITC) managing director Tony Leng says 184 companies and close corporations closed their doors in April, 28% down from the March 1993 high, and a fall of 18% on last April.

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The first four months saw a 1,5% decline in liquidations.

Although Mr Leng points out that while compulsory liquidations declined, voluntary liquidations rose 56,9%, which Mr Leng says is good news for creditors who can look forward to receiving a higher settlement on the rand

ST Times (Buss) 27/6/93

Sankorp will take down M&R pyramid

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SANKORP has taken another step to unbundling with the proposed dismantling of 47%-owned Murray & Roberts Investments (MRI), the pyramid holding company of Murray & Roberts Holdings (M&R)

MRI owns 25,1% of M&R and intends to distribute those shares to its members.

Tradeability of M&R should be enhanced because nearly 16-million shares will no longer be tied up in the pyramid company

The objective of narrowing the discount is already being achieved. MRI ought to trade at 89% of the share price of M&R M&R traded at R50 before the unbundling announcement and MRI at R41 — when it was worth R44,50

This week the shares moved to R48,50 and R43 respectively, putting the pyramid at only 17c below theoretical value

With Genbeheer and MRI on the way out, attention should focus on the other pyramids in the greater Sankorp empire The most obvious is Malhold, which houses 39% of Malbak

Gencor will pass on its shares in Malhold to its members (it has about half the company) Malhold might pass on its shares in Malbak in turn.

With Malbak at R15, Malhold should be R42,20, but was R41,50 this week

Kelgran, Pep and Tradehold are other areas where Sankorp is ultimately a large shareholder

S Times (Buss) 27/6/93

Firms separate tobacco and luxury interests

ROTHMANS INTERNATIONAL, Dunhill Holdings and their controlling shareholder Compagnie Financiere Richemont AG agreed to separate tobacco operations from luxury goods, to allow each to find its own value.

The agreement creates two new companies — one still called Rothmans, now containing brands owned by all three firms, and another called Vendome Group, which will own the luxury goods such as Cartier, Piaget, Baume Mercier, Montblanc, Chloe and Karl Lagerfeld

It will enable the separate managements of the two new companies to concentrate on their field of business expertise and should enhance shareholder value,'says Rothmans' chairman Lord Swaythling.

RJR Nabisco in the US has also been planning a $1,6 billion float of shares in its food interests to separate them from tobacco operations, although two days ago it cancelled the plan citing a decline in value of comparable food companies.

Analysts said the Rothmans move, like that planned by RJR, is designed to unlock value of the non-tobacco interests — in this case the branded luxury goods — within the group.

This is because of the current low rating of tobacco stocks in general which is dragging down the value of all the businesses.

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Foodcorp, ICS get together

SM [illegible] (Buss) 27/1/93

INCREASES in the price of prepared meat have been below 8% a year for the past four years because of competition from substitutes, says Foodcorp chief executive Dirk Jacobs.

Therefore, Foodcorp and Imperial Cold Storage (ICS) are to merge their prepared-meat operations Enterprise and Renown. New company Enterprise Foods will have sales of R500-million a year. Foodcorp will manage the company.

ICS will sell its Pork Packers abattoir to the new company. Foodcorp will buy 50% of the ICS Cold Chain distribution business. (2327)

Against all odds – this SA company succeeded

CIPress 27/6/98

By MOHALE MAHANYELE, NSB chairman and chief executive

ONE of the difficult things to understand about National Sorghum Breweries as a business is how different it is relative to other South African businesses.

Internally we have been affected by one of the most heinous types of industrial espionage. It can be expected that the more successful we become, the more sinister the enemies will be.

We have been faced with the fact that we acquired a business whose culture was generally unsuitable. Virtually all functions have had to be revamped, restructured and refocused. (232)

The executive team and myself placed heavy emphasis on giving due diligence to the need for control and accountability in all matters relating to our business.

What we have achieved could never have been realised without the concern and support of our board of directors. Today we have a company almost totally different in its strategic planning vision, mission and goals from the one we bought in 1990.

We have restructured our company into new strategic business units. This means that we now have a company which is constituted in such a way that each business unit reports fully as an entity, with its own support systems internally, but receives overall support from head office.

The present status of the NSB Employee Share Trust Fund totals R15.3-million worth of shares.

This is again a very encouraging development, something which we must be proud of as it represents the empowerment of people that are employed in the company.

Blacks in particular have always generated wealth but rarely owned it. It is in keeping with our mission that blacks must also own a significant part of their country's wealth in land, shares and other forms al Sorghum Breweries

K ECONOMIC EMPOWERMENT A REALITY

van Rensburg, Israel Skosana, (seated) Moss Leoka, Mohale

Changing the face of business

C Press 27/6/93

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IN just three years the National Sorghum Breweries (NSB) has become the largest black-owned company in SA

With more than 4 000 employees, the company carries the hopes and aspirations of most black South Africans

In fact, at a recent glittering function in Johannesburg where NSB chairman and chief executive Mohale Mahanyele was honoured with the Businessman of the Year Award, ANC president Nelson Mandela lionised the company as having "put the issue of black economic empowerment very forcefully on the agenda in this country"

What Mandela and many others are already saying is that the NSB is black economic empowerment in action – not some obscure academic concept which does not deliver the goods as promised Its humble beginning has the ring of a Cinderella story

It was after the bewitching midnight hour when it was officially established as an independent business after the Industrial Development Corporation's (IDC) assets and operations were transfered on June 30 1990

On July 1 1990 the NSB was born and black economic empowerment was put to the test

Three years later the NSB has made great strides as it gives the sorghum beer industry a new, serious image and facelift The hard facts are that in pursuing its objectives of real and tangible black economic empowerment the NSB has been recording healthy trading results

Somehow the company can stand tall and proud in confirming that black South Africans can make it – particularly in a big industry like sorghum beer which for years had blacks demanding that it be handed to them to run and manage

On the other hand, the NSB has become the barometer of how blacks will handle economic empowerment when the majority of South Africans find themselves in a post-apartheid society The NSB was born against the backdrop of a country that is engaged in a painful transition to a democracy

Mahanyele told a business magazine last year "NSB has a massive responsibility to show the people of SA how business should be done in this part of the world "

He went on "NSB does its business among the poorest and amid the squalor of the squatter camps We are therefore more acutely aware of the problems "

Because Mahanyele believes that the new SA will not usher itself in on its own but has to be created, he says the NSB has adopted an active policy of black economic empowerment to contribute to this dream of millions of South Africans who were cast in the role of underdogs

Mahanyele does not pull his punches "There will never be justice, fairness and equality unless past inequalities are addressed through such programmes as affirmative action The recent history of the Afrikaners is a poignant reminder of how vital it is to empower the poor in order to help themselves "

And to see that this dream and responsibility solidifies, Mahanyele has surrounded himself with able and willing people on the NSB board of directors

Included on the 11-person board are well-known businesspeople, Moss Leoka, Peter Wrighton of Premier Milling, popular musician "Mama Afrika" Miriam Makeba, former Soweto schoolmaster and now businessman Legau Mathabathe, musician-academic Professor Khabi Mngoma, accountant Israel Skosana and academic Dr N Mzamane

In addition to pursuing its mission, the NSB has reorganised its management and made numerous appointments No wonder today it boasts the single largest component of highly qualified and experienced blacks of any company in the history of SA

The black community also plays an important part in the affairs of the NSB – it sources a large portion of professional services and supplies from this community within which it conducts business Some of these services include advertising, marketing, insurance, travel, photography and printing

Mahanyele told *Enterprise magazine* "The company has created employment for hundreds of entrepreneurs who operate as independent distributors of sorghum beer and has a close relationship with many more shebeeners and taverners through the South African Taverners Association "

Another proud milestone was reached when an overwhelming number of blacks purchased shares in mid-1991 – there are now more than 8 000 ordinary shareholders plus 4 000 employees who belong to the NSB Employee Share Trust

