OWNERSHIP & CONTROL

1989

OCT. — DEC.

1/10/89

Union in dilemma over Iscor shares

The privatisation of Iscor is a sensitive issue for the socialist-leaning National Union of Metalworkers of SA. This week it clarified its stance, reports DREW FORREST

The Iscor employee share offer confronts the National Union of Metalworkers with a dilemma: how does it protect members' interests without appearing to back privatisation?

A union with strong socialist leanings, Numsa this week criticised the State for "selling the nation's wealth cheaply to major business interests".

Claiming it had not been consulted on the Iscor sale, it said managers were likely to get much of the 10 percent employee share allocation.

In the past Numsa has hit out at employee share offers as "a disguised production bonus" and as deferred pay when workers want a living wage.

Numsa insists that its 9 500 Iscor members do not want to be shareholders — but experience shows the pitfalls of a union "hands-off" approach to worker share participation.

In 1987 leading mine unionist Mr Cyril Ramaphosa attacked Anglo American's staff share scheme as a "Thatcherite attempt to make every worker a capitalist".

Yet Anglo insists that many of its black miners have taken shares. At highly unionised Vaal Reefs, for example, it claims a 78 percent acceptance.

Another factor for Numsa is the Inkatha-linked United Workers Union of SA (Uwusa), a rival with no qualms about worker share ownership.

After a series of meetings with members, Numsa announced its policy on the Iscor offer this week.

Workers would apply for their 200 free share entitlement, and sell the shares immediately.

The union said it had negotiated a loan — potentially R26 million — from Rand Merchant Bank (RMB) to help workers buy the average 1 500 shares offered at the market price under a preferential placement.

These would immediately be sold and the profits placed in a trust fund under the control of its members at Iscor. At a selling price of R2,50 a share, up to R4 million could accrue to the fund, Numsa said.

To ensure that workers do not lose on the deal, RMB has offered to buy the shares for R2,85 in the first week after listing if the price dips below this. However, the union has negotiated to sell the shares to other institutions, and expects a higher price.

Controversy surrounds the third leg of Iscor's offer to employees — that of a minimum of 900 shares each at 20 percent discount.

Numsa said the State's Privatisation Unit blocked the purchase of discount shares under the RMB deal because this encouraged workers to sell rather than hold on to the shares.

The unit's chairman, Mr Pieter van Huysteen, denied the claim.

But he added that Iscor managers and the Government felt the State's deferred payment scheme, in terms of which shares can be purchased interest-free over a period, was in the best interests of workers.

Mr van Huysteen said that for logistical reasons, Iscor and the State were unwilling to facilitate Numsa's collective offer.

The union considers this self-defeating. "Because of black workers' resistance to share deals and limited access to credit, it is most unlikely that they will take up the discount share offer," said Numsa's Mr Bernie Fanaroff.

Big fish fall to small fry

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By Julie Walker

ESTRALITA — an independent manufacturer and supplier of uniforms — has made a successful bid for Carter Harris — the largest in the business

In a similar way to the Malbak minnow's swallowing the Protea whale a few years ago, so the sardine Estralita has gobbled up big fish Carter Harris — part of the Berden group which belongs to Protea-Malbak

Estralita was formed in 1951, and came under current ownership in 1980 Two years ago the Proclo division was established to specialise in professional, corporate and hotel wear

The acquisition of Carter Harris — in the business since 1969 — opens opportunities The enlarged uniform and corporate clothing group now serves Government departments, fast-food chains, hospitals, banks, wholesalers and industry

All of SA's major hotel groups are clients, and there are three retail outlets as well as a network of sales offices. S/Times 1/10/89

A large production staff is employed, and designers go abroad each year to keep abreast of world trends

Three of Estralita's directors are ex-Berden people, and the board has accumulated 67 years of experience

Marketing director Roy Block says the deal will boost Estralita's turnover beyond R12-million this year Profits have grown every year under the current management

S Times 1/10/89

Duros at Motorvia wheel

232

By Ian Smith

DUROS, the Cape-based investment holding and financial services group, has pulled off a coup

It has taken control of Motorvia, holding company for Budget Rent-a-Car, lease and vehicle transport operations and short-term insurance interests, from other buyers with a R52-million cash bid

Motorvia controlling shareholders chairman Pienkes du Plessis and James Thompson have accepted the Duros offer of 247c a share for their 68% stake.

A similar offer will be made to minorities for their 6,5-million shares and 3,5-million convertible debentures

The JSE price on Friday was 230c

The acquisition will boost Duros group's turnover to more than R1-billion a year and operating profits to more than R100-million

"This puts us among the big industrial groups," says chairman Johan Claasen

Senior management of Motorvia, which is ungeared and has cash of R8-million, will remain

Mr Claasen says Motorvia lines up with Duros's intention to get into consumer-related growth industries with high entry barriers The car rental and lease business fits with the Tollgate and Entercor travel and leisure businesses and the insurance operation will strengthen Duros' link with IGI

Small Business Week

A Business Times Survey October 1, 1989

S/Times 1/10/89

IAN HETHERINGTON ... even legal is illegal

Red tape still bars the way to free enterprise

232

By Robyn Chalmers

THE commitment of the authorities to deregulation has been well publicised, but huge barriers still stand in the way of would-be entrepreneurs.

Many small businesses are thwarted by red tape One of those pushing for speedier deregulation is Sunnyside Group, a lobby of 40 agencies promoting small enterprise

Gwynne Main, spokesman for the group, believes SA has yet to realise the dynamic potential and job-creating ability of its small business sector

She says the reason is simple — small business is so regulated that it is stifled before it even starts When it does get going, it is squashed, stamped on, fined and sometimes forced out of existance

Engine

Although she welcomes the recent proclamation on licensing laws whereby only food will require a licence, she says many regulations still need to be overhauled

"The informal sector has been subjected to a host of constraints — more so than normal business Yet small business is the engine of job creation.

"In Britian between 1979 and 1987 the number of self-employed people rose from 1,9-million to 2,9-million"

Resilience

Small Business Week aims to get SA talking, learning and moving to acknowledgement of the importance of small business and opening opportunities for entrepreneurs

In addition, it will link big business with small, change attitudes to small business and generate interest, excitement and opportunities for potential and existing entrepreneurs

Miss Main says testimony to the resilience, determination and sheer survival instincts of small business is the fact that across the board the operators are quietly working away and creating jobs

"These imaginative entrepreneurs exist in one of the most over-regulated societies on earth An economic professor once said that SA has more laws than Russia

"Many of these businesses operated illegally Anglo American in all likehood is illegal because it does not know all the laws it should comply with

"The renaissance of small business is only possible in a free, just and peaceful society."

Leon Louw of the Free Market Foundation has repeatedly criticised the authorities for the fact that SA has the most over-regulated retail and commerical sectors outside the communist bloc

His reasoning is that a deregulated economy is more likely to promote a more rapidly expanding economy Taiwan has a completely deregulated economy and its size doubled in seven years

He pinpoints three areas in urgent need of deregulation — licensing, health and building codes In addition, he believes the apartheid laws need special attention.

Job Creation SA managing director Ian Hetherington says there are so many laws and regulations that free enterprise has become illegal He says it is impossible for anyone to comply with all the regulations because nobody could know them all

The result is that people are forced into the informal sector to survive, and must do so illegally Not only this, but they are denied cash, suitable premises and numerous other things that are the privilege of so-called legal organisations

Initiative

Consultant Taka Mashako says the free-market system entitles an individual to open any business of his choice and to compete in the market with little or no interference from the authorities

Limitations and control of business activity inhibit competition and are inconsistent with the free market

"It is worth noting that the initiative taken by the Lebowa Government in building market stalls throughout the country at strategic corners has created jobs for hundreds

"Unemployment is at a crisis level This is both a cause and a consequence of low economic growth Deregulation should thus be seen as an answer to this problem"

A shove over the hurdles

THAT there has been a resurgence in the spirit of entrepreneurship in South Africa is beyond doubt

Not that it is a sudden happening — it is more a process fuelled by inflation and a general desire to maintain an acceptable standard of living

There are many reasons why individuals start a business Some find it a last avenue for survival, others, almost disregarding the financial potential, discover fulfilment in personal achievement

There was a time when the entrepreneur was considered something of a rarity

Products

S/Times 1/10/89

Perhaps strict definitions may divide entrepreneur from small businessman, but in SA it has become customary to use the terms as meaning the same thing

The truth is that one need not be endowed with all the listed characteristics of entrepreneurship to be granted membership to the club, but it helps if innovation, enthusiasm, drive and determination, perserverance and commitment to enterprise, among others, are present

In the past eight years, the Standard Bank's Small Business Development and Advisory Department (SBDAD) has accumulated a great deal of information about the challenges facing entrepreneurs

Although its managers deal face-to-face with clients, the department has also concentrated on developing a variety of products to meet their needs

SBDAD product development manager Malcolm Meintjes says the department has launched a video-booklet package

The package isolates some of the more common pitfalls encountered in starting a business, even from home, and makes suggestions on how to minimise the risk elements

"The video runs for 90 minutes, and is presented in an entertaining style The accompanying booklet deals in more detail with matters such as start-up options, planning, marketing, legal business entities, sources of finance and control"

On the more formal side of business, the bank offers Business Problem Solvers — 10 booklets on important topics, such as working capital management, costing and pricing and the cycles of one's business

Mr Meintjes says the information complements the video package, although it is more in depth

For the smaller business, a simplified computer cash-flow model designed for use on Lotus 1-2-3 is available for those who find the engineering of planning a bind

The seeds of success

S/Times 1/10/89

THE Small Business Development Corporation stresses that it is not the sole organiser of Small Business Week, but it is a primary one

The week was conceived at SBDC head office as a result of the success of a similar venture in Canada.

The SBDC was launched in 1981 with a cap[illegible] f less than the cost of one Boeing 747 — R172-million

It has since become the largest property developer in black townships and other destitute areas, created more than 200 000 jobs and put about 22 000 people in business

White-hot Iscor—a 'steal' for investors

(232) S/Times 1/10/89

THOUSANDS of would be Iscor shareholders face disappointment in the R3,7-billion privatisation issue

Iscor's prospectus, published in the Sunday Times today, is expected to bring a huge oversubscription for shares Merchant bankers expect the public issue to be oversubscribed six or seven times

By David Carte

Applicants are likely to receive fewer shares than they want, leading to possible anger at the Government for "giving Iscor away to financial institutions"

The institutions have been offered 1,2 billion shares and the public 150-million

The offer opens tomorrow and closes on October 25 The listing date is November 8

Tidal

A public relations consultant has appealed to journalists to be "responsible" and not to recommend the shares too highly because of fears of a tidal wave of applications

A merchant banker says it is likely that all small applications will be granted

"There are 120 000 private share investors in SA We estimate that the offer could induce 30 000 to 40 000 to buy shares for the first time About 50 000 Iscor employees will also have shares so we are looking at a register of 200 000 names

Iscor expects to have about 160 000 non staff shareholders, so the average holding could be slightly fewer than 1 000 shares

The Government is concerned about hysteria — but coming hard on the heels of a series of titillating advertisements, today's prospectus makes Iscor look even more attractive "

It shows that Iscor's earnings are of outstanding quality and that it has a rock solid balance sheet

The prospectus says the 7 million-ton a year steel maker has real net assets of R10,5-billion — 570c a share compared with the issue price of 40c

Negligible

Debt of R792 million is almost offset by cash of R586-million making net debt almost negligible

The debt is mainly long term and carries an average interest rate of 11%, so is hardly worth repaying The interest bill is covered 26 times by gross profit

Iscor forecasts earnings of R974 million in the current year compared with R812-million before — but most analysts are confident it will make R1 billion after tax with ease

The issue values the company at only R3 7-billion — a mere 3 8 times forecast earnings The forecast dividend yield is 8 5% compared with the industrial average of 3%

Profits are stated after big bonuses to staff, a R245 million depreciation provision and tax equalisation provisions.

Iscor says profits will fluctuate, but it hopes to grow by 3% more than the inflation rate

Iscor strategy to increase earnings is to add value to its products more than increase steel making capacity

Another bull point in the prospectus is that Iscor is to step up sales of coal to Eskom from its Grootegeluk coal mine from 6 million tons to 12 million — a new earnings source

Bernard Kaiser of Senbank one of the merchant bankers to the deal says foreign orders for Iscor shares are worth more than R500 million

Mr Kaiser says foreign applications will be considered among institutional applications

At one stage this week, trust companies were told they could not apply for shares on behalf of individual customers

The Association of Trust Companies protested about what it saw as a change in the rules

Trust companies may now apply for shares on behalf of individuals who have been clients in the past

Stags

This step could lead to accusations that wealthy individuals whose affairs are handled by trust companies are being favoured over ordinary people.

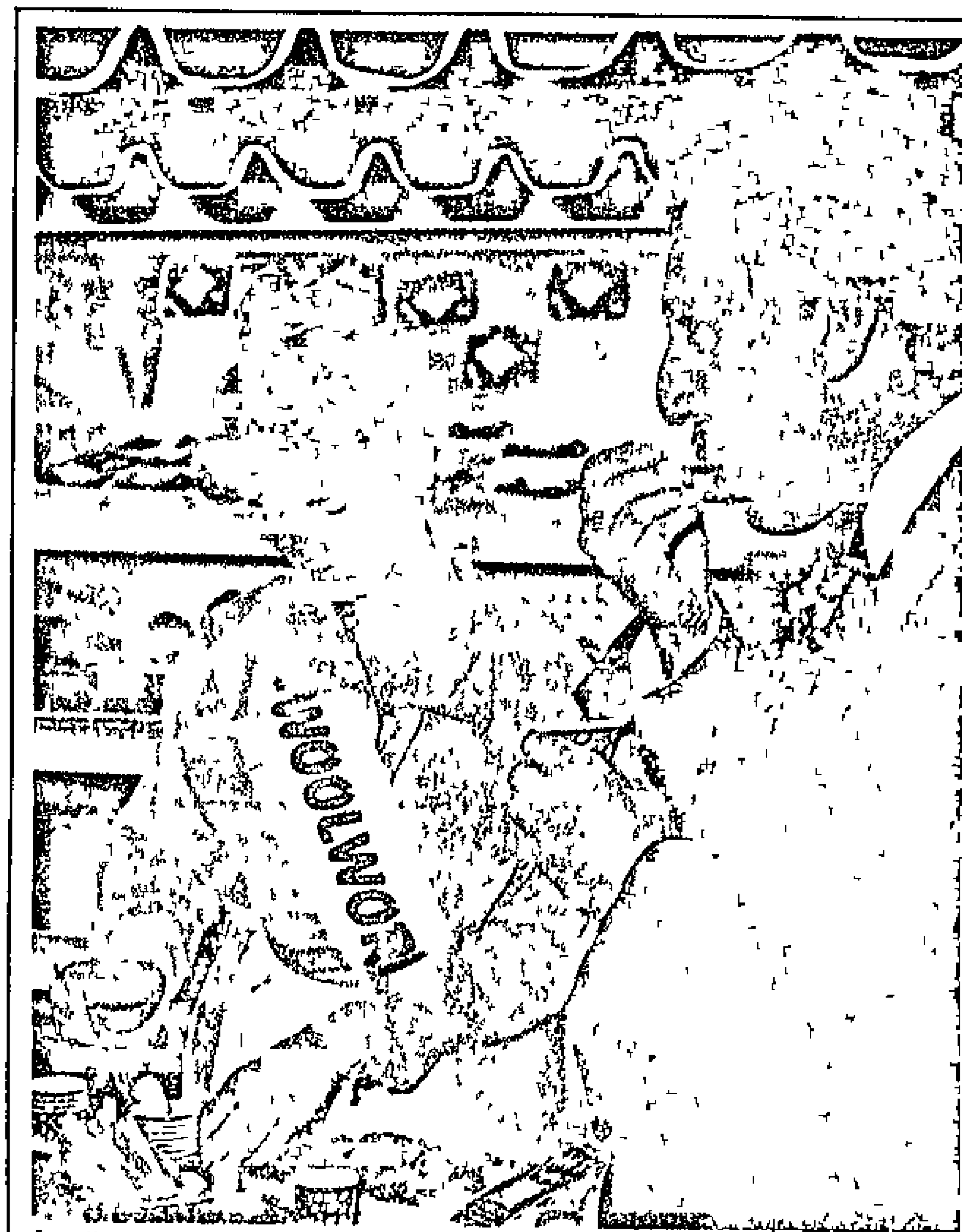
Stockbrokers are worried that the Iscor privatisation will cost them dearly They fear receiving thousands of orders from stags — those who hope to make a quick profit — to sell 100 shares at a time after Iscor is listed

That would overload the JSE computer and cause brokers heavy losses Brokers estimate that each transaction costs them R10

The prospectus shows that cost of the issue will be R72 million but a merchant banker says the Government expects to make R23 million in interest in the 10 days it holds the money, reducing the net cost to less than R50 million — 1,3% of the cash raised

Iscor has printed 3 million prospectuses in tabloid form for insertion in 18 newspapers The advertisements will use 300 tons of news print In addition 400 000 glossy prospectuses will be circulated by brokers and banks

Koos Louw deputy director of Inland Revenue says that whether profits on Iscor shares are taxable depends on the shareholder's intention If the motive is obvious ly speculative, such as in a stag sale the profit will be taxed But if it is held by a non dealer in shares for an appropriate time (undefined) a profit will be regarded as a capital gain and escape tax



Goodies in store ... Syd Muller and product demonstrator Linda Dinkelman

Belly blow by Woolworths

S/Times 1/10/89

By Ian Smith

THE up-market Woolworths chain is attacking Big Three supermarkets Checkers, OK Bazaars and Pick 'n Pay right where margins are tightest — food lines

After a year in which Woolworths turnover topped R1 billion for the first time the group is opening a chain of stand alone food markets

The first opened this week in Pretoria The second opens at Johannesburg's Bruma Lake before Christmas two more are scheduled for the Johannesburg area in the first quarter of next year and another is due in Rivonia late next year

Managing director Syd Muller says "We are still in the market for sites

It is a significant break for Woolworths which has traditionally had relatively small food departments carrying mainly premium house brands in its general shops

Food and household lines have provided about 30% of turnover Mr Muller does not believe the bigger exposure to tough competition in food will affect the group after the benefits of higher turnover

The Pretoria launch, which gives the group 76 shops, came after two years of research and planning

"We have invested heavily in infrastructure, particularly the sophisticated cold chain and transit system needed for this type of food retailing

"We have honed our systems allowing us to give good value for money"

The group's agreements with smaller suppliers have led to a much wider range of lines

"We have set the standard for top quality convenience foods and we will continue to lead the market

Mr Muller says the intention is to enable customers to do almost all their household shopping in the group

Investec's Corbank attempt unsaddled

S/Times 1/10/89

INVESTEC'S proposed deal with Corbank has been called off

By Ian Smith

But Investec executives still have to carry through a Cape Supreme Court action to prove the validity of their company's takeover bid for the Board of Executors

High level negotiations to secure some form of agreement between Investec and Corbank for closer co-operation and rationalisation fell at the last fence on Friday

At one stage Investec officials were hoping for signatures on an agreement within the hour But their expectations were not fulfilled

Officials of Investec and Corbank refused to talk about the outcome They would say only that an announcement would be made in a few days — but it would confirm that negotiations had been broken off

Sources say that both parties have signed undertakings not to divulge details

The original intention was apparently to explore arrangements which could lead to more efficiency and opportunities for the banks to move into new areas of operation

The banking sector in general is short of specialist skills and this is one area where there could have been mutual advantage

However, early reports that Investec was about to take over Corbank ruffled feathers

Path

Then disagreements extended far beyond the terms of the deal Differences in the cultures of the two organisations surfaced

Investec is on a strong growth path and it has signalled its readiness for acquisitions by its bid for Board of Executors

Corbank was established when managing director Laurie Korsten took over Hill Samuel's operation in South Africa in 1966

Mr Korsten's aim to establish a specialty merchant bank was welcomed, but doubts surfaced when several senior executive left Corbank

Results to March 31 this year showed a 43% fall in earnings from 25 4c a share to 14 5c The cause was the sharp increase in interest rates and a problem with systems which meant management did not pick up unrealised potential losses in time

Corbank's share price has been languishing barely above its low of 95c last June — down from 170c in November 1988 It added 15c this week to trade at 125c

Investec Holdings stood at 400c on Friday — well up from January's low of 145c Investec closed the week at 700c after peaking at 715c on Wednesday

Investec has extended the date for acceptance to October 30 of its offer to Mercury Trust shareholders in the bid for BOE

This is a prelude to the intended court action concerning the legal ownership of Mercury Trust shares held by BoE

The rush is on for R2 Iscor shares

S| Times 1/10/89.

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A PUBLIC stampede for Iscor shares gets under way this week — but tens of thousands of would-be investors are unlikely to get all the bargains they apply for.

Interest in the share issue among ordinary members of the public is unprecedented.

Not since the late '60s have so many ordinary citizens been prepared to take a dip on the Stock Exchange.

Throughout South Africa "the ordinary person" is excitedly preparing to invest savings in the first major State enterprise to be sold off to the public

Families and even groups of office workers are reported to be pooling resources in order to share in the expected bonanza

DAWIE DE VILLIERS

The shares will go on sale at 200c and could reach 240c soon afterwards More optimistic forecasters say it could rise as high as 280c

But the Government — anxious to make a success of the first major project in its privatisation programme — now fears that it may have oversold and underpriced shares in the giant steel firm

By DAVID CARTE

Certainly Iscor shares look like a good buy, according to the prospectus published as a supplement to the Sunday Times today

But there will not be enough to meet the massive demand from the public, and most applicants can expect fewer than they apply for

The R300-million portion of the R3,7-billion privatisation issue earmarked for private investors is expected to be six or seven times oversubscribed

And with foreign banks applying for shares worth R500-million, even the R1,2-billion allocated to institutional buyers is also expected to be heavily oversubscribed

And this week Dr Dawie de Villiers, Minister of Mineral and Energy Affairs and Public Enterprises, tried to cool demand by asking would-be investors not to borrow to buy shares — and to commit only non-essential funds

Hostility

Public hostility could be directed at life assurance companies, which will not only take the lion's share of the issue but were all-powerful in setting the price

In the early stages, when the price was being researched, the biggest institutions indicated lukewarm interest. Now that the price has been set at a level they suggested, they are clamouring for shares — which are apparently too cheap

Merchant bankers say small applications should be successful — but they warn that many individuals seeking thousands of shares in the hope of sure overnight profits will probably have to accept fewer shares

The prospectus published today makes the shares — to be issued at 200c — a most attractive prospect

Receiver

Most commentators say the minimum price on the November 8 listing will be 240c. Some estimates go as high as 280c to 300c

The Department of Inland Revenue has warned that "speculative" profits — that is, profits on shares sold in the first few months of the listing — will be taxable. Profits on shares held by non-dealers in shares (undefined) for a much longer period (undefined) will be regarded as capital gains and escape tax

In the United Kingdom, most small shareholders have locked their privatisation shares away Today, there are 12-million shareowners in the UK — more than there are members of trade unions

If allocations are small, so will profits be If the share price reaches 250c, the capital gain on 200 shares will be R100, less R5 of brokerage and interest costs of R5 — R90.

A taxpayer on the full marginal tax rate will thus make only R49,50 on an investment of R400 If the price goes to R3, his profit after tax will be roughly R105

Prospects

Assuming a top marginal tax rate and a sale price of 250c, to make R1 000, an investor needs to get 3 600 shares worth R7 200

Iscor has fine growth prospects, and those who keep their shares are likely to see them go well above R3

The offer opens tomorrow and closes on October 25. The listing commences on November 8

● **More details in Business Times. And look out for the prospectus inside today's Sunday Times**

Duros takes over Motorvia for R52-m

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Star 2/10/89

Duros has made a successful R52 million cash bid for Motorvia, holding company for Budget ~~Rent-A-Car~~, Budget Autolease, Motorvia's motor vehicle transport operations and its short-term insurance interests

The controlling shareholders in Motorvia, "Pienkes" du Plessis, executive chairman of Motorvia, and James Thompson, have accepted a Duros offer of R2,47 per share for their 14,697 million ordinaries, constituting 68 percent of the authorised issued ordinary share capital

A similar stand-by offer will be made to minority shareholders of the remaining 6,5 million ordinaries and 3,5 million convertible debentures.

The acquisition will boost Duros turnover to R1 billion a year and operating profit to R100 million.

Senior management of Motorvia will remain intact The full board has agreed to service contracts with Duros and restraints of trade in favour of Motorvia and Duros Duros's Mervyn Key and Johan Claasen join the Motorvia board.

Motorvia is completely ungeared and has a cash balance of R8 million.

Motorvia will eventually be de-listed and the various operating divisions blended with counterparts in the Duros group.

Mr Claasen says "The divisions operate as independent profit centres at present so the merging process will be straightforward. Also, had we not been completely satisfied with the calibre of Motorvia's senior management, all of whom will remain with the group, we would not have concluded the transaction."

Motorvia's transport division will probably become part of the TGH transport division.

Budget Rent-a-Car is likely to be closely associated with TGH's leisure group, Entercor.

Budget Autolease will probably become part of the retail division of TGH.

Motorvia's short-term insurance interests will remain in Duros, which has a 26 percent strategic stake in Saflife, the life assurance operation controlled be HCI.

The deal is a coup for Duros in that Budget Rent-a-Car has been the target of several unsuccessful bids.

The offer price was struck on the basis of the Motorvia board warranting a 50c-a-share taxed profit for the year to December, which coincides with the year-end of the Duros and TGH. — Sapa.

Iscor forecasts 20,6% rise in share dividend

BARRY SERGEANT (232)

ISCOR, which is to be listed on the JSE on November 8, has forecast a 20,6% increase in dividends a share in the year to June 30 1990. Iscor's prospectus, published by government in today's Business Day, offers the public 150-million of 1,85-billion ordinary 200c Iscor shares in issue

The forecast increase in dividends a share is slightly ahead of the 20% increase in earnings forecast for the year, disclosed in Iscor's annual report last week. The Iscor prospectus, the first in government's multi-billion-rand privatisation programme, shows dividends forecast of 17,6c an ordinary share, 20,6% ahead of the historic 14,6c

In the prospectus, the directors say that they intend maintaining dividend cover of "approximately three times". Moreover, the directors say that it will be policy to declare two dividends each financial year.

The first dividend will be declared in February and paid in March 1990. It will be pro-rated from the date of the closing of the offer (October 25) to December 31.

The directors say it should "be noted that historically the first six months of the Iscor group's financial year do not produce results on the same level as the second six months and earnings for that period are usually markedly lower than earnings for the second half of the year".

Iscor's earnings yield on the offer price of 200c is 26,3%, way ahead of the 14,6% in the Steel and Allied sector of the JSE Again, Iscor's dividend yield on the issue price of 200c is 8,8%, more than double the 4,1% in the Steel and Allied sector Given Iscor's solid financial position, as disclosed in its prospectus, this suggests that the offer price of 200c a share is conservative.

The prospectus provides information that potential investors can use before they decide whether to apply for a minimum 100 shares (at R2 each) in the offer of 150m shares made to the public.

The prospectus says that as Iscor had been "developed and is managed in accordance with the norms applicable to the private sector, it would be the first major privatisation by the state" Moreover: "The results of the Iscor group contained in this prospectus confirm the decision of the state."

B/Day 2/10/89

Corbank-Investec talks off

ROBERT GREIG

SILENCE has descended on the deal between Corbank and Investec, which has been in on-off mode for the past week.

A Corbank-Investec cautionary announcement today says negotiations were "unsuccessful" and have been called off.

The surprise announcement follows reports on Thursday that barring minor details still to be approved, mainly by Corbank, the deal was on.

At the weekend further reports suggested the deal was partly scuppered by premature reports based on interviews with Investec chairman Bas Kordol about its success.

Yesterday Investec's CEO Bernard Kantor would not confirm or deny this, saying that the situation was "very delicate".

Investec and Corbank had been negotiating an arrangement that apparently sought to marry their respective banking functions (B) (232)

Throughout negotiations both parties have been at pains to avoid suggestions that the contemplated arrangements would be a takeover.

The deal was initiated partly in terms of Investec's aim of growing organically and by acquisition 8/Day 2/10/89

The same principle led to Investec's bid for the Board of Executors (BOE) and both reflect Investec's and others' conviction that success in the specialised banking sector depends on securing and retaining skilled and therefore expensive staff.

Though of different sizes, Corbank and Investec operate in complementary niches of the merchant banking and corporate

☐ To Page 2

Corbank-Investec (232) (B)

☐ From Page 1

finance markets B/Day 2/10/89.

☐ Our Cape Town correspondent reports that Investec filed papers on Friday in the Supreme Court in its contested takeover bid for BOE.

A spokesman for Investec's attorneys said the matter had been set down for Wednesday.

LESLEY LAMBERT reports that BOE MD Bill McAdam said at the weekend the papers had been served on the company late on Friday afternoon.

He said the company would respond to allegations in the papers in a full announcement this week.

McAdam said BOE and Mercury Trust would be releasing their results on Wednesday evening.

Corbank and Investec call off negotiations

CAPE TIMES 2/10/87 232

Own Correspondent

JOHANNESBURG — Silence has descended on the deal between Corbank and Investec, which has been in on-off mode for the past week

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Though of different sizes, Corbank and Investec operate in complementary niches of the merchant banking and corporate finance markets.

Iscor beckons as fine long-term investment

STAR (232) 2/10/89

By Derek Tommey

Investors who receive shares in Iscor can expect an interim dividend of 2c a share for the nine-and-a-half weeks to December 31 and a final dividend of 11c a share for the six months to June 1990 — a total of 13c for the year

Iscor is making a public offer of 150 million shares at R2 a share.

The offer opens today and closes at noon on October 25.

The basis of the share allocation should be known by November 1 when refund cheques will be posted

Shares will be listed on the Johannesburg Stock Exchange on November 8 when share certificates will be sent to successful applicants.

The Iscor prospectus says that earnings should rise 20 percent in the year to June 1990 to 52,7c a share

This puts the shares on a prospective 26,3 percent earnings yield on the R2 issue price

Iscor says this would normally have resulted in paying dividends totalling 17,6c — equal to a return of 8,8 percent on the issue price

Preferential basis

But as investors will only become shareholders on October 25, four months into the financial year, the interim dividend will be pro-rated

In addition to the public issue, Iscor is offering 1284 million to institutions, 92,5 million either free or at a 20 perent discount to employees, and another 92,5 million to employees on a preferential basis

Iscor employees stand to gain a great deal from the issue

The prospectus says that should the institutional issue be under-subscribed, the surplus will be added to those in the public issue. Alternatively, should the institutional issue be over-suscribed, excess applications will be added to those of the public issue

This means the public issue could be heavily over-subscribed But small investors wishing to buy Iscor shares should not let this fact deter them

The share issue is not only a fund-raising operation, but also a political move aimed at increasing private share ownership and bringing home some of the benefits of capitalism to the ordinary person.

The prospectus spells this out by saying that should the public offer be over-subscribed, account will be taken of the state's declared objective of promoting wider share ownership among all South Africans

Given this and the statement last week by Iscor chairman MT de Waal that in the event of the public issue being over-subscribed, the merchant bankers handling the issue would probably "cut off the top", the small investor stands a good chance of being allocated shares

Iscor has already said that every applicant will receive 100 shares, so it looks as if the basis of allocation will be to give small investors virtually all they ask for and drastically reduce allocations to big investors

The result will be that a large number of people should have some Iscor shares

This suggests there might be some danger to small investors who apply for more than they can afford because they might get them.

In means they might have to become forced sellers at a low price and then have to pay tax on their profits, leaving them with little to show for their effort.

In fact, as Iscor's potential is more fully revealed, it is becoming increasingly evident that the shares are likely to be an excellent long-term investment

The aim of small investors, therefore, should be to apply only for as many shares as they can afford to hold

Brokers are speculating that the shares will start trading on November 8 at R2,40 to R2,80 a share

This is quite possible, given the probable desire of institutions to top up their holdings and the wish or need of small investors to take quick profits

But once the initial selling wave is over, it seems quite possible that the share price could start rising fairly sharply

The shares, at their R2 issue price and 8,8 percent prospective dividend yield, are at a discount of 40 percent to those of Highveld Steel & Vanadium, which is often used as a yardsick against which Iscor is measured

The longer view

Should Iscor shares shed this discount, which is likely to happen eventually since Iscor could well be the better long-term investment, Iscor shares could reach R3,50 within the next 12 months, or possibly sooner

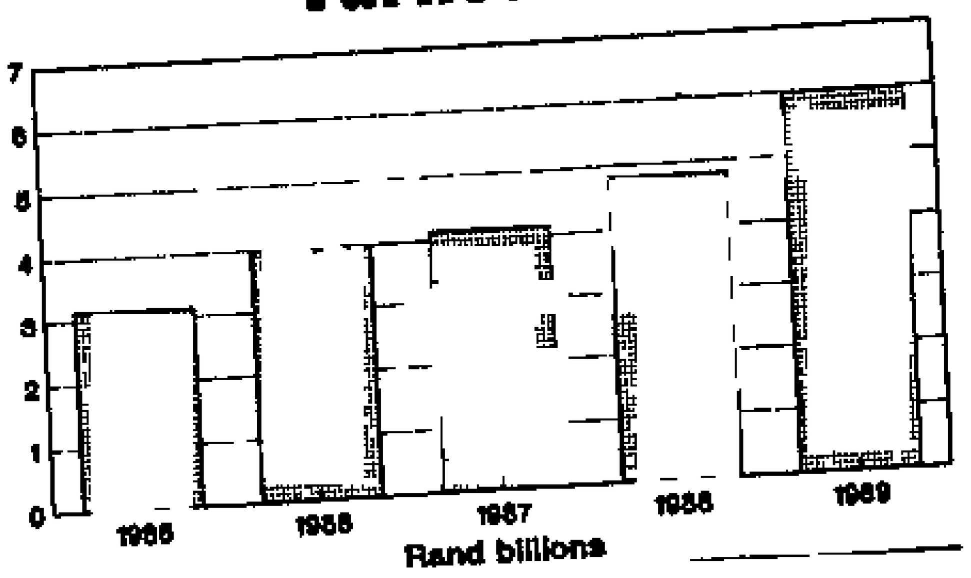
Taking a longer view, further substantial rises in the share price are likely in the next few years

Holding onto Iscor shares should therefore be a profitable operation

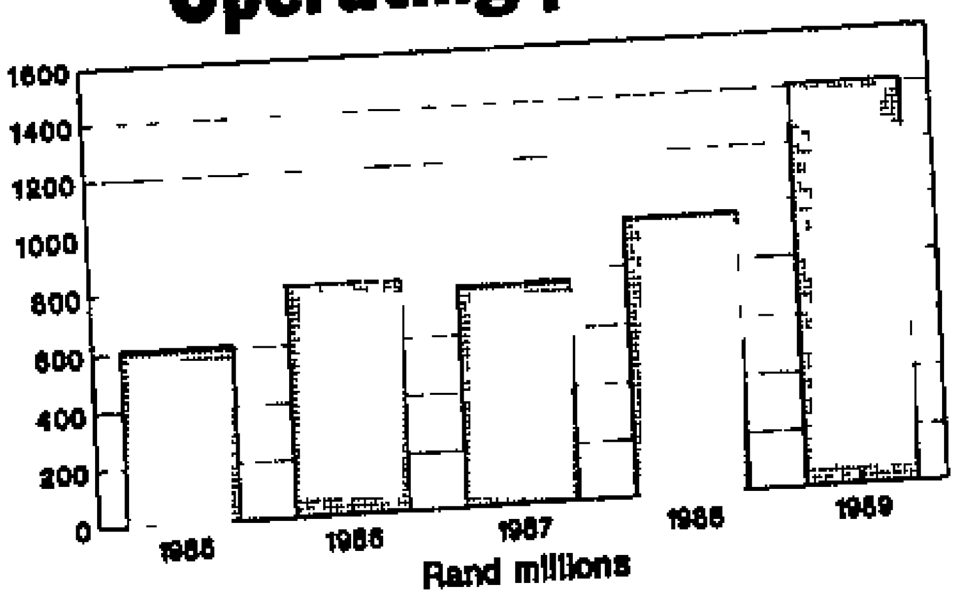
There are some points applicants should bear in mind.

- Iscor has programmed its computer to seek out multiple applications Should it find any, the total number of shares applied for under the same name may be consolidated and regarded as a single application
- Completed application forms mut be accompanied by a cheque or banker's draft made out to "Senreg — Iscor offer" for the correct amount. Only original application forms will be accepted Application forms must be lodged before noon on October 25 Cheques dated October 25 1989 will be accepted
- Applications may be lodged at offices in major urban centres — Johannesburg, Pretoria, Cape Town, Durban, Port Elizabeth, East London and Bloemfontein.

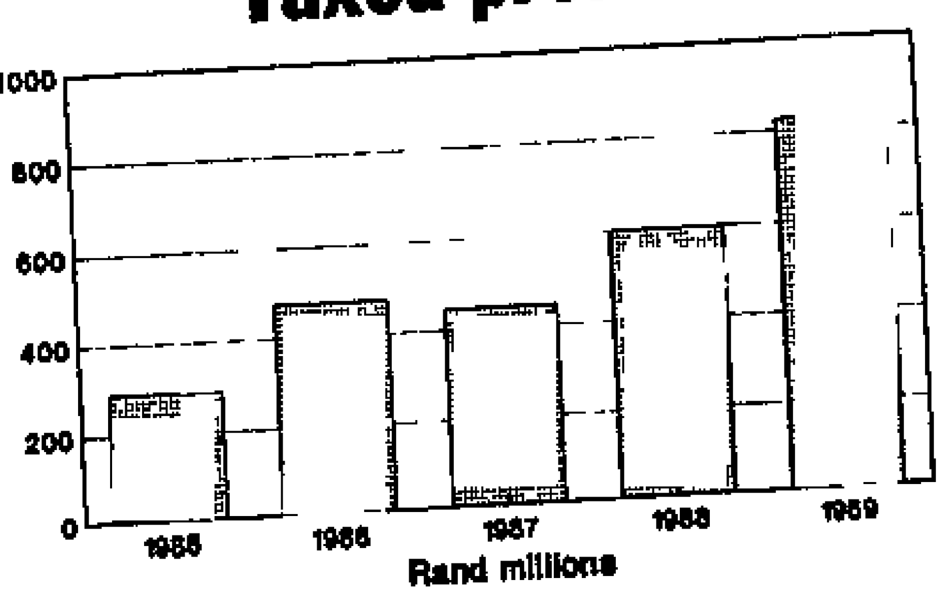
Turnover



Operating profit



Taxed profit



Prospectus shows Iscor optimism

Iscor is optimistic in its prospectus issued today about its future profit growth.

Iscor's offer of 150 million shares to the public at R2 a share opens today and closes on Wednesday, October 25 (232)

Iscor says its profits have shown a steady improvement in the past five years. It expects taxed earnings in the next five years to at least exceed the inflation rate

Iscor says it should earn 52,7c a share in the 12 months ending June 30 next year, equal to an earnings yield on the R2 issue price of 26,3 percent.

For the eight months period ending next June — the length of time new investors will initially hold the shares — it plans to pay dividends totalling 13c a share — equal to an annual return of 8,8 percent

Iscor shares are seen as a highly profitable long-term investment for those recipients able to retain them and who do not seek quick profits.

● See Page 14.

23/10/89

(232)

GILLETTE 'RESTRUCTURING'

Cutting edge

Departing foreign investors will no doubt be taking note of the cost of the exercise following the deal struck between Gillette USA and Cosatu's Chemical Workers Industrial Union (CWIU)

The union has described it as the "best ever for SA workers" and provides the example of a 36-year-old worker earning R1 200 a month (with 18 years at the firm) who will take out R26 000

However, Gillette MD John Ford says it is too early to calculate exactly what the retrenchment deal will cost the firm — but, he says, it is expensive

The package includes up to two months' notice depending on age and length of service, 12 days pay a year of service, and repayment of pension credits including employer contributions and interest The union says workers will get between R5 000 and R35 000

Technically, however, Gillette is not disinvesting FM 3/10/89

It has sold its Springs factory to a local firm, Twins Pharmaceutical Holdings, and will move to offices in Bedfordview from where it will distribute and market its imported products A Twins spokesman says "Products will continue to be manufactured at the Springs plant These include all the products currently manufactured there (toiletries and Jiffy bags)." He says Twins bought the plant and has agreed to employ 100 of the work force currently working there in terms of an agreement with Gillette.

This means that jobs for 50 employees will not be offered — though Ford says the redundancy offer is open to all He says the firm will shut the blade manufacturing plant which brought in less than 20% of turnover, of 250 workers currently employed, 100 will be offered work at the new offices

Ford adds that the move is part of rationalisation in up to 10 countries — and both the union and Gillette agree that this is not disinvestment in the usual sense

As an "inducement" for the 100 workers to take up the Twins job offer, Gillette has offered two months' salary which the union says works out at an average of R3 000 Gillette has also guaranteed that all current conditions of service will be maintained for 18 months

Ford says about 15 workers were already in the age and service group where they would have been pensioned off in the next two years

CWIU organiser Nelson Mthombeni says more than 50 employers could take the offer. The package followed deadlocked negotiations over retrenchments. "In the middle of this, the company suddenly said events had overtaken them and that they wanted to talk disinvestment. Then we drew up the agreement"

Later, all agreed to drop the term "disinvestment" in favour of "restructuring" ■

FMO

Top men for P & T posts

(232)

B/Day 2/10/89

SEVERAL new senior appointments in the Department of Posts and Telecommunications took effect yesterday as part of a major restructuring programme prior to privatisation.

Postmaster-General Johan de Villiers announced in Pretoria the appointment of regional managers for postal and telecommunications services in the department's eight operating units.

He said these appointments ensured the completion of 95% of the restructuring process in the department, with head office restructuring due to be completed by April 1.

Legislation to separate the department into two companies, telecommunications and postal services, had been drafted and was expected to go before Parliament next year.

De Villiers said privatisation could only take place after the formation of two separate companies Even after that, it would take some time to prepare them for privatisation

"Until then (privatisation) the state will be the sole shareholder in the two companies," said De Villiers.

☐ The new regional managers are on the Witwatersrand, Danie du Toit (Telcoms) and Peet Noleth (Postal Services), in the Northern Transvaal, Maree Reyneke (Telcoms) and Jannie Venter (Postal Services), in South Eastern Transvaal, Du Toit Smith (Telcoms) and Willie Visser (Postal Services), in the Western Cape, George Bothma (Telcoms) and Chris Opperman (Postal Services), in the Eastern Cape, Tubby Waldron (Telcoms) and Toy Kruger (Postal Services), in the Northern Cape, Chris Harmse (Telcoms) and Corrie Fourie (Postal Services), in Natal, Pine Pienaar (Telcoms) and Martin Clark (Postal Services), and in the OFS, Danie Jacobs (Telcoms) and Joe de Jager (Postal Services). — Sapa.

Companies report good results ahead of merger

STAR 4/10/89

(232)

Finance Staff

Both Kohler and Graphtec reported good results in their financial years to end-August, ahead of the restructuring of Malbak's paper and packaging interests announced yesterday

Kohler's attributable earnings of R48 million were 21 percent ahead of last year and translated to earnings per share of 325c (283,1c)

A total dividend of 100c (90c) was declared

The group's turnover rose by 27 percent to R983 million (R775 million) and operating income by 48 percent to R88,6 million (R59,7 million), after profit margins improved from 7,7 to nine percent.

The group has changed the basis of accounting for deferred taxation from the comprehensive method to the partial method in accordance with a decision taken by Malbak

Taxation was R10,31 million (R7,77 million)

The new deferred tax reduced payments by R13 million The directors consider, however, that R6,5 million of this is of a non-recurring nature and has accordingly been transferred to non-distributable reserves.

Earnings per share fairly represent the sustainable earnings level of the group for the 1989 financial year, the directors state and had the fully comprehensive basis of providing for deferred tax been applied, earnings per share would have increased by 12 percent to 280,7c

Commenting on the results, chief executive Derrick Minnie said that growth in turnover had shown a five percent increase in real terms He said that all operating divisions, with the exception of plastics, which had undergone a comprehensive restructuring during the year, had recorded increased volumes

Graphtec's turnover was up by 24,8 percent to R395,4 million (R317,2 million) for the year, resulting in a 25,3 percent increase in attributable income to R14,2 million (R11,3 million).

Earnings per share were accordingly higher at 288c (239c), while the total dividend for the year was raised by 17,9 percent to 92c (78c)

This was achieved despite a 125,6 percent increase in interest charges to R8,9 million (R3,9 million) and a higher tax bill of R12,1 million (R10,8 million)

4/5/89 STAR 232

The Star
Finance

Kohler forms R2-bn packaging group

By Ann Crotty

Kohler is to become the holding company for the paper and packaging interests of Malbak. The giant so created will have annual sales of R1,8 billion and a market capitalisation of almost R500 million It is to be named Holdains

The deal will bring together all of Malbak's paper and packaging interests, which are 74,5 percent of Kohler, 70,9 percent of Graphtec (formerly Haddons), 100 percent of Wiggins Teape and a 41,8 percent stake in Carlton Paper

Malbak executive chairman Grant Thomas said yesterday the merger had two objectives. "to realise the full synergistic potential inherent in these closely related businesses and to advance Malbak's aim of sharpening its focus by consolidating all its interests together in strong, cohesive and clearly defined listed entities"

He said the enlarged entity would offer the market a more attractive investment opportunity than any of its constituent parts

This was chiefly because Holdains would have a wide spread of activities within the paper and packaging industry, unlike. for example, Kohler, which was heavily exposed to plastics packaging

The cut-throat nature of the plastics sector is reflected in the market's comparatively low rating of Kohler. Ahead of the results released today it was on an historic P/E rating of 7,8 times. On the basis of financial 1989, the share is on a P/E of 6,3.

By contrast, Nampak, which has a much wider spread of interests in the same industry, enjoys a P/E of 10 times

Another factor which should help to lift the rating of Holdains is that Malbak will reduce its initial 77,6 percent stake to 68,6 percent. This involves placing 2 million shares with institutions and other investors

The added benefit of the sale is that it generates income for Malbak, which is currently on a fairly active acquisition trail.

Kohler/Holdains will issue shares to pay for the acquisition of the other three companies

It will issue 2,3 million shares in exchange for the 6,6 million Carlcor shares held by Malbak. Carlcor's current market price is 750c — it is on a P/E of 7,8 times The 6,6 million Carlcor shares are valued at R49,5 million (R48,3 million for 2,3 million Kohler/Holdains at R21)

Wiggins will be acquired in exchange for the issue of 0,85 million Kohler/Holdain shares

The exchange of Kohler/Holdain shares for Graphtec was effected on the basis of the relative earnings performances of the two companies. Some 87 Kohler/Holdain shares will be exchanged for every 100 Graphtec shares.

At yesterday's prices, 100 Graphtec were valued at R1 550 and 87 Kohler/Holdains at R1 827.

Figures for financial 1989 show Graphtec earnings at 288c, compared with Kohler's 325c.

After these transactions, the number of Kohler/Holdains shares in issue will rise from 14,8 million to 22,5 million.

Assuming the Graphtec minorities agree to the scheme, the new giant will comprise 100 percent of Kohler, 100 percent of Graphtec, 100 percent of Wiggins and 41,8 percent of Carlcor

Based on the consolidated 1989 results, the new group would have produced earnings of about R72 million and would have paid a dividend of 106c

The earnings figures is equivalent to 320c a share on the much larger share base. This is 5c lower than that actually achieved by Kohler and reflects the impact of the acquisition of Carlcor on a P/E of 7,8 times.

If the market is persuaded of the attractions of the enlarged group and pushes the rating of Kohler/ Holdains to around 10 times (historic), there is scope for the share to move well above its current R21

Rusfurn management team buys control from Tradegro

4/10/89 STAR 232

By Ann Crotty

In a move that seems set to have major ramifications for the investment community, a consortium led by Rusfurn management has bought control of Rusfurn from Tradegro for R232 million — equivalent to 140c a share.

The 140c a share represents a prospective P/E rating of 2,5 times on the 55c-a-share earnings forecast for the 12 months to June 1990 A dividend of 16c is also forecast

The senior management team, lead by chief executive Geoff Austin, is putting in R23 million to acquire 10 percent of Rusfurn, which controls Arrow, Dion, Giddy's, Rudicks, Russells and, Wanda-Frasers

The balance of the R232 million will be put in by various institutions, pension funds and minorities

Initially, no single shareholder will have more than a 10-12 percent interest, meaning control will not rest in the hands of any one party

This represents a signficant change from the previous control situation where Tradegro had 60 percent and Tradegro subsidiary, Frasers, held 20 percent

A split from its parent had been on the cards for some time. It reflects the conflict between Rusfurn's growth ambitions and Tradegro's reluctance to see its exposure to household durables increase any further — particularly in view of the attendant pressure it puts on Tradegro's balance sheet.

The deal will change the earnings profile of Tradegro In financial 1989, Rusfurn contributed 36 percent of pre-tax profit — this percentage contribution is much higher at earnings level because Rusfurn currently pays no tax It expects to enjoy a complete tax holiday for another four years

In the 1989 year Rusfurn earned 36,3c a share It is difficult to see how Tradegro will earn much more than 20c on the 140c a share it will receive from the sale of Rusfurn

The opportunity lost by not participating in the forecast 55c a share earnings in financial 1990 will be even harder for Tradegro shareholders to bear

The significance of the deal is not only its size, but the fact that it has resulted in a breakaway from a major retail conglomerate — Tradegro — which in turn is part of the Sanlam group

Rusfurn is a major player in furniture and household durables — a sector that is is currently far from being a firm favourite with institutional investors The large debtors' book — well over R500 million — must also have been of some concern to the investment community

That the management buyout (MBO) succeeded in the face of these potential hurdles (including fairly tight time constraints) suggests that Rusfurn was able to present an attractive investment package to potential institutional investors

It also highlights the quality of the professional advice management received from brokers Frankel Kruger Vinderine and merchant bankers Finansbank

Mr Austin says "We found Finansbank to be immensely resourceful and imaginative in its support, while Sidney Frankel was of invaluable help in putting the deal together"

Towards the end, TrustBank came in with bridging finance, enabling the management team to offer Tradegro an unconditional and guaranteed deal.

The deal includes the acquisition of Furngro from Finansbank (which acquired it just ten days ago) for R40 million Furngro is expected to contribute 5c to the 55c earnings forecast for financial 1990

Furngro will be paid for by the issue of preference shares in a Rusfurn subsidiary, thereby maximising the tax efficiency of the payment

Three major selling points for the management team were that Rusfurn's interests are widely spread in terms of market segment and geographic location, some 40 percent of sales are cash, and management is putting in R23 million

This last point should certainly focus the minds of the executive team and lead to tighter management of assets

To the extent that it does, the MBO will have succeeded in unlocking good earnings growth from a changed ownership profile and will set others a fine example

Encouraging news for potential Iscor investors

4/10/89 STAR

By Derek Tommey

Encouraging news for potential investors in Iscor has come in the past two days from the annual conference in Berlin of the International Iron & Steel Institute.

Investors do not have to take Iscor's word alone that the international steel industry is experiencing a boom which could continue for some time to come. Conference proceedings confirm this.

Lenhard J Holschuh, the institute's secretary-general, reports that total steel consumption this year is expected to reach 791 million tons, slightluy above last year and a new record level.

Next year should be equally good, with only a slight downturn of 7 million tons forecast at world level — mainly in the US

Mr Holschuh says the average level of steel consumption is expected to be relatively stable in North America, with the value little different from that of the mid-1980s.

Some modest growth is seen in the European Community and Japan

However, consumption in the Asian region (which is one of Iscor's major selling areas) is expected to grow by a relatively high 6,7 percent. Growth in developing countries should be about 4,3 percent.

Further confirmation that the steel market will remain strong comes from Shoichi Akazawa, chairman of the Japan External Trade Organisation.

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He told the conference that East Asian steel im ports thi year would surpass those of the US by $100 billion, creating the world's fastest growing import market.

This ties in with Iscor's remark in its annual report that it believed it could treble exports if the steel were available.

Deal for Iscor managers

B/Day 4/10/87

(232)

BARRY SERGEANT

ISCOR executives have been allocated 60-million shares for a Management Share Incentive Scheme.

Eric van der Merwe, Iscor GM, finance, said that at this stage no details over and above those in the prospectus were available.

Van der Merwe said that the share incentive scheme was no different to the typical scheme found in a public company. The 60-million shares amount to 3,2% of the 1,85-billion shares that will be in issue on November 8.

The prospectus says the scheme will be a combined share purchase/share option scheme

Moreover, "if an offer is accepted in respect of scheme shares, it shall be accompanied by payment of 1 cent." The balance of the money will be lent to the participant by a trust and "shall bear interest as determined by the board from time to time".

If the interest rate is below the "official" rate of interest, participants will pay perks tax on the difference. Van der Merwe said that at this stage, it was not known how many shares would be taken up before the listing. The 60-million shares made available for the scheme are over and above the 1,85-billion shares that will be in issue on listing day:

- ☐ The general public, 150-million;
- ☐ Employees and pensioners of the Iscor group and associated companies and organisations of the group, directors of Iscor and selected institutions, 1,307-billion,
- ☐ Existing preference shareholders, 439 272;
- ☐ The State Share Trust (including 200 free shares each for Iscor employees), 92,5-million,
- ☐ The Industrial Development Corporation, 300-million; and
- ☐ The state, 28 shares.

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Look before you leap, investors are warned

By Helen Grange

Concern is mounting over the flood of prospective Iscor shareholders expected to apply for shares over the next seven weeks — and financial experts are warning would-be investors to "look before they leap"

Unprecedented interest in the share issue has been shown by people from every income group in the wake of a multimillion-rand media campaign

Families and groups of office workers are reported to be pooling resources and many will be dipping into their savings and borrowing money to buy Iscor shares

Although only a few people have handed in their applications for Iscor shares since the opening of the offer on Monday, sources at the two merchant banks handling the listing, Senbank and Finansbank, expect the momentum to build up dramatically towards the closing date, October 25

FINANCIAL DIFFICULTY

This is the first time so many "ordinary people" — as opposed to seasoned investors — have looked to shares as means to make money and although the buy looks good, warnings that the buyer might not get what he or she bargained for are coming thick and fast

Dr Dawie de Villiers, Minister of Mineral and Energy Affairs, recently warned South Africans not to invest funds they could ill afford, expressing concern over people finding themselves in financial difficulty after buying shares wildly

Said Mr Tony Norton, president of the Johannesburg Stock Exchange "It is important to make people aware of risks they might be taking

"In previous strong markets, people have been known to borrow money to buy shares and then found themselves in trouble People who can't afford to hold shares should not plunge their money into them — but for investors who can afford them, the Iscor shares look like a good investment"

Stockbrokers are also worried about "stag" investors, who will sell their shares immediately after Iscor is listed

In addition, financiers have warned that if share allocations are small the profits will also be small For instance, if the share price reaches 250c (it is currently 200c) the capital gain on 200 shares would be R100, less R10 for brokerage and interest costs' reduction of 20 percent in the number of counters

Mr Thomas says liquidity is down somewhat in all ... from the Sanlam stable have continued to bound ahead Sanlam Trust declared a 34,9c per unit dis- ... was 47 percent, after slightly reducing liquidity over the quarter from 28 to 25 percent

Aussie magnate linked to SA

The Star's Foreign News Service

MELBOURNE — Australia's business daily, *The Financial Review*, has questioned the South African influence behind the country's newest mining entrepreneur, Robert Champion de Crespigny

It says the rapid rise to prominence of Mr de Crespigny and his company, Normandy Resources, has "dazzled the Australian mining community"

It says the rise has "fuelled speculation about the extent of Mr de Crespigny's links with Harry Oppenheimer's Anglo American empire"

It says it is well known that Anglo has a 10 percent stake in Normandy and that the Oppenheimer conglomerate has six percent of Normandy's major subsidiary, Poseidon

The paper says Mr de Crespigny describes the holdings as merely a "passive investment", but it adds "Speculation persists that South African interests may be more active than the minority shareholding suggests"

A Melbourne accountant, Mr de Crespigny, 40, has made extraordinary progress in the last four years

He has turned Normandy from a minor, R6 million loss-making company into a R1,5 billion gold, diamond and silver mining empire

The Financial Review suggests the South African interests, who had difficulty recently investing in Australia because of apartheid, have finally found a way to do so through Normandy

Uniserv expects offshore benefits

By Sven Lunsche

Over 20 percent of Uniserv's earnings in the financial year to end-February 1990 are expected to be derived from offshore interests, the company states in its interim report released today

Reporting a 130 percent rise in attributable income to R4,29 million for the six months to end-August, the directors say that the acquisition of various foreign companies in March this year already boosted both earnings and net asset value by 12 percent over the interim period

More benefits are expected in the near future from the operational and financial rationalisation benefits achieved through the merger of Uniserv and Sun Sky Courier

The directors state that during the interim period the rationalisation costs of the merger were higher than expected and had a negative impact on earnings, but that the problems had been resolved

Although distributable income rose by 129 percent, earnings per share were only up by 36 percent

Graphtec, Carlcor, Wiggins move into Kohler

Malbak forms new giant

CAPE TIMES 4/10/89. 232

Own Correspondent

JOHANNESBURG — Malbak is to group together its paper and packaging interests under one banner, creating an entity worth R1,8bn in sales and market valued at R500m

The move, announced yesterday, is designed to make Malbak's stake in the paper chase a more attractive proposition to institutional investors, said executive chairman Grant Thomas

Malbak's interests in the sector include 74,5% of paper and plastic packaging group Kohler, 70,9% of paper merchant Graphtec, 41,8% of tissue manufacturers Carlcor and 100% of non-listed paper merchant Wiggins Teape

The re-organisation, which effectively moves Graphtec, Carlcor and Wiggins into Kohler — to be renamed Holdains — will result in a 77,6% holding by Malbak.

