REFERENCES

"THINK FARMER, THINK WOMAN"

(THELMA AWORI)

1993

OWNERSHIP & CONTROL

8

Saficon expects things to get better next year

BiDay 1/7/93

(232)

EDWARD WEST

SAFICON Investments expected to improve earnings in its 1994 financial year, chairman Sidney Borsook said in the group's annual report released today.

He expected earnings to benefit from an increased shareholding in Boumat and rationalisation and reorganisation of the motor and building material interests.

Saficon increased its 32% stake in building materials group Boumat to 64% during the 1993 financial year. The additional shares were acquired at a R9m discount to net asset value, or 25c a Saficon share.

The common problem faced by the building and motor operations was the erosion of gross profit margins. Steps taken to reduce costs were successful, but there was, nevertheless, room for improvement in the ratio of costs to turnover.

Boumat contributed R4,2m to the group's R5,1m attributable earnings in fiscal 1993, Borsook said.

Boumat embarked on a programme of strategic, structural and operational change during the year to improve efficiency and position it more competitively.

The impact of these changes was already being felt and Boumat reported an encouraging improvement in performance in the second half of the year.

The group's three motor businesses, Cargo Motors, Lindsay Saker Motors and LSM Distributors, were consolidated into one company which would result in reduced costs, a flatter organisational structure and improved operating efficiency.

CE Kurt Hipper said the motor divisions maintained their identities, but administrative and other support functions were consolidated. Saficon's results were affected by a severe deterioration in trading conditions, with the vehicle market decreasing in size for the fourth consecutive year. This was compounded by a shift towards the smaller models within the group's franchises and an inadequate supply of the new Golf and Jetta cars from Volkswagen from the second half.

However, supply problems had been addressed. A new Mercedes-Benz range would be introduced by mid-1994 which would strengthen Mercedes' market share.

Although Hipper expected the size of the dealer market to remain static in 1994, he expected Saficon to increase its vehicle volume and market share.

Boumat CE Adam Klein said although significant growth in the construction sector could not be expected until well into the 1995 fiscal year, Boumat's reorganisation would ensure a meaningful improvement in performance for 1994.

Klein said a primary focus would be to address the discrepancy between the book and market value of Boumat shares.

The group's merchanting division was more focused, while performance in the manufacturing division would be enhanced by the introduction of new products and improved production processes.

Although the industry would remain in the doldrums until a state-led initiative was under way to finance new construction programmes, the additions and alterations market showed "remarkable" strength relative to the economy and should grow further in 1994.

The accelerated township electrification programmes offered an opportunity for significant growth in sales of Boumat's electric water heaters, said Klein.

Yabeng reports 'deterioration'

B/Day 1/7/93

MZIWAKHE HLANGANI

YABENG Investments suffered "unprecedented economic deterioration" as one of its companies was placed in provisional liquidation, the group says in its annual report. (232)

The company, with interests in Sun International Bophuthatswana, United Breweries and various retail and wholesale companies, showed significant declines in sections of its portfolio.

Chairman Johan Maree said in the report to end-March 1993 that little, if any, sign was expected of a real recovery in sectors served by the companies in which Yabeng invested.

Trading activities in southern Africa were unlikely to show any real strength.

CE David Gould said disappointing results could be attributed to pressure on retail shopping due to tighter credit restrictions

He said industrial relations were increasingly difficult to manage and disputes adversely affected productivity, with demands showing a disregard for economic reality.

Several groups, including furniture retailers, responded to economic problems of the day by adopting more conservative accounting policies, he said.

Gould said these resulted in significant impairment of net asset values of the companies

Yabeng investments in the beverage and hotel sector had been able to maintain and better the group's earnings, as had other specialised companies including radio, baking, educational furniture manufacture and wholesale.

Tongaat expects 'profit growth'

B/Day 1/7/93

MARCIA KLEIN

THE benefits of the Tongaat-Hulett group's initiatives to enhance performance would allow it to show profit growth in the coming year, chairman Chris Saunders said in the annual review.

Although the current financial year would be difficult for business, Saunders said significant actions taken to improve the competitiveness of its diverse businesses and to anticipate and adapt to challenges had made the group more competitive than ever.

(232)

The group, which has interests in sugar, building materials, foods, aluminium, textiles and starch and glucose, reported a 5% drop in earnings to R142,9m in the year to end-March despite a significant drop in the contribution of the sugar division on the back of severe drought conditions.

Turnover declined by 2,4% to R3,87bn, the first drop in more than 25 years.

Saunders said this reflected the deteriorating economy, its effect on customers and the effect of the drought on the sugar and food operations

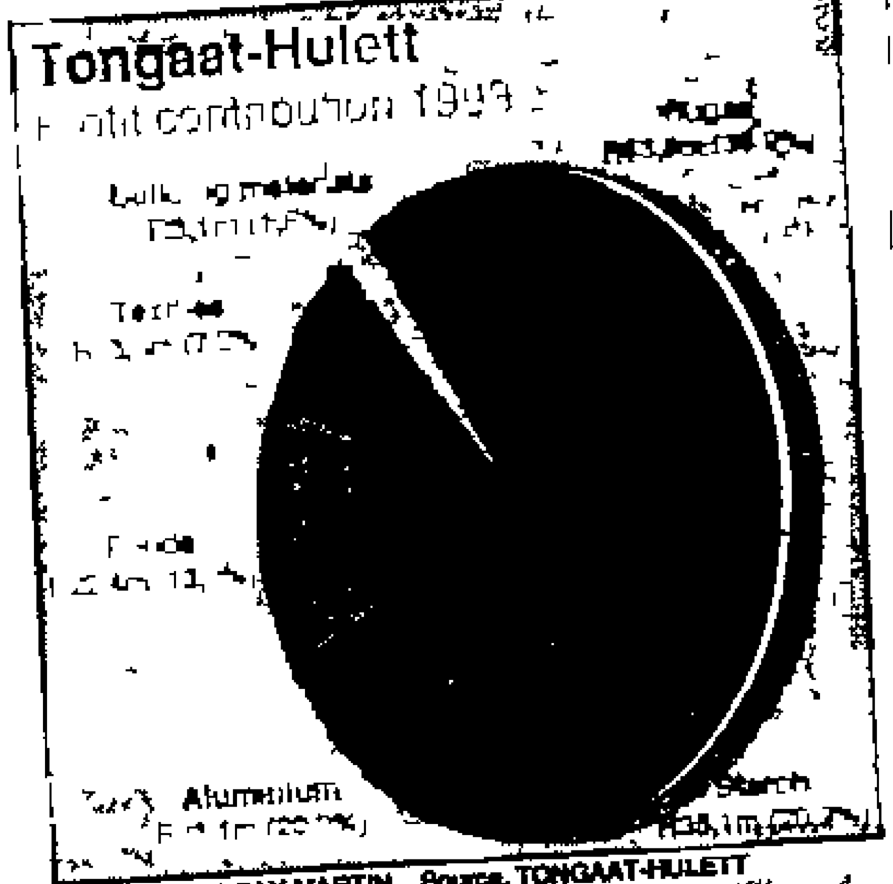
The group's priority was to focus on improving its competitive edge by concentrating on core businesses, which offered significant opportunities for profit growth.

The R200m expansion programme in the sugar, aluminium and starch and glucose divisions was being implemented. Tongaat-Hulett had held discussions with a number of international companies in its search for opportunities that would enhance core activities.

Fixed operating and administration costs were down 16% and various non-strategic assets had been sold to release funds for investment in core activities.

To counter the effects of the drought, which cost the sugar division R19m after tax, milling capacity was rationalised and major cost reduction programmes implemented.

The division continued to be the major contributor to profits, accounting for R63,8m or 36,9%.



Graphic RUBY-GAY MARTIN Source: TONGAAT-HULETT

Sugar production was expected to be similar to the last season and earnings "should be maintained at a similar level to the previous year".

The building material division was affected by the slump in the building industry and was currently operating at about 50% of available production capacity.

But Saunders said it remained marginally profitable with a positive cash flow. The division was expecting some market growth and was budgeting for improved earnings.

The food division, which reflected mixed results, improved its contribution to overall profits. Attention was being given to under-performing operations and further profit growth was expected in the coming year.

The aluminium division had not met expectations and its secondary metals operations reported a substantial loss. But the division was trading profitably and its earnings would show some improvement.

The textiles division would benefit from improved local market conditions and export opportunities.

The starch and glucose division performed well, increasing its profit contribution during the year. The 1993/94 maize crop would be sufficient to meet local demand and this would enable the division to re-enter traditional export markets.

Next year would be difficult for business and would demand a high level of management competence. Tongaat-Hulett was in a position to meet these challenges, Sauders said.

US publisher takes control of Penrose

MARCIA KLEIN

US publisher and financier Albert Alletzhauser yesterday took management control of printing and publishing group Penrose Holdings after a heated four-and-a-half-hour annual meeting.

Alletzhauser, who became chairman and CE at a board meeting held after the AGM, told shareholders he had recently acquired — but not yet paid for — Nasionale Pers's (Naspers) 29% stake at 35c a share, equalling an investment of about R2,2m. Yesterday the share rose 29,6% or 8c to 35c in two deals following the meeting.

Former SA ambassador to the UK Denis Worrall, a business associate of Alletzhauser, also joined the board. Despite the disposal of Naspers's interest, its directors would stay on the board. Alletzhauser's wife was among the new board members.

It was also disclosed that non-executive director George Joubert had acquired Sanlam's stake of about 14% in addition to his personal stake. (232) (182)

Penrose financial director Paul Delahunt announced his resignation, saying he would look after Penrose publication Who's Who in southern Africa, which he had acquired. The position of executive chairman Jackie Meckler was not clear. Alletzhauser and Meckler said this was being negotiated. (185)

Criticism and accusations flew between the new board members and the old executive team, and minorities expressed concern that the conflict would be detrimental to the company. Minorities said they were also concerned that a 29% shareholder was seeking "to load the board and gain control at a minimal price".

The new shareholders asked for details of executive directors' remuneration and service contracts. Penrose directors refused to discuss individual salaries, saying there had been insufficient notice.

The issue of the sale of Who's Who, which

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Penrose

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Penrose directors said was decided upon some time ago but concluded only on Tuesday, was discussed at length. (232)

Shareholders were worried about morale, as this was the second major change in a short period of time. In 1991 a consortium of Naspers, Tollgate Holdings and Hoskens Consolidated acquired 43,6% of Penrose After Tollgate's liquidation, Naspers held 29%. (182)

Alletzhauser said there would soon be further announcements which would position Penrose as a major player. He wanted to procure new contracts from government for educational publishing, and he was looking into the liquidity of Penrose shares. Penrose had no debt, a sound balance sheet and a healthy order book, and Alletzhauser — a director of Bloomsbury Publishing — said the firm was significantly undervalued.

Higher group earnings forecast for Tiger Oats

Star 1/7/93

By Stephen Cranston

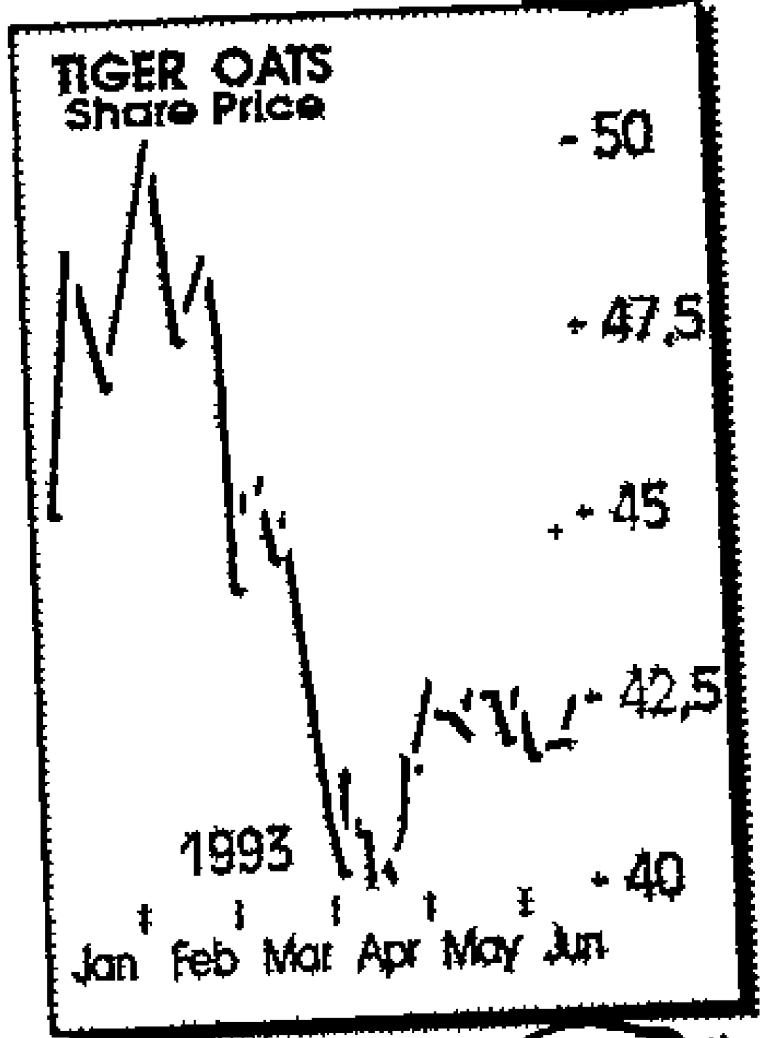
Improvements in the broiler industry and a reduced corporate tax rate, together with continued good earnings growth from the pharmaceutical companies, should ensure that group earnings growth for Tiger Oats will be better than forecast, says Manny Pohl, head of research at stockbrokers Davis Borkum Hare

Pohl predicts that despite a three percent decline in earnings per share to 106c in the six months to March, Tiger will increase its EPS by 7,5 percent to 247c for the full year.

Deregulation of the agricultural industry should make for a further 22 percent increase in earnings per share to 302c in 1994

Deregulation should also reduce input costs and improve consumer demand for Tiger's basic foodstuffs and value-added products.

The disastrous 1991-92 maize crop forced Tiger to buy imported maize, the extra railage costing it R100 a ton for a total of R60 million



But if Gatt negotiators reach an agreement, the South African agricultural marketing system will have to fall into line

This will see the end of quantitative controls on imports, which will allow consumers to import products if they are willing to pay the tariffs imposed

Consumers in coastal areas will benefit, unless tariffs are extortionately high, as they can import maize at R300 a ton, compared with a local price of R505 a ton.

The baking industry suffered over the past year from the deregulation of the bread price as there was a significant price escalation at retail level, a depressed economy and political unrest and violence

The surplus of baking capacity in the industry has resulted in intense competition and a pressure on margins

But over the longer term, the bread market is expected to grow at approximately the population growth rate

Tiger is well placed to meet this demand at a competitive price with the commissioning of a modern bakery in Maritzburg last year.

A political settlement is expected to reduce the cost of distribution and increase margins

The broiler industry made significant losses in the first half, but the closure of Delmas and Mielie-Kip, production cutbacks and tariffs have ensured that the market is back in equilibrium.

There will be further improvements in profitability after the deregulation of maize prices

Feed accounts for 60 percent of dressed bird costs and maize for 45 percent of total feed costs.

In terms of the recommendations of the Kassier Commitee, which are in line with Gatt proposals, maize consumers will be able to negotiate supply contracts with farmers, ensuring control over the price of their major input cost

In the edible oil division, Tiger's sunflower seed plant in North Dakota was recently refurbished with disastrous results. New equipment did not perform and output from the plant declined substantially

These technical problems have been addressed and the current loss of profit, estimated at around R20 million, should turn into taxed profit of R6 million next year

The US operation will benefit from the recent acquisition of a sunflower seed confectionery operation, in line with Tiger's policy of increasing its exposure to value-added products

Pohl says the Tiger share price has under-performed the market since the end of 1992, but that this trend will be reversed as a result of excellent growth potential

Hanson buy-out

LONDON — The Anglo-American conglomerate Hanson Plc said yesterday it had agreed to buy the United States' largest manufacturer of polyethelene, Quantum Chemical Corp, for $3,2 billion

The deal involves Hanson taking on Quantum Chemical's approximately $2,5 billion of debt and distributing 42 million American Depository shares in Hanson to Quantum shareholders — Sapa-AFP

More touble for Thebe as staff protest

W.Mail 2/7-8/7/93 (232)

By FERIAL HAFFAJEE

A SUBSIDIARY of the controversial Thebe Investment Corporation has retrenched staff — and the workers are now occupying their old offices at the African National Congress's Johannesburg headquarters in protest.

Movement Marketing Enterprises, which sells ANC products such as T-shirts, retrenched about 10 staffers in mid-May They say they will not leave MME's former office until ANC leaders step in and get them their jobs back.

"We will be occupying the offices until the dispute is handled and we will be toyi-toying outside Shell House," they said this week.

This is the latest in a series of controversies involving the investment company, which has strong ANC links. ANC representative Ronnie Mamoepa said the organisation did not know anything about the occupation but would investigate.

The retrenched MME staff members have taken their grievances to ANC president Nelson Mandela, vice-president Walter Sisulu, PWV chief Tokyo Sexwale and secretary-general Cyril Ramaphosa, and are meeting Sisulu today.

Thebe recently took over a controlling interest in MME from the ANC and implemented a retrenchment programme because the company was losing money. They also moved the administration of the company from the ANC headquarters at Shell House to Thebe's headquarters in central Johannesburg. All that remains at Shell House is the store where T-shirts and other ANC memorabilia is kept. Most of the office furniture and phones have been removed, but the retrenched staffers still come in every day.

They allege that fair retrenchment procedures have not been used. Instead, they charge that favourites have been kept on instead of the company applying the "last in, first out" principle, under which the last person employed is the first to be retrenched. They have, however, received standard retrenchment packages.

An MME representative this week confirmed that Thebe had closed down an early learning project called "Learning Channel" which had already set up a number of learning centres in townships. It has also closed its arts and crafts wing, though this project is still prominently touted in the organisation's glossy publicity document. The schemes still up and running are those which sell ANC memorabilia and a national hawker scheme.

Staff, who would not be identified because they still hold out hopes of being rehired, allege that they are the fall-guys of bad business decisions made by inept and overpaid directors

Thebe's managing director Vusi Khanyile recently sought legal advice on how to retrench MME's managing director Willie Ramashoba. Ramashoba was earning R17 500 a month but failed to put the company on a profitable footing

A retrenched staff member said "Ramashoba employed new people at exorbitant salaries but they were not qualified".

Sources call the links between the ANC and Thebe "umbilical" although Thebe is trying hard to distance itself from the ANC.

Khanyile this week said MME was "refocusing and repositioning". He said he had met retrenched employees involved in the Learning Channel project and approved their plans to re-launch the project as a non-governmental organisation.

He had agreed that they could use the Shell House offices which MME leases from the ANC to start the new project.

Safex cuts trading fees after record volumes

BDay 2/7/93 (232)

TIM MARSLAND

SAFEX has cut trading fees due to record turnover in futures and options contracts. The exchange's decision follows consistently good volume which was given a further boost by the gold bull run.

Futures players will now pay 35% less on the cost of transactions and the clearing fee will drop from R7,00 a trade to R4,50. The cost per contract will drop from R2,00 to R1,30.

One all share futures contract costs about R40 000 at present (this is calculated by the current index level of 4 000 multiplied by R10). One deal is normally for 10 contracts.

Put in perspective, buying 10 all share contracts will give an investor exposure to the equity market of R400 000. According to a major merchant bank, the dealing cost (including commission) totals R230. If the investor was to buy, for example, De Beers shares worth R400 000, the dealing costs would be a hefty R6 800.

The total cost of buying and selling the futures contracts would be about R660, while to buy and sell the De Beers shares would cost R9 500.

Despite the recent surge in volumes, Safex CE Stuart Rees is confident volumes will rise 25% in the exchange's new financial year.

A key reason for this is the expected growth in volumes following the lower dealing costs. (112)

Rees said higher turnover would enable money to be channelled into a reserve fund, which would be used to supplement income should volumes drop in future.

In December, the exchange cut options clearing fees by 75%.

New Republic Bank buys Merchant Trade

B/Day 2/7/93

EDWARD WEST

NATAL-based New Republic Bank (NRB) has acquired Merchant Trade and Finance (MTF) from SA Bias Group's financial arm Merhold for R45m.

NRB MD Mac Mia said a further acquisition was in the pipeline. (55)

A JSE listing for NRB would be considered during the next 12 months, he said.

The purchase would be settled by issuing 14,2-million new ordinary shares in NRB to Merhold. The acquisition became effective yesterday. (232)

MTF provides trade, working capital and receivables financing and specialist trade services to SA clients through its offices and agencies in Johannesburg, Cape Town, Durban, London, Isle of Man and Vaduz, Liechtenstein.

Mia said the acquisition would enable NRB to increase its asset base to more than R1bn fairly quickly and would substantially enhance profitability. NRB's main shareholders included Merhold, Sanlam and IGI Life Assurance.

Merhold chairman Christopher Seabrooke said synergistic benefits should be achieved once Merchant was absorbed in NRB. Merhold expected good long-term returns on its increased NRB investment.

As Merhold would have held 63,1% of NRB after the transaction, it has given the Registrar of Banks an undertaking to reduce its shareholding to 49% immediately. NRB, a registered bank, was governed by the Banks Act, which rules no person may hold more than 49% of the equity of a bank.

The Securities Regulation Panel gave Merhold dispensation from the mandatory offer to NRB shareholders if the shareholders, who together held 35,9% of NRB, approved the transaction. Merhold currently holds 22,8% of NRB.

NRB recently raised R17,5m through a rights issue but this was its first acquisition for shares.

The takeover of Merchant by NRB left only GDM Finance and Sasfin as separately listed trade finance houses.

Merhold would change its name to Merhold Investment Corporation, which would more accurately reflect the nature of its major activities, a statement said.

UNBUNDLING (232) FM 2/7/93

Questioning the motives

The newest corporate game in town might be called unbundling and justified as unlocking value from underlying assets for shareholders in holding companies There's undoubtedly some merit in so doing but there is, unfortunately, more to unbundling than that More often than not it is a corporate euphemism for restructuring (control remaining intact) to provide a more focused managerial endeavour And that too may be to shareholders' ultimate advantage

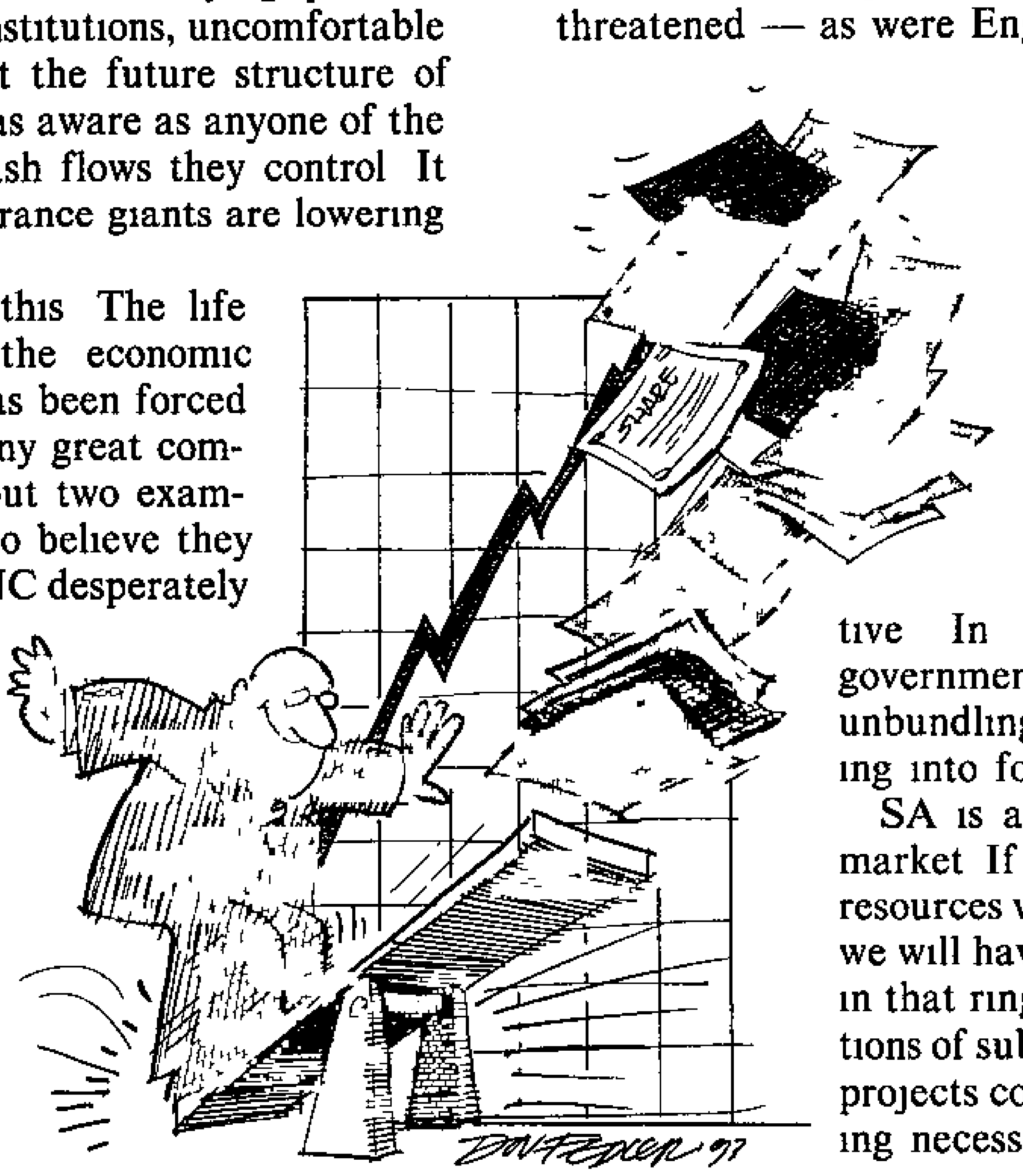
But unbundling is also the "liberation" catchword for clandestine black empowerment, which at its worst might amount to the virtual seizure of assets for the benefit of the politically correct Indeed, unbundling now means almost anything anyone wants it to mean, it is applied artlessly and indiscriminately by journalists and politicians who have an incoherent understanding of its original meaning And by businessmen trying to project from its embrace an element of political correctness

Nevertheless, unbundling has become the corporate community's latest flavour, be it politically correct or not First, Gencor announced it would unbundle Within a day, Metropolitan Life took on an overtly "black community" character Both actions were guided by Sanlam Now, Barlow Rand has joined the rush

It justifies dismemberment by saying the decision is based solely on business principles — presumably, the time for conglomerates has passed, there's an urgent need for concentrated, focused companies It has taken its management a rather long time to come to that conclusion If, last year, the *FM* had suggested that Barlows was unfocused, we wonder what sort of response we would have had from management

All this ignores, even denies, the underlying political dimension The largest financial institutions, uncomfortable after three years of debate about the future structure of business, are unnerved They are as aware as anyone of the attractions of the huge annual cash flows they control It comes as no surprise that the insurance giants are lowering their profiles

Yet there is a fantasy about this The life offices have long commanded the economic heights They have taken (or it has been forced on them?) effective control of many great companies Barlow and Gencor are but two examples It would be folly for them to believe they can escape the attentions of an ANC desperately seeking a cohesive, plausible, effective economic policy simply because they themselves are mutual societies owned by policyholders Some weeks ago an audience of about 200 black and white professionals and managers were entertained to an argument, arranged by the magazine *Enterprise*, which is directed at black entrepreneurs, about competition policy



Star performer was the ANC's Tito Mboweni — also a member of the *FM*'s board of economists — who banged the populist drum and promised black empowerment There is probably some substance in our suspicion that Mboweni genuinely believes he can persuade conglomerates to disgorge shareholders' assets to provide black entrepreneurs with rich pickings for next to nothing

However, what is more interesting is that Mboweni was subjected to some searching audience interrogation, mostly about anti-trust legislation (isn't it a waste of time and effort, contributing little to growth?) and, since competition implies a free market, then what about privatisation? He was less than comfortable about that

This illustrates the ANC's continuing problem — its lack, after so long, of coherent economic policy unblemished by contradiction and unsullied by devious motive It has moved substantially from its early passion for nationalisation and white despoilment, having substituted notions of anti-trust laws and a competition policy that have less to do with equity than with redistribution

These are still the politics of envy and retribution that do no credit to those who espouse them They have no logical place in a nation seeking reconciliation and a universal improvement in the quality of life

In the end, whatever unbundling might mean, it focuses attention on Anglo American, the largest and most consistently successful conglomerate Anglo's success has been forced upon it by a savage exchange control policy It has had little option but to grow internally It also stood by to acquire and make prosperous businesses abandoned by Americans in flight from the disinvestment campaign or threatened — as were English-language newspapers — by devious apartheid entrepreneurs

Now, in one of those cruel ironies, just as democracy arrives, so its success is alleged to be contrived and criminal Of course, Anglo is no stranger to the ritual of the crocodile Once fed, the brute returns for more Sometimes, as in Zambia, the meal's too much and it regurgitates — always messy and certainly not economically productive In the end, a future Nat/ANC government may have to choose between unbundling Anglo or risking De Beers falling into foreign hands

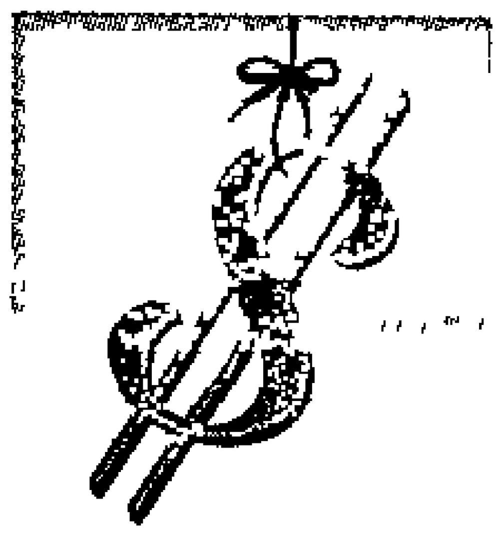
SA is an important player in the world market If we are to prosper from the natural resources with which nature has endowed us, we will have to continue to keep our marbles in that ring For that reason alone, corporations of substance — able to fund grass-roots projects costing billions — will be a continuing necessity of our economic life ■

WHEN SANCTIONS GO

FM 2/7/93

Straining at the leash

When isolation is formally ended, we can at last face the real challenges



Since the early Sixties, SA has been subjected to sanctions in one form or other that have been progressively debilitating and have become a way of life Now that they are on the verge of removal, there is a reasonable prospect not so much of economic windfall but at least greater opportunity to secure a rising level of general prosperity

For the past eight years in particular — when investors and capital fled in substantial quantity after the foreign loans crisis — the struggle for survival eclipsed whatever hopes and endeavours there were to stimulate economic growth A serious and pervasive malaise has been the consequence

Rekindling the animal spirits of investors, traders and manufacturers will be a daunting task requiring persistence, perspicacity and courage — a task that will be well worth the reward

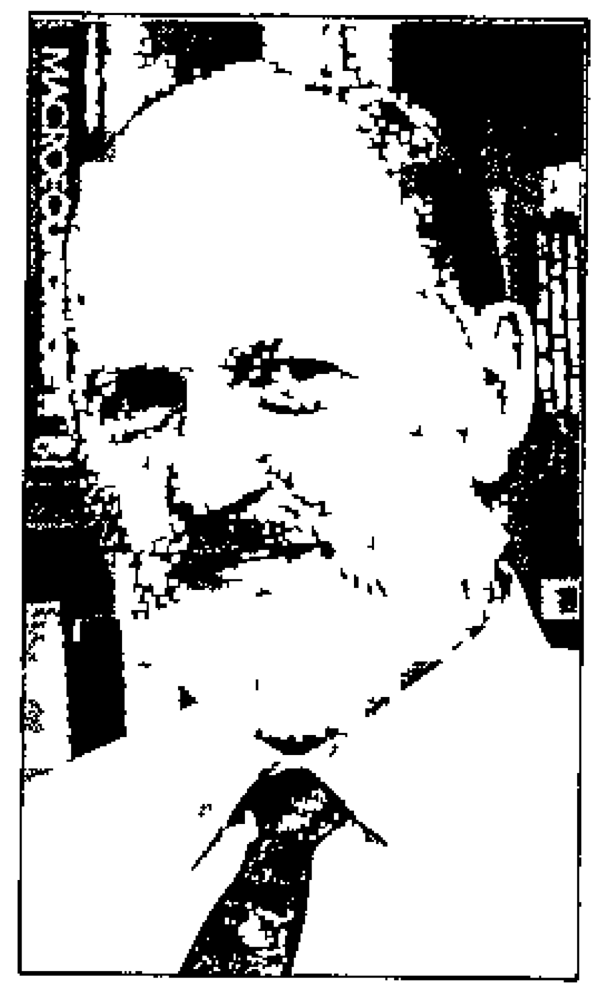
Sanctions began when New Zealand refused to establish diplomatic relations with the newly created Republic of SA and US President Jack Kennedy imposed an arms embargo in the aftermath of Sharpeville

Trade barriers have progressively eroded export income over nearly 30 years and in 1985 the severing of credit lines left us out on a financial limb, struggling with a huge debt burden as capital flight reached record proportions and the international value of the rand began a series of sharp descents

Once sanctions have been lifted, the first step will be to gain access once more to international capital The second step, which will not be easy, will be to attract it back to this country, in the form of loans and fixed capital investment The third task — and the most difficult — will be to put new capital to productive use so that the benefits of investment and growth are sustainable

The last two challenges in particular are daunting So much so that some could underestimate the significance of a formal end to sanctions Indeed, it will be no mere formality For it will mean the unrestricted (though conditional) access once more to International Monetary Fund (IMF) balance-of-payments support While the current trade surplus might suggest that such IMF support is at present more of a contingency for the future than a pressing necessity, the reality is very different

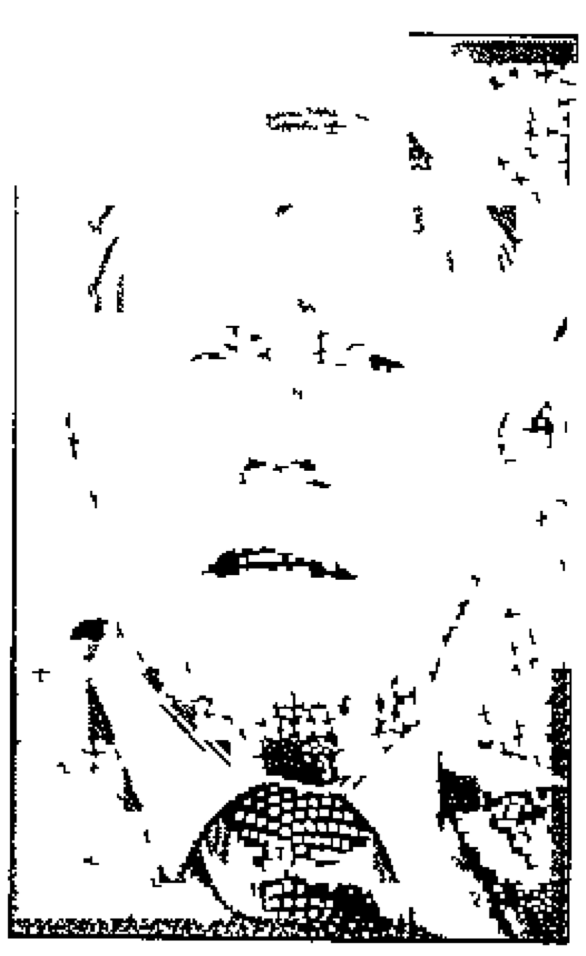
"An IMF facility — to fall back on when the balance of payments runs into the red — has more than psychological value," says Rand Merchant Bank economist Rudolf Gouws In 1982, following a 1981 current account deficit of R4,2bn, SA was granted SDR795m (about R954m at the exchange rate then), which proved invaluable in the face of further current account deficits — R3,6bn in 1982, R428m in 1983 and R2,5bn in 1984 If SA were once again in a position to apply for facilities, it could, if necessary, draw on its SDR1,4bn (about R6,3bn) quota



Mohr

Simply put, a return to normal relations with the IMF means monetary policy decisions will be influenced less by concerns about the balance of payments than they have been for eight years — and growth priorities will assume greater significance, especially as inflationary expectations subside

Ever since international banks withdrew credit facilities in 1985, leaving SA with US$23,7bn in outstanding short-term foreign debt, economic activity has been financed from hand to mouth Interim repayment arrangements, renegotiated at three-yearly intervals, have allowed us to continue in business But meeting the rescheduled payments, without the benefit of offsetting new inflows, has turned SA into a capital exporter, draining its resources at a critical stage of development and social need



Van Rensburg

Over seven years, SA paid back $6,4bn, reducing debt to R17,3bn by the end of 1992 In rand terms, the outflow has been magnified because the currency has depreciated against that of creditor countries in the period Valued at the exchange rate against the US dollar, as at August 31 1985, $7,9bn has been repaid

This was not the only capital outflow, of course According to research by economists Jacob van der Walt and Geert de Wet, SA has had an average capital outflow of R5bn a year since 1985 This was met from the proceeds of export earnings which, despite trade sanctions and deteriorating terms of trade, rose sharply over most of the period But what remained when interest and capital payments had been made was too little to finance adequate and sustainable growth

In 1988 and 1989, when net gold and foreign reserves shrunk by R3,5bn and R1,2bn (see graph), the authorities were forced to abort the upswing which generated GDP growth of 4,2% and 2,3% respectively Van der Walt and De Wet estimated that if outflows continued at the same pace, the cost of financing them would constrain GDP growth to 0,9%-2,7% a year

The situation has been aggravated by shrinking exports (see page 37) The surplus on the current account (made up of trade and services) has fallen sharply Seasonally adjusted and annualised, it dropped from R5,4bn in the first half of 1992 to R2,5bn in the second half and only R700m in the first quarter of 1993 (Improvements are expected towards the end of the year to an estimated surplus of R4bn-R5bn)

And the capital account has been deteriorating A net capital outflow of R3,3bn took place in the first quarter of 1993, after a net outflow of R3,1bn in the previous quarter

The problem can only be solved, ultimately, by increasing exports and attracting investor interest The key to that is political settlement and economic reform

Meanwhile, a final debt arrangement and access to IMF facilities will enable domestic businesses to pay for the plant, equipment and intermediate inputs needed to increase productive capacity An estimated 70%-80% of imports is made up of capital and intermediate goods, so any upswing in demand for goods will reduce the trade surplus

The level of excess capacity in the economy is uncertain Official figures for the manufacturing sector show usage at only 78,8% in 1992 But this doesn't mean there is 21,2% surplus

Jan Dreyer, who heads the government Economic Advisory Service, says optimal capacity usage — when the economy is booming — is about 85% So, in practice, less than 7% is available And that means new investment in manufacturing capacity is needed urgently

But it will not be enough It will not be possible to make adequate use of this capacity, says Dreyer, without increasing imports of intermediate goods, which is why SA needs access to foreign capital before it can generate meaningful growth IMF standby facilities, a modest stream of development aid from sources such as the World Bank, and limited loans to the private sector from

cont'd

FM 2/7/93 (232)

CAPITAL MARKET (232)

Up and up

FM 2/7/93.

The first few months of 1993 saw an increase in the value of trading in most financial markets operating through the JSE

The value of shares traded rose from R6,2bn in the third quarter of 1992, and R5,4bn in the fourth, to R8bn in the first quarter of this year The Reserve Bank *Quarterly Bulletin* records that, in the five months from December 1992 to April 1993, the average monthly price level of all classes of shares increased by 19,3%, following a decline of 16,5% in the preceding five months

"The recovery in share prices was led mainly by increases in the prices of industrial, commercial and financial shares," says the *Bulletin* "From February, share prices of gold mining companies also started to increase sharply, with the result that the monthly average price level of gold mining shares in April was 74,8% higher than in November 1992"

The net purchase of shares by nonresidents rose from R600m in the last four months of 1992 to R1,8bn in the first four months of 1993

The surge in activity brought the average price level of all classes of shares, in April, to within 0,4% of the peak reached in June 1992, before the crisis of confidence created by the massacre at Boipatong that month

The Bank reports that the quarter saw a rise in the value of trading of public sector stock on the JSE — from R131,1bn in the fourth quarter to R168,3bn in the following quarter Reasons cited by the Bank include

☐ Lower inflationary expectations (which makes returns at a fixed rate of interest more attractive than in a time of high inflationary expectations), and

☐ The return of nonresidents to the market, with a net purchase of public-sector stock of R300m in the first four months, after net selling of a similar amount in the last four months of 1992

The Bank says uncertainty about share prices caused the total value of futures contracts to rise to R21,8bn in the first quarter, from R13,7bn in the previous quarter Of this, 98,3% was in contracts in share indices

Trade in options on index futures, which started in October last year, has burgeoned The Bank says the value of contracts traded increased from a monthly average of R45m in the last two months of 1992 to R103m in the first quarter of the year On March 15, the open interest on 44 268 contracts in options on index futures surpassed the open interest on all futures contracts

And the Bank reports that "despite continued efforts to promote traded options on shares, activity on the JSE's Traded Options Market remained very low" Only 145 contracts, with an underlying value of R900m, were traded in January, followed by 10 contracts worth R70 000 in February No options in this market were traded in the following two months

In the gilts market too, fewer options were traded in the first quarter of 1993 than in the previous quarter

On the primary capital market

☐ Public-sector issues of fixed-interest securities "increased sharply in the first quarter of 1993, in contrast with the normal seasonal pattern during the course of a fiscal year" The value of issues amounted to R7,5bn, compared with R500m in the corresponding quarter of 1992 and R300m in the fourth quarter of 1992, and

☐ Net new issues of ordinary shares by listed companies amounted to R1,9bn in the first quarter, only slightly more than issues the previous quarter worth R1,7bn ■

CHARTER FM 2|7|93 (232)

At one bound, he's free

What price can reasonably be placed on freedom? Apparently £236m, if you're Charter Consolidated CE Jeffrey Herbert and determined to cast off the shackles of the greater Anglo American That's what he's agreed to pay Minorco to buy back its 36% holding In the process, other shareholders will be given shares — one-for-one — in a new company, Charter Plc, which will replace Charter Consolidated on the Johannesburg ~~and London~~ exchanges

Herbert is funding the buy-back from the £330m sale of Charter's 38% stake in Johnson Matthey Annual results, announced al-

Charter's Herbert *a great day*

FOX FM 2|7|93 . (232)

most simultaneously with the Minorco deal, show an 11% increase in operating profit to £31,3m, the group expects to hold net cash after paying Minorco of about £145m

The restructuring has raised eyebrows in SA Is committing R1,66bn (at the finrand rate) to buying back your own shares really the best way to invest a company's wealth?

Herbert has no doubt "This is a great day for Charter," he says "It is an investment in ourselves which will give us opportunities which may not otherwise have been there. There's always been a perception that Charter was controlled by an SA group Cutting that connection gives us the freedom to pursue new avenues and use our paper in ways which are free of constraints"

It's an open secret that Herbert has long resented the controls exercised by Anglo's invisible hand Diplomatically, he will say only that Minorco's board has always been "totally supportive" — which begs the question, of course, of why the buy-back has been deemed necessary

Clearly, there's more to this than meets the unsuspecting eye Most CEs will confirm the presence of a strong, large and supportive shareholder lends comfort and encouragement, especially when it comes to rights issues and other important money matters

So why the almost indecent haste to use the Johnson Matthey cash to shed the parent? An observer suggests Herbert was largely ignored by his Anglo peers· "If they'd paid him some attention, it would have gone far to cementing relations"

Now, Herbert has removed Charter as the only shareholder of substance He will report, effectively, only to non-executive chairman Sir Michael Edwardes (who has also cut his ties with Minorco and Anglo) It's a good situation for an ambitious CE

But every successful deal needs a willing seller So the next question has to be why Minorco found it convenient to sell. Smooth PR explanations aside, the truth is Charter has moved progressively away from natural resource-based business and increasingly into specialist UK engineering That alone must have sat uncomfortably with Minorco, focused as it is on natural resources

And Minorco got a good price Word is that negotiations were tough and unsentimental, in the end, Minorco secured a mere 2% less than the previous day's close Given its large holding and that it might have had to accept a huge discount if it peddled the stock around UK institutions, it was clearly a deal which pleased Minorco's managers

It must have caused a passing twinge of sadness by (older) Anglo executives Charter was formed in 1965 from the merger of Central Mining, Consolidated Mines Selection and the British SA Co, flag carrier for Cecil John Rhodes's imperial ambitions Charter is redolent of history, an important link with a bygone era

Not that long ago, when Charter occupied swanky London offices in Holborn Viaduct, its board lunches were legendary repasts fit for gourmets, set off with the silverware, crockery and paintings of a more elegant age It's rumoured Minorco has requested the return of memorabilia and the three companies, now merely shells, which provided Charter's substance No-one will confirm this

Meanwhile, Charter becomes unique, the only pure UK engineering company listed on the JSE As such, it offers local investors a good rand hedge — if, that is, you believe Herbert can provide consistent returns in an obviously difficult British and EC economic environment

David Gleason

BARLOW RAND FM 2/7/93 .

Is there logic in dismemberment?

(232)

Why is Barlow Rand planning to dismantle itself? This plan signals an almost revolutionary change of thinking for an industrial and mining group whose management has spent more than a quarter of a century chasing — and singing the praises of — size and diversity

How far the process will be taken has yet to be spelt out It's plain though that Barlows will be split into at least three smaller and entirely separate groups, each focusing on distinct sectors of the economy

Two groups — one in its present form and the other a new, enlarged entity — will cut ties with Barlows These will be C G Smith, which holds the food, packaging and pharmaceutical activities and depends essentially on consumer spending, and Reunert, which will hold electronic and electrical businesses probably including African Cables, Persetech, ISG and Barlows Consumer Electric Products

A third group — run by chairman Warren Clewlow — will hold the rump of Barlows' industrial interests These will include Barlows Equipment, Barlow Motors, steel company Robor and building materials suppliers Federated-Blaikie and Plascon All these are wholly owned and linked primarily to fixed investment or infrastructural expenditure

The international arm, 79%-held UK-based J Bibby, will remain in this group Another logical component could be Pretoria Portland Cement, which also relies on infrastructural spending and is part of the mineral resources division

An intriguing question is whether the mining activities will fit in at all Last week's announcement conspicuously made no mention of these With mining interests cleaned up after last year's asset sales and unbundling of Rand Mines, the same approach could be taken as was adopted with Middelburg Steel & Alloys (MS&A)

When Barlows decided some years ago it wanted to reduce the impact of cyclical commodities on its earnings, the initial plan was to list MS&A The wholly owned MS&A was being tentatively valued at R550m-R750m, when the Columbus consortium offered R1,1bn, Barlows sold the lot

Given the structure and focus now proposed for Barlows, the preferred option may be to sell the remaining mining operations if an acceptable offer is made Most interesting of these is 70%-held Randcoal, with a market capitalisation of about R900m However it is done, Barlows could realise considerable funds from these holdings

If the logic of being "focused" has been indeed fully accepted for Barlows, then it should apply equally to Bibby, another conglomerate That could imply sales of Bibby divisions that do not fit clearly with companies in the new Barlows This, again, would bring in cash

But what does Barlows — and major shareholder Old Mutual (34,5%) — hope to gain, and why now? Politics has driven the debate about unbundling and, in some cases, a rush to translate ideas into action In this instance, as with Gencor, the extent of the

Barlows' Clewlow *facing revolutionary change*

political motivation is unclear

From inside Barlows, the message is the political motivation was not the primary objective, if it had been the approach would be different, but it's hoped this plan will help defuse political pressures The objectives are being presented as primarily commercial — and as having been initiated not by Mutual but by senior management who held sway at last week's board meeting in the face of lively resistance from some directors

Except that Barlows, now with total assets of about R21,6bn and market capitalisation of about R8,8bn, will be shrunk, there is not much here to satisfy political demands There is no indication the control structure will change Investors who now hold shares in one group (Barlows) will instead hold shares in several smaller groups

While domestic politics has obscured the issues, the principle of shrinking and focusing businesses has become fashionable internationally The split of ICI in the UK and the dismantling of IBM are two prominent cases Internationally diversified Anglo American, with top quality assets such as De Beers, and involved in huge projects, argues the virtues of being big But Barlows' market rating has certainly suffered because of its unfashionable conglomerate image

Analysts and institutions have persistently levelled criticisms questionable acquisitions, deployment of cash generated by good performers for investments with weak returns, the large, centralised head office; and poor performers perennially dragging down earnings Portfolio managers say they prefer to select stocks specialised in particular sectors rather than buy a holding company whose mix of assets they may not like, the ratings of C G Smith and Tiger have long been better than that of Barlows

More to the point, investors and Barlows' management may reflect that the group's results have become bogged down In the early Eighties there were four years of pegged dividends, 1993 will be the fourth year of static or falling earnings

Perhaps management has recognised that old formulas simply aren't working, and has given up waiting around for economic recovery on which this widely diversified group depends There is little point now looking for the big acquisitions that drove growth in the Seventies and early Eighties An alternative apparently is to go back to Barlows' roots But what, then, will happen to Barlow Park?

For now, the market has reacted positively As the *FM* went to press the share had gained 280c or 6,3% since last week's rather cryptic announcement But, while value and efficiencies may be added, there must be questions about the timing and the extent of a recovery in what will remain of Barlows

It remains to be seen too whether Mutual will join the unbundling bandwagon with the same alacrity as Sanlam If so, then perhaps Safren — with its holdings in Kersaf, Safmarine and Rennies — is another candidate

Andrew McNulty

WHIZZKID ... share dealer Emmanuel Lediga Picture: DAVID SANDISON

S Times 4/7/93

Emmanuel scores a first

EMMANUEL LEDIGA — the first black to be appointed a share dealer — is looking forward to taking the floor next month on the Johannesburg Stock Exchange

Mr Lediga, 26, a former Star reporter, said his work as a dealer would involve the buying and selling of company shares.

Recruited by stockbrokers Senekal, Mouton and Kitshoff, Mr Lediga demonstrated a sound understanding of financial markets while a financial reporter.

He said. "I have met and dealt with different brokers, and those in financial markets in London, New York and Tokyo."

Born in Tembisa on the East Rand, Mr Lediga said he had been a bright pupil from his early teens.

"I have held position one from sub A to matric. When I was in Standard 8 I went to the Central Secondary School in Soshanguve and I did well," he said.

When he completed matric in 1987, he was voted top pupil in the country, beating more than 200 000 students.

Mr Lediga scored four As in mathematics, physics, biology and English, and top marks in biology.

"I went to Wits from 1988 to 1991 and a B Comm, majoring in finance, insurance and marketing.

"In 1991 I joined an insurance company as a trainee manager. But I was there for only six months and was bored.

"I joined the Star as a business reporter a year ago," he said. (232)

Golden peaks — and red herrings

ST TIMES (BUSS) 4/7/93

By JULIE WALKER

THE JSE All-Gold index topped 2 043 points on Friday, its highest since early 1990 as gold hit a post-Persian Gulf war high of $392 an ounce It closed at 1 992 points (2322)

The index was a low of 743 last November.

The rand's fall against the dollar meant that the gold price approached a record R1 300/oz It has languished well below that for years

Dealers — they attributed gold's earlier climbs to global inflationary fears — said its $10-plus rise on Thursday was caused by Germany's cut in Lombard rate A rate cut is usually interpreted as a sign that inflation is under control (744)

There was something of a red herring on South African Reuters screens on Thursday morning The report — not seen outside the country and never confirmed — said that a company owned by gold bug Sir James Goldsmith was lowering its stake in Newmont Mining in favour of physical gold

Slipping such items to the media tends to underline the view that rampant ramping of gold is taking place.

Much of Thursday's climb was on the purchase of call options for gold The issuing banks have to cover their risk by buying gold, hence the rise in demand and jump in price

This has happened several times in the past few months, always in New York where trade is visible A group of traders spots an opportunity to move gold which quickly gathers momentum.

Americans are usually reluctant to go into a long weekend (Independence Day this time) with open positions when other markets are trading. If gold falls while US markets are closed, losses could be made. Gold fell to $388 when US markets opened on Friday.

Dealers usually punt strong physical demand in the Far East as fundamental in gold's future. Reports indicate that demand is not as high as is made out and that some investor gold is returning to suppliers.

The authoritative Mining Journal Gold Service says that in the quarter to March 1993, production costs of every South African gold mine other than South Roodepoort were below $390/oz.

International investor favourites on the JSE were wanted. They include Amgold, Vaal Reefs, Driefontein and Anglo American among the good-quality counters and Western Areas, Doornfontein and Cons Murch

The finrand firmed 12c on Friday to 460c and the commercial rand to 333c

Khutala to produce 20m tons of coal a year

S/Times (Buss) 4/7/93

KHUTALA, the largest single shaft coal mine in Africa, was officially opened near Kendal in the Eastern Transvaal on Friday

Opening the R70-million, 100m-deep mine, Barlow Rand managing director Derek Cooper said Khutala would, because of a recently signed contract to supply Eskom's Majuba power station, deliver a total of 20-million tons of coal a year by 2001

Barlow Rand is the controlling shareholder of Rand Mines, owner of Khutala (232)

Sited on the Bombardie Cologne field about 100km east of Johannesburg, Khutala supplies Eskom's Kendal power station — the world's largest indirect dry-cooled power station — by 3,5km of conveyors Majuba will be supplied by rail. Coal will also be mined for export (215)

The first sod was turned at Khutala in 1984 and the first coal delivered to Kendal in November 1986.

The mine employs 1 500 people for a current production of 650 000 tons a month The production rate is a per capita production figure well above the national average

At full production, when Majuba is also being supplied, the number of employees will rise to 2 400

—*Sapa*

JSE yes needed for Milstan to go

ST Times / Buss J 4/7/93

By JULIE WALKER

MILSTAN's failure to produce annual financial statements timeously could result in the delisting it told shareholders it intended to seek through an offer to minorities

But the JSE might not help it.

(2,32)

The JSE suspended trade in Milstan shares on Thursday because it failed to report financial results for the year to February 1993.

Other companies late in reporting results have been suspended and later delisted.

Milstan is the holding company of photographic, electronic and consumer durables stores Stans, Miltons and Hi-Fi Specialists

Its major shareholders and directors are the Etkind brothers Stan, Milton and Laurence

On June 14, Milstan corporate consultant Curle Securities warned shareholders that an agreement had been reached which was likely to result in an offer to minorities and to the company's delisting. The share price was then 25c.

Ten days later Curle said "preliminary information concerning the results of Milstan for the year ended 28 February 1993 (which are due to be published imminently) may adversely affect the intended offer to minority shareholders."

(38)

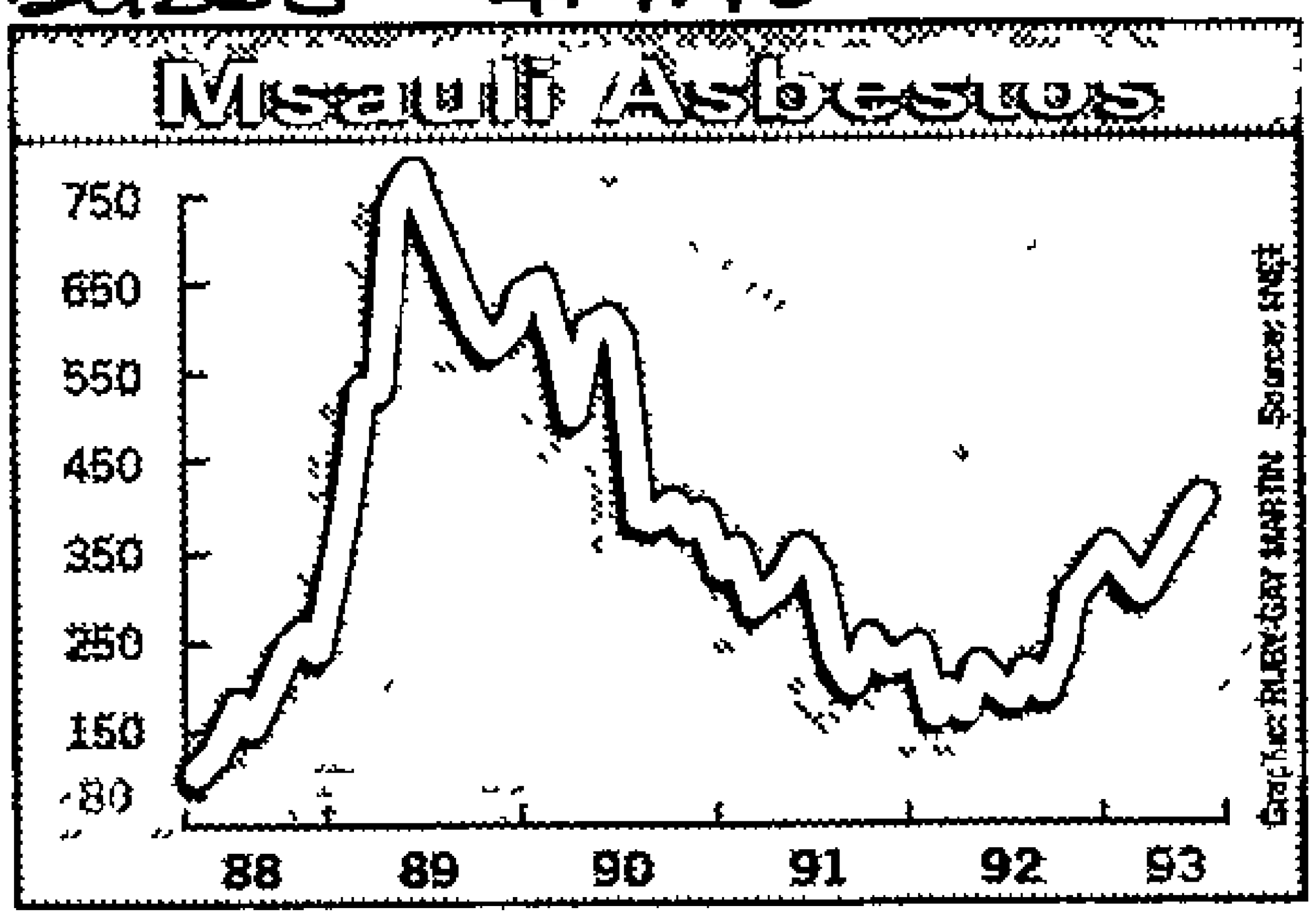
The share had dropped to 20c by that time and remained untraded until suspension.

The Etkinds, Milstan lawyer Lionel Levin and consultant Peter Curle all decline to comment on the reasons behind the delay in releasing results and on developments.

Listings head Richard Connellan says the JSE committee is aware that its insistence on timeous delivery of information could be used by a company wishing to delist. The JSE would not help it.

Falling rand makes Msauli an attractive buy

S Times (Buss) 4/7/93



THE faster the rand drops against the dollar, the more the market seems to love Msauli — the country's biggest producer of white chrysotile asbestos

Chairman Pat Hart says the company which formed part of the management buyout from Gencor in 1988 exports almost all the 100 000 tons a year produced at its mine about 30km south of Barberton near the Swazi border. (232)

Currency watchers expected the rand to decline by 10% during 1993, but it has fallen by that amount in only the first six months.

Mr Hart says the asbestos market is tightening, however prices have been one or two percent higher than achieved last year in dollar terms

"We sell on an annual basis without firm contracts, but usually dealing with the same customers If they initially ask for say, 10 000 tons, then require only 9 000, we are understanding The market has moved in favour of customers," says Mr Hart

He was the managing director of Msauli and its blue asbestos-producing sister Gefco when the major shareholdings were held by Gencor Five years ago Mr Hart led a management buy-out in which Gencor sold its one-third interest in Msauli at 120c a share to Gefco, of which Mr Hart's management consortium bought 48,6%

Since then, Msauli's share price has risen above 700c, retreated to 170c and is now advancing once again — to 385c in only three months

Not only is Msauli's income climbing, it is reaping the benefits of the new dedicated container depot built to control off-mine costs Although an underground operation, its unit costs compare favourably to those of the large opencast Canadian mines because of Msauli's high percentage fibre content

Asbestos demand comes from builders of low-cost constructions, and the Far East has emerged as a most important market — America has almost dried up on asbestos health-risk propaganda Properly handled, it is not the wicked material some would have us believe

Mr Hart is mildly surprised that local demand is not greater However, Msauli would be hard pressed to lift production levels Capital expenditure of about R3-million to R4-million a year will be necessary to maintain an underground ore reserve

About 1 600 work at the mine, which cannot be classed as long life although it maintains a proven ore reserve of at least five years A tailings retreatment project to boost production has been operating below design capacity — Mr Hart says it is almost on target now

The other attraction about Msauli is its 30% stake in the Von Brandis gold prospect At every opportunity, Msauli says a final decision is near, but none has yet been taken

With such a healthy balance sheet as Msauli's there is no pressure to sell it, on the other hand, development of a mine would almost certainly detract from cash flow until it was properly established, and the gold price is a fickle factor Mr Hart seemed to hint at discussions with interested parties, gold would be very small against asbestos in any event

Mr Hart says last year was a very good one for Msauli It earned 185c a share, putting the shares on under twice historic earnings at the present price and on a dividend yield of 8,4%. He says there is no reason why 1993 should not bear similar fruit

Gefco shares have more than trebled to 65c since September last year, but do not look to be a cheap way into Msauli, which theoretically accounts for only 23% of the share price Msauli is the right choice for rand-hedgers

BUSINESS FEATURE

Stokvels leap into the big-time finance world

C/Press 4/7/93

(45)

232

TOWNSHIP economic power leaped into the big stakes of SA's finance this week when the National Stokvels Association of SA (Nasasa) gained a foothold into the country's formal financial services mass market.

First National Bank (FNB), the Development Bank of South Africa (DBSA) and the Board of Executors finance house (BOE) announced in Johannesburg that they had joined forces with Nasasa in an innovative scheme.

The package – "The People's Benefit Scheme" – offers Nasasa members four sevices which cover savings accounts, fixed deposits, unit-trusts and loan facilities It will be initially marketed to stokvels who, after a minimum saving period of six months, will be able to invest in either a unit-trust or a fixed deposit which is then "pledged" as security for a loan.

Said Nasasa president Andrew Lukhele: "For far too long the majority of people in this country have been denied access to formal financing and credit As a result, the entrepreneurial spirit has not been nurtured and encouraged

"The introduction of this scheme will contribute greatly to economic empowerment, the impact of which can only have positive implications for the country's economic situation".

GO-GETTERS ... Nasasa's director Stephen Japp, left, and president Andrew Lukhele.

Lukhele – who heads the association which boasts more than 132 000 members countrywide – argued that his organisation found stokvel members well-disciplined when it came to saving and understanding the necessity of mobilising funds. But, pointed out Lukhele, as well structured as they are, certain growth areas have been stunted due to the lack of capital

"While many stokvel groups and individual members have in the past aspired to business creation and development," pointed out Lukhele, "the traditionally available funds could only achieve results to a certain point"

According to Lukhele the scheme "will enable individuals and groups (in the stokvel movement) to extend their plans beyond that point"

FNB executive Pat Lamont said· "The People's Benefit Scheme came about after four organisations were able to pool their resources and expertise to develop something we firmly believe will make a meaningful contribution to the upliftment of individuals and communities of SA "

BOE Merchant Bank managing director Mike Thompson concurred· "This is particularly important to the disadvantaged members of our society I am confident that this scheme will make a difference to the SA of tomorrow by creating a bridge between the formal and informal sectors "

ALBERT J ALLETZHAUSER: A home in Somerset West and a publishing house victory

S1 Times [Buss] 4/7/93

Penrose to Nomura victor in rare hostile bid

(232)

By CIARAN RYAN

A RARE case of a hostile takeover of a JSE-listed company occurred this week when US author and financier Albert J Alletzhauser, 33, was appointed chairman of printing and publishing house Penrose.

Although there appears to have been no change of control, the old board was ousted — with the exception of Peter Mason who was appointed managing director.

Denis Worrall, former SA Ambassador to the UK, and Mr Alletzhauser's wife were appointed directors.

Directors Michael de Kock and Paul Delahunt resigned and deposed chairman Jackie Meckler's future is in the balance.

(145)

The two resignations will save the company R700 000 a year in salaries, almost sufficient to offset the R900 000 pre-tax loss for the year to December 1992.

Mr Alletzhauser was backed by nearly 75% of shareholders. Non-executive director George Joubert voted his 14% with Mr Alletzhauser.

The Penrose share price gained 8c to 35c on Wednesday, valuing the company at R7,6-million.

At the centre of the dispute was a decision by four directors, three of whom were toppled this week, to vote themselves salary packages totalling R1,43-million. Mr Meckler was given a package of R410 000 a year, Mr de Kock R350 000, Mr Delahunt R350 000 and Mr Mason R319 000 at a meeting in May.

Mr Allezhauser says Penrose has huge potential, no debt and a low-cost printing operation.

A study by Mr Alletzhauser showed that Penrose was undervalued on the basis that the average price paid for printing and publishing houses internationally was 1,75 times turnover and 14 times gross operating profit.

He will look at acquisitions and sales growth and a return to profit by the December yearend.

Publicity

A tie-up with McGregor's Who Owns Whom has been suggested. Penrose's flagship publication is Who's Who.

Mr Alletzhauser has declared an end to hostilities.

"It is time to heal and grow the company," says the colourful author of the best-selling financial history of Japan, The House of Nomura.

The work landed him in court for alleging that Japanese securities house Nomura engaged in insider trading. Nomura spent £2,5-million fighting the case and lost.

By the time the case was over, its market value had dwindled from $40-billion to $9-billion. The publicity was good for book sales, however, and 350 000 copies have been sold "I am still on excellent terms with the Nomura family," says Mr Alletzhauser, who lives in Somerset West.

"A certain executive in Nomura Securities decided to take issue with my statement that Nomura had engaged in insider trading. Insider trading is the backbone of the Japanese stock market."

Mr Alletzhauser is researching a "lively but friendly" book about De Beers, Anglo American and the Oppenheimers, with the full support of the family

Mr Alletzhauser is a shareholder and director of Bloomsbury, one of the big three independent European publishing houses Among its writers are Nadine Gordimer, Scott Turow, Jay McInerney, Margaret Atwood and Robert McNamara

Mr Alletzhauser was appointed head of sales at Hong Kong securities house Chuntung in 1984 He lifted its share to 5% of the Hong Kong stock market before leaving in 1986 to join James Capel, which was opening a Japanese office

"It was easy to be a success in 1986 when we had a strong bull market. We were trading in Japanese warrants, which are highly leveraged, so every time stocks went up 10% the warrants rose 100%."

Delcorp forecasts likely to be met

BDay 5/7/93

MARCIA KLEIN

DEL Monte Royal Corporation's (Delcorp's) maiden results for the six months to end-May indicate the enlarged group is on track to meet earnings forecasts made when the Royal group — aided by Anglo — acquired Del Monte Foods International on December 1 of last year

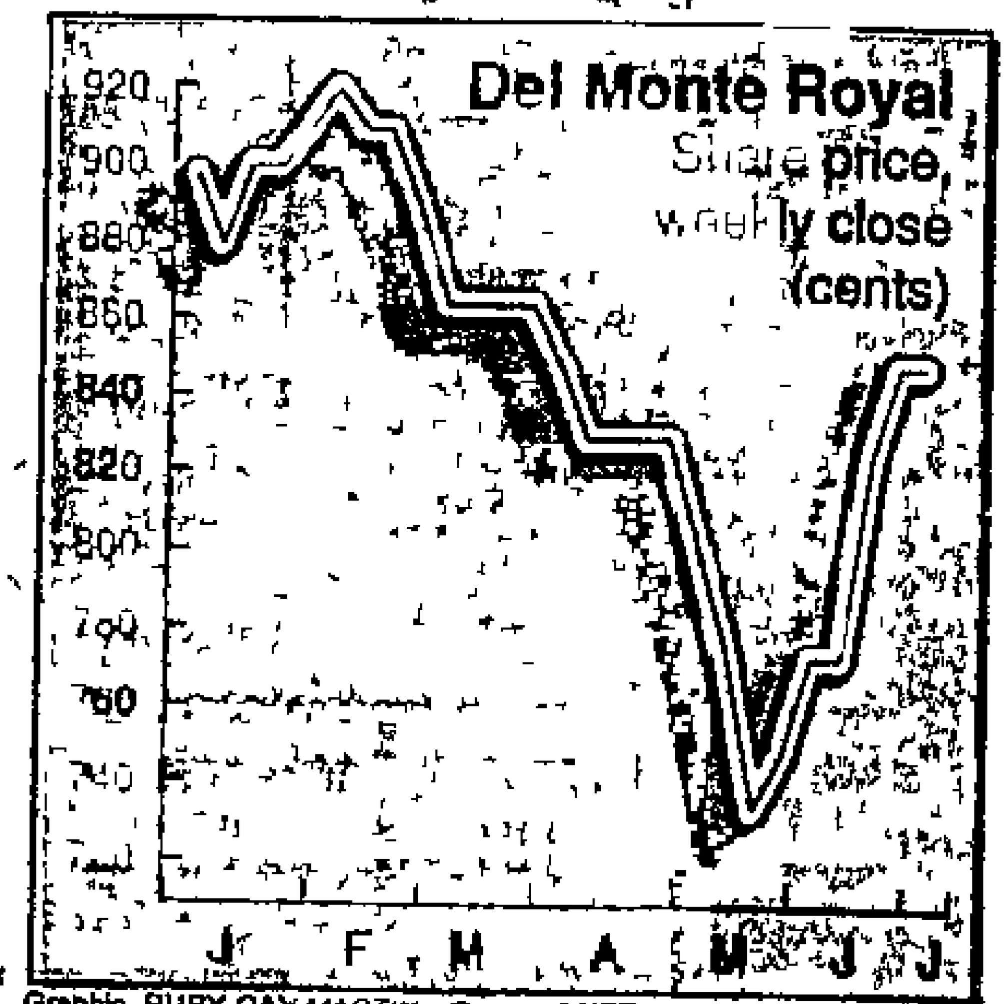
Directors said comparisons with the previous year were meaningless due to fundamental changes in the group in the past year and a change in the year-end from August to November.

Prior year results have not been presented, but earnings for the 15 months to end-November, immediately prior to the Del Monte acquisition, have been

The group, whose investments consist of a 44,4% shareholding in Del Monte Royal Foods (Delfood) and a 57,8% shareholding in Roychem, reported earnings of 24,5c a share and a dividend of 8,1c a share It had earlier forecast earnings of 62,5c for the full financial year (232)

Delcorp's results largely reflect those of major contributor Delfood, whose earnings include those of Del Monte Foods International for the first time

Delfood reported earnings of 24,1c a share, representing 40% of the 60,1c forecast for the full year



Graphic RUBY-GAY MARTIN Source I-NET

It declared an interim dividend of 8c a share, also 40% of the forecast 20c for the year to end-November.

Directors said due to the seasonal nature of Delfood's European operations, between 30% and 40% of earnings were achieved in the first half, and therefore forecasts were within reach. They said markets for the group's products had softened, both in Europe and SA.

Delfood's turnover of R651,3m, below budget, was affected by recessionary con-

☐ To Page 2

Delcorp

BDay 5/7/93 ☐ From Page 1

ditions in Europe, where increased unemployment depressed consumer demand. But Del Monte Foods International's overall share of the market held steady "and improved in those market sectors where it holds leadership positions"

Although turnover was below budget, attributable earnings of R82,2m were in line with budget. (232)

This was achieved through maintaining margins and tight control of working capital and expenses, coupled with lower finance charges

Conditions in SA remained difficult due to softening consumer demand in several product categories and disruptions to distribution Yet some of the group's traditional brands had a strong showing, and Mars products were launched successfully.

The company's balance sheet had changed significantly due to the share placing undertaken to finance the purchase of Del Monte Foods International.

Interest-bearing debt rose to R420,8m at end-May from R95,6m at end-November, largely due to Del Monte Foods International's working capital requirements. Gearing was 17,8% (46,9% in November) and directors said this reflected the peak seasonal working capital requirements at this time of year Net asset value rose to 691c from 209c at end-November

Directors said the UK economy was showing signs of recovery, but trading conditions in Delfood's major markets would remain difficult for the rest of the year However, management was confident Delfood would achieve its forecast earnings of 60,1c a share for the full year

Chemical and pharmaceutical subsidiary Roychem reported earnings of 8,3c a share and a dividend of 2,9c a share Delcorp had previously announced that it would focus on its food interests and dispose of the chemical and pharmaceutical interests represented in Roychem

Holpro-Lovasz and M & T Chemicals were sold to Chemical Services for about R27m, and Laser Pharmaceuticals to the Premier Pharmaceutical Company for about R35m. Negotiations were in progress for the sale of Ferro Industrial Products

The effect of the disposals could be quantified only on conclusion of the final sale, but should have no material effect on the forecast earnings for the year

In line with subsidiaries' results, Delcorp reported turnover of R748,8m and attributable earnings of R38,9m

On the balance sheet, interest-bearing debt rose to R456,1m from R129,9m at end-November, and gearing was at 18,4% from 42% at end-November. Net asset value rose to 699c (284c) a share

Del Monte Royal Holdings, which has a 50,9% stake in Delcorp as its sole source of income, reported earnings of 24,5c a share and declared a dividend of 8,1c a share

COMPANIES

BoE fund retains its top spot

ANDREW KRUMM

THE Board of Executors (BoE) growth fund has posted a 21,46% return for the year to end-June, maintaining its March 1993 position as the top annual performer among general equity unit trusts.

BoE fund manager Ryk de Klerk said: "Although we had a low effective exposure to gold shares over the past few months, our total selection came through."

De Klerk said the fund's 18,86% return for the three years to end-June was "satisfactory". According to the University of Pretoria Graduate School of Business, the three-year performance figure placed the fund second only to Syfrets growth fund for the period

B/Day

The BoE fund grew 14,4% in value during the quarter, ending June worth R88,8m (March. R77,6m).

5/7/93

De Klerk said the rise stemmed largely from capital appreciation, although the fund also experienced a net inflow of investment "We added Kloof, Anglovaal loan stock and Momentum counters to the portfolio during the quarter, and upped our holdings in Genbeheer and Richemont. All Lebowa Platinum shares were disposed of, while Sasol, Siltek and Anglos holdings were reduced."

The result of the changes was to increase gold exposure to 4,7% (March 1993. 1,7%), up exposure to mining financials to 14,9% (10,4%), and cut exposure in financial and industrial counters to about 69% (73%). Effective liquidity also dropped to 12% (15,4%).

(58)

On market prospects for the year ahead, De Klerk said: "We feel the break in the long-term downturn in the gold price is supported by fundamental and technical factors, and a long-term uptrend is sustainable."

(232)

The prospects for gold and mining financials continued to improve, and BoE had adjusted the portfolio accordingly. "Sharp pullbacks in the gold price are, however, likely and will be used to increase our exposure."

The fund's performance compared with an annual inflation rate of 10,6% in May and a 15% rise in the all share index in the year to June.

Three Randgold mines show loss

Star 5/7/93

Business Staff

Only one of Randgold's four gold mines showed a profit for shareholders in the June quarter, with the higher gold price received being insufficient to offset falling yields, the disruption of production and capital expenditure

Blyvoor's earnings a share were 6c (8c in the previous quarter) Harmony showed a loss of 2c a share (profit of 29c a share), Durban Deep a loss of 80c (3c profit) and ERPM a loss of 111c (83c loss)

(232)

The group, which is paying no dividends for the quarter, says hedging remains an important strategy in securing revenue

Agreement nears on Rusfurn deal

BDay 6/7/93

MARCIA KLEIN

W & A, J D Group and Wooltru subsidiary Massmart were set to conclude a complex multimillion-rand deal to acquire the troubled Rusfurn furniture group, informed sources said yesterday.

They said the initial deal, between Rusfurn and W & A, would be struck this month. It would see W & A — aided by its new joint shareholder Trencor — acquire the entire Rusfurn group. The R1,4bn turnover group's major interests include Dion, Russells and Rudicks. (232)

W & A would then sell the numerous furniture interests to its own furniture subsidiary J D Group, and would sell retailer Dion to Wooltru subsidiary Massmart.

It is believed that W & A would sell Dion to Massmart for cash, but the J D Group part of the deal could involve the issue of shares. According to one source, the terms of the deal were complex, but it appeared that W & A would walk away from the deal with a profit of about R45m. (30)

Sources said it was still unclear what the purchase price would be, and what would be done about Rusfurn's significant debt.

The speculation follows more than two years of significant losses and much concern about the group's gearing and debtors' provisions.

In financial 1991, Rusfurn reported it had gone R79,2m into the red after showing a profit of R92,9m in the previous year. At that time it announced a three-year recovery period. By the June 1992 year-end, its losses reached R135,9m. Since November last year, when the group issued a cautionary announcement, shareholders have been anxiously awaiting news of a change in control. But an announcement later that month said negotiations concerning a possible change of ownership were terminated, and that management had been restructured. Absa's Danie Cronjé took over as chairman of the group. (128)

In the six months to end-December, Rusfurn returned to profit, with attributable income of R5,6m from a loss of R28m in the previous year. Directors said although operating profit before interest was expected to improve, the high gearing would see it show an attributable loss after interest.

In May, Rusfurn issued a cautionary announcement, but no subsequent announcement has been forthcoming.

Daewoo-Amic takes R20m Gentech stake

BiDay 6/7/93

DUMA GQUBULE

DAEWOO-AMIC JV, a joint venture between South Korea's Daewoo Corporation and Anglo American Industrial Corporation, is to make its first investment of R20m in Powertech domestic appliances subsidiary General Technologies.

The parties said at the weekend Daewoo-Amic would acquire 6,5-million ordinary Gentech shares for R6,4m cash or 99,3c a share. (232)

Gentech simultaneously announced details of its R39m rights issue. Shareholders were offered 100 new ordinary Gentech shares of 50c each for every 100 ordinary shares held, based on a price of 150c a share. Daewoo-Amic would follow its rights, including those ceded by Gentech director Simon Nash to Powertech and Daewoo-Amic for no consideration.

After the rights issue (assuming minorities took up rights in full), Gentech's major shareholders would be Powertech 48%, Daewoo-Amic JV 29,9% and Nash 15% The 29,9% stake would cost Daewoo-Amic R20,1m. Gentech's ordinary share capital would more than double to R71m.

Daewoo-Amic JV's purchase consideration (of 99,3c) was equivalent to the average cost a share of Powertech's indirect investment in Gentech.

Gentech shares closed at 175c on the JSE on Friday — more than double the 80c level they were trading at in August.

Daewoo-Amic JV said it had identified other joint investment opportunities, including the possible establishment of a local colour picture tube manufacturing facility for televisions.

Amic chairman Leslie Boyd said his group was being repositioned to reduce the effect of the commodity price cycle on its earnings, and had been looking to Korean and Japanese consumer goods companies to establish joint ventures in SA.

Gentech chairman Peter Watt said the deal fitted his company's objective of strengthening relationships with significant international partners.

Daewoo is one of South Korea's four major conglomerates, and has a turnover of more than R100bn.

Remgro chairman says new taxation bodes well

BDay 6/7/93

(232)

MARCIA KLEIN

WHILE the Rembrandt Group (Remgro) made no forecasts for the coming year in its 1993 annual review, new chairman Johann Rupert said changes in taxation would have a positive effect on earnings, and certain interests would improve performance.

The tobacco, mining, industrial and financial services group recently reported a 1% rise in earnings to 182,1c a share in the year to end-March on a 6% rise in net income before tax to R1,24bn

Rupert, who took over as chairman last November, said results reflected the negative effect of the drought and unrest, as well as retrenchments and the resulting decrease in consumer purchasing power

They also reflected downsizing of some business sectors like engineering, in which the group had an interest

There were low precious metal and commodity prices during the year Lower interest rates affected the group's earnings from cash resources.

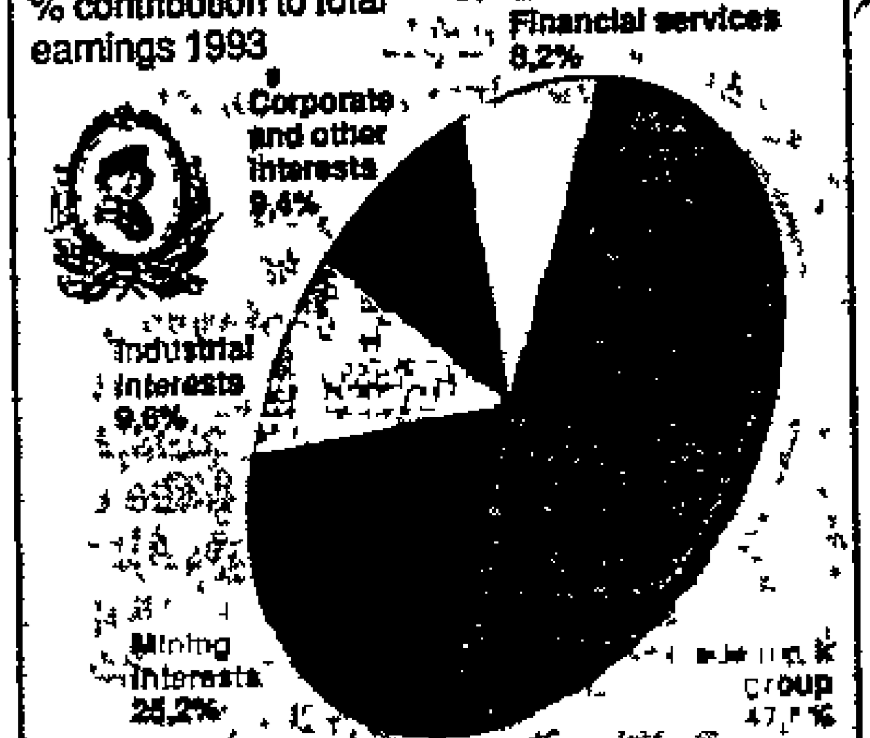
Nevertheless, the trademark group increased its contribution by 9,9% to R452,7m or 47,6% of total earnings

The division, which includes the tobacco and liquor interests, increased earnings in line with inflation despite the recession.

Rupert said there was a general pressure on volumes, and production

Rembrandt Group

% contribution to total earnings 1993



Graphic: RUBY-GAY MARTIN Source: REMBRANDT GROUP

units were under increased pressure to maintain and improve quality and productivity.

The mining interests, held through wholly owned Tegniese Mynbeleggings, increased their contribution by 5,3% to R239,2m or 25,2% of earnings Mining interests continued to experience difficult trading conditions, largely due to low international commodity prices. Results for the coming year should benefit from the recent surge in the price of gold and other precious metals

Industrial interests reported disappointing results, dropping their share by 25,4% to R91,2m or 9,6% (13%) of earnings

Huntcor was affected by the drought, the depressed economy and substantial losses in associate Rainbow The effects of these losses on Remgro was R15,6m

Robertsons showed a satisfactory increase in earnings.

Engineering interests held in Metkor and Dorbyl experienced difficult trading conditions.

Financial interests reported an 11,4% rise to R78,3m or 8,2%. Remgro sold its interest in Momentum Life and the balance of its share in Standard Bank Investment Corporation for a combined capital surplus of R47,3m.

Results from corporate and other interests declined by 18,5% because of a prior year taxed surplus of R11m, lower interest income due to lower interest rates and a decrease in the average level of surplus funds following payment of a R156,6m special dividend.

The decline also reflected the acquisition of minorities in Tegniese Mynbeleggings for R460,7m

Since year-end, Remgro had bought a 15% partnership interest in Vodacom Group, which has applied for a cellular telephone network licence Remgro expected its investment to be about R100m

Rupert said Remgro paid income tax of R478,8m at a rate of 47,5% (45,8%) before dividends and other exempt investment income.

With the recent change in the company tax rate to 40% and the introduction of secondary tax on companies (STC), the dividend income of the group — on which STC credits could be received — would be larger than the dividends paid by the company

Crookes Brothers predicts growth in spite of drought

BiDay 6/7/93

MZIWAKHE HLANGANI

FARMING and investment holding company Crookes Brothers predicted strong growth after diversifying its agricultural crop mix to withstand seasonal setbacks and price variations, chairman Ivan Gillatt said in the 1993 annual report

The group's geographical spread had, to some extent, cushioned the group against the full effects of the continuing drought It had also introduced irrigation wherever possible

(232)

Gillatt said he believed the role of "agri-business" in the economy was assured of growth because of rapid urbanisation and greater consumer spending.

Strong competition and poor demand had depressed apple prices, causing citrus prices to remain at 1992 levels.

Operating profits were also adversely affected by difficult export marketing conditions in Europe

But Gillatt said borrowing, except in the very short term, was avoided.

Cane production estimates for 1993/94 were marginally higher than those achieved in the previous year, after the industry was downsized as a result of the drought

Expectations that sugar production would recover after last year's disastrous season were dashed as the drought continued through the summer

There was a danger that the crop would not be sufficient to supply local market requirements

Crookes Brothers would invest R8m over two years in developing 500ha of sugar cane.

Construction of the new Komatipoort mill was underway on the farm adjoining the estate.

Gillatt said Citrus production increased despite the drought, due to additional orchards falling into the production cycle and young orchards reaching productive maturity.

Citrus production was expected to be 10% higher than the previous year because of a replant and expansion programme

Gillatt said fruit export prices remained at last year's level because of competition from South America.

The first stage of 80ha of banana expansion was completed on schedule and contribution in this sector would increase significantly. The second stage of 75ha was to be completed next February.

Normal climatic conditions prevailed for other crops and a record barley harvest had increased group earnings.

Another grain and sheep farm had been leased in the Napier district to expand this operation from January 1993, Gillatt said.

Edgars customers now 50% black

Star 6/7/93

By Stephen Cranston

The Edgars customer profile has changed progressively, with more than 50 percent of customers now black, says MD John Bellis

Writing in the annual report for the year to March, Bellis says that with increasing aspirational demands for branded merchandise, substantial investment is being directed to building and retaining national and house-brand supremacy

Rampant escalation in food prices and growing responsibility for educational costs were having a marked impact on the discretionary income of the average Edgars customer and sales had increased by just 11 percent

But the chain had managed cost reductions, overheads and assets well, so the pre-tax margin had improved and attributable earnings had risen in real terms

Expanded merchandise ranges and the refurbishment of smaller stores had boosted sales meaningfully

This had triggered the acceleration of the upgrading of country outlets over the next two years

Its sister Sales House chain saw a 45 percent growth in shoe sales last year and was committed to operating independent shoe stores, an intention which had been boosted by the purchase of ABC and Cuthberts from Amrel after year-end

(232)

Sales House turnover had increased by a third without a deterioration in the debtors' book and the bad-debt handover percentage had fallen below four percent for the first time

Jet MD Don Etheridge says the previously loss-making chain has finally found its market niche by offering quality core fashion merchandise in the most wanted shapes, colours fabrics and sizes

Sales increased by 21 percent last year and there was a R4 million pre-tax profit in the second half

A new generation store design, configured to display the revitalised merchandise ranges has been introduced, with rewarding paybacks

The group manufacturing operation Celrose made a R3,9 million loss during the year as internal inefficiency and the relocation of the merchandise division to Tongaat had pulled it down.

Exports grew by 21 percent and menswear sales by 22 percent, but ladieswear sales were disappointing.

Randgold has lessons for investors

Star 6/7/93

By Derek Tommey

Brokers say investors have learnt valuable lessons from the disappointing Randgold mining quarterlies issued yesterday — three weeks earlier than is normally the case

With the gold price rising strongly, there was optimism that the group's four mines would produce attractive figures.

But after capital expenditure, Blyvooruitzicht reported distributable earnings of 6c a share for the quarter, Durban Deep a loss of 80c, Harmony a loss of 2c, and ERPM a loss of 111c

The market's dismay at the Randgold quarterlies is reflected in the Randgold share price.

It fell 85c, or 13 percent, to 550c to show one of the biggest losses of the day

Harmony's price dropped 100c to R24 and ERPM's 100c to R17,50 Durban Deep's was unchanged at R48 and Blyvooruitzicht's rose 25c to 825c

Brokers said yesterday that one lessons was that a higher gold price may by itself not be enough to keep some of the more marginal mines going

Operations at all four mines, and especially at ERPM, were affected by lower recovery grades

Another lesson is that the practice of selling gold forward may save a mine when the gold price is low, but it can be a major drag on profits when the price rises

All four mines have sold large amounts of gold forward.

This gave them a small premium on the selling price at the time of the sale But the market price is now well above the forward price

It is estimated that the average market price for gold for the quarter is around R36 973 a kilogram

But Blyvoors received only R35 243 a kilogram, Durban Deep R34 635, Harmony R34 198 and ERPM R35 579

And this depressed gold price situation will persist for some time, as they have all sold substantial amounts of gold forward at below the ruling price until at least the end of the year

Price rise sends many funds into gold shares

Star 6/7/93

By Alide Dasnois

CAPE TOWN — Unit trust quarterlies published this week show most funds rushing into gold shares to take advantage of the gold price boom

Some, like IGI or Metfund, have sold off industrial shares to invest in golds Others, like Sanlam, used cash

The JSE gold index rose by nearly 60 percent in the quarter ended June 30, compared with only six percent for the industrial index

IGI Unit Trust's portfolio managers decided in February to move into golds, buying into Beatrix, Randfontein, Anglos, GFSA and Amgold and raising its holding in Vaal Reefs 238

The fund sold off its PP Rusts, Safren and AECI counters, and reduced by half its holding in Rembrandt and Rembeheer.

"We felt that at current price levels the Rembrandt shares were fully valued and we decided to lighten our holdings to go into golds," said IGI's Peter Linnell.

At the end of the quarter IGI held 27 percent of its funds in gold and mining shares, 58 percent in financial and industrial shares and 15 percent in cash

The fund showed a return (capital plus income) of 10,8 percent over the year

Norwich Unit Trust also moved into golds during the quarter, buying Driefontein, Genbel, GFSA, Harties, Highstone, and Kloof 232

Mining shares accounted for 50 percent of equity investments at the end of the quarter

COMPANIES

Mixed bag from UAL unit trusts

ANDREW KRUMM

UAL unit trusts posted mixed results for the year to end June, with annual returns ranging from 18,5% to 4,8%

The UAL selected opportunities unit trust gave investors an 18,5% return, followed by the UAL gilt with a 17,3% return, and more distantly by the UAL unit trust with 12,7% BDay 7/7/93

However, the UAL mining and resources fund delivered up a 4,8% return for the year, despite the more than 40% jump in the JSE gold index during the quarter

Asked whether the mining fund had missed the gold boom, UAL spokesman John Kinsley declined to comment Kinsley pointed out, though, that the R209m fund's objective was to obtain an investment spread, and not focus entirely on gold counters No performance figure was available for the fifth unit trust in the UAL stable, the managed fund, as the unit trust had been in existence for less than a year Portfolio manager Dana Becker said the new fund grew substantially during the quarter, its asset value rising to R90m (March 1993 R41m)

Selected opportunities portfolio manager Richard Anderson attributed his charge's performance to focus on quality medium-sized industrial companies He added that rand weakness and a rise in precious metal prices in 1993 had afforded an opportunity to take a cyclical position in mining counters The selected opportunities fund grew to R148,2m (March R138,5m) in market value (232)

Gilt unit trust portfolio manager Brian James said the market value of his fund rose to R525m (March R497,7m) at quarter-end, with activity concentrated on lenthening the shorter-dated portion of the portfolio

The UAL unit trust, however, remained the largest fund in the UAL stable, rising to R734,9m (R678m) in asset value at end June Fund manager Michael Eustace said with mining markets dominating the JSE, he had added to the holding in Amgold, and trimmed an exposure to Liberty

Investment property value outpaces JSE overall index

B/Day 7/1/93

ANDREW KRUMM

GROWTH in investment property capital values beat the JSE overall index in 1992, the latest benchmark Dunlop Heywood Investment Property Index shows

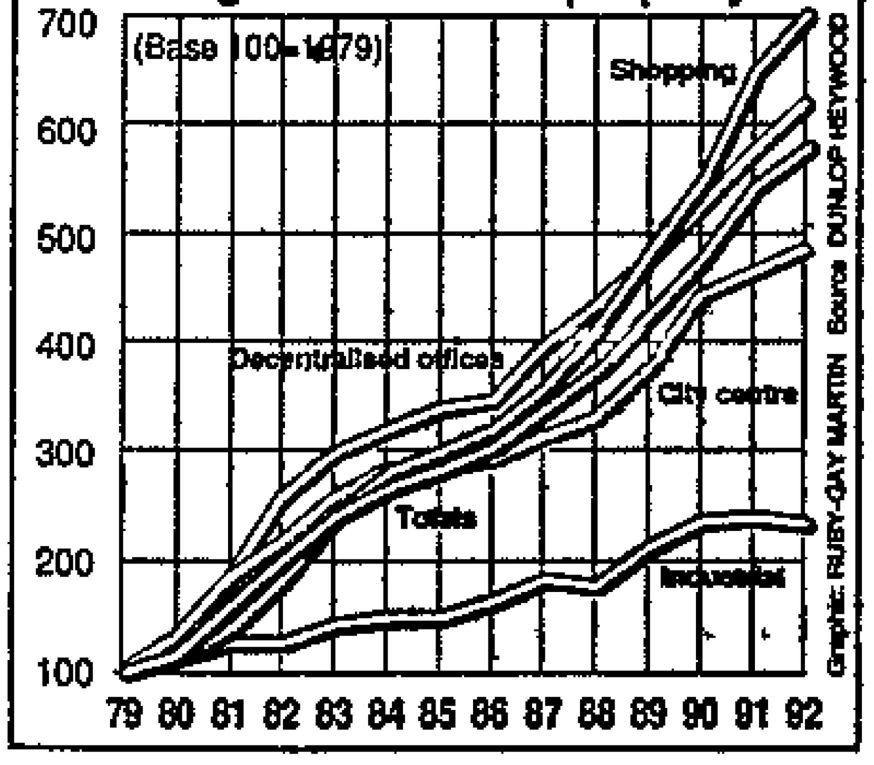
Dunlop Heywood director Ian Mitchell said "The (Dunlop index) stood at 1 478 for the year to end December 1992, representing a 6,6% growth in capital values, compared with a 5% decline in the JSE overall index during the period"

Noting that the 14,7% total return on the R7,75bn portfolio far outperformed the -2% return on the overall index, Mitchell said the Dunlop index portfolio's performance was a reliable indicator of market performance

"As the portfolio includes nearly a third of all pension and provident fund property investments in SA, the index offers a reasonable sample of the performance of those portfolios, and thus the market."

Comparing the performance of the various investment sectors in the portfolio, he said the residential/tourism element performed "brilliantly", as capital values grew 26,97% during 1992. However, as this element reflected the performance of a few well-located, successful hotels which made up only 2,48% of the total portfolio, it had no significant impact on the index.

Comparative performance for various categories of DHIPI property



(232)

The shopping element of the portfolio, which took second spot in the performance stakes, delivered 7,85% growth in capital value Shopping complexes made up 53,88% of the portfolio by value, and represented nearly one-third of all shopping centres bigger than 20 000m² in the country.

The value of decentralised offices in the portfolio grew 5,19% during 1992, to make up 18,94% of the total. Properties located in CBDs averaged 4,1% growth and made up 22% of the portfolio at end December 1992.

The value of industrial properties in the portfolio declined by 2,75% in 1992, Mitchell said This resulted largely from the concentration of older properties in the portfolio, and the cost-conscious attitude adopted by industrial tenants in the recession.

"Many industrial properties are older, and not linked to turnover rentals, and so returns decline over time. Tenants' reluctance to accept higher rentals in a recession exacerbated the situation"

(58)

Mitchell added, though, that industrial properties made up only 2,71% of the total portfolio and had little influence on the index.

Pointing out that the index's 20,95% total annual return for the 14 years to end 1992 beat the 17,7% return on the overall index, Mitchell said he was optimistic that total returns on balanced property portfolios would continue to beat inflation

Robertsons does HLH proud

Star 7/7/93

By Stephen Cranston

Robertsons was the only operation in the Hunt Leuchars & Hepburn (HLH) group to produce satisfactory results in the year to March, says group MD Neil Morris

HLH's earnings per share slumped by two-thirds, principally because of losses from major associate Rainbow Chicken, but there were unsatisfactory performances from both Transvaal Sugar and HLH Timber

Robertsons achieved all-time highs in most product categories, but overall volume growth was below that achieved in previous years.

The company attributes its continued market penetration to its strong food brands, such as Robertsons Spices, Rajah Curry Powder and Knorr, as well as products such as Doom, Airoma, Rattex and Flush Clean

It launched three new products during the year, Napolina Pasta and Sauce, Soups of the World and Airoma pump action, which all had sales significantly higher than expected.

Exports grew by 41 percent, with significant growth being achieved in Zambia and Mozambique. (186)

Robertsons has been an aggressive acquirer of brands recently, with Bovril and Marmite, Monate and Mango Man atchar and the Flush Clean range being recent examples. (232)

The Carmel brand was recently acquired, providing an entry into pickles, spreads and relishes

Robertsons looks well-focused. Sales increased 16 percent despite pressure on consumer spending, which must have hit its basket of relatively luxury items

Transvaal Sugar's (TSB) performance is dependent on the vagaries of the climate. There was a 35 percent reduction in cane production because of the drought, which cut earnings by 45 percent.

The end of the drought has come too late to ensure a full recovery in the present season.

It has taken the responsibility of marketing and selling its own sugar production under the Selati brand name, which should add to margins in the long term

TSB also grows grapefruit for the export market, which should provide a good source of growth.

HLH Timber was hit by depressed conditions in the mining and construction industries There was a loss in the group's softwood operation, HLH Timber Processors.

Low demand by the building industry, resulting in fierce competition among millers, saw prices falling by up to 50 percent

There was also weak demand for laminated timber products

Further attention is being focused on the value-added export market and to this end Eagle Furniture Industries was acquired and the rest of Bailey's Furniture Manufacturers

The first shipment from the SivaCel chipping plant took place in January Orders have been placed for the total output in the current financial year

Sechold acquires stake in Theta Securities

BDay 1/7/93

LINDA ENSOR

CAPE TOWN — JSE-listed financial services institution Sechold has taken a substantial stake in the newly established financial securities company, Theta Securities, formed by the former UAL project team.

(232) (286)

Subject to the conditions precedent to the deal, Theta management would over time acquire the majority shareholding in the company, Theta MD Leon Kirkinis said yesterday.

Sechold group MD Arthur Kelly and director Pat Abrahams have joined Theta's board.

Kelly said he believed that the acquisition added value to Sechold's operation and that it added a new dimension to its involvement in the financial services sector.

Theta started trading on July 1 with an initial capital investment of R5m and intended to actively pursue projects aimed at the needs of the new SA, Kirkinis said.

COMPANIES

Buoyant trade lifts JSE income

MERVYN HARRIS

BUOYANT equity market conditions boosted JSE income from members by 12% to R13,6m (R12,1m) in the first three months of the exchange's financial year to end May

BDay

The rise offset a 9,7% decline in income from listed companies to R4,3m (R4,7m) on the back of delistings and fewer new issues coming to the market, lifting total income for the period by 6% to R17,98m (R16,97m)

Equity capital raised from new issues declined 11% in the quarter to R801,8m (R897,6m) while capital raised from rights issues was marginally lower at R2,17bn (R2,2bn)

(232)

Expenditure was only marginally higher at R16,3m (R16m) because of a sharp reduction in interest paid to R429 000 (R1,5m), resulting in a higher surplus of R1,75m against R1,02m

The interim report said continuation of the surplus depended on the maintenance of favourable market conditions which saw total share volume traded soar 110% to more than 1-billion (494,6-million) in the period under review

8/7/93

The total value of shares traded jumped 115% to R10,6bn (R4,9bn), boosting equity turnover as a percentage of total market capitalisation on an annualised basis to 6,94% from 3,5%

Total nominal value of gilts traded rose 52% to R148,3bn (R97,8bn) while the total value of Krugerrands traded increased by 147% to R64,5m (R26,1m) in the quarter

Equity market capitalisation at the end of the quarter totalled R614,8bn, representing an increase of 11% from the previous R554,5bn

Some small gold mines demonstrate the Midas Touch

Star 8/7/93

~~214~~ 232

By John Spira

R1 000 invested in Lindum Reefs Gold Mining Co a short six months ago would today be worth more than R20 000 — a lot more than you'd have made on Saturday had you put R1 000 on Dancing Duel

Yet even if you hadn't been blessed with the foresight to buy Lindum at the beginning of the year, you could have done almost as well with more than a dozen other shares that have been riding the crest of the gold boom

The accompanying table lists those that have soared by 286 percent or more in this period — a list calculated to turn those who missed the gold boat a deep shade of green

Lindum shot into orbit after it demonstrated that its switch from underground mining to opencast operations was the right way to go

Remarkable

Cashing in on the steeply increasing gold price, its profit in the March 1993 quarter climbed 67 percent And the gold price has risen a lot more since then

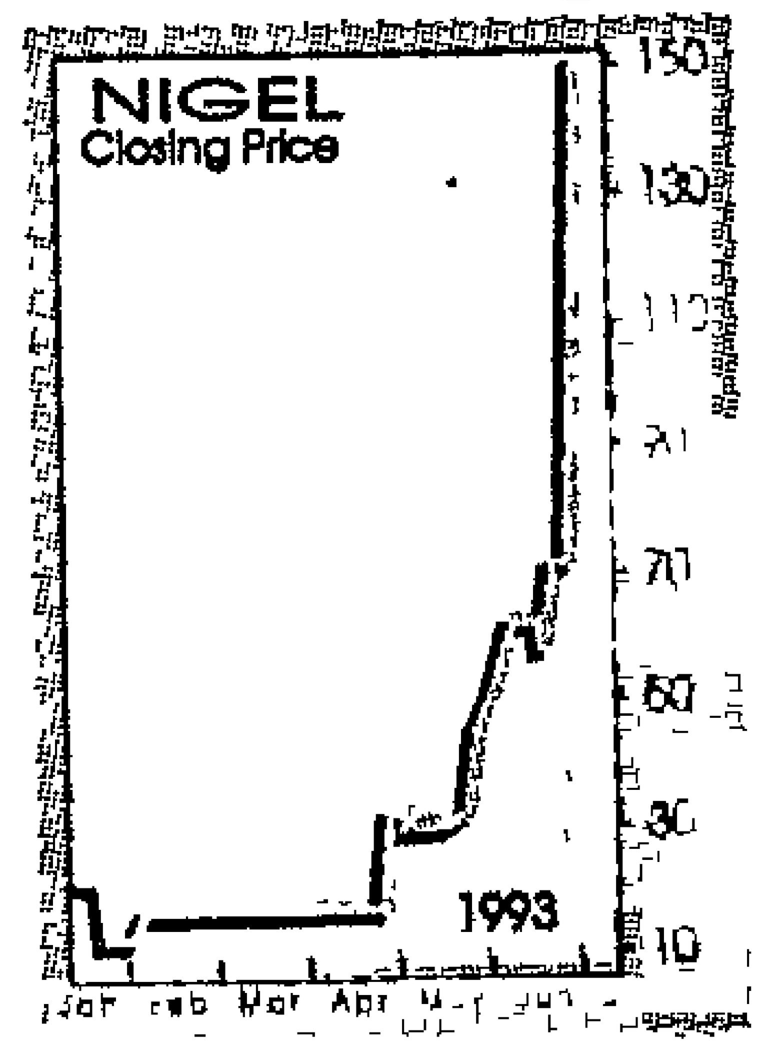
What's remarkable about Wit Nigel's headlong advance is that until a few weeks back it was lagging the gold boards A month ago it stood at 50c (now 150c)

Then news leaked out that it was looking anew at the prospect of mining what is a substantial virgin orebody and everyone pushed the buy button at the same time

The bottom line is that you could have trebled your money in a month — a fair return for having no more than a sharp nose

Wit Nigel is a member of the Consolidated Mining group, as is operating gold company West Wits, which has surged 412 percent in the past six months

Add the two together and it isn't surprising to find Consolidated Mining among the gold market's jackpot shares, along with other group holding companies Southgo and Egoli



Gold share jackpot

	% advance since Jan 1
Lindum	2025
Loraine	932
Doornfont'n	750
West Areas	709
Wit Nigel	650
Southgo	633
Freddev	500
Egoli	431
West Wits	412
Soudex	383
Af Lease	360
Durb Deep	357
Leslie	339
Gazgold	329
Randex	295
Cons Mining	286

Also featuring on the list are mining exploration counters Randex, Freddev and Soudex — predictably, because the higher gold price renders increasingly viable the many mineral rights comprising their asset portfolios

Many of these prospects have been extensively drilled and some are surely potentially profitable mines at the ruling gold price

Militating against an imminent green light is uncertainty as to whether or not gold will hold its gains

For the rest, the 300 percent-plus gainers are shares in marginal mines (with Loraine, Doorns and Western Areas prominent among them) whose earnings can be expected to enjoy quantum rises, should the gold price remain at current levels

These are the mines whose earnings are described as being heavily leveraged to the gold price — an enigmatic label which can, however, be easily explained

Simply compare a high-cost (marginal) mine with a low-cost (non-marginal) mine

At a gold price of (say) R900, the low-cost mine, with costs of (say) R450 an ounce, is making R450 an ounce produced

At a gold price of R1 300, its profit rises to R850 for an 89 percent improvement in earnings.

At a gold price of R900, the high-cost mine, with costs of (say) R800 an ounce, makes R100 an ounce produced At a gold price of R1 300, its profit rises to R500

Increase

That's less than the profit earned by the low-cost mine, but it represents an earnings increase of 400 percent — considerably more than the 89 percent achieved by the low-cost mine

Hence the leverage factor contained in marginal mines Hence the reason why the shares of marginals have risen farther and faster than those of low-cost mines

Not that the shares of the low-cost producers haven't gained ground It's just that Driefontein's 107 percent and Vaal Reefs' 167 percent appear derisory in comparison with those on the jackpot list

Have the marginals run too far ahead of themselves?

A lot depends on how gold performs in the months ahead

It is nevertheless worth noting that in the mini-boom of 1987, when gold hit $500, Wit Nigel peaked at 470c (now 150c), Western Areas topped at 2975c (now 1900c), Loraine made a high of 3650c (now 1135c) and Doorns touched 6500c (now 595c)

And it wasn't all that long ago

Star 8/7/93

Omens looking good for Wooltru

By Stephen Cranston

The relative buoyancy of the share price indicates that the market expects Wooltru to show further improvement in its results for the year to June

Analysts expect the group will make at least a 20 percent improvement in earnings for the year as a whole after a 17 percent hike in the first half

If this does not happen, then the share price could fall back from R63 to the R50 level at which it was trading at the beginning of the year

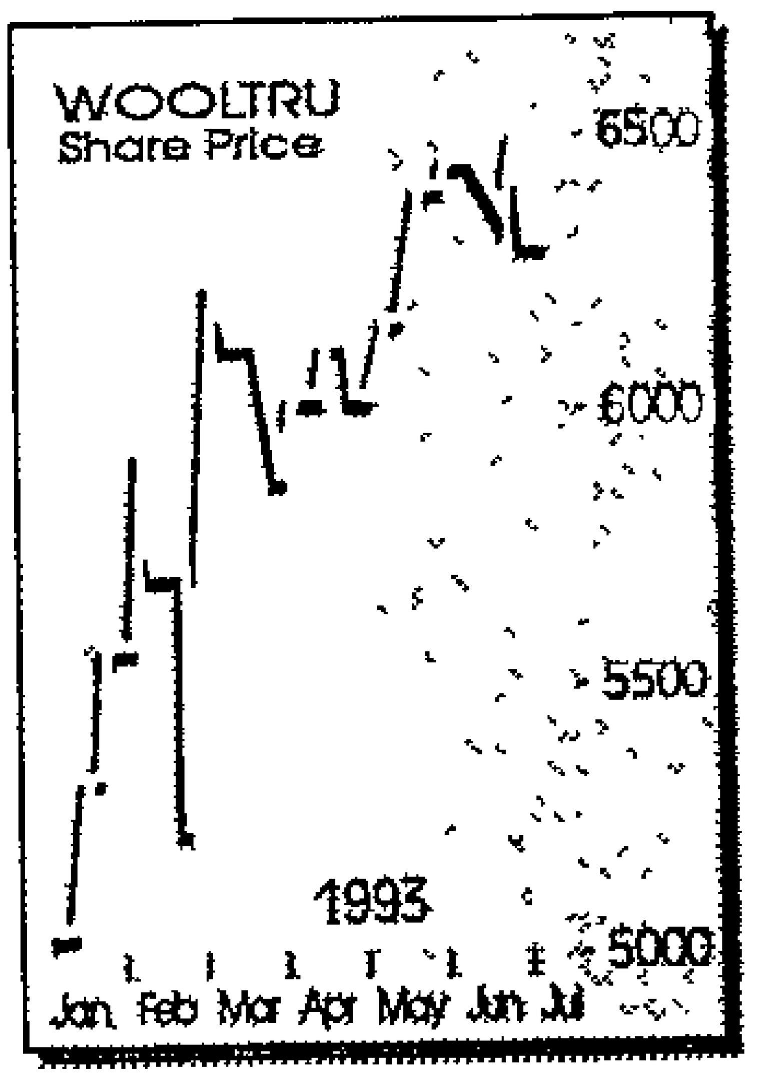
One optimistic analyst even predicts earnings growth as high as 40 percent.

The task will be made somewhat easier as the second half of last year was a particularly low base (232)

Makro's contribution was down sharply because of the expense of starting up new outlets, including the Verwoerdburg store, but in the financial year just ended there were no store openings

The second half also sees a full contribution from Shield, the wholesale franchising group acquired last September, which has been reporting growth well above the average for the retail sector

But group fortunes will centre on the repositioning of Woolworths back to the classical merchandise sector and away from the more fashion-oriented merchandise which was rejected by the public and led to an unprecedented level of mark-downs



There a more favourable reaction to the current winter range, and by the end of the year the decline in market share was being reversed (39)

Woolworths's profit growth will, however, be tempered somewhat by the greatly increased expenditure on advertising and its spending on the upgrading of its computer systems

In the longer term, Woolworths needs to gain a wider customer base in the black market

To help achieve this it has set up a satellite buying operation in Johannesburg specialising in black market needs, but it has a long way to go before it catches up with Edgars, in which half the customers are black.

The Speciality Retail group, principally Truworths, looks poised to continue its strong profit improvement as it operates in the buoyant credit sector where its main competitors Edgars and Foschini continue to report substantial real imporvements, even off their high bases

But there is increasing concern about Wooltru's recent acquisition chase, which has blurred its focus Most analysts are unethusiastic about the prospective acquisition of Dion

It will help absorb head office costs at Massmart, which controls Makro, and enable it to buy durable goods better But management resources should be concentrated on fine-tuning Makro's own trading

But Dion is profitable and cash positive, despite the problems faced by the durable goods sector, and the price of its acquisition from a disintegrating Rusfurn could be too tempting to resist

R100m in new equity investment

Investec and Fedsure move to save IGI

BIDay 9/7/93

ANDREW KRUMM

FEDSURE and Investec are coming to the rescue of Hosken Consolidated Investments (HCI) and its subsidiaries IGI Insurance and Safrican Life with a new equity investment of R100m.

The investment will be made in HCI which, in turn, will follow a rights issue by IGI which had lost capital through major investment write-offs.

A result of the investment will be that Investec and Fedsure would take control of HCI and its insurance subsidiaries.

HCI chairman Michael Lewis said yesterday "The deal was concluded in principle a week ago, but we still have to tidy up the loose ends"

He believed the new capital would more than make good recent write-offs of investments in Tollgate, Time Holdings, and Abacus, which had cost IGI R64m in the financial year to March 1993 and R25m in the preceding year.

In addition to IGI's investment losses, HCI has settled its R33m dispute with Absa over a put option on shares in the collapsed Tollgate group.

Final details of the transaction have yet to be made public. However, it appears that a share swap is envisaged in which HCI would issue a letter of allocation to Investec for HCI ordinary shares and receive a renounceable letter of allocation for ordinary shares and/or debentures in Investec in exchange

"The final terms of the swap are dependent on certain conditions which will be announced as soon as these are determined," Lewis said

He added that the value of the Investec securities to be issued would not be less than R100m. Over and above this, Investec would acquire certain other HCI shares from share incentive schemes — worth about R8m (232)

"We have not established how control of the group will be diluted by the deal, but Investec will certainly have a controlling interest."

Write-offs totalling R63,9m added to IGI's misery in the year to March 31. The composite insurer reported a net income of R69,8m (1992 R29,3m) on a rise in net premium income to R616m from R505m Net income was cut by a R15m (nil) abnormal item relating to the creation of additional reserves for self-insurance by furniture retailers, losses on discontinued operations of R7,8m (R5m) and tax of R2,4m (nil) That left a taxed profit of R44,6m (R23,3m) before extraordinary write-offs

HCI, which owns 55% of IGI, slipped to a R42m (1992 R47,4m) profit before accounting for losses in discontinued operations and tax

After tax, net income was R28,7m against the previous year's R37m. And after deducting income attributable to outside shareholders, net income attributable to ordinary shareholders was R20,9m (R19,9m). This was eliminated by an extraordinary write-off of R39,7m (R16,8m) which resulted in a bottom-line loss of R18,7m against a profit of R3m in 1992

Saflife suffered from new business

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IGI deal

BIDay 9/7/93

☐ From Page 1

strain as life premiums increased to R132m (R104m), though reassurance relieved some of the pressure. (232)

Nevertheless, the taxed profit attributable to ordinary shareholders fell to R3,2m from R16,1m and this was more than eliminated by an extraordinary charge of R22,8m (nil) against a Tollgate property loss.

As a result, Saflife suffered a bottom-line loss of R19,6m against a profit of R16,1m in the previous year.

Holding company Crendell, which owns 24,2% of Saflife's issued shares and 4% of HCI, suffered a bottom-line loss of R3,5m against a profit of R5,1m in 1992.

New loan scheme for members of stokvels

Sowetan 9/7/93

By Mzimkulu Malunga

THE launching of a new scheme that will enable stokvel members to use their savings as security for loans has added some flair to the investment industry

"The initiative represents a true joint venture between formal and informal sectors It involves flexibility and adaptability on both sides and demands mutual respect and understanding," said the president of the National Stokvels Association of South Africa, Mr Khehla Lukhele.

Named "people's benefit scheme", the programme is a joint venture between Nasasa, the Development Bank of Southern Africa, First National Bank and unit trust company Board of Executors.

The scheme affords stokvel members an opportunity to choose between savings accounts, fixed deposits, unit trusts and loan accounts All these sectors of investment can be used as security for loans 232

Khehla Lukhele ... It is like a dream come true.

For a stokvel to qualify for the scheme they have to save money for at least six months before making any withdrawals in their FNB group account.

Then after six months the group can apply for a loan from FNB. They can borrow up to one and a half times what they have saved in their account.

For instance, if a particular stokvel saves R2 000, it can apply for a loan of R3 000.

The bank will look at the investment track record of that particular group when it applies for a loan Loan repayment period is two years and the interest rate will be determined by the prime rate — interest rate levied by banks on loans by their best customers — at the time of the repayment plus five percent as opposed to the usual 10 percent.

Unit trusts

If a stokvel chooses a unit trust, the money will be saved in a newly launched unit trust company called the People's Benefit Income Fund managed by BOE The establishment of the People's Benefit Income Fund has been financed by the Development Bank of Southern Africa and the Independent Development Trust to the tune of R18 million.

Profits accruing to the PBIF will be invested in the Nasasa Indemnity Trust. The trust will manage the loan facility for stokvels Nasasa, FNB and BOE are the trustees. Individuals who want loans from the bank can only apply through their respective stokvels.

"We are satisfied with our contribution to the scheme as it provides sufficient comfort to the private financial institutions to enter the risk market and we hope this will inspire further initiatives in the same direction by other financial institutions," said DBSA general manager Div Botha.

For people like Lukhele the scheme is like a dream come true as they have always argued that although black people invested billions of rands in financial institutions through various township investment groups such as stokvels, they were unable to get loans

In real terms the townships are subsidising the white suburbs People in affluent areas have an easier access to loans because they meet the collateral requirements needed by the banks

Also, due to the violence which plagues South Africa's townships, they are regarded as high risk areas making it difficult for people living there to be granted loans by banks

PROPERTY INDEX FM 9/7/93

How credible is it? (232)

Is property still the best investment? Valuer Dunlop Heywood believes it is, maintaining that its latest property index shows that over the longer term, an investment in property will outperform one in JSE shares

That's a controversial view, given that much depends on the basis of calculation and the period over which the comparison is made Certainly, there is no shortage of contrary voices within the property industry and the JSE claiming empirical evidence to prove the contrary

The Dunlop Heywood Investment Property Index compares a mixed portfolio of R7,75bn worth of commercial, industrial, hotel and residential properties against the JSE's Overall Index in terms of total returns and capital values

The index, which rose in capital value by 6,6% (to 1478) in the year to December 1992, compares with a decrease of roughly 5% in the value of the JSE's Overall Index over the same period Measured in terms of total annual return (income yield and capital growth) over the same year, the index showed a total return of 14,7%, compared with a 2% decline in the JSE's Overall Index, including dividends

In the longer term, over the 13 years since 1979, the total annual returns of the property index and the JSE Overall Index are 20,95% and 17,7% respectively

Of course, the measurement of performance is dependent on the period over which the comparison is made For example, the stock market doubled its value between 1977 and 1979 — a fact which has been excluded from the above comparison Similarly, if the period were extended to include the period to June 30 1993, the value of the JSE Overall Index would have risen 19,08% with probably little change in the property index

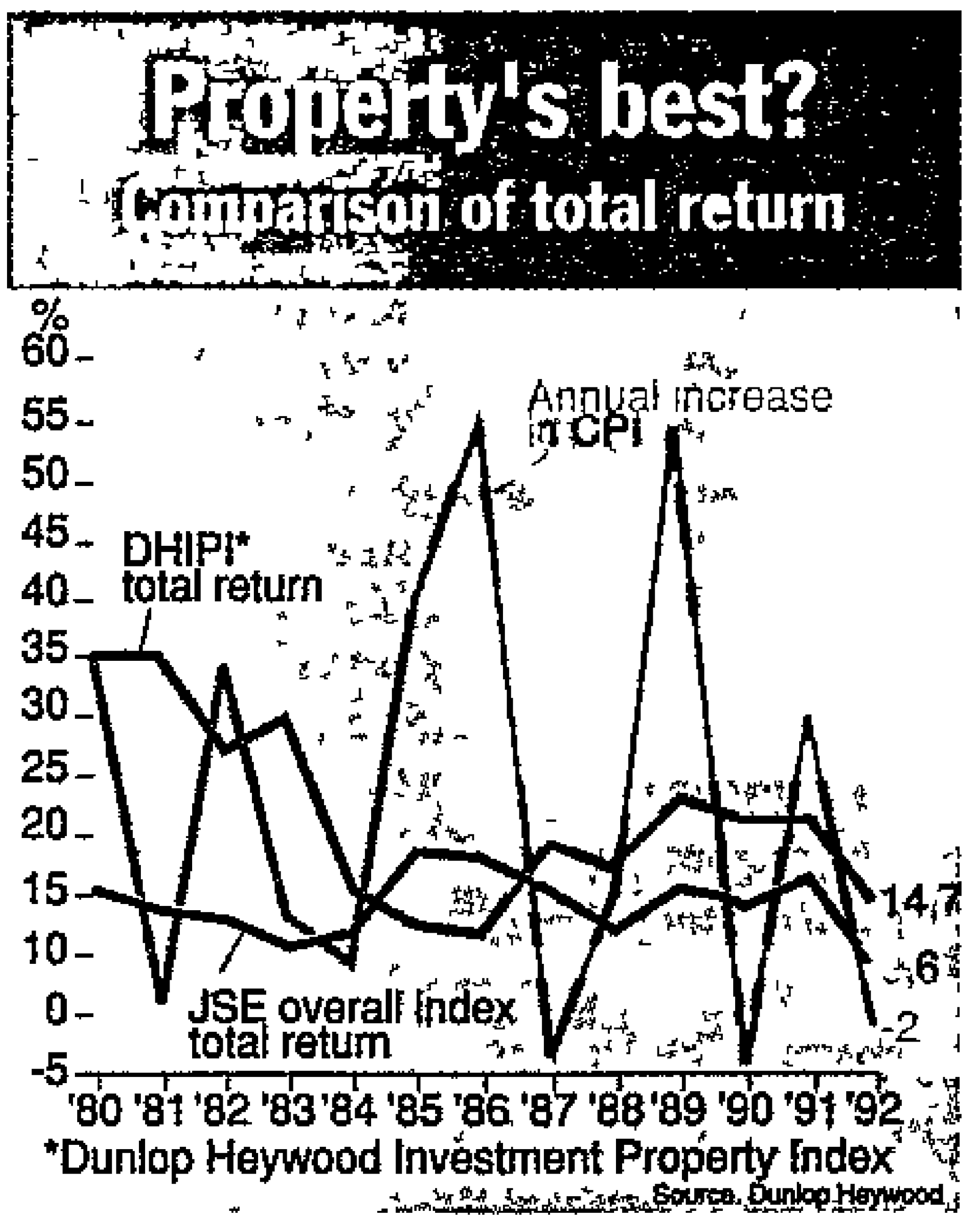
In addition, Dunlop Heywood's portfolio consists of a selection of properties heavily weighted in favour of shopping centres, whereas the JSE Overall Index is not so discriminating Furthermore, its portfolio is not fully representative of the whole property market

Dunlop Heywood joint MD Ian Mitchell is quick to point out that its portfolio contains its share of "dogs", but questions persist on the fairness of the analogy

As Mitchell attests "The composition of the portfolio has continued to evolve as property managers try to ensure that their portfolio is made up of well-located premises, fully let to good tenants, known as Grade A buildings The demand for this quality of building continues to be high and the composition by value reflects some changes (1991 figures bracketed) "

- City centre properties make up 22% of the portfolio (23,29% in 1991) — with an annual growth in value of 4,1%,
- Decentralised offices 18,94% (17,56%) — growth of 5,19%,
- Industrial 2,71% (2,97%) — -2,75% growth,
- Residential/tourism 2,48% (2,15%) — 26,97% growth, and
- Shopping complexes 53,88% (53,97%) — 7,85% growth

According to Mitchell, the portfolio's shopping complexes represent approximately a third of all shopping centres in the country with a rental area exceeding 20 000 m² each Though the performance of the shopping element is better than that of the overall property index, he says this is not common to all centres Some have, in fact, declined in value, but Mitchell believes that once the economy improves their prospects for increased performance will improve



*Dunlop Heywood Investment Property Index
Source: Dunlop Heywood

The residential/tourism element largely reflects the performance of only a few well-located hotels, he says As they form such a small part of the portfolio, they do not have a significant influence on the index

Punting the use of the index by institutions, Mitchell says the properties in the portfolio represent about one third of the total investment by pension and provident funds directly into property As such it is a reasonable statistical sampling of the performance of those portfolios

Says Mitchell "The DHIPI portfolio contains many excellent properties, but like every real portfolio, it also contains some dogs We, therefore, believe that any property portfolio that matches or outperforms it is a portfolio of which property managers and investors can be proud "

Detractors of the index say most institutions use the mean property performance of pension funds (as contained in the Consulting Actuary Survey) and life offices to gauge property's performance They say it is generally accepted that property has underperformed equities over the long term and that there is much empirical evidence to prove it

Further, they say the DHIPI does not account for all the outflows involved in running a portfolio, including loss of interest on refurbishment finance While it is generally known that shopping centres have outpeformed all other property types in the past decade, they suspect that some of the shopping centres included in the DHIPI portfolio may be overvalued

A spokesman for an institution which owns some of SA's best shopping centres says his finding is that equities have outperformed property over most periods He says while wheeler-dealers might well have enjoyed more profitable returns from property, the DHIPI contains ungeared institutional type properties kept on a buy-and-hold philosophy

Mitchell's response "I don't deny that the capital value of equities has tended to outperform the capital value of properties But, property shows a greater income return and if the two elements of income and captial growth are considered, the overall performance is similar The relative performance depends to a large extent on when the photograph is taken "

He adds that "all outflows are accounted for in the DHIPI performance As regards the suggestion that some properties within the index have been overvalued, there is no market evidence to support that contention In fact, the evidence is that such sales that have taken place were at or above the values incorporated in the index " ■

SANDY BAY

On shifting sands

FM 9/7/93

Absa's most recent proposal to develop 270 residential plots (20% of site area) on its Hout Bay hillside property which extends down to Sandy Bay, seems modest — even generous — considering Absa is willing to cede the rest of erf 3 366 Hout Bay to the authorities for it to be managed as a nature reserve Its proposal also provides for better public access to Sandy Bay

What Absa fails to note is that should the proposed nature reserve ever be rezoned to allow development, then as a condition of its offer, it will automatically repossess the land Absa claims this reversionary clause is

cont p?

MILSTAN (232) FM 9/7/93.

The stuff of bad dreams

What began as a simple minority buyout has turned into a nightmare for joint MDs Stan and Milton Etkind.

A cautionary three weeks ago advised shareholders the brothers intended buying out minorities. Before a price could be set, year-end February figures had to be finalised And quickly. the JSE warned Milstan that if it failed to issue a preliminary by end-June, the listing would be suspended

Barely a week before the deadline, shareholders were presented with a second cautionary, that preliminary results could "adversely affect" the intended offer to minorities Put simply, the results were not healthy Nor were they on time. The inevitable became unavoidable At the close of business on June 30, the JSE suspended Milstan

A third cautionary this week reveals that management is negotiating with the principal creditors, representing about 80% by value of debts, to restructure the company

Consultant Peter Curle rejects the theory that the Etkinds intended to use the JSE committee as a ploy to delist, without buying out minorities "When the preparation of results first indicated an adverse situation, the directors took the opportunity to advise shareholders

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"They see the priority now as rescuing the company to benefit shareholders and creditors. Without that, minorities would almost certainly have received no reward. If and when that is addressed, buying out minorities will again be a key issue."

Curle says negotiations are proceeding well. "Steps have already been taken to rationalise certain operations." It is understood this includes stock centralisation and branch closures Milstan's profits have declined steadily since 1987. In 1988 EPS were 14c. In 1992 losses were 5c a share.

Clearly these figures are academic. Things have worsened substantially. For winding up proceedings to be launched, and then withdrawn, the situation must be serious. Minorities shouldn't nurture hopes of a sizeable payout. *Kate Rushton*

FM 9/7/93 (232)

PENROSE FM 9/7/93 (232)

Reads like a novel

Penrose Holdings' new boss, Albert Alletzhauser, appointed chairman by shareholders at last week's AGM, says his takeover was meant as "a pro-active, regenerative move "

But revolutions are seldom peaceful, especially when outsiders seize control. The takeover was also clouded by the tragic death on Monday night of ex-director Michael de Kock, who resigned after the AGM and change of control. Death notices appeared in the press on Wednesday.

Alletzhauser, a US author who is also a shareholder and director of UK publisher Bloomsbury, wooed shareholders after acquiring Nasionale Pers's 29,1% interest

Resignations followed, but director Peter Mason stayed and is new MD. Nonexecutive director George Joubert, who holds 5% of the equity and picked up voting rights for Sanlam's 14%, backed the new chairman.

Mekler *much tougher than Comrades*

The position of ex-executive chairman Jackie Mekler remains unclear. Alletzhauser says negotiations are taking place with Mekler, who was ousted at the AGM.

Five times Comrades Marathon winner Mekler, who has been with the printing group for 28 years, says he does not intend to resign from the board now

Mekler has a 7,5% interest and headed Penrose for several years, becoming chairman when the Nasionale Pers, Tollgate Holdings and Hosken consortium took control in 1991 But it seems unlikely he will stay on the board Without control, Mekler will probably decide his position's untenable.

Paul Delahunt, another director who quit of his own volition, was reported to have acquired *Who's Who* Alletzhauser denies this "The deal was neither ratified by the board nor approved by shareholders, in accordance with JSE regulations *Who's Who* is not for sale, it's still owned by Penrose and will be for a long time."

This apparently was one contentious issue between old and new management. Mekler says an earlier board decision was to sell peripheral divisions, like *Who's Who*, because they detract from the core printing and bindery business and funds could be better employed in growing printing operations.

Mekler also says the issue of directors' remuneration was exaggerated, though the last annual report shows this rose 63% to R1,6m — apt to raise the ire of shareholders in a company with a R732 000 pre-tax loss. Staff, chopped by retrenchment from 206 last August to about 120, must have been just as upset

But Mekler points out that the report covers 18 months and includes the increase now-liquidated Tollgate awarded ex-MD Jerry Thompson (about R750 000 a year), Julian Askin's brother-in-law, who was "removed" soon after the Tollgate scandal became public.

The major argument, says Mekler, was that Alletzhauser's group, with only 29,1% of the equity, appointed four new directors and retained the two Nasionale Pers directors from whom they bought the shares.

The market seems to like the takeover Since the AGM on June 30, the share price has nearly doubled to 50c.

"I've called all the staff together, told them that we will start building Penrose again and that the first new jobs will be offered to retrenched former employees," says Alletzhauser. He plans to retain commercial and financial printing as the core of the business while expanding in specialist, high-margin printing

Foreign opportunities will also be explored. Denis Worrall has been appointed director of international developments and head of new business, which should keep the absentee MP busy and allow him to develop contacts made while he was ambassador to the Court of St James

"I have two immediate goals," says Alletzhauser, "to win so many printing orders that the machines break and to get back into the black by December " That should offer a glimmer of hope to shareholders, who have not seen a dividend since 1988.

Recent price movements could make interesting pickings for speculators, though longer-term investors might want to wait for year-end to see if Penrose has turned.

Shaun Harris

FM 9/7/93.

Basserabie . *another rescue*

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HCI FM 9/7/93

Lots of talking

(232)

Plans to recapitalise Hosken Consolidated Investments (HCI) are expected to be made known within a few days, after rounds of anxious discussions The announcement is expected to accompany preliminary results which should show the full extent of write-offs relating to the liquidation of Tollgate —

* Cont'D

FOX FM 9/7/93 (232)

probably not less than R10m

Backers for a possible R120m rights issue, likely to lead to a shift of control, may not be revealed yet.

When they are, two names seem sure to appear Fedsure and Investec, linked by an earlier share-swap alliance, have been aggressively expanding into broader financial services activities HCI 55%-held subsidiary IGI Insurance must be the main attraction for the insurer and the bank.

The *FM* understands talks with a third potential backer have fallen through, though another suitor could be found.

For HCI, with debt of R32m in its interim report, excluding its exposure to Tollgate and a R33m legal dispute with Absa, fresh capital is vital, even if that means relinquishing control (see *People* this week and *Leaders* June 4)

Shaun Harris

AMIC FM 9/7/93. 232

A real nose for money

"I can smell money everywhere," South Korean conglomerate Daewoo chairman Kim Woo-Choong told US business magazine *Fortune* It seems he's caught an intriguing whiff of it, courtesy Anglo American Industrial Corp (Amic), in SA

Last week, Amic chairman Leslie Boyd announced the signing of protocols leading to the establishment of Daewoo-Amic Joint Venture, for the time being a private company owned equally Hard on its heels, Daewoo-Amic announced its first venture in SA — the purchase of a 29,9% interest in Gentech (previously Picapli), which makes and distributes white goods — domestic and electrical appliances

Daewoo is South Korea's fourth largest conglomerate, with 1992 sales of US$30bn Products span heavy machinery, motor vehicles, electronics, shipbuilding and construction Kim is reckoned Korea's most frequent traveller — it is said he spends half his time on the move, seeking new markets

In the past two years Kim has structured a series of deals which will open previously taboo North Korea to Daewoo inventiveness — making garments, stuffed toys and luggage at Nampo, a container port — and been involved in a friendly divorce from General Motors, ending a $200m joint venture in Daewoo Motors while retaining technology co-operation

Daewoo Electronics, the area in which Boyd is clearly keenest to invest, specialises in trying to get more out of existing technologies Its president, Bae Soon-Hoon, a graduate of MIT, is quoted by *Fortune* as saying "There's a lot of technology available. We're not running this business for glory but for making money." That's the kind of sentiment that will appeal to Amic's directors

Seizing the opportunity Daewoo's entry provides, Powertech, effectively Gentech's

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controlling shareholder, has announced a R39m rights issue. After the issue, which will be underwritten by Powertech, Gentech Holdings (effectively Powertech) will hold 48% and Daewoo-Amic 30% The issue will leave Gentech with a cash surplus and no long-term loans.

Boyd says the next probable Daewoo-Amic project will be a local TV colour picture tube manufacturing facility Others are in the pipeline, though Boyd won't be specific. "I've no wish to give advance warning to future competitors."

The link will promote Boyd's aim of reducing Amic's reliance on highly cyclical commodity markets. Daewoo will bring to the party a substantial and advanced hi-tech base If properly tapped, it will result in a significant transfer of technology knowledge and capability to SA

Market analysts, however, are not especially enthusiastic. "It's all very well announcing a link with Daewoo, but will it really become meaningful in increasing Amic's consumer profile?" asks one sceptic The prevailing view on the JSE is that SA simply doesn't have enough of a technological base to justify immediate optimism

That attitude, coupled with the rights issue, goes some way to explain the lack of interest in Gentech over the past week But that won't disappoint Boyd his targets are grass-roots industrial development, increased job creation and greater diversification for Amic. *David Gleason*

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DERIVATIVES FM 9/7/93

Seeing the future

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The move by stockbroker Martin & Co to acquire derivatives broker National Futures & Options illustrates the growing awareness among JSE members of the importance of derivative markets

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Martin MD Winston Floquet says derivatives are becoming an increasingly important part of investment strategies "Futures and options in SA are trading at three times the volumes of the underlying instruments, compared with 10 times in most other countries. So there's a lot of room for growth "

The move is also significant in view of the "mini big bang" mooted earlier this year — which would allow clearing banks trading in derivatives also to trade in the underlying equities on the JSE floor

National will trade as Martin's derivatives department "Technically speaking, we have acquired the people and not the company — because JSE firms are not allowed to own outside companies " ■

NATSEL/INDSEL FM 9/7/93

Dismantling programme

Solid in its support of ministerial fiat, the IDC recently announced a major dismantling programme National Selections (Natsel) and Industrial Selections (Indsel) are to be stripped of their portfolios, the underlying shares are to be passed through to shareholders in the respective companies and they are to be delisted.

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The IDC, which refers to the process as unbundling, says it will result in about "R1,9bn in blue-chip listed investments being made available to about 2 500 shareholders who will benefit from the action" But will it?

The shareholder registers for both companies indicate that half the holders, in value terms, are institutional On the face of it, it's unlikely they will dispose of their newly acquired shares An analyst estimates most shareholders in number probably own no more than about 15% of the companies If so, the effect on JSE liquidity is likely to be temporary and comparatively small

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Natsel and Indsel were formed as vehicles to promote large-scale industrial projects This has in general happened They have been involved in the creation of some remarkable SA companies including Impala, Palabora, Sappi and Sasol

Dismantling

(232)

The dismantling follows Finance Minister Derek Keys's decision to implement legislation which will encourage this type of restructuring If there's one benefit to shareholders, it is that Natsel and Indsel have traditionally traded at discounts to their market values

The deal should produce, in theory at least, an increase in value of 19% for Natsel shareholders and 17% for investors in Indsel

Smaller shareholders receiving odd lots will be able to sell their shares to the PIC at full market value

David Gleason

FM 9/7/93 **FOX**

JSE — 2 FM 9/7/93

Decisive vote

(232)

The election for the JSE committee a fortnight ago was nothing if not boringly predictable Paul Ferguson, apparently the target of a whispering campaign, survived again, confounding punters' predictions He cleared the hurdle with some comfort, leading to a view that his rating in the JSE's popularity stakes is improving

Bill Yeowart, chairman of one of the largest firms — Simpson McKie — failed again to secure election That leaves Simpson unrepresented, a fact greeted by sucking in teeth, wandering eyes and shaking heads

Martin & Co's Francois Tolken, a long-serving committee member, as expected succeeds Humphrey Borkum in the chair Ferguson is vice-president

Tolken takes the chair in what may be the JSE's most difficult and momentous year The broking community has to resolve pressing issues such as corporate membership, dual capacity trading, negotiated commissions and screen-based trading

The research committee hasn't completed its report and recommendations, and rumours are growing about a stand-off between different camps "I'm well aware," says Tolken, "this is a vital year for the JSE The important thing is we have to get the exchange's development to evolve — we don't want change thrust upon us"

Tolken confirms he will consult members before decisions are made on major changes "We have to make up our minds finally," he says "We can't let the process be delayed much longer The research committee is to meet next month That will be a crucial meeting Any recommendations will have to be put first before the main committee"

Meanwhile, the JSE is tightening the disciplinary ratchet The sentence handed down to Elaine Price — a six-month suspension of membership and disbarment from heading a firm for three years — was greeted with disbelief in some quarters. Price, a sole trader, was found guilty of taking positions for

Price *six months — on holiday*

(232)

her own benefit

Price concedes her shortfall was about R2m However, the full amount was repaid, her firm's solvency was never an issue and no clients suffered "I'm hurting," she admits, "but I'll get through it" Since she may not earn income from work associated with the JSE for the suspension period, it's not surprising she's sore

Price — a broker for 10 years, sole trader for four and the first woman authorised dealer — has provided for employees and clients She has negotiated the takeover of her firm by another small brokerage

Will she return? "Certainly I was wrong but at least I told the truth (throughout the inquiry) The JSE's my life's work and I'll be back on the floor on December 29"

If there's a lesson — aside from admiring Price's determination — it is that the JSE is resolved not to be accused of continuing its previous perceived policy of leniency towards transgressors

David Gleason

JSE — 1 FM 9/7/93 (232)

Happy days here again

There's absolutely no chance the JSE will be suspended Executive president Roy Andersen is making certain his organisation sets a good example by producing quarterly results on time and with adequate disclosure

Income rose to R18m, an improvement of about R1m on the same quarter last year Income depends, of course, on trading activities and the 12% rise reflects a buoyant market

Andersen *setting an example*

Members will be delighted that expenditure was buttoned down to R16,3m — a mere R300 000 more than last year Since any shortfall eventually comes out of members' pockets, expenditure is of more than usual interest to them

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Not to be outdone by those members who specialise in portfolio management, the JSE has improved income from investments to R111 000 The happy outcome is that the JSE ran at a profit of R500 000 after transferring R1,3m to reserve

REPORTING ON TIME

Three months ended	May 31 '92	May 31 '93
Income (Rm)	16,97	17,98
Expenditure (Rm)	16,02	16,34
Excess of income over expenditure (Rm)	0,95	1,64
Net surplus (Rm)	0,399	0,497

Some fascinating statistics accompany the report The total share volume traded is no less than 110% up on last year The value of trade of R10,7bn compares with R4,9bn last year — an improvement of 115%

More important, liquidity has improved Long noted for the tightness with which shares are held, JSE turnover has reflected miserable trading figures But the May quarter shows a glimmer of light turnover expressed against total market capitalisation improved to nearly 7%, from last year's dreadful 3,6%

Brokers clearly have cause to smile

David Gleason

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BIDVEST FM 9/7/93 (232)

Joffe's favourite colour

Bidvest, making a smooth transition from an R8m cash shell to blue-chip status, has moved steadily ahead and now has a market cap of more than R1bn This follows chairman Brian Joffe's announcement two weeks ago that Bidvest has acquired the business of Safcor for R261,3m, settled by an issue of 3,4m Bidvest shares, bringing total issued ordinaries and convertible debentures to 15,1m

Joffe *content he's done a good deal*

Investors might consider the price excessive, Joffe, however, is content he's done a good deal Though Bidvest is buying the business, not the shares, R261,3m equates to R11,60 per Safcor Safcor stood at R10,50 on a 13,5 p e before the announcement and firmed R1 to R11,50 soon afterwards In other words, Bidvest paid market price — the only true reflection, to most analysts, of the value of a business

Bidvest paper too has risen since the announcement It has climbed by R5,50 to R78, increasing Safcor's investment in Bidvest by R17m — not bad for a fortnight's work Remember, however, that Bidvest's year-end is June the increase in the share price might merely be investors taking an optimistic view on results

Safcor's attraction to Bidvest is its client base and other intangible assets, all of which offer strong potential for earnings growth NAV at year-end June 1992 was 255c a share Though earnings rose only 14% in 1992, five-year compound annual growth is 28% In addition, Safcor had an ungeared balance sheet and R18,6m cash on hand That is just the way Joffe likes his subsidiaries — cash generators with little or no debt

Why Bidvest settled with paper when more than R700m in loan capacity was available is puzzling The answer is probably that Joffe's building a conglomerate whose size could make it a major competitor for large mergers or acquisitions A cash deal would have increased gearing and left market cap below R1bn — and that wouldn't help the large transactions Joffe may have in mind

Clearly, the market trusts Joffe, this has permitted Bidvest to attain the critical mass needed for blue-chip status Preliminary results are expected next month and the counter remains one for the portfolio *Kate Rushton*

Tariff barriers harming SA

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BRUCE CAMERON
Business Staff

TOUGHER competition board action and anti-trust laws to break up monopolies were required to make South African companies more competitive both at home and abroad, said Mr Neil Jowell, chairman of Cape-Town based blue chip, Trencor, this week.

At a conference on South Africa's international competitiveness, delegates also strongly criticised the ad hoc protection given to business against international competition wih tariff barriers and undue government interference in market forces

The conference on South African competitiveness came in a week which saw the margarine price being raised as a result of government intervention, monopoly control and tariff barriers.

The Oilseed Control Board — in itself a monopoly single-channel marketing operation — was allowed by government to raise the price of oilseed by 11 percent to levels significantly above world market prices The cost of locally produced seed oil is now more than R2 400 a ton against a landed price of R1 500 to R1 600 a ton for imported seed oil

Simultaneously, the government has refused a request by margarine manufacturers to lower a R590-a-ton tariff on imported seed oil

At the competiveness conference, delegates argued that protection dulled South African companies and made them uncompetitive on international markets

Delegates pointed out that there was no method in the setting of tariff barriers against imports

Tariffs were set on an almost daily basis ranging from zero percent to more than 1 000 percent One delegate said it depended on how much influence a company had in Pretoria

Mr Jowell agreed with African National Congress economics department chief, Mr Trevor Manuel, that tough action was required to make South African companies more competitive

Mr Jowell — who firmly supported private ownership — said competitiveness in South African industry had to be improved and tougher competition-board action and antitrusts laws would be required to compel South African industry to become more competitive

Mr Manuel said South Africa's conglomerate structure was anti-competition and anti-medium- or small-business He said protection also had to be given to emerging black business and he issued a tough warning to South African Breweries to keep its hands off the National Sorghum Breweries

Stokvels, finance houses join forces

THEO RAWANA

A MARRIAGE between formal financial institutions and the National Stokvels Association of SA (Nasasa) bore fruit yesterday when The People's Benefit Scheme was launched with an initial R20m.

Development Bank of Southern Africa chairman Wiseman Nkuhlu told the launch in Johannesburg that the scheme, based on the traditional stokvel (savings clubs) concept, was a unique joint venture between the bank, Nasasa, FNB and the Board of Executors (BoE). It was launched with R10m from FNB, R8m from the Development Bank and R2m from BoE.

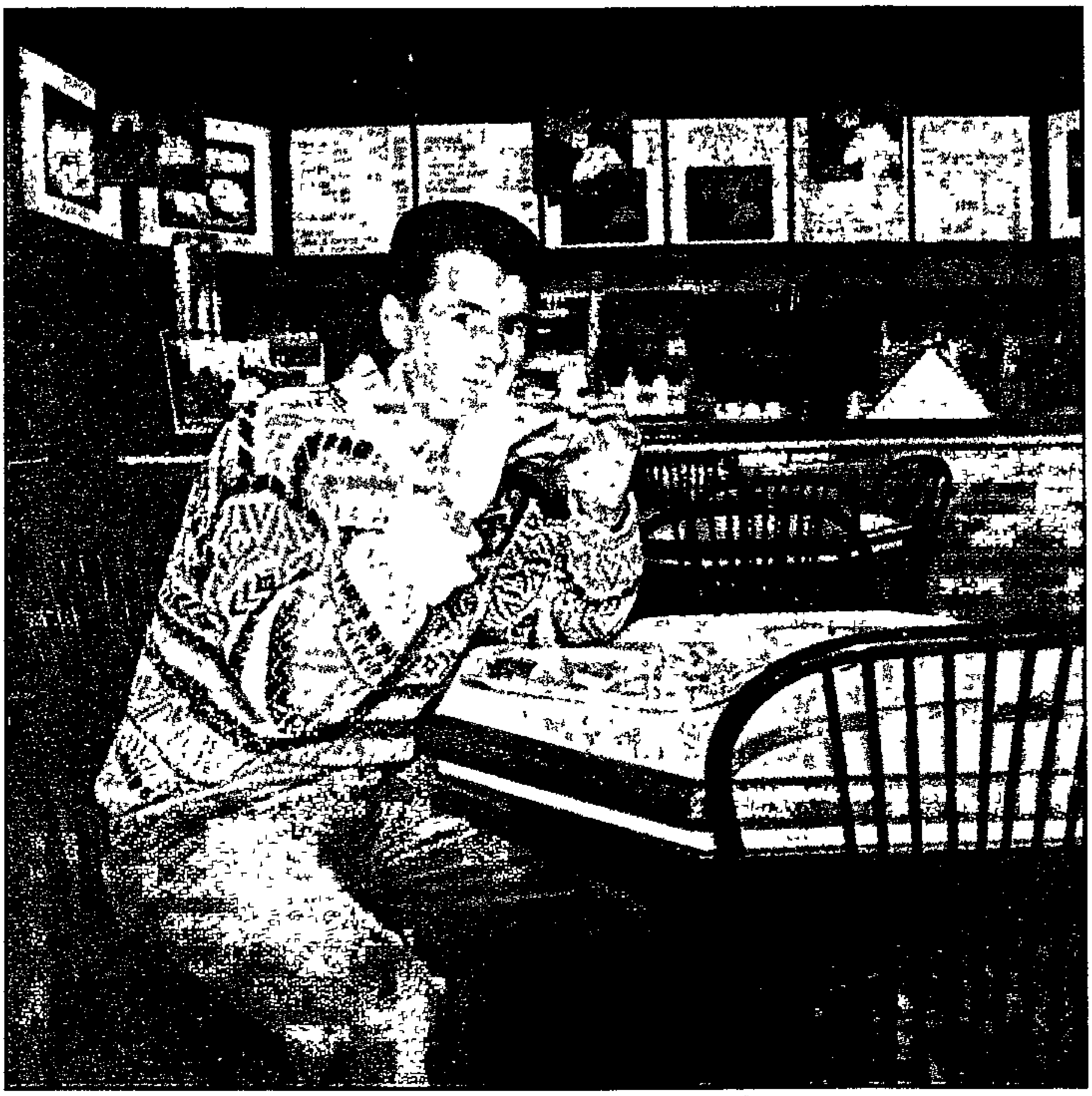
Nasasa director Stephen Japp said the package offered stokvel members, who otherwise had no access to finance, four elements: a savings account, fixed deposits and unit trust and loan facilities.(232)

Nasasa president Andrew Lukhele said the package would initially be markete[d] through FNB's branch network mainly to stokvels, which, after a minimum savings period of six months, would be able to invest in either a unit trust or a fixed deposit which would then be "pledged" as security for a loan.

The scheme, managed by BoE, meant that members, through the collective responsibility of their groups, could borrow up to 150% of their balances.

Loans would be made against securit[y o]f two-thirds of the amount borrowed[,] that security would be made up [of] money the group had available.

Nkuhlu said the scheme would b[ring] about development and address pove[rty] because it was indigenous in nature



JOHNNY HALAMANDARIS: From steak houses to a front-runner in fast foods Picture: ABDUL SHARIFF

S/Times (Buss) 1/7/93

Steers stalks Europe, plans listing on JSE

By CIARAN RYAN

STEERS, originator of the steakhouse franchise in SA, has opened its first European outlet in Athens and plans three more in Greece before December

Following in the footsteps of Spur Steak Ranches and Nando's Chickenland, both of which have European branches, Steers plans expansion in Europe, South America, China and Turkey. (233)

Managing director Johnny Halamandaris says the 135-store group expects to be listed on the JSE "within a year" to raise capital to pay for SA expansion.

"The store in Athens has been open for only a few weeks and has exceeded our expectations," says Mr Halamandaris

"Our studies show excellent growth prospects for Steers in Europe and elsewhere."

The group has moved from steak houses into fast foods. But Mr Halamandaris does not rule out a re-entry, possibly buying a chain of steak houses. Steers owns only two of the 135 shops.

Shrugging off the recession, Steers opened 35 outlets last year and lifted turnover by 45% to more than R110-million Another 15 outlets will open this year.