"Our shares are still available to the public at R1,15 a share in 100 units Those who still want to buy our shares can purchase them from their nearest NSB brewery or Mercantile Bank," said public affairs executive Derrick Luthayi

Other visible jewels in the NSB crown are its brand-new Ladysmith brewery which is in full production and the Naspotie Brewery in the eastern Transvaal's Nelspruit area, which was completed this month and will be officially opened in August

A lot of people sit up and listen when Mahanyele says that the NSB has truly become the "people's company" and is changing the face of business in SA

It is not an idle boast The man is a firm believer in that oft-repeated truism "Nothing on earth is as powerful as an idea whose time has come "

Top-drawer counters make little headway

Star 28/6/93

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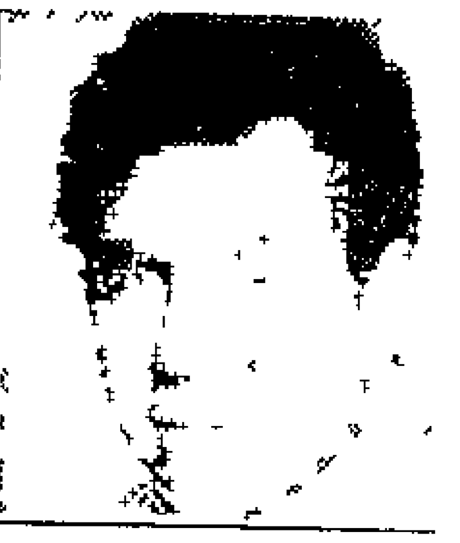
JOHN Spira



UP AND DOWN DIAGONAL STREET

The JSE's blue chips are bumping their heads against a paper-thin dividend yield wall

Top-drawer counters, which, up to the end of 1991, were reaching ever higher, have been brought to an abrupt halt by sub-2 percent returns.

One can, of course, go to great lengths in arguing the toss as to what ranks as a blue chip Status on Diagonal Street is always subjective.

Few, however, would contest a list which contains the shares detailed in the accompanying table

Significantly, investors in these stocks have, with very few exceptions, seen little in the way of capital appreciation in the past 18 months

Performances

In particular, of the 27 shares listed

- More than half have performed worse this year than last year
- Eleven have lost ground in 1993
- Only eight have added more than 20 percent for the year to date
- The average gain for both last year and this is a paltry 8 percent
- The high-flyers of 1990 and 1991 — Consol, SAB, Kersaf and Afrox — have made virtually no progress in the past 18 months.
- The only exceptions in what is a manifestly depressing picture are Stanbic and Adcock, both of which have managed to maintain relatively high growth rates in both periods
- Liberty, Altron, Premier and Nampak have appreciated strongly over the 18-month period, but their performances have tailed off in the past six months.

All in all, a depressing showing from the shares of top companies, which, by their very nature (as JSE leaders) would, in normal circumstances, have been far brighter

The ramifications of the story encapsulated in the tabulation are huge

For one thing, there can be little doubt that the blue chips (by and large) are played out for the time being A yield-sensitive market is busy turning its back on such counters

Those currently holding the shares should perhaps be pushing the sell button and contemplating more attractive alternatives

Of considerably more import is the plight of those who are invested in the shares on a one-step-removed basis — investors in unit trusts, equity-linked assurance products and, even, provident funds

The vast majority of such institutions are laden with blue chips — shares which they are unlikely to sell and whose desultory showing is impacting negatively not only on current performance but, probably, on performance in the foreseeable future

While investors in these institutions are no doubt not consigned to a no-growth lifetime (since, in the long term, the path of appreciation is bound to be resumed), they're likely to have to wait for some considerable time before the growth rates achieved in 1987-91 are repeated

Few options

There's precious little in the way of options for those locked into assurance companies and provident funds — other than to adjust their expectations in a downward direction.

What of prospective investors?

They should consider their alternatives carefully, possibly holding off for the time being — unless, of course, they're happy to exercise the ultimate in patience.

Every life assurance salesman in the country will no doubt hammer down my door in protest Be warned, I'm reinforcing it with the response that timing counts, even when it comes to long-term investments

And investors in unit trusts?

Those in the general and industrial funds will have to do some homework on the composition of the relevant portfolios If the fund is top heavy in non-performing blue chips, switch to another that isn't — or to one of the specialist funds

Industrials

Direct investment in the JSE must proceed from the observation that industrial shares are certainly not in a bear market, nor are they showing signs of evolving into one

The corollary of this argument is that there's money to be made by investing in the industrial share market, with the key to success to be found in avoiding the skeletal yields and concentrating on sound companies with earnings growth potential offering returns of between 3 and 5 percent

BLUE CHIP BLUES

	% Change 1992	% Change 1993
De Beers	−37	−35
Stanbic	+41	+35
Liberty	+65	+9
FIT	+5	+22
Amic	−22	+25
Barlows	−11	−2
Kersaf	—	−12
M&R	+6	−8
Richemont	+12	+17
Safren	+16	−23
SAB	+5	+6
PPC	−4	+1
Sasol	−11	+23
Altron	+53	+12
Afrox	+32	−2
ICS	+21	−4
Premier	+53	+9
Tiger Oats	+15	−8
Toyota	−23	+8
Consol	+1	−5
Nampak	+31	+10
Sappi	−13	−5
Adcock	+20	+29
Pick 'n Pay	+7	−4
Wooltru	−39	+29
Tongaat	−12	+25
Remgro	+4	−1

Cartoonists & Writers Syndicate

"Good news, darling I'm a blue-chip survivor"

A 'puppet' with pull?

Star 28/6/93

The Thebe Investment Corporation firmly denies it is the puppet business arm of the ANC. While speculation persists about political links, Thebe spreads its wings wider and wider, reports MICHAEL CHESTER.

(232)

THE disclosure that an electronic sweep of the Thebe Investment Corporation's Johannesburg head office last week had revealed a whole series of bugging devices came as no surprise to several big segments of the business world

Scores of companies — big multinationals as well as smaller fry — admit in private they would love the chance to eavesdrop on the deals being struck at the Thebe HQ on the 18th floor of Glencairn in the city centre.

The fascination revolves around persistent rumours that Thebe, which was created less than a year ago, is the investment wing of the ANC

Taking a realistic appraisal of who will hold the political reins when the first post-apartheid elections are over, lots of businessmen reckon that hand-in-glove close relations with Thebe could provide the keys to unlock treasure chests worth millions of rands — even billions — in future government contracts

How much potential political as well as financial clout may be wielded by Thebe when the timing is right?

Thebe executives issue repeated repudiations of suggestions that the whole operation is under strict ANC control

Fine, but anyone analysing the who's who behind the corporation is conscious of a credibility gap

The chain of command begins inside the top ANC hierarchy The sole shareholder with ultimate control of Thebe is the Batho-Batho Trust, which was founded by ANC president Nelson Mandela and ANC deputy president Walter Sisulu, who on recent accounts remain the sole trustees.

Observers can only guess about the origin of the funds used to establish the trust

The ANC connections flow through into the Thebe boardroom, where former KaNgwane chief minister and ANC sympathiser Enos Mabuza sits as chairman. The managing director is Vusi Khanyile, who moved from the ANC finance department. Also on the Thebe executive is regional chairman Tokyo Sexwale.

Thebe was swept into the headlines when heated controversy broke out around news that it was thinking about a joint venture with the huge multinational publisher Macmillan.

The prize promised to be a foothold in the multi-million-rand business of publishing school textbooks.

Proposals envisaged that Macmillan would use subsidiary Macmillan Boleswa to move back into SA.