Directors plan to reduce this stake to 68,6% through the release of 2m shares onto the JSE

In terms of the arrangement, Holdains is to acquire Malbak's interest in Graphtec at a ratio of 87 Kohler shares for every 100 of Graphtecs Graphtec will be delisted following the successful implementation of the scheme

Kohler closed yesterday at R21,25 and Graphtec at R15,50 — translating into an offer to Graphtec minority shareholders 300c above the prevailing market value

If the re-organisation had been in effect for the year ended August, Kohler's sustainable earnings of 325c a share would have decreased slightly to 318c, with a trade-off in dividends which would have increased to 106c (100c)

Graphtec's weighted earnings would have dropped to 277c (288c) a share with no change in the total dividend of 92c

The new Kohler shares will rank pari passu with the existing ordinary shares although holders will not be entitled to the final dividend declared by Kohler of 58c

They are however entitled to the 52c final dividend announced by Graphtec

Holdains will acquire Malbak's 100% holding in Wiggins for 850 000 new shares and its interest in Carlcor for 2,5m shares

US-based Kimberly-Clark will retain its 38,7% holding in Carlcor — which will remain listed

Thomas said Malbak's relationship with Kimberly-Clark remained strong and said there were no plans by the US group to disinvest

The manoeuvre is in line with Malbak's intention to consolidate its complementary businesses

"The merger essentially has two objectives we want to realise the full synergistic potential of the closely related businesses, and sharpen our focus together in one strong, cohesive and clearly defined listed entity," he said

Malbak move creates a R1,8bn paper giant

BDay 14/10/87 (232)

BRENT MELVILLE

MALBAK is merging its paper and packaging interests under one banner, creating a company with a market value of R500m and listing it second in size only to Nampak

The new company — Holdains — will be worth R1,8bn in sales

Executive chairman Grant Thomas said the move, announced yesterday, was designed to make Malbak's stake in the "paper chase" a more attractive proposition to institutional investors

Malbak's interests in the sector include 74,5% of paper and plastic packaging group Kohler, 70,9% of paper merchant Graphtec, 41,8% of tissue manufacturer Carlcor and 100% of non-listed paper merchant Wiggins Teape

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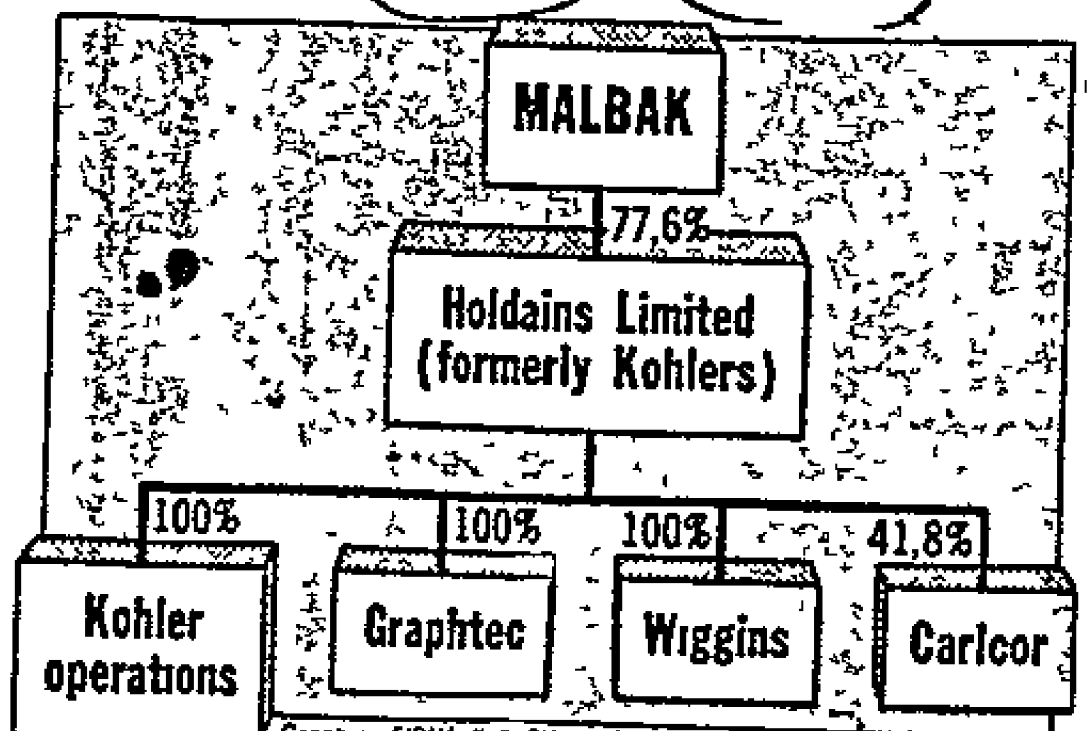
☐ To Page 2



Graphic: FIONA KOLCH Source: MALBAK

Paper giant

BDay 14/10/87 (232)

☐ From Page 1

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● See Page 10

Commercials are value for money

Diagonal Street

232

DEREK TOMMEY

Institutional investors have been looking askance at shares in trading companies.

The reason: they have been concerned about the impact on them of the Government's onslaught on consumer and other spending. Star 4/10/89.

The Government wants to limit the real increase in gross domestic expenditure this year to one percent. With the population growing by three percent, this means it wants us to spend less than we did last year.

And it seems it is on its way to achieving this objective. High interest rates, and particularly high mortgage rates, together with substantial personal and consumer tax increases, have affected personal spending. Many retailers and wholesalers are feeling pinched.

This does not mean commercial shares do not present an investment opportunity, especially for investors willing to take a long view.

Dividend and earnings yield figures published in the Reserve Bank quarterly show that anyone buying a good commercial share is getting value for money.

The average dividend yield on commercial shares is currently about 5,3 percent — almost three times more than the 1,9 pecent at the end of 1986. The average earnings yield is 15,60 percent — 2,3 times the 6,7 percent in 1986.

As the graph shows, the 1987 share market collapse made investors cautious and led to their demanding more (in terms of dividends and dividend cover).

The result is that today they are getting almost three times more value than they were 1986.

Moreover, they are getting a more secure investment. The dividend and earnings yield figures show that the commercial companies are paying just over a third of their earnings in dividends.

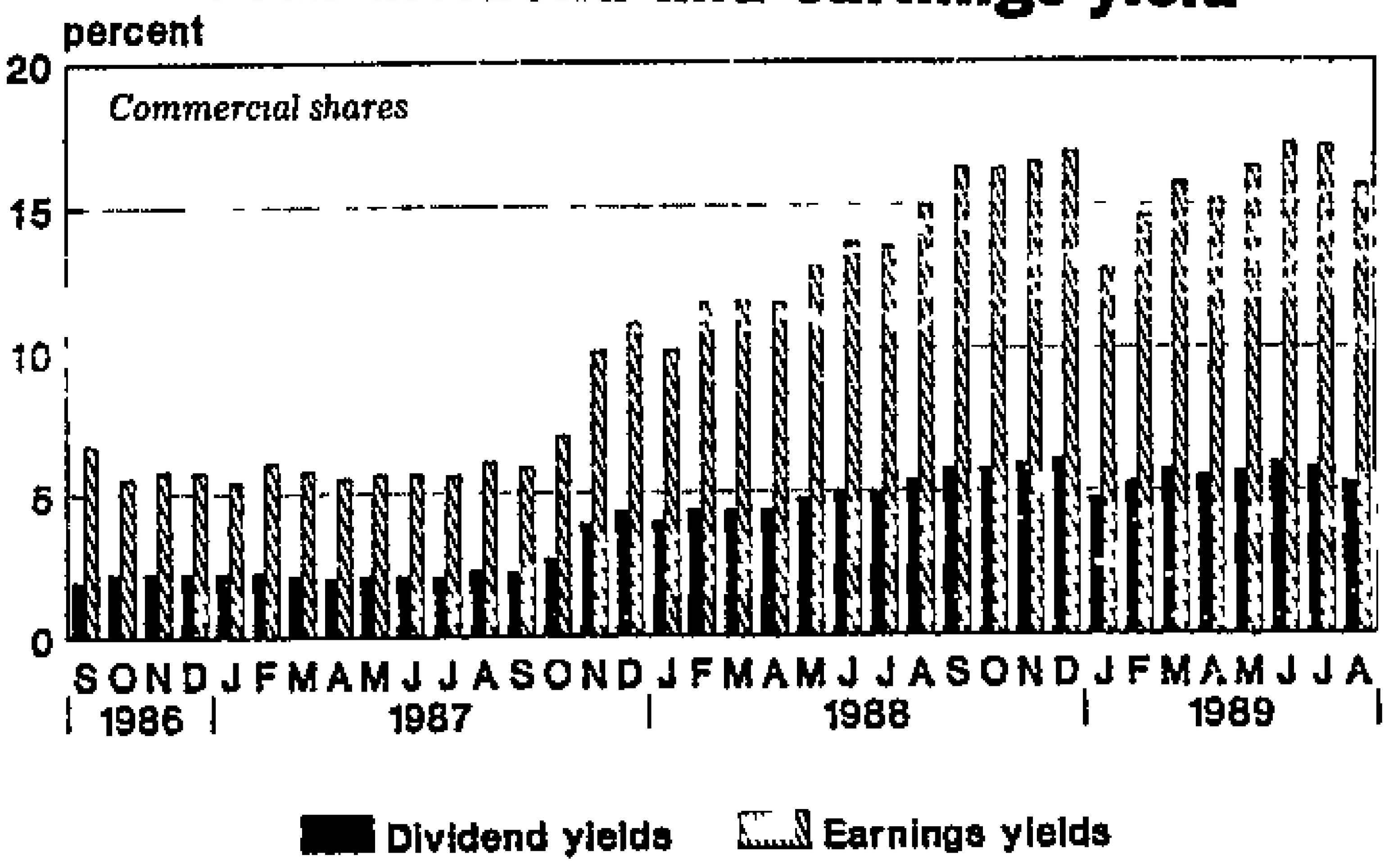
Therefore they have considerable scope for maintaining their dividends should they feel a drop in income.

Investors are getting future growth. The 10 percentage point difference between the dividend and earnings yields means these companies are annually re-investing a sum of money equal to one-tenth their market capitalisation.

This is a substantial amount, and while it might not bring much in the way of rewards in today's tight money conditions, it should produce a handsome return when the next business upturn starts.

This is the time when investors should be considering investing again in sound retailing and wholesaling companies.

JSE: dividend and earnings yield



Share offer extended to include minors

Moou 4/10/89

BARRY SERGEANT

AFTER a flood of inquiries, the promoters of the Iscor share offer have decided to allow assisted minors to apply for shares

The prospectus states "Shares may not be applied for by a minor, a deceased estate, a partnership or a trust . A married woman must be assisted by her husband unless she can act unassisted by him."

Bernard Kaiser of Sanbank, one of the merchant banks involved in the issue, says that applications from assisted minors will now be accepted

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This means that a minor (a person under the age of 18) can fill in the application form, provided it is countersigned by his parent or legal guardian

Kaiser says that in practice, the portion of the application form which now reads "assisted by me, husband, if applicable" can now be altered to read "assisted by me, parent/guardian if applicable"

This would also solve the anomaly that the form does not ask for applicants' ages

COMPANIES

Sanlam's trusts switch focus onto blue chips

B/Day 4/10/89

232

MERVYN HARRIS

FRUSTRATED by the failure of second-line shares to respond to a flow of excellent results, the five unit trusts in the Sanlam fold were streamlined in the September quarter in favour of concentrating on blue chips

The trust's exposure to gold shares, traditionally the lowest of all unit trusts, was further reduced to about 5% of the overall portfolio but they remained fairly strong in rand hedge stocks which have been out of favour in the market in the last quarter

Strategy

Senior portfolio manager Stafford Thomas said "After the stock market collapse two years ago, we found ourselves with too wide a spectrum of shares This was particularly the case with second-liners which the market has continued to ignore despite fine results"

He cited Bergers in the wholesale and retailers sector as an example of a company which reported extremely good results But all that happened was that the shares went down and the dividend yield went up

"I decided it was not worth waiting any longer for a rally in second-liners and our strategy now favours greater concentration on blue chips," Thomas said

Sanlam Trust was most affected by this move, with a net reduction of some 20% in the number of shares in its portfolio

The changes resulted in a slight reduction in liquidity in all the trusts Present liquidity levels compared with those for the previous quarter are Sanlam Trust 15% (20%), Index Trust 8% (9%), Industrial Trust 17% (21%), Mining Trust 21% (23%) and Dividend Trust 20% (21%)

However, the good market performance for the year to end September, together with appropriate structuring and share selections, enabled investors in the five trusts to receive outstanding total returns — capital growth plus income — which ranged as high as 51,7%

The average total return for the five trusts was 43,5%

Holdings which were increased during the September quarter included Trans Hex, Gencor, Yabeng, Barlows, HLH/Huntcor, Consol, Metpol and Sappi, as the trusts concentrated on companies with outstanding management, growth potential and financial strength

Minorco was the most prominent rand hedge acquisition made in the last quarter

Increased

Income distribution of Sanlam Trust of 34,9c a unit for the six months to September was 56,1% higher than in the same period last year while Sanlam Dividend Trust increased its income distribution by 29,7% to 11,8c a unit

The other three trusts in the Sanlam stable declare their next income distribution at the end of December

Index Trust showed a total return for the year to September of 51,7%, Mining Trust 47,6%, Sanlam Trust 42,2%, Industrial Trust 38,2% and Dividend Trust 38%

Concor to look elsewhere to boost profits

B/Day 4/10/89

LIZ ROUSE

ON THE strength of Concor's order book, the group should continue to increase profitability, says chairman Brian Murphy in his annual review

However, he warns of concern in the construction industry that there will be a slowdown in activity with keener margins for future work

Murphy says Concor is strongly represented in the continuing construction of the Springs-Krugersdorp toll road and also has substantial work on the Mossref project

However, with the issue date of the Lesotho Highlands water project tender documents continually being extended, there appears to be little major heavy civil engineering work available in the medium term

The depressed gold price has not enabled the mining houses to embark on substantial capital projects

The group will seek additional markets for its core business and expand into areas which will enable it to broaden its profit base in businesses counter-cyclical to construction This is the main objective for the year and management intends pursuing it diligently

Concor continued to benefit from assessed losses in the year to June 1989, which contributed to earnings a share increasing by 68% to 23,7c from 14,1c Although the dividend was doubled to 4c, the high cover reflects the need for the group to preserve liquidity

Rusfurn top brass buy Tradegro stake

BDay 4/10/89

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SYLVIA DU PLESSIS

RUSFURN senior management, in two deals totalling R264m, has led a R232m buyout of the Tradegro group's interest in the furniture firm and has acquired investment holding company Furngro for R32m

The 386-store group includes Russells, Giddy's, Dion and Wanda-Frasers.

The buyout, effective from July 1 and bringing to an end 54 days of intense negotiation, has stripped R66,8m out of Tradegro's pre-tax profit of R179m, posted in the 1989 year to June.

The price paid for Tradegro's 98,2-million shares — representing a 60% stake in Rusfurn — and Frasers' 33,8-million shares (20%) was 140c a share in cash. Rusfurn's pre-suspension price was 130c.

The deal was concluded through holding company Rusfurn Investments (Pty) and a consortium comprising Finansbank, stockbrokers Frankel Kruger and the Trust-Bank, which has provided the bridging finance

Rusfurn CE Geoff Austin and his management will immediately acquire 10% of the Rusfurn equity for R23m. The balance is being placed among institutional investors at 140c a share, which is also being offered to minorities

A performance-linked share participation scheme will enable management to increase its stake by 15% over three years on existing share capital, subject to Rusfurn declaring a minimum dividend of 16c a share at the year-end, and an inflation plus 5% growth in dividends for the following two years.

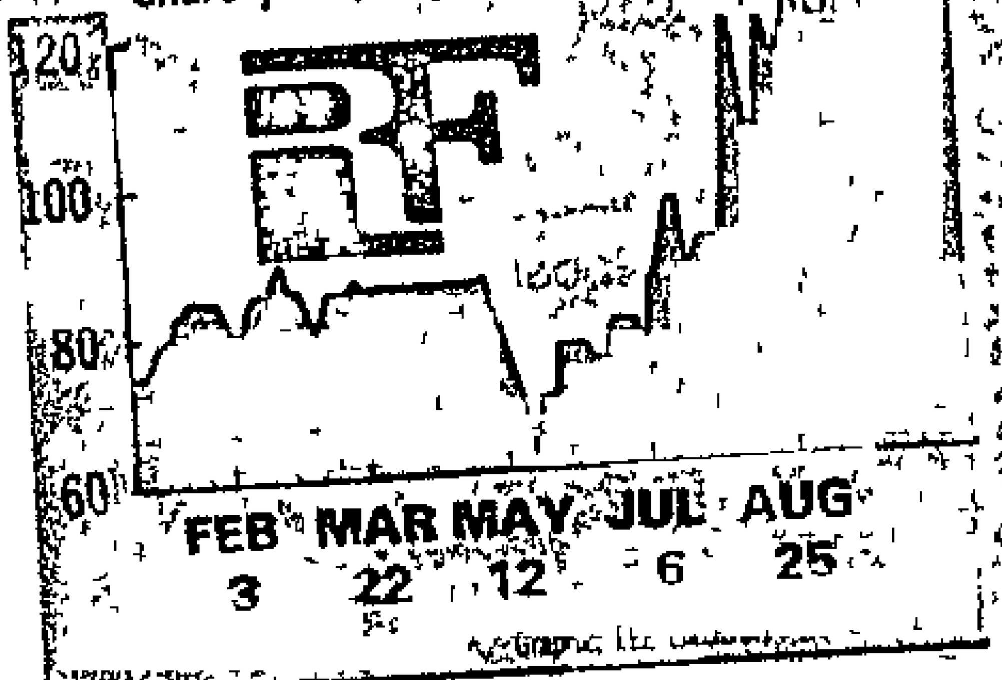
The deal has been structured to keep control in management's hands no single shareholder may own more than a 10%-12% stake at the outset.

The independent Rusfurn has also acquired from Finansbank, Furngro, the pyramid holding company of Furnfair, by buying 17,8-million shares at 180c each. This deal is being satisfied by the issue of redeemable preference shares.

The group has asked for the lifting of the suspension, which stood at 130c prior to the announcement, with effect from today.

THE RUSFURN GROUP

Share price, daily close (cents)



Minors can now apply for Iscor shares

Iscor has decided to allow minors to apply for shares in the steel giant, if they are assisted by their parents or guardians.

The merchant banks, handling the issue of 150 million shares to the public, had originally stated that no minors would be allowed to apply for shares, but changed the ruling after numerous inquiries and queries about the matter

A person under 18 years can now fill in the form, which has to be countersigned by his parent or legal guardian. — Finance Staff.

4/10/89

● See Page 20

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Libam acquires 27% stake in BOE

CAPE TIMES 5/10/89 232

By BRUCE WILLAN

THE Board of Executors (BOE) CE Bill McAdam has welcomed Liberty Asset Management (Libam) as a substantial shareholder in BOE — which has turned in record results for the year ended September 30, 1989 with a 114% increase in attributable profits to R4,5m (R2,1m)

According to a statement issued by BOE yesterday, Libam has acquired 3m BOE shares from Mercury Trust at 525c a share

The deal reduces Mercury's holding in BOE to 13% and gives Libam a 27% stake in the company

The shares acquired by Libam will not participate in the final dividend of 17c a share

Commenting on the deal McAdam said, "this is precisely in keeping with our planned intention of developing the company into a nationally-based financial services and investment group"

BOE has undertaken irrevocably to propose a scheme of arrangement the same as its August 9 offer to Mercury shareholders In terms of this offer, BOE would acquire Mercury shares in exchange for BOE shares topped-up with cash, or a cash only option of R27,50 a share

Should this scheme not be implemented by January 31, 1990, BOE has undertaken to make all Mercury shareholders an undonditional offer for their shares, which includes the same option of shares and/or cash

If the proposed scheme is implemented, Libam will hold about 20% of the enlarged equity of BOE and will be entitled to appoint representatives to the board

Libam is the investment arm of the Liberty Group and acts for Liberty Life as well as Prudential Assurance, Charter Life Insurance, Guardian National Insurance and three mutual funds administered by Guardbank.

McAdam comments, "with the Liberty group's outstanding record of achievement, we are delighted to have Libam as a significant shareholder Our two organisations are highly compatible and we believe Libam will provide even greater momentum to our future growth plans"

BOE's share price has had a strong rise since the Investec bid for the company and the announcement of record results lends support.

Earnings per ordinary share increased to 80,4c from 37,5c, while earnings per ordinary share plus earnings per loan stock unit went up by 87% to 52,7c (28,1c)

A final dividend of 17c a share has been declared, bringing the total for the year to 25c a share — an improvement of 33%

Dividend cover has been increased from 2 times to 3,2 times

Extraordinary profits of R8,9m have been transfered to general reserves

McAdam says the results have been underpinned by excellent performances in all divisions, particularly corporate finance and asset management

In addition, the Transvaal operation has shown a very strong growth

- Yesterday, before news of the Libam acquisition became public, rumours swept financial circles that the Investec Supreme Court action contesting the validity of some Mercury Trust shares held by BOE was to be withdrawn But, this was denied by Investec director Bernard Kantor

He said the case was still going ahead and that October 25, 1989 had been set aside for a hearing

Kantor also dismissed rumours that Investec had a substantial "shopping list" for further acquisitions in Cape Town

TAKEOVERS

Argus 5/10/89 232

White knight rides in with R15,75-m

From ANN CROTTY

JOHANNESBURG — Liberty Life looks the best candidate by far to play white knight for The Board of Executors, the long-established Cape-based institution

Liberty Asset Management (Libam) is to acquire from Mercury Trust an initial holding of 27 percent in Board of Executors at 525c a share in a R15,75 million deal, excluding the BoE final dividend of 17c a share for the year to September

Probably the most important immediate effect of the deal is that it reduces Mercury's holding in BoE to 13 percent of the combined ordinary shares and loan stock in issue

It therefore undermines Investec's chances of pulling off a successful bid for BoE

Even if, as Investec argues, the BoE loan stock is not included as part of the equity base, the deal will see Mercury's holding in BoE fall to 26 percent

This means that whatever definition of equity base is used, BoE cannot be deemed to be a subsidiary of Mercury. Therefore it is entitled to hold its 40 percent stake in Mercury

BoE director Mr Tom Boardman says that until there is a court ruling, the loan stock is deemed to be equity because it carries voting rights

Given that the affect of the deal with Libam is the creation of a fairly secure control situation for Mercury and BoE both, and given the track record and reputation of this white knight, it is difficult to see Investec pursuing its hostile bid once the extended deadline for its offer has passed

The deal will result in Mercury holding 13 percent of BoE, Libam holding 27 percent, management and staff holding 24 percent and minority shareholders holding the remaining 36 percent

Once Libam has acquired the BoE stake, the plan is for BoE to propose a scheme of arrangement to acquire 100 percent of Mercury, in essence the same as its August proposal.

In terms of this offer, BoE would acquire Mercury shares in exchange for BoE shares topped up with cash, or a cash-only option of R27,50

The original scheme was that the 4,4 million BoE shares Mercury held would than be placed with institutions

The revised scheme sees a slight reversal of this, as the shares have already been placed with an institution (Libam)

If the acquisition of Mercury by BoE cannot be effected by end-January 1990, BoE has undertaken to make all Mercury shareholders an unconditional offer for their shares, including the same option of shares and/or cash.

If this leg of the scheme is implemented, Libam will hold about 20 percent of the enlarged equity of BoE and will be entitled to appoint representatives to the board

Most analysts had assumed BoE would take the obvious and unexciting route, which was to bring in a Cape-based institution There were reportedly many volunteers as a white knight

By bringing in a Transvaal-based player of major significance BoE has not only succeeded (probably) in securing its own control situation, but has also linked with a group that should help boost its already strong growth prospects in the Transvaal

Mr Boardman says the Transvaal has been a major source of growth for BoE and believes that the growth potential will be enhanced by the link with the Liberty group

BoE has announced its results for the 12 months to September Helped by R1,4 million of retained earnings from associates, the company reports an 87 percent increase in EPS (fully converted) to 52,7c (28,1c) A final dividend of 17c (12,5c) has been declared.

Liberty rides to the recue

Cape Times 5/10/89

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By AUDREY D'ANGELO

LIBERTY LIFE has come to the rescue of the Board of Executors, the city firm which has been fighting to avoid being taken over by Johannesburg-based Investec Bank.

The Board's holding company, Mercury Trust, announced yesterday that it had sold three million shares in the Board to Liberty Asset Management (Libam).

This will reduce Mercury's holding in the Board to 13%, giving Liberty 27%. Investec's attempted takeover was through an offer which would give it a controlling interest in Mercury Trust.

Board chief executive Mr Bill McAdam said he was "delighted to have Libam as a significant shareholder".

● Full report — Page 12

Accountancy merger thrown into disarray

STAR 232 5/10/89

By David Canning

DURBAN — The proposed South African merger of accounting giants Deloitte Haskins & Sells and Pim Goldby has been thrown into disarray after a sudden pullout of the international merger by Deloitte in the UK

Deloitte in the UK has abandoned its US colleagues — who will press ahead with the Touche Ross merger — and has decided instead to join Coopers & Lybrand

The South African partners of Deloitte have convened a meeting to be attended by senior partner, Tim Curtis, after a conference in Paris

There is speculation that the SA, Australian, New Zealand and other European firms might follow the UK lead by pulling out of the merger with Touche Ross (whose South African associate is Pim Goldby)

Such a move would represent a breakup of the Deloitte international empire

It is understood the UK partners were unhappy with the proposed merger from the outset and felt steamrollered by the American firm

Deloitte is one of the largest firms in SA and its options are now fairly open — it could still press ahead with the Pim Goldby merger or else link up with any of the other leaders, including Coopers

Partner Martin Shaw says the Paris meeting between partners from Touche Ross and Deloittes was supposed to have been over three days — Monday to Wednesday this week

However, the UK firm announced its withdrawal and its proposed link with Coopers, on Monday

Ironically, the decision by Deloitte in the UK to pull out comes just one week after the collapse of talks between Price Waterhouse and Arthur Andersen

Edward Kangas, head of Touche Ross International, says the proposed merger to create the new giant — Deloitte Ross Tohmatsu (DRT) — will go ahead with Touche Ross as the sole UK representative

Mr Kangas says "Firms in the US, Japan, France and the UK have agreed to become members of DRT In most cases these agreements reflect national mergers between members of Deloitte Haskins and Sells International and Touche Ross International"

He says these countries reflect more than 75 percent of the total revenues of the two separate firms

Accountancy merger thrown into disarray

STAR (232) 5/10/89

By David Canning

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He says these countries reflect more than 75 percent of the total revenues of the two separate firms

White knight to BoE's rescue

STAR 5/12/89 232

By Ann Crotty

At first glance it looks like the most unlikely candidate to play white knight for a long-established Cape-based institution. At second glance it looks like the best candidate — by far.

Liberty Asset Management (Libam) is to acquire from Mercury Trust an initial holding of 27 percent in Board of Executors, at 525c a share — excluding the BoE final dividend of 17c a share for the year to September.

Probably the most important immediate effect of the deal is that it reduces Mercury's holding in BoE to 13 percent of the combined ordinary shares and loan stock in issue.

It therefore undermines Investec's chances of pulling off a successful bid for BoE.

Even if, as Investec argues, the BoE loan stock is not included as part of the equity base, the deal will see Mercury's holding in BoE fall to 26 percent.

This means that whatever definition of equity base is used, BoE cannot be deemed to be a subsidiary of Mercury. Therefore it is entitled to hold its 40 percent stake in Mercury.

BoE director, Tom Boardman, says that until there is a court ruling, the loan stock is deemed to be equity because it carries voting rights.

Given that the effect of the deal with Libam is the creation of a fairly secure control situation for both Mercury and BoE, and given the track record and reputation of this white knight, it is difficult to see Investec pursuing its hostile bid once the extended deadline for its offer has passed.

Investec could not be contacted yesterday for comment on the development.

The deal will result in Mercury holding 13 percent of BoE, Libam holding 27 percent, management and staff holding 24 percent and minority shareholders holding the remaining 36 percent.

Once Libam has acquired the BoE stake, the plan is for BoE to propose a scheme of arrangement to acquire 100 percent of Mercury — in essence the same as its August proposal.

In terms of this offer, BoE would acquire Mercury shares in exchange for BoE shares topped up with cash, or a cash-only option of R27,50.

The original scheme was that 4,4 million BoE shares that Mercury held would than be placed with institutions.

The revised scheme sees a slight reversal of this, as the shares have already been placed with an institution (Libam).

If the acquisition of Mercury by BoE cannot be effected by end-January 1990, BoE has undertaken to make all Mercury shareholders an unconditional offer for their shares, including the same option of shares and/or cash as above.

If this leg of the scheme is implemented, Libam will hold about 20 percent of the enlarged equity of BoE and will be entitled to appoint representatives to the board.

This defence strategy by BoE seems destined not only to defeat the Investec bid, but should enhance BoE's reputation in the investment community.

Most analysts had assumed that BoE would take the obvious and unexciting route, which was to bring in a Cape-based institution — there were reportedly many volunteers — as a white knight.

By bringing in a Transvaal-based player of major significance BoE has not only succeeded (probably) in securing its own control situation, but has also linked with a group that should help boost its already strong growth prospects in the Transvaal.

Because Libam will not be involved hands-on, BoE management is also guaranteed its independence.

Mr Boardman says the Transvaal has been a major source of growth for BoE and believes that the growth potential will be enhanced by the link with the Liberty group.

There is unlikely to be any overlapping of activities as Libam and BoE (Tvl) operate in different market niches.

BoE has announced its results for the 12 months to September (just five days after the close of the period). Helped by R1,4 million of retained earnings from associates, the company reports an 87 percent increase in EPS (fully converted) to 52,7c (28,1c). A final dividend of 17c (12,5c) has been declared.

Any temptation to suspect that reserves may have been raided to produce this sterling performance is knocked on the head by Mr Boardman.

Libam is unlikely to buy this sort of inconsistent accounting practice.

STAR 6/10/89. 232

The Star
Finance

Lifegro acquisition boosts Momentum

By Sven Lünsche

Only six months after Momentum Life's acquisition of the troubled Lifegro group, the rationalisation is already benefiting the life assurer.

In Momentum's profit announcement for the year to end-June, the directors confirm that good progress has already been made with the rationalisation of the group

"The results for the year were better than anticipated and as a result a final dividend of 4c per share has been declared," they state

At the time of the listing of Momentum in March, coinciding with Lifegro's de-listing, no payout to shareholders was anticipated this year.

The costs of the rationalisation have also been kept to a minimum. Direct costs as a result of the acquisition are listed as R11 million, while management expenses increased from the previous year's R12,8 million to R47,7 million.

Total premium income for the year of R452,4 million, which reflects the recurring and single premiums of Momentum for the full year and of Lifegro for the second six months, was well ahead of the previous year's R80 million.

This was bolstered by a rise in investment income from R52,2 million to R238,8 million, and left a net profit of R180,1 million after total expenses of R511,1 million (R68,1 million) were incurred.

Weighted average earnings per share improved from 7c to 11,6c.

Investec pressing ahead with court action

STAR 6/10/89 (232)

By Finance Staff

Investec will proceed with court action against the Mercury Trust and the Board of Executors — in spite of the eleventh-hour sale of three million BoE shares to Liberty Asset Management.

In a statement released yesterday Investec's Chief Executive Mr Bas Kardol said the Liberty negotiations were not disclosed in the recent takeover statement to Mercury minorities.

Mercury's sale of BoE shares in the shadow of court action was one of a number of "Poison pill" strategies that could have been adopted.

"The advantage of the strategy to Mercury and its minority shareholders, as opposed to the BeE executive, however, is still not clear," Mr Kardol said.

"It is surprising that Mercury directors, knowing of Investec's interest, and being in possession of material facts, namely, the BoE results, could take the decision to sell a major proportion of Mercury's investment in BoE without first talking to Investec.

"What is perhaps even more surprising is that the shares were sold at the same effective price as Investec offered before the latest BoE results were known," he said. "We have not finally evaluated the detail of the Liberty deal or our position".

Investec's offer was prompted by the first BoE offer for Mercury at a price which has now been proved, by BoE itself, to be an unfair price.

Investec perceived a business opportunity and has consistently said that it would pursue its offer only as long as it made economic sense for it to do so.

"For the moment then our overall position is under consideration but we can see no reason, at this stage, to stop court proceedings," Mr Kardol said.

BoE's chief executive, Bill McAdam says that he is quite happy for Investec to go ahead with its action — they have every right to do so.

But he states that he is confident that the transaction with Libam does enhance the value of Mercury.

The initial feeling in the market is that whatever the legal aspects of the Investec bid, the introduction of Libam to the battle ground makes victory for Investec very unlikely.

It links BoE with a dynamic-Transvaal based institution which should enhance its growth prospects.

Housing: private sector opens door for privatisation

B/Day 6/10/89

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BARRY SERGEANT

EVERYBODY involved in the complex web of financial transactions backing the Urban Foundation's bold initiative to house hundreds of thousands of low-income earners will earn adequate returns, says NedPerm MD and chairman of the Mortgage Lenders' Association Bob Tucker

There is a widespread perception that low-cost housing is risky, costly relative to the returns and expensive to administer "The new initiative solves all these problems," says Tucker

The Nedcor group, through the Perm, had the most experience in financing low-cost housing "What we have learned is that risk is irrelevant to location, size of loan and skin colour"

The initiative is one of many aimed at attempting to solve the 1988 backlog of 800 000 homes for blacks and an unknown number for other low-income earners A Business Marketing Intelligence report on the building industry (1987-1992) noted "Despite the tremendous backlog in housing for blacks, only some 35 577 houses were built in SA in 1987"

It said "it is even more alarming to find that in SA, in terms of the percentage of the total investment of R498m, 40% was spent on upmarket housing and only 25% on low-cost housing"

Matthew Nell, MD of the Urban Foundation's residential development and construction division, concedes that the scheme is complex "If there is any common denominator, it's cash flow"

Firstly, and most important, where will the R3bn cash come from?

The Reserve Bank, explains Tucker, has "correctly maintained capital adequacy standards of 5%, but allowed the creation of a special new instrument. Home loan institutions (see diagram) — for example, NedPerm — could issue R50m worth of convertible debentures into the market, at market-related interest rates

"This would enable NedPerm to lend R1bn to new owners of low-cost houses The cash will effectively be taken on deposit by us, as usual, and then on-lent.

"The Reserve Bank regards the 5% as adequate, in keeping with international attempts to maintain adequate capital standards," says Tucker

At the top end of the scheme is a new body, the Urban Foundation Loan Guarantee Fund Foreign governments and business enterprises are putting R20m into it. The R20m will be used to reinsure South African short-term insurers who insure the new class of homeowners

Perhaps the best way to understand what happens," says Nell, "is to consider what occurs on the day the property is transferred into the buyer's name."

In the example given in the diagram, of a property valued at R25 000, the homeowner needs to put down a cash deposit of only R1 250 (5%)

If this is all the cash he has, he will then pay two premiums to a short-term insurer

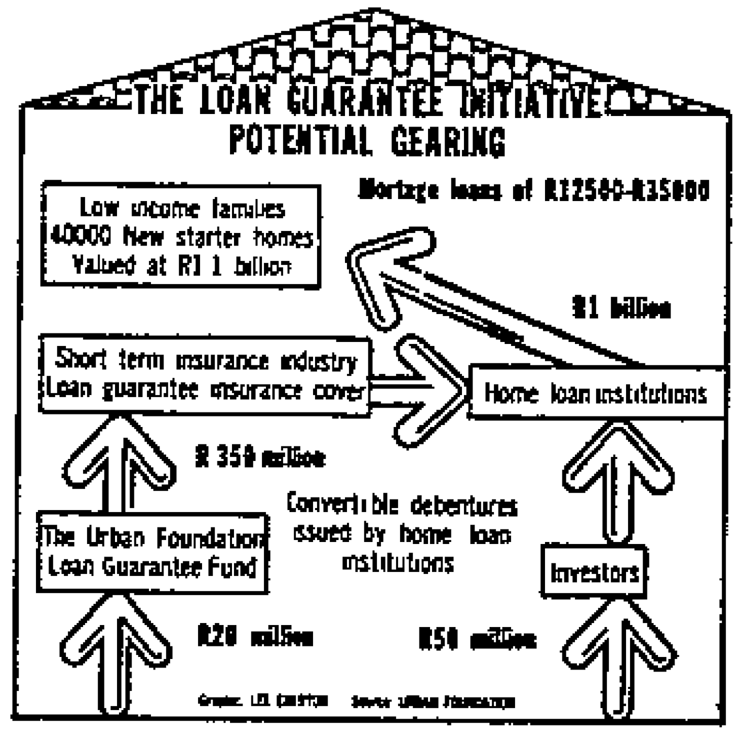
- R280 for deposit replacement cover, and,
- R375 for risk-reduction cover

The amounts can be capitalised into the loan, so he need not pay in cash. "If he has paid these two premiums," says Tucker, "the financial institutions' risk is reduced to 60% This is crucial, as it is far below the normal 80%-90%"

On the date of registration, the vendor (for example a property developer), is paid R25 000 in cash — R1 250 provided by the new homeowner and the balance by the financial institution The homeowner's principal debt mortgage bond would then be R25 000, plus the insurance premiums, plus other possible expenses such as a life policy to cover the possibility of his death

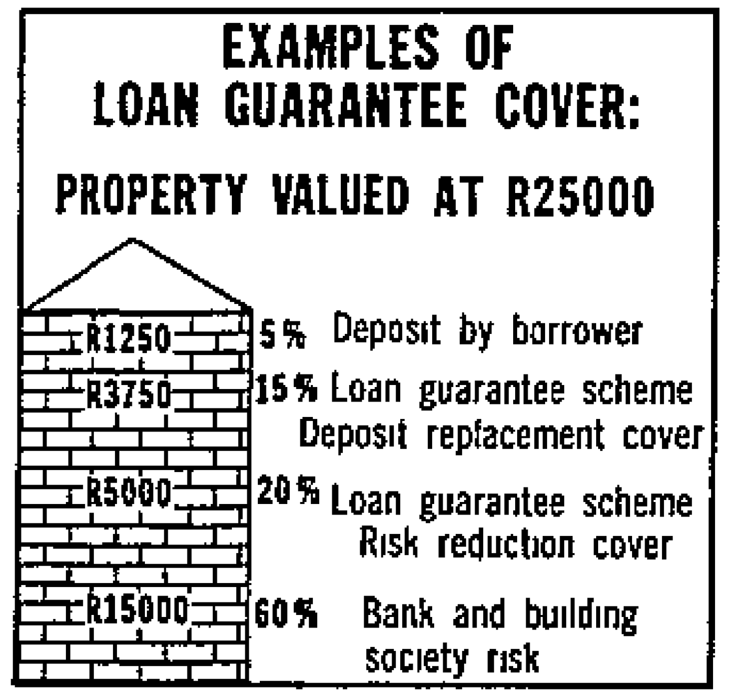
"The Loan Guarantee Fund," says Tucker, "should be seen as a catalyst The range of support is wide Three governments have put money into the fund, although most of the money comes from South African business

"It must be stressed that throughout the scheme, all rates paid will be market-related The financial institutions involved, and the short-term insurers, all have shareholders to answer to, and shareholders expect profits"



The Reserve Bank has agreed that the R50m convertible debentures will be classified as debenture capital For tax reasons, the instruments are classified as debt. "This means the debentures are more tax-efficient than equity, because dividends have to be paid after tax," says Tucker The convertible debentures will eventually be converted to preferential shares

Nell says one of the more crucial aspects of the scheme is that most, if not all, new homeowners will qualify for the government's first-time home-owner's subsidy "This means that in the example given, the monthly repayments will be much lower than would otherwise have been the case The reduction is by roughly one third



"The effect of the scheme is that 40 000 heads of household who did not previously qualify will now qualify for the subsidy"

In this year's Budget, government allocated R183m (1988-1989 R252m) for housing aid

A separate amount of R280m (R231m) was voted for urban development and housing aid to blacks, which included an amount of R220m for addition to the capital of the National Housing Fund. And Simon Brand, chairman of the SA Housing Trust (SAHT), said in the annual report this week that the value of projects approved by the board almost doubled from R441m in February 1988 to R865m at June 30

"These approvals are expected to result in the construction of 49 000 houses and the servicing of 38 000 stands Since inception, a total number of 9 200 houses was constructed and 19 350 stands serviced through SAHT involvement."

The implications of the various initiatives in housing are immense The construction industry, which has shown negative annual growth for the past decade, can look forward to better times The economic multipliers affect dozens of areas employment, transport, manufacturing, provision of bulk services

Johan Kruger, group manager, urban, of the Development Bank of SA (DBSA), comments "The importance of the Urban Foundation's private sector initiative is that it allows a number of bodies — government, quasi-state and parastatals, such as the SA Housing Trust, provinces, Regional Services Councils and DBSA — to play their correct roles This, we believe, is to enable the private sector to promote this type of initiative

"It allows for the re-allocation of existing government resources from roles which can be performed by the private sector, and allows government to concentrate on its correct role, such as the provision of proper planning and bulk services

"The implication is that it accelerates the entire urban development process The Urban Foundation's initiative offers a glimmer of hope in solving SA's housing crisis"

Nell adds "This is privatisation initiated by the private sector Perhaps the most important aspect of this initiative is that it is economic"

LABOUR LETTER — LETTERS

Toco purchases extend strategic holdings

B Day 8/10/89

LIZ ROUSE

TOCO Holdings has increased its strategic holdings in Vitrex and Premier Chemical Industries through buying Pride Consultants' and Columbia Consultants' remaining indirect holdings in the two businesses

Toco has acquired from each of the vendors their 20% holdings in and loan accounts to East Rand Chemical Holdings for nearly R3,3m, to be settled by the issue of 1,84-million Toco shares at 89c

This brings Toco's holding in East Rand to 80% East Rand has a 40% interest in Alzac Holdings, which owns 100% of Vitrex and 60% of Premier

Vitrex makes vitreous enamelled steel composite panels, while Premier is the dominant manufacturer in southern Africa of synthetic body fillers for the automotive refining market (232)

Toco's holding in Vitrex goes up to 40% from 24% and that in Premier increases to 24% from 14,4%

Vitrex and Premier are expected to contribute meaningfully to Toco's earnings growth in the current year and in future years

Cit Trst 9/10/89

Iscor share shuffle

R5,2bn from institutions?

232

Own Correspondent

JOHANNESBURG — Institutional interest in Iscor so far is 100% more than the shares available, the promoters have confirmed Shares available for institutions total 1 308m of a total 1 850m shares on offer

The offer price is 200c/share, indicating that institutions were prepared to invest R5,2bn in Iscor shares Bernard Kaiser of Senbank, one of the merchant banks involved in the offer, said the high institutional interest in Iscor so far was informal

While the indications were expressed in writing, the intentions were not legally binding on either the institution or government But if institutions formally applied for the number of shares they indicated interest in, they would only be given 50% of what they wanted, if the allocations were pro rata

Hennie van der Merwe, MD of Finansbank, the other merchant bank involved in the offer, said it was important to note that the institutional interest in Iscor in no way affected the 150m shares on offer to the general public

"People should not conclude from the institutional interest that there's no point in them applying for shares," said Van der Merwe If the offer to the general public, which closes on October 25, is oversubscribed, allocation would be made on a basis that would be announced on or about November 1

Government has repeatedly stressed that the small investor would be favoured

Kaiser said that some 350 institutions had expressed interest in Iscor shares There was no easy definition of institution, but it generally meant financial institutions such as pension funds and life offices which held shares for investors on a purely discretionary basis

Meanwhile, institutions have given a formal undertaking that they will not be applying for shares on behalf of individuals Kaiser said that it had been rumoured that some institutions were going to apply in their name for certain shares that would in fact be handed over to individuals

"Rumours such as this could make government mad," said Kaiser, "so we asked for a formal undertaking that institutions would only apply for shares that would be held on a purely discretionary basis"

And news last week that assisted minors could now apply for shares is causing new controversy

Members of the public may only apply once for Iscor shares There is now speculation that the rule can be contravened by an investor applying through one or more children "This misses the point," says Kaiser "An investor who deliberately sets out to break the rules can do so in a number of ways

"The Iscor experience has everyone on a learning curve'

John Meyer has been appointed sales consultant of Mashold's direct selling division, Family Selections Meyer is the former MD of "It's a pleasure" and sales co-ordinator of "Golden Products".

Trans Hex buys Rio Tinto ore stake

Cit Tmt 9/10/87

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JOHANNESBURG. — Rio Tinto has sold to Trans Hex its total beneficial interest in an ore deposit in the north west Cape Province for an undisclosed cash sum.

The statement issued by both companies at the weekend said the property has been fully researched and holds the potential of being brought into production within two to three years.

It is expected to become an important producer in SA of tin and wolfram (tungsten) concentrates and, to a lesser extent, zinc concentrates.

Details of this essentially cash transaction are being finalised and Trans Hex will inform its shareholders in this regard as soon as possible.

Shareholders are advised to deal circumspectly with their shareholding in the company.

Iscor workers to sell free shares

Cape Times 11/10/89

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JOHANNESBURG — More than 9 000 Iscor workers will accept and immediately sell the 200 free shares offered to them by the steel giant, the National Union of Metalworkers of SA announced here yesterday

The union had also negotiated a loan to allow its members to purchase the preferential shares allocated to them

Rand Merchant Bank would underwrite the loan so that any drop in share price would not cost the workers anything, Numsa said

These shares would then be sold immediately and any profit would be put into a workers' trust fund

The fund would be controlled by Numsa members at Iscor and the use of the money would be determined by the workers collectively, the union said.

Each member would be asked to sign a mandate to transfer any profits on the sale of the shares to the trust fund.

The union decided to take this course even though it was opposed to the privatisation of Iscor — it deplored the "selling of the nation's wealth cheaply to major business interests"

The decision was taken after extensive discussions among its 9 500 members in Iscor, the statement said — Sapa

Iscor: Numsa plans trust fund from profits

ALAN FINE

NUMSA is to channel an anticipated R4m in profits from the sale of about 10-million preferential Iscor shares allocated to its members into a trust fund for the advancement of the collective interests of those members B/Day 11/10/89

The purchase is to be financed by Rand Merchant Bank The shares will be sold immediately after the listing next month

RMB has offered to make available the potential R20m required It has underwritten the plan by offering to purchase the shares for R2,085 apiece should the opening price be below that level, which ensures the union and its members there will be no loss on the immediate post-listing sale after interest and brokerage fees

The R4m profit estimate is based on a hypothetical R2,50 selling price 232

RMB chief G T Ferreira confirmed yesterday that the offer still stood The union fund is to be administered by Numsa members at Iscor who will decide on the use to which the money should be put.

The union announced yesterday the decision was made after extensive consultations with its members at the soon-to-be-privatised corporation, who are entitled to an average 1 000 preferential shares each

Each member would be asked to sign a mandate to transfer any profits on the sale of the shares to the trust fund, Numsa said

An equivalent number of shares to which

☐ To Page 2

Numsa fund profit

B/Day 11/10/89

☐ From Page 1

the employees are entitled at a 20% discount will not be dealt with in this way

The union required Iscor's co-operation in facilitating the process of what is effectively a collective purchase of shares Management declined to do so in regard to the discounted shares (232)

Numsa expressed its disappointment at this decision, which is in line with the Privatisation Unit's view that the state's deferred payment scheme available for the purchase of disounted shares was preferable to outside financing

The scheme is effectively an interest-free loan repayable over three years Shares financed this way are held in trust and are non-negotiable until paid for

Numsa made it clear yesterday it opposed the entire employee share scheme

The union deplored "the selling of the nations's wealth cheaply to major business interests", and believed the employee share offer largely benefited management

The union had also advised members to take up the 200 free shares to which each is entitled and sell them immediately

STAR ( ) ( ) ( ) ( )

Numsa takes decision

Iscor men to accept shares — then sell

11/10/89

By Drew Forrest

Members of the National Union of Metalworkers (Numsa) are to take advantage of Iscor's employee share offer — but will sell the shares as soon as they come on the market

In a statement, Numsa "deplored the selling of the nation's wealth cheaply to major business interests", saying also that much of the staff share allocation would go to managers.

Extensive discussion with its 9 500 Iscor members had shown workers did not want to be shareholders in Iscor, as participation would mean little and give them no say in Iscor policy.

Numsa said, however, that workers would take the 200 free shares offered them and sell them as soon as possible "This, they believe, is money which belongs to them in any event."

Workers would also buy shares offered to them under a preferential placement, using a loan negotiated with the Rand Merchant Bank (RMB). These would be resold and profits placed in a trust fund controlled by Numsa members at Iscor.

Numsa's Mr Bernie Fanaroff estimated yesterday that if the shares reached a market price of R2,50, up to R4 million could accrue to the fund.

Numsa also attacked the Privatisation Unit for blocking the purchase of shares under a 20 percent discount offer with money made available by RMB

The Government is understood to feel the immediate resale of shares defeats the object of the offer, which is to give workers a stake in industry Mr Fanaroff said that as black workers had limited access to credit, it was "most unlikely" they would take up the discount share offer.

years. The repayments are calculated for a 20-year bond.

Timeshare Dynamics under final liquidation

By Cathy Stagg (232)

Timeshare Dynamics was placed under final liquidation in the Rand Supreme Court yesterday.

Leisurelife managing director Ms Sandra Ann Quinn said in papers that when Timeshare could not pay Leisurelife for promotional and marketing services, a new agreement was made, resulting in the formation of a new company, Leisure Industry PR Association (Pty) (Lipra).

Star 14/10/89

Timeshare was not able to pay agreed amounts. Leisurelife was owed R166 939 for promotional services from June to August this year and also has a prospective claim of R3,4 million. Timeshare's debts were estimated to amount to R4,5 million and its investments in various timesharing properties could total R2 million.

Mr Justice E Stafford granted the final winding-up order.

An urgent application by Standard Bank for the winding-up of World of Leisure Holdings Ltd was postponed until October 24. One of World of Leisure's subsidiary companies was Timeshare Dynamics Ltd

F Mail 13/10/89

From merging to diverging

The era of the international mega-merger is over almost as soon as it began. True, Deloitte, Haskins & Sells and Touche Ross are still battling their way towards a link-up, but Horwath & Horwath has abandoned its talks with Spicer & Oppenheim and — more significant by far — the Arthur Andersen-Price Waterhouse (PW) deal is off, too.

The astonishing thing about that affair is not that talks broke down, but that they took place at all. Cultural clashes (aggressive Andersen versus gentlemanly PW), organisational and structural problems and conflicts of interest, were all predicted when talks were announced three months ago.

It was a tribute to the reputation of the two firms that competitors' scepticism was qualified by a mighty dollop of awe. The firms were so formidable, so professional, so competent, ran the argument, that they alone of all the Big Eight were capable of ironing out problems of such magnitude. In the event, the problems were too big.

Industry gossip suggests the talks were broken off by Andersen, after PW failed to accept Andersen's centralised management structure, that Andersen wanted to lop no fewer than 80 PW partners in the UK alone, and that PW wouldn't accept Andersen's international remuneration arrangement, whereby all partners belong to one Swiss-based organisation — though divided into audit and consultancy for operational purposes.

Whoever pulled the plug, it seems certain there was an irreconcilable conflict between Andersen's approach to management, via diktat from Chicago and New York and PW's more federal structure.

Equally certain is that conflicts emerged between Andersen's formidable strength in management consultancy and PW's distinction as auditor to many blue-chip companies. Andersen specialises in large, turnkey information technology projects and facilities management, which involves sending squads of programmers to work with the client.

The trouble is that Andersen programmers are often deployed to PW audit clients and that Andersen works in collaboration with — and buys a lot of computer hardware from — PW clients, such as IBM and Hewlett-Packard.

Solutions are obvious. PW could have dropped beloved audit clients, or Andersen could have withdrawn joint venture agreements with IBM, sourced products elsewhere and pulled consultants out of PW clients. The two no doubt had the wherewithal to demerge the consultancy practice altogether. But none of these options was palatable.

There were a host of other "technical" difficulties. Andersen is unlike other accountancy firms in that its partners own a university at St Charles, Illinois — an important fixed asset with a value incorporating decades of accumulated goodwill. How does one deal with that?

More seriously, Andersen partners earn more fees than their counterparts at PW (£942 000 each at Andersen in the UK last year against the £612 000 earned by each PW partner). And there was evidently a snag with the way in which PW reserved/did not reserve for UK pension liabilities — ironic, since pension problems at Deloitte were cited by PW as one reason why a merger with that firm did not take place in 1984.

There were 10 working parties, composed of partners from both firms internationally, looking at such issues. Solutions could certainly have been found had there been a real commitment to merge — that is, if the main issues had been agreed.

The joint statement from the firms was a model of uncommunicative blandness. "The discussions were discontinued because differences could not be resolved within a realistic time frame," it said, helpfully.

The intergalactic overlords of the two — Lawrence Weinbach at Andersen and Joseph Connor at PW — evidently enjoyed dealing with one another. "Both firms have emerged from the talks with great respect for one another," the statement gushed "and better insight into the professional service environment in which they operate."

It is lamentable that the firms do not see fit to say more about the talks and what went wrong. Clients will be astonished at the naivety of business organisations that valued corporate gigantism a few months ago and now find they were big enough all along.

The reputation of the profession as a whole suffers when big firms get up to such antics. Less so when medium-sized firms do the same thing, perhaps, but it is still faintly comical to see Spicers and H&H deny talks are taking place, trumpet the virtues of a liaison and find that talks are leading nowhere, all in a fortnight.

With characteristic self-assurance — some would say arrogance — Andersen and PW both claim their strategic vision is unimpaired by 12 weeks of merger chat. Neither admits to being embarrassed but PW's credibility must take a knock, given its failure to tie the knot with Deloitte back in 1984.

Meanwhile, competition between what — if Deloitte and Touche merge — will be the Big Seven is bound to intensify.

Coopers & Lybrand will lose the competitive advantage it may have gleaned from being massively larger than the medium-sized firms and yet very distinct from the mega-merged firms. As the table shows, KPMG will — once again — be the largest firm in the world.

VIEW FROM THE TOP

Ranking of accountancy firms

Firm	US$m	Partners	Staff
KPMG*	4 130	5 540	45 645
Ernst & Young*†	4 014	5 569	44 555
Deloitte Ross Tohmatsu†	3 761	5 470	44 867
Arthur Andersen	2 820	2 016	33 568
Coopers & Lybrand	2 500	n/a	n/a
Price Waterhouse	2 218	2 626	26 736

* Figures altered to reflect merger of Thorne Ernst & Whinney and Peat Marwick in Canada in August 1989
† Assuming firms existed in 1988

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DEREGULATION

When the dust settles

It's the knock-on effect of financial market deregulation After the banks' aggressive thrust into the mortgage market, the first real signs are emerging that building societies are planning a major counter-offensive to regain market share.

And, as has happened in Britain, it looks as though the battleground could be estate agencies, which are at the coalface of the bond business through their close interaction with property buyers.

Perhaps appropriately, it's the country's largest bond supplier, United, which seems to be making all the running First it acquired a 33,3% stake in Multi Listing Services (MLS) in August Now there's talk that it's planning to move on one of the country's largest estate agencies There have been persistent rumours that it is about to close a deal with the listed Aida Geffin Estates United has admitted that it is "talking to all of them"

The advantages are clear Firstly, it's a natural expansion of the services it offers in the home market Secondly, it is to some extent a measure aimed at protecting its back

If it owns a string of estate agencies, it's far more likely that when a property is sold through one of its outlets the bond financing will be done through United

However, estate agents, notorious for protecting their independence, are not about to take United's incursion into their traditional market lying down There is a feeling that any blood spilled is likely to be that of the societies as agents do their utmost to protect their turf

Says Basil Elk of the Basil Elk Estates "I haven't seen the MLS agreement, so I don't know what it involves However, if this is a manoeuvre to lock agencies into using its financial services, then it won't be a case of United getting egg on its face, but rather one of how much egg Correctly run estate agencies act in the interests of the client That is what determines where borrowings come from."

He admits a few estate agents may be hoping for societies to "drop out of the heavens with cheque books" in a bid to gain a foothold in the market But, institutions contemplating such a move aren't reading the situation well

"If, for example, this is United's plan, it will backfire The MLS deals involve 600 agencies, but there are about 6 600 registered with the Estate Agents' Board United could alienate 90% of the market"

Landmark director Jan Oelofse believes the moves may not, in the longer run, be confined to residential property Industrial and commercial brokerages may eventually also become targets

While he accepts that United's actions are acceptable in SA's growing climate of free enterprise, much depends on its intentions and whether it will impinge on small business

"It's debatable whether it's a good thing that people backed by the might of the rand because of the size of the organisation, can push small companies out.

"If it's trying to corner the market then move in to create a monopoly, that will obviously stifle rather than enhance competition and free enterprise"

Ironically, United's moves have evoked remarkably little criticism from some other agents

On the residential side, Eskel Jawitz, MD of J H Isaacs, Eskel Jawitz, believes, for example, if the move adds an element of competition, then it can only be good for the industry and home buyers He says only when the dust settles will it be possible to see whether the moves are a success.

"This sort of thing was being discussed three or four years ago — even before deregulation In the UK, many financial service organisations are licking their wounds from imprudent forays into real estate sales. They learn the hard way that financial services and estate agencies are entirely different cultures"

The bottom line, he says, is that the market needs quality service All the financial institutions grant bonds relatively quickly and provide services to help the public and the estate agents

"For us, it's a further form of competition. It reinforces my long-held view that estate agents must constantly improve their service through well trained and fully informed staff The name of the game is service, knowledge, and expertise."

From the building societies' perspective, not all are as keen on diversification Allied's GM regions, Geoff Bowker, says the Allied is sticking to the business it knows best. "Our philosophy is simple

"We know exactly what we're doing when it comes to lending money on houses Estate agents are experts at selling homes We don't want to impinge on their independence" ■

AFRICAN LIFE (232)

13/10/89 F'mail

A step closer

Southern Life subsidiary African Life has taken a further step towards a JSE listing with publication this week of a prospectus as part of an offer of shares to policyholders and other associates of the group

The offer to policyholders, explains MD Bill Jack, is one of the steps envisaged when the group started planning its eventual listing in 1986 At that stage the listing date was set somewhat arbitrarily for five years ahead, in 1991

However, once the offer to policyholders is complete, there may be little if any reason to delay the listing much longer — provided stock market conditions remain bullish enough That means the flotation could take place around the end of the 1990 financial year to end-March. Jack says that the prospectus has been drawn so that it complies with all the requirements for a JSE listing, and no further changes will be needed.

Assurance

Now, African Life is offering 7m ordinary shares at 110c each to policyholders, members of their families, employees and selected business associates. A further 18m shares have been offered to the holding company, Southern Life, at 110c a share

There will be 52,6m shares on issue after the offer, which will bring in some R27,5m in additional capital. The funds will be used largely to fund expansion of the business As Jack puts it, small life assurance businesses "tend to be cash hungry"

The group's total assets were R32,8m in 1982, reached R119,1m at end-March 1989 and are forecast to exceed R150m at end-March 1990

The shares are being offered at attractive yields EPS in 1989 were 8,3c and the dividend 6,3c, giving historical yields of 8,3% and 5,7% The forecast dividend for the 1990 year is 7,8c — based only on shares in respect of which shareholders do not elect to take up capitalisation shares — giving a prospective yield of 7,1% ■

What kind of share the workers want

B/Day 13/10/89

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ALAN FINE

THANKS to some hard work and a bit of luck, Numsa has contrived to subvert utterly the entire purpose behind the employee share aspect of the Iscor flotation

The plan, as reported earlier this week, is to set up a trust fund financed by the profits of up to 10-million stagged preferential shares — employee shares will be sold immediately and the money used for the "collective benefit" of members at Iscor.