Johnny's father George started the Milky Lane franchise in the late 1950s and followed it with the Steers Steak Ranch chain, making it a 50-shop chain by the mid-1970s.

The group came close to collapse when death hit the faimly. First to die was Johnny's brother George. In the 1980s both parents died within a week of each other. (232)

Longhorn, Black Steers and Spurs were spawned when franchisees bought themselves out of Steers Johnny and the remaining family members picked up the pieces and starting with two shops in 1985.

They revamped the company image and built the chain into South Africa's leading fast-food group in eight years.

Spurs managing director Allen Ambor was a casual worker in one of the Johannesburg outlets before becoming a Steers franchisee. He later bought the store, Golden Spur. He launched the Spurs chain, now 124-strong with six Hard Rock Cafes and four Panarotti Pizza Pastas

Dirt flies in Sunpak war

S/Times [Buss] 11/7/93

(232)

By JEREMY WOODS

SUN PACKAGING, accused of running a dirty tricks campaign against a rival polystyrene manufacturer, has hit back with claims of blackmail, theft of trade secrets and subterfuge.

It alleges in papers filed in the Supreme Court, Cape Town, that Atlantic Forming stole millions of rands worth of technological secrets about the manufacture of polystyrene.

Former Sunpak director Kobus du Plessis allegedly built his own polystyrene factory — secretly — before leaving to set up Atlantic Forming

Raid

Sunpak is a subsidiary of JSE-listed Holdains, the Malbak-controlled packaging giant.

Sunpak officers say in affidavits that far from using dirty tricks to stifle competition, it acted to stop Mr du Plessis from using stolen manufacturing secrets It alleges he did so while subject to a restraint-of-trade agreement

Sunpak this week laid a complaint about theft. A police raid on Atlantic Forming's premises was said to have recovered documents containing trade secrets.

Sunpak director John Kennedy says in an affidavit he was asked by Detective-Sergeant Viljoen to identify a box of documents taken from Atlantic Forming's premises.

"All the documents contained in the box were indeed documents belonging to the first respondent (Sunpak) Furthermore, the documents all appeared to be originals. They largely consisted of technical data and there were many documents which I would regard as being of a confidential or secret nature"

Mr Kennedy says the documents contained information received by Sunpak under a licensing agreement for which it pays a Japanese corporation R500 000 annually.

Sunpak managing director Johan Fick says in an affidavit that in March this year he received calls from Mr du Plessis, who alleged he was being "tailed"

Mr Fick took another call saying that because everything had "come out into the open", he was welcome to visit Mr du Plessis' factory.

"He gave me directions as to how to get to the premises and I immediately got into my car and proceeded to Montague Gardens'

"The building in question was in the course of erection. Du Plessis then showed me round the construction site and told me that he and Linpac (a UK company) had become partners in a cling-film processing venture, which he hoped to have on line by August 1993"

A few days later, Mr Fick discussed the matter with Mr Kennedy

A year earlier, Mr Kennedy had been taken to a different site in Montague Gardens which Mr du Plessis thought suitable for a factory

The affidavit says Mr Kennedy visited it again and found a completed factory with polystyrene production facilities

Mr Fick says that at that stage it was clear Mr du Plessis "had been putting into operation" a plant to compete with Sunpak.

"It was also perfectly apparent he had lied to us about his intentions and that he had resorted to subterfuge to disguise the nature of his activities"

Furious

Mr Kennedy alleges that Mr du Plessis phoned him at work.

"He was patently furious I had discovered what he was up to He told me that my coming to his factory was just like my sleeping with his wife."

Ian Willis, chairman of Holdains, says in his affidavit he believes Mr du Plessis was out to blackmail Holdains group through some of his "sensationalistic allegations"

He quotes a letter from Mr du Plessis to Malbak chairman Grant Thomas. "This will lead to a lot of dirty washing in public which will certainly tarnish the blue chip image of Holdains and Malbak."

Altech turns from the front line to the home front

S Times [Buss] 11/7/93

PETER WILSON: High-tech playground Picture: ABDUL SHARIFF

By JULIE WALKER

A PHONE shop in a squatter camp? Altech's know-how and the funding of the Small Business Development Corporation or Anglo American's Small Business Unit could set up an entrepreneur in a business for which there is constant demand

Chief executive Peter Wilson took members of the Investment Analysts Society on a "treetop view" of developments at Altech Anglo is a large shareholder and executive director Leslie Boyd is Altech's chairman

Mr Wilson returned to Altech after seven years at sister company Powertech running Aberdare Cables He showed how Altech's earnings and dividends have moved sideways since 1989

Guns

The main reason is the reduction in Government spending on the military, which used to be 70% of Altech's business

His challenge is to swing the percentage to civilian applications of high technology "We have to turn guns into ploughshares," says Mr Wilson, describing Altech's employees — 500 are graduate engineers — as its biggest off-balance sheet asset because of their ability to apply technology in innovative fields

Operations have been split under three headings Altech Industrial Group, Altech Electronic Systems and Altech Mining

Mr Wilson says Altech sold 50% of its largest profit centre to multinational Alcatel because its supply agreements with the SA Post Office expire in a year or so Competition for new contracts from foreigners and SA groups will be stiff

Alcatel has invested more than R160-million in SA The deal allows Altech access to Alcatel's research efforts and its customer base

Altech received an initial export order bigger than Telkom's annual offtake in one product

Mr Wilson says cellular telephones will be good business for Altech People are surprised that Altech did not apply for the second licence, but as an equipment supplier it was barred from doing so He thinks M-Net will get the second licence

SA has learned from Britain, where in a wholly deregulated environment 93 service providers led to a dogfight. Only 41 are still in business and some are even giving away the telephone handsets in an effort to write service contracts. Many fingers have been burned

Mr Wilson expects handsets to sell at between R1 000 and R3 000 Users need only a SIM (subscriber identification module) swipe card to use a cellular phone. They do not need to own a handset and can go to phone shops All taxis are likely to carry phones and people can even go to the squatter-camp phone shack to make calls

Camps without electricity will use Altech's solar-powered remote telephone linker Rurtel, similar to the emergency motorway phones Altech exports this product widely in Africa where the World Bank is paying

(2327)

Boost

This is one of many products Mr Wilson says will boost Altech in coming years Other products are a mine-blasting management system It sequentiates blasts and optimises the miner's ability to remove rock.

An on-line titro-analyser keeps mining-chemical costs down and has a pay-back time of mere weeks.

The science used for image-spotters in military application has been applied to labour-intensive and time-critical fruit sorting. This is another potential export.

Educational needs can be met through Mass-Ed, a computerised teaching system aimed at the masses

"Even a quarter or a half-percent of the R20-billion national education budget will be good for us," says Mr Wilson.

On the road, a total fleet-management system has evolved from the satellite-tracking concept. A manager can watch all his vehicles from a control point and know immediately one leaves the pre-determined route.

Altech has received orders for 7 000 hand-held two-way radio tuners which spare drivers from fiddling under the dashboard to retune

A driver-simulator looks like a lot of fairground fun, but Mr Wilson says an under-trained driver in charge of a R250 000 truck carrying R500 000 of freight is no laughing matter Altech's driver trainer is half the cost and of superior performance to an imported model

Pre-paid electricity dispensers are big business and Altech has both a smart-card and a keypad type Mr Wilson believes there will be 10-million smart-cards soon Altech is ready to provide the infrastructure needed at vending and charging outlets

The presentation gave me the impression that Altech is a big cash-flush graduate playground where potential money-spinning ideas are taken seriously

As long as orders can outstrip costs, Altech's share prospects look attractive

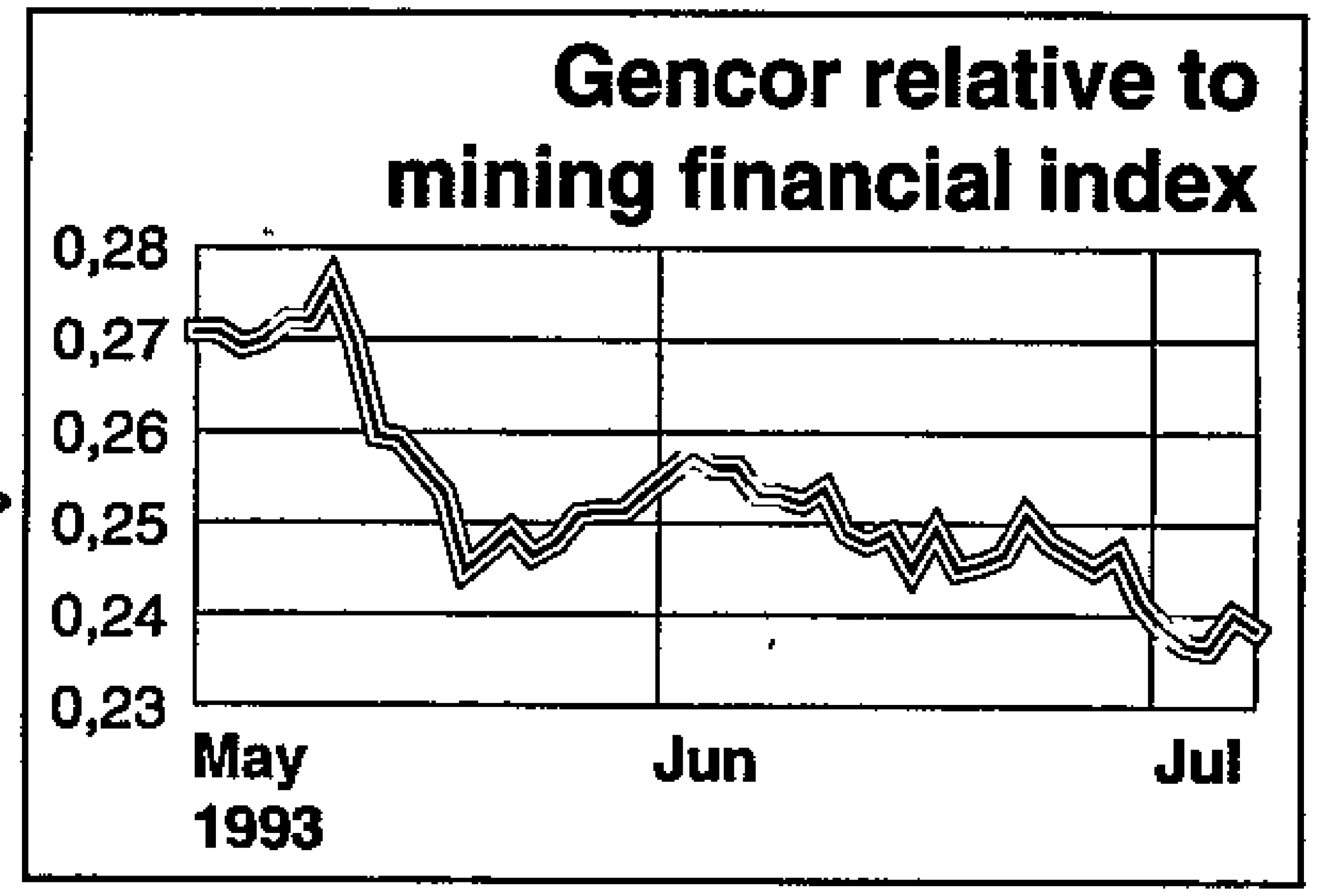
Altech is at a year's low of R103 on only 12 times earnings When the gold bull market is over, underpriced industrials like it will start to get a look in

DIAGONAL STREET

Ways to make the best of Gencor's plan to unbundle

S Times [Buss] 11/7/93

(232)



Graphic FIONA KRISCH Source I-NET

THREE stockbrokers' analysts offer contrasting views of Gencor's pre- and post-unbundling prospects

Keith Bright of Edey, Rogers & Co firmly believes that selling pressure will lower the prices of shares in unbundled Sappi, Malbak, Engen and Genbel They have historically suffered from a lack of tradeability But this factor supported share prices and will be removed on unbundling

By Julie Walker

Cover

Mr Bright says the only measure by which Gencor appears underpriced is that of historical dividend yield — supported by the gradual decline in cover Earnings growth has fallen for five years and has been negative for the past 18 months — a trend he expects to continue until 1995

Mr Bright offers two recommendations to shareholders sell Gencor and defer buying the group companies until after the unbundling; or as a hedge, sell any overweight holdings in Sappi, Engen, Malbak and Genbel and buy Gencor By doing so you buy the same shares at a 20% discount.

The risk here is that after unbundling, Gencor shares could trade at a discount of 40% or more to net asset value But that is an unlikely event

Its assets will then comprise Genmin companies, cash and short-term investments. Genmin contributed 29% of Gencor's profits at the last interim results

London-based SG Warburg Securities' Michael Spriggs takes a much more bullish view.

He recommends buying Gencor at R11,95 (it is now R12, but has underperformed the mining and financial index)

Mr Spriggs says unbundling provides the key to unlocking shareholder value in Gencor — historically at an average 20% discount to net asset value

Mr Spriggs refers to Gencor's announcement of negotiations with Royal Dutch-Shell to acquire its Billiton mining arm If successful, says Mr Spriggs, Gencor would set up a listed international group, to be floated when appropriate

Gencor itself could contribute some of its international assets to this vehicle, including its 25% stake in Consolidated Rutile and Brazilian gold producer Sao Bento

Mr Spriggs holds that although the near-term earnings outlook is not bright — he forecasts an 11% drop with maintained dividend — this imaginative development will improve share tradeability It will open an opportunity to add to Gencor holdings

Flow

A third view comes from Mathison & Hollidge's Barry Sergeant His recommendation is to buy

But holders of fewer than 1 000 shares could avoid the practical problems of unbundling by liquidating their Gencor holdings now

Mr Sergeant forecasts that Gencor's unbundling strategy will contribute to a large increase in cash flow a share and earnings in the current year, resulting in a stronger balance sheet and a cash pool from which to fund future projects

He says Gencor's planned investment transactions will lift attributable earnings by 43% to 86c a share in the year to August 1993 But operating income will be unappealing

Until further announcements, there is no guessing the number of shares Gencor will distribute It will need to offer a whole number of shares to avoid fractional entitlements, so might sell some of the companies earmarked for passing on to members

Gencor has said it will undertake investment transactions to raise R1,5-billion cash The deals will probably involve Genbel More information is expected this week

Demand buoys up De Beers

S/Times [Buss]

1/7/93

DE BEERS reached a 12-month high of R88,75 after the Central Selling Organisation announced 42% higher diamond sales of $2,54-billion for the first six months of 1993. (232)

The CSO warns that although demand for rough stones remains firm, it would be unwise to consider the first-half jump a reliable guide for the year's outcome.

Sales were aided by seasonal factors, fewer Angolan and Zairean roughs, the first-quarter shortage of Russian polished stones, buoyant demand from India and increased exports of polished stones to America.

India has 250 000 diamond cutters who bring in stones for polishing and export Full convertibility of the rupee improved their fortunes and they were able to handle more stones The second-largest cutting centre is Israel with 9 000.

The dry season and political instability in Angola and Zaire have led to renewed supply of stones from these areas, but not in the large quantities of last year

Russian polished supply dried up because of the introduction of a 20% export surcharge. Although this is thought to have been removed, bureaucracy is hampering the normal flow of diamonds.

Another new source of supply in the second half of the year is the American Government, which sold $77-million of roughs from its strategic stockpile and is believed to plan more sales

The polished-stone market is weaker than that of roughs The CSO predicts no dramatic improvement in retail sales until the world economy recovers

Better sales allowed the CSO to lift average prices 1,5% in February, mainly on stones of three carats and greater, where demand is strongest.

In May, producers' delivery entitlements were raised 5% to 80% This figure has now been lifted to 85%

Terra tops unlisted probe

S/Times [Buss]

THE Business Practices Committee, chaired by Louise Tager, is to investigate Terra Exploration & Development

The inquiry will be undertaken in terms of the Harmful Business Practices Act

Terra has issued shares to the public either for cash or in exchange for shares in other non-listed public companies It was refused a JSE listing last year 1/7/93

Terra is a subsidiary of Falcon Development In the past few years it has undertaken an elaborate paper chase, issuing shares to holders of various companies controlled by Mike de Pinna

The companies include Hemisphere, Redbark, New Era and Great African Resources They companies all required qualified financial statements, generated little or no income and were largely dormant.

The committee will also investigate limited liability companies FCF Developing Capital, Falcon Developing Capital, FCF Securities and La Roc, and proprietaries Falcon Corporate Finance, REF Corporate Finance, Terra Holdings, Principal Securities, Principal Mining, Manresa Investments CC, all subsidiaries, directors, employees, brokers or agents.

Anyone wishing to make a representation may write to the committee's secretary, Private Bag X84 Pretoria 0001, before July 22

Thebe Corp clears air

CPress 11/7/93

By ZB MOLEFE

SOME of the companies in the ANC-linked Thebe Investment Corporation are already profitable while others are about to break even, the corporation said on Friday in response to reports that three of its companies face cash crises

A prominent report carried by a weekly newspaper reported, among other things, that three Thebe companies were in fact insolvent The newspaper also reported that the ANC is said to be so embarrassed by these revelations that Nelson Mandela has personally stepped in to get to the problems facing the corporation sorted out (1177)

Said the statement: "Thebe is a private company which is battling to empower black people in a hostile social and economic environment Like any fledgling company, it has its share of successes and failures (216)

"Thebe believes that certain organisations have a vested interest in seeing it fail – witness the bugging incidents and the many unfounded accusations which have been levelled against it.

"Despite this, Thebe remains dedicated to pursuing its vision of black empowerment based on sound business principles." (232)

The corporation – which includes on its board of directors prominent personalities like Tokyo Sexwale, Vusi Khanyile and businessman Moss Nxumalo – admits that it has strong links with the ANC "but not the type of links reported in the media"

It points out that its current sole shareholder is the Batho-Batho Trust, whose founding trustees are Nelson Mandela and Walter Sisulu Any profits it makes now or in the future, until shareholding is broadened, are at the disposal of this Trust.

Thebe also disputes the newspaper's report on its subsidiary companies' finances as "misleading"

Anglo backs call for competition inquiry

(232)

CT 12/7/93

Own Correspondent

JOHANNESBURG — Anglo American has thrown its weight behind the ANC's call for an independent inquiry into competition policy, saying the policy must be settled before real economic reform can go ahead

In his 1993 annual statement, Anglo American chairman Julian Ogilvie Thompson said SA had to find a policy that would give it the "right mix" of strategies pursued by Pacific Rim nations and those in Europe

An independent inquiry "would increase the likelihood of arriving at a consensus based on economic rather than political criteria, consistent with the sound macroeconomic framework the country is now developing"

The commission should be properly constituted, Ogilvie Thompson added, and chaired by an international expert, with representatives from government, trade unions, business and consumers

The backing is the first olive branch publicly offered by big business to the ANC since the debate on anti-trust and competition policy heated up in December last year

The ANC wants to implement anti-trust policies, which it argues would dilute ownership, boost competition and encourage foreign investment The policy is in line with unbundling large conglomerates and the banning of cross-directorships, both of which could put the ANC at odds with Anglo

Ogilvie Thompson said SA had to "restart and sustain economic growth" and broaden the participation of black South Africans in the economy

However, anti-trust legislation was not appropriate because SA was a developing country

"An acceptable trade-off has to be found," Ogilvie Thompson said "SA cannot afford a purist competition policy that enfeebles the private sector's capacity to compete internationally and create wealth"

Despite the overture to the ANC, Ogilvie Thompson argued that SA needed more large companies "if it is to hold its own in the 21st century"

COMPANIES

'Few benefits for Reunert'

DUMA GQUBULE

THE expected unbundling of Barlow Rand would offer few immediate benefits for Reunert and its shareholders, analysts said yesterday BiDay

They said Barlows had few listed or unlisted subsidiaries that seemed to easily fit Reunert's electronics, telecommunications, cables, mechanical and electrical engineering interests 12/7/93

There was little chance of Reunert becoming a mini-conglomerate as would be the case with C G Smith.

Barlows subsidiaries vaguely related to those of Reunert were listed computer groups Information Services Group (ISG) and Persetech and unlisted consumer electronics companies Panasonic, Nashua and Kelvinator. (232)(191)

Reunert's former computer subsidiary, Reunert Computers, was merged with Information Systems Management to form Technology Systems International in 1988. TSI was later split into ISG and Persetech

But analysts said it was unlikely ISG and Persetech would end up in the Reunert fold as there were few synergies between the three groups.

Barlows would probably want to keep its computer interests which had been good performers recently and had reasonable prospects for the next few years

Consumer electronics was a growth sector and Barlows was unlikely to part with Panasonic, Nashua and Kelvinator It did not seem appropriate to house these companies in the Reunert stable

An analyst said one benefit was that Reunert's management would be freed from the constraints of their holding company, leaving them to pursue opportunities without first consulting Barlows

He said Reunert's thinly traded shares could become more tradeable

The shares closed unchanged at R40,50 on Friday, the same level as when Barlows, C G Smith and Reunert last week issued cautionaries which suggested SA's largest industrial conglomerate would embark on its own unbundling exercise.

The shares doubled from a R20,50c low in August to a high of R41 — because of the company's good recent performance which increased earnings 24% and 26% in financial 1992 and 1993 respectively.

Foodcorp could be courting Sarah Lee

Star 13/7/93

By Stephen Cranston

There is mounting speculation that Malbak-controlled Foodcorp will soon announce a joint venture agreement with Sarah Lee Corporation, one of the world's largest manufacturers of frozen and chilled foods.

Foodcorp recently bought 50 percent of distribution company The Cold Chain from ICS. Foodcorp already accounts for 40 percent of The Cold Chain's turnover through its Table Top and Enterprise subsidiaries and the purchase took place at the same time as the merger between Enterprise and Renown.

But the logic of the deal does not stop there. Foodcorp CE Dirk Jacobs says that the fact that Foodcorp has a strong distribution infrastructure to offer will adds to its attractions as a joint venture partner for international companies. (2:22)

Although Sarah Lee is best known for the frozen cakes it sells under its own brand name, it is engaged in the full spectrum of frozen vegetables, fruit and prepared meals as well as processed meat products.

Sea Harvest's JSE debut

B/Day 13/7/93

MARCIA KLEIN

ICS subsidiary Sea Harvest made its debut on the JSE yesterday in fairly active trade

The company, which trawls, processes and markets deep sea fish, listed on the food sector of the JSE at an issue price of 600c (182) (232)

It traded at 625c shortly after listing, and the price reached 645c before retreating to close at 625c.

Analysts said the day's trade had gone much as expected. Volumes were quite high, with 375 000 shares changing hands in 47 deals worth more than R2,3m

They said the share had been fairly priced, and the company was listing on prospects of declining earnings It was nevertheless a sound company, they added, with good management

The share was listed to enable Spanish company Pescanova to reduce its holding from 38% to a minimum of 10% Pescanova made 28-million shares at 600c a share — amounting to R168m — available to selected financial institutions and other investors

In its prospectus, Sea Harvest forecast that pretax income in the 15 months to its new September year-end would be R88,8m, from R101,4m at end-June 1992

Motorvia sale negotiations

B Day 14/7/93

LINDA ENSOR

CAPE TOWN — The joint liquidators of Tollgate Holdings subsidiary Motorvia are in the final stages of negotiating a management buyout of the company, which ferries new and used motor vehicles to dealers throughout southern Africa (232)

Motorvia's main clients include Volkswagen, for which it ferried 100% of its products last year, Toyota (85%), Samcor (95%), and Mercedes Benz Trucks (40%) (192)

Cape Trustees liquidator David Glaum said yesterday that Volkswagen, Toyota and Samcor had approved the sale to management and indicated that they were prepared to enter into negotiations to renew the ferrying contracts The sale would be made conditional on these contracts being signed.

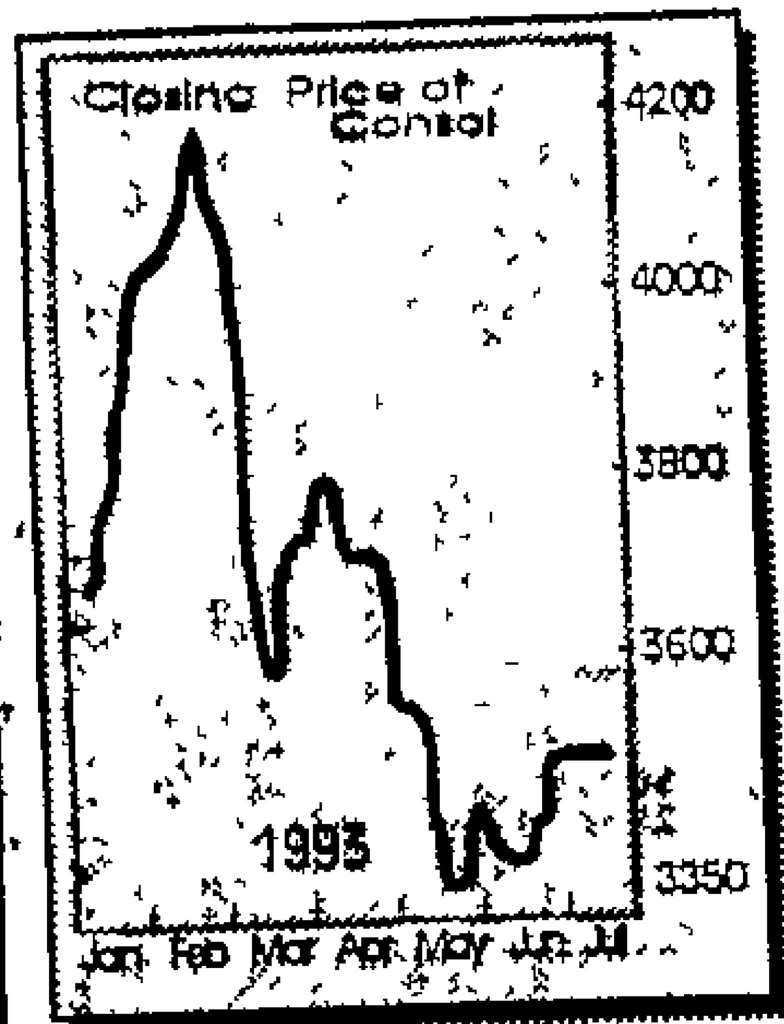
The manufacturers had indicated that they were happy with the way the business was being run Other offers, Glaum said, had either not been satisfactory to the main creditor, Absa, in terms of the amount, or had conditions attached which could not be fulfilled

Motorvia was a consistent profit generator in the Tollgate Holdings group before its liquidation and its sale value under liquidation was estimated at about R25m. However, Glaum refused to disclose details of the price, saying it was confidential

Glaum anticipated that it would take several months for the management buyout to be finalised

Star 14/7/93

Consol extends its tyre interests to retail level



By Stephen Cranston

Consol, an Anglovaal group company, has acquired PWV tyre retailer Safe-T-Tyre.

The 100 percent acquisition was effected via Tredcor, a leading retreader and tyre distributor within Consol's rubber sector. 232

This follows the earlier acquisition of the remaining 25,6 percent of its rubber interests from Trencor.

Analysts believe the tyre industry will suffer after the removal of import permits and the reduction of tariff protection.

But Consol, with the strong Goodyear trademark, looks most likely to survive a shake-up in the tyre industry.

BTR Dunlop has the option of pulling out of the country as part of its worldwide rationalisation; Gentyre could fall victim to the rationalisation of W&A, which is now jointly controlled by Trencor, and Firestone is an uncertain fit into Murray & Roberts.

Yet the added risk provided by tyres goes some way to explaining why Consol's p:e ratio of 15,4 has slipped below Nampak's 17,4.

But analysts are revising their estimates of its earnings growth from 10 to 11 percent to around the 19 percent level.

This will be achieved in spite of operating profits remaining flat.

Packaging's operating profit fell by 15 percent and while internal disciplines and cost-cutting should reduce the fall in the full year there will be no help from the market.

Consol's core glass packaging division remains a cash cow as the plant is old and needs little capital expenditure while margins are wide.

But the market for new returnable bottles has reduced considerably as the beer market is growing at about 0,6 percent by volume and the cooler weather knocked demand for soft drinks after Christmas, leading to a net fall in demand.

The dumpy, in particular, has been hit by the resistance to the more expensive packaging formats, and it is losing out to cans, which have the added advantage that they are the ideal format for exports.

Corrugated is the most competitive packaging material and returns are not expected to be exciting for the full year, though profit was up slightly at half time.

Spreads: Competition Board probing

232 CT 15/7/93

Staff Reporter

THE Competition Board is investigating the possibility that margarine and low- and medium-fat spread manufacturers colluded on price hikes.

Competition Board chairman Dr Pierre Brooks said from Pretoria yesterday that when any association, especially one relating to consumer goods, announced price hikes coupled with statements about price wars, the board sat up and took notice.

"For manufacturers to fix prices is a serious criminal offence carrying a fine of R100 000 and/or a maximum jail sentence of five years. When an association of manufacturers gives a specific figure to a price increase, instead of saying 'in the region of', the red lights start flashing and we have an obligation to investigate. There is a possibility of collusion between manufacturers in this case, especially as statements about price increases were coupled with statements by manufacturers that price wars could not continue," Dr Brooks said.

Mr Derek Dixon, marketing director of Vandenbergh Foods, which supplies about 50% of the market, said from Durban yesterday that he was unaware of the board's investigation.

"We have had no contact with the board and have nothing to fear from them as there was no collusion between manufacturers. After we informed retailers of price increases it is understandable that competitors followed quickly," Mr Dixon said.

He denied that the price increases were as much as 84% on low fat spreads, but said discounts had merely been removed.

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ranch for details

Gencor positioned to expand offshore

B|Day 15|7|93

(232)

ANDY DUFFY

THE decision by Gencor to cut its industrial holdings and add to its portfolio of oveseas interests leaves the mining house well placed to expand its international presence, market sources said yesterday

The R862m deal with Genbel places the 4,8%-stake in TransAtlantic Holding, the UK-listed property and insurance group 54%-owned by Liberty Life, directly in Gencor's hands

The stake, which together with Genbel's other offshore interests is valued at around R512m, was likely to be a useful "bargaining chip" in Gencor's attempt to buy offshore assets to sustain long-term growth, sources said

"They (Gencor) have done well to get this (TransAtlantic)," one analyst said "It will give them far more substance outside SA, which is exactly what they have been looking for"

Gencor is also in talks to buy Royal Dutch Shell's mining and minerals division Billiton, in a deal rumoured to be worth about $1,8bn

In the past, the company has been stymied in attempts to expand overseas by Reserve Bank restrictions on finrand funding

Though the Billiton deal would clear this obstacle because it could service its own borrowings, other companies have preemptive r ghts over certain parts of Billiton, which could force Gencor to pay over the odds

"One of the key problems in bringing it (the deal) to a successful conclusion is the raising of the funding," Gencor chairman Brian Gilbertson said

The stake in TransAtlantic could help, but he refused to be drawn on whether deploying it was now a key option "We view it as a strategic investment"

Gilbertson said the share swap, the first major step in its unbundling, had dealt with Gencor's thorniest problem

While other subsidiaries Engen, Sappi and Malbak effectively stood alone, Genbel — as portfolio manager and financing partner — was well entwined with Gencor "We wanted to get these shares returned to Gencor That was the principle purpose of the transaction," he said

The deal bolsters Gencor's control over Kinross, Winkelhaak, Impala and Trans-Natal, in line with the company's aim to focus on its mining operations

Under the terms of the deal, Gencor swaps 8,9-million Engen shares, 12,4-million Sappi shares and 5,1-million shares in Beatrix, cutting its holdings in each by roughly 5,8%, 8% and 6% respectively

Genbel in turn has cut its resultant overweighting in Sappi and Engen by swapping a portion of the shares for a 5% stake in Murray & Roberts, a 1,8% stake in Absa, 10% of Mercedes Information Technology, and a minute stake in Malbak Sankorp supplemented the R385m share deal with a R50m cash offer to Genbel

Genbel chairman Tom de Beer said the transactions would "accelerate the transformation of Genbel from a passive investment trust to an actively managed and growth-oriented company"

The investments in Sankorp companies such as Absa would widen the spread of Genbel's business away from the commodity cycle "We see Absa as a recovery situation," executive director Peter Cronshaw said "The spread of investments now represents a good cross section of SA business"

B|Day

Gold producer halts hedging

GOLD producer Gencor said it had stopped selling production forward as it believed the gold market had entered a sustained bullish phase, but it was considering other ways of locking in higher prices

"We stopped forward sales in May, but are searching for a strategy under the changed circumstances as it is still only the beginning of a bullish phase," Gengold division MD Gary Maude said

Possible new ways of locking in a proportion of future output at higher prices included the use of put and knock-out put options

"We were hedging for survival up to three months ago," he said The group had hedged about one-third of total production until May 1994

15|7|93

An Anglovaal spokesman said it had a flexible hedging policy and further hedging was likely Anglovaal had sold forward 320 000oz of gold over the next two years

Gold Fields does not hedge It said this week the gold price rise was not sustained enough yet for its mines to increase capital expenditure

Anglo American said it had not increased its hedging position since April "Anglo has not added to its hedging position since it perceived a more favourable trend in the gold price" — Reuter

Absa to recruit top corporate bankers

B|Day 15|7|93

JANE ARBOUS

ABSA's new CE Danie Cronje says the group is looking for new corporate banking expertise

Attracting bankers from rival groups would also be a strong signal to the market that things had settled down at Absa after the rationalisation of the past two years, he said

"We've had some very interesting inquiries from top bankers," he said in a interview

Dismissing criticism that Absa's corporate culture was too Afrikaans for such a broadly-based group, Cronje said it was well balanced

Absa, SA's biggest banking group with an asset base of R83bn, has completed the most difficult part of its rationalisation and digestion of two major mergers, he said

As a result of losing customer focus, Absa recorded no growth in advances in the past financial year to end-March while advances in the rest of the banking industry rose 9%-10%

Analysts say the area of corporate banking is where Absa has lost the biggest market share

Planned expansion in corporate banking was tied to providing a comprehensive international service, and Absa also wanted to increase its nonrand income, he said

Absa's priority after the disruption of the past two years was to stem the loss of market share and resume sustained growth — Reuter

Star 15/7/93

280 Coastal jobs on the line

Business Staff

The fate of 280 workers will be sewn up unless JSE-listed Coastal Clothing of Durban, which was provisionally liquidated on Friday, can be rescued.

Provisional liquidator Mark Lynn says more than 20 employees were laid off at the beginning of last week and the rest of the workforce will be released gradually as work-in-progress is completed.

The company, whose shares were suspended on the JSE at the request of its directors, passed its dividend and reported a loss of just under R1 million for the financial year to end-February 1993.

Lynn said Coastal had committed itself to completing all cut-out garments and between 10 percent and 15 percent of "a solid order book for the coming summer"

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Salvage bid

However, if an invitation for investors to come forward and tender for the business failed to result in a salvage bid, both the order book and "an extremely skilled work force" would be lost

"Speed is of the essence because as time elapses, orders will be cancelled."

Despite loyalty of customers and creditors, attempts to rationalise through tighter cost control and the retrenchment of 52 workers in April, the men's shirt manufacturer — which uses the Van Heusen trademark — has been unable to patch a threadbare balance sheet

"By last Friday it became apparent that Coastal was commercially insolvent and unable to meet the demands of its creditors, said chairman Brian Sandberg

S Africans will fall for any glib, get-rich-quick hawker

Star 15/7/93

(282)

Dubious yet glib share hawkers have made a killing over the years through sharp "investment" schemes. These operators have offloaded unlisted shares in no-hope companies to a gullible public enticed by high-pressure selling techniques. Star Line's JUNE BEARZI puts the spotlight on some of these schemes.

A fuel-from-sawdust project launched by SA Ethanol Fuels Ltd had the public scrambling to snap up a R2,8 million one-off share offer. The investors were promised profits of tens of millions.

But the venture backfired badly and eight years down the line not a single investor has received a cent.

Promoter Ken Buckerfield, formerly of Johannesburg, cannot be traced and the makeshift "pilot fuel plant" in Tzaneen in which the money-making sawdust solution was to be brewed lies in ruins.

The public, however, appear to be unfazed by the dismal track record of such operations and are still easily baited by get-rich-quick salesmanship and promises of listings on the Johannesburg Stock Exchange (JSE).

Many of those who have fallen victim to these schemes come from the ranks of the unemployed In many cases people were persuaded to sink their retrenchment packages into ventures which would "treble their money within two years"

The main arenas in which these share hawkers operate are industrial and mining shares, venture capital and "fruit and nut" farming schemes

Two years ago, thousands of people burnt their fingers by buying major stakes in unlisted gold and diamond mining companies Multi Gold Holdings, Mazuma Mining, Montrose Mining, Growth Equities Ltd, De Kaap Gold Mining and Gemgold Ltd All these were different schemes

Instead of the JSE listings which they were told would bring them "instant riches", investors have only worthless share certificates, depleted bank accounts and no hope of recouping their cash

Zirk Engelbrecht, the brain behind Growth Equities Ltd, left the country with a trail of financial chaos in his wake and allegedly has a R7 million nest egg in a Swiss bank account.

Since the early '70s, entrepreneurs have persuaded South Africans to invest more than R50 million in exotic agricultural products

These agricultural investments have afforded promoters lavish lifestyles

Top salaries and company loans of about R1 million are not unheard of Disgruntled investors, however, have been unable to secure profits.

Bag of tricks from shady brokers

An expensive-looking, glossy prospectus issued in terms of the Companies Act and featuring the names of doctors and professors as "board members" or "expert consultants" can lend credibility to bogus investment ventures

This is one of the tactics used by shady "business brokers" to lull the public into a sense of security and to create an image of a clean, solid enterprise

After the company is formed, a hardsell drive is launched and the public is offered shares with a promise of a stock exchange listing.

But the colourful jargon and extravagant promises made by these operators can be meaningless.

Star 15/7/93

Genbel comes out tops

By Derek Tommey

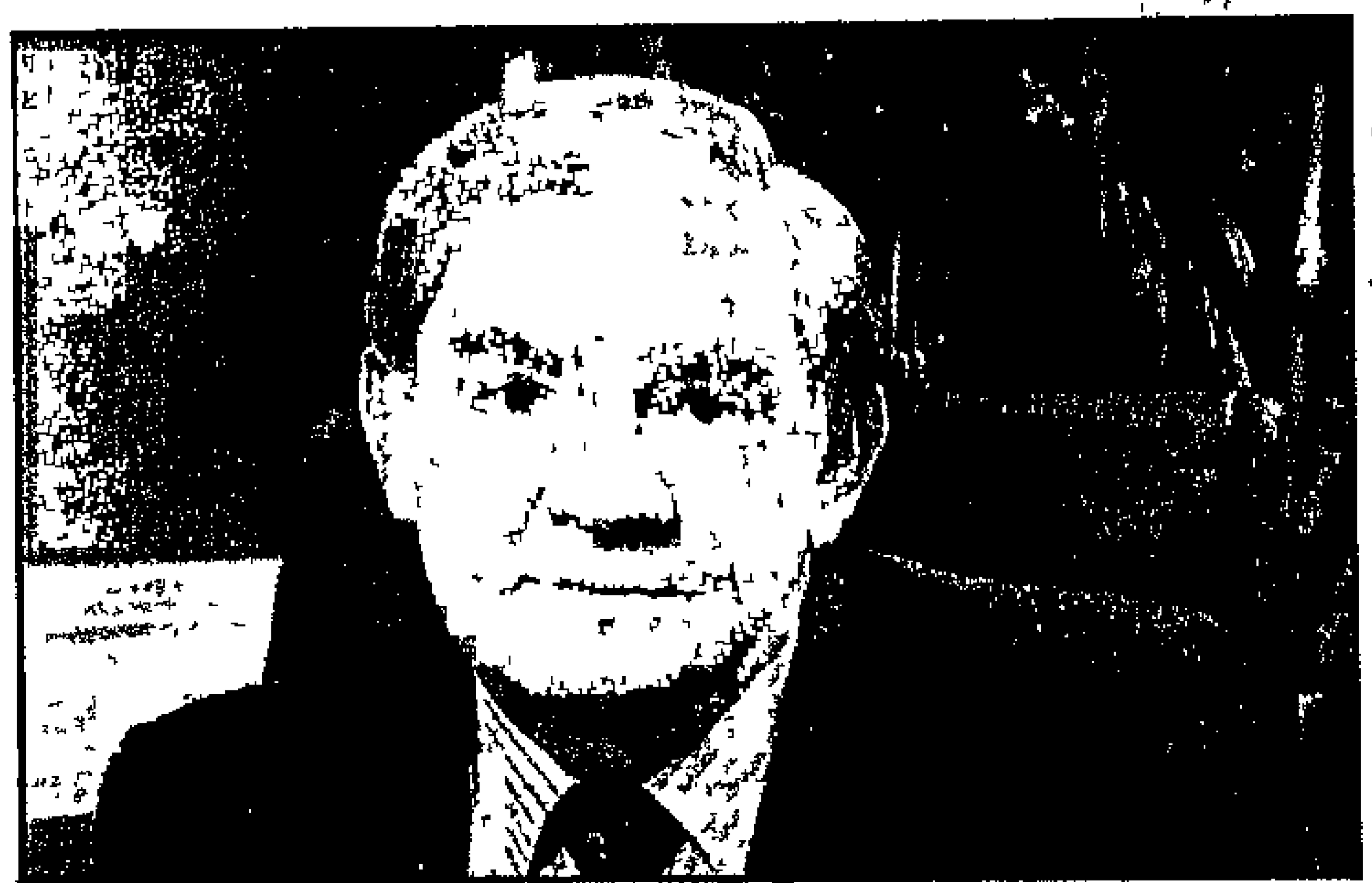
Genbel, a passive investment company in the Gencor group, has been transformed into an active investment company following two share swops which together total R1,25 billion.

The move will benefit mining house Gencor It is receiving foreign assets from Genbel which will help it finance its overseas activities

It will also benefit Sankor, Sanlam's industrial investment company, as Genbel is to become a joint source of finance for many of Sankor's investments

Gencor announced early in May that it was planning to unbundle its operations and has issued two cautionary notices to shareholders regarding changes at Genbel. These changes have now taken place — and in a way which could make Gencor's proposed unbundling much easier

In the first transaction Genbel is swopping with Gencor all its foreign investments as well as a portfolio of mining shares, together worth R862 million, for shares of the same value in Engen, Sappi and Beatrix.



Tom de Beer . . . Genbel now hold significant interests in companies across a wide spectrum.

There had been speculation about how Gencor would finance its planned expansion overseas Investors now have part of the answer. (232)

Genbel's chairman, Tom de Beer, says: "With Gencor's international ambitions it made sense to sell them (its foreign investments) especially as we were holding the TransAtlantic shares as part of Gencor's strategic offshore assets"

Genbel, through its wholly-owned subsidiary, Genbel Offshore Investments, was holding 12,83 million A preference shares and 3,5 million ordinary shares in TransAtlantic, which is part of the Liberty Life group. It also held a 30 percent stake in Gencor's exploration operation in Turkey. Together these investments are valued at R512 million

In addition, Genbel is swopping with Gencor R350 million worth of shares in Kinross, Impala, Samancor, Trans-Natal and Winkelhaak. It is receiving in return 8,9 million Engen shares, 12,4 million Sappi shares and 5,1 million Beatrix shares

As part of Gencor's unbundling, it said it would distribute its Engen and Sappi shares to shareholders as dividends in specie The transaction with Genbel has reduced the number of shares that it may have been expected to distribute Gencor will now remain a much larger company — and should maintain the "critical mass" needed to continue to play a major investment role.

In the second swop transactions Genbel is exchanging R385 million worth of shares in Engen and Sappi for shares of a similar value in ABSA, Murray and Roberts, Malbak and Mercedes Informational Technology as well as R50 million in cash.

"The deals guarantee the future operating independence of Genbel and will allow the company to play a meaningful role as a financing partner to Gencor and Samkorp, said De Beer.

Genbel would now hold significant interests in companies operating across a wide spectrum of financial, industrial, consumer and information technologies - all with good growth prospects.

Yet the company still had more than two-thirds of its portfolio in rand hedge investments

Although the individual holdings had changed, gold counters still make up a quarter of the portfolio, while interests in finance, insurance and property, energy mining financials, and forestry products remain largely unchanged

De Beer said earnings for 1992-93 were unaffected by the swops, which took place just before the end of Genbel's financial year on June 30, and were estimated at between 35,5c and 36,0c a share. This represented a four to five percent improvement over the previous financial year.

Genbel's figures will be issued on August 24. Genbel's net asset value was estimated at R3,4 billion or 797c a share.

The transactions will need the approval of Genbel's shareholders.

Genbel's shares rose 35c yesterday to 675c, representing a discount of 15 percent to net asset value — the same as the five year average for the company

Privatisation 'is only way' to escape country's debt burden

Star 15/7/93

(232)

By Tom Hood

The only way the country can escape its crippling debt burden is to privatise some of the R550 billion of State-owned assets, says the South African Property Owners Association (Sapoa)

The government is borrowing money on the capital markets to fund spending — and a major part of that spending is interest, Derek Stuart-Findlay, past president of Sapoa, warns in the latest Sapoa newsletter

He says interest on borrowings is now consuming more than 18 percent of total government spending, compared with 10 percent 10 years ago

"If interest costs were stripped out of the 1993-94 budget, virtually the entire deficit would be wiped out. The government, therefore, is borrowing on the capital market merely to service its existing debt, equivalent to a 'debt trap' An ominous legacy is being created"

Threat to recovery

In an economic upturn, current levels of public sector borrowing could crowd out the private sector in capital markets Interest rates are likely to rise and strangle any recovery almost before it starts.

Few industrial economies could boast that public spending today was lower as a percentage of GDP than it was in the mid-1970s, but Britain is one example

Between 1989 and 1992, it raised R235 billion in privatisation receipts, of which R40 billion was raised in 1992 alone

Globally, R250 billion was raised by governments in 1991 and worldwide cumulative privatisation receipts have totalled R1250 billion

"Privatisation has proved popular with a range of governments in Western Europe, North America (Mexico is privatising more than 460 nationalised companies), South America (Argentina is privatising a third of its road network), the Pacific Rim, Asia (including countries like Pakistan and Bangladesh) and at least 30 countries in Africa, including devastated economies like Tanzania, Uganda and Mozambique"

A World Bank study concluded that merely shifting State-run firms to the private sector brought about a positive difference.

Public sector

In South Africa, about 33 percent of the official workforce is in the public sector The government controls extensive assets either directly or through para-statals.

As an example, the SA Rail Commuter Corporation controls land holdings worth R1,7 billion

The public sector is also a major consumer of goods and services, including lettable commercial space

Derrick du Toit, chief director of accommodation in the Department of Public Works — responsible for 80 percent of all accommodation required by the State — recently said the department leased 780 000 sq m of office space in Pretoria, representing 33 percent of the accommodation in the city's office blocks owned by the private sector

It was department policy that ordinary office accommodation should be erected by the private sector while purpose-designed buildings like police stations and court buildings be built by the State

With the probable devolution of State functions to regional authorities, there was no need for the State to be involved in further office development, said Du Toit

In future, it would be involved rather in consolidation and better use of existing accommodation

Stuart-Findlay said "Sapoa endorses this approach, but believes the public sector also should look towards a substantial privatisation programme of public sector assets"

Total public sector assets had a book value of about R550 billion expressed in terms of 1992 money.

Assuming these assets were sold at book value, deficits of the size anticipated for the 1993-94 year (R25 billion) could be financed for the next 22 years.

"We estimate that if buildings only are taken out of the total and sold at book value, the deficit could be funded for three to four years

"The principle, we believe, should be that the proceeds of these sales of public assets should not be used to fund public-sector current expenditure by financing deficits, but should rather be used to retire public debt."

Government debt

The book value of fixed capital stock controlled by general government alone appeared to be about R270 billion Total government debt was about R150 billion

Assuming a sale of these assets at book value, the whole of the total debt could be retired, leaving a surplus of an impressive R120 billion which was about one-third larger than the size of the total assets of Old Mutual, South Africa's largest life assurer in terms of assets

By taking this course of action, the government, by excluding interest on public debt, would be able to balance the budget

Sankorp, Genbel swap shares

Gencor starts shuffle with R1,3bn deal

B/Day 15/7/93

ANDY DUFFY

MINING house Gencor seized the initiative on the JSE again yesterday, unveiling a R1,3bn reshuffle as the first step of its shake-up. (232)

The group, which in May announced it would unbundle its R20bn empire, has struck an R862m deal with investment arm Genbel in which Gencor will swap Genbel's overseas and mining interests for part of its industrial holdings.

Genbel has also agreed with major Gencor shareholder Sankorp to swap a chunk of the newly acquired shares for stakes in Sankorp companies, including Absa and Murray & Roberts, in a share/cash deal worth R435m (240)

The deals represent the first major step in Gencor's plan to transform itself into an international force in mining, while passing its holdings in non-mining interests to shareholders

Market sources said the reshuffle, in boosting Gencor's overseas presence, will also strengthen its position in pursuing international expansion.

The deal gives Gencor a 4,8% stake in Liberty Life's UK-listed R4bn property and insurance group TransAtlantic Holdings Sources said the stake could prove useful in funding Gencor's foreign forages, which to date have been dogged by finrand restrictions

Chairman Brian Gilbertson said the share swap allowed Gencor to clear the most difficult obstacle to unbundling. Of the five Gencor companies, Genbel was the most problematic to unravel from Gencor

The investment arm, which had also been Gencor's portfolio manager, had built up several positions in Gencor companies, he said

Under the terms of the deals, Gencor will swap 8,9-million shares in oil and chemicals company Engen, 12,4-million shares in paper producer Sappi and 5,1-million shares in gold mine Beatrix

In return, Gencor secures shares worth R350m in platinum operation Impala, coal company Trans-Natal, ferrochrome producer Samancor, gold operations Kinross and Winkelhaak. Gencor also gains the whole of Genbel's offshore operations, including the TransAtlantic stake, cash and minor gold exploration ventures in Turkey

Genbel has passed on a portion of the Engen and Sappi shares to Sankorp, in return for stakes in Absa, Murray & Roberts, Malbak and Mercedes Information Technology, plus R50m in cash

The announcement ushers in the first stage of Gencor's break-up after Gilbertson's confirmation in May that the group would unbundle

Gencor aims to use unbundling to realise the full value of its spread of assets, which

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Gencor

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☐ From Page 1

range from gold and ferro-alloys to pharmaceuticals The mining house has consistently traded at a discount of at least 20% to the net asset value of its subsidiaries.

Gencor would emerge without its non-mining assets, but cash flush, with operations such as Gengold and Impala and major projects such as Alusaf and Columbus which would leave it well placed once commodity markets improved (232)

The plan has raised concerns, however, that a smaller Gencor will find it tougher to take on large projects, or pursue international acquisitions.

There has also been some doubt over the extent to which breaking up the Gencor pyramid benefits investors, rather than merely rejigging the power of major shareholders Sanlam and Rembrandt.

The question of realising the full value of assets remains unanswered The discount at which Gencor trades to its NAV rose from 17,6% in May to 21,1% on Monday (240)

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BUSINESS

Unit trust fundis predict a bull run

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WMail 16/7 - 22/7/93.

Unit Trust managers are on a marketing drive to attract clients away from other forms of investment.

MONDLI MAKHANYA *reports*

UNIT TRUST fund managers have once again been trotting out their glittering quarterly results and promising an even shinier future

The scripts were the same as the last time we surpassed the All Share Index by so many percentage points and we again beat the inflation rate

Only the figures were different — and they proved that the unit-trust industry is indeed becoming a dominant force on the investment front

The Association of Unit Trust's (AUT) figures show that South Africans continue pumping their rands into this investment medium 49 000 new accounts, to reach a total of 1,27-million, in the quarter to end-June this year

Fund managers predict a big take-off for unit trusts, which still represent only just under two percent of the Johannesburg Stock Exchange's capitalisation

In the June quarter, assets managed by the industry stood at R16,3-billion, up 11 percent from end-March More important for investors is the average return the industry achieved in the past quarter

The best-performing trust delivered returns of 21 percent for moneys invested for one year, 20,7 percent for three years and 28 percent for a five-year period The worst-performing fund saw returns of five percent, 9,5 percent and 19,9 percent respectively

A look at the five-year term — the shortest period one can invest in order to be reasonably certain of profit — shows that the best-performing fund fared better than the JSE's All Share Index, which was 22,8 percent at end-June, and the 13,9 percent inflation rate during the same period

Comments AUT chairman Bernard Nackan "Over the past few years the good funds have performed better in the long term than in the short term "

Not surprisingly, it was mining-related funds that did best This was mainly due to the surge in the gold price in the past few months, which also drove up share prices of mining companies

But this performance also had the undesired effect of spurring repurchases, as people who had seen the gold price languishing for some time took the opportunity to cash in on the mini-boom

Investment advisers are quick to point out that unseasoned unit-trust investors should shy away from specialist funds like the mining funds — because they are much more volatile than the general funds, which are spread out over different sectors of the stock market and are therefore better cushioned against downturns

"The key for a new investor is to build core investment," says Standard Bank Fund MD Derick Finlayson "When his needs are met, he may want to diversify his portfolio and invest in specialist funds "

As the investment community's dictum goes, "there's no bad time to invest" And right now certainly isn't a bad time

The recession has just about bottomed and share prices may lift off when growth returns in the next year South Africa will soon be reintegrated with the international community, which will benefit some companies as well as the economy as a whole

"We are seeing the start of a bull market," comments University of Pretoria finance professor Hugo Lamprecht "If there is no chaos on the political front, my view is that we are in for a good three to five years "

Unit-trust companies are positioning themselves to grab a larger slice of South Africans' deposits

Fund managers are eager to point out that in the United States mutual funds — as unit trusts are called there — come second only to banks in terms of deposits And in their marketing, the fund managers boast about generating higher earnings than ordinary long-term bank deposits and insurance policies

South African funds are also relatively transparent compared to other investment vehicles, such as insurance policies

Performance tables are published in the daily press and it is relatively easy to work out which results have been puffed up The industry was pushed to this by the need to regain public confidence after the industry's near collapse of the 1970s

The transparency has not stopped some funds from trying to decorate their results A lot of funds create the impression that they are doing well by continually trotting out glossy yearly figures, which can often be meaningless if one considers it is the long-term figure that counts

Another tactic is to reach a feverish level of buying on the eve of reporting results, which tends to make them look good in the eye of the investor

While generally efficient and well regulated, the unit-trust industry is still lacking in competitiveness and innovation

Financial Services Board deputy executive officer Gad Ariovich made it known this week that he would like to see "a lot more cut-throat competition" among the fund managers

This would lead to diversification and the development of new products, and would lower costs and improve performance for investors

FM 16/7/93

BOND MARKET EXCHANGE

Another round

(232)

Do we really need a formalised gilts trading market? Twelve years since the idea was first floated, and after five years of consultation, discussion, negotiation, arm twisting and cajoling, the long-awaited plans for the formation of the much-vaunted Bond Market Exchange have still not been finalised (232)

The rejection ~~this~~ week ~~by~~ the Bond Market Association of the proposed rules governing the operation of the exchange, by a vote of 32-20, set the seal on a long fermenting institutional hostility to government interference in the marketplace

Objections to the imposition of a compulsory, formal market for the trading of bonds, muted at first, have been growing for some months The rejection of the proposed rules — themselves the subject of much agonising and redrafting — is merely symbolic of opposition

The *FM* reported (*Economy* May 28) that the exchange would not receive a full licence to operate in terms of the Financial Markets

cont'd

FM 16/7 ECONOMY & FINANCE 16/7/93

Control Act until it complies with all the requirements — and that includes getting its rules in place Financial Services Board CE Piet Badenhorst, endowed with wide discretionary powers by Section 40 2 of the Act, can authorise the exchange to operate under an exemption (232)

What's more, he ~~can oblige the~~ association to operate the exchange under the rules it has just thrown out The new exchange is scheduled to begin operations, taking over from the JSE's gilt market, today So the question is will he introduce the rules under fiat?

Badenhorst responds "I've had further discussions today with important players in the Bond Market Association and with senior officials of the Reserve Bank We hope to have made a firm decision by later this week Meanwhile, I must emphasise we've taken note of the feelings of the association, we don't intend to ignore the perceived uncertainties giving rise to their resolution and we'll do our best to accommodate them "

Badenhorst says the development of the formal bond market has already been subject to unusually long delays "Further development of the market needs to proceed in a structured manner to ensure government's decision (to formalise the market) is brought to a final conclusion "

Nor is Badenhorst happy with the prospect of further procrastination The market, he says, is important and carries inherent risks because of the huge volumes traded and the consequences of a default in the absence of supporting capital are considerable

"The relevant authorities," says Badenhorst, "are convinced the formalisation of the market on a phased approach should now commence without further delay "

The argument between institutions and the authorities centres on whether the trading of bonds should be handled compulsorily through a regulated, theoretically secure market, guaranteed by its members against all manner of peculation The major institutions take the view that they should be allowed, if they deem it appropriate, to deal informally — off the market They argue they've done it for years and can see no good reason why they should now be forced to put every trade through a market which will require that commissions must be paid

ECONOMY & FINANCE FM 16/7/93

(232)

However, to be fair to the authorities, they've gone some way down the line to accommodate the institutions The Financial Markets Advisory Board, chaired by Reserve Bank Deputy Governor Chris de Swardt, has already recommended that an informal market should be permitted once capital adequacy provisions have been introduced That means institutions will be allowed to deal informally provided they meet the capital adequacy ratios set down in law Until that is done, the advisory board suggests the establishment of the formal market should proceed

And, as with any formalised institution, there are many vested interests The JSE and its members, for long the sole providers of a national secondary gilts market — by value, the seventh-biggest bond market in the world — have never been enthusiastic about sharing an important, lucrative operation with other members Their position, in effect, is that the JSE already provides an adequate, efficient, guaranteed market *David Gleason*

FSB's Badenhorst *discretionary powers*

cont'd

his successor, Norman Lamont, was unable to maintain sterling's ERM parity

Cutting base rates would be more popular, especially among Tory backbenchers, worried about the rising tide of unpopularity which has dangerously eroded support levels and is threatening to sweep the party to a humiliating defeat at the July 29 Christchurch by-election A lower short-term return for international investors would cause some to sell sterling and have the additional benefit of stimulating consumer spending and the housing market

But the move could backfire and boost the pound further, because foreign exchange dealers sometimes put a higher premium on economic growth than short-term gain

"If interest rates are cut in a country where growth already exists, the tendency is for the currency to rise further," an analyst observes.

The government could decide to do nothing Though sterling is enjoying a rise at the moment, the size of the public sector borrowing requirement, at £50bn this financial year, has raised serious concerns about the state of the public finances, which could undermine investors' sentiment towards the end of the year

But a strong view in City dealing rooms is that present Chancellor Kenneth Clarke will cut interest rates by the end of the year — perhaps by one percentage point — because of the likelihood that the domestic economic recovery will falter

Then sterling could go where it may ■

Trade union fund shows slow growth

W/Mail 16/7 - 22/7/93.

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By MONDLI MAKHANYA

THE trade union controlled Community Growth Fund (CGF) learnt a hard lesson in social investment in the past year, when it missed out on the gold price surge.

The CGF reported mild growth for its first year of operation, posting returns of 16,3 percent, just above the rise in the Johannesburg Stock Exchange's All Share Index, which was 15,4 percent.

The fund invests in companies which meet the investment criteria set by Syfrets fund managers and the trade unions' social responsibility criteria.

But, as mining companies are perceived by the unions as being among the most conservative employers in industry, they have not met the social responsibility criteria.

Hence, the fund's missing the gold rush which so many other funds joined. But this may change in the coming year.

"We are going to be approving some gold companies soon," says Labour Research Services' Mark Anderson.

Six new companies were approved in the past six months, bringing the total in the portfolio to 17. Nine others are currently being studied.

While there was some scepticism in union ranks last year, Anderson says the CGF has greatly improved since then.

"Presentations have been done to shop stewards and many actually ask why we are not approving a greater number of companies," he says.

CGF Management Company's Anthony Asher adds that it is the corporations rather than unions who are increasingly sceptical of the fund.

"It involves the empowerment of unions and they therefore feel threatened," Asher says.

The CGF — now worth R45-million — certainly has no shortage of cash to invest, only avenues.

Union pension funds pump between 10 and 20 percent of their cash flow into the fund every month.

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UNIT TRUSTS 232

Swing to gold shares

The swing into gold shares evident in the first three months of 1993 continued in the second quarter but with a marked difference rather than drawing down liquidity, as in the previous quarter, general equity fund managers reduced their portfolios' exposure to industrial shares

After its dismal performance over several years, the All Gold index continued its recovery, gaining 58,5% over the June quarter Many of the unit trusts benefited from this, though they also contributed to the boom in gold shares

Portfolio managers have been encouraged by the improving international sentiment towards bullion and by fundamentals which have moved in favour of a stronger gold price Optimism so far has not been doused by any repeat of the large central bank sales that took place in 1992 and producers have been less active in the forward market Other mining shares also found favour

Association of Unit Trusts (AUT) deputy chairman Derek Finlayson says the percentage of mining stocks in the portfolios increased from 33% at March 31 to 36% at June 30

This trend could continue Some portfolio managers contend that, at current share prices, the mining sector in general is offering better relative value, especially leading mining financials which are trading at discounts of more than 20% to their underlying asset values

Fund managers now seem anxious to reduce weightings in industrial shares Valuations of these counters are mostly high by historical standards, which suggests capital appreciation will have to be driven by organic growth in earnings rather than by favourable rerating of the shares

Most portfolio managers have maintained

AUT's Nackan *well within international norms* cont-p

 FM 16/7/93. 232

a defensive stance towards equities, though to varying degrees The absence of political resolution and — of particular concern for high income funds — the disappointing balance of payments and fiscus positions (which have ensured real interest rates have remained high) have helped keep the average liquidity level at a high 20%

Annual returns from the general equity funds showed marked improvement on those of the March quarter Average return for the year to June was 11,2%, comparing favourably with the average inflation rate for the period of 10,6% Though the All Share index increased 15,4%, half the funds outperformed the index Best performers were BOE Growth fund, Guardbank equity fund and Norwich Trust, all achieving a 21% return

Almost inevitably, though, the two specialist gold funds took the honours this quarter Old Mutual's gold fund showed a stunning 12-month return of 86% against the 13% recorded in March Standard Bank's gold fund has tended to maintain comparatively high levels of liquidity but still gave its investors a 59% return, substantially up on the previous quarter's 9%

Assets managed by the industry's 50 unit trusts — 41 equity trusts and nine income trusts — rose by 11% to a record R16,3bn at the end of the quarter from R14,6m at end-March Of the total, R13,8bn was invested in equity trusts with 73% of this in the general equity trusts

Gross sales were up 8% on the year at R1,2bn Though repurchases increased to R732m, a record high, AUT chairman Bernard Nackan says this is not surprising considering SA's continuing recession He adds that repurchases remain well within international industry norms Net inflows were a "satisfactory" R497m

Though investment in unit trusts has continued to grow, the combined market value of the equity trusts at June 30 represented only 1,75% of the market capitalisation of the JSE, marginally below the March 30 figure of 1,83% Total market capitalisation of the JSE rose 18% during the quarter to R628,5bn "These figures, which are substantially below international averages, illustrate the enormous scope for growth of the industry," says Nackan

Strong flows into the income funds saw total assets jump 124% on year-ago levels, rising to R2,5bn, highlighting investors' perceptions of the direction the market is taking, along with lower interest rates

These funds, representing 15% of the industry's total assets, continued to prove good investments, though their relative performance was dampened by the boost given to equity funds by the higher gold price There was a tendency to reduce holdings of bonds of seven years and longer, portfolios being repositioned largely in investments of three to seven years

Active management of these funds helped generate capital gains of up to 5,8% in addition to the high income earned Annual returns by the income funds ranged between Metboard's 19,8% and Standard Income's 13,2%

Performances during the rest of this year will obviously be heavily influenced by the gold price, which is now within range of $400/oz and many investors are preferring to take profits on gold shares Results achieved recently by gold funds have served as a reminder that precious metal or commodity sectors that have long been out of favour can offer extremely good returns when the recovery comes, its duration and extent remains problematic *Marylou Greig*

FM 16/7/93 (232)

GENBEL FM 16/7/93

Changing role

(232)

A curious cautionary from Genbel, supplementary to one issued last month about unbundling, suggests there's been a hiccup along the way When asked, Genbel executives were tight-lipped

Nevertheless, it raises another interesting aspect of Gencor's decision to divest itself of its non-mining assets: simultaneously with that announcement, Gencor disclosed it was considering buying Royal Dutch Shell's metal mining business, Billiton The intriguing question then and now is how Gencor will finance such a purchase

At the time, the *FM* canvassed the flotation of an international resources company, perhaps *a la* Minorco More specifically, we suggested that Gencor's Sao Bento gold mine

Gencor's Gilbertson *a stronger hand*

in Brazil, its effective 25% holding in Consolidated Rutile (Australia) and its recent acquisition of 50% of Richards Bay Minerals might all be thrown into the pot

Surprise! It is reported that Cons Rutile has just sealed an equity purchase in Sierra Rutile, based in Sierra Leone, the world's largest single producer of mineral sands. The company is controlled by Nord Resources; apparently Cons Rutile parlayed loan stock in Nord into shares in Sierra

Reliable production figures are hard to come by but Roger Ellis of the authoritative London *Mining Journal* says Cons Rutile, Sierra Rutile and Richards Bay between them probably supplied about 340 000 t of rutile in 1991

That, of course, puts Gencor in a strong international position when it comes to supplying mineral sands — ilmenites, zirconium and rutiles used in pigments and titanium metal and alloys

And presumably it will strengthen the hand of Gencor chairman Brian Gilbertson when he talks to Shell about Billiton, a company with a lot of assets and a poor recent profit performance

Meanwhile, Genbel is proceeding with plans to sell Genbel Offshore Investments (GOI) to Gencor for Sappi and Engen shares GOI holds prefs and ords in Donny Gordon's TransAtlantic along with 30% of Gencor's exploration operation in Turkey The deal will add more muscle to Gencor's overseas negotiating ability

Sankorp is now involved in the transaction, though details aren't forthcoming Presumably Genbel will pass on those of its holdings in which it considers itself to be overweight — a good guess is that Genbel will be uncomfortable with too much exposure to Sappi and Engen and will seek to trade these for other counters in Sankorp's locker

Genbel's eventual role is also something of a mystery Divorced from Gencor, its major shareholders will be Sankorp and Rembrandt though it's intended, apparently, that Genbel will act as financial advisers to both Gencor and Sankorp Executive director Peter Cronshaw won't be drawn on Genbel's future role though he concedes some consideration has been given to expanding its activities to include other financial services

David Gleason

THE JSE FM 16/7/93 (232)

Scouring the Blank files

The after-shocks from the Greg Blank affair will be around for some time No doubt the JSE would prefer to wish the whole sordid thing away, but it won't be that easy

It is a conventional wisdom within the stockbroking community that Blank, once he'd been persuaded to co-operate, was more than useful to the authorities Subsequent to Blank's court appearance and sentencing, the Attorney-General is reported to have

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handed the case files to the JSE, the Exchange's inspectorate has been wading through them for months

It is believed a few broking firms and individual brokers can shortly expect to be invited to discuss their activities with the JSE's general purposes committee — the committee of elected members which determines whether charges are to be framed If so, the case is then heard by the main committee, presided over for disciplinary purposes by executive president Roy Andersen

He declines to comment The JSE's surveillance director, Rob Barrow, is charming over tea and as forthcoming as granite However, usually reliable sources confirm that charges are in the course of preparation and that one case, relating to broker Frikkie Kruger, is in the course of argument

Apparently some of the names in the A-G's files are those of institutional dealers and private investors Presumably, they'll be unscathed

David Gleason

Problems still threaten Gencor's Billiton deal

BDay. 16/7/93

ANDY DUFFY

GENCOR was still a long way from gaining an international asset base sufficient to launch a bid for Billiton, despite its plan to take on Genbel's overseas operations, analysts said yesterday

The mining house may instead be forced to bring in a partner for the purchase, or extract some form of instalment deal from Billiton owner Royal Dutch Shell by which Shell gains a stake in Billiton's earnings

The deal with Genbel, under which Gencor secures Genbel's overseas business, valued at R512m, in exchange for shares in Engen, Sappi and Beatrix, was welcomed by analysts as a move that would bring substance to Gencor (232)

The swap brings Genbel's stake in Liberty Life's R4bn property and insurance group TransAtlantic Holdings into the same stable as Gencor's other international assets, a 25%-stake in Consolidated Rutile (Australia), and Brazilian gold mine Sao Bento

But analysts said the enlarged portfolio — either in a sale or as collateral on debt — fell far short of the $1,8bn value the market had put on Billiton

"They (Gencor) have a lot more work that's still to be done," Simpson McKie analyst Rodney Yaldwyn said

"If they are going to make an acquisition overseas, it is an asset they can sell But it's certainly not enough to swallow a big acquisition," Yaldwyn said

Frankel Pollak Vinderine analyst Kevin Kartun added that Gencor might find the only way to secure Billiton would be as part of a consortium

Though chairman Brian Gilbertson said it was not definite that the deal would go through, he added that the odds had improved since his comments in May that the acquisition had a less than 50% chance of succeeding

He said yesterday that the group would look to recruit overseas institutions as funding partners, but that Gencor itself "would buy the entire Billiton business" A listing on one of the major stock exchanges would follow the deal, he added

Gencor has still to show its hand on precisely how the Billiton deal will be funded. According to sources close to Billiton, though, no other parties are currently in the frame. Talks had been bogged down in the funding mire.

Finrand restrictions have prevented Gencor using its domestic assets to fund the deal, and it also faces the problem of outbidding companies that have pre-emptive rights over some of Billiton's main attractions

Anglo American has already said it would take up Billiton's rights in Chilean copper project Collahuasi if Gencor's deal went through Gilbertson added, however, that Gencor was confident it could overcome this obstacle, though he declined to say how this would be done

The market has suggested that Gencor might offer its 50%-stake in Richards Bay Minerals to an overseas group, possibly RTZ, in return for funding for the Billiton deal It is thought, however, that few buyers would be prepared to match the value Gencor attaches to the stake

CHOICE HOLDINGS (232)

Chop and change

FM 16/7/93

Last week the JSE Committee approved the reinstatement of the DCM listing of meat processor and distributor Choice, suspended at end-January for failing to submit satisfactory documentation on its restructuring

Choice and Bophuthatswana investment trust Yabeng are to merge Caterchoice, Food Connection and Mogale Mmbatho Butcheries (MMB) in an equally owned holding company, Choice Investment Corp (Investcorp), to avoid potential conflicts of interest Previously Yabeng held half of Choice's Bophuthatswana retailer, MMB

Investcorp will acquire Caterchoice and The Food Connection from Choice for R3m, and Choice and Yabeng's respective 50% shareholdings in MMB for R4 000 Choice has also agreed to acquire from Agricultural Development Corp of Bophuthatswana 50% of Agrichick (Pty) for R4m, to be settled by R500 000 cash and 10 equal annual instalments (interest-free) of R350 000

Agrichick's R18m 1993 operating loss mainly reflects the depressed food (particularly meat) industry Since Choice took management control, losses have been stemmed Chairman John Limberopoulos expects a profit for June

Had Agrichick been incorporated, Choice's loss per share for the year to February would have been 92,4c, against the reported 5,5c That was Choice's fourth consecutive year of losses Limberopoulos says "Surplus stocks of red meat, strong competition, declining volumes and depressed selling prices resulted in the significant loss "

Yabeng's latest results are more encouraging Earnings rose 13% to 37,2c in the year to February and the dividend was up

Had the Yabeng deal been in effect, Choice's 1993 loss per share would have fallen to 2,5c Combined, the Yabeng and Agrichick deals would have increased it to 89,4c, and NAV from 7c to 157c

Choice's year-end borrowings were R8m, with gearing a high 92% Post-restructuring gearing will be 41%

Choice has put on the line what few would management fees If Investcorp does not meet certain warranted minimum profits for financial 1994 and 1995, the shortfall will be chopped off the management fee

While Choice's share hasn't moved since the reinstatement, Yabeng has firmed 19% to 310c

Kate Rushton

Foschini buys a gem with Sterns

B/Day 16/7/93

LINDA ENSOR

CAPE TOWN — The Foschini group was planning for further growth in the 1993/94 financial year and was intent on securing its share of the growing middle clothing market, chairman Stanley Lewis said in the retailer's latest annual report

He said opportunities for continued growth were most viable in the broad middle market where each of Foschini's trading divisions — Foschini Stores, Markhams, Pages and American Swiss — were heavily focused (232)

In the year to end-March Foschini expanded its number of stores to 789 (693) — largely through the acquisition of the 76-store Sterns Jewellers chain — and more store openings were planned this year

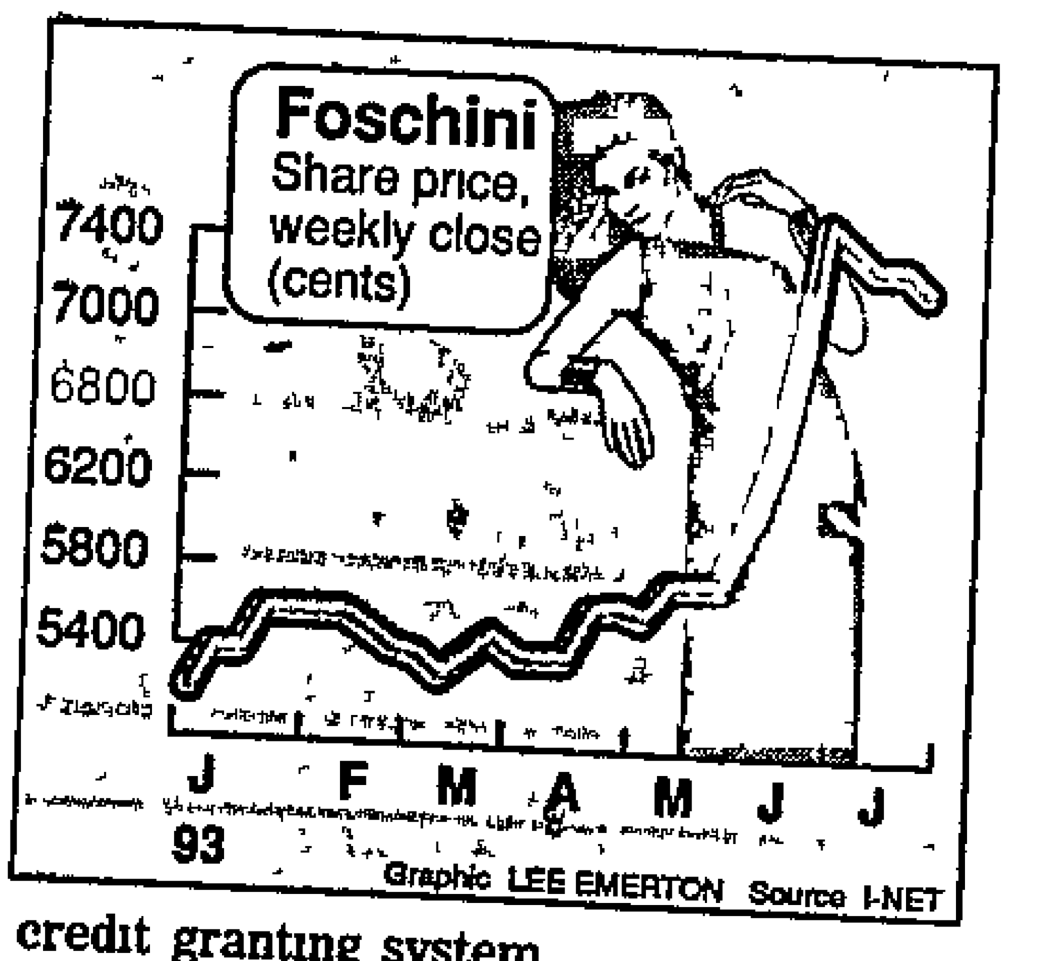
Earnings a share increased by 25,4% to 233c (185,8c) on a 19% growth in turnover to R1,2bn (R976m) Improved margins and lower finance charges contributed to the achievement and enabled gearing to be reduced to 34,9%.

Lewis said the purchase of Sterns Jewellers would broaden the group's position in the fine jewellery market and exciting growth and an increased contribution to profit from the enlarged division could be expected in future

The report noted that the 149-store American Swiss chain increased its market share significantly in the last financial year, achieving a growth in turnover of 21,3%, well beyond inflation

Turnover growth of the 305-store Foschini Stores chain was 17% and it increased market share The chain's MD Neville Goodwin said the satisfactory level of profit growth should be maintained in future

Markhams, which notched a turnover growth of 23,6%, strengthened its position as the largest menswear chain in the country Nine new stores brought the total to 106 The chain was the first trading division in the group to convert to a centralised credit granting system



"Markhams is poised for further expansion and a number of well-selected store openings are planned for the next financial year," Markhams and Pages MD Dennis Polak said in the report

The 153-store Pages chain increased its turnover by 22,8% and Polak noted that the consolidation undertaken in prior years had increased the chain's productivity and profitability and boosted its market share

Last year it consolidated its position in the rural and country market but planned a number of new store openings in urban areas to take advantage of rapid urbanisation

In his review Lewis urged that steps be taken to reduce the level of unemployment.

"The severe recession since 1989 has played havoc with our economy With the prospect of constitutional reform, it is time for steps to be taken to reduce the massive unemployment Our immediate challenge is to regenerate growth by more outward-looking trade policies, deregulation and competitive privatisation through a stable climate that allows a workforce the opportunity to be responsible and productive," he said

Foschini planned to move its headquarters into a new, rented building in Parow which would be more suited to its needs

Wednesday, July 14 quotations for unit trusts

General Equity Funds	Buyers	Sellers	Yield
ABSA	151 00	141 25	5,11
BOE Growth	168 08	157 04	2,74
C G F	N/a	N/a	N/a
CU Growth	130 10	121 46	3 42
Fedgro	136 69	127 61	4 40
Guardbank	2764 95	2571 18	4 33
IGI	140 91	131 78	3 08
Momentum	272,42	255 45	3 62
Metfund	213 07	200 08	3 56
Metlife	125 34	117 12	5 98
NBS Hallmark	1002 01	935 69	4 23
Norwich	414 13	386 73	3 14
Old Mutual I/F	2862 14	2666 23	3 61
Old Mutual Grth	244 07	227 41	N/a
Sage	2582 76	2408 64	3 48
Sanlam Trust	1707,68	1598 12	3,27
Sanlam Indx Trust	1323 44	1238 80	3 90
Sanlam Prime Gr	476,56	446 52	4 70
Southern Equity	219 70	205 59	3 69
Standard	1236 35	1161 90	5 72
Syfrets Gr	N/a	N/a	N/a
Syfrets Trust	N/a	N/a	N/a
UAL	2220 27	2084,48	5 04
Specialist Equity Funds			
ABSA Ind	131 78	123 27	4 10
Guardbank R/F	178 88	166 10	4 42
Guardbank Ind	134 12	125 63	4 82
Old Mutual Top Comp	260 91	242 97	3 58
Old Mutual Ind	373 78	247 67	3 52
Old Mutual Min	312 99	291 48	3 06
Old Mutual G/F	184 03	171 37	2 77
Sage Resources	131 77	122 90	4 07
Sanlam Ind Trust	1052 44	985 50	3 62
Sanlam Min Trust	303 21	283 62	4 41
Southern Min	147 15	137 96	3,69
Southern Pure	126 08	117 98	N/a
Standard Gold	250 68	234 95	3 45
Standard Ind	108 21	101 96	8 45
Standard Inter	112 15	104 86	4 44
UAL M/R	396 81	371 14	3 51
UAL S/O	1983 47	1854 80	3 47
UAL Managed	1116 62	1051 86	1 25
Income/Gilt Funds			
BOE People's Inc	99 84	98 78	N/a
Guardbank Inc	116 63	115 41	13 32
Metboard Income	108 23	107 10	12 63
Old Mutual Income	109 31	108 12	13,23
Southern Income Fund	545 70	534 78	N/a
Standard Income	93 01	92 05	11 71
Syfrets Inc	107 59	106 51	12 97
Syfrets Gilt	1083 08	1072 25	12 28
UAL Gilt Trust	1207,59	1195 52	12,78

Old Mutual specialist funds surge

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South 17/7-21/7/93

Old Mutual's fully invested strategy paid off handsomely in the June quarter with its specialist funds turning in fine performances.

"On a 12 month basis, Old Mutual Gold Fund led the pack, beating the All Gold Index with an 85,93% gain, followed by the Mining Fund (which also outran the Index) with 29,38%.

"In addition there were strong inflows with assets topping the R4 billion mark for the first time and assets in the new Growth Fund are already over the R86 million mark after three months trading."

Senior Portfolio manager Adrian Allardice says the performance was achieved due to the higher gold price, the fully invested strategy and superior share selection.

"Provided the markets remain firm we anticipate that the positive trend will continue with accelerating performances form manu of the funds."

The Growth Fund portfolio, released for the first time, shows a balanced mix of established blue-chip and emerging growth companies.

The top 10 shares are Anglo's, Engen, Anglovaal-N, National Selections, Remgro, Richemont, Anamint/De Beers, Barlows, LTA and Sasol. Fund manager, Arnold Shapiro says the Top 10 does not contain the smaller companies due to limited marketability and the 5% rule which limits a unit trust's holding in such companies.

Smaller companies held by Growth Fund include ABS, Jasco, Uniserv and Barnex. Many of these smaller companies are expected to grow quickly over time and will thus become larger components of the portfolio.

Part of the fund's performance came from its gold share holding, although still below the JSE weightings. Other counters which performed well were Trans Hex, National Selections and Anglos.

Mr Shapiro says that current level of liquidity of around 30% reflects a somewhat cautious stance on the market, but the Fund is aggressively seeking new investments.

The Gold Fund continued to improve the quality of its portfolio without affecting performance during the quarter. There were no new holdings but the stake in Amgold (1 700), Driefontein (48 500) GFSA (1 000), Oryx (100 000) and Vaal Reefs (1 000) were increased. Holdings sold were ET Cons, Randfontein and Unisel. Sales included Beatrix (6 000), East Dagga (50 000), Ergo (150 000), Harties (150 000) and Randgold (786 277).

The top 10 holdings are Driefontein, Amgold, Elandsrand, Southvaal, Beatrix, GFSA, Vaal Reefs, Welkom, Harties and Zandpan.

The Mining Fund sold its entire stake in Ergo and Unisel, but bought Anglovaal Holdings part. prefs (8 600), Driefontein (56 500), GFSA (6 000) and PGM (21 100)

Sales included ET Cons (100 000), Lonrho (200 000), Randgold (252 460), Rusplat (10 000) and Southvaal (5 000). The 10 largest holdings were: Anamint/De Beers, Southvaal, Anglos, CMI, Gencor/Genbehr, JCI, Anglovaal, Driefontein Cons, Potgietersrust Plat and Beatrix

Improved performance from the country's largest unit trust, the R3,5 billion Old Mutual Investors' Fund was seen in the quarter thanks mainly to lower liquidity and the rebound by De Beers which accounts for some 7,5% of the portfolio. Some 50% of the portfolio consists of rand hedge stocks and Investors Fund will benefit from any weakening of the rand.

Among the holdings to be increased were Amic (17 294), Engen (50 000), Genbehr (75 400), GFSA (3 000), Natsel (87 000) Nedcor (40 703) and Sa Brews (78 800).

Sales included Richemont (46 200), New Wits (219 300), Harties (200 000) and De Beers (42 800).

The top 10 holdings were: Richemont, Anamint/De Beers, Rembrandt, Anglos, Barlows, Safren, Gencor, Sasol, JCI and Anglovaal Ind.

There were few changes to Top Companies Fund's portfolio, apart from a new holding - Scharrig Mining and an increase in Anglos (11 400) and Barlows (16 500)

The top 10 holdings are: Richemont, Trencor, Anglos, Anamint/De Beers, Dimension Data, Scharrighuisen, Gencor/Genbehr, Santam, Lenco and Schold.

The industrial Fund was more active, buying Uniserve B Convertible Prefs, selling the holding in Safren and increasing the stakes in Barlows (10 000) and Nedcor (1 484).

The top 10 holdings are: Richemont, Mobile/Trencor, Dimension Data, Reunert, Absa, SA Brews, Toco, Liberty, M&F and GDM.

Old Mutual Income Fund which is showing a return of 14,71% for the past 12 months bought two new stocks during the quarter Fund manager Adre Smit says the two new gilts were the 15% 1996 SA Housing Trust and the 9,5% 1994 Transnet.

The holding in Escom 9,25% 1994 was sold. The stake in the RSA 15% 1994 was increased while the fund decreased the holding in the 12,5% 1995 RSA.

SA's unit trust funds are big in size but small on influence

S Times (Buss) 18/7/93

By JULIE WALKER

SOUTH Africa's unit trusts are by no means in the Mickey Mouse class when compared with those in other countries

The United Kingdom's 1 500 funds have 4,5-million savers SA's 50 funds have 1,2-million holders and America's 4 000 have 77-million investors — 27% of all households

SA differs is in the range of funds available and in the movement's importance as a JSE player

Association of Unit Trusts chairman Bernard Nackan, recently returned from abroad where he surveyed developments in the business, and says money-market funds have proliferated in countries with a less restrictive regulatory environment and lower barriers to entry than SA Fund managers abroad invest either in domestic or foreign currency to secure higher rates than individual deposits would earn at a bank.

SA law prohibits this Investors' money has to be committed to the equity market or long-term Government stock in the case of gilt or income funds

The money market mostly deals in short-term money of up to a year's maturity The main players in the market are banks, stock and insurance brokers, law firms, estate agents and others who hold money in trust on behalf of clients.

The market works along these lines a company needs money for a short time to finance trade. A bank lends it the money at, say, 12% interest, in return for an acknowledgement of debt. In doing so, it underwrites the debt.

The bank itself has to fund the money lent out, so offers the debt paper to cash-flush parties, such as money brokers, corporate treasuries, institutional fund managers and so on, who do not want to tie up cash for a long time.

The rate of interest will be up to 1% below that at which the bank has lent the money to allow it to take a turn for bearing a credit risk. The debt becomes a negotiable instrument that can be traded as interest rates move.

Broadly speaking, there is no capital risk on a very short-term investment — wait until maturity and the capital is returned The larger risk lies in trusting a broker to manage somebody else's money properly

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South Africans can invest in unit trusts, gilt and income funds, which bear a fluctuating capital risk, although if held to maturity (up to 20 years), the capital is repaid

Mr Nackan says that in America, boosted by the money-market funds, the unit-trust movement's worth of almost \$2-trillion exceeds the assets of life assurers More pertinently, it is expected to exceed the total retail deposits held by banks this year.

Mr Nackan says "America's unit trusts are a pre-eminent part of the financial world. There is a capital inflow of \$1-billion a day to unit trusts They have grown at three times the rate of US GDP and have been instrumental in channelling the savings of private investors into the economy"

Gad Ariovich of the Financial Services Board says that although the board is keen on money funds, it could be up to a year before there was an opportunity to change regulatory policy to permit them. Part of the delay would be caused by the desire to reach consensus among all parties.

Crusader Life 'emergency'

By CHERILYN IRETON

S Times (BUSS)

THE Crusader Life board meets tomorrow to formulate a strategy to crush speculation about its health.

More than R40-million has been lopped off the group's market worth on the JSE in a fortnight, the share price falling from R3,20 to R1,90 It rallied to R2,25 on Friday.

The market value of holding company Anglovaal Insurance halved in the same time — from R86,7-million to R43,4-million — before recovering to R60-million.

This company also holds AA Life. Sunday Times consumer columnist Gwen Gill disclosed this week that AA Life had failed to pay investors guaranteed sums on life policies

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AA Life blames a computer error for the inflated guarantees issued to more than 500 people four years ago.

Crusader chairman Dave de Beer attributes the fall in the share price to rumours which started after director Bob Rowand resigned two weeks ago

18/7/93

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Old school ANC's busi

(232)

OLD school ties always annoy those who do not have them, but when they are coloured green, black and gold, and the alumnus is the future government, the resentment is tinged with dismay The Thebe Investment Corporation (TIC) wears such a tie

A year-old firm based in central Johannesburg, it is aggressively committed to black economic empowerment. It runs its own black-owned companies and brokers deals involving black investors It is training people to work in areas previously inaccessible to black entrepreneurs

So far, so good — and about time in a country to be governed by its black majority where only two percent of private-sector assets are black-owned and fewer than 10 percent of top managers are black

But the corporation's sole shareholder is a trust whose founder-members are the two most senior men in the African National Congress, a senior ANC official serves on the board, the MD is the former head of the ANC finance department

THE ANC-linked Thebe Investment Corporation is steeped in controversy, but it could represent the new way of doing business in South Africa. CLAIRE ROBERTSON reports.

The TIC runs two divisions, property and trading, and seven wholly owned or subsidiary companies operating in a number of fields from computers, catering and car hire to selling ANC badges

It was originally financed with an undisclosed amount of share capital by the Batho-Batho ("people-people") Trust, which has ANC president Nelson Mandela and Walter Sisulu as founding trustees

Any dividends which Thebe decides to declare will accrue to the trust, whose only project at present is Thebe, and which is bound to use funds for the "benefit of the community"

Because of its umbilical link to the future government, the TIC has gathered itself an astonishingly bad press in the year since it opened for business "Shady dealings", "corruption", "something fishy" it has attracted these epithets and more

It has also had to pull back suddenly from other deals because these would offend "the community" — discovering rather rudely that being seen as the "ANC's company" cuts both ways

"We are not part of the government and will not be part of a government," insists TIC MD Vusi Khanyile, once known to millions as the National Education Crisis Committee head, one of the Kine 3 who took refuge from the police in the US consulate in Johannesburg in 1988

'Frankly, we will not apologise for our relationship with the ANC — but that does not cloud our business vision

"It is about time people learnt to live with independent black business people"

IT will be a bitter lesson for corporate South Africa When bids are made for government contracts from next year, the issue will probably be decided on race in the same way that it used to be decided on language

Whoops of alarm at the turning of the tables will fall on deaf ears The government will be able to cite scores of examples of authorities in other countries favouring the disadvantaged when handing out contracts

But when one of the black-owned companies standing in line was founded by the ruling party, both the company and the government will have to weigh the cost of selling textbooks against the taint of corruption

And wresting a slice of the corporate cake away from those who now own it will be difficult enough without pandering to the view that black business will flourish only if fed by the muck of corruption

Mr Khanyile refuses to admit there is a problem

Criticism of the TIC and its ANC ties is racist, or a diffuse sort of industrial sabotage, he counters

"Anyone who has negative information about Thebe can command a very high premium in the marketplace

"The people who have made accusations against us may not have meant them to be racist, but at the end of the day one is left with the feeling that says it is going to be extremely difficult for a black company that is totally autonomous from white control to emerge and to be a power

"The kind of criticism we have gone through is a reflection (of this)

"It makes us tougher; it makes us more resolute

"We must be doing something right If the white establishment that has benefited from apartheid thought we were the best thing to happen we would say Are we doing something wrong?

"We recognise that these kinds of desperate attacks which are below the belt happen on the verge of mounting something new This happened almost days after we had announced the formation of Bhekisizwe Computer Systems and won a lucrative and very impressive contract with Digital (the vast US-based Digital Equipment Corporation)," Mr Khanyile said

The most serious of the criticisms levelled at the TIC involves its part in a proposed deal to enter the educational publishing market

The market is lucrative, with the supply of school textbooks alone said to be worth R500-million

It was reported that the proposed deal traded an easy passage with the education department for a 20-percent cut of the company set up by Macmillan Boleswa to provide the books

"But we have been tried and crucified without proper information," Mr Khanyile said of the deal — "one of the medium smaller projects we'll be working on" — which will be completed within a month

The TIC would be satisfied with nothing less than control of a firm entering this particularly frustrating market — one whose main customer is the black child, but which is almost totally dominated by white companies

"Macmillan did make an offer that we would get 20 percent in a company We indicated that for us it was an important enough sector, if we did get involved, for us to wish to be active in a more meaningful manner

"We had an indication that they are not opposed to losing control of that company — a black company that could have shareholding by a white publishing firm which has the expertise and critical skills that are needed

"We believe it is important for people to find innovative ways of bringing black entrepreneurs to the party

"One of the innovative ways is for a company to say 'We will structure the capital of a company so that we will end up paying more than you do, or giving you some of the shares free' we do not say that is corruption so long as those black entrepreneurs are still in a position of control within that company, so there are no strings attached to that assistance"

Is Macmillan Boleswa prepared to do this out of the goodness of its heart?

"I cannot say what motivated Macmillan We have made it very clear to Macmillan that we do not have the capacity to deliver the education department — either now or in the future," Mr Khanyile said

The TIC is discussing the Macmillan deal with other black-owned companies, a strategy it employs in other ventures

It is part of one of the three consortiums bidding for cellular-phone licences — and should know in September whether it has been successful

And "we do seek a presence in the printing sector A lot of work has been done We think it is quite within reach"

The corporation is geared — in more ways than one — to bring life to its trading division once sanctions are lifted — "our projection is that within three months Thebe Trading will be up and running" — having spent the past year training staff in this field

Mr Khanyile believes the headache caused by ANC ties will go away once the firm is functioning to the extent that it can go public

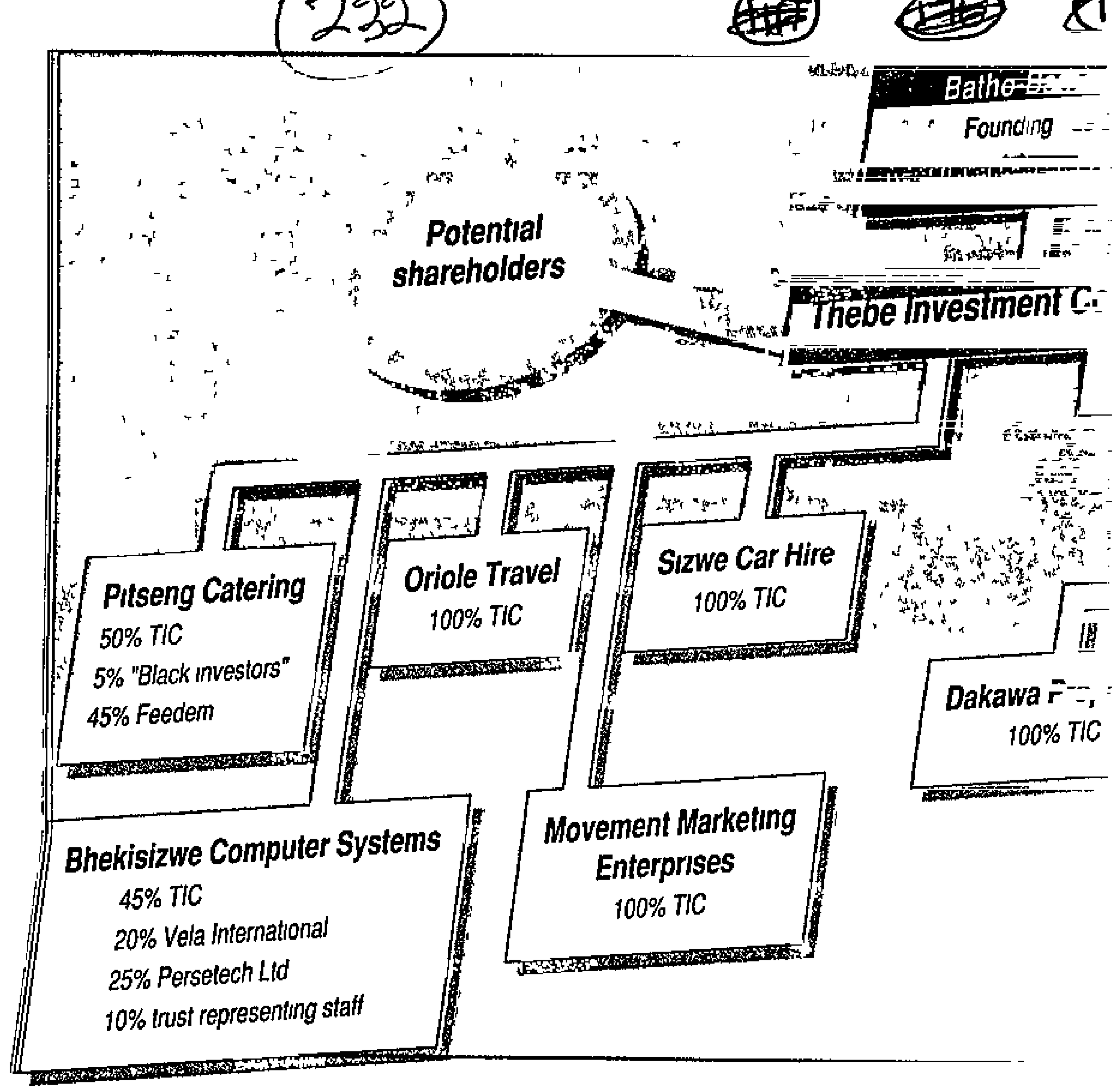
The funds were raised through the Batho-Batho Trust because "we felt it would not be prudent to go out and collect funds for an idea which had not been tested", Mr Khanyile said

"At the right time Thebe will be very happy to float the shares in the black community so that we can begin to pay off the loans we have raised

"When that happens the trust will be perfectly free to say 'Well, our investment has done well We will reduce and keep 10 percent of the shares in Thebe, or we'll totally bale out and put the money into Anglo American' it will be entirely up to the Trust"

But it is already too late for Thebe, according to Dr Duncan Innes of the Innes Labour Brief

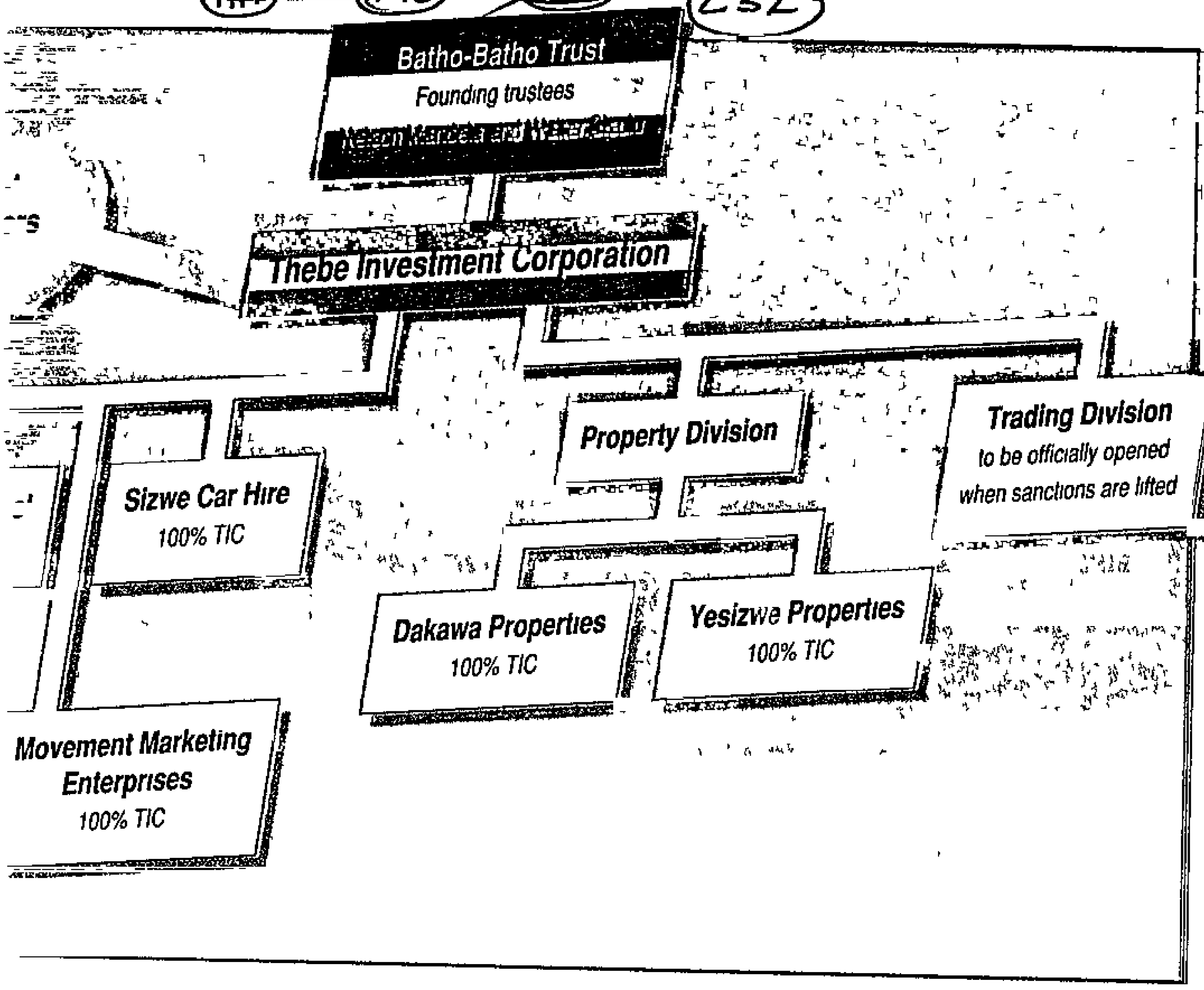
"It would have been so much better to have set up an independent trust, but the reason they have Mandela is that they obviously want to



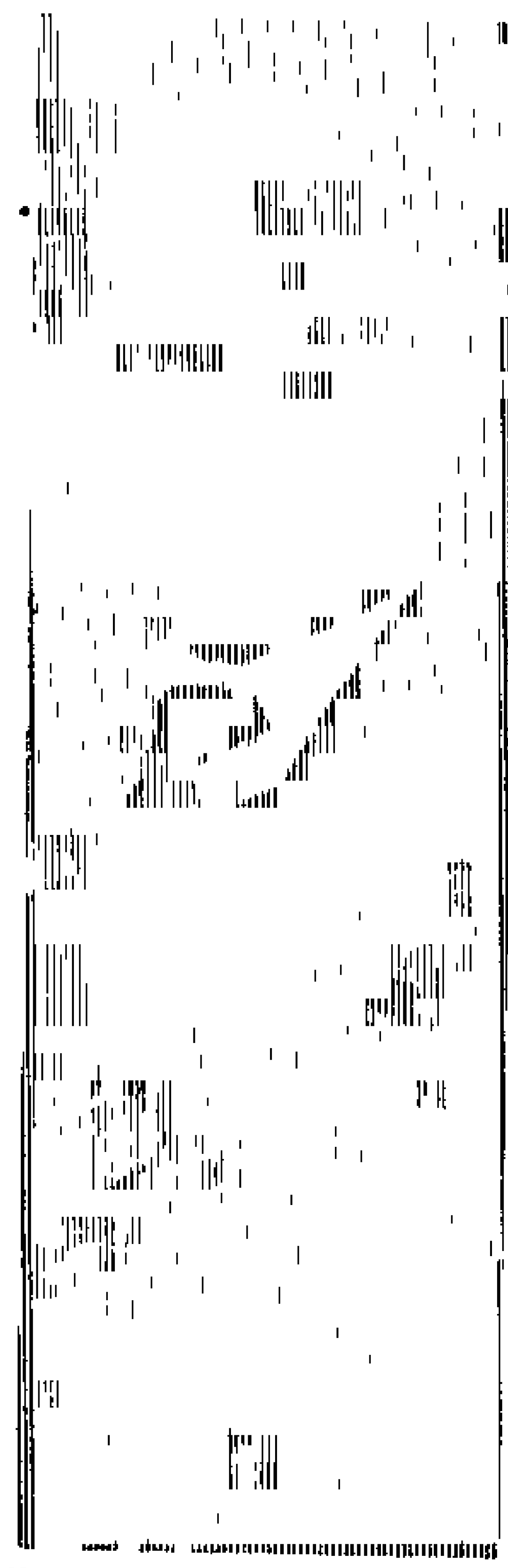
THEBE COMPANIES: Graph shows a breakdown of Thebe

chool tie binds 's business empire

232



Graphic FIONA KRISCH



..ES Graph shows a breakdown of Thebe Investment Corporation subsidiaries, right, Thebe MD Vusi Khanyile

...ngs attached ... n Boleswa pre- out of the heart? ... what moti- We have ...ear to Mac- ... do not have ... deliver the ...artment — the future," ... ...ing the with other ...ames, a ...ys in other ... of the three ...ing for cel- ...es — and September been success- seek a pres- ... sector A ... done We ...thin reach" ... is geared ... than one — ... its trading ...ions are projection is ...e months ... be up and ...ng spent the ... staff in this believes the ... by ANC ties ... the firm is ... extent that

it can go public

The funds were raised through the Batho-Batho Trust because "we felt it would not be prudent to go out and collect funds for an idea which had not been tested", Mr Khanyile said

"At the right time Thebe will be very happy to float the shares in the black community so that we can begin to pay off the loans we have raised

"When that happens the trust will be perfectly free to say 'Well, our investment has done well We will reduce and keep 10 percent of the shares in Thebe, or we'll totally bale out and put the money into Anglo American' it will be entirely up to the Trust"

But it is already too late for Thebe, according to Dr Duncan Innes of the Innes Labour Brief

"It would have been so much better to have set up an independent trust, but the reason they have Mandela is that they obviously want to use his name for clout These links will always raise in people's minds the question of corruption," he said

PERHAPS only in some minds A Kwazulu businessman, who cannot expect to benefit if government contracts go to ANC-supporting, rather than simply black, business, said he "has no problem with any political party setting up a company — if they do so openly" — though tendering against Thebe would make him "uneasy"

Whether or not he shares the new-found ethical concerns of corporate SA, and he is sceptical about their sudden emergence where black companies are concerned — Mr Khanyile is making an effort to create distance between the TIC and ANC in the public mind

A wholly owned TIC company, Movement Marketing Enterprises, was recently yanked across town from TIC-owned Shell House, which it shared with ANC headquarters, to the Glencairn office block, where TIC is based

The company markets ANC memorabilia, and recently made the news when staff members who were retrenched threatened to take their case to Mr Mandela, having no doubt in their minds about who really ran the company

"It was a problem having MME in Shell House — to be seen as a department of the ANC," Mr Khanyile said

"MME is one clear example of how you cannot have a mix-up between political and business aspects If a company makes a commercial decision to close certain divisions, that remains so"

Thebe is doing well — this week it celebrated the fact that one of its subsidiaries, Sizwe Car Hire, had become profitable after only three months

Mr Khanyile, more concerned about brokering access to capital for black business in almost any way he can, makes the point that Thebe will follow ethical guidelines if they ever emerge

"Our mission is to maximise the value of the wealth of our equity holders within certain constraints public morality, public policy and the law"

"It is not for us as a company to start setting these parameters or defining them It is society that defines them and the public authority"

The timing is tricky If the Batho-Batho Trust keeps its stake in Thebe until the corporation can make it to the JSE, it and Mr Mandela's involvement will overlap by at least a year with his presidency

And that is an old school tie that may turn out to be a millstone

Billionaire pathfinder backs SA investment

ST Times (Buss)

18/7/93

By JULIE WALKER

SHOUL EISENBERG, who is worth an estimated $1,5-billion, believes South Africa can attract foreign investment and reach high employment only if the Government provides sufficient incentives

Mr Eisenberg is famous for having put money into countries where even angels feared to tread — Japan, South Korea, the Philippines and China

He has a 15-year start on companies considering investment in China today. He believes there is room for co-operation between China and South Africa.

His visit to SA this week was to meet political and business leaders and to announce a major trade fair for 250 SA companies in Beijing The fair is organised by Times Media, owner of the Sunday Times

Mr Eisenberg says Chinese companies would be willing to invest in industrial ventures in SA China is courted by the world because of its vast infrastructural needs The Chinese Government encourages foreign investors, whereas there is little incentive for them to put their money in SA.

A proponent of the lifting of currency curbs, Mr Eisenberg believes that incentives, such as land availability, tax advantages, cheap loans and favourable raw-material import duties, should take priority over the removal of exchange control

When most companies were pulling out, Mr Eisenberg invested in SA through KNJ-Sukhulu, the listed manufacturer and trader of industrial and consumer goods

Sukhulu's Lou Ichikowitz met Mr Eisenberg in his adopted Israel several years ago and they forged a friendship based on likemindedness

Mr Eisenberg was the moving force behind Israel's repeal of restrictive investment legislation and the country now offers attractive advantages to foreign investors

One of his companies is the major shareholder in Israel Corporation, which has 50 subsidiaries employing 8 000 people. Its turnover is $2,5-billion

Mr Eisenberg is surprised that even the smallest consumer items are imported by SA which has the raw materials, labour and infrastructure to make them He is also startled by the fact that some companies charge domestic buyers more in order to subsidise low-priced export sales

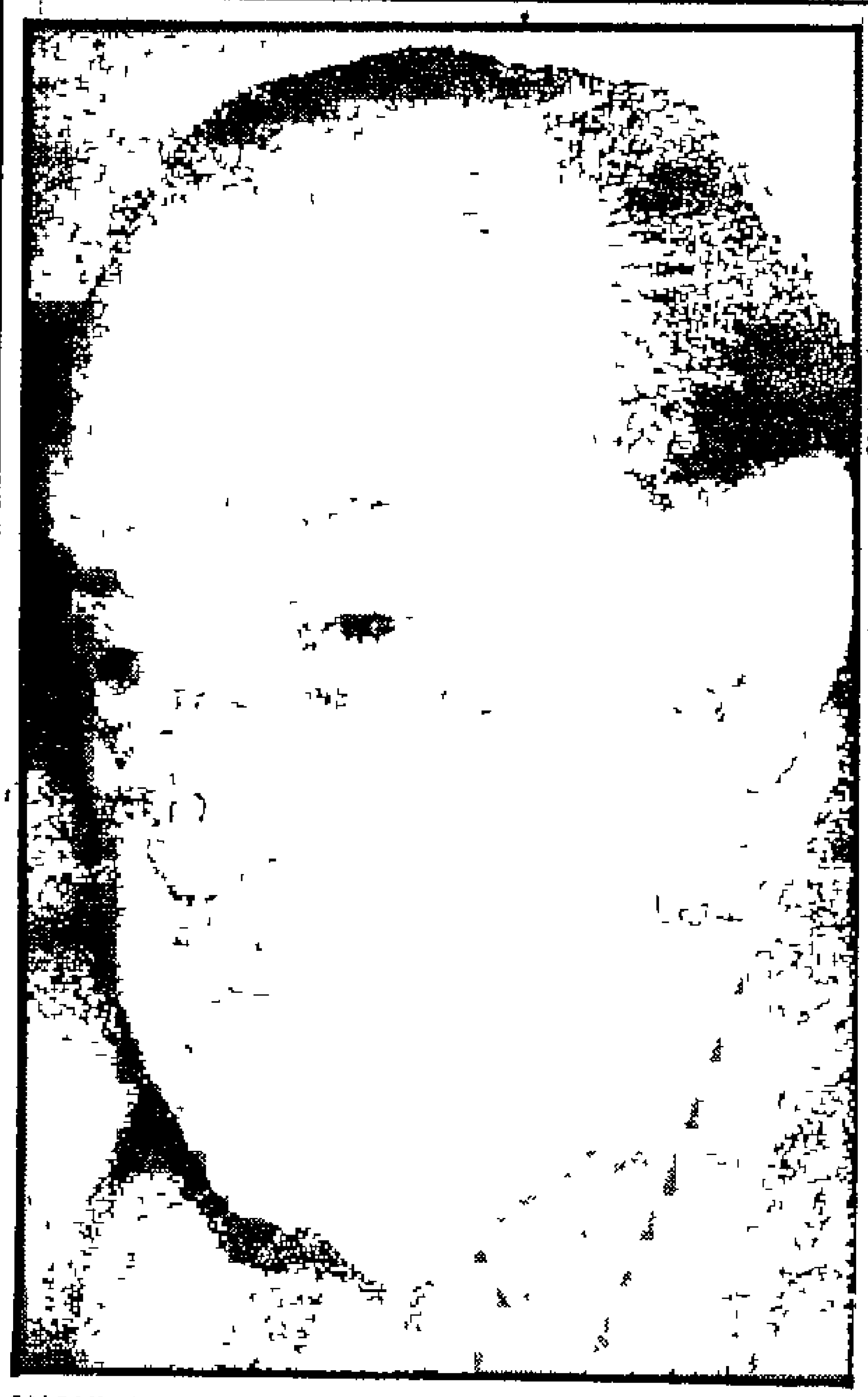
He says SA could benefit from the technical China's expertise in small industries and manufacturing ventures There is a ready market numbering 600-million to the north of SA

But SA needs stability and co-operation among all its people It can be done

In China, 90% of the people belong to a single group But the 10% who do not number 120-million people — three times SA's population But they are accommodated

If Japan and Germany can succeed without any raw materials to speak of, think of what SA could do if everyone pulled together, he says

With his record, Mr Eisenberg's interest in SA is an endorsement of its potential.



SHOUL EISENBERG ... a moving force in Israel and an endorsement for SA's economy

Hefer denies he's quitting

By CIARAN RYAN

ABSA chairman Hèrc Hefer has dismissed talk that he is about to leave the bank following the resignation of Piet Badenhorst.

But speculation continues that Absa is keen to revamp its leadership image after Mr Badenhorst's disastrous court battles with sports promoter Peter Mancer

Insiders say Mr Hefer's close ties with Mr Badenhorst and his involvement with dead oil tycoon Marino Chiavelli continue to plague the bank.

An Absa spokesman says "Mr Hefer is not aware of any plans to remove him"

JSE rules catch Kruger short

ST Times (Buss)

By ZILLA EFRAT

18/7/93

THE investigation into the Greg Blank scam uncovered other unrelated irregular share dealings on the JSE — those by top broker Frikkie Kruger who the JSE expelled this week

The Office for Serious Economic Offences investigation's findings were evaluated by Transvaal Attorney-General Klaus Von Lieres und Wilkau, who said there had been insufficient evidence to justify a prosecution

The JSE followed up on Attorney-General's leads and expelled Mr Kruger, one of the JSE's best-known brokers, on Thursday after finding him guilty on 49 charges. (232)

Most are believed to have happened when he was a partner at broking firm Frankel Kruger (named after Mr Kruger) The firm has since changed its name to Frankel Max Pollak

Mr Von Lieres says he will now reconsider whether there is enough evidence to prosecute Mr Kruger when he receives the transcript of the JSE's internal hearings, expected to be handed to him early this week

Mr Kruger, described as likeable "salt of the earth type of guy", joined Frankels in 1976 but left shortly after the Greg Blank story broke in 1991 He is said to be in his mid- to late-40s.

He is believed to have a flashy lifestyle, owning a game farm in the Northern Transvaal and a big house at the coast

He is said to have made and lost millions on the JSE's floor by being a large risk-taker and with "a contrarian investment approach"

Brokers say Mr Kruger virtually ran his own business and was responsible for the bulk of the Frankel's dealings with Sanlam

Sanlam senior general manager investments Ronnie Masson says his institution has received no information about the case

He adds that Sanlam has done regular checks on all transactions with brokers and has, up until now, found no evidence of any irregularities. "If new facts come to light, we will, of course, take action"

The charges on which Mr Kruger was convicted by the JSE include

- Making a secret profit out of deals on behalf of clients at the expense and to the prejudice of clients,
- Requiring clients to pay to their prejudice an excessive price for shares purchased with the excess accruing to his benefit,
- Adopting a method of dealing with clients that caused a broking firm to act in breach of its duty of good faith towards clients,
- Entering into transactions that were fictious and which were effected to the prejudice or potential prejudice of the JSE,
- Concluding transactions on behalf of clients in such a manner that a benefit accrued to employees of the clients instead of the clients.

Mr Kruger was expelled on 39 charges after appearing before special meetings of the JSE's General Committee in June and July

He was suspended as a broking member on six charges and a lesser sentence was imposed on four charges.

m Genbel

DIAGONAL STREET

SA's 20% holding keeps Charter on JSE boards

S Times (Buss) 18/7/93

By Julie Walker

CHARTER Consolidated still has reason to remain listed on the JSE after severing its greater Anglo American-Minorco links because 20% of the new group is held by South Africans

Chief executive Jeffrey Herbert told a presentation to the Investment Analysts Society in Johannesburg this week that after Charter's sale of its stake in Johnson Matthey, the next logical step was to offer Minorco an opportunity to get out

"Johnson Matthey is an excellent business and its directors did the same things we would have done ourselves But because we had no control over the investment, we had either to get right in, or right out of it

"To buy control was too expensive and all we could really bring to Johnson Matthey was our cash, so we decided to sell out"

Once out at a good price, Charter bought back at 622 pence apiece its shares held by Minorco

Mr Herbert said. "Our growth was being hampered by having a single dominant shareholder Even though Minorco did not interfere, the perception was not so, and perceptions are as important as reality"

Minorco held 38%, so the new Charter (minus the Consolidated) is technically 62% of the size it was, although it comes up smelling of roses

The share price has climbed to 648p (R44,50 on the JSE) and Charter still has net cash of £147-million An amount of £42-million is still to come and Charter has borrowing capacity of £300-million

Provided the British courts agree to the scheme, holders of Charter Consolidated will exchange their scrip for shares in Charter plc, net asset value 526p a share

After the deal, three groups will hold about 10% each of Charter — one is Liberty Life with 9% Sanlam has 4% and other companies take the SA's stake in Charter to above 20% (232)

Charter's earnings to March 1993 were flattered by adoption of the new British accounting standard FRS 3 This meant that the £217,5-million from the sale of Johnson Matthey went above the line Earnings a share climbed from 56,5p in 1992 to 242,9p in 1993

British annual reports are required to give details of directors' pay Mr Herbert's emoluments for the year to March were £263 000 and he exercised options over 13 000 shares at 253p each

He and other executive directors have many more options over the next few years, as well as taking part in a notional share option scheme from which they get cash payments based on the rise in the share price

As a rand hedge for SA investors, Charter has long-term potential There is plenty of incentive for the directors to deliver — and no excuses not to now that the apron strings have been cut

JEFFREY HERBERT: Received £263 000 last year

British unit trusts trim initial charges for large investment

SOME UK unit trusts offer discounts on the initial charge if an investor approaches the management company directly

The Investors Chronicle says that practice in the UK is an initial charge of 5% or 6%, of which three percentage points goes in commission to the intermediary who brings the business

This means that for every £100 invested, only £94 or £95 is invested Several management companies offer deductions to direct applicants with large sums (£15 000 and more)

Investors Chronicle says there is evidence that unit trusts discount on smaller sums, but are loath to shout about it. If it became widely known that the middlemen could be missed out, who would use an independent adviser?

The Financial Services Board's Gad Ariovich says policy has changed for granting unit trust management licences — it will now be easier He says more funds mean a wider choice for investors

Spotlight on mineral rights

S Times (Buss) 18/7/93

HOW the other half thinks about the future of SA's mineral rights and the scope for expanding small mining will be disclosed at a one-day symposium on August 25.

The mineral-rights debate is as important to the new SA as is the annexation of farm land in Zimbabwe.

Conference organiser Willo Stear has provisionally assembled large and small mining houses, SA and international exploration companies, mineral rights lawyers, academics, government administrators and the ANC.

Dr Stear is managing director of independent mining consultancy Venmyn Rand.

At issue is the optimal development of the mining sector and unlocking mineral-rights opportunities for all Dr Stear says the forum will provide guidelines for both corporate and State policymakers.

The symposium will be held at Mintek, Randburg, under the auspices of Wits University's department of economics in its capacity as leader of the Macro-Economic Research Group (Merg)

Merg was established by the Mass Democratic Movement and certain SA universities to help formulate macro-economic policy.

Provisional speakers are ANC economics planning head Trevor Manuel, Nok Frick of the Geological Survey, Paul Jourdan of the ANC mineral and energy policy unit, Bowman Gilfillan Hayman Godfrey attorney Patrice Motsepe, Gold Fields of SA's Bernard van Rooyen, Rand Gold & Exploration's John Berry, RhoEx's Rob Still, RTZ's Rob Taylor, Wits professor Lawrence Robb, Anglovaal's Derek Kyle, Eersteling managing director Stefan Hayden, Frankel, Pollak Vinderine economist Mike Brown and Rand Merchant Bank's Rudi Gouws

The fee is R250, including VAT, lunch and refreshments Details from Cathy van den Heever at Venmyn (011) 883 7440

COMPANIES

Servgro shines despite poor trading conditions

BDay 19/7/93

MARCIA KLEIN

DIVERSIFIED leisure and services group Servgro International, had seen a deterioration in trading conditions since it listed in August last year

Executive chairman Peet van der Walt said in his annual review that this had resulted in severe competition and pressure on margins Nevertheless, the group had exceeded its prospectus forecast and increased attributable income by 20% to R50,8m on a 14% turnover rise to R921,4m in the 12 months to end-March

Since year-end, there had been a further deterioration in the business environment, he said, and poor trading conditions were expected to continue for most of financial 1994 Management was taking steps to minimise the effect on trading results.

Servgro would nevertheless achieve earnings growth on the back of its strong brands, market shares and sound management, Van der Walt said It was also well-positioned in the services sector with its strong leisure component, and should benefit from economic recovery.

Van der Walt said Avis, Fedics, Interpark and the Price Forbes group achieved particularly good results Interleisure's results were lower, and Teljoy maintained profit levels

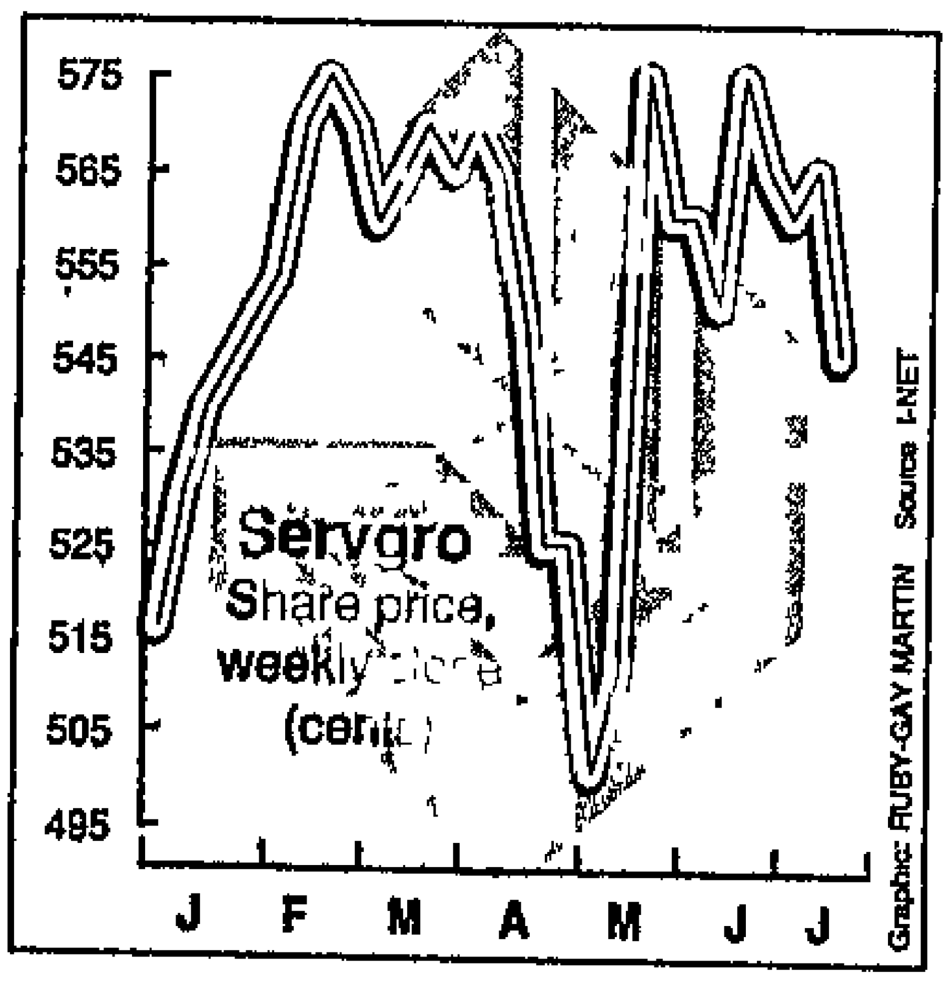
(232)

Income at holding company level increased on the back of investment income from surplus funds

Price Forbes acquired the Willis Faber Enthoven group, Fedics continued its inflight modernisation and expansion programme, and Interleisure's Ster-Kinekor added 29 screens Avis implemented its Wizard reservation system, and Teljoy was considering becoming a service provider for cellular telephones

Some activities were rationalised or disposed of, resulting in extraordinary losses of R3,9m About R45m of liquid funds was available for new investment opportunities, which would preferably be absorbed into existing operating companies

Avis increased turnover marginally to R109m, but showed a substantial increase in attributable income through effective asset management, increased productivity



and focused marketing Avis businesses were expected to maintain their market positions and their contributions

Fedics had a strong year, with turnover rising 10% to R480m and attributable income showing substantial growth Group MD David Wigley said this reflected the higher number of foreign airlines landing in SA as well as improved and enlarged facilities at airports

Interleisure's retail outlets and cinema, restaurant and amusement centre attendances were affected by the escalation of political unrest But the core businesses of Ster-Kinekor and the services division had performed well Attributable income was 9% down at the December interim stage

The group had become more focused on its traditional entertainment market after selling several sport wholesaling brands and expanding the entertainment centre concept

Interpark increased turnover 11% to R78m, and attributable income increased, albeit at a slower pace than the past three years New parking contracts, the privatisation of municipal parking facilities and the commercialisation of state airports offered growth possibilities

Price Forbes' turnover rose to R360m, with real growth in attributable income

Teljoy experienced difficult trading conditions and its earnings were in line with the previous year It expected a modest increase in the coming year

Charter hunts for likely prospects

DUMA GQUBULE

CHARTER was looking for a number of businesses it believed would benefit from the group's strong balance sheet and disciplined industrial management, chairman Michael Edwardes said in the 1993 annual report

BDay 19/7/93

Edwardes said Charter was actively considering several prospects where it could add significant value

But vigorous efforts were being made to invest resources prudently, always resisting pressure for short-term actions

He said the group was now in the middle of a most important period of restructuring In March, Charter had sold its stake in Johnson Matthey. Since the year-end, it had agreed to put proposals to shareholders for its restructuring so that Minorco would cease to be a shareholder.

Edwardes said Charter's challenge was to continue to develop its strong operating businesses so that they could grow worldwide while continuing the search for opportunities to reinvest the proceeds from the restructuring.

Charter's objective was to assemble a group of industrial businesses each with strong management and leading market positions

The group would continue to be based in the UK with its activities spread around the world

(232)

London and JSE-listed Charter's operating companies increased their profit by 11% to £31,3m

Edwardes said Charter was ahead in all its business sectors. Building products and services company Cape had reported a slightly higher profit of £11,9m.

Pandrol, the group's rail track equipment company, had continued to advance, earning £12,5m, up from £11,6m

The improved performance was once again due mainly to the group's ability to give close attention to costs, while at the same time making the necessary investments to allow the business to grow, Edwardes said.

Sun International on expansion trail

BiDay 19/4/93

MARCIA KLEIN

SUN International is involved in preliminary negotiations for new non-casino hotels in Johannesburg and Cape Town and is considering certain projects offshore, says newly appointed MD Peter Venison.

He said in an interview that Sun International had made a significant effort overseas to bring business to southern Africa.

The company had offices in London, Germany and France, and recently established offices in New York and Hong Kong. It had also hired public relations consultants in the US, France, Italy, Britain and Hong Kong

Venison said Sun International was one of the few tourism players — along with Satour and the airlines — which spent money overseas and attracted foreign visitors When tourists visited as a result of its efforts, they spent only part of their time at Sun International resorts, as the company was not represented in the major tourist cities

Venison said some competitors had been rebranding their hotels, and there was room at the top end of the market. Sun International's hotels had the quality to justify high rates, and he believed people would pay for quality.

If SA expected to do half as well as Australia in terms of tourism, it would need 34 new hotels the size of the Palace at Lost City

Venison said it was important now for the group to move overseas. For 18 months it had looked at a number of countries, had meetings with governments, examined casino regulations, invited government officials here, and sought partners. "We are working towards a couple of projects," he said

Venison was reluctant to give details of the group's fortunes over the past year, as results to end-June will be published shortly, but he did say the Sun City complex had reaped the benefits of the group's marketing effort. Generally, however, it was adversely affected by political events and recessionary conditions.

In the two weeks after Chris Hani's assassination the group had more cancellations than bookings. Other political events had had a similar effect.

At the Sun City complex, all occupancies were up on last year. The Cabanas had not run at less than 90% occupancy this year and the Palace had achieved about 80% occupancy. This was about 10% higher than budget, but the average rate was slightly below expectations. Overall, the Lost City's performance was better than expected.

Venison said there was significant growth in the number of visitors, over and above those expected when additional rooms became available. He attributed this to the investment in publicity, and a broadening of the market through new facilities

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BiDay 19/7/93

Trans Hex to expand

JOHN DLUDLU

HOLDING and investment company Trans Hex was planning to expand its operations and develop opportunities, chairman and MD Francois Hoffman said in the financial statement for the year ended March 1993.

The company, which has interests in diamond and industrial mineral mining, projected capex of R30,1m this year which Hoffmann said demonstrated commitment to expansion.

The proposed ventures would be financed from internal resources

The Rembrandt-owned group was expecting the past year's market conditions for industrial minerals to remain unchanged

Improvement in its contribution to group earnings would be determined by cost cutting, improvement in margins and the absence this year of two loss-making activities (232)

Management was restructured after executive director Frans Mostert retired. He was replaced by Peter Danchin.

The group reported a net income of R35,5m (R28,1m), equivalent to earnings a share of 207,6c (186,3c) A final dividend for the year of 64c (59c) was declared.

Etam likely to guide Oceana in 1994

B/Day 20/7/93

MARCIA KLEIN

THE 1994 trading performance of UK group Oceana Investment Corporation would be influenced by the fortunes of 36,4%-held fashion retailer Etam, chairman Stanley Lewis said in his annual review

Oceana, which is 35,3%-held by Foschini and controlled by Foschini's Lewis family, reported a 13,2% decline in profit after tax to £3,3m in the year to end-March

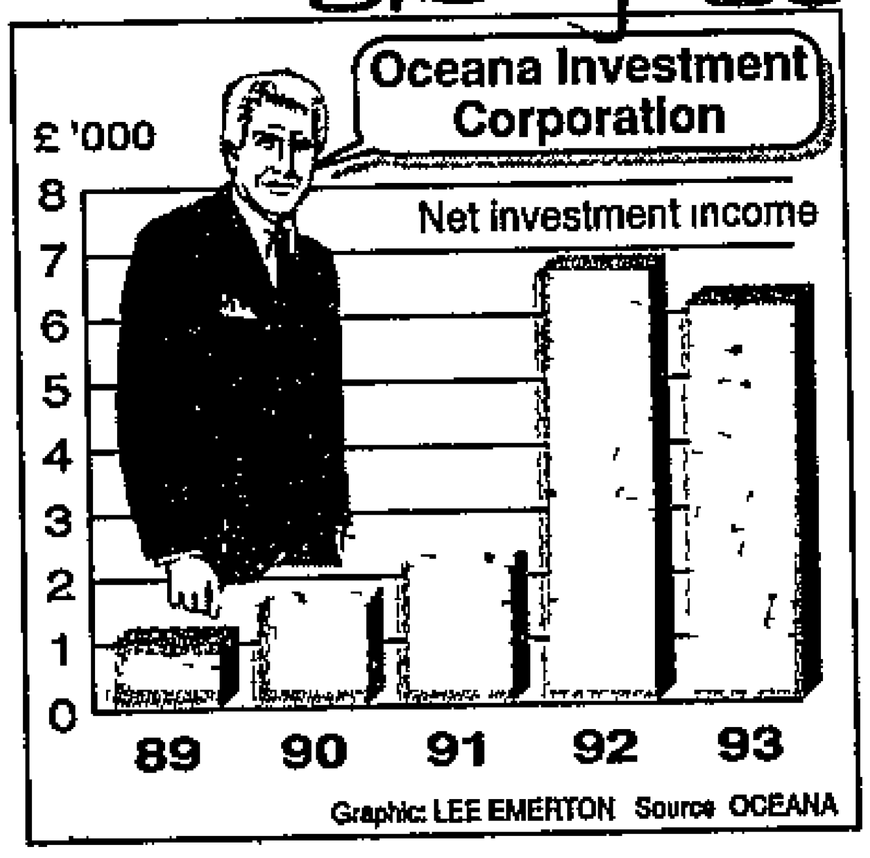
This largely reflected lower contributions from Etam and Australian bag and travel goods retailer Handbags International.

Lewis said a substantial portion of Oceana's earnings was derived from Etam, so much would depend on its ability to improve its trading performance in the coming year

The earnings of Etam and Handbags International were heavily weighted towards the second half of Oceana's financial year In this light, interim results would not reflect earnings prospects for the full 1994 financial year.

Lewis said Oceana's financial base was supported by substantial cash resources and was without debt

He said the past year had been one of consolidation, with a focus on preserving the group's financial strength This had enabled Oceana to maintain dividends at 11p for the full year



Since 1991, Etam has been the subject of a takeover bid by Oceana, but Oceana has failed to persuade the required number of shareholders to take up its offer (2327)

During financial 1993 Oceana increased its share in Etam by 2% to 36,4% It remained the single largest shareholder.

Etam's 3,8% decline in pre-tax profit resulted from a 13,7% fall in profits in the second six months and was "partly responsible for Oceana's decline in earnings", Lewis said

Oceana's board was "a little concerned" that Etam could be relying too heavily on hopes of an improvement in the economy.

"The challenge in a buyers' market, with a more discerning consumer, is to achieve profit growth through enhanced merchandise selection and marketing strategies," Lewis said Despite the recession, a number of retailers had shown growth in profit

"We regret very much that Etam does not avail itself of the proven expertise within our group", particularly as problems and opportunities which were being faced by retailers all over the world were becoming "increasingly convergent

"These factors and our major shareholding provide sound reason for Etam, its executives and ourselves to work together"

Gioma Group, which operated 32 restaurants in Holland, Belgium and the UK, had reported "encouraging sales and profit progress"

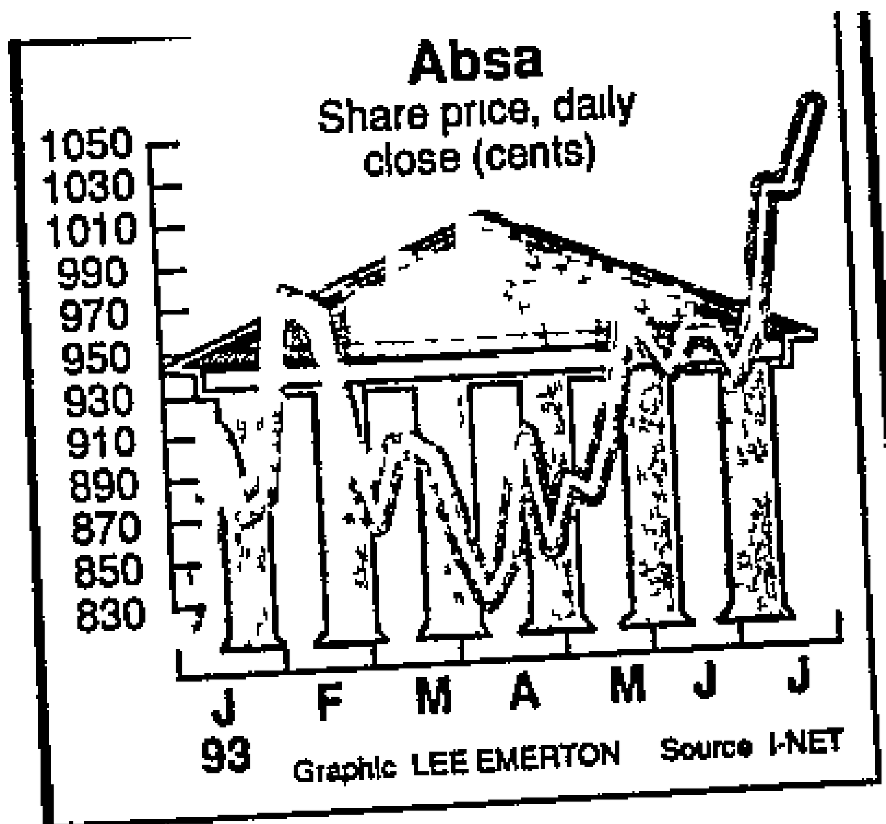
Lewis said this reflected effective management and appropriate restaurant formats, supported by further systems development

Opportunities to expand its activities in the UK and Europe were constantly being reviewed

Handbags International's trading performance was disappointing as it was difficult to sustain sales growth at acceptable profit margins

It would focus on further enhancing merchandise assortments, but long supply lead times would inhibit short-term progress

Little improvement was expected in the current year



Absa shares leap upwards

BDay 20/7/93

SHARON WOOD

ABSA's share price gained 40c to R10,50 yesterday, lifting the group's stock to its highest level in over a year — the share price last saw this level in February 1992

The share was the most active in value terms on the JSE, with just over 600 000 shares valued at R6,45m changing hands in 86 deals over the day

(232)

Banking analysts said the share had been re-rated but cautioned that there were still concerns about the banking group's future

"It may be just a flash in the pan, but it would appear the market is re-rating the share," one analyst said

Most analysts agreed that Absa shares offered "the best" value because of their low price.earnings ratio of 8,69, but a primary concern in the market was the lack of group management depth

However, the rapid rise in the share price generally exceeded analysts' expectations, with most expecting the share to only move to R11,00 by next year.

One analyst said catalysts to the share's recent rally — which had gained 10% over the last month — had been more favourable press coverage of the group since the departure of Absa CE Piet Badenhorst and the attention given to the stock when Genbel/Gencor announced their plans to unbundle.

The reaction of the share to Badenhorsts' departure had been ambiguous, he added.

But another analyst said the share was always volatile because of the relatively large proportion of small shareholders forming the total shareholding

One analyst said· "Absa's share has underperformed over the last year it deserves to be much higher"

BiDay 21/7/93

COMP

JCI to decide on South Deep

(232) ~~(214)~~

ANDY DUFFY

JCI would decide over the next six months on the funding plan to transform its South Deep exploration project into a listed mine, the group said yesterday

Reporting a strong performance for the three months to June, gold division chairman Ken Maxwell also said JCI would decide by the end of the year on refinancing its troubled H J Joel operation

South Deep, adjacent to JCI's Western Areas mine, is believed to have the largest undeveloped gold deposit in SA, with estimated reserves of about 115,9-million tons and an average grade of 9g/t

A further R300m would be needed to allow H J Joel to develop vital payable ore reserves.

Joel, JCI's newest mine, ended nine months of losses with its June quarter results. Ore milled was stable at 186 000 tons, though the yield slipped from 6,23g/t to 6,12g/t This brought gold production down to 1 138kg (1 153kg)

A fall in working costs to R29 809/kg (R30 948/kg) combined with a higher gold price to lift operating profits to R7,4m (R2,4m).

Joel was concentrating on building up ore reserves, which declined because of low-reef payability, while maintaining stoping at a reduced rate, the company said.

Grades remained disappointing, though there had been some improvements in current development, it said.

Western Areas achieved its highest grade in 19 years as the mine gained from higher recoveries on its Ventersdorp Contact Reef and its elimination of low-pay ore. The higher grade and tonnage pushed gold production up 12% to 3 823kg

Working costs were brought down to R29 843/kg (R31 218/kg), while revenue edged forward nearly 5% to R35 403/kg.

The development on 85 and 90 level, which would extend the life of SV2 and SV3 shafts to 12 years, was proceeding well, JCI added.

Mainstay Randfontein limited its rise in costs to a 2,1% hike to R26 169/kg. Though tonnage slipped as the mine concentrated on increasing yields, the lift in grades to 4,12g/t (3,8g/t) left production unchanged at 7 902kg

The company said the sinking of the subvertical Prospect Shaft at Doornkop was progressing well, though water had again been a problem there

Maxwell said JCI was reviewing its hedging policy, but that gold would have to remain at current levels for several months before JCI made significant changes. "It will be a flexible policy," he added "I don't take the view that the gold price is definitely going to continue straight upwards"

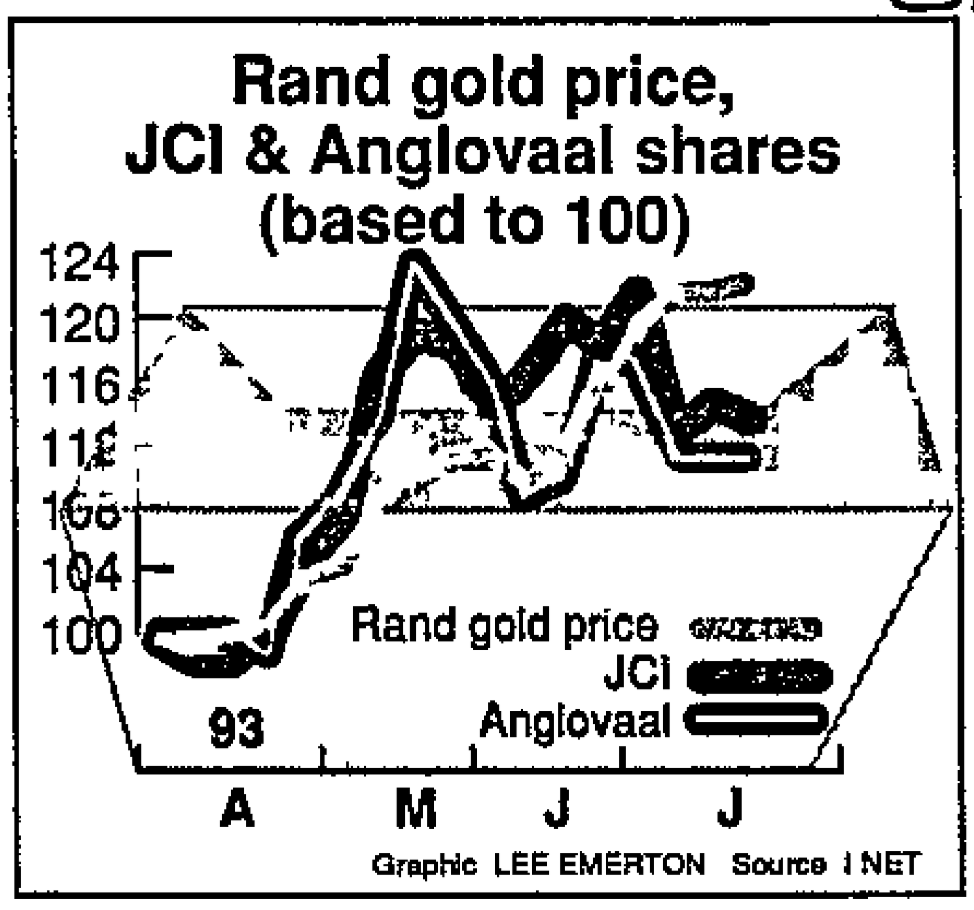
JCI OF SA June Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Randfontein	1 918	4,12	7 902	107,82	26 169	35 065	59 078	34 358	56,2
March	2 007	3,97	7 944	106,07	26 718	33 903	49 848	27 110	44,3
Western Areas	573	6,67	3 823	199,11	29 843	35 403	31 765	22 198	55,1
March	536	6,35	3 406	198,38	31 218	33 734	17 362	11 002	27,3
H J Joel	186	6,12	1 138	182,38	29 809	35 241	6 277	2 227	2,3
March	185	6,23	1 153	192,88	30 948	33 001	1 671	(1 605)	(1,6)
ANGLOVAAL									
Hartbeesfontein*	777	8,9	6 939	238,87	26 748	37 974	56 144	45 413	40,5
March	776	8,9	6 906	235,74	27 489	32 900	36 413	30 780	27,5
ET Cons	83,7	10,3	864	282,22	27 340	36 552	5 439	2 589	3,0
March	84,4	10,7	905	271,37	25 306	32 146	4 218	2 643	3,1
Loraine	469	3,8	1 799	123,12	32 097	36 710	9 409	7 552	46,1
March	414	3,3	1 384	118,00	35 297	32 974	(1 991)	(5 240)	—

* Underground operating results only

Gold price hike boosts JCI

BiDay 2/7/93

ANDY DUFFY



JCI's strategy of pursuing strict cost control and high grades let it reap the benefit of gold's recent price gains, and it turned in a 61% hike in attributable earnings for the three months to June (232)

The group said yesterday it was contemplating rights issues to push ahead with its multibillion-rand South Deep project, and to refinance its weak link, HJ Joel mine Analysts believed the South Deep project would require about R1,5bn JCI said it was looking for R300m for HJ Joel

Earnings across JCI's gold operations

☐ To Page 2

JCI

BiDay 2/7/93

☐ From Page 1

rose to 29,5c (18,3c) a share for the period, as yields were lifted nearly 5% to 4,81g/t, revenue a kg rose 4,2% to R35 181 and cost rises were curtailed to 2,7%

The figures, the first June quarterly not to disappoint the market, leaned heavily on Western Areas and Randfontein (232)

Anglovaal's three main gold producers also turned in creditable results, with marginal producer Loraine making a strong comeback, thanks to its first full quarter of a seven-day working week

However, the mines' results would have been better if a significant part of their output had not been locked into forward sales contracts, at prices lower than ruling rand gold prices A group spokesman said the opportunity cost to the mines of its hedging transactions stood at more than R4m, as it delivered gold to settle maturing contracts, and replaced the balance with higher priced contracts

JCI said the highest yield in nearly 20 years and a minimal rise in costs had pushed earnings at Western Areas to 55,1c a share — up 102% on March.

Mainstay Randfontein moved ahead 26,7% to 56,2c a share, while HJ Joel crept back to an attributable profit of 2,3c, after losses in the three previous quarters

Gold division MD Bill Nairn dubbed the results "very acceptable" Chairman Ken Maxwell said if gold sustained its price for the rest of the year, the proportion of hedged production — currently 50% — would fall "dramatically"

● See Page 9

Gengold leans heavily on improved gold price

BDay 22/7/93

GENCOR subsidiary Gengold relied on improved gold prices to revive an otherwise mixed bag of results for the three months to June.

Eight of its 10 mines sustained a fall in tonnage, while gold production slipped, in some cases sharply, on six of the mines.

The company's previously tight grip on working costs loosened, particularly at Grootvlei and Unisel, and Gengold said costs would come under further pressure from wage demands and mine suppliers.

Gengold has also served notice on Grootvlei that it has six months to turn itself around, or face closure.

Total net income surged nearly 31% to R100,2m for the period, on average gold prices 5,5% higher at R34 766/kg. Average working costs rose a marginal 1,4% to R27 083 — the first rise since June 1992.

Labour problems at Grootvlei cut into both tonnage and yield, which brought working costs up from R30 251/kg to R32 464/kg — perilously close to the gold price it was receiving, Maude added.

He said that even at a higher gold price, the mine would close unless costs were brought down. The heavily unionised mine had been warned that its fate rested in the hands of the employees.

Unisel, which has already been forced to cut production because of

ANDY DUFFY

lack of face in the old east section and poor grades, cut production again, from 225 000kg to just 190 000kg as the mine was unable to maintain payable ore reserves.

The Basal Reef development produced disappointing grades and wash out areas were higher than expected. Working costs rose to R29 446/kg (R26 248/kg).

Maude added that Unisel was "at the bottom of the dip" and would begin improving its performance by the final quarter.

(232)

Violence

Beatrix bolstered production from 3 200kg to 3 250kg and would move even higher in the next quarter, Maude said. The slight drop in tonnage was offset by a rise in yield to 6,3g/t, while working costs were pulled back to R21 182/kg (R22 171/kg) — the fourth consecutive quarterly fall in costs.

Though production had been disrupted by the violence on the mine in which 24 employees died, 120 were injured and 1 700 resigned, Beatrix staved off the worst impact by using its reef stockpile.

The company had approved expenditure of R76,5m for the decline shaft to gain access to the reef in the higher grade No 3 shaft area, which would pave the way for the full No 3 shaft investment.

Winkelhaak's June quarter should be "the worst we'll see," Maude said. Production dived from 3 020kg to 2 730kg, while working costs moved forward to R30 186/kg (R28 384/kg).

But the costly production from No 5 shaft would be replaced by the stoping and development that had started at No 2A sub-vertical shaft, which would reach full production by the middle of 1994.

Buffelsfontein lifted gold produced to 3 582kg (3 403kg), on the back of a grade steady at 6,4g/t. The R74m Multigold project, designed to treat the surface dump at the Pioneer shaft, was expected to come on line next October, six months later than planned due to a delay in the delivery of the mills.

St Helena produced excellent results, Maude said, maintaining gold production at 1 082kg (1 085kg), by pushing up tonnage to offset a sharp fall in yields. Costs per ton milled were cut to R204,86 (R236,81).