Temperatures rose when rumours circulated — in turn denied — that Thebe was negotiating about "a regular line of communications with the relevant government structures in the New South Africa", in exchange for a free gift from Macmillan of a 20 percent shareholding in the proposed venture

True or false, the proposals appear to have been put on ice following the uproar of rival publishers who made plain their fears that the Thebe/Macmillan foothold in school books would turn into a stranglehold on the educational book market once the ANC started to use its clout in the allocation of contracts

No deal has been struck, but that may not mean Thebe has abandoned its ambition

The burst of criticisms over the Macmillan joint venture has clearly angered Khanyile

"To suggest that a black publishing company would only gain a position with a democratic government through corruption," he says, "sounds very much like another way to keep black business out of the market"

Thebe had a far smoother passage when it ventured into the computer market with a 45 percent stake in Bhekisizwe Computer Systems, which claims to be the first black-controlled company in the field.

It promises to be a lucrative investment. Bhekisizwe has been named as one of only two South African distributors of products from the vast Digital Equipment Corporation based in the United States.

Thebe's operations are spreading wider and wider Also under its wing:

- Oriole Travel, in the holiday and tourism market, which lists diplomatic missions, trade delegations and corporate customers among regular clients
- Three property companies.
- Movement Marketing Enterprises, a division involved everywhere from selling ANC T-shirts, acting as wholesaler to hawkers and street vendors, to running an arts and crafts centre
- Thebe Trading, created as an import-export company in readiness for the removal of sanctions

Thebe found itself in heavy seas when it was about to strike a big deal with Viking Fishing, one of the biggest fishing companies on the Cape west coast, to apply for a quota to bring in a stunning 2 900 tons of hake

Thebe was hit by a whirlwind of criticism from members of the local fishing community, which had been pledged support from local ANC leaders in applying for quotas to win a stake of their own in the market

Thebe, red-faced over the gaff, scuttled its quota plan

The investment corporation has lots more fish to fry Khanyile confirms that once Thebe has proved a sound track record it intends seeking a listing on the Johannesburg Stock Exchange □

Star 28/6/93

ICS, Foodcorp tie up

By Stephen Cranston

ICS and Foodcorp have merged their processed meat interests into one company to be called Enterprise Foods

The group will market and distribute the two leading processed meat brands, Enterprise and Renown.

Foodcorp has acquired 50 percent of ICS's distribution arm, The Cold Chain, which already distributes Foodcorp's Table Top products

Foodcorp will pay ICS R15 million for the teo deals

ICS MD Nick Dennis says that the deal has strategic benefits for both groups

Foodcorp, with processing plants in Pietersburg and on the Reef, will now have access to ICS plants, located in Natal and Cape Town, with obvious transport cost advantages

"At the same time, there are also savings and improved efficiencies in channeling the processed meat products for distribution through The Cold Chain

"The deal will result in a vibrant and viable national processed meat company," says Dennis. (232)

"By combining resources from both groups, we will be able to minimise costs and create opportunities which will benefit both the retailer and consumer."

Foodcorp CEO Dirk Jacobs says "The prepared-meat industry is subject to tremendous cost pressures.

"It is a comparatively small sector of the total protein market and, because of intense competition from substitute products, prepared-meat price increases over the past four years have not exceeded eight percent per year, well below the rate at which costs have risen.

"Better utilisation of the enlarged group's manufacturing capacity will improve overhead recoveries and efficiency

"In addition, it will have factories strategically sited near all the major markets, and this will slash cross-railing and other costs."

Outlook poor for Sappi's Hannover

Star 28/6/93

By Stephen Cranston

The outlook for Sappi's recently acquired German subsidiary Hannover Papier is not very encouraging, says chairman Eugene van As (232)

Writing in the Sappi annual report for the year to February, Van As says that the situation in Germany deteriorated rapidly towards the end of the year under review and German demand for most manufactured products continued to drop

The price of Hannover's core product, wood-free coated paper, dropped to levels that prevailed in 1981/2.

The European WFC paper industry could not work at full capacity and implemented voluntary stoppages of seven weeks during the year

The Deutschemark strengthened against other European currencies, which increased competitive pressure in most markets and affected export sales and earnings negatively

The European speciality paper market was also affected by the introduction of regulations to phase out composite material packaging in favour of single-material packaging to facilitate waste recycling

Depressed

This has affected short-term prospects because some of its papers are used in composite materials

Hannover MD Franz Neudeck says that continued market restraints and depressed paper prices for WFC paper are likely because of Europe's prolonged recession and over-capacity

Sappi's UK-based subsidiary Sappi Europe operated at a significant loss, but nonetheless benefited from the devaluation of the pound sterling in the second half of the financial year.

It also increased output by eight percent and reduced the staff complement by 10 percent, while unit costs fell by six percent More than 20 paper grades were introduced during the year

The company's representation in continental Europe has been enhanced by the establishment of Sappi Europe SA in Brussels, which will market its products there.

The international trading arm Sappi Trading has been able to expand the customer base in countries previously hostile towards South Africa

An increasing number of shipping lines now call on South African ports, improving delivery service and freight competitiveness

Sales volumes continued to grow, while weak international prices were offset slightly by the weaker rand.

Star 28/6/93

Richemont earns more

By Stephen Cranston

The international tobacco and luxury goods group Richemont has reported a 4,7 percent increase in earnings per unit to £35,98 and in attributable earnings to £206,6 million (about R1 billion).

Operating profit from tobacco increased by 12,6 percent to £413,4 million, while operating profit from luxury products fell by 5,5 percent to £202,8 million

The two parts of the business will be divided into two new quoted groups

The deal follows talks announced last week on reorganising the complex network of operations

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The new tobacco group will keep the Rothmans name, but will include certain tobacco trade marks currently owned by Dunhill and Richemont.

Dunhill is 57 percent-owned by Rothmans

The new luxury goods operation will be called the Vendome Group and will own 100 percent of the Cartier and Dunhill luxury goods businesses and include the Piaget, Baume & Mercier, Montblanc, Chloe and Karl Lagerfeld brands

Rothmans, 62 percent-owned by Richemont, remained the engine of the group after it announced a climb in full year pre-tax profit to £614 million from £565,2 million and raised the total dividend 12,2 percent to 11,5p.

Rothmans turnover rose to £2,71 billion from £2,41 billion, with most of the increase in profits coming from tobacco operations

Richemont turnover increased from £3,108 billion to £3,431 billion

Because of increased liquidity in the group, interest received increased by 35,4 percent to £48,6 million.

JSE changes prompt new data format

B/Day 28/6/93

Business Day Reporter

CHANGES to the JSE computer systems will allow Business Day to improve the service provided in its daily share price statistics pages, starting on Thursday

The ruling share price will be shown on the JSE prices page in addition to the last sale price which Busines Day has used to indicate share prices Our JSE closing prices will now reflect the ruling price.

The official definition of the ruling price is "The last cash sale price of the day per the prices board unless there was a higher buying price or lower selling price, in which case it is adjusted"

Buyers and sellers will still be shown, along with last sales price, but the dividend will no longer be deducted from this figure Should the share not have been traded, the last sale price will be shown as zero The last ruling price will still be shown

The ruling price will also be used to

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calculate new highs and lows and other daily movements instead of the last sales price used at present

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The extra information provided will mean some share codes will be shortened

On Mondays, when weekly figures are given, the percentage daily and yearly move data will be replaced by the percentage weekly move and weekly volume

The formula used for overactive shares is to be standardised, as will the volume density The new definition for an overactive share will be day's volume divided by the 10 previous days' moving average

Volume density will be the day's volume divided by the number of shares in the market

The Business Day (BD) indices — which were inherited from the Rand Daily Mail — will be discontinued as these no longer reflect market movements accurately However, a new index could be implemented at a later date should the need arise

Share prices will now indicate shares that make up the JSE indices

Absa ready to cut losses and grow

B/Day 28/6/93

GRETA STEYN

FORMER Volkskas CE Danie Cronje took over the reins at Absa at the weekend, vowing to win back lost market share with a drive to increase its asset base.

And, in the wake of the departure of Absa CE Piet Badenhorst, Absa chairman Herc Hefer said he would like to settle the bank's dispute with former Allied MD Kevin de Villiers.

Cronje said in an interview that Absa, which had not grown in its past financial year while other banks had added 10% to their balance sheets, was now ready to go into top gear in competing for business.