This could hardly be more contrary to the state's intention of using the privatisation process as an opportunity to educate a broad mass of the population, including employees, to the advantages and benefits of individual and long-term share-ownership

It could be argued that holding on to the shares, if long-term financing could be arranged, may make better financial sense But Numsa's plan is more a political than a financial one

All it would take to complete the picture is the trust being used one day as a strike fund

This assumes, of course, that the plan does not run into difficulties as did the same union's efforts at Samcor last year.

It appears Numsa is highly conscious of possible problems Organisers spent much time discussing the matter with membership, which is why its resolution took so long.

This is not to say the Iscor employee share scheme will be a total failure Numsa represents, after all, only a minority of the workforce But the development has important long-term political implications

□□□□

WHY did it turn out this way? For a start, those who managed this aspect of the Iscor flotation acted in precisely the way the new President has argued is *not* the way to resolve SA's problems

The employee share structure was not the subject of consultation, much less negotiation The offer of 10% of the equity to employees was announced as a fait accompli with the assumption that it would be gratefully received

Privatisation is not a simple economic transaction It is an important facet of economic policy And if we are all talking about the need to negotiate the country's political future, the same applies equally to its economy

Therefore the argument put forward in defence of this approach, that share ownership is simply a matter of individual choice, simply does not hold water.

It seems, rather, a disingenuous way of avoiding the need to negotiate with an important, organised, constituency.

As this column has argued before, Iscor was an opportunity to engage in the privatisation debate with one of SA's most sophisticated unions The sophistication is shown in the fact that Numsa did not take the unimaginative course of simply rejecting the share scheme through rhetoric

There would doubtless be hostility towards the privatisation process in SA following a different course to that, say, in the UK, with concessions being made to socialist-tinged organisations

But, as people like JCI's Ronnie Bethlehem have argued, SA will have to find some kind of economic middle road between the pure free marketeers and the socialists.

Numsa is not wedded to the idea of a nationalised command economy The union's education officer, economist Alec Erwin, is on record as saying· "Nationalisation is not a solution in itself. More complex ownership structures are necessary — ranging from nationalisation, to state-capital partnerships, to worker-controlled enterprises, to co-operatives and to private enterprise."

Read this with Numsa's reasons for opposing the Iscor scheme

"Numsa was not consulted at any stage in the move towards privatisation Numsa deplores the selling of the nation's wealth cheaply to major business interests Financially this (worker) participation will be worth very little and it would not give workers any say in the policy of the company"

Does any of this lay the basis for discussion before the next major state corporation is privatised? Perhaps it is something for the Privatisation Unit to think about

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Anglo American director Bobby Godsell at Wits yesterday. Picture BRIAN HENDLER

'Job levels will be knocked by privatisation'

ALAN FINE

WHILE privatisation of state-owned corporations might lead to greater efficiency, the process as undertaken in SA would exacerbate unemployment levels, Numsa education officer and economist Alec Erwin said yesterday

He was speaking in a Nusas-sponsored debate on the subject with Anglo American director Bobby Godsell at Wits University

Godsell said the main purpose of privatisation was to bring about the efficient use of scarce resources by removing government ownership of industries and services, where its track record was poor

Godsell said privatisation was neither a panacea for achieving good economic growth nor a mechanism for reducing state social expenditure

"Business knows society needs to devote more resources to areas like education, health and housing," he said

Strategy

Erwin said greater efficiency in corporations to be privatised had been and would continue to be achieved through mechanisation and rationalisation, rather than through expanded production.

He said the main features of any coherent strategy included, firstly, improvements in productivity to lower manufacturing costs and make goods more accessible to the poor and competitive on international markets

Secondly, the negative (employment) effects of rising productivity had to be balanced by a strategy to expand productive capacity based on technological advancement, not on cheap labour This required a comprehensive strategy based on technical and manpower planning to restructure SA's economy, he said

Privatisation in SA needed a coherent economic strategy designed to address the problems of unemployment and poverty, he concluded

44 hospitals in line for privatisation

B/Day 13/10/89 (88) 232

GERALD REILLY and ADELE BALETA

GOVERNMENT is investigating the possibility of privatising 44 public sector hospitals, starting with five major Transvaal institutions

Opening the Zandfontein Clinic in Sandton last night, Health, Welfare and Housing Minister Sam de Beer stressed government's commitment to privatisation, saying offers for some of the hospitals had already been received from the private sector

The department's director of medicine, Dr Anton Klomp, confirmed last night that hospitals to be given immediate attention ranged from those catering solely for private patients to those for which government was responsible, such as institutions for the mentally handicapped.

The hospitals were Andrew McColm in Pretoria, East Rand's Kempton Park Hospital, the South Rand Hospital, Discovery Hospital in Florida and the Cullinan Rehabilitation Centre for the mentally retarded.

Klomp said the department, in conjunction with the Committee of State Administration, would appoint a private firm to investigate the possibility of privatising the hospitals.

This would be done as soon as possible as a report was expected at the end of February He did not know who had made offers from the private sector but said he believed "big developers" were involved.

De Beer said assurances would have to be given that adequate provision for non-private patients would be made. No hospital could be privatised while this class of patient, who was the state's responsibility, was ignored

Government had embarked on a path of increasing partial privatisation of health services. Public sector hospital beds would in future be made available to private entrepreneurs. Government might also contract out work to private agencies or sell certain facilities out of hand

"It is also accepted policy that the state will no longer erect or operate new hospitals where the private hospital industry could do the same."

De Beer said another factor giving impetus to the swing towards privatisation was the increase in the number of members of medical aid schemes. Beneficiaries increased by 13,2% between 1981 and 1985. Among blacks the growth was 63%. He said privatisation was not only a way of helping the state to spend less, but it would ensure the state did not have to subsidise those who were covered by medical insurance

However, he said, two-thirds of the coun-

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Hospitals

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☐ ~~From Page 1~~

try's population was still dependent on the state for basic health services

The state, therefore, had to provide health services for millions of individuals disabled, chronically or terminally ill, as well as pensioners, of which there were about 1,3-million of all races

He warned that the unco-ordinated provisions and over-supply of facilities could contribute greatly to an escalation of health costs He stressed the provision of health services imposed a heavy financial burden on government It represented 9% of total government spending

Government could not afford to spend more on health services and serious efforts had to be made to limit state spending

Private hospitals, until now, had been regarded as primarily for the more affluent third of the population Government believed privatisation should also meet the needs of the other two-thirds

It went without saying that privatisation of existing facilities could only be considered if the private sector was prepared to provide the full spectrum of health services at an affordable price

W Mail 13-19/10/89

Workers may set up strike fund with their Iscor shares

(232) (1 A)

By CASSANDRA MOODLEY

THE workers' trust fund to be established from sales of Iscor worker shares could be used as a strike fund or to finance the metal union's annual general meetings.

However, the "exact use of the fund will be collectively decided by National Union of Metalworkers of South Africa members", said Numsa representative Bernie Fanaroff.

It was recently announced that the Iron and Steel Corporation was to be privatised and that employees were being offered shares.

Numsa said this week its members "did not wish to be shareholders in Iscor" but intended selling their shares and diverting the profits thereof into a worker trust fund

Employees are entitled to 1 000 preferential shares. At an estimated selling price of R2,50 a share the almost 10 000 Numsa members stand to make a R4-million profit.

The Rand Merchant bank will grant a loan to Numsa for the purchase and will underwrite this loan to protect the union in the event of a drop in share price.

Numsa said all its members would apply in their individual capacities for the allocation of the free shares. On the same form they would instruct its immediate sale so the company would pay cash to the workers.

However, Iscor is preventing workers from implementing this plan on those shares that held a 20 percent discount on the listed price.

"This was the company's way of ensuring that employees held shares," Fanaroff said.

The Iscor Privatisation Unit advisor Eugene van Rensburg said: "We are not prescribing how workers should deal with their shares

"However, the scheme that Numsa is offering its members may not benefit them adequately in the long-term. Workers should hold on to their shares in order to reap the best rewards," he said

"As a short-term scheme the workers may gain by selling their preferential shares immediately."

Numsa members were opposed to holding shares because they believed "Iscor was merely trying to show that it was spreading the ownership of the means of production and that workers had a share in the wealth of the country", Fanaroff said

"Workers said they would much rather have a better wage than hold employee shares in the company."

Employees were also opposed to holding shares because "this would restrict them from taking strike action", Fanaroff said.

S/Times 15/10/87 232

Ernst & Young off and running

ROY ANDERSEN . . a smooth link-up

By Ian Smith

MERGER fever among the world's Big Eight international accountancy firms has not been without its complications

A number of South Africa's top firms have been affected by the wave of proposed mergers in the last six months, but, so far, only one has come to fruition

The worldwide merger of Ernst & Whinney and Arthur Young saw the birth of Ernst & Young — SA's largest professional services firm with 180 partners and 1 600 staff operating out of 29 offices

The local link-up has gone very smoothly, says E & Y SA executive chairman Roy Andersen "When the merger was announced at the end of June I said we would hit the ground running This has proved to be the case"

A significant honour for the local operation is Mr Andersen's appointment to the six-man international task force to set the strategic direction for the world group.

Leaders

He joins other E & Y leaders from the US, Canada, the UK, Europe and Japan South Africa's representation is far beyond its importance to the world scene, says Mr Andersen

SA contributes 4% to 5% of world billings, which totaled $4,2-billion last year

He attributes the success of the local link-up to the fact that both practices had strong local identity and roots "We have worked hard to integrate a good match of skills, specialities and cultures"

The merged firm was in place in most respects long before October 1 — well ahead of most overseas countries

Expertise

Major benefits will occur in the technology area Arthur Young's CASE tools for computer systems development and Ernst & Whinney's consulting expertise combine well together.

E & Y includes 120 listed companies in its range of clients, and there has been no fallout, says Mr Andersen

"From the day of the merger announcement we have placed the emphasis on service to large and small clients They have also had the assurance of competitive fees"

Minister spells out labour priorities

B/Day 16/10/87 (232)

ALAN FINE

THE attainment of labour peace, training and deregulation, and through it job creation through small business development, were his most important tasks, newly appointed Manpower Minister Eli Louw said on Friday.

In an interview with Business Day, Louw said he believed political progress in SA would make it easier to achieve labour peace "This will make it easier to stick to workplace issues," he said

"That does not mean I think we can avoid strikes There will always be disputes We want what is normal"

Louw believed high-profile political activities by unions meant that members' economic interests suffered

This, he said, was borne out by a survey, commissioned by the Bureau for Information, which showed most black workers believed unions should concentrate on workplace issues alone

He accepted trade union leaders had a political role to play They were among those invited by the President to take advantage of his open door But, said Louw, union leaders should participate as politicians and not use their unions to achieve their political goals.

He repeated that his door, too, was open to unionists "We have a lot of work to convince each other that what we believe is in the national interest. For this, we must talk to each other."

Louw said that in its investigation into the Labour Relations Act, the National Manpower Commission would regard as important any agreement emerging from talks between Saccola and union federations Cosatu and Nactu But, he added, Cosatu and Nactu did not represent all workers The NMC would, therefore, also take account of the views of others

Louw said he believed the R350m training programme inaugurated by his predecessor, in which 1,1-million unemployed people were trained over five years, was one of the most important projects government had ever undertaken He intended continuing with the programme. He also believed government had, through the Manpower Training Bill, set in place a structure to facilitate training through the private sector

Deregulation, he said, was a further necessary aspect of policy

Asked how far he believed deregulation should go, Louw said the key question was what would best accommodate job creation There were certain areas, though, like health and safety, which would continue to be regulated.

Govt prepares to chop its role in forestry industry

B/Day 18/10/87

GERALD REILLY

PRETORIA — Government is preparing to reduce substantially its role in SA's forestry industry, Environmental Affairs director-general Bill Visagie said yesterday (232)

At a seminar here on the strategic forestry development plan, he said the industry had the potential to double its existing plantation area, build up to 21 new processing plants and create more than 150 000 jobs

Visagie said it was no longer necessary for the state to retain the same level of involvement in the industry Investigations into privatisation as well as the consolidation of forestry research under the CSIR supported this view

On privatisation, he said that whatever transpired there was little doubt the original mission of the department, that of overall planning and policy-making, would still operate

According to the second strategic forestry development plan released at the seminar, the demand for roundwood timber would increase by an average of 2,5% a year until 2010, to about 29,3-million m^3

B/Day 18/10/89

Tax and govt spending need attention — Relly

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PORT ELIZABETH — Four areas needing continued effort to help improve SA's economy were outlined in Port Elizabeth last night by Anglo American Corporation chairman Gavin Relly

Opening the annual Assocom congress which coincides with the 125th anniversary of the Port Elizabeth Chamber of Commerce, he said the list was by no means exhaustive

The four areas comprised the tax system and government spending, establishing priorities for spending, deregulation and privatisation, and productivity

He said there was a need to continue to restructure the tax system and to reform government spending Much political will would be needed by the new administration to carry through this difficult task He welcomed the reduction in spending by the President's Council as a token of good faith

While overall government spending would have to be within the bounds of affordability, Relly said, spending in some areas would have to receive priority This applied particularly to education

Own Correspondent

"May I also make a plea for attention to more adequate funding so that both the calibre of recruits and the number of police can be increased to the advantage of the entire South African community"

Benefit

Government needed to make more progress on deregulation and privatisation Its assurance that it would use the proceeds of privatisation primarily for paying off debts must be carried out

The private sector, however, also had an important duty, together with government, in the area of deregulation and privatisation to draw those who had been excluded from the economic mainstream into those processes through debate and explanation and by ensuring that they, too, benefited from the process

"I think many in business have simply assumed that the virtues of the process of deregulation and privatisation are self-evident, and have not made an adequate attempt to understand why segments of the black community are highly critical of them or to reassure often legitimate fears"

Finally, he said, there was the issue of productivity Attempts by the business community to impose productivity on the workforce in a top-down way were bound to fail.

"It is only by inviting the full participation of the workforce in generating schemes to improve the productivity of enterprises that the sort of improvement which is vital to the economic well-being of the country can be achieved"

Referring to the process of political change, which was accelerating, he said the primary role of the business community would be to continue to produce wealth and to engage in all the activities

Business would not be able to produce wealth if it did not demonstrate that it was committed to a new SA

Getting its own house in order meant meeting enormous challenges in the industrial relations and human resources areas, Relly said

40 000 jobs axed by privatisation

(232) Bday 09/11/89

ROBERT GREIG

MORE than 40 000 public corporation jobs — 2,4% of the entire public sector — have been eliminated by privatisation, most since March 1989.

The latest quarterly Central Statistical Service survey of employment to June 1989 says public corporation employment has dropped by 23,5% since June 1988 and 22,3% since March 1989

Public corporations are defined as enterprises in which the state has a majority interest and their subsidiaries It excludes Sats and the Post Office.

The CSS figures show an immaterial decline until the quarter ending March 1989, which saw 173 652 employed, then a rapid, dramatic drop to 134 833 at the end of the June quarter These figures do not reflect the period in which Iscor was privatised

A feature of the figures is that the job reduction has been racially uniform the proportions of whites and blacks employed by public corporations at June 1988 are virtually what they were at June 1989.

However, the wage bills of blacks, measured as a proportion of the total public corporations' wage bills, have risen slightly (by 1,4%), while the white wage bill has dropped by about 2,0% The overall wage bill is down by 14,75% from June to June, representing an annualised saving of R550 272 in wages and salaries alone.

Most sections of the public sector show signs of declining numbers and wage bills and rising vacancies, except for civil services of the bantustans. There the wage bill has risen 39,2% on a 9,27% employment increase in the June to June period.

In the public sector as a whole, including universities, technikons and agricultural marketing boards, employment has decreased by 1,2% since June 1988 and 0,7% since the quarter ending March 1989

Average salaries and wages have increased by 7,6% since March 1989 and 15,5% since June 1988. The total wage bill for the public sector has risen 14,6% since June 1988 and 6,1% since March 1989.

The CSS figures show a small decline in civil service employment for the June 1988 to June 1989 year — 0,10% — with a more pronounced decline between March 1989 and June 1989 0,30%.

They also show a wage bill rising 15% to R5bn for the quarter ending June 1989, from R4,4bn for the June 1988 quarter. This compares to a 21% rise in the March to March year

Incorrect information on Gillette sale

BRENT MELVILLE

IN A report yesterday headlined "Gillette sells off SA assets" Business Day stated that Oral-B had been included in the sale of Gillette USA's SA assets Business Day was reporting on erroneous information provided by a spokesman for Gillette USA, Oral-B is, in fact, not part of the deal

Business Day also inferred that the entire Gillette factory involved in the manufacture of the Minora twin-blade would be shut down In fact the factory will be sold to Twins Pharmaceuticals, though Gillette SA will discontinue the manufacture of the blade, which will now be imported

Without the inclusion of Oral-B, the move represents the sale of just over 50% of Gillette USA's assets in SA, and not 100% as stated The errors are regretted

BD 20/10/85

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ADE privatisation on the cards, says MD

BDay 8/11/89

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Political Staff

CAPE TOWN — The giant Atlantis Diesel Engine (ADE) company, which cost about R500m to establish at Atlantis on the Cape west coast, is likely to be privatised as a blue-chip company on the Johannesburg Stock Exchange

ADE MD Harmurt Beckurts said this in an interview in the latest issue of Leadership magazine

He also said ADE, which employs about 3 000 people, was working on a five-year capital expenditure programme and he expected a further R100m expenditure during 1990

Asked if ADE would be a target for privatisation, Beckurts replied "I hope so It is certainly our ambition to become a blue-chip company on the stock exchange

"That is our ultimate target "

ADE had not reached the level of profitably that would give it the return on investment an investor would consider adequate

"But we are profitable, and by the end of the year we will have recouped all our losses

"For the first time, we find that we are stable and we can really plan ahead," he said

ADE, which is 87,5% owned by the government-controlled Industrial Development Corporation and 12,5% by Daimler-Benz, produces about 22 000 diesel engines a year with a local content value of around 55%

Beckurts said "When we look at the local content of ADE, where we stand in 1989, we can say that, in terms of phase six (of the local content programme), we save a foreign exchange equivalent of R220m a year "

ADE was also exporting locally made

□ To Page 2

ADE privatisation

□ From Page 1

components, worth "in the region of R25m a year"

It had to achieve a zero foreign exchange balance by 1997

"In other words, any imports that we still need have to be compensated for by exports

"So, by 1997, we will have achieved an absolute balance as far as forex usage is concerned, and that is a tough one

"While we have made very good progress so far, we now have to work to increase local content

"So by 1997 we will probably have reached about 87% local content by value, but still not 100% So the difference between 87% and 100% we have to make up with exports," Beckurts said

Cape Times 23/10/89

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Most Iscor workers apply for shares

Own Correspondent

JOHANNESBURG — With one day to go before the Iscor share offer closes, 70% of the steelmaker's 60 000 employees have applied for their free share allotment, and nearly 50% of the 70m shares available to them at a 20% discount have been taken up

Iscor spokesman Piet du Plessis said yesterday this was the situation on Friday Offices were open for further transactions on Saturday and will be open today.

He said Iscor management was satisfied with the level of employee interest shown so far The issue was going according to plan and a rush of applications was expected in the last few days

Details of applications for the additional 70m shares allocated to employees at full listing price but on a preferential basis were unavailable, as these were being processed directly through the merchant banks

These include the potential 10m shares being taken up by Numsa members in terms of the plan to sell off the shares immediately and create a trust fund financed by profits

The union has advised its 9 500 members to take up the 200 free shares to which each is entitled and sell them off immediately too

Du Plessis disclosed the NUM, which represents nearly 2 000 workers on Iscor mines, had adopted a different approach to that of Numsa

He said the NUM had advised its members at Sishen and at Grootegeluk near Ellisras not to take up even the free share offer This is the same as the NUM stance on the Anglo American share scheme, where employees are being given some R300 each in shares a year for five years

Du Plessis said some NUM members had, nevertheless, applied for the shares NUM officials could not be reached for comment.

He said a smaller proportion of employees in lower job categories than in the higher ones had applied for the discounted shares The numbers of discounted shares allocated to each individual is related to his or her earnings bracket.

About two-thirds of these applicants had also applied for funding through the special state "deferred payment" scheme, Du Plessis said

In terms of this scheme, the amount loaned is to be repaid in 36 equal monthly instalments — it is effectively an interest-free loan.

Bid to buy Board fails

Cape Times 23/10/89

By AUDREY D'ANGELO
Financial Editor

232

THE 150-year-old Cape Town-based Board of Executors has successfully fought off a hostile take-over bid by the Johannesburg-based Investec Bank.

Investec executive chairman Mr Bas Kardol conceded defeat on Friday afternoon

Soon after 5pm he told the Board's chief executive, Mr Bill McAdam, that his company would withdraw its Supreme Court application against the Board and its holding company, Mercury Trust.

Investec had hoped to take over the Board by buying control of Mercury for R50 million The court action was to contest the validity of some of the Board's own shareholdings in Mercury and the right of those Mercury directors who are also directors of the Board to vote against Investec's offer

He admitted in an interview yesterday that there was no point in going on with the take-over bid after an announcement on October 5 that Liberty Asset Management — part of the Liberty Life group — had bought 27% of the Board from Mercury, leaving Mercury with only a 13% holding in the Board.

● Board of Exec's plans — Page 11

Iscor likely to raise R18m in interest

CAPE TIMES 24/10/89 232

Own Correspondent

JOHANNESBURG. — Iscor's privatisation is likely to raise more than R18 million in interest over a nine-day interest-bearing period and assuming a conservative R4 billion subscription.

This will be used chiefly, but not exclusively, to pay communications costs of the privatisation — public relations and advertising.

The balance will pay costs of professional advisers, like lawyers and accountants, say state and Iscor sources.

Selling off Iscor is likely to be more cost-effective, privatisation unit members believe, than comparable British privatisations.

On 16 of these, average costs expressed as a percentage of funds raised was 3,5%

The Reserve Bank has provided R100 million for costs of the Iscor privatisation, which on R3bn raised works out at 3,3% — or 0,2% less than the average cost of a British privatisation.

However, privatisation advisers, including merchant banker Mr Johannes Hamman, managing director of Finansbank, know the comparison has its limits

The British interest and fee rates structures are different and some of Iscor's costs have in fact been what Mr Hamman calls "public education costs".

In other words, through Iscor, the state has been selling privatisation generally

Privatisation unit chairman Mr Pieter van Huyssteen says costs of the exercise, will be disclosed after the offer has closed

Until then, Mr Bernard Kaiser of Senbank says, estimates of subscriptions are only estimates, but the state plans to release a breakdown after the weekend

The Iscor offer is underwritten to R3bn It is impossible to say yet whether the offer will be over-subscribed and if so, by how many times.

But it seems likely that between R4bn and R5bn — if not more — in private and institutional money will be lodged, most of it, say the state's merchant bankers, Senbank, on October 25 when the offer closes

Assuming R4bn is subscribed, the state will earn R14m over a 7-day period

It will also earn interest in the period between posting over-subscription cheques on November 2 and the recipients receiving and depositing the cheques

Between October 25 and November 1 the subscriptions will be lodged with chiefly the major commercial banks — Trust, Standard, First National and Nedbank — earning interest at 18,5%, according to the Reserve Bank, which will accrue to the state.

In the Iscor prospectus, the state said over-subscription cheques would be posted on November 1 and yesterday Mr Hamman said despite the volume of applications, the state would keep to this deadline.

Star 25/10/89

Seminars focus on privatisation

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Education Reporter

A new lecture series — "Commerce and Democracy" — introduced by the Department of Business Economics at the University of the Witwatersrand begins on November 1.

The seminars will focus on commercial issues in relation to political and economic change in South Africa.

The theme of the first seminar is. "Privatisation and economic justice" and three talks will be delivered, followed by comment and discussion

The subjects and speakers are "Privatisation and the distribution of income" delivered by Professor Duncan Reekie, "Privatisation and natural monopoly" by Dr Dan Leach and Dr Frank Vorhies, and "Privatisation and social welfare" by Mr Harry Zarenda

The seminar is free of charge and open to the public It starts at 1 45 pm and will be held in Room 53 the Barclays Building on the West Campus.

The dates of the subsequent seminars have not yet been set but it is hoped to hold them about once a month

Leading industrialist to head new-look Sats

Argus 26/10/89

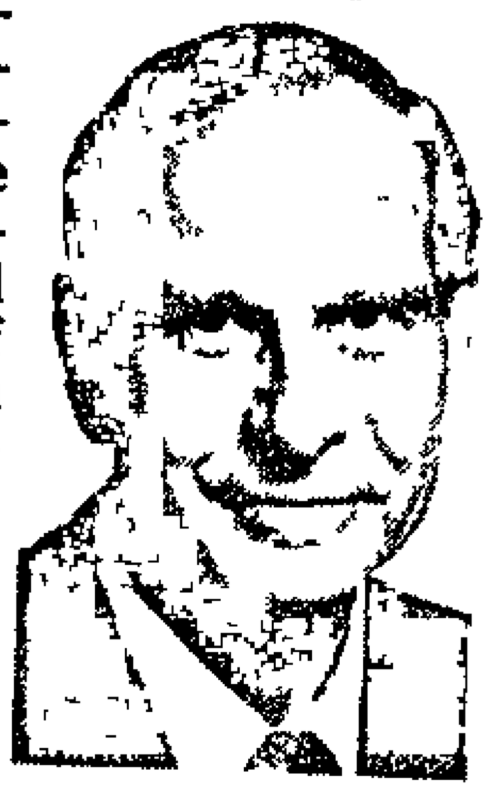
232

By HELENA PATTEN, Staff Reporter

INDUSTRIAL Development Corporation chief Mr Marius de Waal has been appointed to head Sats in the next step along the road to privatisation

Dr Dawie de Villiers, Minister of Mineral and Energy Affairs and Public Enterprises, made the announcement in a statement last night

He said Mr De Waal had resigned as chairman of the Industrial Development Corporation to take up the new post of chairman of the directorate of the public company to be instituted according to the Legal Succession Bill of the South African Transport Services from April 1 1990



Mr De Waal

The names of the other members of the directorate are expected to be made known before the end of the year.

The announcement also said Mr De Waal, who played a leading role in the privatisation of Iscor, would remain chairman of that giant company, which is soon to be listed on the Johannesburg Stock Exchange

Mr Jasper Walsh, Democratic Party spokesman on privatisation, said "The appointment of Mr De Waal is an encouraging sign because he is a man of proven management ability in the private sector.

"He will be able to steer Sats into identifying suitable parts of the organisation for privatisation "

Mr Walsh said the DP wholeheartedly supported a piecemeal approach to the privatisation of Sats

Dr De Villiers said· "In the process of changing Sats into a public company with the single aim of achieving a profit and an acceptable return on investment, the appointment of a directorate and especially a chairman, is of utmost importance."

Sats has been looking increasingly attractive as a privatisation prospect. Transport Minister Mr Eli Louw in recent months announced that the organisation had turned an expected R115 million deficit into a whopping R147 million surplus for the year ending March 1989.

Made profits

All divisions — SAA, harbours, pipelines, trains and road transport — made profits.

But a major remaining stumbling block to the privatisation process is the massive R6 billion deficit estimated for the Sats pension fund

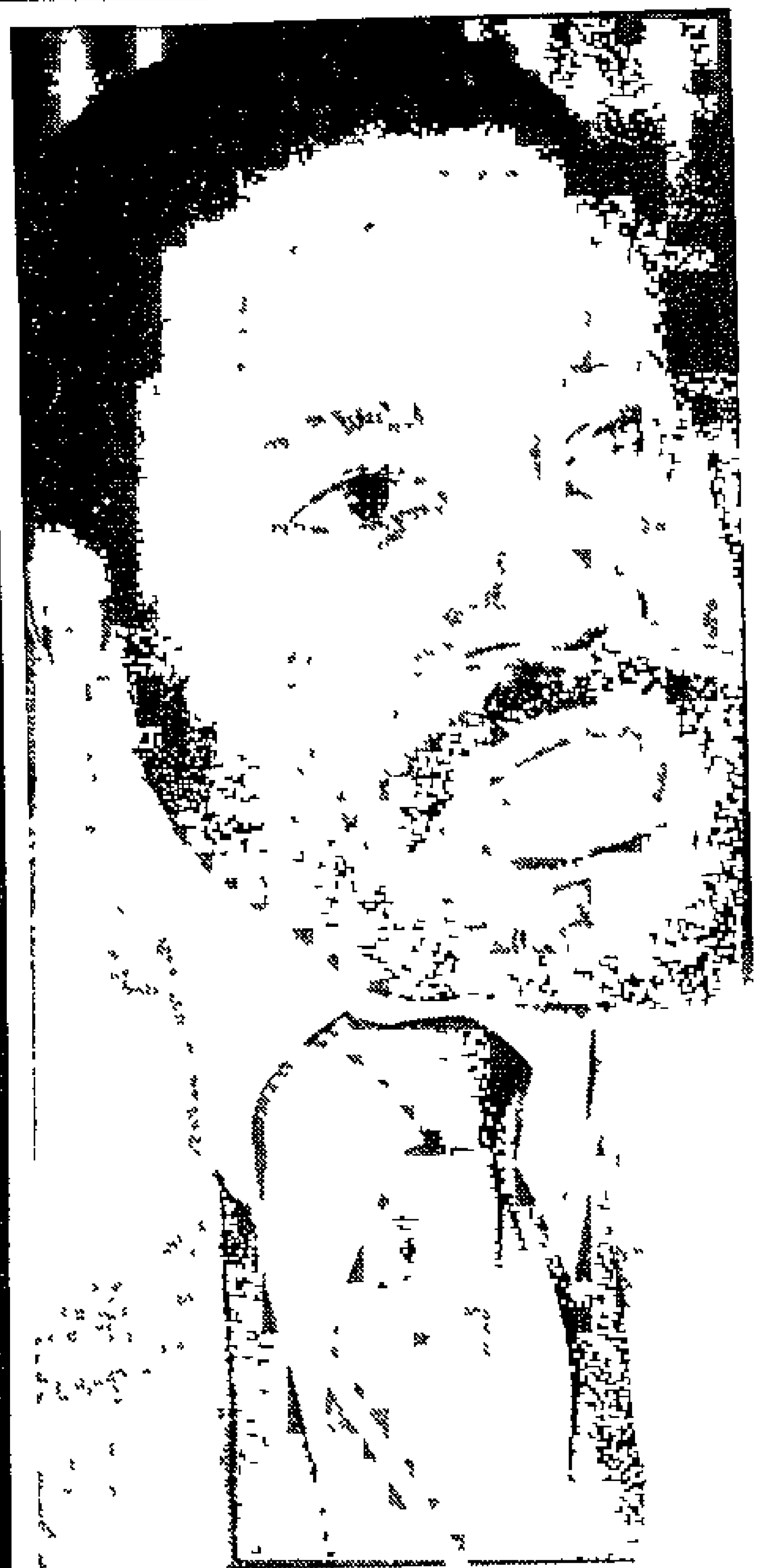
Although the transformation of the SA Transport Services will take place only on 1 April 1990, Mr De Waal and other directors will familiarise themselves with Sats and its activities until then, said Dr De Villiers

New MD

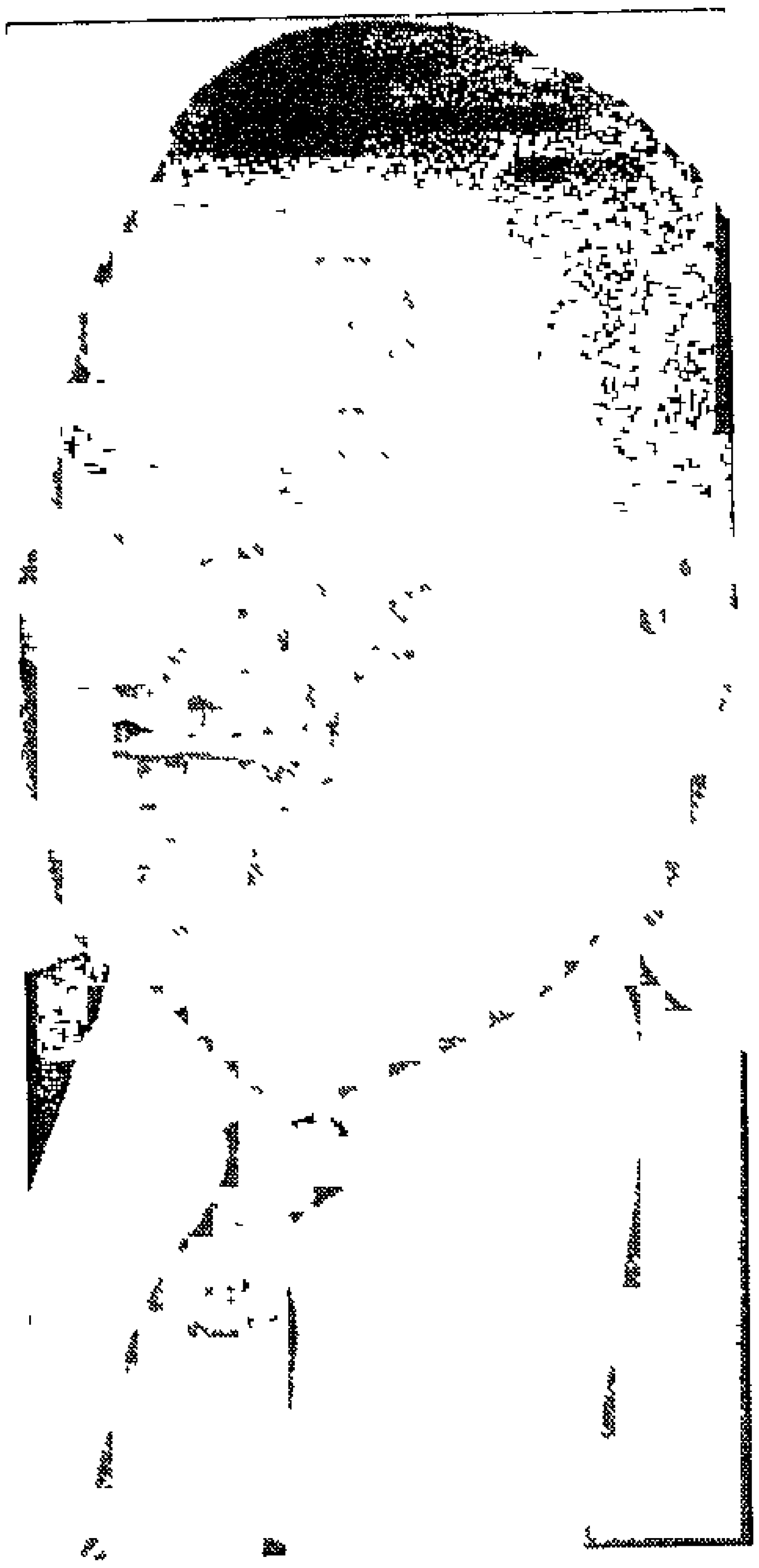
Mr De Waal was appointed IDC chairman in 1986 after 25 years with the corporation, during which time he held the positions of general manager and MD.

Mr Koos van Rooyen has been appointed in Mr de Waal's place and will take over as chairman of the IDC board on March 1 1990 He has been MD of the IDC since 1986 and is currently chairman of Foskor and was chairman of Alusaf He is also a director of numerous other companies.

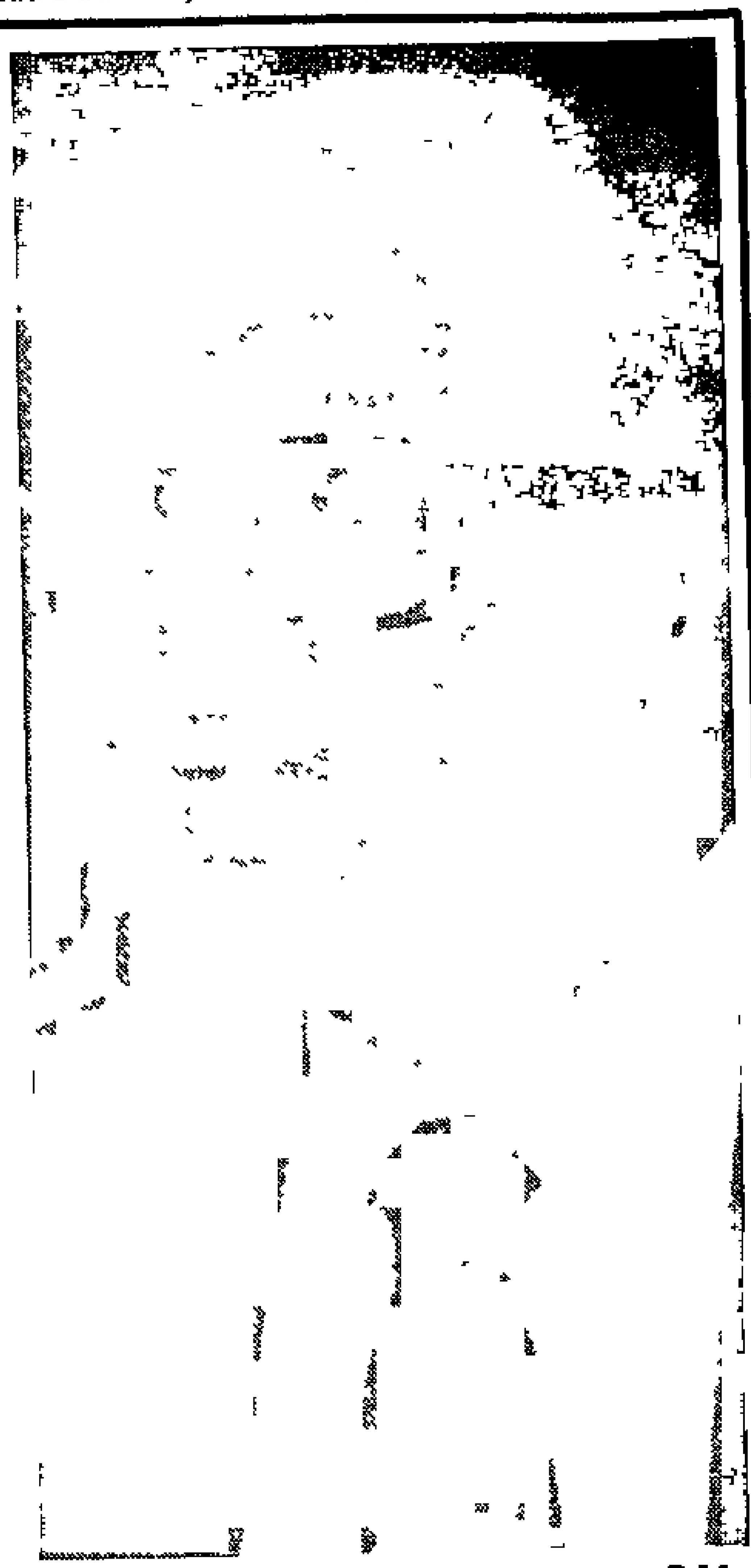
The IDC board has appointed Mr Carel van der Merwe as the new MD and chief executive of the IDC



Gabriel Mokgoko, public affairs manager for Nafcoc.



George Negota of the Black Management Forum.



Sam Motsuenyane: to compare SA's situation with the rest of the world.

Is privatisation the way forward to black economic growth?

By REVELATION NTOULA

THE government's privatisation exercise, which this week led to the transfer of shares in the steel giant Iscor to the private sector, has led to a lot of controversy.

The whole concept of privatisation was one of the issues highlighted at the 25th anniversary of the National African Federation of Chambers of Commerce and Industry (Nafcoc), held recently at Sun City.

In an interview with *City Press*, Nafcoc's public affairs manager Gabriel Mokgoko said. "There is a lot of mystery about privatisation in the black community and indeed many questions abound about what it is and what it really means in the short and long term"

As a result of these questions, he said, Nafcoc had decided to hold a special seminar at the Senate Hall of Unisa in Pretoria on November 2 The theme will be. "Privatisation Reality, Fact or Fiction"

Said Mokgoko "We are attempting to bring together all the actors in the economy to assist in debating this issue which economists around the world seem to endorse as a solution to many economic ills"

The one-day seminar, which will be addressed by the Minister of Mineral and Energy Affairs and Public Enterprise, Dawie de Villiers, and Nafcoc president, Dr Sam Motsuenyane, will compare South Africa's situation with that of the rest of the world

The seminar, which begins at 9am, is open to business executives, policy makers in organisations and the public sector

Other speakers are Nancy Seijas of the Free MarketFoundation, George Negota of the Black Management Forum and Finbank's managing director J Hamman

The seminar comes at a time when there are many misgivings about privatisation, especially among blacks

Many believe privatisation will merely transfer state assets to established big business

Black share buying in multi-million concerns like Iscor is seen as a mere drop in the ocean

The exercise would be more meaningful if a specific proportion of the shares, say 51 percent, was set aside for blacks

This could go a long way towards ensuring black economic empowerment

It would also be seen as a clear demonstration by Government that it is serious about change who want to gauge the market's reaction to an author's work

"They put out the bait — then sit back and wait for the

□ To Page 2

wanted it immediately No matter where," she said

Lindy told how she, too, was brutally assaulted sexually by Lawrence in August last year

ever"

Lawrence was arrested for the assault but the Brakpan Magistrate's Court granted him R100 bail

And it was just three

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Caution for Iscor Day

S Times 29/10/89

Sunday Times Reporter

THOUSANDS of aspirant Iscor shareholders must wait until Tuesday to find out how the stock will be allocated

Merchant banks are working through a mountain of applications for the R3,7-billion privatisation

A profile of applicants will emerge once all the information has been punched into computers

After that, the method of allocation will be announced — probably on Tuesday Refund cheques will be posted on November 1

Iscor has already announced that small applicants will be favoured

The 10 percent slump in the share market, together with higher interest rates, hurt sentiment towards shares in general only days before applications closed This dampened enthusiasm, but bankers remain confident of a large over-subscription

Views on the opening price have become cautious At one stage, consensus was that 250c would be the opening price and Iscor futures could be bought through Rand Merchant Bank at 240c

But on Friday the futures price weakened to 217c, However, most analysts estimate that the opening price will be 220c-250c

Provided the share market as a whole holds, the price is expected to strengthen after thousands of stags have taken their profits

One advantage of holding the shares is that after a couple of years profits would normally escape tax Stagging profits are fully taxable

(337) 5TAC 1/1/89

Number of shares applied for:	Allocation:
100 to1000 -	in full
1100 to 2500 -	1000
2600 to 3700 -	1100
3800 to 6100 -	1200
6200 to 8600 -	1300
8700 to 11100 -	1400
11200 to 13500 -	1500
13600 to 16000 -	1600
16100 to 18500 -	1700
18600 to 20900 -	1800
21000 to 22900 -	1900
23000 to 29900 -	2000
30000 to 1m -	4.5% subject to a maximum of 100000

It's share time

Small investors get best deal from Iscor

Cape Times 1/11/89

WINDBLOWN . . South-easter season arrived with a vengeance in the Peninsula yesterday Here shoppers cling to each other for support on the Foreshore The ferocious wind affected ships in the harbour and drove prospective sun-seekers from most beaches SABC workers were also unable to reach a faulty transmitter on Table Mountain **Report —Page 3**

Picture GLENN SHERRATT

Political Staff

THE happiest people who applied for Iscor shares will be those who wanted up to 1 000. They have been allocated all they applied for.

The issue was aimed at encouraging the widest possible ownership of shares And promises that the small investor would be favoured have been kept

Thousands of people all over South Africa now own shares for the first time, fulfilling one of the objectives of privatising Iscor

The share issue has doubled South Africa's number of private shareholders from an estimated 150 000 to about 300 000

The two merchant banks involved in the issue, Senbank and Finansbank, announced last night that the eagerly awaited allocation had — as promised — favoured the small investor

But there will be disappointment among those who wanted more Those who wanted up to 2 500 shares have been allocated only 1 000

Those who wanted between 2 600 and 3 700 shares have been allocated 1 100 Above that figure allocations are a steadily decreasing proportion of the total number applied for

The big institutions will also not get quite as many as they wanted They have each been allocated 95,5% of the number they requested

The allocation works on a steeply sliding scale up to 999 900 shares Applications for one million shares and more are allocated 4% with a maximum allocation of 100 000 shares

The issue was four times over-subscribed and the basis of allocation was that smaller applications should be favoured

Finansbank managing

Syfrets Cape Times

TV1 b...

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Finansbank managing director Mr Johannes Hamman said "We have done what the state set out to do — spread share ownership as widely as possible within South Africa"

Mr Eugene van Rensburg, adviser to the privatisation unit, said it was delighted with the response the issue had attracted

"South Africans demonstrated their faith in the economy and in Iscor with the four-times subscription of the offer"

Mr Van Rensburg continued "We believe Iscor has an exciting future ahead of it as a private enterprise and see the shares as an excellent long-term investment"

The Finansbank/Senbank joint announcement also says that applications from employees and pensioners of Iscor, its subsidiaries and associated companies and organisations, and directors of Iscor were allocated in full in the preferential offer

Iscor shares will be listed on the Johannesburg Stock Exchange at 11am on Wednesday, November 8 Share certificates will be posted to applicants on the same day

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Sats pensions put into private hands

(232) B Day 1/11/89

SATS has moved closer to privatisation by allocating part of its pension fund to five private fund managers — Old Mutual, Southern Life, Liberty Life, Sanlam and independent portfolio manager Allan Gray

The allocation of an undisclosed part of the fund, which has a cash flow of about R40m a month to invest, follows a period of about 18 months during which major portfolio managers pitched for the account

Sats pensions chief Gideon van Zyl yesterday confirmed market talk that the five managers had been appointed but declined to reveal the amounts involved

"We have appointed private fund managers to improve the returns on our investments Previously, Sats was forced to invest in gilts and semi-gilts but now that the fund no longer faces those constraints we are going for the best returns," Van Zyl said

He added further allocations would be made to private fund managers

Asked whether the fund would now invest mainly in equities, he said "Obviously

GRETA STEYN

I cannot say that is what our fund managers will do We will go for maximum returns"

But since the Sats fund currently has no exposure to equities, it is likely to invest in JSE stock to gain a more balanced book

Private management of the pension fund will go a long way towards reducing the fund's deficit — the actuarial shortfall between liabilities and assets. The deficit has been cited as a major obstacle in the way of selling government's stake in Sats to the private sector

Former Sanlam chairman Andreas Wassenaar put the deficit at R6bn but industry sources say it could be considerably lower The last official statistics are for March 1979, when the shortfall was R3,5bn

Steps such as increasing members' contributions have been taken to reduce the shortfall

In addition, the Sats fund is also putting in place efficient new administrative systems based on private sector methods

Union plan for Sats shares

ALAN FINE

THE Federation of Sats Trade Unions yesterday launched a scheme which, it was hoped, would finance the purchase of at least R1,7bn worth of shares by employees when the corporation was privatised

The project, Federal Privatisation Action (FPA), run in collaboration with SegeFin, plans for voluntary monthly contributions of a suggested R25 minimum into individual, high-interest savings accounts

Federation general secretary Abraham Koekemoer said yesterday it was planned so employee shareholders would eventually use their shareholding to influence manpower policies of a privatised Sats, including putting representatives on the board

"Once government sells off Sats we will no longer be able to use our electoral power," he said

He said the federation represented just more than 100 000 of Sats's 180 000 employees, but the scheme would be open to all

Koekemoer said the millions of rands FPA would soon be able to generate each month would enable SegeFin to negotiate premium savings rates from participating banks A 16% rate was anticipated in today's market — two percentage points above the maximum available for R500 to R10 000 deposits

The FPA would also be asking the banks to pick up the tab for the administration and commission fees due to SegeFin

Koekemoer said the R1,7bn figure was based on the assumption that Sats would be privatised in 1994. If the process was delayed, the figure would be higher

He was aware that, given that unions tended to oppose privatisation, the federation's approach was unusual

Deregulation probed

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Sowetan 3/11/89

THE partial removal or total scrapping of laws regulating business was being investigated by the Government so that privatisation and black economic advancement could become a reality in South Africa.

BY JOSHUA RABOROKO

The Minister of Mineral and Energy Affairs and Public Enterprise, Dr Dawie De Villiers, said the Government deregulation policy was aimed at removing barriers to enter into business Wherever such barriers existed, they must be investigated and were possibly removed

He was addressing a seminar entitled "Privatisation Reality, fact or fiction" organised by the National African Federated Chamber of Commerce and Industries held at Unisa yesterday

The seminar was also addressed by Nafcoc's president, Dr Sam Motsuenyane, who said the time had come to review whether privatisation in South Africa could become a solution considering the current political and economic structure or whether it will only remain an ideal

Motsuenyane said the wealth of the country was presently concentrated in the hands of a few corporations all of them owned by the white sector

Privatisation could serve as a vehicle for rapidly intergrating the South African economy to the end that the black community was enabled to acquire a significant stake therein as entrepreneurs

De Villiers said it was imperative that a large black business sector be created and put on a sound footing in order to assist the Government in its effort for economic reform in the country

According to Dr de Villiers privatisation and deregulation were pillars of an economic package to restore economic growth - the other pillars of this package were

An equitable tax structure,

Better determination of priorities for government expenditure and

The introduction of better financial discipline that would lead to a reduction in state expenditure

The Government had a responsibility for economic reform and was therefore committed to a privatisation programme whose objective would be to restructure the economic system as far as possible through free market principles

Smaller and bigger investors should be accomodated in the process of privatisation Through deregulation and privatisation a climax that would be conducive to investment opportunities would be created, he said

He stressed that doubts had been expressed by smaller investors that opportunities afforded them were swallowed by large capital He said that could be allayed by the creation of that unit trust, investment bank and management programmes

He said the small business such as taxis, spaza shops and others could be developed to become participants in the country's mainstream economy

Saving plan to aid Sats staff buy shares

(232)

Star 8/11/89

By Thabo Leshilo

A savings scheme to help employees of South African Transport services buy shares when the giant transport body is privatised was launched in Johannesburg yesterday.

Known as the Federal Privatisation Action (FPA), the plan is an initiative of the Federation of Sats trade unions and undertaken in collaboration with Segefin, an independent financial services group

Speaking at a press conference, Segefin's executive chairman, Mr Jan Erasmus said employees taking part in the scheme would obtain interest rates of up to 16 percent

This money will be used to buy shares in Sats once it was privatised He said if a worker had no savings programme, or a haphazard one, FPA would provide an easy, regular savings mechanism with the prospect of about double the average interest rate that small savers could get.

The money thus saved would be used to buy shares in Sats for the employees on privatisation of the corporation

(232) Fmail 3/11/89.

ISCOR (232) Fmail 3/11/89.

Allocations

The basis of allocation of Iscor shares is very much as expected, small applications being given preference and allocations to large institutions more or less as promised

As far as the public offer is concerned, applications for up to 1 000 shares are allocated in full, those from 1 100 to 2 500 receive 1 000, with reducing percentages thereafter Thus applications for between 23 000 and 29 900 receive 2 000 (between 8,7% and 6,7%) and, at the top end of the scale, those for 1m and over receive 4% of application As announced earlier in the week, the public offer was more than four times subscribed, with 250 000 applications

Institutions to whom shares were offered will get 95,5% of their applications, "which the merchant banks have already scaled down substantially in relation to firm indications given to them" This seems to justify complaints from some institutions that a firm commitment was required from them, but no reciprocal commitment was given by the merchant banks or stockbrokers

According to Senbank MD Doug Anderson, the merchant banks placed no obligation on institutions to support the issue and brokers were not given authority to make promises in respect of allocations

The reason institutions were not given their full applications, especially as these had already been cut (to some 40%, we hear), is that the amount available was what was left over after Iscor employees received their preferential allocations of up to 5% of issued capital and there was uncertainty about how much they would take up.

Of course, the preferential issue was only the last of what Iscor employees could receive They could firstly apply for 200 free shares each. 99% of white-collar workers took up the free shares and 87% of blue-collar workers There was an additional offer at a discount, which 57% of blue-collar and 95% of white-collar workers took up

Free and discount shares not applied for are being kept in the State Share Trust and will be offered to employees later at a discount to the then market price

By and large, there is agreement that allocation has been on the basis originally announced

It is not known how many shares were allocated to foreigners and local institutions would have liked more, but the only ones which may have real reason for complaint are those institutions which had to apply in the public issue and those individuals who sent in medium-sized applications With allocations favouring the small investor, they have lost out

It is almost certain that there will be a large number of sellers, though Some very small investors may have applied for more than they wanted and many of them must in any case be stags

Interestingly, some employees have ensured that, whatever the price in the first week, they will not make a loss An application on behalf of the National Union of Metal Workers of SA (Numsa) members was submitted by Rand Merchant Bank (RMB) for its members' part of the preferential share issue RMB has undertaken to buy the shares at R2 (issue price) for the first week or the applicants can sell them through a broker at the market price, or, as a back-up, RMB can place any shares unsold at the end of the first week with an institution which is prepared to take them at the average price for the previous five trading days

Obviously everyone is now waiting to find out the market price of the share Tuesday, RMB's forward price was 222c *Pat Kenney*

Iscor bidding 'going to be pandemonium'

CHARLOTTE MATHEWS

BIDDING for Iscor shares is likely to display all the single-minded ferocity of a World Cup rugby scrum when the president rings the opening bell at 11am this morning

"I think it is going to be pandemonium," one apprehensive dealer predicted

SA's first major privatisation launch includes an offer to the public of 150-million ordinary shares of R2 each

The offer was three times over-subscribed and some analysts believe this could have been even higher if world markets had not slumped only a week before the share offer closed on October 25, denting the confidence of inexperienced investors

Iscor PR manager Piet du Plessis said the lead up to the listing had been "very hectic" Management had begun preparations 32 months ago and the actual marketing of the scheme had begun about 18 months ago

About 10 members of Iscor's top management would be on the floor for the listing, he said, and would be attending at the invitation of Mineral and Energy Affairs and Public Enterprise Minister Dawie de Villiers

The marketing of the offer was managed by two private PR companies, Penelope Gracie and TWS Communications

TWS MD Keith Rhodes said the marketing had involved various areas — advertising, research, media liaison, the share information office, publications and the roadshow programme taking Iscor management around the country

The share information office, which could be telephoned on the advertised toll-free telephone number, handled 150 000

□ To Page 2

Iscor bidding

□ From Page 1

queries with a total staff of 34

"We were sent a lot of coupons with letters ranging from applications for employment, asking for bursaries and even containing a deposit of iron ore which the writer felt Iscor should know about," Rhodes said

"On the sadder side we had letters from people who had been ripped off in the past asking if this was a genuine offer"

The question that has loomed large on the market is whether the JSE computer system will be able to cope with the volume of buying and selling

JSE executive president Tony Norton said yesterday "Obviously we cannot guarantee it, but we have done every conceivable test and are reasonably confident If there is such a volume that traders and the computers cannot cope we will just have to slow down trading"

Estimates on the opening price of the shares ranged between 220c and 240c Most brokers said yesterday they had more buying than selling orders The unofficial price of the shares was 228c late yesterday afternoon, one dealer said

Numsa investment benefits to stay in-house

ALAN FINE

ABOUT 7,3-million preferential Iscor shares acquired by Numsa members employed by the corporation will probably be sold next week to the Metal Industries Pension Fund, thus keeping long-term investment benefits within the industry

The share purchase, financed by Rand Merchant Bank, was arranged by Numsa for the purpose of transferring the anticipated R1,5m in stagging profits into a trust fund for workers' "collective interests"

"We have negotiated with an institution to take up all the shares at a price equal to the average of the first five days' trading," RMB chairman G T Ferreira said yesterday Both sides had the option to withdraw.

A metal industry source and Numsa national organiser Bobby Marie confirmed the institution involved was the pension fund, to which more than 100 000 Numsa members belong and on whose board Numsa sits

But, said, Marie, it would be incorrect to read into the move any Numsa softening on share ownership "Our mandate was to dispose of the shares as soon as possible, and we chose the most simple way of doing so — with people we know and who are not looking for a quick buck."

To page 2

Iscor frenzy

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Cape Times 9/11/89

Own Correspondent

JOHANNESBURG. — Iscor Ltd was launched yesterday with frenzied trading on the floor of the Johannesburg Stock Exchange.

The share lived up to expectations, opening at 225c to give a profit of 12,5% or 25c on the issue price of 200c.

The successful debut was helped by the strong gold price which was trading at around $389 when the market opened

But gold took some of the thunder out of Iscor, according to one stockbroker. "After the initial flurry of activity in Iscor shares, attention again switched back to the gold board"

As the excitement surrounding the Iscor debut faded and the price stabilised, another dealer commented: "Gold is always better than steel".

The expected flood of Iscor orders from private investors failed to materialise and trading tapered off after a frenzied first hour

There were 710 deals in Iscor shares out of a total of 4 800 deals on the market. While this was significantly higher than the recent daily average number of deals, it was lower than during the height of the boom in 1987 when there were 6 000 deals a day

Mr David Shapiro of stockbrokers Max Pollak and Freemantle said "We thought we would have a much greater inflow of orders from private investors, but the market had gone fairly quiet after the first hour

Enormous volumes

"This was because new shareholders will only take action after they have received their share certificates, which were only posted to them yesterday Some probably did not know how many shares they had received

"On the other hand, we have had very good buying orders at the 220c to 225c level from private investors which we did not expect. I think the price will hold at these levels for a few months before moving upwards."

Mr Shapiro added that the enormous volumes in Iscor shares suggested institutional participation.

The privatised former parastatal was officially launched at 11am with a roar of bids, a thicket of waving arms — and the aroma of a stinkbomb released by a frivolous dealer on the floor

For an unprecedented 15 minutes the bidding stormed back and forth

At 11.15am the master, mopping his brow, announced deals concluded in the 220c to 240c range The first fixing to go on the board was buyers at 229c and sellers 230c

Afterwards, as vendors, brokers and special guests nibbled at Cape lobster and sipped champagne, the Minister of Mineral and Energy Affairs and Public Enterprise, Dr Dawie de Villiers, said he was "delighted" at the scope and style of the opening.

Iscor managing director Mr Willem van Wyk said "We are really happy and we think everything worked well right from the beginning

"The price is more or less where we wanted to see it and from here on we are looking forward to a future where we will show the investors that they have made a good investment."

SHARES HYSTERIA... Traders on the Johannesburg Stock Exchange in frenzied bidding yesterday for Iscor shares

Picture REUTER

BUSINESS

Privatisation a threat to jobs, unions' power

By CASSANDRA MOODLEY

THE privatisation of municipal services has already resulted in the loss of over 200 jobs in Johannesburg alone, according to the organisers of a national anti-privatisation campaign

Under the slogan "Private is ours, public is theirs", public sector unions campaigning against privatisation include the National Union of Public Service Workers, the South African Municipal Workers Union, the Post and Telecommunication Workers Association, the South African Railway and Harbour Workers Union and the National Education and Health Workers Union

A Potwa representative said "The workers' march on October 14 was protesting privatisation as well as the Labour Relations Act."