Production at Kinross slipped in line with a fall in tonnage milled, while Leslie edged forward to 666kg (660kg), as the yield picked up from 6,6g/t to 6,8g/t.

The rise in the gold price had lent a healthier sheen to the performance of both Stilfontein and Bracken, with the latter boosting the grade on its rehabilitation from 36,1g/t to 40,6g/t.

GENGOLD June Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Beatrix	**520**	**6,3**	**3 250**	**132,39**	**21 182**	**34 733**	**18 622**	**9 555**	**—**
March	525	6,1	3 200	135,14	22 171	33 002	10 961	9 517	—
Bracken	**5**	**40,6**	**195**	**761,66**	**18 764**	**34 781**	**1 499**	**1 815**	**12,9**
March	6	36,1	220	830,16	22 973	32 940	1 300	1 310	9,4
Buffels	**557**	**6,4**	**3 582**	**188,86**	**29 368**	**35 158**	**22 050**	**9 857**	**89,6**
March	533	6,4	3 403	184,80	28 945	33 126	12 940	12 680	115,3
Grootvlei	**111**	**5,6**	**617**	**180,45**	**32 464**	**34 020**	**2 110**	**1 626**	**14,2**
March	112	5,8	645	174,21	30 251	32 887	1 781	1 691	14,9
Kinross	**466**	**6,7**	**3 120**	**160,95**	**24 039**	**34 364**	**22 988**	**15 114**	**83,9**
March	475	6,7	3 183	165,87	24 752	32 731	18 698	12 527	69,6
Leslie	**99**	**6,8**	**660**	**183,28**	**27 107**	**35 023**	**3 731**	**2 465**	**15,4**
March	100	6,6	660	175,07	26 579	33 034	3 074	2 511	15,7
St Helena	**173**	**6,3**	**1 082**	**204,86**	**32 755**	**35 314**	**5 628**	**5 576**	**57,9**
March	148	7,3	1 085	236,81	32 302	32 827	4 655	3 829	39,8
Stilfontein	**290**	**1,0**	**300**	**32,63**	**31 547**	**34 329**	**2 144**	**3 922**	**30,0**
March	282	1,0	290	31,52	30 655	33 175	1 735	3 017	23,1
Unisel	**190**	**6,3**	**1 200**	**185,97**	**29 446**	**35 194**	**5 950**	**3 174**	**11,3**
March	225	6,4	1 450	169,15	26 248	32 810	5 751	4 893	17,5
Winkelhaak	**419**	**6,5**	**2 730**	**196,68**	**30 186**	**34 497**	**15 544**	**7 507**	**61,6**
March	453	6,7	3 020	189,23	28 384	32 969	15 734	5 341	43,9

Liquidations surge in May

ALTHOUGH May liquidations were up 50% on the same month last year, the trend was still on a par with previous years. 23/7/93

Figures released by the Information Trust Corporation and sourced by the Central Statistical Service, confirmed that May liquidations had climbed to 236 compared with 157 last May. Despite the hike, the number of liquidations from January to May averaged 221 compared to 201 in the corresponding period last year (232)

This indicated that where figures for previous months were much lower than the 1992 figures, they were levelling out

Similarly, the number of sequestrations confirmed limited consumer spending Preliminary figures released by the CSS indicated an 8,5% drop for April this year to 300 from 435 in the same month last year.

The predicted trend to the end of this year could match last year's — Sapa.

GENBEL

(232) FM 23/7/93

Striking the right balance

The proposed shuffle of assets between Gencor and its investment holding arm Genbel should benefit both groups, but it appears there was some hard bargaining by Genbel to ensure it maintained a healthy balance in its investment portfolio

There are two key effects for Genbel it has maintained its overall exposure to gold shares at 24% of its portfolio, and, through an accompanying deal with Sankorp, it has avoided becoming excessively exposed to Engen and Sappi when acquiring large chunks of stock in these two companies

Genbel chairman Tom de Beer says he is "fundamentally happy" with the outcome, though he adds his team will be taking another hard look at Genbel's portfolio over the next 12 months "We may be a bit overweight here and there," he says

De Beer says Genbel, when unbundled from Gencor, will maintain close links with the mining house, acting as an investment banker, but its relationship will be at arm's length He foresees Genbel performing the same function for Sankorp This, he adds, would be the culmination of a process started by former Gencor chairman Derek Keys, who envisaged Genbel taking a more market-orientated and independent stance

In terms of the R860m-odd deal, Genbel will pass to Gencor 1,68m Impala Plat shares valued at R114,3m, 240 000 Kinross valued at R13m, 4,7m Samancor worth R107,6m, 3,2m Trans-Natal worth R30,4m, 1,6m Winkelhaak worth R84,7m and all its non-SA interests held through Genbel Offshore Investments, valued at R512m

These include ordinary and "A" convertible preference shares in Transatlantic Holdings Plc, exploration interests in Turkey, cash and other assets which were valued by Genbel's directors at R388m at end-December 1992

Genbel gets 8,9m Engen shares worth R381m, 12,4m Sappi worth R381m and 5,1m Beatrix valued at R100m It has also arranged with Sankorp to exchange half the Sappi and Engen for 3,1m Murray & Roberts worth R143,6m, 800 000 shares in Mercedes Information Technology worth R40m, 3,5m Malbak worth R51,8m, 10,6m Absa worth R100m and R50m cash

Main effects on Genbel's overall portfolio are that the finance/insurance/property component drops to 16% (21% before the asset swap), while forestry/paper products rises to 10% (7%) and precious metals/minerals dips to 51% (54%) — though the gold component remains unchanged

Some analysts regard the last point as crucial Genbel management showed considerable foresight last year in sharply increasing exposure to gold shares ahead of the surge in the gold price

Genbel's De Beer . *exposure to gold remains constant*

De Beer says Gencor wanted the Winkels and Kinross shares to bring its stakes in these mines up to 35%, the new level which the Securities Regulation Panel says constitutes control

"We ensured our exposure to gold remained constant by acquiring the Beatrix shares," he says "We were also concerned about the effect of the Sappi and Engen on our portfolio, which is why we did the deal with Sankorp,"

Strategically, the Transatlantic investment belonged in Gencor Genbel had only acquired the shares when Gencor passed on its entitlement in a rights issue

Both De Beer and analysts feel Genbel got a good price for its Transatlantic stake, while Gencor now has an additional bargaining counter and a source of funds for its offshore development plans

Analysts also believe the deal is good for Gencor because the house is adding assets to its core mining business and reducing its industrial interests ahead of the unbundling whereby it will relinquish all its non-mining businesses

Brendan Ryan

CHEMICAL SERVICES

FM 23/7/93

Better all round

Chemical Services (Chemserve)'s 28% increase in EPS in the six months to June is a far cry from its brush with recession during financial 1992 when EPS declined 38%, the first drop in a decade

FM 23/7/93

Management of the speciality and raw chemical maker and supplier has done much to avoid a repetition of that setback by instigating structural changes The restructuring, says MD Lex van Vught, involved integrating some production units into manufacturing operations and shrinking the group by a tenth He adds that it was achieved without losing market share This translates into big savings, as is evident in the improvement in operating margin

And, while investors may see this as a largely one-off event, it's notable that trading profit was boosted partly by the turnaround in underperforming assets The volume of manufactured and traded goods sold, excluding those of recent acquisitions, increased by 4% and 6% respectively

But the recovery at trading level is not as striking as it may at first appear Excluding the positive effects of lower finance costs, which halved to R1,6m because of lower interest rates and substantially reduced capex, and the lower company tax rate, the EPS increase was a more modest 10%

With turnover up 20%, the creditable 31% increase in attributable earnings to R10,8m was partly aided by better contributions from associates

The four-fold increase in borrowing to R55,8m follows a number of acquisitions made during the six months Gearing increased sharply to 42% from 10% at December year-end

But Van Vught is not concerned about the increase, the target range being between 40%-80% "Though there are definite advan-

Chemserve's Van Vught *no loss of market share*

cont →

CORPORATE PROFITS

(232)

Many are still bleeding

FM 23/7/93

Weak sales and buckling trading margins continue to push profits downwards

After the palpable drop in political and business confidence and the resultant slump in domestic demand during the third and fourth quarters of last year, it was probably inevitable that the latest round-up of corporate profits would show further deterioration

Signs of renewed weakness in the profitability of industrial companies were already evident when the *FM*'s last survey of industrial profits was published at the beginning of this year *(Leaders* January 15).

That showed average negative (nominal) growth in earnings per share (EPS) of 2,7% for the 162 large industrial companies tabulated — a 10-percentage point turnaround from the situation at the end of 1991 and by far the worst performance recorded in these surveys since the start of the recession

If this seemed a bleak overall performance, from a sample that consists mainly of SA's largest industrial companies, the latest survey shows that things could — and did — get worse

For the companies in the mid-year table, which to a much greater extent reflects the trading conditions encountered during the latter half of 1992, the average change in EPS was a negative 6%

That's gloomy enough, but not as bad as the average declines in EPS posted by companies in the JSE Industrial index of about 20% and 15% during the severe — but shorter — recessions of 1983 and 1985 (see graph)

The approach with this survey remains the same as for previous ones The table summarises results reported by listed industrial and commercial companies over the past six months An effort is made to ensure consistency, the emphasis is on bigger companies, one of the selection criteria being an arbitrary cut-off mark at a minimum turnover of R100m

Several factors may affect comparisons One is that interim and preliminary year-end results (indicated by an I or P in the table) are included, so seasonality or timing of year-ends may have an influence Another is that the past two years were exceptionally active for mergers and acquisitions — as well as corporate restructuring, which often included closures of operations as managers strove to adapt companies to a stagnant economy

Averages throughout these surveys are derived from the percentage change in total turnover, profits and other data for the full sample Slightly different results would be obtained by, for example, averaging the individual company percentage changes; another variation would result (as in the composition of share price indices) if individual results were weighted according to company size

Despite the caveats, there remains much consistency in the sample and the data should offer interesting insights into trends in the real economy.

On the whole, earnings are being kept down by diminishing trading profitability rather than by excessive indebtedness Slack turnover and further erosion of trading margins seem to have been the most common and the most serious problems Average turnover growth was a feeble 10,7%, though many companies lagged this figure — the average being boosted by some steep increases resulting partly from acquisitions examples include Pepkor and Shoprite, after the Tradegro deal.

Average growth in pre-interest profit was slightly negative, though here too, many are much worse Even after the extensive rationalisation and shrinkage in the industrial sector, companies generally need a return to more vigorous sales if they are to reverse the deterioration in operating profitability.

The sound state of most big companies' balance sheets at the onset of the recession, as well as two record years for rights issues, have helped ensure that corporate debt has not been unmanageable this time. An easing interest rate pattern since early 1991 has also contributed to the average drop of almost 8% in finance charges

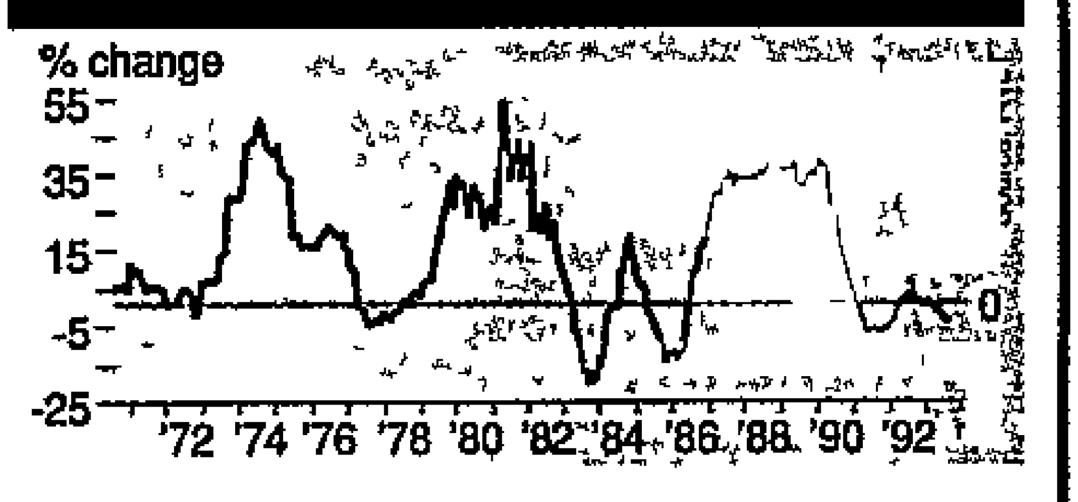
Two other sources of pressure on EPS are higher tax charges and the greater number of shares to be serviced after equity issues For the first time, the latest table includes each companies' effective tax rate

During a long and deep recession, equity may well be seen as a more prudent and attractive method of corporate funding than debt — but it remains a particularly costly form of finance After rights or other equity issues, many companies are now paying the cost in that attributable profit is being spread over more issued shares

So, of course, is the amount allocated to paying dividends Notably, the dividend trend is inexorably following that of earnings whereas the last survey showed there had been average dividend growth of 3,1%, this time there was zero growth on average

Negative growth

EPS on Industrial index companies



Analysis of the sectoral results shows trends in underlying profitability are probably largely as expected from this standpoint A number of the large, diversified industrials are plainly taking strain, but their financial strength often limits the extent of the decline Thus Amic, for example, which is linked closely to commodity markets, posted operating profit down 32% for the year to December, but EPS fell by a less dramatic 15,6% and the dividend was held

More specialised commodity companies — particularly those which are major exporters — show continuing decline. Outstanding examples are in the steel and allied sector CMI lost R16,8m pre-interest for the six months to December, while Iscor's pre-interest profit fell 18,4% in the period, in the year to December Highveld Steel's pre-interest profit fell 31,9%

Though probably the most startling, these figures are in line with the severe strain being brought to bear on many local manufacturing companies Two other sectors show especially large declines in the clothing, footwear and textiles sector pre-interest profit fell 17,7%, on turnover that was down by an average 1,6%, and in the motor sector (which includes distributors) pre-interest profit fell an average 42,6%, on sales that were up 2%.

If the emphasis is switched to EPS, then building and construction was another poorly performing sector — pre-interest profit was down by an average 6,2%, but EPS dropped 15,2%, owing to higher finance and tax charges Engineering companies were similarly buffeted by finance charges and tax; their average EPS fell 27,9%

Trading performances of companies which distribute consumer products (or services) have tended to be far more favourable

Six such sectors stand out beverages, hotels and leisure, where pre-interest profit grew an average 15,6% and EPS 5,3%, furniture and household, profit up 14,8% and EPS 15,1%, pharmaceutical and medical, profit up 15% and EPS 34,6%, retailers and wholsesalers, profit up 13,3% and EPS 4,1%, tobacco and match, profit up 5,9% and EPS 9,8%, and transportation, profit up 26,3% and EPS 24,2%

One lesson is that profits of industrial and commercial companies are still being driven primarily by consumer spending, or the lack of it Many of those that do not have enough exposure to these markets, or, like the clothing and textile makers, do not have sufficiently flexible cost structures and are vulnerable to imports, have not even achieved nominal profit growth

cont'd

(See table on pages 24 and 25) ■

FM 23|7|93 (232)

Company		Reporting Period	Turnover Rm	Turnover % change	Operating Profit Rm	Operating Profit % change	Finance Charges Rm	Finance Charges % change	Tax rate %	EPS cents	EPS % change	DPS cents	DPS % change
ENGINEERING (continued)													
Fraser Alex	I	Dec 31	168,6	−2,5	n/d	—	n/d	—	n/d	38 3	−33 4	8 0	−33 3
Haggie	P	Dec 31	1 194,7	1,1	107 3	2,1	▲21,5	12,8	21,5	300,4	1,7	157 0	0,0
Hudaco	I	May 31	265,5	−5,2	25,4	−18 0	§2,6	−34,0	30 4	46,0	−9 8	23 0	0 0
Metkor	I	Mar 31	1 372,2	−11,6	46,7	−24,4	22,9	−4 5	19,9	3 7	—	5,4	12 0
NEI Africa	P	Dec 31	582,2	−27 0	34,2	−6,0	§26,6	−8,6	14,8	−288,8	—	0,0	—
Scharrighuisen Hold	I	Dec 31	116,6	17,1	•26,9	28,2	n/d	—	14,2	83,9	18,5	30,0	20,0
Standard Eng	I	Feb 28	372,3	11,8	31,5	4,4	4,4	−48,6	15,6	53,8	12,1	15 0	7,1
Unihold	P	Dec 31	286,7	32,7	11,6	−40,1	10,5	44,3	14,7	3,3	−85,3	0,0	—
FISHING													
Oceana Fishing	I	Mar 31	182,0	−7,3	25,6	86,1	n/d	—	44,4	151,8	81,8	42 0	40 0
FOOD													
Cadbury Schweppes	P	Jan 2	723,6	18,6	70,5	16,4	15,3	21,7	22,8	164,4	23 1	68 0	22,2
CGS Food	I	Mar 31	6 842,3	8,8	431,2	−2,4	▲56,6	−1,0	32,3	152,1	−8,0	38,0	−7,7
Foodcorp	I	Feb 28	1 303,0	7,7	86 0	−4,4	14,0	−22,2	36,1	95,0	14,5	23,0	−29 0
ICS	I	Mar 31	1 141,6	−2,5	13,7	−44 6	3 7	−39,3	31,4	82,0	1,1	17,0	0,0
I & J	I	Dec 31	869 2	5,1	43 5	−13 7	6 9	78,2	28 3	100 5	−18 6	—	—
Langeberg	I	Mar 31	360,5	5 2	37 2	−11 0	▲4 4	−35 3	8 5	18 8	−14 2	5 0	0 0
Premier Group	P	Apr 30	10 151,1	3,4	438 9	4,5	▲23 6	−59,3	35 8	283 0	16 0	94 0	16,0
Rainbow Chicken	P	Mar 31	1 546,6	2,3	−39 1	—	▲39 7	46,0	0 0	−20 8	—	0 0	—
Tiger Oats	I	Mar 31	4 946,2	11,2	320,5	0,8	▲37 9	−6,2	32,4	106 0	−2,8	28 0	0,0
FURNITURE AND HOUSEHOLD													
Afcol	P	Mar 31	788 0	−0,4	38,4	−13,2	6,1	−73,4	27,2	119 5	12,6	59,5	12,3
Amrel	P	Mar 31	1 045,2	4,2	81,4	−2,8	§71,3	−3,7	51 9	43,8	−74,3	0,0	—
Ellerine	I	Feb 28	409,4	46,0	57,2	59,7	▲2,2	195,0	46 0	408 0	60,0	136 0	60 0
JD Group	P	Dec 31	457,3	−15,7	33 7	−26 3	n/d	—	0 0	110 2	21 2	22,0	0 0
Mathieson & Ashley	I	Dec 31	75 3	1,0	−0,7	—	1,5	−22,8	0,0	−6,4	—	0,0	—
Protea Furnishers	P	Dec 31	158,2	20,2	26,3	13,8	14,9	16,7	41,5	6,0	−17,8	0,0	—
Rusfurn	I	Dec 31	856,2	0,2	43,9	247,3	39,7	−2,5	24,1	7,6	—	0,0	—
MOTOR													
Brian Porter	I	Dec 31	210,9	24 0	4,0	5 5	▲2 3	37,9	48,6	28,3	−19,7	7,0	−30 0
Combined Motor	P	Feb 28	555,2	33,4	10 6	16 6	▲4,0	27,2	33,8	23,2	19 6	9,3	0,0
Gentyre	P	Dec 31	521,4	7,6	37,7	−28,5	n/d	—	7,7	346,0	−11,7	112,0	0,0
Martin Jonker	P	Feb 28	181,7	19,8	7,1	95,4	§2,8	−9,8	51,5	6,2	785,7	2,0	—
Metair	P	Dec 31	365,7	−6,2	•12,0	−55,8	n/d	—	26,4	144,0	−47,6	40 0	−45,9
Toyota	P	Dec 31	3 452,6	−0 4	•140 0	−46 6	n/d	—	55,5	151 6	−49 0	28 5	−40,0
Vektra	P	Dec 31	484,7	−1,8	−23 9	−6 4	16 7	−16,1	26 6	43,7	16,2	15,0	15 4
Wesco	P	Dec 31	3 452,6	−0,4	•136,2	−48,1	n/d	—	57,0	261,0	−63,4	86,0	0,0
PAPER AND PACKAGING													
Carlton Paper	I	Feb 28	227 9	1,7	24,3	−17,5	0,9	−10,0	36,7	96,0	−16,8	33 0	−21 4
Coates	P	Dec 31	176,8	11,5	20 6	16,2	n/d	—	47,6	317,0	14,6	83 0	15 3
Consol	I	Dec 31	1 104,6	1,9	133,4	−2 7	n/d	—	44,5	104 1	7,0	—	—
Holdains	I	Feb 28	1 284 3	11,6	103,1	2,2	21,1	9,5	35 7	178,5	6,2	51 0	0 0
Nampak	I	Mar 31	2 325,5	5,1	268 6	7,3	17,8	−46,5	39,9	313,0	21,3	87,0	10,1
Sappi	P	Feb 28	4 677,0	28,5	443,7	−11,4	§65,0	−60,1	0,6	262 0	−16 0	160,0	−20,0
PHARMACEUTICAL AND MEDICAL													
Adcock Ingram	I	Mar 31	478,6	11,8	71 6	21,3	n/d	—	42,2	160,0	35,6	42 0	27 3
Premier Pharm.	P	Apr 30	456,1	3,8	118,5	11 5	n/d	—	38,4	78 5	32 6	34,0	36,0
PRINTING AND PUBLISHING													
Argus	I	Mar 31	1 653,0	14,1	149,1	17,2	11,1	90 5	46,4	220,0	3,3	55,0	0,0
Caxton	P	Mar 31	583,7	3,7	67,6	0,4	2,6	−33,2	44,3	85,4	8,1	13,0	14,1
Perskorgroep	I	Dec 31	364,9	2,2	•22,0	15,0	n/d	—	36,8	187,1	−4,6	18,0	0 0
Times Media	P	Mar 31	348,3	5,7	46,7	−11,2	5,3	132,2	50,9	172,0	−9,0	71,0	2,9
RETAILERS AND WHOLESALERS													
Bergers Trading	P	Dec 31	166,7	1,0	0,4	−96,3	6 4	32,9	0,0	−7,7	—	0,0	—
Clicks	P	Apr 30	949,8	28,7	55,1	17 2	▲0,7	−83,0	42 5	138,0	26,6	46,0	−11,8
CNA Gallo	P	Mar 31	967,3	15,1	85,6	9,9	§11,9	40,2	44,1	181,0	0,0	67 0	0 0
Edgars	P	Mar 31	3 175,9	15,6	425,6	14,0	§64 5	−11,2	48,5	365,0	17,7	140,0	17,6
Foschini	P	Mar 31	1 161 4	19,0	225,0	20,6	34,9	−13,2	47,1	233 0	25 4	0 0	—
Mas Hold	P	Feb 28	198 7	−0 6	−6 2	—	8,5	13 9	0 0	−62 4	—	0 0	—
McCarthy Retail	I	Dec 31	2 690 8	18,3	127,2	−8,1	43,2	2 5	41,4	30 1	−6 8	8,0	—
Metro	P	Apr 30	5 202,9	6,4	73 2	33,0	n/d	—	32,9	34,0	63,8	14,0*	94 4
Morkels	P	Mar 31	318,8	3,7	26 7	25,7	15,0	−4,7	16,2	23,3	128,4	6,0	50,0
OK Bazaars	P	Mar 31	5 277,5	4,6	49 9	−51,9	▲123,8	15,4	0,0	−361 4	—	10,0	−73 0
Pep	P	Feb 28	1 356,1	−10,7	181 5	10,6	12,3	88,5	39,4	43 2	0,9	19 5	8 9
Pepkor	P	Feb 28	7 763,9	70,3	267,3	25,7	54,7	0,3	36 5	75,3	23,0	27 5	12,7
Pick n Pay	P	Feb 28	6 423,5	8,7	146,2	11,4	n/d	—	42 3	59,3	10,0	33 5	16 5
Shoprite	P	Feb 28	5 254,6	58,1	44,1	—	§8,3	—	5,8	74,7	—	0,0	—
Smart Centre	P	Feb 28	191,0	7,6	24,8	−18,7	4,5	18 9	44,1	29 0	−12,1	9,0	−14,3
Specialty Stores	P	Feb 28	368,8	25,6	33 0	0,5	8,6	17,6	42,3	84,9	1,7	31 5	5,0
Teljoy Hold	P	Mar 31	176,8	1,8	32,2	−7,5	§9,5	−27,0	21,6	30,6	−0,3	13,5	0,0
Waltons	P	Feb 28	788,1	5,3	83,9	−15,5	§15,9	−10,1	46,1	43,3	−9,0	15 0	−21,1
Wooltru	I	Dec 31	3 003,0	52,0	•127,2	19,2	n/d	—	45 6	192,0	16,7	77 0	0,0
STEEL AND ALLIED													
CMI	I	Dec 31	125,7	−12,5	−16,8	—	▲4,2	−32,4	0,0	−61,0	—	0 0	—
Highveld	P	Dec 31	1 488,8	8,0	•74 4	−31,9	n/d	—	4,8	80,1	−38,4	45 0	−35,7
Iscor	I	Dec 31	4 291,0	5,8	307 0	−18,4	179,0	−10,1	4,7	6,7	−27 2	2 0	−33 3
SUGAR													
CG Smith Sugar	I	Mar 31	603,2	12,9	80,9	−7 3	24,0	29,4	34,4	24,4	−24,0	7,0	−22,2
Tongaat-Hulett	P	Mar 31	3 867,6	−2,5	269,4	−4,1	§76 8	−25,6	26,1	190,9	−4,9	73 0	0,0
TOBACCO AND MATCH													
Lion Match	P	Mar 31	294 7	−10,6	41,8	6,3	6 9	−45,3	41 7	33 9	22 4	14 0	21 7
Rembrandt Group.	P	Mar 31	n/d	—	•1 238,1	5,5	n/d	—	38 7	182,1	1 0	36 2	11 0
Utico	P	Dec 31	573 5	10,8	64,1	13,4	5,9	63,4	45,3	524 0	12,4	314 0	12 1
TRANSPORTATION													
Cargo Carriers	P	Feb 28	175 4	−3,6	9,2	1 270,2	5,8	−22,1	31 9	11,7	—	0 0	—
Putco	I	Dec 31	211,0	10,2	12,6	27,3	—	—	48,0	31 4	30 3	♣14,0	16,7
Trencor	I	Dec 31	381,5	28,3	66,8	17 4	10 3	−1,9	20 4	363 0	16,3	90 0	114 3
Unitrans	I	Dec 31	176,9	3,8	23 5	10,6	▲4 0	−2 3	21,6	44,3	5,7	10,5	5,0

I = Interim P = Preliminary n/d = Not disclosed. • = Income before tax ▲ = Net interest § = Net finance charges * = 12 months ♣ = Excludes special dividend
/a = Not applicable

Star 23/7/93

Strategic move at Liblife

232

By Stephen Cranston

In a move that is certain to spice up the JSE, the Liberty Life Group is listing its strategic investments into a new counter, Liblife Strategic Investments (Libsil).

It will be listed in the Industrial Holdings sector.

Liberty Life chairman Donald Gordon says that the group has invested in the cream of South African companies, and the shares in the underlying companies are tightly held.

The market capitalisation of the underlying investments is R5,6 billion.

Premier

The most important component of Libsil, accounting for 45,6 percent of the portfolio, will be a 23,8 percent holding in Standard Bank Investment Corporation and 30,5 percent will consist of direct and indirect interest in SA Breweries, with 27,3 percent of the Bevcon share capital and 0,9 percent of SA Breweries itself.

The next largest investment is a 23,4 percent stake in the Premier Group, comprising 17,9 percent of the portfolio and 4,6 percent of GFSA Holdings, which makes up 3,9 percent of the total.

Donald Gordon . . . Pitting his reputation against others.

Gordon says that company law made it impossible to include shares in Liberty Life, though there is an indirect interest through Stanbic's stake in Liberty Holdings, which is worth R500 million.

It will not include Liberty's offshore investments such as TransAtlantic Holdings.

Nevertheless, the underlying investments have outperformed the Financial and Industrial Index by 47 percent since the beginning of 1990

The listing will raise R1,03 billion for Liberty Life, half of which will go to redeeming Libsil's preference shares, degearing the Liberty Life Group and half will go to the further development of Liberty Life.

About 560 million ordinary shares will be listed and 114,57 million shares will be renounced to shareholders at a price of 900c, a 10 percent discount to net asset value.

Liberty Life shareholders will be entitled to 50 Libsil shares for every 100 Liberty Life shares and 130 Libsil shares for every 100 Liberty Holdings shares.

The rights held by the Liberty Controlling Corporation, which is jointly owned by Stanbic and Liberty Investors, have been placed with selected institutional investors by Standard Merchant Bank at R10 a share.

After the offer, Liberty Life will hold 80 percent of Libsil.

Gordon says investors will acquire a direct exposure to the high quality portfolio of strategic investments, and it will provide the group with flexibility if it chooses to expand its strategic investments in the future.

It will achieve greater transparency of the nature of Liberty Life's strategic investments for the benefit of the shareholders and investors on the JSE in the light of the potential new market in South Africa, particularly for international investors.

All the net income will be distributed to its shareholders insofar as it is practically possible.

No management fee

Unlike an investment trust, there will be no management fee charged to Libsil so long as it remains a Liberty Life subsidiary.

Gordon says that as there's no cut for management, he does not expect Libsil to trade at a discount to the underlying value of its investment.

"None of the Liberty shares have ever traded at a discount, so it's a case of pitting my reputation against others."

An added attraction is that the Bevcon and Premier investments is that if either Liberty Life or Anglo American/JCI intend to sell their joint controlling shareholding, they must offer it to the other party at a price 25 percent above the average market price over six months, and should it not accept the offer the other party is entitled to offer to buy out the other party at the same price.

If the buy out procedure is carried out, Liberty Life will either get outright control or sell out at a substantial premium.

FRIKKIE KRUGER FM 23/7/93.

Guilty as they come (232)

How guilty is a transgressor if he's expelled from the JSE 39 times? Very, it seems

Broker Frikkie Kruger, presently a sole trader and formerly a partner of one of the JSE's largest firms (he was important enough to be the Kruger in Frankel Kruger, as the firm was then called, until he left the firm mysteriously in November 1991) was given his marching orders last week at a special meeting of the Exchange's General Purposes Committee

Kruger was found guilty on all of 49 counts They included making secret profits out of deals, requiring clients to pay excessive prices for shares, failing to act in clients' best interests, adopting methods which caused a broking firm to act in breach of duty of good faith, entering into fictitious transactions and "concluding transactions in such a manner that a benefit accrued to employees of the clients which should have accrued to the clients "

FM 23/7/93 (232)

The *FM's* information is that Kruger's misdemeanours involved staff employed by insurance giant Sanlam and at least one other Cape-based institution Kruger, whose membership of the JSE goes back 20 years, was first reported to be under investigation by the *FM* (*Fox* March 5), at the time, JSE officials responded to polite inquiry with pursed lips

Sanlam senior GM Ronnie Masson said "Sanlam checks regularly on its procedures In no case have we found evidence of any irregularities " And he's sticking to his guns "Personally," he says, "I see all of our dealings and transactions daily I know of no instance in which anything untoward occurred "

This makes the matter all the more puzzling Asked to explain the apparent contradiction, JSE executive president Roy Andersen replies that "the papers (relating to the JSE's investigation) will be forwarded to the Attorney-General for his consideration In the circumstances it would be inappropriate for me to comment any further "

Will Sanlam seek restitution of any amounts which may have gone elsewhere? Masson says "I have absolutely no information on the basis of the findings but we will certainly try to pursue the matter If it should be established that there are amounts involved, then we will definitely seek restitution "

In another surprise development recently, authorised clerks have been summoned to give evidence to the Exchange's committee — previously, clerks have been immune to questioning on the grounds that their superiors, usually partners, carried the ultimate responsibility

No more, it seems The nature of the game in Diagonal Street appears to have changed irrevocably Recent actions of the JSE's new directorate and the resolve of its committee clearly signal that ethical behaviour has become a matter which will receive minute scrutiny

David Gleason

IMPHOLD FM 23/7/93 (232)

Another pyramid to go

In the spirit of the season, Imperial group and Imphold have announced that they are considering unbundling the pyramid structure

Imperial Group's only asset is a 49% shareholding — about 42m shares — in Imphold The pyramid is now considered to be a historical anomaly, it was intended to lock in control for the Abelkop family, but their holding was largely unwound about two years ago

Imperial Group's shareholding structure is no longer dominated by any single interest The directors together have about 30%, various institutions hold 60% and individuals the remainder Says CE Bill Lynch "The transaction will be a cashless transfer based on about 2,9 Imphold shares for every Imperial share held " This will result in the delisting of Imperial Group

Imphold shares are to be distributed pro rata to the shares held in Imperial Group Often there is a discount between a holding

FM 23/7/93 (232)

company and its subsidiary, the tradeability and thus the market rating of the former is often weaker than that of the operating company In this instance Imperial Group, the holding company, was trading at a discount of only 4% to Imphold

If the structure is no longer considered appropriate, why wasn't it simplified two years ago, when the controlling family stake was taken out? One reason was the stamp duty that would have been incurred, amounting to 1% of the value of the shares transferred In a move to encourage corporate unbundling, the March Budget announced the abolition of stamp duty on share trans-

Imperial's Lynch *a cashless transfer*

fers for this purpose Lynch contends the delisting of Imperial Group will bring other efficiencies, such as the elimination of unneccessary administration costs

Trading in the pyramid company has been limited Over the past quarter only 33 300 Imperial Group shares traded, compared with 144 500 Imphold

But it's unlikely that the de-listing of Imperial Group will affect either the tradeability or the share price of Imphold The shares are quite widely held, but their strong performance suggests investors will be reluctant to release any of them on to the market

Louise Randell

'New opportunities for investors'

Liberty Life plans R1bn Libsil listing

B/Day 23/7/93

CHARLOTTE MATHEWS

LIBERTY Life is to raise about R1,03bn by listing its wholly owned subsidiary Liblife Strategic Investments (Libsil) on the JSE

The cash raised will be used to develop Libsil's business and repay its debt

Liberty Life chairman Donald Gordon said Libsil would have an indirect interest in Liberty Life through its 23,8% holding in Standard Bank Investment Corporation (SBIC) It also owns significant stakes, directly and indirectly, in Premier Group and SA Breweries (SAB) Libsil's total investments in leading financial and industrial companies are worth R5,6bn

"Liberty's offshore investments are now held through First International Trust and its local investments through Libsil," Gordon said (232)

"This is an important transaction for Liberty Life It will strengthen our flexibility and improve our position with regard to our strategic investments, which now represent a substantial portion of Liberty Life's capital base The idea is to degear the Liberty Life Group and balance its holding of major strategic investments"

Liberty Holdings (Libhold) MD Farrell Sher said Libsil investments were core investments to the Liberty group, and Liberty was giving shareholders the opportunity to participate in them He said the move could not be described as an unbundling since the holdings were "fundamental and germane" to the group

Main reasons cited for Libsil's listing were to offer the group's shareholders and other investors direct exposure to Liberty Life's strategic investments, to degear the Liberty Life Group and to give greater transparency to Liberty Life's investments in view of the potential new market in SA — especially for international investors

The move will release funds for the further development of Liberty Life Libsil will be able to use its equity for further acquisitions of strategic shareholdings

Libsil, formerly known as Liberty Life Investment Trust, will list 560-million ordinary shares Liberty Life will offer its shareholders 114,57-million ordinary shares in Libsil at 900c each, at 50 Libsil shares for every 100 Liberty Life shares

Libhold, which owns 52% of Liberty Life, will renounce to its shareholders its rights to 59,52-million ordinary shares in Libsil at 900c each in the ratio of 130 ordinary shares in Libsil for every 100 Libhold shares. After the listing, Liberty Life's holding in Libsil will drop to 80%.

The Liberty Life Group owns 38,7% of SBIC of which Libsil holds 23,8% with a market value of R2,5bn. SBIC and Liberty Investors each own 50% of Liblife Controlling Corporation, the holding company of the Liberty Life Group.

Libsil's 27,3% interest in Beverage and Consumer Industry Holdings, the largest shareholder of SAB, is valued at R1,6bn, while its 0,9% stake in SAB is worth R143,5m It also has a 23,4% interest in Premier Group, valued at R997m, and 4,6% of GFSA Holdings, worth R217,3m

Libsil will declare its first dividend in March 1994 on income received between September 1 and December 31 1993

The period would include the interim dividends of Premier and SAB and the final dividend of SBIC, Gordon said

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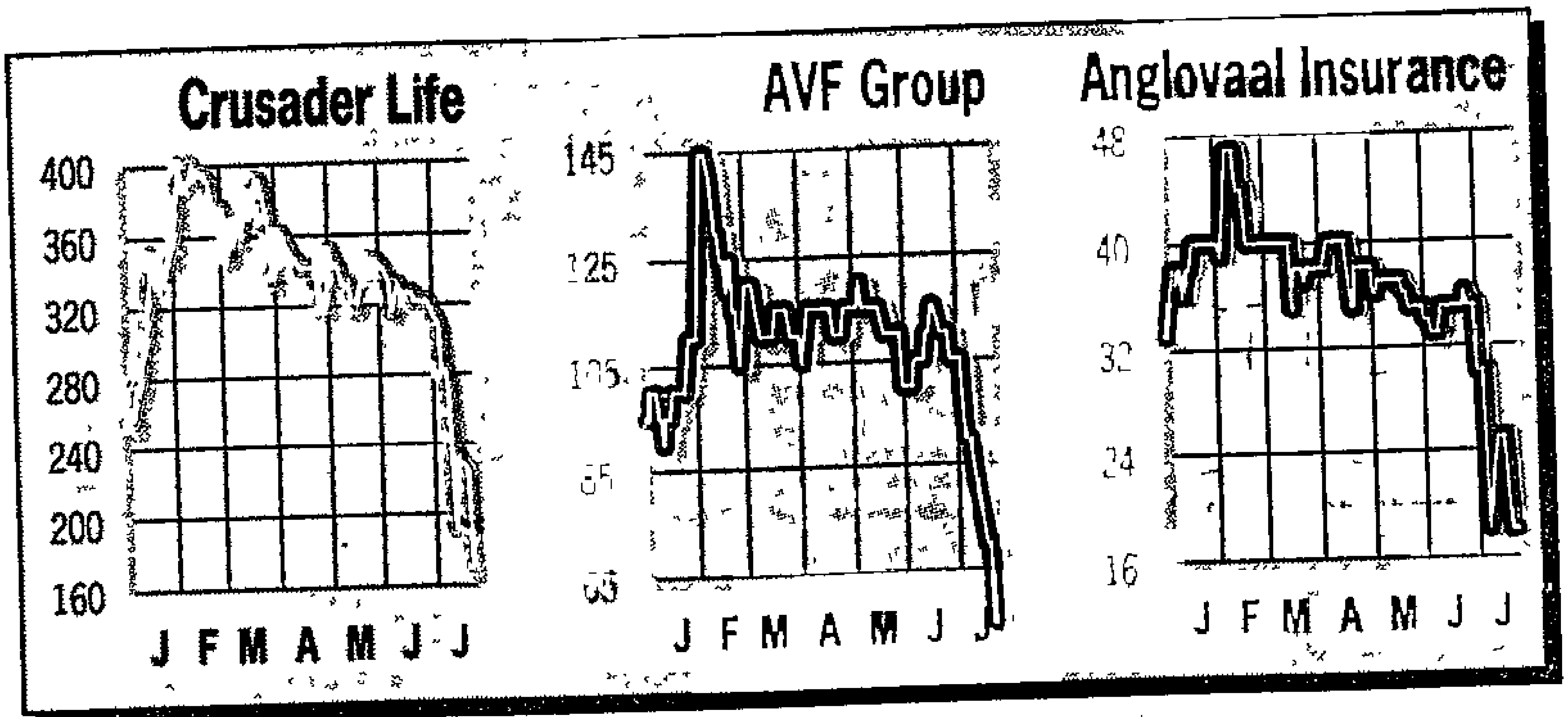


Graphic FIONA KRISCH Source: INET

S/Times (Buss) 25/7/93

Insurer share deals probed

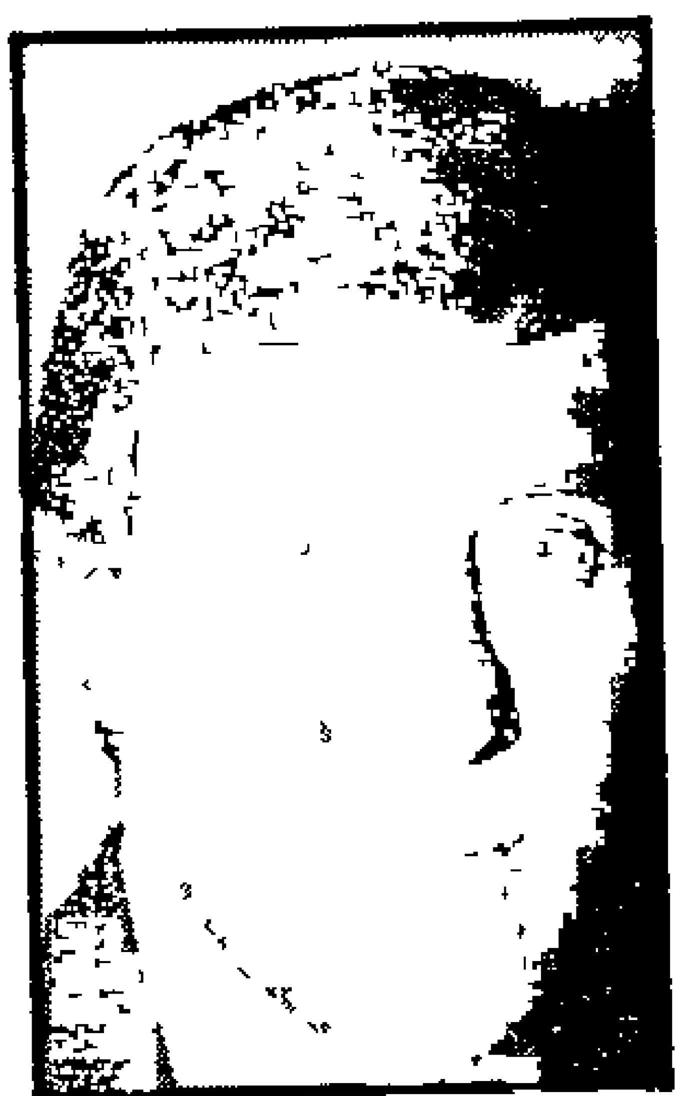
By CHERILYN IRETON

AN insider trading probe is under way into dealings in shares of Anglovaal's three listed insurance companies

The Securities Regulation Panel asked the Johannesburg Stock Exchange this week to furnish it with details of recent trade in Crusader Life, Anglovaal Insurance Holdings and holding company AVF Group

This follows the dramatic decline in prices of the counters in the past month Their market worth has halved Crusader is now trading at R1,70, Anglovaal Insurance Holdings (Avins) at 18c and AVF at 55c.

The decline occurred before shareholders were told this week by the Crusader board that there were serious problems in foreign associate Pegasus Insurance



CHAIRMAN DAVE DE BEER

Pegasus's promised profits of around £500 000 for 1992 turned into a £441 000 loss This led to a warning to Crusader shareholders that dividends for the year to June were unlikely

At the end of June it became clear to management that Crusader would be unable to follow a rights issue in Pegasus.

Its effective shareholding has halved from 28% to 14%

The Rowand family, represented by brothers Don and Bob, sold part of its 4% shareholding in Crusader in April. Don Rowand was executive chairman until his resignation in March. Brother Bob resigned as Crusader managing director at the end of June. Both are still on the board.

Don Rowand says "After I resigned, I waited a suitable period before disposing of some of the shares"

The shares were sold over a period of time about the end of April.

Crusader chairman Dave de Beer says he first suspected trouble in Pegasus when he went abroad in June.

"The misstated figures arose from an error of principle applied by the Pegasus actuary in a field which the auditors didn't understand clearly enough The actuary has since resigned

"I was uneasy about the yearend profits as reflected and asked an outside actuary to go through the principles he had applied in calculating the present value of new business He reported that he believed there was double counting.

"I went over for a board meeting on 25 June to approve the final accounts and expressed my concerns at the meeting The result was that after rechecking by the auditors, the profit turned out to be a loss"

Between June 25 and July 21 when shareholders were told of the problems Crusader's share price fell from R3,20 to R1,70 Avins halved from 38c to 18c a share The share price in AVF group fell from R1,10 to 70c

Libsil brings the cream of the company crop to JSE

S/Times (Buss) 25/7/93

By CHERILYN IRETON

LIBERTY Life's decision to spin the bluest of its blue-chip investments into a separate holding company will give the JSE its biggest new listing yet

The investments to be housed in Liblife Strategic Investments (Libsil) are described by chairman Donny Gordon as the cream of South African companies They have a market worth of R5,6-billion

Libsil will be among the top 30 JSE companies when it is listed in September

Liberty Life shareholders will be offered shares in the new company — at a 10% discount to the current market value — through a R1,03-billion rights issue

Liberty Holdings, which owns slightly more than half of Liberty Life, will pass its rights to its shareholders (232) (58)

Liberty Life Group will control about 80% of Libsil, private investors and institutions owning the rest.

Mr Gordon sees the company as a desirable investment for foreigners seeking a stake in some of SA's most strategic companies (21)

Libsil investments ~~are a~~ 23,8% stake in the Standard Bank Investment Corporation, 27,3% of Bevcon, which owns 34,3% of SA Breweries, 23,4% of Premier Group and 4,6% of GFSA Holdings

These investments have outperformed the JSE's financial and industrial index by 47% in the past 3½ years

Mr Gordon believes they will continue to do so

"They have been getting better and better Standard Bank outpaced the other banks and Premier, which for years lagged behind Tiger, has done the opposite."

There are many motives behind the deal, but it is not the foundation for any unbundling of the Liberty group

Decade

Mr Gordon says "We have no intention of unbundling The deal is meant to consolidate and balance our portfolio, and to give us more cash and flexibility for investments

"These investments constantly require fresh capital. We can't manage our portfolios prudently if shareholders have to keep chipping in new funds.

"We like to do something for our shareholders — to give them the chance to participate directly in something created out of their money over the past decade"

The deal was in the pipeline for six months and its completion does not mean the end of the road for Mr Gordon, now 63

"I'm very hyped up and have easily another five years in the company I am enjoying myself enormously This opens up tremendous new avenues for us," he says

The funds raised by Liberty from the rights issue will be used to degear the group About R500-million will be used to redeem preference shares and repay debt. The balance will go to development of Liberty Life

Liberty Life shareholders will be offered renounceable rights to 20% of the 560-million ordinary shares that will eventually be listed. They will pay R9 a share in the ratio of 50 Libsil shares for every 100 held in Liberty Life Shareholders in Liberty Holdings will be offered 130 Libsils for every 100 Libhold shares. The net worth, based on Wednesday's market price of the investments, is R10 a share.

The last day to register for the offer is August 6

Standard Bank and Liberty Investors, which qualify for rights through their holding in Liblife Controlling Corporation, have placed theirs with selected institutions at R10 a share and 100c a right.

S/Times [Buss] 25/7/93

Liquidations rising

MAY liquidations have risen 50% to 236 from 157 in May 1992.

This is after the March and April figures had started to show a decline on last year, according to Information Trust Corporation (ITC) statistics

ITC managing director Tony Leng points out that the average number of liquidations for the first five months of the year has increased only 10% year on year

(232)

Mr Leng expects liquidations to carry on in line with 1992

Imperial Group set to unbundle pyramid company

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CT 28/7/93

Own Correspondent

THE Imperial Group plans to unbundle its listed pyramid company in a move designed to make it one of the few publicly owned groups in the country.

In terms of proposals published today, Imperial Group would distribute its 49% stake in Imphold to its own shareholders in the ratio of 289 Imphold shares for every 100 Imperial Group shares held Imperial would delist on August 27 Imphold would change its name to Imperial Holdings to leave a single listed entity "Imperial"

After the unbundling no shareholder would own more than about 15% of the group's shares The combined management own about 15% with the balance held by about 20 institutions and the public

Imperial chairman Bill Lynch said true publicly owned companies were rare in SA and he welcomed the trend to unbundle large corporate structures, allowing shareholders to use voting power to protect their interests

Behind trend

SA groups were well behind the trend in Europe and the US where many listed companies were controlled with shareholdings as low as 15% to 20% This made a potential takeover by shareholders possible if performance was poor

The move to abandon the pyramid company would save costs and clean up the group structure A large number of senior staff held significant equity in the group which served as a strong motivating factor, said Lynch

Further unbundling was not envisaged Although individual businesses were independently managed, the group was structured as a unit which added value to every underlying business Cutting the link between some subsidiaries would destroy profit opportunities, he said

Absolute control of Imperial disappeared in 1991 when group founders the Abelkop famil, sold their shares to management and institutions Once unbundling legislation was tabled, the decision was taken to collapse the pyramid

Black business rising

Sowetan 29/7/93

By Mzimkulu Malunga

AFTER massive campaigns during the last half of the eighties, black business appears to be finally flexing its muscles

"The time for talking is over, this is the era of action We are late already," says Don Mkhwanazi, one of the six black businessmen who bought ten percent of Metropolitan Life

Though ten percent is a small piece of the cake, the deal involved millions of rands and millions of shares which are going to be issued to the blacks

More importantly, Metropolitan Investment Holdings, the new company which was born out of the deal, has got into a voting pool with a majority shareholder which means that no major decisions can be made without the company's approval

Development

Another interesting development was when a black-owned cosmetics manufacturing company, Black Like Me, sponsored one of the biggest boxing showdowns in South Africa's history in which a local lad, Dingaan Thobela, dethroned American Tony Lopez

When an American company, Digital Equipment Corp, came to invest in South Africa, an enterprise in which blacks own a majority share was one of the two local companies awarded rights to process and sell DEC's products in this country

Black companies involved in this deal were Thebe Investment Corporation and Vela International who hold 45 percent

NSB chief executive Mohale Mahanyele.

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and 20 percent respectively in a computer company, Bhekisizwe Computer Systems

Accompanying the likes of National Sorghum Breweries, Black Like Me, Methold, Letsema Investment Corporation, the Maponya Group, Future Bank and African Bank as well as Alex Hair, a number of black companies of a much smaller size are emerging at a very fast pace

Black entrepreneurs are quietly invading the services and manufacturing industries

There is also talk doing the rounds that insurance giant Southern Life wants to sell African Life to black business people Informed sources suggest plans are at an advanced stage to facilitate this deal

Unbundling

With unbundling becoming yet another feature in the changing business world, many in black business believe the sector could ride the wave into the mainstream of the economy

"We need many more NSB's for the realisation of black economic empowerment in this country," says ANC head of economic affairs Trevor Manuel

Many in the black community are keeping their fingers crossed that the major black companies, in which they have so much confidence, will sustain their current growth level

People like NSB chief executive Mohale Mahanyele believe it is within their grasp "When we took this company over, many said we would last only a month A month later they said six months and when six months had elapsed they said a year — and three years on we are getting stronger," he says

As far as Mahanyele is concerned, the whole issue of black business failure is a myth

However, many in the black community are worried about whether technocrats in companies like NSB can successfully manage the pace at which the company is growing lest the engine overheats.

Nobody would want to imagine what an engine overheat in a multimillion entity like NSB would do to the ego of black business people

Rembrandt says no to unbundling

CT 29/7/93 (232)

By ARI JACOBSON

REMBRANDT's executive chairman Johannn Rupert came out strongly against the unbundling of the group's control structure at its AGM in Stellenbosch yesterday.

Speaking to the press afterwards, he said Rembrandt's operating arm was trading at a discount to the holding company and "as long as value was being passed up the pyramid there should be no need to unbundle"

Rupert said that part of the reason for the shares, at the holding company level, being offered at a higher value was because the Rembrandt group was "a family run business"

He added that Rembrandt was a small player internationally and to compete "it would have to remain intact"

"Forced unbundling is a sure way to get every entrepreneur to leave the country"

Rupert warned that most skills were transferable and that "human capital and financial capital tended to follow each other".

He added that international capital was "totally mobile" and would always be looking for "a safe and hospitable home".

"It seems as if a political solution in South Africa would be far easier to attain than an economic solution."

As for Richemont, he said that the group would continue to remain focused and that diversification was not part of the gameplan.

He said that strategic positioning of its existing tobacco and luxury businesses was more suitable philosophy.

Here he talked of the recent opening of factories in China, Russia and Poland.

Richemont is at present reconstructing its group into separate tobacco and luxury goods businesses.

Rupert was quick to mention that the Richemont group, which went overseas in 1953, had faired far better then its predecessor locally

He mentioned that R1,5m taken out at that time to build the offshore company, had grown so that R1,5bn has been repatriated in dividends to South Africa over time

The old Rembrandt group, represented as the Technical Investment Corporation, celebrated its 50th financial year at the AGM yesterday

Demonstrating the value attached to the "old company's" shares, chairman of this company Anton Rupert pointed out that 1c a share purchase at that time, was now worth some R65 a share.

The Rembrandt group reported a 1% increase in earnings for the year to March at 182,1c (180,3c) a share

● Richemont reversed earlier falls on the JSE yesterday, adding 75c to R40,50 in spite of a firmer financial rand

Star 29/7/93

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Premier reaps benefits from unbundling

By Stephen Cranston

Since the Premier Group unbundled its 34 percent holding in SA Breweries four years ago, earnings per share have grown at a compound rate of 23 percent a year and shareholders wealth increased by a compound rate of 63 percent.

In his annual report, chairman Peter Wrighton says this can be attributed to a strategic review in 1988 which identified the need to reduce debt, sell under-performing assets, focus the business and decentralise.

Premier's recent success can also be attributed to certain key acquisitions, such as the Metro Group in 1991, an increase in the Clicks Stores investment to 48 percent and the acquisition of management control of Premier Pharmaceuticals

In the past year, Premier's pharmaceutical wholesalers, formerly a headache, was merged with Medical Cash 'n Carry to form United Pharmaceutical Distributors.

Premier acquired a 39 percent stake in Bonnita Holdings, the second largest producer of milk-based products. Wrighton says the investment provides an opportunity in the wake of the dairy industry's deregulation

A low point was Epic Oil Mills' loss. It was affected by the drought and faced a fight for market share. The margarine industry has too many players competing for market share and selling prices are lower than four years ago.

Premier Milling, however, produced satisfactory results Market share was maintained, though at lower margins, by Blue Ribbon Bakeries There was consumer resistance stemming from the removal of the bread subsidy and the imposition of VAT

Wrighton says white bread remains a major part of the staple diet of the poorer section of the population. The zero rating on brown bread could lead to distortions in the pattern of supply and demand.

Maize volumes fell because of the use of imported yellow maize which met consumer resistance. Market share was, however, maintained thanks to the strength of the two main brands, Iwisa and Impala

Premier's share price has recently fallen from R55 to R51, which puts it on a p e ratio of 18,0, almost identical to its archrival Tiger Oats and ahead of Foodcorp's 14,2.

Premier has outperformed Tiger in recent results and shown a more proactive approach to its portfolio of interests. Arguably, Tiger will be rewarded for holding on to its underperformers when the chicken and egg industries improve. And it operates in high growth sectors (canned fruits, chocolates and rice) in which Premier has no presence

But Premier's more entrepreneurial management affords it superior potential.

FM 30/7/93

LIBERTY LIFE ASSOCIATION OF AFRICA LIMITED
(Registration number 57/02788/06)

LIBERTY HOLDINGS LIMITED
(Registration number 68/02095/06)

LIBLIFE STRATEGIC INVESTMENTS LIMITED
(Registration number 83/06300/06)

PROPOSED LISTING OF LIBLIFE STRATEGIC INVESTMENTS LIMITED ("LIBSIL") ON THE JOHANNESBURG STOCK EXCHANGE

Joint announcement regarding:

- **the proposed listing of approximately 560 million ordinary shares in Liblife Strategic Investments Limited ("Libsil") on The Johannesburg Stock Exchange,** 232
- **the proposed offer by Liberty Life Association of Africa Limited ("Liberty Life") to its shareholders of rights to 114,57 million ordinary shares in Libsil at a price of 900 cents per share in the ratio of 50 ordinary shares in Libsil for every 100 shares held in Liberty Life,**
- **the proposed renunciation by Liberty Holdings Limited ("Libhold") to its shareholders of its rights to 59,52 million ordinary shares in Libsil at a price of 900 cents per share in the ratio of 130 ordinary shares in Libsil for every 100 ordinary shares held in Libhold, and**
- **notice of last day to register for the offer of rights to shares in Libsil (6 August 1993).**

1 INTRODUCTION

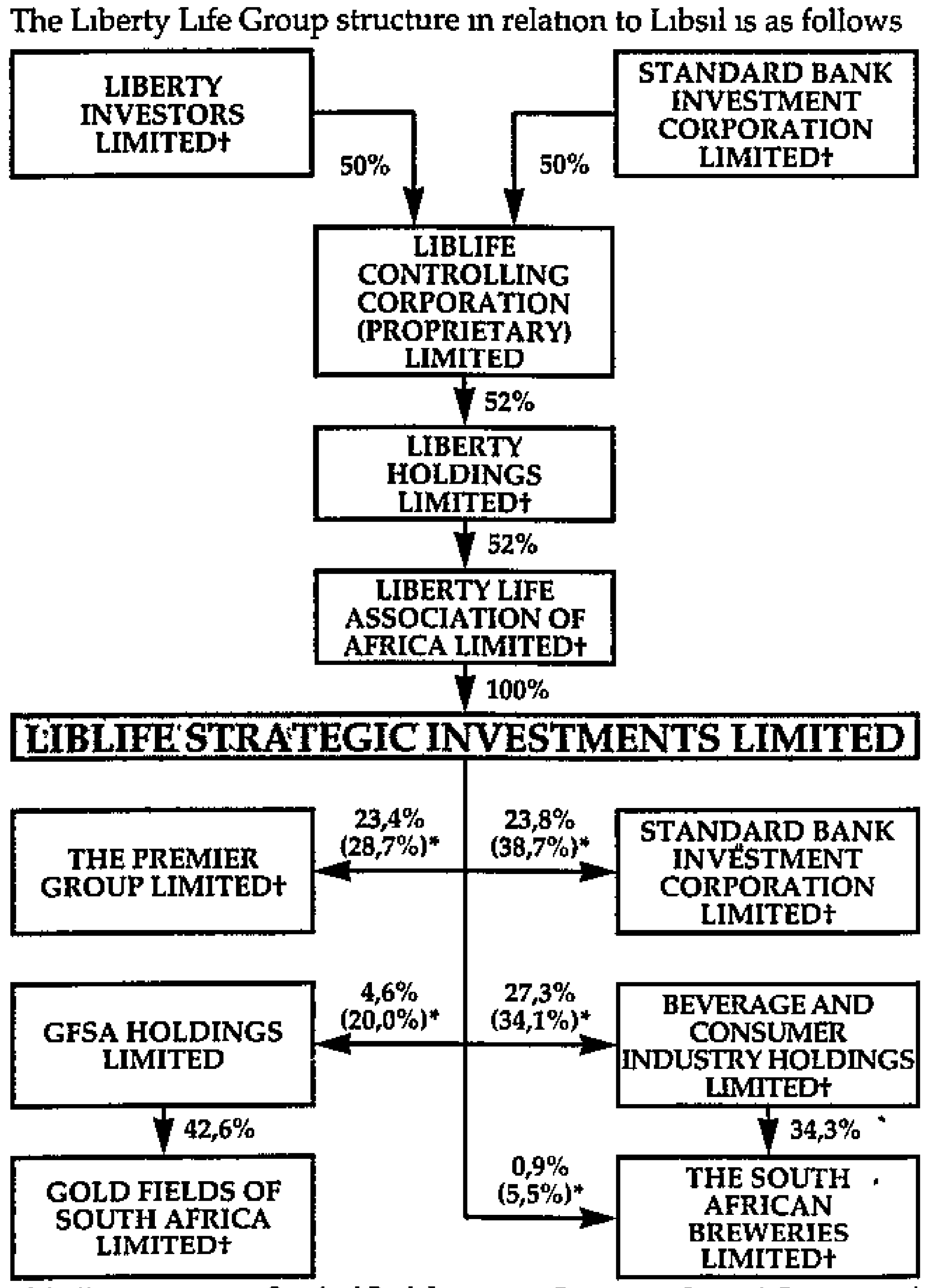
Libsil (formerly named The Liberty Life Investment Trust Limited) is a wholly-owned subsidiary of Liberty Life It was incorporated in June 1983 for the purpose of holding, for the account of shareholders' funds of Liberty Life, part of the key strategic investments in leading South African industrial and financial companies which at the time of acquisition by Liberty Life were considered to be too large for prudent absorption within the policyholders' portfolios of Liberty Life The market value of Libsil's underlying investments was approximately R5,6 billion as at 21 July 1993

Liberty Life intends listing Libsil on The Johannesburg Stock Exchange ("the JSE") by offering to its shareholders the renounceable rights to 114,57 million Libsil shares ("the offer shares") in the ratio of 50 Libsil shares for every 100 Liberty Life shares held to raise approximately R1,03 billion for Liberty Life before expenses These shares will be offered at a price of 900 cents per share calculated on the basis of a discount to Libsil's net asset value of around 10% at 21 July 1993

In terms of the JSE regulations, Libhold, which owns 52% of the issued share capital of Liberty Life, will be renouncing to its shareholders its rights in respect of Liberty Life's offer in the ratio of 130 Libsil shares for every 100 Libhold shares held The 30,97 million rights (equivalent to 27% of the offer) to which Liblife Controlling Corporation (Proprietary) Limited ("LCC") will be entitled in respect of its 52% interest in Libhold have been placed by Standard Merchant Bank Limited on behalf of LCC's shareholders by means of a private placement with selected institutional investors at a price of R10 per share, being 100 cents per right over the offer price, in aggregate approximately equivalent to Libsil's net asset value per share as at 21 July 1993 Standard Bank Investment Corporation Limited and Liberty Investors Limited have joint control of LCC, each owning 50% of its issued share capital

2 THE LIBERTY LIFE GROUP STRUCTURE

The Liberty Life Group structure in relation to Libsil is as follows



* Libsil's investments in Standard Bank Investment Corporation Limited Beverage and Consumer Industry Holdings Limited The South African Breweries Limited, The Premier Group Limited and GFSA Holdings Limited form the core of larger strategic holdings that The Liberty Life Group has in these companies

The aggregate Liberty Life Group shareholdings are shown in parentheses The difference between such aggregate shareholdings and Libsil s holdings primarily represents the shareholdings held by the policyholders portfolios of Liberty Life

†Listed on The Johannesburg Stock Exchange

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3 PURPOSE AND OBJECTIVES OF THE PROPOSED OFFER AND LISTING AND RESULTANT CAPITAL

3 1 Purpose

Libsil's investments represent a major part of Liberty Life's strategic holdings in high quality South African financial and industrial counters which are held for the account of shareholders' funds but exclude strategic offshore investments of Liberty Life, notably TransAtlantic Holdings PLC The exceptional performance of these investments has contributed to Liberty Life's superior performance over an extended period of time Libsil was formed in order to facilitate the acquisition of these strategic investments which, when acquired, were too large for prudent absorption within the policyholders' portfolios of Liberty Life As a consequence, Liberty Life's shareholders' funds, together with additional finance raised, including issues of ordinary and preference share capital, provided the necessary funding for the acquisition of the balance of these important strategic holdings in excess of the levels regarded as prudent for policyholders at the time

The listing of Libsil provides the opportunity for shareholders in Liberty Life and Libhold and other investors to participate directly in this established portfolio of high quality strategic investments that have been built up by The Liberty Life Group over the last decade The proposed offer is significant by virtue of its size and the relative illiquidity and consequent lack of availability on the JSE of the underlying shares constituting Libsil's strategic investments

3 2 Objectives

The flotation of Libsil will, inter alia

- enable shareholders of Liberty Life and Libhold and other investors, institutional and otherwise, to acquire direct exposure to the high quality portfolio constituting Liberty Life's strategic investments,
- de-gear The Liberty Life Group and balance its holding of major strategic investments,
- create flexibility with a view to expanding Libsil's portfolio of strategic investments in the future,
- achieve greater transparency of the nature of Liberty Life's strategic investments for the benefit of shareholders and investors on the JSE in the light of the potential new market in South Africa, particularly for international investors,
- enable Libsil to utilise its equity for further acquisitions of strategic shareholdings,
- facilitate the repayment of debt and the redemption of relatively expensive preference shares previously issued by Libsil,
- release funds for the further development of Liberty Life,
- enhance the earnings of Liberty Life in the future, and
- facilitate Liberty Life in protecting the capital value of its core investments by the use of derivative instruments and specialised securities, including options, futures and other appropriate methods, to hedge investment volatility and enhance the performance of Libsil's portfolio

3 3 Structure of share capital

The authorised share capital of Libsil comprises 800 million ordinary shares of 1 cent each and 55 000 redeemable cumulative preference shares of R1 each After the successful completion of the proposed offer, Liberty Life will hold approximately 80% of Libsil's issued ordinary share capital, which will consist of around 560 million ordinary shares Libsil has total assets of almost R5,6 billion with a net asset value of about 1 000 cents per ordinary share as at 21 July 1993

4 NATURE OF BUSINESS OF LIBSIL

4 1 Nature of investments

Set out below is a summary of the underlying investments constituting Libsil's portfolio

	Number of shares held	% of share capital	Market value (as at 21 July 1993) (Rm)	% of Libsil's portfolio
Standard Bank Investment Corporation Limited	28 303 298	23,8%	2 547,3	45,6%
Direct and indirect interest in The South African Breweries Limited			1 702,0	30,5%
Beverage and Consumer Industry Holdings Limited	19 360 000	27,3%	1 558,5	27,9%
The South African Breweries Limited	2 342 888	0,9%	143,5	2,6%
The Premier Group Limited	19 360 000	23,4%	997,0	17,9%
GFSA Holdings Limited	555 819	4,6%	217,3	3,9%
Other investments, derivatives, bank deposits and money market instruments*			117,5	2,1%
			5 581,1	100,0%

*Includes preference shares convertible into approximately 515 000 shares in Standard Bank Investment Corporation Limited

4 2 Strategic investments

The major investments of Libsil form the core of The Liberty Life Group's strategic equity investment holdings

4 2 1 The Liberty Life Group owns in aggregate 38,7% of Standard Bank Investment Corporation Limited's ("SBIC") share capital, thereby constituting it as the largest shareholder in SBIC

As part of The Liberty Life Group's aggregate holdings, Libsil's 23,8% interest in SBIC, having a market value of R2,5 billion based on a market price of 9 000 cents per share, constitutes Libsil as the largest and most significant shareholder in SBIC within The Liberty Life Group SBIC is the holding company of The Standard Bank of South Africa Limited, the leading commercial bank in South Africa The SBIC group's activities include commercial and merchant banking, leasing and financing activities, unit trust management, participation mortgage and housing finance, life insurance and non-life insurance broking, credit card facilities and trust company services SBIC operates in the United Kingdom, Jersey, the Isle of Man and Taiwan and its representation in Africa was expanded in 1992 when it acquired the Africa banking arm of ANZ Grindlays bank

SBIC also owns 50% of, and together with Liberty Investors Limited has joint control of LCC, the ultimate holding company of The Liberty Life Group The value of this investment, at the market value of SBIC's attributable interest in Libhold of 11,9 million shares was R2,06 billion as at 21 July 1993, equivalent to 19% of the market capitalisation of SBIC on the JSE at such date, implying an indirect interest attributable to Libsil of approximately R500 million in the equity of Libhold

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4.2.2 The Liberty Life Group shares joint control of Beverage and Consumer Industry Holdings Limited ("Bevcon") pursuant to an agreement with Johannesburg Consolidated Investment Company, Limited ("JCI") and Anglo American Corporation of South Africa Limited ("Anglo American") Bevcon, in which The Liberty Life Group has a 34,1% interest, is the largest shareholder in The South African Breweries Limited ("SAB"), owning 34,3% of its issued ordinary share capital

Libsil's portion of The Liberty Life Group's interest in Bevcon amounts to a 27,3% holding in Bevcon having a market value of R1,6 billion based on a market price of 8 050 cents per share SAB is South Africa's largest consumer-orientated group Its major activity is the brewing of clear beer in which it dominates the South African market SAB also has significant interests in the manufacture and distribution of other beverages, in retailing and hotel operations and in the manufacture of selected mass market consumer goods, together with strategic investments in other businesses which complement its mainstream interests

In addition, The Liberty Life Group also has a 5,5% direct holding in SAB, which includes Libsil's 0,9% direct interest in SAB, having a market value of R144 million based on a market price of 6 125 cents per share

4.2.3 The Liberty Life Group has in aggregate a 28,7% shareholding in The Premier Group Limited ("Premier") Similar joint control arrangements to those relating to Bevcon exist with Anglo American and JCI in respect of Premier Libsil's 23,4% interest in Premier, having a market value of R997 million based on a market price of 5 150 cents per share enjoys the benefit of forming part of this larger strategic holding Premier is the holding company of one of South Africa's largest food and pharmaceutical manufacturers and distributors Premier's activities comprise the milling of maize and wheat, the manufacture and distribution of food products, edible oils and fats, marine products, animal feeds, pharmaceuticals and industrial chemicals, cotton ginning and the wholesale and retail distribution of groceries, toiletries and allied products

4.2.4 The Liberty Life Group has a 20,0% interest in GFSA Holdings Limited ("GFSA Holdings"), an unlisted company which holds 42,6% of the issued share capital of Gold Fields of South Africa Limited ("GFSA") Libsil's portion of The Liberty Life Group's shareholding amounts to 4,6% of GFSA Holdings and has a value of R217 million based on the attributable underlying market value of GFSA at 10 500 cents per ordinary share GFSA is a leading South African mining finance house involved in the mining and processing of gold and other precious metals and minerals

4.3 Nature of joint control arrangements in respect of Bevcon and Premier

The joint control arrangements in respect of Bevcon and Premier include certain provisions which aim to ensure that, on a disposal by either The Liberty Life Group or The Anglo American/JCI Group of their joint controlling strategic shareholdings in such companies, such group receives a fair commercial price reflecting the significance of the joint controlling shareholding (viz 25,05% of the equity of each of Bevcon and Premier respectively dedicated by each group)

In essence 232 58

- if either group intends to sell its shareholding in Bevcon or Premier, it must first offer it to the other group at a stipulated price,
- failing acceptance by the other group to acquire the shareholding at the stipulated price, the offeror shall be entitled, in turn, to offer to acquire the other group's shareholding at the stipulated price,
- the offeree must either accept that offer and sell its shareholding at the stipulated price or purchase the offeror's shareholding at that price

The terms of the joint control arrangements provide that the price to be stipulated by the initiating group must be 25% over the market price, calculated over a specified period not exceeding six months Libsil is a member of The Liberty Life Group for the purpose of the joint control arrangements

4.4 Strategic value of Libsil's portfolio

Although the value of the investments owned by Libsil, as set out in 4.1, is based on the market value of such holdings on the JSE, Libsil's net asset value does not reflect for this purpose the special value or strategic importance of such investments generally or in the light of the joint control arrangements described in 4.3

4.5 Historical performance of Libsil's investments

Libsil's historical performance has been calculated on the basis that its portfolio as currently constituted has existed for the period 1 January 1990 to 21 July 1993

Given the nature of the underlying investments of Libsil, its performance is best assessed relative to the JSE Actuaries Financial and Industrial Index For the period 1 January 1990 to 21 July 1993, Libsil's portfolio of equity investments has outperformed this index by 47%

Over the same period, Libsil's compound capital growth rate based on the market value of its investments was 30% per annum, compared to the average inflation rate of 13,8% and the annual compound growth rate in the JSE Actuaries All Share Index of 9% for the same period

4.6 Investment policy

It is the intention of Liberty Life to develop Libsil's investment portfolio where appropriate, through the organic growth of its existing investments, additional acquisitions of such investments and through further opportunities which might arise for it to participate in new strategic investments which are taken up by The Liberty Life Group as a whole on similar principles to those which have been and are now applicable, whereby the requirements of the policyholders of Liberty Life in appropriate circumstances are first satisfied

As in the past, it is the intention that Libsil will, when appropriate, continue to hold and acquire, together with other members of The Liberty Life Group, strategic interests in leading companies It is further the intention that Libsil will participate in the benefits of any special arrangements entered into by The Liberty Life Group in making strategic acquisitions

The performance of long term South African investment portfolios is not immune to the effects of international and local volatility within the equity, property, and commodity markets Liberty Life intends applying its expertise, where appropriate, in the use of derivative instruments, such as options, futures and other appropriate methods, to hedge investment risk and enhance the performance of Libsil's portfolio

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4.7 **Management services**

Libsil's operating expenses are expected to be minimal as Liberty Life will continue to perform the management and investment function of Libsil and will not be charging a management fee for this service for so long as Libsil remains a subsidiary of Liberty Life

4.8 **Dividend policy and financial year end**

Libsil's dividend policy will be, in so far as it is practically possible, to distribute to its shareholders substantially all net income received after providing for operating expenses

The financial year end of Libsil is 31 December and dividends will normally be declared by Libsil in March (final) and August (interim) each year payable in the succeeding April and October respectively following such declarations The first dividend payable by Libsil will be declared in March 1994, payable in April 1994, in respect of the period ending 31 December 1993 and will take into account all net income accruing to Libsil after 1 September 1993

5 EXCESS APPLICATIONS

In terms of the proposed offer, shareholders in Liberty Life and Libhold and/or their renouncees who take up their rights to purchase offer shares will be entitled to apply for an unlimited number of additional Libsil shares in excess of their rights entitlements at 1 000 cents per share, being the approximate net asset value per Libsil share at 21 July 1993 In effect, such additional shares applied for will be issued at a price per share which is 100 cents in excess of the offer price Such applications will be satisfied to the extent that the offer is not taken up by shareholders of Liberty Life and Libhold or their renouncees

6 APPLICATION FOR LISTING

Application will be made to the JSE for a listing of the 114,57 million renounceable (nil paid) letters of allocation to be issued pursuant to the offer in the "Financial — Insurance" sector of the JSE lists and for a listing of Libsil's shares in the "Industrial — Industrial Holdings" sector of the JSE lists under the name "Libsil"

7 NOTICE OF LAST DAY TO REGISTER

The last day for shareholders of Liberty Life and Libhold to register as such in order to participate in the offer will be the close of business on Friday, 6 August 1993

On behalf of

Liberty Life Association of Africa Limited

Liberty Holdings Limited

Liblife Strategic Investments Limited

Donald Gordon
Chairman

22 July 1993
Johannesburg

MERCHANT BANK

SMB
The Merchant Bankers
(Registration number 64/08586/06)

ATTORNEYS

South Africa

Edward Nathan & Friedland Inc.
(Registration number 77/00525/21)

United Kingdom

Linklaters & Paines

SPONSORING BROKERS

South Africa

Davis Borkum Hare & Co Inc.
(Registration number 72/09126/21)
(Member of The Johannesburg Stock Exchange)

United Kingdom

S. G. Warburg Securities Ltd.

TRANSFER SECRETARIES

South African Transfer Secretaries of Liberty Life, Libhold and Libsil

Central Registrars Limited
(Registration number 67/04220/06)
4th Floor, 154 Market Street, Johannesburg, 2001

United Kingdom Transfer Secretaries of Liberty Life

Barclays Registrars Limited
Bourne House, 34 Beckenham Road, Beckenham
Kent, BR3 4TU

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INCE

P. T. O.

232

NDH BANK LIMITED

Registered Bank

Registration number 60/03893/06

FINAL REPORT FOR THE YEAR ENDED 30 JUNE 1993

The audited results for the year ended 30 June 1993 are as follows

	Audited year ended 30 June 1993 R000	Audited year ended 30 June 1992 R000
BALANCE SHEET		
Capital employed		
Shareholders' funds	**23 683**	20 634
Contingency provisions	**4 220**	3 500
Deposits	**1 144 461**	1 949 323
Current liabilities	**6 337**	12 417
	1 178 701	1 985 874
Employment of capital		
Fixed assets	**5 155**	3 239
Investments and loans	**1 171 619**	1 978 181
Current assets	**1 927**	4 454
	1 178 701	1 985 874
INCOME STATEMENT		
Net income after providing for taxation and contingency provisions transfer	**4 821**	3 850
Number of shares in issue	**1 648 667**	1 236 500
Return on average shareholders' funds – %	**21,8**	19,6

COMMENTS

Due to recent changes in the Banks Act, margins on certain assets were negatively affected which resulted in the bank reducing the size of its balance sheet

The contingency provision represents internal reserves and is not a provision for known liabilities

By order of the board

C L Clucas
Joint managing director

M G Kotze
Joint managing director

Johannesburg

22 July 1993

Registered office
1st Floor
Sechold House
15 Loveday Street
Johannesburg, 2001

DISTRICT SECURITIES BANK LIMITED

Registered Bank

Registration number 04/00030/06

FINAL REPORT FOR THE YEAR ENDED 30 JUNE 1993

The audited results for the year ended 30 June 1993 are as follows

Capital increased to R30 million

	Audited year ended 30 June 1993 R000	Audited year ended 30 June 1992 R000
BALANCE SHEET		
Capital employed		
Total shareholders' funds	**20 459**	12 759
Contingency provisions	**1 752**	1 102
Deposits and other accounts	**1 302 345**	1 195 837
	1 324 556	1 209 698
Employment of capital		
Investments	**616 867**	836 462
Advances and other accounts	**707 043**	372 465
Fixed assets	**646**	771
	1 324 556	1 209 698
INCOME STATEMENT		
Increase in net income – %	**54,2**	73,4
Net income after providing for taxation and contingency provisions transfers	**2 700**	1 750
Shares		
Return on average shareholders' funds – %	**19,1**	14,7
Number of shares in issue	**1 200 000**	1 100 000

COMMENTS

1 Redeemable cumulative non-participating preference shares of R10 000 000 were issued on 15 July 1993

2 After the issue of these shares, the increase in shareholders' funds was 138,7%

By order of the board

C N Louw
Chief executive officer

Cape Town
22 July 1993

Registered office
7th Floor
Southern Life Centre
8 Riebeeck Street
Cape Town, 8001

P. TC. 7

BANKING FM 30/7/93

In the back room

To curb fast-rising costs and improve efficiency and security, the four main banks have formed a joint venture to control the industry's utility services.

SA Bankers' Services Group (BankServ) will control and be responsible for the development of Saswitch, Automated Clearing Bureau, Unexcor, Joint Banks Credit Bureau, Central Depository, BankScan and Standard, and cash-handling firm SBV

Absa, First National, Nedcor and Standard will each own 25% of BankServ BankServ chairman and FNB GM Kosie Meiring says negotiations will begin shortly on buy-

(232)

(Continued on page 34)

PTC. → P34

Continued from page 31

ing shares which smaller institutions hold in Saswitch, Automated Clearing Bureau and Unexcor This should be completed within months FM 30/7/93

"These institutions will continue to have access to the services run by BankServ and will have a representative on its board," says Meiring. The four shareholders in BankServ have each appointed two senior executives to its board. They will be joined by a senior executive from the Reserve Bank and representatives from the other institutions

The chairmanship of BankServ will rotate among the four shareholders every two years Eben de Klerk, former head of Bankorp's information technology operations, who retired from Absa early this year, has been appointed BankServ CE.

BankServ will also take over the running of the myriad inter-bank committees established to devise technical standards for the banking industry (232)

The first benefits of the amalgamation are likely to come from improved administration "Because the utilities operated independently in the past, they each supported their own employee pension funds, medical aid schemes, personnel departments and computer systems BankServ will now take over these functions," says Meiring Annual savings are expected to reach as much as R6m in the next few years

Meiring acknowledges that the streamlining of the computer systems used by the different utility companies, which offers substantial potential cost-savings, is likely to take some time However, several opportunities are already apparent The banks have for some time been looking at the possibility of housing the Saswitch service at the high security premises of the clearing bureau In addition, the Joint Banks Credit Bureau, which is currently using a bureau service, could use spare capacity on Unexcor's mainframe Meiring says such moves are already being considered by BankServ

Other areas of discussion include a common infrastructure for the use of smart cards issued by the banks Some of the biggest benefits from the creation of BankServ are likely to come from greater co-operation among banks in developing new utility services, says Meiring ■

FM 30/7/93

LIBERTY LIFE/LIBSEL

FM 30/7/93

What else will go in?

From the standpoint of shareholders in Liberty Life, the flotation of Liblife Strategic Investments (Libsil) is another favourable deal For prospective investors in Libsil, its prospects are less evident as things stand.

Liberty and Liberty Holdings shareholders are being invited to buy into a portfolio of blue-chip shares which are difficult to obtain in quantity, and at a 10% discount to Libsil's NAV as at July 21.

The deal offers financial efficiencies for Liberty Life, improves the balance of the portfolio attributed to Liberty shareholders and creates a listed vehicle for further strategic acquisitions (232)

The real test for Libsil as an investment vehicle will come when there is evidence of what may flow from the plan to expand these holdings Until then, it will depend for growth essentially on the three counters — Standard Bank Investment Corp (SBIC), SA Breweries and Premier Group — making up all but 6% of the portfolio value

Biggest is the 23,8% of SBIC, with a market value last week of R2,55bn, or 45,6% of the portfolio Next is 27,3% in SAB holding company Bevcon worth R1,56bn and the direct 0,9% in SAB, worth R143,5m, these add up to 30,5% The 23,4% of Premier Group, worth R997m, accounts for 17,9% That only leaves 4,6% of Gold Fields of SA, worth R217,3m and accounting for 3,9%; and R117,5m of liquid assets giving the remaining 2,1%

Market ratings of the three dominant holdings make the timing of the listing look impeccable SBIC has more than doubled from around R46 when Liberty bought the 10% stake held by Rembrandt Group in 1991 Similarly, Premier was rerated from about R20 in late 1990 to more than R50 SAB has traded between R50-R60 for two years but long-term performance has been exceptional

It may be argued that premium share ratings are justified by the historical performance, but the market prices are far from cheap Whether it's worth buying in at these levels would depend on one's view of their prospects Chairman Donald Gordon argues that all are blue chip, and should continue to perform well in the long term

It's partly because of the appreciation of these investments that it makes sense to lighten Liberty's exposure to them Its investment in these strategic counters was funded out of shareholders' capital as they were considered too large for prudent absorption within policyholders' portfolios

But almost all the investments attributed to Liberty shareholders now consist of these few holdings — hardly a balanced portfolio

There will be definite financial efficiencies. About half the R1bn to be raised through the rights issue is to be used to retire expensive preference shares on which Liberty is now paying about 10%-12% a year. The remaining funds of about R500m will be released into the mainstream of the business Even if it is placed in the money market, there should be significantly better returns

But what is there to persuade investors to stump up the funds? Some of these shares could be bought in the market anyway And shareholders are essentially being invited to pay for investments they already own Also, some analysts contend financial services and food are contra-cyclical investments, best held in a recession rather than in the upturn

Several incentives

Institutions will probably see several key incentives Shares like SBIC in particular are almost impossible to acquire in significant quantities. SBIC is linked to the control structure of Liberty, Bevcon is key to control of SAB, both may justify premiums And the 10% discount may well be an attraction

But the critical issue is whether the market believes Libsil will be expanded actively and reasonably soon Gordon says further acquisitions are intended, but is enigmatic about details, except to say Libsil will hold SA investments and the quality would not be diluted That leaves plenty of scope, from grass-roots projects to acquisitions

Some analysts look with a tinge of scepticism at the plan to develop Libsil's portfolio They cite the 1986 listing of Liberty Investors (Libvest) Among the objectives of the flotation was "to provide necessary funds to facilitate diversification into new investment opportunities in selected counters"

Apart from its one-third interest in Liblife Controlling Corp, Libvest started with a small equity portfolio, including Barclays Bank, Sasol, Fugit, UBS, SAB, Anglo American and GFSA Its only asset now is 50% of Liblife Controlling Corp Gordon's riposte is that shareholders have done extremely well, and they should take a long-term view

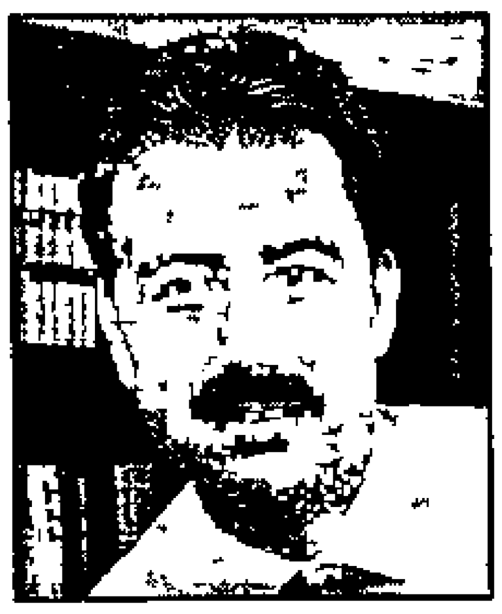
It remains to be seen whether Libsil (which won't pay management fees to Liberty) will trade at a discount to NAV Gordon believes it won't, except perhaps for brief periods (232)

More detail about the intentions, or an announcement of a deal — particularly before the rights offer closes on August 6 — would certainly help generate enthusiasm

Andrew McNulty

Beware the double tax effect

FM 30/7/93



Ray Eskinazi is international tax partner, Ernst & Young

The government recently introduced legislation to avoid the local tax consequences of the distribution of shares by SA companies undertaking "unbundling" transactions. Almost at the same time, an ANC official (apparently in a personal capacity) restated the concept of a "reconstruction" or "wealth" tax.

But the consequences have not been thought through. In the case of unbundling, foreign shareholders will be taxed in their home countries. And, in the case of the reconstruction tax, there are fiscal implications for foreign companies presently in SA and, therefore, consequences for future foreign investment.

Though unbundling legislation exempts SA shareholders from a host of local taxes, this is of little or no significance to a foreign shareholder who is usually subject to tax in his home country on all worldwide income (including dividends and capital gains) with a credit for any foreign taxes paid.

In the course of an unbundling, the nature of the distribution to shareholders will depend on several factors, including whether the distributing company will be liquidated after the distribution has taken place and whether the liquidation takes place before or after the distribution.

Other relevant factors affecting the tax treatment in the foreign jurisdiction will include whether the foreign shareholder is a company or individual, the percentage shareholding and the duration of ownership of the shares. (232)

But whether the distribution takes the form of a dividend or a capital gain, the unbundling will give rise to some form of taxable event, in the foreign jurisdiction, with an attendant tax liability. As the foreign shareholders will not have paid any SA tax on the transaction, they will have no credit against their home country liability and would be faced with an additional cost — despite having had no tangible receipt.

This may well prevent foreign shareholders from lending their full support to proposed unbundling transactions.

The recent statement that a proposed "reconstruction" or "wealth" tax could take the form partly of a tax on gross assets presents similar difficulties. A tax on gross assets was introduced in Mexico (in 1988 at the rate of 2%) and in Argentina (in 1990 at the rate of 1%) and has been considered in other Latin American countries such as Bolivia, Costa Rica, Peru and Uruguay (all countries with high inflation and requiring additional revenue for major adjustment programmes).

The problem for SA subsidiaries of foreign companies, is that such a tax on gross assets would not be accepted by the majority of foreign jurisdictions as an income tax which qualifies for a foreign tax credit. This would generally result in double taxation for foreign owned enterprises, once in SA (when the tax on gross assets is payable) and once in the foreign country (through the imposition of normal income tax there).

The US, Japan and other European countries have expressly refused to grant credits against foreign taxes on gross assets, alleging that such taxes cannot be viewed as income taxes (unless they take the form of a minimum income tax).

The above examples are hardly the way to inspire confidence in a country so desperately endeavouring to market itself as an attractive investment destination.

Union drops nationalisation policy

Ferial Haffajee

(232) WM 30/7-5/8/9

AN economic policy document from the country's third-largest trade union jettisons nationalisation and suggests instead that the future of the economy rests with co-determination

The Southern African Clothing and Textile Workers' Union (Sactwu) says: "Through co-determination, we (labour) can have a joint say over economic policy at national, sectoral and company level."

It also says nationalisation with compensation "would be beyond the resources of a democratic state.

"The international isolation which would follow, together with the flight of skills ... and capital would cause major damage to the economy," said Sactwu general secretary Ebrahim Patel in the policy document.

The wide-ranging document also says industries need to become efficient rather than to rely on protective barriers in the form of trade tariffs.

"In the short term, it results in job security for local workers. Very soon, though, the rest of the world will retaliate and refuse to buy our goods", it says.

Deregulation pros and cons

(232)

DEREGULATION should be handled with care, Mr Frank van der Velde told the task group meeting

Speaking both as Mayor of Cape Town and as an engineer running a small business, he said the sudden deregulation of the taxi industry had led to "chaos and bloodletting"

But other regulations were probably unnecessary

"We must always ask if the regulations concerned are meant to control industry or to protect the public's safety"

South Africans had an opportunity to design a new country

"We must do it correctly"

In spite of strong public health regulations, Mr van der Velde said, infant mortality was still higher in South Africa than in Taiwan — "where there are stands all over the place selling food of a dubious and questionable nature" ARG 1/8/93

In South Africa the infant mortality rate was 40 per 1 000 and in Cape Town 16 per 1 000 — compared to 5,05 per 1 000 in Taiwan

Other examples of controls which should be reconsidered were building industry regulations — which had put housing out of reach of many people — and zoning regulations, he said

DIAGONAL STREET

BRIAN JOFFE: From top seat to top seat

Jeff and Brian — a tale of two fighters

SI Times [Buss] 1/8/93

By Julie Walker

TWO companies recently topped a market capitalisation of R1-billion — Bidvest and W&A

The common thread is Brian Joffe, managing director of W&A until his resignation in May 1988, and executive chairman of Bidvest since its establishment a few months later

Bidvest's value exceeds R1-billion as a result of the takeover of freighting and forwarding group Safcor in a R261-million deal. Bidvest settled by issuing paper in itself and pyramid Bidcorp to institutions

Changes

Early this year, Cape transport and manufacturing group Trencor acquired joint control of W&A, backed a R700-million rights offer and restored credibility to the group, seen to be debt-laden and hit by recession.

Mr Joffe became associated with W&A when his friend and the company's founder Manny Simchowitz left South Africa in the early 1980s Mr Joffe and his team were involved in turning the businesses into a group worth R250-million

W&A has a multiple-pyramid structure, capped by Waicor, FSI and FSG, controlled by Jeff Liebesman. Mr Liebesman and crew built up the business of Form-Scaff, renamed FSI, which in 1987 made a bid for control of Waicor (W&A's then pyramid) at R35 a share.

A few rands above the highest market price Waicor ever reached, it was a fairish offer — until the October market crash halved it All Waicor's minority accepted the compulsory offer because the market value had fallen to R15 a share This was the start of a debt burden FSI never shook off until now

The R35 price is not directly comparable It would have been reduced by about two-thirds because of the many structural changes in the past six years After a 10-for-one share split, Waicor is now 80c

Mr Joffe left W&A shortly after the takeover and looked for an opportunity to build a new business He paid R6,7-million (about 310c) for control of the R8-million Iclef shell, injected the business of Walter A Chipkin and renamed Iclef Bidcorp A year later, after taking control of the Currie Motors shell and undertaking a pyramid exercise, Bidcorp became the holding company and Bidvest housed the operations

(232)

Kitchen

Not even five years later, Bidvest is now worth more than R1-billion and the share price is R80 Along the way it has acquired Afcom, Crown Foods, Justine, Steiner Services, President Trading and expanded Chipkin into Cater Plus

Bidvest's earnings a share climbed from 241c in the year to June 1990 to 412c in 1992 Its net asset value doubled from about R10 after the Safcor deal with cash in the bank.

In the same time, debt in the W&A stable piled up to R1-billion The group underwent several changes of structure and holdings into the current four divisions — automotive, maintenance and site services, consumer and industrial

It has not been without problem investments — Reichmans, Edworks and now Milstan

It sold its Elcentre and pantihose interests at a big profit, and got out of pharmaceuticals and kitchen cupboards

W&A's earnings a share fell from a peak of 110c in 1989 to 78,7c to December 1991 A change of accounting policy led to a loss of 6,6c in the year to December 1992 — after Trencor's prudent accounting policies were introduced

Comparing apples with apples, W&A's net asset value a share in that time rose from 238c to 514c — before being adjusted for the rights issue and goodwill

The group suffered from doubt about its debt even though the performances of the underlying companies and the profits from corporate deals were acceptable and dividends were maintained throughout

The past is behind W&A with the injection of Trencor's and institutional money Trencor is capitalised at R3-billion on the JSE Although W&A's share price is struggling ahead of results, it could be the cheapest investors will get in what must be a recovery situation

Didata casts its net . . .

Paper in exchange for cash and assets

ST Times (Buss)

IN issuing two lots of paper for the same thing, Brian Joffe's Bidvest makes JSE history 1/8/93

The biggest grouse about Bidvest is scarcity of scrip, a topic touching a nerve with Safcor minorities. (232)

Curfin — Safcor's controlling shareholder before the Bidvest deal — had previously granted another party a pre-emptive right to its 50,1% in Safcor. The party waived its right and Bidvest became obliged to buy or procure the purchase of Curfin's Safcor stake based on net asset value. But because of the Bidvest-Safcor agreement before the third party waived its rights, Safcor was already a cash shell. The controlling shareholders took the cash, meaning that two opportunities to give Safcor minorities Bidvest scrip have been passed.

In the first place, Bidvest might have made a direct offer for Safcor shares rather than buying out the assets. Second, Safcor could have passed on the Bidvest-Bidcorp paper to its own shareholders as a distribution in specie instead of having the shares placed and taking the cash.

Some Curfin shareholders live outside SA and obviously want the cash.

Hitherto, the JSE allowed only cash to be paid for shells This could have prevented Bidvest from issuing shares to the Safcor minority. That would have amounted to issuing shares for cash.

But 18 months ago, the JSE changed its regulations to allow companies to issue shares for cash — provided there is the support of 90% of shareholders and the limits are defined.

Bidvest intends raising R113-million by this method.

Safcor minorities are aggrieved. One says: "It is unfair that institutions which might never have had a Safcor or a Bidvest-Bidcorp share have been the recipients of scrip issued by the Bidvest group to pay for Safcor's businesses. Minorities in Safcor will get cash only and lose out on the potential for their company's growth under Bidvest control."

Bidvest director George Demetriades says the total amount has been placed in the Safcor businesses and a large part of the R113-million for the Safcor shell has been raised.

The deal should be ratified at Friday's meeting of shareholders.

Mr Demetriades says: "We are aware that 82% of Safcor shareholders want cash."

In a nutshell, Bidvest issues two lots of paper and gets cash and assets back. It's brilliant.

Charter seeking worldwide expansion

Star 3/8/93

By Stephen Cranston

Charter Plc's objective is to assemble a group of industrial businesses, each with strong management and leading market position, says chairman Sir Michael Edwardes.

Writing in the annual report for the year to March, Edwardes says the sale of its stake in Johnson Matthey and the sale by Minorco of its shareholding in Charter represent important steps in establishing Charter as an independent industrial holding company

It will remain in the UK, but plans to expand businesses worldwide

The largest contributor of operating profit was Pandrol, which showed its strongest performance from the British fastenings business The division increased exports by 26 percent and won the Queen's Award for Exports.

The fastenings division has expanded in the US and moved to a new factory, which increased clip production by 30 percent, including clips for Canadian railways.

The second-largest contributor was the building products and services group, Cape, in which operating profit rose by five percent, despite a difficult home market.

The industrial services division was helped by the development of activities in the Far East. It completed major contracts in Australia and Brunei and is embarking on work in Vietnam, Thailand and the Philippines (232)

The scaffolding and speciality coating businesses now provide a comprehensive maintenance service for offshore oil rigs.

Mining equipment subsidiary Anderson doubled profits and has successfully developed its repair and rebuild capability, winning a further two-year contract from British Coal.

National Mine Service increased turnover by 28 percent and maintained net margins.

Coal mining group SMI, which operates from four opencast mines in Indiana, saw profits up 13 percent in US dollars.

Malhold gives details of its plans for unbundling

B/Day 3/8/93

MARCIA KLEIN

MALHOLD has announced details of its unbundling, in terms of which the pyramid company would distribute its 39,47% interest in Malbak — its only investment — to its shareholders by way of a distribution in specie

Malhold shareholders would receive about 281,78 Malbak shares for every 100 Malhold shares held, and Malhold would be delisted at the close of business on November 5

After the unbundling, Malbak's largest shareholder will be Sankorp with a 36% stake, with the balance of its shares held by institutions and investors An announcement on the unbundling of Gencor, which currently controls Malbak through its 48% holding in Malhold, is expected soon

Directors said Malhold's shares had traditionally traded at a discount to the underlying value of Malhold's investment in Malbak

The decision to unbundle Malhold should eliminate that discount and release value for shareholders The unbundling should also make Malbak's shares more tradeable in the longer term

Malbak executive chairman Grant Thomas said the moves would streamline the group structure and save costs

(232)

But he added that Malbak, whose listed subsidiaries included Foodcorp, Holdains, SA Druggists, Ellerines and Haggie, would not undertake any further unbundling According to Thomas, Malbak's rating confirmed the view that Malbak added value to its underlying assets

By being part of the larger Malbak group, subsidiaries could maximise their own profit opportunities and those for Malbak shareholders, Thomas said

He said the recent change in legislation had made the removal of the pyramid company feasible

"The decision to eliminate the Malhold pyramid and simplify the group structure was taken some years ago, but because of the costs involved, it was not considered in shareholders' best interest to undertake the exercise at that stage," Thomas said

Last month Malbak exercised its option to sell its 38% stake in Standard Engineering to Murray & Roberts in a R154,5m deal This was in line with its objective to focus on consumer-related businesses

The distribution of Malhold's holding was subject to Malhold shareholders' approval at a general meeting on September 17

The conversion terms of Malbak's 13% compulsorily convertible debentures would also be changed

Malhold notes unbundling arrangement

(232)

CT 3/8/93

Own Correspondent

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American ,

GDM beats objectives

BDay 3/8/93

MZIWAKHE HLANGANI

INTERNATIONAL trade finance company GDM Finance had emerged from difficult trading conditions consistently exceeding its objectives, MD John Cowper said in the latest annual report

Its sound performance in both domestic and international markets over the past six years was a result of careful risk management and retaining profits to control gearing

Cowper said the company had consistently achieved its goals since its listing six years ago One of these was to distribute about 40% of attributable income in dividends and to maintain a conservative gearing of less than 5 1

The company's 64% owned subsidiary African Shipping acquired the clearing and forwarding interests of Fowlie & Whystock Limited and R H Freight Services during 1991/92

The group's financial position was further enhanced by the rand hedge advantage derived from profits generated by external offices in Europe, he said

Analysts optimistic about Amic recovery

BDay 3/8/93

MATTHEW CURTIN

ANGLO American Industrial Corporation (Amic) might show the first signs of its recovery from several years of poor commodity prices and the depressed domestic economy when it reports half-year results on Friday, market sources say

Analysts canvassed yesterday said Amic could show growth in attributable earnings of up to 5% in the six months ended June 30, but even a flat performance would break a four-year run of sharply declining earnings (232)

Fergusson Brothers analyst Steve Rubenstein said "Although the commodity and mining supply sectors are still very weak, Amic's results may have bottomed and started to swing up at last."

Analysts' subdued optimism has not been matched by investors on the JSE, where Amic's shares have raced to R80 in recent weeks compared with their most recent low of R51,50 less than a year ago

The shares' rerating had been sustained by market confidence that the commodity cycle was about to turn

This, coupled with a good reception of Amic's tie-up with South Korean conglomerate Daewoo and promises of financial restructuring within the group, have also aroused market interest

Analysts said any significant about-turn in commodity prices would be more keenly felt in the current six months.

Amic's bottom-line profit stood at R160m, at the interim stage last year, equivalent to 281c a share, when an unchanged 110c dividend was declared.

Earnings at year-end in December amounted to 617c a share, more than 15% down on those of the year before.

The biggest contributors to Amic's earnings in 1992 were engineering group Scaw, chemicals producer AECI, mining equipment group Boart, Highveld Steel & Vanadium and Tongaat-Hulett.

Analysts said of those only AECI, which turned in a 22% jump in earnings when it announced interim results last month, would improve its contribution

Results from unlisted Scaw and Boart would reflect gloomy conditions in the mining and engineering industries

Highveld, which was 51,8% owned by Amic, would show the continued slump in iron, steel and ferro-alloy markets

Worst hit would be unlisted paper and pulp producer Mondi.

Paper and pulp prices had shown little sign of recovery this year

Frankel, Pollak, Vinderine analyst Johan Snyman, forecasting a 4% increase in earnings attributable mostly to the improved performance of the group's associate companies, said Mondi would turn in flat results only on the strength of cost-cutting

Analysts added that the first full benefit of Amic's increased stakes in retailer McCarthy Group and engineering and construction subsidiary LTA, which became a subsidiary last year, would bolster earnings

Crusader Life halts all new business

BDay 2/8/93

CRUSADER Life will not take on any new business

ROBYN CHALMERS

Crulife said last night that shares of Crulife, Anglovaal Insurance Holdings (Avins) and the AVF group would remain suspended from the JSE "until further notice" The board believed "there was little or no value attributable to ordinary shareholders" in either Crulife or Avins.

AA Life would not pay holding company Avins any dividends for the next few years as funds would be used instead to finance preference shares in AA Life (232)

Crulife director Dave Barber said the board had decided not to take on any new business in a bid to alleviate the strain of paying large up-front commissions to intermediaries As a result, growth prospects for Crulife were poor, and the assurer's size would decrease. (68)

"Crulife has had a tough time over the past few weeks, and it was decided to take action now ahead of the final results of the actuarial evaluation. These findings will be made known within the next few weeks," Barber said

Shareholders wait and wonder

BDay 4/8/98

CHARLOTTE MATHEWS

SHAREHOLDERS and policyholders in Crusader Life Assurance Corporation (Crulife) are anxiously awaiting the annual actuarial review being prepared and the comprehensive statement they have been promised.

Crulife, which is 60% held by Anglovaal Insurance Holdings (Avins), issued a statement yesterday which said it would immediately cease to transact any new business. Its activities would be limited to managing policyholders' funds with the view to enhancing their overall financial position and that of shareholders. It added there was "little or no value attributable to ordinary shareholders".

Crulife chairman Dave de Beer said there was "no further information at the moment". (232)

A major shareholder, who asked not to be named, said he found it odd that the share price had been rising for some time, that auditors had approved past accounts, there had been growth in the dividend, Anglovaal was a substantial shareholder, UAL was linked in a venture with Crulife and "now there is nothing".

First Bowring CE Alan Wilson confirmed his company had received many phone calls from Crulife clients whose main query was what would happen to their policies First Bowring had a meeting with Crulife today and would report back to clients. Wilson said most policies had guarantees attached

UAL said it began negotiations with Crulife in June for the transfer of all Ella annuity policies underwritten by Crulife to a major insurance company UAL director Clive Turner said developments at Crulife were being closely monitored on behalf of Ella annuitants, whose investment UAL was taking all appropriate steps to safeguard while Crulife carried out its valuation.

Financial Services Board long term assurance manager Oppie Opperman said there had been cases in the past where insurers stopped writing new business and subsequently had resumed.

"New business normally carries a strain since there are certain expenses in the beginning of a policy that have to be funded from capital, such as commissions to the intermediaries. If you don't have those expenses, all money generated goes to existing policy holders."

Crulife will operate as a closed fund, possibly for months or years, until the situation has improved

Opperman, "talking a bit in the dark", said "Until Crulife has finalised the audit and the valuation is done, the situation remains unsure."

In a separate development, JSE president Roy Andersen said the JSE had completed its investigation into the charge of insider trading in Crulife shares and had handed the issue to the Securities Regulation Panel. Securities Regulation Panel executive director Doug Gair said the panel's investigation would take about a week. It would then decide whether to take the matter further

The investigation was begun after a sharp decline in the share prices of Crulife, Avins and holding company AVF Group ahead of an announcement of problems in foreign associate Pegasus.

● See Page 9

Suspension lifted on AVF shares

B/Day 4/8/93

CHARLOTTE MATHEWS

THE suspension of the ordinary shares of AVF Group had been lifted from today, the JSE said. The shares last traded at 60c on July 29.

AVF holds 86% of Anglovaal Insurance Holdings (Avins), the holding company of Crusader Life Assurance Corporation (Crulife) and AA Life Assurance Association AVF's other investment is a 40% holding in the Board of Executors (BoE).

Avins MD and Crulife executive chairman Dave de Beer said Crulife and Avins shares would remain suspended. Crulife had been suspended because "there is little or no value in the ordinary shares" (232)

Avins was in a similar position since its investment in Crulife had no value and no income would be attributable to it from its investment in AA Life's shares for the foreseeable future

"AVF, however, has two investments — its stake in Avins and 40% of BoE," De Beer said. "Avins is more than likely to be worth nothing, but the value of BoE is easy to obtain from its listing It was felt it would be appropriate to have AVF's listing reinstated as soon as possible"

Attempts to privatise slated

THE ANC yesterday said it rejected attempts by a number of racially-based local authorities to privatise certain municipal services.

"This unilateral restructuring is noted as an attempt to pre-empt the implementation of more representative and legitimate councils during the crucial interim phase," the ANC said in a statement. (232)

Buffels investors to get windfall from unbundling

Star 4/8/93

232

By Derek Tommey

Buffelsfontein shareholders are to receive a windfall following a decision by Gengold to delink Buffelsfontein and Beatrix gold mines.

Beatrix is planning to redeem Buffelsfontein's right to 16 percent of its distributable income by handing it 9,5 million shares, worth about R323 million.

Buffels shareholders will receive 81,818 Beatrix shares for every 100 Buffels shares held

As Beatrix shares are trading at R34, holders of 100 Buffels shares (worth about R5 400) will receive Beatrix shares worth about R2 782

In exchange, Beatrix shareholders will receive an enhanced stake in the earnings of an increasingly profitable mine

Dilution

The dilution of Beatrix's capital will not be large as the new shares to be issued are equal to about 10 percent of Beatrix's current issued share capital.

The two mines have been financially linked since 1983, although Buffels is in the Klerksdorp area and Beatrix in the Free State

The intention behind the agreement was to enable Buffels, at that time an established and profitable mine, to help finance out of its income Beatrix's capital expenditure, and reduce its tax bill

At the time of the link-up, Buffels acquired the assets and mining lease of Beatrix by issuing preference shares to its parent company, Beatrix Mines. This is the company listed on the JSE.

Gary Maude . . . better marketability of shares.

The preference shares entitled Beatrix Mines to 84 percent of the net distributable profits of Beatrix. Buffels ordinary shareholders received the remaining 16 percent, which Beatrix is now buying back.

Beatrix Mines also receives a royalty of 15 percent of the gross annual revenue of Beatrix. But now, with Beatrix becoming highly profitable, the agreement's tax advantages have disappeared and Gengold has decided the time is ripe to separate the two

Gary Maude, chairman and managing director of Gengold, said last night this should result in better tradeability of the shares of the two companies.

Investors had not appeared to recognise the value to Buffelsfontein of its stake in Beatrix, he said. The transaction should make Beatrix's shares more tradeable because it will simplify its structure.

Because of Beatrix's complicated financial structure, analysts have been wary of the share

The arrangement is subject to approval by various parties, including shareholders, the Reserve Bank, the London stock exchange and the JSE.

Desirable

The transaction is clearly in the immediate interests of shareholders, but some analysts have suggested that it will make it easier to separate the two companies completely

This could be a desirable feature in the long run when Buffels, which has been operating for 36 years, starts running down.

It means that when this time arrives its opera' ons will not be subsidised by earnings from Beatrix, which result in a false picture of the mine's prospects.

Buffels has been putting up a stout performance lately, but Beatrix is undoubtedly proving a star. Both mines are producing roughly the same amount of gold — Beatrix 3 250kg in the June quarter and Buffels 3 582kg

But costs are far higher at Buffels, and its working income was R20,7 million, while Beatrix's was R44,3 million

Gencor unveils unbundling details

210 232 CT 5/8/93

From ANDY DUFFY

JOHANNESBURG — Mining house Gencor yesterday unveiled the R6,9bn terms by which it will unbundle

Under the scheme, which does not go as far as expected, Gencor's net asset value will fall from R21bn to R14,1bn, with the holdings in energy company Engen, investment arm Genbel, paper business Sappi and Malbak holding company Malhold distributed in specie to shareholders

Gencor holding company Genbeheer will distribute its Gencor shares and the unbundling shares it receives to its shareholders, dissolving itself in the process

Gencor's original aim, announced in May, had been to become a pure mining house with no non-mining interests Instead, it has opted to retain a R900m or 20% stake in consumer products holding company Malbak to maintain the "critical mass" it deems necessary if it is to achieve its ambition of transforming itself into an international mining resources group

Gencor said the dismantling would unlock the underlying value of its assets, which range from gold to pharmaceuticals It also believed the move would provide shareholders with a number of focused companies, rather than a combined mass of companies operating in non-related sectors

Chairman Brian Gilbertson yesterday dismissed suggestions that the Malbak stake would be used as a hedge to the commodities cycle. "We've accepted that we're going to be a mining company"

He said the holding in Malbak was in line with Gencor's earlier plans to put an extra R1,5bn into Gencor, to calm fears that a smaller company would find it tougher to take on major projects

The Malbak stake and last month's reshuffle with Genbel, which boosted Gencor's assets by R762m, had pushed Gencor's value to R14,1bn, of which about 30% would be cash and other realisable investments

Under the terms of the unbundling, Gencor will distribute by dividend in specie 77-million shares in Engen, 216-million in Genbel, 21-million in Malhold and 54,8-million in Sappi In other words, a holder of 100 Gencor shares will receive 5,6 shares in Engen, four in Sappi, 15,7 in Genbel and 4,3 in Malbak. The Malbak shares will be issued in lieu of the Malhold holding

Genbeheer shareholders will receive 90,6 Gencor shares, 14,2 Genbel, 3,6 Sappi, 5,1 Engen and 3,9 Malbak shares for every 100 Genbeheer shares held

Gencor's shares closed at R11,40 yesterday, against R12 at the time of the initial announcement in May and R12,10 after news emerged of the Genbel reshuffle

Star 5/8/93

Gencor unbundling could yield R5-bn

(232) (216)

By Derek Tommey

Gencor has announced details of its unbundling programme, which in time could generate an extra R5 billion in market gains for its shareholders — chiefly Sanlam and Rembrandt.

Gencor is unbundling — it is handing over to its shareholders some of its assets — because it claims that the market price of its shares does not reflect the value of its assets.

It says that last Friday Gencor shares, which have a net asset value of R15,26, were priced at only R11,65.

This represents a discount of almost 25 percent to their net asset value and means the market is valuing Gencor at around R16 billion, when the group is worth R21 billion

Gencor, by passing on some of its shares, will enable shareholders to receive the full market value for them — and probably get a better price for Gencor as well

For every 100 Gencor shares held, its shareholders are to receive 5,6 Engen shares, four Sappi shares, 15,7 Genbel shares and 4,3 Malbak shares.

Brian Gilbertson . . . bigger than initial calculations

Gencor says the market value of these shares is R5,10 for every Gencor share held

Altogether, Gencor is distributing to its shareholders by way of a dividend in specie 77 million Engen shares, 216 million Genbel, 21 million Malhold and 54,8 million Sappi shares — together worth about R6,9 billion

The Genbeheer pyramid structure will be dismantled simultaneously.

For every 100 Genbeheers, their holders will receive 90,6 Gencor shares, 14,2 Genbel shares, 3,6 Sappi shares, 5,1 Engen shares and 3,9 Malbak shares.

The value of the underlying assets of each holder of a Gencor share, which was R15,26, will not be changed by the unbundling.

Where the betterment comes from will be in the price of Gencor shares after the unbundling.

If they fall by the full value of the shares being transferred to shareholders, then, given no change in their current price, they will stand at R6,64.

But this is a most unlikely price because it would represent a discount of 35 percent to net asset value

On a 20 percent discount, it would stand at R8,30, which means that Gencor shareholders would be around R2,66 a share ~~better off~~ and the market value of the company would be boosted by around R3,7 billion

However, it is quite possible, given Gencor's brighter prospects, that the discount would be around 10 percent, giving shareholders another R1,33 a share, and increasing its market value by another R1,85 billion.

Some indication of the possible net gain to Gencor shareholders will be found in the extent to which Gencor shares appreciate on the unbundling news.

When Gencor chairman Brian Gilbertson first announced the unbundling, he said he did not want to shrink Gencor to the extent that it lost its critical mass.

This problem has been overcome by Gencor retaining its 20 percent direct stake in Malbak

This is worth R900 million and will leave Gencor with net assets of R14,1 billion.

Gencor will be R1,6 billion bigger than initial calculations suggested, says Gilbertson

Sanlam and Rembrandt will provide backing for the unbundled companies.

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PROPOSED UNBUNDLING OF GENCOR'S NON-MINING INTERESTS

GENCOR

1 **INTRODUCTION**

On 11 May 1993, the Gencor board announced that it would recommend to shareholders that certain of its listed strategic non-mining interests be unbundled In terms of these recommendations, the ordinary shareholders of Gencor would receive their *pro rata* entitlements to shares in Engen Limited ("Engen"), Genbel Investments Limited ("Genbel"), Malhold Limited ("Malhold") and Sappi Limited ("Sappi") (collectively "the affected shares") by means of a dividend *in specie* ("the unbundling")

2 **RATIONALE FOR THE UNBUNDLING**

Unbundling will provide ordinary shareholders with the ability to adjust portfolios between a number of focused companies which should result in significant benefits to them over the longer term Enhanced focus should also increase the ability of the individual companies to develop local and international opportunities in their respective industries The elimination of a portion of the discount that commonly exists between Gencor's market capitalisation and its net assets (at valuation) is also anticipated

3 **ACTIONS TO MINIMISE DIMINUTION OF ASSET VALUE**

The same announcement stated that a major objective would be to minimise the diminution of Gencor's asset value This objective was addressed as follows

3 1 **Transaction with Genbel**

On 14 July 1993 the board announced that Gencor had reached agreement to acquire a number of important strategic interests from Genbel These comprise all of Genbel's offshore interests, being shares in TransAtlantic Holdings PLC, cash and exploration ventures in Turkey, as well as shares in Kinross Mines Limited, Impala Platinum Holdings Limited, Samancor Limited, Trans-Natal Coal Corporation Limited and Winkelhaak Mines Limited These were acquired in exchange, inter-alia, for 8 946 813 shares in Engen and 12 391 699 shares in Sappi, then valued at approximately R762 million, which would otherwise have constituted part of the unbundling This exchange is subject to the approval of Genbel shareholders in a general meeting to be held on 6 August 1993

3 2 **Retention of investment in Malbak Limited ("Malbak")**

The directors of Gencor have decided that the company should retain further assets over and above the portfolio of mining and commodity based assets which will comprise the assets of the company after the unbundling Gencor will therefore retain its direct interest in Malbak (with a current market value of approximately R900 million), and distribute only its investment in Malhold Taking account of the funding requirements of Gencor's projects, and the fact that the company currently has liquid resources totalling approximately R1 600 million, there are no plans to dispose of any portion of the investment in Malbak

As a result of the above the value of Gencor after unbundling will, based on the current market prices of its underlying investments, be approximately R1,6 billion more than would otherwise have been the case, with net assets totalling approximately R14,1 billion

4 **PARTICULARS OF THE UNBUNDLING**

Subject to the approval of the unbundling recommendations by shareholders in general meeting, Gencor will distribute the affected shares to its ordinary shareholders, registered in the company's register of members on the unbundling record date as per paragraph 5, by way of a dividend *in specie* The number of each of the affected shares to be distributed is as follows

77 071 079 ordinary shares in Engen,
216 022 150 ordinary shares in Genbel,
20 988 577 ordinary shares in Malhold*, and
54 795 848 ordinary shares in Sappi

* *Immediately following the Gencor unbundling, Malhold will, subject to its shareholders' approval and such other approvals as may be required, be unbundled by the distribution to its ordinary shareholders of its holding in Malbak by way of a distribution in specie Gencor has agreed, subject to the implementation of the Malhold unbundling, to act as an agent in respect of the distribution to Gencor ordinary shareholders of Malbak ordinary shares arising from the Malhold unbundling Accordingly, Gencor ordinary shareholders will receive a total of 59 141 612 Malbak ordinary shares in lieu of their entitlement to Malhold ordinary shares, on the basis of 2,8178 Malbak ordinary shares for each Malhold ordinary share to which they are entitled as a result of the unbundling*

Gencor ordinary shareholders' entitlements to affected shares will be calculated on a *pro rata* basis in accordance with the ratio that the number of ordinary shares held by them bears to the total number of ordinary shares in issue being 1 376 125 873 shares, rounded down to the nearest one ten-thousandth of an affected share

The unbundling will accordingly result in each of the ordinary shareholders receiving, for every 100 Gencor ordinary registered or bearer shares held on the unbundling record date, approximately

5,6006 ordinary shares in Engen,
15,6978 ordinary shares in Genbel,
4,2977 ordinary shares in Malbak, and
3,9819 ordinary shares in Sappi

If, for whatever reason, the Malhold unbundling is not implemented, ordinary shareholders will receive approximately 1,5252 Malhold ordinary shares for every 100 Gencor ordinary registered or bearer shares, instead of the Malbak ordinary shares as mentioned above

Fractional entitlements to the affected shares will be aggregated, sold and the cash proceeds, net of costs, remitted to the ordinary shareholders concerned

5 **UNBUNDLING RECORD DATE**

The last day to register ("LDR") in order to receive the affected shares in terms of the unbundling is Friday, 5 November 1993, or such other date as may be determined by the directors of Gencor

6 **IMPLICATIONS FOR 1993 FINANCIAL YEAR AND CHANGE IN YEAR END**

The proposed LDR will enable Gencor to report its income for the financial year ending 31 August 1993, particularly as regards the earnings and dividends related to the affected shares, on a basis which is consistent with that used in previous years Furthermore, in the determination of the final dividend for the 1993 financial year, the directors of Gencor intend applying criteria which are consistent with those applied in previous years

Gencor's first financial period after the unbundling will, subject to the Registrar of Companies' approval of a change in year-end to 30 June, be the 10 month period commencing on 1 September 1993, and ending on 30 June 1994

7 **FINANCIAL EFFECTS ON GENCOR**

The unaudited *pro forma* financial effects of the unbundling on Gencor's consolidated income for the financial year ended 31 August 1992 and on its consolidated net assets (at valuation) as at that date as well as on 30 July 1993, are summarised as follows

	Notes	Before unbundling		After unbundling		Change
		(Rm)	Per ordinary share (cents)	(Rm)	Per ordinary share (cents)	%
Year ended 31 August 1992						
Earnings	1	1 261	98,8	599	46,9	(52,5)
Cash earnings	1	765	60,0	455	35,6	(40,5)
Net assets (at valuation)	2	18 446	1 341	11 287	820	(38,8)
As at 30 July 1993						
Net assets (at valuation)		20 998	1 526	14 143	1 028	(32,6)

Notes

1 *The figures for earnings and cash earnings after the unbundling have been calculated on the assumption that the same number of affected shares being unbundled had been distributed at the commencement of the financial year ended 31 August 1992 To the extent that the actual holdings in such shares during this period exceeded the numbers being unbundled, only dividend income has been accounted for on the related excess*

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2 *The figure for net assets (at valuation) after the unbundling has been calculated on the assumption that the unbundling of the affected shares had been effective on 31 August 1992 Actual affected shareholdings which were, on that date, in excess of the number of affected shares being unbundled, have been accounted for as part of Gencor's investment portfolio*

3 *The effects of unbundling on earnings and net assets for 1992 exclude any effects of the transaction with Genbel referred to in 3 1 This transaction would not have had a material effect on earnings if it had been effective throughout the 1992 financial year, or on asset value had it been effective on 31 August 1992*

8 FINANCIAL EFFECTS ON ORDINARY SHAREHOLDERS

The table below illustrates the effect of unbundling on the composition and value of the underlying investments of a holder of 1 000 ordinary shares in Gencor prior to unbundling

Investment	No of ordinary shares	Market value as at 30 July 1993 cps	Rand	Percent of total %
Before unbundling				
Gencor	1 000	1 165	11 650	100,0
After unbundling				
Engen	56	4 000	2 240	19,2
Genbel	156	665	1 037	8,9
Malbak§	42	1 475	619	5,3
Sappi	39	2 750	1 073	9,2
Cash in lieu of fractions			44	0,4
			5 013	43,0
Gencor (value of residue as reflected in current Gencor market price)	1 000	664*	6 637	57,0
			11 650	100,0
Net assets (at valuation) of residual Gencor	1 000	1 028	10 280	

* *The actual market value will depend on the price at which Gencor trades after its unbundling has taken place*

§ *It is assumed that Malhold will unbundle and therefore Gencor ordinary shareholders will receive Malbak ordinary shares in lieu of their Malhold entitlement*

Dividends on affected company shares will, after unbundling, accrue directly to ordinary shareholders, as will the Gencor dividends that will reflect its lower income base

9 TAXATION CONSIDERATIONS

In terms of section 60 of the South African Income Tax Act, 1993

- the share distribution by Gencor will not be deemed to be
  - a dividend for the purposes of attracting secondary tax on companies and non-resident shareholders' tax,
    or
  - an amount derived by a long term insurer from the investment of funds as envisaged by section 28(1) (b) of the South African Income Tax Act, 1962 (Act No 58 of 1962), as amended,
- shareholders on the South African section of the register of members will be exempted from stamp duty upon the registration of shares received by way of the unbundling, and
- Gencor shares held as trading stock will be subject to the specific provisions set out in the aforementioned section 60

10 PROPOSED OFFERS IN RESPECT OF ODD LOTS ACCRUING TO SOUTH AFRICAN RESIDENTS

Genbel will, other than in respect of its own ordinary shares, make an offer to ordinary shareholders resident in South Africa, registered as such on the unbundling record date, to facilitate the rounding to whole multiples of 100 affected shares of any such shareholders' odd lots As regards Genbel's own ordinary shares, Sankorp will make such an offer These offers will open approximately one week after the LDR for Gencor ordinary shareholders to participate in the unbundling The terms and further details of the odd lot offers will be published on or about Friday, 12 November 1993

11 PROPOSED SANKORP BEPERK ("SANKORP") FACILITY FOR NON-RESIDENT ORDINARY SHAREHOLDERS

Gencor has procured that Sankorp will make a facility available for non-resident ordinary shareholders This facility will, in effect, enable such shareholders who elect to utilise it to sell their pre-unbundled Gencor ordinary shares to Sankorp, on condition that Sankorp will, according to a predetermined formula, transfer as consideration after the unbundling, a greater number of post-unbundled Gencor ordinary shares in registered form Further information pertaining to the facility, which will be administered by Smith New Court Corporate Finance Limited, on behalf of Sankorp, will be published on or about Friday, 24 September 1993

The rationale for the Sankorp facility is twofold Firstly, it will enable non-resident ordinary shareholders to pursue their interests solely in Gencor Secondly, acceptance of the share distribution by non-resident Gencor ordinary shareholders may attract unfavourable tax treatments in certain countries The facility will afford such shareholders the flexibility of rearranging their Gencor shareholdings prior to the unbundling However, no representation is made that all non-resident ordinary shareholders will be able or permitted to utilise the facility, or that it will be effective in assisting all or any of them as regards the abovementioned possible tax treatments

12 CONDITIONS PRECEDENT

The unbundling, the odd lot offers and the Sankorp facility are all subject to the fulfilment of the following conditions precedent

12 1 the approval by shareholders of Gencor in general meeting on 31 August 1993 of the ordinary resolution to be proposed thereat for the implementation of the unbundling,

12 2 the approval by Genbel shareholders of the transactions referred to in paragraph 3 1, and

12 3 the approvals of The Johannesburg Stock Exchange, other relevant international stock exchanges, the Commissioner for Inland Revenue, the South African Reserve Bank and such other South African and international regulatory authorities as may be required for the purposes of the aforegoing

13 SALIENT DATES

Circular and notice of a general meeting posted	Monday, 9 August 1993
Gencor general meeting (at 09h30)	Tuesday, 31 August 1993
LDR to participate in the unbundling (unbundling record date)	Friday, 5 November 1993
Unbundling consideration posted to ordinary shareholders by	Friday, 12 November 1993

The above dates and times are subject to change and any changes will be announced in the press

14 CIRCULAR TO SHAREHOLDERS

A circular containing full details of the unbundling and incorporating a notice of general meeting, will be posted to shareholders of Gencor on or about Monday, 9 August 1993

Johannesburg
5 August 1993

Gencor Limited
Registration number 01/01232/06
Incorporated in the Republic of South Africa

Merchant bankers

FirstCorp
FirstCorp Merchant Bank Limited
Registration No 58/02411/06
A member of the First National Bank Group

Attorneys

EDWARD NATHAN & FRIEDLAND INC
(Registration number 77/00525/21)

Sponsoring brokers

In the Republic of South Africa

Martin & Co.
Martin & Co Inc Registration No 72/09119/21
Member of the Johannesburg Stock Exchange

Frankel, Pollak, Vinderine Inc
(Registration number 72/08352/21)
(Member of The Johannesburg Stock Exchange)

In the United Kingdom

SMITH NEW COURT
CORPORATE FINANCE LTD
(Member of The London Stock Exchange and The Securities and Futures Authority)

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PROPOSED UNBUNDLING

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GENCOR BEHEREND

1 INTRODUCTION

On 11 May 1993 the Gencor Beherend Beperk ("Genbeheer") board announced that it would recommend to shareholders that all of its interests in Gencor Limited ("Gencor") as well as the shares to be received from Gencor pursuant to the unbundling of that company, be distributed to Genbeheer's shareholders by way of a capital reduction and a dividend *in specie* ("the unbundling")

2. RATIONALE FOR THE UNBUNDLING

The Gencor board s rationale for its decision to recommend the unbundling of Gencor is set out in the Gencor announcement also published today That recommendation has the full support of the Genbeheer board, which in turn recommends the unbundling of Genbeheer to its shareholders

3 PARTICULARS OF THE UNBUNDLING

The number of Gencor shares held by Genbeheer and shares to be received pursuant to Gencor's unbundling (the "affected shares"), which are to be distributed to Genbeheer shareholders, will be as follows

755 182 863 ordinary shares in Gencor;

42 294 647 ordinary shares in Engen Limited ("Engen")

118 547 459 ordinary shares in Genbel Investments Limited ("Genbel"),

32 455 412 ordinary shares in Malbak Limited ("Malbak")*, and

30 070 567 ordinary shares in Sappi Limited ("Sappi")

* *Immediately following the Gencor unbundling, and prior to Genbeheer's unbundling Malhold Limited ("Malhold") will, subject to its shareholders' approval and such other approvals as may be required, be unbundled by the distribution to its ordinary shareholders of its holding in Malbak by way of a distribution in specie Gencor has agreed, subject to the implementation of the Malhold unbundling, to act as an agent in respect of the distribution to Gencor ordinary shareholders of Malbak ordinary shares arising from the Malhold unbundling Accordingly, Genbeheer will receive Malbak ordinary shares in lieu of its entitlement to Malhold ordinary shares, on the basis of 2,8178 Malbak ordinary shares for each Malhold ordinary share to which it is entitled as a result of the Gencor unbundling Genbeheer will in turn distribute the Malbak shares to its shareholders*

If, for whatever reason, the Malhold unbundling is not implemented, Genbeheer will become entitled to, and will distribute, 11 517 997 Malhold ordinary shares instead of the Malbak ordinary shares as set out above

Shareholders' entitlements to affected shares will be calculated on a *pro rata* basis in accordance with the ratio that the number of ordinary shares held by them bears to the total number of ordinary shares in issue being 833 840 840 rounded down to the nearest one ten-thousandth of an affected share

Accordingly each Genbeheer shareholder will receive, for every 100 Genbeheer shares held on the unbundling record date approximately

90 5668 ordinary shares in Gencor

5 0723 ordinary shares in Engen,

14,2170 ordinary shares in Genbel,

3 8923 ordinary shares in Malbak and

3 6063 ordinary shares in Sappi

If, for whatever reason, the Malhold unbundling is not implemented shareholders will receive approximately 1,3813 Malhold ordinary shares for every 100 Genbeheer shares instead of the Malbak ordinary shares as mentioned above

Fractional entitlements to affected shares will be aggregated, sold and the cash proceeds, net of costs, remitted to the ordinary shareholders concerned

4 UNBUNDLING RECORD DATE

The last day to register ("LDR") in order to receive the affected shares in terms of the unbundling is Friday 5 November 1993, or such other date as may be determined by the directors of Genbeheer

5 IMPLICATIONS FOR 1993 FINANCIAL YEAR AND CHANGE IN GENCOR YEAR-END

The proposed LDR will enable Gencor and Genbeheer to report their incomes for the financial year ending 31 August 1993 particularly as regards the earnings and dividends related to the affected shares, on bases which are consistent with those used in previous years Furthermore, in the determination of the final dividends of both companies for the 1993 financial year, their directors intend applying criteria which are consistent with those applied in previous years

Gencor's first financial period after the unbundling will, subject to the Registrar of Companies approval of a change in year-end to 30 June, be the 10 month period commencing on 1 September 1993 and ending on 30 June 1994

6 FINANCIAL EFFECTS ON GENBEHEER

As Genbeheer is to be dissolved after its unbundling the directors are of opinion that the presentation of the financial effects of the unbundling on Genbeheer will not be meaningful

7 FINANCIAL EFFECTS ON GENBEHEER SHAREHOLDERS

The following table illustrates the effect of unbundling on the composition and value of the underlying investments of a holder of 1 000 ordinary shares in Genbeheer prior to unbundling

Investment	No of ordinary shares	Market value at 30 July 1993 cps	Market value at 30 July 1993 Rand	Percent of total %
Before unbundling				
Genbeheer	1 000	1 030	10 300	100,0
After unbundling				
Engen	50	4 000	2 000	19 4
Genbel	142	665	944	9,2
Malbak$	38	1 475	561	5 5
Sappi	36	2 750	990	9 6
Cash in lieu of fractions			53	0,5
			4 548	44,2
Gencor (value of residue as reflected in current Genbeheer market price)	905	636*	5 752	55,8
			10 300	1 000
Net assets (at valuation) of residual Gencor	905	1 028	9 303	

* *The actual market value will depend on the price at which Gencor trades after its unbundling has taken place*

$ *It is assumed that Malhold will unbundle and therefore Genbeheer shareholders will receive Malbak ordinary shares in lieu of their Malhold entitlement*

Dividends on affected company shares will, after unbundling, accrue directly to shareholders

8 TAXATION CONSIDERATIONS

In terms of section 60 of the South African Income Tax Act, 1993

- the share distribution by Genbeheer will not be deemed to be
  - a dividend for the purposes of attracting secondary tax on companies and non-resident shareholders tax

    or

  - an amount derived by a long term insurer from the investment of funds as envisaged by section 28(1) (b) of the South African Income Tax Act, 1962 (Act No 58 of 1962), as amended,
- shareholders will be exempted from stamp duty upon the registration of shares received by way of the unbundling and
- Genbeheer shares held as trading stock will be subject to the specific provisions set out in the aforementioned section 60

9 PROPOSED OFFERS IN RESPECT OF ODD-LOTS ACCRUING TO SOUTH AFRICAN RESIDENTS

Genbel will, other than in respect of its own ordinary shares make an offer to Genbeheer shareholders resident in South Africa registered as such on the unbundling record date to facilitate the rounding to whole multiples of 100 affected shares of any of such shareholders odd lots As regards Genbel s own ordinary shares, Sankorp will make such an offer These offers will open approximately one week after the LDR for Genbeheer shareholders to participate in the unbundling The terms and further details of the odd lot offers will be published on or about Friday 12 November 1993

10 PROPOSED SANKORP BEPERK ("SANKORP") FACILITY FOR NON-RESIDENT SHAREHOLDERS

Genbeheer has procured that Sankorp will make a facility available for non resident shareholders This facility will in effect, enable such shareholders who elect to utilise it to sell their pre unbundled ordinary Genbeheer shares to Sankorp, on condition that Sankorp will, according to a pre determined formula transfer as consideration after the unbundling, a greater number of post unbundled Gencor ordinary shares Further information pertaining to the facility which will be administered by Genbel, on behalf of Sankorp, will be published on or about Friday 24 September 1993

The rationale for the Sankorp facility is twofold Firstly it will enable non resident shareholders to pursue their interests solely in Gencor Secondly, acceptance of the share distribution by non resident Genbeheer shareholders may attract unfavourable tax treatments in certain countries The facility will afford such shareholders the flexibility of re-arranging their Genbeheer shareholdings prior to the unbundling However, no representation is made that all non resident shareholders will be able or permitted to utilise the facility or that it will be effective in assisting all or any of them as regards the abovementioned possible tax treatments

11 CONDITIONS PRECEDENT

The unbundling the odd lot offers and the Sankorp facility are all subject to the fulfilment of the following conditions precedent

(a) the approval by shareholders of Genbeheer in general meeting on 31 August 1993 of the ordinary and special resolutions to be proposed thereat for the implementation of Genbeheer's unbundling

(b) the approval by shareholders of Gencor in general meeting on 31 August 1993 of the ordinary resolution to be proposed thereat for the implementation of the Gencor unbundling,

(c) the approval by shareholders of Genbel in a general meeting to be held on 6 August 1993 of certain investment transactions entered into between Genbel and Gencor; and

(d) the approvals of The Johannesburg Stock Exchange ("the JSE"), the Commissioner for Inland Revenue, the South African Reserve Bank and such other regulatory authorities as may be required for the purposes of the aforegoing

12 SALIENT DATES

Circular and notice of a general meeting posted	Monday, 9 August 1993
Genbeheer general meeting (at 09 45)	Tuesday, 31 August 1993
LDR to participate in the unbundling (unbundling record date)	Friday, 5 November 1993
Unbundling consideration posted to shareholders by	Friday 12 November 1993

The above dates and times are subject to change and any changes will be announced in the press

13 CIRCULAR TO SHAREHOLDERS

A circular containing full details of the unbundling and incorporating a notice of general meeting, will be posted to shareholders of Genbeheer on or about Monday, 9 August 1993

14 DISSOLVEMENT OF GENBEHEER

After the distribution of all of its shareholdings the listing of Genbeheer's shares on the JSE will be terminated with effect from the close of business on Friday, 5 November 1993 whereafter the name of the company is to be changed prior to it being voluntary wound up

Gencor Beherend Beperk
Registration number 53/01008/06
Incorporated in the Republic of South Africa

Johannesburg
5 August 1993

Merchant bankers

ABSA
Merchant Bank
A division of ABSA Bank Limited
Registration number 86/04794/06
Registered bank

Attorneys

EDWARD NATHAN & FRIEDLAND INC
(Registration number 77/02523/21)

Sponsoring brokers

SMK
Senekal, Mouton & Kitshoff Inc
(Registration number 84/06537/21)
(Member of The Johannesburg Stock Exchange)

DavisBorkumHare
Davis Borkum Hare & Co Inc
(Registration number 72/09126/21)
(Member of The Johannesburg Stock Exchange)

Star 6/8/93

Amic moves to higher ground

(282)

By Stephen Cranston

Amid signs that the recession has bottomed, Amic reports its first increase in earnings per share since 1989

Reduced operating profit from its major unlisted subsidiaries Mondi Paper and Boart International led to a further 11 percent reduction in operating profit to R273 million.

But reduced interest and an abnormal tax credit lifted attributable earnings 19 percent to R191 million and earnings per share 16 percent to 327c.

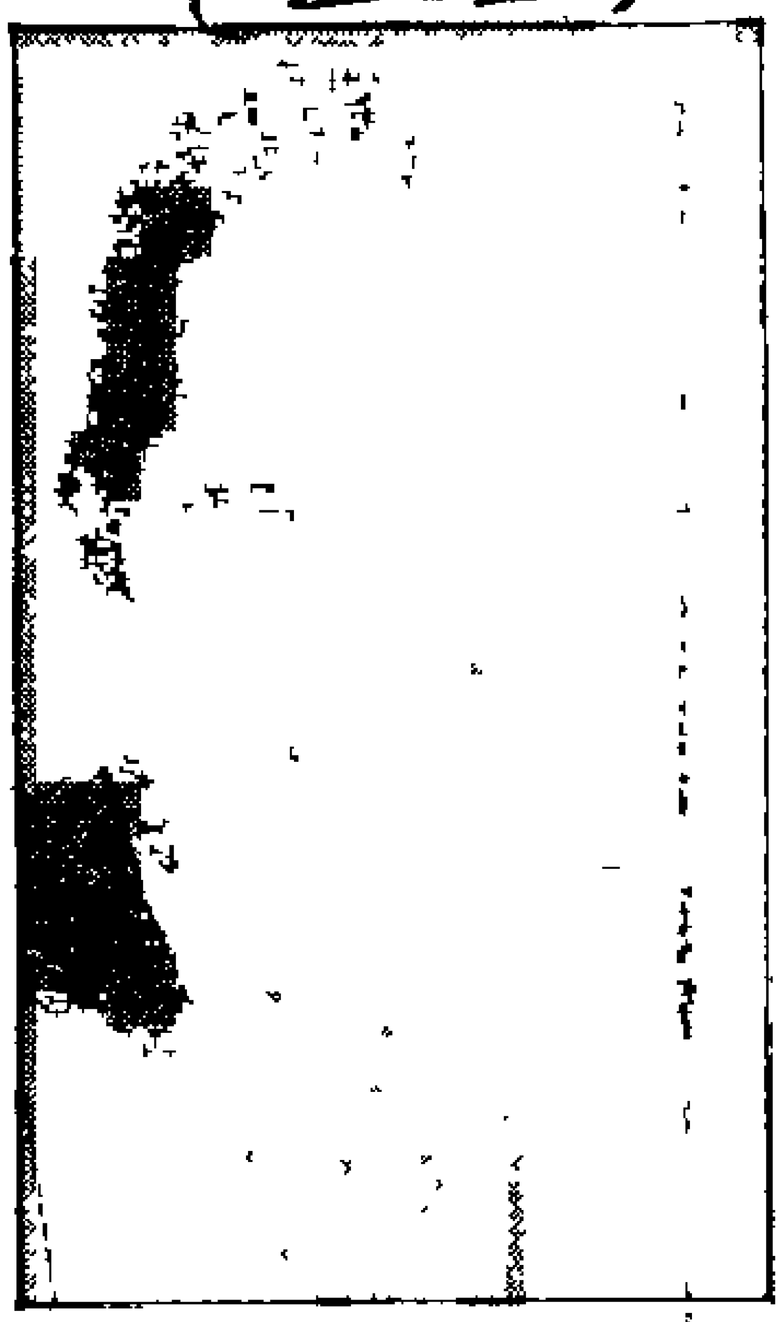
The interim has been maintained at 110c, but there is a strong prospect that the final will be raised

Chairman Les Boyd says trading conditions remained depressed, but he is hopeful that there will be some improvement in the second half

He says the increased gold price will benefit mining sector suppliers such as Boart, Scaw Metals and AECI and that steel sales had increased by 10 percent in volume in the year so far

New vehicle sales rose 3,4 percent, which helped 19 percent-held Samcor

Amic's turnover increased by 18 percent to R3,858 billion, but was up only three percent on a like-with-like basis. The remainder of the increase is accounted for by the inclusion of LTA as a subsidiary for three months and of tyre and equipment group Amquip for six months.



Les Boyd . trading conditions remain depressed

Earnings from subsidiaries fell 10 percent to R153 million and the share of earnings of associates was down 11 percent to R90 million. Income from investments fell 17 percent to R40 million, but interest paid was reduced from R69 million to R46 million.

Tax rose from R26 million to R31 million, mainly because of an R8 million charge for the secondary tax on companies, but a reduction in the deferred tax provision, because of the lower company tax rate, led to a R43 million abnormal credit.

Amic yesterday gave a briefing on its three major unlisted companies to journalists as part of its new media friendly image.

Boart's income fell sharply from R23 million to R12 million, but a pick-up in demand for mining equipment, particularly in Canada means that the group is likely to show two to three times these earnings in the second half

Mondi improved earnings after the abnormal tax credit, but its margins remain weak at 10 percent (23 percent in 1989)

Pulp prices have fallen from $840 to $325 a ton over four years, but Mondi still enjoys much better cash flow as a percentage of sales than comparable companies overseas

Scaw Metals's earnings have increased from R40 million to R50 million because of improved exports and increased market share

Boyd says Amic will proceed with its divisionalisation. Boart, Conlog, Kolbenco and Scaw, which are now subsidiaries, will become divisions.

He says this improves Amic's borrowing and tax efficiency and will allow for increased borrowings at the centre to fund capex and acquire new operations.

Amic's one-off profit masks tough conditions

BDay 6/8/93

MATTHEW CURTIN

ONE-off profits and a deferred tax credit lifted earnings at Anglo American Industrial Corporation by 16% to 327c (281c) a share in the half-year ended June 30, masking the impact of tough market conditions on some of its key subsidiaries

The industrial holding company — whose interests range from steel and drilling equipment to newsprint — held its interim dividend at 110c

Chairman Leslie Boyd was confident earnings would improve in the second half "There are clear indications the SA economy has bottomed," he said yesterday

In an unusually informative presentation, Boyd said the process of divisionalisation which the group began earlier this year would be completed by the start of 1994, improving Amic's ability to raise cash to finance capital spending and acquire new businesses

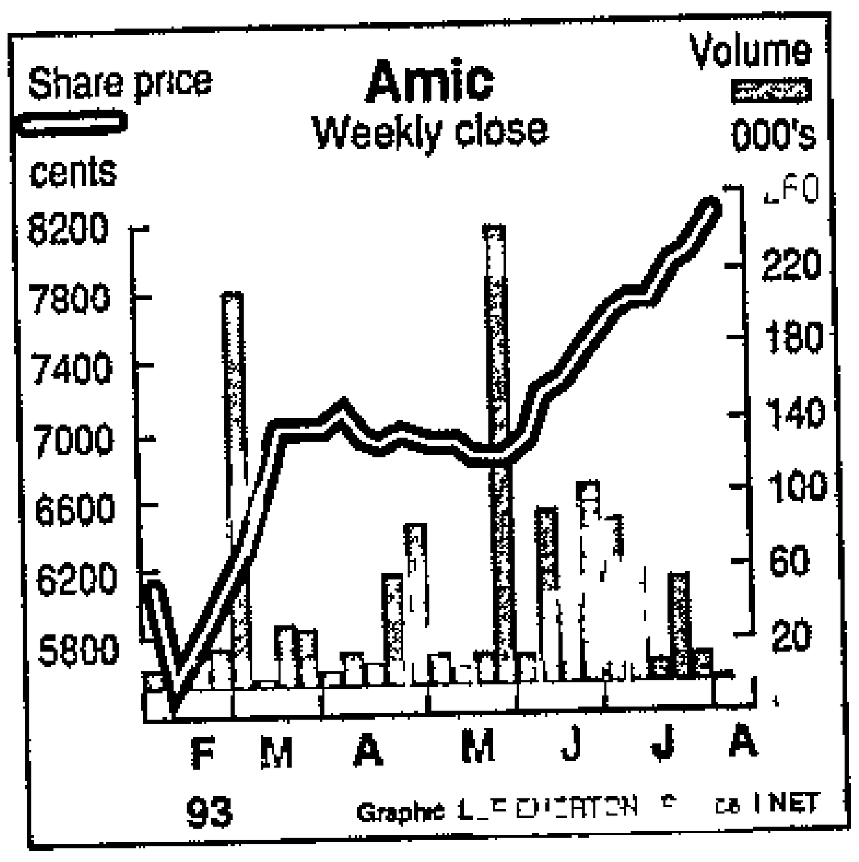
Turnover rose to R3,86bn (R3,27bn), but the increase mostly reflected the increased stakes in construction group LTA and industrial equipment company Amquip, which Amic bought earlier this year

Earnings from operations dipped to R153m (R170m) Although Highveld Steel and Vanadium improved interim profits, unlisted subsidiaries Boart and Mondi battled with torrid market conditions

Boart chairman Hilton Davies said interim earnings at the mining equipment group crumbled to R12m (R23m) as sales were badly hit by the depressed state of the Canadian mining industry and fierce competition in Europe Prospects for the second half were significantly better due to good orders in June and July.

Mondi chairman Tony Trahar said the paper and pulp producer's ability to maintain earnings in the period was an achievement because of the collapse in prices for most of Mondi's products He believed prices had bottomed and would improve from early 1994 A 5% increase in dollar prices would add R100m to the company's bottomline

Wholly owned Scaw Metals turned in stronger earnings of more than R50m.



Amic's share of earnings from associate companies — including chemicals producer AECI, engineering groups Haggie and Dorbyl, LTA and consumer products group McCarthy — fell to R80m (R90m) Income was underpinned by the good interim performance by 39,5%-owned AECI (232)

A lower interest bill helped offset this drop in income and lower investment receipts. Pre-tax profit fell to R227m (R230m). Amic paid more tax because of R8m levied in secondary tax on companies

After-tax profit declined to R196m (R213m) but attributable earnings were lifted by a number of one-off items.

Amic realised R18m in the sale of a stake in the Columbus Stainless Steel joint venture to the Industrial Development Corporation, plus R17m in selling some of its interest in Powertech to the Anglo pension fund and a smaller surplus on buying Anglo's stake in LTA The group recorded a R43m abnormal credit — an adjustment to deferred tax after the cut in the company tax rate in the Budget

Consequently, attributable earnings climbed by nearly a fifth to R191m (R160m)

Although the group's interest-bearing debt rose steeply to R639m (R391m), its gearing remained a meagre 8,9%, with interest cover at 5,9 times Amic's cash reserves grew to R693m (R560m),

Fm 6/8/93

SHARE PRICES

Is there any value left?

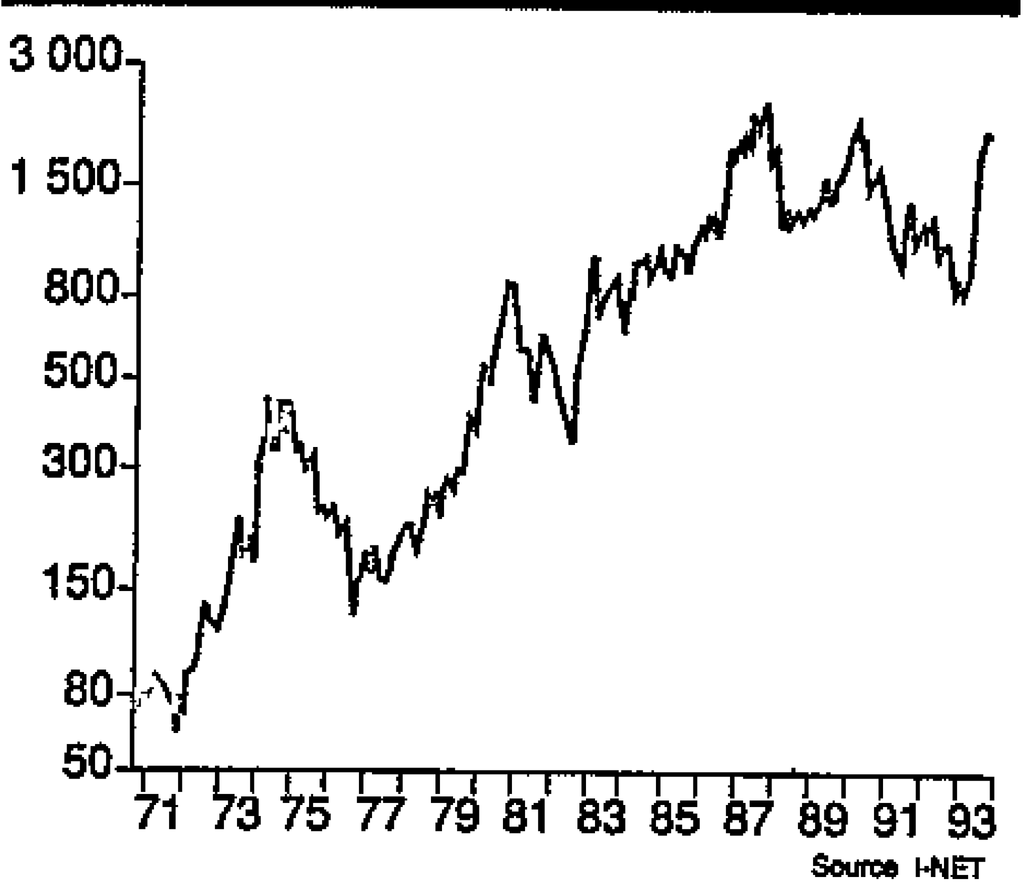
(232)

Gold shares have rocketed Many of the leading financial and industrial counters are off their peaks amid continuing doubts about economic recovery, and gilts are again bullish It makes the equity market unusually difficult to read, particularly with growing euphoria in parts of the gold sector

But caution returned to the JSE's gold board on Monday and Tuesday this week, when shares generally weakened Considering the extraordinary pace of the ascent of the JSE All Gold index and the patently speculative forces moving the bullion market, it's tempting to conclude the shares have moved much too far

In the end, that will depend on the dollar

Approaching the peaks
All Gold index



gold price. After June quarterly results and latest dividend announcements, average historical dividend yield on the All Gold index is a meagre 2,9%.