It had opted for the "quick and difficult" road in dealing with rationalisation and bad debt problems — a move which had wiped out asset growth. It had been difficult to attract skillful corporate bankers to the group and existing staff members had not been focused on the market, but were looking inwards.

"We looked at examples where rationalisation was achieved more gradually and decided it was the wrong route. By the time the first full set of accounts were announced we wanted all the problems out of the way. That is where we are at the moment." Cronje noted Absa had the infrastructure to support a huge asset base. The group has assets of R82,5bn.

An area where Absa needed to expand was the corporate market.

Asked about speculation of an imminent

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Absa

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sale of troubled Rusfurn, and its effects on Absa's income statement, Cronje would only say that Absa would like to do a deal but it would have to be in the interests of shareholders. Market talk is that Rusfurn will be split up between the J D Group, Prefcor and Wooltru.

Cronje declined to speculate on the effects a lower bad debt charge in the next financial year could have on the group's results. In the long run, he was targeting a rising trend in return on equity (ROE) and return on assets (ROA). Absa's ROA, at 0,87%, was substantially lower than the 1,4% announced by FNB at its interim stage. The Standard Bank group's ROA has been consistently above 1%.

As for the group's image of being run by Afrikaners for Afrikaners, he said he "understood the perception" but it was not true. Top management included English speakers Doug Anderson and Malcolm Chapman.

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He declined to disclose the group's exposure in the townships, but said it was a small percentage of overall lending. The group's exposure in the townships depended on the associated profit and risk.

ANDY DUFFY reports that Hefer said yesterday Absa would like to halt the criminal proceedings it initiated against former Allied MD Kevin de Villiers and his former assistant Patrick Ronan.

Hefer said the bank had no wish to pursue the action, but that the matter was in the hands of the attorney-general. De Villiers and Ronan are to appear in court on August 16 on charges of fraud or alternatively attempted theft, and perjury.

Hefer said Absa was powerless to drop the case, and did not want to intefere in the business of the attorney-general's office.

But the bank wanted to end its long-running and bitter dispute with De Villiers, and draw a veil over the poor publicity that has dogged the group.

"It's time to get ourselves off the front pages of the Press," Hefer said. "I would like it (the court case) to go away. We've got nothing against them, but this is the attorney-general's case. I don't know what Absa can do about it."

The charges against De Villiers and Ronan stem from a complaint Absa lodged after a case Ronan brought and lost against Absa in January 1992 for allegedly contravening employment laws.

Picture: Page 3
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£525m payout to shareholders

B/Day 28/6/93

MARCIA KLEIN

SHAREHOLDERS in Richemont subsidiaries Rothmans International and Dunhill will receive a cash payout of about £525m as part of the reconstruction of Richemont's tobacco and luxury goods businesses into two new quoted groups.

Richemont, ultimately controlled by the Rupert family, announced its new structure at the weekend as well as its results for the year to end-March Attributable profit rose by 4,7% to £206,6m (£197,3m) on a 10,4% rise in sales revenue to £3,4bn.

Richemont said in terms of the reconstruction, the new tobacco group — which would retain the name Rothmans International — would comprise Rothmans' existing tobacco businesses, including its interests in quoted tobacco groups in Canada, Australia, Malaysia and Singapore, and certain tobacco trade marks currently owned by Dunhill and Richemont.

The new luxury goods group, which would be called Vendome Group, would own 100% of Cartier and Dunhill and would include Piaget, Baume & Mercier, Montblanc, Chloe and Karl Lagerfeld

Both groups would have dual holding company structures, with shareholders holding units consisting of twinned shares in a UK and non-UK company. Rothmans would apply to list in London and Amsterdam and Vendome would apply to list in London and Luxembourg.

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Payout

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Current Rothmans and Dunhill shareholders would get units in both groups in proportion to the underlying values of their respective companies' interests in tobacco and luxury goods. In addition, they would receive about £525m in cash.

For every 1 000 Rothmans B ordinary shares held, shareholders would receive 1 000 Rothmans shares, 500 Vendome shares and £757 in cash. For every 1 000 Dunhill shares held, shareholders would get 133 Rothmans shares, 749 Vendome shares and £443 in cash

Richemont currently holds 62% of Rothmans and controls 53% of Cartier Monde SA through its 90% ownership of Luxco SA. Apart from its tobacco interests, Rothmans owns 58% of Dunhill and 47% of Cartier After the restructuring, Richemont would own 61% of Rothmans and 70% of Vendome.

Richemont said the new structure was more logical and enabled the managements of both groups to focus exclusively on their fields of expertise. There were also advantages in terms of future dividend payments.

By bringing Cartier and Dunhill under common ownership, there would be significant cost savings.

Richemont's results to end-March showed that turnover rose by 10,4% and earnings a unit increased by 4,7% to £35,98 (£34,36)

The total volume of cigarette sales by group companies worldwide was slightly lower than the previous year.

Luxury products increased net sales revenue by 9,8% to £1,02bn, but operating profit declined. Cartier Monde's sales revenue and operating profit were affected by reduced demand in the Far East.

Dunhill showed a 29,7% rise in net sales revenue due to acquisitions, foreign exchange effects and real sales growth Operating profit was maintained but attributable profit declined.

Food groups merge their operations

MARCIA KLEIN

FOOD groups Foodcorp and ICS Holdings have announced two deals which will see them jointly control their processed meat interests and ICS's frozen foods distribution company The Cold Chain

They announced at the weekend they would merge their chilled prepared meats divisions by disposing of them to a newly formed company with annual sales of R500m In addition, Foodcorp would acquire a 50% interest in The Cold Chain.

The net cash effect of the merger and the acquisition would be a R15m cash payment by Foodcorp to ICS.

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Foodcorp would sell Enterprise and ICS would sell Renown to a new company called Enterprise Foods. The sale takes effect from today. Shares in the merged operation would be held equally by the two groups, while Foodcorp would have management responsibility.

The decision to merge was because of "strong pressure exerted on chilled prepared meat prices by substitute products such as chicken".

B|Day

The merger would enable Enterprise Foods to improve productivity and increase capacity utilisation.

28|6|95

Foodcorp CE Dirk Jacobs said the major benefit would be cost savings arising from rationalisation, which would improve the new group's ability to absorb rising costs and help it contain its own price increases. Competition from substitute products saw the price of prepared meat increase by less than 8% a year in the past four years.

The Competition Board said it would not investigate the merger

In the second part of the agreement, ICS would dispose of The Cold Chain to a new company called The Cold Chain Limited, which would be held equally by ICS and Foodcorp, with ICS having management responsibilty.

The Cold Chain distributes refrigerated and frozen foods for ICS, Foodcorp and other suppliers. It would also distribute some Enterprise Foods products and Foodcorp's Table Top range

The transactions would have no material effect on the earnings or net asset value of the two groups.

Datakor meets new challenges with niche projects — Frangos

B/Day 28/6/93

DUMA GQUBULE

DATAKOR does not expect to increase interim earnings in the period to September, but is confident that it will provide shareholders with significant real growth on a sustainable basis after that, says chairman Nic Frangos

In the latest annual report Frangos says he expects extremely difficult market conditions during the next six months

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Datakor reported a 12% advance in attributable earnings to R40m (R35,6m) for the year ended March This was in spite of a tough second half — which saw operating profit drop 16% and higher than expected losses of about R5m from recently acquired subsidiary Cortech

In the report, Frangos said the computer industry had undergone further significant transformation in an environment of volatile and often unpredictable changes

The challenges characterising the industry emanated from rapid technological change, market fragmentation and intensifying competition

The dominant mainframe era of the '60s and '70s had been taken over by the micro-processor revolution of the '80s This era had peaked and the third wave of interactive digital multimedia communications had already arrived, he said

Datakor was meeting the challenges with a broadened market approach, through a number of new niche projects which would create future revenue streams (232)

These included the Icon education delivery system the Unicode vehicle identification venture the cash paymaster services project, imaging, the Computer associates and Sun Distributorships and the establishment of Datakor International

The group's technological capability had been enhanced by the addition of Dell, Sun Microsystems and Tandem, and the consolidation of the Computer associates distributorship

Chief financial officer Tony Routledge said the group's objectives were to achieve returns on total assets and capital employed of 30% and 40%, respectively

Although it was not expected that there would be any net borrowing in the coming year, the group's objective was to have borrowings of a maximum 30%

Datakor had achieved a return on capital employed of 45% at the end of the past year Return on total assets came to 23 63%, while the debt to equity ratio was 10 3% he said

ACTION LEARNING ... IMC director of studies Kennedy Skosana teaches workers how best to do their jobs.