At present over 10 000 SA Transport Services workers are striking against the planned privatisation of the state service

There are also plans to privatise 27 hospitals run by the Transvaal Provincial Administration

'The basis of operation of private companies is profit and not to provide a service as the council was doing," said an NUPSW official

Samwu agrees "The move towards privatisation can be seen as a means of stimulating the economy and relinquishing the responsibility the state has for providing essential services "

"Even the postmaster general has said that under privatisation post office charges and rates could escalate up to 60 percent," says Potwa

But besides the broader political implications workers are sorely affected by the privatisation, say unions

As a result of the privatisation by the Sandton, Benoni, Boksburg Roodepoort and Tembisa town councils, over 200 NUPSW members had lost their jobs NUPSW officials claim the number of workers in the cleansing department in the Tembisa Town Council were halved when it was taken over by a private company, Wade Refuse

Wade Refuse was unavailable for comment

Tembisa Town Clerk PL Harmse conceded the cleansing services had been privatised "However people not taken over by the new company had been employed in other departments in the council

"It is not always possible to absorb workers into other departments "

Representatives of the public servants union said "Transferring workers to another department is problematic for 'homeland' workers who have to return home to stamp their permits when they change jobs "

Privatisation by municipalities is a national problem but is most intensive in Johannesburg, say unions

Besides workers losing their jobs, their salaries are also often lowered And, Samwu says, employment conditions are affected

Private companies also implement overtime, something which was not previously a problem in the public sector In Tembisa, Wade Refuse introduced Saturday and Sunday as working hours

Trade unions are also concerned that privatisation will affect the solidarity of workers Potwa's representative said the introduction of salary adjustments at different times for different ranks was an attempt to destabilise worker unity and trade union strength

NUPSW felt that new companies brought in new trade unions, which affected the strength of the existing union, actually breaking down the union's bargaining strength

Potwa says that for the past two months the post office has been moving towards commercialising certain services There are moves to privatise the department into two separate companies — [illegible]

Black entrepreneurs urged to 'unite and take on the giants'

By MZIMKULU MALUNGA

BLACK managers who opt out of corporate South Africa to apply their 'entrepreneural flair" should stop going for soft options, says the president of the Black Management Forum Don Mkhwanazi

"I want to see them getting into manufacturing and other sectors of the market rather than retail and management consulting If they do enter the retail sector I want them to pool their resources to take on the giants such as Pick 'n Pay and Edgars

'If they get into consulting let them pool and mobilise their resources, not become one man shows, and develop a competitive edge in relation to the well established operators," he said in an interview following the BMF's recent annual general meeting in Durban

Mkhwanazi listed the major problems which hindered black managers' development as being

●The underrating of black managers

●The perceived failure of blacks to "make it"

●Hostility from underqualified or unqualified white line managers

He said that the fact that blacks were being associated with failure reduced their chances of being promoted hence frustrating many of them "This life is unbearable to our ambitious brothers and sisters, resulting in some of our best brains reaching an invincible ceiling "

The BMF president said the organisation should devise a strategy of dealing with the problems faced by black managers in top positions not to lose touch with their people He urged them to use their posts to advance the black struggle

On the question of blacks acquiring economic power, Mkhwanazi emphasised that this could be achieved through the ownership of enterprises and control of productive assets where they could gain practical experience in operational management, strategic planning, risk taking and competition in the market place

Mkhwanazi said it was high time that the BMF took action, with the support of community trade union and business organisations to influence and accelerate the appointment of blacks on to corporate boards of directors to 'articulate and represent the interests and wishes of the masses"

The BMF has established a manpower committee had been established following discussions with various community and black professional bodies

Another initiative is advanced education and high level training for black South Africans in conjunction with the Commonwealth secretariat.

The idea is to send black South Africans to study and work abroad in areas such as mining engineering, finance development economics and banking techonology

Mkhwanazi said his organisation was negotiating with the Kenya-based Eastern and Southern Africa Management Institute "The BMF has been asked to identify black-run outfits in South Africa which could handle training and development packages that are relevant to our needs "

He said the BMF was debating a number of "sensitive" issues on which it would have to take a stand These included

●Sanctions and disinvestment

●A new economic framework for South Africa

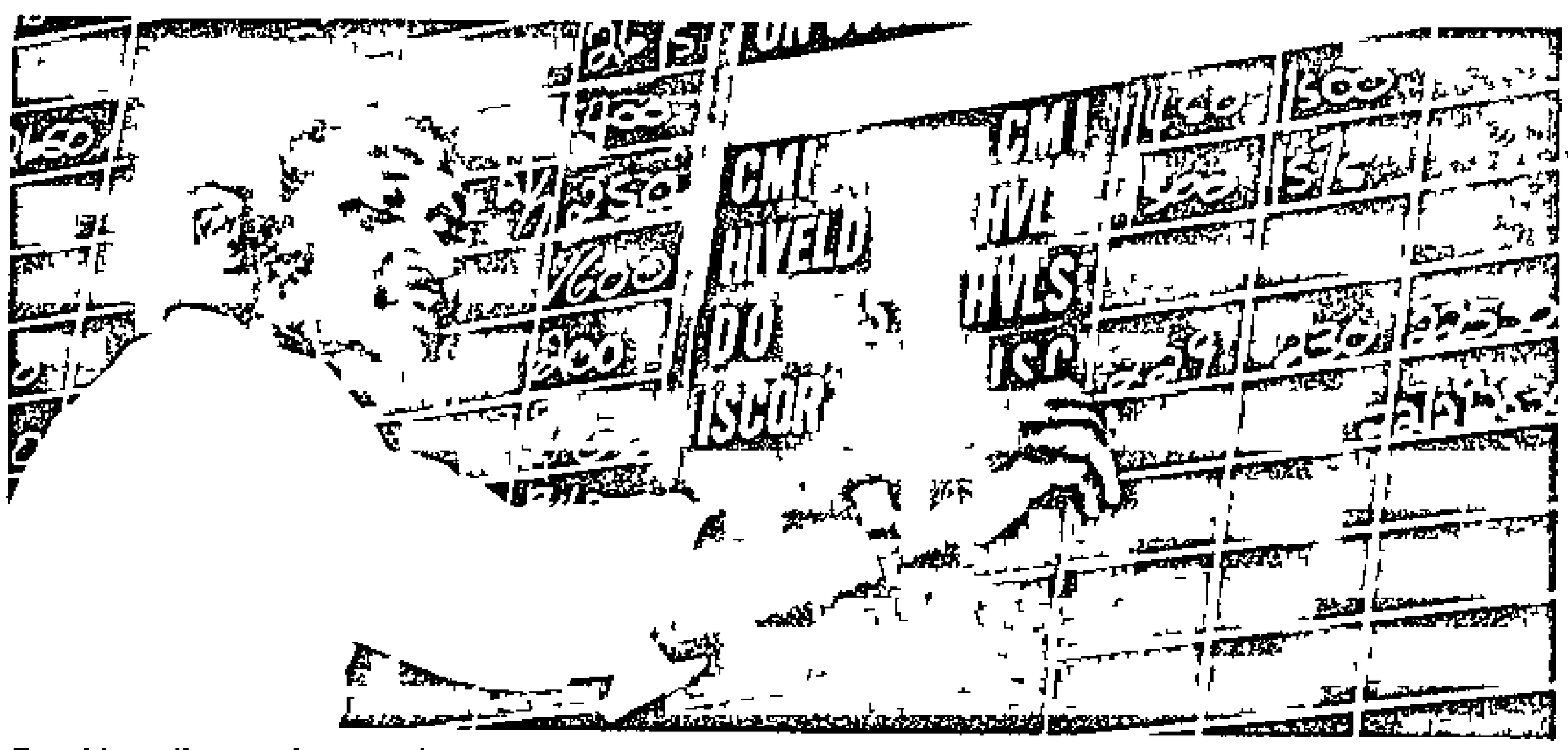
●The African National Congress's' constitutional guidelines

●A new corporate culture

Iscor sell-off dents government debt

10-16/11/89

The biggest ever listing on the Johannesburg Stock Exchange — R3,7-billion — will save the government about five percent in interest costs By HILARY JOFFE



Breaking all records noting the frantic trading of Iscor shares on the Johannesburg Stock Exchange

THE R3 1-billion the government has raised from its sale of Iscor to the public this week will go a little way to reducing the crippling burden of interest payments on the public debt cutting the government's interest bill by some R500-million

The listing of Iscor shares on the Johannesburg Stock Exchange this week represented the first major sell-off in the government s privatisation programme announced in February last year

The total haul from the Iscor privatisation was R3,7 billion although R600-million of shares had already been sold to the Industrial Development Corporation and the proceeds included in this year's budget

The government has expressed its intention to use the proceeds of the Iscor sale to redeem public debt Its total debt stood at R65 billion at the end of the 1988/89 financial year

The interest which has to be paid on government debt is the third largest item in the current budget, totalling R9,9-billion or 15,3 percent of government spending for the year

By in effect saving some R3-billion on the growth of the public debt this year, the government will save about R500-million in interest costs — a five percent saving on this item of government spending, says Nedbank economist Edward Osborn

"Interest charges are the killer — they are the factor which accounts for the deficit before borrowing," says Osborn, pointing out that the deficit in this year's budget — at R9,8-million — was a similar figure to the cost of the public debt

The deficit before borrowing this year is likely to be lower than budgeted — Osborn estimates about R8,5-billion — because the government has raked in more tax revenue than it expected

But Osborn estimates the interest bill, without the Iscor proceeds, would have been higher than budgeted because interest rates were higher than expected and the fact that the government has had to issue more treasury bills than it anticipated in an attempt to "mop up liquidity" — remove money from the economy in an attempt to slow it down By mid-year, the government had paid out R4,9-billion in interest — 34 percent up on last year's figure

There are two government stocks totalling R2,8-billion due to be redeemed in November and February, says Osborn The Public Investment Commissioners hold R800-million of the total, so that the government would need to pay back R2-billion Osborn notes the proceeds of the Iscor sale could easily cover this, leaving an extra R1-billion It is possible, he says, that some of this could go into capital spending, for example to fund housing schemes, when the government s Part Appropriation Bill is presented early next year

The Iscor listing was the biggest ever new listing on the JSE and the first privatisation since the government sold one-third of its shares in Sasol to the public 10 years ago

When Iscor was listed on the JSE at 11am on Wednesday frantic trading resulted in a record 27,5-million shares changing hands by 3 30pm, making this the most traded new listing in the JSE's history

There had been doubts about whether the JSE computer would cope with the huge volume of transactions — it held up, although at one point during the day stock exchange officials did impose a break in trading to prevent overloading the computer

The 150 million ordinary Iscor shares were offered to the public in the prospectus at R2 — and the offer was three times oversubscribed (i e the public applied for a total of 450 million shares) This was a lower level of interest than had been expected, apparently because the world stockmarket slumps a week before applications closed at the end of October had a negative effect on the confidence of small investors

Trading on the stock exchange floor on Wednesday started at R2,25, moved up to R2,40 at one stage but finally were priced at R2,27 at the close of the day's trading Brokers described the listing as a successful one and the price range as satisfactory, but it was lower than many had expected earlier Early October options on Iscor shares had been trading at R2,50 in the futures market.

The lower than expected trading price affects the 'stagging" profits investors will have made in this week's trading — that is, the profits they made if they applied for shares before October 25 with the intention of selling them on listing day

Investors who keep their shares will have a stake in Iscor's four steel mills and 10 mines

Iscor sell-off dents government debt

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W Mail 10-16/11/89

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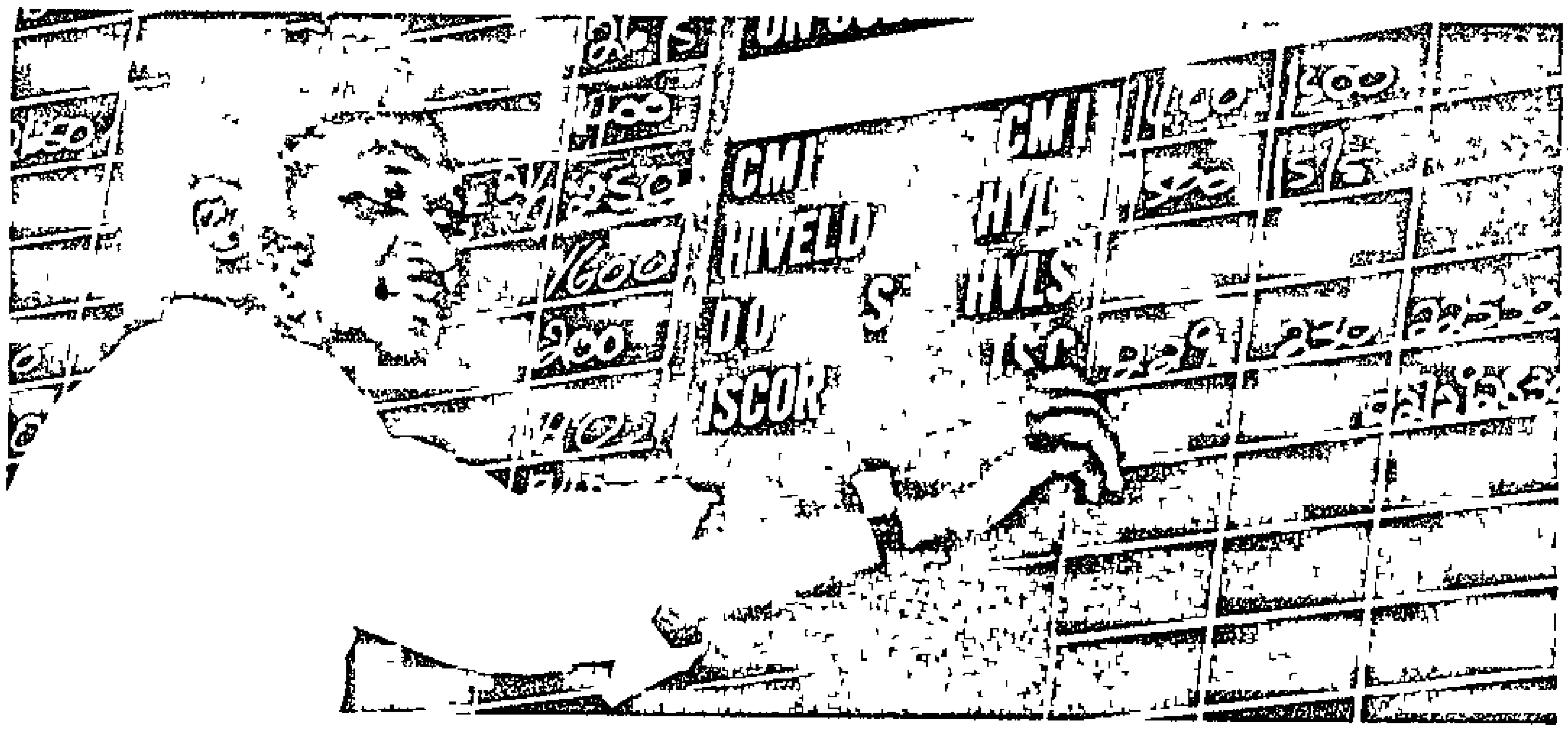

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WMail 10-16/11/89

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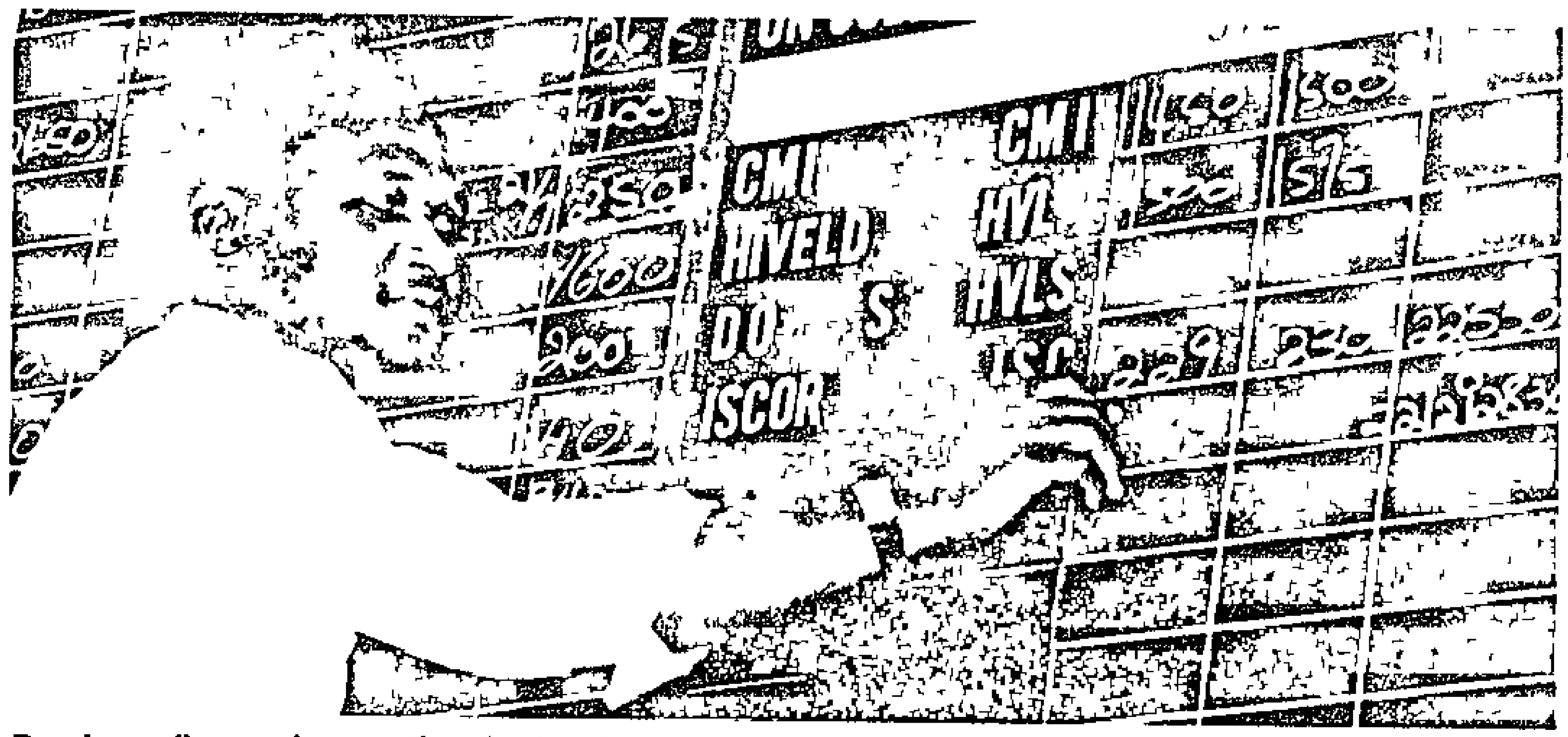

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Privatisation funds will be used to cut public debt

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Star 10/11/89

Finance Staff

The Minister of Finance, Barend du Plessis, yesterday outlined ways of reducing public debt with the Government's share in the proceeds from the privatisation of Iscor and the Mint

He said in Pretoria the most visible method of reducing public debt would be to redeem a portion of the Government's existing outstanding loans, especially government stock

Another method, he said, which in essence was the same, was simply to redeem stock at maturity without replacing it with new stock, as was usually done — a practice normally known as rolling over debt

A further alternative would be to utilise a portion of the privatisation proceeds to reduce the Government's obligation to the Reserve Bank regarding the losses on the forward exchange contracts that the Reserve Bank carried on behalf of the Government

Interest burden

"These losses, as well as the liquidity they have created, can thus be reduced without raising the tax burden or increasing government borrowing and the Government's interest burden"

Each of these methods of reducing public debt would therefore effect a saving in the cost of servicing that debt, Mr du Plessis said

"This saving may be direct, as in the case where existing loans are redeemed, or indirect, by way of a reduction in new government loans"

The combination of the various alternative means of reducing public debt would depend to a large extent on economic and especially monetary circumstances

At this stage, where government stock was being issued at high cost to the Exchequer for monetary policy purposes — to reduce liquidity and excessive credit creation by the private sector — it would probably be advisable that a portion of the proceeds from privatisation not be returned to the market immediately, thus narrowing the capital market without placing upward pressure on interest rates

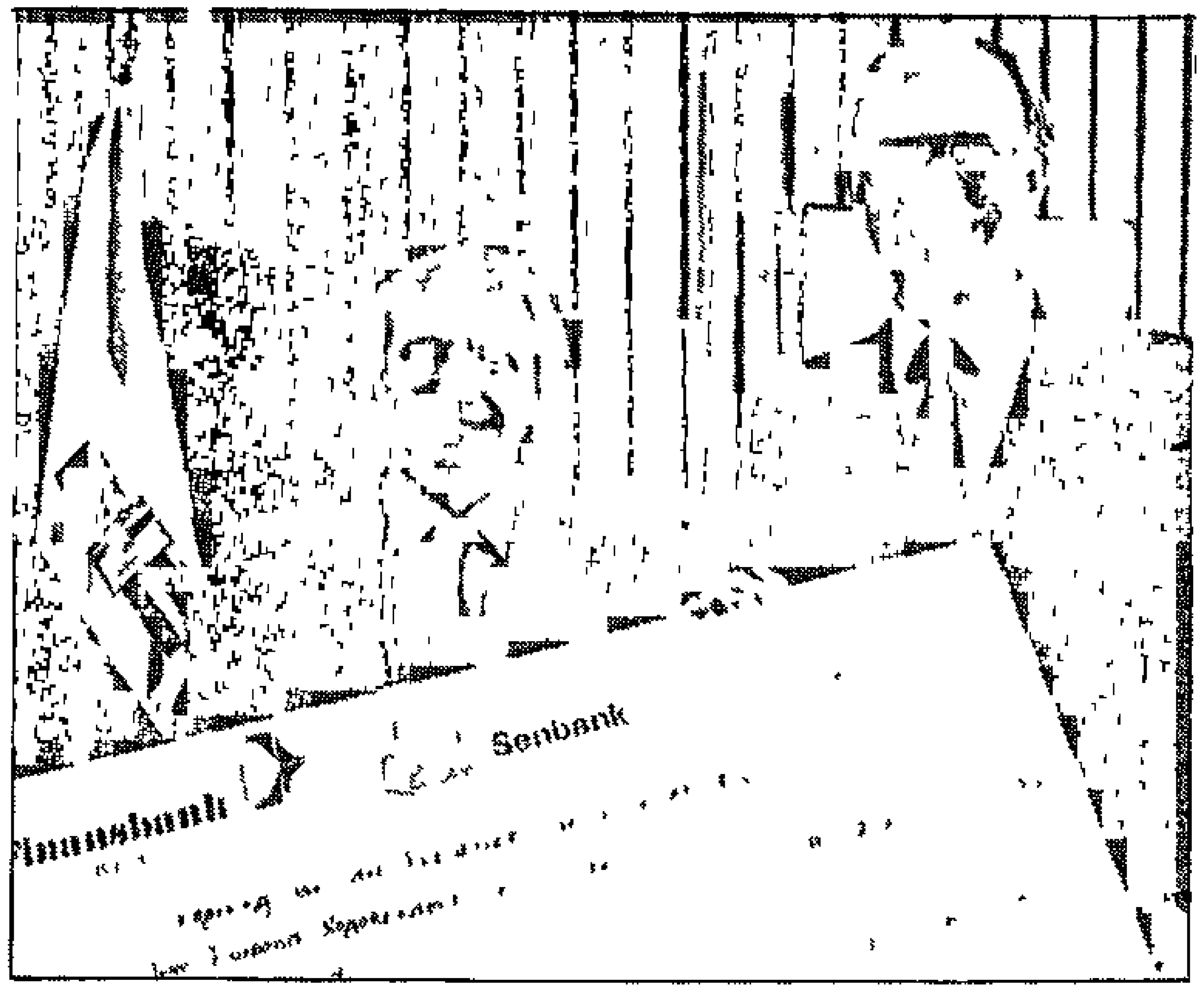
Given present circumstances, this might mean it would probably not be necessary at this stage to issue further government stock so as to narrow the financial markets, thus also limiting the Government's debt servicing cost, Mr du Plessis said

The portion of the privatisation proceeds not returned to the market at this stage could then later, when more opportune from a monetary point of view, be used to reduce public debt, for example by not rolling over maturing government stock

"In order to limit as far as possible the distortion in the financial markets, it has been decided that as far as the immediate treatment of the privatisation proceeds is concerned, arrangements will be made with the Corporation for Public Deposits (CPD) that a part of these receipts be used to redeem Treasury Bills held by the CPD, and that the CPD then invest these funds in other money market instruments in the private sector, thus avoiding a significant net withdrawal of funds from the money market"

This meant that both the Government's short-term debt and its interest payments would be reduced

The CPD might in time reinvest its funds in Treasury Bills, at which stage the Government might use these funds to reduce its long-term debt, as described, Mr du Plessis said



The Minister of Mineral Energy Affairs and Public Enterprise, Dr Dawie de Villiers, (left), hands the Minister of Finance, Mr Barend du Plessis, (right), South Africa's largest cheque ever — a massive R2,9 billion

Something for the taxpayers too

Finance Staff

South African taxpayers could pay less in income tax next year as a result of the privatisation of Iscor and the South African Mint.

The announcement was made by Minister of Finance, Mr Barend du Plessis, today when he received a cheque of R2,915 billion from Minister of Mineral Energy Affairs and Public Enterprise, Dr Dawie de Villiers in Pretoria.

This is the largest cheque ever received by the government.

Mr Du Plessis said the government received R90,2 million last week from the privatisation of the South African Mint and with the present proceeds from the sale of Iscor shares had received R3,005 billion

"Given the current economic circumstances, the government has decided to utilise these funds to reduce the public debt, as has been indicated in the past as the government's first choice," Mr Du Plessis said

The benefit from the reduction of the public debt, which is expected to have an immediate and positive impact, is a saving of R500 million a year in interest cost of public debt.

"On the one hand, it could effect a reduction in government expenditure, taxation — especially personal income tax — and the deficit before borrowing and consequently also dis-saving by the central government. This means inter alia tax relief and that the government would place less upward pressure on interest rates

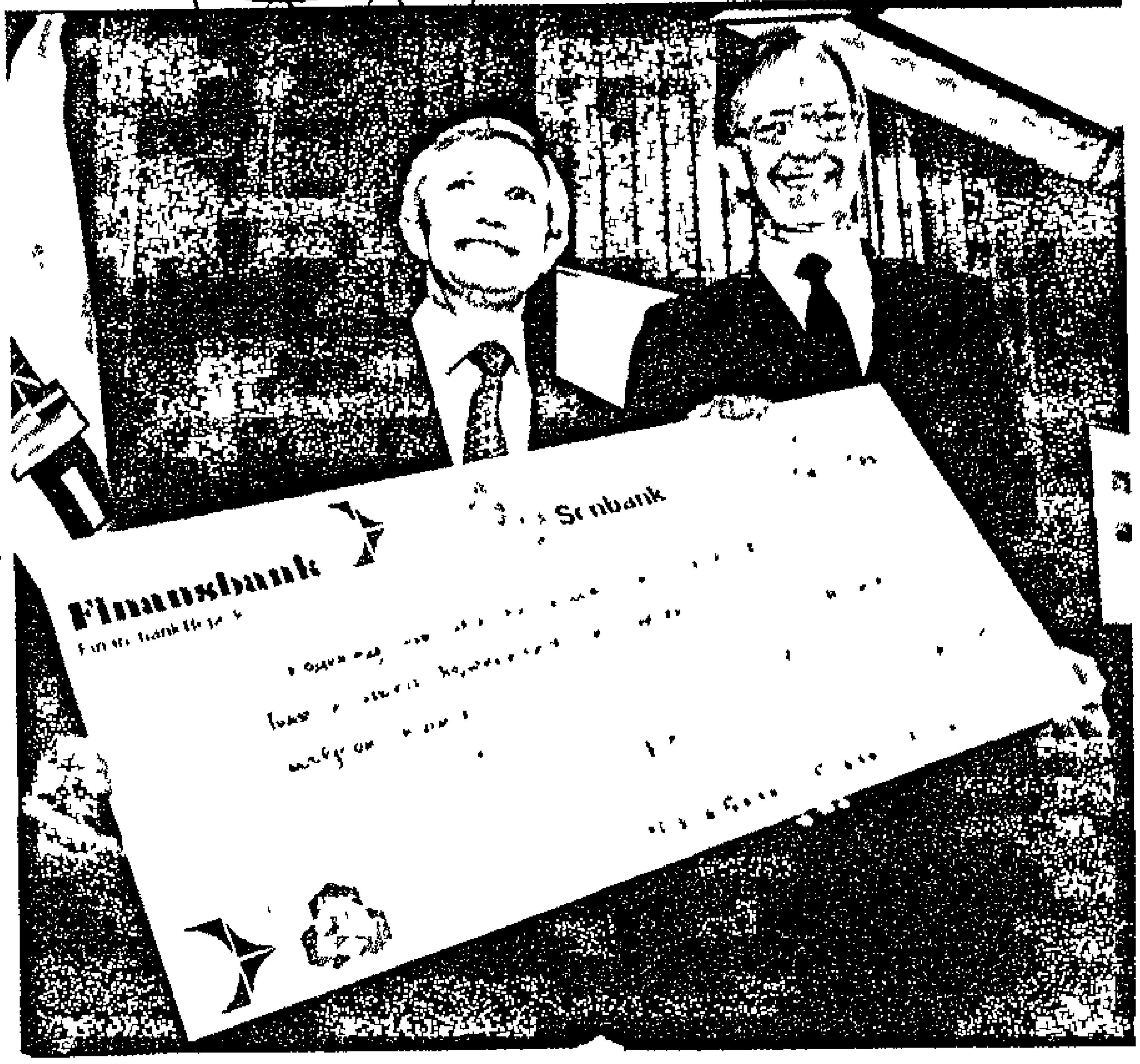
"On the other, it could also facilitate consideration of possible increases in a few urgent high priority expenditures, for example the provision of low-cost housing or infrastructure," he said

Dr De Villiers said the launching of the shares on the market had cost R32 million but more than R20 million in interest was received on the share applications, which covered the cost of marketing the shares.

CAPE TIMES 10/11/89

Govt undecided on Iscor proceeds

(232)



Minister for Privatisation Dawie de Villiers (left) and Finance Minister Barend du Plessis with a cheque for nearly R3bn from the sale of Iscor shares. Du Plessis said yesterday that the money would be used to reduce government debt — and hinted that the man in the street would benefit in next year's Budget.

PRETORIA — The Minister of Finance, Barend du Plessis, yesterday outlined ways of reducing public debt with government's share in the proceeds from the privatisation of Iscor and the Mint

He said in Pretoria the most visible method to reduce public debt would be to redeem a portion of the government's existing outstanding loans, especially government stock

Another method, he said, which in essence was the same, was to simply redeem stock at maturity without replacing it with new stock, as was usually done — a practice normally known as debt being rolled over

A further alternative would be to utilise a portion of the privatisation proceeds to reduce the government's obligation to the Reserve Bank regarding the losses on the forward exchange contracts (Gold and Foreign Exchange Contingency Reserve Account) that the Reserve Bank carries on behalf of government

"These losses, as well as the liquidity they have created, can thus be reduced without raising the tax burden or increasing government borrowing and the government's interest burden"

Each of these methods of reducing public debt would therefore effect a saving in the cost of servicing that debt, Du Plessis said

"This saving may be direct, as in the case where existing loans are redeemed, or indirect, by way of a reduction in new government loans"

The combination of the various alternative means of reducing public debt would depend to a large extent on economic and especially mon-

reduced

The CPD may in time re-invest its funds in Treasury Bills, at which stage the government may use these funds to reduce its long-term debt, as described, Du Plessis said — Sapa

etary circumstances

At this stage, where government stock was being issued at high cost to the Exchequer for monetary policy purposes — to reduce liquidity and excessive credit creation by the private sector — it would probably be advisable that a portion of the proceeds from privatisation not be returned to the market immediately, thus narrowing the capital market without placing upward pressure on interest rates

Given present circumstances, this may mean that it would probably not be necessary at this stage to issue further government stock so as to narrow the financial markets, thus also limiting the government's debt servicing cost, Du Plessis said

The portion of the privatisation proceeds that was not returned to the market at this stage could then later, when more opportune from a monetary point of view, be used to reduce public debt, for example by not rolling over maturing government stock.

"In order to limit as far as possible the distortion in the financial markets, it has been decided that as far as the immediate treatment of the privatisation proceeds is concerned, arrangements will be made with the Corporation for Public Deposits (CPD) that a part of these receipts be used to redeem Treasury Bills held by the CPD, and that the CPD then invest these funds in other money market instruments in the private sector, thus avoiding a significant net withdrawal of funds from the money market"

This meant that both the government's short-term debt and its interest payments would be

Rothmans joins Rembrandt stable

Cit Times 10/11/89 232

Own Correspondent

LONDON — Rothmans International, the British tobacco and luxury goods group, yesterday came under SA control after Rembrandt's Swiss-based investment vehicle Richemont increased its equity stake to 63%

Richemont, which already was the major shareholder with a 34% equity stake, bought out the 29% stake held by the second largest shareholder, American tobacco giant Phillip Morris

Although this deal was part of a formal offer valued by S G Warburg at £5,88 per Rothmans share, Richemont made it clear it did not intend to increase its stake any further

"While all shareholders will be given the opportunity to consider the offer, it is our expectation that shareholders other than Phillip Morris will not wish to accept," a statement said

The objectives Richemont had for the Rothmans group of companies could only be achieved "in partnership with a significant public minority", it added Rothmans' listing would therefore be maintained

The City, dissappointed and puzzled at what it regarded as little more than a change of ownership at the top, marked Rothmans shares down 36p to £6,33 At one point they touched £6,00

An analyst on Channel Four's daily business programme called it "the bid that never was". Another from stockbrokers James Capel said "A bid at a discount to the market is hardly a thrill Minority shareholders can't be too happy"

The offer, made through Richemont's wholly owned subsidiary Rothmans Tobacco Holdings (RTH), takes the form of unlisted unsecured RTH notes carrying a 10,25% annual fixed interest and maturing in 1994

While transferable, no application will be made for the notes to be listed or dealt with on any stock exchange

Rothmans International executive Chairman David Montagu said he was delighted at the deal struck between Richemont and Phillip Morris

"Managing a company with two large shareholders, each with different motivations, is harder than with one shareholder We look forward to a new, more definite relationship, with Richemont."

Phillip Morris had ended its passive investment in Rothmans after deciding the funds could be better employed elsewhere, Montagu said They will make about $400 million profit on the deal

Asked if there would now be a major restructuring at Rothmans, Montagu said "I would be surprised if there wasn't" He did not elaborate

Richemont was equally coy, saying only that it will discuss with Rothmans ways of enhancing the value of shareholders' interests

Rothmans produces a wide range of cigarettes, cigars and smoking tobacco for distribution and sale throughout the world These interests accounted for 68% of operating profits, which last year totalled £267m

The group's luxury goods side, which accounted for 55% of operating profits, consists of a 55% holding in Dunhill and 47% in Paris-based Cartier

Analysts said it was not yet clear just how Richemont would go about restructuring Rothmans, but that the market was watching closely

They expect Richemont to unlock the value of Rothmans, whose myriad activities are not properly reflected under the umbrella of its present single listing

R3-bn to cut taxes

CAPE TIMES 10/11/89 (232)

Own Correspondent

JOHANNESBURG. — Finance Minister Mr Barend du Plessis has given the clearest indication yet that tax cuts are on the cards for the March 1990 budget.

At yesterday's handover of the R2,915-billion cheque from the privatisation of Iscor, Mr Du Plessis said the proceeds would mean benefits for both government and individuals

The government had also just received R90,2 million from the privatisation of the SA Mint.

"Given current economic circumstances," said Mr Du Plessis, "we have decided to utilise these funds to reduce the public debt, as has been indicated in the past as the government's first choice

"This will have several important direct and indirect benefits for taxpayers, as will be evident from the next Budget."

GOVT DECIDES ON ISCOR PROCEEDS
— Page 12

He said a direct benefit from the Iscor proceeds would be the reduction of public debt, which would mean "a substantial saving in the interest cost of public debt

"In addition, this saving will be recurring annually in future Based on current market rates of interest, this annual saving should amount to more than R500 million a year

"On the one hand, it could effect a reduction in government expenditure, in taxation — especially personal income tax — and in the deficit before borrowing, and consequently also dis-saving by the central government This means, among other things, tax relief and that the government will need to place less upward pressure on interest rates

"On the other hand, it would also facilitate consideration or possible increases in a few urgent high priority expenditures, for example, the provision of low-cost housing or infrastructure. Furthermore, a profitable Iscor will, through its corporate tax payments, contribute to spreading the tax burden over a wider base The effect of this significant interest saving will be reflected in the 1990-1991 Budget"

Privatisation needs co-ordination

THE privatisation of State enterprises should be controlled and co-ordinated from a single centre to ensure maximum efficiency and control of expenses, Thuys du Preez, director of Ernst & Young Management Consulting Services, suggests

Outlining the advantages of privatisation, in a statement issued yesterday, Du Preez said it was aimed at reducing the State's share in the economy, with the essential broadening of the tax base as an important by-product

Through this policy, the State would also "tap sources of finance not traditionally available, and would harness private sector experience and expertise, particularly budgeting and financial management expertise, in areas in which it lacks skills"

Du Preez said impatient critics had been asking why the State was not acting more quickly in disposing of such assets as the pipelines, airways and Post Office

"This sweeping and shallow criticism, frequently supported by quoting Britain's privatisation leadership, ignores the constraints within which SA must operate

"Limiting factors include

- Restricted financial resources
- Limited management skills
- A small economically active population
- Uncertainty of international participation

"Criticism also ignores that, in the UK, there are many cases of de-nationalisation rather than true privatisation, with the British government surrendering control of what had been private sector entities until the Labour government nationalised them

"The process of placing these operations back into private hands is less complicated, as proven business units mostly already exist

"In SA," Du Preez continues, "the State must take the following into consideration

- It cannot be perceived to be in a hurry to sell the family silver to meet its debt obligations,
- It cannot destabilise the entire civil service through uncertainty and insecurity,
- It cannot sell assets or services until it has identified precisely what these are, their viability, and their strategic importance — when it goes to the market it must obtain the most acceptable price, while ensuring that the best long-term interests of SA will be served,
- It cannot be perceived as evading its obligations to citizens by disposing of assets or services to potential monopolies or exploitative capitalists,
- Any asset must be privatised only if it is to the benefit of all citizens

"The State has thus rightly proceeded with due caution and without fanfare or publicity

"Critics of the State's so-called tardiness in implementing privatisation ignore the joint efforts of the State and the private sector which are essential prerequisites before 'For Sale' notices appear throughout the country"

Du Preez said that Iscor and the toll roads both met State criteria for privatisation

"There is good reason to believe there will be a speeding up of the privatisation process in future," he continued

"Proof of this is the increased frequency of privatisation proposals in the market place and the new ministerial appointments Dawie de Villiers (Public Enterprises) and Wim de Villiers (Privatisation) It is also clear that State business units will come under even more serious scrutiny to evaluate their possible privatisation

"The State his clearly expressed its commitment, but will need to add internal resources to enable these Ministers to accelerate the privatisation initiatives One would hope that senior officials, even at Director General level, will be appointed to assist them

"It is, however, of cardinal importance that the State adopt and display business philosophies before privatisation will be accepted by State employees

"However, some words of caution for the government

- Skilful management consulting resources in SA are precious and limited and large numbers of proposals are requested for which documents take substantial time to prepare The State must therefore

— Avoid the temptation to call for privatisation proposals if it is not convinced and committed that privatisation in the particular instance can be carried out successfully,

— Not appoint consultants on price only, as this could have a negative effect on the success of the privatisation exercise, and

— Consider using a two-tier tendering system where credentials are first evaluated before final proposals are requested from a shortlist of consultants

- The public relations efforts, both internal and external, are of cardinal importance in every privatisation project, even in the early stages, to ensure acceptance of the goals of privatisation and the use of business philosophies in the privatised enterprise"

Finally, Du Preez says "The privatisation of State enterprises is currently not efficiently co ordinated, as the Commission for Administration, the Privatisation Unit and State departments are all able to call for proposals and appoint consultants independently

"The privatisation of all State assets and services should be controlled and co ordinated from a single centre to ensure an orderly and effective reduction of the State's participation in the economy

November 1989.

DCM continues to lack institutional backing

180

232

ROBERT GREIG

THE Development Capital Market's lack of credibility with institutions could eventually inhibit the growth of developing businesses

Major institutions avoid trading in DCM shares and often shares are tightly held, limiting their attractiveness

The current major activity in the sector is reverse listing on which the JSE is sharply divided Through reverse listings, original vendors are buying back their businesses and moving off the board, while new companies are coming on to the board through what some call the back door

Although interest rates are high, which should theoretically make the cost of issue capital more inviting, there has been only one new DCM listing since June 1989

In January 1988, 95 companies were listed on the DCM, this dropped to 63 in December; and to 53 in June 1989

DCM defenders say the decline of new listings partly reflects the DCM's success as an incubator for the main board by the end of 1988, 41 DCM companies had transferred to it

The DCM has less stringent listing requirements than the main board it was intended for smaller, emergent businesses with a profit history For them, listing is a mechanism of development by raising capital and broadening equity bases

For investors, the DCM represents higher-risk opportunities (and presumably higher rewards) at lower prices When the DCM was launched, the JSE stressed the high-risk, high-reward nature of investment in so-called penny stocks

Though major investing institutions believe the DCM is "a good thing", it is a no-no for them

Sanlam portfolio manager Nel van Niekerk says DCM-listed companies have "blown their credibility for at least a generation" as far as the large institutions are concerned

In an interview in Cape Town, Van Niekerk, one of three Sanlam fund managers, said "We have scrutinised the small companies and as far as we are concerned, the risks outweigh the benefits

"If investments come off, they are too small to enhance our performance If they don't, we get crucified

Volume

"In our experience, only about 20% of the companies listed during the 1986/7 listings boom have met their forecasts

"But the result is small companies have blown their credibility with the institutions"

UAL corporate finance general manager Nico van Heerden amplifies "The majority of DCM companies are trading below their issue price or did not meet their listing forecasts

"In addition, major institutions are looking for the growth represented by volume trading, and this is why they are increasingly focusing on the blue-chip shares

"The second-line stocks on the main board and the DCM stocks don't offer volume"

Nevertheless, Van Heerden believes the DCM remains a useful vehicle for raising funds and a showcase for emergent businesses, though he warns the JSE is likely to take a hard look at the growing practice of reverse listings on to the DCM

DCM-watchers at Frankel, Kruger, Vinderine, noting recent "significant activity" in cash shell listings, see some merits in that process

Writing in their July DCM newsletter, Nolan Menachemsom and Colin de Villiers outline reasons for more reverse listings

They are

- ☐ Low ratings restricting companies' abilities to raise funds through rights offers,
- ☐ Acquisitive growth being too expensive,
- ☐ The reputation of the DCM inhibiting new companies' access to listing capital,
- ☐ The inducement offered to original vendors to repurchase their businesses,
- ☐ The opportunity for DCM minorities to stay in "a generally more promising company" or get out at what is often a premium on the ruling price

Menachemsom and De Villiers qualify the argument that reverse listing is backdoor listing

"The new company still needs to comply with the initial listing requirements and as a result, these companies are in the main sound and viable propositions"

The JSE itself is convinced the DCM has successfully met its objectives In a recent survey of corporate financial services, written by McGregor's On-Line Information and Rhonda Stewart, and sponsored by UAL and Kessel Feinstein, Humphrey Borkum, vice-chairman of the listings committee, says the DCM has met its objectives

The advantages of competition as a means of control

B Day . 15/11/89 (232)

NICHOLAS RIDLEY, the British Trade Secretary, says the world will follow Britain's lead on privatisation

BY the end of this Parliament we shall have privatised 65% of the nationalised industries we took over in 1979 About 50 major businesses will have been transferred to the private sector. The case for privatising companies which operate in a competitive market is now virtually unchallenged.

But what of the other companies: the public utilities? Why are we privatising them? Why are we turning, as it is claimed, public monopolies into private ones? Untrammelled monopolies can exploit the consumer, raising prices and lowering output and quality of service. Surely, people say, it is easier to control them in the public rather than the private sector?

The utilities we have privatised or intend to privatise are more easily controlled when they are in the private sector In some cases they do or can, through deregulation or restructuring, face substantial competition. It has always been our aim to push out the boundaries of the competition as far as possible. Achieving competition remains the key element in any privatisation.

In other areas regulation is the answer and we can achieve better regulation when the utility is at arm's length.

An early example of success was in long-distance coach travel. Liberalising the licensing requirements forced the state-owned National Bus Company (NBC) into competition with new companies Seven-hundred new services were introduced between 1980 and 1983, while fares fell by 40% in real terms.

While at the Department of Transport, I insisted that, as part of complete deregulation, the NBC be split down into smaller units and privatised to ensure the "level playing field" which is the best guarantee for fair competition.

The opportunities for complete restructuring of public sector monopolies to creat instant competitive markets are, by the nature of things, limited. Where they exist, we take them. But in other cases we have used our ingenuity to phase competition into parts where other governments have not dared to reach or to invent new types of competitive pressure.

In privatising British Telecommunications (BT), we stimulated competition by licensing Mercury as a competing network. We have also liberalised other aspects of telecommunications — permitting anyone to provide value added and data services and to run their own branch system, introducing competition in paging, cellular, other mobile radio and satellite services; allowing "telepoint" services and personal communications networks to develop; and giving choice to the public over the telephone apparatus they buy The result is a dramatic improvement in the variety and quality of services available to the public and a growing and flourishing telecommunications service sector.

In electricity, we are creating a fully competitive environment not only for generation but also for supply, that is, in the selling of electricity to factories and possibly even to homes. The 12 regional electricity supply companies will be free to purchase from independent generators, including new ventures, as well as from Scotland, France and the two companies created from the Central Electricity Generating Board

Customers will also be free to purchase either from their own regional supply company or from any generators or intermediary There will be competiton between suppliers, especially on load management terms Competition will be phased in to give new as well as old suppliers a chance to adapt. There will be free competition in one-third of the market from day one, extended to half the market after four years and to all the market after eight years In all this, we are certainly world leaders

Of course, there are always likely to be elements that really are "natural" monopolies, where the economies of scale are so large that only one organisation is likely to operate in any given area

Electricity transmission (the grid), a minor part of total electricity costs, is a prime example. So generally are gas and water distribution networks.

But the existence of natural monopolies does not mean they have to be kept within the public sector Water is privately owned or operated in the US and France and in some parts of the UK, electricity distribution in the US and Germany. So privatising utilities is not in itself new.

What is new is the creation, where competition is either permanently or temporarily impracticable, of tough and clear regulatory regimes in order to give proper protection to customers

It is in the design of such regimes that we are again leading the world. On prices, we have for example eschewed rate of return controls, prevalent in the US and elsewhere, in favour of price-capping formulas that hold rises in tariffs below the increase in the Retail Price Index. Rate of return controls by themselves do nothing to keep down monopoly costs and have been associated with "gold-plated" investment projects Our controls press down on costs while giving incentives to companies to make reasonable profits in return for increased output, efficiency or product innovation.

To improve service quality, we have insisted on tough statutory and licence provisions We have insisted on the setting of challenging performance targets, and on a measure of compensation being given to customers where particular targets are not reached. BT's quality of service has increased markedly since privatisation. For example, a record 96,5% of call boxes were in working order in March this year, with 91,5% of faults being rectified within two working days In electricity, guaranteed standards underwritten by compensation schemes have been established for the first time.

In most cases, a special regulatory office under a director-general has been established to ensure adherence to the price and quality conditions Consumer consultative committees, generally integral parts of the office, have been set up to ensure that consumers' voices are heard. The special regulators usually have joint responsibility with the Director-General of Fair Trading, Sir Gordon Borrie, for administering aspects of that legislation within their own industries.

In his dealings with a monopolist Gas Supplies Director-General James McKinnon has achieved major improvements for domestic gas users. British Gas now looks upon him as the competition!

He has called upon the company to issue a "customers' charter" and got its agreement earlier this year to adopt more sensitive policies when dealing with customers who have difficulty meeting their debts He has brought the price paid by those buying from a landlord into line with the price paid by the ordinary domestic user, yielding a 50% saving in some cases

Paradoxically, the more successful the regulators are in encouraging competition, the less we shall need them. As competition develops in, for example, gas, telecommunications and electricity generation and supply, the need for special industry-specific rules on price and quality should wither away, leaving only the natural monopolies such as water for permanent regulation.

Privatising the utilities has been and will continue to be for the benefit of the customer as well as the tax and ratepayer The spur of competition being introduced — and where there is a natural monopoly it can and is being dealt with effectively by regulation

Where we have led, the world is watching closely Others will follow.
— Financial Times

B/Day 15/11/89

Milk demand will soar 30% by 2000

GERALD REILLY

PRETORIA — The rapidly growing black population and increased urbanisation will send demand for milk soaring 30% to about 2,25-million tons a year by the close of the century.

At the Dairy Farmer of the Year function in Roodepoort last night Agriculture Development Minister Kraai van Niekerk said the industry should not plan only in terms of the SA market.

The needs of neighbouring territories should be taken into account.

"The total population of these countries is expected to increase to more than 67-million by the year 2000 — an increase of 63%."

The traditional supply of surplus dairy products from Europe and the UK to African states had declined substantially, Van Niekerk said.

Surpluses of butter and skimmed milk powder in the EC countries were something of the past.

Higher rates put damper on industrialists' outlook

B/Day 15/11/89.

KAY TURVEY

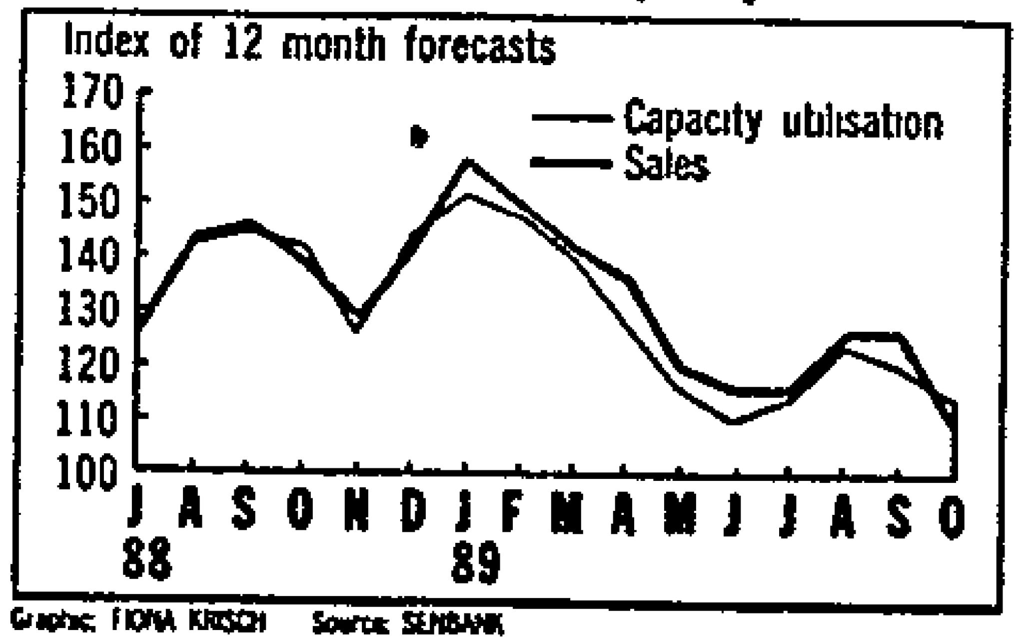
HIGHER interest rates introduced last month put a damper on the outlook of industrialists, according to the latest Federated Chamber of Industries (FCI) survey.

But in spite of indications economic conditions will be tough in the year ahead, sentiments are buoyed by a more positive socio-economic outlook, FCI economist Roelof Botha says

The FCI's indices for expected sales levels supports forecasts for real economic growth of 1,5% to 2% for 1989, he says

Ahead of the seasonal slowdown expected for November, positive influences should emanate from a higher gold price and signs that government is set to introduce tax relief and provide greater clarity in regard to the import surcharge and its export promotion policies.

Manufacturing sales and capacity utilisation



Graphic: FIONA KIRSCH Source: SENBANK

FCI's survey of expectations among more than 300 MDs of manufacturing units shows the index of expected sales over the next 12 months falling to the lowest level since the survey was launched in July last year.

At 110, it remains on the optimistic side of the 100 border between optimism and pessimism.

The level of expected capacity utilisation remains above that of sales, possibly as manufacturers build up stock ahead of the Christmas shutdown.

If such a trend continues, it could indicate manufacturers are gearing up for an increase in consumer demand next year on the view that interest rates have peaked.

This is aligned to current economic forecasts of a prime rate of 17% to 18% by the end of next year.

Municipal workers demand answers on privatisation

BDay 15/11/89

ALAN FINE

THE SA Association of Municipal Employees (Saame), which represents 45 000 whites employees of local authorities in SA, yesterday demanded access to government's privatisation plans for municipal services.

Newly-elected Saame president Hans Deetlefs said the association sought assurances on the effects of privatisation on employment policies and on the quality of services.

He said government's plans could not succeed "without the stabilising influence of Saame participation".

Deetlefs pointed to concerns Saame had about employees' job security, their employment benefits, union rights, and about the standard of privatised services.

If employees' fears were not allayed this could lead to "a rush towards militant unions". (232)

He said if the system in terms of which municipalities were graded was not changed this could lead to a downgrading of municipalities and consequent negative effects on employees' earnings and benefits — and possible mass resignations of employees

Deetlefs said Saame also expected clear and honest answers on whether privatisation offered benefits for taxpayers; how cost-effective privatised services could be; whether services rendered would be of the same standard as those of local authorities and whether effective costing would be done regularly. 232

☐ Comment has been requested from the council examing municipal privatisation.

Bids tendered for BP stake

(232) Cap Times 15/11/89

Own Correspondent

JOHANNESBURG — Four bids were tendered for BP's 89% stake in opencast coal mine, Middelburg Mines, including a joint bid from Graham Beck's Kangra Holdings and Italian state-owned energy corporation, Agip, when bidding closed on Friday, an industry source said

BP said earlier it was selling its coal interests in SA, the US, Australia, and Europe for strategic reasons

The other bidders for Middelburg were Amcoal, Sasol and Gold Fields Coal

Rand Mines (RM), which owns 11% of Middelburg, has the right to match the bid accepted by BP, and deputy chairman Allen Sealey has said the company is keen to buy the mine

Kangra Holdings is owned by Graham Beck and earlier this year acquired Northern Natal Navigation Collieries from Gencor-owned Trans-Natal Coal (TNC) in exchange for R3,8m and mineral rights to extend the life of TNC's Savmore Colliery

Although Trans Natal Coal said earlier it would be interested in purchasing the SA assets of BP, chairman Brian Gilbertson has since told analysts Middelburg will not fit TNC's synergy.

BP spokesman Graham Barr declined to comment yesterday on the sale of coal assets

It was not known whether BP's remaining interest, mineral rights to about 440-million tons of mainly steam coal in the northern Transvaal Waterberg Basin, was included in the bidding.

Analysts Max Pollak & Freemantle in a November 1988 coal review points out lack of infrastructure as a production difficulty in the basin although coal quality compares favourably with deposits currently being mined.

Frankel Kruger analyst Kevin Kartun estimated the mine to be worth R300m.

The price might be influenced by Middelburg's low production cost at about R20/t and its export allocation through Richards Bay. It will cost about R500m to open a new mine, he said.

FNB court action against commodity broker

15/11/89

SUSAN RUSSELL

INTERNATIONAL agricultural commodity traders Agrimin Trading (Pty) Ltd, which its bankers said had liabilities of more than R30m, was provisionally liquidated yesterday B/Day (232)

The urgent application for Agrimin's winding-up was brought before the Rand Supreme Court by FNB

In an affidavit, bank manager Ian Garth Crawford said FNB, International Bankers Incorporated SA, International Bank of Johannesburg Ltd and LDC Financial Services had claims totalling more than R25m against Agrimin, representing more than 80% of the company's total liabilities

Crawford said Agrimin was "hopelessly insolvent with liabilities exceeding R30m and assets of less than R10m"

Crawford added that the company's annual financial statements showed Agrimin's gross profit for the year ended June 30 1987 was R233m, while the figure for the three months ended September 30 1989 was R440 610, giving an annualised figure of R1 762 440

B/Day 15/11/89

Anglovaal is to reduce number of share classes

232 STEPHEN RICHTER

ANGLOVAAL intends to streamline and simplify its capital structure by reducing the number of classes of shares in issue from five to two In addition, the mining house is to sub-divide its share capital

Anglovaal's existing share capital comprises five share classes and the loan stock The directors feel that by reducing the number of classes and sub-dividing the shares, their marketability will increase, while making it easier for the group to raise capital

Therefore, Anglovaal plans to convert its "A" 50c ordinaries and the participating 5% preference shares into a single class of new ordinary shares of ,01c each, to be known as "N" ordinary shares The newly created "N" shares, together with the existing 50c ordinaries, will then be sub-divided on a 10-for-one basis

ANGLOVAAL GROUP

An added feature of this restructuring is that the "A" ordinary as well as the participating preference shares only have limited voting rights

But the "N" ordinaries will carry normal voting rights pro rata to their nominal value

On March 31, Anglovaal will redeem the 6% preference shares at their par value of R2 But the 5% preference shares will be redeemed at a 20c premium above their R2 par value

These redemptions will be made from retained earnings and take place independently of the abovementioned restructuring moves

Redemption

As it now stands, loan stock holders are not entitled to participate in any Anglovaal equity rights offer

But the directors feel that the terms of the loan stock should be amended to apportion future rights offers to ordinary and "N" ordinary shareholders on the one hand, and loan stock holders on the other

This will be accomplished in a ratio proportionate to their respective total market values

The redemption of both classes of redeemable preference shares will translate into a substantial premium above the last ruling market price The preference dividends in both cases will be paid up to the March 31 redemption date

The Anglovaal ordinaries and "A" shares both jumped 1 500c yesterday to close at 42 000c on the JSE The proposed sub-division will translate into a share price of 4 200c, which is much more attractive for the average investor

To obtain a mere 100 Anglovaal shares, investors must currently shell out R42 000, compared to only R4 200 after the sub division

Privatisation: 40 000 jobs lost in public sector

(232)

Cape Times 20/11/89

Own Correspondent

JOHANNESBURG. — More than 40 000 public corporation jobs, 2,4% of the public sector have been eliminated by privatisation, most since March 1989, says the latest quarterly Central Statistical Service (CSS) survey of employment.

The survey, to June 1989, says public corporation employment has dropped by 23,5% since June 1988 and 22,3% since March 1989.

Public corporations are defined as enterprises in which the State has a majority interest and their subsidiaries. It excludes Sats and the Post Office.