But, assuming gold remains above, say, $385/oz, several gold analysts conclude the All Gold index is not unduly expensive on fundamentals such as the prospective dividend yield A poll of forecasts by several analysts of forward yields gives a range between 4,7% and about 6% over the next 12 months, rising somewhat higher as the mines' hedging contracts are unwound

That, of course, implies that gold's run-up will be maintained well into next year and is not simply a temporary spike upwards as has happened so often in the past This is precisely what is concerning many investors Fergusson Bros gold analyst Trevor Pearton has a model which shows the All Gold index has become increasingly undervalued as gold moved towards and then breached $400/oz

"The index is telling us there is a lot of caution in the market about the sustainability of this gold price," he says "We are now in a natural period of consolidation Gold will probably test $400 again If it bounces back, that would certainly be bullish for the shares We are seeing a much more rational approach than we've had with some other bull markets It is much less euphoria-driven than the 1987 bull market."

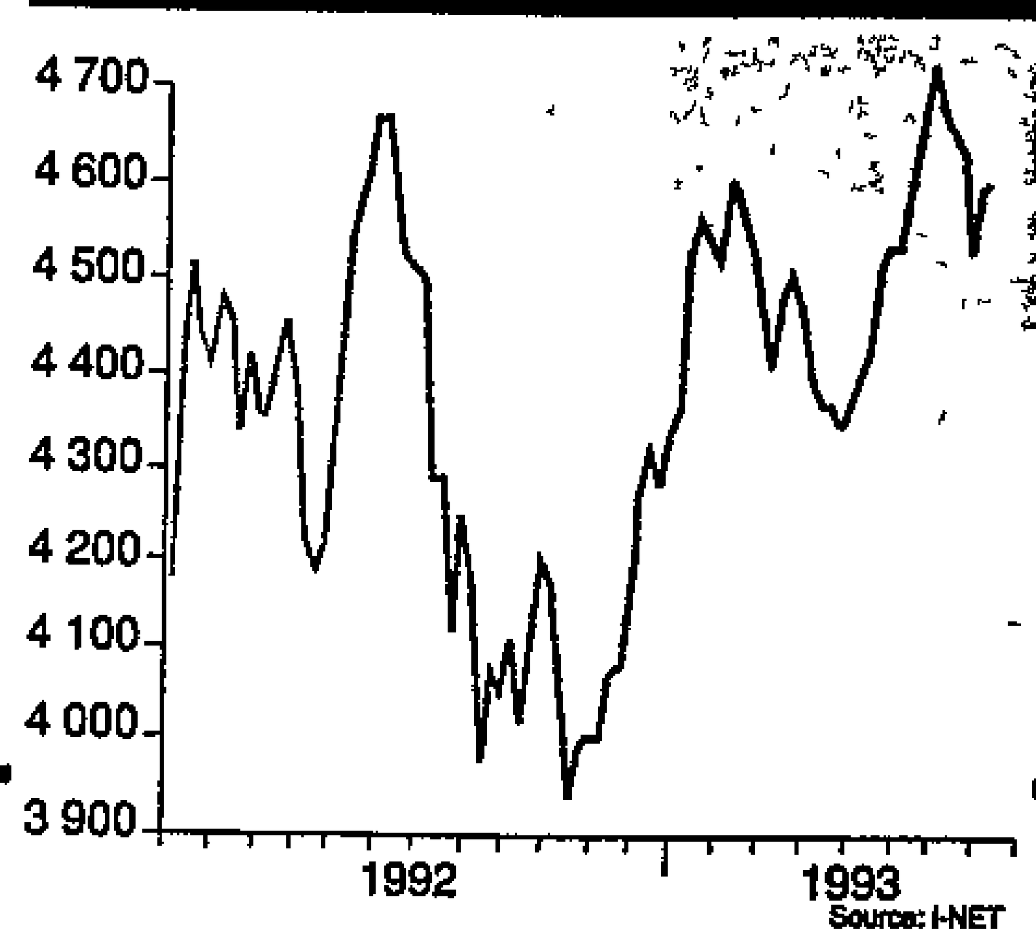
Simpson McKie's Rodney Yaldwyn feels gold could see a correction back to $395 or lower, but even then he doubts the All Gold index would fall more than 100-150 points Another analyst who believes gold is in a medium-term bull market contends the dollar price could see a considerably greater correction, to perhaps $375 or less, causing the shares to retreat rapidly before recovering again

If history is any guide, the accompanying 22-year chart of the JSE All Gold index does seem to strengthen the case for caution. It is not only that the index has climbed so steeply in just six months — showing on the monthly graph as almost a straight-line ascent, something that has rarely occurred over that period

It's also interesting that when the index rose above 2 100 last week, it was approaching the peaks of 1987 and early 1990. In the euphoric market of August 1987, the index reached an all-time high of 2 499; the next high was set at 2 239, in February 1990. Though there is optimism that the vicious cost spiral has been broken, the industry's cost structure is higher than in either of those years and recovery grades are often lower

However, while it's primarily the dollar price of bullion that drives sentiment, the fundamentals are determined by the rand price In August 1987, the dollar price was in the mid-$400 range and trending downwards It's now in a rising trend — at $405, it is about 23% above the $330 base before the recovery More important, the rand price is now R1 360/oz, some 47% up on the R927 of last September

Off the top
Industrial index



Much of the surge in the mines' profit margins was thanks to the renewed depreciation of the rand, which happened to coincide with the upswing in the bullion market So, too, did the greater appreciation on the part of investors that the fundamental position of many of the SA producers had greatly improved in terms of costs, grades and financial management (*Fox* July 30)

Having said that, the quality and risk attached to these shares vary enormously JD Anderson's Bruce Williamson points out that the All Gold index is dominated by a few heavyweight gold shares Drie Cons, Kloof, Vaal Reefs, Southvaal, Freegold, Western Deep and Harties together make up more than three-quarters of the index

An average forward yield on the index thus says little about the fundamentals for the highly geared and risky marginals Even more sensitive to euphoric sentiment are the mining exploration stocks, whose valuations are always problematic Soudex (admittedly looking less and less like an exploration stock), at R38 this week from a 12-month low of R2, is a prime example

There will continue to be special situations, such as the separation announced this week of Buffelsfontein and Beatrix Their shareholding structure was designed in 1983 to enable the then new producer Beatrix to use Buffels' tax shield but it hasn't worked as hoped. The announcement triggered expectations of further changes within the Gengold group

Even if you accept that gold is in a long-term bull market, timing remains important and it is still essential to select shares carefully. Brokers say the general approach from institutions has been to sell into a rising trend (such as over the past week) and pick up stock cautiously when the market weakens

By mid-July, many of the financial and industrial shares were significantly below their peaks set earlier in the year, but the combination of the bullish gold sector and growing confidence that interest rates will continue to weaken has helped reverse this trend (see graph)

A life assurer's senior fund manager believes there are signs of a fundamental change in the equity market While historical corporate earnings remain stagnant, he says, there are nascent signs of economic recovery.

He cites three factors giving grounds for a better profit trend in 1994, the rising trend in notes and coins in circulation, marginally better new vehicle sales, and the expectation of further interest rate cuts

Political developments, he adds, seem to be having less effect on the market While the breakdown of Codesa in July last year

P.T.O.

FM 6/8/93

helped push the JSE into a prolonged decline, investors now seem to be looking through the political static.

Irish & Menell Rosenberg's Mark Sonik notes a similar trend He has been tracking the correlation between share prices and political deaths for a number of years and believes the market is becoming more resilient to violence. The St James massacre in Cape Town was shrugged off in a day Violence on the East Rand, in which over 90 people died at the weekend, had little or no effect on the market, though it also coincided with the rampant gold price

Renewed optimism about a recovery appears to be encouraging a search for stocks that are still close to their cyclical lows Among these are the commodities and consumer durables; though some may well be premature, their rejuvenation will be robust once sales pick up (232)

Highveld Steel, ahead of a good recovery in profits announced this week, reached an annual high of 1 350c, gaining about 30% over two months. There has also been a revival of interest in the Rembrandt group's shares, which appreciated steadily over the week to get within a whisker of their annual highs Despite gold's surge, rand hedge stocks continue to attract support Del Monte Royal, for example, appears to be recovering from lows.

Even so, focus on the mining board and bullish prospects in the gilts market may contribute to lack of interest in some of the highly rated industrial growth stocks for a while

But perceptions of value and quality — or the lack of it — will determine how long this lasts Liberty Asset Management chairman Roy McAlpine says Liberty's policy has always been to concentrate on quality counters, a policy which has paid off through tough economic years "We're in it for the long term and have to ride the litte bumps and troughs you experience when the market behaves like this," he says Other big institutions may take a similar view

Shaun Harris and Andrew McNulty

Lenco hopes to beat sharp rise in tax rate

LINDA ENSOR

CAPE TOWN — Lenco Holdings expected to achieve earnings growth of more than 15% in the six months to end August despite a sharp rise in the tax rate, executive chairman Douglas de Jager said at the group's annual meeting yesterday BDay 6/8/93

He said opportunities were being explored to enable subsidiary Combined Packaging (Compak) to compete internationally, either through a joint venture or an acquisition Compak's technological ability to handle certain resins was internationally competitive (232)

Export growth had proved crucial for the group's improved performance It is involved in clothing, shoe and houseware manufacture through subsidiaries House of Monatic, Amalgamated Shoes and Hendler & Hart

De Jager expected the operating margin to double in the first six months of the year to end February 1994 from just under 10% but to still lag behind the targeted 15% The exhaustion of R41,4m in assessed tax losses would mean the tax rate could rise to as high as 20% off a nil base

House of Monatic's exports had accelerated Hendler & Hart's houseware exports had ensured the company was well on track to improve on its budgets But this export drive had incurred losses — an R800 000 loss had to be borne to create a market in the UK and considerable losses were suffered in the US before orders were won.

He called on institutions to invest their funds in job-creating manufacturing projects and to stop investing in retail complexes.

JD buys Rusfurn for R85-m

Star 6/8/93

By Stephen Cranston

W&A subsidiary JD Group will pay R85 million for Rusfurn

The announcement ends a year of negotiations between JD and Rusfurn's major shareholder Absa.

The deal turns JD into a giant furniture retailer with 600 stores and annual turnover of R1,3 billion.

As part of the deal Dion has been sold to Massmart, part of Wooltru, for R90,1 million in cash

JD chairman David Sussman says everybody wins as Rusfurn has found the right management and Absa is relieved of its holding, which it only acquired by default after the failure of a management buy-out (88)

JD will issue Absa redeemable preference shares issued at 753,8c, equivalent to the net asset value of JD's ordinary shares at the December year-end, and a 25 percent premium on the current market price of 600c (232)

The new instruments will carry a coupon equivalent to the ordinary share dividend.

JD has the option to redeem the shares either in cash or in JD ordinary shares after three or five years.

JD will recapitalise itself with a rights issue of at least R75 million, probably in October, which will be advanced as a subordinated loan to Rusfurn.

The combined group will be divided into two operating units One will consist of the more urban upmarket chains such as Joshua Doore, Russells, Bradlows, Rudicks and Giddy's.

The other will focus on the black-oriented chains such as Wanda Frasers, Price 'n Pride, Harmony, Montana and Score.

Winners only in Rusfurn sale

S I Times (Buss) 8/8/93

By CHERILYN IRETON

ON paper it may look as if Wooltru subsidiary Massmart got the short end of the stick in the tripartite Rusfurn deal.

But after seven months of tough, sometimes touch-and-go negotiations, all parties are celebrating a deal which has positive spinoffs for all concerned.

In the first leg of the transaction, W&A subsidiary JD Group will pay R85-million for the Rusfurn furniture retailing group, which includes Dion Stores, Russells and Rudicks. JD will immediately hive off Dion to Massmart for R90-million. (232)

Massmart chief executive Mark Lamberti says "For R90-million, Massmart gets access to a 20-store mass-merchandise chain which is a household name and has a turnover of more than R600-million a year."

Dion's net asset value is R45-million.

Absa rids itself of the last major problem account it inherited from Bankorp — at a much better price than had been envisaged. It gets around R75-million of the price tag plus R26-million in arrear dividends. The balance goes to other Rusfurn debenture and shareholders. Rusfurn's net asset value was approximately R86-million.

Absa also recovers some of the multimillion-rand provisions set aside in case Rusfurn folded.

JD Group doubles its size, rationalises the furniture retail business and together with mentors W&A and Trencor receives an asset with considerable potential.

Rusfurn's debt will be cut by two-thirds from R406-million to R128-million with the proceeds of the Dion sale and rights issue. JD will have 600 stores with a turnover of more than R1,3-billion.

After many proposals were thrown about between the heavyweight negotiators of both teams, the deal finally accepted was one proposed by Absa and includes an increased price tag as well as a better deal for Rusfurn shareholders.

The price paid is equivalent to 30,6 cents a Rusfurn share and compares with the JSE trading price of 30 cents. It is also 22% higher than the price at which Rusfurn was trading prior to the start of negotiations.

So keen was cash-flush Massmart to get its hands on Dion that it agreed to help facilitate the recapitalisation of JD by investing a further R25-million in the group. This is its first investment in furniture retailing.

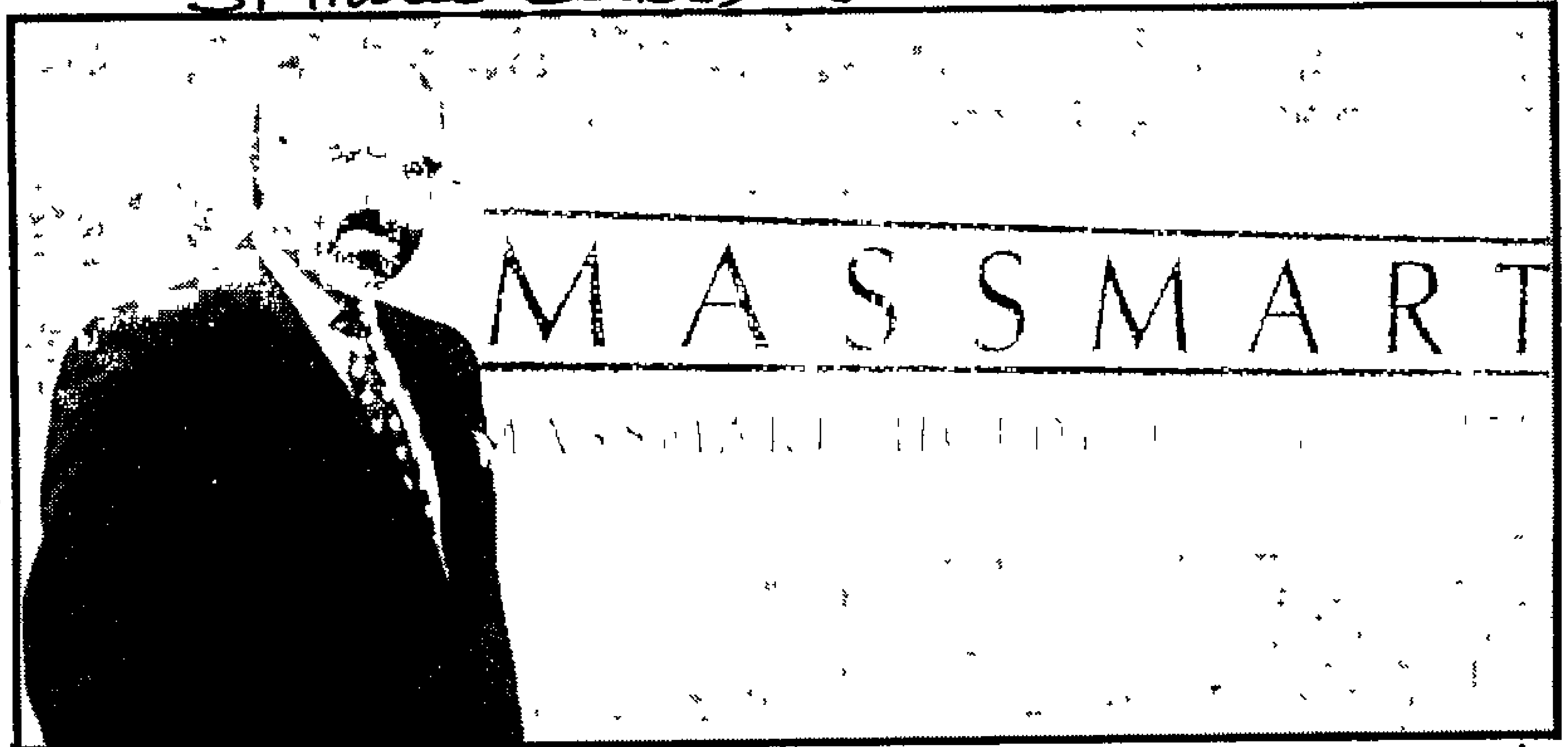
Mr Lamberti says: "We have a lot of faith in David Susman and his team. We will have a representative on the board to look after our investment."

Massmart conducted a due diligence report and market research before settling on its role. Mr Lamberti says Dion is in better shape than most believe. "Dion was out of place in a credit-driven furniture conglomerate. The financial and management troubles at Rusfurn of the past few years forced it into a defensive mode."

The purchase, which will lift Massmart's turnover potential to R3,2-billion a year, will have an impact on profits in the current year.

"It will not be too significant because we have some cleaning up to do. In the longer term it strengthens our position as a general mass merchandiser. It gives us leeway to import more exclusive goods because we will have a bigger spread and the opportunity to focus on key suppliers. It also gives us leverage on margins," says Mr Lamberti.

He is determined not to tamper with Massmart's existing businesses, which include wholesaler Makro, Makroffice, liquor chain Drop Inn and club wholesaler Shield. Market research indicates only a 6% overlap between the Makro and Dion customer base.



MASSMART'S MARK LAMBERTI: 'It will take a year or two to settle down and find the synergies'

Massmart has two tasks. It will start preparing Dion for Christmas to make sure it corners what turnover there is and at the same time it will begin refocusing the group.

Mr Lamberti says "You won't see much of Massmart on the acquisition side for a while. We've got to digest this one and it will take a year or two to settle down and for us to find the synergies between Dion and Makro."

Dion will remain primarily a cash-driven business. Big chain merchandising techniques are swinging to shaping the profile of each shop to the profile of the community. This is the way Dion will go.

Dion has been on Massmart's acquisition list since 1989. Each time negotiations began, there were management changes, either at Rusfurn or Absa.

The restructuring of Absa's exposure to FSI forced the suspension of talks for Rusfurn. They were reopened earlier this year after Trencor took a major stake in FSI.

From Massmart's side the list of individual negotiating partners is formidable and includes Geoff Austin, Hennie van der Merwe, Piet Liebenberg, Laurie Korsten, Phillip Jacobson and Piet Badenhorst.

Dion's future rests on the assumption that as people move into more stable housing environments, they will buy durable and semi-durable goods. Mr Lamberti sees opportunities in secondary urban markets, which are presently unable to justify the very large Makro outlets. These areas could be penetrated by a combination of a Shield member servicing the food and grocery segment, and a Dion store providing general merchandise.

Its high consumer awareness and support makes it dominant in certain product categories.

"We believe in the concept of category dominance and anticipate that in conjunction with Makro's existing non-food business, we will be able to entrench Massmart's importance in certain product categories. In other product areas where neither Dion nor Makro alone has been able to achieve critical mass, there will be new opportunities created by combined procurement expertise and buying power, especially when dealing with imported goods and private label programmes."

Tab		Ag grou	<6	6-	12-2	24-3	36-4	48-5	Tot

Gencor's strip a low-key affair

FINAL terms of Gencor's asset strip failed to set the market alight. The share price was unchanged at 1 140c in spite of the calculated discount to net asset value. S1 Times

Holders of 100 Gencor will get about 5,6 Engen, four Sappi, 15,7 Genbel and 4,3 Malbak shares. Holders of 100 Genbeheer will get 90,6 Gencor, 14,2 Genbel, 3,6 Sappi, 5,1 Engen and 3,9 Malbak. Sankorp and Genbel will help shareholders to round off odd lots (BUSS) 8/8/93

The value of these companies is about R5 a Gencor share. After their removal, Gencor is technically worth more than R10 a share — a quick-changing sum because of the volatility in golds this week. (232) (218)

For the market value of gross investments to remain unchanged from the current position, Gencor will need to trade at 660c, a third discount to net asset value.

Gencor will announce its results for the year to August before the last day to register for the unbundling — November 5 It will change its year-end to June

COMPANIES

Time Botswana sold off

CHARLOTTE MATHEWS

THE liquidators of property holding company Time Holdings have raised nearly R2m by selling its Time Botswana subsidiary to construction group Concor B/Day

They have also auctioned the contents of its Sandton offices, but they are no closer to settling on a figure for Time's total debts 9/8/93

Recent speculation has put the company's total liabilities at about R60m. Ernst & Young's insolvency practice director Philip Reynolds would only say that they stood at "many millions". (232)

The banks are exposed for millions of rands while insurance companies are holding contract guarantees for an unknown amount There are also the usual trade creditors.

"A number of companies in the group are involved in different developments and own low-cost housing property They are also highly geared with borrowings from financial institutions and had cross guarantees throughout the group," Reynolds said. "It will take some time before we have an exact figure."

Reynolds said a few of the creditors were secured but none had submitted claims yet.

Subsidiary Time Botswana's shares were sold to Concor Construction for 1,2-million pula. Reynolds said there was some uncertainty whether the proceeds were subject to security, because the shares might have been pledged Last week the contents of the Sandton head office were auctioned for R300 000

The liquidators also investigated the sale of Time Life Insurance and there did not appear to be anything underhand in the sale, Reynolds said.

"Our next level of investigation will be how the funds were applied and whether there was any preference shown to anyone"

Gencor offer to odd-lot shareholders

ANDY DUFFY

MINING house Gencor will follow its unbundling with an offer to its SA shareholders to tidy up their holdings in the company's former divisions. B/Day

The odd-lot offer will allow shareholders to round up or down their new shareholdings to multiples of 100, a week after Gencor dismantles its R21bn business empire in November. 9/8/93

The offer, which is understood to involve about R100m, will be administered through investment arm Genbel. Major shareholder Sankorp will make a similar offer to Genbel shareholders. (210)

The proposal aims to clean up the share register following the upheaval created by the unbundling. (232)

Gencor last week announced the details for its dismantling, by which it will pass on the bulk of its shares in non-mining activities, cutting its net asset value from R21bn to R14,1bn

It will distribute by dividend in specie 5,6 shares in energy company Engen, four shares in paper business Sappi, 15,7 in Genbel and 4,3 shares in consumer products company Malbak for every 100 Gencor shares held.

The odd-lot offer would also aim to clean up fraction shareholdings, the company said The offer will run for three weeks to December 3, with the shares prices driven by the market rate.

Genbel minority shareholders voted overwhelmingly in favour of the R1,2bn share swaps with Gencor and Sankorp which were unveiled last month

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Gencor

B/Day 9/8/93

□ From Page 1

At a special general meeting on Friday, local and international shareholders holding 138,8-million Genbel shares voted to accept the proposals. Only two shareholders — holding 22 000 shares — voted against. (232) (210)

Under the terms of the share swaps, Genbel swapped its international assets and part of its mining portfolio for a slice of Gencor's industrial holdings, disentangling itself from Gencor in the process.

A chunk of the newly acquired shares was then swapped for stakes in Sankorp companies, such as banking group Absa and construction business Murray & Roberts, widening Genbel's investment spread.

Genbel chairman Tom de Beer said the vote was a "tremendous show of faith by shareholders in management"

Gresham to control new drug company

ANDREW KRUMM

IN A shakeup of the Premier Group's pharmaceutical interests, Gresham Industries will emerge initially in control of a wholesale drugs distribution business incorporating Medical Cash & Carry (MCC)

It will have a turnover of about R1,5bn a year

BIDay 9/8/93

Premier spokesman Ronnie Taurog said at the weekend that Gresham would take a 51% controlling interest in new holding company United Pharmaceutical Distributors (UPD), while MCC, an independent drugs distributor, would own the remaining 49%.

However, ownership of UPD may change in the next three years depending on the pre-tax profit performance of the merged operation.

(232)

If UPD's aggregate pre-tax profits for the three years to end April 1996 exceed R110m, and if agreement is reached to list UPD, MCC will be entitled to buy enough shares from Gresham to lift its interest in UPD to 52%, reducing Gresham's holding to 48%.

The purchase price will be reached by agreement or, failing that, on the basis of valuation by a merchant banker.

If aggregate pre-tax profits for the three years are less than R75m, MCC will transfer UPD shares to Gresham to give a 75.25 share split

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Gresham

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☐ From Page 1

UPD has been formed by merging Gresham's subsidiaries Amalgamated Chemists Association (ACA), Gresham wholesalers and PDC's wholly owned PDC Trading with MCC's business.

Premier is owed R215,9m by UPD for the purchase of its wholesale pharmaceutical distribution business — the Gresham and PDC pharmaceutical interests.

(232)

As a result of the UPD purchase, Gresham has a R53,1m claim against Premier and PDC a claim of R43,7m. In settlement of PDC's claims, Premier will pay PDC R16,7m in cash and assume responsibility for certain warranties it furnished to UPD.

In addition, Gresham will dispose of its non-pharmaceutical interests to Premier and its only assets will be a 51% interest in UPD and a claim against Premier.

UPD will have an initial annual turnover of R1,5bn and total assets of R500m. UPD will be funded and controlled by Premier through Gresham.

In the case of PDC, Premier will make an offer to acquire all the shares in PDC at 80c a share, and will also offer PDC shareholders the right to receive Premier shares and/or Gresham shares in lieu of cash.

PDC will become a wholly owned dormant subsidiary of Premier and its listing on the JSE will be terminated.

As an extension of the transaction, Gresham Industries will change its name to Wholesale Pharmaceutical Holdings and transfer its stock exchange listing from the stores sector to the pharmaceutical sector in late September.

The effect of the merger is that Gresham Wholesalers, ACA, PDC Trading and MCC Business all become wholly owned UPD subsidiaries. In addition RM Salters, Salters Business and First Choice Business will be wholly owned subsidiaries of Gresham Wholesalers.

LETTERS

Barlows' old guard anxiously awaits an unbundled future

B/Day 9/8/93

JIM JONES and MATTHEW CURTIN

BARLOW Rand is days away from detailing its dissolution, first signalled by an elliptical cautionary announcement at the end of June.

The contrast between Barlows and Gencor is palpable. Gencor, prompted by controlling shareholder Sanlam, spent a year and more meticulously planning its unbundling. Barlows reacted precipitately when a boardroom revolt against chairman Warren Clewlow exploded in the face of an unsuspecting Old Mutual.

No one with a view over Barlow Park's carefully landscaped gardens or at the Old Mutual's leafy Pinelands headquarters will talk. Mention of a boardroom revolt touches a raw nerve. Questions about events leading up to the decision are officially parried with the reply that the time is inappropriate, that a better time might be when unbundling terms are made public this week.

Fact is that go-getters at Barlow Park are impatient to seize the entrepreneurial opportunities unbundling will open up. Metaphorically, the big company bureaucrats are dazedly walking the corridors fearful of when the axe will fall.

It might be argued that the contrast between the Barlow Rand and Gencor unbundlings simply mirrors the different management attitudes of the country's largest and second largest life assurers. Sanlam has publicly acknowledged that there is no future for the massive conglomerates it strove to build. It was a statement that Afrikanerdom was confident it had achieved and could hold onto its economic kingdom. Old Mutual, with its longer history and not driven by Afrikaner business insecurities, gave the impression of believing that fewer changes were needed as the new SA loomed.

No one will disclose how, if at all, Old Mutual responded to the warning signs at Barlows. Its approach has always been that it is an investor and that management of the companies it controls is devolved. The developing problem was that under Clewlow, Barlows had been drifting from disaster to crisis and back to disaster again. Scapegoats were found. Rand Mines' Clive Knobbs and others were pushed out, but their early retirement did not address the issue of weak management from the top down. Time and money were running out.

Insiders say the crisis broke early in June when a group of directors decided that a halt had to be called to the group's drift. They apparently presented Clewlow with an ultimatum demanding change and restructuring. Clewlow, in turn, apparently fought back to avoid being ousted and tried to turn the revolt to his own advantage. He dashed off to present unbundling plans to Old Mutual chairman Mike Levett, then about to pack for a fortnight at Wimbledon. Levett's departure was apparently delayed, and a cautionary unbundling announcement was rushed out.

The scale of Barlows' disasters defies comprehension. Crocodile River or Barplats, Middelburg Steel, Barbrook, Rand Mines, Khutala, Bibby — the list goes on, with each failure pushing accumulated losses into the billions and underscoring head office's inability to provide guidance to subsidiaries. But while the catastrophes were clear, Old Mutual stuck to its hands-off policy, apparently not knowing what to do as the faltering performance of one of its major investments affected the worth of its policyholders' investments.

The boardroom revolt was needed to shake the Mutual. The managerial thinking of the boardroom revolt should not be underestimated. Nor should its likely effect on Old Mutual's future strategies be dismissed.

Can unbundling do for Barlow Rand what the men in Hollard Street expect it to do for Gencor?

Market sources expect four principal stand-alone businesses to emerge from the shake-up, assuming the group is able to sell coal mining arm Randcoal, so severing its last important link with the mining business.

Stockbrokers taking a keen interest in the restructuring agree that the best and brightest of the group's top managerial talent will be directed to areas with the best growth potential. That, it is felt, is in the

(232)

☐ CLEWLOW

food, textiles and packaging operations which will fall under C G Smith, followed closely by electronics and related interests consolidated under Reunert.

A streamlined Barlows will hold the group's remaining industrial interests in SA, led by unlisted Barlows Equipment, with international businesses remaining with UK-based J Bibby. But that, brokers believe, will be simply a temporary holding operation to be managed by executives whose careers have peaked.

Barlows' remaining problems run deep, as animal feeds and industrial group Bibby shows. Of course, control of Bibby was bought for 330p a share by Tiger in the Rudi Frankel days. But Barlows seized what was believed would be an admirable rand hedge when it collared Tiger. Latest price for Bibby is 77p. That recognises its failure to operate core UK interests profitably and the disaster of trying to put a Barlows stamp on Bibby's ill-starred Spanish Caterpillar dealership venture by sending SA managers to run it.

Barlows could not provide any help out of the mess, and Bibby's future remains uncertain while control remains with the Barlows rump.

Bibby underscores Barlows' problems in another way. It was an acquisition. So, too, were Tiger, C G Smith, C J Fuchs, Nampak, Rand Mines, Vansa, Crocodile River and Reunert. Barbrook, which failed, was a grassroots gold mining venture. The others were not entrepreneurial ventures which would have had a better chance of dovetailing with the original group's core businesses. They will almost certainly be more adaptable freed of centralised control.

Perhaps one deeply rooted managerial attitude can be seen from the history of Rand Mines. Back in the gold boom of the '30s, it was already distributing cash flow to shareholders rather than following the other houses in a rush of gold exploration and mineral rights acquisitions in the Free State, on the West Wits Line and so on. Yes, Rand Mines opened the Blyvooruitzicht gold mine, but only because it was given the mineral rights as a favour by Gold Fields of SA.

The upshot of limited gold mining opportunities a decade or two ago was the decision to resuscitate veteran gold producer ERPM. With head office committed to making a go of commodity businesses without the relevant expertise, and a separate mining head office with its own self-preservatory agenda, the seeds of disaster were sown. Former chairman Mike Rosholt and Clewlow did not warn Rand Mines: "We are not going to waste our cash flow on your marginal projects" until the damage was done.

The mining debacle reflects the contradiction of the conglomerate modus operandi which Rosholt and Clewlow developed. Decentralisation and delegation were the key principles — best witnessed by the furious battle by management against Cosatu's insistence of centralised wage bargaining — paradoxically combined with a passion for control at head office.

Vice-chairman Gordon Dunnington dismissed suggestions by one of his MDs in the early '80s that any of the group's 20 executive directors could be kept in the dark regarding what was going on in the group's 14 divisions. "We would know within a week or two if a divisional manager was deviating," he said.

One analyst says simply: "Barlows' mistake has been to try to do too much at the centre."

Which takes us to the question of cash flow. Quickest and easiest will be the sale of the coal interests. Stockbrokers expect a sale announcement to be made soon, but warn that a sale could become a mucky affair.

Barlows' coal executives would most likely prefer a sale to Anglovaal, which already holds a minority stake. Anglovaal does not have its own coal management, which would make the Barlows executives' jobs more secure. But Amcoal and Trans-Natal, which have their own proven managerial structures, could outbid Anglovaal in a contested takeover.

What happens to the cash from a coal sale will be crucial. If unbundling is taken to its logical conclusion, the cash should be distributed to shareholders. It would make little sense to throw it at faltering businesses years away from generating their own cash flows. Nor should it be directed towards other parts of the group to finance acquisitions. Best might be direction towards Reunert, which needs cash flow for its heavy research and development programmes.

The unbundling announcement is days away. When it comes it will be the final admission that the conglomerate's management style has failed, admission that the head office structure could not deliver good management inputs and that years of strategic planning have been a failure.

Clewlow to quit CG Smith, Reunert

Barlow Rand unbundling plan unveiled

BIDay 10/8/93

(232)

MATTHEW CURTIN

BARLOW Rand is to unbundle by distributing to shareholders its interests in food group CG Smith, electronics group Reunert and mining group Rand Mines.

The distribution will be preceded by a restructuring of the group's computer interests and follows a previously unannounced R607m sale of assets to Barlows' controlling shareholder Old Mutual

The exercise, which marks the end of Barlows' near 20-year reign as SA's leading industrial group, is scheduled for completion by the end of February next year

Barlows itself will be left with a number of wholly owned businesses, from capital equipment distribution to paint making, as well as controlling stakes in UK-based industrial group J Bibby & Sons and Pretoria Portland Cement (PPC)

The shake-up of the conglomerate's computer businesses results in two new developments First, Reunert takes control of Persetech, the computer group which is the sole local distributor of Hitachi products Second, Information Services Group (ISG) becomes a stand-alone company, no longer linked to the Barlows empire

This deal will be achieved by Barlows swapping its 50% stake in ISG Holdings, ISG's controlling shareholder, for the 50% stake which unlisted investment company Information Services Management Trust, owned by ISM staff, has in Pershold, Persetech's controlling shareholder Reunert will then acquire Barlows' 58% stake in Pershold leaving ISG in the hands of the trust and ordinary shareholders

Reunert's position as a broadly based high-technology group with a new information technology business will be enhanced by its acquisition of Barlows' interests in Nashua's and National Panasonic's local operations They will join Reunert's existing electronics, mechanical engineering, telecommunications, electrical engineering and cables divisions

The restructuring will be accompanied by a wide-ranging management reshuffle on the boards of the newly independent groups Chairman Warren Clewlow remains in charge of Barlows, but loses Derek Cooper and Robbie Williams who become chairman and vice-chairman of CG Smith Clewlow himself will leave the Reunert and CG Smith boards

Clive Parker and Tony Ellingford remain as chairman and MD of Reunert John Hall stays as chairman of Rand Mines, simply a holding company for Randcoal, and Rand Mines Properties

While analysts have predicted the broad outlines of the restructuring, Barlows has not sold Randcoal, as many expected it would, to raise cash for refinancing the rump of the industrial interests with which it is left

Instead, Barlows sold 7,5% of Reunert, CG Smith and Rand Mines to Old Mutual for R607m one month ago on July 8 Barlows has used the money to repay debt and refinance itself "appropriately" The group's total borrowings stood at R4,3bn on September 30 1992

The transactions give Old Mutual effective control of the three subsidiaries being hived off Old Mutual owned 34,5% of Barlows at the last balance sheet date The sale and share distribution which will ac-

To Page 2

Barlows

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company the unbundling will leave Old Mutual with a 31,7% shareholding in Reunert, 25,6% of CG Smith and 30,4% of Rand Mines One result is that Mutual is assured of a blocking vote in any developments needing a special resolution (232)

Barlows will announce more details of its break-up this afternoon No information has yet emerged on the group's plans to revive the struggling J Bibby, whose recent R450m purchase of Spanish caterpillar distributor Finanzauto has depressed earnings already under pressure from the UK recession

CG Smith is least affected by the changes, although analysts question what value Cooper can add as chairman to the group which is already highly rated. CG Smith owns paper and packing group Nampak, textiles business Romatex and CG Smith Foods, whose interests include CG Smith Sugar, Tiger Oats, Langeberg Foods and health products supplier Adcock Ingram

The new-look Barlows consists of Barlows Equipment, Barlows Motor Investments, Robor Industrial Holdings, Barlows Consumer Electric Products, building materials business Federated Blaikie and paints group Plascon, all wholly owned subsidiaries. In addition the group has a 79% stake in Bibby and a 60% shareholding in PPC.

Barlows shares rose 100c to close at R44,25 on the JSE yesterday.

Increase in liquidations

ADRIAN HADLAND

PRETORIA — The number of companies and close corporations liquidated in the first half of 1993 rose 12,9% to 1 369 compared to year-earlier figures, the Central Statistical Service said yesterday BiDay

Largest increases in liquidated companies were suffered by the wholesale and retail trade and catering and accommodation sectors, which rose in total from 476 liquidations in the first half of last year to 569 in 1993

Mining, manufacturing, financing, insurance, real estate, business services, community, social and personal services all showed rising incidents of liquidated companies

The only sectors which showed decreases were agriculture, in which liquidations dropped from 28 to 25, and construction, which fell from 130 to 116 for the corresponding periods 10/8/93 (232)

Many highly rated directors on way out

Star 10/8/93

Barlow unbundling

232

BY STEPHEN CRANSTON

Barlow Rand will focus on its holdings in heavy industry and capital goods after it has implemented unbundling proposals

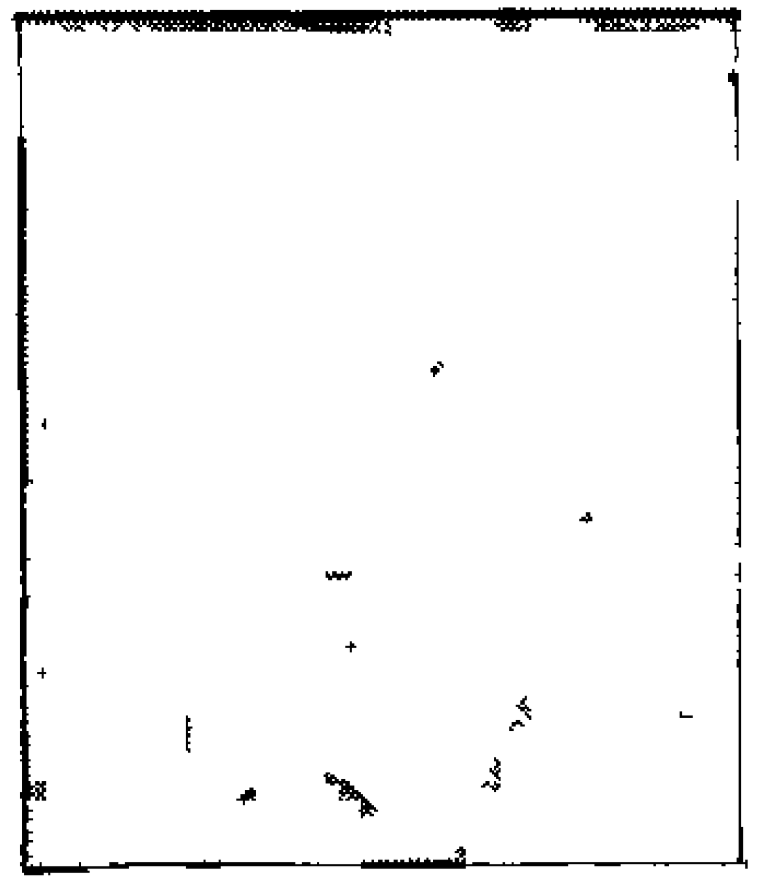
As expected, MD Derek Cooper leaves the board to head CG Smith, which includes strong performers Tiger Oats and Nampak

Warren Clewlow remains as chairman of Barlows with the task of restoring credibilty to the remaining interests

It is believed Clewlow was forced to come up with proposals for unbundling because the board was unhappy with the group's interim results to March, in which earnings slumped by five percent.

Barlows will lose the services of many of its highly rated directors

Nampak chairman Brian Connellan, ICS MD Nick Dennis, Reunert MD Tony Ellingford, Rand Mines chairman John Hall, Reunert chairman Clive Parker, Rand Mines deputy chairman Allen Sealey, Tiger Oats chairman Robbie Williams and Tiger Oats MD Clive Wolpert have also resigned from the board



Clewlow . forced to come up with proposals

The conglomerate announced in the press this morning that in addition to the interest in CG Smith and Reunert, shareholders would be given separate interests in Rand Mines and Rand Mines Properties

BARLOW Rand is to unbundle into four independent components. Chairman Warren Clewlow has to restore credibility to what's left.

And as part of the deal, Barlows will sever its connection with IBM distributor ISG as it will exchange its 50 percent interest in ISG Holdings for the ISM Trust's 50 percent interest in Persetech Holdings (Pershold)

This will give IBM the chance to return to SA.

Reunert will acquire these Pershold shares as well as Nashua and National Panasonic

The unbundling will en[d] Barlow's tenure as SA's lar[]gest and most diversified con[]glomerate

It is speculated that its head office will remain in Barlow Park and some of its operations will move into space vacated by CG Smith, Reunert and Rand Mines

The deal has been assisted by Old Mutual, which has a 34 percent holding in Barlows, and which is believed to have been unhappy with its recent performance

Old Mutual will buy 7,5 percent of the issued share capital of each of the four groups for R607 million in cash from Barlows prior to the unbundling This will enable the rump of Barlow Rand to repay debt and be appropriately funded

Barlows will be left with a somewhat pedestrian portfolio of companies

The most highly rated part of the group is its 60 percent holding in Pretoria Portland Cement, which has shown steady earnings growth

It also keeps its 79 percent interest in J Bibby, which saw its profits devastated for the six months to March by the acquisition of the Spanish caterpillar dealer Finanzauto

The wholly owned businesses have been disappointing performers, although paint manufacturer Plascon is well-positioned for an increase in building activity

The building materials group Federated-Blaikie has been making losses, while the capital equipment company and the Robor tube manufacturing and steel merchanting have been disappointing contributors

Barlows has kept its domestic appliances in the difficult white goods market, but has moved out of the more exciting audio visual, fax and copier market

R3-m share payout for ex-Syfrets team

Star 10/8/93

(232)

BY DEREK TOMMEY

Coronation Syndicate is about to reward the five investment fundis who joined it from Syfrets

They are to receive 500 000 Corsyn shares, worth R3 million at their current price in exchange for signing restraint of trade agreements

These agreements will be activated if they leave Corsyn

However, David Barnes, chairman of Corsyn, is also to receive a handsome payment

Corsyn is to issue preference shares with a conversion value of R60 million at current prices for his Bond Trading (Pty), of which he is the sole shareholder.

These details are published in a circular by Corsyn to its shareholders

Barnes, who is regarded as a top security trader, acquired control of Corsyn last September

News of the acquisition led to Corsyn's shares soaring from 60c to 800c before falling back recently to 600c

The circular gives details of the planned acquisition by Corsyn of Bond Trading, which is wholly owned by Barnes. He is also chairman and majority shareholder in Consyn

Bond Trading provides trading advice for over R100 million worth of actively managed assets It trades in listed gilts, equities, bonds, options and futures markets

In the 12 months to June its profits soared to R12,9 million from only R327 000 in 1991-92 and R64 000 in 1990-91.

Corsyn is issuing 10 million 5 percent convertible redeemable preference shares to Barnes at a price of R1,50 a share for Bond Trading

These shares can be converted into Corsyn ordinary shares on a share-for-share basis on October 1 1994 or October 1 1995.

Those shares which are not converted are redeemable at R1,50 a share between the years 2000 and 2002

The deal is conditional on Bond Trading having total assets of not less than R15 million, and that the audited profit be not less than R12 million

Corsyn's two major shareholders, Barnes and Gavan Ryan, will not vote at the general meeting being called to seek shareholder approval

While the deal has a nominal value of R15 million, the conversion value of these preference shares at Corsyn's current share price of R6 is R60 million

This may seem a high price to pay for assets worth R15 million But Barnes and Ryan tend to adopt a stance that the Corsyn shares are over-priced at their present levels. If one goes along with this view, then the price paid for Bond Trading looks more appropriate

Corsyn's merchant bankers, Firstcorp, says in the circular that it believes the terms and conditions of the acquisition are fair

Barlows launches key unbundling moves

232

CT 10/8/93

From MATTHEW CURTIN

JOHANNESBURG. — Barlow Rand [illegible] unbundling [illegible] electronics group Reunert [illegible] group [illegible]

The [illegible] restructuring [illegible] R607m [illegible] shareholders [illegible]

The [illegible] Barlow [illegible] industrial [illegible] tion [illegible] the end [illegible]

Barlows itself [illegible] of wholly owned [illegible], from [illegible] equipment distribution [illegible] paint [illegible] plus controlling stake [illegible]-based in [illegible] trial group T Bibby [illegible] and [illegible] Portland Cement (PPC).

The shake up of the conglomerate's computer businesses result in two new developments. First, Reunert takes control of Persetech, the computer group which is the [illegible]

[illegible] Reunert [illegible] Ellingt[illegible] [illegible] of Reunert [illegible] of Rand Mine[illegible] holding company for Randcoal, [illegible]

While analysts have predicted the broad outlines of the restructuring, Barlow [illegible]

[illegible] sold 7 [illegible] Mines [illegible] at R4 [illegible]

[illegible] consists of [illegible] Motor [illegible] Holdings Barlow [illegible] building [illegible] Blaikie [illegible] wholly owned [illegible] the group [illegible] 60% sharehol[illegible] in PPC.

Barlow will announce more details [illegible] this afternoon. Barlow shares rose [illegible] at [illegible] 4,25 on the [illegible] yesterday.

COMPANIES

Conshu wants Wayne delisted

MARCIA KLEIN

FOOTWEAR maker Conshu, which holds about 89% of Wayne Manufacturing's issued ordinary share capital, has proposed that it acquire minority shares in Wayne for 71c a share for cash and that Wayne be delisted from the JSE

Wayne manufactures rubber products for footwear and industrial use Its share closed yesterday at a ruling price of 50c. Today's announcement said the 71c consideration price represented a 42% premium on Wayne's closing price, but a discount of 37,7% to Wayne's net asset value for the year to end-June 1992. Conshu said the consideration included an amount of 1c in respect of Wayne's dividend for the year to end-June

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The scheme of arrangement would see Wayne become a wholly owned Conshu subsidiary The scheme was subject to approval by 75% of the shareholders present at the scheme meeting, excluding Conshu If the scheme were implemented, Wayne's listing would be terminated on October 22

Wayne has not yet reported full year results to end-June, but in the six months to end-December, earnings dropped to 1,2c a share from 4,9c Conshu's earnings dropped 24,6% to 22,7c a share over the interim period to end-December (~~123~~)(232)

Transun earnings down after political unrest

B/Day 10/8/93

MARCIA KLEIN

TRANSKEI Sun International (Transun), which operates the Wild Coast Sun and other gambling outlets in the area, was severely affected by political unrest in the year to end-June

The Kersaf subsidiary reported a 19% drop in earnings to 30,1c (37c) a share for the period as occupancies, the amount of day visitors and revenues were affected by political uncertainty, calls for mass action and the operation of unregulated casinos in SA for most of the year

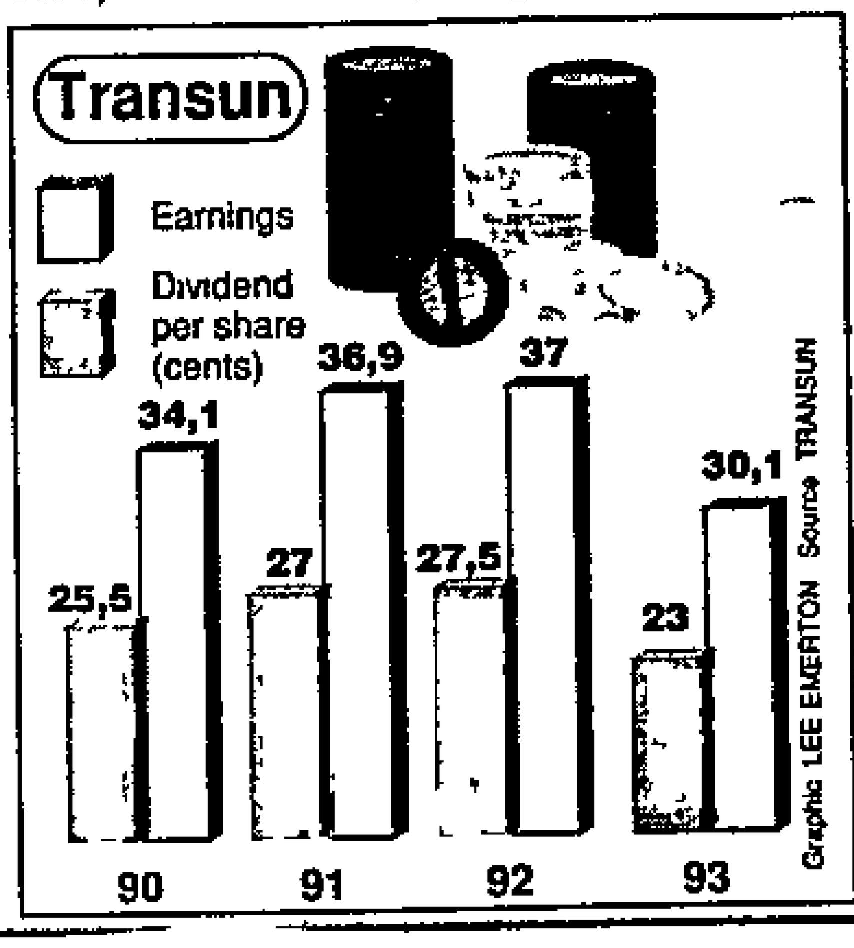
Turnover was 3% lower at R203,3m from R209,2m, and operating profit dropped by 15% to R56,5m from R66,3m

Chairman Peter Venison said this reflected the fall off in day visitors due to problems on the road to the SA/Transkei border, where the Wild Coast is located, and bad publicity surrounding political events in the region

Venison said Transun's high fixed costs were not offset in terms of occupancies and day visitors

The change to net interest paid of R2,5m from net interest received of R6,7m in the previous year was due to the utilisation of cash resources and borrowings to fund major extensions to the Wild Coast Sun resort

Pre-tax profit was 26% lower at R54m from R72,9m But capital allowances arising from the extensions saw the effective tax rate fall to 19,2% from 26,5% — with taxation of R10,4m from R19,3m previously.



The lower rate enabled Transun to report a 19% decline in attributable earnings to R43,6m from R53,6m A final dividend of 12c a share was declared, bringing the full year dividend down by 16% to 23c (27,25c)

Venison said the results were as forecast at the interim stage

Occupancies, which were 68% at the December interim stage, were only 57% for the full year, indicating a sharp decline in the second half. Venison said this reflected the effects of Chris Hani's assassination and events which followed Day visitors had also dropped substantially and, in the last quarter, were 30% down on the previous year (232)

Venison said there had been an improvement in trading since year-end, and costs had been trimmed further

He said Transun was a business which had good upside potential Gearing of 29% (23%) was not high, and there would be no major capex in the coming year The Wild Coast Sun had been redeveloped, and there was spare capacity All it needed was some peace

Unbundling could boost market

ROBYN CHALMERS

THE trend by conglomerates towards unbundling may give a much-needed boost to the property market BDay 11/8/93

Contractor Clearspan CE Ernie Heathie said inquiries from organisations wanting to relocate had increased dramatically, and the number of firm orders coming through had risen by more than 200% since December

Although the increase came off a comparatively low base, he said it was partly due to unbundling There were nevertheless indications that the property market might have begun to turn (232)

Over the past few months, three major conglomerates have announced their intention to unbundle — Gencor, Metropolitan Life and Barlow Rand Several smaller organisations have followed the trend and analysts predicted other firms would be hot on their heels

"The fact that organisations are selling off subsidiaries and that conglomerates are splitting up, means big head office structures are no longer functional

"There has been a definite move towards smaller, more diverse complexes"

Clearspan has recently secured contracts for the completion of four industrial complexes on the Witwatersrand and in Natal with a total value of R10,6m

Heathie said there was a lot of activity in Durban where companies, particularly in the white goods market and transport sector, were relocating and "revitalising"

This was a spinoff from SA's recent emphasis on the importance of exports in the general resuscitation of the economy Heathie said inquiry levels in Natal were beating all other areas around the country

One of Clearspan's most recent undertakings in the area was a R3,4m warehouse for PG Glass Holding's subsidiary SA Glass, which is situated north of Durban in Northgate

'Need for focus' behind Barlows split

BIDay 11/8/93

MARCIA KLEIN

FOUR years of flat earnings growth and the need for focus within the Barlow Rand group triggered the decision to split it into four stand-alone companies, chairman Warren Clewlow said yesterday (232)

Detailed proposals for the unbundling would be announced by the end of September.

This week's announcement came after a year of discussion on how the group's interests would be structured In terms of the plan, Barlows would distribute to shareholders its holding in CG Smith, Reunert and Rand Mines, and retain certain industrial interests Information Services Group (ISG) would become independent Old Mutual would be the major shareholder of the remaining groupings

Explaining the decision to unbundle, Clewlow said Barlows had grown laterally, through acquisitions, in the 1970s and 1980s, and this had been appropriate at the time.

But the group had reported flat earnings during the past four years, and "it niggled me that the group's structure might not be appropriate for the 1990s" The board felt Barlows should become more "vertical"

CG Smith would house its consumer-related interests, Reunert would hold electronic and hi-tech interests, and Rand Mines's main asset would remain its holding in Randcoal Barlows, which would be left with 79% of UK-based J Bibby, 60% of

☐ To Page 2

Barlows

BIDay 11/8/93

☐ From Page 1

Pretoria Portland Cement and 100% of various capital equipment, motor vehicle and other industrial interests, "would start to take on the flavour of companies linked to infrastructural development" (232)

Clewlow said the four stand-alone companies would be clearly focused on their areas of activity They had sound management and were conservatively financed, with low or no borrowings All liabilities and loans were held in Barlows, which recently received a R607m cash injection through the sale of shares.

The companies which remained in Barlows were "at a very low end of the economic cycle", and would require working capital when the economy turned

Clewlow said further streamlining within each company could be expected.

● Picture: Page 3
● See Page 12

Star 11/8/93

Gilt traders face controls

■ BY DEREK TOMMEY

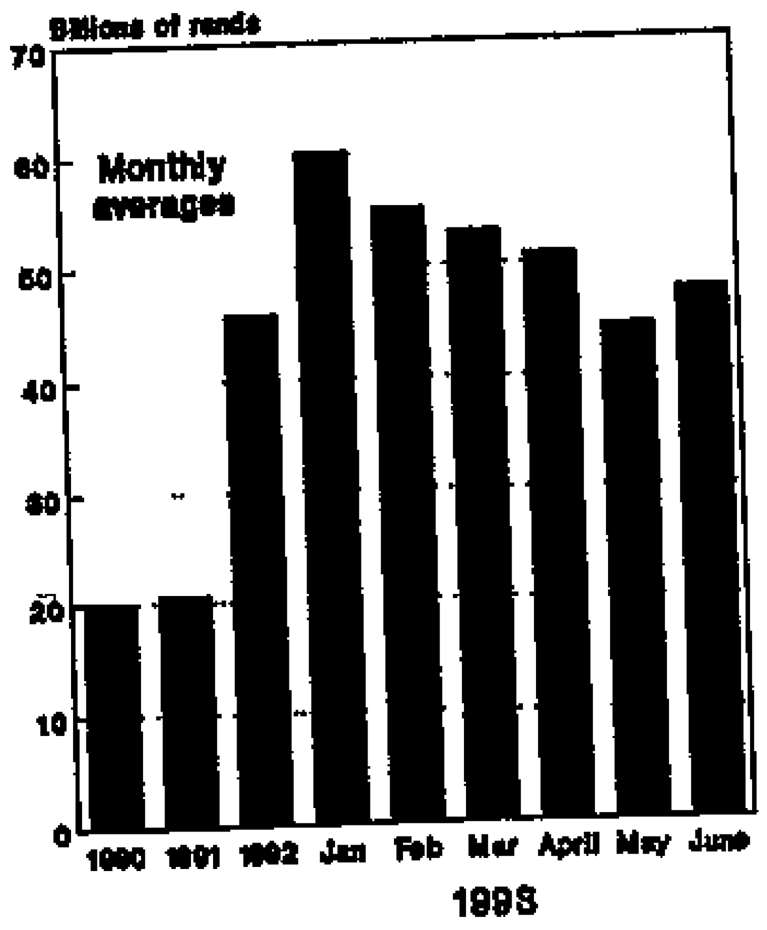
The recent statement by the Governor of the Reserve Bank Dr Chris Stals and other information to hand make it abundantly clear that all traders in the gilts market (which trades in government, Eskom and local authority stocks) will at some time in the future need to meet certain capital requirements

It seems there is no argument about this.

The question now being asked by the monetary authorities is how much capital gilt traders will need to have

Two factors have brought the matter of capital requirements for gilt dealers to a head

The first is the sharp rise in turnover in the gilts market



and its growing importance in recent years

In 1990 the nominal value of gilts traded was R239 billion This figure rose to R249 billion in 1991 and then jumped to R551,2 billion last year

In the first half of this year R311 billion worth of gilts were traded, suggesting that the figure for the full year could be well over R600 billion.

The gilts market of the JSE is now doing about 10 times as much business as the equity market

(232)

However, this huge increase in trading has also exacerbated the possibility that a trader might default and cause considerable damage to the market as a whole — a matter which seems to seriously concern Dr Stals.

The second factor is that commercial banks, which also trade in gilts, believe that because they have to meet certain capital requirements they are at a disadvantage to other gilt traders who do not

They have been calling for an end to what they say is an inequitable situation

They are asking for capital requirements for all gilt traders.

Echoes of this appeared in his statement to shareholders by Absa chairman Herc Hefer at the beginning of June

Unbundled Barlows 'appropriate' to new SA

B/Day 11/8/93 (232)

MATTHEW CURTIN

BARLOW Rand and its critics are likely to agree on at least one issue in some ways the unbundled company has come full circle and will cope with the mid-1990s looking rather like the company which emerged from the mid-1970s.

Chairman Warren Clewlow says that, far from disappearing, Barlow Park, the group's landscaped head office in Sandton, will remain the headquarters for the new-look Barlows and its capital equipment distribution, engineering, paint-making and electric appliance subsidiaries.

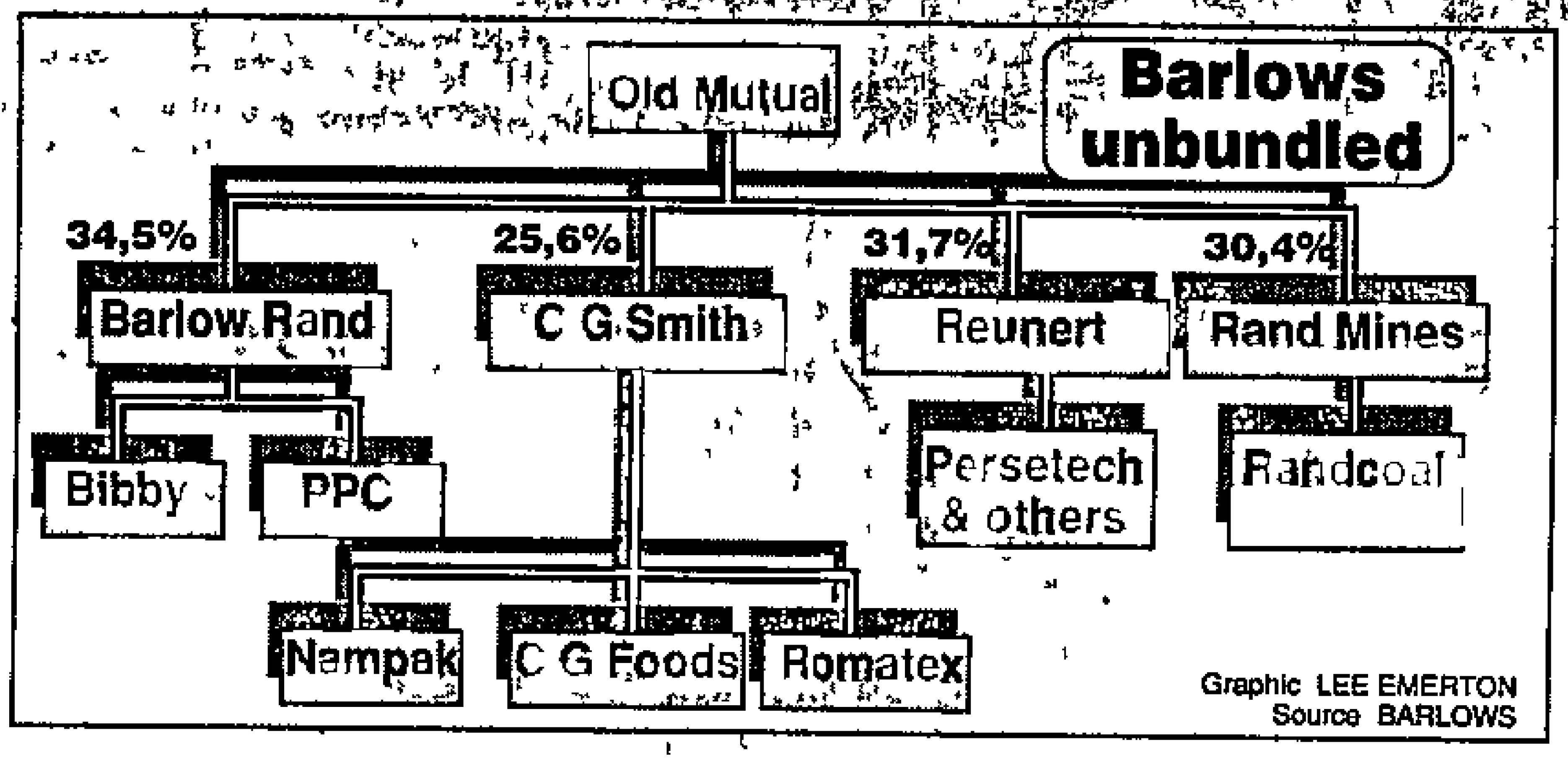
Some divisional managers will move in to replace the C G Smith and Reunert teams moving out.

If Clewlow seems nostalgic about the past, he is adamant that the way Barlows does business in the future will be different. Yet he is vague on exactly what that means, and it is to this question that investors, increasingly weary of Barlows' inability to add value at the centre, want convincing answers

Clewlow sums up the change in approach by saying Barlows and the other companies will seek growth "vertically instead of laterally" What that amounts to is a policy of expanding existing businesses rather than acquiring new ones, after a period of streamlining Clewlow says Pretoria Portland Cement is likely to look for new cement businesses in neighbouring African countries rather than move upstream into the construction sector.

UK-based J Bibby & Sons, Barlows' international arm, will bear the brunt of the streamlining. "It is illogical for Barlows, whether it is in SA or abroad, to have interests which do not fit with the new company," says Clewlow. The core operations at Bibby, the poorly performing conglomerate Barlows bought in 1983, are its capital equipment and Caterpillar business and forklift truck maker Hyster, operations which match the activities of Barlows in SA. Bibby's laboratory, agricultural and paper products divisions may soon be sold.

Clewlow says Barlows' new focus on businesses closely related to infrastructure will prove its strength as new projects get off the ground in SA and reconstruction gathers momentum in neighbouring African countries. And Clewlow echoes the sentiments of Sankorp and Gencor in their motivation for unbundling.



Graphic LEE EMERTON
Source BARLOWS

Like Marinus Daling, he stresses the importance of allowing investors a well-defined choice of investment vehicles. C G Smith, Reunert and Barlows now represent Old Mutual's broadly based consumer, high-technology and gross domestic fixed investment counters, with Rand Mines in the background with sole asset Randcoal.

Barlows and the delinked C G Smith and Reunert have gained flexibility and are "more appropriate" business structures for dealing with the fast-changing economic and political environment in SA.

Guessing how best to deal with this environment was the starting point for the unbundling debate within Barlow Park. Spurred by the group's failure to improve earnings in the past four years, Clewlow says it "niggled" him that the group structure was perhaps no longer appropriate. This is the closest Clewlow gets to an admission that all was not well at Barlow Park by late 1992. Analysts have no doubt that R2bn worth of abortive forays into gold, platinum and vanadium mining plus the mixed fortunes encountered with ferrochrome and in the UK were niggling

Clewlow insists Barlows's structure was the right one for the 1970s and 1980s Note has to be taken of the adversarial international conditions, at least, in which Barlows was able to establish itself as leading conglomerate, by buying the likes of C G Smith, Nampak, Tiger Oats and Reunert

Clewlow says that between September and May intense debate, initiated by new legislation announced in the Budget, culminated in consensus He declines to take credit for the proposals himself, saying his role was one of co-ordinator

"These were difficult and controversial decisions to take," he adds. Tactics discussed and abandoned were proposals to split up C G Smith into its constituent parts and the sale of Randcoal to raise cash instead of offloading shares to Old Mutual

Clewlow says that back in January he timed the restructuring to coincide with an early 1994 election preceded by economic upturn in October His optimism is undaunted, although he admits things do not look quite so rosy now.

However, the real test of the Barlows manoeuvre will be whether the same management can act as decisively in the marketplace with its new-look companies as it has in the boardroom

☐ **Spotdesk will appear tomorrow.**

LETTERS

should be consigned to the trash can

COMPANIES

Anglo considers ZCCM options

ANDY DUFFY

ANGLO American is yet to decidewhether it should recruit a partner in its bid for Zambia's soon-to-be-privatised copper company. BIDay

A spokesman said Anglo, which holds a 27,6% stake in Zambian Consolidated Copper Mines (ZCCM) and pre-emptive rights over the Zambian government's holding, would hold fire on drawing up its takeover bid until a study on the selloff had been completed 12/8/93

Zambia's Deputy Minister of Mines Mathias Mpande said earlier this week that a decision on the privatisation would be made by the end of the year

But he warned that, although Anglo had first refusal on ZCCM, the expense of the venture meant it would have to find a partner

ZCCM is $700m in debt and requires development investment estimated at $2bn At least $400m would have to be invested from the outset to develop the Konkola project.

Both JCI and Gencor have expressed an interest in bidding for a stake in the copper producer, but Anglo refused to be drawn on whether they were potential partners.

Anglo, which has made clear its plans to boost its foreign copper interests, is expected to use its cash-rich offshore arm Minorco as a vehicle to pursue ZCCM

Its ZCCM stake is held through JSE-listed Zambia Copper Investments, in which Minorco has a 50% stake.

ZCCM accounts for about 90% of Zambia's foreign earnings. (232)

Creditors will get 100c in the rand

■ BY DES PARKER

Creditors of AA Mutual short-term insurance division — which was wound up in mid-1986 after the most spectacular corporate crash of its time — are to receive a dividend later this year which will bring total dividends paid to 100c in the rand

A spokesman for the liquidators says more than 210 000 cheques to the value of almost R36 million are to be mailed after November 1 in the 13th distribution since the motor insurer went to the wall The dividend is 20c

Star 13/8/93

Claims of less than R20 will not be paid out but will again be retained until a final account is drawn up, which is expected to take place about the beginning of 1995

(232)

A final payment to compensate creditors for interest lost on their money will then be paid from surplus funds left in the cumulative pool

The spokesman appealed to the 40 000 or so creditors who have not collected dividend cheques since the liquidation, to do so About R11 million was outstanding, with probably another R3 million likely to remain uncollected in the latest distribution

FM 13/8/93 (232)

RUSTENBURG PLATINUM

FM 13/8/93

Could have been worse

(232)

In a hard year for platinum, Rustenburg's results must be considered rather better than expected That doesn't hide the 30% fall in EPS or accompanying cut in dividends. it's just they could have been worse

Understandably, MD Barry Davison puts the best face he can on a result which won't please investors but, paradoxically, points the way to an altogether brighter 1994 The main factor depressing results was the dreadful and sustained dip in the prices of rhodium and nickel Rhodium, not long ago the darling of the commodities markets, nearly halved — the fall over the year was 43% Nickel fell a more modest 13%

A decidedly mixed picture saw the platinum price rise in US$ terms by 2% and palladium by 23% That was accompanied by a volume increase of about 20% In part, this explains Rustenburg's ability to improve slightly on gross sales revenue That was bought, however, at the cost of an increase in total mine costs (though unit costs on all three mines increased by an acceptable 6%)

But nothing can disguise the alarming decline in net operating profit R754m compared with 1992's R1,02bn — a fall of 26% Taxation halved, a good job too, but the bottom line has blood on it

There are some intriguing aspects to the results First is that the item commissions and discounts has mysteriously reduced by R24m. Davison wouldn't comment at the press conference but it seems reasonable to suppose Johnson Matthey, the UK platinum refiner in which JCI has a stake, was prevailed upon to temper its charges

Then there's the substantial second-half improvement in Lebowa's operating results By halftime it managed to lose R9,4m Second-half losses of only R500 000 make R9,9m in all That compares with 1992's loss of R29m and presages profits for 1994

GRIM HARVEST

Rusplat

Year to June 30	1992	1993
Turnover (Rm)	2 910,1	2 968,0
Operating income (Rm)	1 019,6	754,2
Attributable (Rm)	402,3	281,4
Earnings (c)	321,0	224,6
Dividends (c)	230,0*	165,0

* Excludes dividend in specie

Finally, the huge reduction in capital costs for PP Rust deserves comment. The project, conceived at a cost of R555m, has been brought in at R385m, a saving of 31%. Davison concedes there was some over-estimating in the original numbers but insists that by far the bulk of the under-expenditure comes from extraordinarily competitive tenders

Competitive benefits

"In some cases companies were tendering prices which we last saw three years ago," he says That certainly confirms the competitive benefits of prolonged recession

Davison agrees the immediate outlook is better, provided the world economy continues to improve. US vehicle sales are encouraging (though Europe's are terrible, as are Japan's) and industrial demand is firm In Japan, jewellery demand, which last year consumed nearly 42 t of platinum, remains remarkably buoyant.

CUTTING LOSSES

Lebowa

Year to June 30	1992	1993
Turnover (Rm)	112,3	133,2
Operating income (Rm)	(26,9)	(7,9)
Attributable (Rm)	(28,9)	(9,9)
Earnings (c)	(24,1)	(8,3)
Dividends (c)	nil	nil

So the prognosis is for a rather better year. Given a share price of R72 and p:e of 32, evidence of considerable investor optimism, it needs to be.

David Gleason

GENCOR

Hanging on to some of the family silver

FM 13/8/93

Gencor has wasted no time resolving the precise terms of its unbundling programme, and the details hold at least one surprise

The unbundling isn't to be as comprehensive as the market was led to believe The major exception to the plan to reduce the group to its original core business — mining — is the retention of a holding of about 20% in Malbak, the industrial conglomerate

The entire scheme has taken place over two sets of transactions (232)

In the first, investment company Genbel sold ownership of Genbel Offshore Investments (valued at about R512m), which has a sizeable stake in TransAtlantic (Liberty Life's international vehicle), plus about R100m of shares in Kinross and Winkelhaak as well as Impala, Samancor and Trans-Natal In exchange, Gencor parted with shares in Sappi, Engen and Beatrix, the last-mentioned restoring Genbel's gold holding

The second transaction involved Genbel disposing of some of its newly acquired Sappi and Engen to Sankorp in exchange for shares in Murray & Roberts, Malbak, Absa and Mercedes Information (holding company for Didata and Datakor) plus R50m cash This leg is worth about R385m

Market expectations were that Gencor, valued at R20bn pre-unbundling, would fall to around R12bn after the transactions However, chairman Brian Gilbertson made it clear he wanted some reserve in Gencor, either through pre-unbundling transactions or a retention of assets

Retention of Malbak gives Gencor a bonus of R850m at market valuation and the exchange of Sappi and Engen shares provides another R762m So post-bundling value is likely to be R1,6bn bigger than if there had been a straight distribution of all assets

What comes through is that Sankorp and Rembrandt didn't need more Malbak shares to cement their effective control at 35%, on that basis, they were happy to see Gencor keep an interest That raises, of course, another issue Malbak can hardly be said to occupy a place in Gencor's strategic thinking or positioning What the holding does is confer additional strength if it wants to pursue another acquisition In fact, an interesting aspect of Gencor's portfolio is that about 30% of its assets are in near-liquid form

That makes it an unusually powerful player in the mining community *David Gleason*

Gencor's Gilbertson *R1,6bn ace in the hole*

CMI

Never had it so bad

It's never been so bad at Consolidated Metallurgical Industries (CMI), JCI's ferrochrome producer A R41m attributable loss for financial 1993 is the worst since operations started in 1977 Not surprisingly in the circumstances, there's no dividend

Ferrochrome demand is inextricably tied to stainless steel production In global terms, stainless steel production continues to grow, last year by 2,5% to a record 11,1 Mt However, what bedevilled the industry was a supply/demand imbalance

CMI's result was profoundly influenced, says CE Sandy Wood, by a radical structural change in the market With CIS states manufacturing significantly less stainless steel, contrary to the world trend, internal demand weakened in sympathy That left traditional CIS chrome producers, Russia itself and Kazakhstan, free to divert material Large quantities of Kazakh ore found their way to China where they've been converted to ferrochrome for sale in Japan and elsewhere

Marketing director Allan Kuhnert says that, until 1991, the ex-USSR exported about 90 000 t a year of high-carbon ferrochromes "That's now risen to around 200 000 t" The effect was to drive spot prices into a spiral dive. At US32c/lb by this March, they were 30% off mid-1992 levels

Cheap chrome appeared on all European traders' books; CIS product was the flavour of the month and traditional steady suppliers found it increasingly difficult to move stock at reasonable prices But it is one thing to enter into contracts and another to make delivery Continental consumers who had deserted tried and trusted suppliers reappeared as suddenly, seeking rescue from Scandinavian suppliers in particular

The fact that stability is being restored to the market is of little consolation to CMI shareholders Disruptions of the kind experienced last year take long to repair Against a background of continued high world demand for ferrochrome, yet disconcerted by potential oversupply, it's unlikely prices will rise to satisfactory levels in the next 12 months

REALLY TOUGH

Year to June	1992	1993
Turnover (Rm)	306,4	226,2
Operating income (Rm)	14,9	(24,4)
Attributable (Rm)	(5,3)	(41,0)
Earnings (c)	(12)	(97)

One way of evening the supply/demand equation was for SA producers, the world's largest, to trim production Both CMI and Samancor chose that route CMI cut production from 70% of rated capacity to 50% now

Actions of this kind can't be achieved without adjustments elsewhere CMI had to retrench 17% of its workforce in a harsh environment, that means another 200 people lost their means of subsistence

As you would expect after such a dreadful result, the balance sheet weakened perceptibly Shareholders bear the full brunt with market capitalisation down over the year by exactly the R41m loss However, debt has been carefully managed and shows a negligible rise Understandably, with reduced output, stock and debtors have declined and the cash balance is marginally lower

Chairman Barry Davison is more than a little coy on prospects for 1994 However, Wood is unashamedly frank "We'll make a loss again," he says

On the information available it seems unlikely results will be anywhere near as bad as 1993's, but investors would be ill advised to hope for an early resumption of dividends Provided world economic growth recovers and ferrochrome producers enforce a market equilibrium, things will look much better by 1995 But not till then *David Gleason*

RUSTENBURG PLATINUM

FM 13/8/93

Could have been worse

In a hard year for platinum, Rustenburg's results must be considered rather better than expected That doesn't hide the 30% fall in EPS or accompanying cut in dividends, it's just they could have been worse

Understandably, MD Barry Davison puts the best face he can on a result which won't please investors but, paradoxically, points the way to an altogether brighter 1994 The main factor depressing results was the

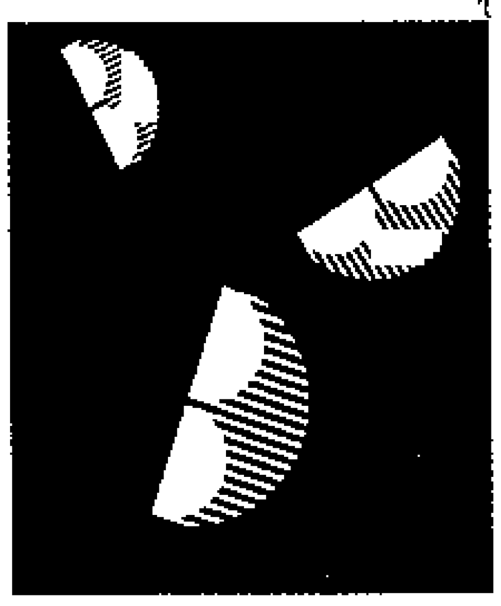
BARLOW RAND

FM 13/8/93

Is there more value for shareholders?

After agglomeration comes strategic bust-up

(232)



When a huge and diversified industrial group such as Barlow Rand abruptly announces plans to break itself up into smaller entities, it's perhaps inevitable there will be talk about boardroom battles involving senior executives and shareholders They are probably partly true

It is, after all, an unusual proposal Where it has happened elsewhere, the event has generally been preceded by extreme reluctance, some form of revolution and the advent of new leaders IBM is an example

Though producing good profit growth at times, essentially when the local economy and international commodity markets were in an upswing, Barlows has not exactly distinguished itself as an innovative company Nor has it been through the kind of shake-up that Gencor saw under Derek Keys

On the contrary, the unkind perception has tended to be that Barlows is run primarily by accountants, most of whom have spent long careers steeped in the Barlows culture Sons of the regiment all, top executives work from a head office characterised by conformity rather than innovation For decades Barlows knelt at the altar of size and diversity Yet this week it tacitly conceded that this approach doesn't (or will no longer) satisfy shareholders, emphasis must be on focus and flexibility

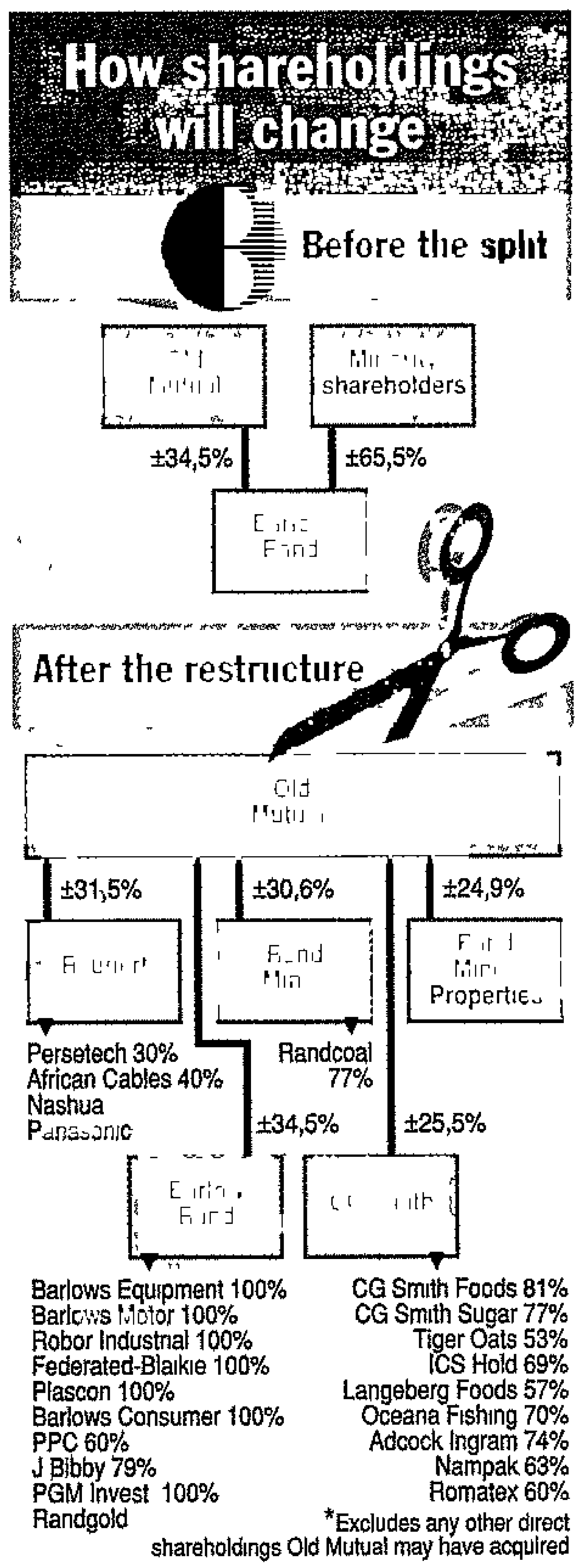
After a 30-year career in the inbred culture of Barlows, where he became chairman two years ago, following about five years as chief operating officer when Mike Rosholt was chairman, Warren Clewlow now talks fervently of "lean" and "focused" businesses It smacks of instant conversion

Clewlow is adamant that the proposal was his own initiative, on which work began early this year, steered by a small executive committee including MD Derek Cooper He contends he took the plan to majority shareholder Old Mutual and gained approval, with considerable (often "lively") debate between the various parties along the way "I wish I could be given credit for doing something bold," he says

But who can blame the sceptical when they assume that long-serving executives, the summit of whose career could reasonably be expected to be running SA's largest industrial group, are unlikely voluntarily to break up that group and leave themselves with a much smaller enterprise to run?

Those who take this view believe it more probable that Old Mutual, disillusioned with the long-term performance of a major investment, decided to impose change But Cooper too is emphatic the impetus came from within Barlows Whatever the provenance of the new thinking, the initial response from financial markets has been positive in principle They had long criticised Barlows for management errors and structural deficiencies

Investor concerns have been borne out in the share price performance (see graphs) Over the long term it has lagged both the JSE Industrial index and Barlows' 60%-held subsidiary, C G Smith, now to become autonomous Stockbrokers say they would not recommend holding Barlows as a long-term investment, but rather as a counter to be bought when it's rising against the industrial market and then sold at the peak



That criticism is partly of the conglomerate principle, which is out of fashion internationally In SA, most other big and diversified industrials have increasingly focused on a particular sector Malbak has moved heavily into consumer goods, Murray & Roberts has allied itself with capital investment sectors, Anglovaal Industries is primarily in consumer markets, and even Amic is reassessing its commodities-sensitive portfolio

In the Sixties and Seventies, acquisitive and diversified conglomerates were popular on the grounds that diversity would diminish risk As Barlows has often shown, in reality there are invariably one or more weak entities in the portfolio that drag down the overall result anyhow

With its breadth and size, performance became closely linked to the business cycle And its portfolio included businesses whose profits could be highly volatile, examples were Middelburg — now sold — the consumer goods, and building equipment

There were also some palpable errors, the obvious ones (conceded by management) occurring in the mining division, specifically platinum and generally the transformation of the venerable Rand Mines into a coal company Of course, once the damage was done, it was better to grasp the nettle and unbundle Rand Mines, as happened over the past 18 months Nobody blinked when Hanson Plc carved up Consolidated Gold Fields

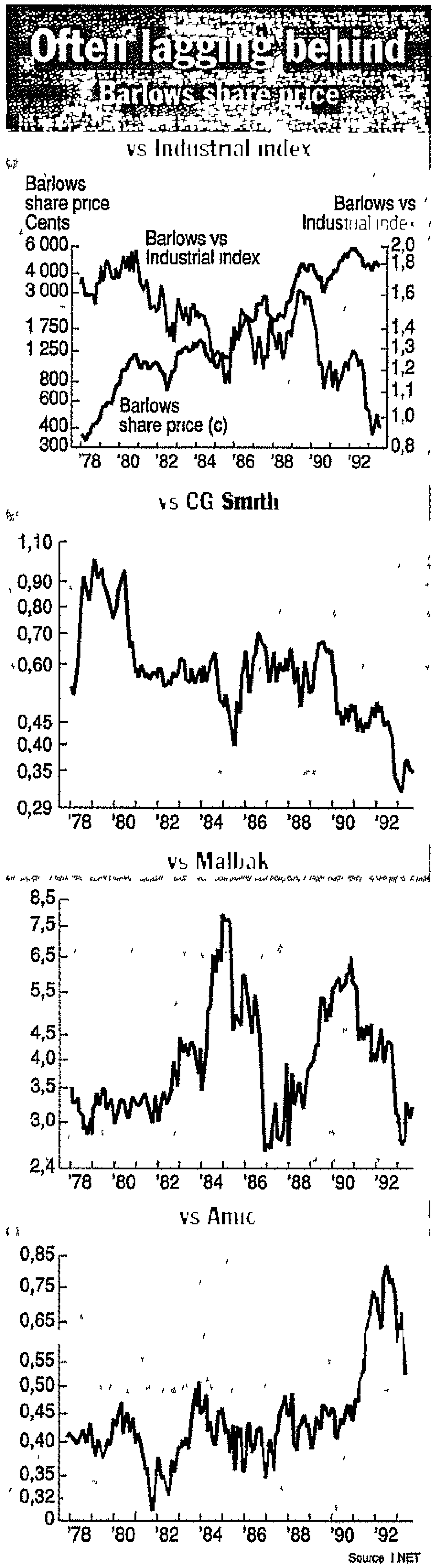
But the negative sentiment this generated has been far more important than the financial effects, which were not particularly significant for Barlows Similarly, fairly or not, negative sentiment arose over departures of some senior executives Tony Norton to the JSE, John Maree to Armscor and then Eskom, Bas Kardol to Investec, Richard Savage to Altron Most of them left in the mid-Eighties, but, with the talk of boardroom dissent, their names are again being recalled Whatever the reasons for these departures, the exodus tended to coincide with the rise and spreading influence of Warren

Neither the fundamentals nor adverse sentiment help to instil life in the share price Barlows' earnings remained reasonably solid in the recession EPS fell 15% in 1990, by 7% in 1991 and were marginally up last year But the dividend was on a four-year plateau in the early Eighties, as is happening now

Deployment of cash flow is another concern Barlows has maintained weighty capital spending programmes R1,8bn last year, with a similar amount budgeted this year That sounds impressive, but the market felt cash was being moved from strong performers such as C G Smith to wholly owned companies generating poor returns Middel-

cont →

FM 13/8/93



burg was particularly capital-hungry Pretoria Portland Cement (PPC)'s Dwaalboom plant has never been used testimony to over-enthusiastic investment in the mid-Eighties But essentially the more this happened, the more critics suspected that the quality of earnings was being prejudiced

Until the break-up proposals, investors were faced with an unexciting prospect a stodgy share price, little immediate prospect of dividend growth and overhang of negative sentiment Little there to whet appetites in financial markets and, many thought, limited concern at head office about financial markets' attitudes

Clewlow candidly accepts that performance has been inadequate He contends the present structure was right in the past but is no longer appropriate — and that there is industrial logic in the new proposals, more focus in management's endeavours and more prospect of innovation

(232)

For shareholders, the change will be a simple process If they now hold shares only in Barlows, they will also receive direct holdings in some underlying companies food, pharmaceuticals and packaging firm C G Smith, electronics, electrical and computer firm Reunert, coal holding company Rand Mines, and Rand Mines Properties (RMP)

They will have the choice of retaining all or part of these — of attempting to balance risk themselves or focusing on the best performers In the short term, investors can at least be assured of earnings and dividend growth from C G Smith and Reunert Both are recognised as high-quality companies

Ultimate control will not change Mutual will retain its present effective stakes, and through cash deals on July 8 acquired additional stakes of 7,5% each in C G Smith, Reunert, Rand Mines and RMP Effects are shown in the diagram, though it excludes any direct stakes already held by Mutual in these companies — which are sure to exist

As expected, there will be no cross-shareholdings and no cross-directorships Barlows will cease to have any influence over the companies that become autonomous Clive Parker, now chairman of Reunert, will run that company, John Hall will chair Rand Mines and RMP

The most interesting management change is the appointment of Barlows MD Cooper as chairman of C G Smith, whose present chairman, Robbie Williams, becomes vice-chairman Cooper says Williams, Nampak head Brian Connellan and himself were closely involved in the planning, and will make an effective team enabling C G Smith "to blossom "

"The strategy is to build on Smith's skills base in the nondurable consumer goods field," he says "No further restructuring is planned " Cooper feels C G Smith will be able to raise funds for investment by issuing its own highly rated paper without having to worry about whether Barlows will want to take it up

Unlike C G Smith, Reunert is to acquire some business from Barlows computer company Persetech as well as Nashua and National Panasonic Reunert has done exceptionally well in recent years after stringent rationalisation Parker says the new businesses will not offer further synergies so no further rationalisation is needed

They will, however, usefully extend the product and skills range He notes there are strong links between telecommunications and computers, for example, and an earlier strategic plan had recommended entry into consumer markets Reunert will be large a rough calculation on 1992 figures indicates attributable profit of some R140m compared with the actual R92,4m

The new Barlows, to be chaired by Clewlow, will be left with most of its wholly owned businesses as well as the diversified UK group J Bibby and PPC It should also have substantial cash after debt repayments All the local activities — motors, steel, building materials, earthmoving equipment — are cyclical, linked to capital investment Their total after-tax profit now exceeds R250m That should swing upwards if these markets recover But what if they don't?

Randgold's position has not been resolved, but it's unlikely to stay in Barlows PGM Investments is remaining for now, largely for tax reasons Though little is said about Bibby, it's fairly clear a similar process is planned for the UK group

There will presumably be shrinkage at Barlow Park, but it isn't clear how much smaller the head office may end up Parker says the only people moving to Reunert will be himself, his secretary and another manager

Clewlow says that as offices are vacated at Barlow Park, the head offices of those companies staying in Barlows will move in Barlows will continue to administer the pension funds of the autonomous companies for about a year, then they may go elsewhere

Investors will have to see tangible savings and benefits for share prices to respond So far market reaction has been muted There's no apparent great discount to Barlows' NAV that can be unlocked to add value though this depends on values of unlisted companies

Certainly these changes are not a conventional unbundling They amount to a strategic realignment and a management shakeup after a period of inertia without any assurance that entrepreneurial spirit will be rekindled Without the stimulus of seasoned comrades and an acquisitive culture, the individually managed parts could actually turn out to be less than the collectively managed whole

However, there could be benefits in higher visibility of more focused businesses, more effective investment, and greater incentive for top management to make stand-alone groups perform

Andrew McNulty

WE'RE SORRY

We apologise to *FM* subscribers who have been receiving their magazines later than usual There are two reasons, both of which we are addressing with vigour our printer, KNL, has consistently had machine trouble and the Post Office has not given us the service we expect

Analysts' views differ on W & A Investment

ANDREW KRUMM

ANALYSTS differ markedly in their views of the W & A Investment Corporation's profitability for the interim period to end-June — and offer projections ranging from "small profits" to "significant losses". B/Day

Although a number of analysts canvassed yesterday said W & A would declare a small profit equivalent to between 5c and 10c in earnings a share when it announced its results on Monday next week, one market watcher disagreed entirely

Predicting the group would make an operating profit of about R8,2m for the period, the dissenting analyst nonetheless forecast an attributable loss of between R12,1m and R18,8m in the first half. The group's operating profit would be eroded by payments to debenture holders and dividends to preferred ordinary shareholders totalling about R27m, he said.

W & A's share of "mediocre" profits from listed subsidiaries, adding up to R26,7m, would be dragged down by weak results elsewhere 13/8/93

The analyst expected AAF would lose R7,5m, which was its share of losses from the underpricing of certain contracts Foreign scaffolding operations would report a R6m loss.

In addition, a forecast R80m operating profit by W & A's unlisted domestic operations, SGB and Formscaff, would not cover the projected R85m bill for interest, tax, and minority profits, resulting in a R5m loss by unlisted operations

The net effect of the above would be a R8,2m profit before interest of R20,3m on compulsory convertible debentures, and before ordinary preferred dividends of R6,7m After paying debenture holders and preferred shareholders, W & A would make a R18,8m attributable loss on an undiluted basis (480) (232)

"However, we expect the company to pass the ordinary dividend, in which case the attributable loss will amount to about R12,1m on an undiluted basis," the analyst said

Doing the Thebe side-step

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The toyi-toyi used to be the only dance in town. But what is this Thebe side-step? COMMENT by KEVIN DAVIE.

THEBE Investment Corporation, the ANC-linked business group, has hardly been out of the news in recent weeks as just about everything it touches turns to controversy S/Times

First there was the proposed deal between publisher Macmillan and Thebe — it has Nelson Mandela and Walter Sisulu as trustees — aimed at winning a chunk of the R500-million-a-year schoolbook business

Thebe's finances have also been subject to much speculation, but suggestions that it was on the rocks have been countered by Thebe, which says its businesses are either profitable or soon will be

Now questions are being asked about the Digital-Thebe deal whereby computer giant Digital Electronics has been able to begin operations in SA while the ANC still supports sanctions

Thebe's controversial reputation stretches beyond SA's borders One plugged-in investment adviser in the US says there is a general opinion there that to enter the SA market "you first have to deal with Thebe".

"The ANC appears to have an interest in maintaining sanctions The only way you can get into the market is if you deal through Thebe," this adviser says (BUSS)

Companies which have had stalled discusions with Thebe include some of the best-known brand names in the world 16/8/93

One is said to be a famous-name computer company It chose not to deal with Thebe and is still waiting to enter the SA market while a competitor (Digital) has set up shop

ANC officials have said that Digital is not really in SA, but has only established an office on a look-see basis, sort of getting ready for the real thing

But Digital spokesman Vikkee Love told Associated Press that full operations, including sales, began on July 1. Ms Love did not return Business Times' calls

Other ANC officials are not buying the look-see line. ANC international affairs spokesman Aziz Pahad has asked Thebe to explain how Digital has opened for business while sanctions are still in place

Mr Pahad is not the first to question Thebe. ANC education department officials Cheryl Carolus and Lindelwe Mabandla voiced strong concern about the proposed deal with Macmillan.

The robust criticism from the ranks of the ANC is a welcome departure from the track record of the National Party, where ranks have closed while brazening out public criticism

How does Thebe respond to its critics? Managing director Vusi Khanyile, an anti-apartheid veteran, insists Thebe does not represent the ANC

Digital SA has appointed two resellers in SA Thebe has a equity stake in one of these resellers, Bhekisizwe Digital does not have an equity position in Bhekisizwe, nor is there any exclusivity in the relationship, says Thebe

It says Thebe is one of four equity partners in Bhekisizwe, the others being Persetech, a trust representing future staff; and Vela International, a private company representing black investors

Mr Khanyile says Thebe is fostering black empowerment. Critics, he says, are jealous of the deals Thebe has struck.

But the critics are unconvinced. With sanctions still in place, the Thebe side-step appears to be the new dance in town.

Investors are trying to find out what the steps are Is this a dance which can only take place with the say-so of a political party?

If it is there'll be many who won't come to the party

S T Times (Buss) 15/8/93

Rock-bottom Barlows

The dismembering of industrial giant Barlow Rand appears to leave Barlows with the dregs of the conglomerate's portfolio, but don't write off the group and its management, writes **CHERILYN IRETON.**

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THE new-look Barlows rising from the unbundling ashes of Barlow Rand will include a mix of companies whose fortunes are tied to the fixed investment cycle.

By their nature they are not glamorous companies and their recent performance has been rotten.

Barlows is also being stripped of most of its dynamic, high-profile directors, leaving Warren Clewlow and lesser-known executives Richard Mansell-Jones, Evert Groeneweg, Russell Chambers and John Gomersall to drive the firm

New board appointments are expected

Nonetheless, these factors may be enough to convince some of its 17 500 shareholders that Barlows has had its time of greatness and that the future will be more rewarding with top-performing consumer-based group CG Smith or electronics firm Reunert.

The factors which count against it may well be the reasons for investors to stay with Barlows

The remnants of the management team have been stung by the severe criticism of the past few months and want desperately to prove their worth

The listed companies with which they have to work include cement producer PPC and foreign investment holding company J Bibby & Sons

Barlows' other unlisted holdings are almost unchanged from the Punch Barlow days They include paint manufacturer Plascon, the capital equipment businesses, including Caterpillar and Barlow Handling, investments in Barlow Motor, the building materials stake held through Federated Blaikie, the tube-making business of Robor Industrial Holdings and on the domestic appliance side, Barlows Manufacturing

Most of these divisions have taken a hammering with the progressive slowdown of infrastructure spending that has been a characteristic of the economy since 1990

They are now at the bottom of their cycle and business cannot get much worse

Because the companies will be coming off an extremely low base, it should be relatively easy to show good growth if domestic funds and foreign aid are injected into housing, roads and schools

The brak remains Bibby

Analysts estimate that its net worth — after debt — has shrivelled to about £10-million Because it is based abroad, it is being recapitalised through its own profits, which have been marginal in the past few years

Bibby's acquisition of Spanish earthmoving equipment company Finanzauto last year — bought after all Spain's infrastructure development for the Olympic Games had been completed — did not win any investor support

Yet Mr Clewlow is still defensive about the deal, saying "You must realise that companies like Finanzauto are not always available when you want them. We were very fortunate to get it and it gives us access to markets in Spain and Portugal.

"The big question is how quickly European economies will recover"

Mr Clewlow admits that he is disappointed in Bibby

Reports that businesses that do not fit into the new Barlows' definition are likely to be stripped out, appear accurate Clarity on the issue is not expected before the September yearend

At that point Barlows will provide accounts showing the split between the four groups in order to provide a comparative base for their first year of independent operation

One other plus for Barlows is that although it retains group liabilities, it also keeps the cash at the centre — some from the sale of Middelburg Steel, some from the disposal of R600-million in shares to Old Mutual

It is expected to be ungeared and liquid

Mr Clewlow says it is imperative that each of the four groups be conservatively financed when the umbilical chord is cut at the yearend

"We wanted them to end up with no or low borrowings and good strong management Some companies like Caterpillar have low stocks and will require working capital as and when — or if and when — the economy picks up"

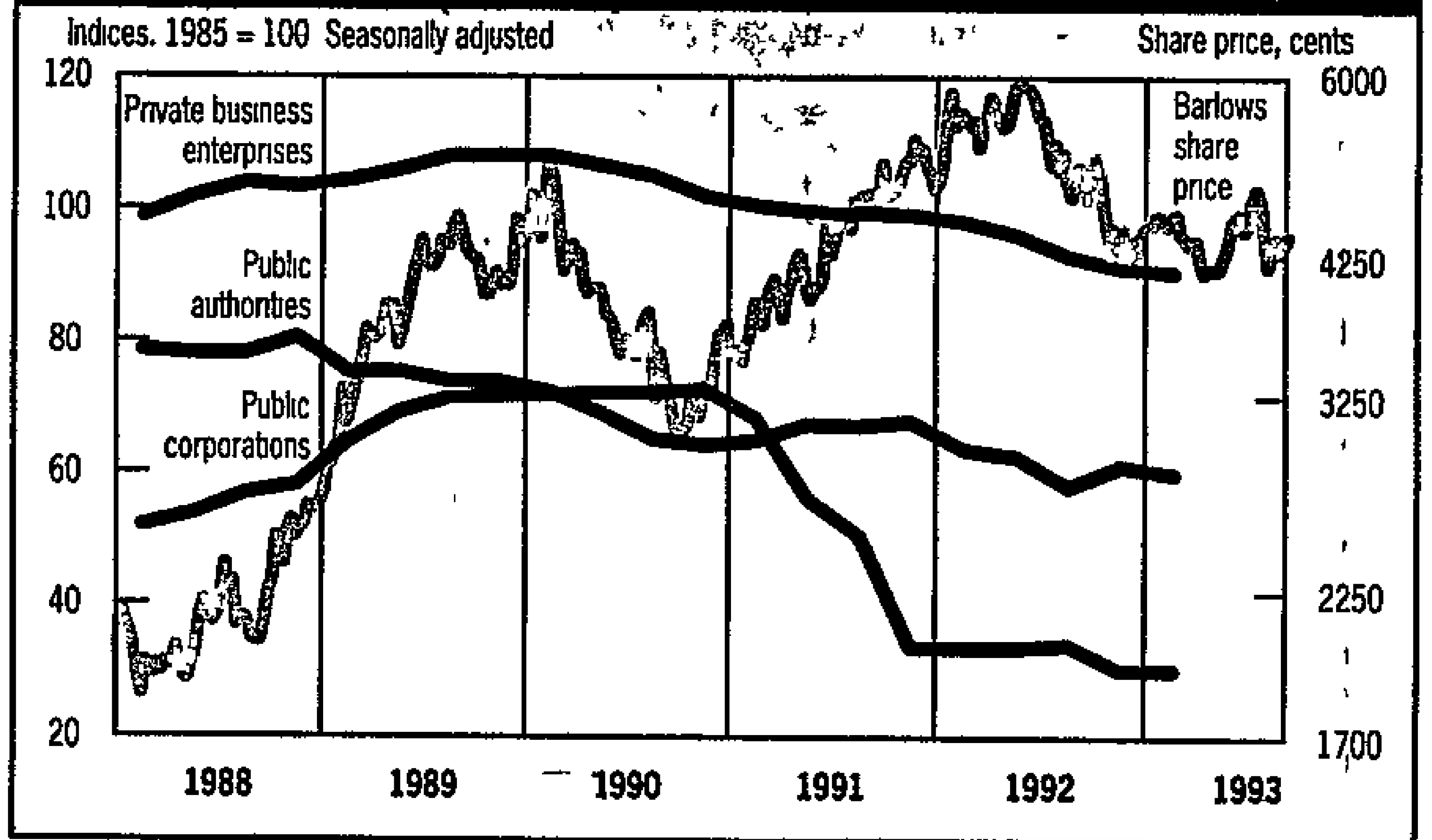
The unbundling will not stop there, he says

"There are groupings within groupings that will have to be streamlined"

Mr Clewlow says that 10% of the decision to unbundle is based on his gut feel.

Time will be his judge

Barlow Rand share price and real gross domestic fixed investment



Graphic FIONA KRISCH Sources I-NET and RESERVE BANK QUARTERLY BULLETIN

BACKING THE TRENDS: Barlows will benefit from infrastructure spending

ST Times (Buss) 15/8/93

Simplicity sacrificed to the Kroks

(232)

PREMIER Group companies must take the year's award for mind-bending corporate finance announcements, the latest in a long series involve PDC Holdings and Gresham.

It is not often that the "before" structure is more simple than the "after", but the latest proposals arose from a disagreement with the Krok brothers. The Kroks were controlling shareholders of Twins Pharmaceuticals, now called Premier Pharmaceuticals (Prempha) and 58% owned by Premier

Premier spokesman Ronnie Taurog explains that the original intention was for Prempha to house the group's manufacturing and distribution businesses, namely wholesaler PDC Trading, United Pharmaceutical Distributors (UPD), Gresham's 80,8% of Amalgamated Chemists Association (ACA) and wholly-owned Gresham Wholesalers' Salters division but excluding First Choice.

Prempha agreed to issue 8,5-million shares to Premier, PDC and Gresham in consideration The dispute has been settled by an addendum to the agreement Premier would not sell the pharmaceutical distribution interests to Prempha, but would procure a third party to acquire them

Prempha still issues the same 8,5-million shares only this time it is to UPD Premier instead pays Prempha R78-million in cash. UPD has also bought Medical Cash & Carry, a wholesaler set up independently by Norman Knight and his team.

The upshot is that Premier now owns 58% of Prempha, the manufacturing arm, and provisionally 82% of Gresham Gresham has 51% and MCC 49% of UPD

UPD is the home for Gresham Wholesalers, ACA, PDC Trading, Salters, First Choice and MCC's operations

Mr Taurog notes how MCC came to the party "PDC and Gresham have not had great results in recent years The problems were many — management, unfair competition before the introduction of single-exit pricing, overtrading, shrinkage (reports of which he says have been hyped up) and so on

"We felt stiff competition from MCC. It was hurting us, but we did not know much about the company When MCC approached us we learned that it was highly respectable and had the backing of the Commercial Union insurance company

"The outcome is the merging of two pharmaceutical wholesalers each with turnover of approximately R750-million, into UPD This way Premier has not only solved its management problems but also joined forces with a major competitor"

The Competition Board has endorsed the deal Mr Taurog says no profit forecast has been made for the new-look Gresham — to be renamed Wholesale Pharmaceutical Holdings — because it is meaningless to guess at how much benefit will arise from the bringing together of the two components A state-of-the-art warehouse being built in Roodepoort is expected to lead to cost savings

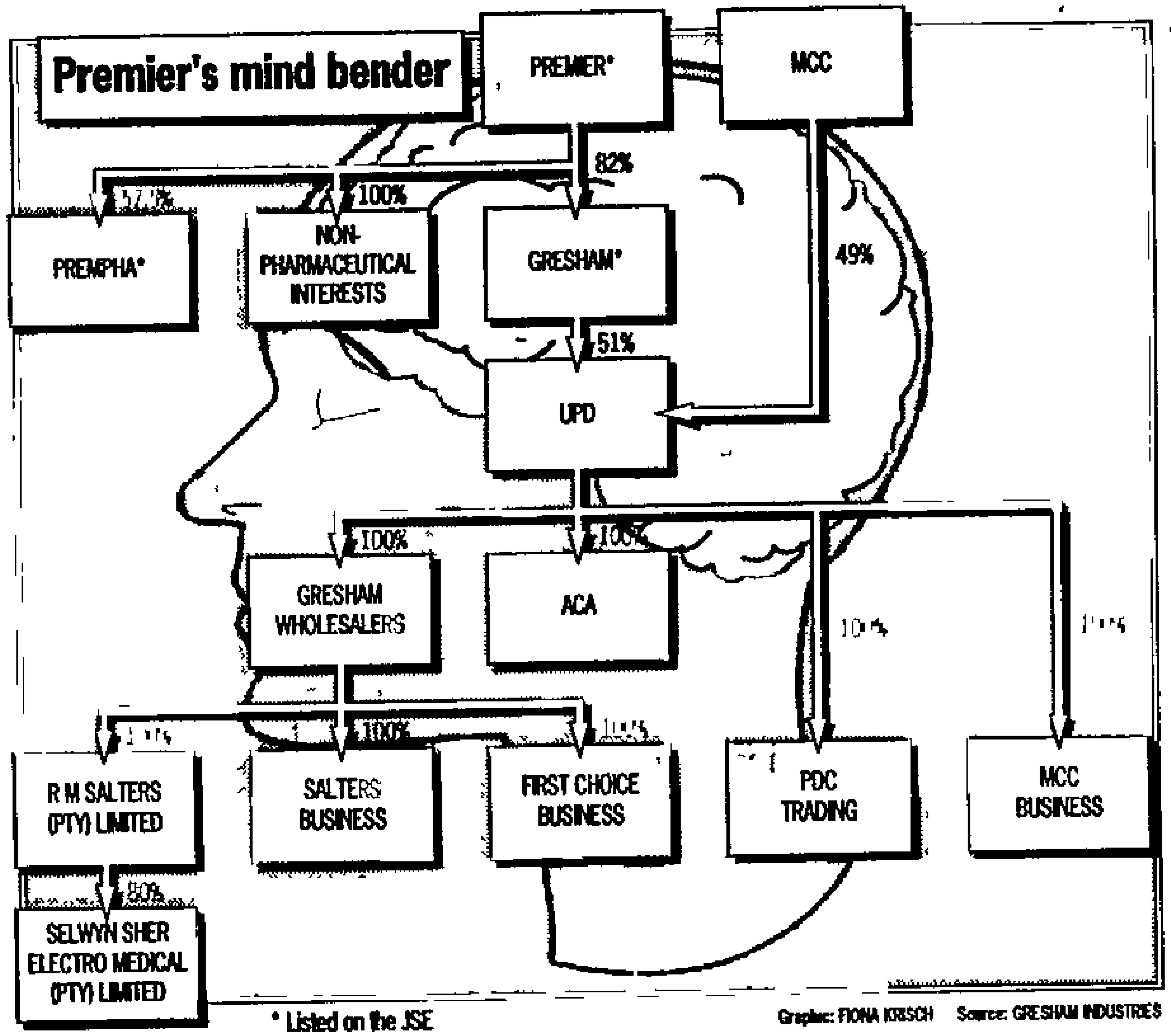
Gresham has sold its non-pharmaceutical interests to Premier, and now owns only 51% of UPD and a claim against Premier Premier will help fund UPD's working capital at more favourable rates than before the deal

Gresham minorities can do one of three things keep the shares, take the 75c offered by Premier (market price 130c), or accept 1,6 Premier shares worth R83 per 100 Gresham worth R130 The status quo looks best.

PDC shares will be redeemed at 80c and delisted. Holders of 100 PDC worth R120 on the JSE can apply redemption proceeds towards 1,7 Premier shares worth about R88, or accept 106 new Gresham shares worth about R138

If the aggregate net profits of UPD in the three years to April 1996 top R110-million and a listing sought, MCC will be able to buy 52% control of UPD from Gresham But if it is below R75-million, MCC will relinquish 24% to Gresham at par

☐ There are enough triple-initials to sink a battleship already, and Mr Taurog says Gresham's new name will be shortened to WPH I prefer Whoph myself



* Listed on the JSE

Graphic: FIONA KRISCH Source: GRESHAM INDUSTRIES

W&A in gradual return to health

B/Day 16/8/93

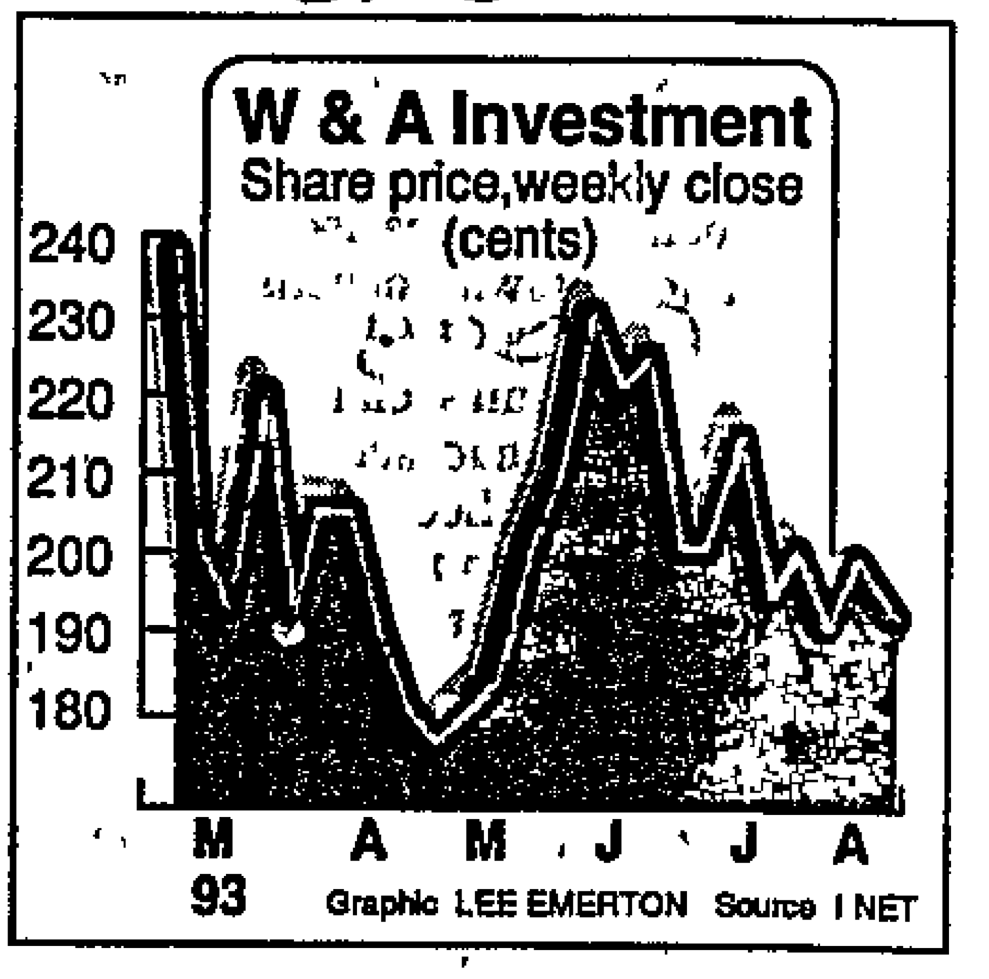
MARCIA KLEIN

W & A Investment Corporation's efforts to reduce gearing and return to profitability have resulted in a small interim profit in the six months to end-June.

The group, which has automotive, site services, consumer and industrial interests, has announced an interim attributable profit of R1,8m. This was well below the R40,4m of last year's first half, but up on the R11,8m (now restated as R12,8m) attributable loss announced for the year to end-December (232)

Although no interim dividend has been declared, joint executive chairman Jeff Liebesman said the group was on course to return to profitability and to make a dividend payment at the December year-end.

He said results were not strictly comparable as the more conservative accounting criteria introduced at end-December, after Trencor took joint control of the group, were not applied at the previous interim stage. The first half's turnover rose to R1,63bn (R1,52bn), but margins came under pressure, and the interim operating profit dropped to R127,7m (R138,3m)



Net interest paid rose to R99,5m (R79,6m). Liebesman said the R643m net proceeds of the rights issue in April were received on May 7, so the reduction in interest costs benefited the group only in the final seven weeks of the period He reckoned that had the rights offer proceeds been received on January 1, the interest payment would have been R68,2m

A R19,5m below-the-line extraordinary loss included R8,8m for the write-off of W & A's investment in Milstan, and R8,6m

☐ To Page 2

W & A

☐ From Page 1

for costs associated with the discontinuation or disposal of operations.

Provision was made for the implications of an announcement by 43%-held AAF Industries that results to end-June would be sharply down. AAF, listed in London, is now equity-accounted as W & A's interest was reduced from 53% after an AAF rights offer earlier this year. B/Day

Since June, W & A has paid R15,3m to the Receiver of Revenue in settlement for film investment allowances 16/8/93

Liebesman said there was a seasonal bias in the group's investment mix. Expenses were spread evenly through the year, but sales were generally higher in the second half.

In the automotive division, Gentyre had performed ahead of budget, the Varex replacement parts business reported satisfactory results, and Vektra continued to improve profitability. (232)

In the site services division, which includes scaffolding company Form-Scaff, some SA operations missed their targets while some foreign investments gained ground.

Among W & A's consumer interests, furniture retailer JD Group was affected by unrest in the second quarter, but managed to meet its half-year budget. Rationalisation with the newly acquired Rusfurn-group augured well for the future, Liebesman believed.

Industrial interests were affected by tough trading conditions in the six months. Natbolt continued to rebuild its export business, but its capacity was underutilised. MacPhail came close to its budget, but Tarry Group's business was severely disrupted by trading conditions.

Liebesman said that now the group had been recapitalised, executives were able to focus on the operating businesses. "After two years of strenuous focus at the corporate level, we are relaying the foundation of bottom-up management. But the benefits take time to manifest, although we are optimistic in the medium term."

The group had a four-pronged strategy, including reducing gearing through the rights issue, selling non-core assets, more effective management of working capital and improving margins. This was expected to generate a better cash flow.

Star 16/8/93

W&A chief confident of group recovery

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■ BY CLAIRE GEBHARDT

W&A believes its R643 million rights issue should greatly improve prospects for the next six months.

Interim results released over the weekend show a stronger balance sheet and gearing down.

Executive chairman Jeff Liebesman is confident the cash injection from the rights issue will reduce interest payments and make figures look better in the second half.

But high debt levels and declining margins continue to knock the group.

Unaudited results to June show turnover 7 percent up at R1,6 billion (R1,5 billion)

But after a drop in operating margins from 9 percent in June last year to 7,8 percent in the period under review, operating profits are 7,6 percent down at R127,7 million.

The negative impact of high debt levels is evident in the 25 percent leap in interest payments to R99,5 million, which almost halved pre-tax profit to R128,1 million (R58,6 million).

Taxed profit dropped to R23,8 million (R59,8 million)

After attributing R22,2 million to outside shareholders, "conservative" accounting has produced bottom-line earnings of R1,8 million.

This is a sharp drop from June 1992's R40,3 million, but is a significant improvement on the R12,8 million loss reported at end-December 1992

On a weighted average basis, earnings per share have gone from 26,6c in June 1992 to zero this year.

The interim dividend has been passed.

A below-the-line extraordinary loss of R19,5 million is attributed to an R8,8 million write-off of the group's investment in Milstan and R8,6 million for costs associated with the discontinuing or disposal of operations as part of the on-going refocusing of the group.

Metrotoy's Triang and Seagull operations were sold subsequent to the review period.

But the balance sheet is looking stronger — gearing is down to 65 percent from 148 percent last December and the current asset ratio is looking better.

The share of profits from associated companies has also moved out of the red

Southern-UAL deal replaces Crusader

MADDEN COLE

UAL Merchant Bank and the Southern Life Association yesterday announced an agreement to market an equity-linked annuity The life annuity replaces that previously marketed by UAL and underwritten by Crusader Life. BDay

The need for UAL to seek an underwriter arose from Crusader Life ceasing to transact new business earlier this month. 17/8/93

UAL investment planning services chairman Clive Turner said no other UAL product or unit trust had been affected (X232)

Shares in Crusader Life, its holding company Avins and AVF Group were suspended late last month, followed by the announcement that Crusader would write no new business.

It was reported yesterday that the suspension of Crusader and Avins had been extended until October 12 or until the companies' updated financial positions were received by the JSE. AVF Group's suspension was lifted two weeks ago

Rand Merchant Bank, NBS link up

8/Day

19/8/93

SHARON WOOD

RAND Merchant Bank Holdings (RMBH) would take over Barlows' 18% shareholding in NBS Holdings worth R225m as part of a bigger deal between the two groups, senior sources said yesterday

In a cautionary announcement NBS and RMB said negotiations could result in cross shareholdings.

(232)(58)

NBS executive director Mark Farrer said the move had its roots in the Barlows unbundling. "NBS had to find another substantial shareholder."

RMBH MD Paul Harris would not elaborate on the deal as it had not been finalised. An announcement would be possible only in about two weeks, but he said the group saw merit in a cross shareholding

"With the muscles of the two organisations we will be able to get involved in transactions we couldn't have before," Farrer said. He emphasised that there would be no merger There would be no tying up of business operations or insurance interests between the two groups

Davis Borkhum Hare banking analyst Graham Baillie said the deal held exciting potential. In the past NBS had indicated that it could continue on its own and there had been no pressure on it to join another financial services organisation

A link-up would give the two companies access to different client bases NBS was strong in the retail banking sector and RMB had a good company base.

NBS's share price was unchanged yesterday, but it has risen 25c to R17 this month It is the fifth largest SA bank with a market capitalisation of R1,3bn.

Taxis: 'Don't deregulate yet'

CT 20/8/93 (232)

JOHANNESBURG — A Goldstone Commission committee says the taxi industry should not be deregulated before informal townships and settlements have become established, peaceful communities

This is one of the recommendations in the committee's fifth interim report on taxi violence after it heard evidence for more than a year

The report, which is now in the hands of President F W de Klerk, is not final, as the committee still has to investigate the role of the police in taxi violence in Cape Town

The report notes that political rivalry and affiliation are not causes of taxi violence

Rivalry not the cause of violence

It says the existing regulation should be replaced by a system that acknowledges the place of the minibus and seeks to protect the interests of passengers, taxi operators and the public

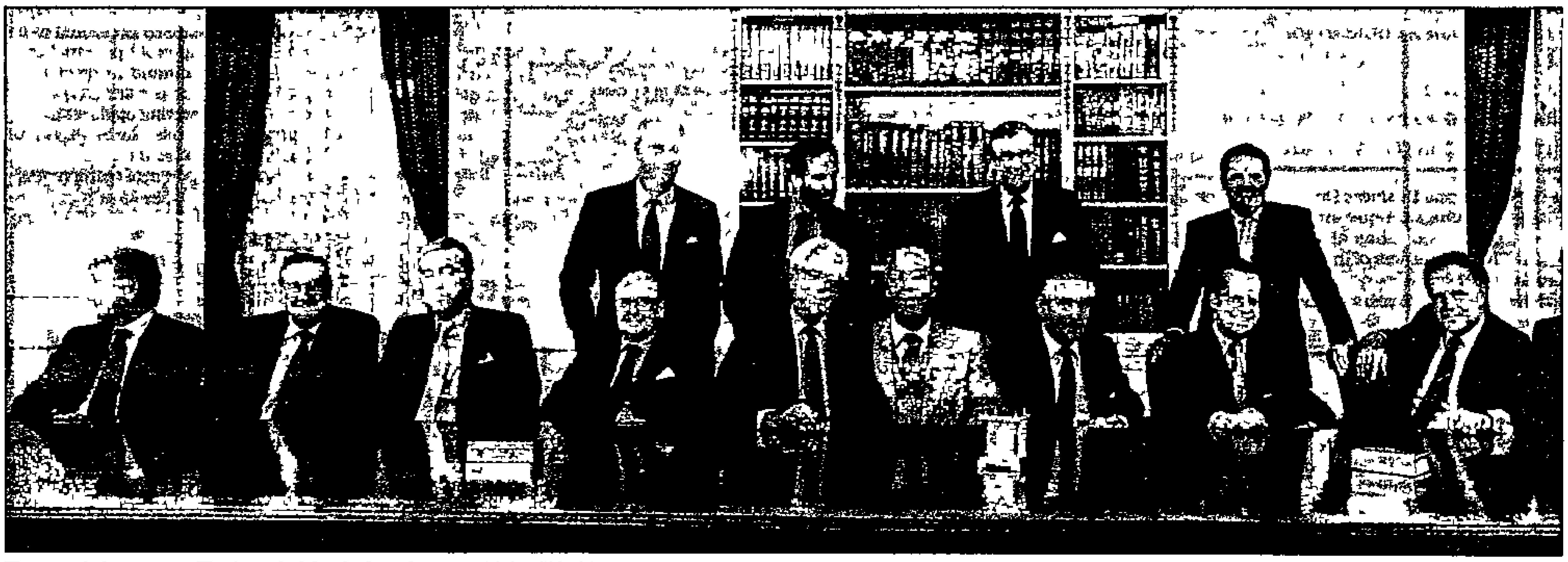
"The Local Road Transportation Boards are discredited bodies and their replacement with other statutory bodies will not be likely to provide greater success," it says

The committee presented the following guidelines for future regulation of the industry

- A genuine partnership should be formed between taxi associations and the controlling authority
- The controlling body should be statutory, with powers to set the necessary criteria for admission to the minibus taxi industry
- Permits should be issued at local level with due regard for prevailing conditions
- Criteria should be introduced for the granting of permits
- Every decision of the issuing body should be subject to a simple, inexpensive form of appeal
- An independent, accessible means of handling complaints at the local level

The committee is chaired by Mr D J Rossouw, SC — Sapa

4/BUSINESS



The people in power ... The board of Anglo American — which will hold on to its diversified interests

PHOTO: ANGLO AMERICAN CORPORATION ANNUAL REPORT 1993

Corporate unbundling: Plus ça change ...

(232) WM 20-26/8/93

Recent announcements that some of the country's biggest conglomerates will be unbundled were greeted with excitement But breaking up corporations will not necessarily be as revolutionary as it seems

By MONDLI MAKHANYA

LONG touted as the remedy to the country's over-concentrated economic power and a key to redistributing wealth to black entrepreneurs and other small businessmen, unbundling is turning out to be just another balance sheet juggling exercise

Following a worldwide trend towards focused companies South African firms are breaking themselves up and supposedly returning to their core businesses in which they have expertise

In this process so the script goes, decades of growth by acquisition are being reversed Companies invested in unrelated fields because exchange control regulations prevented them from investing offshore

But the reality is that these conglomerates are just refocusing companies which are remaining in their stable The likelihood is that when the exercise is over, not much will have changed

The fact is that pyramid structures — which allow minority shareholder families to exercise control over holding companies — will remain for the foreseeable future Anglo American, SA Mutual, Anglovaal and Sanlam will continue to dominate the South African economy with their holdings in different sectors.

"It (the unbundling) doesn t really matter much," says Davis Borkum Hare economist Jos Gerson

Last week's much celebrated unbundling by Barlow Rand, for instance amounted to nothing much more than the removal of a layer of management

While it will most certainly result in focused, competitive and hopefully better managed companies, it has does nothing to alter the ownership picture

Barlows controlling shareholder, SA Mutual, maintains control of both the company and the unbundled subsidiaries and has a blocking vote on all the boards.

Rather than losing control, Mutual now gets direct over the most viable companies, such as electronic firm Reunert and industrial holding company CG Smith It also gives a stronger hand over its mining interests in Rand Mines

And Gencor, which recently announced details of its unbundling has also not gone as far as expected. While distributing its industrial shares to shareholders — thus reducing its net asset value from R21-billion to R14-billion — much of the operations remain in the hands of ultimate shareholder Sanlam

It is only the case of Sankorp's sale of its 10 percent holding in Metropol itan Life that has been anything to write home about.

The sale, to black-owned Methold, is most significant in that Sanlam and Methold have agreed to combine their 30 percent and 10 percent voting block on issues affecting Metlife.

This gives Methold effective power in the life office

But why is an issue around which so many demands have centred being handled so clumsily?

Cynics say corporate South Africa is rushing the issue ahead of a demo cratic order "so they can avoid undue attention of a future authority" which will doubtless be tough on economic concentration and monopolistic behaviour

> 'It's only when the movement of money is made freer that you will start to see some divestment'

The black business community and its political allies have also been caught by surprise There is still no coherence among black business structures regarding the exploitation of opportunities presented by unbundling

Kwacha Investment Holding general manager Fred Ndlovu notes that there have not been many opportunities to exploit because companies are holding on to their good businesses.

And the blame for unbundled shares not going to blacks does not lie at the door of unbundling corporations, reckons WR Consultants managing director Willie Ramoshaba.

Ramoshaba says unbundled com panies cannot be expected to have the interests of black businesses and other small entrepreneurs at heart when they reorganise themselves Rather, this sector must mobilise itself to ensure unbundling does actually lead to a structural change in the South African economy

"It s up to us to dictate what s in it for us," Ramoshaba asserts.

Unfortunately, however black business organisations have only just begun formulating strategies to exploit the increased interest foreign companies and local corporates are showi towards entering into partnersh and subcontracting from them

It also doesn't look like the current unbundling will have much of an effect on the low liquidity on the Johannesburg Stock Exchange Largely a by-product of exchange controls, which forced institutions to invest internally and hold tightly on to shares, low liquidity will remain until the movement of money is made freer

"It is only when that happens that you will start to see some divest ment," says McGregor's *Who Owns Whom* managing publisher Robin McGregor

Anglo American — one of the most diversified conglomerates in the world — has stated emphatically that unbundling is not on the cards Analysts point out that it would not be to Anglo's benefit to de conglomerate since its various arms are pretty focused and head office leaves the running of the various companies to their management

The same goes for Anglovaal, which also allows its subsidiaries a great degree of operational autonomy It is also noted that Anglovaal — tradi tionally a mining group — derives more than 50 percent of its earnings from non mining operations and it would therefore not make any sense for it to divest itself of these

It remains to be seen what effect the African National Congress' proposed anti-trust legislation will have on de-conglomeration Since most local conglomerates grew by acquisition rather than organically, they will be prime targets of such legislation and may be forced to sell off some assets It may only be then that real ownership changes will be effected

Skills and access to capital are other areas in which possible black shareholders are at a disadvantage While there are no doubt many skilled managers and businesspeo ple in the black community, most have had scant exposure to operating businesses above supermarket level. And those who have been recruited into mainstream business have been confined to ceremonial public relations and human resource management positions

Multi-listing under Board spotlight (232)

Property Editor CT 21/8/93

CERTAIN practices in the multi-services industry could constitute restrictive practices, the Competition Board has warned

In a statement issued following a preliminary investigation into the real estate industry multi-listing services, the board said the stipulation by the Absa-owned MLS service that an agency which wanted to leave the MLS system is not allowed to withdraw its listed properties may constitute a restrictive practice

In addition, the restriction on dual membership of MLS, CPS or any other competing listing services and entry requirements or any other stipulations that set more stringent requirements than those of the responsible Minister may constitute restrictive practices "which do not appear to be in the public interest".

A spokesman for the board said they had distributed copies of their report to interested parties and were now awaiting their response

GAMES AFRICA

Shareholders in wait for payout

ST Times (Buss) 22/8/93

(229) (232)

GAMES Africa will make no profits this year.

Shareholders expect their first modest dividend in three years. The shareholders are Vela International, a consortium of black businessmen with 28%, Kardan, listed on the Israeli Stock Exchange (24,99%), Games Management Holdings (20,01%); Ellerine Brothers (15%); UAL Merchant Bank (10%) and stockbroker Simpson McKie (2%)

Shareholders contributed R12-million to launch Games Africa This includes a foreign investment of R3-million from Kardan, represented on the Games Africa board by Israeli businessman Eytan Rechter.

Control of the company is firmly in SA hands. Other board members include joint chairmen Gibson Thula (vice-chairman of Kilimanjaro Bottling) and Bill Yeowart (chairman of Simpson McKie), Eric Ellerine of the eponymous furniture group, attorney Henry Vorster, Brenda Koorneef and Steve Schubach of the SABC, Jacques Desmidt of UAL Merchant Bank and Milton Lutrin of Vela International.

Chief executive Mark Hutchinson of Lottery Support Group (LSG), based in Marietta, Georgia, has been seconded to run Games Africa in the two-year start-up

ALEX GARLICK: Formerly with Ogilvy & Mather

Division

He says. "I am purely a consultant and have no shares or other interests in Games Africa. My job is to impart 10 years of international lottery experience to the staff and then move on to the next lottery."

Head of national sales and marketing Alex Garlick was managing director of Promotional Campaigns, a below-the-line advertising division of Ogilvy & Mather.

Richard Biesheuvel, a SA chartered accountant, is in charge of finances and will assume control of Games Africa from Mr Hutchinson next year

Mxolisi Mabuto is manager of new business and special projects.

Wooltru sitting on a fortune

S Times (Buss) 22/8/93 18/17

By JEREMY WOODS

BEHIND Wooltru Group's sparkling results for the year to June lies R500-million of property potential that could boost pre-tax profit by R100-million.

Wooltru's net profit rose 67%, earnings a share were up by 62% and the dividend was raised 18%.

In spite of tough trading conditions, huge cash flows enabled management to slash borrowings by R100-million, leaving gearing at slightly more than 20% in the past year.

Chief executive Colin Hall says: "We have shown we can get good returns from our trading assets. Fixed properties give us much smaller returns."

Asked if Wooltru's money would not be better invested in trading assets than property, Mr Hall says: "It makes sense to sell the properties to institutions. They have a better tax situation on properties."

Property has been valued conservatively by Wooltru directors at R400-million, but analysts say the true figure is closer to R500-million.

Mr Hall says Wooltru earns a single-figure percentage return on its property, but profit on trading assets can "exceed 30%".

"We have proved we can make money from shopkeeping and now we have a broad range of trading assets and businesses in which we can invest confidently."

(232)

Questioned about the possibility of selling property and investing the proceeds in the trading side of the business, Mr Hall says: "It would make a lot of sense for the group to go that route in time.

"If we do, property sales could boost profits by about R100-million."

Specialty Retail Group again produced fine results with a 28% profit increase on a 17% lift in sales to R760-million.

Control of expenses, markdowns and debtors resulted in Truworths improving pre-tax profit by 27%. Topics, which has recently refurbished many stores, increased profit by 71%.

Woolworths made "significant progress" in restoring profitability and profits jumped 71% on sales 10% higher at R1,9-billion.

The group says: "Woolworths is well placed to recapture its dominant market position and dominant values."

Massmart halted the previous year's decline and sales rose by 10% to R2,6-billion.

Makro profits jumped 194% on a 13% sales growth.

The board says a recovery in the economy looks uncertain and that the political environment makes forecasting for the year ahead "particularly difficult".

But in the absence of political upheaval, group profit growth should be satisfactory.

Bidvest sees earnings rise 38% to R37m

S Times (Buss) 22/8/93

(232)

By JULIE WALKER

BIDVEST chairman Brian Joffe and director George Demetriades make the understatement of the year in comments on performance to June 1993. "The group reports most satisfactory results notwithstanding the state of the economy."

Other directors use the term if they manage to stay in the black.

Bidvest lifted taxed earnings by 38% to R37,3-million after minorities

Undiluted earnings a share jumped by a third to 552c. This figure was not puffed by tax windfalls. Reversal of the provision for deferred tax in previous years has not been brought into the income statement.

Bidvest is ungeared and has nearly R200-million in the bank. Goodwill has been written off, excluding patents and trademarks which have been independently valued at greater than book price.

The results do not include any contribution from Safcor, the freighting and forwarding company bought with effect from July 1.

Bidvest provides a pro forma income statement to show what the effect would have been had Safcor been included for the year.

Turnover would have almost trebled to nearly R2-billion, taxed income would have been up by three-quarters at R68,5-million and undiluted earnings a share would have been a quarter higher at 683c.

All Bidvest's divisions did well. There was a big improvement in groceries and in Steiner. Crown performed to budget and Afcom had an excellent year.

Mr Joffe says Safcor was a fantastic deal. Bidvest issued two lots of paper to fund the R260-million acquisition, ending with Safcor assets and money in the cash shell.

Bidvest has raised its total dividend by a quarter to 210c, putting the shares on a historic dividend yield of 2,6% at the current price of R80

BIDVEST'S BRIAN JOFFE

□ Castors put the skids under Klipton's fine track record. Earnings a share slipped from 39c to 2,4c in the year to June and the dividend was passed Turnover was little changed at R122-million.

Joint chairman Nigel Matthews says SA Castors was bought for too much before Supreme's liquidation. "If we had known about that, we would have waited and bought it much cheaper."

Its stock was of poor quality and integration with Klipton's castor business did not go well It is being sorted out and the group's focus will shift to the security and safety operations which did well Sandton Sentry was a star and Stuarts Security has been acquired. Austen Safes was sound, but the industrial division suffered because of the poor economy.

Klipton's cash flow was reasonable and R5-million of borrowings repaid. Chairmen Nigel and Robin Matthews expect an improvement in earnings and in gearing in the current year The share is priced at 150c.

property is sold."

Mr Judin says the judgment has many ramifications for SA's property business, especially the institutions that dominate it.

Some new landlords could face mass evacuation of their

goes before purchase)

But Wits University lecturer in property practices and National Property Academy director Harold Ovsiowitz does not think landlords "should go into panic mode".

He advises that when new

one province is not bound to follow a judgment in another, it has a persuasive effect in other provinces

"Therefore, landlords in every province should carefully study this judgment"

Malbak's Connections

S Times (Buss)

By CHERILYN IRETON

22/8/93

THE link between Malbak and travel agency Travel Connections is making some executives at Malbak a little scratchy.

All travel bookings for members of the industrial group's head office go to Travel Connections, the Rosebank agency in which Malbak chairman Grant Thomas has a 33% stake.

Travel Connections also handles the bookings for Richard Bruyns, chief executive of Malbak packaging group Holdains.

Mr Thomas says: "The other 12 500 employees of Holdains use other agencies."

Mr Bruyns is a non-executive director of Travel Connections. His wife Geraldine and travel executive Lindy Preston run the agency and own the remaining shares.

Ten people at the head office of another Malbak subsidiary, Foodcorp, also use the firm Foodcorp employs 20 000.

Mr Thomas says under 1% of Malbak travel business goes to Travel Connections

"At most, about 35 out of 60 000 Malbak employees. The Malbak account is less than 5% of Travel Connections' business."

Mrs Preston and Mrs Bruyns handled the Malbak account while at Budget Travel After it went insolvent, Mr Thomas was approached and helped form Travel Connections

Mr Thomas cleared the deal with then Gencor chairman Derek Keys and Sankorp chief executive Marinus Daling

"We also offered to leave the Malbak account alone, but both felt it was not necessary"

(232)

Mr Thomas says each Malbak director and subsidiary company can use any agency of their choice. "Travel Connections is one of the top 10 travel agents in the country It is not surprising that it has some of our business"

Foodcorp chief executive Dirk Jacobs says the relationship is at arm's length.

"I've never had any pressure to use the agency We used to do a lot of business with another Rosebank agency, but never got the service we are now getting from Travel Connections"

AND MEAN APPROACH

Eastvaal to be listed in SA and London

BDay 23/8/93

MATTHEW CURTIN

SHARES in Eastvaal Gold Holdings, the financing vehicle for Anglo American's R1,7bn Moab gold mine, will be listed on the Johannesburg and London stock exchanges on September 23 at 250c each, giving it an initial value of R947m

Anglo is issuing 100-million new shares in the Eastvaal rights offer which will be taken up by shareholders or their nominees in proportion to their holdings of the 278,72-million Eastvaal shares currently in issue.

Capital costs at Moab are being offset against Vaal Reefs' tax base, boosted by the recent rally in gold prices. The mine is scheduled to start production in 1997, providing replacement output for Vaal Reefs at about 11 grams a ton. (232)

Anglo, Anglo American Gold Investment Corporation (Amgold) and De Beers have been allocated the lion's share of the new scrip (58%), followed by Vaal Reefs (30%) and JCI-owned exploration company Free State Development and Investment Corporation (Freddev) with 2,4%.

Freddev, which had a 3,8% stake in Eastvaal before the rights issue, has said that to avoid unnecessary tax charges, it will not distribute its Eastvaal shares but issue options to shareholders instead, which may be exercised in five years' time. The company's reduced percentage but higher aggregate holding of about 13-million Eastvaal shares is valued at R33m.

JCI has been allocated a 1,5% tranche of the new shares with smaller allocations for Eastvaal's other main shareholders, Lydenburg Exploration and gold-retreatment operation East Daggafontein. More than 6% of the shares will be issued to other shareholders and "designated persons" They include senior Anglo managers who are shareholders by dint of participation in an old share incentive scheme, current option holders and other senior staff.

Most new shares will be issued in the following proportions. 15 Eastvaal shares for every 100 Anglo shares held; 30 shares for every 100 Amgold shares; one for every 100 East Dagga shares; 10,75 for every 100 Freddev shares, and one for every 100 Lydex shares held.

Violence takes toll on Kersaf earnings

B/Day 23/8/93

MARCIA KLEIN

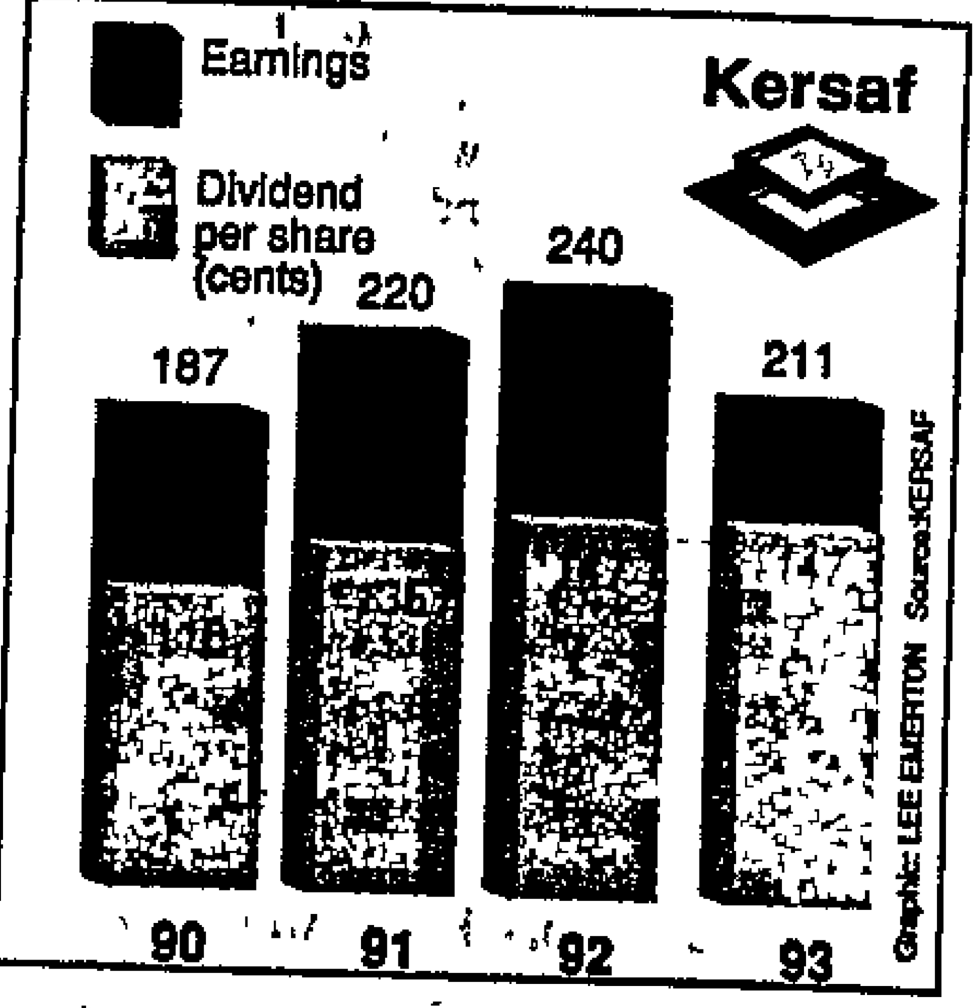
LOWER contributions from most of its leisure-related subsidiaries saw Kersaf Investments report a 9% decline in attributable earnings to R164,3m (R181,4m) in the year ending June

The group, whose major interests are Sun International, Interleisure, offshore division Royale Resorts and Douglas Green Bellingham, increased its turnover by 10% to R2bn from R1,8bn Executive chairman Buddy Hawton said the "relatively modest rate of increase" reflected trading conditions

Operating income was just 2% higher at R427,8m (R418,1m), with margins affected by the tight market conditions (232)

The increase in borrowing costs associated with Sun International's major capital projects contributed to a 6% decline in pre-tax profit to R395,4m (R422,6m)

Profit after tax was 3% down at R312,6m (R322,2m) But a 15% drop in income from associates — reflecting lower earnings from Royale Resorts — saw total



profit after tax drop by 5% to R386,8m (R409m) Earnings were down 12% at 211c (240c) a share because of more shares in issue following the previous scrip dividend.

A final dividend of 81c a share was declared, and the full year dividend was

☐ To Page 2

Kersaf

B/Day 23/8/93

☐ From Page 1

maintained at 147c a share.

Royale, which had made a significant contribution to group profits in the previous year, was affected by the international downturn. Hawton said Mauritius was overtraded and business was slow.

The group was still not in a position to give details of Royale Resorts, and would wait until sanctions were removed, Hawton said Royale was negotiating for a development in the Caribbean, and was investigating other areas. He said there was a good chance the group could make another investment offshore soon.

Results were satisfactory against the background of a deteriorating economic situation and violence, which "had a markedlv detrimental effect on business and consumer confidence and activity"

Sun International's results were "commendable", Hawton said Activities of unregulated casinos had been cause for concern for most of the year. After the legal closure of these operations at end-January, many had reopened. (232)

The hotel industry generally had another difficult year, and overseas tourism was severely affected by the violence The group's resorts recorded an average occupancy of 60%, three percentage points lower than the previous year.

Interleisure traded acceptably in overall terms, with revenues 6% higher and attributable earnings 8% down.

Douglas Green Bellingham did not have a good year because of restructuring costs from the merger of Douglas Green and Bellingham, severe competition and the downturn in the liquor industry

Hawton said Kersaf was not expecting a substantial improvement in trading conditions in the coming year. The run-up to the elections was also likely to be a period of tension which could affect business and consumer confidence and activity. But the considerable investment made in the group's facilities should enable it to show acceptable earnings in financial 1994.

Hawton said Kersaf would like to see more clarity on the future of gaming in a new constitution. It was concerned that regional authorities could be empowered to allow unlimited gambling Kersaf stood by its assertion that gambling should be linked to an investment which would encourage tourism.

Unbundling gains raise Barlows cash

B/Day 24/8/93

ROBYN CHALMERS and
MATTHEW CURTIN

BARLOW Rand's cash pile accumulated through unbundling will grow a further R235m if market speculation on the size of the sale of its stake in NBS to Rand Merchant Bank Holdings is correct

The sale adds significantly to cash Barlows raised in July when disposals to Old Mutual of 7,5% of its holdings in CG Smith, Rand Mines, Rand Mines Properties and Reunert amounted to R607m (2.32)

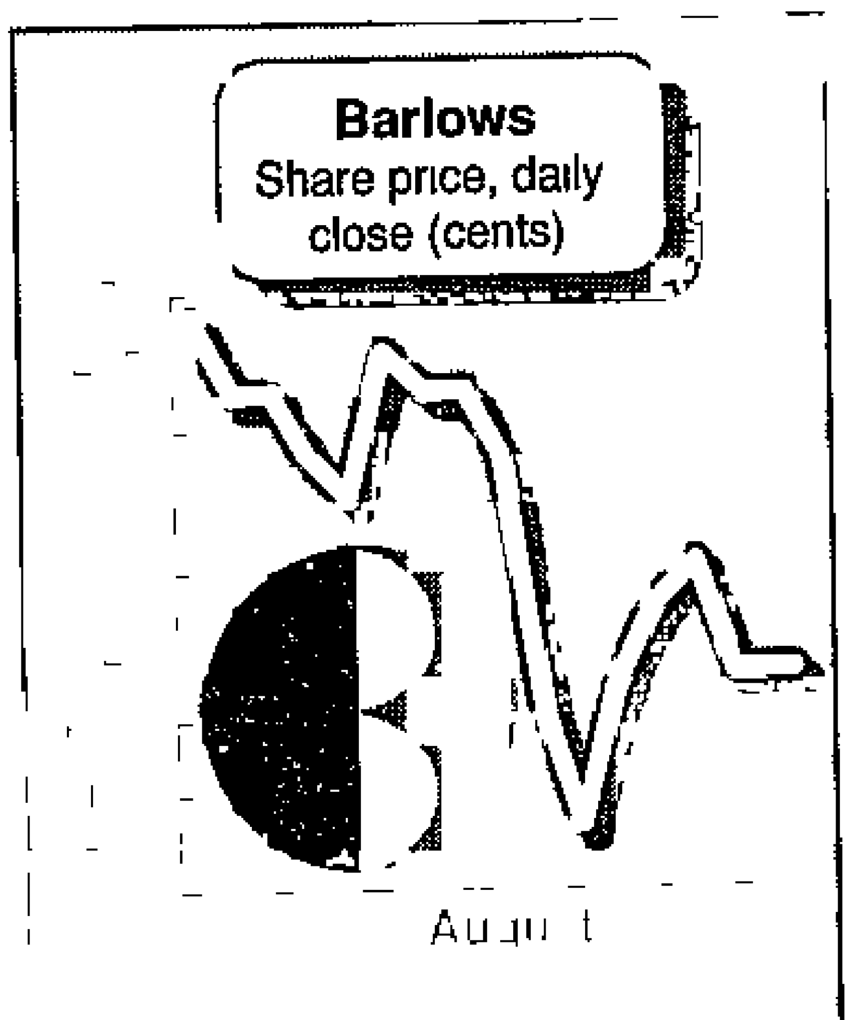
Market sources believe more asset sales may be on their way as Barlows continues the streamlining process chairman Warren Clewlow promised when he announced the restructuring of the group earlier this month

Barlows, firmly focused in the heavy industrial sector, has a 17% stake in associate company French Bank of SA, as well as a number of listed and unlisted investments

Among the main listed investments, according to the group's 1992 annual report, were small shareholdings in Impala Platinum and Rustenburg Platinum, UK companies Allied Lyons and National Food Holdings Unlisted investments reported included stakes in Natal Portland Cement, the Small Business Development Corporation and Spanish company Pescanova SA

Barlows said at its announcement of details of its unbundling plans that cash raised would be used "to repay debt and so as to be funded appropriately"

Market sources ruled out prospects



of new acquisitions in the near future, noting that little cash would be left after Barlows had repaid its debts

At the March 31 interim report stage, the group's cash reserves stood at R1,4bn compared with bankers and short-term loans of R1,6bn, and long-term borrowings of R2,5bn

However, market sources said the unbundled Barlows — whose interests were focused in capital intensive engineering and other businesses linked with gross domestic fixed investment — would require considerable working capital to take advantage of an economic upturn

Many companies, particularly floundering UK subsidiary J Bibby & Sons, required fresh cash injections to profit fully from economic recovery in SA and Europe

Clewlow will make a detailed announcement on implementation of Barlows' unbundling proposals before September 30.