Each one teach one the IMC way

THE NSB is more than aware that all its dreams of black economic empowerment can never be realised without an educated workforce – from the shopfloor to the boardroom

This, say company insiders, is a priority which has won over the people who for the past three years have earned their living at this vibrant black-owned and managed company which has been making waves in corporate SA

As a result the NSB has embarked on one of the most ambitious management development programmes ever launched in this country The NSB is offering to its employees, and members of the public, programmes built on "Action Learning" in partnership with one of the world's leading institutions in this field, the International Management Centres (IMCs), which have pioneered action learning programmes in 20 countries in the past decade

The IMCs, who work with major international companies – and with the smallest enterprises – have been keen and dedicated partners with the NSB to help it achieve its mission of an educated workforce

Already 100 NSB managers are participating in the IMCs' Master of Business Administration (MBA) programme, 60 are participants in its Bachelor of Management (BMgt) programme and eight in its Doctor of Business Administration (DBA) programme

"Yet such participation is only the beginning," said NSB executive chairman and chief executive Mohale Mahanyele

Mahanyele, who in June was elected the worldwide IMC chairman, added "With the promised support of the NSB Education Trust, we are able to promote managerial and scientific studies as part of our overall strategy of black economic empowerment

"Such a focus can alleviate the unacceptably high unemployment in our country and graduates will be equipped with skills which will enable them to participate in corporate SA with greatly enhanced competencies "

The IMC's multinational associate dean and director of studies, Kennedy Skosana, the first black South African to hold this post, agrees "We teach workers how best to do their jobs To be able to be effective managers "

Skosana explained the IMC approach to worker and managerial education was a tried and tested method – from the UK, Finland, Holland, Belgium and Germany to Malaysia, Singapore, Indonesia, Hong Kong Macau, Taiwan and Australia

And some of the world-renowned blue chip companies like Ernst and Young, Malaysian Airlines, Du Pont, Allied Irish Banks and Shell, are among 1 000 companies worldwide which use IMC education systems

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■ IMC was established in 1964 in the UK and was originally known as the Institute of Scientific Business Since 1982, when its programmes of "Action Learning" studies were launched, over 20 000 managers worldwide have participated

Using "Action Learning" the vital issues facing an enterprise become the curriculum for study The IMCs also provide a supporting network and resources for managers who wish to learn together Some of this support comes from IMC faculty members deployed from universities, enterprises and consultancies worldwide

In addition IMC work is co-ordinated by five deans and regional faculty boards worldwide based in Africa, the Far East, the Pacific, North America and Europe

Merger, acquisition values increase by 7%

BDay 29/6/93

MARCIA KLEIN

DESPITE the severity of the recession, SA businesses increased their takeover activity in 1992 with a 7% rise in the value of publicly announced mergers and acquisitions to R13,4bn (R12,5bn).

Ernst & Young corporate advisory services director Dave Thayser said the figures showed that the local business community's appetite for creating mergers and acquisitions "continued undiminished" in the year under review. (232)

The upward trend, identified in Ernst & Young's annual mergers and acquisitions survey, stood in contrast to the UK "where takeover activity has fallen to a third of the level experienced in the 1991 boom.

A significant trend was "the rapidly accelerating involvement in offshore activity by local companies".

A major deal was the R2,17bn acquisition by Royal Corporation of Del Monte Foods International.

Other notable cross-border transactions were Sappi's acquisition of Hannover Papier and Mondi's acquisition of Austrian company Frantschach.

First National Bank, Standard Bank and Investec all acquired UK banks during the year.

But all this activity, as well as several deals which were being negotiated at the time, "came to an abrupt end when the Reserve Bank announced its reluctance to sanction further offshore transactions towards the end of last year", Thayser said.

The future ability of companies to invest overseas had been severely restricted.

According to the survey, acquisitions by foreign buyers continued to represent less than 1% of the total value of merger and acquisition transactions.

While R4,7bn was invested offshore, publicly announced inflows amounted to only R111m.

There were 57 delistings from the JSE, a third of which arose as a result of financial difficulties or voluntary winding up.

More than 20 of the merger and acquisition transactions announced last year had led to or would lead to delistings.

Unbundling was likely to represent a new trend in the survey for 1993, Thayser said

COMPANIES

Ore find may save Gold Fields tin mine

ANDY DUFFY

GOLD Fields of SA is considering granting a reprieve to Rooiberg Tin, its loss-making base metals subsidiary which last June was given just 12 months to live

The mining house said yesterday that additional ore had been discovered, and this could extend Rooiberg's life for at least another five years (3165)

Coal and base metal division GM Richard Robinson warned 12 months ago that Rooiberg had a year of high grade reserves left and that it would have to be mothballed or closed unless market conditions improved

Though tin prices had deteriorated since then, Robinson said yesterday Gold Fields had still to decide whether Rooiberg should close or continue at current low levels

The Rooiberg workforce was reduced by two-thirds last year, to leave total staff at just 250

"We're at the right staffing level," he said "We have identified additional ore with similar sorts of grades, so we can continue to produce for quite a bit longer depending on prices and the cost structure"

The lifespan could extend beyond five years depending on the results of continuing exploratory work.

Gold Fields' decision to keep the mine going caught market sources by surprise, given the disastrous state of the tin market. (232)

Massive oversupply in recessionary markets and the failure of the Association of Tin-Producing Countries to control non-member producers such as China, Brazil and Russia, have led to a collapse in prices

The metal was trading on the London Metals Exchange at a three-month middle price of $4 977 a ton yesterday — its lowest level for more than 20 years

Lonrho Sugar's earnings climb

BDay 29/6/93

EDWARD WEST

LOHNRO Sugar Corporation's earnings have climbed 12% to 571,1c a share in the year to-end March 1993 from 510,1c a share at the same time last year, today's published results showed.

A final dividend of 120c was declared, lifting the total dividend to 230c (1992: 220c). (232)

The group, 99,7% held by Lonhro International, grows and mills sugar at estates in Swaziland, Mauritius, Malawi and SA.

Its results are quoted in emalangeni (E) — which has the same value as the rand — as the company is incorporated in Swaziland.

Turnover increased 9% to E463,8m (E425,3m), but profit margins improved and operating income climbed 15% to E119,2m (E103,5m). Loans rose substantially to E95,2m (E23,8m) Sugar

Lonhro Sugar's shares, one of the least traded on the JSE, was 4 800c at close of trade yesterday.

Pierre Steyn looks at unbundling

Smaller bound to be smarter

Star 29/6/93

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UNBUNDLING makes sense for mainly two reasons sharper focus and, secondly, healthy, modern business practices.

It is obvious that large conglomerates, which are spread over several businesses, cannot be managed with the specific focus required by each individual business — based on its own specialised knowledge and experience

We believe a focused business enables management to be more successful by concentrating on its core area of expertise, in the process countering its competition directly

At Sanlam our approach is to focus on our target markets

We cannot be all things to all people, because that would dilute our expertise

We have to concentrate our efforts on our strengths in order to provide the best possible service

In a highly competitive business, that is the only way to win and keep clients.

The same applies in my mind to all businesses. Breaking a large, widely spread conglomerate up into companies or groups, each with a sharp focus, will produce the best possible results.