Dramatic drop

The CSS figures show an immaterial decline until the quarter ending March 1989, which saw 173 652 employed, then a dramatic drop to 134 833 at the end of the June quarter. These figures do not reflect the period in which Iscor was privatised.

A feature of the figures is that the job reduction has been racially uniform the proportions of whites and blacks employed by public corporations at June 1988 are virtually what they were at June 1989.

However, the wage bills of blacks, measured as a proportion of the total public corporations' wage bills, have risen slightly by 1,4%, while the white wage bill has dropped by about 2%.

Declining numbers

The overall wage bill is down by 14,75% from June to June, representing an annualised saving of R550 272 in wages and salaries alone.

Most sections of the public sector show signs of declining numbers and wage bills and rising vacancies, except for civil services of the homelands There the wage bill has risen 39,2% on a 9,27% employment increase in the June to June period.

In the public sector as a whole, including universities, technikons and agricultural marketing boards, employment has decreased by 1,2% since June 1988 and 0,7% since the quarter ending March 1989.

ADE heads for privatisation

CAPE TIMES 27/11/89

By BARRY STREEK

THE giant Atlantis Diesel Engine (ADE) company, which cost about R500m to establish at Atlantis, is likely to be privatised as a blue-chip company on the Johannesburg Stock Exchange

This has been disclosed by ADE's MD Harmurt Beckurts, in an interview in the latest issue of Leadership.

He said ADE, which employs about 3 000 people, was working on a five-year capital expenditure programme and he anticipated a further R100m expenditure in 1990.

Asked if ADE would be a target for privatisation, Beckurts replied: "I hope so It is certainly our ambition to become a blue-chip company on the JSE

"That is our ultimate target"

ADE had not reached the level of profitably which would give it the return on investment that a normal investor would consider adequate.

ADE, which is 87,5%-owned by the government-controlled Industrial Development Corporation and 12,5% by Daimler-Benz, produces about 22 000 diesel engines a year with a local content value of around 55%.

In the interview, Beckurts said: "When we look at the local content of ADE, where we stand in 1989, we can say that, in terms of phase six (of the local content programme), we save a foreign exchange equivalent of R220m a year."

ADE was also exporting locally made components, worth "in the region of R25m a year".

It had to achieve a zero foreign exchange balance by 1997

"In other words, any imports that we still need have to be compensation for by exports.

"So by 1997 we will probably have reached about 87% local content by value, but still not 100%. So the difference between 87% and 100% we have to make up with exports," Beckurts said.

Iscor share turnover soars to 5-million

NEWS 23/11/89

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Business Staff

THE sale and demand for Iscor shares on the Johannesburg Stock Exchange continues unabated and yesterday turnover soared to more than five million shares.

One of the sponsoring brokers, Mr Ed Hearn, said over 80 million shares of the 1,8 billion in issue had been traded since listing on November 8 and the country's major institutions remained firm buyers.

The institutions, despite the size of the Iscor share issue, were unable to acquire as many shares as they would have liked and when the price moved above 230c any selling by the man in the street, was quickly snapped up.

Iscor was a long term investment stock and an ideal share for an institutional porfolio.

CAH Tr2S 24/11/89

Gencor gets 84% stake in Trek

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JOHANNESBURG. — In A move which could facilitate the listing of its energy division, Gencor has acquired BP Southern Africa and Shell SA's stake in Trek Beleggings for R106,2m in cash.

The deal, which increases Gencor's stake in Trek from 50% to 84%, marks the coming of age of Trek, says Gencor executive director and head of the energy division Bernard Smith.

"Over the past 20 years Trek has gained a great deal from its association with BP and Shell and has benefited from the expertise of its two partners. The time is now ripe for Trek to stand independent."

In addition, Trek has acquired BP and Shell's 30% stake in Chemico for R3,4m. And in another deal, the lubricants manufacturing business of South African Lubricants Manufacturing Company (Samco), currently jointly owned by Trek, BP and Shell, has been sold to Sapref for R82m.

Smith says the sale of Trek's interest in Samco should result in enhanced earnings for Trek in the medium term because it results in the termination of certain distribution and related agreements. Trek will now be able to contract for services independently and streamline certain of its operations

Trek's net asset value will increase by 50c a share as a result of these transactions.

Share index futures

Closing prices

OM 'likely buyer' of 8% stake in GFSA

Cit. Times 24/11/89

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Own Correspondent

JOHANNESBURG — Old Mutual has been identified as the most likely buyer of the 8% stake in Gold Fields of SA (GFSA) from Hanson

Hanson announced on Wednesday that it had disposed of its last remaining assets in SA (acquired when it took control of British-based Consolidated Goldfields) to an unnamed buyer (or buyers) for £240m cash

Of all the SA companies which have the financial clout to buy an asset of this size, worth over R740m on the JSE yesterday, Old Mutual is the only one, besides Sanlam

On top of that, market speculation from various independent sources, in the financial rand markets and equity markets, has focused on Old Mutual

On Wednesday night Old Mutual executive chairman Mike Levett declined to confirm or deny the speculation, adding "I never comment on press speculation, whether it's true or false"

Companies which have been eliminated as buyers of the 8% stake are Anglo American, GFSA itself, Liberty Life and Gencor Business Day has been unable to get a response from either Sanlam or Rembrandt

But Rembrandt is considered an unlikely candidate for the stake, as a purchase would upset the balance of its relationship with Asteroid and Liberty Life in GFSA Holdings, from where control in GFSA is exercised

Sanlam, on the other hand, is a possibility, being as capable as Old Mutual of funding the purchase

As regards the lesser interests sold by Hanson — minority stakes in Kloof, Driefontein, Deelkraal and Northam — it seems likely that they have been spread among a number of buyers GFSA has confirmed that it bought an unspecified amount of shares in Kloof and Driefontein, but not the whole lot

Old Mutual's buying power is illustrated by the fact that it recently reported cash holdings of nearly R7bn

● **ROBERT GENTLE** reports from London that analysts were still unable to put a definite name on the buyer of Hanson's remaining Consgold-inherited mineral interests in SA

The £240m sale of the portfolio of gold shares, which included interests in Gold Fields of SA, Kloof and Driefontein, was announced Tuesday by Hanson

An analyst from James Capel said his enquiries had turned up nothing, while an analyst from Smith New Court said something would surface sooner or later Stockbrokers Laing & Cruickshank refused to comment

SOWETAN Friday November 24 1989

Wealth is

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Sowetan 24/11/89

By MOKGADI PELA

PRIVATISATION implies a shift towards health as a personal responsibility and free and unlimited access to health care as a privilege, a paper at the health seminar of the National Union of Public Service Workers (NUPSW), stated

The concept is in sharp contrast to the 1944 Gluckman Commission report which proposed the establishment of a comprehensive national health service The proposals of the commission included.

* free health service for all,

* the introduction of a national health tax to finance the national health service,

* a centrally co-ordinated service,

* an emphasis on community health centres within reach of everybody and increased training of health professionals and auxilliary health workers

NUPSW cited the cleansing sectors, bus service and security departments as examples of areas that have since been privatised The union pointed out that the Transvaal Provincial Administration has indicated its intention to privatise more than 27 hospitals

Co-operate

Another factor that worried NUPSW was the "changing conditions of work in privatised sectors" It said the workload had increased to the detriment of its members.

NUPSW aims to stop privatisation in any manner conceivable. The union said it would co-operate with other unions facing the same problem.

These proposals of the Gluckman Commission were accepted, but never implemented The election victory of the Nationalist Party in 1948 ensured their ultimate demise

The present organisation of health services in South Africa is divided into public and private sectors.

The public sector has elements of a national health service, but these will disappear in due course. The Department of National Health and Population Development is responsible for overall co-ordination of public services, community health matters such as health education and the control of communicable diseases, family planning, national laboratory services and the provision of long-term psychiatric services.

Hospitals and local authorities are responsible for environmental hygiene, health promotion and rehabilitation The bantustans manage their own departments of health, financed from the central South African budget

State hospitals do not provide free health services to all Only a very small minority is exempt Even the indigent pay - though a nominal amount.

Funded

The amount payable by individuals using public services is determined by their level of income and the number of dependents At present, a single person earning R5 000 per annum is classified as a private patient. Such an individual has to attend a private hospital or pay private fees at a provincial hospital

Privatisation of health care implies that

* health care will be funded by private sources,

* ... generation of pro-

in the country ... cover over 80 percent ... whites while less than 30 percent of "coloureds and Indians" and less than 4 percent of Africans benefit According to the paper it has been shown that whites have four times as much spent on their medical care as do blacks

In an article entitled *Private Medical Practice - Obstacle to Health for All*, these problems associated with private practice have

Industry

* Perverse incentives leading to unnecessary investigation and treatment with escalating health care costs.

* Inequity resulting from the inability of lower-income patients to afford fees to cover treatment costs

* Maldistribution of medical manpower caused by doctors attempting to maximise their income by moving

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Sowetan
24/11/89

health

* health services will be privately owned

The private sector consists of general practitioners and specialists in private practice

Privately-owned hospitals are for profit, but some are run by industry for the use of their employees In the latter, medical personnel are salaried and the services are usually free at point-of-service. These constitute a small fraction of private services.

Payment for services in both sectors is either through direct payment by an individual or through private health insurance and medical aid schemes There are about 300 medical aid schemes.

Pambili Ntloko, NUPSW education officer.

With privatisation, health services are transformed into a profit-making industry Private hospitals and doctors become profit-orientated Doctors are often involved in the formation of syndicates which establish private medical centres. Medical industries, motivated by profit, often produce unneccesary drugs and equipment

Privatisation has also been seen as a way of offering urban, middle class blacks access to racially integrated medical care of a better quality than is available to them in the public sector.

"Our health problems will not be solved by reforming the present health structures A socialist system of health care such as a national health system is the answer states the article

Planning

The advantages and the various aspects of this system of health care were presented at an ASSA congress at the University of the Western Cape Proposals for a national health service presented there included

* A single administrative structure with centralised planning
* A service free of charge at all levels of health care
* No private medicine, whether hospital or general practitioner
* Easy access for all regardless of class, race or sex
* A non-racial National Health Service

Funding by progressive taxation

A structure based on primary health care

Greater participation and control in decision-making by the community and worker organisations and greater democracy

Equitable health care distribution to rural areas

An emphasis on preventive and promotive health care rather than curative services

A national drug and medical equipment formulary

Implicit in these proposals is the principle that health care is a basic right and not a privilege

Deregulated market for citrus a great success

DDay 24/11/89 (232)

THE deregulated market for local sales of citrus fruit to processors and the informal fresh fruit trade has proved so successful that the Citrus Exchange board of directors and the Citrus Board has decided to expand the system to the entire local market in 1990

Citrus Exchange chairman Dave Lötter said in a statement yesterday the citrus industry had been deregulating gradually since 1986.

In 1989 the system had been so successful that it accounted for all sales to processors and 25% of fresh sales, Lötter said.

Standards

Complete deregulation of the local market would mean that individual citrus growers would be fully responsible for all their local market sales

"However it is important to note that regulations governing quality standards and packaging will still apply," Lötter added

CHARLOTTE MATHEWS

"The Citrus Exchange will also continue to render various back-up services to citrus growers in respect of local marketing, such as advertising and promotions, market research, technical extension and research services"

The total crop in 1989 was about 53,3-million 15kg cartons compared to 56,8-million cartons in 1988.

A record volume of about 30,3-million cartons was exported against last year's 29,6-million, a 2,4% improvement.

Gross sales value of 1989 exports was up to R830m against R733m in 1988.

"It was not a vintage year from a quality point of view," Lötter said.

"But fortunately most of our overseas markets have been relatively buoyant for most of the season"

Distribution to citrus growers rose 18% to R422m from last year's R357m, but because of cost inflation the grower was no better off than last year.

Government steps up deregulatory efforts

Cit Times 24/11/89

(232)

Own Correspondent

JOHANNESBURG — Government yesterday stepped up its deregulatory efforts when Administration and Privatisation Minister Wim de Villiers recommended the introduction of a proclamation which largely removes the need to apply for trading licenses

The proclamation will also do away with all restrictions on business hours during the week and on Saturdays

De Villiers recommended to President F W de Klerk that changes contained in the draft Businesses Bill published earlier this year be brought into effect by proclamation

Although the final decision on issuing a proclamation rests with De Klerk, this should be a mere formality

De Villiers said that in terms of his recommendation to De Klerk it would no longer be necessary for most businesses in the Transvaal, OFS and Cape to renew trading licences for next year

The only businesses unaffected by the new rules would be those like escort agencies and night clubs that were subjected to licensing on the grounds of public morals

Because there was no provision for regional services council levies in Natal, currently valid licences in the province would still have to be renewed

De Villiers said that all licences would, as in the past, be subject to review and suspension, but on more limited grounds than previously

Applications for new licences during 1990 would also be subject to more limited grounds of refusal and review

In Natal grounds for cancellation and refusal of licences would also be more limited

De Villiers said he had taken note of objections to extending business hours by certain trade unions

He invited those concerned with the protection of worker's rights to inform him of their experience with the new regime

"I trust that this proclamation will not be to the detriment of workers since the protection of worker's rights is primarily a matter for our labour legislation Should there be a further need I will also consult with my colleague the Minister of Manpower and with the National Manpower Commission," he said

The proclamation will apply until the Businesses Bill has been approved by Parliament and comes into effect at the beginning of 1991

De Klerk is expected to issue the proclamation within the next few weeks

Assocom legal manager Ken Warren last night welcomed the recommendations as a significant step in the deregulation process and recognition of changing shopping patterns among SA consumers

However, he said Assocom felt the sensitive issue of Sunday trading should be addressed as a matter of urgency to take into account shopping needs of all in SA, particularly blacks who spend hours travelling to and from their place of work.

Trading hours should be relaxed further to accomodate them, Warren said

He said he hoped the procalamation would be issued without delay as most businesses had already received license renewal notices The proclamation would remove uncertainty whether they were liable to pay these or not Large chain stores, in particular, had expressed dismay at the delay, he said

Furntech to sell WTI, become cash shell

BARRY SERGEANT

FURNTECH is to become a cash shell after poor operating results for the interim period to June 30 It is to dispose of its sole operating subsidiary Western Transvaal Industries (WTI) to Macsteel Commercial Holdings for a price that will only be known after audited figures to December 31 are released

The purchase price will be the audited tangible net asset value of WTI at December 31

It will include an amount attributable to the increased value of plant and equipment at that date and is payable in cash

In the interim period for the six months to end-June, Furntech reported a loss of 9,7c a share (+6,3c)

Turnover increased 13,1% to R41,1m as an operating profit of R2,1m was turned into a loss of R2,2m

The interims include an extraordinary item of R919 000 that saw last year's interim profit of R1,8m turned into a loss of R3,8m

On the Furntech balance sheet, shareholders' equity fell from R15,3m at end-December to R11,5m at end-June. The ratio of interest-bearing debt increased from 34% at last interims to 86% The net asset value was 39,3c at the latest interims, against 49,5c a year ago, and 52,2c on December 31 BDay 24/11/87

Meanwhile, PW Corporate Services last night announced "agreement had been reached with Macsteel for the disposal by Furntech of the entire share capital and all shareholders' claims in Western Transvaal Industries (WTI)"

WTI is named as Furntech's "sole operating subsidiary" and "accordingly, the disposal of WTI will result in Furntech becoming a cash shell"

(868) (232) (868)

Sable planning a transfer to the JSE industrial sector

B|Day 29/11/89

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LIZ ROUSE

SABLE Holdings intends to move its listing from the property sector to the industrial sector, now that its industrial interests are contributing half of group taxed profits

Chairman John Nash says in his annual review that Steiner Services — the washroom services and linen and workwear rental division, which has now branched into manufacturing workwear garments in the Ciskei — should contribute about 50% of taxed profit in the current year

Also, Sable is poised to enter the direct sales market for industrial garments Its Ciskei factory is producing 20 000 garments a month

Steiner's turnover increased by 19%, and its operating profits before tax and interest were up 56% in 16 months to June

Projected growth for the 1989/1990 year is an increase in revenue of 23% and a rise in earnings of 55%

Nash says the property division, which has doubled its profits each year for the past three years, cannot be expected to continue growing at this rate However, despite the slowdown he expects taxed profit to rise by 30%

There have been significant changes in Sable's portfolio Properties in the Hillbrow and Berea areas have been sold (where sales were advantageous) and the funds redeployed, either in better-performing properties or acquisitions in the industrial field

Sable is looking at development of smaller industrial units, which the group believes have great potential because of changing economic trends

Nash says these objectives have been achieved and the results speak for themselves — Sable's attributable net income for the 16-month period increased to R8,4m (112,6c a share) from the previous 12-months' R3m (39,6c a share) Dividend distribution was raised to 40c (20c)

Borrowings

The property trading division also had a successful year

In the past this division acquired older properties and refurbished them for resale on sectional title In future, efforts will be concentrated on new developments which will be undertaken in co-operation with other developers

The group's debt has been handled carefully Bank borrowings, which rose to about R32m following the acquisition of Steiner, were reduced to R13m at the end of June Two property sales since the year-end have generated an additional R6,5m and part of these proceeds has been used to reduce borrowings

Sable's property portfolio has been revalued to 957c a share Net asset value of the portfolio was 587c a share at the end of February 1986

Abattoir privatisation on hold during probe

TANIA LEVY 232

PRIVATISATION of the state's 10 abattoirs is unlikely to take place in the next year following an announcement by the Red Meat Producers' Organisation (RPO) that it has appointed an internal task group to investigate the matter.

In a statement at the weekend RPO chairman Jan Lombard said the group would present its report in 1991.

Lombard said reports by the Abattoir Corporation (Abakor) on privatisation and the Meat Board had made it clear to the RPO the implications of privatisation were so far-reaching as to affect the entire character of the meat scheme.

Privatisation would have important effects on important underlying elements of meat marketing such as price formation and market access. B/Day 28/11/89

The RPO also felt the issue of producer control over abattoirs was inadequately adressed in the abattoir report, Lombard said.

Impressive performance from trade-finance firm

B|Day 29/11/89 (180) (232)

NEIL YORKE SMITH

GDM Finance, a trade finance company, has delivered a highly impressive performance for the six months to end-October

At R4,6m (R3,8m) pre-tax profits reflect the group's substantial growth since 1986 when the corresponding figure was R0,7m

For the period under review taxation at R1,1m was lower than the previous year's R1,4m

The result was that attributable earnings increased to R3,5m, about 52% higher than last year's R2,3m

This is in keeping with the 37,9% earnings increase for the corresponding period last year, and the 54% increase for the year ended April 1989

At the per share level, interim earnings translate into 13,8c (9,1c) An interim dividend of 4c (2,5c) has been declared

MD John Cowper said trade finance was not affected by an inflationary environment

This was because demand for GDM's service, the provision of trade finance, simply increased in relation to the inflation rate, he said

He added the service was always necessary , regardles of trading conditions and of the relative strength or weakness of the rand

Expansion

Cowper said GDM was conservatively geared "Our stated objective is a ratio of borrowings to shareholders funds of not more than 5 1"

At the interim stage this figure stands at 3,66 1, well below the stated objective, and even lower than the year-end figure of 3,9 1 This put the group in a strong position regarding future expansion, added Cowper

Earlier this year GDM, with Finansbank, acquired the business of African Shipping, a clearing and forwarding business

Although the acquisition took effect from July 1 1989, it is only based on Afship's balance sheet at Jan 31 1990

The acquisition will thus have no effect on GDM earnings for the period to Jan 1 1990

Cowper said earnings for the second half should exceed those for the first six months.

Shares in GDM, which was listed in September 1987, have recently been hovering around the 85c level

This is slightly above the year's low of 80c reached last week, and well off the March high of 105c.

However, with no sellers to bidders offering 85c this week, the share price may have some upward potential

At 80c, and with prospective annual earnings of 27c a share, GDM trades at a prospective earnings yield of more than 30%, well above the sector average.

Iscor windfall will aid Numsa 'struggle'

(232) KG4A

B/Day 29/11/89

ALAN FINE

NUMSA and its shop stewards employed at Iscor have begun discussions on how the R1,57m windfall earned from the sale of more than 7-million Iscor shares earlier this month should be administered

The union organised the financing, purchase and sale of employee preference shares to which its 9 500 members were entitled as part of the privatisation of the corporation.

The proceeds were to be used to advance the collective interests of members. The shares were sold to the Metal Industries Group Pension Fund, to which most Numsa members belong.

Numsa national organiser Bobby Marie said yesterday it had been agreed in principle the money, which is to be put into a trust fund, should be used to help build organisation within Iscor, to promote union education and generally support Iscor members' "struggle".

It was also agreed, though, that individuals who leave Iscor should receive a payout from the fund.

He said it was planned that, as far as possible, only the interest earned by the fund should be used, leaving the capital amount intact.

Marie reiterated that Numsa remained opposed to privatisation, and its participation was designed as a collective response to management attempts to make the share participation scheme an individualistic exercise.

COMPANIES

Argus 30/11/89 (232)

Rembrandt pays R911 million for big stake in gold mining

By TREVOR WALKER, Business Staff

Rembrandt group now has a very meaningful 17,5 percent interest in Gold Fields of South Africa, one of the country's major mining conglomerates

Rembrandt said in its six months' figures to end September that in August this year after taking into account the recent GFSA rights issue, the group holds 40 percent in Gold Fields Holdings, which in turn holds a 43,7 percent interest in GFSA

This purchase cost Rembrandt R911,2 million and was financed out of internal resources, pref shares and loans

The Rembrandt Group returned a 42,5 percent increase in net income to R383,0 million and earnings a share rose to 66,40c from 51,74c, allowing for an 8,75c (7,50c) interim dividend

● **Rembrandt Controlling Investments** increased its net income to R195,6 million from R137,3 million and earnings a share rose to 49,17c from 38,31c, while the interim dividend was raised to 6,48c from 5,55c.

● **Technical Investments** increased in earnings a share to 26,56c from 21,27c and increased the interim payout to 5,68c from 4,87c.

● **Technical and Industrial Investments** interim was increased to 6,02c from 5,16c.

● Cement producer **PPC** is considering investing in a company that will construct and operate a cement-producing facility in Botswana

At the same time, chairman Mr John Hall told shareholders in his latest annual statement PPC was to acquire a 50 percent interest in a company that designed residential structures that could be erected speedily and efficiently on problematic soils.

Turning to PPC's prospects for 1990 Mr Hall said at best dividends would at least increase in line with inflation

A cooling in the world economy would impact on commodity prices and discourage further major investment in areas of mining and mineral beneficiation.

● **Macadams Bakery Supplies**, achieved a 35 percent increase to R1,97 million in operating profit on an 11 percent increase in turnover to R23,84 million for the six months to August.

However a substantial rise in the interest bill, up from R503 000 for the six months to August last year to R1,14 million, diluted net earnings.

● **The Port Elizabeth-based pharmaceutical manufacturer, Lennon**, expects a record turnover in excess of R160 million for the current financial year ending March 1990, according to MD Mr Clive Stanton.

This is 33 percent up on last year's turnover and at a banquet at the Johannesburg Press Club he said with its holding company, SA Druggists, pharmaceutical products worth more than R30 million were being exported

To cope with future demand, the company had just completed a R50 million expansion and modernisation programme at its Port Elizabeth plant

In addition, work on a brand new factory costing R45 million would soon commence in Port Elizabeth. Furthermore a specialised R5 million manufacturing plant was being constructed in the Ciskei

Rembrandt lifts profits to R383m

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CAPE TIMES 30/11/89

Financial Editor

THE Rembrandt Group lifted net income for the six months to September 30 to R383m (R268,7m) Of this, R36,4m was due to extraordinary items — mainly the group's share of attributable profits from rationalisation by its associate Gencor

Net income before tax was R357m (R297,4m) and the tax bill rose to R131m (R111,3m)

Net income from normal business operations was R346,6m (R270,1m) Earnings at share level from normal business operations rose to 66,40c (51,74c) and the interim dividend to 8,75c (7,50c)

The directors say that taking into account the recent Gold Fields of SA (GFSA) rights issue, the group now holds 40% of Gold Fields Holdings which in turn holds 43,7% of GFSA

"The group's indirect interest in GFSA is now 17,5% on a fully diluted basis as against 9,5% previously

The additional investment, including costs and the taking up of rights, amounts to R911,2m and is being financed out of the group's own resources, by preference shares issued by a wholly owned subsidiary and by loans"

The statement says that this transaction has had no material effect on the group's results for the six months under review

● Rembrandt Controlling Investments reports net income from normal business operations of R177m (137,9m) and net income including an extraordinary item of R18,6m — mainly its attributable share of profits from Gencor's rationalisation of interests — of R195,6m (R137,2m) Earnings per share from normal business operations are 49,17c (38,31c) and the interim dividend is 6,48c (5,55c)

● Technical Investment Corporation reports net income from normal business operations of R71,8m (R56m) and net income of R79,3m (R55,7m) including an extraordinary item — attributable profits from the Gencor rationalisation — of R7,5m Earnings per share from normal business operations are 43,14c (33,65c) and the dividend 5,68c (4,87c)

● Technical and Industrial Investments reports net income from normal business operations of R60,4m (R47m), and net income of R66,7m (R46,7m) including an extraordinary profit of R6,3m Earnings per share from normal business operations are 45,76c (35,61c) and the dividend is 6,02c (5,16c)

Rising cost of GDP outlined

B Day 30/11/89 (232)

TANIA LEVY

IT TOOK twice the investment to make a contribution of R1 to the GDP after 1974, as it had between 1946 and 1973, Privatisation Unit adviser Eugene van Rensburg said in Pretoria this week

He was addressing a conference for representatives of self-governing territories.

Measured against the capital output ratio, investment had not met requirements of the norm of return on capital, Van Rensburg said.

Between 1981 and 1985 the public sector made no contribution to net domestic savings.

Government "dissaving" had reached critical proportions, Van Rensburg said In 1988 government spent nearly R3bn more than it earned, compared with R44m dissaved in 1981.

He said this led to an inevitable reduction in net capital available for productive investment. In 1988 net capital available contributed a mere 3,8% to GDP, in contrast to its 19,4% contribution in 1981.

Van Rensburg said privatisation was an economic rather than a political issue Its main goal was to reduce the public sector's share in the economy. By increasing the private sector's involvement, the tax base would be increased. This would eventually lead to a reduction in tax rates

He said a shortage of skilled labour was one of the constraints facing privatisation in SA. Only 6% of the economically active population in SA were skilled or professionals, as opposed to 26% in the US.

For the next decade or two, SA would have to concentrate on equipping its scarce manpower resources to cope with the demands of the economy, he said.

Other constraints were monopolies and the over-concentration of economic power

Van Rensburg said there were enough obstacles in the privatisation process to discourage any government.

However, he cast his vote in favour of the free enterprise system and market forces to regulate the provision of goods and services through the price and market mechanism.

Macadams disposes of subsidiary

DIBay 30/11/89 (89) SYLVIA DU PLESSIS

MANUFACTURER and supplier of bakery and catering equipment Macadams has disposed of subsidiary Aloe Catering Equipment's marketing operations to Crown Food division Vulcan Food Service Equipment.

The announcement follows second-rate results for the six months to August, during which a substantial interest burden — 126% up at R1,1m (R503 000) — eroded attributable income 16% to R506 000 (R601 000)

Macadams MD Raimund Pouliart said yesterday the transaction, effective from January 1 next year, would considerably reduce interest-bearing debt

"Apart from the higher costs of borrowing, much of the increase in interest paid during the first six months of the year was attributable to the costs of funding debtors and stock in the catering division," he said

The disposal would immediately reduce stock by about R4m, while debtors would also drop significantly.

"These two factors alone will cut our interest-bearing debt by approximately one-third," he said

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Strength

The disposal, affecting sales, distribution and installation only, was in line with group policy of rationalising certain aspects of the business in a continuing drive to improve margins

"Further, the agreement with Vulcan also frees us to concentrate on our major strength — the manufacture and supply of equipment for the bakery industry"

Sales during the period under review grew 11% to R23,8m and operating profit 35% to R1,9m However, earnings declined to 3,3c (3,9c) a share, and interim dividends were passed in accordance with new group policy.

Pouliart was confident Macadams' redefined focus would ensure a return to higher earnings "in the medium term".

"While this policy also manifested itself in the relatively small increase in turnover for the first six months, the benefits thereof can be seen in the much-improved margins," he said

"Accordingly, with the group continuing to enjoy strong demand for its products, I anticipate earnings of an acceptable level in the 1991 financial year."

FSI in health care

S/Times 3/12/89

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By Don Robertson

IN a series of deals involving subsidiaries, FSI will get a foothold in the R2-billion-a-year health-care market

FSI subsidiary W&A will end up with a 20% stake in the growing Noristan Holdings group which makes and distributes pharmaceuticals

Noristan was founded by the Snyckers family in 1953 and in the past five years turnover has grown by 18% a year to R75-million and operating profit by 23% annually to R9,9-million.

W&A subsidiary Aurochs Investment will become a subsidiary of Noristan. Aurochs will switch its activities to health care from property Aurochs shareholders will be offered five preference shares in Noristan for each Aurochs The prefs will be underpinned by W&A at 130c, putting value of Aurochs shares of 650c This compares with the last trade of 430c a month ago

Shell

Hunts, another W&A arm, will take cash for its 87% stake in Aurochs, releasing R13,7-million tied up in property The money will be used to develop of other growth businesses

The Snyckers family will sell ordinary shares in Noristan to W&A at 130c each to ensure that, after the offer to Aurochs minorities, W&A will have at least 20% of Noristan

By December next year, the property subsidiaries of Aurochs will be sold to an FSI company at 650c a share, giving Aurochs a debt-free R15,7-million for investment in the health-care industry.

Noristan will have the right until January next year to acquire the 20% interest of Citizens Holdings — a listed subsidiary of W&A — in Crest Holdings on terms still to be decided Crest makes and distributes medical equipment

Citizens will become a cash shell An announcement about its future will be made in February

Iscor listing gives little man bite at ownership

S Times 3/12/89

232

By Julie Walker

FOR THE first time since Sasol 10 years ago, the Johannesburg Stock Exchange witnessed the sale of assets by the State

It took the form of the giant Iscor privatisation Iscor is currently capitalised at R4,3-billion — around four times the size of Highveld Steel and Vanadium

The Iscor offer was made in several parts after an expensive publicity and educational campaign was undertaken to promote the concept of share ownership to South Africans

The man in the street did not have to compete with the institutions in the scramble for shares Institutions applied for 1,4-billion shares which had been earmarked for them at the same R2 each paid by the public The public offer of 150-million shares attracted more than R1 2-billion of the savings of South Africans Those who applied for up to 1 000 shares got them all in an allocation which favoured the smaller investor The share register contains more than 100 000 names

On the day of listing, the JSE floor was almost as busy as the Berlin Wall at opening time Deals were struck between 220c and 240c, the price eventually settling at about 230c It picked up to 235c as the whole JSE rallied in line with a rise in gold late in the year

The rate of rise in interest rates accelerated towards the end of the year, with prime climbing to 21%

The JSE became an expensive place to be invested, and many share prices came off their highs reached in the middle of the year

As interest rates rise, the profits of companies with large borrowings are dampened because a higher interest bill has to be footed When earnings growth is expected to be retarded, share prices either stay put or fall

If there is no capital growth, investors are better off putting their money on deposit and earning 18% or more in interest. They tend to flee equities, returning when rates start to come down again The current sentiment dictates that rates could even rise before easing

This was witnessed in the decline in industrial share prices and indices over the last few months Mining shares had a run because of a rally in precious metal prices

Take Barlows, which announced wonderful results for the year to September, yet whose share price peaked at 4 625c on August 30 It came down to R40 and stayed there

The industrial index peaked late in August at 2 840, easing to about 2 570 by mid-November

SA Breweries was another yardstick stock, topping out at R28 before coming back to R25

Building & Construction is always one of the first sectors to move ahead of a downturn in the economy The index reached its high in May — well ahead of other sectors

The steel index is a classic example of the parabola It peaked in June at 1 611, having doubled in only seven months after Highveld s great performance But it eased to 1 157

Furniture & Household came down only after the latest rise in prime was announced early in October The index was at a high of 306 on October 11, having come up from 221 in December last year It is now 282 points

Some large furniture retailers announced sharp declines in both sales and profits during the second part of the year as consumers feel the pinch of the climbing cost of living

On the other hand, the banks sector at above 1 400 is still close to its September high of 1 423 and is about 40% up on the year

Sector boosted

The sector has been boosted by some neat turnarounds among the leaders, notably First National The results from banks fall into two camps There are those which outperform whatever the market is doing, and those which will likewise underperform

The former express satisfaction and optimism the latter bleat about bad conditions and point fingers at everybody else

The banks tend to do better when interest rates start to fall, so the medium-term outlook is fair although in the short term there could be a few surprises

Property trusts tend to do better when interest rates are high They are not permitted to borrow, and deposit the rents collected in the bank until distribution time, so earning more interest.

Nevertheless, the current interest yield is only 9,5% — not enough to compete with a fixed deposit The property trust index hit a high of 169 in August before coming down to 148 The expectations of capital appreciation from this sector are not high enough to attract investors

Next year could see a rush of takeovers of companies that became too highly geared before interest bills crippled their growth Investors could do worse than to look for good shares trading at discounts to their net asset values

Great year fuels Trencor trucks

S/Times 2/12/89.

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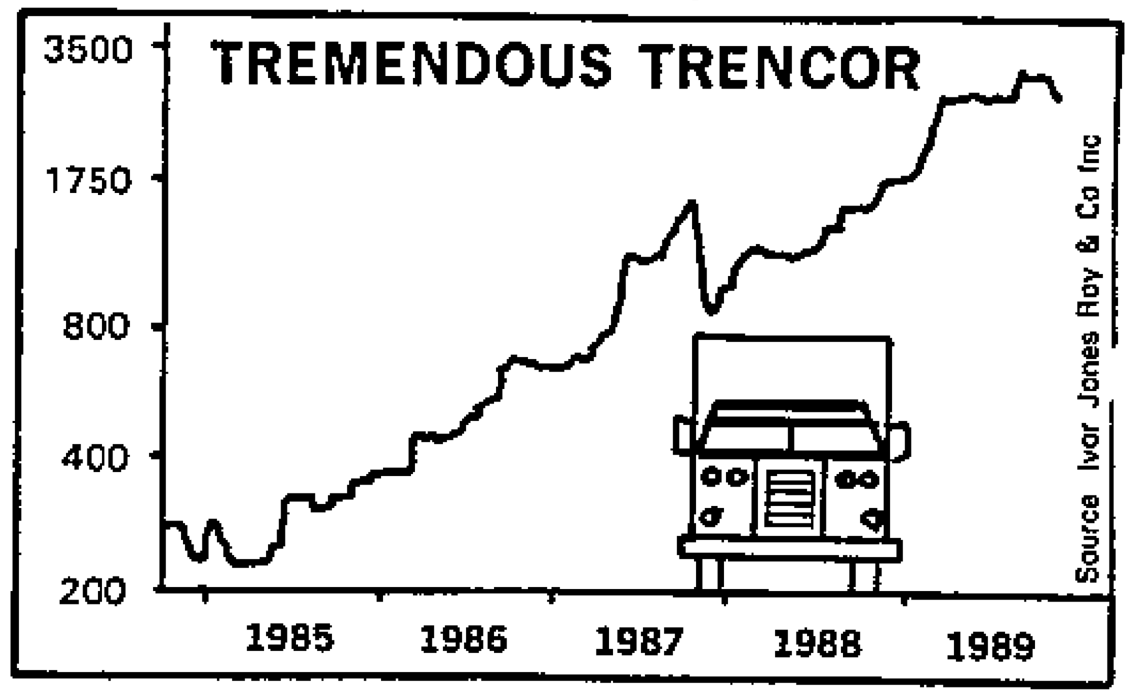
By Ian Smith



No 4 1984: R10 000 1989: R106 175

THERE's no magic formula behind the success of manufacturing and transport group Trencor which has continued its 10-year climb up the Top 100 ladder

The group has never lost the careful control of the basics and the hands-on understanding of its major areas of operation which came from founder Joe Jowell, who started a district transport business with one converted truck 50 years ago

This year Trencor is fourth in the Top 100 table with an all in return over five years of 60 4% Last year the company was in fifth place with a return of 45 7%

Current chairman Neil Jowell a son of the founder says that in the first few months of the new financial year the group has felt some softening of markets but he is confident enough to forecast another improvement in profits in the year to next June

Despite the impression that it is heavily exposed to transport, this sector s importance has declined over the last few years and Trencor is happily spread over four sectors which do however have fairly strong synergy

'That synergy is part of deliberate policy says Mr Jowell 'We like to know exactly what we are into"

It is no coincidence that Trencor's 80% interest in microcomputer and peripherals distributor Trencomp Technologies was sold from the beginning of the last financial year to Elex Electronics for a 17,7% holding in that company

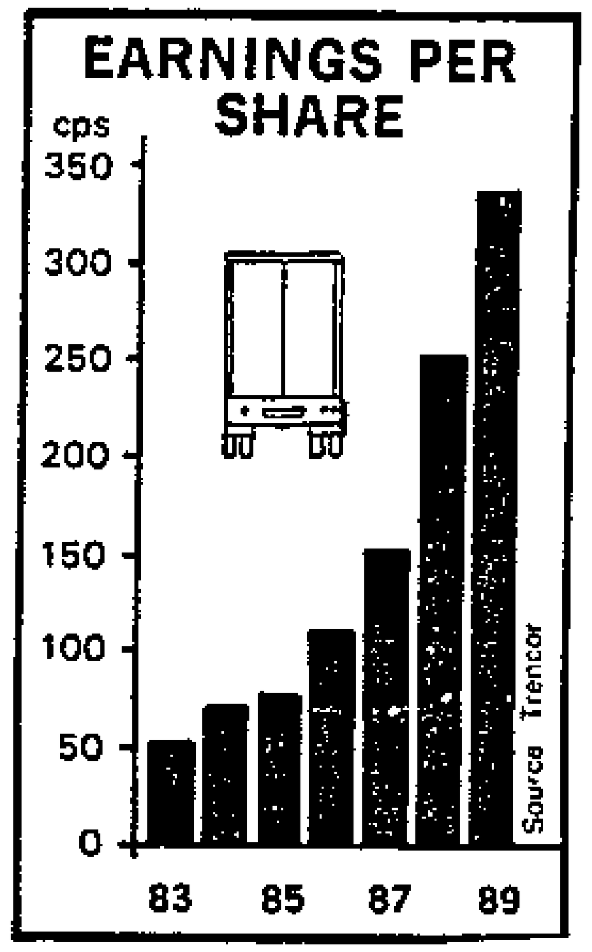
This shareholding has since been sold for cash. We went into computers with good intentions, but 18-months ago we were faced with the choice of a big investment in cash and management. We decided to get out,' says Mr Jowell.

The group s happy balance is illustrated by the fact that while transport s contribution to pre-tax income declined markedly last year in difficult conditions it was more than matched by a significant increase in the contribution from manufacturing.

The final breakdown of sectoral contributions to a record year was, manufacturing up from 28,3% to 38 7%, transport down from 27 8% to 13 8% trading down from 22,9% to 17,4% and motor trade and tyres barely changed from 31% to 30 1%

The group s road transport operations have spread from the original base in Namaqualand throughout the Cape, and the group provides important services in contract and general haulage in Namibia and in the Transvaal. Manufacturing operations are concentrated in the 75% stake in Henred-Freuhauf Trailers the largest business of its type in the southern hemisphere The company, 25% owned by the US's Freuhauf Corporation is South Africa's biggest truck trailer builder and is a major manufacturer of containers for the export and local markets.

Its plant at Isithebe in KwaZulu is the country's only export-oriented manufacturer of dry containers. The Wadeville trailer plant makes tank containers and other special containers mainly for the export market but also for local customers.



Interests

Tyre interests lie in the 50% share of Tredcor, the country's biggest tyre retreader and retailer of new tyres. Other trading operations include motor franchises and service stations, a 50% stake in an exporting company and a joint venture with National Airlines in Namakwaland Lugdiens, which provides scheduled services linking the North western Cape with Cape Town and the Witwatersrand

The group has shown remarkably steady growth over the last seven years which have seen turnover soar from R151,2 million to R689,7 million and attributable income outstrip that growth by increasing from 7,3-million to 48,4-million.

Growth

Last year's 33% growth in attributable income moved earnings from 254c a share to 338c a share

Trencor paid out total dividends of 67c compared with 50c in the previous year — and it was still covered five times by earnings

Mr Jowell says the current downturn is unusual in that normally manufacturing feels the effects of a down turn well before the transport operations

This time road transport, which is already suffering from the collapse of the system of economic regulation by permit is bearing the brunt Mr Jowell says there is increasing uncertainty about the future of the industry and the ground rules by which it must operate.

Niche

He says this will lead to very difficult" trading conditions outside of certain niche markets in the next few years

'But the industry is a basic building block of our economy and we believe that in the long term a suitable framework in which the efficient, well run organisation can prosper will emerge"

He is determined that Trencor will be well placed to benefit when that time comes

On the other hand the manufacturing division is doing particularly well in the current period

NEIL JOWELL confidently predicts higher profits

While the demand for trailers which comes mainly from the local market, is feeling the first effects of the downturn in the economy, foreign demand for containers is holding up very well

Typically, Trencor has built its foreign markets over a number of years. 'We have applied ourselves to certain markets through periods when margins have been low," says Mr Jowell

"We are not in exporting just to take advantage of the low rand However, now the low rand has enabled us to sell more at better margins."

Mr Jowell says that although export earnings are subject to incentives and there are threats from sanctions and the exchange rate. he does not see any material change in the year ahead.

Trencor's balance sheet is strong and at year-end the ratio of total liabilities to shareholders' funds was unchanged from the previous year at 91%

Credit

An increase of some R34-million in interest bearing debt has been used largely to finance long-term credit sales But efforts are being made to change this method of funding sales

Says Mr Jowell "We believe a good measure of a company's performance is the return it earns on the assets used in the business "

"In terms of taxed income before interest to total net assets, Trencor has earned 21%, 26% and 26% respectively in the last three years

"As these assets totalling R278-million include properties worth R58-million on which a much lower return is expected, these ratios are most satisfactory"

It's not surprising that the share is tighly held. The Jowell family owns just over 50% of the controlling pyramid, and institutions quickly snap up odd lots which come onto the market.

Old Mutual has built up an effective 24% stake Mr Jowell says "We are very happy with the relationship"

Splits see shares star

SHARE splits and subsequent reratings by investors were one of the features of the JSE during 1989

A 10-for-one subdivision helped York Timber into top slot in the year to September 30 1989 on an all in return consideration. The unsplit shares were the equivalent of 80c a year ago and are currently 250c after touching 300c early in September

There were fewer than 900 000 shares in issue before the split, and trade averaged three small deals a month The shares continue to be tightly held by family and management but the directors hope tradeability will improve

Another share to star following a 20-for-one split is Berzack, which made fourth place among the biggest returns over 12 months.

Berzack shares were R60 — the equivalent of 300c — in January 1989 the day before the shares split.

Initially the market was unable to value Berzack s prospects because it had been largely ignored by investment analysts on the grounds of poor tradeability It had traded at a large discount to book net asset value

Yet early in October Berzack shares changed hands at 1 050c — 250% higher in only nine months. Even at the present 950c Berzack trades on eight times historic earnings.

Its holding company Bivec split its shares five-for one and has gone from 240c to 750c before easing to 640c

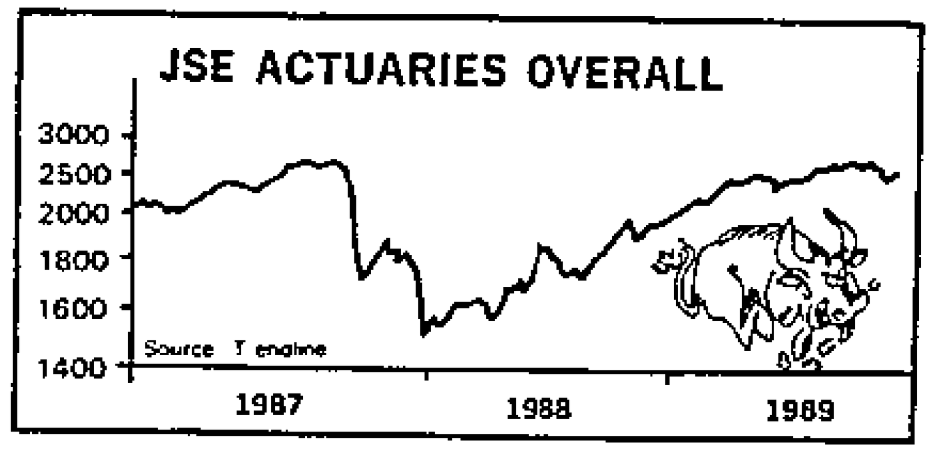
Tradeability in Berzack is now in the hundreds of thousands rather than the few thousands which previously changed hands. Much of the scrip was held by family members who lived outside SA The share split and rerating of Berzack gave them an opportunity to sell their holdings at realistic prices.

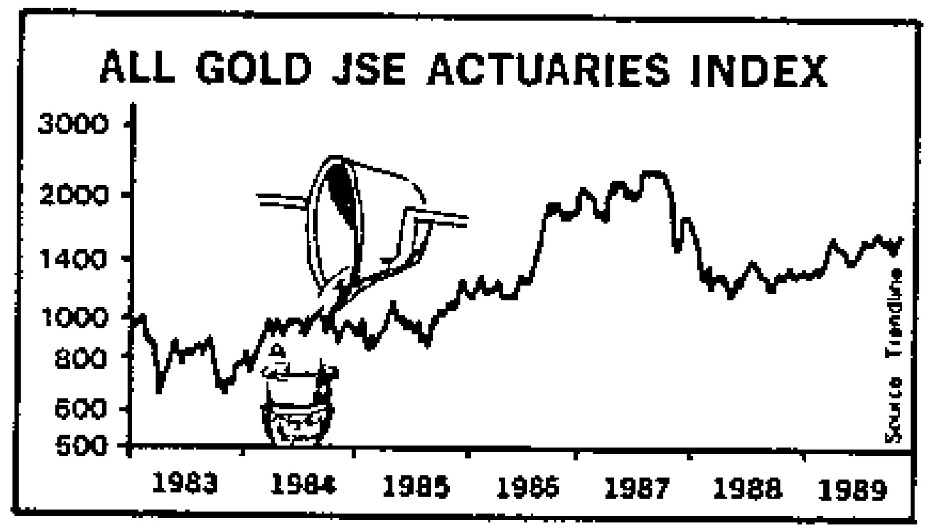
By Julie Walker

Two base metal mines occupy second and third positions among the year s biggest climbers.

Zaaiplaats Tin was only 130c in December last year but speculation about its use as a vehicle for the listing of bigger things helped to push the shares to R8 apiece by May They are now 450c

It bought the 49 9% balance of Annesley Andalusite which it did not already own from Ledger Trustee for R6 7 million, settled by the issue of 941 100 shares so valuing them above R7





Msauli Asbestos zoomed under new ownership after a management buyout from Gencor It climbed from 230c in December to 860c in June now 560c

A boom in demand for Msauli s products from Eastern buyers, improved efficiency from a recently refurbished mine and its 25% stake in the Von Brandis gold prospect all helped to boost the share price.

Its sister mine Gefco filled sixth slot. It rose from 90c to 375c, now 250c It, too was bought out by management in August last year and it also owns a quarter of Von Brandis

Eighth place went to another metal company Usko — formerly Union Steel Corporation During the year Usko entered into a joint venture with Rho Ex and launched Rho-Van — a vanadium mine in Bophuthatswana Usko will buy the vanadium for use in its steelworks

Usko s shares climbed from 200c in December to 650c in May but slipped to 300c after a decline in the price of vanadium on world markets

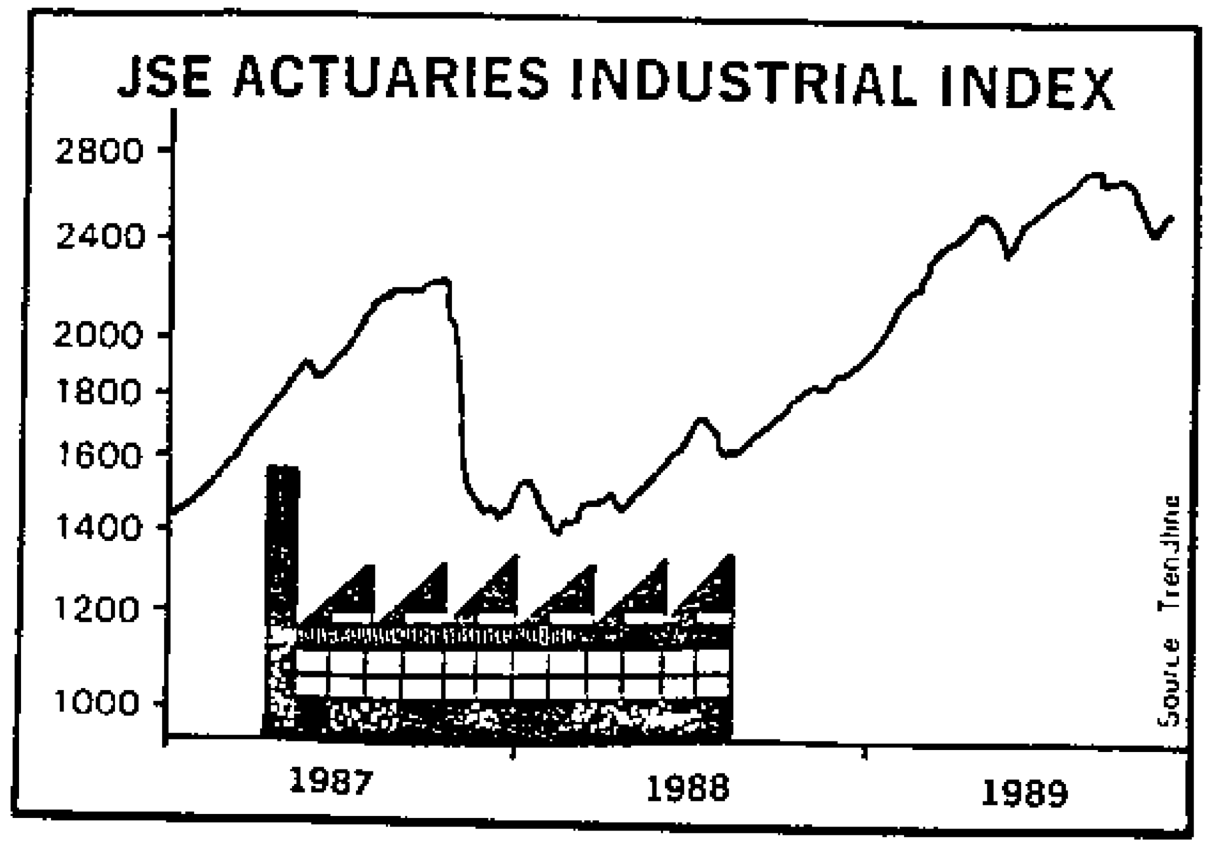
Channel Mining managed to take fifth place after considerable underperformance in the past. Management changed during the year and the shares were rerated

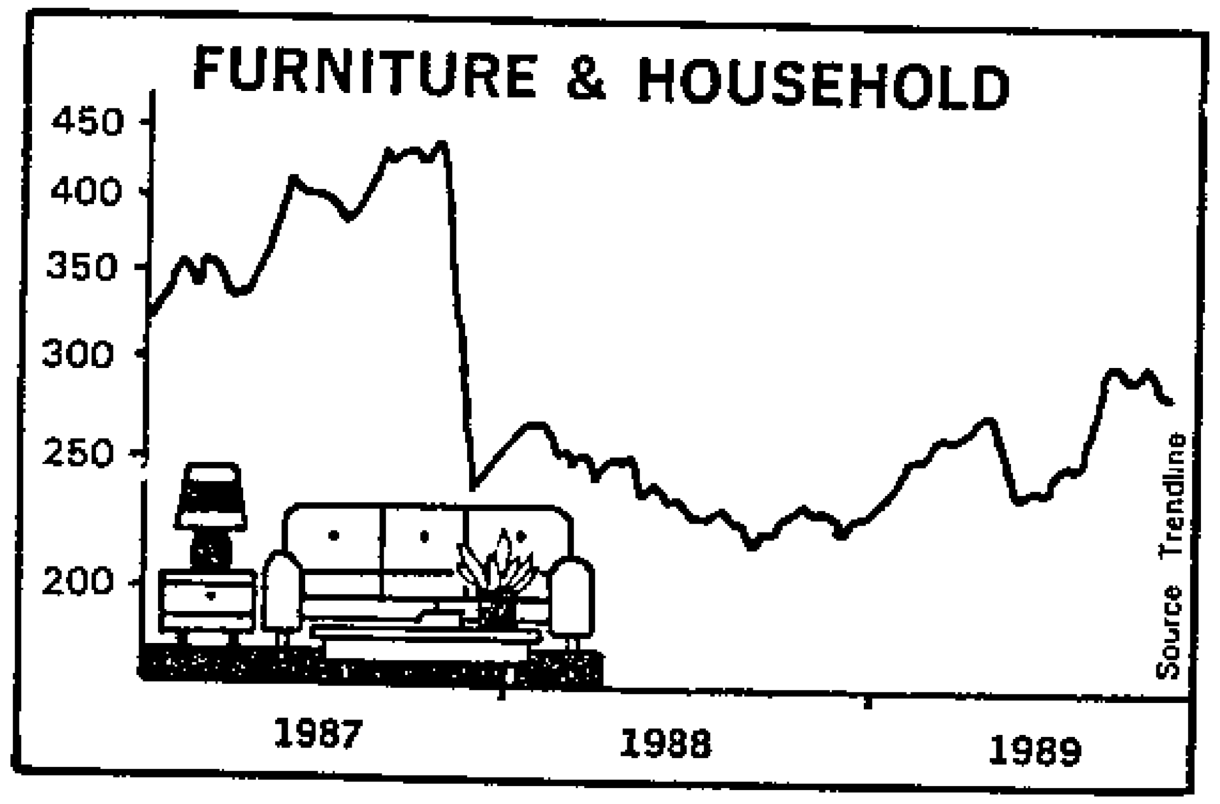
Timing of the cutoff date was an important factor in Channel s inclusion among the climbers Its shares went from 8c in November last year to 35c on September 21 They are now 25c

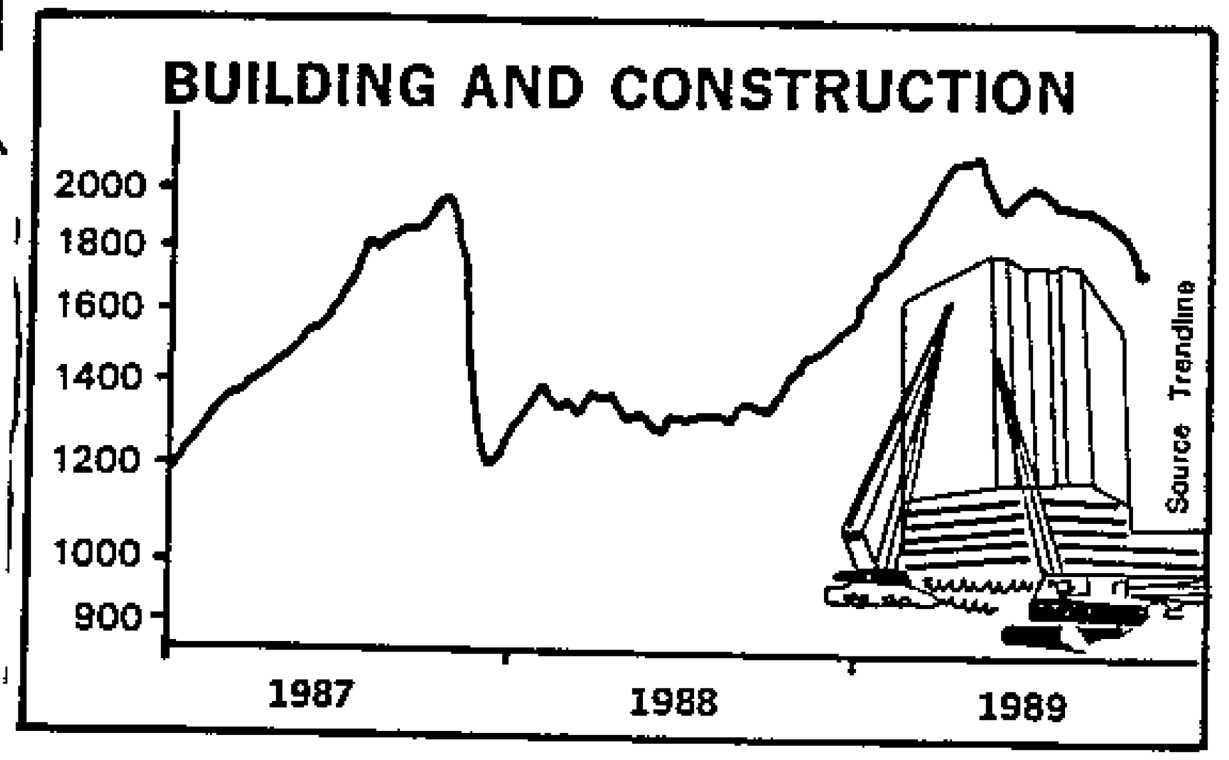
Sunbop was the gambler's darling Earnings from the Bophuthatswana hotel chain climbed by 67% to 105 6c a share in the year to June 1989 boosted not only by the continued success of Sun City but more by the highly profitable Marula Sun.