COMPANIES

AVF Group shares depressed by Avins

BiDay 24/8/93

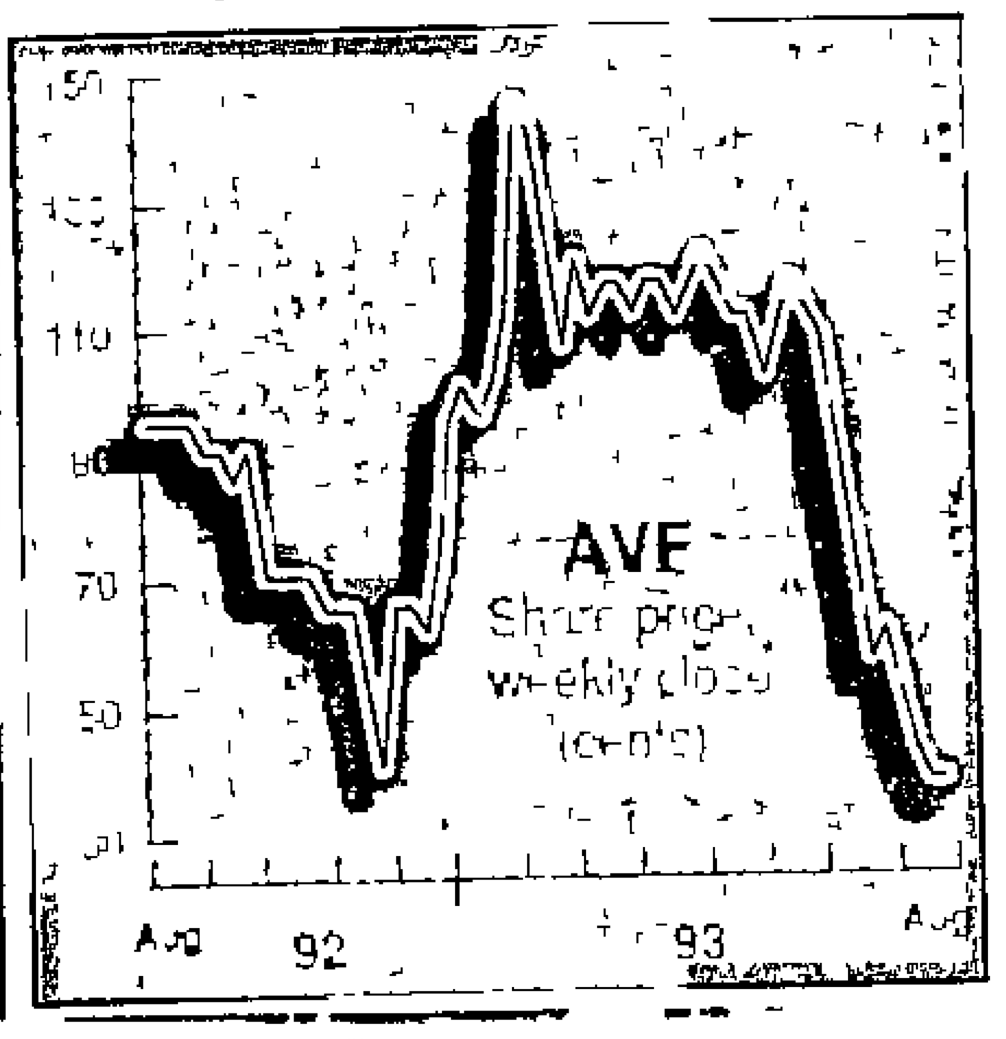
CHARLOTTE MATHEWS

NEGATIVE perceptions about insurance and financial services holding company AVF Group's investment in Anglovaal Insurance Holdings (Avins) had excessively depressed the share price, analysts said yesterday

The price had fallen below the level which would reflect the value of its interest in the Board of Executors (BoE)

AVF Group shares closed untraded at 35c on the JSE yesterday, 25c below the level at which they were suspended after July 29 The listing was reinstated on August 4. The share's highest level in the last 12 months was 145c in February.

AVF Group holds 86% of Avins, a life assurance company with a majority stake in AA Life and listed Crusader Life Assurance Corporation (Crulife). Avins and Crulife shares remain suspended pending the outcome of an actuarial investigation However, the companies recently warned that little or no value accrued to Crulife shares and Avins was not expected to earn any income from its investment in AA Life in the foreseeable future.



AVF Group's other major investment is 40% of BoE, whose shares closed at R13,00 on the JSE yesterday, giving BoE a market capitalisation of R169,2m On AVF Group's 129,3-million issued shares, the value of its interest in BoE is worth about 52c a share. Even if the value of AVF Group's interest in Avins is taken to be nil, the shares are still trading at a discount of about 17c to their value based on their BoE holding.

Analysts said yesterday that AVF Group's share price could be depressed by anxiety about Crulife and AA Life, possibly by a perception that it might have to make some sort of contribution (232)

"It is hard to imagine where AVF would incur a liability of that sort that would not be passed through to Anglovaal," an analyst said (58)

However, another analyst said policyholders' money was also at stake "If a company goes down, it will hurt policyholders. So there may be a moral obligation, if not a legal one, to help out"

As an example, he cited Anglovaal's subscription in 1992, with Absa Merchant Bank, for R35m of zero-coupon redeemable preference shares in AA Life

Star 26/8/93

Good year for Middle Witwatersrand

Anglovaal subsidiary Middle Witwatersrand (Western Areas) increased attributable earnings to R63,9 million for the year to June from R54,1 million a year earlier.

The mining investments company has declared a final dividend of 5,6c a share from five cents previously

This brings the total payout for the year to 7,8c a share (7c a year ago)

(232)

Midwits holds investments in companies with interests in the mining industry.

Its business is to provide finance for, as well as participate in, mineral prospecting and mining development — Sapa.

R100m cash boost, unbundling for HCI

(232) CT 26/8/93

Own Correspondent

JOHANNESBURG — Hosken Consolidated Investments (HCI), the holding company of insurers IGI and Saflife, is raising R100m in cash by selling Saflife's funeral and credit life business to Fedsure for R60m and through a R40m equity participation in the company by management, it said today

The announcement ends weeks of speculation after HCI chairman Michael Lewis said in June he was planning to strengthen the group's financial structure. It had incurred heavy losses on several of its investments, including Tollgate Holdings, Time Holdings and Abacus

Talks between HCI, Fedsure and Investec, which would have seen an equity injection of around R100m, were terminated without reaching an agreement, they announced earlier this month

Under the terms of today's agreement, HCI's structure would be partially unbundled to streamline its operations

Former Investec Bank executive director Larry Nestadt will become executive chairman of the HCI Group. Nestadt will lead a consortium of existing and new executives, which will "provide management who are confident about the prospects off a larger capital base with a significant equity stake"

Asked if he would replace Lewis, Nestadt said "we are talking to executives and deciding on the structure"

He would not specify whether management's equity participation would involve the sale of some of Lewis's stake in HCI, estimated at about 20% of the issued share capital, or the issue of new shares

Nedstadt said the R40m equity participation was entirely financed by management and directors "from inside and outside the organisation"

SERVGRO FM 27/8/93

Needs more leisure time

Activities: *Services group with emphasis on the leisure industry Interests include Price Forbes 48%, Avis 85%, Fedics 48%, Interpark 43%, Interleisure 40%, Teljoy 48% and Nasionale Pers 22%* (232)
Control: *Sankorp 75%*
Chairman: *P J J Van der Walt*
Capital structure: *110,4m ords Market capitalisation R580m*
Share market: *Price 525c Yields 3,6% on dividend, 9,01% on earnings, p e ratio, 11,4, cover, 2,48 12-month high, 580c, low, 500c Trading volume last quarter, 236 100 shares*

Year to March 31	'90	'91	'92	'93
ST debt (Rm)	—	—	39,5	39,9
LT debt (Rm)	—	—	39,9	41,8
Debt equity ratio	—	—	n/a	n/a
Shareholders interest	—	—	n/a	0,49
Int & leasing cover	5,2	8,0	7,5	8,0
Return on equity (%)	n/a	n/a	16,2	17,3
Return on cap (%)	n/a	n/a	n/a	14,9
Turnover (Rm)	628	725	811	921
Pre-int profit (Rm)	86,3	82,4	100,2	117,8
Pre-int margin (%)	13,7	11,4	12,4	12,8
Earnings (c)	38,7	34,6	41,3	47,2
Dividends (c)	16,0	16,0	18,9	19,0
Tangible NAV (c)	n/a	n/a	255	273

Servgro's first year on the JSE — it listed last August — was solid rather than particularly exciting Prospectus forecasts were comfortably met, and the share price, at 535c, is usefully above the R5 issue price, but it has retreated from the high of 580c, the closest it came to the 600c-650c predicted by some brokers before the flotation

Attributable income of R50,8m in the year to March was a fifth higher than the comparative *pro forma* figure for 1992, while EPS and DPS both grew 14% A slightly lower effective tax rate helped, but pre-tax profit rose 18,6%

Executive chairman Peet van der Walt says Avis, Fedics, Interpark and Price Forbes achieved particularly good results Teljoy maintained its profit and Interleisure was marginally down

FM 27/8/93

Two major holdings, Interleisure and unlisted Price Forbes, contribute about 60% of attributable earnings Last week Interleisure, facing narrowing margins, reported 8% lower earnings for the year to June Van der Walt says trading conditions have worsened for activities involved in tourism or otherwise related to air travel, such as hotels, catering and car rental (232)

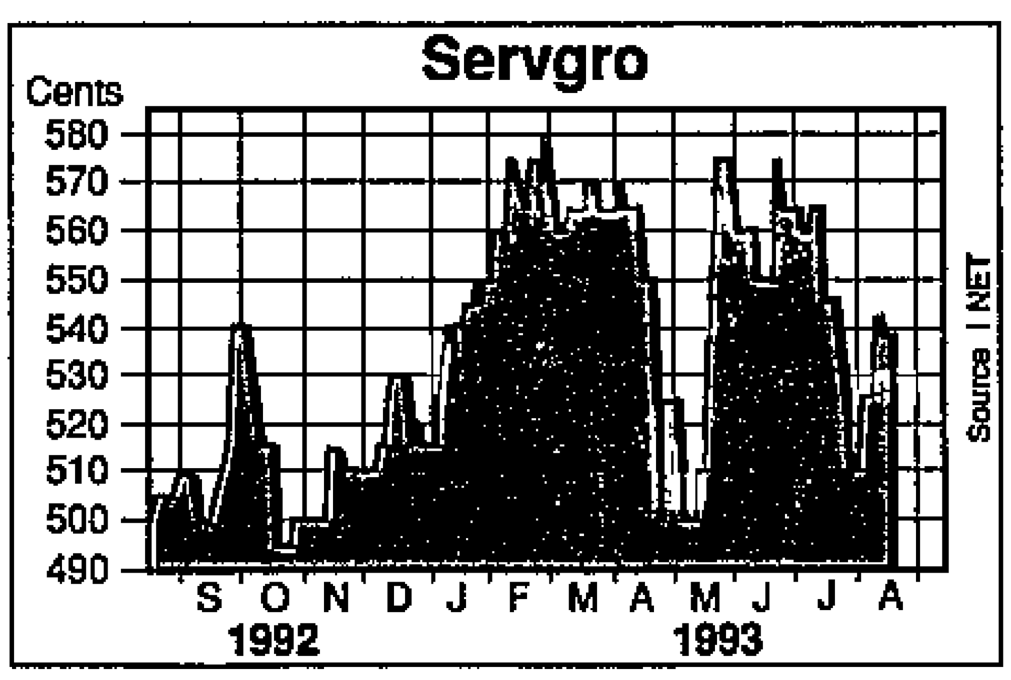
Servgro's profits have proved resilient, but Van der Walt cautions that poor trading conditions are expected for most of the 1994 financial year He says Servgro's budgets were met in the first three months of financial 1994 A lower tax rate should buttress this year's profit Nominal EPS growth could be achieved on enlarged issued capital

Investors looking further ahead will be asking two other questions what rate of growth is likely compared with cyclical recovery stocks given economic recovery, and what is being done to expand the earnings base through new investments?

As earnings are primarily derived from leisure activities, profits should surge if there is a marked improvement in consumers' discretionary incomes and confidence

Investments have been made in several Servgro businesses Price Forbes acquired Willis Faber Enthoven, Fedics continued its modernisation and expansion, with new kitchens at Jan Smuts and Durban airports, Interleisure added 29 screens to the Ster-Kinekor chain, the Avis Wizard reservation system was opened, and Teljoy may provide a service for cellular telephones

Capital outlays absorbed R24,8m on replacement of fixed assets, R31m on expansion and R18,1m on investments, R18m was received from fixed assets sold Cash flow appears to be strong, as one would expect from a group mainly involved in services At year-end liquid assets totalled R128,3m (1992 R116,9m)



The holding company had R45m available for new investments Equity issues are possible, controlling shareholder Sankorp having indicated it could dilute its 75% stake to about 40% Van der Walt adds little specific about intentions, except that new investments would preferably go into existing operating companies

Another factor is the value of Servgro's 22% stake in Nasionale Pers In the accounts the 2,4m shares are valued by the directors at R35,39 each, totalling around R85m or 15,7% of market capitalisation A recent report on Nationale by stockbroker Silvis Barnard Jacobs Mellet concludes that unlisted Nasionale shares should trade at about R58 but says R70 would be a more realistic price


Servgro's Van der Walt
poor trading conditions

At R58, the firm valued the stake at 127c a Servgro share (24% of the Servgro share price) A listing of Nasionale — which some analysts think is possible within a few years — would unlock this value Nasionale holds 29% of M-Net

Servgro's share, on a 11,4 p e, is fairly valued on immediate prospects, but is worth considering by investors willing to take a two-year view *Andrew McNulty*

COMMON FUND

Unbundling plan

FM 27/8/93

Activities: *Investment trust holding a wide spread of listed shares*
Control: *Directors 39,6%* (232)
Chairman: *J G van der Horst*
Capital structure: *7,4m ords Market capitalisation R522m*
Share market: *Price R70,50 Yields 2,9% on dividend, 3,6% on earnings, p e ratio, 27,8, cover, 1,2 12-month high, R75, low, R60,75. Trading volume last quarter, 27 000 shares*

Year to March 31	'90	'91	'92	'93
Investments (Rm)*	481	489	649	604
Dividend income (Rm)	17,7	18,2	19,0	19,9
Interest income (Rm)	1,4	2,0	1,5	0,8
Net income (Rm)	17,0	17,8	18,3	18,7
Earnings (c)	232,0	242,5	249,6	253,6
Dividends (c)	117	196	196	204
Tangible NAV (c)	6 462	6 624	8 771	8 209

* At market value

Common Fund Investment Society (ComFund) shareholders who bought their shares 20 years ago, saving them for a rainy day, have done well out of this investment trust While the JSE All Share index has grown from 251 to 4 131 points in the two decades,

FM 27/8/93

ComFund stock has grown twice as rapidly — from R2,25 to R70,50 The market value of the portfolio has increased from R22m to R604m over the period, indicative of its quality

Even so, the board — and, presumably, majority shareholder Old Mutual — evidently feels shareholders are not getting the full benefit A cautionary announcement this week states the directors are considering a proposal to unlock the value of the company's investments for the benefit of all its shareholders through the unbundling of the company

Wide investment spread

The investments are widely spread but include holdings in a number of blue-chip counters

After additions during the last financial year to Nedcor and Stanbic, which now make up 9,9% of the portfolio, listed shares in the banks and financial services sector account for 15,3% of the portfolio market value

Industrial holding shares Barlows and Safren, the latter topped up by 18 000 last year, (both major investments of Old Mutual) now account for a fifth of the portfolio After Stanbic, SA Breweries (5,9%) is the largest single component of total market value (232)

The 13 000 Blue Circle were exchanged for 6 000 M&R Holdings 500 000 Longmile were converted into redeemable prefs and then redeemed Other additions include Sappi and Randgold

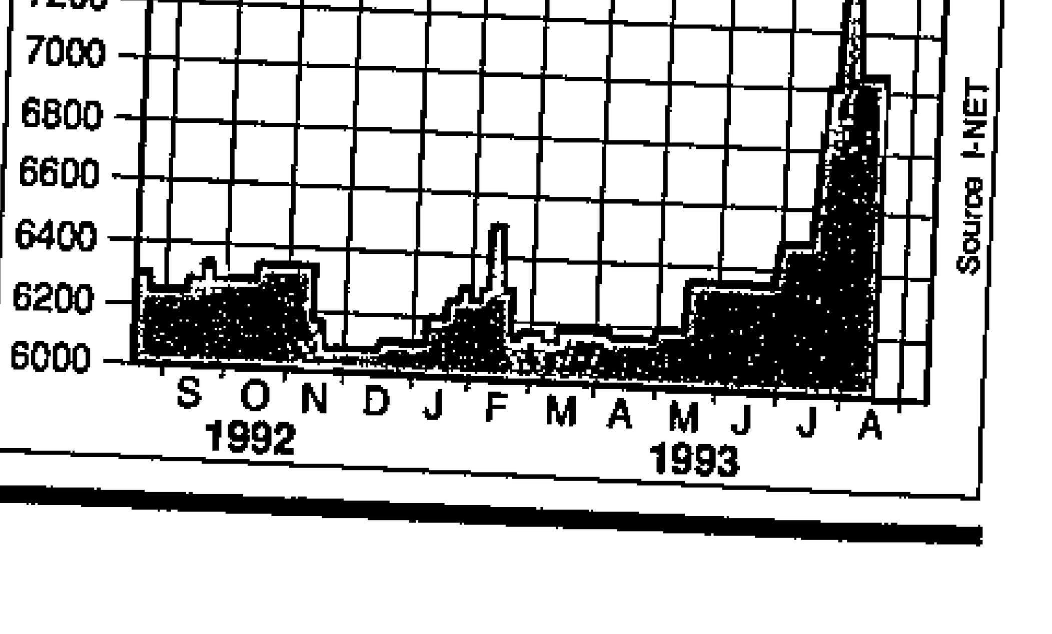
However, interest and dividends received did not bring in enough cash to finance the R8,7m acquisition bill Management had to delve into cash resources, which fell from R3m to R2,8m After year-end, ComFund sold the Randgold for R1,3m Expenses increased from R396 000 to R497 000, about 2% of net income

The share portfolio depreciated 7% in financial 1993 against the All Share index's 1% decline The index has, however, risen 17,8% since

At year-end ComFund's market value was at a 23,5% discount to the balance sheet's NAV, against the year-ago 28,7% At the R70,50 price now — up from R65 — it's only 14%

The share is the highest-priced investment trust on the market Moreover, tradeability is thin, only 27 000, or less than 1% of issued shares, traded in the past quarter The share should be held until details of the unbundling plan are released

Kate Rushton



PEPKOR/PEP/SHOPRITE

FM 27/8/93

Kicking the inflation habit

Lower inflation and political turmoil are hurting profits

232

Pepkor management is struggling with a new economic truth that's now curbing profits — SA's dwindling inflation rate Largely because costs are rising faster than product prices, the trading margin has been taking a battering

Deteriorating prospects are indicated in the share prices Pepkor's price has fallen by 23%, Pep Ltd's by 33% from the peaks reached in January/February After being among market leaders, both are now lagging the JSE Industrial index (see graphic)

Changing economic conditions partly explain the weakness But political instability, violence and turbulent industrial relations have also taken a toll on this large consumer-based group which derives much of its sales from the black market

Until recently, risk management has been a concept more familiar to bankers or insurance managers than to retailers Now retailing is fraught with risk Financial results are being affected by in-store theft, staff intimidation, strikes, arson, hijacked delivery vehicles and payroll robbery Add the diminution of consumers' disposable income, rising insecurity, a lifestyle threatened by political upheaval and low consumer confidence, and retailing has become a vastly more complex trade

Pepkor vice-chairman Arnold Louw says top management is continuously reviewing three-year plans — though they believe these political and economic conditions are not endemic Steps being taken to increase earnings faster than the economic growth rate fall within short-term — two to three years — plans and budgets These are part of unchanged long-term objectives

Pep is still planning to expand into the black townships Growth of Pepreef, a spearhead operation which until recently was functioning well in the Transvaal, has been severely impeded Pep shops in Boipatong and Katlehong, for example, trade when they can, there is no intention to close them, but "a lot of pain" is being felt there These areas are among those earmarked for Pep Stores expansion

Inevitably, the unrest is affecting financial results It has permeated Pepkor through the violence in black urban townships, through boycotts and labour troubles The five-week strike at Shoprite/Checkers (Shoprite) in May and June cost Shoprite and the unions dearly

Trading at Shoprite was good until April, even slightly better than budget Then came the strike Pepkor chairman Christo Wiese says the real cause of the strike was different from the popular perception It was not about wages, it arose out of an outdated agreement between the company and the union

Wiese claims there were outdated clauses in the agreement which made it almost impossible for management to manage It provided that notice could be given for its termination and for a new one to be negotiated Shoprite MD Whitey Basson and his team talked — unsuccessfully — to the union about changing the agreement The union was given notice that it was to lapse

Two days before the end of the notice period, the union replied that it would not negotiate a new agreement Shoprite lapsed the old one and the union called the strike

While the strike affected Shoprite's performance, says Basson, the consumer boycott, which happened at the same time, was more costly Pilferage was high; inexperienced casual labour was used Five weeks passed before negotiations broke the strike

Wiese contends the results were not all negative Pepkor's union relationships have emerged stronger, particularly on the wages issue A week after the strike, Shoprite satisfactorily concluded wage negotiations

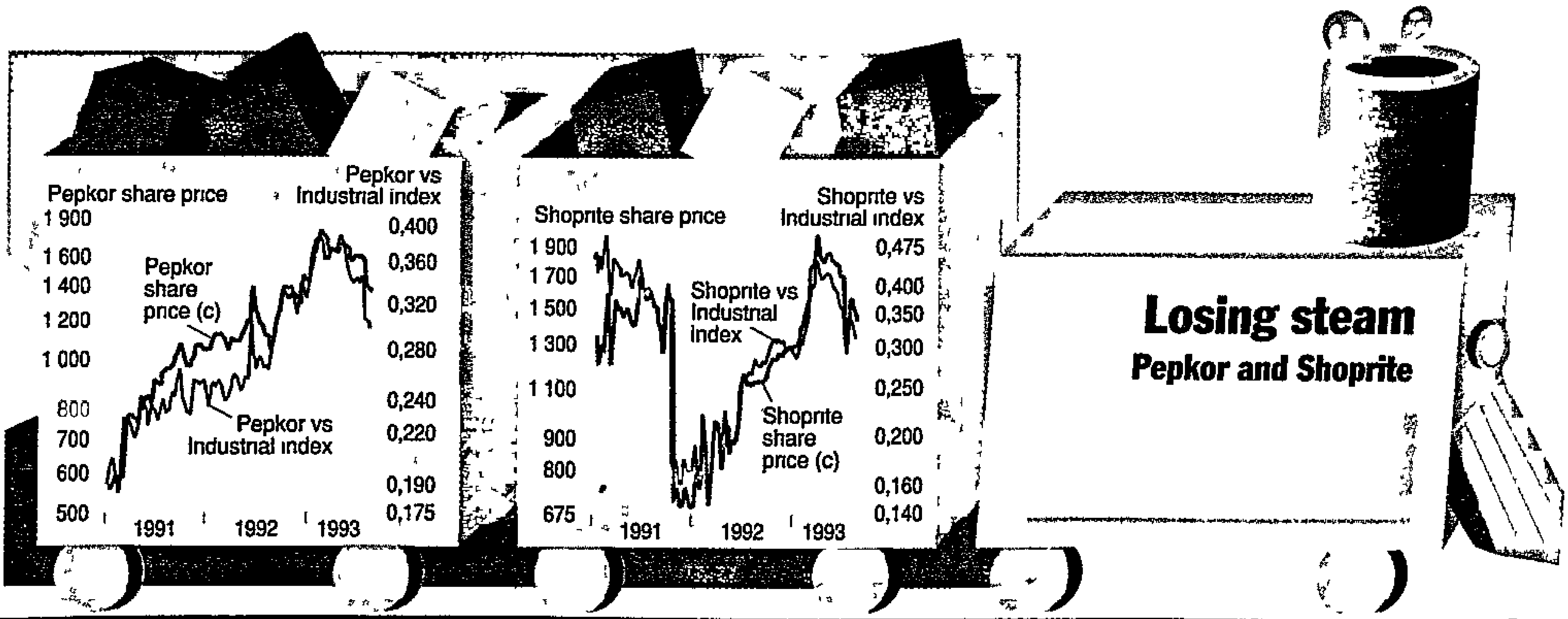
A further indication of a healthy Pepkor-union relationship is union acceptance of co-responsibility in Pep Stores for shrinkage In the first such contract in SA, productivity-linked bonuses have also been linked to shrinkage and turnover Union officials are working with Pep to address productivity and stock loss Moreover, the union has apparently accepted wage differentiation between urban and rural staff

Wiese reckons there is greater acceptance by the union that for a company like Pep, conditions are different when the inflation rate is falling Moreover, he feels it is recognised that Pepkor rescued Checkers from near insolvency "It (Checkers) was going down at such a pace, 20 000 people would have lost their jobs if we hadn't taken it over "

Shoprite is also battling against a relaunched and more price-aggressive OK Until the recent management changes, says Basson, OK's prices were higher than Shoprite's and Pick 'n Pay's Its margin was about 2% above the others, now, he says, OK has dropped margin by at least 2% "They will end up worse off if they don't get the additional turnover," he says

Basson, of course, wants to retain his own customers and prevent OK from gaining market share Shoprite's own margin will suffer for as long as the price war lasts

Cont →



Losing steam
Pepkor and Shoprite

P.T.O

FM 27/8/93
(232)

Basson feels it won't be for too long He contends that as Shoprite's margin has always been low, it will not be greatly affected


Basson

Basson considers OK was lucky that its re-launch coincided with Shoprite's strike and boycott, as it could gain customers from Shoprite. He adds that statistics show OK is only increasing turnover by 5%-7%

Basson hardly considers Pick 'n Pay to be competition, as it operates predominantly in the A/B income market — unlike Shoprite. The latter's attraction is its low margin, Pick 'n Pay retains its loyal following on gross margins, which are rising Basson puts gross margin in the supermarket industry at 15%-18%, with Shoprite at the low end.

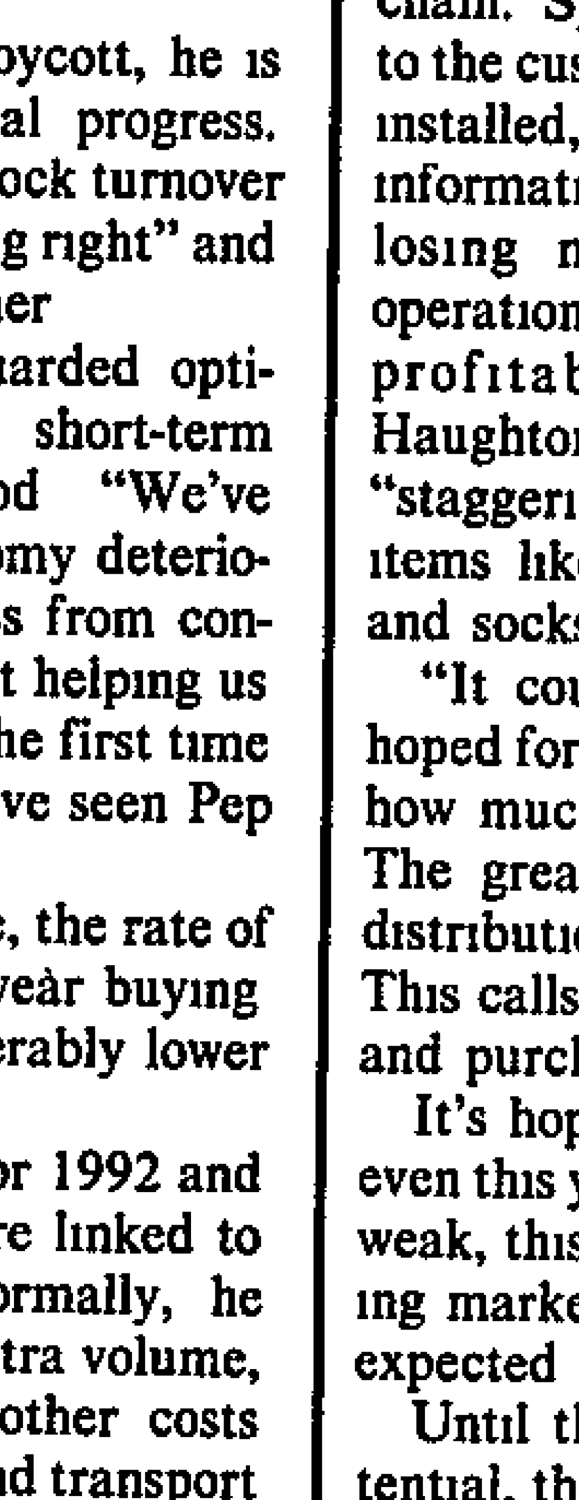
All this has taken its toll on Shoprite's profitability Last year, it made R15m pretax for the first half, this year it may be less "The first half does not look good As I sit here, I'm worried," says Basson He points out that growth in food sales has slowed, and volumes have contracted by 5%-8% since the beginning of the year

Aside from the strike and boycott, he is pleased with Shoprite's internal progress. Efficiencies, productivity and stock turnover are improving, leases are "coming right" and overheads could be pared further

While there is scope for guarded optimism, prospects for Pepkor's short-term earnings growth are not good "We've always felt that when the economy deteriorates, we could capture business from consumers trading down That is not helping us enough now," Louw says "It's the first time in my career with Pep that I have seen Pep under sales pressure."

Especially on the clothing side, the rate of increase in the group's year-on-year buying prices has recently been considerably lower than the official PPI rate

Louw puts this at about 6% for 1992 and 2%-3% for 1993 Sales prices are linked to production price increases Normally, he says, lower prices would bring extra volume, but that isn't happening. Yet other costs such as labour, rent, electricity and transport continue to rise at the CPI rate of 10%-12% This is placing extreme pressure on profitability of Pep Ltd (the listed company that includes the Pep Stores chain)


Haughton

Pep Ltd MD Tony Haughton says the chain's expenses have been tightly managed and there is little room for further trimming Labour demands are not easily moderated by such arguments

To retain and improve focus during the unrest, Haughton has sectionalised the group into stores affected by strikes and boycotts, those affected by unrest and violence, and those unaffected This includes detailed analysis to meet customers' needs. Haughton says this programme will involve substantial costs, time and effort as well as additional information systems If successful, he says, it could improve productivity 20%-40%.

Houghton says Pep Manufacturing, with 10 large production plants, is under pressure from several directions For the first time, its results are likely to drag down group profit. Turnover is being hampered because the blanket market has collapsed, and, because of competition, prices can rarely be increased

Pep Manufacturing has for many years worked at full capacity. Turnover growth has depended on price increases, and profitability on efficiencies With prices up 2%, and with costs rising, the margin is squeezed Earnings will be down this year.


Wiese

Running the 40-store operation in Scotland has emphasised the need for change in the Pep chain. Systems more sensitive to the customer needs have been installed, giving a more useful information flow Though still losing money, the Scottish operation is showing signs of a profitable future, says Haughton. They are moving "staggering" volumes of basic items like T-shirts, underwear and socks

"It could do much better than we ever hoped for," says Haughton "We're realising how much of a learning process we're in " The greater volumes require a change in distribution cycles to much shorter ones. This calls for different distribution methods and purchasing cycles.

It's hoped the Scottish outlets will break even this year but, with the UK economy still weak, this is improbable The chain is gaining market share, and this year turnover is expected to exceed R50m.

Until the UK operation has reached potential, the group is unlikely to venture elsewhere in the world Wiese believes about 200 stores could be opened in the UK However, Pepkor may look at manufacturing in another country. Much will depend on Gatt and the future duty structure in SA Management has been looking for manufacturing opportunities in areas like Mozambique, Botswana and even in the East

High-income retailer Stuttafords is trading better now than a year ago, says Carel Stassen, the Pepkor director whose responsibilities cover unlisted Stuttafords, Ackermans and listed companies Smart Centre and Cashbuild

Stuttafords' takeover of the three Garlicks stores last year was important As with Greatermans stores, all three Garlicks sites were converted to Stuttafords There is now marketing and merchandise uniformity, and new house brands are being accepted by the stores' A/B income group customers But Stassen believes growth prospects are limited because Stuttafords' market niche is not large enough to support much expansion

For Smart Centre, like many clothing retailers which market most of their merchandise to blacks, trading is difficult It has been forced to reduce margin and, though sales are greater than a year ago, bad debts have increased and profits are suffering

The 130-store Ackermans chain has been successfully upgraded. Sales per customer are much higher than a year ago, but sales/m² are still below budget Even after large capital spending, the chain is battling to make profits But once the spending programme is over, says Pepkor financial director Cornus Moore, immediate rewards are expected

Cashbuild, the DIY chain, went through an extremely difficult period last year Stassen says the chain has increased both turnover and margin Though budget is within reach if trade improves, it has not yet been attained

Overall, Wiese says Pepkor's second six months will be better than the first, and better than the second half of last year "We are stocking up in anticipation of a good second six months," he says "It's a decision taken mostly on faith that things cannot get worse We have to have the goods in store and hope the customer has the money to spend "

In the best position

Wiese remains optimistic He believes disruptions may last for another year or so, but it has not caused Pepkor to deviate from long-term plans

Wiese feels similar perceptions are being expressed by JSE investors who, he says, are looking over the hump

"We take the brunt of the turmoil because we are in the areas worst affected But we are also in the best position to take advantage when things improve The direction of our businesses remains right "

However, the price weakness shows that the JSE is less sanguine about group prospects Management is evidently struggling to produce 1994 group earnings as good as last year's

With liquidity high — Pepkor still holds more than R300m cash — the annual dividend should be maintained But, even after the price falls, the share is still not cheap at the 2% dividend yield and 18,3 earnings multiple

Gerald Hirshon

Report on privatising refused

(232)

ARG 27/8/93

Abattoir losing R1,5m

CLIVE SAWYER
Municipal Reporter

MAITLAND abattoir is losing R1,5 million a month, Arthur Wienburg told the monthly city council meeting.

This was an example of the council not carrying out its stated policy of privatisation, because a decision was taken four years ago to sell the abattoir, he said

Councillors voted 20 to five yesterday against a motion by Mr Wienburg asking the executive committee to report on what was being done to privatise council services.

Facing defeat, Mr Wienburg told the Democratic Party caucus the wording of his motion had been taken from DP policy documents, but the DP caucus voted against it.

Mr Wienburg said the council should press ahead with privatisation for the sake of efficiency and to improve its image.

Joye Gibbs said the call for privatisation had come too late.

Leon Markovitz said it would be "folly in the extreme" to support Mr Wienburg's call.

Eulalie Stott said trade unions were not confined to the city council.

Privatisation was not a cure for all ills, she said

Peter Muller said the council had already decided in principle in favour of privatisation and all Mr Wienburg had asked for was a progress report.

"The DP caucus that has seen fit to oppose this is investigating privatisation of the fresh produce market and the public open space at Clifton

"The DP is selectively myopic — it chooses to see what it wants to."

Mr Muller said business circles regarded the way the city was run as a joke

Stake offered in Waterfront

S/Times (Buss)

29/8/93

TRANSNET is negotiating with investors interested in buying properties on Cape Town's Waterfront.

Transnet owns the V&A Waterfront Company.

James Ramage of its financial department says the talks with institutional investors do not mean that Transnet needs money

"Transnet is capable of raising its own funds We have never discounted the prospect of selling completed projects The institutions would buy a predictable stream of income without the risks of development"

Transnet has spent about R220-million on the Waterfront, a figure roughly equalled by investment from the private sector.

Mr Ramage says negotiations are also taking place with investors about future developments (2327)

Mr Ramage sees no reason why the Waterfront should not seek a JSE listing later

Altech signs up top team for networking drive

SITimes (Buss) 29/8/93

By JULIE WALKER

ALTECH Industrial hopes to increase its share of the fast-growing networking market after recruiting two high-calibre staff members for its Data division.

Running the division will be Jan Spies, who spent 24 years with Datakor. Graham Bell, formerly of Siltek and Grinaker Data Systems, becomes managing director of LAN Designs.

Chief executive Craig Venter says Altech Industrial cannot afford to miss opportunities in the high-growth networking market.

LAN Designs represents network groups Novell, SMC, 3Com and DCA.

The focus will be on the VAR arm. This stands for value-added reselling, or systems integration, says Mr Venter. Altech intends to enter a venture with a major group and benefit from its expertise

The third arm of Altech Industrial is Isonet Data, which will provide up-market technical products, such as management systems

Last in the quartet is Altech Smart Card Technologies. Mr Venter says it won a tender for 20 000 cards from Telkom.

Altech has an agreement with Schlumberger, the world's largest manufacturer of smart cards and of systems infrastructure, such as terminals and meters. (232)

Smart cards can control free spenders. A holder may be poor and entitled to a subsidy on bread, medicine, education or electricity. Credit loaded on the card for them may not be used at a bottle store because the reader will reject it.

Mr Venter is the chairman of another Altron company, Autopage, which aims to be a service provider for cellular telephones.

Smart subscriber-identification module cards (SIM) for use with cellular phones can be provided inter-group.

Mr Venter says Altech Industrial's Data division will turn over about R300-million in its first year. Some businesses will trade profitably from the start and the rest will follow after incurring start-up costs.

Dividend lifted to 24,5c

Creditable performance from McCarthy Group

Star 30/8/93

RESULTS for the year to June are gratifying, says CE Terry Rosenberg

BY STEPHEN CRANSTON

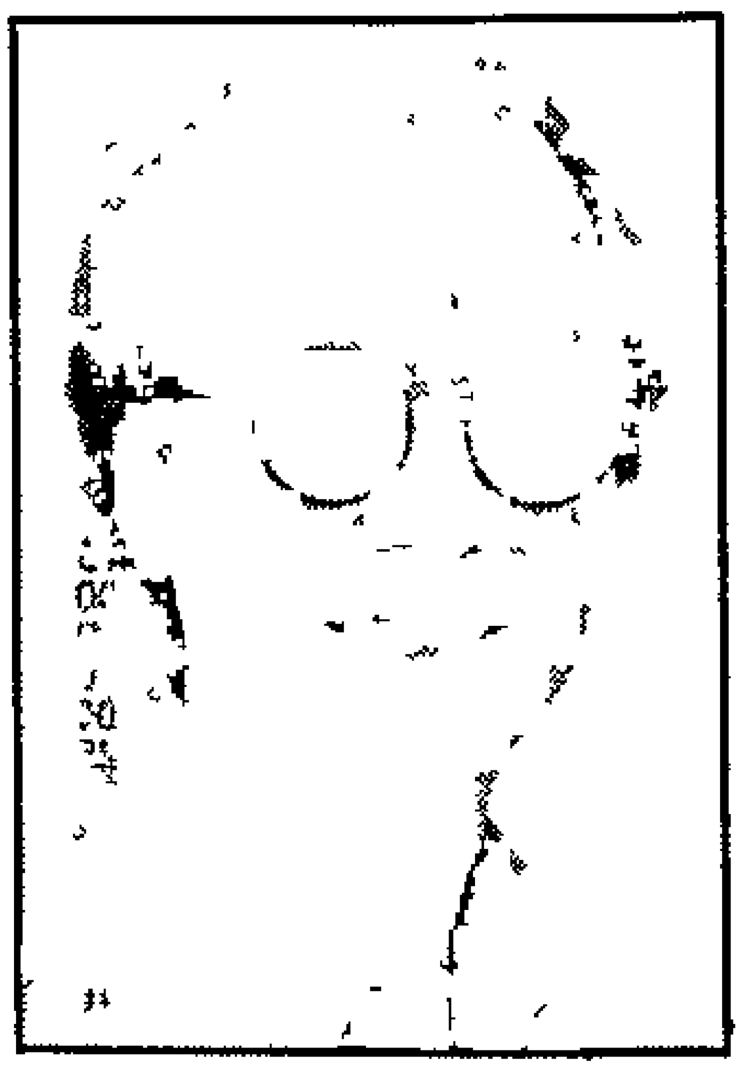
In the first year since the merger of motor dealer McCarthy and furniture retailer Prefcor, earnings per share of McCarthy Retail on a pro forma basis rose by 5,8 percent to 57,6c and those of its pyramid McCarthy Group by a similar percentage to 76,3c

CE Terry Rosenberg says results for the year to June are gratifying, given the difficult circumstances prevailing in the durable and semi-durable markets.

The McCarthy Group dividend has risen from 21c to 24,5c, though the dividend of McCarthy Retail, previously Prefcor, fell from 30c to 19c.

Rosenberg says, however, that McCarthy Retail shareholders have received the added benefit of enhanced stability in convertible debenture interest payments as a result of the increased profit base.

(232)



Rosenberg . . . group should benefit from the trend towards buying down

McCarthy Motor Holdings' sales of new units fell by one percent But the division held earnings to the previous year's level.

Its share of the new-vehicle market fell from 13,7 percent to 13,1 percent, largely as a result of the Toyota strike at the beginning of the year, poor supplies from Volkswagen for three months and the disposal of two operations.

Rosenberg says the group should benefit from the trend towards buying down. Several ranges have been introduced to cater for the trend, including the Nissan Sentra, Toyota Camry, Mazda 626, the new Volkswagen Golf and the new Honda Ballade. McCarthy has a strong share of all these manufacturers.

In Prefcor, two operations performed below budget. Game Discount World, in which five outlets opened during the year, saw its trading fall off after the assassination of Chris Hani. (188)

But Rosenberg is confident the Game formula will work well, once normal trading patterns resume.

Savells Transvaal had a bad year for management-related reasons, but there were a number of closures and subsequent write-offs.

Prefcor's operating income fell by 9,4 percent, with satisfactory performances from the six other divisions, including Beares and clothing chain Bee Gee.

The three-year store opening programme in the furniture division ended in April

Earnings were improved by a R12,2 million release of the deferred tax provision following the reduction in the rate of corporate tax from 48 percent to 40 percent.

The tax bill fell from a pro forma R90,3 million to R44,0 million and net income rose from R84,3 million to R89,2 million.

Asset management improved and net current assets fell from R153 million to R129 million.

Gearing fell from 24,8 percent to 19,3 percent

Rosenberg says the merger was in the interest of both sets of shareholders.

McCarthy Group shareholders have seen significant increases in earnings and dividends, while Prefcor's now have a far stronger balance sheet and a springboard for assured long-term growth.

The McCarthy Retail senior convertible debentures have firmed from 480c before the merger to 670c now

Nestlé in Dairy Maid deal

MARCIA KLEIN BiDay

INTERNATIONAL food conglomerate Nestlé will acquire 50% of local food group ICS Holdings share in ice cream producer Dairy Maid. 3/8/93

Nestlé will pay ICS R50m cash and the two will form a new joint venture company, which they will both manage. Operating management structures will be retained.

ICS said yesterday the deal was subject to finalisation of an agreement which would give it access to the Nestlé group's ice cream and frozen confectionery products, trademarks and technical assistance. (232)

ICS would gain a partner which had world-class technical expertise and experience in industrialised and developing countries. Nestlé would gain access to SA's dominant ice cream producer. Dairy & Milk

The deal is ICS's third recent joint venture. In June, ICS and Foodcorp announced two deals for joint control of their processed meat interests and ICS's frozen foods distribution company, The Cold Chain. The net result of both deals was a R15m cash payment by Foodcorp to ICS. The new chilled prepared meats company would have annual sales of around R500m. In July, ICS's Dairybelle operation and Nels-Bliss Dairy Products pooled some of their milk and fruit juice interests to form a joint venture company with an annual turnover of about R250m.

Squeezed margins fail to impede Grintek

BDay 1/9/93

EDWARD WEST

GRINAKER's listed electronics company Grintek's profit margins suffered in the year to end-June 1993, but earnings climbed 28% to R34,3m (R26,8m) after a substantially lower tax bill

Earnings were influenced by the reduced tax rate, utilisation of tax losses from previous years, export incentives and a 55% increase in the group's share of associated companies' earnings to R4,2m (R2,7m).

Turnover increased 11% to R1,38bn (R1,24bn), but operating profit fell 7% to R69,2m (R74,2m), reflecting lower margins. Chairman Jack Saulez said the recession and economic and political turmoil had intensified competition, with inevitable effect on profit margins.

Pre-tax profit was 9% lower at R73,8m (R81,3m) The tax bill dropped by nearly half to R19,6m (R36,7m) and taxed income was 22% higher at R54,3m (R44,6m).

The dividend for the year was unchanged at 3,7c

The final dividend was 2,7c (2c). Earnings amounted to 17,6c (13,8c) a share. Extraordinary losses of R30,3m related to goodwill written off in terms of group accounting policy The write-off had no adverse effect on liquidity

Listed information technology subsidiary Siltek lifted earnings by a quarter to R47m Reduced margins lowered pre-tax profit 6% to R68m, offset by increased contributions from associated companies, particularly Q Data, and a lower tax rate

Siltek's systems division performed well, with Hi Performance Systems, the sole SA distributor for Hewlett Packard products, again producing good results. Networking companies had a good year, as did software firms

Saulez said new strategies were implemented to address changes in information technology. Operations needed to be repositioned in the market. (232)

Grintek's other major subsidiary, Grinaker Electronics, raised its earnings 37% to R8m after maintaining turnover at R255m (186)

A 39% decline in pre-tax profits was alleviated by tax incentive allowances

Specialised systems engineering operations achieved good results, but poor performances were recorded in project management, agencies and international operations. Manufacturing facilities remained underutilised.

Penetration of new markets had not yet replaced those lost when defence expenditure was cut back.

However, development of new products and systems in radio trunking, broadcasting, laser measuring devices, satellite and radio communication would enhance recovery efforts, he said.

Grintek subsidiary Cellstar Cellular Networks had applied to operate a cellular mobile telephone service in SA.

Saulez said the group could expect only modest growth in operating income in the current financial year.

(232)
CT 1/9/93

UNBUNDLING OF GENCOR'S NON-MINING INTERESTS

GENCOR

1. RESULTS OF GENERAL MEETING

At the Gencor Limited ("Gencor") general meeting of shareholders held on Tuesday, 31 August 1993, the ordinary resolution, as set out in the notice of the general meeting, relating to the unbundling of Gencor's non-mining interests, was approved by the requisite majority of shareholders In terms of the unbundling, Gencor will distribute to its ordinary shareholders its holdings in Engen Limited, Genbel Investments Limited ("Genbel"), Malhold Limited and Sappi Limited ("the affected shares"), by way of a dividend *in specie*

All the conditions precedent to the unbundling have now been met

2. UNBUNDLING RECORD DATE

The last day to register in order to be able to participate in the unbundling of Gencor is Friday, 5 November 1993.

Shareholders who have acquired ordinary shares but who have not yet registered them in their names, should ensure that such registration takes place on or before the unbundling record date in order for them to participate in the unbundling

All dealings on the Johannesburg and London Stock Exchanges in Gencor ordinary shares for the week ending Friday, 5 November 1993 will be for immediate settlement

3. PROPOSED OFFERS IN RESPECT OF ODD LOTS ACCRUING TO SOUTH AFRICAN RESIDENT SHAREHOLDERS

As previously announced, Genbel will, other than in respect of its own shares, make an offer to Gencor ordinary shareholders resident in South Africa and registered as such on Friday, 5 November 1993, to facilitate the rounding to whole multiples of 100 affected shares of any such shareholders' odd lots As regards Genbel's own shares, Sankorp Limited ("Sankorp") will make such an offer The terms and further details of the odd lot offers will be published, and an offer circular posted to such shareholders on or about Monday, 15 November 1993 These offers will open on or about Monday, 15 November 1993 and close on or about Friday, 3 December 1993

4. PROPOSED SANKORP FACILITY FOR NON-RESIDENT SHAREHOLDERS

As previously announced, Gencor has procured that Sankorp will make a facility available for Gencor non-resident ordinary shareholders This facility will, in effect, enable such shareholders who elect to utilise it, to sell their pre-unbundled Gencor ordinary shares to Sankorp, on condition that Sankorp will, according to a pre-determined formula, transfer to them as consideration after the unbundling, an appropriately greater number of post-unbundled Gencor ordinary shares in registered form Further information pertaining to the facility, which will be administered by Smith New Court Corporate Finance Limited on behalf of Sankorp, will be published on or about Friday, 24 September 1993

Johannesburg
1 September 1993

Gencor Limited
Registration number 01/01232/06
Incorporated in the Republic of South Africa

Changes at Gencor

Star 1/9/93

Gencor takes over Genmin's mining, metals and minerals interests with immediate effect, Gencor chairman Brian Gilbertson said yesterday.

(232)

Gencor's "big-bang" unbundling, scheduled for today, also sees Gencor Beherend (Genbeheer) cease to be Gencor's controlling company.

There are a number of changes to the Gencor board:

● Genbel chairman Tom de Beer, Sappi executive chairman Eugene van As and corporate consultant Jaco Fouche resign from the board.

● Sankorp chief executive Marinus Daling and Sankorp general manager Derek Hunt-Davis remain non-executive directors. Rembrandt MD Thys Visser joins the board as a non-executive director.

● Malbak executive chairman Grant Thomas and Engen chief executive officer Rob Angel remain on the board as non-executive directors.

● Gengold MD Gary Maude and Genmin Minerals MD Fred Roux have been invited to join the board as non-executive directors.

● Samancor MD Mike Salamon joins the Gencor board as an executive director. — Sapa.

Unbundled Gencor streamlines board

ANDY DUFFY

MINING house Gencor has restructured its board as part of the unbundling process due to be completed next month BDay

The restructuring simplifies the board, bringing in two new members while leaving the door open for further non-executive appointments It follows yesterday's approval by shareholders of the unbundling, in terms of which Gencor will pass on its shareholdings in Engen, Genbel, Sappi and Malhold. (232) (~~240~~)

The reconstituted board includes Eskom executive director Mick Davis, who joins Gencor as finance executive director next year He will also take over the chairmanship of Trans-Natal 1/9/93

Brian Gilbertson remains executive chairman, while Gengold MD Gary Maude joins the board as executive director responsible for gold operations

Impala Platinum MD Mike McMahon, Samancor chief Mike Salamon and minerals head Fred Roux also join the board

Colin Officer, responsible for international business, and Bernard Smith, responsible for new business, complete Gencor's executive line-up.

□ To Page 2

□ From Page 1

Gencor

BiDay 1/9/93

Gencor wants to structure its non-executive board in line with recommendations from the UK Cadbury committee on corporate governance

Rembrandt Group MD Thys Visser joins as non-executive director, and at least two more non-executives will be appointed.

Sankorp director Marinus Daling and Sankorp's Derek Hunt Davis remain as non-executive directors, while Engen MD Rob Angel and Malbak executive chairman Grant Thomas have been drafted in as independent non-executives. Genbel chairman Tom de Beer, director Jaco Fouché and Sappi executive chairman Eugene van As, resign from the Gencor board.

The entire board of former holding company Genbeheer will resign on November 6, the day after the company is wound up

McRETAIL/McCARTHY

FM 3/9/93

Bedding down well

(232)

Merger of the McCarthy Group's motor interests and the former Prefcor's durable and semi-durable trading activities seemed an unlikely mix a year ago, but sound maiden results from the new group show the marriage is bedding down and, with some qualifications, seems to have good prospects

Harder to read are the shares of McCarthy Group and McCarthy Retail Since the merger the former has become an investment holding company with an 88% stake in McCarthy Retail's ordinary share capital, and about a third of its senior debentures plus about three-quarters of its junior debentures

On ratings alone, the shares appear cheap, especially when compared to the average yields and p e ratios in the retail sector where both McCarthy groups are now listed The problem, however, is that they are not directly comparable to any other shares in the sector Ratings in the motor and furniture sectors are also not particularly helpful

The general feeling among analysts, however, is that McCarthy's share ratings are low, and if the slump in consumer spending is at or near the bottom of the cycle, they could appreciate sharply next year Any clear signs of an uptick in private consumption expenditure could be a good signal to buy

Certainly, the group has positioned itself well for an increase in consumer spending Despite depressed markets, which McCarthy CE Terry Rosenberg says plunged after

FM 3/9/93

the assassination of Chris Hani in April, the retail operation continued with its expansion, opening five new Game Discount World stores with another two planned for this year

The expansion proved costly, both in opening expenses and because the Game division was R9m off budget Rosenberg says with start-up costs absorbed and a full year's contribution from the new stores coming through this year, Game is budgeting for a R9m profit (232)

All other retail operations performed well, he says, with the exception of Savells, which lost R4,5m because of store closures, write-offs on the collection book and some problems with management. Rosenberg expects Savells at least to break even this year

The motor side performed well considering the strike at the Toyota plant and supply problems from Volkswagen New unit sales dropped 1% and McCarthy's share of the new vehicle market slipped from 13,7% to 13,1%, but earnings were maintained.

Rosenberg says Budget Rent-A-Car (McCarthy bought the assets shortly before the collapse of Tollgate Holdings) has moved from a substantial loss to modest profit In addition, the group is benefiting from car owners buying down, and received a boost from its used-car business, which turned over more than R1bn and accounts for about 30% of the motor division's turnover (new vehicles account for about 50% and spares, workshops and driveways the rest).

After the success of Firstpref, a joint venture with First National Bank to back retail credit sales, it would not be surprising to see a similar venture on the motor side Rosenberg won't comment on this, but with the increased capital base with the merger, and the substantial finance requirements for vehicle sales, new products and financial packages will probably appear before year-end

There is concern about servicing interest payments on the convertible debentures With interest on debt escalating about 2,5% a year, it could prove expensive money if the inflation rate stays down

But the merger has provided a sound balance sheet, and gearing has fallen from 25% to 19% Share price performance remains erratic, possibly influenced by lingering confusion about the merged activities. It's certainly a share to watch, however, and could offer sound returns if carefully timed

Shaun Harris

UP AND DOWN

McCarthy Group

Year to June 30	1992†	1993
Taxed profit (Rm)	99,9	116,1
Attributable (Rm)	74,0	77,9
Earnings (c)	72,7	76,3
Dividends (c)	21,0	24,5

McCarthy Retail

Turnover (Rbn)	4,38	5,26
Operating income (Rm)	235	213
Attributable (Rm)	84,3	89,2
Earnings (c)	54,4	57,6
Dividends (c)	30	19

† Proforma figures, assuming the merger between the McCarthy Group and Prefcor Holdings had been concluded one year earlier Dividends reflect actual figures for 1992

Cont →

GENCOR FM 3/9/93

Path to independence

Unbundling brings many changes, not least the composition of the boards of directors of affected companies. Gencor chairman Brian Gilbertson has just announced what may be far-reaching alterations in the structure of the mining house's board. (232)

The most prominent and immediately eye-catching is that Eskom finance director Mick Davis is to take charge of Gencor's finances from the beginning of 1994. In addition, he's to be chairman of Gencor's coal mining and export arm, Trans Natal, "after an appropriate period of orientation."

The second notable appointments are those of Genmin directors Gary Maude and Fred Roux. Maude's appointment comes just as Genmin's role as the depository of the

Davis

Maude

group's mining, metals and minerals is terminated. Gencor itself will take responsibility for these aspects in future and Maude will retain his executive control over the gold interests.

Roux will remain responsible for Gencor's minerals interests, in particular its substantial position in the new Alusaf project.

Other changes include the appointment of Rembrandt Group MD Thys Visser and the retention of Grant Thomas (Malbak) and Rob Angel (Engen) as non-executive directors. Tom de Beer, Jaco Fouche and Eugene van As will resign.

Davis's selection comes soon after his disappointment in the race for the CE's job at Eskom, for which he was seen by many as the most acceptable successor to Ian McRae. It certainly seems clear Davis was the choice of Eskom chairman John Maree, though in the competition which developed subsequently that may have proved a hindrance. In any event, Davis let it be known he would be looking for an alternative billet after Eskom's council selected Allen Morgan.

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The last time Gilbertson made sweeping changes to the Gencor board, Maude's omission was seen by the financial community as notable. Was it a snub, did it portend something else? Asked about this now, Gilbertson is dismissive of the speculation and says Maude has always been his first choice to head the group's gold mining arm. "He's a man of acknowledged reputation and respect in the mining community," he says.

The changes announced this week include the dissolution of Genbeheer which will cease to be Gencor's controlling company from November and will be wound up.

What the board's restructuring may hide, however, is deeper intent. Gilbertson has set his foot on a path which leads to board independence. Gencor's restructured board will have four independents initially, one of whom Gilbertson hopes will be an international businessman. (232)

His ultimate purpose is a board of directors in which non-executives outnumber executives. What's more, he wants independents to outnumber shareholder nominees. Executives will no longer power the group; only the board will be able to do that, acting as a whole. And executives will have to satisfy at least two groups within the board if their projects or decisions are to earn approval. It will probably end up with the CE losing his most favoured executive weapon — that of being able to set the remuneration terms for his executives. That function will be assumed, eventually, by a subcommittee of independent directors.

There may be dangers. By making independents so powerful, Gilbertson may be creating opportunities for palace revolts by executives who lobby directors obliged to no interest group. Alternatively, independent directors may find their role as ultimate arbiters so irresistible that the CE may find himself faced with implacable pro-consuls.

Gilbertson's path to the creation of the first truly democratic corporation in SA is bound to have rough patches. In the process, he may discover new truths in the aphorism that the head which wears the crown oft lies uneasy.

David Gleason

Deregulators head for a showdown

ST Times 5/9/93

By CIARAN RYAN

THE deregulation lobby is on a collision course with the Government over agricultural reform

The Organisation of Livestock Producers and Sunnyside Group, which lobbies for policy reform and appropriate regulation, say the Government-appointed Policy Evaluation Committee (PEC) plans to recommend replacing one form of single channel marketing with modified centralised control.

There are fears that the free-market recommendations of the Kassier report will be largely ignored by the PEC when it tables its report this month The PEC denies the charge.

PEC secretary Barth van der Merwe says "The Kassier report will form an integral part of the PEC recommendations, but we have also taken into account other submissions The Kassier report has not been rejected in total."

Mr van der Merwe says the report will be available for discussion

Nils Dittmer, executive director of the Organisation of Livestock Producers (OLP), says "The Government is trying to diminish the relevance of the Kassier report by claiming it is only one of several submissions used to determine future policy.

"All we want is the right of voluntary association and the right of voluntary taxing and levying. We do not believe the PEC will give us this"

The ANC and deregulation groups have not made submissions to the PEC

Mr Dittmer says several requests for representation on the PEC by the OLP were rejected

(232)

The OLP and Sunnyside Group also question whether the composition of the PEC is representative of all shades of farming opinion.

Mr van der Merwe says the PEC is made up of trade, consumer, producer and government representatives

Chris Daroll, executive director of Sunnyside Group, says that if the PEC findings become policy, it will amount to unilateral restructuring

Others to question the PEC's credibility and legitimacy are producer organisations, Cosatu, the ANC and the Housewives League.

Miss Daroll says "It appears the PEC has operated according to a hidden agenda due to the non-disclosure of process followed in the nomination of its members"

Mr van der Merwe says the PEC is inviting submissions from interested groups, but no political organisations are represented on it.

"It is the prerogative of the government of the day to decide on policy matters"

Grintek opens a door to Siltek

STIMES

By JULIE WALKER

GRINTEK looks a cheap way into Siltek. (BUSS)

Grintek has two components — 60% of listed Siltek and 93% of unlisted Grinaker Electronics. Grintek's market capitalisation at 130c a share is R253-million.

5/9/93

The market value of its 30,4-million Siltek shares of R8 is R243-million.

Take Siltek out of the Grintek share price and all Grintek's other assets are valued at R10-million. They earned R8-million in the past year and are conservatively worth R50-million.

The Grintek balance sheet at June 30 shows net asset value of 81c, but this is a contrived number. The balance sheet counts in the value of Siltek's listed investment of 43% in Q Data at R24-million when its market value at that date was R72-million and is now R84-million. (232)

Q Data's earnings rose by a third in the past year and Siltek's by a quarter.

Grintek raised earnings a share by 28% in the year to June, largely through favourable tax. Turnover was 11% up at R1,38-billion, but operating profit fell 7% to R69-million.

Chairman Jack Saulez says the dividend was maintained at 3,7c because Grintek needs to conserve cash in case economic recovery falters. (184)

Grinaker Electronics' earnings climbed by 37% to R8-million off maintained turnover of R255-million.

has more tariff rates than any other in the sample, its range of tariffs is the widest and the coefficient of variation is second highest after Nepal, as shown above. Compared with Chile's single rate or Mexico's five, SA's trade regime looks extremely unwieldy, says the World Bank.

Unibank hones its target

S/Times (Buss) 5/9/93

By CHERILYN IRETON

UNIBANK, which prospered on the foundations of the 130-year-old British Kaffrarian Bank, is increasing its capital base by more than 60% in an attempt to become an important niche player in financial services.

Heavyweight shareholders have put up an additional R20-million to enable the bank to support assets of more than R600-million. The injection lifts Unibank's capital base to R52,5-million.

Managing director Gerrit van der Merwe says "This marks the beginning of our next growth stage — from small bank to significant niche player."

After the rights issue, Unibank's principal shareholders will be First National Bank (25,01%), Fedlife (24,4%), EG Chapman (17%), OK Bazaars (10%) and Yabeng (10%).

The Bophuthatswana National Development Corporation (BNDC) and Fabcos have sold their 7% stakes. Fabcos is concentrating on its investment with FNB in Future Bank and the BNDC stake has gone to listed investment holding company Yabeng.

Mr van der Merwe says that as more people use banks, new risks emerge.

"To be successful, we must have a larger base to carry that added risk."

Unibank's target is a capital base of R100-million in the next three years. It will then seek a JSE listing. (582)

For the time being Unibank will continue to keep 40% of its assets in short-term lending. This is the bank's core business and includes 12- to 60-month financing of movable assets. (232)

Another 40% of its business is in the private label credit-card market. Unibank has 150 000 card holders — many through its Bonus Card scheme.

The remaining 20% of its funds will be aimed at the mortgage market. This includes exposure to the commercial market and will soon include housing loans of between R250 000 and R500 000.

Mr van der Merwe says. "The typical borrower will require other services like insurance and vehicle finance. Our intention is to make the package profitable rather than the individual product.

"We are not trying to reinvent the wheel. Where possible we will use the existing banking infrastructure for things like savings accounts. But in certain areas we are seeking clients who feel comfortable outside the large-bank environment.

"We will be able to serve that client quicker and more effectively than some of our competitors can."

He believes that as in Zimbabwe, banking will be seen as the catalyst for upgrading living standards.

"There is a huge educational problem and there is no doubt that our risk profile will change. We will have to manage our risk prudently. We are sticking to our rule that no single borrower has more than 10% of our capital."

Every R100 Unibank lends is secured by assets of at least R10. This compares with a Reserve Bank requirement of R6 for every R100. Although the Reserve Bank will lift its requirement to 8% by 1995, Unibank will maintain its 10% rule.

In the 10 months to July, Unibank made a taxed profit of R5,5-million. Its assets were R472-million compared with R208,2-million at September 30, 1991.

The return on investment was 1,65% at the end of July

COMPANIES

Unibank gears up for rights issue

UNIBANK has finalised terms for a rights issue which will take its capital to R52,5m.

"This marks the beginning of our next growth stage," said MD Gerrit van der Merwe. "Now we are looking at a capital base of R100m in the next three years."

Unibank acquired the assets and liabilities of the 130-year-old, King William's Town-based British Kaffrarian Bank three years ago

BDay 6/9/93

Van der Merwe said the current capital base could support assets of more than R600m without exceeding cautious parameters

(232) (58)

The major shareholdings in Unibank would change slightly after the rights issue, but First National Bank would still hold 25,01%. Fedlife's holding would be 24,41%, E G Chapman's 17%, OK Bazaars' 10% and Yabeng Investment Holding Company, which has taken over the Bophuthatswana National Development Corporation's interest, would hold 10%.

Assets of R208,2m at the end of the first year, September 30 1991, grew to R367,5m last year and in the first nine months of the current financial year topped R432m.

Unibank ranked second in Aitken & Peat's 1992 survey of the top ten banks' return on assets with a figure of 1,62%.

Van der Merwe said Unibank was aiming for a 22%-25% return on shareholders' funds, but this had been lower in the growth phase. It had nevertheless improved from the first year's 14,4% to 20,17% at the end of the first nine months of the current year. Net income after tax improved from R1,7m in the first year to R4,6m last year and the bank was looking at about R6m this year, he said. — Sapa

Core development capital focus for new-look Genbel

B/Day 6/9/93

MATTHEW CURTIN

INVESTMENT company Genbel could emerge as a financial group focused on a sizeable trading business and a core development capital portfolio after its post-unbundling rethink, says MD Anton Botha.

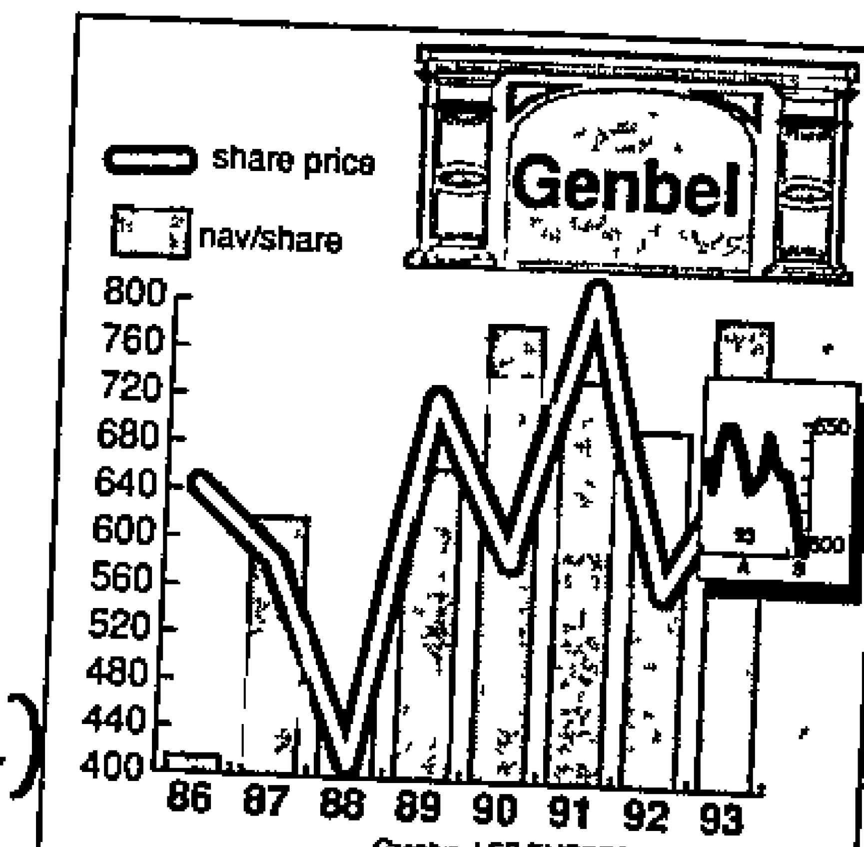
Shares in Genbel have slipped more than 10% in the past week amid concern about the company's future as it prepares to sever its ties with mining conglomerate Gencor. (232)

The stock fell to a four-month low of 590c on the JSE on Friday after a disappointing set of year-end results. The commodities focus of Genbel's investments restricted earnings growth to 5%

The falling share price has widened the discount to which the stock trades to Genbel's net asset value, which climbed to 797c a share at June 30 from 701c the year before

Botha said Genbel had made good progress in defining the parameters of its core businesses, even if its ultimate structure and strategies were not completely clear

Genbel had two distinct functions as an investment trust and a trading house — through wholly owned subsidiary Unisen This was the platform



Graphic LEE EMERTON Source I-NET

from which the company had to develop a new role given that it was no longer Gencor's investment arm

"The message from our institutional shareholders, who make up 92% of our shareholding, is two-fold. They don't need Genbel as a subcontractor fund manager duplicating their blue-chip investments and they want an investment vehicle which is going, at the very least, to outperform the all share index," he said.

As an investment trust, Genbel had added value to its mining-based portfolio but the unexpectedly prolonged trough in commodity prices had ensured that the investments underperformed in recent years No longer tied to Gencor, Genbel would find it easier to restructure.

"It doesn't make sense to put the bulk of our portfolio into shares which the institutions would pick themselves We want to do more than just outperform the JSE and will set ourselves demanding targets," Botha said. Genbel would seek investment opportunities in the development capital arena, whether it be in a project like the R7,2bn Alusaf smelter expansion or in emergent industries such as cellular telecommunications

Genbel would also capitalise on the success of Unisen, whose investment returns averaged 30% a year in the past four years The question was how big Unisen could grow without prejudicing its returns, the product of the efforts the company put into risk management. Genbel had injected R200m worth of the assets it acquired in the unbundling into Unisen

Genbel's annual report, released last week, shows the extent to which its focus on commodity counters has already been diluted in the unbundling exercise. At the year-end to June, Engen, Sappi, Genbeheer, Impala Platinum and Oryx topped the investment list, but Genbel had acquired significant stakes in Murray & Roberts, Malbak and Absa

Libvest offers investors a capitalisation award

B/Day 6/9/93

CHARLOTTE MATHEWS

LIBERTY Investors (Libvest), which has an indirect interest in assurance group Liberty Life Association, has declared an interim capitalisation share award worth 12,5c a share, based on Friday's closing share price, and a cash alternative of 12c a share for the six months to August.

Libvest owns 50% of the equity of unlisted Liblife Controlling Corporation, which in turn owns 52,4% of Liberty Holdings (Libhold)

Libhold owns 52,6% of Liberty Life Association

Libvest's capitalisation award follows an earlier announcement by Libhold that it would award capitalisation shares in the ratio of 1,25 new Libhold ordinary shares for every 100 Libhold shares held.

Libhold shareholders may instead elect to receive an enhanced interim cash dividend of 220c a share

Libvest will receive shares in Libhold or an interim cash dividend through its interest in Liblife Controlling Corporation

Libvest is, therefore, offering its own shareholders the choice between a new Libvest share for every 100 Libvest shares held or an interim cash dividend of 12c, 50% higher than the 1992 interim dividend of 8c a share.

Libvest shares closed at R12,50 on Friday. (58) (232)

Libvest chairman Donald Gordon said the dividend for the second half is also expected to be no less than 12c a share.

"It must be stressed that this enhanced interim dividend and capitalisation award must not be assumed as a precedent and will not necessarily be continued in the future," he said

In the six months to August Libvest's taxed profit attributable to shareholders was R32m, 18,3% above the R27,1m shown in the same period in 1992 This translated into earnings of 15,6c (13,2c) a share.

Libvest's total assets at August 31 were R2,2bn, against R1,97bn in the same period in 1992, equivalent to a net asset value of R10,54 a share, against 947c previously

Barlows unbundling could spawn financial services group

232 CT 6/9/93

By ARI JACOBSON

THE formation of a powerful financial services group, the NBS-Momentum Life-Rand Merchant Bank Holdings, could be just one of the results of the unbundling of the Barlows group

In August, an 18% investment stake held by the finance house in the NBS group, was sold to Rand Merchant Bank Holdings (RMBH) for R225m

This could be the final link to another large financial services grouping in SA

The Deposit-Taking Institutions Act introduced in February 1991 classifies a bank and a building society as the same type of institution

It also loosened laws which allowed building societies to move away from its traditional home loan base and in general allowed for greater merger and acquisition activity in the industry

NBS Bank, previously the Natal Building Society, has up to now maintained its independence and opted for organic growth in entering new markets

And so the 'bank' now boasts divisions as diverse as a commercial bank, short term insurer, property development and asset management on top of its well-established home loan book

Rand Merchant Bank Holdings (RMBH) joined up with life assurer Momentum Life to form a R10bn financial services group in May 1992 This merely accentuated the trend to linkages and the inevitable one-stop financial setups

Consider the recent formation of the Amalgamated Banks of SA (Absa), Investec-Fedsure-Saambou and the more antiquated groupings like First National Bank (FNB)-Southern Life and Standard Bank-Liberty Life, to see the financial clusters that have emerged

The NBS group has avoided the overtures made by FNB on its way to evolving from a home loan institution to a general bank

The tie-up between Momentum Life and Rand Merchant bank covered most aspects of the financial services industry — home loans however were a noticeable omission

Now consider that the NBS bank is already involved with Momentum Life, in a recent joint venture taking over control of short term insurer Aegis for R181m

At the time NBS financial manager Paul Leafwright said "it's very early days but we cannot rule out some larger financial grouping forming out of this alliance"

The purchase by RMBH of the NBS stake may then be seen as a further signal that a tighter formation is coming together

At the time NBS executive director said "the move really has its roots in the unbundling of Barlows

"We had to find another substantial shareholder," he said

Finally the NBS has a 30% holding in Norwich Life, which is yet another permutation that could be brought into the fold

Given that a financial institution's success in the future may be determined by the speed with which it can gather and act on information, the groupings coming together to cover all areas makes sense

● Genbel solution — p10

BTDay 6/9/93

Dimension Data expands into new arena

Business Day Reporter

JSE-listed Dimension Data said on Friday it had acquired a 25% stake in the Digital Networking Holdings group, including its subsidiaries, Digital Networking and Choice Communications, for an undisclosed sum

The acquisition is effective from September 1 and will bring Dimension Data into the DEC networking arena

Digital Networking MD Allan Cawood said the move had strategic importance for Dimension Data and Digital Networking Holdings (232)

He emphasised that the companies would continue to operate independently "Dimension Data's investment has given it access to the skills and product resources necessary to address the burgeoning DEC market which is expanding rapidly in the wake of DEC's direct presence here "

Cawood said Digital Networking Holdings, in becoming part of a JSE-listed company, would gain the financial credibility needed to strengthen its position as a key player in the networking market

Choice Communications MD Charles Osburn said "While we will continue to focus on the design and implementation of communication solutions for DEC users, we will also grow our existing networking and systems integration business Our focus will be on providing solutions which add value to our customers' businesses

"To assist us, we will draw on the resources — both technical and product — within the Dimension Data group," he said

Osburn said Choice would follow an operating and marketing strategy involving traditional reseller channels in SA

Dimension Data group chairman Jeremy Ord said Dimension had always recognised Digital Networking as a force in the networking industry

"The investment will strengthen our coverage, enhancing Dimension's support infrastructure within the DEC sphere," he said

A new management board for Digital Networking Holdings has been constituted Members are Allan Cawood, Charles Osburn, Alan Sutton and Andrew Turnbull.

Ord and Dimension Data marketing director Richard Came are also expected to join the board

More companies than ever facing risk of insolvency

Star 7.9.93

(232)

BY STEPHEN CRANSTON

As much as 13 percent of JSE industrial companies have a high risk of insolvency, according to the annual analysis by Status Corporate Ratings

This is an increase from 10 percent a year ago

The Status model has predicted insolvencies up to three years ahead

Its predictions have been proved correct for many recent liquidations, including those of Basil Starke, Tollgate, Usko, Trimtex, Focus and Leegall

Status uses an internationally recognised two-score methodology for insolvency prediction based on each company's annual accounts.

Companies are accorded one of six ratings — from excellent to poor.

Results can be consolidated into valuable industry-specific risk measurements.

The consolidated industry trends yield the risk profile for the industrial sector in total.

The industrial sector showed a decline from 61 percent in 1989, which is classified as "good", to 53 percent in 1992, which is somewhere in the middle of the "satisfactory" range.

Between 1990 and 1992 the number of companies on the industrial board fell by 40, to 297.

The two worst sectors last year were Motor, which with a score of 36 percent, was clearly in the unsatisfactory bracket for the first time, and Building and Construction with 37 percent, also debuting in this category

Other industries showing signs of substantial deterioration last year included Fishing, Furniture and Household Appliances and, surprisingly, Pharmaceutical and Medical

Over the past four years as a whole, Fishing, Steel and Allied, Beverages and Hotels and Furniture and Appliances have shown marked deterioration in financial health.

Unhealthy

Perhaps the most telling trend of all is that reflecting the percentage of companies currently falling in the unhealthy categories of unsatisfactory plus poor

This increased from 21 to 32 percent, with the percentage in the "poor" category up from 7 to 13 percent

Bad companies are spread across the spectrum of industries and not only across the industries identified as vulnerable However, some sectors have shown an improvement

There has been a relatively strong upsurge in performance in electronics, due to outsourcing and downsizing, bank orders for ATMs and heavy rationalisation of the industry in 1990-91

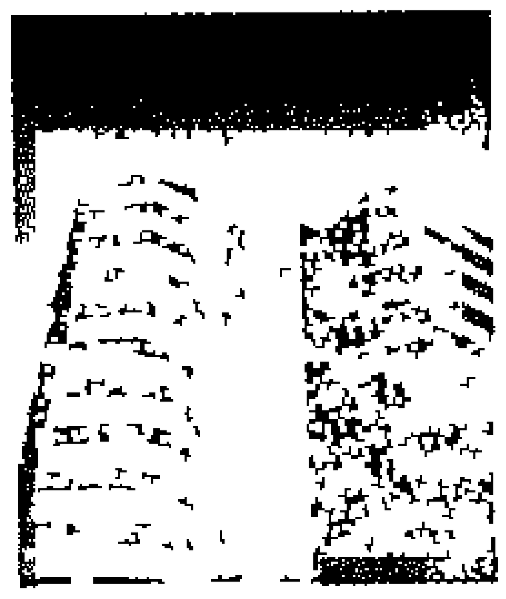
Fm 10/9/93

JSE

The fuse is already lit

Nobody's talking, but our own 'Big Bang' is on the horizon

(232)



It's become clear that 1994 will be the year in which the JSE steps out to meet its future Even supposing they want to, SA stockbrokers won't be able to postpone for much beyond that the imperatives of competition and transparency — which are forced on financial communities everywhere

Many SA stockbrokers will argue that the opposite is true They will say they've accepted the need for change and all that's delaying the implementation of far-reaching alterations in the way the Exchange operates is the need to structure these alternatives carefully and to plan for their introduction This is why the JSE commissioned what's turned out to be an 18-month study by a research committee, chaired by Johannesburg corporate attorney Michael Katz, and why the JSE initiated ground-breaking discussions with SA's wider financial industry, members of which have long been denied trading rights on the JSE

JSE chairman Francois Tolken showed he was acutely conscious of the need to push ahead when he referred to the research committee's work in an interview with the *FM* shortly after his election in June this year Since then, nothing's happened

Asked to comment, JSE executive president Roy Andersen says "It would be inappropriate for any member of the research committee to comment on any aspect of its report before it is finalised and published I can confirm, however, that the research is complete and we are in the final drafting stage "

The report is unlikely to reach members of the JSE's main committee much before mid-January Its recommendations will then be debated yet again to determine what the JSE's governing body is prepared to accept Only then will the proposals for change — whatever they are — be put before the JSE's membership On this timetable, decisions about the future of the JSE will probably be made around mid-1994 And it must be assumed they won't be introduced without fierce debate and controversy

Thatcher *started it all*

Over the last 15 years, major changes have been introduced by the most prominent stock exchanges — forced on them, some critics would argue In the UK, the ostensible catalyst was the intervention in the early Eighties of the Monopolies & Mergers Commission — though it's possible to see in this the hand of then prime minister, Margaret Thatcher, determined not to countenance restrictive trade practices anywhere

The commission argued that the London Stock Exchange (LSE) was operating a de facto monopoly and threatened to take the matter on review before the Restrictive Practices Court

Both sides armed for a long legal battle, in the end avoided only by negotiations between Secretary for Trade Cecil Parkinson and LSE chairman Nicholas Goodison They agreed that the LSE would be given the opportunity "to sort itself out "

Subsequently, the LSE embarked on what its director of international relations, Martin Hall, calls "a period of self-examination and debate " In a sense it is this introspective process which the JSE is now conducting

The trigger for the LSE was the issue of fixed commissions, the single matter which raised the ire of the Thatcher government and provoked official intervention in an independent institution's affairs In SA, the structure of the stock exchange is enshrined in statute, the JSE has been able to use the law to fend off the complaints of the major users, particularly those which marshal savings such as the insurance institutions and unit trusts Not even that advantage, however, has made it possible to neutralise the steady criticism from one of the country's most powerful and effective lobbies

In Britain, one of the results of the withdrawal of the principle of fixed commissions and its substitution with charges which are negotiated, was that commissions charged on institutions and large investors did indeed fall However, the converse was that for small investors, brokerage charges rose sharply, especially noticeable on small bargains That was accompanied by a substantial widening of the spread — sometimes as much as 10% — between buying and selling

The conclusion, therefore, is that while the change helped institutions and large players, it was directly prejudicial to small investors In SA, a country which has a large emerging population which the JSE will want to encourage to use the exchange and to become direct investors, negotiated commissions may prove prejudicial in the quest to broaden the market It is certainly an issue which needs to be handled with the utmost care LSE planners were at a disadvantage in at least one crucial sense they were pioneers — they were not aware of many of the traps which lay ahead

One area in which a nastiness was sprung upon them was the matter of how traders operated In London, a long-standing tradition was that some firms took positions for themselves directly, they bought and sold shares as principals Very specifically, they did not deal with the public

In time, they specialised in the shares in which they dealt on a daily basis and they became known as "market makers" in those counters Brokers, on the other hand, acted as agents between the public and the market — in this case, the market makers They would encourage clients to buy or sell shares and would give effect to the deal through a market maker

In SA, all brokers are agents, there are no market makers However, a logical extension of the withdrawal of negotiated commissions in London was that it also meant the death of single capacity trading A corollary is that all firms have to be able to act both as agents and principals

This matter, argued tenaciously in London, is a good example of the way the LSE's planners found themselves forced, once they had taken the first step, down increasingly narrower corridors from which the exits to alternatives were progressively closed

It was recognised, for example, that the London market was basically under-capitalised The individual firms and partnerships which made up the LSE's membership were incapable of raising the vast sums necessary, if they were to compete equally in a market in which all could act in the dual capacities of agent and principal Hall says there was a general recognition "that London was drifting into a sort of genteel decline "

At the same time as these truths were being confronted, the International Securities Regulatory Organisation (ISRO) had developed in London to the point where it was effectively conducting a large and important informal market in international securities ISRO comprised well-capitalis[illegible] foreign firms, British merchant banks and many of the big US houses, all of which h[illegible] been drawn to London in pursuit of the la[illegible] Eurodollar and Eurobond businesses

It became plain that, if the LSE was [illegible]

FM 10/9/93 (232)

compete successfully with firms such as these, it would have to be an institution which embraced members of much greater net worth A logical consequence, therefore, was to open membership of the exchange to corporates (yet another development which can be interpreted as a narrowing of corridors) London handled this revolution first by permitting partial ownership by corporates of broking firms and then by extending this to full ownership (Many individual brokers made veritable killings as they sold their patrimonies to the highest bidders and many ancient and honourable firms simply disappeared)

These are issues which are clearly mirrored, even distorted, in SA This is a country still gripped by foreign exchange controls and severe limitations on the movement of money

A consequence of these controls, in place now for more than 30 years, is to exacerbate the market's comparative illiquidity About 7% of the value of the stocks listed on the JSE are traded each year on average (last year it was a mere 4%), which is extraordinarily low by the standards of most of the major exchanges And one of the reasons for this is that over a long period, SA's savings have been forced to compete for the same stocks each year The result is an artificial investment climate, a monetary greenhouse

To this illiquidity must be added the acknowledged concentration of financial power in the hands of a few institutions The omnipotence of the large life assurers and pension funds is largely taken as read What would happen, for example, if Old Mutual or Sanlam were suddenly to seek to divest themselves of their gold shares? The accepted wisdom is that it would create havoc, if only because it would be virtually impossible for the market to absorb the stock offered "We all know," says one broker, "that it would affect the market so badly, it would be tantamount to shooting the sellers in the foot That's why they don't do it "

The question which JSE's planners must address is whether adding corporate membership of the exchange to this concentration of financial power, as well as the ability to make markets in various stocks, will increase or decrease risk

An example assume that a bank becomes a corporate member of the JSE Controlled by one of the institutions, the bank is the natural market maker in, say, a large industrial corporation's stock, controlled by the same institution

In these circumstance, there is very little that could be done to prevent the price of the industrial company from being quoted at artificially high levels In a market as exposed as the JSE would then be, front running would become almost legal, certainly there wouldn't be much anyone could do to control it

Another contentious issue facing the JSE is the matter of whether trading should continue to be executed through an open outcry market, or whether screen-based trading should be adopted instead Hall says that in London, coincidentally at about the same time as the LSE was marching towards its now famous Big Bang (defined as a combination of far-reaching constitutional reforms coupled with the introduction of screen-based trading), new electronic systems were being developed, one of which — Stock Exchange Automatic Quotation (SEAQ) — was adopted SEAQ enabled share quotations to be reflected instantly on the screens of all linked brokers and was coupled with voice communications which enabled immediate trading

"It certainly wasn't foreseen," says Hall, "that the effect would be to close the trading floor In fact, we'd just spent money refurbishing it Within a month of the introduction of SEAQ the floor was deserted "

Shortly before Big Bang, a merger between ISRO and the LSE created the International Stock Exchange (still the LSE's formal title) However, part of the price of that merger is that many of the LSE's regulatory powers were transferred to a separate body, the Securities & Futures Authority (SFA) which reports in turn to the Securities and Investment Board (SIB) The SFA's powers extend to deciding who may be authorised to do business and whether firms meet its capital adequacy requirements

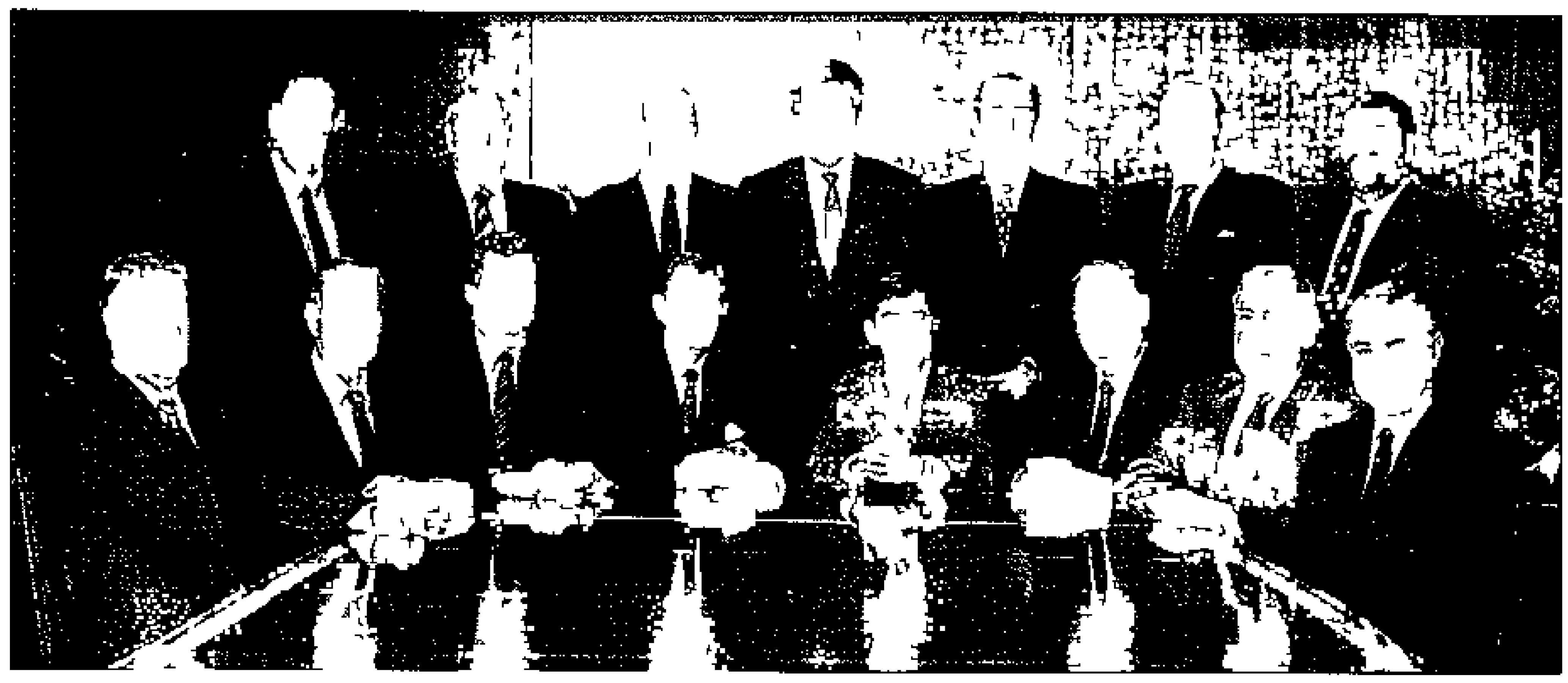
This departure illustrates clearly the separation which has taken place between the LSE and the market In London, the LSE now decides on the market rules and settlement arrangements, the LSE regulates the relationships between market participants, and the SFA regulates how market participants treat and handle clients

This division of regulatory powers may go some way towards answering the problems of increasing risk which will be posed by the addition of corporate members to the JSE the ultimate regulatory body under the LSE system is quasi-government and reports to the Treasury If something approximating that is introduced in SA, it will at least provide protection against an overwhelming concentration of financial power

That highlights yet another change The LSE has become a company owned by its member firms It is run and operated by a team of professional managers, just like any other company, and they are, in turn, responsible to the LSE's board of directors, elected annually by the shareholders Hall says great pains are taken to ensure that the LSE's board reflects a balance between member firms, users and the public interest

This raises the intriguing issue of whether Andersen and the team of professionals he has assembled around him at the JSE will not, some time soon, become the managers of JSE Limited

On the face of it, that certainly seems increasingly likely However, the London lessons can't be ignored The failure of Toros, an ambitious paperless scrip settlement system on which the LSE is said to have spent £UK80m, knocked on the head the aspirations of the LSE's managers to become increasingly independent And the composition of the board of directors still takes account of the power of the large member firms to exercise a considerable influence over decisions



JSE committee 1993 *same game, different wicket*

Andersen has steadfastly refused any speculation on these and related issues "I can't debate these matters with you," he says, "without giving indications of the lines of the research committee's thinking "

However, it's fair to conclude that over the next year, the way in which the JSE operates will undergo profound change The major issues confronting its members (fee structures, dual capacity trading, corporate membership, the method of trading, the nature of its internal governance) have been treated by other exchanges with varying degrees of success

At least the JSE can draw on the experiences gained painfully elsewhere — though it doesn't mean that what's been applied in other centres will necessarily be good for Johannesburg

These aren't the easiest of times for the implementation of reforms The impact will be severe on a community which has drawn protection from a siege economy and which has grown comfortable with that Change, the only true certainty, is resisted wherever it appears — there's no reason to believe the JSE will be any different However, if its members really intend to be serious players in the international financial industry, reform is the only way to go The JSE's very own version of London's celebrated Big Bang is on the horizon ■

AVI does right by shareholders

Star 10/9/93 (232)

BY STEPHEN CRANSTON

Anglovaal Industries (AVI) achieved a commendable 19 percent rise in earnings per share to 1 083c in the year to June

This was achieved without padding out the bottom line with the release of deferred tax after the change in rates

The dividend is up 18 percent to 195c

Operating income was almost unchanged The operating margin dropped below eight percent for the first time since 1986

Dividends from Anglo-Alpha, which is 25 percent-held, were included for the first time, leading to a R14,2 million increase in investment income and pushing up the share of retained earnings of associates by 58 percent to R23,6 million

AVI's effective tax rate fell from 42,7 percent to 33,9 percent

At the earnings level there was a surprisingly strong 27 percent improvement from AVI Diversified Holdings, in which the engineering and textile interests are housed There was a strong improvement from Bearing Man in the first full year since it was merged with AVI's existing ball-bearing interests

In textiles there were improvements from Risa Textiles and SA Fine Worsteds and Gelvenor remained strong

Mooi River Textiles, which operates in the troubled cotton fabric sector increased operating losses The acquisition of the company in the disinvestment era appears to be one of the group's few serious mistakes

National Brands was the star of the group Earnings increased by 45 percent and it is rapidly catching up with Consol as the largest contributor to the bottom line.

Its sales volumes increased because of an aggressive advertising and promotions strategy and the restriction of price increases below the inflation rate

There was a substantially improved result from Pleasure Foods, which includes the Wimpy, Juicy Lucy and Milky Lane franchises, and from Yardley of London

Tea and coffee producer Becketts had another successful year and there was sustained growth from biscuit maker Bakers

Pakco, which makes canned curry products and sauces, suffered from reduced consumer spending and did not contribute to profits

National Brands has moved strongly into the soya protein market and acquired the entire share capital of Nedan Oil Mills and the 45 percent shareholding in National Protein it did not already own at year-end

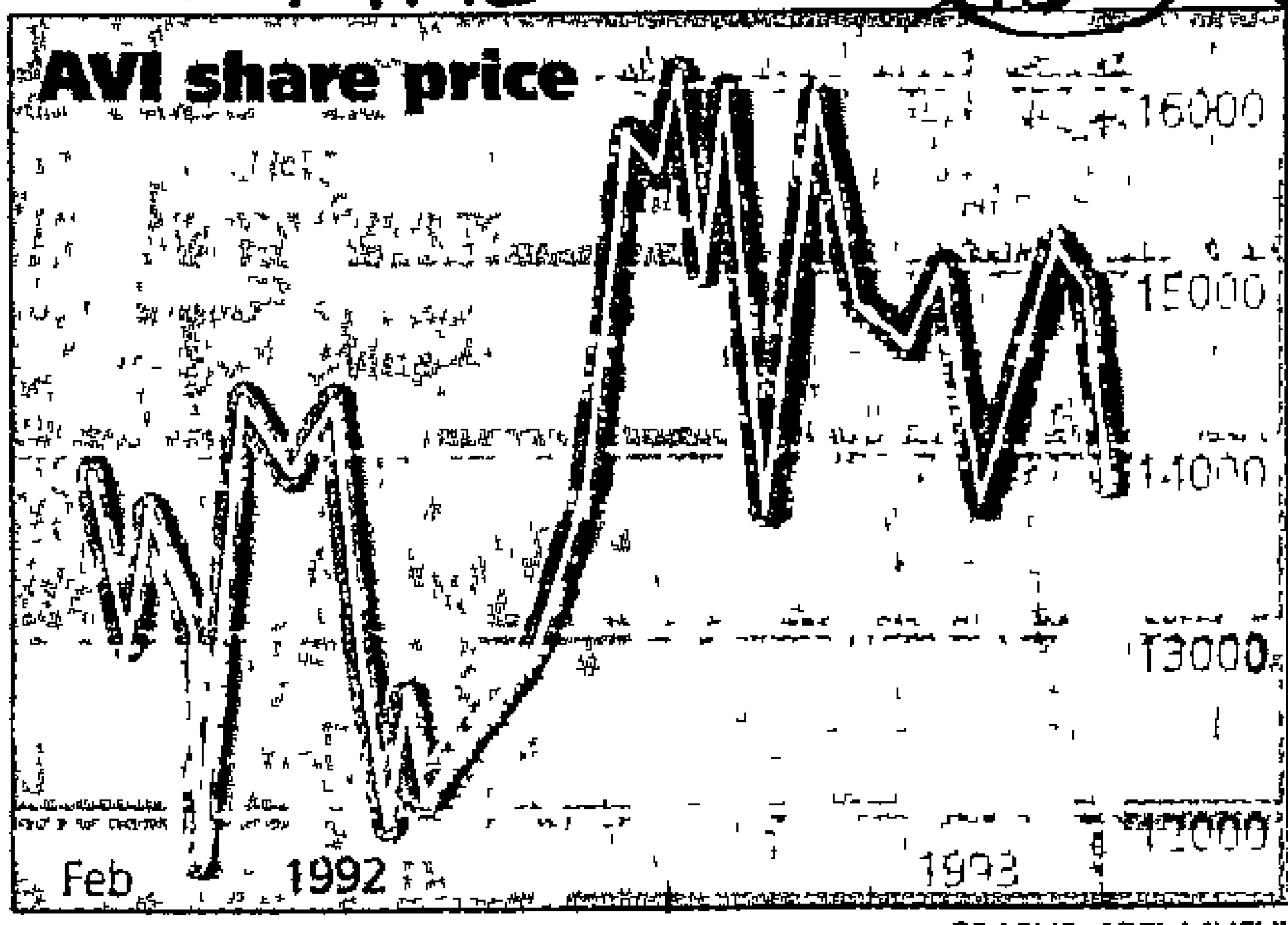
Among the listed subsidiaries the recovery of Grinaker from a R1,2 million loss to a R29,7 million profit was the highlight Losses were contained and write-offs in Grinaker Construction were not repeated.

Consol suffered from depressed packaging and tyre volumes, but achieved a 13 percent increase in earnings

Irvin & Johnson was the only major component to report reduced earnings, primarily because of declining international white fish prices

AVI ended the year ungeared, with net cash resources of R541,6 million.

It now trades on a P/E ratio of under 13 and definitely looks undervalued



GRAPHS ABEL MUSHI

Company: Anglovaal Industries

Sector: Industrial Holding

SHARE PRICE: R137 | **MARKET VALUE: R4,35bn**
YEAR HIGH: R162 | **PE RATIO: 12,6**
YEAR LOW: R122
Net asset value: R70,17 | **Dividend yield: 1,4%**

Year to	Turnover Rm	Operating Profit Rm	Attributable earnings per share (c)	Dividend per share (c)
1991	7 386	777	825	150
1992	7 958	777	907	165
1993	8 319	788	1 083	195
% Change	5	1	19	18

Wingate control goes to bank

By CHERILYN IRETON

MERCANTILE Bank has entered the professional banking and finance market with the acquisition of a company that deals exclusively with accountants. ST TIMES

The niche banking group will pay R7,8-million for 51% of Wingate Holdings.

Wingate Holdings through subsidiary Wingate Finance is involved in the provision of medium-term finance for the accounting profession. It has a low-risk profile, says Mercantile Bank managing director Derek Cohen.

The deal is being financed by a mixture of cash and the issue of redeemable debentures. It is subject to Reserve Bank approval. 232

Mercantile's net qualifying capital and unimpaired reserves have increased by R7,8-million to R22-million since January. [BUSS]

Unlisted Mercantile has been operating since 1989.

Wingate, which was controlled by senior partners of accounting firm Levenstein & Partners and its management, has a R35-million book. Mr Cohen says the due diligence report shows that Wingate is a well-run company. It has expansion potential because it operates only in the Johannesburg area. It will be developed through Mercantile's branch network. There is no intention to change Wingate's style. 12/9/93

Mercantile will have three Wingate directors — Mr Cohen, Alistair Laughland and Adam Cowell. Jeff Levenstein will sit on the Mercantile board with Wingate managing director Ronnie Waldman as alternate.

McCarthy merger is 'starting to bear fruit'

B/Day 13/9/93

MARCIA KLEIN

THE merger of the McCarthy motor group and furniture and retail group Prefcor to form McCarthy Retail was beginning to bear fruit, CE Terry Rosenberg said at the weekend

He said numerous synergies had already been established The group was merging the McCarthy and Prefcor computer departments, and this would generate a R7m saving this financial year

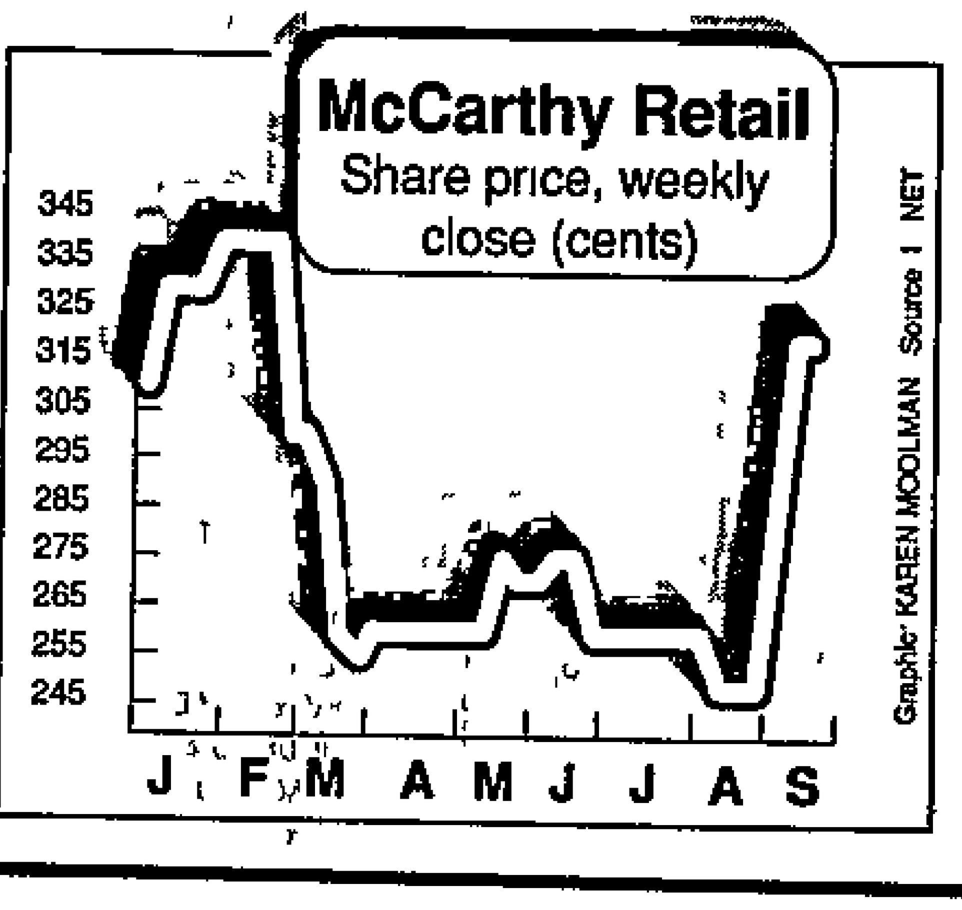
The group had also established a zero-based budgeting exercise "We have been aggressive in the cost area. Inflation is coming off, so our expenses have to grow at a lower rate," he said.

(142)

The group's maiden results to end-June reflected a 12% earnings rise to 48,2c (42,9c) a share, as a lower tax rate offset the effect of weak trading conditions.

(232)

Recently the McCarthy Group and McCarthy Retail shares had gained ground McCarthy Retail's share gained 23% over the past month to close on Friday at 320c.



Although McCarthy Group lost 20c or 4,6% on Friday to close at 410c, the share was nearer its yearly high of 475c than its December low of 275c.

Rosenberg said there had been market acceptance of the results, but the group would need to report solid results over a period before it was significantly rerated.

McCarthy Retail was working on its gearing, which would improve the quality of its earnings. At the June year-end, gearing had fallen to 19% from 25%.

Commenting on divisional performances, Rosenberg said last year McCarthy had acquired Cape Nissan and BMW dealers Auto Deutsche, and Tygerberg BMW, and Burchmore's had been expanded into Cape Town and Durban.

Rosenberg said last year was the first time in the group's history that used car turnover had exceeded R1bn.

Budget Rent-a-Car had settled down and turned around, and it had increased market share. Yamaha had a good year, and the group was looking at expanding its product range. McCarthy had also expanded in the UK, and now had four dealerships.

Although the past two months had been encouraging for McCarthy's business, Rosenberg said it was too early to say that an upward trend had been established

In the Prefcor side of the business, the store expansion programme was virtually complete The furniture division had opened 60 stores in 30 months, with nine closures The group was growing the Bonus Building Supplies chain, and would add another six stores to the eight-store chain.

Star 14/9/93

Lower taxes boost Bateman

BY STEPHEN CRANSTON

Lower tax and interest helped Edward L Bateman lift earnings 4,4 percent to 92c a share in the year to June

The dividend has been lifted 4,9 percent to 32c.

Chairman Bill Bateman says the results are pleasing, considering ongoing difficulties in the local and international markets served by the group

There was a more than six percent improvement in second-half earnings, compared with an increase of barely one percent in the first half

A more impressive turnaround was reflected in turnover, up almost 50 percent in the second half after falling 19 percent in the six months to December.

Overall it was up 5,3 percent to R667,4 million for the year

Bateman Industrial Holdings, the equipment arm, made several significant acquisitions in the information technology industry, including an interest in Prolan and Workgroup Systems, distributor of Microsoft and Lotus.

Bill Bateman . . . results are pleasing.

On Friday Bateman Materials Handling acquired specialist handling company PneuTech for an undisclosed amount. (232)

PneuTech was established in 1980 and has completed 200 handling installations.

In the engineering division, Batepro, action has been taken to dispose of certain loss-making non-core operations, and full provision has been made for losses on disposal. (123)

Losses reduced Batepro's income by R5,2 million

Its projects in the current year include a $200 million contract for a metallic magnesium project in Israel

The division has been awarded the contract for Newmont Mining's gold heap leach project in Uzbekistan.

Foreign income, exempt income and incentive allowances continue to reduce the effective tax rate, which was just three percent.

Continued attention to asset management enabled interest paid to fall 25 percent to R3,8 million.

RMBH, NBS in share swap deal

B/Day 14/9/93

SHARON WOOD

RAND Merchant Bank Holdings (RMBH) and NBS Holdings have acquired 20% stakes in each other in a R510m share swap deal

The deal, giving them strategic but not controlling interests in each other, has its roots in the Barlow Rand and Sage Group unbundling They hold 18% of NBS and 20% of RMBH respectively. (232)

Sage sold its RMBH investment because it wanted to use the proceeds to buy back its 49% stake in Sage Life from Absa, it said In a separate announcement, Sage said it would raise about R200m by disposing of its RMBH interest and its 40% shareholding in Imperial Car Rental.

Other aspects of the deal are that Norwich Life, which has a strategic cross-shareholding with NBS, will take up 2,8% of RMBH, and the Eskom Pension Fund will obtain 11% of NBS.

RMBH MD Paul Harris said the two main parties, NBS Holdings and RMBH, had undertaken not to increase their respective holdings beyond 20%.

The main objectives were to take advantage of the synergy between the two groups and secure their independence.

Harris said RMBH and NBS had worked together in the past, not only acquiring joint control of Aegis, but in banking as well. "The simultaneous desire by Sage and Barlows to sell was a great opportunity to consolidate relationships," he said

NBS MD John Gafney said the transaction fulfilled many of NBS's long-term objectives. These included securing continued independence, expanding the group's range of financial services and diversifying its source of earnings.

RMBH was strong in merchant and wholesale banking, while NBS was well-placed in retail banking and insurance. "The parties will be able to refer considerable volumes of business to each other."

Sage sold its 11-million RMBH shares to NBS for R15,15 a share and Barlows sold its 18% stake in NBS to Eskom and RMBH for R16,75 a share. RMBH and NBS had placed their shares with institutions.

NBS shares closed at R16,00 yesterday and RMBH shares ended at R16,25, 25c down on the previous day's close.

Had the transaction been in place in RMBH's year to end-December 1992 and NBS's year to March, RMBH's earnings a share would have increased 14,1% to 83,9c and NBS's would have decreased 6,1% to 129,2c. It would have increased the net asset value of RMBH 12,7% to 478c a share and decreased NBS's 10,4c to 771c a share.

Gafney said the deal was not expected to significantly affect NBS's 1994 earnings.

Two directors from each company would join the other's board.

Liquidation bid halted for talks

LINDA ENSOR

CAPE TOWN — Negotiations under way between Lenco Holdings and DCM-listed Romens Holdings led to a postponement yesterday of an application for the provisional liquidation of subsidiary Romens Menswear

Lenco has a 26% stake in Romens Holdings and it is believed that the negotiations involve an increase of its stake The hearing was postponed in the Cape Supreme Court until today for possible settlement of the dispute by the parties BiDay

Lenco Holdings subsidiary House of Monatic Manufacturing (HOMM) brought the provisional winding-up application against Romens Menswear on the basis of a R1,9m debt for goods sold and delivered. 15/9/93

But Romens Menswear opposed the application, accusing HOMM of trying to effect a hostile takeover of the company (232)

Romens Menswear MD David Marks said in an affidavit that Lenco directors had expressed an interest in acquiring the Romens group and had exerted "considerable pressure"

Company liquidations remain at high level

Star 16/9/93

BUSINESS STAFF

There are some divergent but positive trends visible in the latest insolvency figures, says Luke Doig, senior economist of Credit Guarantee

Firstly, however, for the second time this year there has been a major revision in the 1992 insolvency figures, they have been adjusted upwards by 4 percent to 5 245 (from 5 048 previously). The 1993 first-quarter figures have also been revised higher (from 1 195 to 1 313).

Insolvencies in the three months to June 1993 totalled 1 042, 16,8 percent lower than in the same period of 1992 and 20,6 percent lower than in the first quarter of this year

For the year to date, the accumulated failures of 2 355 are 4,1 percent down on the corresponding period last year

Company liquidations, however, are persisting at relatively high levels Although July 1993's figure of 187 is down on June's 266 (vs 174 in July 1992), the latest three-month period is 6,2 percent up on the previous quarter and 355,6 percent above levels recorded in the same 3 months of 1992.

For the year to date, failures are 12,2 percent up and at current closure rates of 222 per month, some 2 700 companies will fail to open their doors next year.

Luke Doig . . . positive trends visible.

(232)

GENBEL

Adjusting portfolio and strategies

Fm 17/9/93 (232)

Activities: *Holds portfolio of investments and controls significant mineral rights*
Control: *Sanlam through Sankorp 26%*
Chairman: *T L de Beer; MD A D Botha*
Capital structure: *432,2m ords Market capitalisation R2,5bn*
Share market: *Price 580c Yields 6,5% on dividend, 6,2% on earnings, p e ratio, 16,2, cover, 1 12-month high, 685c, low, 440c Trading volume last quarter, 9,2m shares*

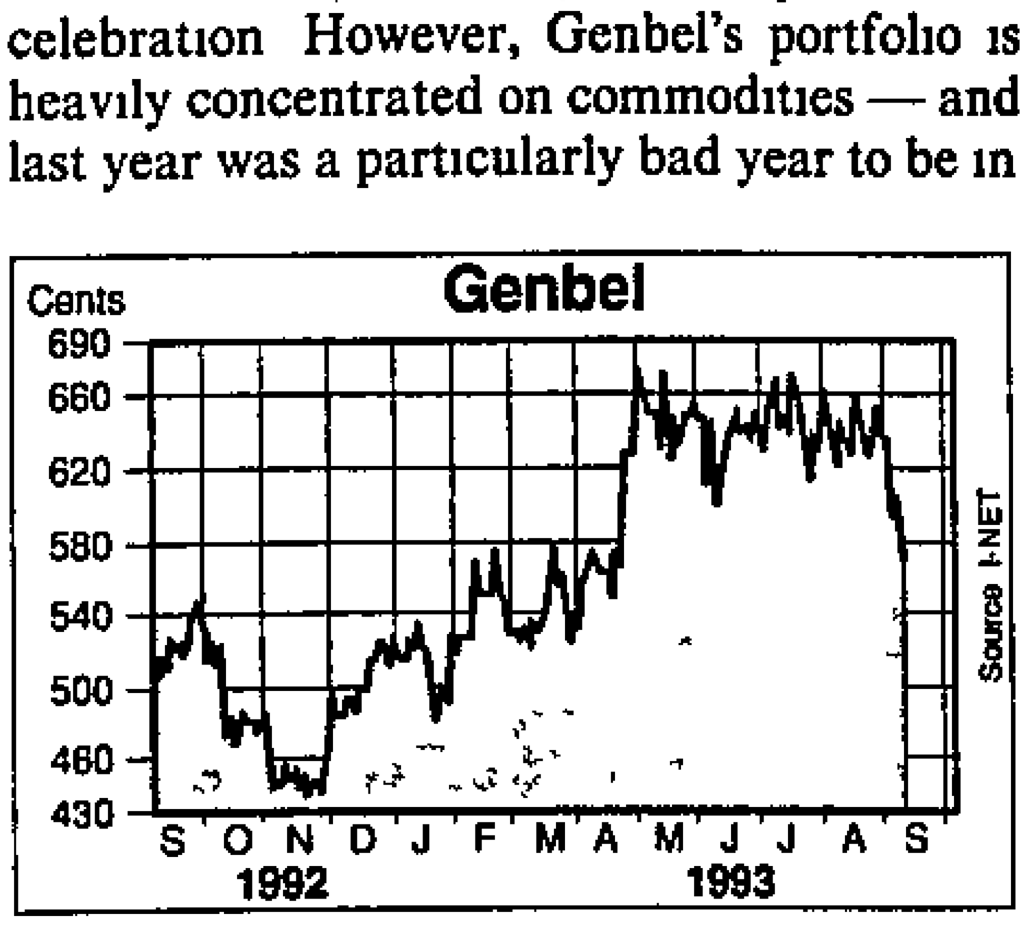
Year to June 30	'90	'91	'92	'93
Investments				
— Valuation (Rbn)	3,64	3,03	2,90	3,45
— Income (Rm)	110	106	107	108
Other income (Rm)	18	40	58	48
Net income (Rm)	157	415	291	597
Dist earnings (Rm)	120	138	148	155
Dist earnings (c)	28,8	32	34,2	35,8
Dividends (c)	27,5	32	34	36
Net worth (c)	785	740	701	797

This investment trust company has been in the thick of the unbundling mania which has taken hold of organisations involved with Gencor Indeed, much of the musical chairs has been conducted with Genbel as a prime facilitator

All this activity has left the company's managers somewhat jaded and the investment portfolio significantly different from a year ago Biggest moves have come in the sale of Genbel Offshore Investments (GOI), reductions in holdings of Impala, Trans-Natal and Winkelhaak and the removal of Samancor from the listed investments

GOI is especially interesting since its primary holding is 12,83m A pref shares and 3,5m ords in Donny Gordon's TransAtlantic Gencor bought GOI as part of a complex share swap and the transaction probably lends some muscle to Gencor chairman Brian Gilbertson's overseas war chest — which he will need if he's to turn Gencor into an international mining house

All the excitement aside, Genbel's annual results are disappointing Distributable earnings rose 4,7% to R155m; the dividend was increased to R156m by drawing from earnings on investment transactions The dividend was 36c (1992 34c) — hardly cause for celebration However, Genbel's portfolio is heavily concentrated on commodities — and last year was a particularly bad year to be in



Genbel chairman Tom de Beer
Gencor links won't be discarded

this sector.

Earnings from the portfolio restructuring totalled R442m net of tax and Genbel is sitting on R165m cash — it is, therefore, highly liquid with a strong balance sheet If I have any reservation, it is that Genbel has unsecured loans of R201m as an asset; it gives no details of these other than to note that during the year it advanced R45m as a shareholder loan to Oryx

This is interest free, no time period is disclosed, nor is any disclosure given as to the underlying reasons MD Anton Botha says the loans comprise R101m to Oryx, detailed by the major shareholders in the mine when commitments were first entered into and R100m to trading subsidiary Unisen However, as these loans are specifically noted as being unsecured, I believe directors are under an obligation to provide fuller information

Genbel's business is that of an investment trust, with the bulk of its assets in a portfolio dominated by its interest in commodities It is also an active trader in financial markets and an underwriter of some prominence Botha says Genbel was a key player in Gencor's fundraising activities in recent years Between 1989 and last year, Gencor group raised about R10bn of the total R30bn raised through the JSE (of which R4,5bn was for Gencor, R1,1bn for Engen and R2bn for Sappi) In addition, Genbel filtered significant quantities of new Engen, Malbak and Sappi stock into the market

Botha believes Genbel has clearly demonstrated its ability to raise capital "It is one of our major competencies," he says and it's an area Genbel intends to concentrate on in the future Considering its major shareholders are Sankorp (26%), Rembrandt (7%) and Mutual (probably greater than 10%), it's hardly surprising Botha should believe he has an edge

The "new look" Genbel will pay particular attention to its trading operations It conducts these through wholly owned Unisen, which Botha concedes is "very active" and which achieved an after-tax profit last year of R38m At year-end the aggregate value of Unisen's retained and unrealised profit exceeded R118m — equivalent to 27c a Genbel share

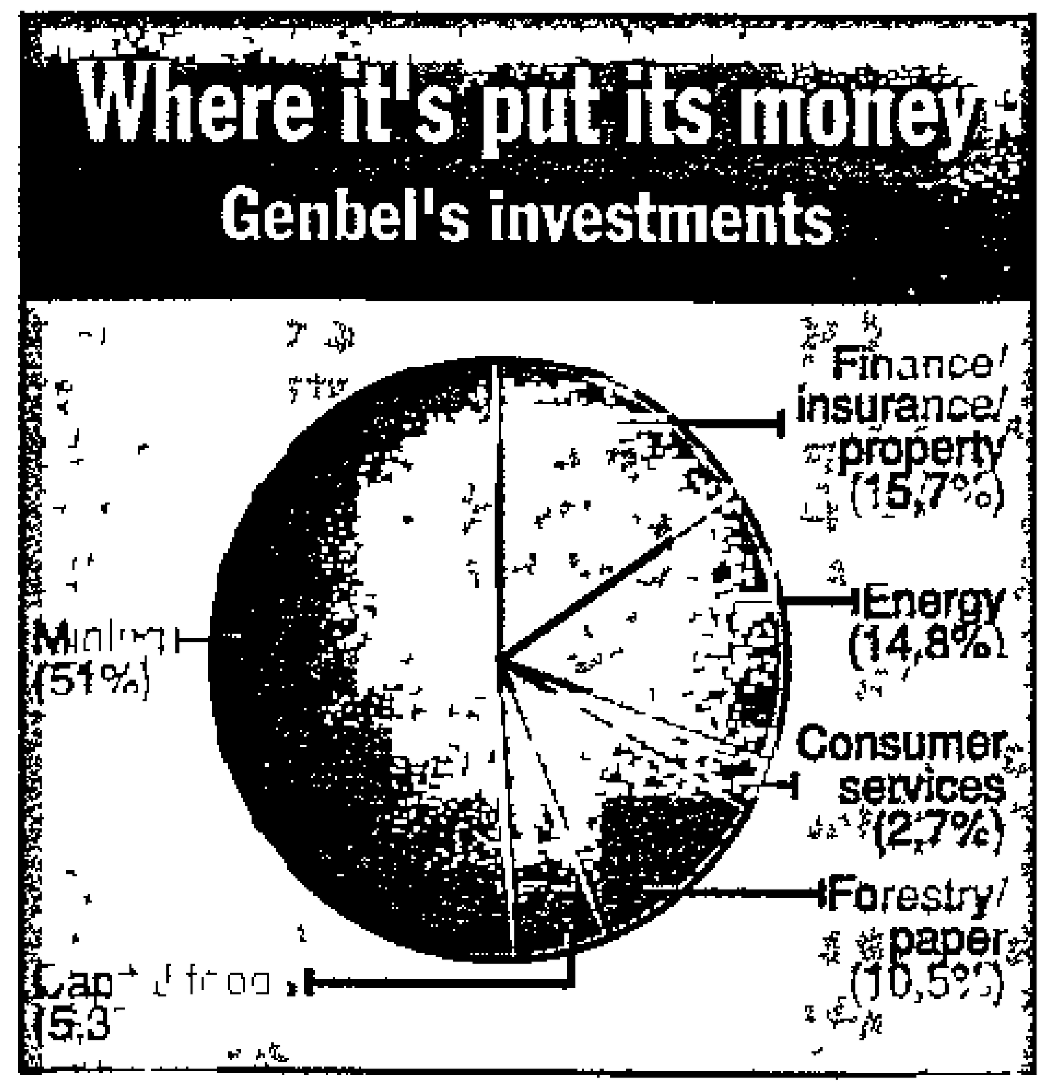
Botha won't reveal the extent of Unisen's trading "We use Unisen very deliberately in the market in a way which ensures other players aren't able to second guess our long-term strategies"

Strong links with Gencor won't be discarded, Botha says there are proven synergies which he's anxious to retain Interviewed when he announced Gencor's unbundling plans, Gilbertson also made it plain he wanted continued access to Genbel's market expertise

So it seems Genbel will emerge from this recent re-structuring as a group which will concentrate on re-shaping its investment portfolio, provide key financial assistance and ability in underwriting operations and be a significant trader.

"I'm not seeking to earn a large slice of Genbel's future income from traditional corporate finance work," says Botha What Genbel will be able to do with proficiency is to invest in projects which, for whatever reason, may be temporarily off-limits to traditional portfolio managers The clearest example is Alusaf, the R7bn greenfields aluminium smelter project which is presently unlisted and in which Genbel has a large slice At some stage, of course, the company will be brought to the board and that's when Genbel will capitalise handsomely

On balance, prospects for Genbel look



P.T.O. →

FM 17/9/93

positive, some would say exciting However, there's a need to address the heavy commodity imbalance which is clear from the portfolio breakdown and to provide a better return to shareholders Finally, management will be tested strongly over the next year about its ability to do well out of the shadow of big daddy

(232)

David Gleason

Concor lifts earnings 25 percent

Star 17/9/93

BY STEPHEN CRANSTON

Concor has reported a 25 percent increase in earnings per share to 112,3c for the year to June. The dividend is an unchanged 30c.

It has disclosed actual turnover, down three percent to R488,2 million, for the first time

Chairman Brian Murphy says the results were satisfactory, given prevailing circumstances

He says the group looked hard at what it did, worked more smartly and improved productivity

Despite the dearth of road-building projects, Concor's work included the widening of the Ben Schoeman highway, a major road contract in Botswana and a refocus on strip mining. (232)

Investments

Operating income increased by 16 percent to R13,14 million, but income from investments fell from R6,89 million to R5,29 million because of lower interest rates and a reduction in the cash balance by R10 million to R35 million

Murphy says the main disappointment was the failure of Time Holdings, in which Concor had taken a stake

Concor made a provision of R7,9 million against the investment as an extraordinary item, and expects to recover the balance through realising various securities it holds

Provided political and economic conditions remain reasonably stable, the group is looking forward to an improvement in results

Anglovaal enjoys 6% earnings rise

Star 17/9/93

■ BY STEPHEN CRANSTON

A robust performance by Anglovaal's industrial interests more than offset a weaker contribution from mining, enabling it to increase attributable earnings by six percent to R293,1 million in the year to June.

A final dividend of 72c has been declared on both the ordinary and N shares, making a five-percent increase in the total for the year to 105c

The contribution from Anglovaal Industries (AVI) was 26 percent higher than that of the previous year, and now comprises 69 percent of total earnings (58 percent previously).

Anglovaal increased its investment in AVI in the previous financial year Better results from National Brands, Consol and Grinaker pushed AVI's earnings up 19 percent.

It also enjoyed a full year's equity-accounted earnings from its 25 percent of Anglo-Alpha.

The picture on the mining front is less rosy Earnings from this source fell by 20 percent, despite marginally higher dividends received from gold mining investments and a R4,1 million dividend from Prieska Copper, which ceased operations in 1991 (232)

The major contributor to mining income, Associated Manganese Mines, saw its contribution decline by 35 percent for its accounting period of 18 months, compared with the previous financial year

Middle Witwatersrand's contribution rose by 16 percent after marginally higher gold mining dividend income, a R3,8 million Prieska dividend and a R9 million profit on sales from its gold mining portfolio

Subsidiary Saturn Mining, Prospecting and Development received a R9 million royalty from the Venetia diamond mine and since the end of the financial year has received a further semi-annual royalty of R29,9 million.

Net interest was substantially lower as a result of reduced central cash holdings and the softening of interest rates

Developments at Crusader Life had an adverse effect on earnings and provision has been made for potential losses arising from assurance investments

Anglovaal's operating profit declined, which is indicative of the continuing pressure on margins experienced by most operations in the group

The recent higher rand gold price has, however, for the first time in five years, provided gold mines with a greater degree of flexibility in planning the optimum exploitation of ore reserves at reduced pay limits AVI has planned for continued growth in earnings in the current year

Anglovaal says although there are indications that the worst of the recession is over, these are perhaps not sufficient to outweigh the challenges presented by the negative factors — the uncertain political climate, violence, the deterioration in the balance of payments and the slow economic recovery of SA's major trading partners

But the group has accepted these as challenges and has planned for a small increase in earnings for the year to June 1994

The Anglovaal share price has slumped from R100 to R82, but at this level still offers a thin 1,3 percent dividend yield, compared with 3 percent in the mining house sector.

Investors get the same yield from AVI, which includes much the most attractive part of the business

But mining profits look certain to improve, thanks to strong revenue from Venetia, the likely recovery in manganese prices and the improved productivity and returns of gold mines, notably Loraine

The low dividend payouts remain a drawback, but this has allowed borrowings to remain low and makes capital gains more likely

SA active in mergers and acquisitions market

Weekend Argus Correspondent (232)

ARG 18/9/93

SOUTH Africa was one of the most active countries in the world in the mergers and acquisitions market last year — but few of the deals were internationally linked.

Contrasting sharply with a 12 percent decline globally, South Africa's mergers and acquisitions market grew by seven percent last year. Records for the first half of 1993 show that there has been a decline of activity with 73 transactions valued at R4,6-billion having taken place.

Locally 193 transactions valued at R13,4-billion were published last year.

"To put this in context, this is equivalent to 5,5 percent of the number of deals announced worldwide last year, or less than two percent by value," Graham Royston, managing director, Ernst Young Corporate Advisory Services, said in an informative address to a Johannesburg conference this week.

"There were, however, no offshore deals recorded and of the R4,6-billion, about 22 percent was a result of intergroup reorganisations."

Reflecting the poor level of foreign investment over the past few years, Mr Royston noted that since 1989 there had been a total of 51 inward investments.

These investments were concentrated in motor (27,5 perdcent), beverages (19,7), electronics (15,7), chemicals and oils (11,8) and engineering sectors (11,8). Other sectors comprised construction, pharmaceutical, paper and packaging and steel and allied industries.

"In Europe, the '90s are seeing a move back towards the basics, with the days of hostile megatakeover bids and radical innovations in financing techniques long past. The emphasis is now on commercial logic rather than pure financial logic, with promotors' greed having been tempered by the investing community's reluctance to lend at all costs," said Mr Royston.

RMBH lives up to expectations

Star 2/9/93

BY JOHN SPIRA

GT Ferreira ... Momentum has great potential.

Listed last November, RMB Holdings (RMBH) has fulfilled expectations, with net income for the year to June a salutary 11 percent ahead of forecast.

Attributable net income grew by 20 percent to R44,4 million, versus the forecast of R40 million. Per share earnings rose by a like percentage to 80,6c, while the payout is up from 26c to 32c.

Features include:

- A 15 percent improvement in 68 percent-owned Momentum Life's earnings.
- A 24 percent increase in the profit of Rand Merchant Bank (RMB), wholly owned by Momentum.

Had Momentum (a controlling interest in which was acquired in July 1992) been included in RMBH's 1992 figures, 1993 earnings would have risen by 31 percent

Total assets exceed R16 billion, of which 51 percent comprises insurance, 21 percent relates to banking, 21 percent to off-balance-sheet assets managed on behalf of clients and the balance to portfolio management.

(232)

The income side of the picture is vastly different, with only 41 percent coming from Momentum and 41 percent from banking.

Deputy chairman GT Ferreira views Momentum's under-performance as a huge opportunity.

"Momentum has great potential. Taking the mean return on assets of the JSE's life assurers, Momentum's contribution to group earnings could more than double in the next two to three years."

Had the 20 percent cross-shareholding deal with NBS covered a full 12 months, RMBH's earnings would have been 10,9 percent higher.

The market has gone some way to discounting Momentum's recovery potential and the benefit of the NBS deal in the RMBH share price.

The 2 percent yield is well below the insurance sector's 3 percent average, while the 19,5 P/E ratio is three points higher than the average.

Analysts forecast 10% improvement in earnings at AVI

Star 21 1 93

■ BY STEPHEN CRANSTON

Analysts expect Anglovaal Industries (AVI) to achieve a 10 percent improvement in earnings per share for the year to June.

This would represent its eighth consecutive year of earnings growth.

AVI has been able to grow because of the consistency of its consumer-based interests, notably Consol and National Brands, and usually Irvin & Johnson.

But this year a more important factor is likely to be the recovery of Grinaker, which lost R1,2 million last year and is expected to at least equal the 1991 profit of R38 million.

Grinaker Construction has been substantially rationalised and the cost of the retrenchment of 2 000 people already provided for

Upturn

(232)

The 25 percent stake in Anglo-Alpha, which was secured by shares rather than cash, has already provided AVI with a tenth of its earnings and, along with Grinaker, gives it a stake in any upturn in building activity.

Grintek has already reported a 28 percent increase in earnings thanks to a good performance from systems engineering and the Siltek computer subsidiary.

AVI will be a prime beneficiary of the changes in the company tax rate. It has a dividend cover of 5,5, giving it minimal exposure to the secondary tax on companies.

There was some disappointment that AVI's major contributor Consol increased earnings by just 12 percent and great disappointment that Irvin & Johnson reported a 24 percent drop.

But National Brands looks set to maintain its recent track record

While I & J promises to be the major negative for AVI, there will also be significantly reduced interest income, which amounted to R116,8 million last year.

Cash reserves fell by R327,6 million to R141,9 million in the first half

While there have been no significant purchases since then, a further R215,5 million in capital expenditure has been authorised, though not all yet spent.

Textile businesses, although of high quality, are likely to be affected by the downturn in the industry, notably Mooi River Textiles.

AVI's P/E of 15,8 is ahead of Malbak, Barlows and Amic In some ways it deserves comparison with SABS, which has a 20,6 P/E.

AVI might not have a subsidiary with the consistent track record of the beer division, but it does not have disappointing underperformers such as the OK and Amrel

On that basis, AVI has the potential to increase from R149 to at least R160.

Barlows details sale of Persetech

BiDay 22/9/93

MATTHEW CURTIN

REUNERT, the integrated electronics and electrical engineering group, will buy computer products supplier Persetech and other consumer electronics interests from Barlow Rand for R460m through the issue of 11,6-million new shares

The announcement is the first of a series which will detail the mechanics of the Barlows unbundling unveiled last month

The transaction takes effect from October 1 and will see Reunert acquire Persetech Holdings, whose sole asset is its 58% stake in Persetech, and Barlows' Panasonic, Nashua and Airomatic businesses, including the conglomerate's stake in a related finance company. These operations have a net asset value of R161m. The new shares will be listed on November 15

The deal will bolster Barlows' cash reserves because the group plans to place a significant portion of the new shares on the open market. The group has already raised R607m from the sale of stakes in Reunert, C G Smith and Rand Mines to controlling shareholder Old Mutual, in addition to more than R200m from the disposal of its stake in banking group NBS to Rand Merchant Bank Holdings

A spokesman said Barlows would retain some Reunert shares to boost its share option scheme, participants in which faced

☐ To Page 2 (232)

Barlow Rand

BiDay 22/9/93

☐ From Page 1

the prospect of seeing the value of Barlows shares fall below the level at which they could exercise the options.

Reunert chairman Clive Parker has said Persetech and the other businesses would give the group, with yearly sales of more than R1,1bn, important new exposure to commercial and business markets. Persetech, the SA distributor of Hitachi computer products, would become the group's sixth division

The Barlows spokesman added that had the transaction been in place in October 1991, Reunert's earnings in 1992 would have been nearly a fifth higher, at 347,3c, compared with 292,8c a share The group's net asset value would have climbed to 1 085c from 810c a share

However, the acquisitions would have little impact on Reunert's future earnings Persetech would not have "a material impact" on earnings, while good results at Nashua, Panasonic and Airomatic in 1992 were unlikely to continue in the short-term because the strength of the Japanese yen had eaten into local profit margins

Reunert would also sell the electronic appliance finance company book to banks to reduce its risk exposure, a transaction which would come at a cost to the group.

The spokesman said the transaction would have to be ratified by shareholders and the ISM Trust, the staff-owned company which was swapping its 50% stake in Persetech Holdings for Barlows' 50% stake in Information Services Group Holdings

Work halts over mine killings

B/Day

ERICA JANKOWITZ

PRODUCTION at Randgold's Durban Deep mine was halted yesterday as miners refused to work after Tuesday night's fighting which left seven workers dead. 23/9/93

Randgold human resources director Richard de Villiers said he hoped production would return to normal last night after agreement yesterday on measures to defuse the situation Any lost production has serious implications for already narrow profit margins at the marginal mine

De Villiers said it appeared Zulu workers had attacked others at a beer hall Workers had identified 34 alleged attackers and police were considering murder charges.

NUM media officer Jerry Majatladi said eight workers had been killed and mine security and the police had failed to intervene.

De Villiers said agreement had been reached for the joint control of mine security personnel, until the situation was normalised, by mine management and ANC and Inkatha supporting factions on the mine. 233

The national peace secretariat, which chairs a crisis committee at the mine, would appoint peace monitors who would reside in the hostels.

The committee, of mine management and ANC and Inkatha supporting factions, would "investigate the causes of the fighting and future mechanisms for resolving political differences and ethnic intolerance".

De Villiers disagreed with a NUM statement that the incident was a continuation of tensions which led to fighting in December last year when 15 miners died He said the first incident was industrial relations-related but this week's had definite political overtones.

☐ A report in yesterday's newspaper incorrectly stated that Durban Deep was owned by JCI. Business Day regrets the error

Waste Tech bid to overturn ban

SUSAN RUSSELL

WASTE TECH applied for an order in the Rand Supreme Court yesterday overturning a Germiston City Council decison to refuse consent for further toxic waste disposal at the Margolis site in Rietfontein, Germiston.

The council refused consent for further toxic and hazardous waste disposal at the site after March 31 this year.

Its decision followed a history of complaints from residents in the area about air pollution.

Waste Tech is applying for an order overturning the council's decision and directing it to allow the company to use the site until the new Chloorkop toxic waste dump is commissioned and operational next year.

Alternatively, Waste Tech wants the court to refer the matter back to the Germiston City Council for reconsideration after giving the company a full hearing to state its case.

The city council is opposing the application. It has also brought a counter-application interdicting Waste Tech from using the Margolis Class 1 disposal site.

Waste Tech counsel Clive Cohen SC told Judge D Beasley that the Margolis site was one of two in the Transvaal available for the dumping of toxic and hazardous waste.

He said it was also the only site available for the disposal of medical waste such as injections, amputated limbs and organs

Cohen argued that the council had given consent for the site in 1981 and extended this consent until last year

Waste Tech, he said, had had a legitimate expectation that an extension would be granted until the Chloorkop site was commissioned and operational or until the Germiston site had reached the end of its useful life

Cohen also argued that the failure to give Waste Tech an opportunity to put its case and address possible complaints, was a breach of the principles of natural justice

He submitted that the council knew Waste Tech's many customers, including Baragwanath Hospital, depended on the facilities at the site.

The council, he said, also knew that failure to extend consent constituted a drastic interference in Waste Tech's contractual obligations to its customers.

Argument continues today.

Romens Holdings subsidiary liquidated

B/Day 23/9/93

MARCIA KLEIN

ROMENS Menswear, a subsidiary of DCM-listed Romens Holdings, was liquidated in the Cape Town Supreme Court yesterday.

Romens' attorney Adam Harris said the liquidated company was one of Romens' two operating subsidiaries There was speculation that liquidation of the other operating subsidiary, De Wet Brothers (which trades 10 of the 12 retail outlets), would follow soon.

Harris said the application for liquidation was brought by Lenco Holdings subsidiary House of Monatic Manufacturing (HOMM). 232

HOMM said earlier this month that Romens Menswear owed it R1,9m.

Resistance to fuel price hike grows

Weekly Mail Reporters

WM 17-23/9/93

TAXI operators, caught between maintaining their own profit margins and keeping their cash-strapped commuters happy, pitched Cape Town into a day of chaos and threatened to bring the Border region to its knees.

They see no reason why petrol should cost more now when it costs less to land. Or why they should pay an extra 7c a litre and face losing passengers to cheaper buses when buses are subsidised by the government.

The Congress of South African Trade Unions sees no reason why the government should not suspend the price hike and negotiate on how the fuel price is regulated.

The price rise has been imposed for reasons which were neither clear nor convincing. The rand price of oil had declined even faster than the rand/dollar exchange rate. Cosatu also criticised government secrecy over its oil reserves and contingency fund, and said consumers were still subsidising "government patronage" for synthetic fuel projects such as Mossgas and Sasol.

Calling for urgent meetings with Energy and Mineral Affairs Minister George Bartlett and the National Economic Forum, Cosatu warned of a "social backlash" similar to that of the anti-VAT stayaway if the price rise was not suspended.

Little support for deregulation

(232) WM 17-23/9/93

Mondli Makhanya

WHILE everyone huffs and puffs about the petrol price increase, few are prepared to support deregulation of the fuel industry, as proposed by Pick 'n Pay boss Raymond Ackerman and ardent free marketeers.

The fuel industry in South Africa is heavily regulated, from the importation of crude oil through to the pump. Ackerman and others claim regulation keeps costs high, and demand a gradual relaxation of controls

Ackerman says Pick 'n Pay's petrol outlets can sell petrol at a significant discount: in an experiment under way in Durban, consumers get a 7c-a-litre discount coupon — half the retail margin of 15,6c a litre — for every R10 worth of petrol bought. If successful, this could be taken to other major centres.

Ackerman scoffs at suggestions that this will be harmful to small garage owners. "I don't buy those arguments If you can deregulate supermarket retail, why not petrol stations? In the retail sector, Spar has done excellently in challenging the big chains. I don't see why small petrol station owners can't club together and form chains of the same kind."

Mineral and Energy Affairs Minister George Bartlett is unmoved by such arguments this week he said he would not tolerate discounts and that deregulation was not even up for discussion at this point.

Bartlett has some support from both the private sector and the unions, who agree small garage owners should be protected and deregulation would jeopardise jobs

Said one energy analyst: "In the event of a price war between the large companies, small service station owners would lose great volumes and most would be put out of business. Bigger firms would also be driven to mechanising and this would put a lot of pump attendants out of work. In this climate of high unemployment it's the last thing we need."

Rand Afrikaans University Energy Studies Institute's David Kotze argues for some relaxation of the industry, but "we must not tinker with the good things in the system.

"While regulation is not necessarily in line with the trend of freeing things up to market forces, it has brought about efficiency, order and stability South Africa has reasonable fuel prices by international standards," Kotze argues

Whether prices would drop as a result of deregulation remains unclear Free marketeers hold that prices will move according to market forces Movement, whether up or down, will at least send the right signals to consumers. Sceptics, however, point to the world-wide trend towards fuel industry cartels

Government is adamant removing retail price maintenance would confuse consumers. Regulation is also the cornerstone of the agreement with the oil companies protecting the synthetic fuel industry

At least until the economy picks up, there appears to be an argument for limited regulation

But, as one observer puts it, the case for maintaining certain controls is severely undermined by "the unfortunate fact that Bartlett does a deplorable job of explaining".

TEMPORA Fm 24/9/93

Beverage focus (232)

Activities: *Investment holding company Major investments include Dalys, Cadswep*
Control: *Suncrush 44,4%*
Chairman & MD: *R D Hamilton*
Capital structure: *40,96m ords Market capitalisation R716,8m*
Share market: *Price 1 750c Yields 2,3% on dividend, 2,9% on earnings, p e ratio, 34,6, cover, 1,3 12-month high, 2 400c, low, 1 700c Trading volume last quarter, 106 000 shares*

Year to June 30	'90	'91	'92	'93
Investment inc (Rm)	4,3	3,8	8,3	19,8
Net income (Rm)	3,5	3,4	7,3	15,1
Earnings (c)	32,1	31,2	36,4	50,6
Dividends (c)	32	32	32	41
Tangible NAV (c)	1 056	1 861	1 878	2 262

The shape and nature of investment trust Tempora, Suncrush's investment arm, has changed markedly over the past six months In March it held a R246m rights offer, the third in three years, to enable it to take advantage of future investment opportunities Issued shares increased to 40,96m from 27,3m

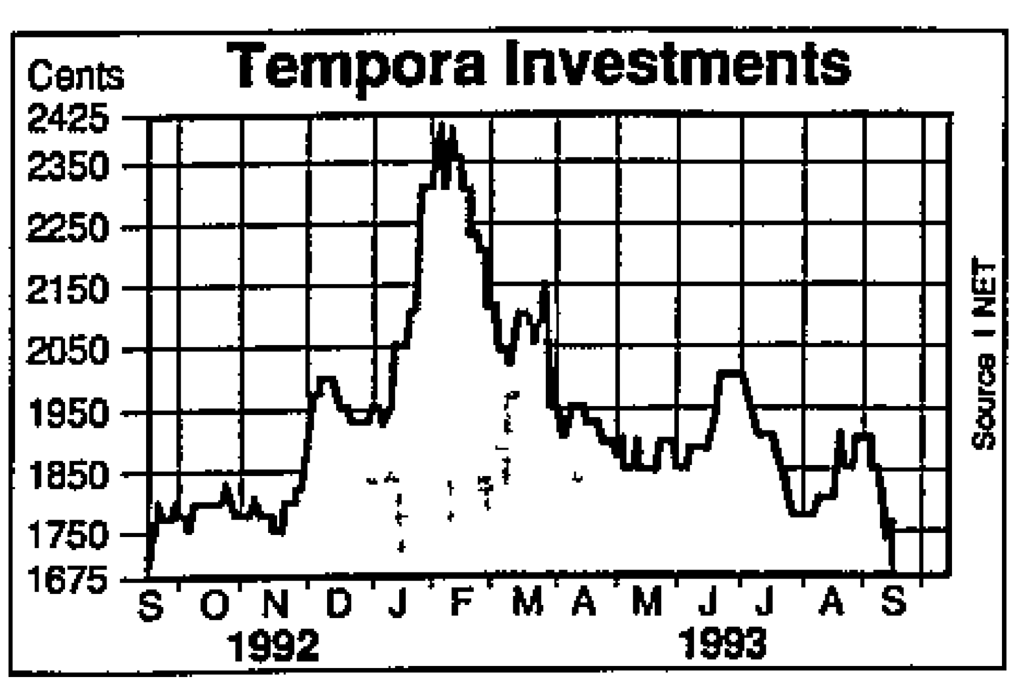
Proceeds from these issues have been used to increase exposure in beverage stock, particularly Amalgamated Beverage Industries (ABI) and SA Breweries (SAB) Beverage and confectionery-related investments at year-end accounted for over 90% of Tempora's NAV of R22,62 Of this, Cadswep represents 60% of the total, Dalys 22%, SAB 4% and ABI 3% With the high ratings accorded beverage counters, management was prepared to live with the portfolio's bias The balance of Tempora's investments — in Saficon, Saker's Finance, Seardel and Searcon — performed poorly over the past year

Since year-end, Tempora disposed of its nonrelated beverage stakes to DAB for R13,5m, a R6,5m loss for Tempora. The group's new investment trust Etington has since been listed

In the year to end-June, Tempora's EPS rose to 50,6c (1992 36,4c) Pre-tax profit jumped no less than 140% to R19,7m — the result of increased interest earned from funds acquired in the rights issue.

Though the effective tax rate was higher at 23% (11%), attributable earnings increased to R15,1m (R7,3m). But this was not enough to fund the loss incurred on the transaction with DAB after the increased dividend payment of R11,2m (up 60%); R3,7m was transfered from non-distributable reserves

The share trades at R17,50, just off its annual low Trading at a 23% discount to NAV, the counter looks inexpensive. With the nonperforming interests now sold, investors could use this opportunity to increase exposure *Marylou Greig*



ComFund announces details of unbundling

BDay 24/9/93

JOHN DLUDLU

CAPE-Town based investment company Common Fund Investment Society (ComFund) yesterday unveiled the terms of its unbundling plan, designed to unlock the value of the company's investments for the benefit of shareholders

The company said the unbundling would lead to the termination of its listing on the JSE on November 5 and to its winding up.

ComFund currently owns share investments in 47 listed companies. In terms of market value, 15 of the 47 investments account for about 80% of the portfolio

The purpose of unbundling the company was to unleash the full value of the shares in a situation where historically ordinary shares have traded at a significant discount to the market value of the underlying investments

The distribution of shares, in accordance with the unbundling, would give greater flexibility to shareholders as they would own more tradeable shares, ComFund said. It would also enable shareholders to receive the full dividends generated by the distributed shares, whereas currently about one-fifth of net dividend income was retained in the company.

To facilitate the distribution, SA Mutual Life Assurance had agreed to top up the 15 leading counters in the ComFund portfolio In return, SA Mutual would receive the 32 counters which made up the remaining fifth of the portfolio.

(232)

This share exchange would permit a whole number of securities in each of the 15 investments to be distributed for every 100 ordinary shares held in ComFund.

The exchange would be based on the ruling prices on the JSE as at the close of business on August 18 this year.

The company would receive a sum of R9,8m in cash, with accrued interest.

The portfolio of listed shares to be distributed is Barlow Rand, Standard Bank Investment Corp, Safmarine and Rennies, CG Smith Foods, Samancor, Richemont, SA Breweries, Wooltru, Rembrandt Group, De Beers, Anglo American, Nedcor, First National Bank Holdings, Anglo American Coal Corp and Driefontein Consolidated.

Small shareholders would be given an option of receiving cash instead of their entitlement to shares.

Implementation of the proposals would be subject to shareholder approval.

COMPANIES

Liquidation hampers Dextral

MARCIA KLEIN

DEPRESSED trading conditions and the liquidation of its holding company saw Dextral Industries (formerly Supreme Manufacturing Holdings) report a loss of R1,7m (R2,1m loss) in the six months to end-June. B/Day

Directors of the furniture and steel products manufacturer noted that comparative figures for the previous year had been restated to take into account the fact that after the November liquidation of ultimate holding company Supreme Holdings, no interest was earned on a loan related to a Supreme group company. The loan was written off in the financial statements to end-December. 27/9/93

Turnover for the six months rose 13,6% to R38,5m from R33,9m. The operating loss was improved to just R4 000 from R492 000 previously. (232)

But finance charges remained high at R1,7m (R1,6m), bringing the pre-tax loss to R1,7m (R2,1m).

Gearing was 80%, compared with 51% in the previous year. Directors said action had been taken to reduce gearing to acceptable levels.

The loss of 1,7c a share was similar to last year's level.

Directors said the business was severely affected following the Supreme group's liquidation. Trading activity "was further hampered by stayaway action in the month of April".

Trading conditions in the first six months were extremely difficult on the back of the continued economic downturn, labour unrest and political uncertainty. Notwithstanding these factors, directors said Dextral managed to improve its result on the corresponding period in the previous year.

Directors warned that the company would "continue to be restricted in both its ability to borrow and trade freely" until the 90% of its shares held by the trustee for the debenture holders of the liquidated Supreme Holdings were distributed to debenture holders or sold to a third party.

The second half was generally better than the first, and this trend should continue in the current year, they said.

Dial-A-Movie 'under provisional liquidation'

B/Day 28/9/93

MARCIA KLEIN

VIDEO rental and CD franchiser Dial-A-Movie, recently involved in a legal dispute with Top CD franchisees and the subject of a Competition Board investigation, had been placed under provisional liquidation, sources said yesterday.

The company operated its own stores in addition to those franchised as Top CD. Worried employees of the company-owned stores said they had been told late on Thursday that they need not report for work as the company was to be placed in liquidation

The employees had heard nothing since

The franchised stores, many of which have cancelled agreements with the company, continued to trade

Chairman and MD Brian Cunningham was overseas and company directors were not available for comment yesterday But various franchisees and employees said that the provisional liquidation order had gone through.

Despite reports of a liquidation, the company's share has not been suspended from the JSE After a rapid rise from a December low of just 20c to a March high of 110c, the share has continued to drift lower At yesterday's close, there were sellers at 70c

(232)

Ron Hagger, who runs Rebel Music (previously Top CD) in Westgate, said yesterday that Top CD franchisees involved in the dispute with Dial-A-Movie had been called to a meeting at the franchiser's head office last week, and offered a proposal If it was not accepted, the company would be liquidated the following morning, they were told

Attorneys representing the franchisees told them not to co-operate.

He said he believed a bank had applied for the provisional liquidation 'All litigation which was currently in progress would be on hold pending a final liquidation order, he said.

He believed that company-owned stores closed on Thursday.

Star 29/9/93

Unbundling not warranted — JCI

JCI does not think its unbundling is warranted at present, chairman Pat Retief says in the annual report

However, JCI will continue to consider competition policy and unbundling because they are part of the policy debate in South Africa.

"We shall listen carefully to the concerns expressed by some of the critics of the country's business and financial structures," he says

He says overseas success stories of unbundling are not necessarily applicable in SA.