Gencor, for example, will now focus its energies and expertise on mining, metals and mineral beneficiation And in those closely related fields, it will still be a major player

Secondly, unbundling is a healthy business practice

International experience has shown that companies emerging from deconcentrated conglomerates must, to be successful, still be of sufficient size in relation to the industry in which they operate

This is particularly true in international trade, where large economies of scale are required

Strongly focused companies, with access to the capital markets and backed by one or more large shareholders, are likely to play a significant role in the presently developing environment.

Such companies should also benefit substantially from the expected liberalisation of international trade and capital flows

Other good reasons for unbundling include.

- A reduction in the layers of management, with the enhanced efficiency that goes with a flatter corporate structure
- A wider choice of focused investment instruments will become available to the investing public and institutions
- The shares of underlying companies will benefit from improved tradeability

The Johannesburg Stock Exchange is generally characterised by low trading volumes and unbundling can only improve the situation.

- With our country opening up to the world, a corporate structure more in line with overseas practices should improve our chances of attracting foreign investors.
- Local companies will also have better access to the international capital markets, which favour focused business units without control pyramids
- International co-operation and the formation of international alliances become easier.

Lastly, let us imagine that those companies now being unbundled, such as Malbak, Engen and Sappi, had been operating as separate businesses throughout their existence And let us then imagine tying them together into a single bundle

Would such a move have made any sense? Could there be a convincing argument on sound business principles for integrating into a single conglomerate such a diverse collection of companies in unrelated businesses?

Let us then stop imagining, open your eyes and see that, hey, these companies are in fact together in a conglomerate And that there still are no convincing arguments for subjecting them to a single control structure

Then, plainly, for healthy business reasons the bundle should be untied

That, to me, is a strong argument in favour of unbundling

These are the considerations that motivated our decision to unbundle

Although the decision to unbundle was based on sound commercial considerations, it will have a political impact

Given all the benefits, we intend to continue to support the process of unbundling with other pyramids under our control, such as Murray & Roberts Investments and Malhold □

- *Pierre Steyn is chairman of Sanlam, the life assurance giant under whose wing Gencor falls. Gencor pioneered the unbundling concept in South Africa*

Argus income rises 4,8%

B/Day 29/6/93

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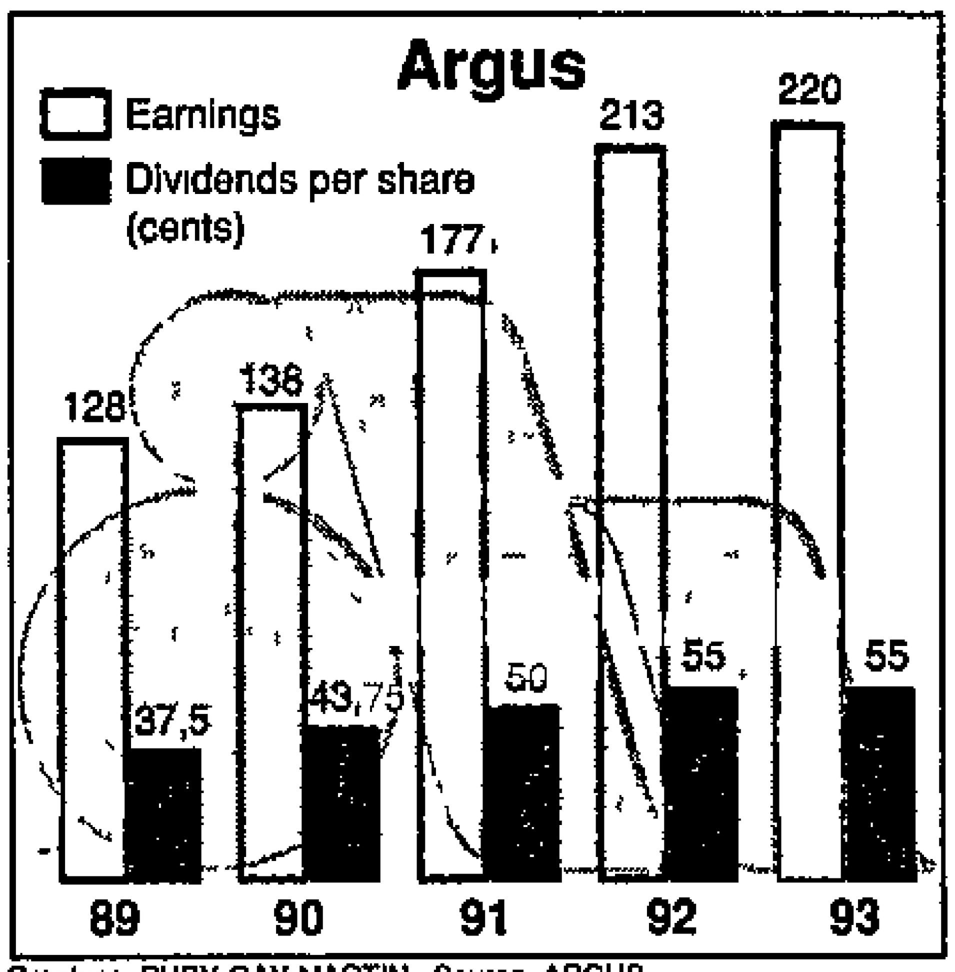
MARCIA KLEIN

IN A tough year for its printing and publishing interests, the Argus group reported a 4,8% rise in attributable income to R94m (R89,7m) in the year to end-March.

Prior year results have been given as reported and have also been restated to reflect a change in accounting of the group's interests in Afmed and its subsidiaries Caxton and CTP Holdings. These interests, which were previously consolidated, are now being equity accounted.



Graphics RUBY GAY MARTIN Source ARGUS

Argus CE Doug Band said Argus Holdings' conditional entitlement to appoint the majority of directors to the Afmed board had been withdrawn.

Group turnover rose by 14% to R1,65bn from R1,45bn and trading income was 17,1% higher at R149,1m (R127,3m). Earnings were 3,3% up at 220c (213c) a share on more shares in issue and the full year dividend was maintained at 55c a share.

Although the interest bill rose sharply to R11,1m from the restated R5,9m, Band said there had been a significant improvement in the second half. This was due to a softening of interest rates and "hard work" in asset management. The focus on asset management gave rise to a minimal gearing position.

Net income before tax was 14,1% higher at R141,6m (R124,4m) and net income after tax improved by 15,7% to R77,3m (R66,8m). But a decline in the share of associates

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Argus

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resulted in the 4,8% increase in net attributable income.

Investments in the publishing sector, which include Argus Newspapers, Times Media Limited (TML) and CTP Holdings, had a difficult year with generally flat circulation and reduced advertising volumes. The closure of premium rate services — Argus has a third stake in Parrott — affected income in terms of profits earned and and advertising income generated by the industry.

Wholly owned Argus Newspapers performed satisfactorily, with a 6,8% increase in net attributable earnings. Band said he was pleased with reaction to the new format Sunday Star, which was successfully penetrating the black market. (232)

CNA Gallo had weathered an environment of reduced consumer discretionary spending and had a "reasonable run" in the second half. Further investment in the cinema industry, through the acquisition of the remaining 50% of Nu Metro, had rounded the group's position in the entertainment field.

Associate M-Net had performed impressively in the local market, while further progress was made to bring European pay station FilmNet to profitability.

Band said trading conditions in the first quarter of the new year "have proved torrid", and the group would do well to maintain earnings in the current year.

He said Argus had for some time been reviewing unbundling options and hoped imminent legislation would enable it to formulate firm proposals. But Band said he could not disclose any plans. The sale of Argus's 37% holding in TML has been the subject of speculation for some time.

Amrel 'does not expect real growth this year'

BIDAY 29/6/93

MARCIA KLEIN

FURNITURE, footwear, apparel and services group Amrel, whose earnings declined significantly in financial 1993, did not expect a meaningful resumption of growth in the coming year, the annual report said.

The SA Breweries subsidiary reported a 74,3% drop in earnings to 43,8c a share in the year to end-March afer a substantial improvement in second-half trading Turnover, excluding the effect of the Boymans acquisition, rose by 4,2% to R1,05bn.