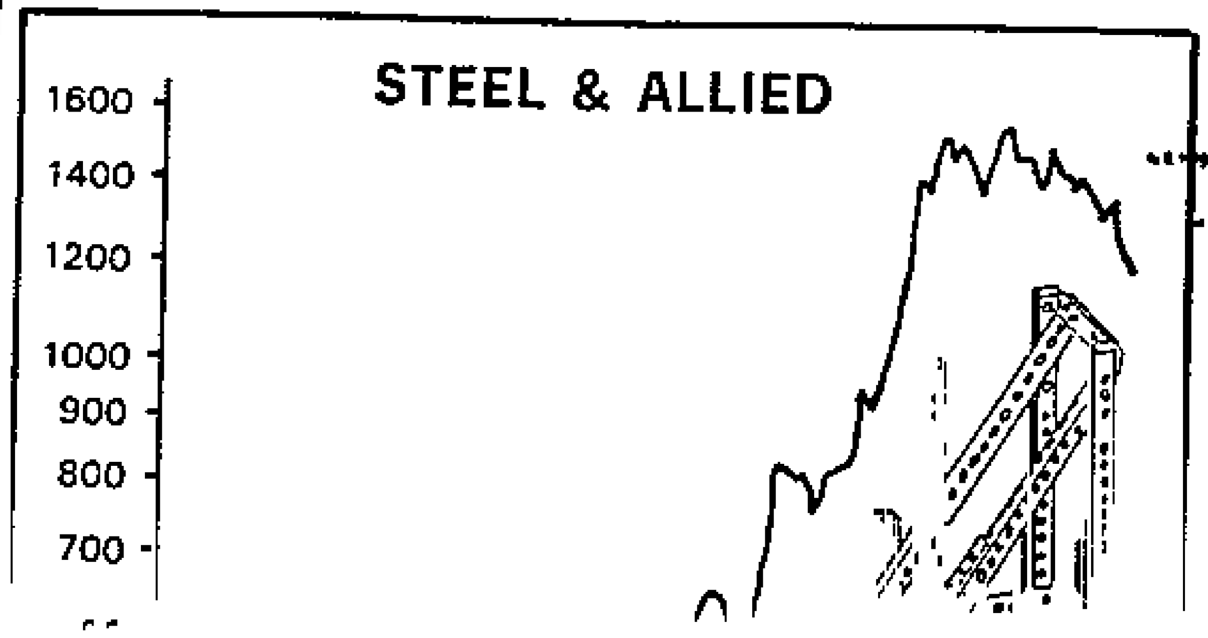
Sunbop s shares went from 620c a year ago to the current high of 1 675c

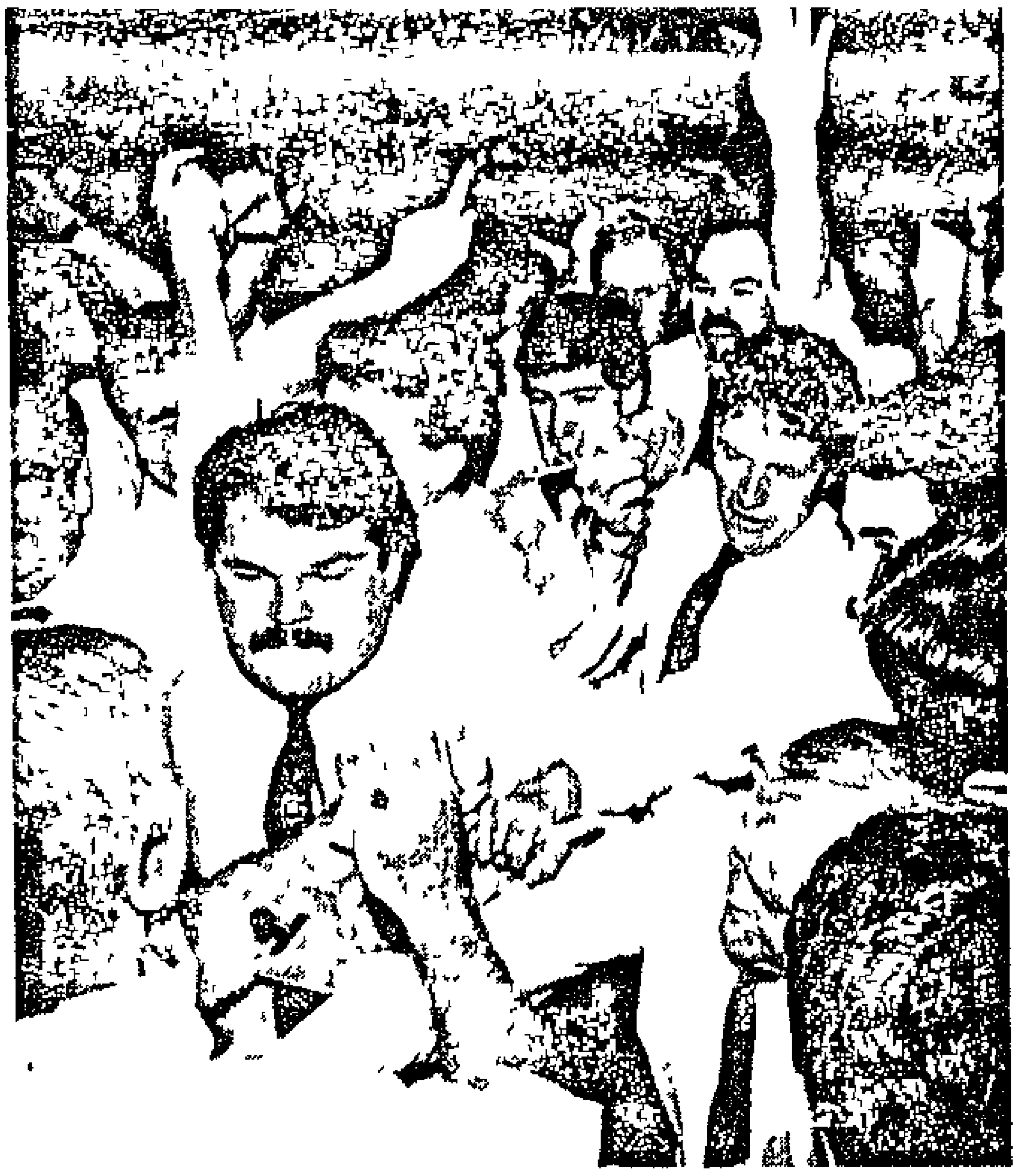
LISTING FRENZY frantic bidding for Iscor stock on the JSE







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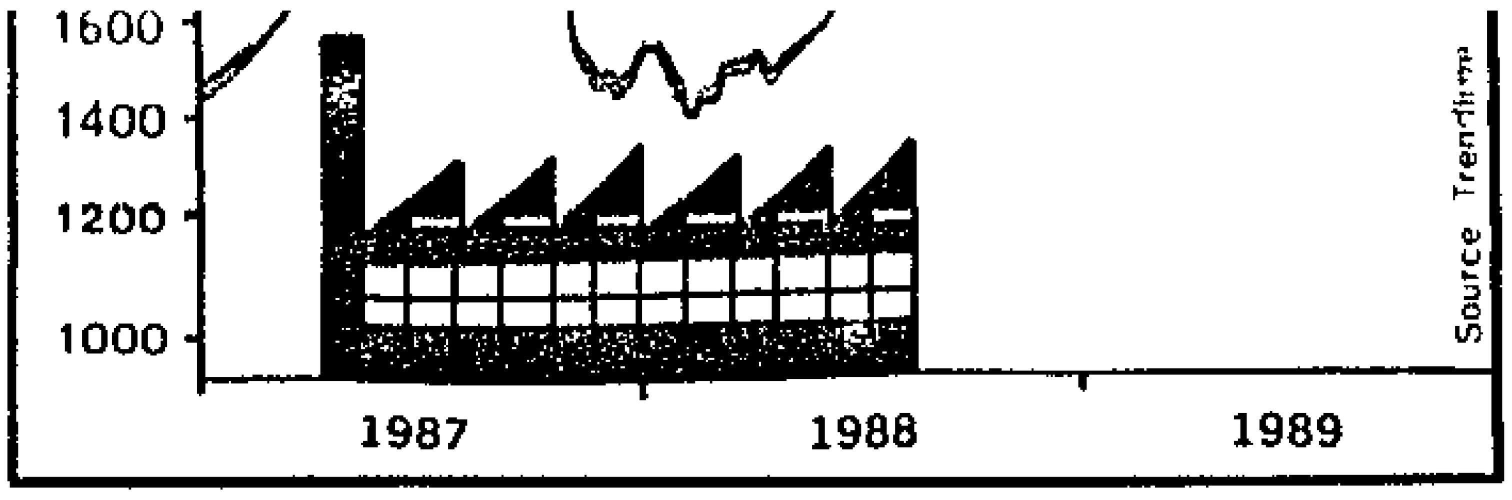
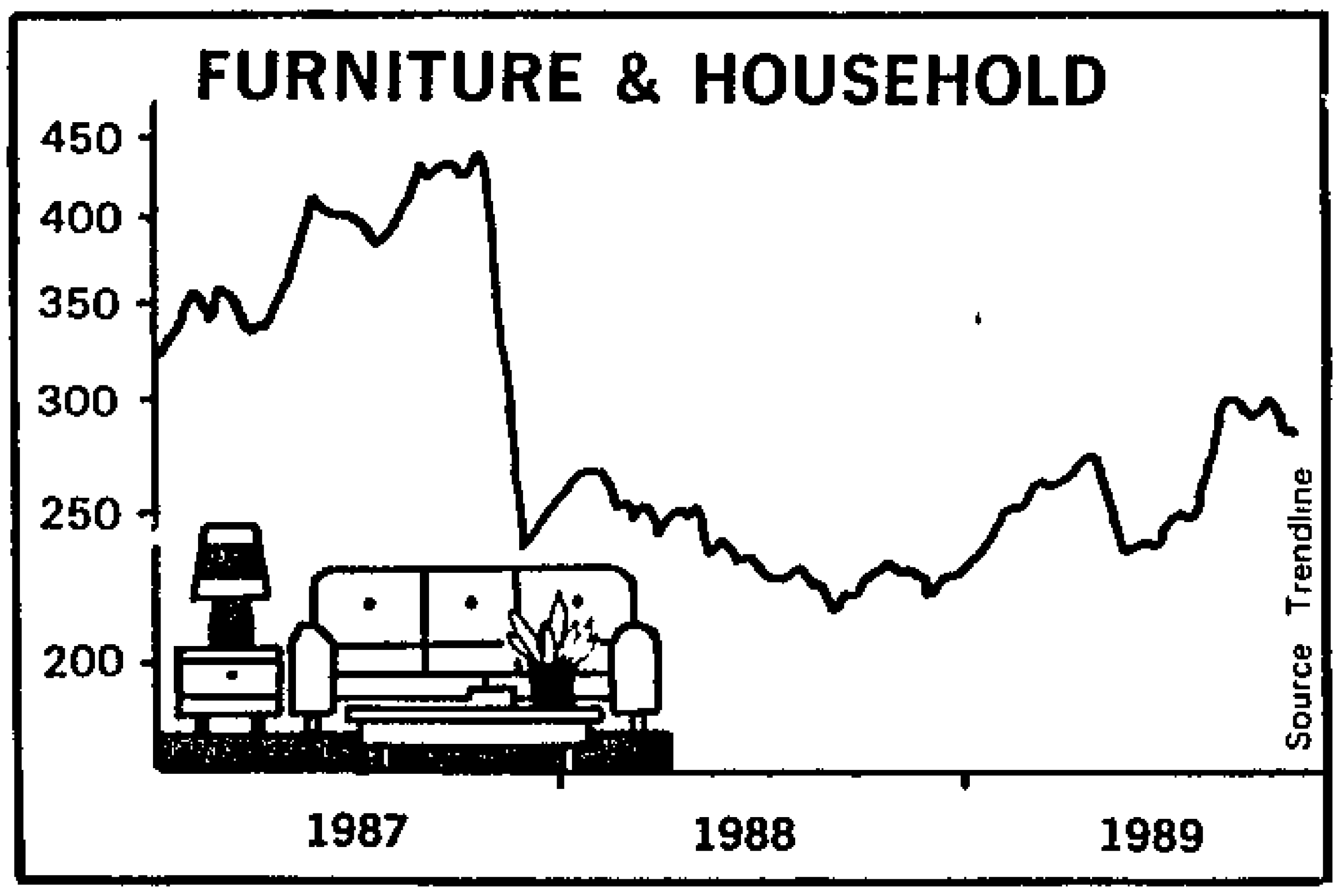
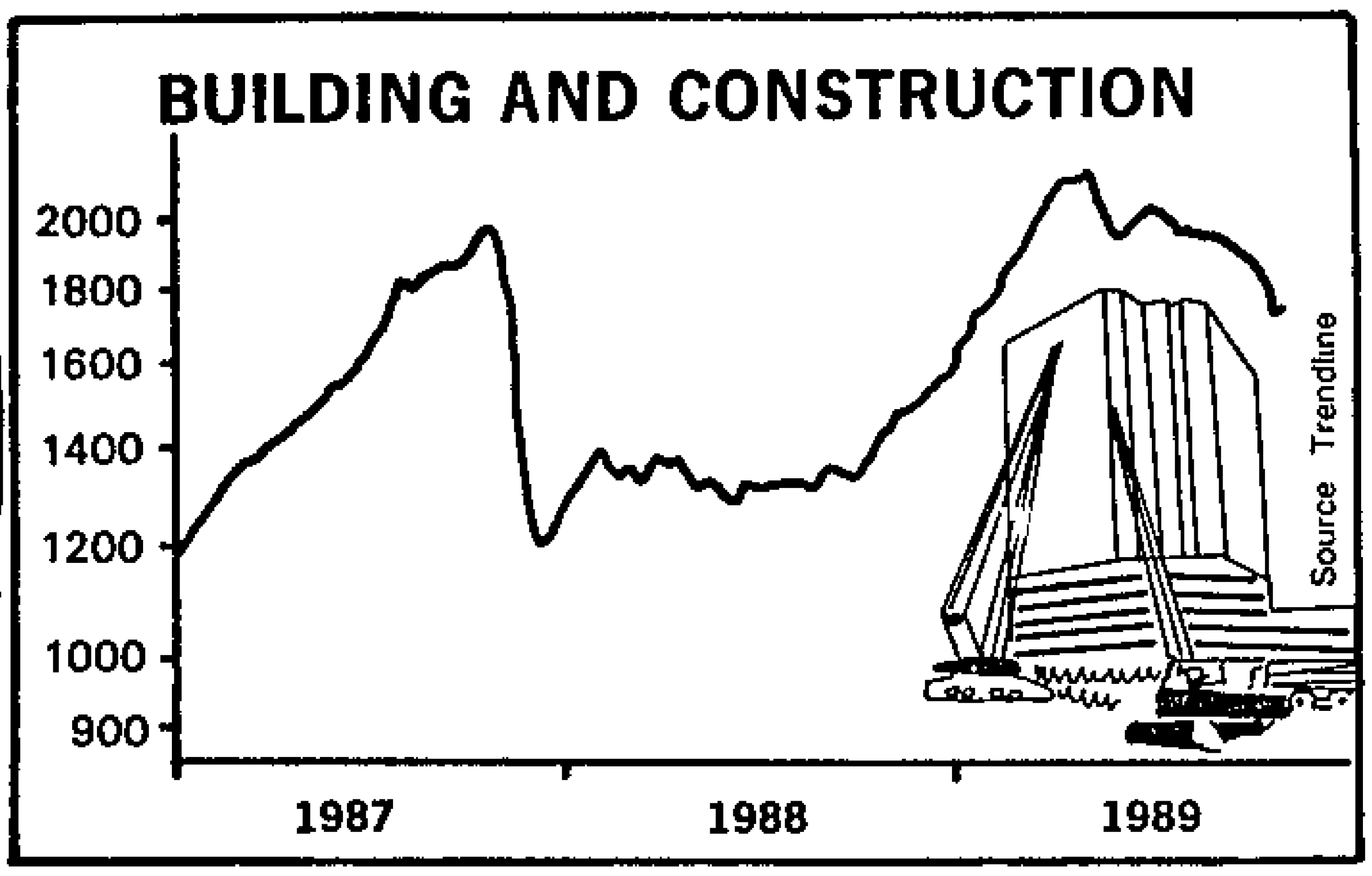
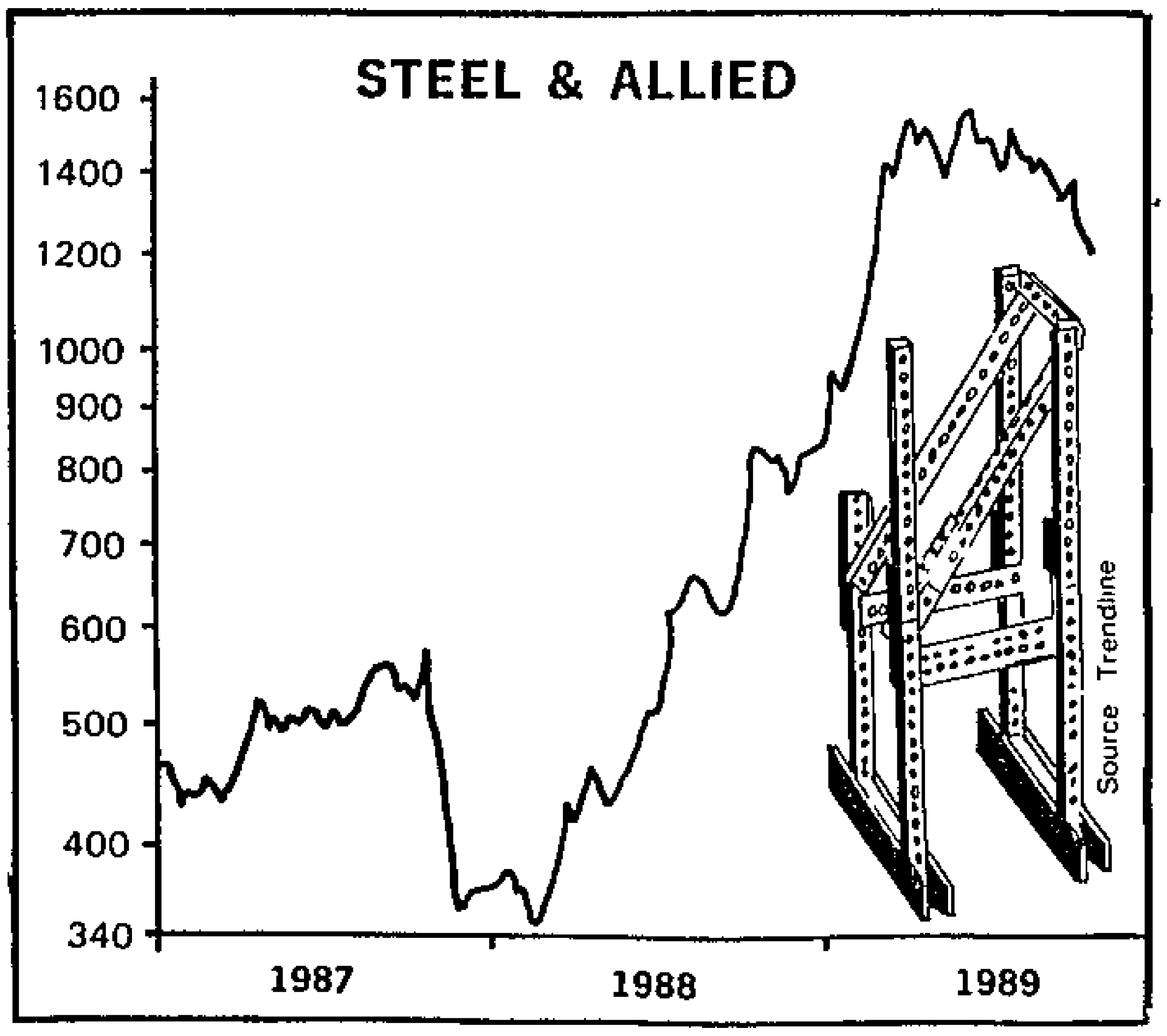
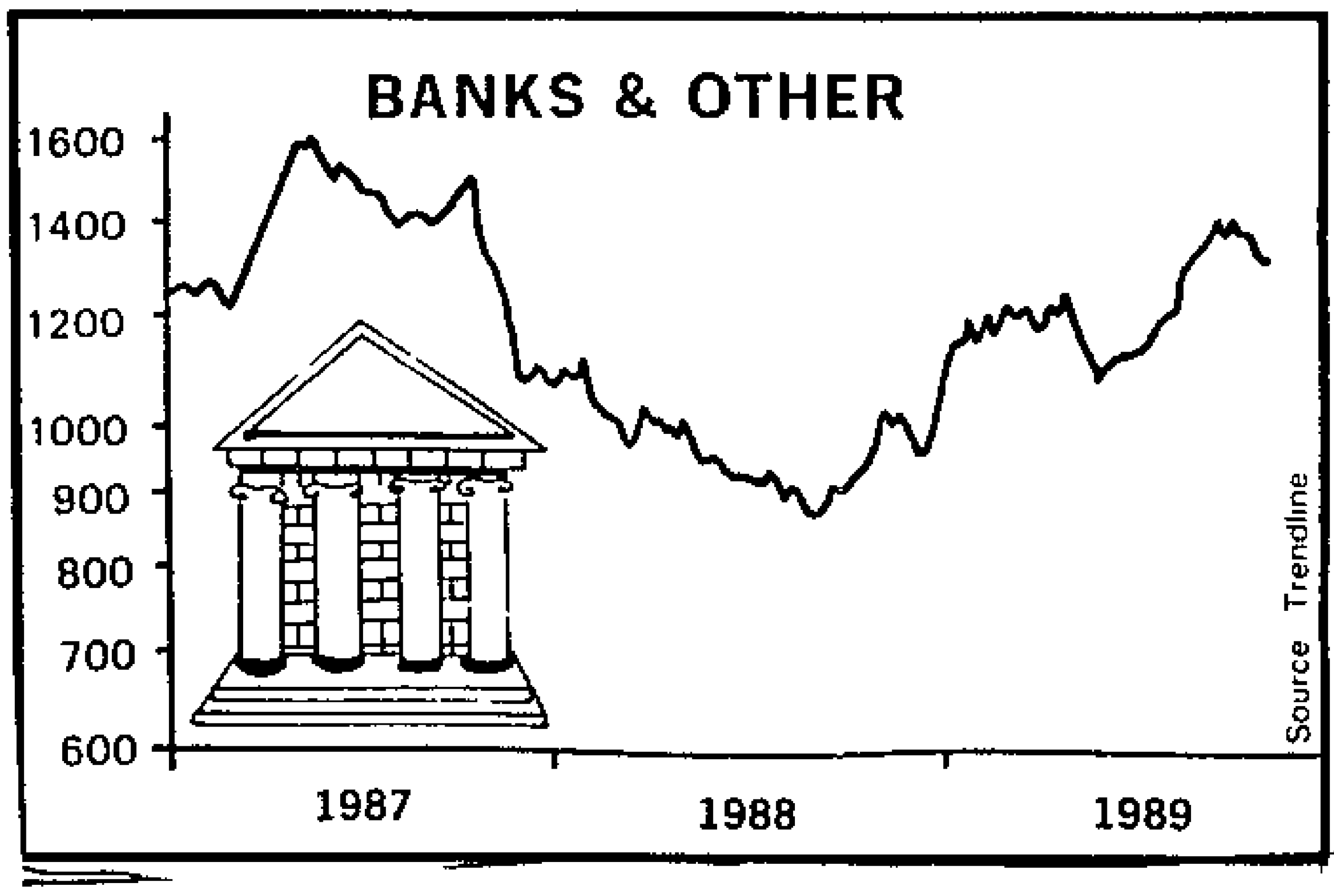










Full dividend expected from Columbia

B/Day 5/12/89

LINDA ENSOR (190)

INTERIM results of Columbia Consultants are due out this week, with a full (or nearly full) payout of a dividend from earnings expected.

In the past, group policy was to pay only a final dividend, but CE Gordon Polovin indicated earlier this year that this would be changed.

Earnings from the group — which are derived more from interest than earning-generating assets — are expected to be in the region of 8c (23,5c). This would push up the p:e on the current share price of 180c from its current 3,4 times to 22,5.

The total dividend in the 1988/89 financial year was 18c.

Investments still within the Columbia fold include 50% of Acrem, 40% of Pride Consultants, 60% of Powernet and 6,5-million shares in Toco.

Realise

(232)

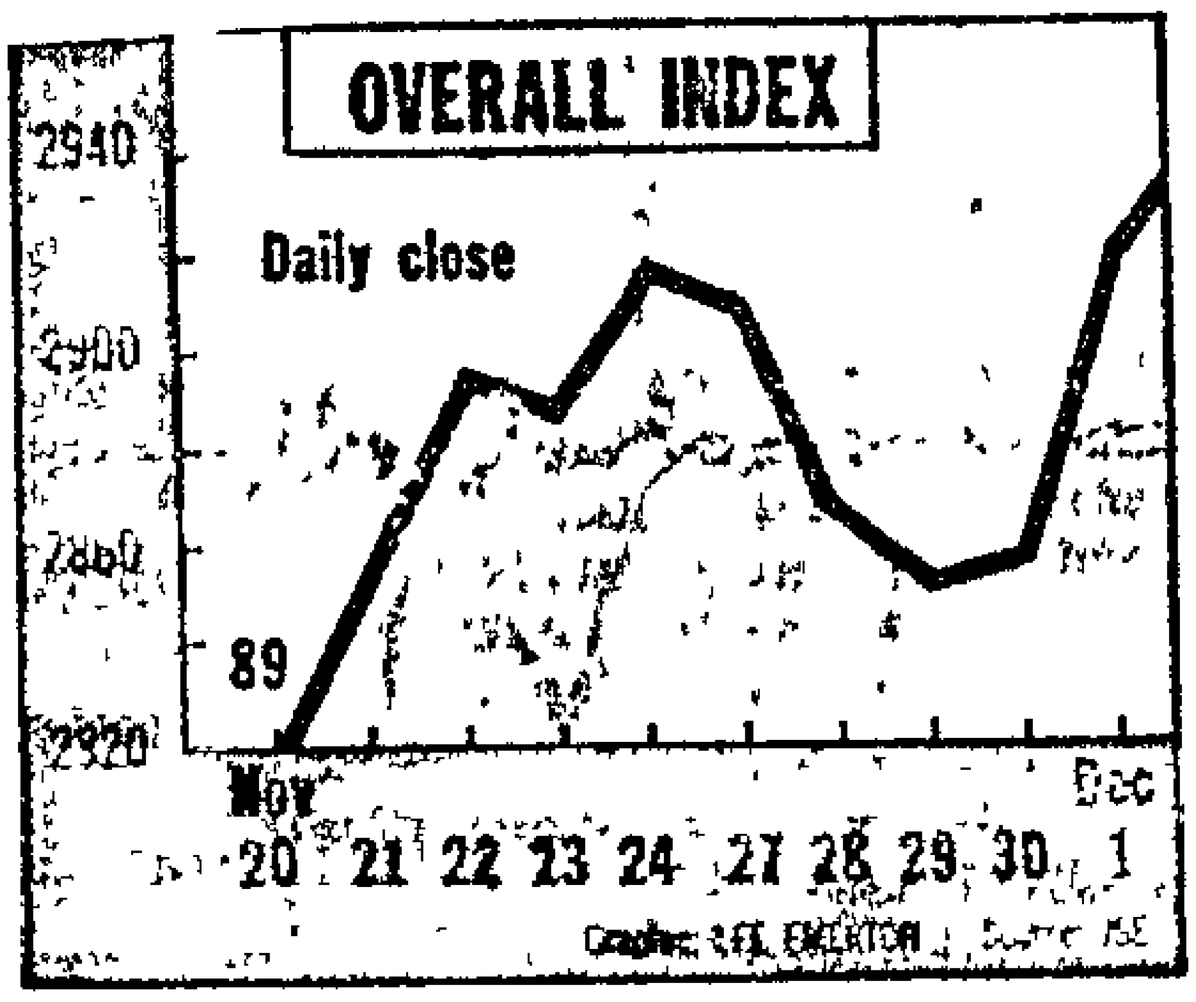
Polovin says a deal has almost been concluded to sell Supalek and negotiations are under way for the sale either of Blocktech itself or of its assets, leaving a cash shell.

He adds that net worth currently stands at between R50m-R55m, with the Blocktech and Supalek deals expected to realise a total of about R22m in cash.

Columbia may retain its Acrem interest, a "big earner" in the past, says Polovin.

Columbia is aiming to make a blue-chip investment with the funds realised from the sale of its assets, but to date nothing suitable has turned up.

Besides being cash flush, Columbia is totally ungeared, having paid off the R35,4m in interest-bearing debt it owed at year-end. It therefore has the potential, Polovin says, to borrow funds to make a substantial purchase.



Bullish sentiment boosts share prices

MERVYN HARRIS 232

INVESTORS on the JSE ignored a lower gold price to give a further upward twist to share prices as the remarkable resilience of the market continued to amaze dealers.

Bullish sentiments wiped off an early loss for the JSE overall index to close 18 points firmer at a fresh peak of 2 937. The market was led higher by De Beers which rose 2% to R62,60, buoyed by the firm trend on Wall Street.

Shares of marginal mines grabbed the spotlight as the JSE all gold index reversed an early eight-point loss and added a further 13 points to close at 2 133 and came within a whisker of its peak of 2 149 a week ago. S\Own 5/12/89

"The fact that the market did not fall back in line with the gold price augurs well for the market," a dealer said.

Gold eased from its previous London close of $413,25 to a London morning fix of $409,90 after Japanese selling dashed weekend hopes that the metal would resume its upward trend towards $420. The metal slipped further in early New York dealings to close in London at $406,50.

Zurich dealers said rumours that the Soviet Union was selling gold depressed prices in New York but they had seen no evidence to support the rumours.

The market was also weighed down by a consensus that prices would have to consolidate after climbing to 1989 highs. Traders expected gold to inch downwards over the next few days but said the metal should find support around $400.

Silver and platinum shadowed the easier trend of gold.

See Page 11

Privatising health system is no answer — academics

A single Health Ministry and decentralisation of decision making are priorities among many medical experts, but the solution does not lie in privatisation either, **SUE VALENTINE** reports.

Star 6/12/89

The inefficiency of bureaucracies and the rising costs of medical treatment were sharply criticised by academics addressing two graduation ceremonies at the University of the Witwatersrand recently.

However, while calling for decentralisation in policy making and in the day-to-day administration of academic teaching hospitals, the Dean of the Faculty of Medicine at the University of the Witwatersrand, Professor Clive Rosendorff, attacked the notion that privatising health services was the answer.

He said although there were good arguments for privatising many State corporations, health services had special features and the privatisation of hospitals should be regarded as the dismantling of an important social service.

"The question should be asked what the consequences will be for those, who until now, have depended on provincial hospitals for their health care, constituting about 80 percent of patients," Professor Rosendorff said.

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Decline

The provincial hospital system was already in decline and if the Government wound down the system still further by privatising some hospitals and under-funding others, a spiral to disaster would follow.

"First, the rational planning of health services, already compromised by the tragic division of health administration into 20 or so authorities, will become even more difficult since the private sector plans for profit, not to meet identified health care needs

"We may find that unprofitable services like those required by the elderly, psychiatric services or even whole hospitals will close down when the shareholders bottom line is threatened," argued Professor Rosendorff.

He added that a largely privatised health care system in the United States had resulted in 30 million Americans being unable to afford hospital care.

Suggesting an alternative, Professor Rosendorff said the University Administration offered a paradigm of the kind of decentralisation of authority which would revitalise academic teaching hopitals.

He said there was no reason why such hospitals could not be constituted into autonomously governed and administered institutions, which would provide comprehensive health care for defined communities (not defined by race), to train health care professionals and to conduct research.

"These activities would inevitably be heavily subsidised by the state, but would also generate income from fees from private patients There would have to be a growth factor built into the subsidy formula to take into account rapidly escalating costs of health"

Professor Rosendorff said he believed "taking hospitals away from the centrally directed bureaucratic morass in which they now find themselves, would result in a tremendous improvement in efficiency, cost effectiveness, staff morale and the ability to run these institutions as centres of excellence"

In his address, Dean of the Medical Faculty at the University of Cape Town, Professor George Dall, said if South Africa was to be serious about resource allocation, then rationalisation to provide a single unitary health system was the only answer

He, too, disagreed with privatisation in health, saying he did not think health was a marketable commodity, nor could it be privatised in a country where more than 80 percent of the population was unable to pay for health care

Sterns gets breathing space

Star 6/12/89

(232)

An opposed application for the winding-up of Sterns Diamond Organisation was yesterday postponed in the Rand Supreme Court to February 6

World of Music Holdings launched the application As an alternative to the winding-up order, the company has asked for payment of R60 000.

The amount is the purchase price of shares and the loan account in Bartels (Pty) Ltd, which have been delivered to Sterns, it was claimed in papers

Cash offer for a Picbel subsidiary

CM-Times 7/12/87 232.

By AUDREY D'ANGELO
Financial Editor

THE Picbel group has received a cash offer to buy out one of its companies, chairman Jan Pickard disclosed at the general meeting of Picardi Holdings (Pichold) yesterday

He would give no other details. After the meeting he said that, in spite of rumours in the market-place, there were no plans to dispose of Union Wine which is currently without an MD following the recent death of Rauch van Reenen.

All but two of the hotels in the company — those at De Aar and Jeffreys Bay — have been sold Pickard said the remaining two hotels would also be sold, but the 53 bottle stores would be retained

Four former executives of the Drop Inn liquor group, headed by MD Jacques Kempen, who resigned in October following a failed management buy-out, have now joined Picardi Hotels to run the bottle store chain.

Pickard said the four had an option to buy shares, but not to take over the company or the bottle stores. "Union Wine needs the bottle stores"

At the general meeting of Pichold, the chairman of the Shareholders Association of SA, Issy Goldberg, urged the directors to sell Union Wine in order to reduce the group's high level of debt.

Told by GM Jan Pickard junior that Union Wine had debts of R40m and a net asset value of R50m, Goldberg pointed out that such a sale could reduce the group's debt by R90m.

Goldberg and shareholder Max Florence praised the group's main operating company, Picapli, and its products but expressed concern at its high level of debt.

Goldberg said it was "common cause that interest rates are not going to drop dramatically in the coming year". The interest on the group's debt of more than R200m would be high and ways and means would have to be found to reduce the level of borrowing.

Jan Pickard junior said borrowings were locked into differing rates of interest which worked out at an average of 19%.

Chairman Jan Pickard said the group had been looking at ways to reduce borrowings for the past six months, and surplus stock holdings were being reduced.

Total debt would decrease but the interest bill would decline only in the second half of the year.

Pickard said the group's difficulties were due to SA's stop-start economy. Picapli had been "doing so well" until the government had suddenly clamped down on consumer spending.

He said the white goods factory was working to full capacity, with demand exceeding supply, and sales were profitable. The surplus stocks were of imported air conditioning and audio equipment.

The air conditioning equipment would sell quickly if there were a hot summer. Last year had been a poor one in the Transvaal, with little demand for air conditioning.

In answer to recommendations from Goldberg and Max Florence to sell a subsidiary company, Pickard said there were "problems with staff and people when you sell a company".

Jan Pickard junior said a company could live with a high level of debt if it were profitable. He said that Pichold and Picardi Beleggings (Picbel) had both had a high level of debt four years ago, of which they were now free.

● At the general meeting of Picardi Beleggings (Picbel), in which the Pickard family holds a 49,6% stake, Jan Pickard senior said shareholders included Sanlam, Momentum Life and Santam.

Questioned by Goldberg about the founding of the Cape Investment Bank 18 months ago, and the investment of further funds in it since then, Pickard junior said it had been decided to diversify into a financial services company which would be independent of economic cycles.

It had been a wise decision, and the launch had been highly successful.

R100m force rises from trio's merger

(232)

ZILLA EFRAT

THE merger of the plastics interests of Rubenstein Holdings, Lenco Holdings and Alfa Manufacturing Industries will create a new force in the packaging industry with a turnover of more than R100m.

A series of transactions will lead to Ruhold and Lenco jointly controlling Alfa, which Lenco rescued from provisional liquidation in May. BDay 7/12/89

Alfa, suspended from the JSE in May, will change its name and be relisted shortly. It is currently taking legal advice on its position regarding certain misrepresentations made in previously published figures for the year to December 1988.

Re-stated figures, the result of the misrepresentations and additional write-offs and provisions required to comply with those of Lenco, showed Alfa made a loss of 48,8c a share compared with the earnings of 18,2c a share previously reported.

Further losses were made in the seven months to July, but directors said Alfa had been in a break-even situation since then and was expected to return to profitability with the new deal.

The revamped Alfa will hold Ruhold's flexible plastics operation Ruplas and Lenco's rigid plastics business Elvinco. It will acquire Ruplas for R27,2m, through the issue of 38,8-million shares and Elvico for R16,2m through the issue of 23,1-million shares, all at 70,2c a share.

Alfa's restructuring involves the consolidation in share capital on a 1-for-10 basis and the sale of its packaging operations, including its properties but excluding its

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Plastics merger

BDay 7/12/89

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(232)

flexible packaging business, to a company jointly held by Lenco and Rand Merchant Bank for R20m cash

Ruhold will issue R15m redeemable preference shares, R10m to retire existing Ruplas debt and the rest to finance its services division.

Lenco will have a 40% stake in Alfa, Ruhold 38,8% and 20% will be placed with institutions Lenco and Ruhold will transfer an equal number of Alfa shares to a jointly held company which will own 50,1% of Alfa's issued share capital

The new Alfa, which will have a gearing of about 25%, will agressively pursue growth both organically and through acquisitions

Changes worry Schwarz

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Concern about the changes in the Department of Finance announced on Tuesday has been voiced by Mr Harry Schwarz, DP spokesman on finance.

He said yesterday he was worried over the removal of some of the Treasury's control over the spending departments.

Star 7/12/89

"The decisions on priorities of expenditure are often not mere management decisions but have important political implications. Priorities of expenditure should therefore be carefully planned and once decisions are taken should not be changed except with authority at the highest level"

Mr Schwarz pointed out that there have been many examples of a lack of adequate financial control and that without the Treasury playing a meaningful role, things will rather get worse than better.

"While I have repeatedly advocated the involvement of private sector businessmen and welcome the Government's decision to now do this, the basic safeguards of financial control must be maintained.

The probe into the activities of the Department of Education and Training was clear proof of this, he said.— Sapa.

Quality Tyres punctured

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By Ann Crotty

It looks as though Quality Tyres is set for liquidation. Star 7/12/89

Last night Malbak announced that its bid to save Quality, in which it has a 40,7 percent holding, had failed because some major creditors were unwilling to accept the rescue package.

Quality was threatened with insolvency as a result of irregularities which had the effect of increasing its debt from the R15 million shown in the management accounts for the year to end-August 1989 to R50 million.

The rescue package involved capitalising the debt and increasing Malbak's stake in Quality to 75 percent. It required the agreement of Quality's bankers and its major creditors to the conversion (to equity) of half of the unsecured amount of R78 million owing to them.

The package would have meant the major creditors would be repaid half of the money owing to them. Malbak undertook to repay all small creditors in full.

Under liquidation it is estimated by Malbak that creditors will receive about 28c in the rand after two years — worth 20c in present value terms.

But last night, Malbak group finance director, Peter Benningfield, said: "Certain of the major creditors have either rejected or not responded to the offer. Regrettably, we are unable to reach a compromise to save the company from liquidation, and Malbak is therefore withdrawing its offer."

It remains to be seen whether Malbak has sufficient grounds to rescind the 1988 merger between its own tyre interests and those of Quality. It is attempting to do this on the grounds that the February 1989 financial statements were fraudulent and that the merger was based on management accounts which were materially incorrect.

Malbak will be joining the list of creditors to pursue its own claim of R15 million against Quality.

(232) fmail 8/12/89.

POST OFFICE

Getting ready for the market

With the winds of privatisation blowing ever stronger through the dusty corridors of the huge public sector, the Post Office is putting itself into marketing mode — and its profitable Telecoms division could be up for sale by 1993

"But we first need to better our financial position — by upgrading our services, reducing costs and improved marketing," says Postmaster-General Johan de Villiers.

Senior GM, finance, Pieter Jordaan, says the record R894m surplus reported in the year to March still represents a return of only 7,2% on assets of R12,3bn, while outstanding loans of R6,4bn place a heavy burden on the Post Office

Ironically, some segments of the private sector are against the privatisation of the Post Office's data transport network because this is seen as a national asset But the services side of Telecoms should be deregulated to allow for more competition Alternatively, there is support for turning the profitable Telecoms division into a public corporation, like Eskom, to be run on business lines by a private-sector board

While the debate goes on, De Villiers is preparing for a more market-related environment for the R18,2bn-a-year colossus New — and overdue — services under consideration include

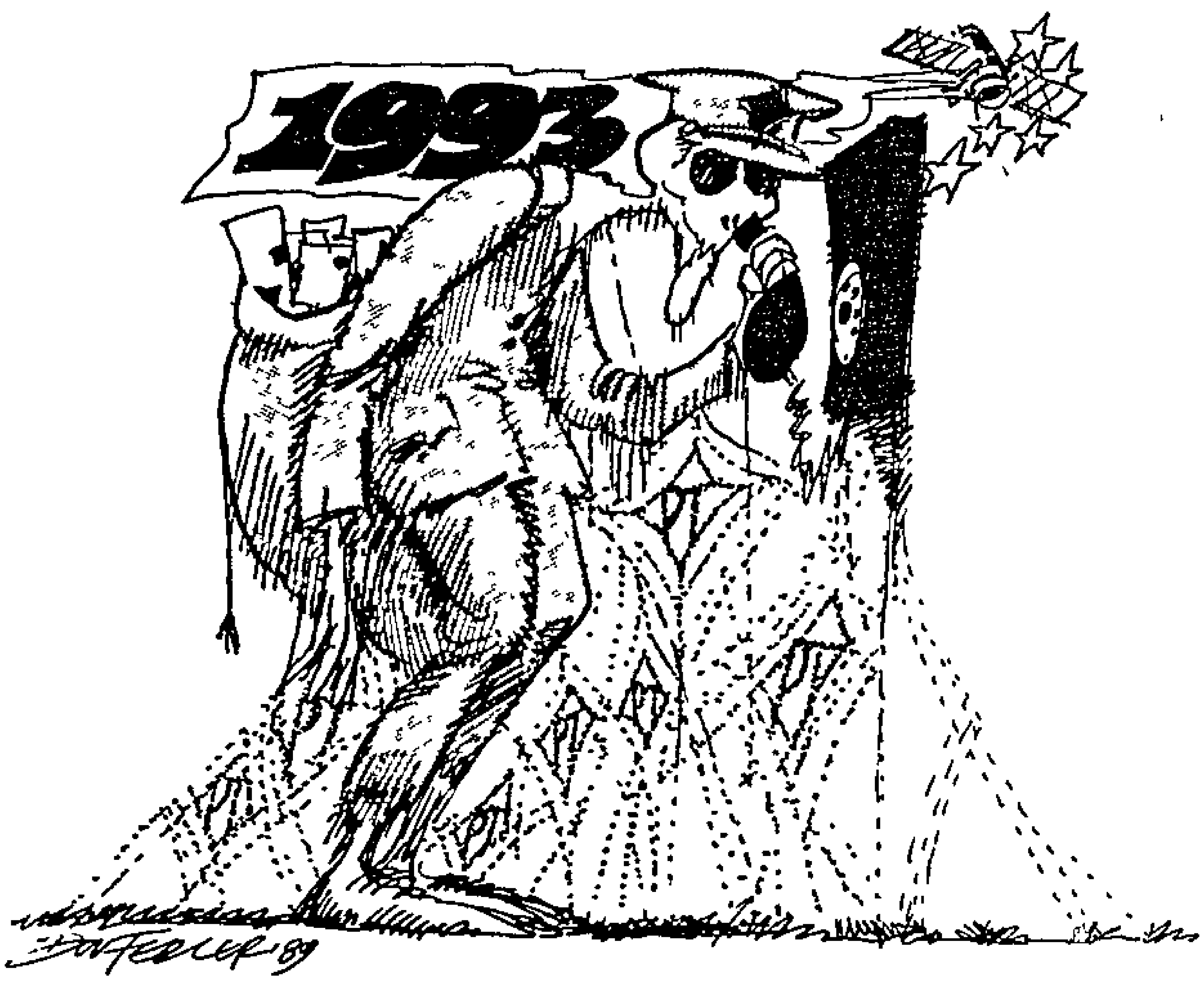
- ☐ Improved direct-mail advertising services,
- ☐ Increased agency services at the branches across the country,
- ☐ Installing 3 200 point-of-sale terminals at branches nationwide, at a cost of R46,4m;
- ☐ Upgrading and modernising interiors,
- ☐ Installing new stamp vending machines;
- ☐ Approving the sale of new cordless telephones next year, as soon as testing and licensing are completed;
- ☐ Extending the "highly profitable" car phone network in the Cape Peninsula and Durban-Pinetown areas;
- ☐ Completing a new R500m submarine cable network from Cape Town to Madeira by 1995; and
- ☐ Legalising satellite TV

Since October 1 the department's eight regional divisions have been subdivided into Postal and Telecoms profit centres, under separate managements By April 1 the division will be complete at head office level "Following legislation next year, two new companies — Posts, and Telecoms — will be registered to operate independently as from January 1 1991," De Villiers says

Telecoms looks like the obvious candidate for privatisation — but, based on current returns, it would not get the "right price," he believes.

"Though Telecoms declared an operating surplus of R1,1bn in the past financial year, about R200m was used to cross-subsidise the postal loss If privatised, 50% of the balance (about R450m) would go on tax, leaving R450m for dividends, provision for loans and capital expenditure."

The Wim de Villiers report on Post Office finances recommended a cutback on Post Office capital expenditure that is aimed at replacing outdated electro-mechanical telephone exchange network with a modern digital system. But this, De Villiers says, will stymie efforts to make the Post Office more profitable by reducing labour costs, which constitute about 46% of the budgeted 1989-1990 operating costs of R5,2bn.



To achieve this labour-cost saving, the costly switch to digital exchanges must be made because they require only a fifth of the labour of the old electro-mechanical exchanges

But, following the Wim de Villiers report, the digital exchange programme was cut back, with the Post Office's target date for complete "digitalisation" now pushed back to 2010. "For most Western nations, the target date is 1990," Snedden says "But I believe that pressure from trade and commerce will force government to bring our services up to date."

So the Post Office is caught in a cleft stick it cannot commit more funds to upgrading its structure, which means that labour costs will remain high Within these parameters, the Telecoms operating surplus pales somewhat. And some electronics companies agree that the time is not yet ripe to go private — if ever.

"British Telecom now has competition in only about 2% of its operations, while in the US the division of Bell into seven small Bells led to seven regional monopolies — though on long-distance services, competition is available," Plessey MD John Temple says.

Siemens joint MD Geoff Heinebach says: "I agree with De Villiers — Telecoms is not yet ready for privatisation. My vision is that the data transport network, as a national resource, should remain in public hands But in the services field, open up the arena for increased competition And in both cases we dare not fall behind the rest of the world, even though we face financial problems."

Philips MD Frank Touwen says the Post Office should charge for its Telecoms services in a "business-related way." At the moment, it basically undercharges for services such as PABX, unfairly undercutting the private sector.

"The Post Office should provide the network and operate as the regulatory authority. It should leave services to the private sector — and should not compete directly with us in this field And it should concentrate on expanding the network for popular services like car phones " ■

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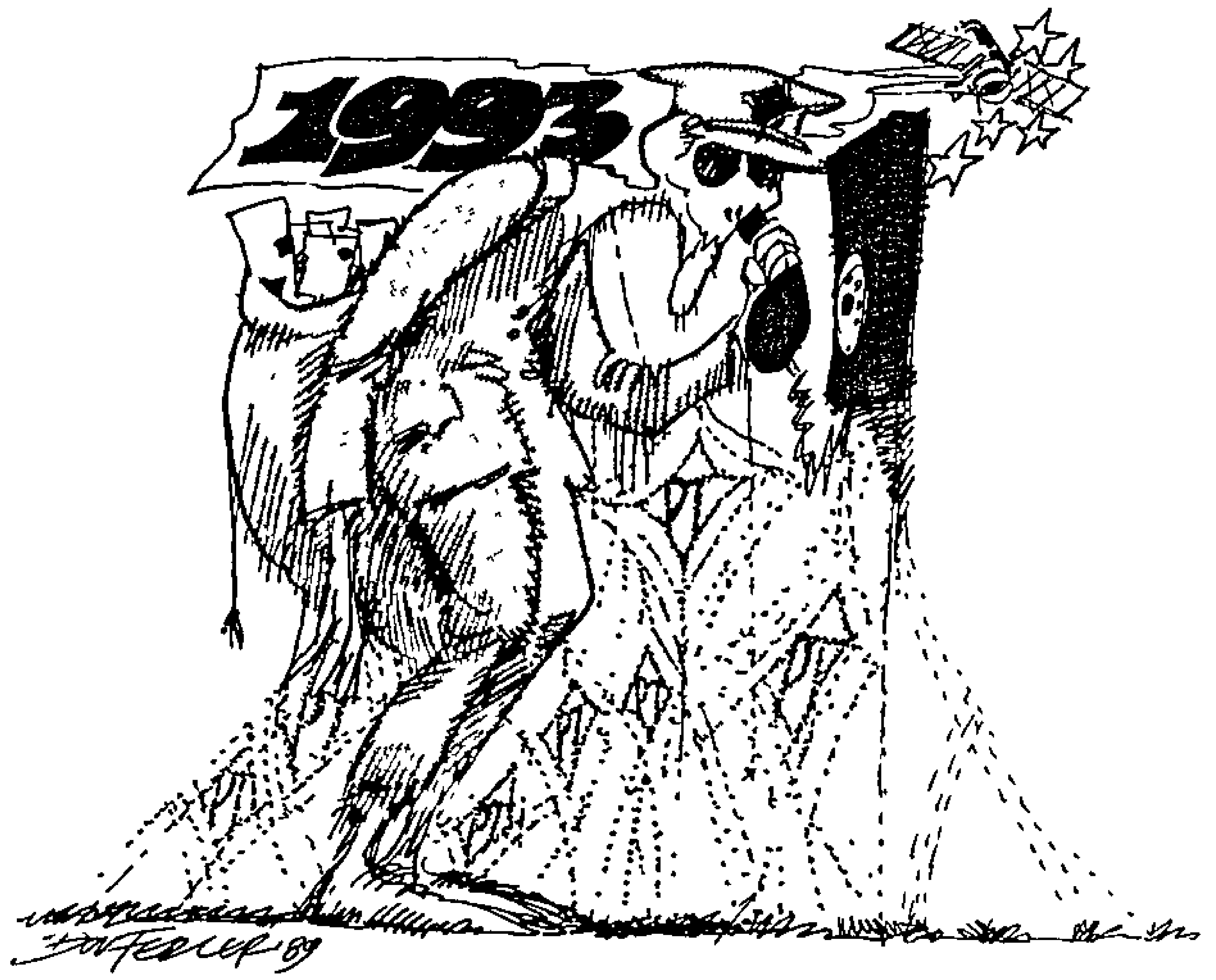

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GILTS 232 Fmail

Taking stock

8/12/89

The nominal value of Eskom stock sold to foreigners this year is estimated at R1,5bn, or R1bn in cash, because stock sells below par. Total nominal sales of gilts and semi-gilts to overseas buyers this year are said to exceed R4bn

The growing scarcity of bonds on international markets has caused buyers to look further afield for attractive investments In West Germany and Japan, for example, shrinking budget deficits make the raising of funds on capital markets less of a priority.

In Britain, Merrill Lynch forecasts the gilts market will disappear by 2003 if government keeps its budget surpluses and public-sector debt repayments at 1% of GDP

This shortage of bond supply has been compounded by a corresponding fall in both nominal and real yields on government bonds around the world — nominal yields in the US are around 7,8% (about 3% real), in Britain about 9% (1%), and in Japan 5% (2,5%) So the present 24,07% yield on SA gilts is difficult to resist

The recent rise in the gold price and improved political perceptions are adding impetus to buying of SA gilts Foreign interest last week triggered a series of local orders and sent Eskom 168 plummeting to a one-year low It dropped nearly 30 points in one day from 16,65% last Wednesday to close at 16,39% the following day

But it will take up to six months before Eskom can establish how much of last week's gilt buying spree came from foreigners

First National Bank group treasurer Ken Russell confirms a foreign order of R200m-R250m but says "none of it was done through us." It is rumoured to have been shared between brokers and banks

It will be two months before the stock is registered When purchases are made through nominee companies, many months may pass before a twice-yearly Eskom survey reveals whether the funds were foreign or local, says treasury manager Willem Kok

An anomaly is that known net JSE foreign gilts transactions last week amounted to only R71m, about the same as the week before.

There are two possible explanations. Says Kok "A lot of overseas investors use nominee companies to register stock so purchases may not be made in their name."

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Another explanation is not all transactions may have gone through the JSE. Banks use their own advice notes and these deals are not recorded until stock is registered.

Institutions did not join the scramble for long stock though they showed enough interest to create a shortage of paper. A disincentive was the carry costs of long stock. If an investor borrows to pay for gilts, say at 19,5%, he would end up losing over 3% on a gilt which yields around 16,35% Money market instruments are more attractive.

Jobbers who'd written naked call options at 16,50%, on the other hand, panicked and bought to cover, adding to the paper shortage. Eskom closed at 16,34% this Monday.

Says a dealer· "Foreign buyers have decided a 20% yield is worth the lower political risk," a dealer says. "They've also taken the view the finrand will improve which will make buying later on more costly " Firming of the commercial rand has added incentive because interest is paid in this unit

Though SA is seeing an increase in foreign investment foreign interest in gilts has, however, some negative implications November's Bank of Lisbon report says foreign interest payments could build up as a result. "This is a definite drain on reserves," a banker says. However, one economist believes this is not of major concern as it is offset by increased repayments of foreign debts

Of major concern is the danger foreigners could sell as quickly as they bought. "If one big buy order sends rates down so fast, one can only imagine how rates will shoot up if there is significant selling," a dealer says

"Holders of public-sector securities are sensitive to political developments and any negative developments could see major off-loading by foreigners," an economist says. "This would cause greater volatility in the finrand and make it more difficult to abolish the dual currency system." ■

ADE breaks even, heads for JSE

W/t Argus 9/12/89 232

By DICK USHER
Business Staff

ATLANTIS Diesel Engines (ADE) has reached break-even point and sees itself able to start generating the kind of track record fitting its ultimate aim of a JSE listing

The company said yesterday ADE was placed under tremendous pressure during the prolonged recession of the mid-1980s but had reached break-even with a production of more than 20 000 engines a year

ADE's marketing and public affairs director, Mr Wally Rautenbach, said the relatively stable commercial vehicle and agricultural engine market expected in the next five years showed clearly that ADE had to take a wider view if it wanted to achieve significant growth and use capacity more fully

The phase VI local content regulations, which aimed at cutting the motor industry's R6 billion import bill, offered ADE and the industry as a whole major opportunities.

Mr Rautenbach said the first lay in the need to balance imports with equivalent exports which would demand an increasing emphasis on a long-term view of the export market rather than the traditional view of using exports to dispose of excess capacity production.

Manufacturers would be able to achieve an import/export balance by specialising in the export of certain products such as cylinder blocks

But a long-term approach was essential as export specialisation made manufacturers vulnerable to product supercession.

The second opportunity lay in import replacement and ADE had identified about 1 000 items, about 60 percent of its R150 million import bill, for local manufacture, said Mr Rautenbach

Local sourcing of some items would start in 1990, representing an eight percent savings on the import bill

Ultimately ADE was looking for more than R100 million in additional forex savings by 1997

ADE had the capacity and know-how to exploit export markets The momentum of the export drive would be sustained by the continuing low value of the rand against currencies of foreign trading partners.

The export initiative had also been designed to complement ADE's import replacement programme

Local content of ADE engines presently averaged 55 percent by value.

A defined programme, requiring R120 million in additional investment, had been instituted to raise local content to 70 percent by mid-1992, rising to 87 percent in 1998 Additional capacity resulting from these investments would be used to exploit exports

The company had also installed two light diesel engines in one-ton pickups as part of a viability study for an import replacement light diesel engine.

First tests were scheduled for completion by March 1990 and would be followed by an in-depth viability study

The investigation is focussed on the one-ton diesel market with a top-side annual volume of 10 000 to 12 500 units

Long-term growth could be achieved in this category through expansion into the industrial, marine and minibus taxi market.

The minibus taxi sector in particular would gain by using a small diesel engine which offered large fuel savings

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Supalek deal brings more work to Tek

S Times 10/12/91

By Julie Walker

TEK Corporation has bought 28% of Supalek from Columbia Consultants for R3,4-million cash, valuing the shares at 37,6c each.

Hitherto Supalek imported and distributed Kenwood and Cortina hi-fi equipment The deal with Tek gives Supalek a manufacturing base for the supply of hi-fi and audio products as well as an entry into the television and home entertainment market

Tek will make TV and audio products for Supalek at its factory in East London

Option

Tek has also bought an option to buy Anbeeco's 46,1% shareholding in Supalek in the first six months of 1993 A voting pool will house 7,1-million of Anbeeco's Supalek shares with Tek's 9-million, to give 50,1% of the Supalek shares in issue

Anbeeco will retain control of Supalek The voting pool is to protect Tek minority interests

Tek has the option to acquire Anbeeco's pool shares at the greater of either net asset value plus 20% at 30 April 1993, or Supalek's earnings a share multiplied by the average price-earnings ratio of the JSE's electronics sector over the six months before the option time

The second option is subject to a maximum of the average middle-market price a share over the six months ending April 30, 1993

Tek will be able to buy Anbeeco's shareholding outside the voting pool on the same basis, subject to a minimum of 50c a share

Tek is happy with the deal because it gives rise to needed additional volume for the East London factory It should improve economies of scale and Tek's competitiveness

Supalek has secured a technology transfer agreement with its principals which will help to entrench the Tek audio factory as the most modern in Africa It will supply television sets to Supalek under the SABA name, adding more than R15-million to turnover and R1,5-million to pre-tax profits

Supalek will continue to import top-of-the-range goods from Kenwood Managing director Cyril Cohen says he is delighted to have Tek manufacture certain Kenwood and Cortina products while standards are maintained

Windfall

Anbeeco chairman Tony Brookstone says his company wins either way It earns more through its investment in a higher-performing Supalek if Tek does not exercise the option But if Tek does, it will be a windfall profit to Anbeeco

Supalek shares eased 3c to 38c after news of the deal leaked out this week and Anbeeco added 2c to 60c Tek is part of the Fedvolks group

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Hahn accuses Hill of insolvency scam

SPOTLIGHT ON FEUDING PARTNERS by DAVID CARTE

THERE'S exceedingly bad blood between forex fraud accused Oliver Hill and his partner of old, John Hahn

While Mr Hill attacks Mr Hahn in the name of Barclays Bank in the High Court, London, Mr Hahn's son Max and his attorney Peter Wentzel are fighting Mr Hill in SA.

Mr Hahn and Mr Hill made millions of dollars in the early 1970s on a contract to build a floating ammonia and urea plant for the Indonesian Government.

They became co shareholders in National Process Industries, a Swazi fertiliser and explosives group which collapsed in March 1984. During NPI's liquidation the partners fell out and remain bitter enemies.

With only a fraction of the fabulous sums he made on financial rand deals, insolvent Mr Hill named "a fugitive from justice" in court papers, settled all his debts of R83,8-million at huge discounts.

A claim of R47 6-million by Geogas of Switzerland was settled for $1

Mr Hill said in application to the Rand Supreme Court for the rehabilitation of his estate that he paid Barclays R250 000 to release him from his debt of R26,4-million and Standard R550 000 for debts of R8 35-million.

For R1,25-million Barclays sold to Mr Hill its claim of surety for R23-million

OLIVER HILL his own biggest creditor

against John Hahn Mr Hahn denies the validity of the Barclays suretyship

Mr Hill has obtained a judgment against Mr Hahn in the name of Barclays in the High Court of Justice in London Mr Hill is the ultimate beneficiary of anything recovered pursuant to that judgment.