It should be recognised that much of the business conglomeration that has occurred in SA has been a logical response to the existing conditions

"Foreign exchange controls — in tandem with protectionism via unduly high import duties and with externally imposed sanctions — have dissuaded most businesses from thinking imaginatively and on a world scale about long-term development" (232)

These policies have impeded the international growth of SA companies and led to a concentration in investment funds

Such funds have limited opportunities in the "restrictive hot-house climate" that has existed in SA over the last few decades, he says

It must be recognised that all economic issues — exchange control, trade policy, labour practices and the like — are inter-connected

Sustained growth is required for the social upliftment of many of SA's people, he says, and warns that future economic policy cannot afford to inhibit the confidence and activity of the private sector

Turning to JCI's outlook for the current financial year, Retief says the overall outlook is too uncertain to make forecasts of an earnings trend. — Sapa.

SA-style unbundling knocked

JOHANNESBURG — The formation of pyramid companies was more appropriate than unbundling large conglomerates in SA, Anderson Wilson and Partners consultant James Picton said yesterday.

Speaking at an unbundling conference, organised by Eurmoney Company AIC conferences, Picton said unbundling did not serve black business empowerment while pyramid companies did.

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They allowed black entrepreneurs to secure control over their own listed companies without relying on large amounts of money.

"If entrepreneurs are to grow — and stay — pyramids should be encouraged. Our history, our resources, our cosmopolitan future, black business empowerment on the JSE all argue for a mushrooming of pyramids."

CT 30/9/93

He criticised what he called "SA style" unbundling — as exemplified by Gencor and Barlow Rand — as "short-term and negative in its motivation".

Picton said it had largely been motivated either by a "failure of political nerve" or a history of management failures.

NEWS New publisher has links with ANC ● State bent on reducing unemployment

Sowetan 30/9/93

Blacks in control

■ **JOINT VENTURE** Company to even imbalances in SA's publishing industry:

By Mzimkulu Malunga

A NEW BLACK-CONTROLLED publishing company was launched this week. Nolwazi Educational Publishers is a joint venture between Thebe Investment Corporation, Skotaville Publishers and the Swaziland division of British-based publishing giant Macmillan

"It has taken a lot of hard work to arrive at this point," said Thebe managing director Mr Vusi Khanyile.

Between the two of them, Thebe and Skotaville control 52,5 percent of the new company, while Macmillan holds the remaining 47,5 percent.

Thebe alone has a shareholding of 42,5 percent in Nolwazi, while Skotaville has 10 percent

The new company, to be based in Johannesburg, is expected to become fully operational by January next year

According to Macmillan director Christopher Paterson one of the main objectives of Nolwazi is to address the imbalances which exist in South Africa's publishing industry (232)

The initial funding for Nolwazi is R2 million "We want to move from being an alternative publishing house and enter the mainstream," said Skotaville MD Mothobi Mutloatse.

Thebe has links with the African National Congress.

Plan to create jobs

Sowetan 30/9/93

By Ike Motsapi

THE government has set aside R304 million for job creation programmes, according to the *South African Labour News*

The bulletin says in its latest edition that about R229 million will also be distributed through structures set up by the National Economic Forum for the same purpose.

It says:"Three days after the NEF revealed details of its R49 million job creation fund on August 2, the Government announced that an extra R255 million was being allocated to boost employment

"Of this amount, which has to be raised through the sale of strategic oil supplies, R180 million was to be administered by the NEF structures, while the remaining R75 million would be allocated to other projects.

Grant applications

"Applications for grants from the NEF Fund opened on August 2

"Although Government, labour and business representatives from the forum were unsure how big an impact the initial fund would have, all hailed it as an important step in dealing with the unemployment crisis,"the bulletin says.

Violence and recession keep Bergers in the red

B/Day 11/10/93

MARCIA KLEIN

CAPE-based clothing retail chain, Bergers Trading Holdings, feeling the full pinch of depressed trading conditions and the effect of violence and stayaways on its business, has remained in the red in the six months to end-June

The group, which operates 280 Bergers, Hilton Weiner and Jones outlets, reported a loss of 34,1c (earnings of 11,9c) a share At the December year-end, it reported a loss of 7,7c a share from earnings of 6,2c in the previous year

Since then, Bergers has consolidated its shares, raised R18m in a rights offer and continued to rationalise its business

Chairman Howard Mauerberger said trading conditions had continued to deteriorate

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Results, which compare a 26-week period with 27 weeks in the earlier year, show turnover declined 6% to R66,1m The pre-tax operating loss was R2,9m against income of R1,5m in the previous year

Taking into account taxation and an extraordinary item in the previous year, the company reported a net loss of R2,9m (income of R497 000) for the period

About 20 loss-making stores were being closed

He said the company generated most of its income in the second half, and was expecting to trade profitably in the full year

The effect of the rights offer, which closed on June 30, was not reflected in the results Funds raised were received on July 8, but if they had been in the business for the full period, the bottom line loss would have been reduced by R1,45m, Mauerberger said.

The company would trade profitably in the second half, he said

Bergers Group, which has a 94,1% stake in Bergers, reported a loss of 68,3c (earnings of 23,8c) a share for the six-month period.

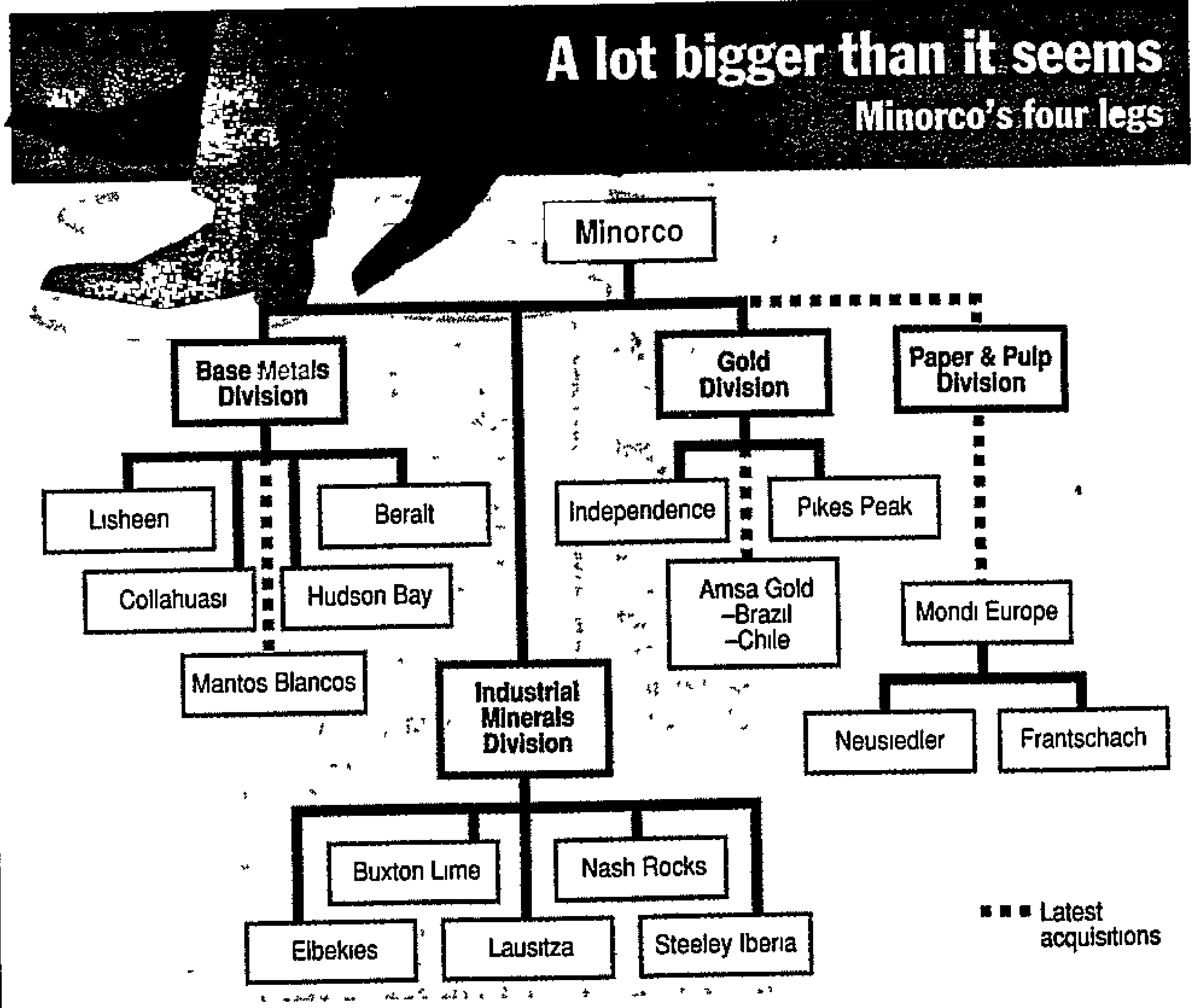
MINORCO

FM 1/10/93

Rearranging the deck chairs, again

Will Minorco be able to manage its much-enlarged asset base effectively?

232



Minorco, like parent Anglo American, is one of those ultimately family-controlled companies observers and analysts love to hate. If this is irrational, it is because success, size and power breed the illogical responses of resentment and envy.

In dramatic moves this week, Anglo, De Beers and Minorco chairman Julian Ogilvie Thompson gave critics rather more to chew on when he announced a re-organisation of the greater group's international investments. This entails the tranfer of assets into Minorco, which will be paid for by the issue of another 55m Minorco ords.

The effect will be to give Minorco a substantially increased asset base of US$5,5bn. A side effect will be that Anglo's stake will increase to 45,8% and Centenary's to 22,6%, giving the group a total 68,4% — quite enough to inspire further market criticism.

In a series of complex shuffles, Minorco will buy the operational units Anglo American of South America (Amsa), Mondi Europe, Cleveland Potash and the investment companies Eastern, South Sea Investments and Deerstalker. Its interest in these will be total (except for Mondi Europe, of which it will own 95%).

The reverse of the coin is that Minorco will sell to Anglo its interests in Africa, principally 49,9% of Zambia Consolidated Investments, through which the group holds its interest in Zambian copper mining. Asked whether this presages a firm decision to reinvest in Zambia, executive director Gavin Relly responded: "No, but we're certainly talking and we would like to do something."

The scene is set then for a major sea change in the Anglo group's strategic approach to its role as one of the great international mining houses. Foreign eggs will now be placed, outside Africa at least, in a single basket. An important consequence will be that Minorco will undertake all group exploration activities outside Africa.

Transformation from a relatively low-key — though wealthy and cash flush ($1,1bn) — natural resources company into one with a large number of operating units, will stretch Minorco's ability to manage these at current levels. Anglo is providing additional managerial capability through a service agreement and by enlarging Minorco's board to include, among others, Amsa chairman Guy Young as an executive director.

Minorco's past is almost as important as its future; no understanding of it can be complete without an appreciation of its history. It has always been associated with high drama, from its birth as the successor to Zambian Anglo American, its infancy as the inheritor of the compensation paid for the theft of its Zambian copper mines, through the electrifying events surrounding its failed US$4,5bn attempt to take over Consolidated Gold Fields (ConsGold), the unkind pre-emption of its effort to buy BP's 49% stake in Olympic Dam in Australia and dissent within the ranks of senior executives. Whatever else it may be, Minorco isn't boring.

Minorco's start in 1974 came when it acquired Engelhard Minerals & Chemicals (EMC) for $155m, capitalising on a long-established family relationship. Subsequently, Minorco sold its 30% interest in Salamon Bros, acquired out of EMC, in a deal which culminated just ahead of the October 1987 stock market crash, for $1,4bn.

In 1981, Minorco acquired its original holding in ConsGold; eight years later it sold out to Hanson after its bid failed (lapsed, I am told sharply by Minorco managers, is the correct word) for $1,6bn — and scored a profit of $800m in the process.

Mixed with these major deals have been transactions with Anglo elements in which Minorco has bought bits and pieces in North America — Inspiration Resources (including an agri-business, Terra and Canadian base metal producer Hudson Bay). By and large, these have been Minorco's least satisfactory travels down the acquisition trail.

Two important aspects have always puzzled observers. The first is Minorco's strategy: its long-term aims. By and large, it seems these either haven't been enunciated clearly or haven't been formulated with certainty.

The principal complaint is that Minorco has never been properly focused. Even now, following the restructuring, Minorco suddenly acquires another leg — this time, in pulp, paper and packaging in Europe.

"Surely," says Relly when this is queried, "you consider this a logical acquisition for a natural resources company?" It's a cogent argument, but does paper and pulp really sit easily in a company whose concentration is to dig things out of the ground?

As the group's international arm, what is its role to be? Is its primary thrust to be base metals or industrial minerals? Or both in different places, as now? What role will precious metals play? Is there any intention to become increasingly involved in industry?

After all, having just disposed of control of Charter, the company now owns 10% of major platinum refiner and autocatalyst producer Johnson Matthey. Nor can EMC exactly be described as a mining company.

These are among the issues which still appear unresolved. It's strange, because Ogilvie Thompson is noted for precision; of all directors, he will be most demanding of clear thinking in formulating aims and objectives. Maybe, of course, this is a process not yet resolved; if so, the birth has been of uncommon duration.

The second aspect is Minorco's managers. In the beginning, it was pretty well rudder-

P.T.O.

FM 1/10/93

(210) (220) (232)

less Eventually, a team of Young Turks was put together. Hank Slack, now CE; Tony Lea, previously joint-MD with Roger Phillimore, now departed Lea and Phillimore were particularly associated with the efforts to buy ConsGold, supported by Sir Michael Edwardes, who had been brought in as CE — a move which apparently enraged ConsGold boss Rudolph Agnew

All that is another story However, a theme repeatedly heard when Minorco is discussed is that it consistently lacks the right kind of management The great mining groups were launched and driven by men of entrepreneurial spirit Ernest Oppenheimer cannot be denied his mastery of opportunity; first he seized De Beers, then he grew Anglo

Of course, he was both boss and owner For corporate man in the late 20th Century that is almost impossible to emulate Yet many analysts are convinced Minorco's prime need now is for an entrepreneur at the helm, an adventurer who won't be shy to take risks or fear criticism These are men not normally associated with great corporations (though Anglo's had its fair share, most notable currently being deputy chairman Graham Boustred) A senior JSE mining analyst believes Minorco's management reflects Anglo's requirements and style — "but that doesn't mean as a team it's the best for the job that needs to be done"

Until this week, operations were concentrated primarily in three sectors industrial minerals, mostly in Europe, base metals, almost entirely in the American hemisphere, and gold, all of it in the US

Relly calls the investment in industrial minerals, particularly in Germany in the past year, "nothing short of brilliant anticipation" One JSE analyst says this operating division is Minorco's best asset In many cases, margins from quarry production of aggregates used in road building, motorway surfacing and ballasting exceed 30% UK quarry purchases were cleverly executed, generally targeting specific niche markets

In one case, Buxton Lime, the company is developing the use of pulverised limestone in electricity generating stations to pick up increasing quantities of sulphur If successful, this could mean sales of nearly 1 Mt lime a year "at prices, since this is environmentally friendly, they can pretty well dictate"

In base metals, the best runners are Collahuasi, the Chilean copper project with estimated reserves of 1,1bn t, and the Lisheen lead and zinc project in Ireland This is a business area now enlarged by Amsa, which brings to the party ferronickel and ferroniobium production in Brazil, Chilean-listed copper producer Mantos Blancos and a nickel deposit in Venezuela

Farmers in Kenya's white highlands were thought mad for living permanently above 6 000 ft At 14 500 ft, Collahuasi will present interesting altitude problems, intriguingly, it is one-third owned by Shell mining company Billiton, for which Gencor has its corporate hat in the buying ring So Minorco and Gencor could end up as partners

Base metals is an area in which management achieved simultaneously its greatest success and most resounding defeat, with a bid to buy BP's holding in Olympic Dam, the Australian copper/uranium project owned 51% by Western Mining Relly describes the negotiations as "extraordinarily well handled" The agreed price of $456m was considered so good that Western Mining exercised a pre-emptive right and dashed Minorco's hopes of rapid entry into Australia

Forays into gold mining proved less successful It bought Independence in March 1990 for $705m — which Slack now concedes was over the top "It was premium money to warrant our entry into North America" It was quite a premium.

Frankel Pollak Vinderine research head Peter Davey says the asset has been heavily written down — perhaps to as little as $400m "It won't ever amount to much," he adds

In April, Minorco bought Colorado gold producer Pikes Peak for a modest $21m While the price was cheap and the area is unusually beautiful, Colorado is known as the "tree-hugging" state — very environmentally conscious Whether Minorco will ever get the licences needed to exploit the gold locked in a vast volcanic deposit seems at best problematic Now, of course, it has added to its portfolio the gold mines within Amsa — Morro Velho, Jacobina and Mineracao — all in Brazil — and Marte in Chile

Preliminary results, released later than usual to coincide with announcement of the substantial asset acquisition programme, are frankly disappointing (though Relly takes issue with this "Considering world commodity markets, I think they're excellent")

Operating earnings fell to $55,8m, fortunately offset by a substantial gain in interest income. That means results more or less level-peg with 1992 hardly inspiring EPS before extraordinary items was $1,25 (1992 $1,22). Extraordinary income rose sharply to $68,2m, largely from Charter's sale of its 38% of Johnson Matthey

What continues to stand out is the strength of the balance sheet Net cash — after it's been paid for its Charter shares — is about $1,1bn, despite borrowings of $872m Perhaps surprisingly, the dividend is to be increased 6% to US57c a share

The share is R79 on the JSE, at the upper end of the past 12 months' range of R86-R43,50 The p e on the latest results is 18,2 It is a classic rand hedge stock

There's a sting in this tale for years the group's presence in London was at 40 Holborn Viaduct, a building which dominates its surrounds Next door is 2 Charterhouse, the Central Selling Organisation's home As Charter changed character, shape and size, its need for a large, pretentious office block diminished, till finally it stole away

Guess who took the space last week, waving the flag of the very group whose parentage it once tried, vainly, to deny? *David Gleason*

IGI collapse sparks worry over veteran SA company

S/Times 3/10/93

By ZILLA EFRAT and TENDAI DUMBUTSHENA

SOUTH Africa's fourth-largest short-term insurance company, IGI Insurance, was placed under provisional curatorship this week after a series of disastrous investments.

Its portfolio has included the likes of the liquidated Tollgate Holdings, Abacus Industrial Holdings (formerly Interboard), Time Holdings, Spareco and Rabie Holdings

And now concern is being expressed about the future of IGI's parent, Hosken Consolidated Investments, one of SA's oldest companies Along with IGI it was suspended from the JSE on Friday

It is understood that HCI, in settling a R33-million dispute with Absa over the Tollgate debacle, has lost its Hosken building in central Johannesburg.

IGI's troubles created panic among its thousands of policyholders this week, with brokers being inundated at the weekend with requests for other policies.

The full extent of IGI's troubles surfaced only recently when a fresh look at its last annual results showed that an "adjustment" of R41-million was necessary.

Speculation is that the company had previously written off too little to cover its bad investments. The results for the year to March 1993, published in June, showed that the group had already written off R64-million for bad investments

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Mr Larry Nestadt, chairman until the curatorship was imposed, confirms that this new "extraordinary item" stems from the insurance operations, but will not elaborate further

IGI had doubled its stake in Tollgate to 20 percent in the past two years, and its write-off for this investment is believed to be around R30-million

The news of curatorship also created a weekend panic as attempts were made to transfer IGI's hundreds of thousands of short-term policies to other insurance companies.

Mr Neville Nightingale, managing director of IGI's biggest customer, Wesbank, said his company was making arrangements to ensure that its 40 000 policyholders did not go uncovered.

However, while new policies would hopefully be arranged at good rates, policyholders would have to wait for a refund from IGI.

The Insurance Brokers Council of SA was swamped with calls yesterday as the public rushed to get cover elsewhere. Guardian National and Commercial Union were

□ To Page 2

IGI policyholders panic

S/Times 3/10/93

□ From Page 1

also open for business.

Mr Nestadt says IGI is still technically solvent and has enough reserves to meet all claims

"Ironically, the company traded profitably in the six months to end-September," he adds

IGI Insurance's 1 100 staff members left work on Friday uncertain about the security of their jobs

Most had left before Mr Nestadt issued a memo advising staff of the Pretoria Supreme Court's decision to put IGI under curatorship

But newly appointed curator Oosie Oosthuizen says as far as he is concerned, it will be business as usual at IGI tomorrow when he takes over the running of the firm

Mr Oosthuizen was MD of Santam until he [illegible] last year after being with the company for 42 years. Co-curator is a lawyer, [illegible] J Luttig

(232)

Various attempts have been made to save troubled IGI in the past few months. One success was Fedlife's purchase of subsidiary Saflife's funeral and credit [illegible] business for R60-million

Shape up, or face nationalisation

(232)

CT 5/10/13

By MAGGIE ROWLEY
Deputy Business Editor

THE call for nationalisation has not yet disappeared and unless business responded appropriately and repositioned itself the repercussions would be immense.

So says Dr [illegible], chairman of the [illegible] ment Forum [illegible] chairman [illegible].

In [illegible] delivering an address at the [illegible] the Social [illegible] tion in Cape Town [illegible] Chonco [illegible] won the first round in the nationalisation debate [illegible] the ANC [illegible] out [illegible] sation was [illegible] black empowerment.

The [illegible] a number of changes including the transfer of power from white hands to power sharing.

There was however no doubt that power sharing would be significantly influenced by black power.

The [illegible] repercussion will be [illegible] warned.

But [illegible] changes taking place were about liberation which did not necessarily mean democratisation.

[illegible] influence [illegible].

This will require a shift from [illegible] economic involvement which will in turn require a commitment of resources [illegible] build a stable democratic society.

The most crucial aspect to be addressed in this regard was black empowerment.

This could be done through subcontracting and allowing the emergence of small business on the one hand and on entrepreneurial development on the other so as to allow the concept of Free Enterprise Ownership to be inculcated on a large scale to disadvantaged communities.

What is important here is that blacks must be seen to be driving the spirit of Free Enterprise."

"Attitudes and behaviour patterns will have to change beginning with an elimination of informal discrimination.

Mindset also applies to black entrepreneurs who will have to move away from the philosophy of entitlement toward working harder to sharpen skills and manage resources properly to show that they are serious about business ethics."

Chonco said the other important aspect needing to be seriously addressed by business in repositioning itself would be black advancement, or affirmative action.

"This however must be tied to the important principle of maintaining standards which must be outlined. It must not be confused with tokenism."

"It will need in house education and training programmes and financial support for future black managers at tertiary education level."

Thumbs up for AECI, Sasol venture

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CT 6/10/93

From MADDEN COLE

JOHANNESBURG — The Competition Board has given the green light to plans by Sasol and AECI to merge their petrochemical and plastics interests in a joint venture company with annual sales of R2,5bn

The decision also clears the way for the R400m revamp of AECI's PVC plant

Board chairman Pierre Brooks said last night the board believed it would not be necessary to launch a formal investigation into the transaction

The merger was approved on condition that the chemical companies stood by undertakings not to discriminate in the supply of monomer feedstocks — ethylene and propylene — to rival chemical producers Sentrachem and Hoescht The new plant would become SA's sole supplier of the feedstocks

Brooks said the vertical integration of major suppliers of monomers did provide cause for concern, particularly for Sentrachem and Hoescht, adding that "the essentially monopolistic structure of the monomer market" was left intact

"The corporate realignment and restructuring that will take place is, however, potentially not more conducive to anti-competitive behaviour than was the pre-merger position," he said Brooks added "Should Sasol /AECI and the new company, contrary to expectations, default on their assurances and undertakings, the Competition Act enables the board and government to take swift, effective remedial action "

Sasol executive director Andre du Toit said his company was "very happy" with the decision, as it cleared the way for the completion of the R400m project and establishment of the new company

AECI MD Mike Sander said he had expected the board's approval but it still was good news The project allowed AECI to capitalise on Sasol's competitive advantages as a feedstocks supplier to create a "world class business competitive on an international scale"

Vertical merger

The project involved joining Sasol's ethylene, propylene and polypropylene operations with AECI's chlor alkali cyanide, PVC, polyethylene and associated downstream converting companies It amounted to a "a vertical merger" of Sasol and AECI interests

AECI's current production of PVC used carbide feedstock, an uneconomical process which made local PVC output uncompetitive on international markets, and seriously undermined the viability of PVC manufacturing in SA The joint venture would use ethylene rather than carbide as the PVC feedstock, a cost effective change

No need for probe, says Brooks

Sasol, AECI joint venture gets go-ahead

B/Day 6/10/93

THE Competition Board has given the green light to plans by Sasol and AECI to merge their petrochemical and plastics interests in a joint venture company with annual sales of R2,5bn.

This clears the way for AECI's R400m revamp of its PVC plant.

Board chairman Pierre Brooks said last night the board believed it would not be necessary to launch a formal investigation into the transaction at this stage. (232)

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Brooks said the vertical integration of major suppliers of monomers did provide cause for concern, particularly for Sentrachem and Hoechst, but "the essentially monopolistic structure of the monomer market" was left intact.

"The corporate realignment and restructuring that will take place is, however, potentially not more conducive to anti-competitive behaviour than was the pre-merger position. Should Sasol/AECI and the new company, contrary to expectations, default on their assurances and undertakings, the Competition Act enables the board and government to take swift, effective remedial action."

MADDEN COLE

Sasol executive director Andre du Toit said his company was "very happy" with the decision. "The top management (of the new company) will be appointed shortly and we will also be able to proceed full speed with the planning and implementation of the PVC conversion project."

AECI MD Mike Sander said the project allowed AECI to capitalise on Sasol's competitive advantages as a feedstocks supplier to create a "world class business competitive on an international scale".

It joined Sasol's ethylene, propylene and polypropylene operations with AECI's chlor alkali cyanide, PVC, polyethylene and associated downstream converting companies. This amounted to a "a vertical merger" of Sasol and AECI interests.

AECI's current production of PVC used carbide feedstock, an uneconomical process which made local PVC output uncompetitive on international markets and seriously undermined the viability of PVC manufacturing in SA. The joint venture would use ethylene rather than carbide as the PVC feedstock, a cost-effective change. Conversion costs were substantial and could be effected only by pooling the resources of the two companies.

The joint venture was announced in June and the partners plan to list the new company on the JSE. Sasol would hold 60% and AECI 40% of the company.

Concor builds up earnings by 25%

ROBYN CHALMERS

MAJOR projects such as Columbus and Alusaf had boosted workloads for the 1994 financial year but margins had not improved, said Concor chairman Brian Murphy in the group's 1993 annual report

The year had not seen any real improvements in construction, and further retrenchments had taken place throughout the industry BDay

Nevertheless, Concor increased attributable earnings by a quarter to R12,8m (R10,2m) for the period under review, with earnings a share rising from 89,8c to 112,3c. The total dividend was maintained at 30c

The disappointment of the year was the failure of Time Holdings, in which Concor had a 30% stake and against which it made a provision of R7,9m as an extraordinary item

Murphy noted that all the group's divisions had posted satisfactory results, with the construction sector looking to increase its activities beyond SA's borders 8/10/93

The technicrete division had a year of consolidation and re-assessment, said Murphy (232)

The roads and earthworks division improved on its budgeted contribution The engineering division had been substantially reduced.

Gold funds take the honours

Star 9/10/93

(232)

MAGNUS HEYSTEK

GOLD remained king as far as unit trust performance figures were concerned in the year to end-September.

The two pure gold funds — Old Mutual Gold and Standard Bank Gold — took the honours in the performance race, notching up returns of 65 percent and 49 percent respectively

While the two funds were negatively affected by a retreat in gold shares during the September quarter, their almost exponential growth during the first and second quarters of the year remained enough to produce outstanding figures for investors

The funds' performances were streaks ahead of those of the general equity and income or gilt funds, which generally failed to benefit from the gold boom as few had much exposure to the metal

In the tables published alongside are the general equity and specialist funds' performance figures, taken from a survey by Professor Hugo Lambrecht of the University of Pretoria's Graduate School of Management

He has ranked the figures to give investors a perspective of how the various unit trusts are performing

The tables show that the glitter from the gold boom spilt over into the mining funds, which had some exposure to the gold share market

The general equity funds showed once again that not all unit trusts are the same

Track record

The difference between the results produced by the best and worst-performing general equity funds was a staggering 15 percent

Guardbank, which has an excellent and consistent track record covering many years, was again the top performer with an overall return of 15,08 percent

The IGI (Safegro) unit trust yielded only 0,46 percent over the same period, barely ahead of Sanlam trust's 0,51 percent return

Even the star performer of the past five years — Syfrets Growth — dropped back sharply to produce growth of only 0,87 percent for the year

No general equity fund managed to outperform the all share index, which was boosted by gold's surge

Many fund managers have made it quite clear that despite the surge in the gold price they do not intend to increase their exposure to the gold share market.

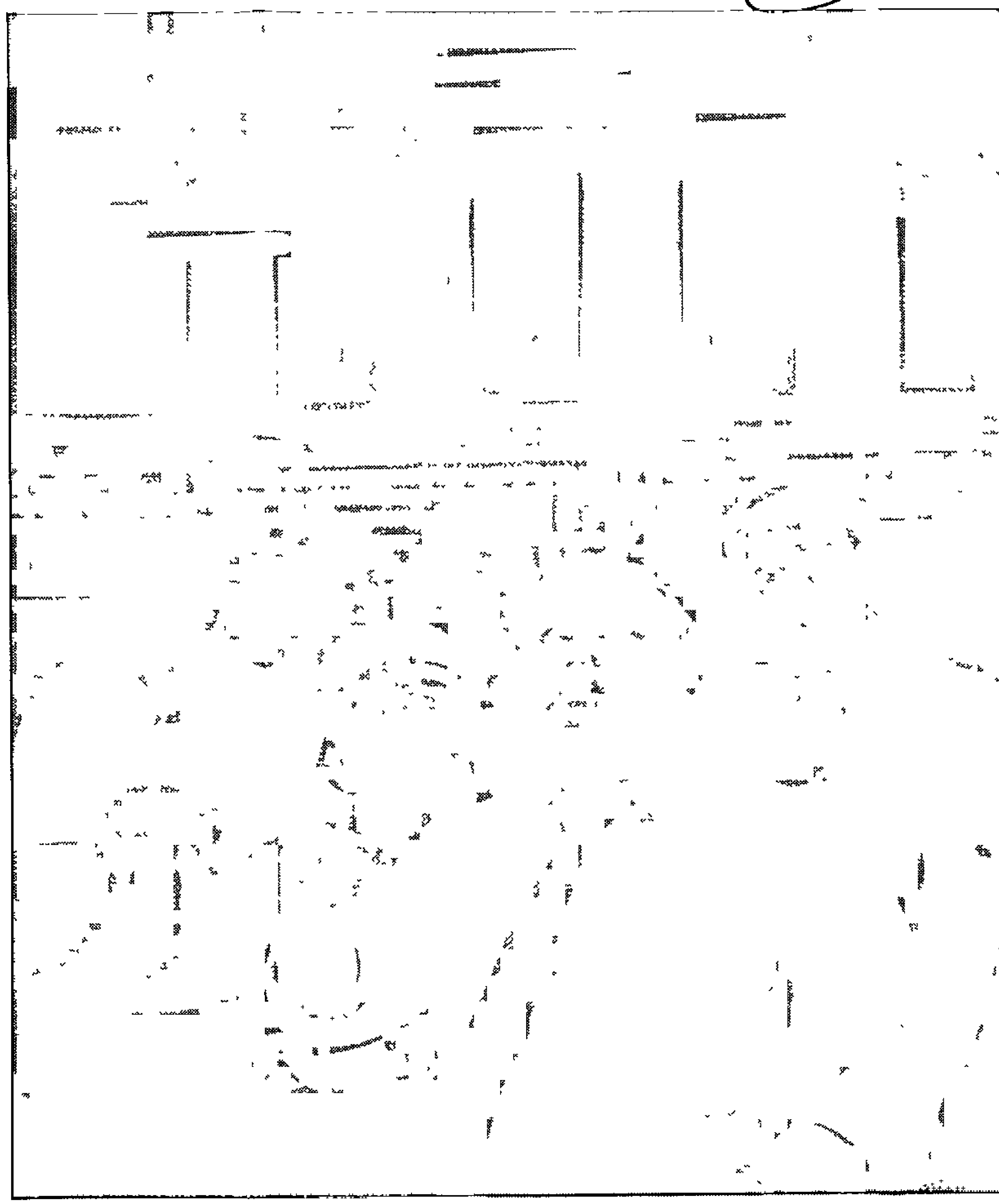
For investors who feel that gold is at the start of a long-term bull market, the message is clear if

Performance ranking of general equity funds

(For period ending on September 30 1993).

One year: (selling to repurchase)	
Guardbank	15,03%
BoE	14,12%
Norwich	13,84%
Metfund	13,06%
Commercial Union	12,57%
UAL	12,28%
Momentum	12,17%
Southern	10,95%
Syfrets Growth	9,87%
Standard	9,21%
Metlife	8,53%
Fedgro	6,59%
Southern Pure	5,25%
Syfrets Community Fund	5,24%
Sanlam Prima	5,17%
Old Mutual Investors	4,51%
Sanlam Index	4,38%
NBS Hallmark	3,96%
ABSA	3,60%
Sage	3,18%
Syfrets Trustee	2,43%
Sanlam Trust	0,51%
IGI (Safegro)	0,46%
All share index	21,25%
Inflation rate	9,0%
Three years: (selling to repurchase)	
Syfrets Growth	21,00%
Southern	18,49%
Guardbank	18,46%
Momentum	18,00%
Standard	17,62%
Sanlam Prima	17,28%
Metfund	17,18%
UAL	16,58%
Norwich	14,98%
Sage	14,66%
NBS Hallmark	13,24%
Commercial Union	12,25%
Sanlam Trust	12,13%
Old Mutual Investors	12,02%
IGI (Safegro)	11,84%
Sanlam Index	11,22%
All share index	15,02%
Inflation rate	12,06%

Lump-sum investments with income reinvested.
(For periods ending on September 30 1991)



GLITTERING SURGE: A retreat in gold shares on the JSE during the September quarter was not enough

Performance figures of specialist unit trusts

For period ending on September 30 1993-
(Single lump sum with dividends reinvested)

One year:	
Old Mutual Gold	65,72%
Standard Gold	49,98%
Old Mutual Mining	37,53%
Southern Mining	19,44%
Guardbank Industrial	16,53%
Guardbank Resources	16,48%
UAL Selected	16,24%
Sage Resources	15,64%
Standard Bank Industrial	12,70%
Old Mutual Industrial	7,46%
UAL Mining	5,25%
Standard Industrial	4,90%
Sanlam Mining	1,53%
Sanlam Industrial	1,02%
ABSA Industrial	(0,18%)

Five years: (selling to repurchase)

Syfrets Growth	25,95%
Momentum	22,16%
Guardbank	22,10%
UAL	21,83%
Standard	20,72%
Southern	19,81%
Metfund	18,42%
Norwich	18,58%
Sage	18,52%
Old Mutual Investors	18,43%
Sanlam Index	18,18%
NBS Hallmark	17,95%
Sanlam Trust	17,88%
Sanlam Prima	18,56%
All share index	19,51%
Inflation rate	13,43%

Lump-sum investments with income reinvested. (For periods ending on September 30 1991).
Ten years: (selling to repurchase)

Syfrets Growth	25,95%
Momentum	22,16%
Guardbank	22,10%
UAL	21,83%
Standard	20,72%
Southern	19,81%
Metfund	18,42%
Norwich	18,58%
Sage	18,52%
Old Mutual Investors	18,18%
NBS Hallmark	17,95%
Sanlam Trust	17,88%
Sanlam Prima	18,56%
All share index	19,51%
Inflation rate	13,43%

STAR

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9/10/93

you want a greater exposure to gold, you will have to diversify personally, buying into a gold fund yourself

One should not place too much emphasis on one-year performance figures The ideal period in which to gauge performance is between three and five years.

It must be mentioned that Consolidated Fund Management (CFM) managed to produce an all-in return of more than 20 percent during the three-year period, placing it among the top-performing funds It was beaten only by BOE and Syfrets

Top performer

A glance at the five-year investment period once again underlines how good an investment the general equity funds have been

Top performer here was Syfrets, with growth of almost 25,95 percent — almost double the inflation rate of 13,43 percent over the same period

Over longer periods the more specialised funds — especially the gold and metals-based funds — do not have proud records

Three years,

Old Mutual Industrial	20,68%
UAL Selected	20,89%
Sanlam Industrial	20,04%
Guardbank Resources	8,33%
Sage Resources	5,64%
UAL Mining	4,63%
Old Mutual Mining	4,63%
Southern Mining	2,68%
Standard Gold	1,88%
Sanlam Mining	(0,41%)
Old Mutual Gold	(1,34%)

Five years

Sanlam Industrial	
UAL Selected	21,25%
Guardbank Resources	20 54%
UAL Mining	14 05
Sage Resources	12 57%
Southern Mining	11,33%
Old Mutual Mining	10 80
Sanlam Mining	10 77%
Standard Gold	9,19%
	8,34%

This again highlights the fact that these cyclical, volatile funds are not for the faint-hearted investor

The income and gilt funds showed more stable returns. Top-performing gilt fund was Metboard Income with growth of 15,65 percent, followed by UAL Gilt (12,58 percent) and Syfrets (10,15 percent)

However, these returns are likely to look substantially better when the next quarter's results are released

A feature of the September quarter was the large number of switches from equity funds to income funds

Old Mutual fund manager Sam Feldman said this reflected the fact that many investors felt the market was very high.

"By parking their money in an income or gilt fund for a short period, investors are protecting themselves from a possible sharp correction in equities

"A subsequent switch back to an equity fund at a later stage would cost 1 percent (of the investment), which is substantially cheaper than physically selling the unit and reinvesting at a later stage

"Investors should contact their brokers or a unit trust management company for full details of switching charges"

Sign of popularity

Feldman said almost half of the inflow last month was made up of switches

Income funds' popularity was reflected in the growth of Old Mutual Income Fund assets from R32 million in 1991 to more than R180 million

"Clearly some investors feel the market is high and are switching into the Income Fund until equity prices come down to more reasonable levels," Feldman said

Barlows enters the final stages of unbundling sales

S/Times [Buss]

10/10/93

(232)

By JULIE WALKER

BARLOW Rand will be a shadow of its former self when it completes its unbundling shortly.

Its assets will be 60% of PPC, 79% of a reshaped Bibby & Sons — the foreign arm that is to be split and renamed — and the wholly owned operations in equipment, manufacturing, vehicle retailing, paint, building materials, steel and tubes, electrical appliances and investments.

Barlows has sold R224-million of shares in NBS. It will pass on its remaining shares in CG Smith, Reunert, Rand Mines and Rand Mines Properties to its shareholders. It sold 7,5% interests in each of these companies and in Randgold to Old Mutual to raise cash to redeem loans and debentures.

Barlows is negotiating with a buyer of the rest of its Randgold stake. If the deal fails, the stake will be sold on the open market in December.

CG Smith holds investments in Nampak, Romatex and CG Smith Foods which in turn controls CG Smith Sugar, ICS and Tiger Oats, which ultimately controls Adcock Ingram, Langeberg and Oceana.

Bibby, which has not provided much rand-hedge joy for its SA parent, is to set up a separate company to hold the science products, paper and converted products and agricultural assets.

The rest of Bibby — materials handling and capital equipment — will be renamed Stratford plc. About 80% of the new company's shares will be sold in London, proceeds to be applied to repay Stratford debt. Barlows will retain 20% of the new Bibby as an investment.

Barlows has rearranged its electronics interests. Several years ago it listed as one group TSI its holdings in ISM and Persetel, then split them into ISG and Persetech.

Now it is to exchange its effective 30% holding in ISG for an effective 29% of Persetech, doublings its holding to 58%. This amount, plus its interests in National Panasonic, Nashua and Airomatic, is to be exchanged with Reunert for a renounceable letter of allotment for 11,6-million Reunert shares.

Tradeability in the companies to be unbundled should improve on two counts.

First, they will not be in the hands of a holding company but of many individual and institutional shareholders who will take different views.

Second, the three largest are to sub-divide their shares. CG Smith will split 10 for one, Reunert five for one and Rand Mines four for one.

Barlows will announce the terms of its distributions and the financial effects after its results for the year to September 30 are published in mid-November.

Group share prices were little changed after Friday's announcements

Renewed foreign interest pushes Barlows shares up

B/Day 11/10/93

MATTHEW CURTIN

BARLOW Rand shares have bounced back from the R38 low they touched last week after renewed foreign interest in SA industrials and further details of the conglomerate's unbundling exercise.

One market source said at the weekend "Chairman Warren Clewlow is showing a new sense of purpose in the way in which he's breaking up the group, even if the scale of the operation means it is not going quite as fast as some hoped."

Barlows announced last week a reshuffle of its UK subsidiary J Bibby & Sons Bibby's capital equipment and engineering businesses would be renamed Stratford, while its other paper, laboratory products and agribusiness interests would be hived off in a separate company, keeping the Bibby name, to be floated in London in the first quarter of 1994.

Another analyst said that the balance of the deal was in favour of Barlows "It's not particularly elegant, but it does lower Stratford's risk profile," he said.

The big question now was for Barlows/Stratford to turn its loss-making Spanish Caterpillar distributor Finanzauto around before, perhaps, taking advantage of the business opportunities particularly with reconstruction in eastern Europe

Barlows stock closed at R41 on Friday Bibby shares climbed 7p after the announcement, closing at 92p on Thursday compared with the 300p a share (equivalent to £287m) which Barlow paid nine years ago for the group (232)

The group's market value stood at £144m at the weekend

Analysts said the first important consequence of the manoeuvre would be the recapitalisation of Bibby/-Stratford and Finanzauto

Stratford could be expected to raise between £65m and £80m from listing the reformed Bibby even though it had a poorly-rated asset porfolio

However, Barlows director Russell Chambers said market conditions in UK were "right for the listing"

Bibby's businesses were looking forward to improved orders as the British economic recovery gathered momentum

In addition, money raised from the flotation would used to repay Bibby's debt, a drain on group earnings in the past 18 months

Analysts said a more tightly focused debt-light Bibby/Stratford would benefit Barlows — keeping its 79% holding in Stratford which would retain 20% of Bibby — if only because it was relatively more important to the smaller unbundled group

Although the changes to Bibby mirrored those to Barlows in SA, the company needed tidying up in any case, they said

Finanzauto had been managed by Barlows, the supplier of Caterpillar equipment in SA, although it was part of the Bibby group

Bibby acquired Finanzauto in a £82m takeover in mid-92 but was caught off-guard by the slump in the Spanish construction sector, with interest charges dragging the company into the red

Bibby chairman Richard Mansell-Jones said "The decision is consistent with what Barlow Rand is doing itself in SA

"We will be left with Hyster fork lift trucks and Caterpillar It is a mirror image of of what is planned by Barlow Rand"

Kersaf has hopes for offshore projects

B/Day 11/10/93

CHARLOTTE MATHEWS

LEISURE company Kersaf Investments' offshore arm, Royale Resorts Holdings, is currently investigating several overseas investment opportunities, executive chairman Buddy Hawton says in the group's 1993 annual report

It would be premature to comment in more detail at this stage, he said, but "if these can be successfully concluded the objective of achieving satisfactory growth from offshore investments over the longer term should be favourably enhanced"

In the year to June 1993 Royale, which has direct investments in three resorts on the island of Mauritius, an offshore casino and indirect investments in a number of other casinos, reported earnings a share 15% lower than in 1992 as a result of the worldwide recession

In 1993 the total spending of the group on capital assets was R491m, bringing capital spending in the three years to June to R1,7bn

Within Kersaf's 80%-held company Sun International, The Palace and Lost City at Sun City were completed in December 1992 at a cost of R800m

The extension and refurbishment of the Wild Coast Sun was also completed in the past year, a project which cost R96m

Other significant capital expenditure within the group was in the 37%-held Interleisure group and, within Royale, improvements and extensions at Le Touessrok Sun in Mauritius, to be completed this month at a cost of R88m

"In overall terms, the year ahead will see a marked decline in the level of project activity and a corresponding sizeable reduction in the amount of capital expenditure from the high levels of the past two years," Hawton said

"This welcome respite will bring about heightened focus on important refurbishment activities and also permit some reduction in the level of external borrowings"

Kersaf Investments was likely to achieve "acceptable" earnings next year as a result of its considerable investments in new and extended facilities, Hawton said

The run-up to the multiparty election scheduled for April was likely to be a period of heightened tension and might well have a dampening effect on business and consumer confidence and activity, he said

Kersaf Investments' attributable earnings declined 9% in the year to June to R164,3m from R181,4m in 1992 although turnover increased 10% to R2bn from R1,8bn

Hawton said results for the year were satisfactory in view of the deteriorating economic climate in most of SA and overseas and escalating sociopolitical violence

Gengold seeks audit on mine

B/Day 14/10/93

ANDY DUFFY

GENGOLD, Gencor's gold business, is to call in independent auditors to check the viability of its Oryx mine, as part of its efforts to rescue the struggling Free State operation.

MD Gary Maude said yesterday that the company wanted to reassure shareholders Gencor, Genbel, Sanlam and Anglo American that any rescue plan put forward was not based solely on Gengold's own assessments of the mine.

It emerged earlier this month that Oryx could need an additional R900m to fund development needed to take it into profit

Its original financing plan, under which the four shareholders had put in R979m, had been derailed by initial grades far below previous estimates

Gengold detailed the mine's problems to the major shareholders in a series of meetings last week

The company had still to finalise a rescue plan for the operation, but Maude said that it would be supported by an independent check on Gengold's figures

Maude said the aim of "having the thing audited" was to promote confidence in the options which were put forward

Market sources believed one of the shareholders, possibly Sanlam, would have asked for the independent audit

But Maude said Gengold had taken the decision itself.

The Gengold staff responsible for previous estimates for Oryx would also be called on to re-check their findings

Maude said shareholders had been "understanding" during last week's meetings (232)(241)

Genbel, a 15%-stakeholder, said yesterday it could be prepared to provide more cash for development, given that only a fraction of the reef had been developed to date.

"I don't think you can make a decision on the mine on the strength of information known today," MD Anton Botha said

Industry sources expected Sanlam and Anglo would take a similar line. Though Gengold has said it wanted to resolve the funding problem as soon as possible, the mine had sufficient funding to continue through to March at present development rates

Maude said that finding a plan to suit the four major shareholders, the mine's banks which were owed R550m, and JSE investors who held 2,5% of Oryx was likely to prove difficult

"Each of the interested parties has their own preference, and it's a job to find a solution that suits everybody the best".

Bolton's takings triple on improved returns

BIDay 14/10/93

CHARLOTTE MATHEWS

BOLTON Industrial Holdings, which derives its profit from Cargo Carriers and Bolton Footwear, nearly tripled attributable earnings in the six months to August to R2m from R733 000 in the same period in 1992 on better results from both its investments, according to figures released yesterday

Although its earnings lifted to to 39,0c a share from 14,2c, distributable earnings were only 4,7c (5,1c).

The interim dividend was maintained at 5,0c a share.

Cargo Carriers, in which Bolton Industrial has a 34,6% interest, lifted attributable profit in the six months to August to R3,2m from R480 000 in the previous interim period.

Although turnover fell slightly to R90,8m from R91,3m, operating profit was 21% higher.

A profit of R2,5m was made on the sale of assets, against R294 000 in 1992, and the interest bill was almost halved to R1,6m from R3,0m.

Cargo Carriers' earnings lifted to 16,0c a share from 2,4c but no interim dividend was declared because of the need to retain cash for future expansion, and in view of the continuing recession, its directors said.

Bolton Footwear, which is 74,1% held by Bolton Industrial, reported attributable profit of R1,3m in the six months to August from R832 000 in the same period in 1992 (232) (1851)

Operating profit lifted by 34% and turnover was about 20% higher at R109,1m from R90,6m.

The interest charge eased to R1,5m from R1,99m.

The interim dividend was maintained at 2,0c a share on earnings of 6,5c (4,2c) a share.

Bolton Footwear's directors said the company's profit would have been higher if it were not for losses incurred on Searles Homes, since disposed of

Aggressive marketing and effective cost controls helped to improve the performance of the footwear manufacturing divisions

The management of both Cargo Carriers and Bolton Footwear expressed confidence that the stronger trend would be sustained in the second half of the year.

BIDVEST FM 15/10/93

Following the born shopper

If you believe in Brian Joffe, it's time to invest (232)

When investors hear the name Joffe, the usual response is to relax Clearly, if it's Joffe it'll be all right

Many investors hold firmly to the view that the quality of management is the most important factor in determining investment decisions In the case of Bidvest — and Joffe — shareholder faith may be exaggerated Is it possible he is being endowed with abilities unusual in anyone and that too much store is being laid by the man?

This is a company which, in four years, has grown from a R29m cash shell into an industrial conglomerate capitalised at R1,4bn (including compulsorily convertible debentures) That level of growth in shareholder wealth is awesome Earnings have grown an average 32% a year and the counter is now worth more than four times the R20 listing price

No wonder Joffe is seen by admiring investors as a whizz kid For stockholders, the key question is whether these levels of profitability and growth can be maintained

Chairman Brian Joffe (46) admits he's a man with a mission — to build a mini-empire While in his 30s, he sold his half-share in an animal feed company and moved to the US Two years later he was back in SA as MD of E W Tarry and later CE of Tarry's parent, W&A He resigned in May 1988 There's a mystery in that why he resigned and left the W&A group in the sole hands of erstwhile colleague Jeff Liebesman is something of a puzzle Joffe's not telling, neither is Liebesman

Months later, he bought the R8m Iclef cash shell, changed its name to Bidcorp (Business Innovative Developers Corp) and added food catering supplier Cater Plus (previously W A Chipkin) and frozen food distributor Sea World to the portfolio In March 1989, Bidcorp acquired the Curries cash shell Joffe changed its name, enter Bidvest

The aggressive acquisition drive didn't end there By July 1989, three more divisions had joined the growing crowd under the Bidcorp umbrella butchery and catering supplier National Spice Works, food and catering supplier Erle & Stephens, and a 50% stake in cosmetic house Justine Before the turn of the year, Joffe, by now labelled a born shopper, went out with his basket again This time, through Bidvest, he picked up listed paper and packaging company Afcom

However, in the process it became obvious the group's structure was taking on a threadbare look Bidcorp needed a cleaner structure and, in July 1990, Joffe transformed it into his pyramid holding vehicle while all other divisions were placed under Bidvest At the time it looked a clever move It doesn't now how fashions change

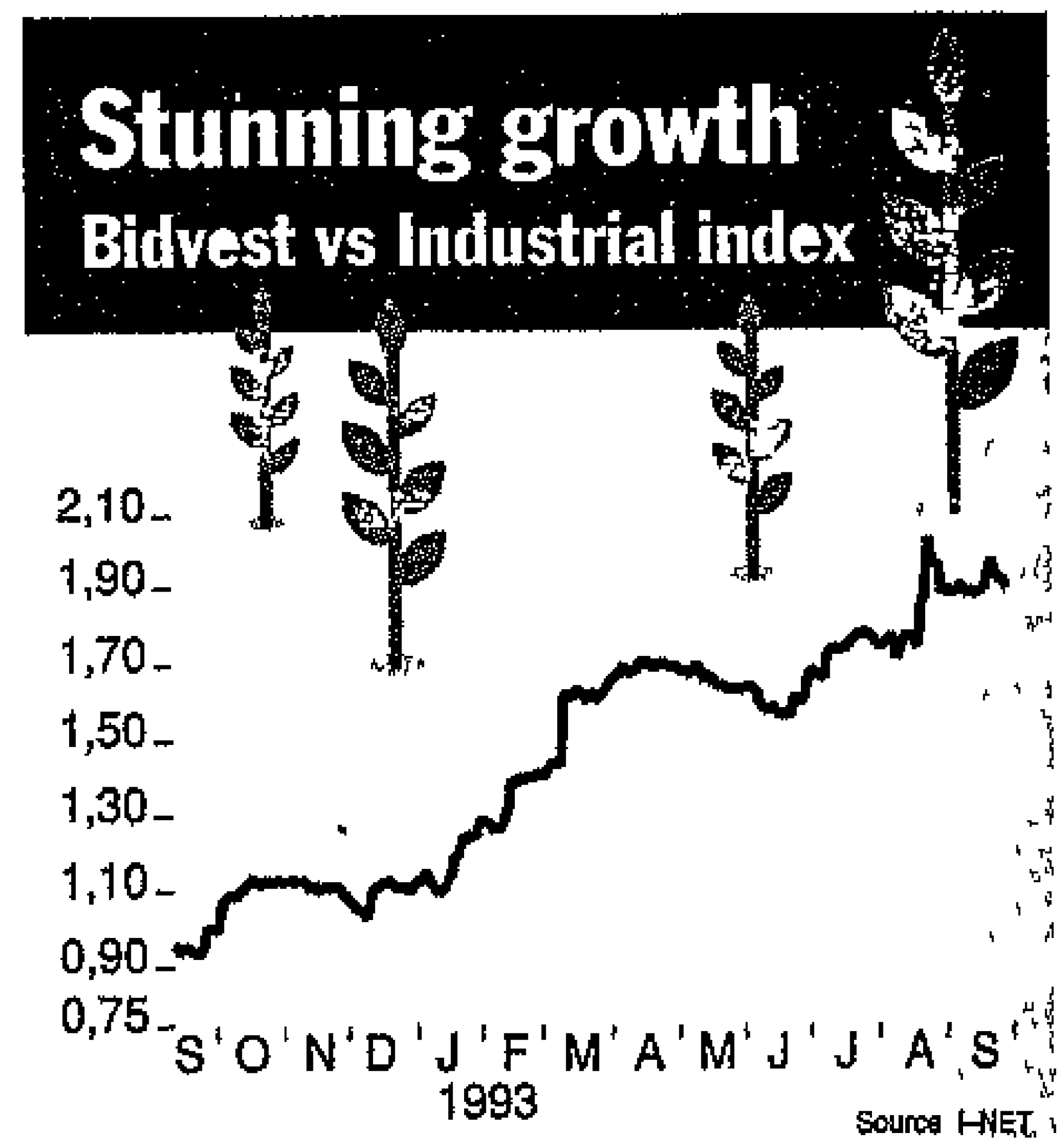
There is another dimension to this story Joffe fancied washroom services and textile rental company Steiner Services, then owned by the Nash family However, a year passed before Joffe's famous persuasive talents convinced them to sell — for R84m Six months later, yet another listed company, Crown Foods, became a Bidvest subsidiary

Not surprisingly, Joffe came in for heavy criticism at this point Market players, some probably a little miffed at his waxing star, put it about that he had acquired too many listed subsidiaries

But in March 1993, while looking for a home for newly acquired meat supplier BMR Foods, he became aware of the similarities between 66,5%-held Afcom and 88,3%-held Crown, and wholly owned Cater Plus and Steiner Services He delisted Crown and Afcom, paid out minorities and reshuffled the Cater Plus activities

In his first review as W&A CE, he argued that company results reflect management's

Joffe *man with a mission*



ability to harness entrepreneurial talent in a wide spectrum of basic industries to create a real return for shareholders The interesting thing is that he has held fast to his dictum He could just as easily have written this in a Bidvest report

But it wasn't until he presented the 1991 accounts that Joffe spelt out Bidvest's strategy for the first time He hadn't done it sooner because of the group's diverse constituency

The strategy, says Joffe, is to invest in companies operating in distribution and trading, which may include light manufacturing Objectives are to enhance shareholder wealth by real organic growth, selective acquisitions and control of funds Management is motivated by a decentralised structure with strong cash and share incentives to exceed realistic profit targets

Joffe made the understatement of the year when he described 1993 results as satisfactory Off a high base, turnover rose 30% to R775m, operating income 17% to R70,5m and EPS 34% to 552c (Not uncommonly, the boost came partly in a lower tax rate) Despite substantial growth in past years, long-term borrowings were eliminated, leaving the group ungeared Well, it's nice to be self-deprecatory

Just before year-end, Bidvest embarked on its largest acquisition, a R263m purchase of freight forwarding group SA Freight Corp (Safcor)

The medium of exchange appeared to be entirely paper, a sharp contrast with previous acquisitions made with either cash or a mixture of equity and cash In fact, Joffe issued Bidvest paper to selected institutions and applied the cash proceeds to paying out Safcor's shareholders

Safcor minorities weren't excited about this, for good reason Before the deal, Curfin — Safcor's controlling shareholder — had granted another party a pre-emptive right to its 50,01% in Safcor That party waived its rights, giving Bidvest the opportunity to acquire the stake (based on NAV) An unusual timing problem, though, meant that Bidvest's arrangement with Curfin — turning Safcor into a cash shell — was in place before the earlier pre-emptive right was terminated

Minorities argue that Bidvest should have bid directly for Safcor equity and not just bought the underlying business, alternatively, Safcor could have passed Bidvest paper to minorities as a dividend

Year-end June 1993 Safcor results reflect a 26% rise in EPS on the back of a 17% rise in turnover That result certainly fits Joffe's idea of a good business

A Bidvest pro forma statement shows that had the Safcor deal been effective all year, the effective tax rate would have risen to 30%, EPS would have been 24% better at 683c and the dividend would have been at least 237c That would give a prospective yield of 2,8% — not unduly expensive and in line with the Industrial Holdings sector

Interestingly, Bidvest ended with more cash on hand after the Safcor deal, R190m That enabled Joffe to go shopping again Bidvest has apparently bid R30m cash for Prestige Cleaners

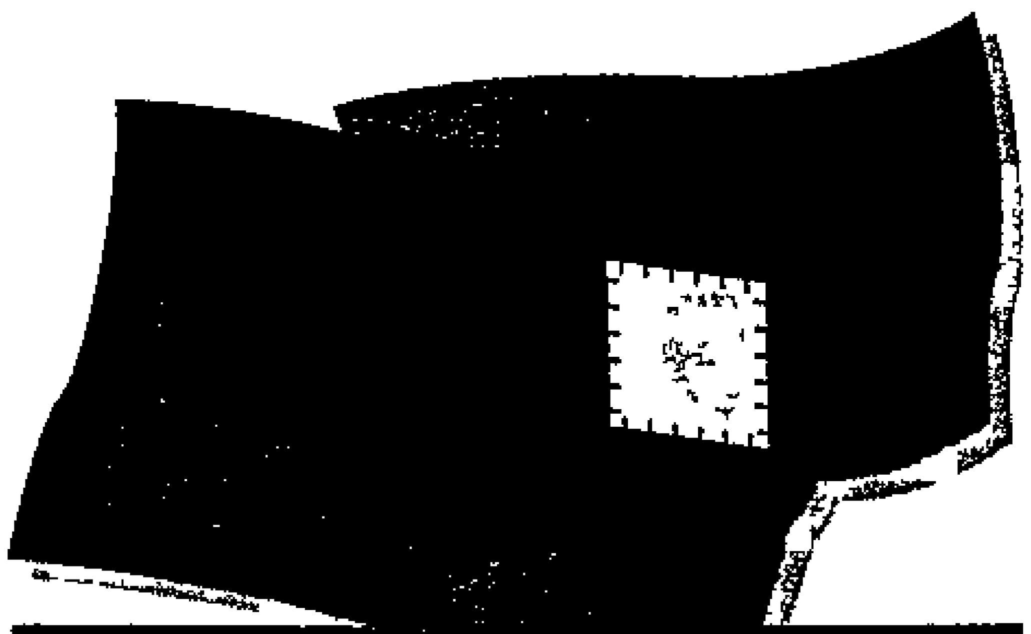
How this cash is spent will have a significant effect on Bidvest's future If it goes on one or two first-class acquisitions, it could propel Bidvest to even greater heights, much the way Malbak, through the purchases of Protea and Gencor's industrial interests, was upgraded from a minor player to one of the JSE's largest industrial conglomerates

Yet the group is finely balanced One disastrous decision could impel it into nightmare territory And Joffe has already had a close call In February last year, when Bidvest offered Murray & Roberts R23m for its controlling 78% of Crown Foods, an R18,2m horror was found by Bidvest involving non-disclosure of creditors and over-statement of stock

After assessing the damage and closing the casing factory, Bidvest was compensated and the price was cut to R12,3m — R8m of which was funded by Bidvest paper

In the past year, Crown has been extensively restructured. That has cut overheads and streamlined operations Uneconomic business units were closed Depressed conditions in the traditional butchery businesses prompted management to develop new product lines for the bulk feeding market That completes Joffe's personal circle, taking him back to his roots in animal feeds

New food ingredients division Combined Foods encompasses Crown National and Chipkins Bakery Supplies Chipkins, the original business, increased turnover in 1993, despite reduced demand and heightened competition but at cost to margins.



Rags to riches
– in four years

ACTIVITIES

Makes fastening and strapping equipment, makes catering and refrigeration equipment [illegible] spices and seasoning, rents towels and [illegible], makes and distributes food and [illegible] products, freight forwarding and cleaning, [illegible] allied activities

CONTROL

Control: Bidcorp **Chairman:** B Joffe
Capital structure 10m ords
Market capitalisation. R850m

SHARE MARKET

Price. R85 **Yields** 2,5% on dividend [illegible] on earnings, **PE ratio,** 15,4, **cover,** 2 6 **12-month high** R93, **low,** R43 **Trading** volume last quarter 42 000 shares

Year to June 30	'90	91	'92	'93
LT debt (Rm)	[illegible]	[illegible]0,4	96,4	[illegible]
Debt:equity ratio	nil	[illegible]	[illegible]	nil
Shareholders' interest	0,69	0,37	0,40	0,61
Int & leasing cover	[illegible]	[illegible]	[illegible]	[illegible]
Return on cap (%)	17	35	44	[illegible]
Turnover (Rm)	115	412	[illegible]	[illegible]
Pre-int profit (Rm)	16,9	35,4	[illegible]	[illegible]
Pre-int margin (%)	15	9	10	[illegible]
Earnings (c)	[illegible]	[illegible]	412	552
Dividends (c)	[illegible]	115	[illegible]	210
Net worth (c)	[illegible]	1 031	[illegible]	[illegible]

Since Afcom and Crown are no longer listed, Joffe doesn't have to break down profit contributions — nor does he. In a time of growing demands for corporate transparency, this approach may need rethinking.

Liebesman

Joffe contends. "It is policy not to disclose segmental financial information Our experience is that the group's innovative actions have led to increased competitor activity "

Profits disclosed or not, the five divisions have to continue to generate cash and that's what enables Bidvest to maintain its sound record. The divisions all operate in industries hard hit by recession — hotels, restaurants and agriculture.

Steiner Services is the largest player in textile rental and washroom services. MD Bryan McEvedy says these markets are under-developed by international standards, suggesting Steiner is ideally placed to grow in real terms.

Contract-based services grew 7% in real terms in financial 1993, despite contractual shrinkage in workwear rental due to widespread retrenchments and reduced linen rental volumes — all evidence of the depressed hotel business

Cater Plus has three divisions: catering supplies, catering frozen foods, and food services equipment and supplies Margins came under pressure in catering frozen foods, which distributes seafood, poultry, vegetables and allied products to the catering and hotel industries.

Management relied on operating efficiencies to maintain profitability The food services equipment and supplies division, which makes Vulcan, President and Marlin Catering equipment, was restructured Vulcan's distribution was merged with that of President Trading

Afcom MD Alan Salomon says 1993 was characterised by difficult trading conditions aggravated by a month-long strike in the steel industry in August

Production sales days lost hit demand and supply. Nevertheless, turnover and earnings increased significantly Salomon expects real growth this year

Taking a broad view, Joffe has clearly managed group assets with unusual dexterity He has achieved earnings growth atypical in an economic environment hostile for the past four years

The market's assessment of the counter sits strangely with the results. This reluctance to recognise Joffe's efforts leaves a window of opportunity for potential shareholders

The share is trading on a p:e of 15,4 on 1993 results, a small discount on the Industrial Holding sector's 16,9. The gap widens considerably if the Safcor deal is taken into account — the pro forma p e then drops to 12,5%, rating the group at a 26% discount to the sector.

This dichotomy is heightened by the returns of the past four years and by the distinct probability that Safcor will benefit handsomely from SA's readmission as a significant trading nation.

On the basis that the obvious explanation is often correct, what seems to be worrying the market is sustainability There is little management can do about this, except continue to produce above-average results Of course, if Joffe and his team can maintain performance, there is room for a considerable upward rating of the share In time, a p.e of around 20 would not be untoward, implying a price of R136 for Bidvest compared with R85 now

The most critical element in making investment decisions is probably the ability to reach an accurate assessment of management. If you believe in Joffe, this is the time to consider testing that judgment. *Kate Rushton*

'Nationalising won't cut cost'

CT 16/10/93 (232)

Staff Reporter

PHARMACEUTICAL industry spokesmen said yesterday that nationalising the industry would not reduce the high price of medicines.

They were reacting to ANC national executive member Mr Jay Naidoo's statement that the high cost of medicine in South Africa could lead to the ANC nationalising the pharmaceutical industry when it came to power

He said pharmaceutical companies were making medicines unaffordable to the man in the street and that the government had the right to intervene to either make it a competitive industry or nationalise it

The price of medicine in South Africa was higher than other Western countries, he said

Low rand pushes up drug prices

Ciba-Geigy Pharmaceutical company spokeswoman Mrs Suzette Plantema said nationalising the industry could lead to multinational companies pulling out of South Africa.

Medicine was expensive because of the poor exchange rate and the high cost of technology used in producing new drugs

Pharmaceutical Society of South Africa spokesman Mr Raymond Pogir said nationalising the industry had not worked anywhere else in the world and would not bring down prices

"Most of the medicines are imported from overseas, and a drop in the value of the rand pushes up the prices," he said

Registrar of the SA Pharmacy Council Mr Chris van Niekerk said the private sector paid more for its medicines than the government paid for health care medicines.

Costs were high because the private sector subsidised the state.

Nationalising the pharmaceutical industry was not the answer to the problem and alternative measures would have to be looked at

It was up to the state to provide essential clinical services, he said

Individual liquidations plunge to 30-month low

KELVIN BROWN

INDIVIDUAL and partnership liquidations have plunged to their lowest levels in 30 months, according to Central Statistical Service (CSS) figures released yesterday.

The data showed individual insolvencies continued on a downward trend in the year to July, falling 40% from a previous decline of 26,2%. On a cumulative basis insolvencies slipped 9,6% from the same period last year, the CSS said. BDay

But company liquidations were up 11,7% in the eight months to August compared with the same period last year. So far this year the average number of company liquidations a month was around 220, from 201 in 1992. 19/10/93

The positive news on the company side was that forced liquidations as a percentage of total liquidations fell to 79% in August from last year's average of more than 90% (232)

Credit Guarantee senior economist Luke Doig said the individual liquidation figures were surprising as there had been no major pickup in the economy and interest rates had not been cut since February

It could mean the length of the recession had forced individuals to prioritise spending and get their affairs in order. Consumers also appeared to be putting off purchases of major items because of the uncertainty in the run up to elections.

The improvement in the credit situation of individuals could explain why companies were still failing at a high rate, said Doig. Companies were being knocked even further by the reluctance of firms to build up stock levels because of the uncertain environment they operated in.

Credit Guarantee's own experience supported the rise in liquidations of companies, said Doig. The credit insurance company had paid out a record amount of claims in the third quarter.

But he said there was usually a seasonal uptick in payouts in the third quarter. There were also signs that the increase in company liquidations was slowing down.

Despite these factors it was still too early to predict future trends. He said it depended on the state of the economy and the political situation.

The negative factors were still outweighing positive elements

"While the economy may have bottomed technically, the forced shorter-term perspective of businessmen in the light of political uncertainty is hindering any significant upturn."

He expected overall economic growth for this year to be down 0,5% from last year and was not optimistic about the situation next year

Even if things did go well after the election, it would take time to filter through, he said

New clothing, textile tariffs are criticised

LINDA ENSOR

CAPE TOWN — Long-awaited adjustments to the clothing and textile tariff structure were announced by Deputy Trade and Industry Minister David Graaff yesterday. BDay 19/10/93

The amendments, which drew sharp criticism from the clothing industry, are expected to be gazetted this month. A Board on Tariffs and Trade statement said the board had decided, as a short-term measure, to reduce ad valorem duties on clothing and textiles by 10%; not to change the maximum specific duties; and to cut the minimum specific duties by 15% for yarn, woven and knitted fabrics and by 10% for clothing and household textiles.

The duty on polyester staple fibres would be substituted by an ad valorem duty of 25% while the ad valorem duty on yarn was reduced from 35% to 32%, on wool yarn from 40% to 32%; on woven fabrics from 50% to 45%, on knitted fabrics from 50% to 45%, on clothing from 100% to 90% and on household textiles from 60% to 55%.

In most cases the changes were reductions but a few upward adjustments were made to rationalise and standardise the tariff structure. In the case of knitted fabrics, tariffs remained the same.

The board rejected the request by small clothing businesses that they be allowed to import six types of fabric at a duty of 15%, saying such an open and complex system could not be administered.

In making its decision the board took into account the sensitive nature of the clothing and textile industries, SA's commitments within the Uruguay Round of GATT, and the international focus on ensuring accessibility of clothing and textiles to markets, and on fair and unfair competition.

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KELVIN BROWN

INDIVIDUAL and partnership liquidations have plunged to their lowest levels in 30 months, according to Central Statistical Service (CSS) figures released yesterday

The data showed individual insolvencies continued on a downward trend in the year to July, falling 40% from a previous decline of 26,2% On a cumulative basis insolvencies slipped 9,6% from the same period last year, the CSS said. B/Day

But company liquidations were up 11,7% in the eight months to August compared with the same period last year. So far this year the average number of company liquidations a month was around 220, from 201 in 1992. 19/10/93

The positive news on the company side was that forced liquidations as a percentage of total liquidations fell to 79% in August from last year's average of more than 90%. (232)

Credit Guarantee senior economist Luke Doig said the individual liquidation figures were surprising as there had been no major pickup in the economy and interest rates had not been cut since February.

It could mean the length of the recession had forced individuals to prioritise spending and get their affairs in order. Consumers also appeared to be putting off purchases of major items because of the uncertainty in the run up to elections

The improvement in the credit situation of individuals could explain why companies were still failing at a high rate, said Doig. Companies were being knocked even further by the reluctance of firms to build up stock levels because of the uncertain environment they operated in.

Credit Guarantee's own experience supported the rise in liquidations of companies, said Doig. The credit insurance company had paid out a record amount of claims in the third quarter

But he said there was usually a seasonal uptick in payouts in the third quarter There were also signs that the increase in company liquidations was slowing down.

Despite these factors it was still too early to predict future trends He said it depended on the state of the economy and the political situation.

The negative factors were still outweighing positive elements.

"While the economy may have bottomed technically, the forced shorter-term perspective of businessmen in the light of political uncertainty is hindering any significant upturn."

He expected overall economic growth for this year to be down 0,5% from last year and was not optimistic about the situation next year.

Even if things did go well after the election, it would take time to filter through, he said.

Insolvency figures

Star 19/10/98

Insolvency figures are giving out mixed signals, says Luke Doig of Credit Guarantee.

Company and CC closures rose 19,2 percent in August to 223 from 187 in July — 8,7 percent up on August last year. The cumulative total for the eight months to August this year is 1779 — 11,7 percent higher than for the same period last year.

In contrast, individual and partnership insolvencies fell to their lowest level in 30 months, with 249 sequestrations — down from June's 328. Sapa.

232

Editor dismisses unbundling of Press

BTDay

MARCIA KLEIN

19/10/93

THE argument for fracturing the ownership of the English-language newspapers was dubious, Financial Mail editor Nigel Bruce said yesterday

Bruce, speaking at the 1993 SA Publishing Conference, said the argument to consolidate these interests further, to promote efficiencies and reduce costs, was probably more compelling

The main competition facing SA's newspapers was the international electronic media

If Anglo American wanted to remain invested profitably in newspapers, the savings in merging Times Media Limited (TML), the Argus Group and Caxton into one commercial unit would be enormous. It would enable "greater clout and economies of scale in the acquisition of technology", enable editorial staff to be streamlined and reduced in number, reduce administration duplication and focus management on the real competition, which was from the international electronic media

Bruce said the unbundling of Anglo's newspaper interests was "a fiction"

Anglo would simply sell TML in full or part to someone else, and "it is doubtful if the shareholders in the Argus Group were given a direct stake in its constituent newspapers that the value of their assets would be enhanced", he said

However, there might be a commercial advantage for hiving off, and separately listing, the financial publications as they had little synergy with the other products

Bruce believed that notions of unbundling Anglo's newspaper interests were entirely political and rooted in the ANC's desire "to cover its own communications shortcomings by acquiring, either compulsorily or at a knockdown price, a viable newspaper group of its own"

Ownership of a mass circulation newspaper was not important in an election, or at any other time What was important was how it conducted itself "in the light of its readership profile", he said (232)

Most, if not all, of the large English newspapers had more black readers than white, and if their interests were ignored, readership would decline

English newspapers predominated in SA not because they were a monopoly, but because they were a valuable heritage brought to SA, and the home of freedom of speech Anglo had provided a blocking mechanism against government's attempts to gain control

Bruce said Anglo should not disinvest, but prepare its newspaper interests to meet international competition emerging through technological advances

JCI relies on Western Areas for sparkle

ANDY DUFFY

JCI's gold division lifted earnings nearly a quarter in the three months to September as higher production and revenues largely offset pressure on costs. B/Day

Revenues at the group's three mines rose 10% to R499,3m on the back of record production of 13 229kg and a 7,3% increase in averaged revenues to R37 744/kg 20/10

Although unit cost nudged forward nearly 5% to R28 870/kg, post-capex earnings hit R72,4m (R58,7m), leaving earnings a share at 36,3c (29,5c) The showing was "all in all a very satisfactory result", gold division chairman Ken Maxwell said.

But it relied heavily on Western Areas, which combined higher tonnage, grades and production with lower costs to post earnings 70% ahead at R37,7m (232)

HJ Joel, JCI's newest mine, dropped back into a R2,5m loss (R2,2m profit) as its focus on development ate into production and lifted costs Former mainstay Randfontein edged forward 8,3% to R37,2m as grades slipped, costs pushed forward and its tax bill jumped to R29,1m (R22,8m)

Anglovaal's four gold operations posted a similar mixed bag, with higher gold prices called on to offset rising costs

Repeating its June quarter comeback proved too much for Loraine, which dropped back to R3,8m (R7,5m)

Strike action at Sheba knocked Eastern Transvaal Consolidated's grades and costs, cutting pre-capex profit 16% to R4,8m.

Hartebeestfontein fared better, exploiting higher yields and production to produce earnings ahead 10% at R49,4m.

A rise in yield at treatment company Village Main Reefs pushed gold production up 12%. This, combined with falling costs, pulled earnings up to R0,8m (R0,2m).

● See Page 12

RMB in multimillion-rand deal

MARCIA KLEIN BDay

RAND Merchant Bank (RMB) is to acquire cigarette and tobacco wholesale distributor Suzman L Distributors from Standard Bank Investment Corporation subsidiary Unisec in a multimillion-rand deal 21/10/93

Neither Suzman nor RMB would comment on the amount involved, but a source estimated the deal at around R100m (232)

RMB corporate finance GM Nigel Brunette said yesterday the acquisition of Suzman was an investment banking transaction and not a strategic investment RMB would be playing the role of financier in a consortium that included senior Suzman management.

PresMed buys specialist clinic

BTDAY

CHARLOTTE MATHEWS

PRIVATE hospital operator President Medical Investments (PresMed) has bought Carstenhof Clinic, which specialises in plastic surgery, from Absa Bank for R22,86m, it said yesterday 22/10/93

At the same time PresMed announced an improvement in attributable income to R2,8m in the six months to August from R2,1m in the same period in 1992

The acquisition of Carstenhof, at Halfway House, will be settled by allotment and issue of PresMed and PresMed Holdings (PresHold) shares, giving Absa a 14% shareholding in PresHold and an 8% holding in PresMed (232)

Its new owners will maintain Carstenhof's reputation for plastic surgery but will extend its services for people in the Johannesburg/Pretoria urban corridor

The group plans to regroup its hospitals and day clinics into two business units PresMed Hospitals will house the six hospitals while day clinics will be grouped under PresMed Surgicentre, to be renamed PresMed Day Clinics

Earnings a share grew by 23% to 14,0c from 11,4c The rate of growth was restrained by an increase in the number of shares in issue to 20,3-million from 18,4-million

Group policy is to declare a dividend only at the end of the financial year

Turnover was 23% higher at R58,9m from R47,8m and, while finance costs lifted to R1,5m (R1,2m) on an increase in interest-bearing liabilities, the tax rate dropped to 44% from 49% previously

PresHold's only asset is its investment in PresMed and its earnings are directly related to those of PresMed Its earnings a share in the six months to August were 5,6c (4,5c) a share

PresMed's directors said the proposed restructuring of the company would further streamline group activities and have a positive effect on long-term growth

Malbak surpasses market expectations

B/Day 22/10/93

MARCIA KLEIN

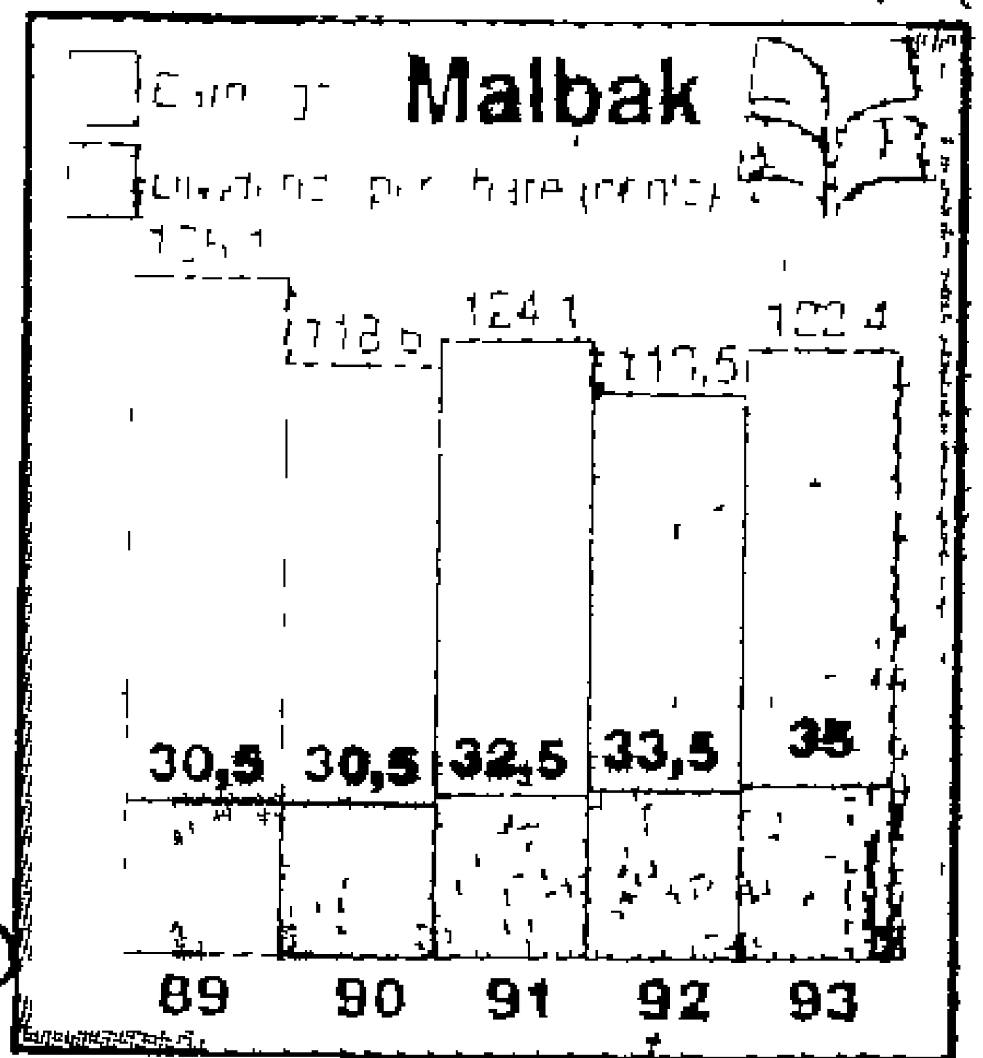
FOOD, packaging, health care and branded consumer products group Malbak increased attributable earnings 14% to R374m (R329m) in the year to end-August, ahead of market expectations

Malbak's share price edged up 25c a day in the past three days to close at R14 yesterday, as results from major subsidiaries Foodcorp, Holdains, SA Druggists and Ellerine indicated that it would do better than merely maintain earnings a share, as suggested by executive chairman Grant Thomas at the interim stage.

Earnings a share increased 8% to 122,4c (113,5c) on additional shares in issue. They were down 1% at the interim stage. (232)

Thomas said trading conditions remained difficult and consumer spending continued to decline But a concerted export drive helped lift sales 10% to R11bn (R10bn). Fierce competition and pressure on gross margins resulted in a 7% rise in operating income to R820m (R766m).

Reduced borrowings (from rights issues in Holdains and SA Druggists and control of working capital) and lower interest rates resulted in a 27% drop in finance charges to R132m (R182m), with interest



Graphic LEE EMERTON Source MALBAK

cover increased to 6,2 (4,2) times. Pre-tax income rose 18% to R688m (R584m).

A lower taxation rate and the benefit of adjustment in the deferred tax provision (R11m or 3,6c a share) saw after-tax income increase 20% to R479m (R398m).

Income from associates was lower, largely due to the sale of Standard Engineering. A net extraordinary profit of

□ To Page 2

Malbak

B/Day 22/10/93

□ From Page 1

R34m reflected a R105m profit on sales and closures of major business units, offset by goodwill on acquisition. (232)

A final dividend of 22,5c a share brought the full-year dividend to 35c (33,5c).

Thomas said the balance sheet reflected the good cash flow performance of operations and the rights issues Gearing dropped to 16,2% (29%) More than R1bn in cash was generated, and cash available from operations increased 35% to R361m.

Malbak had always had an opportunistic flair, and any future acquisitions would be "within the consumer focus of Malbak"

The results vindicated its decision to focus on consumer-related businesses. They had been achieved largely through cost reductions and productivity improvements, Thomas said.

Earnings of the core businesses grew 29% to make up 75% of group earnings

Food interests, held in Foodcorp, had a good year despite competitive conditions, and contributed 20% of earnings. Paper and packaging operation Holdains improved its results and maintained its relative contribution at 17% SA Druggists' earnings rose 30%

In the branded consumer products division, furniture retailer Ellerine and Malbak Motor Holdings did well, substantially increasing their contribution to group earnings Tedelex was the only company not to show profit, but it reduced losses.

The international division's contribution fell to 8% (10%), largely due to the sterling's devaluation UK-based packaging business MY Holdings reported its third year of good earnings growth, and Eagle Freight did well But Protea International was affected by low demand for steel and a higher tax rate

The contribution from investments dropped, largely because of the sale of Standard Engineering ICL did well, but Haggie's results were disappointing

Thomas said a return to sustained economic growth was unlikely this year Growth in earnings would depend on its own efforts, including export promotion, productivity improvements and optimisation of new projects Malbak expected "a modest increase in earnings"

'No nationalisation plan'

Political Correspondent

THE gold mining industry could be nationalised in a new South Africa but the Chamber of Mines was not planning for such a scenario, the chamber's manager of corporate planning, Mr Johann Botha, said yesterday

He was speaking at a city conference on planning scenarios organised by Stellenbosch University's Institute for Futures Research

After delivering a paper on the development of strategic planning in the chamber, he was asked about the prospects of gold mines being nationalised

(232)

Mr Botha said the chamber operated on the underlying assumption that the mines would not be nationalised but he added "However, we could be nationalised "

CT 23/10/93

This could be done if the government forced all mines to belong to the chamber which could be controlled by the state "I hope and believe that it will not happen but that is a possibility," Mr Botha said

Siemens in deal to buy Telkor

ST Times (Buss) 24/10/93

By DON ROBERTSON

TELKOR, the telecommunications subsidiary of Reunert Group, is to be hived off to Siemens and Telephone Manufacturers of SA (TMSA)

The move is part of the unbundling of Barlows, of which Reunert is a subsidiary

Reunert has a turnover of R2,3-billion a year and its share price rose R3 on Friday to R48, for a R6 gain on the week (232)

It is believed that perhaps all five divisions in Telkor will go to Siemens and TMSA.

The companies are reluctant to discuss details of the deal A spokesman says Siemens is unable to comment because of JSE regulations

Reunert managing director Tony Ellingford was in meetings on Friday Fred Williams, TMSA managing director, refused to comment David King at Telkor is on leave.

Siemens, part of the German-based electronics and electrical engineering conglomerate, has ties with Reunert.

Siemens and Reunert subsidiary GEC Alsthom SA merged their electric-motor businesses this year

TMSA, a 67%-held subsidiary in Reunert, makes public telephone exchange systems under licence to Siemens in Germany as well as SA-designed subscriber apparatus

In another unbundling move Reunert acquired information technology group Persetech Holdings last month as well as Panasonic, Nashua and Airomatic for R459-million Reunert has split its shares five for one to increase marketability

COMPANIES

Gencor budgets for Oryx loss

ANDY DUFFY

MINING house Gencor has set aside more than R500m to cover potential losses in Oryx, just three weeks after the group went public on the funding crisis threatening the developing gold mine B/Day

In what it dubbed a "prudent" measure, Gencor has taken a R505m provision in its year-end accounts to cover the cash it has pumped into the Free State mine

Gencor, a 62,7% stakeholder in Oryx, provided most of a R979m loan to Oryx in 1991 with Genbel, Sanlam and Anglo American lending the balance But gold company Gengold warned this month that Oryx could need an extra R900m, after poor initial grades forced its break-even target to be delayed by three years

Chairman Brian Gilbertson said Gencor was not writing off its investment in Oryx, and that it had not ruled out the possibility of Oryx recovering. But the provision was vital, given the amount of extra cash Oryx could need "The initial grades are substantially lower than those hoped for. It is going to take more time and money for the mine to break even"

Gencor had to wait until December when a full assessment was available on Oryx's future before making its decision "What do I do until that statement is made? It's prudent to make the provision," Gilbertson said. 25/10/93

All the geological and technical calculations for the mine were being revised. Gencor would be "disappointed" if the revised break-even date of 1997 could not be brought foward (232)

Gencor has been expected to continue supporting the mine But Genbel and Sanlam, which together hold more than 30%, are thought to be reluctant to spend more on Oryx Gengold sources fear at least one shareholder could withdraw.

Gilbertson declined to say what impact its provision could have on other Oryx shareholders, saying only that Gencor could not run on the basis of trying to "influence some other company to do something or not to do something"

Unbundling deal underpins Gencor

B/Day 25/10/93

ANDY DUFFY

MINING house Gencor managed a slight increase in earnings for the year to August, as one-off gains offset a bruised operating performance. (232)

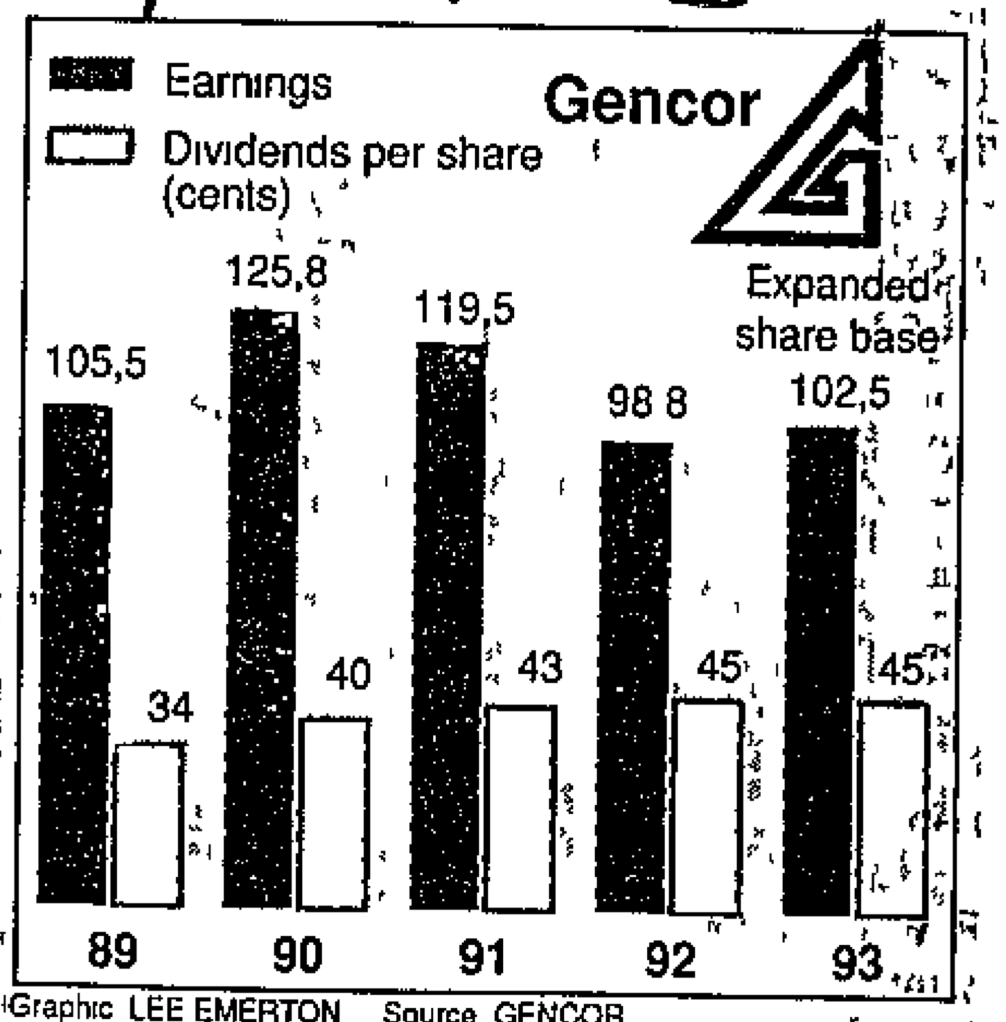
The group, which is on the brink of unbundling, pushed attributable income up 12% to R1,4bn, leaving earnings on an expanded share base up 4% at 102,5c a share

But the figures, announced today, relied heavily on transaction income trebled at R226m by gains stemming from Gencor's dismantling, and a R100m tax writeback

Underlying income from operations including gold company Gengold, ferroalloy producer Samancor and paper and pulp arm Sappi fell 6,3% to R1,09bn, cutting earnings by 13,1% to 79,5c a share

The group also sustained a R505m extraordinary charge against its investment in Free State mine Oryx, and a R100m charge for future medical aid costs A gain of R529m on the disposal of shares cut the below the line charge to R54m

Chairman Brian Gilbertson said although the decline was disappointing, the results "reflect a sound operating performance in the circumstances". The dividend was held at 45c.



Graphic LEE EMERTON Source GENCOR

The results will be the last Gencor presents in its current form. The group is to distribute its shares in non-mining businesses to shareholders in a R6,9bn deal, as part of a plan to transform itself into an international mining house

It was the first step of this plan — a R862m share swap with investment arm Genbel in July — which underpinned the results The deal, in which Gencor secured

☐ To Page 2

Gencor

B/Day 25/10/93

☐ From Page 1

Genbel's overseas and mining interests in exchange for industrial holdings, gave Genbel a R352m surplus, half of which was reflected in its contribution to Gencor.

But strong performances from energy company Engen and consumer products business Malbak were offset by Sappi, where collapsing prices helped cut its contribution nearly 40% to R115m (232)

Engen's earnings rose 13% to R480m, though this owed more to a wholesale price rise than to market growth Its contribution to the group was limited to a 5% rise to R271m due to Gencor reducing its holding. Strict cost controls lifted Malbak's contribution earnings 12% to R147m

The contribution of companies that Gencor will be left with after unbundling — Gengold, platinum producer Implats, coal producer Trans-Natal, Samancor and minerals — rose 7,5% to R646m (232)

Higher yields and lower costs at Gengold pushed attributable income to R106m (R102m), while lower capex at Implats lifted its income to R99m (R98m) Gilbertson said the contribution from both was likely to rise this year.

Trans-Natal fared less well Though export sales rose, a fall in financing income and higher tax cut its contribution to R78m (R87m)

Despite radical cutbacks, Samancor was battered by falling prices, forcing its attributable earnings down 30% to R101m.

The contribution from international business fell from R7m to R2m — a low base given Gencor's international aspirations Gilbertson said talks with Royal Dutch Shell to buy Billiton, its international mining and minerals operation, were proceeding well The deal is thought to be worth around $1bn.

Gilbertson declined to comment on the financing plan, adding only that the group had to bring in at least one international partner If commodity prices remained weak, Billiton would not be a "spectacular performer," he added An announcement was likely at the end of the year

He dismissed suggestions that Gencor's new direction could leave it at the mercy of the depressed commodities cycle The balance sheet was strong, and cash and liquid financial resources made up a fifth of its R12,1bn asset value

"The businesses are under pressure, but they're in a good position," he said "They're well financed and making profits, despite the downturn."

● See Page 8

COMPANIES

Unidev reports a loss of R4,2m

MARCIA KLEIN

UNIDEV, the investment holding company which now has Prestige Housewares as its sole trading company, reported a loss of R4,2m (R728 000 profit) after extraordinary items to end-August 13/DCY

The company, which said yesterday that it and holding company Unicon intended to delist from the JSE, has compared results to end-August with the six months to end-June in the previous year because of a change in the year-end. 26/10/93

Unidev reported profit before finance costs of R1,9m, from R2,5m in the previous year. But finance costs of R1,1m (R1,4m) saw profit after finance costs drop to R725 000 from R1,1m in the previous year

The bottom line loss arose mainly from extraordinary items of R4,9m, which included taxes relating to periods before 1991 and current losses on discontinued operations (232)

After extraordinary items, Unidev's loss was 3,2c a share, compared with earnings of 0,6c a share to end-June 1993.

Directors said Hyperette, in which Unidev had a 31% interest, was placed in liquidation during the period

The interest in Medicor debentures, convertible into Southern Life shares, were disposed of to repay borrowings.

Prestige Housewares discontinued one of its divisions and disposed of some assets of that division below book value.

Yesterday Unicon and Unidev said that they wanted to delist and convert the shares held by minorities into redeemable preference shares. These shares would be redeemed by way of cash payments of 8c a Unicon share and 9c a Unidev share

The directors said details of the delisting would be posted to shareholders tomorrow.

Unicon, whose results are entirely dependent on those of Unidev, reported a loss of 2,8c (earnings of 0,5c) a share after extraordinary items.

Gencor earnings forecast tends to satisfy analysts

Star 26/10/93

(232)

BY DEREK TOMMEY

Analysts are generally satisfied with the prospects for Gencor, outlined by chairman Brian Gilbertson in his annual statement to shareholders

But some say the dividend forecast is a little vague

Gilbertson is midly optimistic about Gencor's prospects after it is unbundled on November 5 and distributes its shares in Engen, Genbel, Malhold and Sappi to its shareholders as a dividend in specie.

He reports that four of the five remaining businesses — Gengold, Implats, Trans-Natal, Samancor and the minerals division — should show higher profits in the year to June 1994.

The weak spot is Trans-Natal, which had a 19,6 percent drop in earnings to R116 million in 1993-94, and could make commensurately lower contributions to group earnings this year

But he is hopeful that Gengold will benefit from the higher gold price

Based on the current price of Implats products, he is expecting increased earnings from this source as well as a modest increase from Samancor

Brian Gilbertson . . mildly optimistic.

Aluminium producer Richards Bay Minerals is expected to lift earnings of the minerals division

Had the unbundling occurred before the 1993 financial year, Gencor's total earnings in 1992-93 would have been 44,5c a share, while underlying operating earnings would have been 37,5c a share.

The write-back of tax provisions accounted for most of the difference

This compares with Gencor's actual earnings of 102,5c a share and cash earnings of 54,7c a share It paid dividends totalling 45c

Gilbertson says he would be disappointed if the 1993-94 underlying operating earnings did not exceed 37,5c a share

However, it is not operating earnings that will determine the dividend, but the cash earnings and the board will consider the 1994 dividend in the light of these

He says these cash earnings will be significantly lower than the 1992-93 pro-forma earnings of 35,6c a share

He adds that Gencor would like its dividends to be covered at least 1,5 times by cash earnings

This suggests that Gencor's dividends this year could be less than half last year's dividend

But analysts say that it is much too early to be precise about figures

With eight months still to go to Gencor's year-end, Gilbertson must be expected to be extremely cautious in his forecasts

Anglo plays key role in Zambian copper sell-off

B/Day 26/10/93

ANDY DUFFY

ANGLO American is playing a key role in deciding the fate of Zambia's soon to be privatised copper industry, before its planned takeover bid has even been tabled, it emerged yesterday.

Anglo's 50%-owned subsidiary Zambia Copper Investments (ZCI) said in its annual report that Anglo was working with the Zambian government and Zambian Consolidated Copper Mines in determining ZCCM's direction and financing

Anglo has an indirect stake in the mine through ZCI, which holds 27,3%.

The report said ZCI representatives were "reviewing ZCCM's strategic options and endeavouring to ensure that its substantial new capital requirements can be secured on an acceptable basis"

ZCI also mentions that it has pre-emptive rights on ZCCM should the Zambian government cut its stake to less than 50%.

Anglo was approached on the implications for the bidding process of its close involvement in ZCCM, and the terms of its proposed offer. No one from the company was available for comment yesterday

Anglo secured a direct stake in ZCI through last month's $1,4bn international asset swap with offshore arm Minorco

The group wants to take over ZCCM as part of a strategy to expand its African mining operations. (232)

ZCI said in its report that the amount of ZCCM to be sold off, and the timing of the privatisation, had still to be announced. The Zambian government has said, however, that it wants the sale to go through by the end of this year. (287)

ZCCM, which in the year to March produced 432 206 tons of copper, is carrying debts of $700m, but needs to spend about $2bn on vital development

ZCI said ZCCM had approved in principle the $545m Konkola Deep Mining project, which will provide 180 000 tons of finished copper a year Work on the scheme would start in 1994, should it secure financing.

Though the stake in ZCCM is ZCI's main investment, the company does not equity account its earnings. ZCI's pre-tax earnings for the year to June dropped nearly 30% to $0,49m.

Lower tax rate expected to boost SAB's earnings

BDay 27/10/93

MARCIA KLEIN

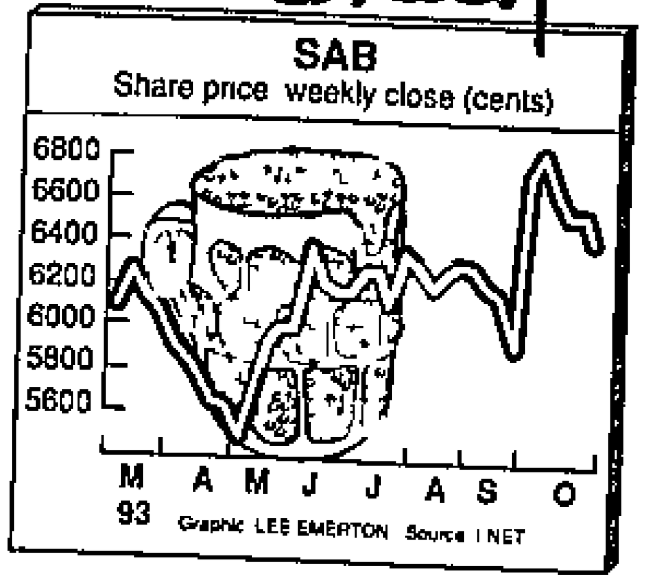
SA BREWERIES' (SAB) interim earnings to end-September, boosted by a lower corporate tax rate and improved efficiencies in its major operations, would show an increase of between 11% and 20%, analysts estimated

They said that as much as half of the growth would be attributable to the lower rate of corporate taxation

Nevertheless, they said this would be a good result given the fact that its major subsidiaries, which include the beer division, Edgars, OK, ABI, Lion Match, Da Gama, Afcol and Amrel, were dependent on private consumption expenditure.

While analysts agreed the beer and industrial group would show an improved result on the 5% earnings rise reported at the March year-end, they were divided on how Plate Glass & Shatterprufe Industries (PGSI), now a significant contributor to group profits, would perform

PGSI had shown a significant improvement in the second half of the previous year.



Analysts said that its offshore operations had done well, but they believed that local operations had felt the effects of declines in activity and increased competition

SAB's beer division, which is the backbone of the group's earnings, would not have experienced any increase in volumes

However, increased efficiencies and better earnings from exports and non-SA operations should enable it to produce an increase in earnings

Soft drink bottler ABI, like the beer division, would not see any increase in volumes Nevertheless, its earnings were expected to be about 15% to 18% up on the previous year.

Analysts said that there had been an improvement in retail sales in recent months

This should benefit the group's industrial interests — apart from OK Bazaars. OK was expected to show substantial losses, which would compare with a small profit in the previous year

Afcol would do substantially better, and Edgars would benefit from lower taxation (232)

Lion Match, which has issued a joint cautionary announcement with Consol, would also show good results (232)

Lion Match said this week that the negotiations were wide-ranging, but could not comment further at this stage

However, analysts said that the cautionary could refer to the sale of Lion's Interpak to Consol.

Oceana earns, pays more

Star 28/10/93

Despite a 3 percent drop in turnover, Oceana increased operating income by 16 percent to R42 million (R36,3 million) in the 12 months to September.

Attributable earnings rose 31 percent to R23,9 million (R18,2 million)

Higher profits reflect strong performances by its cold storage division and the abalone business.

Profitability was also lifted by a 53 percent increase in income from investments to R8,9 million (R5,8 million), while tax paid was largely unchanged at R23,2 million (R22,6 million).

Earnings a share rose 30 percent to 251,2c (192,8c). (232)

The group is paying a final dividend of 114c (90c), making 156c (120c) for the year. — Sapa.

whole page

FM . 29/10/93

HIGHLIGHTS

- "Go ahead" for major growth projects
  - Alusaf R7,2 billion – Columbus R3,5 billion
- Thrust to increase international interests
- Decision to unbundle Gencor
- Sound performance in difficult circumstances
  - Attributable income up 12%
  - Earnings per share up 4%
  - Dividend maintained

GENCOR

232

PROFIT ANNOUNCEMENT FOR THE YEAR ENDED 31 AUGUST 1993

AUDITED RESULTS

12 months to 31 August	1993	1992	% change
Attributable income *R million*	1 411	1 261	12
Earnings per share *cents*	102,5	98,8	4
Cash earnings per share *cents*	54,7	59,9	(9)
Dividends per share *cents*	45	45	
Net assets *R million*	18 626	18 446	1
Net assets per share *cents*			
– at 31 August	1 354	1 341	1
– at 21 October 1993	1 271		

HIGHLIGHTS FROM THE CHAIRMAN'S REVIEW

The 1993 year was remarkable for a number of decisions that will have an enduring effect on the future of the group These included the "go ahead" for two major South African projects, a thrust to increase our international interests, and the unbundling of the Gencor group

These decisions were taken against the background of a business environment that proved to be quite as difficult as I anticipated a year ago Weak economic conditions persisted throughout the financial year in many of the major industrialised nations, resulting in weak demand for most of the group's export products In this difficult environment, our group companies were generally able to maintain, and in some cases even increase, sales volumes However, the weak markets and increased competition took their toll on US dollar export prices At best these remained around the previous year's depressed levels, but generally dollar prices were lower than this Although the effects of the lower US dollar export prices were softened marginally by a weaker exchange rate, the benefit of this weakness will only be reflected in our results in the coming year

Domestic trading conditions were also difficult In particular, the level of consumer spending remained depressed as personal disposable incomes continued to be squeezed by increased unemployment, lower wage increases and higher effective taxes as a result of fiscal drag In addition, heightened political uncertainty and an alarming increase in the level of violence eroded business and consumer confidence.

Despite these unfavourable circumstances, Gencor managed to increase its attributable earnings by 11,9 percent to R1 411 million After accounting for an 8 percent increase in the average number of shares in issue during the year, attributable earnings per share increased by 3,7 percent to 102,5 cents per share This increase was due largely to our share of Genbel transaction surpluses associated with the unbundling of the group, and to the favourable finalisation of previously unresolved Gencor tax items Our underlying operating income, which excludes transaction surpluses and once-off items, declined by 6,3 percent to R1 094 million or by 13,1 percent to 79,5 cents per share Cash earnings declined from 59,9 to 54,7 cents per share, though a dividend of 45 cents per share was maintained on the increased number of shares in issue Whilst the decline is of course disappointing, these results reflect a sound operating performance in the circumstances, particularly after allowance is made for our investment during the year of some R600 million of cash in developing projects

The combined contribution of the companies and assets which will constitute Gencor after unbundling, which topic is commented upon in more detail below, increased by 7,5 percent to R646 million The aggregate contributions of the companies being unbundled increased by 15,9 percent to R765 million Although the underlying earnings of Engen, Malbak and Genbel were significantly higher, their increased contributions were more than offset by the effects of a sharp fall in Sappi's earnings, and so the combined increase in the contributions of these companies was entirely due to our share of the Genbel transaction surpluses referred to above

There was little if any growth in the domestic market for Engen's products and the company did well to increase its earnings by 13 percent to R480 million The R600 million phase 1 expansion of the Genref refinery, together with the wholesale margin increase awarded last year, was the main reason for Engen's improved performance Due to a reduction in our interest in the company during the year, Engen's contribution to our 1993 earnings increased by only 5 percent In spite of an uncertain business environment, Engen expects to at least maintain this year's level of earnings in the year ahead

The depressed level of consumer expenditure throughout the 1993 financial year made trading conditions extremely difficult for all of

whole page

FM . 29/10/93

Malbak's divisions In spite of these adverse circumstances, concentrated efforts to improve productivity and quality, to control costs and to achieve working capital efficiencies, were rewarded by an increase in Malbak's earnings to R374 million, a 14 percent improvement on the previous year Malbak is budgeting for a modest increase in earnings in the coming year (232)

At technical level, Sappi's performance during the period under review was good However, its financial performance was dominated by the effects of the substantial fall in the prices of virtually all of its products Consequently, its earnings of R260 million for the 12 months to 31 August 1993 were almost one-third lower than those achieved during the previous 12 month period The relative decline in Sappi's contribution to Gencor's earnings over the same period exceeded this, due to a reduction in our interest in the company towards the end of the financial year

Genbel's distributable earnings, which have in the past been largely dependent on the fortunes of South African commodity exporters, increased by a modest 5 percent However, its net transaction surpluses increased by almost R300 million, of which half was reflected in the substantial increase in Genbel's contribution to our earnings These surpluses arose mainly from a pre-unbundling exchange transaction between Gencor and Genbel, in terms of which Gencor acquired certain strategic interests from Genbel, including its investment in TransAtlantic Holdings PLC Genbel is expecting a slight increase in earnings in its 1994 financial year

With the exception of dividend income on the interest which we will retain in Malbak after unbundling, Gencor's results will not be affected by those of the above four companies in the coming year

A net extraordinary loss of R54 million was reported "below the line" The main components of this figure were a large net surplus on the disposal of capital investments (R529 million), offset by provisions in respect of our shareholder loans to Oryx (R505 million), and in respect of future medical aid costs for retired employees (R100 million)

The unbundled Gencor

Gencor's unbundling was approved by the overwhelming majority of shareholders at a general meeting held on 31 August 1993 and our holdings in Engen, Genbel, Malhold and Sappi will be distributed by way of a dividend in specie to shareholders registered on Friday, 5 November 1993 Shareholders will receive Malbak shares in lieu of their Malhold entitlements in terms of that company's unbundling, and all share certificates due to them will be posted by Friday, 12 November 1993

I believe that Gencor will emerge from unbundling with the critical mass and financial resources necessary to compete in the international resource business At 31 August 1993, our pro-forma net assets amounted to R12,1 billion and the balance sheet was probably one of the strongest in the international resource sector, with no net debt, and cash and other liquid financial resources of R2,3 billion, or nearly 20 percent of total assets

Gencor will henceforth comprise the five mining and metals businesses Gengold, Implats, Trans-Natal, Samancor and the Minerals division (the latter comprising mainly of our important interests in Richards Bay Minerals and Alusaf) It is therefore pleasing that each of these businesses has achieved a sound technical performance in the difficult economic circumstances

Faced with no assistance from the gold price, Gengold's management concentrated its efforts throughout the period on the basics of gold mine management They were rewarded by an increase in the average gold yield achieved, and a one percent reduction in average production costs per kilogram compared to the previous year As a result, Gengold's dividend contribution to Gencor's earnings rose by almost 15 percent The percentage increase in its total contribution to our earnings was less than this due to reduced fee income earned by Genmin from this source We are hopeful that the higher rand gold price will result in an improved contribution to our earnings from Gengold in the 1994 financial year

As a result of effective management action, including significant rationalisation and re-organisation, Implats' mining, metallurgical and refining operations all performed well during the 1993 financial year This was reflected in record platinum sales volumes and a 9 percent decrease in unit production costs However, the prices received by Implats for its products generally reflected their lower international prices and, principally as a result of the much lower rhodium price, Implats' revenue did not keep pace with its increased sales and production volumes As a result, Implats' attributable income declined by 22 percent to R201 million However, its contribution to our earnings increased slightly due to lower capital expenditure appropriations Based on the current market prices of Implats' major products, an increase in its earnings is expected in the year ahead

Trans-Natal maintained its operating income for the year ended 30 June 1993, notwithstanding adverse market conditions The company's solid operating achievement can largely be attributed to increased export sales volumes and the containment of cost increases However, a reduction in financing income and an increased effective tax rate, caused income after tax to fall by 19,6 percent to R116 million Trans-Natal's contribution to our earnings declined commensurately and could again be lower in the coming year

Samancor has already taken various steps to counter particularly adverse developments in its major markets during the year Significant rationalisation of the organisation has taken place and ferrochrome output has been reduced to a rate of 500 000 tons per annum, equivalent to only 50 percent of installed capacity In addition, important strategic alliances have been developed, in particular with Nippon Denko Corporation of Japan as regards ferrochrome and also with the major French alloy producer Societe du Ferromanganese de Paris-Outeau (SFPO) Flowing from the latter relationship, the Gencor group will also acquire a 15,1 percent stake in the Gabonese manganese ore producer, Comilog However, the depressed markets had a severe impact on Samancor's 1992/93 results and its attributable income declined by over 35 percent to R176 million, and its contribution to our earnings fell in line with this. A modest increase in Samancor's contribution to our earnings is expected in the coming year

The contribution of the Minerals division increased significantly during the year This was largely due to our acquisition, with effect from 1 January 1993, of an additional 25 percent interest in Richards Bay Minerals (RBM), taking our total interest to 50 percent RBM's earnings also rose significantly Alusaf increased its earnings in spite of weak aluminium demand and a further decline in the average LME three month price Weak markets resulted in a decline in the earnings contributions from this division's other investments, which are principally in the granite industry The contribution from the Minerals division is budgeted to increase in 1994 because of our increased interest in RBM.

The combined contribution of the above operating divisions in 1993 was slightly lower than in 1992. Exploration expenditure was slightly higher, of which less was spent locally and more internationally than in the previous year Net after tax investment income earned by Gencor at the centre in 1993 was well up on the previous year's figure This was due to the favourable finalisation of previously unresolved tax items, which allowed conservative provisions of some R100 million made in 1991 to be written back Investment income before taxation, consisting principally of net earnings on Gencor's surplus funds, was slightly down, mainly because of lower money market interest rates Following unbundling, Malbak will cease to be an associated company and we will in future only bring dividend income to account on our retained investment in the company Notwithstanding the future inclusion of this income in the investment category and the additional income on our increased interest in TransAtlantic, the net after tax corporate contribution to our investment will be lower in 1994 This is due to a reduction in the level of Gencor's surplus funds (as a result of ongoing investment in the group's developing projects), and the reversion to a normal tax charge

The major projects

My review last year noted that we were close to taking a final decision on the Columbus stainless steel expansion project, and on the expansion of Alusaf I am particularly pleased to report that both of these major projects, which are aimed at creating world-scale, internationally competitive businesses, while increasing the proportion of our income that derives from beneficiated products, were approved early in the financial year, and are progressing well

During December 1992, the Columbus stainless steel expansion project – in which we have the Anglo American Corporation and the Industrial Development Corporation as our partners – was approved at an escalated capital cost of R3 500 million After completion of the expansion in 1995, Columbus's stainless steel output will rise

Continued overleaf

P T.O

whole page
FM 29/10/93

■ Decision to unbundle Gencor Beherend 232

■ Net asset value per share based on:

– Gencor market value 1 005 cents

– Gencor's underlying asset value 1 226 cents

GENCOR
BEHEREND

Profit announcement for the year ended 31 August 1993

	1993	1992 (audited)	% change
Attributable income (R million)	**773**	687	13
Earnings per share (cents)	**92,7**	89,2	4
Cash earnings per share (cents)	**40,8**	41,3	(1)
Dividends per share (cents)	**40,4**	40,0	1
Net assets* (R million)	**8 384**	8 270	1
Net asset value per share* (cents)			
– On 31 August	**1 005,4**	991,8	
– On 21 October 1993	**842**		

*based on Gencor market value

Gencor Beherend is an investment holding company with a 54,9 percent holding in Gencor Limited Shareholders are referred to Gencor's profit announcement which is also published today

Final dividend

A final dividend for the year to 31 August 1993 of 26,1 cents (1992 – 25,7 cents) **per ordinary share was declared, payable on 25 November 1993 to shareholders registered on 5 November 1993.**

A profit announcement giving more detailed information will be mailed to shareholders Copies may also be obtained from the Secretary at the address given below

On behalf of the board

B P Gilbertson
D N A Hunt-Davis

Johannesburg
25 October 1993

Gencor Beherend Beperk
(Registration number 53/01008/06)

84 Marshall Street
Johannesburg 2001
P O Box 61820
Marshalltown 2107

JONSSONS

P.T.O.

Gencor ready to fall apart

S/ Times (Buss) 31/10/93

By JULIE WALKER

FRIDAY will be the last day Gencor exists in its current form before it distributes shares in its industrial subsidiaries and becomes a mining-only house

For every 100 shares held in Gencor, owners will receive 5,6 Engen, four Sappi, 15,7 Genbel and 4,3 Malbak as dividend The principle of unbundling was broached in March when Gencor was trading at R10 a share, Sappi R25, Malbak R15,50, Engen R44,65 and Genbel 570c

Now, Gencor is 950c, Sappi R20,25, Malbak unchanged, Engen R33 and Genbel 540c

Dreadful results are behind the fall in Sappi. Although Engen produced good figures, uncertainty surrounds fuel deregulation and a potential overhang of shares after the unbundling

Gencor pyramid holding company Genbeheer will be delisted. Holders of 100 Genbeheer will receive 90,6 Gencor, 14,2 Genbel, 3,6 Sappi, 5,1 Engen and 3,9 Malbak. Sankorp and Genbel will help to round off odd lots

Malbak pyramid Malhold will also go

In March, Gencor was trading at a 30% discount to net asset value In July, it undertook transactions with Genbel It bought from Genbel R512-million of foreign operations, shares worth R114,3-million in Impala Platinum, R13-million in Kinross, R30-million in Trans-Natal, and R84-million in Winkelhaak

These were exchanged for Engen shares worth R381-million, the same value of Sappi and R100-million of Beatrix

Results for the year to August included a net asset value of 1 271c at October 21

Income for the year of R871-million was 17% down on 1992, but a balance sheet flush with cash and liquid assets of R2,3-billion allowed finance costs to fall by a quarter to R62-million Exploration and project costs were up at R99-million, giving pre-tax income total of R715-million — 18% down (232)

The fortunate resolution of tax problems led to a write-back of R100-million of the sum provided in 1991 Gencor's tax fell from R109-million to R38-million, leaving consolidated income little changed at R753-million

A third jump in equity-accounted income to R658-million arose largely from Gencor's share of the surplus on Genbel's investment transactions — R221-million The pre-unbundling exchange gave Genbel a surplus of R352-million, of which Gencor received R176-million, or 12,8c a share

Extraordinary items jumped by R44-million to a net R54-million, being the amount by which the R529-million capital-investment disposal proceeds fell short of the R505-million lent to battling Oryx gold mine and another R100-million for future medical-aid costs of retired employees

Post-unbundling Gencor will comprise five mining divisions Gengold, Impala, Trans-Natal, Samancor and minerals, as well as international business and exploration These Genmin businesses netted R361-million profit in the year to August 31, about a quarter of the Gencor total

Earnings a share edged up 4c to 102,5c and the dividend was maintained at 45c

☐ Gencor excluded journalists from a presentation on its results and prospects to selected analysts this week.

S I Times (Buss)
31/10/93

new SA campaign

WHAT may be the real reason Gencor opted to retain 20% of Malbak instead of passing it on to shareholders emerged this week.

Malbak chairman and Gencor director Grant Thomas told the Investment Analysts Society in Johannesburg that Gencor needed to raise foreign finance if it was to buy Billiton, Shell's metals and minerals operations

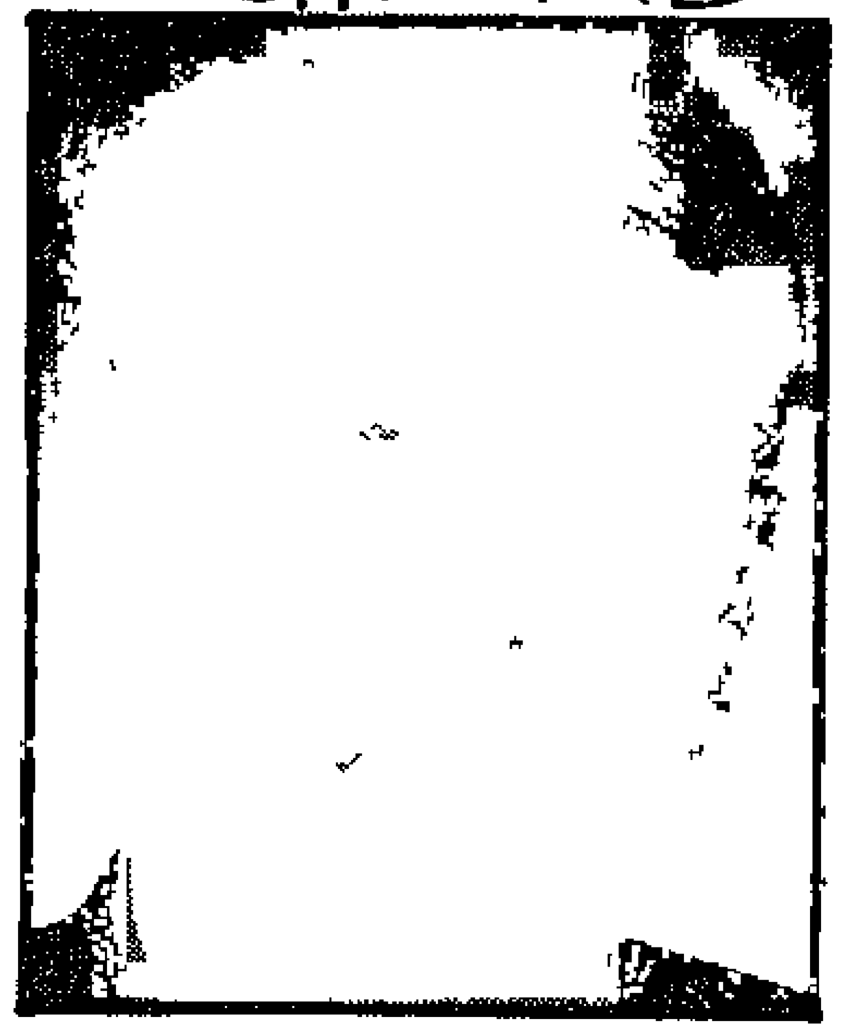
Gencor's 20% could be held in trust and used as security against which a dollar or Swiss franc equity-linked bond could be issued for conversion into Malbak shares five years hence

Mr Thomas says "Malbak does not agree to this because it could mean a flood of Malbak shares coming on the market I can't take the risk of that quantity of Malbak shares being converted on a single date and all coming back on the SA market

"We require a caveat that not more than 2,5% of the Malbak shares should be converted in any year and believe that no more than 12,5% of Malbak shares should be involved"

Does he have any influence on what Gencor does with its Malbak shares?

"Well I am on the Gencor board



GRANT THOMAS

and do have a say," is his reply

He says that even if the Billiton deal does not go through — he gives it a 20% chance — the Malbak shares in Gencor's hands should not be seen as an overhang on the market

"It would be against the interests of both Gencor and Genbel to dribble Malbak on to the market

"Besides, there are two fund managers in this audience tonight, one of whom has made a written offer to Gencor for half its Malbak shares, while the other is seriously interested in the whole lot But Gencor has R1,5-billion cash of its own — enough to see it through — and sees us as a very good investment

"However, Brian (Gilbertson — Gencor's chairman) says he will accommodate us if we need shares for anything" (232)

Mr Thomas conditionally forecasts a modest improvement in earnings for the year to August 1994

In the past year, attributable earnings were lifted 14% to R374-million A larger number of shares were in issue after a rights issue and earnings a share rose 8% to 122,4c Cash flow a share was 118c and the net asset value of R8,97 is comfortably exceeded by the share price of 1450c

The sales of Darling & Hodgson and Standard Engineering, plus proceeds from the 1991 rights issue, leave the greater Malbak group with cash of R1-billion

Mr Thomas regards Malbak's holding this money as a virtue "It is earning 9% at the moment, far less than the return on our investments But I believe that the next five years will be characterised by peaks of optimism and valleys of despair for the country and that good opportunities will arise during those valleys — which will be exactly the wrong time to start raising money

"That's why we have built a war chest and if I stand here next year and the money has not been invested, well, so be it

"I don't know if the strategy is correct, the jury is still out But I do know that my own holding in Malbak is my single biggest personal asset and the same goes for the other directors We think this is the right tack"

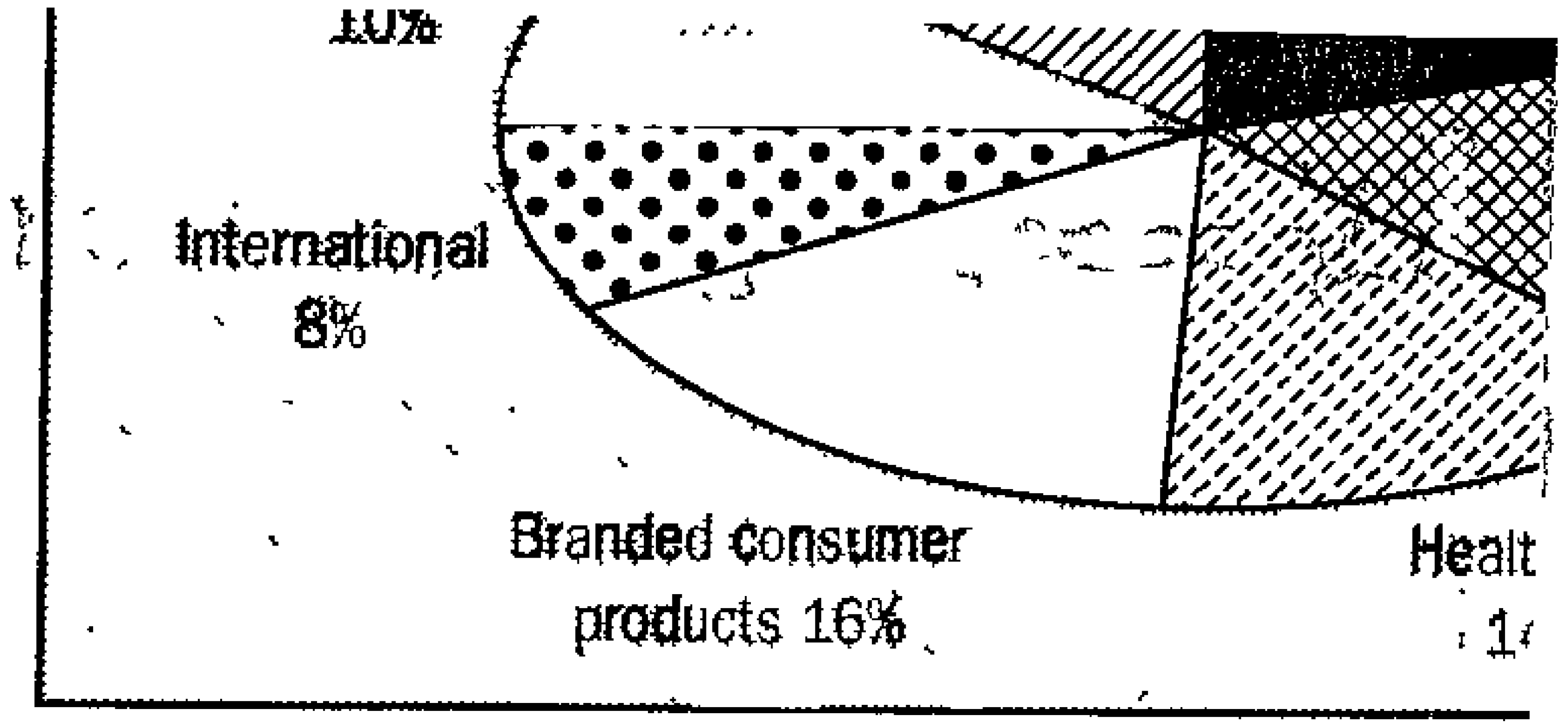
Mr Thomas attributes Malbak's success in the past few years to several things, the most important being charged-up management

A breakdown of the contributions to the R374-million earnings shows that the investment and corporate division chipped in a quarter — largely from the cash, ICL and Haggie Foodcorp contributed 20[illegible] Holdains 17%, SA Druggists 14[illegible] branded consumer goods, such [illegible] Malbak Motor Holdings, Ellerine and loser Tedelex, 16% Finally, th[illegible] international interests of MY Hol[illegible] ings, Eagle Freight and Protea Inte[illegible] national made 8% of the profit

Mr Thomas expects benefits f[illegible] Foodcorp from the merging of R[illegible] nown with Enterprise and better eff[illegible] ciency from the Cold Chain in whic[illegible] Foodcorp recently took 50% T[illegible] Chilean fish-meal and processir[illegible] factory should start to make profi[illegible] this year

The Pillsbury-Table Top joint ve[illegible] ture gives access to 100 Pillsbu[illegible] sites worldwide where Foodcorp ca[illegible] procure or sell

Holdains bought Crown Cork SA - neglected by Crown Cork US durin[illegible] sanctions, according to Mr Thoma[illegible] — and is slowly restoring its profita[illegible]



Graphic FIONA KRISCH Source: MALBAK

DIAGONAL STREET

Malbak sets aside a war chest for its new SA campaign

S I Times (Buss)
31/10/93

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Mr Thomas expects benefits for Foodcorp from the merging of Renown with Enterprise and better efficiency from the Cold Chain in which Foodcorp recently took 50% The Chilean fish-meal and processing factory should start to make profits this year

The Pillsbury-Table Top joint venture gives access to 100 Pillsbury sites worldwide where Foodcorp can procure or sell.

Holdains bought Crown Cork SA — neglected by Crown Cork US during sanctions, according to Mr Thomas — and is slowly restoring its profitability Crown Cork SA has approved four projects which are now before the American principal

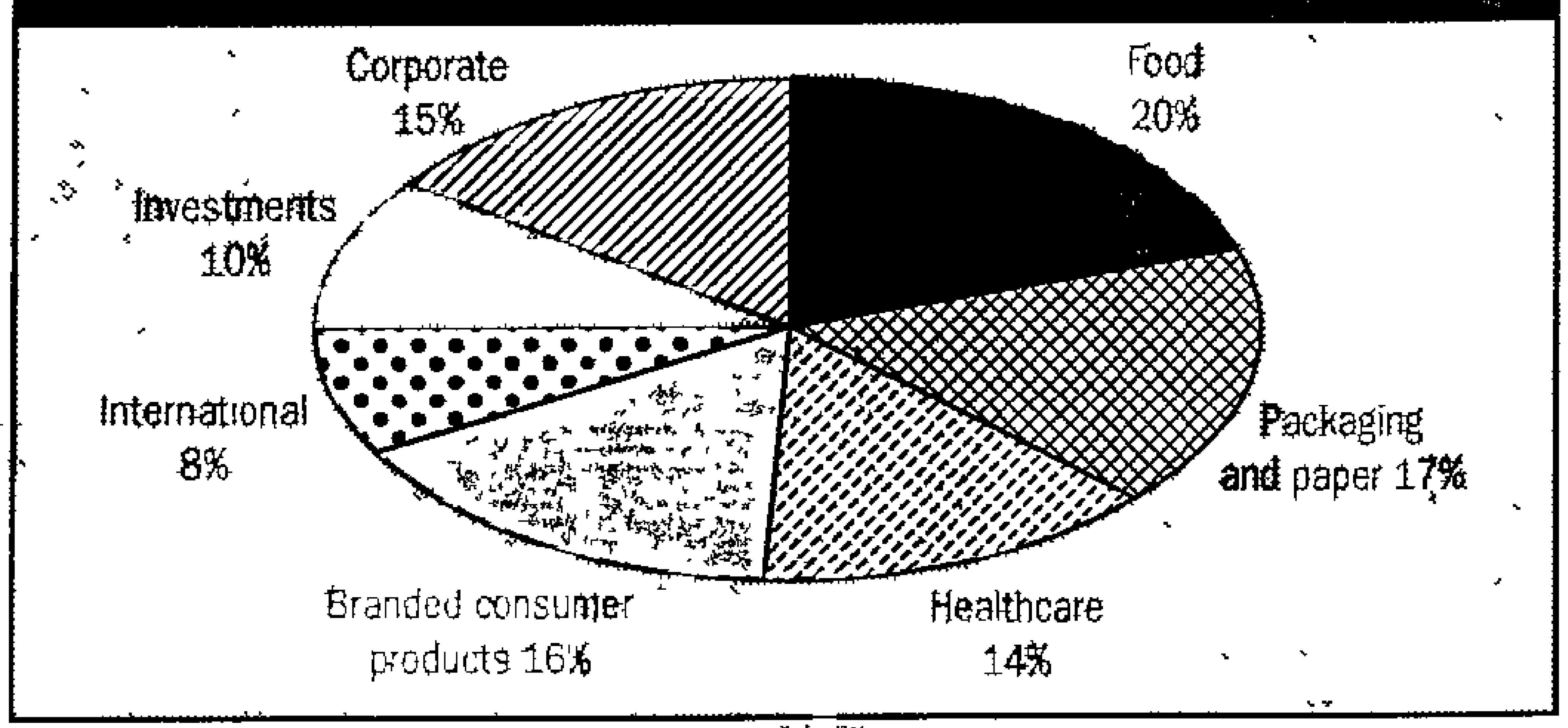
Mr Thomas expects good things from SA Druggists' Akromed babyfood and Intramed intravenous fluids factories Intramed has wiped out nine months of commissioning losses in three months and is operating at world-class efficiency

SA Druggists will launch 41 products this year and hopes to make gains in generic medicines

Internationally, debt in Tawneydown — the vehicle for Malbak's investment in MY — has been repaid. Gearing is only 4%, all factories are making money and earnings grew by 15% to 3,9p a share

Mr Thomas says the group's excellent companies — focused, financially disciplined, cash flush and well managed — are ready for rapid growth

Malbak - Divisional contribution to group earnings 1993



Graphic: FIONA KRISCH Source: MALBAK

Health Writer David Robbins went to Gazankulu and found thousands of refugees in two minds about going home

Fears of going home grip refugees' hearts

Star 4/10/93

(236)

Cold weather closing in, dust sifting between ragged rows of shacks and huts; smoke blowing; children driving a donkey cart with wood for sale, and the faces of thousands of refugees from a war in Mozambique which is no longer being fought.

As many as 10 000 in this camp alone. It lies on the flat earth, clinging to the eastern edges of Giyani, capital of self-governing Gazankulu which, in the bad old days of Bantustan planning, was meant to be home to South Africa's Tsongas and Shangaans Most of the refugees are also Tsongas who, before the war, were separated from their South African cousins only by the Kruger National Park.

Food for the refugees comes from Operation Hunger, the South African Council of Churches, and the Catholic Church.

A timber and thatch-built school stands to one side Here, in a packing case, is a sewing group

Democratic elections

But earlier this year the clinic, serviced by the Gazankulu government and the French organisation, Medicins Sans Frontiers, was at last moved to a more solid venue

The guns are silent these days in Mozambique, though. The United Nations is in the process of disarming both Renamo and Frelimo troops, of building a combined security force to cope with the democratic elections scheduled for one of Africa's poorest countries in October next year

Time for the refugees to go home?

Yes, say the authorities in Gazankulu, although they have stated that they won't throw the refugees out. Yes, says South African officialdom, anxious not to be caught with an embarrassing problem if and when reincorporation of Gazankulu takes place. Yes, says the United Nations, although the organisation's interventions in Mozambique are moving slower than everyone had hoped.

But for the people concerned, the refugees, there's doubt and uncertainty They've not had it easy That donkey cart is selling firewood because there's a ban on wood collection by refugees Last month, at a camp situated to the east of Tzaneen, thousands of refugees were left homeless when the local tribal authority instructed workmen to demolish homes which, it has been claimed, were encroaching on a valuable grazing area.

Yet Gazankulu, which is currently hosting nearly 50 000 Mozambicans at various refugee centres, has for the past decade provided a haven for people shattered by the war Refugees outside the borders of the homeland are still arrested by South African security forces as illegal immigrants

Many thousands of Mozambicans have suffered this fate, many thousands more have reached the sanctuary of Gazankulu at great cost Not a few of them lost their lives on the electric fence and in the game reserve as they tried to make the crossing.

But now, the surviving refugees are being caught between the pressure to return and the fear of giving up what security and economic infrastructure they have been able to find in Gazankulu.

"What will we go back to?" asked Orlando Maluleke, a refugee school teacher who has been in Gazankulu for eight years "I am here to save my life I love my country, but I feel safe here I am teaching in the school in the camp. My children are at school. Here is a clinic and I am receiving some food. But in Mozambique? Has everything not been destroyed?"

Reports filtering back from western Mozambique indicate that this is the case Some refugees making use of the transport laid on by the South African Defence Force at Phalaborwa and Parfuri have returned on foot to the Gazankulu refugee camps. Their reports are summarised by the concerns expressed at a recent meeting with the United Nations High Commissioner for Refugees

The Mozambican refugees say

- They will go back only if there is peace and security and protection from Renamo.
- They want all landmines to be removed from roads and pathways.
- They do not want to be forced into the 45 camps prepared for them in Mozambique, but rather want assistance to go back to their original homes.
- They want to be assured of basic infrastructure like schools, health facilities and clean water supplies.

Bloody change

People are now urging us,' said Maluleke, who still teaches the refugee children in Portuguese 'They are saying go home, the war is over But we are anxious. We want guarantees.

Who can give these? In the uncertainties of a turbulent continent, and in the imperatives of South Africa's bloody transformation, perhaps no one can Perhaps the displacement of war will now be followed by an equally shattering displacement of peace

In Gazankulu today, tens of thousands of Mozambican refugees are peering anxiously into the future Perhaps they have been here too long. Although they still buy their fuel from donkey carts, their clinic has at last moved from its original packing case to a more permanent brick-built home

Undecided . . despite what the authorities and relief agencies say, Mozambican war refugees are not in a hurry to return home

Pik opens the road home for thousands

Weekend Argus Correspondent

MAPUTO — South Africa has pledged to give about 250 000 Mozambican refugees "every support" in getting back to their homeland

Speaking at the signing of an agreement between South Africa, the Mozambican government and the United Nations High Commission for Refugees in Maputo yesterday, the Minister of Foreign Affairs, Pik Botha, said the agreement signified the opening of the way home for hundreds of thousands of Mozambicans in South Africa

Mr Botha said the agreement, which calls for the establishment of a commission to finalise plans for the return of the Mozambicans in South Africa, signified the "tremendous change occurring in Southern Africa"

"This agreement is proof of the success being achieved in the region in ending bloodshed and war and in persuading international nations not to forget us," he said at a Press conference at the Polana Hotel

He said the agreement was a "message to other nations that this is the way to solve problems"

The aim of the agreement, signed by Mr Botha, the Mozambican Minister of Co-Operation, Oldimiro Baloi and the UN's High Commissioner for Refugees in Africa, Nicolas Bwakira, is to facilitate the repatriation of Mozambicans

Mr Bwakira added that it would help "cut through the bureaucratic red tape" and facilitate "swift and orderly" repatriation

Mr Botha offered further help in the training of both Mozambican government and Renamo forces to lift thousands of landmines

Mr Baloi said it was hoped refugees could return to the country before the planned elections next year. If they had not returned they would not be able to vote

Issues discussed at the meeting included the registration and documentation of refugees, transportation and the selection of border crossing points

■ See page 18.

(23b) ARG 16/10/93

Battle to stop the flow of illegal aliens

236

ARG 16/10/93

■ Policemen working for the Aliens Control Unit are fighting a difficult battle to stem the tide of illegal immigrants pouring into South Africa. A report by **CYRIL MADLALA**, Weekend Argus Correspondent.

THERE are estimated to be more than a million illegal immigrants on the Reef alone

And Sergeant Willem Lottering, head of the Aliens Control Unit (ACU), said the unit's efforts were "like pouring water through a sieve"

This year the cost of deporting illegal immigrants is certain to top the hefty R3,5-million which the Department of Home Affairs spent on this activity during 1992

In the first nine months of 1993, 63 191 people were deported as illegal aliens At this rate deportations will probably exceed the 1992 figure of 82 575

Over five years the number of illegal aliens deported has increased by 87 percent

The supposed honeypot of the Witwatersrand is the goal of most who enter South Africa illegally to seek work. Most of the aliens are from war-ravaged Mozambique (74 percent) and drought-stricken Zimbabwe (14,5 percent)

In scenes reminiscent of the old apartheid days, yellow vans manned by squads of plainclothes policemen, patrol the streets, arresting people for failing to produce identity books proving that they are South Africans

The ACU policemen rely on subtle methods to identify suspects They ask seemingly innocuous questions like the geographical details of the area their suspect purports to come from in South Africa

Some policemen have learned recognise Mozambicans and Zimbabweans just by their looks. The aliens' accent and use of language can also betray them

"Some have no passports, having just jumped over the border fence Others have expired residence or work permits," says Sgt Lottering

According to Sgt Lottering, a network of informers is crucial in apprehending suspects, some of whom possess forged South African identity documents Others are picked up in the street by the seven-man unit in civvies

They are taken to a police station where a file is opened, and then to an immigration officer at Home Affairs in Market Street

The authorities are so overburdened that in order to expedite repatriation, suspects are no longer being charged with violating immigration laws — the authorities just keep files.

The old pass law courts in Market Street now house the Department of Home Affairs It is here that illegal immigrants get a taste of what life was like for black people in the "old" South Africa. Just as pass law offenders were "endorsed out", illegal aliens are issued with repatriation orders after it has been established from records if suspects are South Africans or not

If it is proved that they are not South Africans, they are detained in prison while awaiting repatriation Those with forged documents are charged with fraud and the law takes its normal course, after which the immigrants are deported

Sgt Lottering says a Mozambican could be arrested and repatriated within a week or two. But it takes more than a month with Zimbabweans because the Zimbabwean authorities insist on verifying nationality.

Illegal immigrants are kept away from common criminals in prison

"We can keep only 500 of them at the Diepkloof Prison If we arrested more, there would be no room for criminals," says Sgt Lottering

In any case, he says, most eventually return to South Africa where there are better job prospects However, unscrupulous employers pay illegal immigrants less than stipulated minimum wages, exploiting the victims' inability to take the matter up with the Department of Manpower.

In terms of the Aliens Control Act any person who knowingly employs or assists an illegal immigrant is liable to a fine of R20 000 or five years in jail, or both

UN will pay to get Mozambicans home

ADRIAN HADLAND

PRETORIA — The UN has agreed to pay for the repatriation from SA of an estimated 250 000 Mozambican refugees

An agreement concerning the voluntary repatriation was signed in Maputo on Friday by the SA and Mozambique governments and the UN High Commissioner for Refugees B/Day

In terms of the agreement the UN — whose secretary-general Boutros Boutros-Ghali was expected to arrive in Maputo yesterday — would foot the bill for the repatriation, including the transportation, of the refugees as close to their homes as possible 18/10/93

The UN has said about R500m is required over the next three years to repatriate the 1,6-million Mozambican refugees scattered throughout southern Africa, Sapa reports

A Foreign Affairs spokesman said the refugees, who had fled Mozambique during years of civil war, lived mostly in KaNgwane and in areas along the SA-Mozambique border (236) (336)

Foreign Affairs multilateral section deputy director-general Jeremy Shearar said estimates of the numbers of Mozambican refugees were rough at best

It was difficult to gauge how many Mozambicans had entered the country illegally, and the registration of refugees would be one of the first tasks of the joint trilateral

☐ To Page 2

Mozambicans B/Day 18/10/93

☐ From Page 1

al commission created as a result of the agreement.

The agreement, signed by Foreign Minister Pik Botha, Mozambique Deputy Coordination Minister Oldimiro Baloi and the UN commissioner's Africa director Nicolas Bwakiraf, set out who was entitled to refugee status based on current UN and OAU policy, "with some caveats"

It followed an accord signed last month between SA and the UN agency, recognising, for the first time, Mozambican refugees' legal rights (336) (236)

While the UN would ultimately foot the repatriation bill, SA would also consider making a contribution, Shearar said The repatriation would be voluntary and the department believed "far more want to go back than stay"

It would be up to the commissioner, in conjunction with Mozambique and SA, to decide how to handle refugees who did not want to return.

Boutros-Ghali, who will meet Mozambican President Joaquim Chissano and Renamo leader Afonso Dhlakama in Maputo this week to boost the UN-brokered peace process, said recently the repatriation programme would be completed by April

This was possibly a little optimistic, Shearar said

R700 000 rule not for all immigrants

Staff Reporter (236)

NOT every immigrant to South Africa would have to have R700 000 to qualify as there were exceptions to the new rule, Home Affairs public relations officer Mr Charles Theron said yesterday. CT 23|10|93

His comment followed an announcement on Thursday by Home Affairs Minister Mr Danie Schutte that the amount required for immigration to South Africa was being raised from R250 000 to R700 000 because of the vast increase in applications from prospective immigrants.

Some overseas South African missions receive 2 000 inquiries daily, mostly from non-qualifiers even under the old rules

Mr Theron said the R700 000 rule applied to those who claimed "to be financially independent"

Skilled persons from other countries who wanted to immigrate had to find themselves jobs here, and then get their employers to give reasons to the government why they should be allowed in, he said In such cases, the R700 000 rule would not apply

The rule did not apply to doctors either Their immigration was left largely in the hands of the SA Medical and Dental Council, which required all to register and some to write exams, he said

Half the 6 301 immigrants in the first six months of this year came from Europe, with about 1 300 from Britain

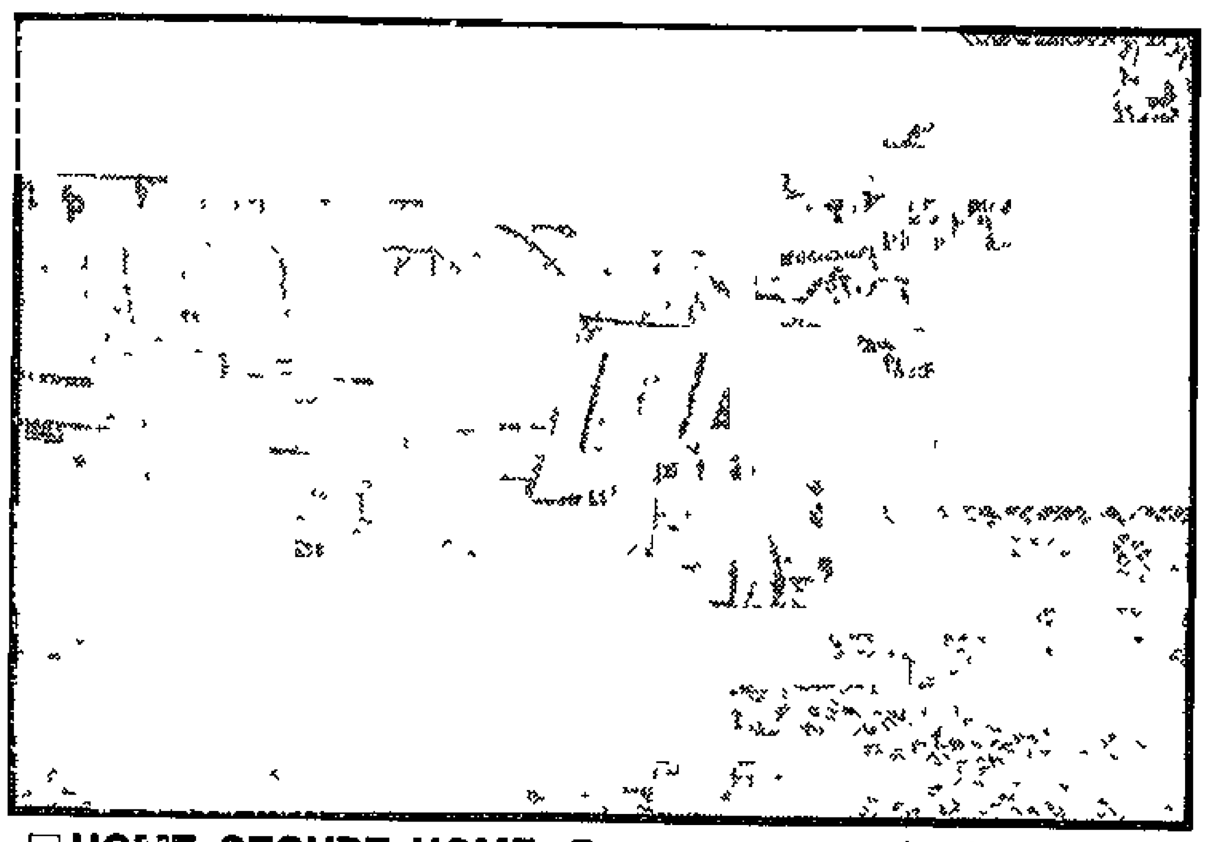
Sunday braai in Mozambique

South Africans have trekked north for a new life

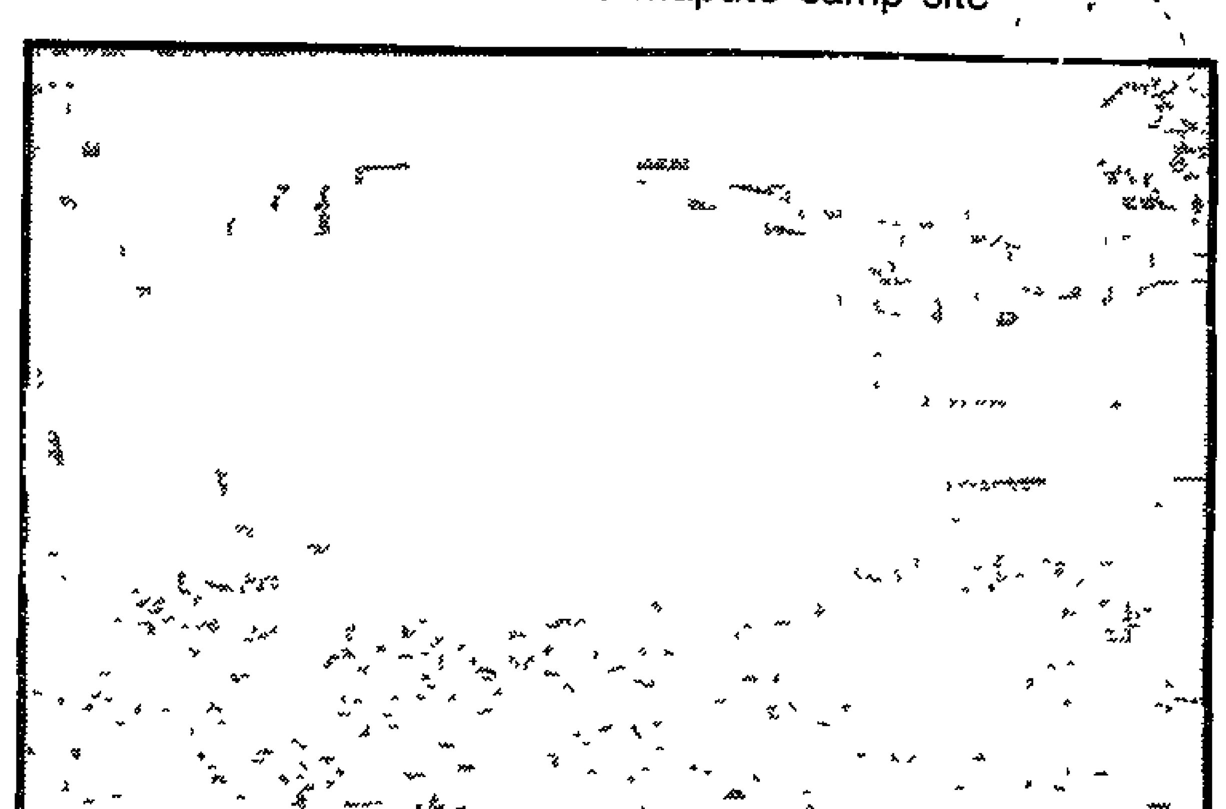
(236) ARG 23/10/93

■ South Africans worried about the future in their own country are increasingly looking to Mozambique for a new life. But some have found accomodation so expensive that they have set up make-shift homes in a squalid campsite **JOE LATAKGOMO** of the Argus Africa News Service reports from Maputo

□ **NEW LIFE:** Chris and Annetjie Groenewald outside their caravan home in the Maputo camp site



□ **HOME SECURE HOME:** Razor wire guards the caravan home of one of the South African families



□ **WRAPAROUND:** For another South African family, hessian provides less security but greater privacy

WHEN Chris and Annetjie Groenewald left their modest Barberton home and headed for Mozambique they took along very little money but lots of determination to succeed in business

Chris is in engineering and figured that with the political and economic transition in Mozambique there must be opportunities

The Groenewalds are one of 14 South African families who have found their way to a campsite at Maputo, within walking distance of the beach, where their caravans are now their homes

They have marked out their own boundaries, fencing off their "property" A road-width away from the Groenewalds, another family have put up the inevitable razor-wire fence Yet another have used hessian, just for a little privacy

The South Africans are huddled in their own little corner of the campsite At the other end of the site are more permanent structures housing locals, most of whom have been resettled here by the government after being displaced by the civil war They seem not to mind their white neighbours

Liz and Paul Hallowes sold up everything they had in Durban and moved to Maputo

"We thought that with the kids off our hands, we needed a change in lifestyle so we came to Mozambique' said Paul

The Hallowes arrived in the camp in 1991, and have now set up a company Ikwezi Travel, which organises visas for South African business people and visitors to Mozambique Their son Nigel has joined them

"Life has become very expensive here," says Liz "But you just do with less."