MD Stan Berger said in the report that management could ensure that the group was equipped "to play the game", but SA's people and leaders would determine "the size and type of playing field".

Chairman Meyer Kahn said little improvement was expected in the first half Beyond that, the obstacles to peaceful resolution had to be overcome "before a meaningful resumption in growth of sales and earnings can be contemplated"

Berger said the furniture division had turned in a creditable performance "during a period in which consumer confidence has been treated to a roller-coaster ride".

There had been little scope to significantly expand operations "with management's efforts clearly focused on achieving an acceptable return from existing assets and giving full cognisance to the group's already strained financial structure"

Furniture City experienced a turnaround, with sales up 30% But the overhead structure still prevented it from contributing significantly to Amrel's earnings

Cape-based operation Crown Furnishers started the year well, but could not sustain its performance. Geen & Richards, McNamee and Lubners perfomed "admirably" despite a five-month strike at Lubners

Berger said management was cautiously optimistic about the coming year The division expected a real increase in sales volumes, but might be hard pressed to improve significantly on its contribution to group earnings.

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The footwear and apparel division reported comparative sales growth of 4%, falling short of the nominal sector growth of 10% and representing a further decline in market share.

The acquisition of a controlling interest in Boymans at the beginning of the year "has provided Amrel with the only glimmer of hope in this troubled market"

ABC and Cuthberts, which were sold to Sales House for R45,7m cash after the year-end, were affected by the competitive advantage gained by some of the major departmental stores

Scotts experienced a harsh trading environment and greater emphasis had been placed on maintaining a narrower range of high volume, standard product lines Although this strategy had met with some success, it was not enough to return the company "to a profitable footing"

The service division had a successful year. Although there was a real decline in sales income, attributable earnings rose by 63%, largely due to the performance of Early Bird.

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Beat inflation with unit trusts

A UNIT trust is a kind of investment that allows people to save collectively.

The money from various investors is pooled together in a fund. Fund managers, known as portfolio managers then use this money to buy assets, usually shares quoted on the Johannesburg Stock Exchange.

At all times, a certain number of assets will be held in cash The assets and the cash are known as a portfolio. Because of their size, the funds are able to buy large quantities of quality shares.

The minimum monthly investment in a Metlife Unit Trust is R50, which can be increased at any time. The minimum lump sum to start with is R500. Contributions can be stopped any time.

The fund distributes income twice a year. An investor can sell units at any time back to the management company, which is obliged to buy them back.

All unit trusts are governed by the Unit Trust Control Act which requires them to keep 10 percent of their funds in cash and 90 percent in investments.

The annual return over the past three years of general equity trusts has been 20,03 percent as opposed to inflation of 13,42 percent.

Unit Trusts have performed better than any other investment over a five year period since 1973 constantly beating inflation.

For example: investing R100 over five years would yield 15 percent to R8 734 although you would only have paid R6 000 The 15 percent return quoted is well below the average unit trust return of 20,76 percent.

Investing R10 000 just 15 years ago would be worth R305 000 today at a 25,59 percent return

The dividend income is tax-free as capital growth is not taxed.

The Metlife Unit Trust recorded a return of 10,8 percent for the year ending 31 March 1993. By contrast the Johannesburg Stock Exchange Actuaries All Share Index recorded a total return of only 3,8 percent for this period.

Getting involved includes an initial charge of a maximum five percent of the price plus brokerage and other compulsory charges of about 1,75 percent. The normal service charge of 0,75 percent is deducted from income distributed to investors

Star 30/6/93

Toco gets better and better

By Stephen Cranston

Engineering group Toco has announced a 12,4 percent increase in earnings per share to 21,7c for the year to March, representing its sixth set of record results.

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Instead of a cash dividend, bonus shares of four for every 100 held will be offered.

At the same time it has announced the acquisition of a controlling interest in the American parking systems company Park Plus for $8,85 million.

Toco has acquired Space Maker Holdings, which owns 50 percent of Park Plus.

Toco chairman Paul Todd says settlement of the acquisition does not require any remittance of funds from South Africa.

Toco will pay the vendors in ten instalments to ~~be~~ covered by dividends received from Park Plus's trading activities

Todd says the deal secures the long-term future of Toco's existing manufacturing contract and will allow other Toco products to be distributed anywhere in Park Plus's network of 26 centres in the Americas, Europe and the Pacific Rim

Toco's turnover increased by 25 percent to R191,2 million, with exports boosting share of sales from 20 percent to 30 percent.

Both turnover and earnings increases were very much in line with those in the first half

All five divisions contributed to profits, with continued strong performances from the Lifting, Gaskets and Metal Pressing and the Automotive Refinishing divisions

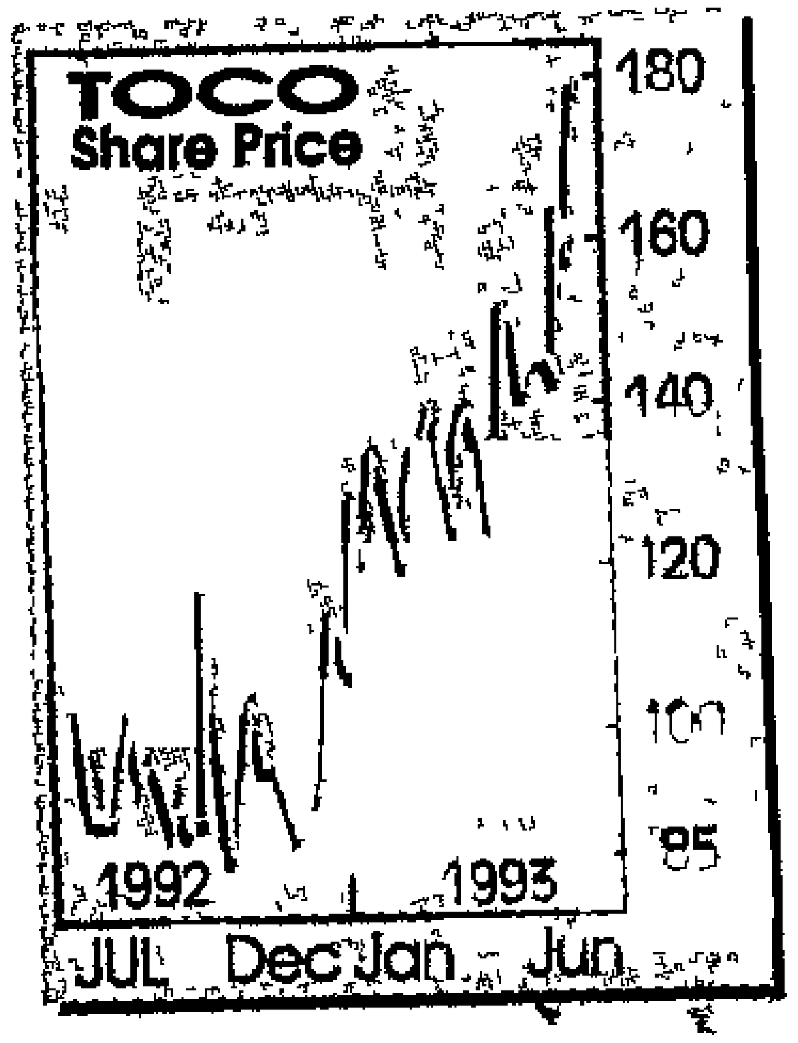
The Special Steels division remained below budget, but continues to improve its internal efficiency and to outperform its major competitors

Operating profit increased by 16 percent to R23,9 million and margins improved somewhat in the second half.

Interest paid was up 73 percent to R4,5 million, which reflects the build-up of stock in the building division to fulfil export orders.

Year-end gearing increased from 39 percent to 56 percent, which is below the self-imposed ceiling of 60 percent. The Park Plus acquisition is not expected to take gearing above 60 percent, but financing a growing volume of exports might well do so

The effective tax rate fell below 10 percent, reflecting increased exports. Todd says the effective tax rate is expected to remain below 20 percent in future years.