Sheriffs were unable to serve summons on Mr Hahn whose whereabouts are known only to his son and his closest friends. But the London court has deemed the summons served Mr Hahn was forced to withdraw from the trial proceedings because of costs and because he said he had no assets.

The Hahns are delivering counter-blows on this side of the globe. Mr John Hahn said in an affidavit in response to the rehabilitation application that Mr Hill s debt to Geogas was nothing more than a scheme contrived by Hill in order to allow him in reality to become his own bi, cest creditor in his insolvent estate"

The debt of R47 6-million was more than half of the total outstanding and gave Geogas a large say in the appointment of liquidators.

A creditor company called Stratafix also opposed Mr Hill s application for rehabilitation.

Also represented by attorney Peter Wentzel Stratafix managing director Donald O'Connor contended that through the Geogas claim "Hill became his own largest creditor'

"The party acting for him was Philip Anthony Clarke, who is listed as a director of Geogas I submit therefore that it is not surprising that Geogas withdrew its claim once it had served its purpose in terms of Section 51 of the Insolvency Act.

'It is not surprising to find that the bulk of the claims have been withdrawn by creditors. The parties who were listed as creditors were either close associates of Hill or members of his family The only significant independent claim by Barclays Bank of Swaziland and Standard Chartered Bank were purchased by companies fronting for Hill

"Hill has not made a full and complete surrender of his estate, nor has he made a complete disclosure to this honourable court of his affairs subsequent to sequestration Hill has acquired substantial assets albeit illegally, during the period of his insolvency and there are accordingly substantial assets which are available for distribution"

Mr O Connor alleged that Mr Hill had falsely stated to the court that he lived in Johannesburg and was temporarily in London. Mr O Connor quoted Mr Hill as having said in a report in Business Times that he was 'reviewing the situation" of his residence.

'Inexplicably his trustees did not take any steps in this regard The fact that Hill is a fugitive from justice precludes him from bringing this application.

Hill has failed to advise this honourable court that after his sequestration and prior to the making of his affidavit in support of this application he and the companies referred to by him as having bought claims of his creditors were under investigation by the SA Reserve Bank and that their assets had been frozen by the said Reserve Bank.

"The reason therefor was obvious Hill had by manipulating the financial rand and utilising these front companies accumulated huge funds for himself"

Mr Justice Kirk-Cohen ordered that the matter be postponed sine die (indefinitely) He ruled that Mr Hill could not apply for rehabilitation unless he was resident in SA.

Mr Justice Kirk-Cohen ordered that when Mr Hill returned to SA, his attorneys should inform the Master and the Registrar of the Supreme Court, the Attorney-General and the attorney acting for Stratafix. The judge instructed the Master to disclose what facts motivated his recommending Mr Hill s rehabilitation.

All that happened a year ago The Reserve Bank's case against Mr Hill was spelt out in affidavits to the Supreme Court last month

It did so in contesting an application by the Hill family trust for an order lifting the Reserve Bank freeze on its assets

Deputy Governor Jan Lombard said in an afidavit that Mr Hill and associates converted R102,2 million into commercial rands

An amount of R70 14-million was transferred abroad at the commercial rand rate and R32 million was used in SA.

Dr Lombard said these non residents received R98,3-million in financial rand balances M J Parsons (Mr Hill's sister) R39 6-million; Caledonian Provident Co R19 7-million; Pamtel (Jersey) R15 9-million; Fidelity Mutual Mortgage Corp R12,7 million, Goldstone Trader (Geneva) R10 4 million, and E Goldstone Trade Inc

Dr Lombard said these SA residents sold securities such as Eskom stock to the non residents: Advanced Farming Ventures (R11,2 million), Securities Investment Corp (R65 3-million) Phoenix Management Services (R12,8-million), Bestersvlei Wholesalers (R1 5-million) L Hill (Mr Hill's wife Lynn) R184 000 D A Hill (R823 000) Tactooz (R9 6-million) and P A Clarke (R6 4 million).

Advanced Farming and Securities Investment Corp sold Eskom stock to designated non-residents and received R76,6-million, R52 million of which flowed to resident accounts.

The R70,1 million in import and dividend payments went to among others, Pamtel Investments (R17 5-million) Tactooz (R19,3-million) Goldstone Trader (R9-million) Explosive Sales (R8-million) and Phoenix Management Services (R6,€ million)

Dr Lombard said. 'False security certificates in the form of Eskom stock were sold to non-residents and delivered to brokers Furthermore, the face value of certain certificates was increased so as to facilitate the greater conversion of financial rand to commercial rand."

Jan Ackerman, of stockbroker Max Pollak & Freemantle, said in an affidavit that he noticed an Eskom certificate he had handled crossed his desk again, this time with a higher face value.

The Reserve Bank referred to Mr Hill's statement to Business Times that there was nothing illegal about his financial rand transactions.

The bank said. 'These admissions confirm the suspicion that Hill has all along been so involved and that his averment that his involvement was legal in that he took advantage of loopholes in the two-tier currency system is clearly wrong"

The Hill family trust contended that the Hahns had a 'co-operative arrangement with the Reserve Bank.

In its reply the Reserve Bank denied any such arrangement. Nowhere in its documentation did the Reserve Bank make any complaint against Mr Hahn.

Ocfish on acquisition trail

CAPE TIMES 14/12/89

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Financial Editor

OCEANA FISHING GROUP (Ocfish) is negotiating further acquisitions which will fit under the Blue Continent umbrella, a spokesman said yesterday.

Executive chairman Walter Lewis pointed out in a statement issued with the annual report that the group's "diversity of earnings sources" was among factors which helped it to achieve a satisfactory increase in earnings in the year to September 30.

He said expansion and acquisitions, increased investment income and improved management efforts had all helped to cushion the group against "the adverse effects of lower pelagic landings and poorer returns from Namibia".

Lewis said. "The group's strategic focus will continue to be concentrated on its core businesses of inshore fishing, trading, cold storage and the provision of marine-related services.

"Planning and capital expenditure in these areas are aimed at maximising productivity and efficiency, developing value added lines and structuring operations to allow for an even quicker response to changes in market forces.

"Acquisitions and capital expenditure in the past year broadened the group's infrastructure and market share in developing branches of the fishery — such as redeye herring, tuna and squid — and increased the capacity of its cold storage network.

"Capital expenditure, excluding acquisitions, in the year ahead is budgeted at R14,4m and will be financed from the group's own resources.

"Major items include additions to production premises and infrastructure, vessels, and plant and equipment such as further cannery and ice plant extensions."

In the report, Lewis says further growth in earnings from services has been projected.

In the year to September, Ocfish lifted attributable income to R24m (R22,8m), representing earnings of 260,7c (250,2c) a share.

DECEMBER • 15 • 1989 Financial Mail

(232) Fmail 15/12/89.

DEREGULATION & PRIVATISATION

Go to the ant, thou sluggard

This week, Britain privatised its water supply. State-owned water authorities were sold off in a £5,2bn offer, which was 5,7 times subscribed and drew 2,7m applications from members of the public. Across the Atlantic, Mexico — not known as the world's fastest-moving society — announced that it has sold off 67 State-owned firms since October 1988

It puts our puny attempts at privatisation in the shade. Can there really be 67 State-owned companies in Mexico easier to sell off than, say, our own Foskor?

Here, State-owned units don't even fully accept the need for competition that is a prerequisite to privatisation. Even SAA, which claims to be converting itself into a business-orientated organisation, still relies on the protection of the State to keep out low-priced charter competitors

Government itself has bowed to pressure from the major pharmaceutical manufacturers and won't allow retail pharmacists to dispense cheap generic drugs rather than expensive branded drugs prescribed by doctors

In a further retreat, the scrapping of business licences announced in September has been watered down (see ***Business***) — simply to preserve a handful of pen-pushers' unproductive jobs — but at enormous cost to the private sector.

Cape Town's city council, for instance, which hoped to do without 20 of the 35 employees in its Business Licensing Department, now expects to transfer only two or three. Some people have the cheek to call this "job preservation"!

Socialists should stop calling for the end of the free market system; we don't have one yet. At this rate, no big re-nationalisations will be needed "after the revolution"; you can't re-nationalise what hasn't been de-nationalised.

The fact is that civil servants and public utility managers have a vested interest in the status quo Anything which detracts from their power or position will be resisted — and they'll always be able to come up with plausible, though spurious, reasons for delay in either privatisation or deregulation.

The belief that privatisation or deregulation can be implemented without job cuts is equally fallacious Whatever their other failings, Sats and Eskom, whose economic performance is relatively easily measured, have shown the extent to which they were over-manned.

The even greater over-manning in the more bureaucratic regions of the public sector has still to be addressed, but at some stage it will have to be. Backtracking over relaxation of business licences not only imposes an unnecessary burden on the private sector — it delays the unavoidable ■

Ozz spells out offer to Lucem minorities

STAR 16/12/89 189

Finance Staff 232

Following the recent acquisition of control in the Lucem group by Ozz Limited, a deal expected to revitalise both companies, Ozz has announced the formal offer to acquire the shareholdings of Lucem's minority shareholders and a reduction in the company's capital by R38,94 million.

As announced in September when Ozz bought the Krok brothers' 37 percent stake in Lucem at 85c a share — a deal that boosted Ozz's 23 percent holding to a controlling 57 percent — Lucem's minority shareholders would be made an offer for all or part of their holdings.

The basic formula comprises a R52 cash component and 55 Ozz shares issued at 60 cents each for every 100 Lucem shares. Shareholders are offered the option of varying that mix to suit their circumstances to the extent that their preferences balance out.

They may either take more Ozz shares at 60 cents each in lieu of cash up to the issue of a maximum of 17 768 880 new Ozz shares or they may prefer additional cash in lieu of shares to the extent that such cash is available from those who took the option of additional shares instead of cash.

Those accepting Ozz shares will qualify for that company's annual dividend for the year ending March 31, 1990 which is forecast at 3,4 cents a share.

The remaining alternative is to stay on board for the ride, a not unattractive proposition. Those shareholders in Lucem who elect to remain as such will receive the 52 cents cash payment in reduction of capital and Lucem is destined to become a cash shell with a net assets value of some R24,41 million or about 32,6 cents a share — making a total value approximately equal to the 85 cents paid to those who sell.

The interim reports of both companies are due for publication in February 1990 following an extension from the Registrar of Companies.

At the announcement of the deal in September 1989, it was forecast that Ozz's net assets could increase by 25 percent, its earnings by at least 12 percent and the dividend by about 36 percent for the year to March 31.

Today's projection of a 3,4 cents distribution confirms this, representing a 36 percent increase on the 2,5 cents paid last year. The transmuted listing statement and other relevant documentation is due for publication on 11 January.

Repossessions on the increase

Star 16/12/89

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Repayment problems lead to buyers' bargains

FRANK JEANS

REPOSSESSION — the dreaded word of today's residential property market in the wake of the bond rate spiral — has increased despite innovative package deals by the lending institutions to help bondholders over difficult times.

The latest figures show that for the period November 1988 to October this year — there were 8 429 sales of homes in execution, of which about 50 percent would eventuallly be repossessed and sold to the market

But, while the loss of a home because of financial pressure is to be regretted, there is a positive side to the situation For one man's loss can be another's gain

No lending institution wants to become a homeowning society, with the result that there are bargains in the market place today.

Building societies and banks generally strive to help the troubled borrower and see foreclosure as a last resort

However, when the sale of homes in possession is inevitable the resale terms are invariably attractive and affordable for other buyers.

The Natal Building Society, for instance, which like other societies has its "battling borrowers" because of the cumulative effect of high interest rates, is bringing on to the market "homes in possession" at good deals for new buyers.

The society has 150 homes in this category in the PWV area Trust Homes has been signed up to resell the properties at prices marked down to bond level and at reduced interest rates

The NBS homes in possession — there's a mix of townhouses and single-dwelling units — range in price from R48 000 to about R65 000.

Ian Macpherson, joint managing director of Trust Homes, says. "This is a particularly good investment for young people, for the deal can be structured to suit their needs. They can secure a home for a 6 percent deposit and buy on deed of sale terms with the society."

Further benefit

A further benefit to these buyers is that if they have the transfer costs, they can get a bond for the balance at an interest rate of 15 percent fixed for two years.

The advantages here are the likelihood that on the one hand the bond rate is expected to fall anyway — and on the other that building cost escalation must inevitably push prices further in the new homes market.

Sale of the NBS homes in possession has just begun and already 20 have been taken with a further 30 under negotiation. Included in the sale are homes in Kempton Park, Edenvale, Springs, Benoni, Florida and Roodepoort

Ms Amanda Dreyer, media relations officer of the Perm, says "Of course, we try to get more for a home in possession and when we do we give the difference to the owner who lost his home"

A United Building Society spokesman says· "Depending on the area and the condition of the home in possession, the prices of these properties are invariably not far off a realistic price.

Aid measures

"There has been a higher level of repossessions in the light of the high interest rates and prevailing economic conditions.

"However, they still form a very small part of our total home loans book and, in fact, are well under one percent of our total lending"

Before the United repossesses a home it tries to accommodate a borrower "in any way we can".

It also urges people to come and speak to the society to try to find a way out of the problem as soon as they sense trouble.

"Often we have been able to stave off repossession by deferring payments and restructuring borrowers' home loan packages," says the spokesman.

"The United goes the sale in execution route and finds that public auction sales achieve market-related prices"

Go-go Greenfield in a new JSE venture

S/Times 17/12/89

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ASHLEY ENSLIN with a Garfield phone . Picture by PIERRE OOSTHUYSEN

By Ian Smith

GO-AHEAD Greenfield Property Holdings plans to list a variable loan-stock (VLS) company on the JSE next year

Greenfield, which has surprised investors with a string of large developments, was listed in July last year through a reverse takover of Frencorp The shares, which came on the market at 162c, are tightly held, but have advanced steadily to 410c

Portfolio

Details of the new listing, which will have an initial portfolio worth R170-million, are eagerly awaited — given the first company's strong performance.

The announcement is expected in March, coinciding with interim results from Greenfield Property Holdings

Greenfield joint managing director Jeff Myerson says the development follows the steady build-up of property assets in the past four years.

"We realised we could not continue development and bringing in new partners. We could have ended up with minority holdings in some properties and a daunting number of partners.

"Now we have a sizeable enough investment vehicle to stand on its own feet."

Mr Myerson says one of the attractions of the VLS company is that the portfolio will be confined to property, mainly shopping centres and office blocks which the group has built and managed itself

"We will not be involved in unknown projects"

The first two buildings in the R600-million Woodlands office park project in Sandton will be included in the portfolio

Greenfield will retain a large holding in the VLS company, probably between 20% and 30%, says Mr Myerson

Roots

The group has its roots in a small family-owned saddlery and harness business in downtown Johannesburg in the late 1920s Ironically, the original shop stood on a site where the group has completed its R54-million Newgate shop, office and parkade development near the JSE

The company prospered when it it went into tent manufacturing, but founder Morris Liebowitz always had a sharp eye for property

Thirty years ago he said the family should buy land "between Johannesburg and Pretoria"

Residential property development began in Morehill, Benoni, and Dalecross and Paulshof, Sandton

The company was building houses on land acquired in 1967 when it was proclaimed the site for the Sandton City shopping centre. Planning, development and promotion of Sandton City were undertaken by Greenfield in partnership with another company, but it later sold its interests

Strategic

Today Greenfield in heavily involved in development, management and long-term property investment Residential development is still an important part of the operation

A strategic 30% stake in Schneid Israelite & Associates gives Greenfield a presence in the important project management field.

In its maiden year to June Greenfield posted an 89% improvement in taxed earnings at R5,2-million. Earnings a share were 57,4c, and a dividend of 28c was paid.

Mr Myerson says there has been some surprise at Greenfield's achievements, coming from a comparatively small financial base.

Elastic bridge

FOR the first time in SA, Murray & Roberts Civils will employ a European bridge construction method using "elastic" shafts.

The bridge will be built at the Rickivy slip on Town Hill outside Maritzburg.

The R16,3-million contract was awarded by the National Transport Commission. It is scheduled for completion in January 1991 and involves the widening of both carriageways of the N3 to accommodate four-lane traffic.

More and more for the men with the mostest

By Charmain Naidoo

IT'S the silly season. Groaning executives are clearing out their "for the man who has every- [...]gling for trout in New Zealand or salmon in Alaska" for Christmas

"If people want to give me something, I'd rather they gave the money to a charity It's the time of the year when [...]ory capacity, storing about 62 000 characters — or enough space for 3 000 phone numbers It has a six-line, 32-column screen and a 32KB

Kersaf shares plunge on Heron, Goss resignations

B/Day 21/12/89

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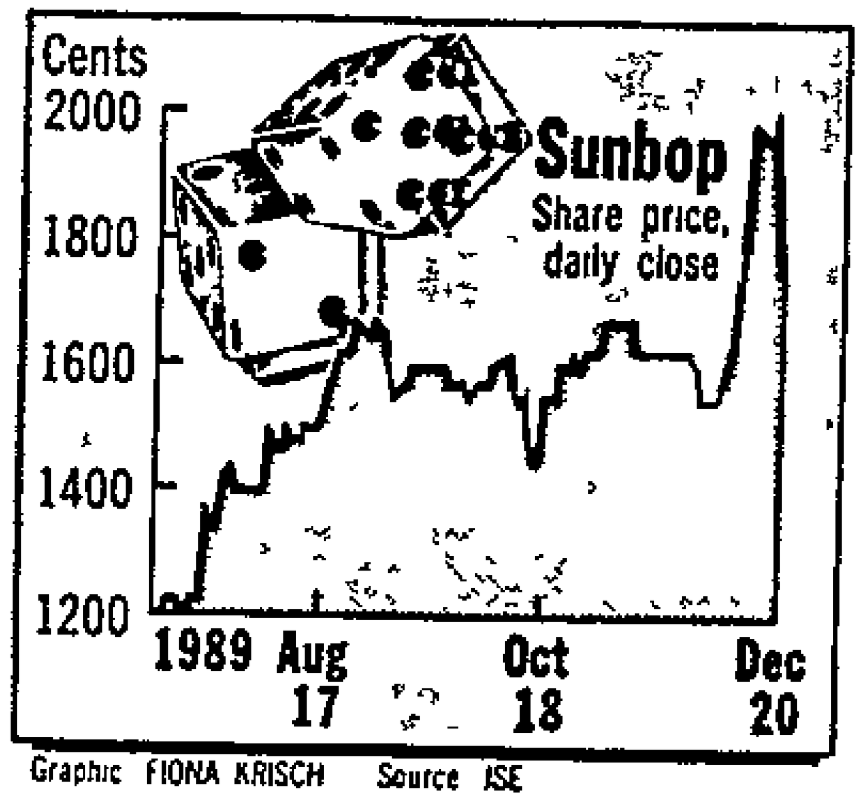


Graphic FIONA KRISCH Source JSE

REINIE BOOYSEN

ALL SHARES linked to the shaken Kersaf group dropped sharply on the JSE yesterday, albeit in relatively thin Christmas holiday trade.

Top listed company Safren declined 11,4%, or 200c, to R38,50, Safren subsidiary Kersaf declined 11,5%, or 275c, to R21,25 and Kersaf-controlled Sun International (Bophuthatswana) declined 11,4% to R17,50

With little hard information on the precise reason for the sudden departure of two top Kersaf directors, chairman Dick Goss and MD Ian Heron announced on Monday, some investors obviously played safe and baled out of these companies while their shares were still relatively strong

Meanwhile, Transkei leader Major-General Bantu Holomisa said yesterday the question of whether Sun International (SI) held exclusive gambling rights in the Transkei would be aired in the Umtata Supreme Court on 24 and 25 January

Holomisa said that the Transkei Attorney-General was still considering issuing a warrant for Kerzner's arrest

Analysts are unsure what will happen on the market tomorrow in view of the thin trading interest

"Most investors are on holiday, and they really can't be bothered with these developments," said an analyst

It appears as if former Kersaf supremo Sol Kerzner has set up an operations command at his Hout Bay retreat in the Cape with mounting speculation that he is plotting a comeback to SA business

All telephone calls to the estate were being screened by assistants who told callers that Kerzner was "very busy" "It smells just like a Sol Kerzner campaign," said a JSE analyst.

"Whenever he's on the verge of pulling off a big deal, he huddles up with his trusted associates and plots his steps "

All directors of companies associated with the Kersaf group have apparently agreed to be silent on the matter

Bophuthatswana Finance Minister Leslie Young, on holiday in Knysna, was tracked down but he refused to comment

In an attempt to explain the matter, analysts have drawn parallels between the recent resignation of Goss and Heron, and the resignation of Goss from SA Breweries in 1983 only days before he joined Kerzner's famous deal to take control of the casino operations from SAB

COMPANIES

ARGUS 20/12/89 232

Tollgate heads for higher earnings after takeovers

By TOM HOOD,
Business Editor

TOLLGATE Holdings is heading for higher earnings, although turnover might not show much improvement next year, says the chairman, Mr Johann Claasen

"We will be moving off a low base and consolidating the takeover of under-performing companies, but 1991 should be a much better year"

Mr Claasen said this after a special meeting in Cape Town when shareholders approved the takeover of Motorvia group in a R36 million cash deal

TGH will also pay Motorvia's senior executives R4,8 million in service and restraint agreements varying from 18 months to 10 years after they cease to work for the company

Motorvia, a 25-year-old company listed only in 1988, had a R104 million turnover and earnings of R4,9 million in the half-year to June 30.

The deal would have boosted TGH's turnover to a combined R834 million in the year to June 30 and net profit to R34 million, up from R29,7 million

Mr Claasen said the Motorvia ferry business was very big and profitable and would slot in with TGH's business It would become a separate division of the transport group

The Budget Autolease was a fairly new and growing business and would stay with Duros. It could be used for the group and outside purposes.

The insurance arm of Motorvia would also fall under Duros

Budget Rent-a-Car, part of Motorvia, was the country's third largest car hire company and was "a very good acquisition for TGH," said Mr Claasen

The directors also believed the unexpected air fare incrase announced by South African Airways "can only do good for our inter-city coach business"

Mr Claasen confirmed Tollgate had now dropped the idea of a separate listing for City Tramways

1989 remembered on JSE as year of broken records

B/Day 22/12/89 (232)

LIZ ROUSE

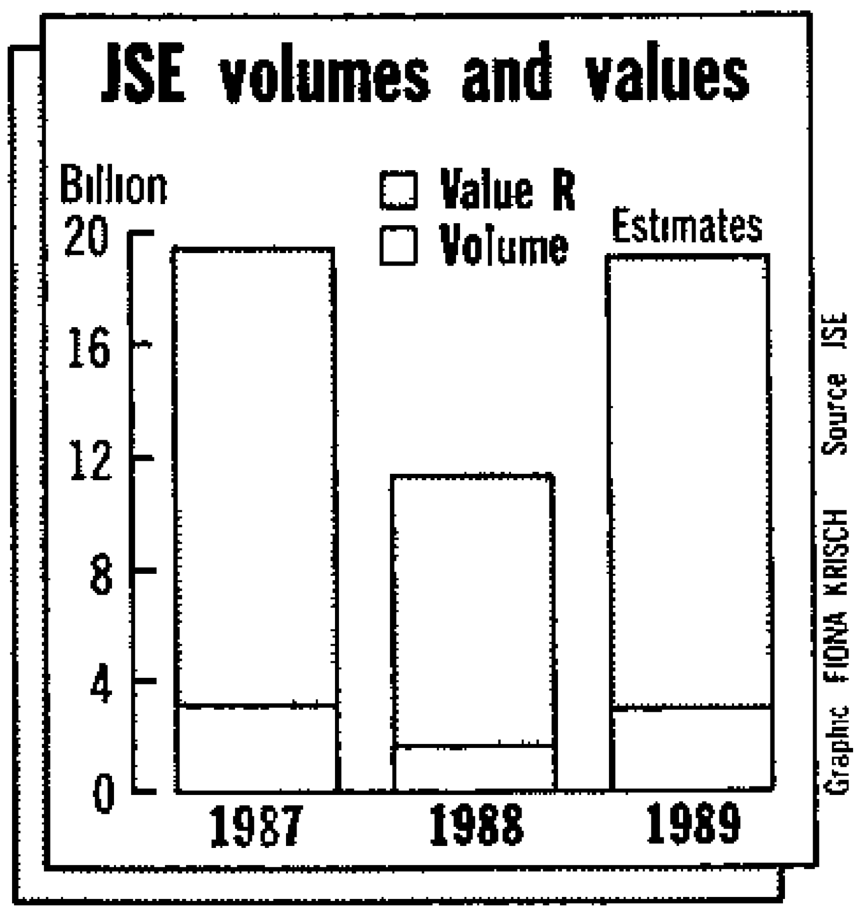
THE Johannesburg Stock Exchange achieved records in 1989, a year which started off quietly but ended on a high note.

Both volume of shares traded — about 3-billion shares — and value of shares — about R19bn/R20bn — surpassed the 1987 heights The October 1987 crash caused 1988's volume of shares traded to fall sharply to 1,8-billion while value declined to R11,2bn

Action for most of the past year was confined to the big league — professional operators dealing in top quality stocks Foreign investors only reappeared towards the end of October when the gold price broke through stubborn resistance levels

Small investors were lured back into equities when Iscor hit the board on November 8 They began to nibble at gold shares when that sector took off

In fact, it was a highly professional equity market, helped by the return of foreign investors, who started buying SA minings at the end of October The JSE, powered by local steam as well as a push from overseas investors, turned out to be one of the top performers among world bourses, the overall index gain of 35% bettered only by Singapore



Iscor also helped the JSE achieve another record New capital raised climbed to about R10bn, with the market absorbing with equanimity the multi-million to multi-billion rand issues by top fund seekers Iscor (R3,1bn), Gencor (R1,5bn), GFSA (R1bn) and Fedmyn (R825,5m).

The previous largest amount of capital raised in a year was more than R5,5bn in 1987 New capital raised declined to R4,6bn in 1988

Gilt trading, fueled by foreign funds inflow, also hit a new peak of about R56bn for the year Demand for finrands in the week ended December 22 put the squeeze on Johannesburg as overseas operators sold leading shares into Johannesburg to create finrands Prices tumbled on a defenceless JSE

The past year saw some drama — the battle by Minorco to gain control of Consolidated Gold Fields, a no-holds-barred contest which ended with Hanson the winner

The result was that Minorco topped the list of the year's most actively traded (by value) stocks with a turnover of 17,56-million shares worth R1,072bn, a figure too large to be accommodated by the JSE computer program The stock gained 27% over the year

Second was Anglos with a turnover of 9,6-million shares worth nearly R854m and a year's price rise of 85,8% Vaal Reefs topped all gold producers with a turnover of 1,6-million shares worth R537,6m on a price gain of 66,8%

Analysts put their money on Messina

REINIE BOOYSEN

B/Day 22/12/89

STOCKBROKERS Anderson, Wilson and Partners recently advised clients to buy Messina shares up to R40, as the company's platinum development was more advanced than was generally thought

At the time of the recommendation, on December 4, shares in Messina traded at around R33, and they have risen by 8,3%, to R35,75, since

Anderson, Wilson analyst René Hochreiter says in his report the share is undervalued relative to the platinum sector in view of positive features such as the low-cost mining method, high sulphide content of the ore and the backing of Impala Platinum.

The contribution of Messina's platinum interests to the cashflow are said to be about 84% at full production

Development at the mine to date includes two ventilation shafts on the farms Doornvlei and Voorspoed while the rock hoist installation for the Voorspoed shaft is almost complete, at a cost of R6m

Hochreiter says the Voorspoed shaft will be sunk to a depth of 1 000m and is planned to hoist 100 000 tons of ore a month while the Doornvlei shaft will be sunk to 500m and have an ore-hoisting capacity of 160 000 tons a month

Two ore-bearing reefs are being targeted — the M1 unit of the Merensky Reef and the UG2 Reef The Merensky Reef is a 5m to 8m thick sequence which contains the three units designated the M1, M2 and M3 units. The M1 unit is about 100cm wide and the richest of the three. (232)

It contains 5,8 to 6,2g/t platinum group metals, in a platinum to palladium ratio of 2 1 It also contains 0,25% nickel and 0,20% copper.

The UG2 Reef lies 100m vertically below the Merensky Reef and is 120cm thick, with 6,5g/t platinum group metals, in a platinum to palladium ratio of 1 1 It contains 0,30% nickel and 0,18% copper.

At full production the mine will treat 90 000 tons of Merensky Reef and 70 000 tons of UG2 Reef ore a month — but the Merensky Reef will be the initial target

Creditors take Malbak offer for Quality assets

Star 27/12/89.

(232)

Finance Staff

Following the provisional liquidation of Quality Tyres and its main operating subsidiary, Quality Tyres (1970) (Pty), an offer by Malbak to buy the business assets has been accepted by creditors

Malbak has undertaken to pay the liquidators an amount ensuring that concurrent creditors receive a dividend of 31c in the rand in respect of their claims against Quality Tyres (1970) (Pty)

In return, Malbak has taken over the stocks, debtors, fixed assets and business names of the company with effect from liquidation date (December 8 1989). Nineteen of the 20 creditors represented at an informal creditors meeting last week voted to accept the offer

Malbak executive director Tom Chalmers said that the tyre business would operate as a division of Malbak Trading, which also houses Malbak's motor and agricultural equipment interests, and would continue to trade under as Quality Tyres.

"We are very pleased with the support we have received from the tyre companies and look forward to working with them to consolidate Quality's position in the market place.

"The staff at Quality can now put the worries of the past few weeks behind them and concentrate on increasing market share under the Malbak umbrella," Mr Chalmers said.

Cashworths: JSE in historic intervention

Cpt Times 28/12/89

Minority shareholders hold the key

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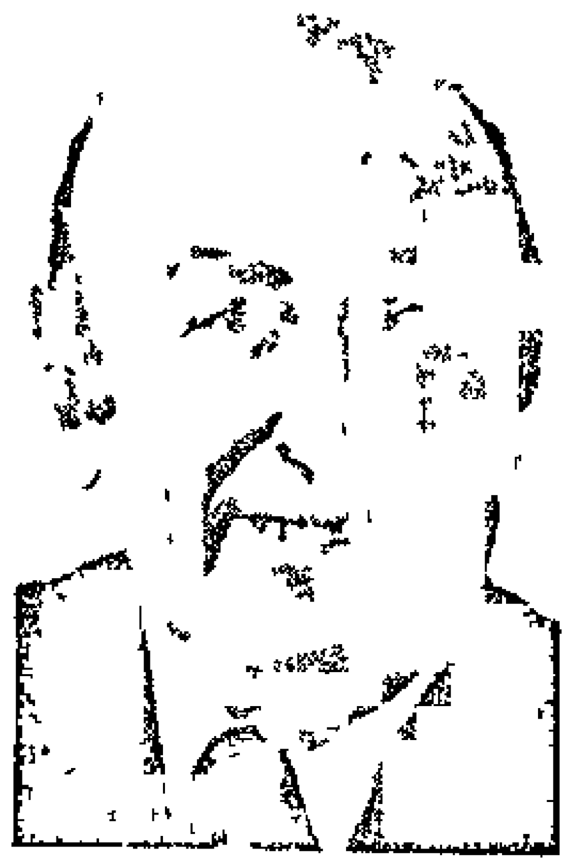
By AUDREY D'ANGELO
Financial Editor

ONE of the most dramatic and significant company meetings in 1990 will be on Friday, January 12, when shareholders in Cashworths Fashion Holdings will vote on whether to buy 13 subsidiaries of Management Services Corporation (Manserv) for R12,2m in cash

For the first time, the Johannesburg Stock Exchange (JSE) has intervened by applying "moral suasion" to the controlling shareholders, who have agreed to vote only half their shares

This means that if all, or nearly all, the minority shareholders vote together they can throw the proposal out if they wish The controlling shareholders have 8,5m shares and minority shareholders 6,5m



Issie Goldberg

Stressing that the JSE had no legal right to intervene, Richard Connellan, deputy GM (listing and meetings) said that it had, however, decided to use moral suasion

"We were concerned about a situation in which a consortium controlled two companies — one a cash shell with solid cash assets and the other where the assets were intangible — and proposed to reverse the company with the intangible assets into the cash shell

"We were not happy about this We convinced the controlling shareholders, just through moral suasion, to reduce the number of shares they will vote at the meeting

"They agreed to do so to the extent that if all the minorities vote against buying intangible assets with their good solid cash the proposal will be defeated "

Connellan said that, hopefully, this would set a precedent against controlling shareholders doing what they liked regardless of the wishes of the minorities "Although all shareholders, have, of course, the legal right to vote in any way they like "

Cashworths is an old established Cape Town company which was listed in the Development Capital Market sector of the JSE in 1987, after a private placing to raise R4,5m at R1 a share

Control was bought by the MAP consortium of businessmen early this year, for an estimated 35c a share, when the fashion retail and manufacturing group was in serious difficulties

The consortium sold all Cashworths' assets, leaving it with profits of R10,2m after all its debts had been paid

The meeting on January 12 will be in Johannesburg The chairman of the Shareholders Association of SA Issie Goldberg, will be there and has urged shareholders who cannot attend it to appoint him their proxy

Discussing the merits of the proposal, Goldberg described it yesterday as "unique in the annals of the JSE," and said it had "aroused tremendous indignation in many of Cashworths shareholders

"In essence," he said, "the deal comprises the purchase by Cashworths of 13 subsidiaries of Manserv — of which six are dormant companies — for a cash payment of R12,2m This payment will effectively denude Cashworths of its total cash holdings of R10,2m and involve Cashworths in raising an interest bearing loan of a further R2m to consummate the transaction "

Goldberg said there were many features which made the proposition interesting

"There is close contiguity between the members controlling each of the companies, and the only major amount of cash in either company belongs to Cashworths "

He pointed out that the consortium had, in effect, rescued Cashworths when it bought control "It is to the credit of the new controllers that they skilfully turned the nett assets to account by selling them off for cash "

After payment of debts, each Cashworth's share had a nett asset value of 65c

Goldberg said that virtually the same consortium had recently acquired control of Manserv, with some subsidiaries which had "a poor history of profits "

This ingestion into Cashworth's would "reduce the nett asset value of Cashworth's shares considerably "

Goldberg said the Shareholders Association had asked the JSE to "use whatever influence they could to create a voting situation" that would give minorities in Cashworths an opportunity to decide what would happen

Without "the splendid intervention of the JSE" and the co-operation of the Cashworths board, the meeting would have been a mere formality

Goldberg said that minority shareholders adamantly opposed to the deal should fill in their proxies "against" Others should give him a blank proxy vote to enable him to "possibly negotiate a better deal for shareholders "

He will be available on weekdays between 11am and 12 30 pm at 45 1240

Liquidations set for sharp rise

232 BDay 29/12/87

ZILLA EFRAT

LIQUIDATIONS, and especially sequestrations, are increasing and are expected to rise significantly next year

According to Central Statistical Service (CSS), liquidations in the three months to November rose 8,2%, and insolvencies in the three months to October jumped 15,1%, on the same periods last year

The number of liquidations this year has grown from 309 in the first quarter to 362 in the second to 520 in the third, says Information Trust Corporation director business development Graham Miller

However, by the end of November liquidations, at 1 450, were only 2,2% higher than the same period last year

This year, companies like JSE-listed Quality Tyres, Central Data Services, GBS, Edworks and the non-listed Shareworld and Vista Homes faced provisional liquidation, but most have been rescued

Miller says the number of compulsory liquidations (113) to total liquidations (138) was 82% in October, an alarming jump from the year's highest average of 63% in the third quarter and lowest of 55% in the first Such a high ratio was last seen in 1986 when it stood at 75%

He says 82% of October's liquidations were in the wholesale, retail, hotel and catering sectors, representing 48% of all

☐ To Page 2

Liquidations

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☐ From Page 1

compulsory liquidations

Kreditinform director Jack Brownrigg says the computer industry, currently undergoing a shake-up, is a problem with computer retailers hard hit

Smaller building companies have suffered through lack of financial expertise, while clothing companies were affected because of poor working capital management in an industry with long lead times

Miller says sequestrations (individual insolvencies) rose 12,6% to 707 in the third quarter from 628 in the second, showing a 19% jump on the 593 in last year's third quarter

While individuals do not appear to be cutting down on spending, they are not buying big ticket items, says Brownrigg

Salary earners cause the greatest problems, but they are unlikely to be sequestrated as creditors tend to arrange a repayment schedule over a period of time It is individuals who run small businsses that go insolvent, usually sole proprietors, partners and company owners who have signed personal sureties

The average size of judgements for the recovery of both individual and business debt has more than quadrupled from R509 in 1982 to R2 695 for the first three quarters of this year Most significant was the 65% jump from R920 in 1984 to R1 520 in 1985

While liquidations and sequestrations are forecast to rise substantially next year, Brownrigg does not expect them to reach the soaring levels of the 1986/7 downturn

He says high interest rates will cause problems for highly geared companies and strongly advises companies to check their client s gearing

SA unions to march

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CT Times 16/2/90

JOHANNESBURG. — Anti-privatisation marches by unions attached to the public sector will take place in most of the country's major centres tomorrow.

Mr Floyd Mashele, president of the Post Office and Telecommunications Workers' Association (Potwa), said in an interview yesterday that applications had been made since the beginning of the week to local authorities in Johannesburg, Pretoria, Bloemfontein, Port Elizabeth and Durban for the rallies.

The marches will take place under the banners of Potwa, the SA Railway and Harbours Workers' Union, the SA Municipalities Workers' Union and the National Education, Health and Allied Workers' Union.

In the interview, Mr Mashele said he believed privatisation of public sectors would involve the loss of jobs, increased tariffs and the deterioration of services. — Sapa

March against privatisation

ADELE BALETA

THOUSANDS of public sector workers were expected to take to the streets in anti-privatisation marches in major centres tomorrow, Post Office and Telecommunications Workers' Association (Potwa) vice-president Floyd Mashele said yesterday

The marches are being organised by a co-ordinating committee representing Potwa, the SA Railway and Harbours Workers' Union, the SA Municipalities Workers' Union and the National Education, Health and Allied Workers' Union

Applications for permission to hold the rally had been made to local authorities in Johannesburg, Pretoria, Bloemfontein, Port Elizabeth and Durban

Replies to the applications were expected late yesterday Mashele said there were indications permission would be granted

It still had to be confirmed whether Cape Town workers would march at the weekend, he said

Mashele said the co-ordinating committee would draft a memorandum protesting against plans to privatise all state-controlled sectors and demanding a living wage for workers

Organisers in each of the cities would include demands specific to the needs of unions in the different areas, which would be presented to local authorities in those areas, Mashele said

Although the march could be seen to be linked with Nelson Mandela's nationalisation call, the decision to hold a march was made before Mandela's release, he said

The Conference for a Democratic Future and SA's largest trade union federation Cosatu passed resolutions last year to fight privatisation In 1988 Potwa's congress passed a similar resolution.

Mashele said privatisation would result in job losses, increased tariffs, deterioration of services and loss of job security.

A major problem for post office workers was the refusal of authorities to grant permanent status to many temporary workers some of whom had been employed on that basis for 30 years

The march in Johannesburg will begin at St Mary's Cathedral on the corner of Wanderers and De Villiers streets at 10am and end at the Central Post Office, where the memorandum will be handed over

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POST OFFICE PRIVATISATION

Rocky road ahead

The Post Office's transition to a State-owned corporation — let alone a private company — will be difficult Last week there was a small example of just how difficult

One of the biggest hurdles is cutting the myriad cross-subsidies, but last week a tentative effort in this direction was stonewalled by the SA Agricultural Union Consequently, the Post Office postponed a plan to raise monthly telephone rentals in rural areas from R20 to R90 over two years

The plan was pushed back at least three months after the union appealed to Dawie de Villiers, Minister of Mineral & Energy Affairs and Public Enterprises The R90 wouldn't have covered even half the cost — the Post Office estimates it must charge at least R234 a month to break even on rural service

Jimmy Taylor, Post Office senior general manager — engineering and telecommunications, acknowledges that the organisation must break free of political constraints to become a successful commercial enterprise. The Post Office takes its first major step towards privatisation in April when it will be split in two — Telecommunications and Postal Services. Parliament is expected to pass legislation this session to create two separate State-owned corporations in preparation for eventual privatisation.

Telecommunications turned in a surplus of just over R1bn last year while Postal Services lost R168m, according to the Post Office's annual report, released last week The total operating surplus was R894m, R119m up on 1988, on revenue of R5,2bn.

Postal Services has been subsidised by fast-growing and highly profitable Telecommunications for years Substantial surgery is required if it is to stand on its own. Postmaster-General Johan de Villiers maintains that the Post Office has a social responsibility to provide service to remote areas, even if it is unprofitable, but warns that tariffs for this service must be increased to bring them more into line with costs Even this probably won't be enough for Postal Services to start reporting profits

Telecommunications, which operates in one of the world's fastest-growing economic sectors, offers far greater potential for privatisation Management, however, appears to be in no hurry Though Telecommunications has substantially liberalised its business — allowing others to instal and maintain PABXs and subscriber equipment such as terminals and fax machines, and even to provide limited telecommunications services — the organisation is intent on keeping control of its communications infrastructure.

Just as it's in SA's long-term interest to move telecommunications services out of the hands of politicians, Taylor says, it's also important not to be tied to the short-term profit motives of shareholders He believes such a move might compromise the organisation's ability to make long-term capital investments Capital expenditure on the national telecommunications network totalled R1,3bn last year

Taylor maintains that privatisation could be at least three years away Even then, Telecommunications should retain a monopoly on its communications infrastructure, he says He suggests this monopoly should be answerable to an independent regulatory authority similar to those in the US and UK

Wim De Villiers' report on the Post Office — compiled before his appointment last year as minister for administration & privatisation — backs Taylor. Though it slammed the Post Office for excessive spending and poor efficiency, it claimed that the national communications network is a natural monopoly.

This contrasts with the US, where dozens

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of telecommunications companies compete, and the UK, which licensed a second telecommunications supplier, Mercury, on the privatisation of British Telecom in 1984

Though telecommunications are regulated worldwide to some degree, the US and UK governments maintain that only competition can eradicate hidden inefficiencies and provide maximum service Spurred by the privatisation of British Telecom, many countries in Europe, as well as Japan and New Zealand, are adopting a similar approach.

Whether Telecommunications will keep a monopoly is likely to depend on its ability to serve its major customer — business About 65% of revenues come from the business sector. Large users, particularly financial

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institutions, are pressing for "First-World" services such as electronic data interchange, combined voice and data communications and specialised value-added networks. Telecommunications has met many of these demands but bars private companies from setting up their own networks to fill the gap

In probably its biggest move towards deregulation, Telecommunications decreed last year that the private sector could set up value added networks to serve retailers, financial institutions and other companies, provided these customers use the Post Office's telecommunications infrastructure Further deregulation can be expected once Telecommunications becomes a State-owned corporation. But the organisation is unlikely to give up its monopoly without a fight. ■

FIRM ON SOFTWARE

Unidev subsidiary Cortech is living up to its pledge last year to become a major player in the R1,3bn-a-year computer software and services industry It has made Mike Wilson responsible for software interests. Wilson, who joins Cortech next month, is MD at Compusons, software subsidiary of rival Datakor.

Cortech MD Louis Greenblatt says Wilson will head a company that will co-ordinate the group's software and services operations.

The company, as yet unnamed, is expected to specialise in IBM, DEC and Unix minicomputer software

With estimated turnover of R150m for the 10 months ending last December, Cortech is the smallest of the five local information-technology groups. Cortech made its first move into the software market in December when it acquired 36% of the Ohio group

Traffic stops in its tracks at protest

By SAMKELO KUMALO

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TRAFFIC came to a standstill in Johannesburg yesterday as members of the Private Sector Association took to the streets marching against privatisation of State industries

The association consists of members of post office, railway and harbours, health and municipal workers' unions They attended the rally showing ANC and SACP flags.

A petition against the privatisation of the Post Office was handed to Witwatersrand Labour Relations Officer Hennie van Heerden at the Jeppe Post Office

Potwa president Kgabisi Mosunkutu said his organisation was against the government's decision to privatise the Post Office as privatisation would hit the poor the hardest The privatisation of the Post Office, transport and health would mean that people would have to dig deeper into their pockets for those services.

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The ownership and control of these services should rest in the hands of the State Further, the State didn't have the right to sell the nation's industries to greedy capitalists without consulting the workers and the masses who owned these industries through the government

Mosunkutu demanded a living wage and the changing of the the Labour Relations Act.

Potwa president Kgabisi Mosunkutu

Privatise 'by giving free shares to all'

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Cape Times 22/2/90

Financial Editor

STATE-OWNED enterprises should be privatised by giving free shares to all SA citizens, both the MD of Job Creation (Pty), I J Hetherington, and author Don Caldwell suggest. But there are differences in the way each thinks this should be handled

Hetherington, whose non-profitmaking organisation aims at uplifting living standards in areas of high unemployment, made the suggestion at the annual dinner of Transkei Chamber of Commerce in Umtata.

Caldwell makes it in an updated version of his book, "SA: The New Revolution", which is published by the Free Market Foundation

Hetherington said that both apartheid and socialism distributed poverty

"Nationalisation is an issue which has been raised by Mandela and other ANC members As far as I can make out, the issue the ANC wishes to address — correctly, in my view, is that of putting right the historical economic injustices and distortions caused by past racism."

The business community should enter the debate and make alternative suggestions which would revive, rather than kill, the economy.

"We could go some way towards putting right the economic injustices of racism by further privatising rather than by additional nationalising

"But by privatising in a particular way and differently from the way Iscor was recently privatised

"What I have in mind is that the share capital of SATS or Eskom could simply be divided by the number of adults in the whole country and an equal number of shares could be given to each adult.

"There is nothing wrong with this approach and there are precedents for it overseas Who, after all, owns SATS and Eskom? It is the state And who is the state? It is the citizens of the country."

The new, updated version of Caldwell's book was launched yesterday In it he says the government's mistake was to sell off Iscor "to a handful of companies and individuals" rather than giving it away to all the people

He suggests the government should embark on a "one-person, one-share" privatisation giveaway to make SA a nation of capitalist shareholders Better yet, he says, the government should issue some shares and hold on to the rest

"It could have issued 390m Iscor shares and given 10 to each man, woman and child in SA," Caldwell writes

"The shares would have been worth about R10 each — the portfolio of 10 shares about R100. If the government then deregulated share trading, general dealers across the country could become mini-Stock Exchanges and deal in Iscor shares

"South Africans desperate for money could have cashed in their shares immediately Others could have used the shares as collateral to get loans or simply have enjoyed dividend income

"As the government progressed with one-person, one-share privatisation — of everything from Eskom to the Post Office to Kruger National Park — all South Africans could build up a sizeable portfolio of shares, as well as a stake in a capitalist economy"

W/Mail 4/5 - 10/5/90

Stop the privatisation, says Harare conference

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The Harare conference on a post-apartheid economy has called for a campaign to stop privatisation, reports ANDREW MELDRUM

AN appeal for campaigns to oppose the South African government's privatisation policies and a warning that those companies will be re-nationalised in a post-apartheid South Africa were issued at a conference of ANC and Cosatu economists in Harare this week

"In order to plan an equitable economic order in South Africa, action has to be taken now to resist the government's privatisation," said African National Congress economist Vella Pillay "Demonstrations of mass indignation could make it extremely difficult to privatise because that would reduce possible buyers A firm position by the ANC and Cosatu (Congress of South African Trade Unions) that a future government would re-nationalise would itself be an obstacle to privatisation as it would discourage potential buyers"

Sixty delegates attended the conference and, at its conclusion on Tuesday, issued a statement spelling out their opposition to privatisation.

"It was noted with grave concern that the apartheid state is currently implementing a series of policies which will seriously inhibit the ability of a future non-racial government to achieve its objectives These measures being undertaken now by the apartheid regime include privatisation, deregulation, the introduction of the Minerals Bill and others," said the closing statement

"These measures are immoral and are unacceptable and this present government must not be allowed to shape our future in this way," said the statement which added that the much of the privatisation would be "reversed".

The conference participants said they particularly objected to the privatisation of Iscor, the social services and mining activities through the Minerals Bill

The conference participants agreed that South Africa should have a mixed economy with the new democratic government being "an active economic agent" as well as the private sector. That organised workers should play a major role in guiding the economy was also agreed upon.

A major area of consensus, according to Tito Mboweni of the ANC's economics and planning department, was that economic growth should take place through redistribution For instance, by increasing minimum wages a new larger market would be created for food, clothes, cars and many other consumer goods

"An example of growth through redistribution would be if a new government undertook a project to provide housing for the people, it would spur a boom in the construction industry," said Mboweni.

He said consensus was reached on other economic issues, including that minerals should be a national property which could be mined privately but under state controls and regulations They also agreed the economy should be reconstructed to reduce its overdependence on exports of minerals in their raw stage Instead, the minerals should be processed or beneficiated to the most finished stage possible

The participants included economists from the ANC and Cosatu as well as the Economic Trends group, Economic Research on South Africa, the Centre for Development Studies and the Industrial Strategy group. Economists from Britain also attended. Thirty-four formal papers were presented but it was agreed none would be made public.

Speakers included Max Sisulu, Pallo Jordan and Sindiso Mfenyane of the ANC, Jay Naidoo of Cosatu and Alec Erwin of the National Union of Metalworkers Pillay presented a paper on macro-economic policies entitled *Year one of a post-apartheid economy*. In it he outlined how the huge amount of funds spent on the military could be re-channeled.

Professor Lawrence Harris, of Britain's Open University, presented a paper on how to build and finance a mixed economy.

Time to market the true benefits of privatisation

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B/Day 10/5/90

LEON LOUW

THE dark ages of dinosaur economics appear to have returned to SA People are talking seriously about nationalisation as if it hadn't already failed worldwide.

Parties officially for a market economy, including government and the Democratic Party, have regressed in their apparent understanding of privatisation and deregulation. This is in part due to a desire to please the ANC and the unions

The quality of discussion reported in the media has deteriorated lamentably It is time to pause and remind ourselves what the case for privatisation is.

Allowing and protecting private ownership and control is both morally and economically superior Global experience suggests·

□ Private ownership tends to generate positive incentives where government owership generates negative incentives;

□ Even where a government finances goods and services, it is preferable that they be privately and competitively funded,

□ A market mechanism is the best or only way to prevent serious under- or overprovision and to achieve the highest attainable level of "optimality",

□ With private financing governments do not need to take the risk or provide the capital with taxpayers' money; and

□ The closer any country gets to a pure free market, the better its economic performance will be — and the more justly wealth will be redistributed.

There is no known way of determining "need" priorities without a price mechanism. There is also no better way to motivate innovation and productivity than competition and the prospect of profit, or, perhaps and much more importantly, the risk of loss and insolvency

These free market truths are equally true for roads. There is no way of knowing whether a socialised road is a good use for vast amounts of scarce resources.

People love to say the construction of a given road "creates" so many jobs, or that is satisfies a particular important "need" But every rand spent in one direction is a rand not spent in another which might have "created" more jobs, needs are individual and subjective, and cannot be determined except by way of a price mechanism

By having private toll roads, a number of benefits are achieved at the same time

□ An effective price mechanism, i.e private enterprise and free competition, reveals the real relative value of a road This is revealed by what people are willing to pay to use a road. A few people may be willing to pay a high price (toll) for road X but many people may be unwilling to pay even a low price for road Y This, and only this, will tell us that road Y is a bad allocation of scarce resources;

□ When private investors make bad decisions — and only the market can identify bad decisions reliably — it is they who lose, not taxpayers or "society" Privatisation shifts risk from the state and thus taxpayers to private risk-takers, and

□ The loss motive may be more important than the profit motive. Loss avoidance is the unique way in which the market penalises bad decisions Contrary to popular myth, insolvency is a good thing It is the market's way of transferring resources from people who tend to make bad decisions to those who tend to make better decisions

One of the great benefits of a free market is its propensity to implement new ideas and the rapidity with which it discards bad ideas. There is no way of knowing what will happen in a truly free and competitive market.

Privatisation should itself be privatised. It is as a rule not a good idea for only the contracting parties, the state and the private sector, to be involved.

Firstly it is very unlikely that a government department will have the necessary expertise. Privatisation is a very sophisticated concept and the relative merits of a multiplicity of alternative methods of privatisation can best be evaluated by independent experts, of whom there are many in the private sector, locally and abroad

Since privatisation is a new concept, and since it is mistakenly perceived to be contrary to the interests of consumers and labourers, there should be a significant budget devoted to marketing it Much can be learned from the successful marketing of privatisation in various other countries, most notably New Zealand and the UK

We all know of the ANC's controversial and outdated advocacy of nationalisation. There are a few observations which the "alternative" political movements might make in regard to road privatisation

Nationalisation is presumed erroneously to be a way to help historically disadvantaged people, i e blacks However, privatisation has so far produced only benefits for blacks, and nationalisation would have consumed wealth from which blacks would otherwise have benefited

The R3bn additional budget for black advancement is part of the gross privatisation revenues received by government at all three levels in recent years Road privatisation and quasi-privatisation have not only enabled government to divert expenditure from roads to upgrading black areas, but have generated revenue from roads

It is my view that this diversion of road revenue is a bad thing But it is evidence that privatisation is more likely to be good for blacks than nationalisation

A point which needs elaboration is the importance of not only choosing the optimum methods of privatisation out of the large number of alternatives, but to market the principle and the strategy to be used

Marketing the principle requires public education. The strategy is a completely distinct question, We know that privatisation is a good idea in principle, but this does not tell us how to do so

This requires a great deal of skilful attention, a bitter lesson which has hopefully been learned already at great cost to government and the private sector

Privatisation is neither a panacea nor is it automatically successful When it is done wrongly, it discredits the entire process Unfortunately a great deal of damage has already been done in SA

There is no objectively correct or universally acceptable way to privatise roads or anything else Each situation is unique With the best will in the world, and the best experts giving advice, errors will be made.

It is therefore important to be flexible, so that changes can be made at minimum cost To this end careful monitoring of each situation should occur

Since there is no way of knowing which is the best method in advance, I strongly urge that a variety of methods be used simultaneously and the results compared With a diversity of methods there is a better chance of identifying the best method and there is damage control for less preferred approaches

□ Louw is executive director of the Free Market Foundation This is an excerpt from his address to the SA Institute of Civil Engineers at Halfway House this week.

OWNERSHIP & CONTROL

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JANUARY — FEBRUARY

Unit trusts deliver the goods once again

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Star 2/1/90.

By Derek Tommey

The unit trusts again strongly demonstrated in 1989 that in looking after the small investors' savings they have no equal They have highlighted once more that they are able to deliver the goods and help protect the small investor from inflation and at the same time give him a stake in the country's economic growth

An analysis of the performance of the unit trusts between December 28, 1988, and December 29, 1989 shows that in this period the 13 general equity funds had an average capital appreciation of 38,4 percent, and the specialist funds 35,1 percent which was well above the inflation rate of 16 percent to 18 percent

But unit holders did not grow richer only "on paper" — with their profits remaining unrealised in the share market Their wallets also grew a little thicker as the flow of dividends from the unit trusts swelled sharply

The general funds paid out an average 42 percent more in dividends in 1989 than they paid in 1988, the analysis shows And the Specialist funds paid out 36 percent more Most of the income/gilt funds also achieved significant growth for their unit holders

The trust showing the biggest capital appreciation last year, not unexpectedly in view of the sharp rise in gold share prices in the last two months of the year, was Standard Gold The value of its units rose 58,6 percent But reflecting the limited improvement so far in gold mining profits its dividend distribution grew by only 11,3 percent

Of the general funds, UAL showed the greatest capital appreciation with a unit growth of 47,1 percent It also achieved a dividend increase of 44,5 percent. Runner up Momentum had 45,7 percent growth and 37,2 percent capital appeciation

On the other hand, measured by income growth Sanlam Index put up the best performance with a 53,0 percent rise in dividends and a 40,8 percent rise in capital appreciation

The Old Mutual Investment fund with a 52,2 pecent rise in dividend distributions and a 43,6 percent rise in unit value also scored highly

In the specialist funds Sanlam Industrial showed the best dividend growth, boosting its distribution by 56,5 percent Capital appreciation was 23,3 percent The running up in this section was UAL Selected with 55 percent and 23,9 percent respectively

Worthy of note in the Income/gilt funds sector was the achievement of Standard Income in pushing up its dividend distribution by 44,5 percent The rise in value of its units, however, was limited to 2,9 percent

Unit trusts were helped by several favourable developments on the stock market in 1989

In the first half of the year industrial shares boomed as companies reported sharply increased profits Then the coal and base metal shares following significant rises in the export prices and the exports of base minerals and metals

Towards the end of the year the sudden rally in the gold price cause a sharp rise in gold shares and mining finance counters

Looking ahead no definite trend in the short term in the local market is apparent But over the next to 24 months some of the fruits of the huge changes in Eastern Europe should start to be realised

The should seelower taxes, greater consumer spending and more rapid economic growth on both sides of the former Iron curtain

At the same time the Eastern Europe countries will start shedding the economic shackles of Communism and this too should lift living standards

Together these developments should push the Western world into another period of strong economic growth in which South Africa, as one of the leading suppliers of essential minerals, should be a major beneficiary

	Capital appreciation 1989 %	Dividend growth 1989 %
MUTUAL FUND		
Guardbank	39,8	47,2
Momentum	45,7	37,2
Metfund	36,0	-2,16
NBS Hallmark	34,7	n/a
Norwich NBS	33,2	52,2
Old Mutual Inv	43,6	n/a
Sage	34,8	36,9
Sanlam	28,7	48,9
Sanlam Index	40,8	53,0
Southern Equity	36,9	n/a
Standard	34,7	45,9
Syfrets	42,9	14,7
UAL	47,1	44,56
SPECIALIST FUNDS		
Guardbank Resources	38,4	42,4
Sage Resources	39,0	6,4
Sandiv	16,6	31,5
Sanlam Ind	23,3	56,5
Sanlam Mining	35,0	42,6
Standard Gold	58,64	11,3
UAL Min & Res	39,94	32,1
UAL Select	23,93	55,0
Old Mutual Mining	41,13	34,78
INCOME/GILT FUNDS		
Corbank Income	4,12	20,68
Guardbank Income	3,78	27,92
Senbank	6,30	10,46
Senbank Gilt	6,45	9,24
Standard Income	2,90	44,54
Syfrets Income	4,52	31,10
UAL Gilt	5,85	32,75

Overseas investment expected to continue

Gold and politics stimulate the JSE

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Star 2/1/90

Patti Waldmeir of the Financial Times on the foreign influence behind the surge on the JSE which turned in the world's third best performance in 1989.