A two-bedroomed flat in a run-down apartment block in Maputo can cost up to $1 500 (R4 950) a month in rent The rent for a house can go as high as $4 000 (R13 200)

Locals who have apartments — for which they pay the equivalent of R25 a month — prefer to rent them out and live in shacks while raking in rent that is far more than they can make from their monthly salaries

Officially, Mozambicans are not permitted to own more than one apartment but some succeed in acquiring apartments for renting out It's all a matter of who you know and how much you are prepared to pay

Foreigners who live in the caravan camp pay the equivalent of R240 a month while the locals pay the equivalent of R10

Rudolph and Ruby Senekal and their daughter Juanita left White River nine months ago and are doing relatively well Ruby does administration work at the Matola cement factory while Juanita will manage a cinema which is due to open shortly Husband Rudolph is up north, looking for suitable land for starting up a cattle ranch and a dairy

Asked why they left South Africa for the relative uncertainty in Mozambique, the Senekals say they believe they have a better and more secure future here than in South Africa

"What is coming to an end here (in Mozambique) is just beginning in South Africa," said Ruby

Colette Fair and her husband have had some terrifying moments in Mozambique Recently, they were shot at while on their way back to Maputo from Nelspruit Such bandit attacks, although isolated, are the talk of South Africans who travel between the eastern Transvaal where most do their shopping, and Maputo They have taken it all in their stride, though

The Fairs have secured their camp home with barbed wire fencing Colette works for a tour company in downtown Maputo, while her husband runs a ferry service to Inhaca Island

The rudimentary infrastructure of the Maputo campside can barely sustain the people now living there And yet, according to Annetjie Groenewald, a travel company has arranged a camping holiday for a further 300 South Africans who are due to arrive on the campsite in December Most of those will not be coming in to settle, but rather to have what they presumably expect will be a dream holiday at the Mozambican coast

"Just where will they fit in 300 people — or even 20 more caravans?" asked Chris Groenewald

"Clearly, somebody is just making a quick buck There are only one and a half bathrooms in the ablution block which the city council is not even maintaining Many people have been forced to rig up their own showers, and there seem to be no plans to improve the facilities"

But it's not only South Africans who have been forced to live in the camp Some, like Colin Bird, an Australian, use the camp as a base He has been travelling through Africa since February With him is a man from Pietersburg who says he is "only visiting"

"But those South Africans who will be coming here in December with a dream camping holiday vision are in for a shock," said Colin

"I would advise anybody planning such a holiday to ensure that they are not part of the group which they plan to bring in here Just where can they fit them into this already crowded camp?"

On a Saturday or Sunday afternoon, the aroma of braaivleis pervades the camp The community spirit among the South Africans is very strong For their rugby update, a trip downtown to the Mundo pub is essential, for there they can have their Castle while watching M-Net Supersport

Somehow immigration continues to rise

ARG 23/10/93

WILLEM STEENKAMP (236)
Weekend Argus Reporter

IN SPITE of political violence and one of the highest crime rates in the world, South Africa still remains a popular destination for prospective immigrants

So much so that Minister of Home Affairs Danie Schutte this week announced new stringent selection measures to ensure that citizens will be able to take their rightful place in the economy

"To put it bluntly, charity begins at home We must ensure that the labour market is not prejudiced by prospective immigrants who would either not be a proven asset to the country or who may be guilty of abuse," Mr Schutte said

Only applications of prospective immigrants who can provide documentary evidence of appropriate qualifications and experience will be considered

Furthermore, prospective employers will have to provide satisfactory reason why a South African citizen or a permanent resident cannot be employed in a particular position

According to figures supplied by the department of Home Affairs, immigration to South Africa has snowballed in the first six months of this year in spite of the high level of political violence and crime in this country

From January to June last year, 3 661 people immigrated to South Africa while this figure jumped to 5 376 in the first six months this year

The figures of people who emigrated from Britain to the Republic more than doubled in the first six months of this year compared to the same period last year

From January to June last year, 583 people emigrated from Britain to South Africa This figure more than doubled to 1 142 for the same period this year

But the department also has a huge task in controlling and repatriating illegal immigrants

From January to September this year, Home Affairs officials traced 79 422 illegal aliens countrywide Of these 63 191 were repatriated to their own countries

In the Western Cape, 481 illegal aliens were traced and steps were taken against them

A Home Affairs spokesman said the department applied a very strict policy towards people working in South Africa illegally

Selling the family silver — carefully

WM 1-7/10/93 (232)

Far from being a Thatcherite fashion, privatisation has been embraced all over the world South Africa will be under pressure to follow suit, Reg Rumney argues

IN A world awash with privatisation, South Africa still resists the tide. Even formerly Marxist Mocambique has asked for bids for its state-owned enterprises

The Economist magazine has estimated the amounts raised since the privatisation craze really caught on in the mid-1980s at more than $300-billion

In South Africa, privatisation — started after ex-president PW Botha announced in February 1988 a programme to sell off state assets — has been stalled by the political process. In years to come, expect it to start up again.

Despite the African National Congress' earlier affection for nationalisation, the new government is likely to come under pressure to privatise state corporations

The main reasons are twofold and in the 1990s seem to have less to do with the ideology of reducing the state than with commonsense the potential for raising revenue and enhancing economic efficiency

African countries have privatised bloated-state bureacracies for efficiency and to secure foreign investment.

Privatisation is also a perhaps too-handy source of revenue for governments who need cash for capital spending The backlogs of infrastructure in South Africa are well known and the temptation to sell off the family silver to raise money understandable

Exactly how much could be raised by privatisation is not clear

Evert van Eeden, of the Office for Public Enterprises and Privatisation, says how much can be raised in South Africa depends on the objectives of privatisation If maximising income is the aim, more than R30-billion could be raised Total assets of public enterprises in Van Eeden's office are worth well over R100-billion

But total liabilities substantially reduce the net asset value Nor does asset value necessarily indicate how much could be raised, since demand for the corporation's goods or services and hence its shares have to be taken into account.

If income is maximised, shares would end up in the hands of the few who can afford to invest If the priority is getting shares into as many hands as possible, revenue will be less and wealth will be transferred to those who get shares, Van Eeden considers

Various methods have been suggested for privatisation in the new South Africa, ranging from a straight give-away to racial methods of allocation

A racial allocation was the route chosen for the privatisation of National Sorghum Breweries, which is now girding itself to take on giant South African Breweries in the clear beer market.

The other controversial privatisation, of Iscor, was more conventional, though workers did get a slice of the newly privatised company. The move was strongly opposed by the National Union of Metalworkers of South Africa, which fairly recently threatened to re-nationalise the steel-maker

What scope is there for privatisation?

Unlike other African countries or worse, Eastern Europe, South Africa has never really had multifarious state ownership

Nonetheless, notes Van Eeden, supporting loss making enterprises is a burden on the state And there are state enterprises in line for privatisation (see accompanying list)

A key aim of privatisation, he says, is to convert loss making enterprises to units of value which will generate investor confidence.

Unless state corporations are profitable entities there will be no buyers, Van Eeden points out They will remain under bureau cratic management and will continue to be a drain on government finances, ultimately impoverishing society So they must be made into effective business units

Van Eeden gives Alexkor, formerly the State Alluvial Diggings at Alexander Bay, as an example

"Alexkor has been commercialised and made subject to all fiscal obligations viz taxes, duties, rents, levies etc Exceptionally good financial results have been obtained since commercialisation — the 1989/90 and 1990/91 financial years showed net profits of R40-million and R75-million respectively, which compares favourably with the annual average surplus of R6-million which accrued to the state over the previous five years from the so-called trading account.

"The level of worker training has been upgraded and communications between workers and management improved "

Which corporation is next in line for privatisation?

Abakor was the most recent candidate for privatisation, shelved, says Van Eeden, because of "unfavourable market sentiment. Decisions on future privatisations have not been taken as this will have to be the product of multi party negotiations "

Plans to privatise Foskor have been delayed by the depressed world fertiliser market.

Finally, there is a problem in privatising what are effectively monopolies Investors are more likely to invest in monopolies, because the monopoly guarantees profits

What safeguards does the public have if a monopoloy or near-monopoly like Transet or Telkom is privatised?

Van Eeden points to the problem of a lack of a suitable competitive environment or a satisfactory regulatory mechanism A regulator can be appointed, as has been done for electricity in Britain

Competition can also be encouraged by lifting trade barriers, he says The Competition Board is entrusted with acting against abuses of monopoly power

Hence deregulation must accompany privatisation so that competition can play a role

Going, going ... gone!

READY for the first phase of commercialisation:

- Overvaal Resorts
- Airports
- South African Rail Commuter Corporation
- Eskom
- SA Post Office
- Air Traffic and Navigational Services

Ready within one-two years to be privatised.

- Abakor (abattoirs)
- Alexkor (diamond mining and other in Alexander Bay)
- Cellular telephone services (of Telkom)
- Parts of Denel

Ready within three-10 years to be privatised:

- South African Airways
- Foskor
- Safcol (SA Forestry Co Ltd)
- The Denel group
- Transnet
- Telkom

Privatised

- Sasol
- Iscor
- National Sorghum Breweries

Local authorities

In the past 10 years there were 2 480 privatisation actions which comprised 461 activities among 206 local authorities In 1991 there were 200 privatisation actions Notable examples are Benoni Fire Brigade and Ambulance and Queenstown Water Purification and Reticulation.

Unbundling brings MBOs back into vogue

WM 15-21/10/93

(232)

Management buyouts were popular during disinvestment. Corporate unbundling has revived their popularity, reports Mondli waka Makhanya

CORPORATE restructuring is bringing management buyouts (MBOs) back into vogue

The phenomenon whereby company management buys out the existing owner of a business was a common feature in the late 1980s when foreign firms were succumbing to pressure to disinvest from South Africa The local stakes of these companies that didn't fall into the hands of large conglomerates went to the management of the company

Memorable MBOs include the management takeover of General Motors, which spawned Delta Corporation, IBM's sale of its local stake to management of what became ISM and Ford South Africa's metamorphosis into Samcor

After a lull of a few years MBOs are picking up again, this time driven largely by companies' attempts to make themselves leaner and more efficient to resume competing internationally

"Although there will not be a boom, I think we will see a pick up in the number of MBOs over the next 12 months," says Johannesburg Stock Exchange president Roy Andersen

A typical MBO involves a merchant bank putting up 100 percent of the capital This loan is secured by the assets of the new company as well as unlimited personal sureties of the management team The bank also takes out a five-year shareholding of between 20 percent and 49 percent as compensation for the above-average risk of financing such a venture Since the transaction involves a bank taking a huge risk, it receives the right to appoint a board member, see all the monthly accounts and approve major transactions the company may wish to undertake

The most recent MBO involved the sale of East London-based Despatch Media Ltd to a management consortium The R22-million deal, in terms of which the company's name changed to Beabrit Ltd, was initiated after management and Standard Merchant Bank realised the shares were at "a significant discount" to their real value These shares, like those of most other JSE-listed companies, were tightly held and there was no prospect of a significant movement in their price The company decided to delist after the buyout

Another recent deal involved NEI Africa's R42-million sale of Propower and AG Walker to its management. The deal was meant to focus NEI's core business of industrial and electrical engineering

There was also speculation this week that Randgold & Exploration management was set to buy Barlow Rand's 27 percent stake in the company Barlows — which is busy unbundling, is hiving off its unneeded subsidiaries and some of the buyers may be the managements of those companies.

There are several reasons why MBOs have been so unused in South Africa in the early 1990s A big reason has been South Africa's international isolation which forced companies to hold on tightly to local concerns since it was not easy for them to expand internationally

"There have not been many willing sellers," says Andersen

And when opportunities did present themselves, there was just no cash forthcoming.

South African interest rates are high and the recession has pushed access to capital out of reach

"These kinds of deals require substantial amounts of capital and managements don't have these resources and do not have the collateral If they had it every management would be buying out their owners," quips Econometrix's Tony Twine

Enter the merchant bankers, who made a killing out of the 1980s MBO boom The country's merchant banks are again seeing the favourable conditions for MBOs and are actively encouraging managements to take this option

"The background to MBOs may have changed It is no longer being driven by disinvestment but the need of large companies to restructure as they gear up to compete internationally," says First Corporate Bank senior vice-president Andre Roux.

Standard Merchant Bank general manager Rob Dow believes there are quite a lot of non-blue chip companies on the JSE that are ripe for management takeovers

"But a lot of managements have not gotten round to considering MBOs as an option," says Dow

But don't brace yourself for dramatic takeovers — à la 1980s Wall Street The South African corporate structure is just too rigid Shares in blue chips are too tightly held by institutions and the pyramid structure in some a large companies is unfriendly to takeovers It will take a while for the opening up of the economy to have an effect on these restrictive features

SAB buys 50% stake in Tanzanian Breweries

BiDay 1/11/93

KELVIN BROWN

BEER and industrial group SAB has expanded its share of the sub-Saharan beer market by acquiring a 50% stake in Tanzanian Breweries.

SAB announced at the weekend it had obtained Reserve Bank approval for a deal involving an investment of R94m in Tanzanian Breweries to privatise, rehabilitate and expand its facilities

(232)

Bank insistence that overseas investment by local companies bring immediate returns to SA has scuppered a number of planned projects in the past year

SAB said it would supply Tanzanian Breweries with SA capital equipment worth R57m and inject R37m into the brewing company over the next two years This would enable the Tanzanian company to rehabilitate its two existing breweries and construct a new brewery

An agreement was signed earlier last month between the Tanzanian government and SAB's Netherlands-based subsidiary Indol allowing Westgate Worldwide, the offshore group of SAB, to acqure 50% of Tanzanian Breweries, with Indol taking over its day-to-day managment.

The Tanzanian government would initially retain the other 50% share of Tanzanian Breweries But SAB said the World Bank's private sector arm was negotiating with the government to buy a 10% stake in the Tanzanian brewer from the authorities

SAB said the acquisition was part of its plan to enter mass consumer markets in developing countries. Indol already operated in Botswana, Lesotho and Swaziland.

The SA group said the latest brewing venture represented an important beachhead within its sub-Saharan focus and held the potential for further expansion.

The group's foreign operations had become an important source of revenue for its beer division as recessionary conditions at home restricted local growth.

Analysts predicted SAB's interim results to September, due out this week, would not reflect any increase in beer volumes. A rise in earnings was expected to come from increased efficiencies and better earnings from exports and non-SA operations.

Anglovaal does not see what the fuss is all about

MATTHEW CURTIN

B/Day 1/11/93 (232)

RAND Mines dismembered, Barlow Rand broken up, Gencor unbundled and assets at Anglo American/Minorco reshuffled — it has been a busy year or two in the boardrooms of SA's mining industrial groups.

Less so on the eighth floor of 56 Main Street where Anglovaal chairman Basil Hersov says he cannot see "what the fuss is all about". He agrees SA business faces new domestic and international business conditions after the demise of apartheid and lifting of sanctions, but he believes Anglovaal is no better or worse prepared for meeting a changing commercial environment than it has been in the past.

"Perhaps it's an overreaction," Hersov suggests. It is another matter whether the small band of minority Anglovaal shareholders, wincing at the R100m provision docked from the group's earnings because of the Crusader Life debacle, feel quite so chipper.

Hersov says Anglovaal did not fall down over Crusader, the long-term insurance group placed in curatorship last month. He blames the disaster (he calls it a "perceived disaster") on Crusader's management which, he says with an insouciance which would seem to belie his full feelings, let Anglovaal down

He believes it is important to distinguish between subsidiaries which Anglovaal manages and investments such as Crusader, 61%-owned by Anglovaal's finance subsidiary AVF If Crusader proves "a catastrophe", it is because its own management systems failed

He does not accept that any blame should attach to Anglovaal or its management He adds that it is doubtful whether the group "could or should have used" what influence it had on the Crusader board, but in any case Anglovaal has made "a prudent provision" for its insurance investments Nevertheless, he concedes that the group's inexperience in the insurance business fostered its passive approach towards Crusader but the turnaround at AA Life — "the company's making profit and is raring to go" — shows that Anglovaal has got to grips with the sector.

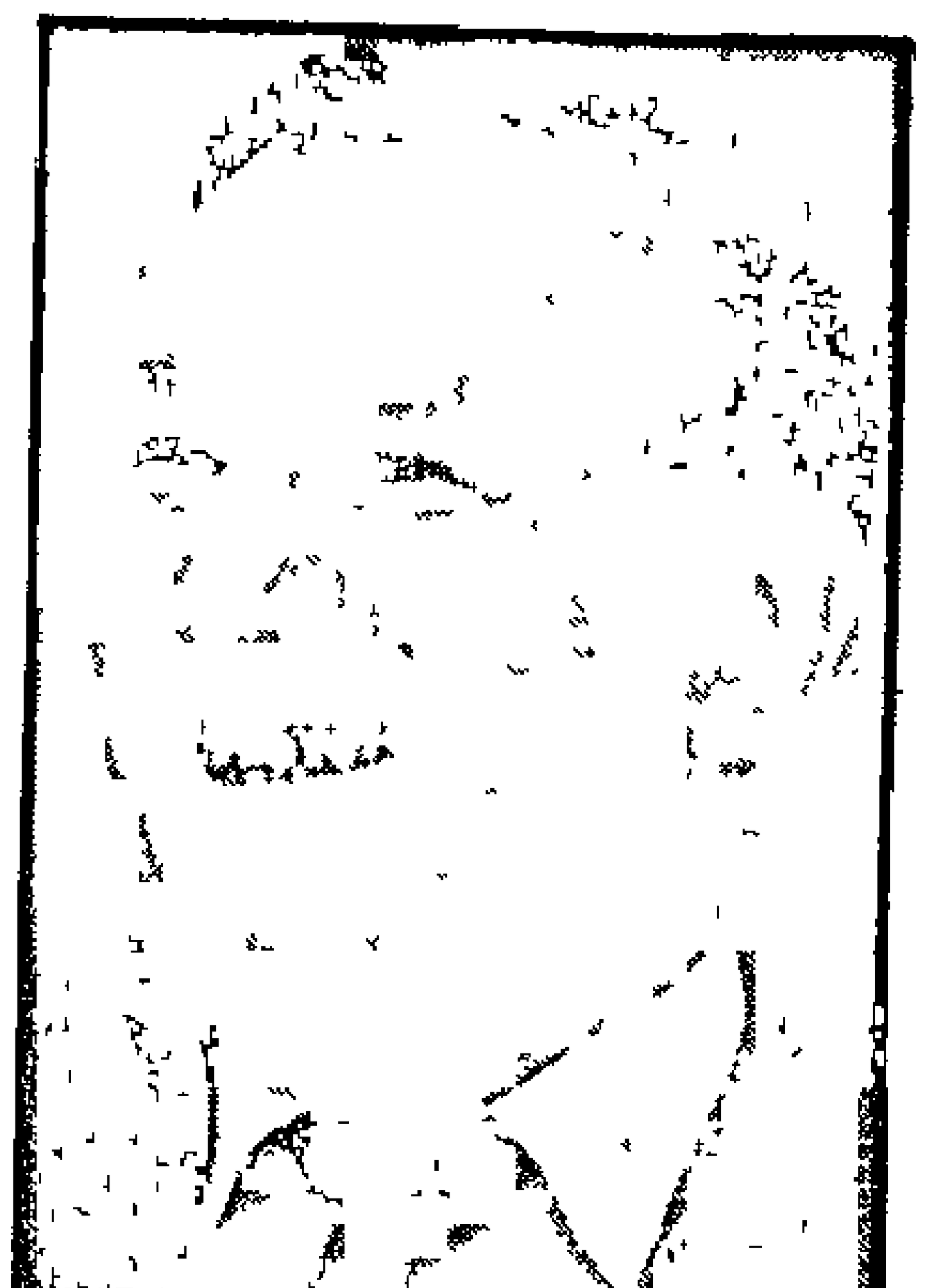
"Perhaps the lesson we have learnt is that if a business is worth investing in, then it is worth managing," Hersov says, adding that there is a good argument for owning only wholly-owned subsidiaries.

He believes that, despite the arguments put forward for unbundling in terms of making SA corporations more comprehensible and attractive to potential overseas investors or partners, thereby improving their market rating, the problem SA companies face is that they are too small "Bundling up" is what they need because investors like large tradeable assets, he says

Anglovaal may well be large enough It is a peculiarly diverse group Its interests range from ferro-alloys and gold to tyres, biscuits, fishing, software, cement and financial services, with no immediately obvious synergies Sales in 1992/3 stood at R8,5bn and the group has a market value of more than R7bn

Hersov says Anglovaal is fairly valued, but if there is any concern — and he stresses it is not at the top of the group's agenda — it is the tradeability of the tightly held stock

The group also has an unusual share structure. Anglovaal is controlled by Anglovaal Holdings which owns 51% of the group's ordinary voting shares. Anglovaal Holdings is in turn 51% owned by the nominee company representing the Hersov and Menell family interests.



☐ HERSOV

However, the Anglovaal Holdings stake is equivalent to only 15% of the mining house's total ordinary share capital, mostly made up of limited N shares — N shares carry a vote each, ordinary shares 500 votes each — after the group's 1989 capital restructuring, in which its five share classes were streamlined. Two thirds of the voting shares are in family or institutional hands, with more than half of the limited voting shares held by major shareholders

Hersov's solution to the tradeability problem is superficially simple "We can simply issue more N shares," he says, allowing Anglovaal to improve the marketability of its stock without compromising control. He adds investors are interested in "secure paper in secure assets" rather than voting rights

Simple but not necessarily tenable given the concern of business to make itself investor friendly to the outside world Nor would such an issue necessarily be as simple as the last one in which the JSE permitted the issue of limited voting shares

The JSE is keenly aware of the pitfalls of differential voting structures, described recently by the Financial Times as "unhealthily against the grain of investor opinion" Operations director Neil Carter, refraining from comment on Anglovaal N shares themselves, says the exchange supports the principles of shareholder democracy and voting equality, and would have to examine "unjustified entrenchment of control through establishment of quasi second-tier pyramids using de facto equity instruments".

The JSE has seen UK companies — the retail group GUS and brewers Whitbread — recently enfranchise non-voting shares, European companies simplify their share structures, plus Australian Stock Exchange concern at media mogul Rupert Murdoch's plans to create new News Corporation super-shares.

Where Hersov does expect change is in the structure of Anglovaal's mining interests, most of which are partly or wholly-owned subsidiaries.

The mines' operational focus is good, but there may be benefits from creating separate profit centres at a divisional level parallel to the structure of the group's industrial interests held under Anglovaal Industries (AVI). Creating a separate mining division, perhaps using investment company Middle Wits, would ensure the mines were seen to be "paying their way" and leave room to restructure head office consultancy and administrative services.

The new structure would facilitate share incentive schemes for the mining companies and defuse criticism that head office is cross-subsidising divisions

AVI's record in posting earnings growth through the recession contrasts with the havoc the commodity price slump has wrought particularly on Anglovaal's ferro-alloy and base metal businesses In the long run, Anglovaal might end up with four distinct legs mining, industries, finance and trading

Hersov says the new structure might make it easier to raise cash for new and significant mining ventures Already on the cards are development of the Target prospect next to Loraine, with the neighbouring but mothballed multibillion-rand Sun project still the main prize, and the Slaaihoek nickel deposit.

Manufacturers team up to cut costs

Drug companies form joint venture

Star 2/11/93

BY MICHAEL SPARKS

Four major drug manufacturers have formed a joint-venture distributing company to provide better controls over their drugs as well as reduce prices, it was announced at a Sandton press conference yesterday.

The new company, International Healthcare Distributors, will start to operate from the beginning of next month, said its chief executive Trevor Lauf.

It has been formed by four competing multinational drug manufacturers — Roche, Ciba, Bayer and Boehringer Ingelheim — which together account for about 12 percent of South Africa's pharmaceutical market.

FOUR pharmaceutical multinationals create a distribution network which could reduce the price of their products by about 5 percent

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Lauf estimated the new distribution company could result in a 5 percent drop in the price of pharmaceuticals, saving the consumer between R30 million and R40 million in the first year of distributing the companies' 350 products.

International Healthcare chairman Johann Niehaus said one of the major benefits would be that the improved controls would prevent counterfeit products reaching the consumer, through careful control of batch numbers and other mechanisms.

He described an incident in Nigeria, where a counterfeit painkiller turned out to have been made with industrial solvent, killing 140 people.

Niehaus estimated that between 5 and 7 percent of pharmaceutical products were counterfeit, placing the consumer at great risk. The new distribution system would make it far more difficult to introduce counterfeit products, while also making their detection much easier.

Maitland abattoir sale hits snags

CLIVE SAWYER
Municipal Reporter

(232)

A2A 2/11/93

THE sale of Maitland abattoir is being delayed by trade union resistance and difficulty in finding a suitable buyer

Former amenities and health chairman Leon Markovitz said SA Mutual had offered to buy the land, but did not want the abattoir

"Important land like that could not be sold without going out to tender," Mr Markovitz told the committee yesterday

Arthur Wienburg said a sub-committee should be formed to investigate ways to get rid of the abattoir "Think laterally," he urged

Lion Match controls offset lower demand

B/Day 2/11/93

MARCIA KLEIN

LION Match has increased its earnings 17% to 15,49c (13,25c) a share in the six months to end-September as strict controls and a lower tax rate offset a real decline in private consumption expenditure

The SA Breweries subsidiary, with interests in matches, packaging, and shaving, home and garden products and appliances, also announced the R205m sale of its packaging division Interpak and Interpak Properties to Consol In the year to end-March, packaging contributed 54% of the group's turnover and 40% of trading profit

Lion's turnover rose 7% to R148m (R138,5m) Trading profit increased 13% to R19,2m (R17,1m). Directors said this reflected the benefits of improved productivity and reduced overheads

Lower finance costs of R3,2m (R3,7m) and a lower corporate tax rate saw profit after tax rise 33% to R9,2m (R6,4m)

But equity accounted joint venture company Amalgamated Appliances showed a loss on the back of a substantial decline in electrical appliance sales and further rationalisation costs (232)

Lion's R2,2m share of the losses saw attributable earnings rise 17% to R7m (R6m) A 17% higher interim dividend of 6,15c (5,25c) a share was declared, in line with the board's policy of distributing 40% of earnings as dividends.

Cash flow from operations increased to R18,9m (R10,2m) on the back of successful management of working capital.

Lion invested R22,6m in a significant capex programme in the packaging division As a result, net financing requirements rose R7,7m, but gearing was reduced marginally

No divisional comments were given However, in its announcement of the disposal of Interpak, Lion said that in the six-month period, Interpak contributed 53% of turnover and 37% of trading profit.

The company said consumer demand was not likely to show any real improvement in the rest of the financial year, and earnings excluding Interpak would approximate those of the previous year

But earnings, including the benefits from the sale of Interpak, would show a satisfactory increase

Today's announcement showed that the sale price represented 452c a share An analyst said it made sense that the share was moving upwards Yesterday it added to previous gains, closing 25c up at 525c

Consol acquires Interpak for R205m

B/Day 2/11/93

MARCIA KLEIN

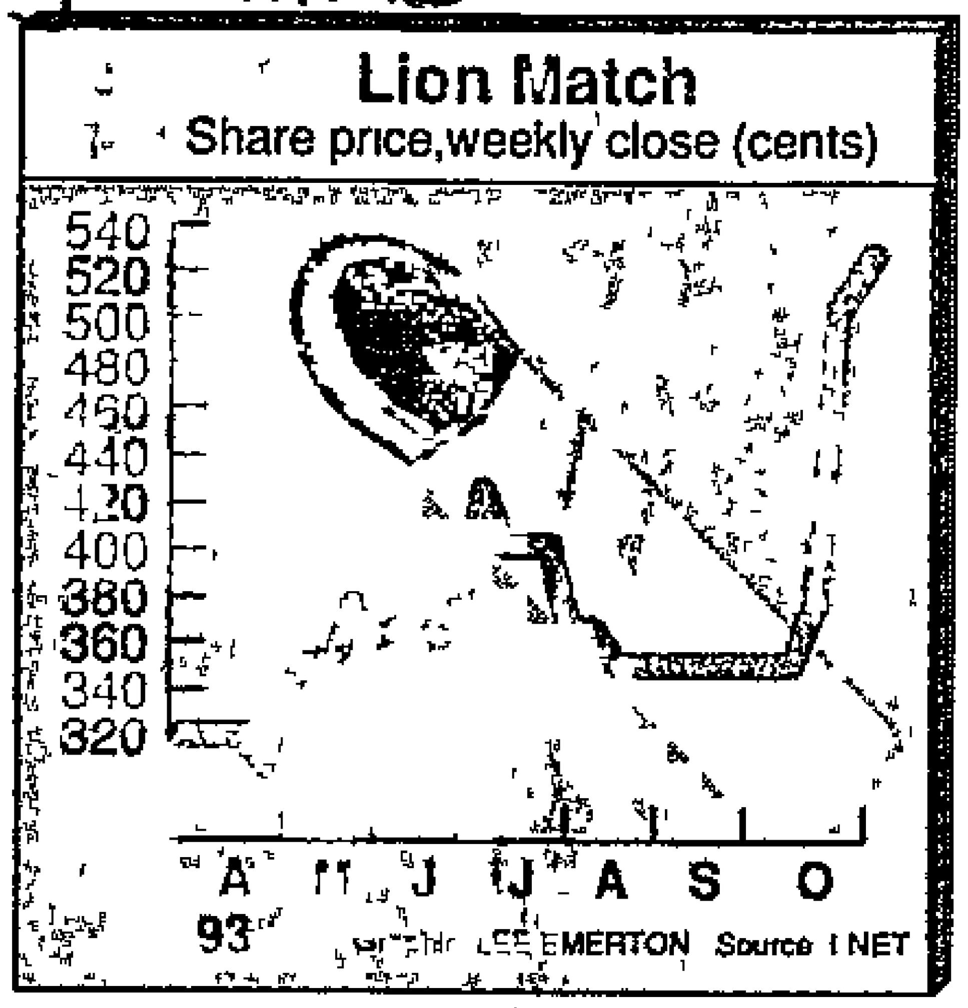
PACKAGING and rubber group Consol Ltd has acquired 100% of Interpak from SA Breweries (SAB) subsidiary Lion Match for R205m cash (232)

The acquisition, funded largely from cash resources, follows a cautionary announcement on October 25 that the groups were involved in negotiations

Consol also announced it had acquired Nampak's custom mouldings business located in Transvaal and Natal, and it had sold its carbonated soft drink PET bottles business to Nampak

Consol MD Piet Neethling said yesterday Interpak would be acquired debt free, and the name Interpak would be maintained Lion would receive R205m cash, equivalent to 452c a share The deal was effective from yesterday

Lion, which today reported a 17% interim earnings rise to 15,49c a share, said Interpak operated as an independent business with its own management There were only minor opportunities for synergies with the broader Lion group Lion was approached by Consol at a price which



took into account potential benefits of integrating Interpak with a larger group.

Lion said shareholders' value would be enhanced by the offer Lion's reported earnings of 15,5c a share at end-September would increase to 21,7c after the disposal

Neethling said Interpak would fall under the control of Consol's paper division In

To Page 2

Consol

B/Day 2/11/93

From Page 1

the year to end-June 1994, the acquisition would have a small adverse effect on Consol's earnings But "this sizeable acquisition provides Consol with strong market presence in fields in which Consol is not presently involved".

Interpak converts and prints board and paper in its folding carton, label and printing operations It also makes plastics, metallises and laminates, produces books, and has a merchanting operation for printing inks and related materials It has four plants in SA Two are included in the deal, and suitable rentals are in place with Lion for the other two (232)

Neethling said the transaction gave Consol entry into the R630m-a-year folding carton market and an annual label market of more than R150m Interpak was making a new investment in metallised labels, which were already appearing on SAB products Since SAB bought Interpak in 1988, it had upgraded plants and equipment and Interpak had shown a good profit

The deal requires the approval of both Consol and Lion shareholders Controlling shareholders — Anglovaal Industries and SAB respectively — said they would vote in favour of the deal.

Commenting on the acquisition and disposal deals with Nampak, Neethling said "There is no significant difference between the amounts involved for the purchase and the sale of these businesses regarding fixed assets and working capital."

Consol would continue looking for investment opportunities to expand its position in packaging and rubber

See Page 17

Barprop acquisition boosts RMP results

BDay

ROBYN CHALMERS

RAND Mines Properties raised turnover by a fifth to R227m (R189,5m) for the year ended September 30, boosted by the acquisition of Barlow Rand Properties (Barprop) and a recovery in the group's gold operations

The effect of the Barprop acquisition was evident in operating profit before interest, which doubled from R18,6m to R40,5m However, servicing the Barprop loan stock increased the interest charge to R20,6m (R156 000) and led to profit before investment income rising 8% to R19,9m (R18,4m) (232)

Interest received was up 41,6% from R5,4m to R7,6m, leaving profit before tax of R27,4m (R23,8m) The tax bill was reduced 24% to R7,8m (R10,2m) which left after tax profit up 48% to R19,7m (R13,6m)

This was equivalent to earnings per share of 139c, a 31% rise over last year's eps of 106c A higher final dividend of 70c (55c) was declared, resulting in a total dividend of 100c against 85c last year

RMP MD Colin Steyn said the results were not comparable because of the acquisition of 78% of Barprop, which contributed just over R4m to the bottom line 2/11/93

Steyn said the group's results were also helped by a strong turnaround in the performance of its RM3 gold recovery operations in Johannesburg Record gold production at Rand Mines Milling and Mining of 4 204kg arose from a higher head grade and more efficient gold extraction

"This enabled RM3 to return to profitability and produce better than expected results," said Steyn

'Public must own economy'

CT 4/11/93

JOHANNESBURG — The ANC PWV region reaffirmed its belief in a clause of the Freedom Charter which is largely seen as supporting the nationalisation of some key sectors of the South African economy

A resolution passed at the weekend congress called for "A reconfirmation of the demand in the Freedom Charter that 'the mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole'."

However, a member of the commission which drew up the resolution, Mr Ben Turok, said the clause did not specify a mode of public ownership, although he did not rule out nationalisation

The resolution contradicts the stance of the ANC's department of economic planning — Sapa

COMPANIES

East Dagga to unbundle

ANDY DUFFY

GOLD recovery holding company East Daggafontein is to unbundle, passing on to shareholders JSE stakes worth R13,5m by the end of the year. B/Day

Announcing interim results this morning, the company said the unbundling, which will leave it dependent on its slimes and sand operations, would unlock shareholder value in the company 4/11/93

The shareholdings — in Lydenberg Exploration, Knights Gold Mining and Randex — were valued at R5m in East Dagga's 1993 accounts, against a book value of R14,3m. But gold's recovery since then has boosted the value of the holdings.

Chairman Peter Bieber said last night shareholders would be offered shares worth R1 for every East Dagga share held

"These investments are not taken into account by the market in valuing the company," he said "This (the unbundling) will add value to shareholders' interests in East Dagga."

Its right to subscribe in Anglo American's Eastvaal scheme, through its 12,4% Lydex stake, will be offered directly to East Dagga shareholders.

In the six months to September, the company lifted net earnings to R4,5m (R3,7m) The interim dividend nudged to 26c (25c), as higher revenues and lower tax offset a deterioration in operating performance

Revenues rose to R8,9m (R8,2m) despite a nearly 25% drop in production to 1 503kg prompted by failing grades and recovery from slimes dams material bought from Gold Fields two years ago. (232)

The material, on which it had spent R23,3m, had begun to hit forecast head grades The treatment of high grade slimes Project Pluto, in which East Dagga has a 9,5% stake, contributed R0,5m

NAMPAK FM 5/11/93

Housekeeping shows

232

These results demonstrate it actually is possible to buck the trend Nampak's 1993 preliminaries show growth in earnings and dividends substantially better than inflation

The board is proposing a dividend distribution 16% better than last year at 238c, EPS rose 17% to 620c and cover has been held at an appropriate 2,6 times This good result owes less to increases in turnover than it does to good housekeeping and tight financial control The trading margin held firm at around 11,4%, an indication that management declined to be drawn into chasing market share at any price Also lending weight to an above-line performance is the sharp re-

Cont → p91

FM 5/11/93

duction in interest charges, which declined 42% to R32,1m

The lack of a balance sheet hampers analysis, however, reductions in long-term liabilities, down to R72m (1992 R151,4m), with a decline of R34m in short-term borrowings, has plainly had a material impact on financing costs This illustrates an inherent strength. gearing has reduced to 16% (27%) and cash holdings at year-end were R89m, says chairman Brian Connellan

All these factors indicate it is possible to manage companies a good deal meaner than in the past, despite acutely difficult market conditions Both Connellan and CE Trevor Evans concede the company contains problem areas "The blood bath in paper goes on," says Connellan, and Nampak continues to experience difficulties in the corrugated packaging area where the move to plastic crates has hurt (232)

Capital expenditure over the past five years has totalled about R1,2bn — an average of R240m a year Last year, Nampak

WRAPPING IT UP

Year to	Sep '92	Sep '93
Turnover (Rm)	4 346	4 544
Operating income (Rm)	494	518
Attributable (Rm)	255	300
Earnings (c)	531	620
Dividends (c)	205	238

spent R237m, the largest single portion of which (R50m) was devoted to completion of the new ends plant at Bevcan Evans says he expects capex this year to be about R250m, much of it on replacement items to ensure continuing competitiveness

Nampak's business is in a sector noted for the aggressiveness of its players Principal competitors are Holdains and Consol and, emerging now with its aluminium can, Highveld Steel's Rheem division The scramble for market share is unlikely to diminish, however, in Nampak's favour is its considerable unutilised capacity — probably about 20% This makes it well placed to take up increased demand when the economy turns

At R94, the counter is below its 12-month high of R103, and is on a p e of 15 compared with the sector's 14,4 Indications are that Nampak will achieve real earnings growth of about 3% this year, placing the forward p e at 13,5 — indicative of continuing value in the share

David Gleason

Minorities to be offered R10 a share

SAB to delist debt-ridden OK Bazaars

BDay 5/11/93

MARCIA KLEIN

SA Breweries (SAB) has decided to delist its troubled retail chain OK Bazaars in an effort to save it from a crippling debt burden of R57m.

SAB said an offer of R10 a share would be made to OK minority shareholders This compared with a net asset value of more than R15 and yesterday's closing price of R9 The offer would cost SAB R40m

Today's announcement coincided with the release of interim results to end-September, which showed losses of 321,4c (20c profit) a share, a result significantly worse than market expectations. (80) (232)

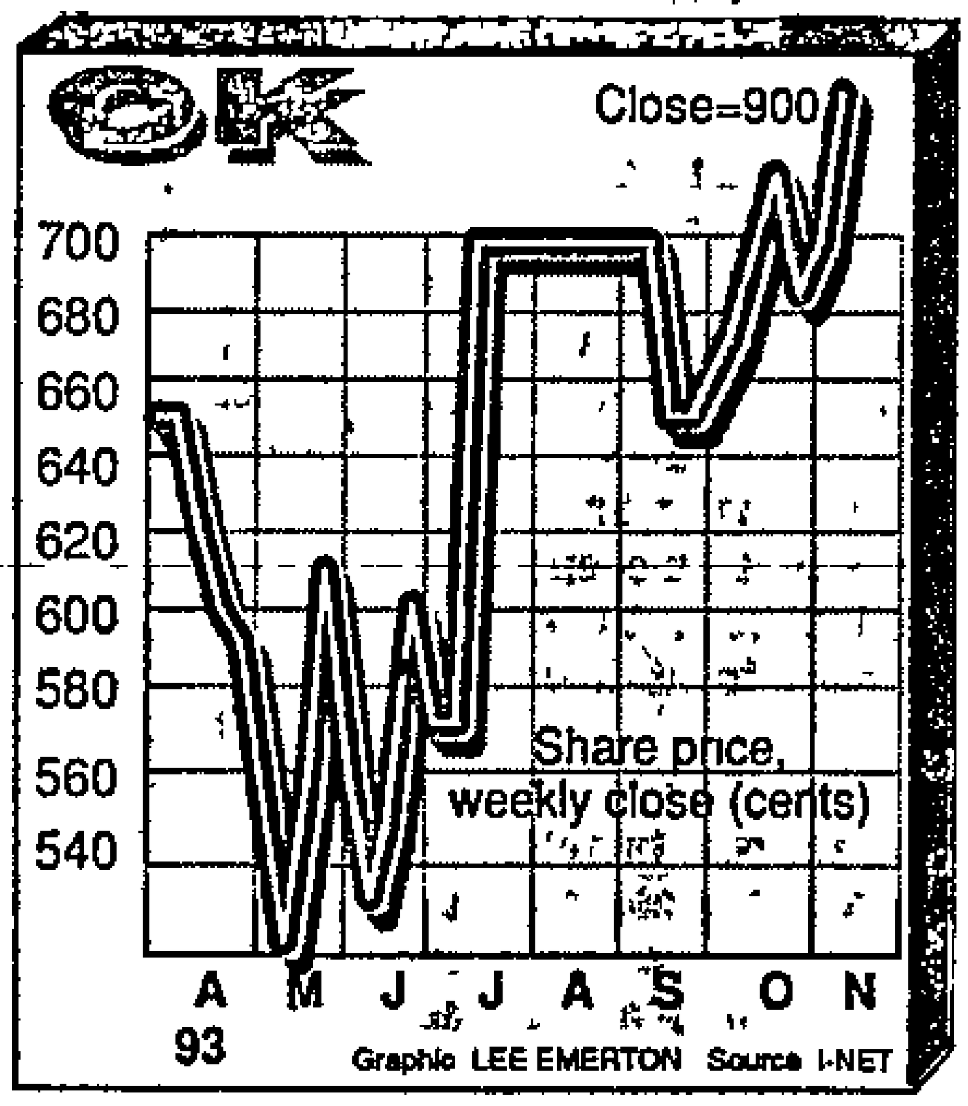
The move came after continued assurances from management that the OK would not delist, and that its financial affairs were not materially different from those at the March year-end.

MD Mervyn Serebro said yesterday: "As the months went by, it became increasingly obvious that we could not trade our way out of the debt burden"

A delisting had been under discussion "from the moment" he was appointed MD in January "The debt burden is enormous, and SAB will want us to delist in a process of recovery which will take years"

The OK had to re-engineer its whole business and regear financially This could be done only if SAB owned the business in its entirety Serebro said SAB had never considered selling the OK

According to the announcement, management was restructured at the beginning of this year and a strategic view was taken to reposition the business. But losses continued and gearing reached "unsustainable levels". The restructuring programme would be protracted, and the OK would not be profitable for a number of years, but it was imperative that the huge debt burden be addressed This could not be done with minorities in place.



Today's published interim results showed that turnover rose 6% to R2,69bn (R2,54bn), but operating profit was slashed to R8,5m (R58,6m). The operating margin was 0,3% (2,3%). Serebro said costs had moved up, and margins down

Operating profit was eroded by the debt burden of R57,1m (R56,9m). The attributable loss was R39,9m from last year's pro-

☐ To Page 2

OK Bazaars

BDay 5/11/93

☐ From Page 1

fit of R2,5m, and a R44,9m loss at the March year-end. (80) (232)

An additional R27,3m was written off as an extraordinary item for rationalisation costs The interim dividend was passed.

Serebro said the OK had not expected to produce a profit this year. The company had shown real sales growth (with food inflation at 2,4%), but operating margins were "under considerable pressure".

Asked about the performance of OK and Hyperama stores, he said both had performed as expected. "There are problems in both businesses." Every aspect was being re-examined to maximise efficiencies, improve service and lower sales costs.

Serebro said he was not looking at closures, apart from stores whose leases were coming up for renewal. Large-scale retrenchments were not planned.

The OK would incur further losses at year-end, but at "a slightly reduced rate".

Health care division gives a boost to Afrox results

B/Day 5/11/93

EDWARD WEST

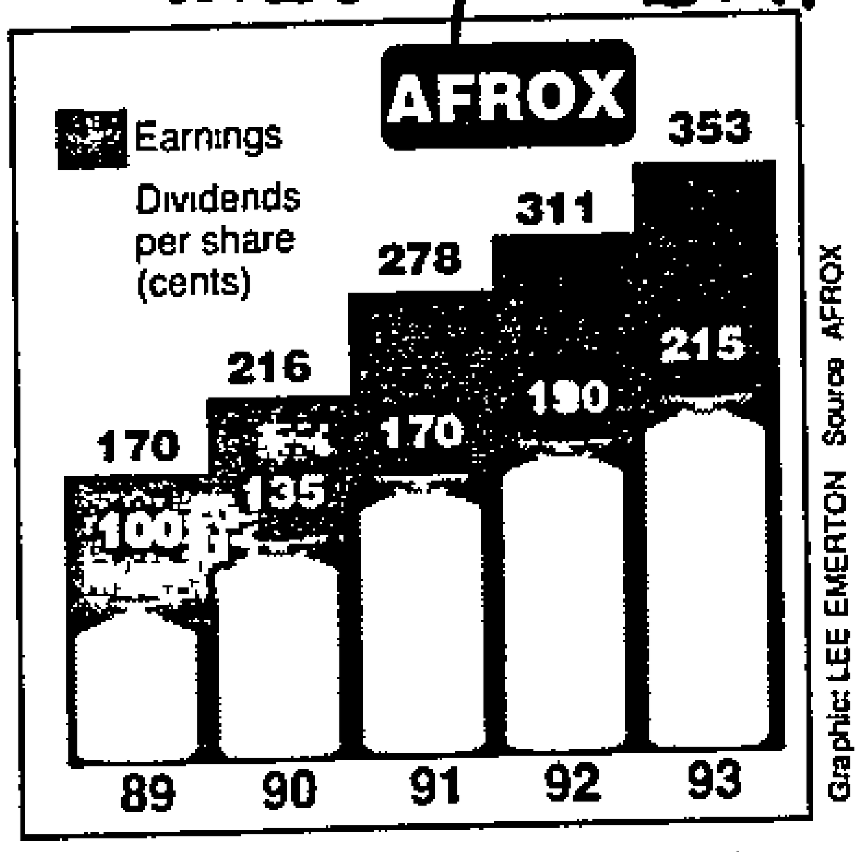
AFROX lifted inflation accounted earnings 13% to 353c (311c) after a profitable year to end-September 1993 for its health care division. This was despite falling demand for industrial gases and welding products.

Turnover was nearly a tenth higher at R1,21bn (R1,11bn).

Operating profit was 5% higher at R227,4m (R217m). Gross margins fell to 18,8% (19,5%) (232)

Interest charges fell to R32,7m (R35,2m), resulting in a 7% increase in pre-tax profit of R194,7m (181,9m) Tax of R87m (R84,7m) excluded the deferred tax release of R11m which was brought to account in the R9,8m extraordinary item

Attributable income was 13% higher at R105,8m (R93,2m) Earnings a share were adversely affected by charging earnings with additional depreciation of R15,6m, which was further compounded by the Receiver of Revenue not recognising such depreciation for tax purposes, said MD Royden Vice



A final dividend of 135c (119c) was declared, lifting the dividend for the year to 215c (190c) Gearing improved to 21,4% (23,8%)

Vice said demand for industrial gases among many traditional customers dropped as they struggled to retain markets in an environment of stayaways and recession in the gross domestic fixed investment sector.

However, the gases division maintained its resilience. This was because of its many long-term supply contracts and because its customers were spread in industries ranging from mining and heavy engineering to food processing and beverages

The division strengthened its supply sources by commissioning a 60-ton-a-day argon plant and now also had access to five alternative sources for atmospheric gases on the Reef Increased demand for carbon dioxide led to the commissioning of a plant which would take up streams from the Mossgas installation

The welding business suffered from the recession, but major projects such as Alusaf and the Columbus stainless steel project would mean increased activity and sales for industrial gases and the welding business in financial 1994.

The health care division refocused its hospitals on their primary markets The Princess in Hillbrow was closed and the Springs Parkland Hospital on the East Rand was acquired as part of this rationalisation

The Anneron Clinic in Klerksdorp was bought and a management contract signed for Vosloorus hospital Botshelong-Empilweni.

Vice said it was difficult to make a forecast for the 1994 financial year

FLITESTAR vs SA AIRWAYS

Upset in the making

FM 5/11/93

SA is not following the script when it comes to airline deregulation When other countries open up the industry and let competition reign, it's usually the government-owned or heavily cosseted private airlines that rapidly lose altitude Having grown fat on protection, they're no match for more imaginative and aggressive rivals The now defunct Pan-Am and Eastern in the US, and the money-losing Lufthansa and other State-owned European airlines are prime examples

Just the opposite has happened locally since deregulation The privately owned Flitestar was expected to make a quick meal out of SA Airways. Instead the upstart is bleeding red ink while the government-owned airline has trimmed its fat and learnt to adapt to competition SAA turned a R70m loss in fiscal 1992 into a R78m profit in fiscal 1993, while the much smaller Flitestar has dropped R70m in the two years since it started

Instead of the stodgy veteran asking for government help, it's the brash newcomer that's calling for a lifeline Last month, for the second time in a year, Flitestar convinced the Competition Board to investigate whether SAA is competing fairly

The first investigation ended in January with a recommendation that SAA should reduce its capacity and increase its fares on domestic flights, which it did The second investigation, expected to be completed in two months, could result in much more stringent recommendations.

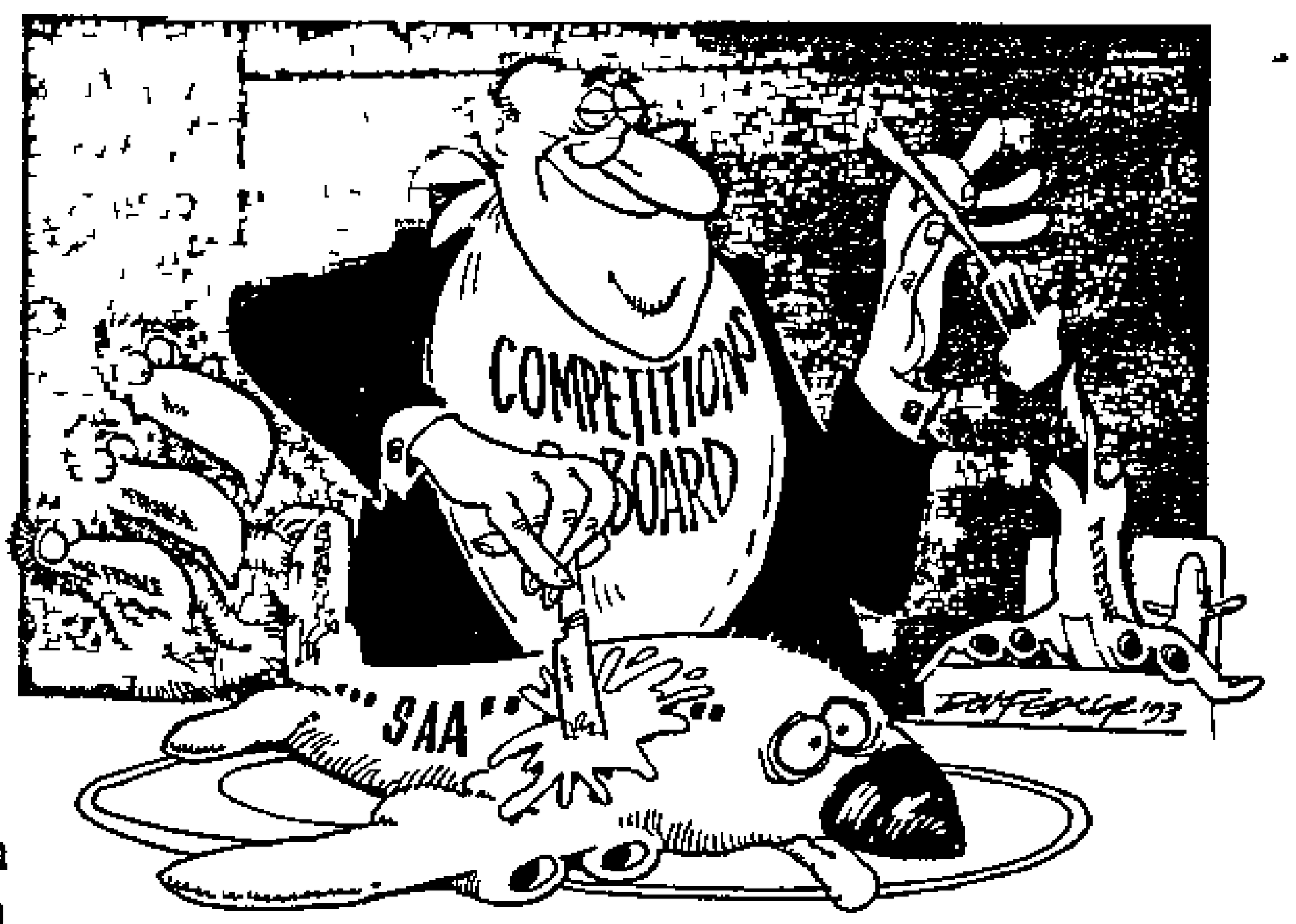
But if the result doesn't go Flitestar's way, the airline might not be able to survive for long It has captured a respectable 22,5% of the market on the domestic routes it shares with SAA, but there's no end in sight to the losses The three owners — Rentmeester Beleggings, which holds 46%; Safren Rennies Holdings, 37,5%, and Pretoria's De Meuelenaar family, which holds the balance — are not willing to pump more capital into the operation. Money is so tight that advertising has been cut

Critics point to Comair, which is making money by offering cut-rate flights from Johannesburg to Cape Town and Durban, and conclude that Flitestar's losses must be caused by mismanagement. But Flitestar denies this, quoting a study of Flitestar by international airline consultants SHE that "found that for our size, our cost structures and distances covered compare favourably with other airlines."

Flitestar claims that it entered the market after undertakings by government that SAA would be run as a commercial enterprise and that its capacity would be constrained, at least during a transitional period If Flitestar can establish that these promises were specific enough to show that a breach has occurred, it may have a case for some accommodation

If Flitestar folds, the shareholders will lose their entire R500m investment because the airline has no assets to sell Its aircraft are leased, its offices rented. SAA maintains its aircraft and Safair does ground handling

But if Flitestar can hold on for another year, it may get help from an unexpected source, the ANC An ANC government might reverse the NP policy of commercialisation that has made SAA and other State-owned companies leaner and more competitive than ever If it uses SAA and the other companies as job-creation programmes and patronage pools as the Nats once did, Flitestar would get a second lease on life.



The Competition Board probe is looking at possible malpractices by SAA "resulting from its dominant position in the domestic air transport market." These possible malpractices could stem from how it handles its frequent-flier programme, corporate discount arrangements, payment of sometimes more than minimum commissions to travel agents, and its computer-reservation system

Board chairman Pierre Brooks says this investigation will be more formal than the last one If the finding goes against SAA, Public Enterprises Minister Dawie de Villiers, "may have to declare certain SAA conduct unlawful "

SAA CE Mike Myburgh's feeling is that Flitestar is using its position as the underdog to "get the board to carve pieces off of SAA. I agree that government's attitude should be to help the weaker airline stand on its own two feet, but not at the expense of the stronger one Flitestar hasn't benefited from the help it was given by our reduction in capacity and increases in fares "

He says Flitestar's complaints about how SAA operates amount to objections against normal business practices "Flitestar also operates a frequent-flier programme Corporate discounts can be equated with volume discounts, and paying higher commissions to travel agents is probably the oldest way of doing business "

He denies that SAA's use of its computer reservation system puts Flitestar at a disadvantage The airlines and local travel agents are linked by a computer system devised by SAA, but there are no specific allegations that SAA has manipulated this system to the other airlines' detriment

Flitestar says it objects to SAA's frequent-flier programme because SAA has a much larger domestic route system, allowing customers to earn bonus miles on more flights and cash them in to more destinations This puts Flitestar at a disadvantage, so it wants bonus miles earned on either airline to be good for flights on the other airline But Myburgh says this would defeat the purpose of the programme, which is to reward customer loyalty

Flitestar's complaint about corporate discounts is based on its fear that SAA is sewing up all the big corporate customers, such as Anglo American and Barlows Finally, Flitestar's objection to higher commissions appears to be a red herring, for it gives a 9% commission on all tickets sold, one point more than the minimum, while SAA grants the higher commission only in certain cases.

SAA must be given time to show an adequate return on capital But Flitestar's own capital inadequacy is not an argument against SAA's practice. Where Flitestar may have an argument is if government is in breach of specific undertakings, especially if it has welched on bringing SAA to full and final privatisation ■

Gencor firms ahead of unbundling

Star 5/11/93

BY DEREK TOMMEY

Shares in Gencor, the mining house which is unbundling this weekend, gained 60c to R10,40 yesterday.

This suggests that unbundling could help make its shareholders richer, which is Gencor's stated reason for taking the step.

Shareholders are to receive about 5,6 Engen shares, 15,7 Genbel shares, 4,3 Malbak shares and 3,98 Sappi shares for every 100 Gencor shares

At the close of the JSE last night these shares were worth R432.

With 100 Gencor shares valued at R1040, this means that the unbundled portion of every 100 Gencor shares should be worth about R618, or R6,80 a share.

(232)

Analysts say Gencor's unbundling will emphasise the value of its gold investments and attact investors who want to invest in gold shares

Recession sees Amrel go deeper into the red

Star 8/11/93

The poor trading environment and severe pressure on gross margins hit Amalgamated Retail (Amrel) hard in the six months to September 1993 as the attributable loss almost quadrupled compared to the same period a year earlier.

Trading profit plunged by a third to R20,1 million (R30,2 million) dragging the SA Breweries-controlled household group deeper into the red with an attributable loss of R8 million (R2,1 million).

However, the loss could have been much worse had it not been for deferred tax credits of R5,1 million for the retailer of furniture and footwear and provider of TV, video and printing services.

The attributable loss per share amounted to 86,5c compared with 22,9c a year ago and Amrel did not declare an interim dividend because of the loss-making position. (232)

The group ascribed its performance to the turbulent trading environment, plagued by social unrest and the recession-stricken economy.

Consequently, Amrel said it would hard-pressed to break even for the year as a whole.— Sapa.

Nationalisation of Reserve Bank unlikely

232 CT 8/11/93

JOHANNESBURG. — The African National Congress might oppose a recent proposal that the South African Reserve Bank be nationalised, the organisation's department of economic planning said yesterday.

It was responding to a Macro Economic Research Group (Merg) suggestion that SARB policy approach would have to fall in line with the economic imperatives of a new democratic state.

Merg co-ordinator Dr Vella Pillay said on Friday recent research had shown that the SARB should be subordinate to the government "to allow monetary, interest and exchange-rate policies and the flow and direction of credit in the economy to be consistent with the democratic state's policies".

But in response, the ANC said "Such an approach is unlikely to find favour in the ANC as we are developing our own approach to monetary policy which will not require nationalisation of the South African Reserve Bank."

Merg was started in 1991 by the ANC, Congress of South African Trade Unions and other organisations as an independent research facility to undertake economic policy research and submit recommendations.

"Their (Merg's) reports do not constitute ANC policy," the economic department stressed in a statement.

"We are currently involved in negotiations on the conduct of monetary policy in the democratic South Africa," the statement added. — Sapa

Star 9/11/93

Sugar and spice makes HLH nice

Hunt Leuchars and Hepburn Group has reported a 36 percent increase in attributable earnings to R32,1 million (R23,6 million) for the six months ended September 30. (282)

HLH said this was primarily due to increased contributions from Transvaal Sugar and Robertsons, while Rainbow's losses were greatly reduced.

An unchanged interim dividend of 13,5c was declared for the period.

Group CEO Neil Morris said he expected the positive trend to continue into the second half of the financial year.

Huntcor, whose only investment is in HL&H, also declared an unchanged dividend of 27,2c. — Sapa.

LTA buys stake in Wade Refuse

BDay 9/11/93

EDWARD WEST

CONSTRUCTION group LTA had acquired a 50% stake in waste collection and disposal company Wade Refuse for R15m, LTA said yesterday.

The acquisition, which took effect from July 1, would lift LTA's earnings for the period to December by 4,5c a share. 232

This area of operation would become of strategic importance to the group, said LTA financial director Jimmy Oosthuizen.

The acquisition price was based on net asset value and an amount for goodwill calculated in part on Wade's expected performance over the next three years. The R15m would be settled by an initial payment of R10,5m and the balance at the end of three years, all of which would be funded from LTA's cash resources.

The initial purchase price of R10,5m included R8,3m for goodwill which would be written off by LTA as an extraordinary item.

Star 10/11/93

Deregulation changes 'ethos of service'

BY THABO LESHILO

The deregulation of the South African economy, which has seen the taxi industry grow hugely in the past fews years, is expected to pick up speed, bringing great challenges to business, says visiting marketing expert Dr Aubrey Wilson.

He says parastatals, companies and other service bodies, would have to radically change their methods and attitude if they are to survive and flourish in the new competitive environment.

"The whole ethos of professional service changes under deregulation."

Make life easier

Wilson is recognised worldwide as having played an important role in the emergence of business-to-business marketing as a management tool.

He says competitition would force enterprises in deregulated markets to realise their job in life is to make the client's life easier

They would also have to speak the language of the client and be able to serve the clients' needs — even those needs the client is unaware of

(232)

As clients become more questioning and demand courtesy, respect and dignity, "the very paternalistic attitude of 'I know what is best' is going to have to change," says Wilson.

This has been seen in the case of Aids patients who, in some cases, have proven to be more knowledgeable about their treatment and conditions than their doctors.

This extreme example came about because of the formation of self-help groups — often threatening established organisations.

Wilson says it is difficult for laymen to assess the technical quality of services, but they can assess the way the service is delivered: how good is legal advice, medical treatment, quantity surveyors' calculations among other things

"More and more we judge companies by the quality of the way service is delivered, rather than by the quality of the service itself.

"People don't care how much you know until they know how much you care."

This will be the motto of the future

"The buzzword is empowerment" and junior staff should be able to take some on-the-spot decisions without consulting their managers.

"We have to motivate people to want to make decisions and help them to make the right decisions"

Customer care is very much linked with the ability to make the whole organism work smoothly

Organisations have to know that "everybody in an organisation is somebody else's customer and somebody else's supplier"

The internal chain has to be made foolproof because if one of the people in it fails, the chain gets broken.

Marketing expert Dr Aubrey Wilson . . . "the buzzword is empowerment." PICTURE GEORGE MASHININI

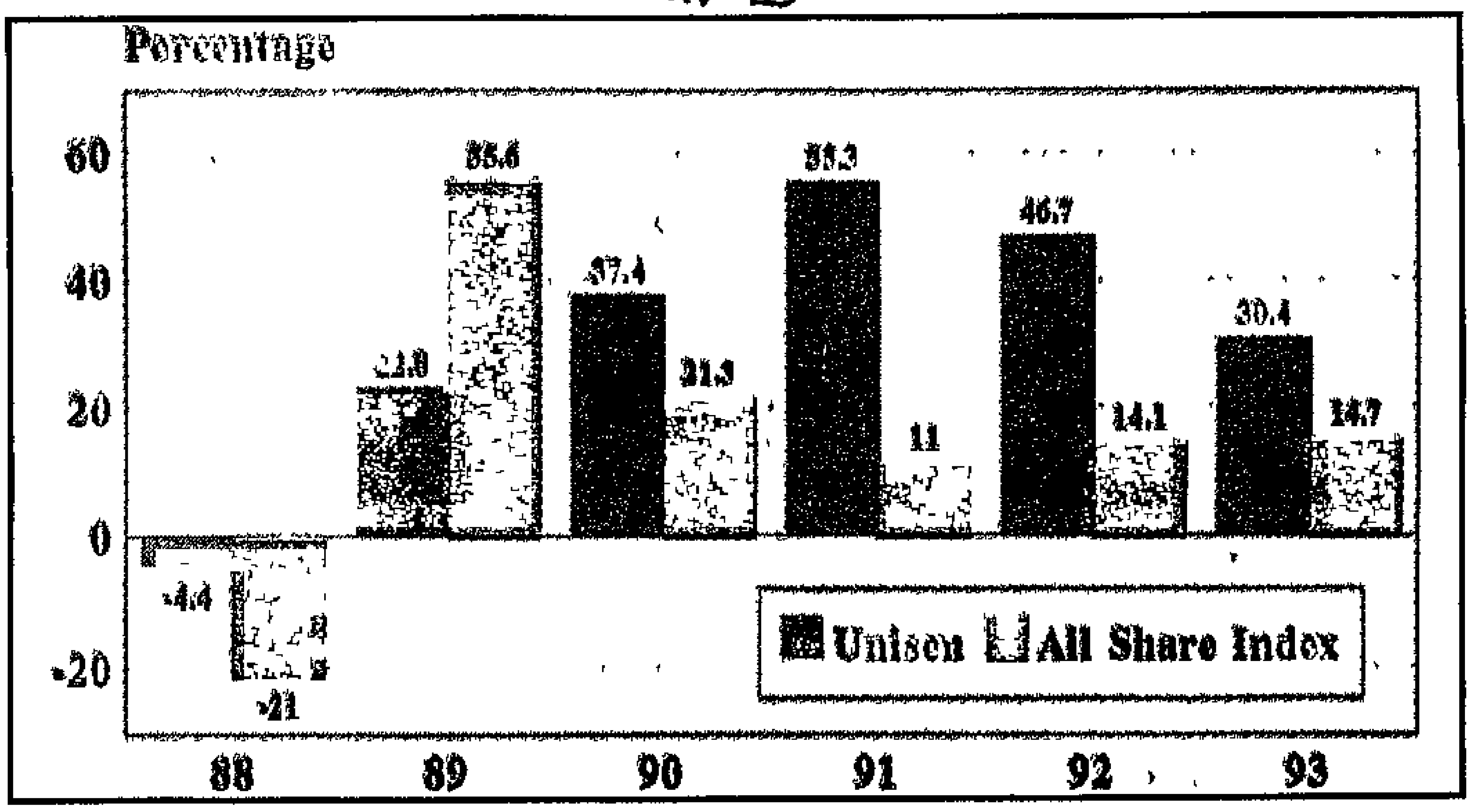
The plan: to significantly outperform the JSE

Genbel is looking for a billion rands

Star 10/11/93

THE thrill of the chase, is what Genbel is offering investors.

■ BY JOHN SPIRA



This is how Genbel's Unisen (trading) portfolio performed in relation to the JSE's all share index. The revamped Genbel is hoping to achieve similar results in the future.

CHART GENBEL

Genbel, having been unbundled from Gencor, is to borrow up to R1 billion as part of a strategy to transform itself into a revitalised company

Its traditional ties to Gencor have been severed and the company now aims at a fresh focus. Thus it will: (2 32)

■ Expand its securities trading operation to "significantly" outperform the JSE all share index over time.

■ Restructure its core investments to shift emphasis gradually away from commodities

Genbel has previously fulfilled the traditional role of a mining holding company As such, its portfolio has been dominated by Gencor-controlled companies, with disproportionate holdings in shares subject to cyclical commodity prices

"The Gencor separation now enables Genbel to create its own identity," says managing director Anton Botha.

Genbel's core portfolio, which accounts for about two-thirds of the total portfolio value of R3 billion, would be initially swelled by R400 million in debt financing to acquire new growth investments within the next two years

"The current portfolio is geared to an expected upswing in the commodity cycle Over time, the core portfolio will be refocused by replacing exposure to commodity shares with investments that can provide above-average growth"

In the interim, R400 million in gearing will be used to take advantage of buying opportunities in long-term growth investments as they occur

"Our debt-financing arrangements are such that we do not have to sell commodity stocks at the bottom of the cycle but can hold them until the time is right to sell"

Genbel's trading portfolio, currently under the umbrella of subsidiary Unisen, will be enlarged to R1 billion, nearly a third of total net assets

Additional debt financing of up to R600 million will be used in the trading portfolio — a debt level which, says Botha, is not uncommon in similar international companies and which should enhance the trading portfolio's ability to generate above average returns

Botha notes. "Fluctuations in Genbel's earnings will not deflect the company from its primary objective — to concentrate on significantly outperforming the JSE all share index as measured by total return — growth in net asset value plus dividends"

Genbel's dividend policy will also change — with effect from next year — such that future dividend growth will be at least equal to the yield on the all share index. Botha indicates that it will be about 24c versus 1993's 36c

Genbel will apply to the JSE for its listing to be moved from mining holdings to banks and financial services

With a view to demonstrating to shareholders the sort of earnings fluctuations they can expect from their transformed company, Genbel has recalculated its earnings over the past four years on the new basis

The result is earnings of 39c a share in 1990, 101c in 1991, 70c in 1992 and 140c in 1993 The actual figures were 29c, 32c, 34c and 36c respectively

Botha creating a new identity.

Accordingly, what will now be adorning the JSE boards is a company like no other listed entity Investors seeking the thrill of the chase will eagerly buy the shares, which, however, aren't for those without strong nerves

OK BAZAARS

How the spiral started

SAB shareholders deserve an explanation

FM 12/11/93

"We were in danger of losing our way ... we had to take our punishment for straying from the path of common sense." — **OK CE Meyer Kahn, 1979**

The lesson has been long in the learning And now, 60 years after it was listed on the JSE, the company whose far-flung emporia made it "the store where SA shops" is about to become a delisted failure.

SA Breweries (SAB), the OK's principal shareholder with 69,9% of the equity, has obviously decided that the giant retailer's steady retreat in the face of unremitting competition is now so embarrassing it must be removed from the investment spotlight. Not that SAB executives will admit that. they parade instead a host of reasons, from hugely burgeoning debt to political unrest.

OK Bazaars, whose genesis lay in the combination of two unlikely traders, one the owner of a modest store in Harrismith and the other a travelling salesman and sometime hairdresser, was established in 1918. Sam Cohen and Michael Miller commanded a capital base of £150 and called their firm United Commercial Agencies.

Their sole motivation was to make profits quickly, they had no intention of being trapped by the plate glass and mahogany which characterised their opposition. Not for them the Edwardian opulence that surrounded the great British stores. That's why it became the OK — goods which were OK, at OK cash prices.

The old OK died when SAB acquired its interest in 1973. Marketing director Louis Ozanne told the *FM* excitedly that SAB's involvement "clearly marks the change from brilliant pioneer development by entrepreneurial families into total professional management." Really?

SAB's management in the early years produced good results. The share price fell initially from SAB's purchase price of R7, bounced along for six years, then took off in 1979 to a peak of R27 in April 1983 Since then, it has been downhill all the way

As with all slow disintegrations, it's difficult to pinpoint the reasons for ultimate failure. Nevertheless, there are some strong candidates. First is management style — ethic, ethos, culture. Cohen and Miller represented themselves and their own money, and there's no substitute for the owner's foot Essentially, they were traders looking for the main chance.

Even in his 80s, Cohen used to spend a couple of hours at a till every Saturday morning in the basement of the Eloff Street OK. He thought it important to keep in touch with customers and the shop floor. (232)

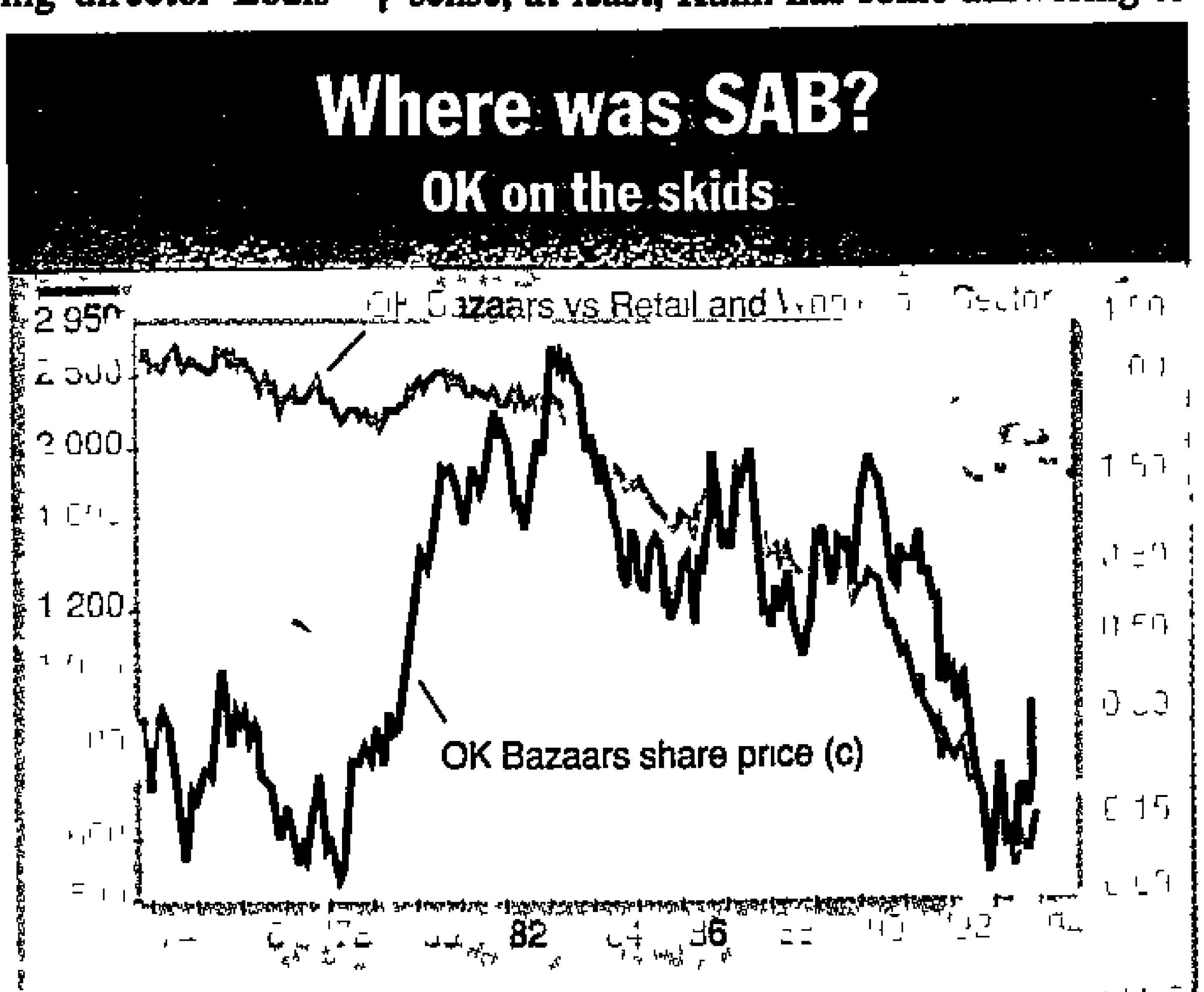
Subsequently, Meyer Kahn became CE in 1977: Kahn is nothing if he isn't a trader.

Kahn ... *a soft spot for the OK*

But when he moved to SAB's head office in 1983, OK's share price went into a spiral dive from which it has never recovered. Kahn was replaced by Gordon Hood, architect and property developer, who presided over an empire in decline

The choice of Hood surprised observers. There was no questioning his hotel and store planning abilities, first at Southern Sun and at OK, but running a huge company with thousands of employees isn't given to an executive described as "wooden" and "autocratic."

As management trainee and then CE, Kahn clearly developed a soft spot for his alma mater Maybe this precluded him from acting sooner and with greater vigour — especially when the alarming trend in OK's interest burden became evident In this sense, at least, Kahn has some answering to do: what would OK be like now if he hadn't insisted on being so laid-back, so remote, and had been more of a hands-on chairman?



SAB planning and development director Malcolm Wyman says SAB's policy is to give operating subsidiaries maximum freedom from central control "We actively employ a decentralised management philosophy," he says That is a policy many support, though not at the expense of common sense

A second factor is that OK simply lost its way in the Eighties. The temptation for managers of retail operations is to cater for every sector indiscriminately. OK was no exception — as evidenced by its 1993 annual report entitled "Back to basics." By Kahn's own admission in 1979, OK flirted with high fashion and was "eaten alive" by competitors in furniture

In the circumstances, it's strange that the illness was allowed to continue. When SAB took control in 1973, it told the *FM* its involvement would be at the strategic level of making the right big decisions — directions of growth, new outlets, finance, profit targets, top appointments. What has happened to these proud and perfectly proper promises? The unadorned answer is that SAB hasn't delivered

The third reason is probably the most curious of all. It is that OK's technology has lagged that of its major competitors. Given SAB's profile in hi-tech applications in other sectors, its irresolute approach to OK seems wayward. OK CE Mervyn Serebro admits, for example, the company's accounting systems are unbelievably antiquated.

And OK has fallen behind in critical areas such as in-store controls. These technology-related failures are illustrated by a comparison with Pick 'n Pay (PnP) where, for example, debtors expressed against days' sales are 0,6 against the OK's 29,5 Other ratios are. the number of days' stock held by PnP is 23,8 compared with the OK's 50,5 — more than double; and PnP wins in its use of creditors' money — its stock is financed to the extent of 164%, compared with the OK's 98%

Wyman objects to this comparison· PnP isn't at all like the OK, he says, because it doesn't have to fund a huge furniture book. It's true OK's HP book amounts to close on R500m and the product mix of the two retailers differs· 85% of PnP's business is food while at OK it's only 60%. Comparisons may be odious but they have to be drawn.

Wyman defends OK's record in this area

cont →

232 FM 12/11/93

by claiming that important technology takes time to implement That's true but doesn't explain why OK entered the race so late

Whenever the *FM* challenges OK's performance, Wyman's stock response is that it was grievously affected by the pervasive social, economic and political uproar Wyman says OK's trading position improved manifestly when quiet returned It's a seductive argument — but it doesn't explain why OK's competitors weren't affected to the same extent Wyman attributes this to OK's exposure in rural and mining areas

SAB's decision to make a Section 311 offer to minorities raises a number of issues The first is that SAB's intention to make OK wholly owned smacks of a repeat of the Southern Sun saga Investors will recall that SAB's response to the embarrassment of Sun's continuing losses was precisely that The impression is that it's a lot easier to sweep unpalatable facts under the carpet when there are no public reporting requirements

Wyman denies that is SAB's intention "No, we won't hide anything We don't hide our hotel results, for example Nor do we hide the results of our beer division Anyway, OK's results are already consolidated fully into SAB's financial statements, so it will have no additional impact "

However, Wyman refuses to say what kind of financial restructuring of OK is intended One thing is certain. the company is horribly undercapitalised and a consequence is a colossal debt burden (now close to R1bn) Such matters as how SAB will deal with the debt — whether it will replace it with paid-up capital or use other instruments (prefs, convertible debentures and so on) remain undisclosed

Asked why the alternative of a rights issue wasn't adopted, Wyman says SAB concluded minorities wouldn't subscribe He claims the unusual activity in the share recently (1,7m shares have traded so far this year, of about 3,7m held by private investors) is speculative Another option — that the major institutions might have been prepared to subscribe for a rights issue underpinned by SAB — was rejected by Wyman as unrealistic, given OK's past performance This is an overt admission of its parlous state

SAB's offer to minorities of R10 a share may be taken either in cash or in SAB scrip (based on a share price of R68) That is, at least, a concession which allows shareholders to stay in touch with their OK investment The offer must be compared with OK's net asset value· at March 1992 it was R28, by April this year it was R21. Now the managers say it is R15 and falling fast

As SAB cannot escape some of the culpability for this dramatic decline in shareholder wealth, is it right to offer minorities a price which clearly isn't generous? Minorities will be right to argue that SAB's admitted lack of managerial input, direction and control is responsible for shrinking assets Wyman and Serebro argue the share price hasn't traded better than R8 this year and so R10 is reasonable

That is tantamount to saying minority shareholders must accept responsibility for management's inability to manage While shareholders always ultimately pay the price of management incompetence, in this case SAB's dominance meant that minorities could never exercise the final sanction of throwing out management

It's arguable that recent share dealings simply represent speculators perceiving opportunities for fat pickings The most recent results — the interim to September — portray an extraordinarily sombre picture Compared with the same period last year, operating income fell R50m on turnover which increased 5% to R2,7bn

This is curious The huge decline isn't represented solely by squeezed margins arising from aggressive marketing chasing market share Serebro suggests a main reason is the fall in inflation — especially food — while fixed overheads remained constant

But it is worth remembering that when the new management team launched the reborn OK in May, it claimed it would halve the losses by year-end Actually, losses have increased — though if comparisons are made with the six months to March 31, attributable losses improved slightly from a negative R47m to R40m. Nevertheless, these figures, fortuitously perhaps, serve to underline and enhance the superficial attractions of SAB's offer to minorities

The most striking feature of the six-month results is the R57,1m interest bill — almost R10m a month Since March, OK's total interest-bearing debt burden has risen R234m, it's now R937m The R42m operating loss gets even worse below the line, where OK has taken an extraordinary loss of R27m from rationalisations. There seems no end to the red ink in the financial statements.

Another important feature is that the first Hyperama, opened in 1976, was intended to solve the OK's self-imposed problem of being the place where the nation shopped. Hyperamas were introduced (at a time when the group was doing particularly well) to lift the load from OK Stores of what was a crippling philosophy The size and disparity of the market outstripped OK's ability to service it

It is only now — under Serebro — that the essential differences between Hyperamas (serving A-B income groups) and OK Stores (concentrating on the C-D sectors) is being articulated. Indeed, the Hyperama success and OK's ability to make it work has been camouflaged in the perceived interest of shoring up the steadily declining performance of OK Stores.

The group is coy about releasing information, but it's possible to deduce that last year the Hyperamas contributed about R50m to group operating income The inference is that Hyperamas work, OK Stores don't Wyman rejects suggestions that SAB intends to list Hyperamas separately

Twenty years ago, SAB laid R136m on the table to secure control of OK's business. Applying nothing more than the CPI over the years since then as a measure of return, SAB's outlay should now be worth R1,78bn, it is worth no more than R61m.

This is sobering because, taken alone, it is uncomplimentary about SAB's management and strategies of diversification. Wyman, heavily defensive, says SAB is in "the mass market-orientated business We will have bad periods We are, after all, a prisoner of the economy We can't divest and translate our holdings into cash whenever the environment looks poor "

Soon after the *FM* went to press, SAB unveiled its interim, against a background of 26 successive years of unbroken annual growth in earnings. The unpalatable truth is this has been achieved despite — not because of — the diversification programme Beverages always pulls SAB through

Though it's hard to say this in the face of a record unmatched in SA business, SAB's shareholders would have done better if its managers hadn't been so adventurous

Marylou Greig & David Gleason

Diminishing returns

Sobering statistics

Year to March 31	1985	[illegible]	1987	[illegible]	1989	[illegible]	1991	[illegible]	1993
Turnover (Rm)	1 963	[illegible]	2 364	[illegible]	3 727	[illegible]	4 800	[illegible]	5 277
Pre-interest profit (Rm)	62,1	[illegible]	43,5	[illegible]	69,0	[illegible]	58,0	[illegible]	52,1
Pre-tax profit (Rm)	26,3	[illegible]	28,2	[illegible]	43,9	[illegible]	16,9	[illegible]	-73,9
EPS (c)	100,0	[illegible]	123,0	[illegible]	195,0	[illegible]	120,3	[illegible]	-361,4
DPS (c)	60	[illegible]	73	[illegible]	103	[illegible]	63	[illegible]	10
Returns on average total assets	n/a	[illegible]	5,7%	[illegible]	6,8%	[illegible]	4,4%	[illegible]	3,2%
Returns on average capital employed	n/a	[illegible]	8,9%	[illegible]	12,1%	[illegible]	8,4%	[illegible]	5,8%
Return on average equity	n/a	[illegible]	4,5%	[illegible]	6,7%	[illegible]	4,3%	[illegible]	-14,8%

Source I NET

Unbundled CG Smith off to good start

Earnings and dividends up

Star 15/11/93

DROUGHT main stumbling block to even higher earnings

BY DEREK TOMMEY

CG Smith, recently unbundled from Barlows, has made a good start as an independent

Despite operations being hit by a severe drought in Natal, which slashed sugar production, and by the recession and unrest, which trimmed earnings of associate, CG Smith Foods, it was able to post a 6,7 percent rise in attributable earnings in the year to September

(232)

But for the drought, the increase would have been 14 percent, says chairman Derek Cooper.

Helped by a strong performance from packaging interests, productivity improvements, rationalisation, and lower interest and tax payments, earnings rose from 882,3c to 941,6c a share.

It is paying a final dividend of 310c, making 327c for the year (308c)

On November 29, CG Smith shares will be split on a 10-for-one basis and shareholders will get a dividend of 21c on each sub-divided share. However, the total dividend will be unaffected.

A strong positive cash flow of R480 million and lower interest rates led to a 29 percent fall in funding costs Profits were also helped by a reduction in the tax rate from 37 percent to 33 percent.

CG Smith Foods increased turnover by 7 percent to R13,9 billion, but pressure on volumes, and food prices generally contained below the inflation rate caused a 3 percent decline in operating profit

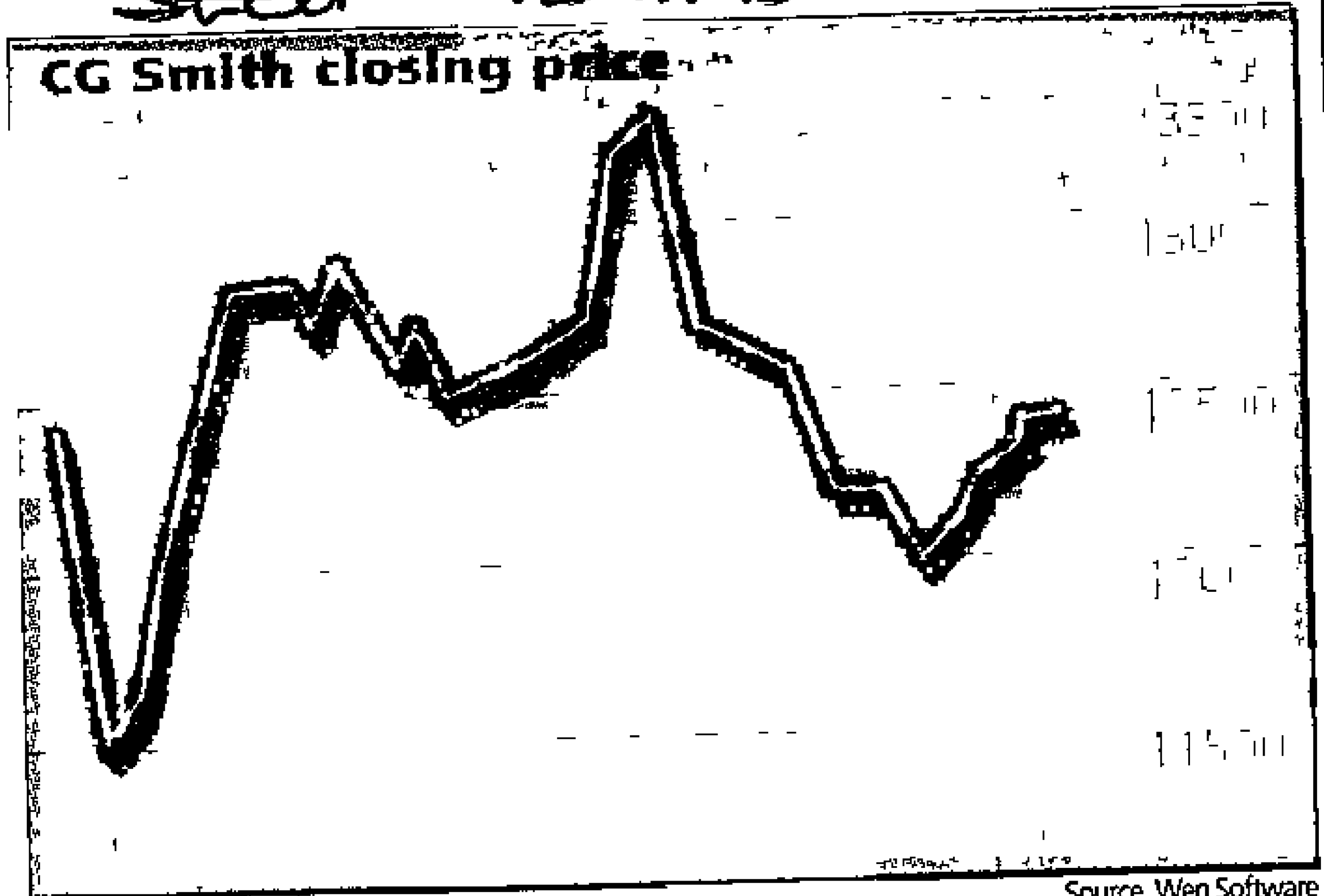
Attributable earnings fell by 5,1 percent from 321,9c to 305,5c. It is paying a final of 63c, making 99c (105c) for the year.

CG Smith Foods' interests include Tiger Oats, Adcock Ingram, Logos Pharmaceuticals and Oceana Fishing, all of which improved performances.

Sea Harvest was hit by the decline in white fish prices.

Associate companies of CG Smith include Nampak and Romatex.

Group capital expenditure during the period was just short of R700 million.



GRAPHIC Abel Mushi

Source Wen Software

COMPANIES

Gencor seeks to simplify offer

ANDY DUFFY

MINING company Gencor is attempting to simplify its odd-lot offer to shareholders, following its unbundling last week.

The dismantling of Gencor and its holding company Genbeheer and the distribution of shares by Malhold had left about 8 000 odd-lot shareholdings in Gencor, Sappi, Malbak, Genbel and Engen.

The odd-lot offer, which runs this week, is designed to allow shareholders to round up or down their shareholdings to multiples of 100.

But Gencor said over the weekend that complex company law, JSE rules and the intricacies of unbundling meant shareholders would receive confusing forms of election and surrender.

Gencor said it would overcome such difficulties by colour coding election and surrender forms to the colour of the relevant share certificates. The company has also commissioned a step-by-step users' guide to take shareholders through the process.

All forms of election and surrender would be individually printed to conform to each shareholder's stake.

Share quantities and prices would be preprinted on the election forms, requiring the shareholder only to check the required block, sign the form and place them together with their share certificates in a pre-addressed return envelope

For those shareholders still left bemused, Gencor has also set up a free telephone helpline. BIDay

Gencor said such "proactive steps" would simplify the process "to avoid shareholder apathy through intimidation and confusion". 15/11/93

Genbel and major shareholder Sankorp, which are administering the offer, have also opted to absorb the costs of the transactions. ~~(210)~~ (232)

Gencor said this would mean shareholders would not have to pay brokerage or dealing costs, and would recieve a market price for the shares, rather than an odd-lot price which usually has a 10% premium or discount to the market value.

The options to shareholders have been tagged "round up your odd-lot shareholding and sell your odd lot". For shareholders who fail to reply to the offer the default alternative is dubbed "keep my odd-lot"

CG Smith shows 6,8% earnings rise

BDay 15/11/93

MARCIA KLEIN

FOOD, packaging and textile group C G Smith, recently unbundled from former parent Barlow Rand, announced at the weekend it had increased attributable earnings by 6,8% to R443,3m (R415,1m) in the year to end-September.

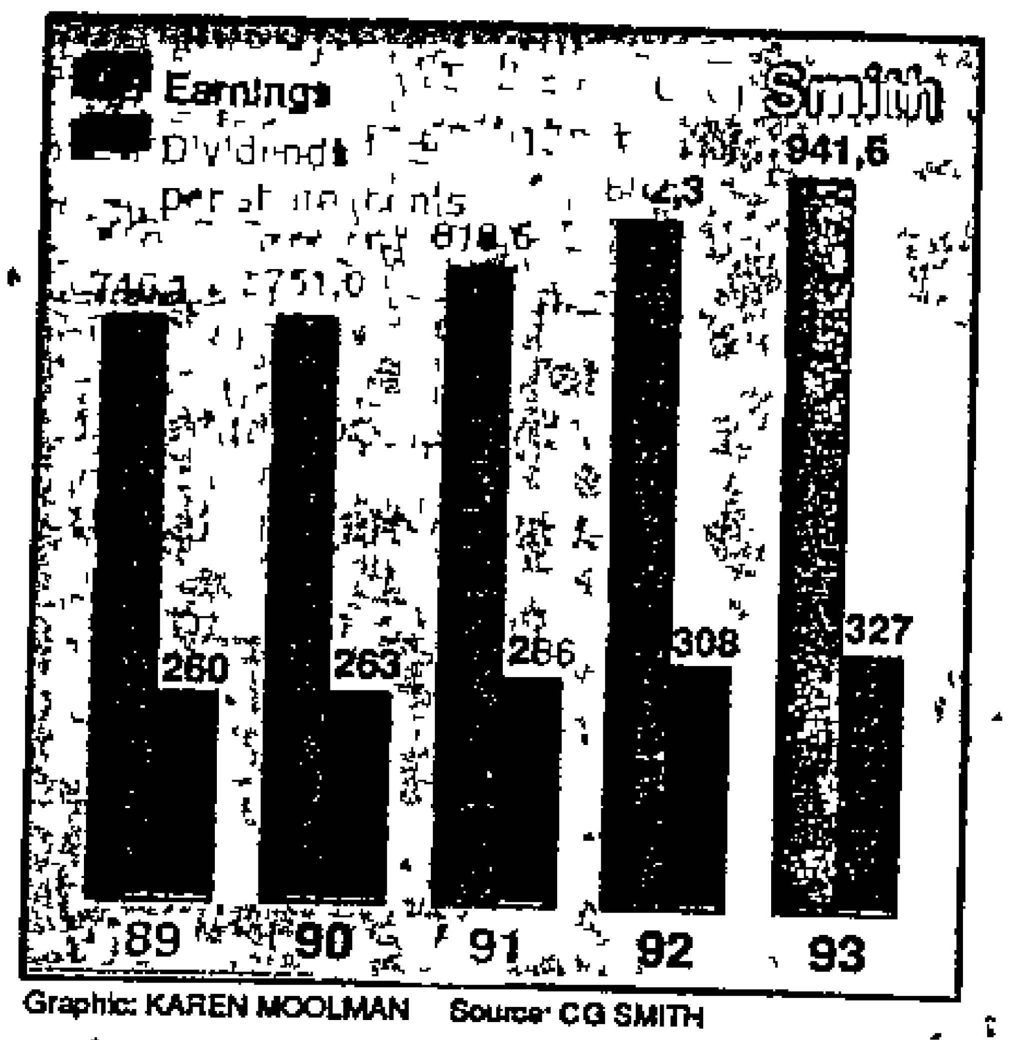
It also intended splitting its shares on a 10 for one basis (232)

Newly-appointed chairman Derek Cooper — formerly Barlow's MD — said the results were achieved despite a 5% fall in earnings from significant contributor C G Smith Foods on the back of sharply lower profits from C G Smith Sugar.

Cooper said C G Smith Sugar was affected by the drought. The performance of most other group companies, which include Tiger Oats, Nampak, Romatex, ICS Holdings and Adcock Ingram, was strong.

He said C G Smith's 5,8% rise in turnover to R19,2bn (R18,1bn), a decline in real terms, reflected pressure on sales volumes and prices. Net income before interest and tax was marginally up at R1,4bn. But sharply lower financing costs — due to strong cash flow from operations and lower interest rates — and a reduction in the tax rate enabled it to lift bottom line earnings 6,8%.

Earnings were up 6,7% to 941,6c (882,3c) a share. A final dividend of 210c a share (or 21c based on the subdivided number of shares) was declared, bringing the full year dividend up by 6,2% to 327c (308c).



Graphic: KAREN MOOLMAN Source: CG SMITH

Cooper said the balance sheet was strong despite R700m in fixed assets.

He said some areas of the business had been receiving strategic attention — particularly Romatex and ICS — and the advantages were already showing.

The unbundling meant that C G Smith was no longer an intermediary holding

☐ To Page 2

CG Smith

BDay 15/11/93

☐ From Page 1

company. The number of head office employees was now 15, and there was no intention for it to get bigger. Cooper said companies in the stable were substantial in their own right, and the head office responsibility was to give strategic direction. It would ensure that the group structure maximised the return to shareholders (232)

Commenting on the share split, Cooper said C G Smith had been thinking about splitting its shares for some time as the share price was getting high. But the final decision was triggered by the unbundling.

C G Smith was looking forward to the number of shareholders increasing dramatically, Cooper said, and the group wanted to make the unbundling as advantageous as possible. The share closed on Friday at R124, off a yearly high of R142,50 and a low of R115.

He believed that the group's strategic direction, which he said would become apparent over the next few years, would indicate that it would increase shareholder's wealth.

Commenting on the dual pyramid structure — of C G Smith and C G Smith Foods — Cooper said this was a strategic decision to be addressed. But getting rid of one pyramid would not result in a huge cost saving, and the structure as it stood did not impede the group's strategy or funding.

It was difficult to make short-term forecasts, Cooper said, as there could be some disruptions prior to and during the elections. Nevertheless, C G Smith had set its target growth in excess of inflation (which it estimated would be at around 8% to 9%) in financial 1994.

This year C G Smith Sugar's performance would show a small improvement, and it would come back strongly in financial 1995.

Anglo details gold firms' unbundling

B/Day ANDY DUFFY 15/11/93

ANGLO American has finally disclosed the terms for unbundling its gold investment companies, under which investors will gain shares worth R5,6bn in Anglo's Freegold mining operation. 232) (216)

Anglo said today Ofsil shareholders would gain 261 Freegold shares for every 100 Ofsil counters held under the planned dismantling, while Welkom investors would receive 67,86 Freegold shares for every 100 Welkom shares held.

The two companies together hold 55% of Freegold, which closed on the JSE on Friday at a year high of R69,25 amid strong stock buying from local and US investors.

Anglo also said foreign shareholders in Ofsil and Welkom would be given the option to limit tax penalties by swapping their shares for new Freegold shares, though on less favourable terms.

Ofsil and Welkom would be delisted after the unbundling, becoming the vehicle by which Freegold would hold shares in itself.

Anglo disclosed plans to unbundle the companies in April, in the first attempt by a company to exploit Budget proposals on corporate dismantling.

Ofsil and Welkom had been seen as unnecessary by JSE critics, while Anglo said the unbundling would cut discounts to net asset value endured by the companies'

☐ To Page 2

Freegold

B/Day 15/11/93

☐ From Page 1

shareholders.

The group said it had to wait seven months before detailing the dismantling because it wanted to see the unbundling provisions of the Income Tax Act published beforehand.

Anglo said ensuring foreign investors were not penalised by the move had also led to the delay. Its terms to assist overseas shareholders would offer 257,77 new Freegold shares for 100 Ofsil, and 67,02 new shares for 100 Welkom. (216) (232)

The exchange, which would follow the main pro rata share swap, was less favourable because of additional costs linked to issuing and transferring new shares Anglo said it was trying to reduce such costs.

Anglo's effective interest in Freegold would remain unchanged at around 30%.

An Anglo spokesman said at the weekend that it was not sure how many foreign shareholders there were, but in July about 20% of Welkom and Ofsil's shares were foreign held. It was also difficult to say how many new shares would be issued, as it did not know exactly how many foreign shareholders there were, or what choice they would make.

Anglo plans to call a general meeting to gain shareholders' approval for the plans. It said it expected the plans to go into effect next March. An announcement of dates would be made in January.

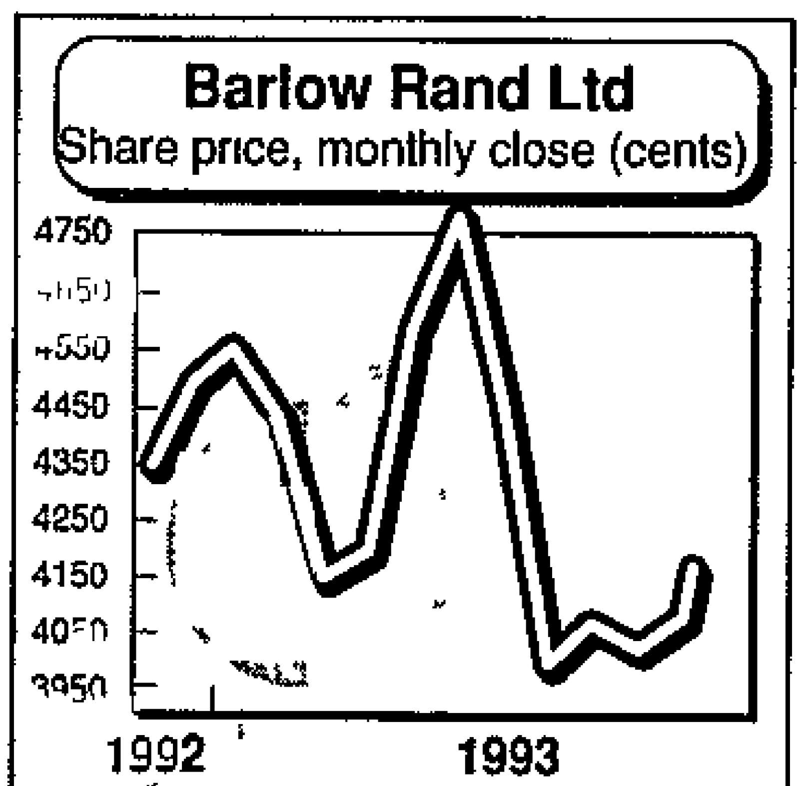
Barlows' earnings 'set to take a huge knock'

BDay 15/11/93

MATTHEW CURTIN

BARLOW Rand is heading for a steep earnings decline when it publishes its final set of results tomorrow, the last as SA's flagship industrial group.

Analysts canvassed at the weekend put estimated year-end earnings at between 360c and 378c a share in the year to September 30, at least 14% below the 437,5c reported in 1992. The conglomerate turned in attributable earnings of R906m on pre-tax profit of R2,53bn last year.



Graphic: KAREN MOOLMAN Source: I-NET

Barlows may also announce the final details of the unbundling exercise undertaken in the past three months. At the beginning of October the group undertook to announce its results on November 15 and "the financial effects of the restructuring" in the second half of the month.

The group's listed interests such as Nampak, Pretoria Portland Cement, Reunert and Romatex have turned in solid performances — marred only by CG Smith Sugar's disappointing performance — in the past two weeks, but analysts said the poor showing from UK subsidiary J Bibby & Sons and Barlows unlisted subsidiaries would dent earnings.

Fergusson Brothers analyst Steve Rubenstein said the 80% collapse in Bibby's earnings was equivalent to a 85% decline in rand terms, compared with an expected 75% fall, and would knock R10m off Barlow's bottom line.

Analysts agreed there would be uniformly poor results from the unlisted subsidiaries whose recession-hit businesses ranged from tube manufacture, steel merchanting, to the supply of electrical appliances, paint-making and capital equipment distribution. Aggregate earnings could fall by as much as 25% to R120m (R160m) from Barlows' domestic and overseas unlisted interests.

Barlows would also have absorbed significant costs in the restructuring of its interests. (232)

However, the new-look Barlows was set to emerge cash-flush and debt-free with net cash assets of as much as R1,2bn. One analyst suggested a fair market value of the streamlined group would be close to R16 a share with not unpromising long-term prospects given the exposure of the subsidiaries to any pick-up in gross domestic fixed investment in the economy.

Barlows shares closed on Friday at R41,25, 100c or 2,45% up on the day.

IBM may sell

Good start for new-look CG Smith

ARG 15/11/93 232

DEREK TOMMEY

JOHANNESBURG. — CG Smith, recently unbundled from Barlows, has made a good start as an independent

Despite operations being hit by a severe drought in Natal, which slashed sugar production, and by the recession and unrest, which trimmed earnings of associate, CG Smith Foods, it was able to post a 6,7 percent rise in attributable earnings in the year to September

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Sea Harvest was hit by the decline in white fish prices

Associate companies of CG Smith include Nampak and Romatex

Group capital expenditure during the period was just short of R700 million

Mr Cooper says he and his executive team have a dual role at the unbundled CG Smith The first is to make the assets sweat a little more, the second to build on a proven skill base

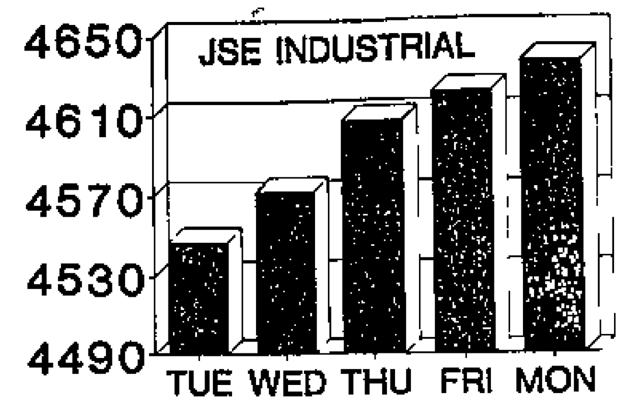
■ **SA Bias Holdings**, listed on the Johannesburg Stock Exchange since 1948, is to change its name to Sabhold Group Limited Sabhold will replace SA Bias in the industrial holding sector lists on 29 November

"We want to clearly distinguish Sabhold from SA Bias Industries Limited (Sab Ind)", says chairman Chris Seabrooke

"SabInd, which is South Africa's largest manufacturer of trimmings for the clothing and footwear industries, conducts the traditional operations of the SA Bias group and should itself have the SA Bias identity"

Sabhold, which recently reported a 16 percent increase in earnings, also has a controlling interest in Merhold Investment Corporation Limited

The Star BUSINESS
Edited by John Spira



Industrials to fore

Encouraging economic news led to industrial shares firming yesterday. The index rose 15 points to 4636. Features included Group Five Holdings, which added 30c to 140c, and retailer Pepgro. Its convertible debentures gained R1 to R17.

Unbundled giant slips out of top ten

Star 16/11/93

Barlow in new light

FOREIGN markets are going to play a significant role in the future, since these comprise 32 percent of reconstituted assets

BY JOHN SPIRA

Barlow Rand is no longer SA's largest industrial corporation.

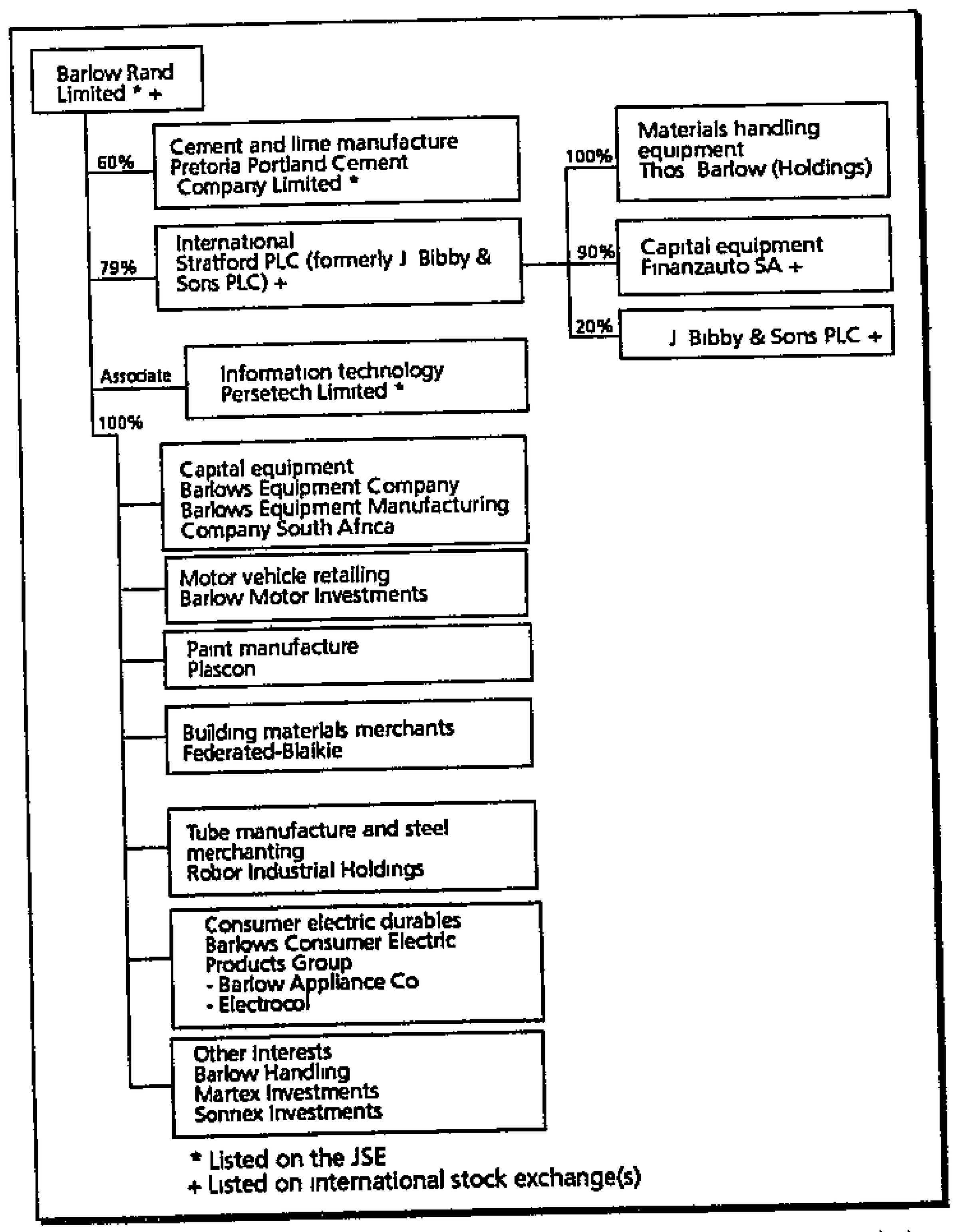
In its slimmed-down, unbundled form it is a focused operation concentrating on local and foreign infrastructural development.

With its unbundling exercise now virtually complete, Barlow slips out of the top ten in terms of assets

Former subsidiary CG Smith moves into the top five The child has become father of the man

Chairman Warren Clewlow yesterday disclosed full details of the unbundling, figures for the year to September and pro forma results for the same period.

Solely for the record (since Barlow, sans CG Smith, Reunert, Rand Mines and Rand Mines Properties is no longer the entity it was), in the year to September, on turnover which rose by 7 percent to R38 billion, operating profit declined by 9 percent to R2,5 billion and earnings were 15 percent lower at 367,4c a share. Dividends are unchanged at 173c.



The pro forma income statement reveals that Barlow's earnings would have declined by 26 percent to 151c a share had the new framework been in place — a reflection, says Clewlow, of unusually low infrastructural spending

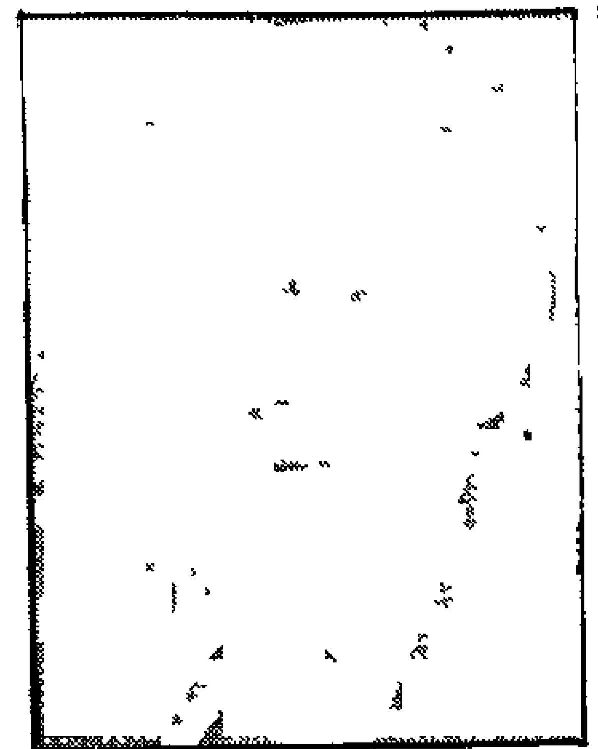
He is nevertheless optimistic that there are better things in store for the restructured group.

On the local front, he expects an upturn by the second half of 1994 (and "the new government has to engage in infrastructural spending"), while overseas "there are slight signs of recovery in international markets".

Foreign markets are going to play a significant role in the new Barlow's future, since these comprise 32 percent (the largest single component) of the group's reconstituted assets Cement and lime manufacture comes next with 19 percent (23.2)

Clewlow draws attention to the following bull points.

- In the wake of the unbundling, Barlow is financially strong, with cash of R500 million available for development
- The cyclicality of earnings has been substantially eliminated.
- The quality of the underlying investments is strong, with gearing considerably reduced.
- Careful focus will be placed on new products, asset management and productivity, as well as on restoring Finanzauto, the Spanish capital equipment subsidiary, to profitability


Warren Clewlow ... better things in store.

Clewlow concludes. "The group is well positioned to take advantage of every opportunity "

While substantially complete, the finalisation of the unbundling procedure awaits the conclusion of a handful of negotiations, among them the lack of agreement by a major principal regarding the change in control of Persetech

Accordingly, Barlow and Reunert have agreed not to implement the sale of Persold to Reunert. Instead, consideration is being given to selling a large portion of Barlow's effective holding in Persetech to a syndicate

Bibby, which currently controls Barlow's foreign operations, is to be restructured.

Prior to the distribution of CG Smith, Reunert and Rand Mines, the shares will be split in the ratios of 10·1, 5 1 and 4 1 respectively.

Nedbank's African expansion trail

BY JOHN SPIRA

In an initiative reflecting positively on its international standing, Nedbank has entered into a strategic alliance with Societe Financiere pour Les Pays d'Outre-Mer (SFOM) to combine forces in Africa.

Nedcor subsidiary, Nedcor Bank, and SFOM, a Swiss-based holding company, have signed an undertaking of co-operation with a view to providing an effective banking service in many parts of Africa

SFOM has major stakes in banks in 14 African countries, with a strong presence in West and Central Africa.

SFOM is owned by three major European banks — Banque Nationale de Paris of France, Dresdner Bank of Germany and Banque Bruxelles Lambert of Belgium

The SFOM banks in Africa are generally among the three largest in their respective countries

Nedcor Bank chief executive Richard Laubscher says Nedbank and its clients will benefit from the SFOM banks' experience in Africa.

"In this process, Nedbank will develop the network and expertise through relationships with substantial banks which have been on the ground for many years "

In addition to the agreement to co-operate, Nedcor Bank and SFOM will combine forces in Namibia by merging their banks — Namibian Banking Corp and Commercial Bank of Namibia.

Nedcor Bank and SFOM will together hold an effective 87,7 percent interest in the merged Commercial Bank of Namibia and will have joint operating responsibility

Nedcor Bank will also acquire an effective 16 percent strategic stake in the Merchant Bank of Central Africa — one of Zimbabwe's premier banks — in partnership with SFOM, NM Rothschild and Hill Samuel.

Old Mutual in Zimbabwe already holds a 20 percent stake in the bank.

According to Laubscher: "Nedbank believes that its already active African activities will be considerably enhanced by these initiatives

"Strategic equity stakes in successful banks in a small number of key African countries may be considred from time to time."

He stresses that Nedbank has defined its business in Africa as the provision of banking services and support for its SA corporate and commercial customers who are trading, investing or handling projects in Africa.

"The agreement with SFOM will greatly assist us in achieving these objectives "

Barlows Rand's plan to sell Persetech falls through

BIDay 16/11/93

MATTHEW CURTIN

PLANS by Barlow Rand to sell computer subsidiary Persetech as part of a R460m deal to electronics group Reunert have fallen through in a surprise last-minute hitch to the conglomerate's unbundling.

The change adds extra weight to the new-look Barlows, to be renamed Barlow Ltd next year, which is going ahead as planned with the distribution of shares to shareholders of its stakes in its subsidiaries C G Smith, Rand Mines and Reunert

Based on the value of Barlow Rand shares on Friday of R41,725, the total value of the distribution is R24,25 a share, leaving Barlows with an imputed share value of R17,50

Barlows shares fell nearly 2% or 75c yesterday to close at R41, just above their year-low of R38.

Standard Merchant Bank has undertaken to offer to acquire odd lots of affected shares from Barlows' ordinary shareholders for cash at a price to be announced on January 14.

Barlows chairman Warren Clewlow said yesterday the parties had been unable to tie up the deal because of pressure from Hitachi — whose mainframe computers and components Persetech distributes in SA — preventing the company joining the Reunert fold.

"Persetech stays with Barlows," Clewlow told a news conference called to announce the final unbundling details. (232)

He said Barlows planned to reduce its stake in Persetech from 60% to closer to 30% to leave the company as an associate. Persetech did not fit with the group's new focus on heavy industrial interests.

Talks were under way with a syndicate interested in taking a minority stake in the company.

The syndicate is understood to be led by Persetech chairman and non-executive director Roux Marnitz, one of the founders of subsidiary Persetel, which first distributed Hitachi products in the early 1980s.

Reunert directors were unavailable for comment but the failure to clinch the Persetech deal means the recent restructuring of the group, aimed at securing across-the-board exposure to electronics markets, falls short of directors' expectations.

Reunert has acquired Barlows' Nashua, Panasonic and related interests for the issue of R235m worth of its paper.

Clewlow said Barlows had raised R842m in the restructuring which had been used in large part to recapitalise its overgeared, unlisted subsidiaries — which received an aggregate R200m cash injection — and Barlows itself, holding "free cash worth R500m".

The group would adopt a more conservative dividend policy of 2,5 to 3,5 times cover

Pro forma figures for the new cash-flush, debt-light Barlows showed the group would have reported sales of R12,3bn (R11,2bn) in 1993 Pre-tax profit would have stood at R578m, sharply down from R763m the year before, with after-tax profit standing at R364m (R503m). Barlows' earnings would have been a quarter down at R297m (R396m), equivalent to 151c (204c) a share.

The biggest contributor to pre-interest, pre-tax profit of R740m would have been Pretoria Portland Cement at 30%, followed by Barlows' international (16%), information technology (10%), and capital equipment (7%) interests.

Barlow Rand's last report tells of slide

B/Day 16/11/93

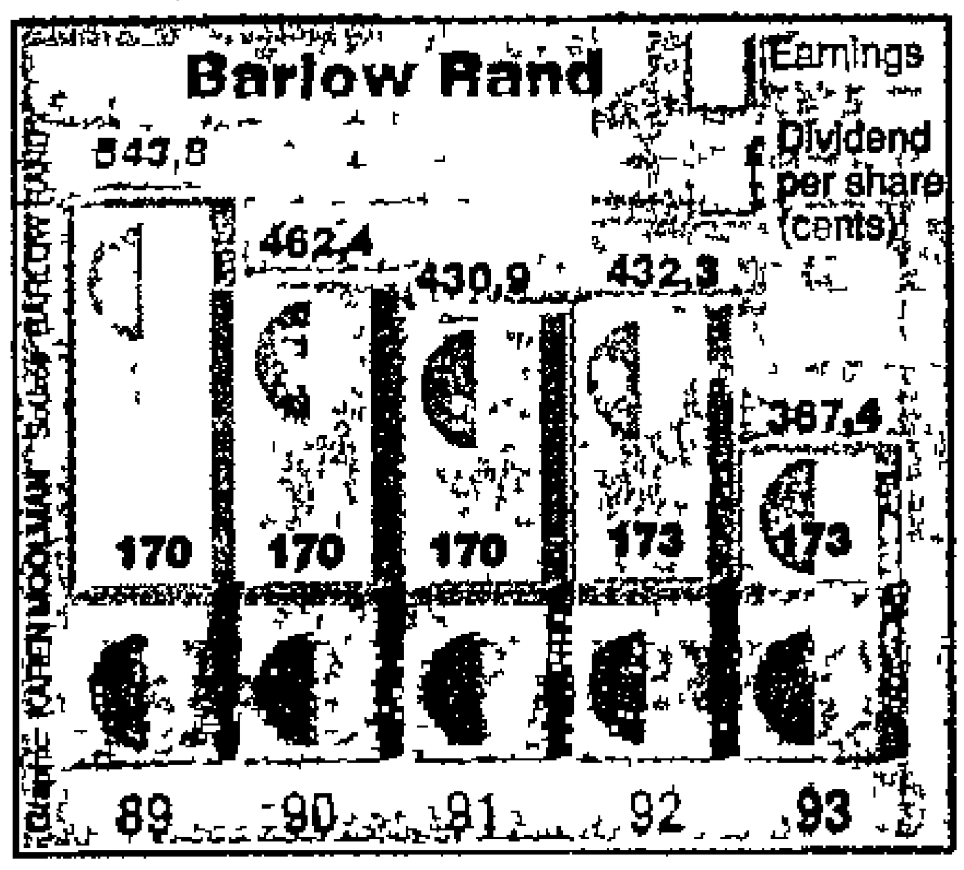
CHARLOTTE MATHEWS

BARLOW Rand, in its final announcement as SA's largest industrial group, reported a 15% slide in earnings to 367,4c (432,3c) a share in the year ended September, but declared an unchanged 173c dividend.

Profitability was hit by weak performances from most unlisted wholly owned subsidiaries, a slump in earnings at UK subsidiary J Bibby & Sons, and the tough conditions facing C G Smith and Randcoal.

The results are Barlows' last as a diversified mining industrial conglomerate, as the unbundling plans announced in June have led to the disposal of its interests in electronics, consumer products and gold mining. The new-look company, to be renamed Barlow Ltd in January, has emerged as a cash-flush, low geared heavy industrial group with significant overseas interests. (232)

Turnover rose only 7% to R37,98bn (R35,4bn), the slowest rate of growth in more than a decade. Operating profit before interest was down 9% to R2,5bn



(R2,7bn), reflecting a decline in the average operating margin to 6,5% (7,6%).

Income from investments was 21% higher as Barlows received R607m from Old Mutual in July for the sale of shares in Reunert, C G Smith, Rand Mines, RMP and Randgold, on which two months' interest income was earned. Profit after tax, in-

☐ To Page 2

Barlows

B/Day 16/11/93

☐ From Page 1

cluding associate companies, was 7% lower at R1,6bn (R1,7bn) and the payment of R905m (R907m) to minorities further reduced attributable profit.

Extraordinary items included a R262m (R317m) write-off of goodwill, R85m (R64m) in net losses on the sale or discontinuation of Barlows' businesses, a R216m profit (R60m loss) on the disposal of properties, investments and shares in subsidiaries, and a R118m provision to cover restructuring costs. (232)

Chairman Warren Clewlow said the R118m included the cost of retrenchments, reorganising some companies and continuing social commitments undertaken by the Barlow Rand Foundation.

If all the transactions in Barlows' restructuring had been effective from October 1992 and the R118m provision had been used evenly over the year, its earnings would have been 364c, a fall of 3c or 0,8%

The conglomerate's audited net asset value a share in 1993 was R24,20. However, on the basis that the distribution of shares in C G Smith, Reunert, Rand Mines and RMP had taken place, the net asset value at September 30 would have been R13,80.

Clewlow said Barlows' weakest performers were coal mining and the Spanish Caterpillar dealership, Finanzauto, acquired by J Bibby in 1992.

Cement volumes were 5% lower while lime was static. Among Barlow's wholly owned companies, tube manufacturing performed better than expected and the loss in the building materials operations was lower than in 1992, but consumer durables were weaker. There was a slight reduction in paint earnings, but motor earnings doubled after the acquisition of new Nissan and BMW dealerships.

In Bibby, materials handling improved, the capital equipment division incurred a loss and there were lower contributions from science products, paper and converted products and agricultural divisions.

Clewlow said little improvement was expected in the SA economy in the first half of 1994, but slight signs of recovery were evident in international markets.

"The new Barlows is very strong at the centre with R500m of free cash for future development or expansion. The cyclicality of earnings has been substantially eliminated. The focus will continue to be on new products, asset management, bringing Finanzauto to profitability and on productivity," he said.

● See Page 11
● Picture: Page 3

Star 17/11/93

SAB buys stake in Hungarian brewery

SA Breweries has acquired an 80 percent stake in Kobanyai Sorgyar Rt, Hungary's oldest brewery, for $50 million (R170 million).

SAB said yesterday it had also agreed to institute a $40 million reconstruction, rehabilitation and upgrading programme over four to five years. (232)

The programme will enhance Kobanyai's production, marketing and distribution activities.

Capacity will be restored to 2,5 to 3 million hectolitres a year. Well-known brand Dreher will be given particular emphasis.

The investment by SAB will be held through its Westgate Worldwide group established in the 1970s to handle SAB's offshore beverage-related investments. — Sapa.

THE STAR / WEDNESDAY NOVEMBER 17 1993

NEWS

Competition Board wants more bark and bite to curb price-fixing

Tough anti-cartel laws planned

Star 17/11/93

BY MICHAEL CHESTER

Business cartels and price-fixers have been warned by the Competition Board that they will risk penalties running into millions of rands from next year if Parliament approves proposals for a sweeping new crackdown on racketeers.

The Competition Board has confirmed it is seeking far wider powers to flush out consumer rip-offs and business scams aimed at squeezing out rivals to leave the decks clear to dictate prices.

Proposals on the development of brand new competition policies, with much sterner legislation to enforce fair play in the business world, had been handed to the Government, said board chairman Pierre Brooks.

Comment from the main political and business leaders had also been invited in the hope of reaching consensus on an action programme before proposed legislation was tabled.

Proposals set out new rules that cover surveillance of mergers and takeovers and a closer watch on inter-company deals on market sharing, resale price maintenance, and collusion to fix tenders for big contracts.

"The Competition Board needs more bark and a lot more bite," said Brooks in an interview. "It's crucial that South Africa improves its competitiveness on home and overseas markets — and that needs firm action against anyone who tampers with the brakes."

A first priority was to introduce more severe penalties for

SMALL business sector needs to be expanded and new firms must not be squeezed out by the big corporations

companies or individuals who tried to stifle competition.

Until now the board had been able to do no more than conduct investigations into suspicions of unfair business practices — and submit its findings and recommendations to the Department of Public Enterprises. (232)

There had been many instances when particular deals had been blocked or amended — but so far not a single prosecution.

Even if a conviction had been secured, the current maximum penalty for offenders was no heavier than R100 000 — "far too lenient as a deterrent to large corporations involved in suspect operations worth perhaps millions".

Brooks said South Africa should follow the route taken by such overseas trade rivals like Australia and Canada, where penalties as high as R35 million awaited the worst offenders.

The European Community countries were even tougher with offenders, and maximum penalties in the United States ran higher still through both the criminal and civil courts.

Brooks stressed that a new competition policy needed to recognise the important role of large corporations — but also take account of the barriers of government protection that had sheltered some of them.

"Certain companies and even entire industries have been built on special concessions offered them by the Government," he said. "Today it is equally important to encourage the expanding role of the small business sector — and ensure that new small firms are not squeezed out.

"There's no substitute for a market economy, and political interference should be kept to a minimum. Enforcement of competition policy is bound to bring casualties. But there are a number of companies that are well positioned and will emerge stronger.

▶ **Protectionism should be dirty word in SA – Page 17**

Unbundling 'fails key objectives'

CAPE TIMES 18/11/93 (232)

MARC HASENFUSS
Business Staff

UNBUNDLING came under the spotlight at the opening session of the 1993 CEO Institutes Southern African Emerging Markets Forum in Cape Town today

Professor Michael Katz, senior partner at Edward Nathan & Friedlander, said that the unbundling of Barlow Rand and Gencor had only achieved business focus

He said the unbundling of the two of South Africa's biggest companies had failed the key imperatives in the local economy such as the redistribution of wealth, black economic empowerment and the illiquidity of the Johannesburg Stock Exchange

Barlow Rand chairman Warren Clewlow — one of the panelists in the first session — said the unbundling of Barlows into four groups was aimed at keeping the industrial conglomerate focussed

The unbundling also meant that the four entities did not have to follow "an agenda of the past"

He admitted that the shareholding of the group did not change through the restructuring

Responding to a question on the significance of Barlow's unbundling for black economic empowerment, Mr Clewlow said the group's building materials division would be split into smaller units that could be accessed through partnerships

"We intend to hive off these smaller business units to allow black business persons to buy into them"

He pointed out that unbundling would not solve the prevailing economic problems immediately

"Three to five years down the road we will see how successful the unbundling has been"

Mr Clewlow said Barlows favoured the development of small black entrepreneurs "This will not solve the problem but will get the ball rolling"

A delegate from Kenya — Mr Chris Kirubi, chairman of DHL/Haco Industries — stressed that local companies include ordinary people in their shareholding

He suggested that companies issue 10 percent of their share capital to the man-in-the-street This share issue would be funded by banks

Initially dividends declared would be paid back to the banks who funded the share issue

"No-one who has shares in a company will advocate the destruction thereof"

FOX

Fm 19/11/93

SA BREWERIES Fm 19/11/93

Capex bubbling

SA Breweries (SAB) rides triumphantly above the fray — yet again And this time the problems of diversification — which become peculiarly apparent during long recessions when the propensity to consume is at rock bottom — have been compensated by some benefits SAB achieved EPS growth of 11%, well above that reported by most con-

SAB's Kahn . *more real growth*

sumer-reliant companies. (232)

For SAB, its foray into non-beverage activities has had mixed results Though latest results show a marked improvement in earnings contributions from these activities, up 12% to R76m, this was thanks to a stunning performance from Plate Glass (EPS up 74%, contribution to SAB bottom line R49,9m) and Edgars (EPS growth 20%, a contribution of R65m) These results compensated for the litany of bottom-line losses by OK, Amrel and Southern Sun totalling about R35m.

The stalwart — as ever — was beverages, in particular the beer division which contributed 73% of earnings, or R207m, 12% up on last year. This was achieved on 2% lower volumes. Financial director Selwyn MacFarlane attributes the figures to improved productivity and internal efficiencies with capacity running close to 78% Beer exports, accounting for 3% of beer volumes in financial 1993, took a severe knock owing to civil disruptions in Angola and Mozambique

Beverages as a whole did well, with ABI contributing R15,9m to the bottom line despite the effects of a strike of worrying intensity and continuing concern about the company's labour relations Appletiser's volumes continue be affected by consumers' preferences to buy down. International beverage interests appeared to do well and the continued decline of the rand over this period has worked in SAB's favour

Turnover rose 10% to R11,3bn but competitive conditions in the nonbeverage industries squeezed margins and constrained the rise in operating income to R971m — up 8% Tax benefits were not as great as the market expected MacFarlane attributes this to timing, suggesting further benefits will be felt at year-end (232)

Cash flow halved to R272m as a result of an increase in net working capital, partly reflecting the tardiness of debtors (not unexpected in a recession) Net borrowings are enough to inspire a temporary twitch A year ago, net borrowings stood at R79m This time, it's R970m — an increase of R891m — and debt:equity has jumped from 0,54 last year-end (March) to 0 67

SAB's bond issue of R1bn with a coupon of 14,8% was made in the expectation that double-digit inflation would continue As it hasn't, and interest rates have fallen commensurately, SAB should be on the losing end of this stick That it isn't is entirely due to the intelligent application of derivative hedging instruments

MacFarlane says the R1bn financing raised will be used in SAB's R2bn expansion — the most it has spent in any year R800m went into fixed investment over the six months, locally and abroad He says offshore assets are being repositioned and energies channelled into developing beer interests — an area neglected in the past because of the substantial growth in beer volumes during the Eighties Acquisitions planned include breweries in Tanzania and Hungary

Most activities usually have a stronger second half but beer sales are particularly resilient Adhering to the policy of using volumes and general efficiencies to offer value for money, the annual beer price increase will again be below inflation.

Chairman Meyer Kahn is forecasting real earnings growth for the 1994 year and says he will be especially pleased if 12% EPS growth is repeated in the second half This puts the counter on a forward p.e of 19,3 and dividend yield of 2,3% — certainly comparable with other blue chip consumer companies

Marylou Greig

SAFREN

Fm 19/11/93

How much of a gamble is it?

New chairman Buddy Hawton is confident an expansionary phase lies ahead

For years, the market regarded Safren as a blue chip, largely impervious to recession, thanks to Safmarine's dollar earnings and Kersaf's tourist and gambling activities Yet, in 1993, turnover barely increased, operating profit rose a mere 3% — and that only because of a R58m profit on disposal of fixed assets — and EPS fell 12,3%

This disappointing performance, the questionable decision to buy into Belgian shipping company CMB Transport (CMBT) and the dubious investment in loss-making Flitestar have dented the share's image Since 1991, more than R100m has been lost in these two areas alone Another area of uncertainty is the security of earnings from Kersaf's casino operations

As the graph shows, some of the blue has rubbed off this chip. Should the market change its historically bullish rating because of the setbacks?

There is fresh excitement in at least one division Kersaf is involved in a R450m international transaction Through an intermediate company, it has negotiated to invest in a playground in the Bahamas Though the project has been considered for some time, it is the first major step by new Safren executive chairman Buddy Hawton

Hawton's vision is exciting He intends "to expand the group considerably " He sees opportunity to acquire more ships, possibly in alliances with major international partners. He sees Sun International expanding resort operations, especially in the Indian Ocean islands, the Caribbean and central and South America — Mexico for example

After three years as CE, Hawton assumed the chair three weeks ago. He is optimistic Safren will generate higher earnings in financial 1994 from frail improvements in the local and international economies, provided conditions don't worsen again

This view contrasts with the stance apparently being adopted by investors The chart suggests the short-term price will continue to drift Evidently some investors are not yet convinced earnings will strengthen. However, Hawton's positive outlook is founded on firm fundamental observations of trends developing in Safren's widespread activities

While Safmarine, with assets at book value of R2,6bn, has always been the biggest earnings contributor, its performance has been mundane compared with high-profile Kersaf (market capitalisation R2,7bn), which has continued to invest heavily in projects like the Lost City and Carousel

With large fixed costs, Safmarine's 1993 results were hit by the international and local recessions, the marked slowdown in world shipping volumes and losses by air associates Safair and Flitestar

Highly centralised

Partly in reponse to tough trading conditions, Safmarine MD Tony Farr rationalised and restructured this highly centralised organisation at the beginning of the year He cut staff by 14% and split the company into three autonomous operations: Safliner, Safmarine International (Safinternat) and Safair Freighters

Hawton says that, since the changes, the individual businesses are performing better. There is greater clarity of objectives, a more focused approach, faster decision-making and better *esprit de corps* Responsibility is now commensurate with autonomy Farr adds that managerial development has accelerated and productivity has improved. It's all beginning to show in the bottom line

Apart from management efficiencies, says Farr, "An upturn in liner business in the past three months is holding up " Import volumes are higher than expected Hawton is confident this indicates the local economy has bottomed and points to SA's high propensity to import when this happens

Farr says export volumes are holding at expected levels, slightly above 1993's In the European trade, and to a lesser degree in the US, he says, rates have edged up Consequently, Safliner's business is improving Safinternat's market is up slightly, though the reefer market remains in the doldrums.

Fortunately, Safliner is the dominant business "It is a volume-sensitive operation which, when it improves, will overshadow the rest in turnover and profit contribution," says Farr "Much stronger earnings are coming through now "

For investors, it is a relief to hear these assurances. A number of recent investments have so far been fruitless and costly. In July 1991, Safmarine bought 49% of CMBT, a major European shipping operation, for what Hawton calls "a relatively low investment of US$25m (R78m) " He knew it was grossly mismanaged, but its condition was worse than thought Last year, Safren wrote off this investment to a nominal R1 The write-off was charged as an extraordinary item, shareholders' funds suffered accordingly

Hawton says CMBT is beginning to make operating profits, but its debt, though down by more than a third in the past two years, is still creating pre-tax losses He hopes for a pre-tax profit (in dollars) in 1995

He's less sanguine about 37,5%-held Flitestar, which started up in October 1991 and has made losses ever since Safmarine's share of the 1993 loss was R14,9m. This investment has also been written off "If the airline continues to make large losses, we will

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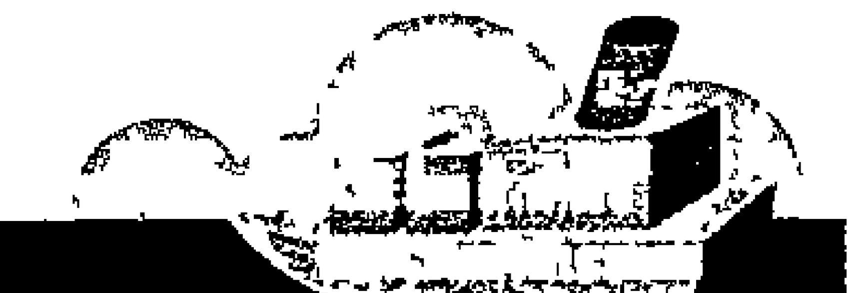


Financial profile

Safren

ACTIVITIES

Ship owner and operator, air transport, travel and freight, hotel and casino operations, TV and film production, food chains, liquor wholesaling.

CONTROL

Old Mutual holds 38% **Chairman:** DA Hawton
Capital structure: 55m ords
Market capitalisation: R3,8bn

SHARE MARKET

Price: 7 450c **Yields** 3,4% on dividend: 7,3% on earnings; **PE ratio,** 13,8, **cover,** 2,1 **12-month** high 10 000c, **low,** 6 700c **Trading volume last quarter** 1m shares

Year to June 30	'91*	'92	'93
ST debt (Rm)	8	59	75
LT debt (Rm)	822	1 167	1 613
Debt equity ratio	0,08	0,15	0,34
Shareholders' interest	0,45	0,47	0,47
Int & leasing cover	n/a	18,2	7,4
Return on cap (%)	14,4	13,0	9,8
Turnover (Rm)	4 369	4 284	4 478
Pre-int profit (Rm)	683	698	576
Pre-int margin (Rm)	15,6	17,3	5,7
Earnings (c)	566	617	541
Dividends (c)	237,5	255	255
Tangible NAV (c)	2 128	2 504	3 166

* After change in accounting policy for associate companies

Profit sources

Safren

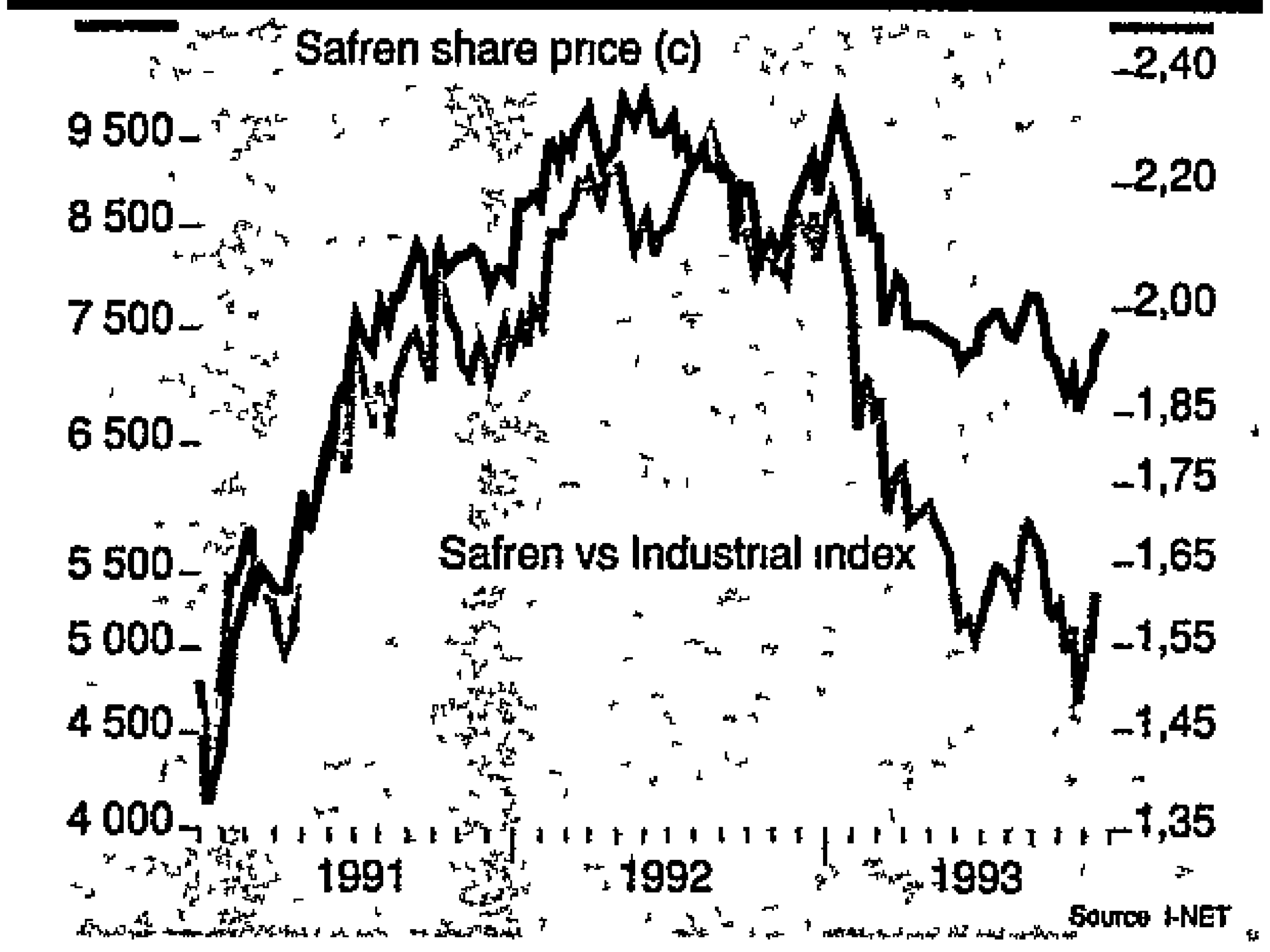
Divisional contribution 1993 (Rm)

	Turnover	Operating profit	Attributable profit
Safmarine	1 539	153,3	130,2
Kersaf	2 027	432,4	124,5
Rennies	912	82,7	42,8
Other		(2,4)	(1,9)
Safren	**4 478**	**666,0**	**295,6**

FM 19/11/93

The market rating

Safren



have to close it," says Hawton But, he adds, the situation is improving.

Payloads have increased considerably, though they (and revenue) are still only 72% of capacity. The market share of the Cape Town-Johannesburg route is about 27%, Durban-Johannesburg 23% and overall just below 20% Farr hopes financial 1994 will produce cash breakeven which, he says, will give the airline a good chance of survival This seems attainable

Customers are learning that Flitestar offers competitively priced seating which is more spacious than its competitor's, food and service, especially in business class, are markedly superior

The third area of significant loss in 1993 was Safair Revenues were difficult to collect throughout Africa but especially in Angola A R45m provision dented 1993 earnings Hawton contends these funds should be recovered over time.

Meanwhile, Safair's basis of accounting has been changed. Revenue will be accounted for only when received; payment is now requested in advance.

Farr says Safair's long-term strategy is to reduce dependence on the Hercules aircraft Since sanctions were lifted, inquiries from outside Africa have increased Some are turning into contractual commitments.

In summary, Hawton reckons the quality of Safmarine's earnings will be much better in 1994 While the significant 1993 tax benefit — the write-back of R48m deferred tax (representing R80m in operating profit) — will not recur, he is optimistic operating profit will increase by at least this amount. To do so, it will have to rise by at least 48%

Because Safmarine will not have to pay cash tax, cash flow will be substantial, Farr predicts No major capital expenditure is planned, but, in line with his vision, Hawton hints that depressed international shipping conditions could lead to unplanned purchases of ships at competitive prices.


Farr

That is the good news on the shipping front but the strobe lights are again fixed on Kersaf For years, it has sought international investment opportunities beyond those in France, Marrakesh and Mauritius Now one has been found in Paradise Island in the Bahamas, close to the US mainland and often visited by large cruise ships

Kersaf's leisure subsidiary Sun International, Sol Kerzner's World Leisure and Caledonia Plc have contracted to buy a portion of the island, involving about $100m (R330m) on a first phase (2,32)

Intermediate holding company Sun International Investments has contracted to buy 60% of Paradise Island Resort & Casino for $75m SII, with the minorities, are to invest a further $25m This and a $75m long-term loan will finance refurbishment of existing resort facilities and the first phase of another ambitious park development (*à la* Lost City) with a Caribbean theme

Resort activities already occupy much of the island but there is 80 ha undeveloped land There is a 3 300 m² casino The golf course will be upgraded to international standard.


Hawton

Approval for the deal is in the hands of the US courts, which are examining the financial restructuring package. It's expected the offer will be accepted in February/March. It could provide a substantial rand hedge investment to complement the currency hedge element in Safmarine.

Closer to home, Kersaf is grappling with effects of the recession on hotel room occupancy and competition from new casinos In 1993, its pre-interest profit rose 1,6% but attributable earnings fell by 9,3%.

Hawton admits that "across the board, occupancy rates are still a little soft," a situation he ascribes to the economy and a lack of tourists "But our gaming revenues are up because of intensified marketing and promotions " In Kersaf's main subsidiary, 80%-held Sun International, the first quarter's results are better

Business remains difficult for other subsidiaries Interleisure (37%) and Douglas Green Bellingham. Interleisure's 1993 turnover rose by 6% but attributable earnings fell 8% Douglas Green's revenues fell 3% and operating profit 17% as it fought to retain market share Hawton expects better results from both this year

So Kersaf's earnings will improve — with two caveats that socio-political instability doesn't worsen between now and the April election, and there is no resurgence of unregulated or illegal gambling

He is also optimistic about Rennies The freight division had a bad 1993, despite additional revenues generated by drought relief cargoes This year it should recover The terminals are doing well, freight activities have quickened and the travel division, especially on the foreign exchange side, is prospering Hawton predicts Rennies' earnings will be 5%-7% better

When Hawton's conservative estimates are aggregated, Safren's 1994 outlook appears distinctly positive. Why is the JSE not reflecting this?

The stock market is usually no slouch in anticipating earnings trends, but, bearing in mind the economic downturn began in 1989, it saw the difficulties confronting Safren and its subsidiaries later than it should have Perhaps Safmarine's US dollar earnings capacity helped shore up the share price Despite considerable negative evidence, the price continued to rise strongly

In mid-1988 Safren traded at R17,25 It rose to R46 in February 1990 and then began a seven-month reaction which ended at R33,75 that October before resuming a further 21-month ascent to R101 in June last year. Only then — at the financial year-end — did investors appreciate the group was struggling to maintain earnings growth

That point coincided with intensified social and political unrest, which inhibited holiday and leisure (gaming) travel, as well as the appearance of scores of competitive casinos, which took market share from the gambling oligopoly controlled by Kersaf Only then did the market begin to mark the share down Last month it fell to R67

Analysts are almost unanimous the share, around R74, is at least a hold; many recommend it as a buy On the technical side, with the four-and-a-half-year long-term upward trend line broken, there is little support until about R50. But for a group of Safren's stature and earnings record, it seems unlikely the price will fall that far unless the whole market declines.

If you believe SA has a future, shipping, travel, tourism and leisure facilities will remain in demand.

If Hawton's predictions are sound, the market should soon restore a deeper blue to the share and the present price could prove cheap

Gerald Hirshon

BUSINESS

ARG 20/11/93

232

When the sharpies have to go

South Africa's ranking among world trade rivals is slipping. The Competition Board wants far wider powers to crack down on business scams and sharp practices that hamstring economic performance. Weekend Argus Correspondent MICHAEL CHESTER reports.