Earnings per share have increased since listing in 1987 by a compound 13,5 percent ahead of inflation, which has averaged 11,5 percent over the period

At the present share price of 178c, Toco sits on a P/E of 8,2, giving good value, particularly after the offshore acquisition

Star 30/6/93

Metro opening shops in Israel, Russia

By Stephen Cranston

Metro is planning to set up two cash and carry stores in Israel and another two in Russia by mid-1994, says MD Carlos dos Santos

In a presentation yesterday to the Investment Analysts Society, he said Metro had sent a senior operational executive, Andrew Reitzer, to run the offshore operation

In Israel, Metro's partner will be Koor Industries, the country's largest industrial conglomerate, which also has a controlling interest in the Co-op retail chain

In Russia, Metro's partners will be a steel mill, which is in a position to help with imports, and a bank to enable the group to convert roubles into hard currency at a favourable rate

Wherever possible, Metro will export SA goods to its stores

Dos Santos said he expected the stores to be profitable within a year of opening

Metro already has a 40 percent interest in PTC in Malawi, which owns 23 cash and carries and 65 retail stores

It also has two cash and carries in Lisbon and a sourcing and trading operation in Hong Kong

Its export division, Metro International, trades mainly with African countries, but also sells to the Far East, Middle East and Russia, as well as providing an operation for miners in Mozambique, which enables them to buy goods in SA and receive them in Mozambique

The expansion of global operations will be an important source of Metro's growth

Internally, the group hopes to improve profitability by increasing the proportion of non-foods and perishables in its stores

It recently introduced fruit and vegetables and fresh and frozen meat into its stores

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Star 30/6/93

Rainbow battling with high input costs

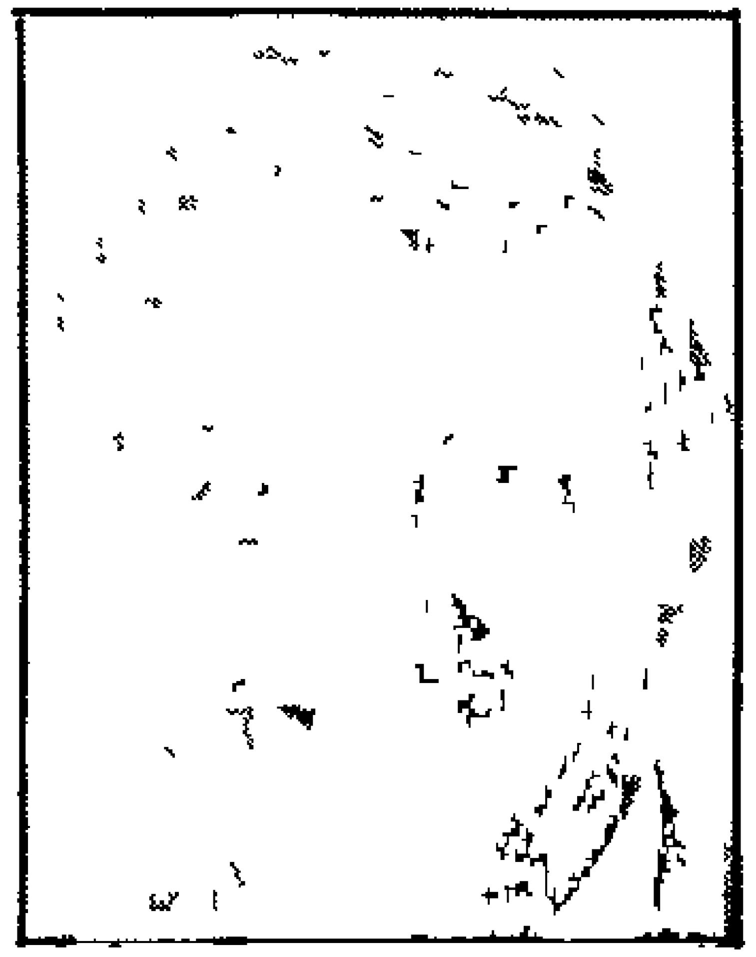
By Stephen Cranston

American broiler producers have a price advantage of R203 a ton on yellow maize and of R304 a ton in soya oil cake, says Rainbow Farms chairman Neil Morris

Writing in the Rainbow annual report for the year to March, Morris says that in order to be internationally competitive as a broiler producer, Rainbow's input costs need to be similar to those of its competitors overseas

One of the contributing factors to Rainbow's R76,7 million attributable loss was the import of 17 500 tons of low cost chickens by retailers

As a first step to reducing input costs it is essential that animal feed ingredient markets are deregulated, he says.



Neil Morris . American producers have price advantage

The Maize Board imposed a 24 percent increase in the price of maize last year and a 6,3 percent increase this year, bringing a 31,9 percent increase over two years which is well above inflation

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Rainbow formed an agri-business division to enable it to receive part of its maize and soya bean requirements internally and therefore outside the scope of the Marketing Act.

The investment in agri-business has given the group a significant price advantage over the regulated price and has produced average returns which exceeded the group's cost of capital

This price advantage justified the building of a R71 million feedmill at Rustenberg which produces 12 000 tons of feed a year and has the capacity to produce 22 000 tons

This season's crop from the agri-business is expected to supply nine percent of maize and seven percent of soya requirements Rainbow is researching alternate grain and protein production in order to reduce its reliance on regulated crops

In the year ahead Rainbow will focus primarily on optimising its sales mix to ensure better margin products are produced. Frozen whole bird production has been decreased and fresh whole birds and fresh and frozen portions will be increased.

A price increase sufficient to cover cost increases should be achieved due to the supply of chicken being in balance with demand

Production was reduced by 11 percent from that at the beginning of the year as part of the Krugersdorp operation was closed and operations in the Eastern Cape were reduced to a single shift.

A total quality programme has been formalised and is designed to enhance consumer satisfaction with products and services It is also perusing product development with a view to optimising brand performance within existing markets as well as the establishment of new markets

● Rick Griffiths has been appointed group MD of Rainbow Chicken with effect from September 1 He joins after 14 years at Unilever, where he is MD of Vandenbergh Foods, the country's largest margarine manufacturer

Merger, acquisition appetite undiminished

Star 30/6/93

Business Staff (232)

The business community's appetite for creating mergers and acquisitions continued undiminished in the 1992 calendar year, says Ernst & Young's director of corporate advisory services, Dave Thayser

Publicly announced transactions worth R13,4 billion were recorded in E & Y's annual Mergers and Acquisitions Survey for 1992 That's 7 percent up on 1991's R12,5 billion.

"The largest transactions in 1991 involved the creation of Absa and the refocusing by the larger industrial groups on core activities. In 1992 the significant trend was the accelerating involvement in offshore activity by local companies"

Foremost of the cross-border deals was the R2,17 billion acquisition by Royal Corp of Del Monte Foods International.

The pulp and paper industry was particularly active in 1992, with Sappi acquiring Hannoversche Papierfabrieken and Mondi acquiring Austria's Frantschach.

FNB, Standard and Investec all acquired UK banks.

This offshore investment activity came to an abrupt end when the Reserve Bank declined to sanction further offshore transactions.

The survey notes that acquisitions by foreign buyers continued to represent less than 1 percent of the total value of mergers and acquisitions.

In sum, R4,7 billion was invested offshore in 1992, while publicly announced inflows amounted to only R11 million.

"Until there is an acceptable political settlement, the basis on which foreign companies do business in SA will be through strategic alliances and know-how agreements rather than by direct investment," says Thayser.

Another significant trend, begun in 1991, was the continuation of delistings from the JSE — 57 for 1992, of which one-third arose as a result of financial difficulty or voluntary winding up

More than 20 merger and acquisition transactions announced last year led to or will lead to further delistings this year.

The remainder of the delistings arose as a result of minority interests in poorly performing subsidiaries being acquired and the companies being withdrawn.