IF South African business needed to be jolted into action to reverse an ominous slide in its ranking among global trade rivals, the alarm has been rung by the 1993 edition of the authorative World Competitiveness Report.

South Africa, freshly out of political isolation, made its debut in the annual country-by-country comparisons of economic muscle a year ago. The results shook South African business to the core.

Among the 36 rival nations listed in the 1992 study, South Africa was ranked as low as 30th, sandwiched between Mexico and Venezuela.

At the time, however, it was widely assumed that a rapid climb to higher status was virtually guaranteed with the removal of the sanctions blockade and trade handicaps.

The optimism has been dashed. In the 1993 survey South Africa has skidded still lower in the international rankings, now down to 32nd out of 37.

Nor can South Africa moan about the disadvantage of a relatively small economy. Judgments, it is stressed by the authors, are based on economic fitness tests — regardless of size.

Clearing any suspicions of unfairness by comparison with such economic giants as Japan and the United States, listed as "advanced industrial nations", the survey has placed South Africa among 15 smaller global players under "newly emerging industrial nations".

Even here, South Africa is shunted down to a lowly 11th slot, among the bottom one-third and far outclassed by Far East tiger cubs like Singapore, Hong Kong, Taiwan and Malaysia.

The alarm signals are also being used by Pierre Brooks, chairman of the Competition Board, to reinforce arguments that the board needs far wider powers to enforce new rules on business practices — and oil the wheels to encourage a faster economic tempo.

Insiders believes Brooks has been well groomed to draft the rule book with the experience of five years at the helm of the Competition Board — on special secondmemnt from the post of Professor of Mercantile Law at the University of South Africa.

In fact, he has already delivered his proposals to the government on the framework of new legislation that he hopes will win consensus among all the main business and political players before going to parliament for approval and implementation as new competition policy.

Barlow Rand's unbundling to cost R250m

S I Times (Buss)

21/11/93

(232)

By CHERILYN IRETON

BARLOW Rand shareholders will pay R1,26 a share to dismantle South Africa's biggest industrial corporation into a group that will rival Murray & Roberts (M&R) in both size and focus.

But the new-look, renamed "Barlows" has a lot to prove before it can be classed in the same league as M&R, the Sanlam controlled engineering, construction and materials group

Details released this week show that R118-million — or 60c a share — of the R250-million bill for untangling Barlows is for restructuring costs, retrenchments; fulfilling the group's numerous social investment commitments, legal and merchant bank fees and dead rents

The balance is for writing down goodwill, trade marks and costs linked to the sale or discontinuance of certain operations.

Chairman Warren Clewlow has assured shareholders "That's the end of the restructuring costs"

Once unravelled from its subsidiaries CG Smith, Reunert and Rand Mines, Barlows has a market value of around R3,4-billion based on the effective share price of R17,50 which the merchant bankers used for the final unbundling details

This ranks Barlows alongside M&R on the JSE M&R was capitalised at R3,6-billion on Thursday

Barlows is a little weightier in terms of assets it has net assets of R4,2-billion against M&R's R3,4-billion.

A third of Barlows' assets are found in the International division, 19% in the cement and lime manufacturing division and 10% in capital equipment

In downsizing from an asset base of R23,5-billion, Barlows relinquishes its crown as SA's top industrial conglomerate — an honour it held for the past 21 years

It will also cease to be the country's biggest employer Its staff complement will fall to 28 000 once all the restructuring is completed from a group tally of 146 000 at the end of 1992

Its workers are spread between the main remaining operating subsidiaries Pretoria Portland Cement, Stratford plc (formerly J Bibby & Sons), Barlows Equipment, Barlows Motor Investments, Plascon, Federated-Blaikie, Robor Industrial Holdings and Barlows Consumer Electric Products

Mr Clewlow says each of these divisions has been refinanced in the reorganisation, and now have an average debt-equity rate of 20% Barlows also has around R500-million in cash which will be used for acquisitions and organic growth

After another dismal year — in which earnings fell 15% — there is light ahead

"We do see signs of the end of the recession but the first half of the year will be difficult as we are still in a pre-election era Nonetheless, I believe the new group will show real earnings growth next year," says Mr Clewlow

Barlows is taking a conservative stand on its dividend policy and plans to cover payouts to shareholders 2,5 to 3,5 times by earnings This should avoid the strain on the group in times of difficulty — which is exactly what happened to Barlow Rand

The reconstituted Barlows is not yet quite as Mr Clewlow envisaged when he first put the unbundling proposals to shareholders Persetech's major principal, Hitachi, was not keen to allow the sale of Persetech to Reunert and so management is looking at alternative solutions.

Negotiations over the sale of Randgold are also still up in the air. If Randgold's directors don't wrap up a deal to buy these shares by mid-December the holding will be put on the market for sale to institutions

An institutional fund manager confirmed that Barlows and M&R, in focusing on activities related to gross domestic fixed investment, are the two groups most likely to benefit from any infrastructural spending that follows next year's election

Both are also well traded and marketable shares but that may be where the similarities end.

M&R is considered to be over its difficulties, lean and well managed.

A big question mark still hangs over Barlows' management — particularly in Bibby, its international division Although Bibby will be free of its crippling debt problems after being being restructured and recapitalised, many of the same faces that watched over its dismal performance in the years since Barlow Rand bought it, are still around

Until there are concrete signs that Bibby can succeed under their leadership, Barlows will probably remain in the shadow of M&R

The reshaped executive team headed up by Clewlow includes Des Arnold, Russell Chambers, Philip Bellingan, Ronnie Fritz, Mike Gahagan, John Gomersall, Andre Lamprecht and Richard Mansell-Jones

Mike Levett is Old Mutual's non-executive representative on the board He is joined by Dick Goss, Peter Curtis, John Maree, Sam Motsuenyane, Prof Wiseman Nkuhlu, Jan Steyn and Prof Louise Tager.

☐ In terms of the unbundling each Barlow Rand shareholder is entitled to

- 1,2189 shares in CG Smith,
- 0,6966 shares in Reunert,
- 0,1976 shares in Rand Mines, and
- 0,0389 shares in RMP

Randgold's classic move restores a promising look to ERPM

21/11/93

S/Times (Buss)

By JULIE WALKER

THE classic gold play is how East Rand Proprietary Mines' management company Randgold views the rejuvenated mine.

The 100-year-old Boksburg mine is having a rights issue to raise R553-million. Holders of 100 shares will have rights to 665 new shares at 500c each. The current market price has fallen from R10, when the terms of the offer were made known, to 550c and trade in the nil-paid letters opened at 12c to 75c.

The mine has struggled along for 20 years and by the end of this year would have incurred long-term debt of R454-million, pumping loans of R38-million and a Randgold loan of R15-million.

Repayment of the first instalments of the debt falls due before year-end and ERPM does not have the money. For this reason, a rights issue now is critical.

Management says everybody wins under the arrangements, which relied on the securing of an underwriter — FirstCorp and French group Paribas — with Randgold sub-underwriting a portion of FirstCorp's commitment to keep its shareholding at 29,5%. The big players cannot sell their shares for two years.

Liquidation is avoided, lenders repaid, 6 500 jobs saved, the exposure of the SA Government to debt reduced, Boksburg reprieved and shareholders are only diluted and not wiped out.

Excluding any mining of reserves beyond 2003, any cash or any break-up value attached to the mine thereafter, ERPM will not provide a real return on equity using Randgold's conservative gold forecasts.

Randgold assumes a constant dollar price of gold at $355/oz, and depreciates the currency by the rate of producer-price inflation as forecast by the University of Stellenbosch's Bureau for Economic Research — 10%-ish.

In rand terms, the present value at 0% real return in 1994 is 406c and at 5% real return is 310c.

But a 10% higher gold price lifts dividends and the present value at 0% climbs to 573c a share and at 5% to 443c. The higher the gold price, the better the return on equity, hence the gold play.

Managing director of the mine, the entrepreneurial Glenn Laing, says investors can apply their own view on the gold price. (232)

ERPM shares will always be available in large numbers for speculators and investors — more than 14-million have traded this year. There are 16,6-million in issue, which will rise to 127-million with the rights issue.

ERPM forecasts a 29c a share dividend next year, rising to a peak of 159c in 1998. Thereafter, the grade has been marked down because of the reduced confidence level of predicting mineable grades after then, not because the grade drops.

Only half of ERPM's 95km² lease area has been mined. The mine's future is centred on the southeast portion in the new far-east vertical shaft system where in situ grades top 8g/ton, of which more than 6g/ton is recovered. Exploratory work has identified faults and dykes and accommodated them in the mining plan.

21/11/93

The use of ice in cooling the deep-level mine will allow access to previously sterilised ore blocks. Ore will be sourced from the L, K and Hercules shafts as well as from the Far-East upper and lower sections. The Angelo dump is also being re-treated. Gold production should rise to 11,9 tons by 1998 from 9,3 tons in 1994.

Mining costs exceeded revenue in recent years because the tortuous hauling from deep levels in the older, less modern sections of the mine is so expensive.

Although ERPM will remain a high-cost producer, the mining cost is expected to come down from R33 400/kg in 1994 real terms to R27 300/kg in 1998 real money because the new workings are modern and recovered grades and productivity should rise.

Hedging of gold production is also a critical factor for ERPM's future to allow it to plan, secure minimum returns yet be flexible enough to allow the upside benefits of a gold rally to be reaped.

Put options have been bought to secure the bottom price at $360 from early next year. If the mine had hedged everything this month, the revenue would have exceeded the amount budgeted by 4%.

ERPM intends to maintain a cash balance of R100-million at all times. It is to invest a total of R52-million by 2003 in a tax-free trust to cover rehabilitation costs. The mine will pay no tax in any event for several years because of large assessed losses and unredeemed capital expenditure.

Mr Laing says that investors are effectively getting a R3-billion brand-new mine with tried and tested procedures, a proven ore body, trained workforce and complete infrastructure, for only R550-million.

Investors need to be bullish on the gold price to follow their rights, but ERPM offers considerable leverage. Mr Laing notes that the foreign participants have taken a bullish view on gold and that sentiment has turned.

Malbak policies 'yet to pay off'

B/Day 23/11/93

MARCIA KLEIN

STRATEGIC longer-term decisions had affected Malbak's short-term earnings growth, chairman Grant Thomas said in the company's annual report.

But the decisions had placed the food, packaging, healthcare and branded goods group in a powerful position in the longer term.

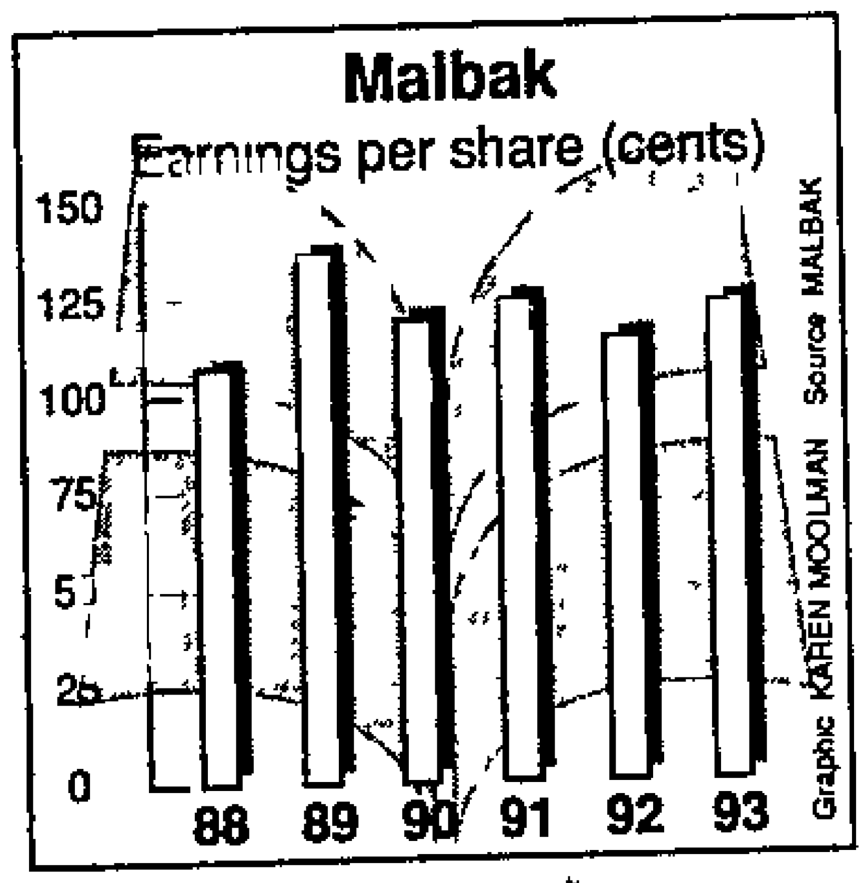
Malbak, which has major interests in Foodcorp, Holdains, SA Druggists, Ellerines, Malbak Motor Holdings, Tedelex and offshore, increased attributable earnings by 14% to R374m on a 10% improvement in sales to R11bn in the year to end-August.

Thomas said the group continued to make "excellent" progress, especially in its core consumer-orientated businesses, which had experienced a 29% growth in their share of Malbak's attributable earnings.

The group itself, however, had reported relatively flat earnings over the past few years because of structural changes (including the acquisition of Fedfood and SA Druggists), changing interest rates, a dilution in shareholding in its major underlying quoted companies and the sale of Standard Engineering and Darling & Hodgson.

These developments had cost shareholders 7,4c a share, or 6,5%.

The sale of Standard Engineering and Darling & Hodgson had been part of a longer-term move to ensure greater focus. About R192m of the cash it had raised had been invested in subsidiaries Holdains and SA Druggists.



Thomas said Malbak now had a much lower risk profile and managerial resources which had not been fully utilised. (232)

It was in a position "to seek out new investment areas which match our strategic profile and focus".

Consumer spending levels remained depressed and prospects for a meaningful improvement in the economy were "not encouraging".

Possible interest rate reductions would reduce income from the group's cash reserves, but would benefit operations. "Growth in earnings will, therefore, be wholly dependent upon our own efforts, which will include export promotion, productivity improvements and optimisation of the new projects embarked upon recently".

A modest increase in earnings a share was expected in 1994.

Lion Match gives shares to Tedelex

B/D 23/11/93

ANDY DUFFY

LION Match, the consumer products company owned by SA Breweries, has given away its stake in Amalgamated Appliances to fellow stakeholder Tedelex after failing to gain a return from the joint venture company for nearly two years

Lion said yesterday that Amalgamated Appliances, which produces small electrical goods for consumer and food markets, had traded at a loss since its creation last January.

The equity accounted joint venture had knocked nearly a quarter off Lion's earnings for the six months to September, in spite of heavy rationalisation. Substantial further cuts were needed to lift Amalgamated Appliances out of the red, Lion said.

Tedelex had the "potential to realise synergistic benefits between Amalgamated Appliances and its other operations" (232)

Lion's directors said they believed it was in the company's best interests to give its stake to Tedelex

The deal comes just three weeks after Lion sold its packaging arm Interpak to Consol for R205m

Lion posted earnings 17% up at 15,5c in the six months to September.

It said that had both deals gone through prior to the end of the period, earnings would have risen by more than a fifth to 26,5c.

The transactions would also have lifted Lion's net asset value from 328,9c a share to 532,3c, it said.

Lion said it would put both proposed deals to shareholders at a general meeting, but that its 70,6% shareholder SAB had already said it would vote in favour of the proposals

Star 23/11/93

Servgro lifts earnings and dividend

BY STEPHEN CRANSTON

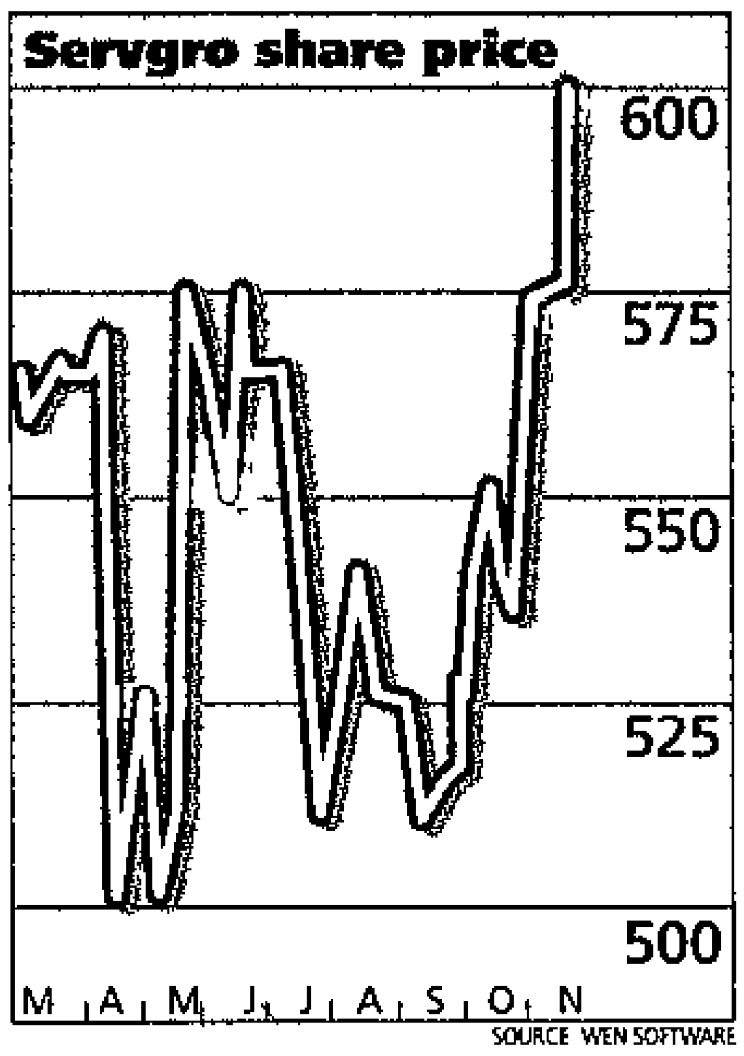
Despite what chairman Peet van der Walt calls "perhaps the most difficult six months of trading ever", leisure group Servgro lifted attributable earnings 11 percent to R27,3 million and earnings per share by six percent to 24,7c in the six months to September

The interim dividend is up seven percent to 8c

Turnover rose 14 percent to R495 million, but there was severe price competition in certain areas such as car rental, which led to a mere five percent rise in operating income

Borrowings remain low and gearing stays at 17 percent Interest paid increased from R6,4 million to R6,9 million, but interest cover is a solid 9,3

Van der Walt says there



were improved contributions from Price Forbes and Teljoy

Price Forbes has merged its Medicaid subsidiary with Medscheme, which will create a low-cost operation

It has also announced an agreement with the UK insurance broker Nelson Hurst to set up a joint company to provide services for corporate customers in the UK and Europe

It has an option to acquire 50 percent of the Nelson Hurst retail insurance broking operation. (232)

Van der Walt says Teljoy has turned the corner, having substantially scaled down its troubled business services division

It has established a new business unit, which will operate as a service provider to Vodacom in the cellular phone industry This division, however, will only make a contribution from the 1995 financial year, reaching its full potential in 1996

Interleisure has become more focused since selling its sports distribution division, including the Pro Shop

There has been real growth from Avis, particularly in the second quarter, although price cutting in the car-rental sector continues to be severe

One of the most promising parts of Servgro is its 22 percent holding in Nasionale Pers

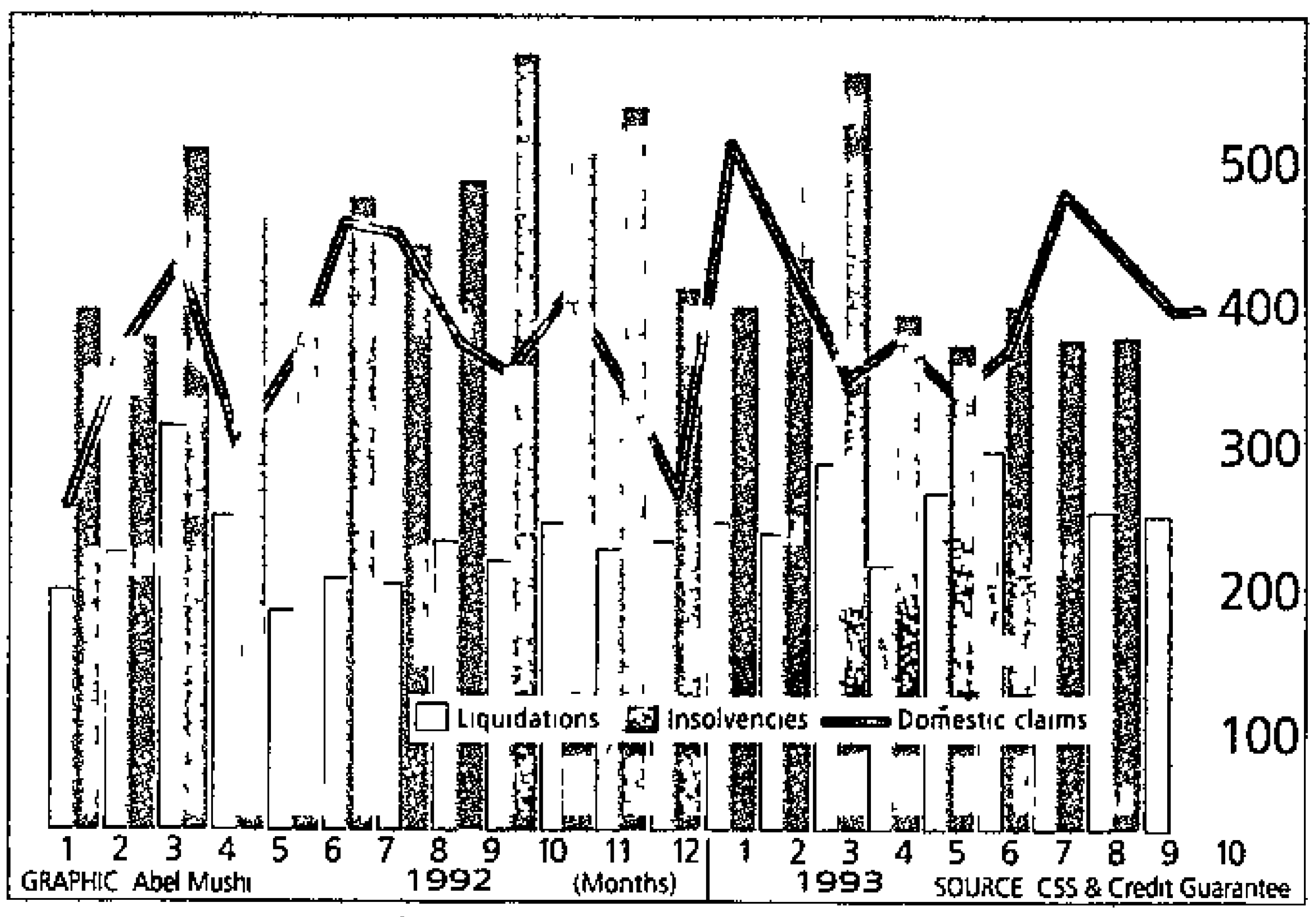
It is accounted for on a dividends-received basis, though if Servgro decided to equity-account its interest — as it is entitled — it would account for more than 20 percent of group attributable earnings.

The value of this investment, however, is not reflected in the Servgro share price which, at 600c, is still below the net asset value of 650c. There is value in the share

Fewer treading insolvency path

Star 23/11/93

BY CLAIRE GEBHARDT



(232)

The high rate of individual and company liquidations appears to have abated somewhat as the economy begins a patchy recovery

Central Statistical Service (CSS) figures show that the level of company failures and insolvencies in the latest three months is down on the previous quarter

Company failures, though still at a high rate, with 633 closures in the three months to September, are 10,3 percent up on the same period last year but 7,7 percent down from the previous quarter.

On the insolvency front, sequestrations of individuals and partnerships in the three months to August fell 20 percent from levels a year earlier and are also 14,8 percent lower than in the previous three-month period.

For the year to date, a total of 3 074 insolvencies is 7,7 percent down on the corresponding figure for 1992

Liquidations, however, have moved up marginally to a peak reached earlier this year

Credit Guarantee economist Luke Doig says 233 liquidations were recorded in September, against 195 a year earlier and the same number the previous month

"The accumulated total for the year to date of 2 002 is 12 percent up on the first nine months of 1992"

"Given that insolvencies are classified as a leading indicator, the figures add credence to the view that the economy has turned the corner for the better."

He says the recent drop in interest rates will further alleviate pressures in this area.

However, he notes that the percentage of total liquidations contributed by compulsory, or forced, closures, which accelerated from 79,4 percent in August to 82 percent this month, is worrying

Econometrix economist Tony Twine says liquidations and insolvencies generally exhibit a lag on total spending

"Though gross domestic product (GDP) has turned, with three quarters of accelerating growth, this is not necessarily the case for gross domestic expenditure"

He says the mixed results around liquidations and insolvencies can be attributed to the patchy recovery, with good growth in agriculture, less good but still positive growth in manufacturing, depressed mining and construction, and zero government spending

"The good thing is that we are getting some positive changes at a relatively early stage in the cyclical recovery."

Servgro pushes up attributable profit

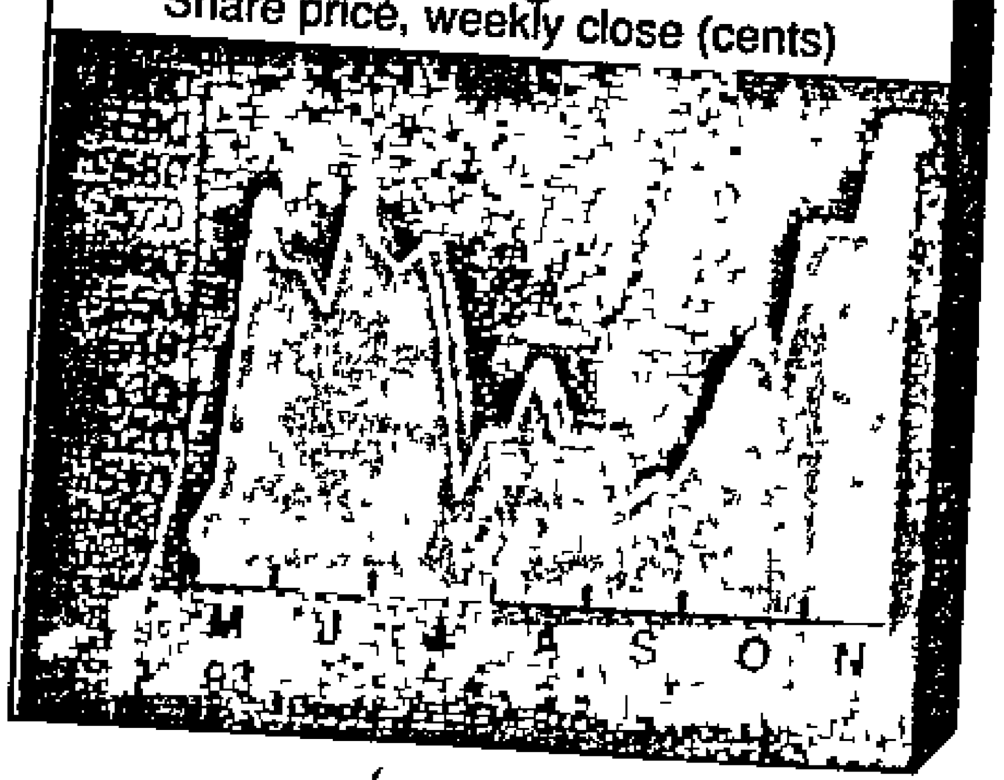
MARCIA KLEIN

LEISURE and services group Servgro International's attributable profit rose 11% to R27,3m (R24,6m) in the six months to September with improved results from the Price Forbes group and Teljoy and "stable" results from its other investments.

The group, which has among its interests Interleisure, Avis, Fedics, Interpark and Nasionale Pers (Naspers), reported turnover up 14% at R495m (R434,5m) But pressure on margins saw operating income grow 5% to R64,2m (R61,1m) Pre-tax profit rose to R57,3m (R54,7m), but lower taxation resulted in an 18% rise in taxed profit to R39,7m (R33,6m) (232)

The drop in income from associates to R3,8m (R5m) reflected the poor performances of Fedics associate Protea Hotels and some associates in Price Forbes

Servgro
Share price, weekly close (cents)



Executive chairman Peet van der Walt said the hotel industry was badly hit by socioeconomic conditions. In addition, the

☐ To Page 2

Servgro

BIDay 23/11/95

☐ From Page 1

interim period represented Protea's off season Remedial steps had been taken, particularly to cover costs

Earnings rose 6% to 24,7c (23,4c) a share on more shares in issue A 7% higher interim dividend of 8c (7,5c) was declared

Naspers, from which Servgro derived dividend income, was expected to show results for the six months in line with the previous year's, Van der Walt said (232)

Price Forbes concluded an agreement with UK insurance broker Nelson Hurst to provide services to corporate customers in the UK and Europe

Price Forbes subsidiary Medicaid Administrators yesterday announced an agreement with Medscheme to merge operations to become "the leading medical aid administration group in SA" Price Forbes would have a minority interest in the combined operation

Van der Walt said he was happy with Servgro's mix of businesses, but the group was looking at acquisition opportunities

There were indications that volumes were picking up, but margins would remain under pressure Nevertheless, Servgro should be able to match the earnings growth level achieved in the first half

Unbundling tax breaks extended

(232)

FINANCE Minister Derek Keys has extended unbundling tax concessions to unlisted companies that plan to go public within six months CT 24/11/93

The Income Tax Amendment Bill tabled yesterday proposes the following concessions to private companies to be listed within six months Exemption from the 1% Stamp Duty on share transfers, and from the 15% secondary tax on dividends paid in terms of the unbundling

Handsome rewards at Malbak

Star 24/11/93

BY STEPHEN CRANSTON

Grant Thomas ... acquisitions increased risk profile.

Malbak has created sustainable long-term growth for its shareholders over many years, says chairman Grant Thomas.

He says in the annual report for the year to August that R1 000 invested in 1975 is worth R31 250 today and has generated R4 150 worth of dividends over that period.

This is equivalent to an average annual compound return of 21,9 percent a year, outstripping the average inflation of 13,6 percent over the period and exceeding growth in the JSE index. (232)

He says the market capitalisation of its packaging subsidiary Holdains has more than tripled since 1987. In the two years since the acquisition of SA Druggists, its market value has risen from R472 million to R1,359 billion.

Thomas says the acquisition of SA Druggists and Fedfood in 1991 increased Malbak's risk profile considerably as they were large businesses requiring a lot of attention.

Significant managerial resources were committed to addressing problems and to optimising existing opportunities.

Malbak now has a much lower risk profile and underused management resources. It is again in a position to seek investment areas matching its strategic profile.

Within most of group companies considerable efforts have been made to increase markets and product ranges.

After forming a joint venture with Pillsbury, Foodcorp will launch Pillsbury baking products, prepared dough, pizza, snacks and pet foods along with Green Giant frozen and canned vegetables.

Foodcorp has gained access to international technology, formulations and marketing expertise. With its existing product range it has already targeted the Middle East and Far East, where is has sold more than 100 tons of frozen vegetables

Holdains not only acquired 50 percent of Crown Cork South Africa during the year, but also acquired 30 percent of Crown Cork operations in certain other Southern African countries.

Another part of Malbak's regional expansion has been setting up an SA Druggists production facility in Malawi. Output will service a large proportion of Malawi's needs and open new markets in neighbouring countries.

Eagle Freight has nurtured links with well-established freight operators in the US, Europe and the Far East. It now conducts 70 percent of its business outside the Malbak group.

Steel trader Protea International has begun trading in Cuba, Costa Rica, Puerto Rico, Malaysia and India.

OK's financial system 'must change radically'

BIDAY 25/11/93

MARCIA KLEIN

TROUBLED retail chain OK Bazaars needed the financial muscle of parent SA Breweries (SAB) to give relief in a structured fashion and to let it radically change its entire financial system, MD Mervyn Serebro said yesterday. (232)

Financial director Geoff Kearney said SAB's loans to the OK totalled about R400m, although the amount fluctuated. While details of the OK's recapitalisation had yet to be announced, he said it would involve "converting some of that (funding) into something else"

Serebro said that since he took over on January 1, it had become increasingly evident that the debt burden was such "that the OK could not rely entirely on turnover growth and improved efficiencies to change the ratios relative to the debt".

In the first step toward recapitalising the OK, SAB would delist the retail chain, offering minorities R10 a share The OK sustained a R39,9m attributable loss for the six months to September against last year's profit of R2,5m, and a R44,9m loss for the year to March

"It is essential that we re-engineer that debt to shorten the recovery time," he said.

"This sort of surgery cannot be done with minorities in place." With OK's market capitalisation at just R84m prior to the delisting announcement, a rights offer would have raised only limited funds.

When Serebro relaunched the retail chain in May, he made clear his focus would be on marketing and low prices While marketing and discounting remained major thrusts, the overwhelming priority was to rein in costs and to refinance

Serebro said some of the re-engineering — like technology and implementing new systems — was costly, and the OK would struggle to justify these investments in the medium- to long-term future "when we are fighting for survival in the short term"

He said his strategy of discounting and increased marketing was right for the business The OK had not produced the necessary volume growth, so it had to bring more people into the stores The stores were well located and had a good support base, but needed to capture the younger customer

In the past six months, the OK had reduced its board by two thirds, removed layers of management across the business and reduced management in each division.

It had taken advertising — previously handled in-house — back to an agency, changed its image, talked to its supply network, rearranged departments and changed its method of procuring merchandise and was cutting business costs.

The company was 11 months into a three-year programme to overhaul its computer systems. It had also made substantial progress in industrial relations, settling wage talks in five days

"Returning the business to profitability hinges substantially on addressing the cost-to-sell ratio, which in turn depends largely on the re-engineering with which we are presently engaged," Serebro said

Although a return to profitability remained the short-term priority, the OK would still look at expansion It had just completed research into opportunities in marketing and new stores, he said

DORBYL

FM 26/11/93

Engineering a better asset mix

(232)

Is Murray & Roberts (M&R) buying control of Dorbyl? Certainly this is one conclusion that could be drawn from the publication of cautionary notices by both groups this week. Latest interims accentuate the poor performance of Dorbyl during the recession, but results from M&R have been good — it's proved adept at making fruitful acquisitions and has a powerful balance sheet

Though Dorbyl has a large turnover and asset base, the cost of acquiring control need not be particularly high. Market capitalisation of holding company Metkor (which owns an effective 36,5% of Dorbyl, through intermediate holding company Ipsa), is about R185m, 51% of that is only R94m Dorbyl is Metkor's major asset, others are Metkor Industries and Wispeco

This would assume the existing controlling shareholders would be willing sellers. If Sanlam held control now, an outright sale to M&R (a Sanlam subsidiary) would seem more plausible. Sanlam has presided over numerous large deals to achieve better management and focus.

In this case, though, the controlling shareholder is Rembrandt Group, with about 50% of Metkor and a direct 10% of Dorbyl Remgro has tended to avoid selling troublesome companies — a policy stemming partly from former chairman Anton Rupert's "partnership" philosophy. The preference usually is to work on improving returns from within The recent debacle at Rainbow, where management has changed, is an example

Remgro did slightly reduce its effective interest in Absa, when the latter acquired Bankorp and Sanlam became Absa's largest effective shareholder Even so, if control of Dorbyl passes to M&R, which would perhaps issue shares in exchange, it would presumably signal that chairman Johann Rupert — who has been in the chair for about a year — is embarking on a more active approach towards improving returns from Remgro's investments

A more likely outcome may be that Dorbyl is to sell some major assets as part of its continuing rationalisation. Management has stated it wants to lessen dependence on activities which are linked to fixed investment M&R, on the other hand, has focused increasingly on the fixed investment sector

STILL SHRINKING

Year to September 30	1992	1993
Turnover (Rbn)	2,98	2,59
Operating income (Rm)	141	97
Attributable (Rm)	92,3	54,6
Earnings (c)	287,6	169,3
Dividends (c)	108	60

Dorbyl's Mostert . *changing of emphasis*

On that basis M&R could acquire assets which have been particularly problematic for Dorbyl, but which could fit logically into its own activities — notably, Dorbyl Heavy Engineering (DHE) and Dorbyl Structural Engineering (DSE) These operations, as well as Dorbyl Marine, constitute its contracting division, which in the year to September posted an operating loss of R25,8m — after a year-ago profit of R13,3m. This division's sales of R447m — down from R934m in 1992 — contributed 17% of Dorbyl's turnover

Since fixed investment (GDFI) started falling in late 1988, it has declined more than 10% a year in real terms Capital spending on power generation has dropped by an annual 17% over the past five years, contraction of capex in the mining industry is estimated at 30% in 1993 and 1994 Dorbyl has already done much to scale down and reduce its dependence on fixed investment It has aggressively pursued export opportunities — now representing 13% (R330m) of sales

Benefits continue to be clouded by costs of closures, rationalisation and retrenchment Of the R59,6m (R10,8m) extraordinary charge, R44m related to the closure of DHE Vanderbijlpark. DSE Germiston was also closed Group retrenchments amounted to R27m, half being treated as extraordinary items

Full-year turnover slipped 13% to R2,59bn, mainly because of a 50% reduction in the contracting division's sales Competition abroad and locally saw operating income drop 31% to R97,3m, margins were squeezed to 3,8% (4,7%) Capex of R175m, of which R98m was invested in seamless tube maker Tosa, helped lift debt by R42m to R230m, and gearing from 27% to 34%.

The trading arm improved its sales — up 12% to R1,20bn (46,5% of total sales) — and operating profit, up 42% to R59,9m CE Dawid Mostert attributes this to the end of Stewarts & Lloyds' losses and a better performance by Baldwins

The manufacturing division, which includes Tosa, saw sales slip 3% to R939,6m, which was down 11% on 1990 Profit declined particularly in the automotive and transport products activities

Mostert says Dorbyl has secured major contracts on projects such as Alusaf, Columbus, Namakwa Sands and TSB These are worth around R300m and should help improve the contracting division's order book Brighter agricultural conditions will boost other divisions, the bottom line should benefit in the second half of financial 1994.

Despite this more positive outlook, the share, at 1 250c, trades at half its NAV. There could be some rerating if Dorbyl is relieved of its heavy engineering interests, but it will take more than that to turn the counter into an attractive investment

Marylou Greig

FOREIGN INVESTMENT

Back in flavour

SA may be the latest in international investment flavours JSE figures show net foreign purchases of SA equities since last November to be R2,8bn — and that compares with last year's rolling 52-week average which shows net disinvestment of R1,1bn

Stockbrokers are back in smiling territory It's rumoured some have even blown the cobwebs off their mothballed Porsches now they can afford to fuel up Share transactions over the four weeks beginning October 25 and ending November 19 totalled 329,7m shares valued at R4,6bn (an average per share value of R14)

The current rule of thumb is that the exchange needs average daily trade of around R120m to ensure all brokers make a satisfactory living Over the past four weeks (20 trading days), the JSE has averaged R232m a day — enough to raise jealous eyebrows again "What they don't realise," says one senior broker, "is that for very long periods over the past three years, we've had to operate at levels so low that many firms have returned losses These so-called good times simply give us an opportunity to get back to where we were."

Interestingly, the JSE's figures show the

FOSCHINI
FM 26/11/93

Still in fashion

In a remarkable first half, when — with the odd exception — most other retailers have been despondent about their markets, Foschini's EPS have risen 37,4% In this subdued economy it is an outstanding result, though below the group's annual compound growth rate of 43% in interim earnings since 1987

GOOD MIX

Six months to	Sep 26 '92	Mar 31 '93	Sep 25 '93
Pre-interest earn (Rm)	n/a	n/a	n/a
Pre-tax prof (Rm)	73,9	121,5	88,3
Attributable (Rm) .	38,8	64,5	53,3
Earnings (c)	85,2	147,8	117,1
Dividends (c)*	88,9	142,7	115,3

* Scrip dividend only.

MD Clive Hirschsohn says turnover (not disclosed) rose 17,8% as the Foschini chain, Markhams, Pages and Sterns all traded well An exception was American Swiss which experienced a soft patch during three of the six months

Management was again able to enhance productivity, as shown by the 19,5% rise in pre-tax profit. Other than increasing unit prices — a risky marketing practice when

FM 26/11/93

competition for market share is intense — this was the only way to magnify margin enough to lift operating profit faster than turnover

Hirschsohn reckons this successful result was derived partly from the mix of stores and their positioning throughout SA Advertising and marketing promotions run by the divisions in the larger metropolitan areas have paid off Lack of competitors in smaller country towns allowed the group to capture a larger share of disposable income in those areas Foschini's credit facilities give it a distinct advantage over cash-based businesses (232)

Pre-tax profit was also boosted by a lower interest charge, following repayment of debt This interim marks the seventh occasion that scrip dividends are being declared During fiscal 1993 this practice added R102m to cash flow, saving about R10m in interest payments In fiscal 1994, these savings could be larger

Hirschsohn is optimistic about prospects for the second half After a moderate 12-store expansion in the first half, the pace of new store openings is being stepped up, there were 15 in October All the divisions are trading well The interim scrip dividend is one new share for every 56 held

The share price is again at an all-time high of R75 The question is whether it will, in chartist jargon, form a "double top" or whether the price will set new highs The share's long-term bull trend is intact and Foschini's compound annual growth of EPS of 25,6% over five years suggests it will rise further unless the market collapses. *Gerald Hirshon*

Argus shares at new high

Star 26/11/93

BY JOHN SPIRA

Argus Holdings shares added a sharp 11 percent to reach a new high of R30 yesterday.

A total of 272 700 shares changed hands — well above the stock's average trading volumes.

Analysts noted that the shares of the group's principal listed investments — CNA Gallo, Times Media, CTP and M-Net — had been advancing strongly and Argus had drifted out of line with the value of its underlying investments.

A leading dealer disclosed today that a relatively large line came on offer and investos wasted no time in snapping up the shares at the higher price.

In the past month, M-Net has risen by 32 percent, CTP by 27 percent and TML by 25 percent. (232)

In the same period, Argus, even after yesterday's gain, has risen by 20 percent, indicating that the share was overdue for a rerating and that a further advance could be in store.

Offer to Milstan minorities

Star 29/11/93

BY STEPHEN CRANSTON

Minority shareholders in Milstan Holdings, which was delisted in August, have been offered 10c a share by majority shareholder Stan Etkind's company Bacarat Investments.

Analysts say minorities are lucky to receive anything for their shares — in the year to February, there was a loss of over R11 million, equivalent to 40,3c a share

Extraordinary items added R7,23 million to the deficit and net assets stood at a negative 23,6c a share.

Minorities will convert their existing ordinary shares into redeemable preference shares on a one-to-one basis.

Additional redeemable prefs will then be issued on a capitalisation basis to shareholders in the ratio of three new prefs for each converted share

These will be redeemed at one cent each The remaining six cents a share will be funded through a cash redemption payment from Milstan's share premuim account Payment will be made on December 20.

The Miltons and Stan's chains will then go their separate ways with a Milton Etkind-led consortium acquiring Miltons and a Stanley Etkind-led consortium left with Stan's (2 32)

The minority shareholders in Hi-Fi Specialists, a 51 percent-owned subsidiary of Milstan will acquire the company from Milstan.

Milstan had a good start after its 1987 listing In 1989 it made pre-tax profits of R99,5 million and the share price peaked at 125c

Problems developed in 1990 and later led to major write-offs after a revised settlement policy by the tax authorities on rebates on film and music video productions and exacerbated by subsequent cash flow problems.

Gencor's Billiton deal not yet in the bag

BIDAY 29/11/93

ANDY DUFFY

MINING house Gencor has cleared another crucial obstacle in its bid to take over Billiton, the minerals and mining group owned by Royal Dutch Shell.

But the company warned that the deal — estimated to be worth $1,5bn — still hangs in the balance (216)(232)

Gencor chairman Brian Gilbertson said yesterday that pre-emptive rights over Billiton's assets — which had been seen as a key threat — would not scupper the deal

Gencor had determined that it could secure those Billiton assets deemed central to the takeover It is thought these include a 30% stake in the Australian Boddington gold mine and its 40% stake in Worsley Alumina, both of which would generate hard currency vital to Gencor's offshore funding strategy.

But Gilbertson said that it was not certain the takeover would go ahead by the end of December deadline. The deal would be finalised, but "it could go either way"

He refused to be drawn on the remaining sticking points, but it is understood the two sides have still to agree a final price

The company has secured Shell's agreement to its debt/equity funding package, and drafted in foreign banks to provide borrowing facilities Gencor has recruited at least two foreign equity partners, though Gilbertson refused to name them

Unions win rights on privatisation

WM 26/11-2/12/93 (232)

Ferial Haffajee

AN industrial court judgment delivered in October has set a precedent compelling the government to consult trade unions on the privatisation of state-owned companies.

"It seems to us that the minister was obliged to consult the National Education, Health and Allied Workers' Union (Nehawu) on the decision to implement his decision (to privatise the state abattoirs, Abacor)," the presiding officers said in an application by Nehawu against the minister of agriculture

The judgment continued: "Consultation between Nehawu and the minister or his officials could have concentrated on ways to avoid a redundancy situation." The court said that by failing to consult, the department had committed an unfair labour practice.

The judgment has effectively halted the privatisation of Abacor by extending its implementation date The minister of agriculture approved the privatisation of Abacor in March this year and set October 1 as the implementation date But Nehawu said no consultation had taken place until late September

Nehawu members who work in state abattoirs and who stood to be retrenched as part of the privatisation plans brought an urgent application to halt the privatisation, pending negotiations. Lawyers for Nehawu also argued that the Department of Agriculture had breached an agreement on Abacor made at the National Economic Forum, where the government undertook not to proceed with privatisation.

Labour lawyer Barbara Adair believes the judgment may have implications for a number of privatisation exercises being carried out by the government

It is also the first judgment in terms of the Public Service Labour Relations Act which came into effect on October 1

"The court showed it is not afraid to say to the government that it passed the Act and is therefore subject to the Act and should be treated like any other employer," said Adair. Up until now, the government has railed against being defined as an employer.

The judgment said employers must consult about the decision to retrench, not just on the process of retrenchment The courts have been ambivalent on retrenchments with some decisions confirming this judgement's view but others holding fast to the perception that the decision to retrench is in the scope of management prerogative

Adair added that because the judgment was delivered by the president of the industrial court, Adolph Landman, and by a senior member of the court, Arthur de Kock, it was likely to have added clout.

Investors disappoint Gencor

B Day 21/12/93

ANDY DUFFY

INVESTOR response to Gencor's decision to dismantle its business empire had been disappointing, chairman Brian Gilbertson said in the group's annual review.

The plan to shed the bulk of Gencor's non-mining assets in a R6,9bn share distribution had been aimed at unlocking shareholder value in the mining house.

The discount to net asset value in Gencor's share price varied between 20% and 40% before the unbundling in November.

Its share price closed yesterday at 690c, against 610c on November 8 after Gencor started unbundling.

"The behaviour of the share prices has been disappointing," Gilbertson said. The "overhang" of the shares to be unbundled — Engen, Genbel, Malhold and Sappi — had also pulled prices down.

The unbundling leaves Gencor with gold division Gengold, platinum producer Implats, coal business TransNatal, ferroalloy company Samancor and its minerals division, which includes a stake in the R7,2bn Alusaf project.

Market sources have been concerned that the unbundled Gencor would be too exposed to the depressed commodities cycle.

Gilbertson said: "We continue to believe that shareholders will in the longer term reap the rewards."

Gencor's attributable earnings were up 12% at R1,4bn in the year to August as gains stemming from the unbundling offset a subdued operating performance. This left earnings a share up 4% at 102,5c, while the dividend was held at 45c.

Thebe teams up with Canadians to launch R500m SA Express airline

BDay 2/12/93

THEO RAWANA

A CONSORTIUM led by the ANC-linked Thebe Investment Corporation has teamed up with a Canadian consortium led by Lardel Holdings to set up a R500m regional airline

The airline would be launched on March 15 and trade as South African Express Airline (SA Express), Thebe MD Vusi Khanyile said yesterday.

The airline had formed a strategic alliance with SAA and would provide a cost-effective feeder system to SAA

"This will allow SAA ... to scale down services on some sub-optimal routes, and redeploy its larger aircraft to more efficient services It is envisaged that the two airlines will work in a complementary manner," the parties said

Alliance Airline Holdings (in which Thebe is an investor) will be the majority shareholder with 51%, while Canadian-led consortium SA Enterprises will hold 49%

Lardel Holdings president William Deluce said 12 De Havilland Dash 8-series 300b 50-seat, wide-bodied turboprop aircraft had been acquired by SA Express, with options on six more. "The transaction is valued at approximately R0,5bn. Financing for the aircraft will come primarily from offshore sources " (~~116~~)

The shareholders would provide working capital requirements, he said (~~259~~)

SA Express would collect passengers from outlying regions and transfer them to Johannesburg, Durban and Cape Town The new airline would also seek to increase the frequency of some existing routes and service cities and towns not linked by air transport. (232)

It would aim at business travellers Flights would have one class with fares comparable to SAA's economy class

The management of the operating company will initially be in the hands of SA Enterprises Lardel's investments include Air Ontario, Air Alliance, Canada 3000 and Austin Airways

Khanyile said "SA Enterprises will transfer its experience, systems and technology to a trained SA management team within five years

"SA Express will be the first full-scale regional airline in Africa We believe our formula of using international management expertise and capital, coupled to strongly developed affirmative action programmes, will be a winning one."

Once the company was established, it would be listed on the JSE and shares would be offered with preference to the black community, Khanyile said

Deluce said. "We believe the SA marketplace offers a tremendous aviation business opportunity which will allow us to utilise the investment and airline management skills which we have built over the past 25 years."

☐ To Page 2

SA Express

BDay 2/12/93

☐ From Page 1

STEPHANE BOTHMA reports that SAA CE Mike Myburgh informed staff that SAA would exercise the option of shares in the airline. The national carrier might also withdraw from certain routes and reduce operations to cities such as Bloemfontein, East London and George. (~~116~~)(232)

In an internal memo, he stressed SAA would benefit financially from the airline's formation "Of great importance is the fact that SAA will provide a wide range of services to SA Express which will result in substantial income for our airline" (~~259~~)

AP DJ reports that Flitestar said it was not worried about increased competition Spokesman Tracy Brown said "SAA will replace large aircraft with smaller ones so they are in effect reducing capacity"

☐ Sapa reports that Salstaff, a union representing airport workers, expressed dismay at the withdrawal and scaling down of SAA services It said SAA employees were being disadvantaged by rationalisation

And the SA Railway and Harbours Workers' Union said it objected to the establishment of the new airline

Higher earnings forecast for RMP

Star 2/12/93

BUSINESS STAFF

Rand Mines Properties (RMP) is expected to show some improvement in earnings in 1994, chairman John Hall says in his latest statement to shareholders.

This follows a year (to September 30 1993) in which the group increased its earnings by 31 percent from 106c to 139c a share.

"The property market is not expected to show any material improvement until political conditions stabilise and the elections scheduled for April 1994 have been held," says Hall.

"It is therefore unlikely that the demand for township land and opportunities for township development will increase in the next financial year," he adds.

During the year, RMP acqured 78 percent of Barprop for close to R100 million. (232)

"Barprop, is expected to show modest growth from the escalation of existing leases and rent received from additional investment properties developed or purchased," he adds.

German buys control of Profurn

BDay 2/12/93

MARCIA KLEIN

CONTROL of Protea Furnishers (Profurn), the future of which hung in the balance following the liquidation of its parent companies last year, has been bought by an offshore investor for R17,8m.

German investor Claas Daun — represented by Daun & Cie — bought just over half the company, or 178-million shares at 10c a share, in 26 deals yesterday.

Daun also owns furniture and sports goods retailer Morkels.

Profurn said Daun would extend an offer to minorities to buy 55% of their shares for 10c a share in cash.

Profurn's listing on the JSE would be maintained.

Profurn had been looking for a buyer following the liquidation of ultimate shareholders Supreme Holdings and Supreme Investment Holdings.

The two liquidated companies had held the 55% of the shares acquired by Daun.

There was speculation earlier this year that JD Group would buy the company.

A Profurn spokesman said management, under chairman Gerald Rubenstein, had stood its ground and survived a difficult year after the parents' liquidation.

It was in good shape, and had brought gearing down considerably. (232)

The spokesman said the current management would remain in place and that Daun would be appointed to the board.

Profurn was well positioned in the SA market, in neighbouring countries and in the TBVC states.

In the six months to June, the company lifted earnings 50% to 0,3c a share despite a 6% fall in turnover to R59,4m.

It cut its gearing to about 15% from 101,5% at the December year-end and was expecting a better performance in the second half.

MALBAK

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Ready for next growth phase

(232)

Activities: *Consumer-based conglomerate.*
Control: *Sankorp and Rembrandt (40%)*
Executive chairman: *G S Thomas*
Capital structure: *305,5m ords Market capitalisation R5,1bn*
Share market: *Price 1 675c Yields 2,1% on dividend, 7,2% on earnings, p.e ratio, 13,7, cover, 3,5 12-month high, 1 775c; low, 1 225c Trading volume last quarter, 1,9m shares*

Year to Aug 31	'90	'91	'92	'93
ST debt (Rm)	656	550	713	478
LT debt (Rm)	171	189	161	154
Debt equity ratio	0,40	0,27	0,03	(0,12)
Shareholders interest	0,45	0,49	0,52	0,55
Int & leasing cover	3,0	4,2	9,3	29,7
Return on cap (%)	14,3	12,6	11,3	10,8
Turnover (Rbn)	8,37	8,44	10,03	11,00
Pre-int profit (Rm)	570	537	654	712
Pre-int margin (%)	6,8	6,4	6,5	6,5
Earnings (c)	119	124	114	122
Dividends (c)	30,5	32,5	33,5	35
Tangible NAV (c)	672	684	775	897

The current financial year is the start of a new era for Malbak After seven years in the Gencor stable, it has regained a strong measure of independence through Gencor's unbundling. If the rerating of the share is anything to go by, this development has the enthusiastic endorsement of investors

At the preliminary results (*Fox* October 22), the *FM* noted that the discount at which Malbak was rated relative to the industrial market had narrowed from 27% just before the Sankorp group asset shuffle was announced in October 1991 to below 20%

With the latest surge in the share price, from 1 450c a little over a month ago to 1 675c now, the discount is down to 13,5% based on relative p e If one then takes into account that, because of its more conservative dividend policy, Malbak's dividend yield is well below the industrial sector average, it could be argued that the discount has been eliminated completely — a remarkable rating for a conglomerate, even if its spread of interests is more focused than before.

Malbak's Thomas *cash mounting up*

At one level, the market's reassessment must obviously be gratifying to the Malbak board But there is also a clear message that investors expect Malbak to re-establish a pattern of real earnings growth, this has been absent since 1989 when EPS peaked at 136c

This should not, however, be taken to indicate a perception that the Gencor era was unproductive On the contrary, it was a period of extraordinary growth which catapulted Malbak from the small time to one of SA's major industrial groups. In 1986, before the Gencor deal, its assets totalled only R509m Today they amount to R6,6bn, a growth rate clearly beyond reach except for a deal such as the one offered by Gencor

Against this, there were a few negatives Apart from some raised eyebrows that Malbak had been willing to surrender its independence, analysts noted that the enlarged group had become unwieldy in that certain of the interests acquired from Gencor did not conform to the traditional concentration on businesses close to the consumer sector This was recognised in the 1991 asset shuffle, which saw Malbak dispose of its GDFI-based (fixed investment) interests to Murray & Roberts while acquiring SA Druggists and Fedfood from Federale Volksbeleggings

In a sense, therefore, the wheel has come full circle The asset shuffle restored Malbak's traditional earnings profile (though on a much larger scale than in the pre-Gencor era), while the unbundling has restored a degree of autonomy absent since 1986.

Two other characteristics need to be noted as Malbak enters its next development phase its low profitability and the fact that the balance sheet is awash with cash These are related to the extent that, regardless of the recession and its effect on business, it has become difficult, if not impossible, for Malbak to generate the returns investors are used to while 15% of assets is cash earning a diminishing return as interest rates drop

This is acknowledged by finance director Brian Steele, who has calculated that the gross return on capital employed, excluding R756m cash held at centre and the income from that, would have been almost two percentage points higher than the 20,5% achieved last year More to the point, the 10,8% gross return on total assets (based on *FM* definitions, which differ from those of the company), is probably an historical low

Another aspect here is that Malbak has so far had little success in absorbing its cash pile — as indicated by net cash increasing by R524m (from a negative R105m) in 1993 to a positive R419m, equivalent to 12% of total permanent capital

Of the R524m increase, R353m can be traced to structural changes — the minorities' share of the Holdains and SA Druggists rights issues, plus the cash proceeds of the sale of the rest of Standard Engineering to Murray & Roberts The balance of R171m must have come from cash flow which, at R696m gross, means that interest income plus cash flowing from the subsidiaries to head office was more than could be spent productively.

The same pattern is apparent with cash held at the centre Despite a shortfall of R38m attributable to Malbak's investments (its share of the two rights issues, subtracting the proceeds from Standard Engineering), cash at the centre rose from about R700m in 1992 to R756m — reflecting too much cash flowing from the subsidiaries

Many JSE companies would love to have this "problem " Even so, cash, like any other asset, needs to earn its keep if Malbak is to meet its objective of creating sustained growth for shareholders — without which,

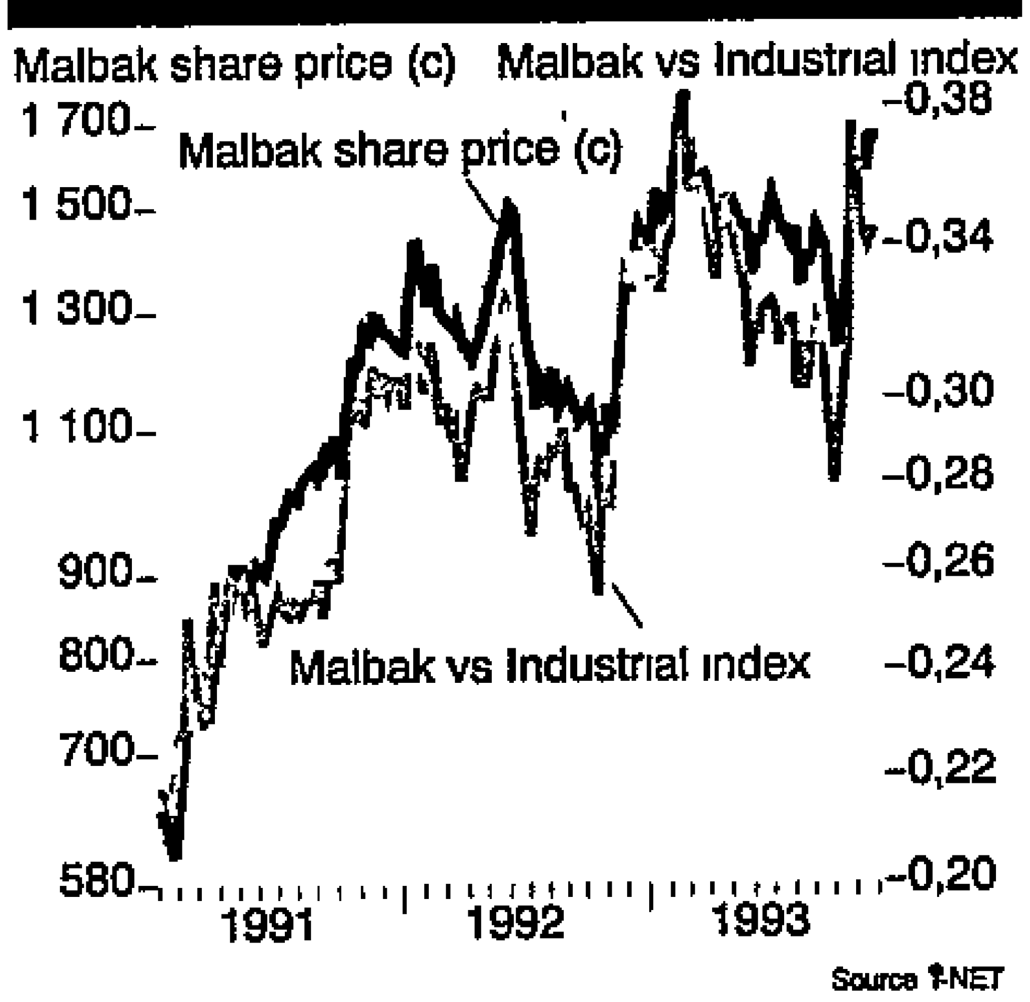
EMPHASIS ON CONSUMER MARKETS

Attributable earnings

	1992 Rm	%	1993 Rm	%
Food	63	19	73	20
Packaging	56	17	65	17
Healthcare	42	13	53	14
Consumer Products	23	7	59	16
International	33	10	30	8
Investment & other	112	34	94	25
Total	329	100	374	100

Nearing the peak

Malbak



P.T.O.

Merg proposes anti-trust caution

Policy plan omits forced unbundling

B/Day 6/12/93

GRETA STEYN

THE ANC-aligned Macroeconomic Research Group (Merg) has signalled that caution should be the watchword in dealing with large conglomerates and anti-trust policy.

But Merg has applauded moves by Sanlam and Old Mutual to unbundle their interests, and is calling for the extension of "this process of deconglomeration".

Merg, which handed its policy framework to the ANC, Cosatu and the SA National Civic Organisation (Sanco) on Friday, unequivocally opposed breaking up conglomerates for the sake of it.

Although Merg's framework is not formal ANC policy, sources said the recommendations on anti-trust policy were likely to find favour as ANC deputy economics head Tito Mboweni had written parts of the chapter.

Merg supported "a more vigorous" anti-trust policy that would strengthen the resources and punitive power of an anti-trust authority

"The dismantling of the conglomerates is not recommended, but Merg suggests that a commission to look into conglomerates be established," the report said.

The suggestion of a commission was added to the original proposals Sources said the addition reflected Merg's decision to tighten up the approach after comments from Cosatu the ANC and Sanco.

Merg's report said the factors causing firms to collude rather than compete should be addressed.

The key factors underpinning collusion were to be found in ownership structures — a small number of shareholders controlled a major slice of corporate SA

Policy measures to encourage unbundling could be implemented, such as legally prohibiting pyramid companies, and tightening up and extending controls over corporate mergers and acquisitions

The controversial recommendations on banking and finance have remained largely intact since the proposals were drafted, but the wording describing the Reserve Bank's role has been softened.

The draft called for the Bank to be nationalised. The final document omits the word but still recommends the Bank should fall under the Finance Minister

ANC economics head Trevor Manuel noted that the Merg report would serve as input into ANC economic policy formulation. Cosatu negotiations co-ordinator Jayendra Naidoo said many Cosatu members might regard the Merg proposals as far too modest.

(232)

□ Merg head Vella Pillay, in an article in Business Day today, says the group proposes a large-scale programme to promote skill acquisition and training, and enable workers to move from one skill level to the next "on the basis of competence".

"The provision of career paths enabling workers to achieve continuous training and gain skills which are transferable to other sectors will provide a new and important incentive to those who are currently the lowest paid"

● Picture: Page 2
● See Page 6

Merg 'cautious' on unbundlings

(232)

CT 6/12/93

From GRETA STEYN

JOHANNESBURG — The ANC-aligned Macroeconomic Research Group (Merg) has signalled that caution should be the watchword in dealing with large conglomerates and anti-trust policy.

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Cartels' days are numbered

232

CT 6/12/93

Property Perspectives

by MAGGIE ROWLEY

CARTELS, monopolies and other exemptions from the Competition Board's prohibitions of 1986 granted to the building supplies industry are being reviewed, a spokesman for the board's Directorate for Investigations has confirmed

The Competitions Board has reviewed the situation on a regular basis and has given approval to certain exemptions on a "temporary permanent basis", said the spokesman The current review has been going on for a year, he said

Cartels and monopolies are part and parcel of the SA building materials industry

Wouter Meyer, chief director of the board's Directorate for Investigations says the industry also has a number of monopolies, such as in the brick industry which are being reviewed

Regarding cartels, there had been a number of applications for exemption but only the cement industry had been granted an exemption on a "temporary permanent basis open to review", he said

The directorate was also reviewing exemptions granted to five or six building-related industries and the Building Industries Federation of South Africa regarding standard conditions of contracts, he said

John Gomersall, MD of Pretoria Portland Cement, the only "legal" cartel in the building material supply industry, argues that the existing cement cartel is in the interest of consumers

His reasoning is such Between 30% and 40% of the cost of cement to the end user is the transportation component and, under the cartel marketing arrangement, cement must be dispached from the most logical facility

As such there is no cross transportation in the industry

The cartel system, he said, allowed suppliers to make a modest return on their investments through thick and thin which stabilised the industry and allowed the country to make the most efficient use of its production capacity

If the industry, subject to the volatile fluctations of the building industry and the intense competition arising there from, many of the plants would be closed and the country would have to rely on expensive imports

Contrary to misconceptions, the industry was not protected by import tariffs, he said

He also denied there was no competition under the cartel system

"On the contrary, when cement prices are set, this means the only way we can make improved earnings for our sharedholders is to drive down the cost of production

"As such the cartel serves to make us as productive as possible "

"The low risk to investors means lower returns If this situation was changed, it would increase the risk to investors and therefore they would look for higher returns

"It was in the country's interest for the industry to have lower returns and be more stable as in this way the most efficient use could be made of the coutnry's production capabilities "

More visitors from abroad

THEO RAWANA

THE number of bed nights sold to foreign tourists in September this year was higher than the previous month, although it was lower than the same month last year, the latest Central Statistical Service figures show. BIDay

A total of 87 241 bed nights were sold in September, compared with August's 81 699. The figure for September last year was 111 119. 6/12/93

Two-star hotels, with a market share of 26,8%, sold the largest number of bed nights to foreign tourists. The most popular spot was Johannesburg, with a market share of 37,4%

Liquidators move to set standards

BIDay 6/12/93

CHARLOTTE MATHEWS

INSOLVENCY practitioners — liquidators, curators and sequestrators — plan to begin moves from 1994 to form a statutory body with powers similar to those exercised by the legal and accounting professional boards.

Newly elected Council for the Association of Insolvency Practitioners of Southern Africa chairman Laurie Pereira said in an interview the benefits of a statutory body would be stricter discipline and control over insolvency practitioners and the improvement of professional standards.

There were about 230 insolvency practitioners in SA, of which about 200 were members of the association (232)

Most insolvency practitioners were accountants, but it was also possible to become a member of the association by writing its exam, leading to the Insolvency Diploma. From 1995 the one-year course would be extended to two years, and Pereira said it was hoped eventually to make it a three-year course.

Two accusations often levelled at liquidators concern the length of time taken to wind up a company or the sequestration of an individual, and occasional instances of dishonesty. The most recent case was that of Golden Trust Services MD Neville Jessop, who has been charged with fraud totalling about R65m

Pereira said the liquidator usually moved as quickly as possible on a winding up because no fees were paid until the liquidation process had been completed. However, the conclusion was frequently delayed by litigation which, if it went to the Appeal Court, could take up to five years to resolve.

He acknowledged that dishonesty occurred, but said it was not confined to liquidators. The establishment of a statutory body would also help counteract dishonesty as the board would have the power to discipline and disbar any member found guilty of serious contraventions of its code of ethics.

Commenting on the recent trend in insolvencies, Pereira said they tended to track the economy by nine to 12 months.

In the case of company liquidations there had been a flattening out of the upward trend but personal sequestrations had declined. As well as indicating a recovery in the economy, the trend reflected increasing attempts by banks to save debtors rather than hasten them into insolvency, Pereira said.

Kuwait sends shipment of oil to SA

EDWARD WEST

KUWAIT has backed up its lifting of sanctions by sending its first official delegation and oil shipment to SA in 30 years.

Kuwaiti oil minister Ali Ahmed al-Baghli said last week the delegation had met political and business leaders on a fact finding mission. Future ties between the two countries and possible avenues of investment were discussed, he said.

There had been no oil or other trade relations between the two countries during the past 30 years. But Al-Baghli said that with sanctions lifted last month, the first shipment of oil had been delivered to coincide with the delegation's visit

He said trade between the countries should be reciprocal, and that the cornerstone of any investment was political stability.

Kuwait had to import most commodities which created great potential for SA exporters, he said.

Kuwait was also the world's leading lender and provider per capita of development aid. About $6bn was granted annually for development projects — 60% of which was destined for African countries. Al-Baghli said SA could now gain loans and aid from Kuwait provided it followed development funds criteria.

Kuwait's oil production capacity was 2,5-million barrels a day, but it was currently producing only 2-million barrels a day, in line with Opec quotas.

Approximately $30bn was being spent in rebuilding Kuwait's oil industry — already about 80% complete. Most of the work was funded by the country's Future Generation Fund. He said 10% of Kuwait's annual oil revenue had been set aside for the fund over the past 40 years

Drop in unemployment

BIDay 6/12/93

ERICA JANKOWITZ

THE number of unemployed workers registered with the Manpower Department fell for the second consecutive month in August, the department reported in its latest Labour Focus

The department said there were 318 680 beneficiaries of unemployment insurance and bona fide work seekers in August — almost 11 000 fewer than the July total

A spokesman said the upward trend earlier in the year had abated slightly in July, and the August decline seemed significant.

"Although this figure cannot be seen as a true reflection of the actual extent of total unemployment, the trends in these data are a sensitive indicator of short-term economic fluctuations," the department said

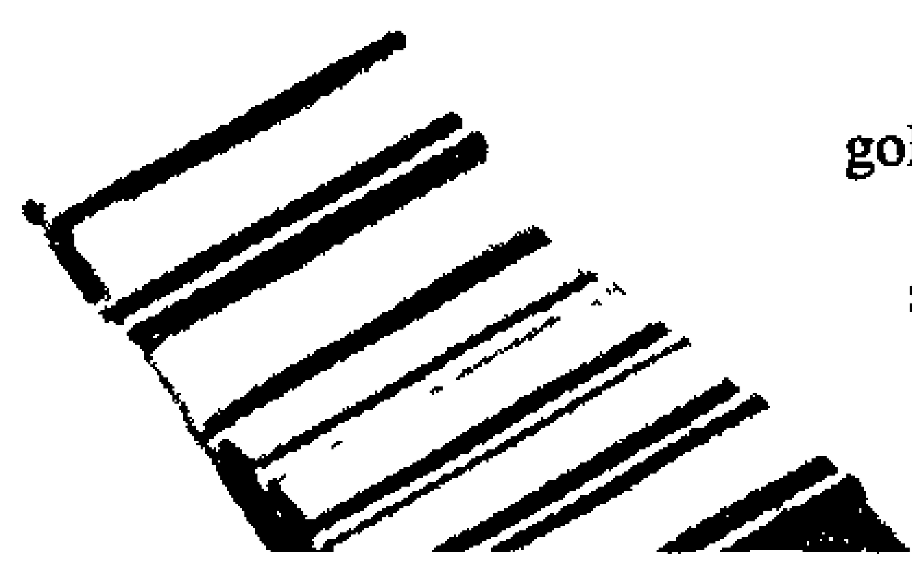
Another indication of falling unemployment levels was Seifsa's recent retrenchment figures

Seifsa economist Michael McDonald said there had been a definite downward trend in retrenchments by Seifsa members since the beginning of the year

"Figures are still bad, but have started falling off," he said

From shedding a total of 32 284 jobs last year — more than 2 000 a month — Seifsa member companies retrenched 17 267 to end-September 1993

McDonald said the July 1993 figure of 1 321 was the lowest since February 1990. But he believed companies would employ temporary labour in the early stages of the economic recovery, so permanent employment levels were unlikely to improve dramatically in the short term



s Limited

1993

udited onths 9 1993 R000's	Unaudited 6 months 30 09 1992 R000s	Audited Year ended 31 03 1993 R000s
12 064	8 800	8 723
36	36	36
3 791	-	4 148
15 891	8 836	12 907
15 794	4 661	10 298
3 931	2 545	3 025
503	1 607	1 147
20 228	9 013	14 470
(1 368)	(68)	(1 214)

New turn in Supreme saga

Star 6/12/93

BY MARC HASENFUSS

Cape Town — A German investor by the name of Claas Duan last week snapped up a controlling stake in Protea Furnishers (Profurn) for R18 million — a deal that has some interesting implications for 7 500 aggrieved investors in the liquidated Supreme Group.

Duan, who is also the controlling shareholder in Cape Town-based furniture and sports retailer Morkels, paid the market price of 10c a share for the 50,1 percent holding.

The shares were bought from Profurn's holding companies — Supreme Holdings and Supreme Investment Holdings — both of which are now in liquidation.

The Duan deal means less of a Hobson's Choice for Supreme investors.

Liquidators have offered ex-debenture and preference shareholders a choice of taking up shares in Profurn in proportion to their investment in Supreme or, as an alternative, a liquidation dividend in cash

The new controlling shareholder should swing Supreme investors in favour of letting their "fortunes" ride with Profurn.

But the tight economic circumstances could well see many opting for a cash payout — even if the liquidation dividend proves to be a measly one.

(232)

Although the deal does not link Profurn with the well-established Morkels Group (Duan's holdings in Morkels and Profurn are two separate investments), the German investor's financial muscle should help the furniture retailer realise something like its true potential.

Offer

Shareholders Association chairman Issy Goldberg urges Supreme investors to accept an offer of Profurn shares in lieu of the cash payout, which he estimates might bring them only 10c to 15c in the rand.

"Those who accept the Profurn share offer will be able to hold the stock until the economy improves or convert the shares into cash by selling on the JSE at a suitable price," he argues

Goldberg says that with the backing of Duan & Cie AG — which is reputedly in a strong financial position — Profurn shares should prove to be a reasonably good investment.

He speculates that for every R2 invested in the Supreme Group, investors should receive one share in Profurn

"Alternatively, if only half the Supreme investors exercise their right to take up Profurn shares, debenture and preference shareholders should be offered one Profurn share for every R1 invested," he says

Profurn performed reasonably in the interim period to end-June.

Market talk is that Profurn's performance for the full year to end-December could show better-than-expected profits.

Coopers & Lybrand, joint liquidators of the Supreme Group, said last week that debenture holders, preference shareholders and creditors could see the first distribution of dividends by April next year.

Unbundled Barlow Rand hoping for better days

Star 7/12/93

■ BY STEPHEN CRANSTON

The new Barlows is unequivocally a management company directly participating in the affairs of its subsidiaries, says chairman Warren Clewlow.

In the annual report for the year to September — the last report before Barlow Rand is unbundled into five separate companies — Clewlow says that with its increasing size and diversity, the company was slowly moving away from its original role in the hands-on management of subsidiaries.

Clewlow admits that the old Barlows, with turnover close to R38 billion and assets of more that R15,6 billion, had too many management layers between the strategic and operating levels.

"It was becoming increasingly difficult to impart the quality of decision-making appropriate for the size and diversity of the group."

Less charitably, without the founding vision of Punch Barlow and the impressive grasp of strategy shown by Mike Rosholt, the Barlows management team was out of its depth, analysts say.

Clewlow says earnings growth over the past ten years, taken up mainly by the period since he was appointed chief executive, has not met the high standards called for and has certainly not been in keeping with the breadth, depth and quality of the group's investment.

The faltering of the Rand Mines interests trapped resources needed for development in the wrong areas.

The structure of Barlows ensured that most of the earnings in good performers such as Nampak and Tiger Oats was attributable to outside shareholders

Dividends

Much of the cash generated by star companies such as Tiger Oats was funnelled into dividends paid to minority shareholders in CG Smith and CG Smith Foods before it reached Barlows.

Clewlow, however, now has the chance to prove his critics wrong as he takes the helm of the reconstituted Barlow Group.

It starts off a low base. Earnings of what is now Barlows fell by 17 percent to R259 million in the year to September. (232)

Its taxed return on funds employed was barely eight percent, but almost all the Barlows companies are involved in the infrastructural area and are currently at the bottom of the cycle.

The building materials group Federated-Blaikie and Barlows Appliances both moved from operating losses into small operating profits, but still made losses

The only company to show good improvement was Barlow Motor Investments, which increased operating profit by 29 percent to R45 million, thanks to a discernible improvement in the market.

Cement producer PPC is looking forward to the long-expected low-cost housing and infrastructural boom, but the possible ending of the cement cartel could be a severe blow to its fat profit margins.

After unbundling, Barlows is likely to be listed at around its net asset value of R13,46, giving it a P/E ratio of about 10, which is fair for a company at the bottom of its earnings cycle.

Barlows relaunch drives shares up

B Day 7/12/93

CHARLOTTE MATHEWS

BARLOW Rand shares reached their highest level in five months on the JSE yesterday as management relaunched the streamlined industrial group to shareholders, investors and employees.

Barlows shares closed 50c higher at R47,00 — their highest level since July 1 and just R3 below their R50 annual high achieved in February.

An analyst said yesterday that the exact valuation of the shares, still reflecting the "bundled" group, was subjective because it depended on the value of Barlows' substantial unlisted interests. When the unbundling details were announced in November, management estimated the value of the unlisted interests at R17,50 out of a total share price of R41.

Group public affairs GM Ken Ironside said yesterday it was difficult for the group to comment on the performance of its shares. He said the first two months of Barlows' financial year had been "quite good", and had confirmed an upward trend in the performance of the company across the board.

However, "the equity market had been fairly positive" towards the counter since year-end results were published in mid-November, he said.

Those figures showed a 14% drop in attributable profit to R721m from R839m and earnings a share, on an increased number of shares in issue, were 15% lower at 367,4c (432,3c). The dividend was held at 173c

Chairman Warren Clewlow said in the group's annual report, released yesterday with an official relaunch brochure, that the new-look group would face a tough first half of the 1994 financial year in the run-up to the elections. However, he believed the group's earnings were sustainable and were likely to show real growth in the coming year.

In an interview published in the new Barlows brochure, Clewlow was asked whether the Barlows group would be looking for new acquisitions after the restructuring. (232)

"Obviously we would look only for interests that are closely related within our sphere of influence, both locally and overseas, and I look forward to taking advantage of new opportunities," he said.

"We will also be aware of the fact that our existing businesses can expand as well"

He said in the annual review that the disappointing earnings in 1992/3 were mainly due to lower contributions from coal and the recently acquired Caterpillar dealership in Spain and Portugal, which failed to come up to expectations. Most of the rest of the group had produced satisfactory results.

Barlows announced earlier this year it would split into five business groups. The core business, to be renamed Barlow Ltd, would be focused on infrastructural spending. The other interests separated from the group were CG Smith, Reunert, Rand Mines and Rand Mines Properties. Overseas arm J Bibby & Son was also restructured, but would remain within the Barlows group.

Barlow Rand shareholders would retain their interest in the new Barlows group. For every 100 Barlow Rand shares held, they would receive 121,89 CG Smith shares, 69,66 Reunert shares, 19,76 Rand Mines shares and 3,89 Rand Mines Properties shares.

Gencor yields plunge after unbundling

232

ARGT 8/12/93

Business Staff

GENCOR yields have plummeted since unbundling because the mining house has parted with some of its most profitable components

What's left accounts for 43,4 percent of the original group's earnings. So, to preserve pre-unbundling yields, the share price would have needed to fall almost 57 percent

Instead, the price has fallen by 29 percent from 960c to 690c

This has pushed the P/E ratio up from 9,4 to 15,5 and the dividend yield has fallen from 4,7 percent to 2,8 percent

Though no pro forma dividend is given, the JSE, on the suggestion of Brian Christie of Gencor's sponsoring broker Martin & Co, has calculated the dividend by using the dividend cover of 2,28 on the old earnings on pro forma earnings of 44,5c a share

Prior to unbundling, Gencor had the most generous dividend yield of all the major mining houses

Though the gap has narrowed, its dividend yield is still well ahead of the 2,1 percent of Anglo American and GFSA

Gencor's P/E ratio, on the other hand, which languished at the bottom of the pile, has now overtaken Anglo American's 14,5, though it is still below the rating for JCI, Anglovaal and GFSA

To some extent, the market has indicated its preference for a more focused Gencor

The discount to net asset value has narrowed from 29 percent prior to unbundling to 22 percent

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In the annual report for the year to September — the last report before Barlow Rand is unbundled into five separate companies — Mr Clewlow says that with its increasing size and diversity, the company was slowly moving away from its original role in the hands-on management of subsidiaries

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"It was becoming increasingly difficult to impart the quality of decision-making appropriate for the size and diversity of the group"

Less charitably, without the founding vision of Punch Barlow and the impressive grasp of strategy shown by Mike Rosholt, the Barlows management team was out of its depth, analysts say

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The faltering of the Rand Mines interests trapped resources needed for development in the wrong areas

And the structure of Barlows ensured that the majority of the earnings in good performers such as Nampak and Tiger Oats was attributable to outside shareholders

Much of the cash generated by star companies such as Tiger Oats was funneled into dividends paid to minority shareholders in CG Smith and CG Smith Foods before it reached Barlows

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Its taxed return on funds employed was barely eight percent, but almost all the Barlows companies are involved in the infrastructural area and are currently at the bottom of the cycle

After unbundling, Barlows is likely to be listed at around its net asset value of R13,46, giving it a P/E ratio of about 10, which is fair for a company at the bottom of its earnings cycle

Gencor yields slip

Star 8/12/93

BY STEPHEN CRANSTON

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What's left accounts for 43,4 percent of the original group's earnings So, to preserve pre-unbundling yields, the share price would have needed to fall almost 57 percent.

Instead, the price has fallen by 29 percent from 960c to 690c This has pushed the P/E ratio up from 9,4 to 15,5 and the dividend yield has fallen from 4,7 percent to 2,8 percent

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COMPANIES

New-look Winbel posts a profit

BDay

CHARLOTTE MATHEWS

MINING supplies and plastics holding company Winbel posted a R1,1m attributable profit (R1,5m loss) for the year to September, after completing its long-running restructuring. 9/12/93

Winbel chairman Bob Wenteler said yesterday that the group planned to grow internally and improve existing facilities

Turnover edged forward to R204,5m (R200,4m), but operating profit increased more than fourfold to R3,8m (R936 000). Net financing costs dropped to R1,4m from R3,9m Earnings were 1,5c a share (3,4c loss), but the dividend was passed.

Winbel subsidiary Winhold reported attributable earnings of R1,8m for the year from a R2,4m loss last time. Its earnings improved to 2,0c a share (4,6c loss).

Winhold derives its income from a 73% stake in mining supplies company Inmins and an 86% holding in plastics company Plastall. (232)

Inmins turned 1992's loss of R509 000 after extraordinary items into a profit of R2,1m for the year. Although turnover fell slightly to R142,8m (R145,9m), operating income lifted 15% to R2,1m (R1,9m).

The contribution due to outside shareholders rose to R809 000 from R158 000, reflecting 1992's financial restructuring, which saw R13,7m of interest-bearing debt converted to cumulative redeemable preference shares. An extraordinary profit of R544 000 was made on property sales.

Earnings were 5,9c a share (2,3c loss), but the dividend was again passed.

Plastall's turnover grew 11,7% to R62,4m (R55,9m) despite the closure of its seating operations in May Wenteler said the company's market share in its core plastics business had risen 17%.

Operating income was R1,4m (R892 000 loss), but increased financing costs of R1,9m (R1,6m) and a higher tax bill left a deficit of R553 000 (R2,6m).

The loss a share eased to 4,8c from 17,9c in 1992 and no dividend was declared.

Winbel shares closed 5c higher at 20c on the JSE yesterday, while Winhold shares doubled to 20c.

Wiese moves in on Boland Bank

B/Day

Business Day Reporters

PEPKOR chairman Christo Wiese effectively took control of Boland Bank yesterday after a series of deals in which 30% of the bank's issued share capital changed hands. 9/12/93

Wiese — who already owns 20% of the small Cape-based bank — said he had bought the bulk of the shares on the open market. It was not clear who the sellers were. About 4,6m shares worth R43m changed hands at 920c a share — 5c off its high — and 4,4-million preference shares worth almost R43m and priced at 960c were also traded. (232)(58)

Wiese said he had come close to securing overall control of the bank, but he had no plans to increase his stake further. He had earlier denied that he was seeking control of Boland. He said the bank had lacked a "directional stakeholder" for some time.

After Wiese increased his stake from 9% to 20%, making him the largest shareholder, the share moved off its October 725c low. An analyst said if Wiese had lifted his stake substantially, it would mean the bank was independent of the large financial controlling groups in SA.

Sanlam previously held the biggest stake (11,29%). Other major shareholders were Remgro, Absa, Momentum and the Mines Officials' Pension Fund, none with much more than 10%. With Sanlam and Rembgro working closely with Absa, the major groups collectively held 31,7%.

Remgro's net income rises

Star 9/12/93

A modest operating income gain, combined with the lower corporate tax rate, lifted Rembrandt Group's (Remgro) net income from business operations 17 percent to R530,8 million for the six months to September.

Operating income rose 8 percent to R532,5 million, while the lower corporate tax rate resulted in net income increasing 9,6 percent pre-tax and 14,5 percent post-tax.

Earnings from normal business operations rose from 87,2c to 101,7c a share.

The conglomerate, with investments in financial services, mining, industry, food and tobacco, is paying an interim dividend of 17,04c (14,2c) and a special dividend of 14,52c.

Remgro notes that income does not necessarily accrue evenly throughout the year and that earnings in the second half should not be expected to be the same as in first six months. (232) ~~(193)~~

The results of Rembrandt Controlling Investments (RBB), which has an effective 51 percent stake in Remgro, are entirely dependent on Remgro's performance.

RBB reports earnings from normal business operations at the interim stage of 75,3c (64,6c) a share

The interim dividend is 12,61c (10,51c) and a special dividend of 10,75c has been declared.

The results of the Technical Investment Corp (Tegkor), which has an effective interest of 20,7 percent in Remgro through its shareholding in RBB, are entirely dependent on Remgro

Tegkor posted earnings from normal business operations of 66,1c (56,7c) a share and has declared an interim dividend of 11,06c (9,22c) and a special dividend of 9,43c

The results of Technical and Industrial Investments (TIB), which has an effective stake of 17,4 per cent in Remgro through its interests in Tegkor and RBB, depend solely on Remgro.

TIB achieved earnings a share from normal business operations of 70c (60c) a share

It is paying an interim dividend of 11,73c (9,77c) and a special dividend of 10c.

— Sapa.

Delcorp sells its chemical interest

BiDay 10/12/93

MARCIA KLEIN

DEL Monte Royal Corporation (Delcorp) has sold its last remaining chemical interest for R30,6m cash, in line with its decision to focus purely on food following the massive acquisition by Royal of European food group Del Monte.

The deal will see Royal Chemicals (Roychem), originally the core business of the Royal group, become a cash shell (232)

According to an announcement yesterday, Ferro Industrial Products, which was bought by Roychem in 1991 for R38m, has been sold to a consortium consisting of FirstCorp Merchant Bank, institutional investors and two individuals, K Case and L Tollemache.

Ferro manufactures and supplies speciality materials for the ceramics, porcelain, enamel, powder coatings and steel industries. The sale, which is subject to certain conditions, is effective from September 27.

It was estimated that Roychem's cash value would be about 130c a share. The share last traded at 145c, off a January high of 225c and a November low of 115c. With 48,2m shares in issue, Roychem has a market capitalisation of R70m.

When the Royal group bought Del Monte a year ago to become Delcorp, it said it intended to focus on its food interests.

Following that announcement, chemical distribution agency and analytics businesses Holpro-Lovasz and M & T Chemicals were sold to Chemical Services (Chemserve) for R27m cash. Holpro-Lovasz was the cornerstone around which the Royal group was built.

In June it sold Laser Pharmaceuticals to the Premier Pharmaceutical Company for R35m cash, and cautioned shareholders that there were negotiations for the sale of Ferro.

Yesterday Delcorp cautioned shareholders that a further announcement, which would confirm the final net cash position of Roychem, would be made by the end of January.

COMPANIES

Wiese takes control of Boland

BIDay 10/12/93

Business Day Reporter

PEPKOR chairman Christo Wiese has emerged as controlling shareholder in Boland Bank, amassing just over 60% of the Cape-based bank's issued share capital.

Wiese, formerly a member of Boland's board, said board changes were likely.

It emerged yesterday that Wiese, who owned 20% of the bank, had bought additional Boland shares in the open market, though he had said he had not gained a controlling stake. But deals over the past few weeks, culminating on Wednesday with the purchase of 4,6-million shares, had left Wiese with 8,1-million of the bank's 13,45-million issued ordinary shares.

Wiese said the transactions had been cleared with the Reserve Bank, and had the backing of Boland's other major shareholders, Sanlam, Rembrandt Group, Absa and Momentum Life. (232)(58)

The Paarl-based bank reported a 10% rise in earnings a share in the six months to September, but failed to detail its bad debt charge and income tax payments in its income statement. Analysts said Boland's low level of disclosure in the past had made it difficult to assess whether its provisions for bad debts had been adequate.

FM 10/12/93

Shaking off B&F saga

Berzack.

Activities: *Controls Voltex Other interests include distribution of machinery, equipment and supplies to the clothing industry*

Control: *Bivec 50,3%*

Chairman: *M C Berzack Joint MDs M C Berzack & S H Illman*

Capital structure: *26,5m ords Market capitalisation R152,4m*

Share market: *Price 575c Yields 5 7% on dividend, 15 1% on earnings, p e ratio, 6,6, cover, 2 7 12-month high, 900c, low, 410c Trading volume last quarter, 269 000 shares*

Year to June 93	'90	'91	'92	'93*
ST debt (Rm)	9 0	18 7	15,0	12,0
LT debt (Rm)	11 5	9 6	56 1	53 8
Debt-equity ratio	0 06	0 08	0,15	0 14
Shareholders interest	0 83	0 83	0,77	0 79
Int & leasing cover	4 7	154 4	5,0	3 8
Return on equity (%)	15 2	13,7	14 9	10 1
Turnover (Rm)	108	100	109	113
Pre-int profit (Rm)	10 7	9 3	21 7	28,3
Pre-int margin (%)	9 9	9 2	20	25
Earnings (c)	166	139	108	87
Dividends (c)	52	55	40	32 5
Tangible NAV (c)	1 095	1 012	724	862

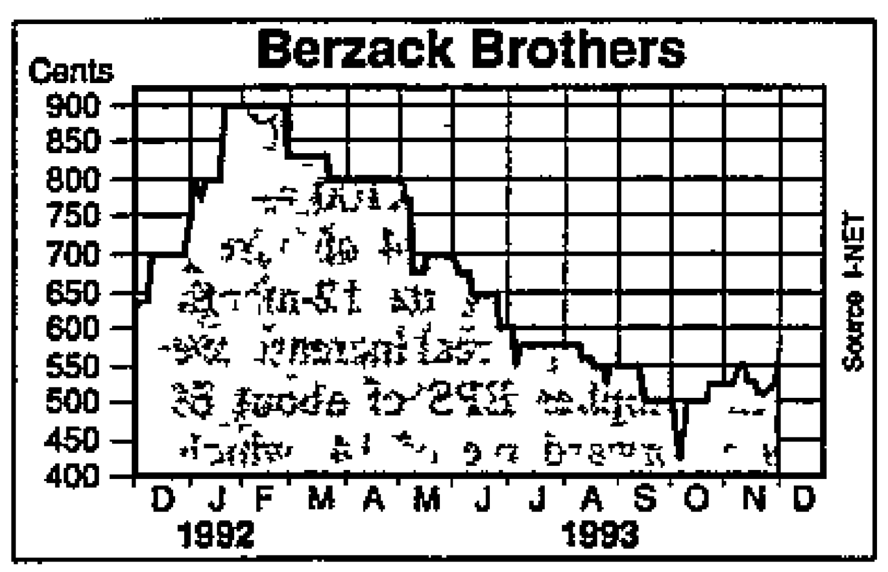
* Voltex accounts not consolidated to take in UK subsidiary These figures have not been re-calculated by FM

(232)

Looking at last year's appraisal of these two companies which, between them, form the core of the Berzack family business, I have to note that my expectations simply weren't achieved The 1993 annual reports reflect a pretty dreadful year

It all has its roots in the disastrous purchase in 1990 of Bennet & Fountain (B&F), the LSE-listed UK company which distributes cable, electrical, lighting & electronic products The purchase price was about R144m for about 60% of B&F, remitted through the financial rand The company has now been sold for £1,3m or about R8m Any investor will be taken aback by that extraordinary reduction in shareholder wealth

When Berzack chairman and Voltex joint-CE Myron Berzack first reported this transaction through the preliminary audited pro-



FM 10/12/93

fit figures, the *FM* protested (*Leaders* October 29) that Voltex's accounts had not been consolidated to take in its UK subsidiary Berzack's position, on the advice he says of his attorneys and auditors, was that B&F's results should be excluded from the financial statements (232)

B&F lost R29,1m over the year, Berzack says attempts to restructure the balance sheet with UK bankers failed and he sold the ailing operation after Voltex's balance sheet date This is a lesson I hope other SA companies will not be tempted to follow It seems the philosophy is that if a subsidiary performs really badly, you sell it and then pretend it didn't exist Hey, presto — a shake of the (red) pen and it's gone

Berzack has achieved this remarkable position by applying sections of the Companies Act, with the consent of the Registrar (and the role of the Registrar in company surveillance is an area the *FM* intends examining in some detail in the new year)

Shareholder wealth has been diminished through the reduction of Voltex's so-called "permanent capital " This action will be submitted to shareholders for approval at the AGM on December 13 I hope at least one shareholder will ask some penetrating questions about how the B&F debacle was permitted to develop and, particularly, about the unusual reporting techniques now applied

B&F was bought after the 1988 merger with the Mowszowski family's Elcentre Less than two-and-a-half years later, the families agreed to part company, with Berzack acquiring control of Elgro and Elcentre The reason for the Berzack involvement with Elcentre was perfectly straightforward Elcentre controlled the distribution of Berzack's wares and products, either Berzack

Berzack's Berzack *a stroke of the (red) pen*

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attacked Elcentre's dominance or it did a deal (232)

Part of the arrangement extended to the purchase of an offshore investment The present directors of Berzack and Voltex cannot now pretend innocence of the B&F deal if they went along with it at the time This is what director responsibility is all about and the *FM* hopes shareholders will robustly re-

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Voltex:

Activities: *Manufactures and distributes electrical equipment*

Control: *Berzack Brothers*

Joint chairmen: *M C Berzack and S H Illman*

Capital structure: *300m ords Market capitalisation R375m*

Share market: *Price 125c Yields 5,4% on dividend, 8,14% on earnings, p e ratio, 12 3, cover, 1,6 12-month high, 140c, low, 80c Trading volume last quarter, 10,8m shares*

Year to June 30	'92†	'92*	'93†	'93*
ST debt (Rm)	45,3	125 0	4 8	97,1
LT debt (Rm)	86,8	94,3	120 7	128 2
Debt:equity ratio	0,24	0,47	0,23	0,40
Shareholders' interest	0,61	0,49	0,68	0 46
Int & leasing cover	4,0	1,9	4,1	1,6
Return on cap (%)	13,6	11,0	14,3	9,1
Turnover (Rm)	923,2	1 227	1 006	1 346
Pre-int profit (Rm)	98 9	91,8	95,2	76,2
Pre-int margin (%)	10,7	7 5	9 5	5 7
Earnings (c)	17,65	12 7	15 03	10,18
Dividends (c)	6,75	6 75	6,75	6,75
Tangible NAV (c)	78 4	86	84,6	86,1

* Re-calculated by *FM* to include UK subsidiary and to deduct from EPS interest on debentures (and STC for 1993)

† As reported in 1993 annual report.

mind their boards accordingly

Those things said, the accounts of the two principal companies in the pyramid reflect the obvious desire of directors to shake off the last two years and concentrate on the immediate future Berzack largely reflects Voltex's performance, it holds other assets but these are not especially significant

Borrowings have been reduced marginal-

(232)

ly, debt.equity, at 0,14, is comfortable The balance sheet is strong, notwithstanding the fall in EPS and the dividend cut of 19%

Voltex is the key to the Berzack group and the *FM* felt it appropriate to re-calculate its published balance sheet so as to consolidate B&F The result is contained in the table, with 1993's figures re-stated These reflect the differences between the *FM*'s approach and those of Berzack, particularly in the EPS, which the *FM* calculates after deducting the interest on debentures and providing for STC as 10,18c compared with the company's 15,03c This is a difference large enough to require shareholder attention

Culture of gloom

The future is what it's all about Voltex and Berzack are strategically well placed when it comes to giving effect to nationally stated objectives of providing electricity to all "The culture of gloom," says Berzack, "which has strangled fixed investment in recent years, could swing quite dramatically the other way upon even a modest improvement in political outlook " That is nicely said and, on current climate changes, looks as though Berzack's fervent wishes are about to be met — at least in part

Both share prices have strengthened in recent weeks, probably reflecting relief that the B&F saga is over 1994 should be the year in which the potential finally shows signs of being realised

David Gleason

GENCOR

FM 10/12/93

What's it worth after unbundling?

(232)

Activities: *Mining house with investments in gold, platinum, coal, base minerals and metals in SA and an expanding international business base*
Control: *Sanlam and Rembrandt are major shareholders*
Chairman: *B P Gilbertson*
Capital structure: *1,4bn ords Market capitalisation R9,8bn*
Share market: *Price 700c Yields 2,8% on dividend, 6,4% on earnings, p e ratio, 15,7, cover, 2,3 12-month high, 1 235c, low, 585c Trading volume last quarter, 24,6m shares*

Year to August 31	'90	'91	'92	'93
Investments				
Carrying value (Rbn)	5,99	7,18	9,17	10,65
Valuation (Rbn)	14,61	15,99	16,58	17,64
Earnings (Rm)	1 479	1 405	1 261	1 411
Earnings (c)	125,8	119,5	98,8	102,5
Dividends (c)	40,0	43,0	45,0	45,0
Net worth (c)	1 375	1 473	1 341	1 354

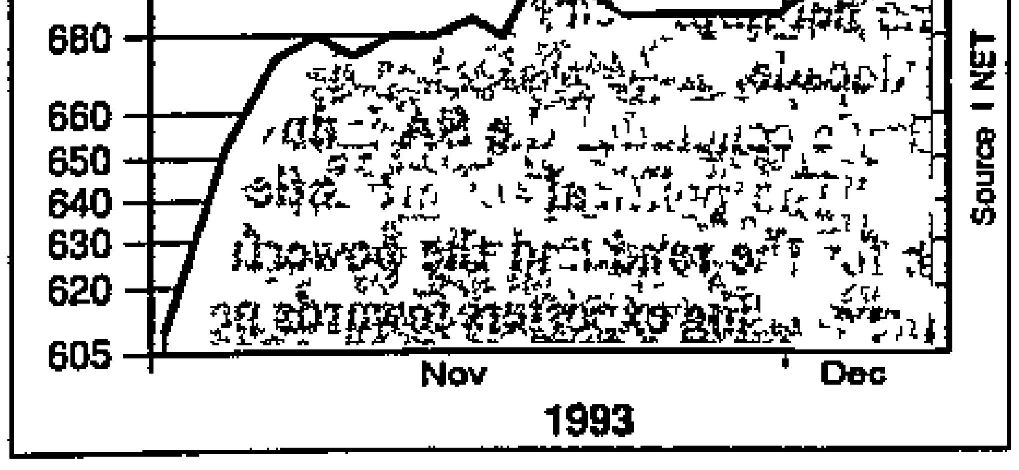
A key question about the unbundled Gencor is what its share price should be — and there's considerable difference of opinion between the market and chairman Brian Gilbertson over the answer

The share price collapsed from 980c immediately before the unbundling date of November 5 to a low of 585c From there it recovered slowly, reaching 690c before jumping suddenly to 715c in renewed market interest at the end of last week

Gilbertson, in his review dated October 22, comments. "The behaviour of the share prices of Gencor and the companies being unbundled since the terms of the unbundling were announced in May has been disappointing " Presumably, he must have found the performance since November 5 even more disappointing, but some JSE analysts feel Gencor at around 700c is fair to fully priced in terms of discount to net asset value when compared with other mining houses

The sudden jump in price during Thursday's trading is being attributed to speculation over developments concerning Gencor's bid to acquire Billiton Recent increases in share prices of various mining houses have narrowed the discounts from 25%-18% for Gencor, and from 20%-15% for Anglo

"Around 700c looks a fair price for Gencor to me," says Fergusson Bros director




Gencor's Gilbertson . *share price disappointing*

William Bowler Another analyst feels Gencor looks pricey above 700c "If Anglo shares are going to trade at discounts to NAV of 20%-15% then Gencor should trade at 20%-25% until we know precisely what's going to happen with Billiton," he says

It's argued that Gencor should stand at a larger discount than Anglo American Corp, Anglovaal or JCI because it no longer has the diversity of interests (with less volatile earnings) that these rivals have through their industrial and other investments.

As Gilbertson points out, the "new" Gencor is a tightly focused, natural resource group comprising five mining and metals businesses Gengold, Impala Platinum, Trans-Natal Coal, Samancor and the minerals division which holds stakes in Richards Bay Minerals and Alusaf (see table)

The only industrial interest retained is 20% of Malbak, worth about R900m at the unbundling Gilbertson says that was done to ensure Gencor had "the critical mass and financial resources necessary to compete in the international resource business " The implication is that the Malbak stake is an asset which could be traded if necessary to help fund deals in the core mining business

Much of the latest annual review is, of course, of academic interest because it reflects the situation at end-August, when stakes were still held in Engen, Genbel, Malhold and Sappi These were disposed of through the unbundling However, the review includes a section on the unbundled Gencor and pro forma results for the past two years on the assumption the new structure was in place during this period

These show EPS would have dropped 5,1% to 44,5c (previous year — 46,9c) instead of increasing to 102,5c (98,8c), while net assets at August 31 of R12,1bn would have been 65,1% of the actual R18,6bn

Net financial resources available to the new group at August 31 totalled R2,3bn, of which cash accounted for R1,1bn or 48% That's a powerhouse war chest and, as Gilbertson points out, it has one of the strongest balance sheets in the international resource sector

This funding power will be needed given the expansion plans, in particular the Alusaf project to which Gencor is committed to investing a further R787m by December next year The house had already ploughed R338m into Alusaf at end-August Then there's the Billiton acquisition which would need some imaginative financing if agreement is reached

The share price appears to be suffering from the aftermath of the unbundling and uncertainty over the Billiton acquisition

SECTORAL ANALYSIS OF EARNINGS*

	1992 Rm	1992 %	1993 Rm	1993 %
Gengold	102	17	106	17
Implats	98	16	99	16
Trans-Natal	87	15	78	13
Samancor	142	24	101	17
Minerals	61	10	87	14
International	17	3	3	—
Operations	507	85	474	77
Exploration	(89)	(15)	(99)	(16)
Investment & corporate	181	30	237	39
Total	**599**	**100**	**612**	**100**

* Proforma results for the unbundled Gencor

Once conditions have settled down, and there is a decision on Billiton, the share should benefit Gencor offers growth, growth and more growth through its exposure to Alusaf, Columbus and the increased stake in Richards Bay Minerals All that's needed to realise the full benefits is an upturn in the world mineral commodity markets *Brendan Ryan*

NAMPAK FM 10/12/93

Growth by management

Superlative results for the 1993 year were signalled a few weeks ago with the release of Nampak's preliminaries EPS rose 17% off an already high base and the dividend is being increased 16% to 238c

The balance sheet should be an area of focus for shareholders and analysts Total

Rivals' day for comparisons

S Times (Buss)

By JULIE WALKER

RIVAL consumer giants Tiger Oats and Premier Group laid out their plans to shareholders this week.

Premier chairman Peter Wrighton reported interim earnings 11% up on the six months to October last year, to 132c a share and a 6c higher dividend of 40c. Turnover climbed by more than a quarter to R7,2-billion because of the inclusion of United Pharmaceutical Distributors and dairy group Bonnita. Without these, turnover would have risen 6%

Premier now consolidates groups in which it has management participation and so adds CNA and Teltron for the first time.

Premier aims to split its shares, currently at an all-time high of R61 — five for one to lift accessibility and marketability in 1994. The group's market capitalisation currently exceeds R5-billion.

It will also list Bonnita separately in the second half of the year. Bonnita bought control of yoghurt and ice cream producer and distributor Aylesbury in August and Premier Pharmaceuticals bought the businesses of Laser Pharmaceuticals, Leppin and Pharmatec. 12/12/93

Robbie Williams's chairman's statement in the Tiger Oats 1993 annual report calls for clarity with regard to tariffs and to the deregulation of agricultural marketing. (232)

Mr Williams says Tiger fully supports deregulation but hates the uncertainty. Once clarity is obtained on tariffs and other issues, Tiger Oats will be better able to position itself.

He says last year's poor showing in maize milling, relating in part to low-quality maize, could have been limited had Tiger been able to make its own purchasing arrangements. In any event, Tiger is upgrading its Randfontein mills and lifting capacity to enhance cost-effectiveness.

Export destinations are being investigated by Tiger group exporters, mainly Langeberg and Beacon.

Tiger sold Star Foods and is fixing broiler company County Fair. The group also suffered in oil and margarine — an industry Mr Williams describes as chaotic because excess seed-crushing capacity prohibits a reasonable profit.

Tiger's market capitalisation is almost R7-billion. The shares were R50 in May, falling to R37 by October on disappointing results — earnings a share rose by 3% to 237c in the year to September. The price has since rallied to R46,50.

Better news on insolvency front

Star 13/12/93

BUSINESS STAFF

Yet another positive economic indicator has emerged in the form of much improved solvency data.

According to figures released by the Central Statistical Service, insolvencies of individuals plummeted in September to a preliminary 299 — a substantial 45,4 percent lower than the 548 of September 1992 and 20 percent down on August 1993's 374.

Trend

For the year to date, the total of 3 401 is 12,3 percent lower than in the first nine months of 1992

The downard trend has now been in place for four quarters, a peak of 1 422 sequestrations having been recorded in the third quarter of 1992.

Company liquidations, too, appear to have peaked.

In the latest three months to October they were just under one percent below those of the previous quarter.

Credit Guarantee economist Luke Doig says: "It would appear as if the 686 company liquidations recorded in April to June of this year represented the peak in the current liquidations cycle.

"This adds credence to the idea that somewhat more than just circumstantial evidence exists to suggest the economy bottomed around the middle of this year."

For the year to date, the 2 239 failures are 11,6 percent up on those of the previous year.

232

Closures

On a month-on-month basis, of the 237 closures in October (versus 223 in September and 220 in October 1992), the largest sectoral increase was in manufacturing, where 38 occurred, against 25 in the previous month.

However, for the year to date, most sectors have recorded performances similar to last year's.

Doig believes that the worst of the cycle of business failures may now be over.

Thebe moves into entertainment arena

BiDay

LLOYD COUTTS

THEBE Investment's involvement with Games Africa, marketer of the Ithuba and Viva scratchcard lotteries, was its first stake in the entertainment industry, Thebe's Moss Mashini said at the weekend. 13/12/93

Ithuba is to acquire an 18% interest in Games Africa through its new leisure arm, Sports Afrique, effective from November 1993. (232)

"We recognise the major role such trusts (Ithuba and Viva) play in producing maximum benefits for welfare and development and in creating jobs," Sports Afrique chairman Mashini added.

Games Africa confirmed Thebe had exercised an option offered 18 months ago aimed at increasing Games Africa's SA shareholding.

Other Games Africa shareholders are UAL, the Ellerine brothers, Simpson McKie, Vela International and Kardan.

ICS in another joint venture

BIDAY 14/12/93

MARCIA KLEIN

FOOD group ICS will sell its underperforming poultry division Festive Farms to Earlybird Farm, a wholly owned subsidiary of the OTK co-operative.

This sale, and a cash payment of R10m to OTK, will give ICS a 50% stake in the enlarged Earlybird, to be run as a joint venture.

The agreement, published today in a cautionary announcement, follows a spate of similar joint venture deals involving other ICS subsidiaries.

In June ICS and Foodcorp announced two deals for joint control of their processed meat interests and ICS's frozen food distributor, the Cold Chain.

In July, it announced its Dairybelle operations and Nels-Bliss Dairy Products had pooled certain milk and fruit juice interests to form a R250m-a-year joint venture called D & B Foods.

A month later, it sold 50% of its DairyMaid division to Nestlé for access to Nestlé's trademarks and technical expertise.

ICS said yesterday Festive Farms and Earlybird each had about 9% of the national market. 232

The market is dominated by Rainbow Chicken. 20

Festive's market was primarily the major food chains, while Earlybird's was the general trade. According to ICS, the agreement would allow for a single producer to serve a larger market.

The new company would be well placed to service the market.

In its annual report, released last week, ICS said Festive had sustained a significant loss because of depressed prices cause by industry oversupply. This was despite production results being at their most efficient yet in the farming and processing areas. Since April, supplies of poultry meat had been more evenly balanced with demand.

Details of the financial effects of the deal will be made known when the agreement is signed. The deal has been approved by the Competition Board.

Thanks to upturn, fewer firms go bust

BIDay 14/12/93

KELVIN BROWN

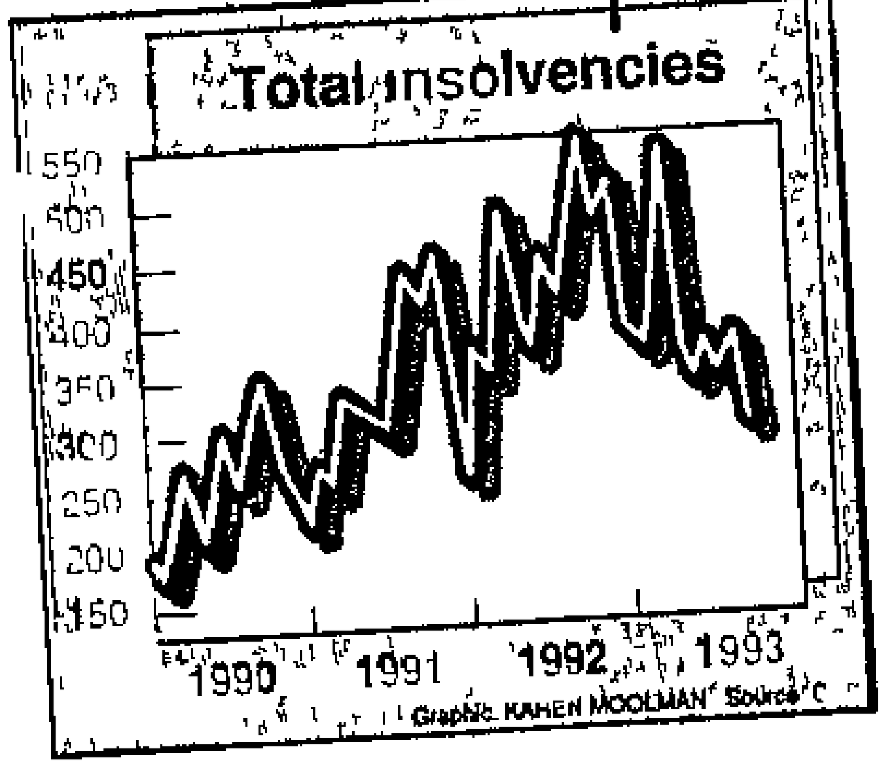
THE improving economy is leading to fewer companies going under, just as it has already led to a decline in personal insolvencies

The Central Statistical Service reported yesterday that company liquidations fell 0,9% to 683 in the three months to October.

In the previous quarter liquidations were up 6,2% to 689.

Economists said this was in line with their expectations, as company liquidations tended to lag the end of a recession by a few months.

The figures indicate the downward trend in individual insolvencies continued in the third quarter, falling 5,2% to 1 016 In the three months to June insolvencies were down 18,35% to 1 072.



Credit Guarantee senior economist Luke Doig was optimistic about the company figures and predicted liquidations would start coming down if there was no hiccup in the political situation.

But he said the financial position of larger companies was expected to show more of an improvement as liquidations of smaller companies tended to continue rising in the early stages of a recovery. (232)

The percentage of forced company liquidations was still high at 82% in October, compared with the previous recession when compulsary liquidations reached 75%, he said

The wholesale and retail trade, catering and accommodation services and financial services were still suffering as liquidations continued to increase.

But business failures in these sectors could be close to bottoming as recent indicators of consumption and expenditure had shown signs of improving, Doig said

PresMed extends network

CHARLOTTE MATHEWS

PRESIDENT Medical Investments (PresMed) has bought Faerie Glen Hospital and 25% of Wilgers Hospital, both in Pretoria, for R24,75m to be settled by the issue of new shares in PresMed and PresMed Holdings (PresHold), it said today. BIDCM 17/12/93

The acquisitions are in line with PresMed's strategy of building a network of hospitals and day clinics.

Faerie Glen Hospital is being acquired for R8,75m. Pre-tax profit for the year to February 1993 was R1,8m.

Vendors of Wilgers Hospital have warranted it will earn an audited profit before interest on shareholders' loans and tax of at least R12m in the year to February 1994.

232

Clegg and Hortors in joint venture

MARCIA KLEIN

CLEGG Holdings, CTP Holdings and its subsidiary, Hortors, have announced two deals which will result in synergies between previous competitors in the packaging and printing industry.

Clegg subsidiary H R Clegg Labels has bought Avery Labels from CTP at NAV, with nearly R4,4m being settled by the issue of some Clegg shares, and the balance in cash.

Subsidiary H R Clegg Litho entered into a joint venture with the sheet feed division of Hortors to create a new packaging manufacturing group specialising in high quality folded cartons, paper labels and general lithographic printing.

The deals, effective from October 1, follow various cautionary announcements by Clegg and Hortors that they were involved in negotiations. (232)

In an announcement published today, the companies said the joint venture would be 66,7% held by Hortors, with the rest being held by H R Clegg Litho. ([illegible])

Clegg and its subsidiaries will change their year-end from June to March. ([illegible])

REMBRANDT GROUP FM 17/12/93

Unveiling sales

(232)

Many analysts were caught off balance by the 16,6% earnings growth posted by Rembrandt Group (Remgro) for the six months ended September 30 While earnings from most of its investments performed in line with expectations, it wasn't expected that the tobacco division would be able to maintain its high profitability through the recession

In the event, operating income — of which the tobacco interests are a major component — rose by a reasonable 7,7% Earnings growth was further boosted by an interest bill at R24,1m (1992 R30,5m) and effective tax rate of 32,9% (35,8%)

Perhaps the most interesting aspect of these results, though, is the disclosure for the first time of turnover Regrettably, the disclosed R2,23bn for the six months includes excise duty (as well as fees, rental and investment income), so it still doesn't allow accurate calculation of profit ratios — but it does confirm that Remgro enjoys a particularly high margin on its tobacco activities

Syd Vianello of stockbroker Ed Hern, Rudolph, estimates that when excise duties are stripped out, operating margin on tobacco products could be as high as 37%-38% The ratio of total operating income to turnover for the half year was 23,9%

Chairman Johann Rupert maintains Remgro's margin is below the rate achieved by comparable businesses in many other countries He adds that its margin has remained static for the past few years and has only been maintained through productivity increases and gains in market share won in the face of declining volumes during the recession Vianello estimates volumes declined about 3%-3,5%

As usual, the interim report reveals no details about the earnings of the various divisions Results of the listed investments have, of course, been mixed After the R75m debacle at Rainbow Chicken, new management is in place under the stewardship of Remgro associate Hunt Leuchars & Hepburn

Following Rupert's accession to the chair about a year ago, it's probable the investments will in future be scrutinised for different viability criteria He says the most important benchmark for maintaining or making investments will be whether Remgro can add value If this philosophy is to be

AT THE MARGIN

Six months to	Sep 30 '92	Mar 31 '93	Sep 30 '93
Turnover (Rm)†	2 033	1 969	2 229
Pre-int profit (Rm)	616,5	704,5	666,4
Pre-tax profit (Rm)	586,0	666,8	642,3
Attributable (Rm)	455,2	495,4	530,8
Earnings (c)	87,2	94,9	101,7
Dividends (c)	14,2	22,0	31,56*

* Includes special dividend of 14,52c

† Includes excise duty, fees, rental and investment income

followed, the portfolio could change significantly over the next few years

Among recent investments are a 15% partnership interest in cellular telephone network Vodacom, and a further 6% in Lenco for R28,3m, lifting the total stake in that company to 18,8%

Rupert emphasises Remgro did not initiate the current negotiations with Murray & Roberts about control of Dorbyl Still, Dorbyl, and its holding company Metkor, have long been among the stodgier elements of the tobacco giant's portfolio An exchange of these assets for M&R shares would certainly be a positive step

The unbundling of Gencor has left the Stellenbosch group with 13,8% of Gencor, 6,8% of Engen, 5,1% of Sappi and 7% of Malbak. These may well be sound operations, but it will be interesting to see whether Rupert believes he can add value to them — and what will happen if the answer is negative An analyst believes that, with further asset disposals, the R690m cash held at September 30 could rise to about R1bn by March 31 barring large acquisitions

With the large cash flow generated by tobacco products and the stability that this offers, the implications of possible disposals and acquisitions add spice to the share and help justify the slim 1,2% dividend yield (covered five times) and p:e of 16,7 Based on the profitability and prospects, the share does not seem unduly expensive at 3 050c

This is not to say there are no reservations For example, there are concerns that a new government could sharply raise excise and other taxes on goods such as tobacco and liquor. These are price-sensitive products, whose sales volumes and profits could well be curbed. Rupert says he doesn't believe it will happen But it is a risk that cannot be ruled out

Gerald Hirshon

BARLOW RAND

FM 17/12/93

What is the value now?

232

Activities: *The restructured group has subsidiaries mainly involved with infrastructural development*
Control: *Old Mutual 32,6%*
Chairman: *W A M Clewlow*
Capital structure: *196,7m ords Market capitalisation R9,93bn*
Share market: *Price 5 050c Yields 3,4% on dividend, 7,3% on earnings, p e ratio, 13,8, cover, 2,1 12-month high, 5 050c, low, 3 800c Trading volume last quarter, 5,2m shares*

Year to Sept 30	'91	'92	'93	'93*
ST debt (Rm)	2 004	1 831	1 743	730
LT debt (Rm)	2 367	2 713	2 763	715
Debt equity ratio	0,43	0,32	0,16	(0,03)
Shareholders' interest	0,43	0,43	0,44	0,40
Int & leasing cover	6,0	9,9	12,5	n/a
Return on cap (%)	13,8	12,7	10,7	8,7
Turnover (Rbn)	32,0	35,4	38,0	12,3
Pre-int profit (Rm)	2 633	2 808	2 569	680
Pre-int margin (%)	8,0	7,6	6,5	5,5
Earnings (c)	431	432	367	132
Dividends (c)	170	173	173	n/a
Tangible NAV (c)	2 259	2 407	2 447	1 346

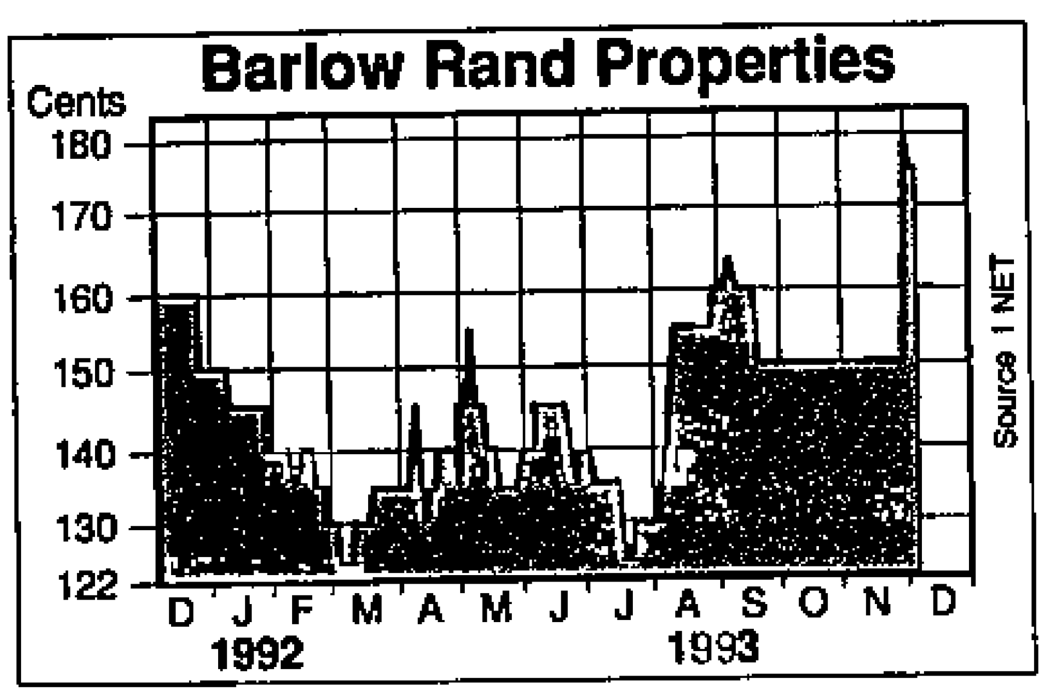
* Pro forma for restructured group

Predictably in the circumstances, much of Barlows' annual report (about 55% in the case of chairman Warren Clewlow's annual statement) is devoted to the reasons behind the impending dismemberment of Barlow Rand and a discourse on what the new group will look like.

Unfortunately — and without questioning management's evident belief that what is being done is in the best interests of shareholders — the whole thing comes across as an attempt to justify a dubious decision, akin to trying to convince someone like Anne Boleyn about the joys and benefits of headlessness

At least two factors compound the problem The first (to which there is no answer) is that there is no intrinsic benefit to shareholders from the proposals to split the group into five independent entities.

On day one, shareholders will have exactly the same mix of assets, the only difference being that they will have direct holdings in the five separate entities instead of a single holding in a widely diversified group as is the case now They can, of course, then sell the



Barlows' Clewlow *shrinking the asset base*

parts of the group that they don't like and increase investments in parts perceived to be more attractive While this may give shareholders some personal satisfaction, there is no guarantee they will be any better off than they were at the outset

A second problem is that a number of arguments used by the group to justify the decision to unbundle are based on questionable facts For example, whereas Clewlow is statistically correct in saying that EPS have declined by an average of 8% a year since the 1989 peak, it might have been more meaningful to add that 1989 was an extraordinarily favourable year, producing a net return on equity of close to 30% — in other words, that the decline is measured off a base which, in terms of outright profitability, would probably not have been sustainable even without the recession

This is not to say performance since 1989 has been acceptable, especially for a group that is supposed to be a market leader But the current ROE of just over 15% is not unduly low for the present phase of the business cycle and is certainly better than the likes of Malbak which, for the year to end-August, had a ROE of only 13,6% despite its emphasis on what are widely seen to be the more profitable consumer sectors

In much the same context, it's unfortunate that the annual report does not quantify the effect on Barlows' bottom line of the losses incurred by Finanzauto (including the financing costs of this acquisition) What is given is that Barlows' operations in the UK and mainland Europe reduced their contribution to a mere 3% of net earnings, from 11% in 1992, implying reduced income from this source of around R70m Most of this was attributable to Finanzauto, which has Caterpillar dealerships in Spain and Portugal That means this single "event" accounted for 59% of Barlows' total earnings decline last year and, more important now, 132% of the decline in earnings attributable to the operations that will remain in the unbundled Barlows

Looking to the future, recovery prospects in UK/Europe could prove a strong bull point for the new, smaller Barlows as the benefits will have a far stronger proportionate effect on its bottom line than would have been the case in the group as previously constituted And prospects will be further enhanced if, as seems increasingly likely, the long fixed investment drought in SA is coming to an end — what is left in Barlows will benefit considerably from a sustained increase in gross domestic fixed investment, as will companies dependent on the building sector if, finally, a new political dispensation leads to progress in dealing with the housing backlog

This potential should, however, be viewed against the low profit returns now being generated by the assets concerned, which in most respects are worse than the corresponding ratios of the old group Examples include a trading margin of only 5,5% on sales, more than two percentage points below the similarly calculated ratio achieved by the whole group in 1993, a gross return on capital employed of 8,7% (12,2% on a fully comparable basis), and a decidedly substandard return on equity of 9,8%, down from 15%

BROKEN DOWN

Attributable earnings

	1992 Rm	1992 %	1993 Rm	1993 %
Barlows (reconstituted)	312	37	259	36
C G Smith	252	30	259	36
Reunert (reconstituted)	111	13	113	16
Rand Mines	133	16	60	8
Rand Mines Properties	16	2	14	2
Other	15	2	16	2
Total Barlows (old)	**839**	**100**	**721**	**100**

Part of the reason for the weak ROE of the unbundled group relates to a strengthening of its balance sheet The unbundling involves giving up about two-thirds of the total assets, but turnover, profits and equity funds decline by a relatively modest 44% The new group also ends up with an ungeared balance sheet, with cash resources exceeding residual borrowings by R84m

What is the new Barlows worth in terms of share price? Based on this week's pre-unbundling price of 5 050c, and the corresponding

FM 17/12/93

prices for C G Smith, Reunert, Rand Mines and R M Properties, the market seems to be putting a residual value of just over 2 000c on it With pro forma earnings of 132c, the historical p:e is about 15, while the dividend yield (assuming a 2,5 times cover) would be around 2,6% These ratios reflect an improved rating for Barlows relative to the old group which, based on 1993's actual results, was trading on a 13,7 p·e at 5 050c and a 3,4% historical dividend yield (232)

The improved rating is justified if one believes that Barlows will soon see the benefits of the concurrent restructuring of its overseas operations. If not, the much lower 11,5 p:e of Murray & Roberts, dependent on basically the same business cycle as Barlows, should act as a warning signal. *Brian Thompson*

73

is forecasting EPS of 235c-250c for the 1994 year. Assuming EPS of 245c, this puts the counter on a forward p.e of 13,7 — not expensive, particularly if conditions in the food market improve *Marylou Greig*

OCEANA FISHING GROUP
FM 17/12/93

High liquidity

3 Fishing

Activities: *Catching and processing fish, cold storage, trading and shipping.*
Control: *Tiger Oats 68,7%*
Chairman: *R A Williams, MD: D F Behrens*
Capital structure: *9,6m ords Market capitalisation R264m*
Share market: *Price 2 750c Yields 5,7% on*

PREMIER GROUP

FM 17/12/93

Food activities still under stress

(232)

True to form, one which the market has come to expect, Premier achieved earnings growth of 11% in the six months to end-October That was better than average for the industrial sector, but it's notable that real growth in earnings was again derived from diversified interests in pharmaceuticals, wholesaling, retailing and entertainment rather than the core business of food

EXPANSION PAYS

Six months to October 31	1992†	1993
Turnover (Rbn)	5,71	7,17
Operating income (Rm)	243	288
Attributable (Rm)	98	109
Earnings (c)	119	132
Dividends (c)	36	40

† Restated to reflect a change in accounting policy and a lower tax rate

Because of the effects of the recession on food groups, their role as defensive counters on stock markets globally is being challenged The continuing strain on the profitability of local food groups is hardly surprising Aside from tougher competition and weaker demand, food price inflation for September was only 2,4% — a sharp contrast to figures of around 30% just 12 months ago.

This, with the threat of greater international competition and continuing deregulation in the food sector, has presented Premier with a "whole new ball game," says chairman and CE Peter Wrighton "Rather than wait, management has decided to be proactive and to revise the operational structure of the food division "

Wrighton declines to give any details of what is intended but says it would involve building on the food division's strengths, such as its distribution system, computer network and merchandising By using these more effectively across the board, he hopes to make Premier the lowest-cost producer — critical when the inflation rate is falling He envisages the process will take up to three months.

The food business normally lags the general economic cycle by 12-18 months and tends to be a stable, if pedestrian, profit generator In the year to end-April 1993, food — comprising Premier Foods and Bonnita — contributed R3,29bn (29%) to group turnover and R112,6m (48%) to earnings

The 26% jump in turnover to R7,17bn is somewhat distorted by the inclusion for the first time of United Pharmaceutical Distributors (UPD) and Bonnita If these are excluded, turnover growth is a more realistic 6% To reflect the group activities better, those companies in which Premier has a substantial stake, namely CNA and Teltron, have now been consolidated and 1992's figures restated.

The 1992 tax charge has also been restated to allow for the corporate tax cut Interestingly, Premier's effective rate of 34% is five percentage points higher than that of competitor Tiger Oats. This is partly explained by its conservative approach — Premier provides for deferred tax comprehensively.

Borrowings have leapt from R280m to R747m and interest paid doubled to R40m, but this is because of the consolidation of UPD and Bonnita and the broader expansion of the group. Though gearing has risen to 35% (18%), Wrighton is not unduly concerned, attributing the increase partly to stocking up for Christmas. He expects the figure to be below 30% at year-end

In any event, a more useful ratio in this context (interest rates are falling anyway) is interest cover. At year-end, it was a high 18,6 times. Though it had declined to 7,1 at the interim, it remains comfortably above the average for the past five years of 4,7.

Premier's Wrighton ... *revising food division structure*

Management's decision to subdivide one ordinary share into five worth R12,10 each (the price is now R60,50) will put the counter in reach of the smaller investor — an appropriate move as SA enters a new political dispensation.

Its belief that trade will improve in the second half of 1994 suggests the share, though not cheap on a p e of 20 and a yield of 1,6%, offers more medium- to long-term value than it did a year ago *Marylou Greig*

Kersaf books into City Lodge hotels

S1 Times [Buss]

(232) 19/12/93

By CIARAN RYAN

KERSAF re-entered the SA hotel market this week when it acquired 44% of hotel group City Lodge in a R163-million share swap with the Mine Pension Funds.

The deal gives Kersaf a majority stake in the fastest-growing hotel group in SA and gives City Lodge access to Sun International's local and overseas marketing arms, opening the door to international expansion.

Kersaf owns 76% of Sun International and both had been prevented from entering the SA hotel market because of a restraint of trade agreement with Southern Sun, which has since expired.

City Lodge managing director Hans Enderle and Kersaf will exercise joint control over the hotel group. Executive chairman of Kersaf and Safren, Buddy Hawton, says the acquisition fits comfortably with the group's hotel and leisure interests

"This partnership with Mr Enderle opens new opportunities for growth," says Mr Hawton.

"Although most of City Lodge's short-to-medium growth will continue to come from southern Africa, the expertise that exists in the company together with the financial resources of Kersaf should provide the stimulus for international expansion."

City Lodge now returns to the group where it originated. The limited service hotel chain was first conceived by Holiday Inn, then part of Rennies Consolidated Holdings, before Holiday Inn was taken over by Southern Sun. The latter's gaming interests were floated off under Sun International. Both hotel groups retained a cross-holding in each other, but Sun International sold its stake in 1990.

Mr Enderle left Holiday Inn with the City Lodge blueprint as a golden handshake. Eight years later his 26% stake in City Lodge is worth nearly R65-million. He is also one of Business Times' Top Five Businessmen of the Year for 1993.

"Being part of a wider group gives us access to a broad pool of skills, particularly as far as management succession and marketing are concerned," says Mr Enderle.

"The next few years will be good for growth. If we have peace, tourism will pick up and this will impact on our bottom line. By raising our room tariffs by just R2 on existing occupancy levels, we add R1-million to pre-tax earnings."

There is no plan to use City Lodge as a springboard into gaming in SA, says Mr Hawton.

Kersaf will receive 10,9-million ordinary shares and 5-million compulsory convertible debentures in City Lodge, representing 43,9% of issued shares and 37,2% of debentures. The purchase price of R163-million will be satisfied through the issue to MPF of 4,4-million new Kersaf shares The deal was struck at R10 a City Lodge share and R10,61 a convertible debenture. Minorities will be made a similar offer, although Mr Enderle says he will not participate in the offer. The current share price is R10,60.

Mr Hawton says the price paid by Kersaf is fair: "We pick up a majority interest in a very attractive group paying an insignificant amount of goodwill. This deal dilutes Kersaf's earnings per share by 1,4% and net worth per share by just 1,6%. We are selling Kersaf at a high price-earnings multiple and buying City Lodge also on a high multiple."

Goodwill paid is R17-million after netting off the premium to net worth in the share swap.

MPF more than doubled its investment in City Lodge since the hotel group was listed in November 1992. It bankrolled the group's hotel developments, netting a 35% compound annual return over the last eight years. MPF general manager Graham Dickason says the fund decided to relinquish control of City Lodge because of its policy to be a portfolio investor and not a controlling shareholder in listed public companies.

"We have developed City Lodge to the best of our abilities but we cannot offer the broader horizons and realise the potential inherent in such a major group operating on a local and possibly an international basis."

Mr Dickason says the MPF will retain an indirect interest in City Lodge through its Kersaf shareholding.

City Lodge comprises 13 hotels and 1 800 rooms throughout the country Last year it opened two new City Lodges and one Town Lodge, adding 460 rooms to the total.

Kersaf to buy 42% City Lodge stake

B/Day 20/12/93

MARCIA KLEIN

KERSAF would invest R163m to acquire an effective 42% stake in hotel chain City Lodge, it announced at the weekend.

Kersaf, whose interests include resorts group Sun International and leisure and entertainment group Interleisure, is to acquire the entire investment of the Mine Officials' Pension Fund and Mine Employees' Pension Fund (MPF) in City Lodge.

The acquisition, effective from January 1 1994, will be settled by the issuing to MPF of R4,4m new Kersaf shares.

Kersaf will receive 10,9-million ordinary shares and 5-million debentures in City Lodge, amounting to 43,9% of the issued shares and 37,2% of the issued debentures. Assuming conversion of the debentures, its effective stake will be 42% (232)

City Lodge MD Hans Enderle, who started the chain in 1985, will control City Lodge jointly with Kersaf. He will become chairman and CE of City Lodge, and a Kersaf director. Kersaf chairman Buddy Hawton and financial director Alan van Biljon will join the City Lodge board.

Kersaf said it would make an offer to minorities. Enderle, who holds 26,15% of City Lodge, said he would not take it up.

Enderle said the deal "could open up wider career opportunities for City Lodge management and staff".

Hawton said although most of the short-term to medium-term growth would come from the focused activities of City Lodge in southern Africa, "the expertise that exists in the company together with the financial resources of Kersaf should provide the stimulus for international expansion".

City Lodge, listed on the JSE in November last year, will remain listed.

Kersaf said City Lodge's high-quality economy hotels were a "logical extension to Kersaf's hotel and leisure interests".

Kersaf's resorts include Sun City and others in the TBVC and neighbouring states, and it has an interest in three resorts in Mauritius and one in the Comores.

Recently Sun International announced it would acquire 60% of Paradise Island Resort and casino complex in the Bahamas for $75m, with $100m added for upgrading.

The latest deal represents Kersaf's entry into the SA hotel market, and places it in competition with Southern Sun, from which it broke away several years ago.

Kersaf said its investment would give City Lodge access to a wider base of management skills and "broaden City Lodge's horizons as regards expansion".

MPF GM investments and City Lodge chairman Graham Dickason said the deal was in line with the MPF's policy of being a portfolio investor and not a controlling shareholder in a listed company.

COMPANIES

Murray & Roberts still a buyer

ROBYN CHALMERS

MURRAY & Roberts Holdings was still in the market as a buyer following the failure of the construction group's bid to acquire a controlling interest in Dorbyl, said group financial director Lionel Bird.

Bird said the reason for the cessation of talks between Metkor, Dorbyl and M&R, originally announced on November 22, was that no agreement could be reached on the terms of the deal. BIDA4

"Dorbyl's shareholders were willing to sell and M&R were, and still are, interested in buying, but there was a deadlock over the terms. One of the issues was price," said Bird. 20/12/93

The deadlock put an end to market speculation that M & R would take over Dorbyl. The engineering company had been hard hit over the past two years as a result of poor economic conditions and the virtual collapse of gross domestic fixed investment spending. (SE)(232)

Dorbyl's earnings a share have slipped significantly over the past two years. They fell 20% to 287,6c during the 1992 financial year and fell further to 169,3c in 1993

Bird said M & R had a long-term strategy to increase its holdings within the gross domestic fixed investment sector, but the group had not identified any specific companies in which it would invest.

M & R CE Dave Brink said in the 1993 annual report that the group had a strong focus towards activities which enhanced the productive capacity of the economy These included infrastructral development and the provision of industrial, commercial and residential shelter.

The group was also becoming more export-orientated. Brink said SA's main trading partners were coming out of recession and the remaining sanctions were being lifted, which meant export opportunities would grow.

"As SA emerges from isolation, M & R's businesses, in line with all businesses in the country, are seeing opportunities open up around the world," he said.

A tie-up between Dorbyl and M & R would have removed M & R's biggest competitor and furthered its aim to become a major global player.

Milstan to split into two companies

MARCIA KLEIN

MILSTAN shareholders voted on Friday in favour of restructuring the electronic products retailer into its two operating companies, Miltons and Stans.

They also voted that minorities would be bought out at 10c a share by Bacarat Investments, which was wholly owned by Milstan majority shareholder, Stan Etkind. The troubled company was delisted from the JSE in August at 25c.

Etkind said that it had become apparent that the group "would' almost certainly collapse under its debt load with everybody, including minorities, losing everything". BIDay 20/12/93

In terms of the deal, a Milton Etkind-led consortium will acquire Miltons from Milstan. Stanley Etkind will be the sole remaining shareholder in Milstan, whose trading asset will be Stans.

Minority shareholders of 51%-held subsidiary Hi-Fi Specialists will acquire it from Milstan. (232)

Since the delisting, Miltons and Stans traded through agreements with creditors, which had claims of R38m.

Institutions to merge into new banking group

BIDAY. 22/12/93

Own Correspondent

PORT ELIZABETH — Two financial institutions based in the city, Fidelity Bank and EP Building Society, will merge in February next year to form the eastern Cape's largest independent banking group.

The merger is still subject to approvals from regulatory authorities and the members of Fidelity and the building society.

Circulars to members will be posted on or before January 21 and special general meetings will be held on February 14.

Fidelity will be the listed controlling company and the building society will house the merged operations. It will be known as Fidelity Bank. (232)

Fidelity MD and the new Fidelity Group CE designate Jules Langenberg said shareholders and clients would benefit from the merger. He said rationalisation and redundancies would be inevitable, but "the remaining staff will be employed by a strong, independent banking group, offering enhanced career opportunities".

The new group would have a total capital base of more than R125m and total assets exceeding R1 700m.

Although the size and capital adequacy of a banking group was of prime importance to investors, the only test from a shareholder's point of view was an improved bottom line, Langenberg said.

Fidelity's Koos Roets would become general banking activities MD and the building society's Trevor Jennings group services MD.

Fidelity's main shareholders, the Board of Executors and Fedlife, will eventually hold between 27,7% and 30% of the new Fidelity Group.

☐ In September this year the building society reported that it had reached R1bn in assets. Fidelity Bank's annual report showed continued strength in the six years years since its listing.

IBM returns with 24% stake in ISG

BIDay 23/12/93

ROBYN CHALMERS

SEVEN years after pulling out of SA, IBM yesterday announced it would return with the acquisition of a 24% stake in local distributor Information Services Group (ISG) at a cost of R110,5m.

Analysts described the acquisition by the world's largest computer group as a major vote of confidence in the new SA which would make it easier for other US organisations to justify their return.

In terms of the agreement, IBM will purchase 3% of the issued share capital of ISG from the ISM Trust and 21% from ISG Holdings, which is a wholly owned subsidiary of the trust. The trust will retain its 100% stake in ISG Holdings, but ISG Holdings' share of ISG will be reduced from 60% to 39%.

ISG CE Brian Mehl said IBM had secured further options until December 31 1997 to acquire more shares in ISG from ISG Holdings. Should the options be exercised, IBM could attain a controlling interest in ISG. If IBM decided to increase its stake in ISG to more than 35%, it would first make an offer to ISG's minority shareholders in accordance with the Securities Regulation Panel rules.

The cost of the deal at R110,5m equated to 310c an ISG share, considerably lower than yesterday's share price of 350c. Mehl said it had been agreed that the price of the shares would be taken from when the two parties initiated negotiations at the beginning of November. (232)

"The acquisition was only made possible by the decision of former ISG joint owner Barlow Rand to unbundle in October. This left ISG as an independent entity, controlled by the trust which was set up after IBM disinvested."

The trust's decision to acquire Barlows' 50% interest in ISG Holdings was made in order to put ISG in a position to strengthen its ties with IBM or seek new partners.

Mehl said IBM had not negotiated a buyback agreement with the trust when it disinvested in 1986. He said the strengthened relationship would enhance ISG's image in the market. "ISG will now have more ready access to the international IBM base of skills and will also benefit from being closer to IBM's technological developments and strategic thinking.

"It will make available a large pool of resources which can be utilised for significant and leading-edge customer projects,

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IBM

BIDay 23/12/93

☐ From Page 1

but there will be no staff or name changes made to ISG as a result of the deal."

IBM world trade Europe, Middle East and Africa chairman Hans-Olaf Henkel said IBM was delighted to be able to build on the relationship with ISG. "We are confident that this is a very good investment for IBM. The implication of this action will be that ISG's position of sole supplier of all IBM products and services to SA and Namibia will be enhanced." (232)

SIMON BARBER reports from Washington that IBM said it would be making no formal announcement of its return to SA. Spokesman Mark Holcomb downplayed the significance of the move.

The company had decided to take an equity position in ISG because it saw a "viable business opportunity", but "the fundamental working relationship" with ISG would not change, he said.

There was no time frame on when IBM might take up its option to buy a controlling stake in ISG. "If we do it will be determined by a wide range of factors."

COMPANIES

ICS, OTK close Earlybird deal

CHARLOTTE MATHEWS

FOOD group ICS and OTK co-operative had signed the final agreement for a joint venture to run Earlybird Farm, announced on December 14, ICS said yesterday.

ICS sold its underperforming poultry division Festive Farms to Earlybird Farm, a wholly-owned OTK subsidiary. This sale, together with a cash payment of R10m, would give ICS a 50% interest in the enlarged Earlybird Farm. B/Day

The transaction's effective date was October 1 this year, ICS said. 24/12/93

Festive Farms poultry division was sold on the basis of its net asset value on this date of about R83m. (232)

If the venture with OTK had been in place for the financial year to September 30, ICS's earnings a share would have been 15c higher at 179c. The effect on the net asset value a share on October 1 was "not material", ICS said.

The company warned that the poultry industry was a cyclical industry and that performance was linked to the availability of protein.

"The future impact on the earnings of ICS will accordingly be influenced by national surpluses or shortages of protein."

BOLAND BANK

FM 24/12/93

Who's the boss?

(232)

By acquiring 63% of the voting ordinary shares, Christo Wiese has patently bought unfettered control of Boland Bank for at

Boland's Wiese
calling the tune

FM 24/12/93

least the next 15 months (*Fox* Dec 17) And, on the face of it, his purchase seems to have been in co-operation — if not in concert — with his corporate adviser The Board of Executors (BOE) While Wiese was acquiring his stake, BOE was buying 63% of the compulsorily convertible preference shares

Yet there is no indication that an offer is to be made to minorities, either because Wiese alone now has voting control, or because he and the BOE together control more than 50% of Boland's total permanent equity

Wiese is chairman of Pepkor and the IDC and his other directorships include the Reserve Bank He and BOE deputy MD Phil Biden deny there was collaboration or that their respective purchases were planned in concert Both assert that no agreements exist between any of the parties involved But both say they were aware of each other's puchases, and that they intend to work closely with Boland's management

Biden points out BOE had talks with Boland Bank more than a year ago about a possible merger between the two He emphasises these talks were well publicised at the time. The talks came to nothing, he says, but they showed that in BOE's opinion the bank was undervalued, and that view hasn't changed. Wiese, until he joined the Reserve Bank board, was a director of Boland and held a 10% stake in the bank for years.

Securities Regulation Panel (SRP) CE Doug Gair confirms BOE was told the SRP had ruled (and this was presumably passed on to Wiese) that an offer to minorities was required only if any party acquired more than 35% of the total permanent issued capital

As the *FM* noted last week, the SRP's decision that there need not be an offer to minorities seems strange considering that Wiese has acquired 63% of the issued voting shares When the convertible prefs are converted, his stake in the permanent capital

FM 24/12/93

will be diluted to less than 35%, but that won't happen before April 1996

In defining circumstances that trigger a mandatory offer to minorities, Rule 8 1 (a) of the Takeover Code says an offer is required when " any person holding less than the specified percentage acquires, whether by a series of transactions over a period of time or otherwise, securities which (taken together with securities already held by such person or held or acquired by persons acting in concert with him) carry the specified percentage or more of *the voting rights* of a company "

(232)

A complicating factor with this deal is its status under the Banks Act Section 37 requires the Registrar of Banks to approve any transactions in which more than 15%, then 24% and finally 49% of the equity of a bank is acquired by any persona Above 49%, ministerial approval is required Wiese says the Reserve Bank approved his transaction.

Until Boland's constitution was changed in March, nobody could hold more than 10% of its issued shares As soon as he could, he bought the second 10% Then, in the past few weeks, he acquired the balance, all through the market, until all the major stakeholders — Rembrandt, Sanlam, Momentum Life, Absa and Sechold had sold out completely. While Wiese was lifting his holding in ordinary shares to 63%, BOE was buying 63% of the prefs from these shareholders.

Whatever the full diluted holdings may be, for at least the next 15 months, Wiese will be in a position to call the tune at Boland — even though he says he doesn't intend to join the board

This is not to say the outcome will be adverse Boland's earnings have shown negative real growth over the past 10 years Under Wiese's direction, and with the synergies that BOE's entrance could create, earnings capacity could improve materially The bank could be one of the better performers for the next few years and further mergers and acquisitions may occur

The SRP requires that a mandatory offer to minorities is priced at the "highest price paid by the offeror or any person acting in concert with it for securities of that class within the preceding 12 months " Wiese paid a top price of 920c a share and the BOE 960c for the prefs By this week the market price was R11 I would not be a seller if an offer to minorities eventuates

But the principle is clear Control of Boland has changed If all classes of shareholders are to be treated with the equity demanded by the Takeover Code, then an offer to minorities must be made

Gerald Hirshon

Kersaf's return heralds hotel industry fireworks

B/Day 3/12/93

MADDEN COLE

THE HOTEL industry could see fireworks next year as major groups take up positions to capture their slice of the expected buoyant market.

Kersaf fired the first salvo, in what some sources say could become the battle of the Suns, with its recent re-entry into the SA hotel market after buying a 42% share in the City Lodge group in a R163m share swap with the Mine Pension Fund Kersaf's re-appearance, after a long absence, is not expected to go unchallenged

The deal gives Kersaf a majority stake in one of the fastest-growing groups and gives City Lodge access to Sun International's local and overseas marketing. Kersaf has a 76% stake in Sun International.

The move places Kersaf in competition with Southern Sun, from which it broke away several years ago. The group was kept out of the SA hotel market by a now-expired restraint of trade agreement with Southern Sun

Southern Sun group operations director Helder Pereira said it did not matter who controlled City Lodge "But there's already a war going on in the industry, and much will depend on how aggressively Kersaf pursues its interests in the domestic market."

The group was waiting for the finalisation of the Gambling Act before taking a decision on entering the casino business

"We've had experience of running casinos before, we have access to the capital and expertise required and we are looking at entering this market," Pereira confirmed (233)

The decision on whether to build new properties or to add casinos to existing properties would depend on the requirements of the new Act.

Pereira expected occupancy rates to be boosted next year by what he termed political, media and business tourists observing the run-up to the general election. This should give the industry "an excellent first five months", he said (232)

"If the election goes smoothly and violence is controlled, the overseas leisure tourist will return, and as the economy improves there will be an increase in domestic tourism.

"But an escalation of violence after the election could find the hotel industry in a trough."

Southern Sun had invested R300m in the past two-and-a-half years in refurbishing existing hotels and building new ones It planned to open 20 new Formule 1 hotels, and upgrade other hotels, including the Elangeni and Sunnyside Park.

"We are also looking at expanding northwards into Africa in either franchising or management contracts, and have already signed Lusaka"

Protea Hotels regional director for Transvaal, Free State, Swaziland, Zimbabwe and Malawi William Ford foresees a bullish trend in occupancy trends next year

"I expect an upsurge in tourism in the latter half of 1994, and it all bodes well for the hotel industry"

Group capital expenditure for next year would continue in keeping with the expected rise in hotel revenues Expansion requirements would be met as the need arose

Protea Hotels was well placed to take advantage of any change in SA gambling laws Ford said his group was the only hotel chain apart from Sun International which was involved in a currently legitimate casino/hotel operation in southern Africa.

"The casino operating at our Pigg's Peak Hotel has given us a degree of expertise in this field. We are looking at options and, given a suitable product and suitable location, we will consider further participation in the casino business."

The group has been active in expanding into Africa and the company manages hotels in Zimbabwe, Mozambique, Kenya, Swaziland and Mauritius In a recent deal, the company won a contract from the Malawi Development Corporation to upgrade and run seven hotels

"We are also considering opportunities in a number of other African countries, including Tanzania, Nigeria and Uganda," Ford said