Politically and economically 1990 is expected to be a tough year for South Africa But one would never know it from the equity market, which turned in the world's third best performance last year in dollar terms with further gains expected this year

Gold and politics were the driving forces behind the rise in the Johannesburg Stock Exchange in 1989 In the last two months of the year, the coincidence of a rising gold price and improving political prospects boosted the FT-Actuaries Index for South Africa by 25,8 percent in dollar terms

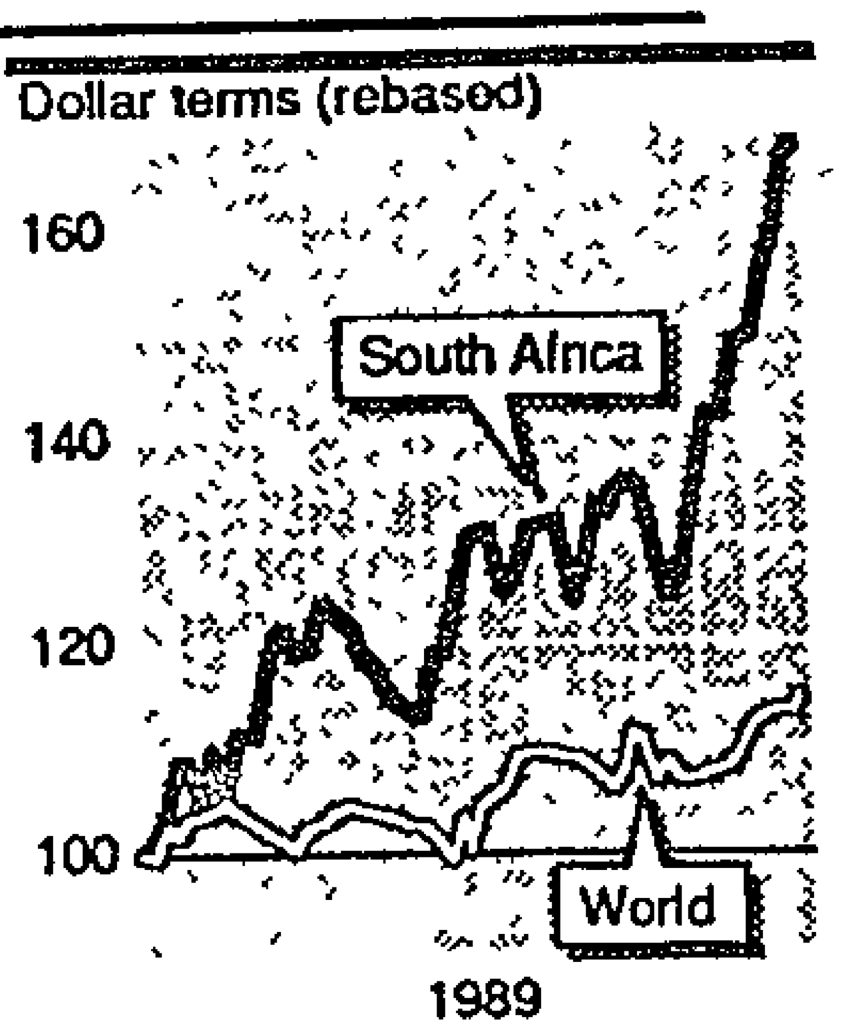
For the year as a whole, the market has risen by 68 percent in dollar terms, behind Mexico, which has nearly doubled over the period and Austria, which has gained 78 percent

Johannesburg stockbrokers are predicting still more for 1990 "Despite this strong rise in share prices, I feel optimistic about prospects for next year, mainly because the gold price has changed from a long-term bear trend to a bull trend," says Mr Max Borkum of leading brokers Davis, Borkum, Hare & Co.

Foreign buyers

But the reversal in gold's fortunes — the gold price has risen by 14 percent since its 1989 low of $356 an ounce on September 15 — was not the only factor behind the JSE's latest surge

For the first time in years, foreign buyers were a major factor in the market, reversing yet another trend For the year to the end of October, foreigners made net sales of equities estimated at R3 billion ($1,2 billion) But they have now become net



purchasers of equity in significant amounts for the first time since before the currency crisis of mid-1985

Brokers estimate that foreigners purchased more than R200 million in equities in November alone, with signs that interest continued strongly in December

"We've been doing a substantial amount of business with overseas customers for the first time in years," says Mr Borkum.

Most brokers agree that this reflects a shift in political perceptions of South Africa, prompted by the removal last August, with a poor international image, of Mr P W Botha and his replacement by Mr F W de Klerk, who has already carried out some political reforms and promised many more to come.

The influence of foreigners in the gilts market was, if anything, even more pronounced. Foreigners have been tempted by yields of as much as 25 percent on long-dated stock — the effective yield to foreigners who purchase bonds with financial rands but repatriate interest at the commercial rand rate, enjoying an advantageous exchange rate on both transactions

Demand for financial rands to purchase gilts has led to a sharp appreciation in the currency, which has risen more than 10 percent in the past week.

Equities

Although this rise makes equities more expensive for foreigners, brokers believe that their interest will persist if momentum can be maintained behind both the gold price and the process of political reform

They expect foreign buying, largely confined to gold shares so far, to be extended to industrials, which have risen much less sharply in recent weeks. Since the end of October, the JSE Industrials index has risen by 7,2 percent, while the gold index has gained 17 percent.

However, because of a surge in industrials to mid-year, prompted by good corporate results early on, the industrials index is ending 1989 40 percent higher, with the gold index up nearly 60 percent Brokers are reporting foreign inquiries about industrial shares, as well as small purchases, for the first time in years

They note that, in South Africa's extremely illiquid market, a large inflow of foreign funds could create severe price distortions. And with local investors already considering the JSE somewhat dear, any foreign selling prompted by disappointments on the gold or political fronts could prompt sharp falls in the market.

If, however, the gold price firms for the first half of 1990, and if the expected release of Mr Nelson Mandela, leader of the African National Congress, eases political pressures, most brokers expect the indices to beat the inflation rate of under 15 percent in 1990

Institutional demand will remain strong, they say, in spite of further privatisations, they point out that offers of new equity totalling R9,5 billion to the end of October 1989 (including the privatisation of state steelmaker Iscor) did little to slow the market's rise

The Government's apparent determination to tackle inflation and state spending are seen as positive for the market Economic growth is expected to slow sharply next year, possibly to less than one percent, suggesting lower growth in corporate profits and dividends, but the interest rate reductions which should follow (prime rate is currently 21 percent) would also be welcomed

Next year could start slowly for both gold shares and industrials Brokers believe the JSE gold index could ease back to perhaps 1 800 or 1 900 in January or February, from Friday's close of 2 046

But they expect foreigners to continue to find attractive an effective price earnings ratio of 15 or 16 times for gold shares (adjusted for the effect of the financial rand), noting that, with the industry's profits at 20-year lows, further gold price increases should make a big impact on earnings

Lower interest rates, meanwhile, are expected to contribute to a strong second-half performance by industrials

Govt spreads tax net over more state enterprises

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Star 8/1/90.

By Derek Tommey

The Government is making a major effort to raise money from its assets — even before it privatises them

In the next year or so tax receipts from state enterprises being prepared for privatisation could run into billions of rands

This will be a most welcome development for the ordinary taxpayer as part of the increased revenue is expected to be used to cut personal income tax.

Iscor, which was privatised last year, has always paid tax so the Government cannot expect much extra revenue unless, in private hands, profits are boosted

But from April 1, the profitable part of the South African Transport System (Sats) will start paying company tax. This will be the first time that the Government has received any compensation directly for the large sums of money it has invested over the years in this enterprise

Posts and Telecommunications is expected to become liable for company tax early next year. And there is a strong possibility that the other big state corporation, Eskom, will also join the ranks of taxpayers

It has to report shortly on what the effect will be on its tariff structure if it has to start paying tax

Pieter van Huyssteen, chairman of the Goverment's Privatisation Unit, said in an interview that following an Act of Parliament last year Sats would be converted into two companies from April 1.

The loss-making commuter services will be put into one of the companies which will have it own board, but will be run by Sats The remaining profitable part of Sats will be placed in another company.

This second company, as it will be making profits, will be liable for tax from April 1.

This company will have five sub-sections - airways, harbours, the pipe line, rail services and road services and each will be operated commercially in order to develop track records to make them acceptable to investors.

Mr van Huyssteen said that legislation was to be submitted to Parliament this year to convert Posts and Telecommuniations into two companies.

The postal services would be in one and the telecommunications services in another

This would probably happen early next year when both companies would also become liable for tax.

Meanwhile, Eskom is preparing a report on what the impact on the economy would be if it became a taxpayer. The report should be ready soon.

Mr van Huyssteen said it had been argued that by exempting Eskom from tax South Africans got cheap electricity.

It may be that any increase in Eskom's tariffs as a result of it becoming a taxpayer would be offset by users charging the higher tariffs against their taxable incomes so there would be little benefit to the Receiver

He said it was important that tax neutrality be maintained

It was possible, he said, that Foskor, which produces phosphoric acid and fertiliser, could be privatised later this year.

● The Government stands to collect tens of billions of rands as it implements its privatisation programme. According to figures given in Parliament last year Sats has a book value of R14 billion, but its replacement cost is R56 billion.

Eskom has fixed assets of R28,6 billion and Post and Telecommunications has fixed assets of almost R8 billion.

Compared with these figures, the R3 billion which the Government received from Iscor's privatisation does not seem to be so imprssive.

Of course, the biggest reward to the Goverment and every South African will come if the privatising of these organisations leads to the more effecient and productive use of their assets.

If this happens, the resultant profits and tax revenues should play an important role in raising living standards.

SAA F/M 5/1/90

Fighting US flights

In May former Transport Affairs Minister Eli Louw, speaking on the deregulation of civil aviation, announced that private airlines could apply for routes to compete against SAA (*Business* May 12)

More recently, SAA CE Gert van der Veer reaffirmed his belief in competition by saying the public should have an alternative to the national carrier (*Sats Survey* November 17). (232)

But SAA doesn't really believe in competition Competition on domestic routes is stifled and foreign competitors are not allowed to charge less than SAA Several weeks ago it prevented a London-Cape Town charter operation from selling tickets in SA (*Business* December 26)

Now it's opposing an application by a small company backed by black shareholders to offer direct, scheduled flights between Johannesburg and New York, Miami and

F/M 5/1/90 (232)

Houston

There have been no direct flights to the US since 1986 when the Comprehensive Anti-Apartheid Act withdrew SAA's US landing rights So travellers to the US have to switch aircraft in Brazil or Europe The new company, Liberty Airlines, says its service would trim up to 16 hours off the time it takes to get to the US, though the fare would be about the same

SAA may not land in the US but it is jealously guarding the route In a letter the airline's attorneys sent to the National Transport Commission and to Liberty, it claims there is no need for the service and that it would be uneconomic The letter also says Liberty's flights would overlap SAA's service — flying passengers to Europe or Brazil and then arranging transfers to the US F/M 5/1/90 (269) (337)

Liberty, undeterred by SAA's opposition, says it's raised R1m to set up the company and enter the international airline business It was formed two years ago and is based at Umhlanga, north of Durban When it started, it briefly flirted with the Southern African Black Taxi Association for backing and the holding company's name remains Air Taxis International

The company is headed by a nucleus of white businessmen South African Bill Fourie is MD, Briton Chris Kingdom is financial director and American Larry Latimer — a former Trans-World Airlines captain — is director of operations But blacks, mostly from Soweto, put up 55% of the capital and fill five of the nine board seats The chairman is Steven Ramatlo, who owns a Johannesburg insurance brokerage and has business interests in Botswana and Lesotho

Based on information from lawyers and officials in the US, Latimer is confident that Liberty can get US landing rights He believes that US sanctions are aimed at government and government-owned companies, such as SAA, while designed to encourage the economic development of blacks

He says the company expects criticism that it is using black businessmen as a device to gain landing rights, but points out that, because blacks own 55% of the shares, they will receive the bulk of the financial benefits Latimer says the company has also committed itself to devoting about 20% of its profits to black education

Fourie says it took two years to find enough black partners to buy a majority of the shares "We didn't want to be a white company with a black face We had to overcome a lot of suspicion, some of our directors have had previous bad experiences with white businessmen"

So the main problem now is getting past SAA's objections The commission is expected to conduct a hearing on Liberty's application in the next few months The air freight company Safair is also challenging Liberty's application

"I'll be putting a lot of questions to SAA at the hearing," Fourie says "My only question, if our application is turned down, will be what sort of State communism is this?"

An SAA spokesman declined to comment on the proposal because a hearing has still to be held F/M 5/1/90 (269) (232)

F/M 5/1/90 (232) (19)

CASHWORTHS/MANSERV

Voting half (232) (19)

The tortuous lives of Manserv and Cashworths continue on January 12 when shareholders vote on the proposed sale of Manserv's operating assets to the Cashworths cash shell The MAP consortium, which controls both, has been persuaded by the JSE to vote only half its 8,5m Cashworths shares This is the first time this has happened

JSE pressure was apparently partly because the deal is considered to be not at arms' length Since the 4,25m shares MAP will vote are only 28% of Cashworths' equity, minorities could defeat the motion However, Chris Niehaus, corporate finance director of Simpson McKie, broker for the deal, is confident it will be approved Cashworths and Manserv chairman and MD, Harry Spain and Jeff Wiggill, are overseas

Dissenting minorities say Cashworths' purchase for R12,2m of 13 Manserv subsidiaries, six of them dormant, will denude its R10,2m cash and require it to borrow R2m But many takeovers include dormant companies, and most companies have some gearing Many speculators bought Cashworths when MAP rescued it last year and would prefer to be paid out its net worth of about 67c The share is now about 40c

A fundamental question is why the swap-around is occurring at all Apparently, on the one hand Spain and Wiggill want an operating company and on the other another MAP member Yakoob Paruk wants a shell with as much cash as possible Manserv had R3,5m cash which could not be injected into Cashworths as it had no assets to exchange The deal was the only way to liberate all available cash into one company

Another factor is apparently that the sale offers tax advantages

Manserv's largest minority shareholders are Datakor and Punch Line, with about 28% Apparently because they were unhappy with the price the deal puts on Manserv's assets, they have negotiated to be bought out by members of the MAP consortium if the deal goes ahead The price is likely to exceed 100c, against the current 75c Other minorities will receive the same offer

If Datakor and Punch Line are right, of course, that's good news for Cashworths But auditor Fisher Hoffman Stride has given the deal a "fair and reasonable" statement

F/M 5/1/90 (232) (19)

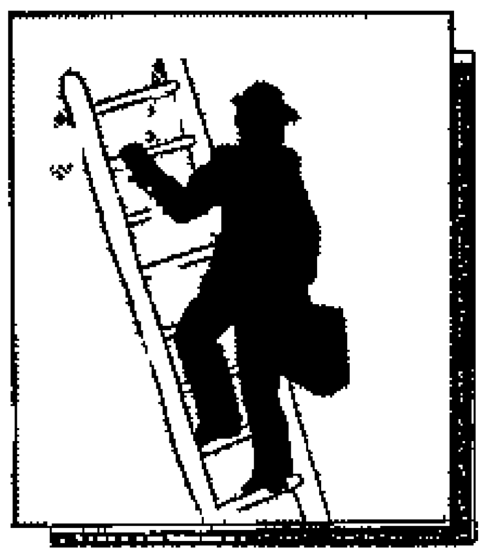
If minorities veto the deal, they will not be assured of a cash distribution MAP could, for instance, decide to inject other assets On its cash pile, Cashworths could earn 7c-8c a share, at a high tax rate, in its year to April 1990 This compares with 15c forecast by Spain and Wiggill if the deal goes through Though their recent record is erratic, they seem talented dealmakers and there is merit in supporting them (19)

Teigue Payne

CORPORATE PROFITS

Still holding up

■ The pace continues to slow, but profits remain surprisingly buoyant



Not unexpectedly, the *FM*'s latest corporate profit round-up reflects — for the third successive half-year — a further slowdown in the growth rate of the JSE's major industrial companies Nor can there be much doubt that this pattern is likely to continue for at least the next 12 months

But what may come as a surprise — and a pleasant one — is the limited extent of the deterioration Put simply, an average turnover increase of 31,5%, a 40% improvement in operating profits and a 28% EPS gain do not add up to hard times — even if they are down on the respective rates of improvement in the last round-up published in June

The table comprises a sample of results reported over the past six months As in the past, the selection of companies is somewhat arbitrary but the main criteria for inclusion — based on size (as determined by turnover) and comparability of results — have not changed The final list of 168 companies is, consequently, much the same as in previous round-ups Growth rates are calculated using simple, unweighted averages

The results, a mixture of interims and prelims, are split almost evenly between reporting periods to end-June or to August-September Either way they reflect, for the first time, virtually the full effects of government's restrictive package introduced in August 1988, as well as a fair measure of the interest rate hikes Prime, for instance, has risen only three percentage points over the past 12 months to its current level of 21%, whereas in 1988 it leapt from 12,5% to 18%, which continued to affect corporate results well into 1989

Under the circumstances, the fact that the JSE's larger industrial companies are still able to churn out average earnings growth of 28% must be considered satisfactory In the June 1989 round-up, the earnings growth rate average was 35% on a similar gain in turnover, while a year ago the growth rate in EPS was 41% The best average growth rate achieved since the upturn began about three-and-a-half years ago was a mammoth 63% recorded in June 1988

Viewed this way, the slow-down over the past 18 months has been considerable But it should be seen in perspective Firstly, in the initial stages of the upturn, earnings improvements were being measured off a very low base after the recession of the early Eighties, and represented not growth as such, but re-establishment of normal profitability as excessive surplus capacity started to be absorbed This, as the *FM* has pointed out, was supplemented later by substantially reduced interest rates and the unwinding of foreign debt exposures which had cost many companies dearly

These circumstances, while welcome, did not lend themselves to the maintenance of large profit increases indefinitely — sooner or later they would work their way out of the system Since 1977, industrial share prices have been in a basic uptrend which not even debacles like the October 1987 Crash upset The broad channel in which the market has moved over the period has an upward slope of slightly more than 20% a year From this it could be argued that there is an underlying perception that industrial profits should be able to keep pace with this

On paper, a nominal growth target of this order is not unreasonable Most of it is accounted for by inflation at its present level Add a percentage point or two for real growth in the economy and the residual gap can be accounted for by the premise that, being comprised of the better performers within the economy, the JSE industrial companies (and especially the larger ones as listed here) should be able to better the growth averages of the economy

On a more practical level, however, complications arise from the boom-or-bust nature of the SA economic cycle which, apart from exernal factors, has too often been bedevilled by a succession of overstimulation/overkill policies And it is only fair to add that the average earnings growth achieved under these conditions since 1977 does not seem to have come close to the 20% target — hence the inexorable rise in p e ratios from under four in 1977 to more than 14 before the October 1987 Crash

Underlying buoyancy

The substantial improvements in profits over the past couple of years have improved matters but, even at its present level of 9,6, the p e of the composite industrial index indicates the market to be more than twice as expensive as when the uptrend began

With average sales of the companies in the table rising by more than 31% (against 35% six months ago), it is clear that steps taken to cool the economy have been only partially successful A further indication of underlying buoyancy is the fact that most have continued to improve margins, with the average moving up from about 10% to 10,6% annually This ability to improve margins largely offset a very substantial 157% increase in finance charges, with the result that the indicated pre-tax margin on sales showed little change at 9,2% Thus, the slower earnings growth (relative to turnover) reflected a further uptick in tax charges as assessed losses became fully utilised

The leap in finance rates is owed to two factors Obviously, the most important one is the increase in interest rates and the comparisons could, where companies are reporting for the 12 months to June, stretch back to July 1987 But the acceleration in the rate of increase in finance charges, from 111% six months ago, is also indicative of a build-up in debt, which has become necessary to finance the additional working capital requirements associated with a still-high level of turnover growth But there are signs of improved asset management

Wild cards

While there is reason to argue that corporate performance to date has been satisfactory, we are little closer to answering the even more important question as to whether, with the economy in a downward phase, the landing will be soft or hard The negatives — foreign debt repayments, consumption curbs and inflation — are well known by now If forecasts were to be made on the basis of these alone, the balance of probability would almost certainly tilt towards "hard "

Since the last profit round-up, however, a number of wild cards have come into play and the picture is less clear cut In no particular order of importance, the political mood in SA has changed to an extent that is seldom matched by complete changes of government in other countries, gold bullion has shown signs of coming out of hibernation; and, finally, there is the political upheaval in eastern Europe Assessment is difficult

If in fact the improved sentiment on bullion in the closing months of 1989 turns out to be more than a flash in the pan, the impact will be considerable over a broad front. The foreign debt situation will become more manageable, greater liquidity in the economy will reduce upward pressure on interest rates and — who knows? — we might get a little closer to an easing of the present stifling tax burden

Although more vague at this stage, the two political factors (domestic and eastern Europe) have equally interesting implication Conventional debate usually runs along the lines of capital inflows/outflows and the conclusion, invariably, is that things have not improved to the point where a reversal of the present outflow can be seen as likely But imagine the impact on the economy if perceptions of foreign lenders became sufficiently relaxed for them to decide to leave their money where it was

It is too soon to tell whether the recent renewed foreign interest in both the JSE and

Continued on page 20

FM 5/1/90 (232)

Continued from page 16

local gilt market means much — though one interesting point is an apparent perception that the rand is likely to remain stable, which in turn suggests a related perception that some of the factors responsible for its slide in recent years have been reduced

As indicated, there is not much doubt that corporate profit growth will continue to slow over the next 12 months With a bit of luck, however, the degree of deterioration may turn out less than seemed probable even a few months ago An optimistic view would be that the next profit round-up in June will reflect average EPS growth of around 21%-22%, while the January 1991 average could drop to around 14%-15%

Being averages, it is implicit that some companies will beat these figures, which means that it should still be possible to achieve good returns out of selective share investment

The key word is selective

Brian Thompson

Unit trusts increase equity holdings

By Derek Tommey 232

Different investment philosophies are highlighted in the quarterly reports issued today by two unit trusts Star 5/1/90

The top five shares in the portfolio of Syfrets Growth Fund last quarter were Anglo American Corporation, JCI, Richemont, De Beers and Middle Wits

The top five shares in Norwich NBS unit trust were Messina, NBS, Sunbop, Unitrans and Waltons

Norwich-NBS sharply increased its investments in the three months ended December, reports spokesman John Bowman Liquidity was reduced from 30,9 percent to 14,9 percent.

He says the cautious view taken by the fund during the September quarter was justified on fundamental grounds

But the market was now being driven by sentiment, based largely on the better gold price and improved political perceptions — particularly by overseas investors

He added that investors were looking beyond the inevitable slowdown in company earnings next year to the next upswing, and were also looking to a decline in interst rates

Provided the gold price holds, and it seemed reasonable to expect this to happen, market sentiment will probably remain positive

Under these conditions and taking a medium view a fairly fully invested position was probably justified

However, ratings were fairly demanding and 1990 was unlikely to see a repeat of 1989's performance

He believed that the non-precious metal rand hedge sector was one area which could remain under pressures

The behaviour of the financial rand could also be a short-term damper on the market and an overall correction would not be surprising

Mr Bowman said that the fund demonstrated its flexibility in the extremely volatile conditions in the stock market in the past quarter

The fund increased or initiated new holdings in Ofsil, Driefontein and Vaal Reefs and subsequently added to a number of existing holdings in the mining financial and industrial sectors

New holdings were opened in Powertech and Rainbow The fund's holding in Vansa was sold

The declining trend in interest rates was anticipated and Escom long-dated stock was bought at good rates prevailing at the time.

Syfrets Growth Fund was a large buyer of Gencor and JCI during the September quarter It also added to its holdings of Dries, Vaal Reeefs, Middle Wits, Richemont , SA Breweries, Sasol, African Oxygen, Berzack Brothers Holdings, Berzack Illman, Hudaco, I & J, Tiger Oats, Rembrandt Beh and Mobile

At the end of December it had 88 percent of its portfolio invested in equities and 12 percent in non-equities — the same as at the end of September

It has declared a quarterly payment of 1,42c a unit, comprising a 0,78c dividend and a 0,64c interest element Syfrets Income Fund, which aims to provide unit holders with long-term management of their fixed interest investments, has made a quarterly declaration of 4,34c a unit equal to an annualised yield of 17,3 percent

NBS Hallmark mutual fund increased its assets by 32,4 percent to R7,88 million in the quarter

The total return on the unit price for the 12 months ended December was 44 percent

The fund's liquidity was reduced from 25 percent to 19 percent and five percent of the fund is now invested in long-dated Eskom stock, 45 percent in mining, 13 percent in property and 37 percent in industrials

What a week that was on the stock market

FINANCE STAFF 232

Star 6/1/90

THE Stock Exchange came to life this week, continuing the pattern of recent years to soar during the first couple of weeks in January.

A rise in the gold price to an afternoon fix of $405 an ounce in London yesterday after dropping to as low as $392 earlier in the week, coupled with soaring equity markets worlwide boosted shares from Thursday afternoon onwards.

Industrial shares were in particular demand with the industrial index twice setting record-highs. Yesterday the index rose by 39 points to yet another high of 2892 with institutions scrambling for a limited supply of good-quality scrip.

The JSE overall-index closed the week at 3090, a rise of close on 100 points on the week, while the all gold index yesterday soared by 76 points to close at 2095.

The sharp rise in the gold price yesterday afternoon — which extended the rise to more than $10 on the day — came too late to influence share prices yesterday Barring a sudden drop over the weekend, it can be expected that gold shares will rally even further when the market opens on Monday.

Gold's rise was ignited by news surfacing from the Soviet Union that President Mikail Gorbachev is facing a threat to his position by communist hard-liners as well as increasing social unrest in several Soviet states.

S/Times 7/1/90 (232-)

Petticoats rule at a Rembrandt minnow

By David Carte

NOT everyone who invested a couple of bucks in a Rembrandt company 30 years ago is a millionaire today

Going through my mother's little portfolio of shares during the Christmas break, I discovered that in 1955 she paid £5 plus sixpence bank commission for five shares in Eerste Nasionale Tee en Koffie Fabrieke (Pty)

Recognising a Rembrandt company in an instant by the white cover and sparse information in its annual report and remembering the dazzling returns mentioned by chairman Anton Rupert at last year's annual meeting, I said "Mum, sit down and try to stay calm You could be rich"

Directors

With that, I phoned Central Registrars to get an idea of the value of the unlisted shares

Our disappointment at the R18,40 a share reply was profound My mother's investment has grown from R10,05 to R92 in 34 years That means she has had a lousy return of 6,7% a year

I then took up the annual report The first thing I noticed was that all the directors were women Rene Morkel, the chairwoman, Mrs C S Botha, Mrs M J Botha, Mrs M E van der Wath and Mrs K van Rijn

I noted that the company had changed its name to Entek It does not appear to have any tea or coffee interests left It has 101 fully let flats in Stellenbosch and a steadily increasing investment in Hunt Leuchars & Hepburn, Rembrandt's vehicle for Rainbow Chickens and other food investments In March 1989 Entek had 1,1-million HLH. The interim report says shares worth another R500 000 were acquired in the rights issue

Last balance sheet there were shareholders' funds of R7,5-million There were fixed assets investments at cost of R4,1-million, current assets of R407 000 and current liabilities of R199 000

The 1,1-million HLH shares were worth R10,16-million at the end of December 1989, against cost of R4,1-million, so one can add R6,1-million to get closer to a market value of shareholders' funds of R13,6-million

There is no knowing the value of the Stellenbosch flats but, as they were bought in the late 1960s and early 1970s, they are probably worth considerably more than cost plus improvements of R3,2-million Stellenbosch property values have appreciated enormously in the past two decades

But forgetting the enhanced value of the flats, minimum net asset value by my calculation is R33,55 a share

Pre-tax profit in the year to March 1989 was R543 000 — down from R679 000 in 1988 Investments brought in R299 000 and rent presumably the rest Tax came to R121000, leaving R421 000, of which R344 000 was paid in a dividend of 85c a share — R4,20 to my mother Profits at this year's interim were pretty well unchanged

The directors paid themselves peanuts last year — R4 200 in emoluments, R3 780 in travelling expenses But the company paid R92 000 in administration and management fees

Which brings me to the point of all this What is the point? Is Entek there to provide employment for the Stellenbosch sewing circle?

Why does Rembrandt bother to continue with this trivial little sideline? Why not sell the HLH shares and the flats and distribute the proceeds?

I'm sure shareholders would prefer the resultant R40 or R50 to the R18,40 quoted by Central Registrars

B\DW\8\1\90

Staalchem sale knocks confidence

BRENT MELVILLE

THE sale of Staalchem's steel division, the terms of which were announced last week, has apparently knocked any market confidence the share might have enjoyed since it peaked at 50c last June

Analysts feel the historical p e rating of 2,3, at which the current 12-month low of 28c has placed the share, is closer to its true market value. "The share has been artificially elevated by speculation," says one

Staalchem is shedding its steel division to ex-MD Kobus du Toit for R9,9m Shares in it were disposed of for R855 000 The balance covered claims against subsidiaries

Du Toit will move division subsidiaries Hyperdek, Staalchem Import & Export and Stricker Holdings to Vanderbijlpark. He is also taking Staalchem financial director Piet Venter and company secretary Martin Loubser with him

Du Toit refused further comment on terms of the deal.

Contributed

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Staalchem acting MD Frank da Serra said the group had decided to sell the division because it was not providing adequate return on investment, and that the group would concentrate on its core agricultural/chemical activities

During the last financial year the steel arm had contributed 44% to turnover (R74,9m) — but only 20% to net profits (R2m), he said.

Speculation that the group would be delisted was "nonsense".

Earlier last year diversified industrial holding group Farm-ag sold its agricultural/chemical division and subsidiary Agroserve to Staalchem.

The end result was a 35% holding in Staalchem. Underwriting Staalchem's subsequent R4m rights offer — at 45c a share — left Farm-ag with 53%. A Farm-ag spokesman said recent developments would leave Farm-ag with more than 77% of Staalchem.

JSE surge good news for small investor

Star 9/11/90

232

By Sven Lunsche

The extraordinary surge in share prices on the JSE yesterday, which pushed the overall index to a new record high, has provided many small investors with a welcome boost in their income.

This was best illustrated in the share price of Iscor, which rose 6c on the day

Yesterday alone the overall index soared by 3,1 percent or 96 points to close at a record level of 3 186, buoyed by broad gains in both the mining and the industrial sector

The industrial index closed at a record high, chalking up 41 points or 1,4 percent at 2 933.

The all-gold index surged by 5,1 percent (107 points) to close at 2202 and is rapidly approaching its all-time high of 2260.

Gold closed yesterday in New York at $403, slightly down on Friday's level, and in Hong Kong this morning the metal opened at $401,05, $2,60 down on Tuesday's close.

● See page 16

Iscor shareholders' investment up 35%

• B/Day 9/1/90 (232)

ISCOR's market capitalisation has increased by R1,3bn to just under R5bn in the two months since its JSE flotation

Yesterday's closing price of 270c means shareholders who subscribed to the issue in November have gained 35% on their investment

Iscor said it would invest R5bn in capital projects over the next five years

MD Willem van Wyk told Business Day yesterday Iscor would spend upwards of R1bn a year over the next three years, dropping to about R600m annually until 1996

New board members were told of the plans at the group's first board meeting held at the end of November

"The bulk of the investment — most of which is to be funded internally — would be on new plant and upgrading of existing works," Van Wyk said

Though Iscor no longer had state guarantees, it was financially sound and had a low gearing, which in the longer term would allow for external funding

Capacity was being increased at the Ellisras coal mine and the hot-strip mills at Vanderbijlpark

Efficiency was being improved at Iscor's works — with the installation of new continuous casting machines, the building of new chrome plating lines, and new methods of producing liquid iron

Van Wyk said the new developments would not result in layoffs

"In fact Iscor will probably have to in-

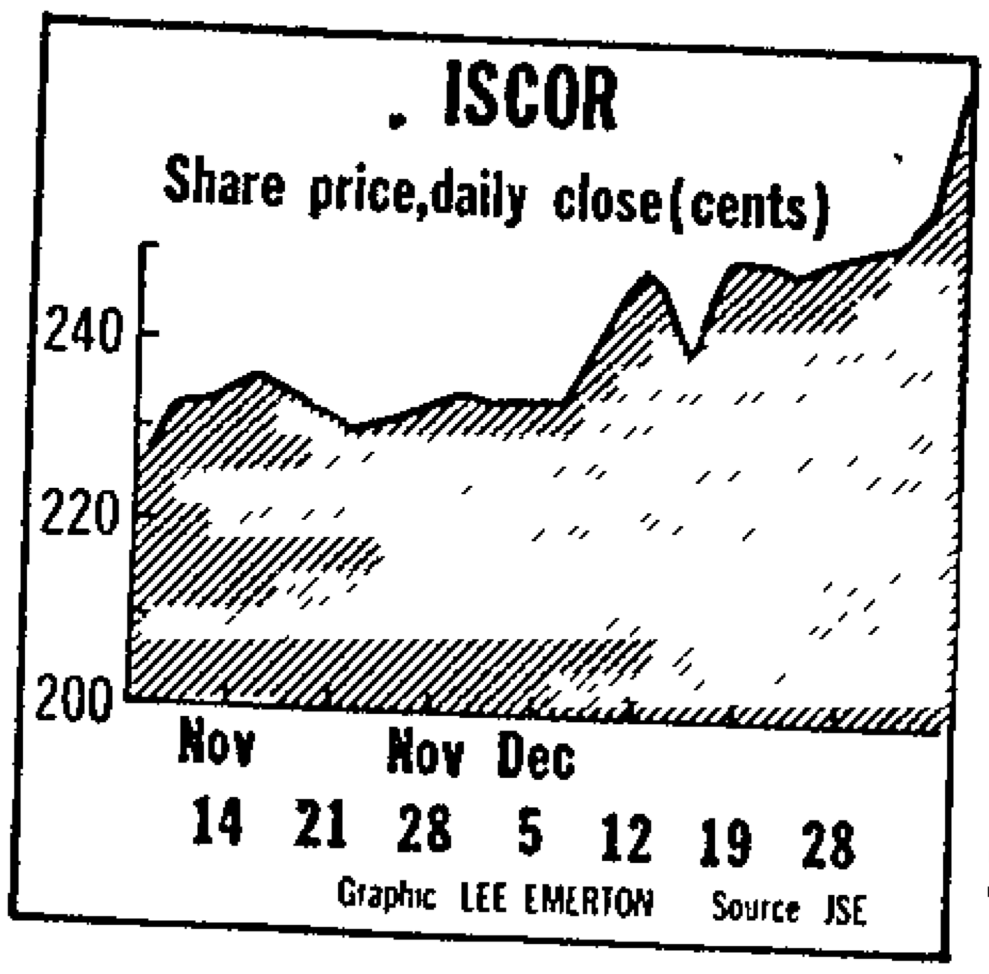
BRENT MELVILLE

crease the group's labour force slightly," he said Since 1983 Iscor has reduced its workforce by 34% to 54 000 (80 000)

Performance suffered last year as production problems hit Iscor's Vanderbijlpark works

He forecast a 20% improvement in taxed earnings, and agreed with the prospectus forecast that earnings would be about 52,7c a share, with a dividend of 17,6c a share for the year to end June (equivalent to a dividend yield of 6,5% and a p e of 5,1 on the presiding share price)

□ Iscor's interim results are expected late next month



Thruput provisionally wound up

ZILLA EFRAT

DCM-listed computer company Thruput was placed in provisional liquidation last month

B/Day 9/1/90

Former financial director Paddy Blumfield said the major creditors were finance house Reichmans and TrustBank — together owed R8m — and Thruput's overseas principals About R1m is owed to minor creditors

The company's clearing agent Amerford International applied for the liquidation

In November it was announced that controlling shareholder Ohio, negotiating to be acquired by Unidev subsidary Cortech, had disposed of its 70% stake in Thruput for no consideration The buyers' names were not disclosed

According to Blumfield, Thruput owed R4,5m to TrustBank and R3,5m to Reichmans An arrangement was struck whereby Ohio transferred its interests in Thruput to Reichmans and TrustBank and only became answerable to R1m in debt

At the time, Thruput's management was restructuring the company In mid-November they presented TrustBank and Reichmans with a business plan

TrustBank called in its overdraft and Thruput failed to make a payment towards the debt owed Reichmans It was decided to liquidate Thruput, Blumfield said

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CIM Group opts for liquidation

LINDA ENSOR

THE CIM Group, a computer software and training company, is in the process of winding down

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An application for its liquidation is due to appear on the rolls of the Rand Supreme Court next week

BDay 9/1/90

CIM distributed "Goal" software for mainframe productivity and computer training and had a substantial market base of about R10m annually

MD Leonard Fine says the main reason behind CIM's fall was the protracted litigation in the US against its former principal Deltac which, after a merger with Advanced Systems, repudiated its distribution agreement with CIM

The approximately R3,25m spent on litigation and professional fees proved a huge drain on the relatively small company

About 80% of CIM's capital base was written off High interest rates also took their toll

Fine says the utmost is being done to protect CIM's customers and staff The distribution agreements will be passed over to another agent and, to achieve this, a representative of CIM's principal will be visiting SA shortly

TrustBank, owed R3m, is the largest creditor CIM has no stock and as a service business has few other assets

JSE records tumble in frantic rush for shares

Star 9/1/90

232

By Magnus Heystek,
Finance Editor

An unprecedented buying spree, which had many seasoned brokers shaking their heads in disbelief, boosted two key sectors of the JSE to record highs yesterday

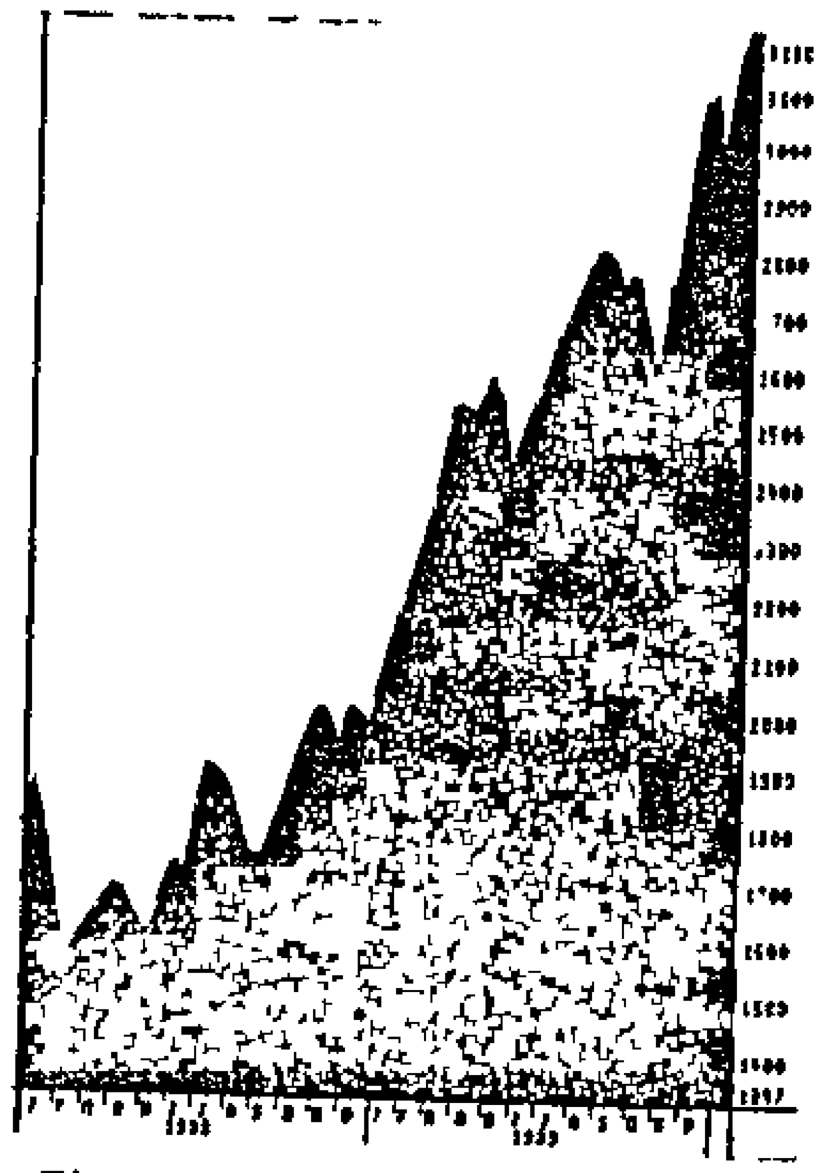
Smaller investors and institutions alike were involved in a frenzied scramble for gold and gold-related shares, while persistent overseas buying exacerbated the already acute shortage of scrip, boosting share prices further

The overall index soared 100 points (3,23 percent) to an all-time high of 3190, while the industrial index continued its record-setting performance of recent days, rising by 39 points to yet another high of 2931

It looks set to breach the landmark 3 000-barrier within days, analysts say

The gold share market was extremely bullish, with investors, fresh from the Christmas break, involved in a scramble for blue chips and marginals alike.

The gold index rocketed 108 points (5,1 percent) to 2203 — the largest single-day rise in recent history — largely in belated response to Friday afternoon's sharp rise in the gold price to $405 in London



The Overall index hits all-time high of 3190. *Source: Wen software.*

Despite dropping back over the weekend and yesterday morning in Hong Kong, the price held firm above $400 and was fixed in London yesterday at $403,75 in the morning and at $404,60 in the afternoon

After threatening to drop below the crucial $390 level at one stage last week, gold has made a rapid turnabout to above $400, a rise considered very bullish by technical followers of the gold price

Anlaysts are convinced that the current bull market on the JSE has some way to go before a much-needed correction.

Says Mike Brown, economic consultant at Frankel, Kruger, Vinderine "The market is currently driven by the high levels of liquidity enjoyed by financial institutions, while private investors are looking across the valley of a downturn in the economy this year

"The behaviour of share prices indicates that a considerable re-rating of South African shares is currently taking place and that investors are now prepared to accept lower earnings and dividend yields than in the past

"This is boosting share prices to unprecedented levels and is likely to do so for the foreseeable future," he says.

Some of the positive factors influencing the market are the perception ofa better-managed economy, with a possible slowdown in the rise of interest rates and inflation in the offing, an improved political scenario and a huge weight of investable funds.

But, cautions Johnny Solms, analyst at Mechiel du Toit, "the market is currenty very volatile and a sudden drop in the gold price will remove much of the euphoria.

"A drop in overseas markets could also have a negative effect on the local market."

Marginal gold mines recorded extremely strong gains across the board yesterday and investors are discounting a gold price of around $450.

Should this not be forthcoming in the next couple of months, it could again lead to a sharp drop in prices

Most gold anlysts are expecting good quarterly reports from South African gold mines in the next number of days But if the quarterly report of Goldfields is anything to go by, they might be in for a slight disappointment.

Gold mines in the GFSA fold in most instances battled to increase profits in the face of a steady rand-gold price and rising costs.

High risk, high rewards in options trading

Star 10/1/90

232

Trading in options on the JSE is expected to commence this year and promises to be an exciting new avenue for investment and risk management.

Finance Staff

The attraction of options trading (and also futures and forwards) as compared with the underlying securities activity of the market is that the uncertainty and volatility is increased.

In the past, people trading in these markets (financial, produce or commodity) had to carry all of the risk.

The development of a futures, forwards and options market reflects the desire to hedge that risk by transfering it from those unwilling to bear it (the hedgers) to those more willing to assume it (the speculators) through the use of derivative instruments such as options, futures and forwards.

Although the purpose of some derivative contracts is solely related to delivery, the emphasis of the more popular derivative contracts are not on the underlying assets themselves but in the way these contracts adjust the assets' risk/reward characteristics.

In anticipation of the new traded options market, stockbrokers Davis Borkum Hare has compiled a basic trading manual to help investors prepare and educate themselves.

These are the more general terms which investors will need to become familiar with before venturing into this market.

A **FUTURE** is an **OBLIGATION** to buy or sell a standard quantity of a specified asset at a future date and at a price that is agreed between the parties at origination of the contract.

An **OPTION** is a **RIGHT** to buy or sell a standard quantity of a specified asset at a future date and at a price agreed between the parties at origination of the contract.

A **FORWARD** is an **OBLIGATION** to buy or sell a specified quality and quantity of an asset at a future date and at a price agreed between the parties at the origination of the contract.

The essential differences between the way these different instruments work are as follows:

A purchase of a future or forward contract implies an obligation. A purchase of an option only implies a right.

This means that the option is a one-sided contract in that the purchaser of the contract is not required to perform on the contract if he does not wish to.

The futures or forwards contract holder however is obliged to perform on his contract by either closing out his position by taking an equal and opposite contract or by delivery in the specified manner as set out in the contract.

Forward contracts are different to futures in that delivery is always assumed whereas with futures, only approximately 5 percent of contracts are delivered. This is because investors normally close out the contract before expiration. Options like futures are normally closed out before delivery.

When setting up a futures contract the broker handling the deal will require a cash deposit (or margin as it is called) from both the buyer and the seller.

However with an option, only the seller, otherwise known as the writer, need place margin as the buyer has already paid his premium to the writer. Forward contracts do not normally require margin.

With a forward contract, payments are not made at origination or during the term of the contract but are made at maturity of the contract.

Futures contracts are normal[ly] "marked to market" daily. T[his] means that their value is reca[lcu]lated daily and adjustments [in] terms of payments are ma[de] from buyer to seller or vice ve[rsa].

Options contracts are paid f[or] up front and any profit or lo[ss] on the contract is paid on mat[u]rity or exercise of the contrac[t]. Option writers will pay mar[gin] as and when required through[h]out the life of the contract.

Future and option contracts a[re] normally standardised in form with respect to expiry dates an[d] prices and volume transacted pe[r] trade, whereas a forward contrac[t] is normally customised to the cir[]cumstances of the individua[l] trade. The consequence of this [is] that one can have a secondar[y] market on options and futures but not on forwards.

It is possible to emulate a widely based equity portfolio by holding the nominal value of the portfolio in stock index futures or call options on that particular index, and the balance in a short term money market instrument. This strategy (referred to as the synthetic portfolio) has the following advantages.

- Lower transaction costs,
- Easier way to change exposure to the market and,
- The ability to trade in large amounts without moving the price.

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Quality Tyres in final liquidation

B Day 10/1/90

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SUSAN RUSSELL

QUALITY Tyres Ltd and operating subsidiary Quality Tyres (1970) Pty Ltd, which were provisionally liquidated last month after investigations revealed unauthorised borrowings from banks totalling R54m, were finally wound up in the Rand Supreme Court yesterday

Both companies were provisionally liquidated days before directors Alex Hawes and Edward Philip were arrested on fraud charges and offences under the Company's Act involving R57m

Each was released on R50 000 bail

According to documents filed in support of the application for provisional liquidation on December 8, the company's liabilities exceeded its assets by R13m

Court papers put the amount owed to bank creditors at R57m

In an affidavit yesterday attorney Jonathan Mark Witts-Hewinson said several creditors meetings were held last month to consider offers put forward by interested parties for the company's assets

Creditors voted overwhelmingly in favour of an offer submitted by Malbak for the assets of both companies — including their business as a going concern

Hewinson said the Master of the Supreme Court had made it clear to the joint provisional liquidators he would not sanction or authorise the offer until the provisional winding up orders had been made final

The final orders were granted by Mr Justice Spoelstra.

Police probe death threat

Own Correspondent

CAPE TOWN — Police confirmed yesterday they were investigating a death threat against conscientious objector Dr Ivan Toms

Toms said he had received a telephone call about 1am yesterday from an "English-speaking" man saying "We are going to kill you You will be dead very soon"

Toms, on bail pending a February appeal against his 18-month sentence for refusing military service, said he had put the phone down on the caller but that the man had phoned back twice

The third time the man phoned Toms's housemate had answered and insisted the caller give his name The man refused and rang off, saying he would call again

Toms said he had immediately notified the police and laid a complaint. B Day 10/1/90

Steyn next chief editor of The Star

Business Day Reporter

RICHARD Steyn, editor of the Natal Witness, has been appointed editor-in-chief of The Star newspaper from October 1. B Day 10/1/90

This is the second time recently the Argus group has filled a major appointment from outside its own ranks The group announced in November that CNA Gallo CE Douglas Band would become Argus Holdings CE on April 1, succeeding retiring chairman Hal Miller.

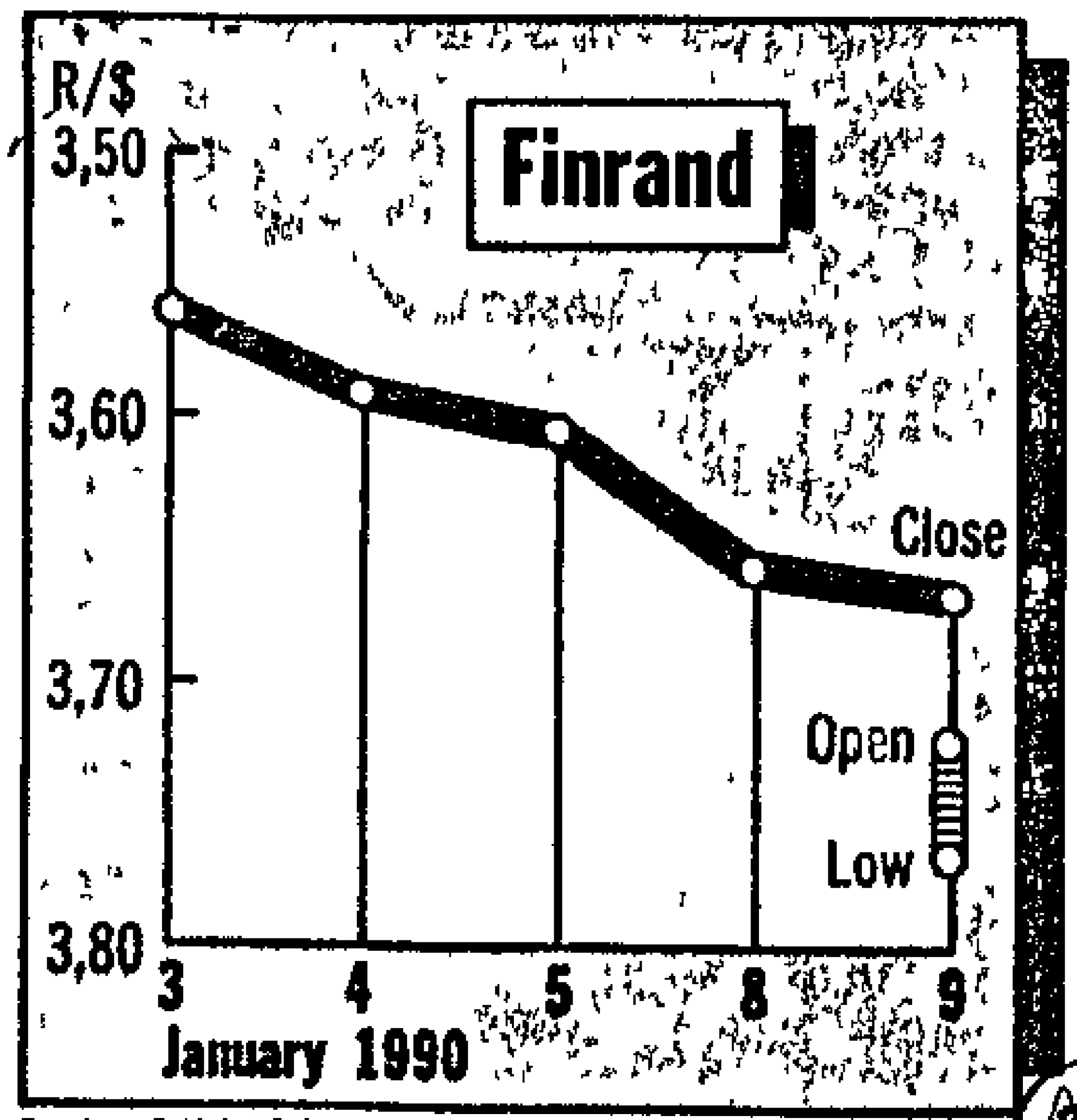
The Star is SA's largest-circulation daily newspaper with average daily sales of 218 000. Miller announced yesterday that Steyn, 45, would join The Star as editor-elect on April 2 and would become editor-in-chief in October when current editor-in-chief Harvey Tyson goes on pre-retirement leave.

Steyn said yesterday he was honoured by the appointment, which includes editorships of the Saturday Star and Sunday Star, and considered it a compliment to the Natal Witness

Steyn, a Stellenbosch-educated lawyer, was appointed editor of the Natal Witness in 1974 The circulation of the independent Maritzburg daily has increased from 18 000 to nearly 27 000.

Finrand causes JSE flutter

(232) MERVYN HARRIS



Graphic FIONA KRISCH

A VOLATILE finrand and profit-taking hit mining shares on the JSE yesterday, after recent sharp gains, as nervousness crept in towards the close of trading on the failure of gold to penetrate to higher levels.

But continued demand for scarce blue chips pushed the industrial index up 34 points to post a new high of 2 967, with Iscor the pacesetter in heavy trading. The shares jumped 4,8%, or 13c, to 283c after touching 285c. B/Day 10/1/90

The overall index was marginally off its record high as the all gold and mining financial indices gave up early gains to close about 1,5% lower.

The major reason for the turnaround was the fluctuations in the finrand, which

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Finrand

B/Day 10/1/90 (232)

☐ From Page 1

weakened sharply on strong selling from an opening R3,7175 ($0,2690) to R3,7736 ($0 2650) before climbing back to close at R3,6630 ($0,2730) on heavy buying from Europe

The decline came on rumours that offshore operators were taking capital profits on gilts, but the downturn was reversed by renewed buying

Gold remained stuck in a narrow range and closed 80c lower in London at $403,85 Analysts reckoned traders were delaying new commitments until Friday's US producer price data for December, expected to reflect inflationary pressure from strong crude oil prices

Japanese buying of gold, a key factor in the recent rally, has subsided after the yen dropped sharply against the dollar

● See Page 7

GuardBank sounds note of caution for equities

BDay 11/1/90.

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LIZ ROUSE

GOLD boosted both GuardBank Growth Fund and GuardBank Resources Fund in the December quarter, but the unit trust group's portfolio managers predicted the market could turn "extremely volatile".

Despite positive factors — a more favourable political outlook, signs that the bear market in gold ended at the $356 level, and prospects for further rises — they sounded a note of caution on the future behaviour of equities

The 57,7% rise in the all-gold index in 1989 was fuelled to a significant extent by overseas buying on a scale not seen for many years.

Gold shares were discounting a significant increase in the price of bullion and, should the anticipated price rise not take place, the current international enthusiasm for gold shares may wane, GuardBank portfolio managers said

Investors must appreciate that, in 1990, the equity market in gold mining shares is likely to be extremely volatile and this high level of volatility could well extend to all sectors of the market.

They said although the gold price rose by no less that 9,6% over the December quarter, its performance in 1989 overall was disappointing, being a marginal decrease of 2,2%.

GuardBank Growth Fund had another satisfactory quarter as a result of its concentration on prime blue chip counters in the mining financial, financial and industrial sectors

The equity content of the fund was increased slightly to 83,8% at the end of the quarter from 82,06% at the beginning, primarily as a result of the addition of a new holding of 7,5-million Iscor shares In addition, the rights issues by Rand Mines and GFSA were followed by the fund.

Declined

During the quarter the remaining holding of 300 000 AECI was sold and reductions made to the holding of Gencor and Sappi

Advantage was taken of the sharp downward movement in capital market rates which took place during the quarter to dispose of the holding of R14m RSA 14% 1993 stock.

The Growth Fund's top 10 holdings at the end of December were, Richemont, De Beers, Gencor, Libhold, Wooltru A, Barlows, SA Brews and Remgro. Total assets grew to R848,8m (R796,5m) while liquidity declined to R137,5m (16,2%) from R142,8m (17,94%)

The clean repurchase price increased by 39,83% over the year An income distribution of 42,31c a unit has been declared, bringing total distribution to 77,78c a unit. Overall return including both income distribution and captital appreciation, was 46,5% over the year.

GuardBank Resources Fund had an extemely satisfactory quarter.

In anticipation of the impact on the market of the more promising outlook for gold, the equity content of the fund was increased from 74,38% at the beginning of the quarter to 86,7%

Equities accounted for R48,4m while cash resources and liquid assets were down at R7,4m

Resources Fund acquired two new counters, Anglovaal and Iscor

Major additions were made to holdings of Amgold, Lindum, Marlin, Vansa, Lonrho and Sasol.

Top 10 holdings were Anamint, De Beers, Lindum, Anglos, Rand Mines, East Dagga, Lonrho, Amgold, Rusplat and JCI.

Announcement on Springtex expected

SYLVIA DU PLESSIS

DIRECT mail order group Mas Holdings (Mashold) is expected to announce details of negotiations with troubled non-store retailer Springtex within days

Mashold MD Marco van Embden, who yesterday confirmed his group was negotiating with another company, declined to disclose details, but said he hoped to make an announcement soon

This follows Mashold's announcement to shareholders on December 11 to exercise caution when dealing with the group's shares.

Van Embden said negotiations with the unnamed company had been hampered by the festive season breaks

He also said he was unable to confirm market speculation that his retail and wholesale-listed group was planning to buy into Springtex and take over its assessed losses in the process.

"It would be premature to make any statements at this stage," he said

Rumours to this effect were fuelled by Springtex's cautionary announcement, issued on November 10 and followed on December 11 by a notice of suspension of trading in the group

Springtex MD David Bruce could not be reached for comment last night

However, one analyst said "If the deal materialises it could keep Springtex's interest costs and debt levels in check.

"Mashold, on the other hand, would be able to keep its tax rate down. A deal with Springtex would also give it a larger share of the market, cut down on competition and possibly improve its earnings performance"

Springtex, whose subsidiaries include kitchenware direct marketer Tablekraft, turned in a R3,1m loss after taxation in the six months to June and earnings plunged 17,7c into the red No dividend was declared

Bruce attributed an operating loss of R965 000 to "difficulties" in the household textiles division and a new direct-selling venture, and said the group would record a loss for the full financial year.

In contrast, strong consumer demand boosted undisclosed turnover for Mashold by 59% in the six months to August, while earnings soared by 31% to 17,5c from the corresponding 13,4c

Its shares, which rose to a peak of 250c at the end of December and have not been traded since, were yesterday quoted at a sellers price of 250c and a bid price of 220c

GuardBank unit trusts show healthy growth

The market value of the GuardBank Growth Fund at December 1989, excluding compulsory charges, was R848,82 million

The repurchase price of 1 672,3c per unit (inclusive of income distribution of 42,31c) reflects an increase of 7,13 percent over the repurchase price of 1 561,08c per unit at September 1989

An income distribution of 77,78c per unit has been declared in respect of the year to December

232

The overall return, including both income and capital appreciation for the twelve months, amounts to 46,50 percent

Fund manager, GuardBank Management Corporation, has announced an income distribution of 42,31c per unit (1988 30,04c) in respect of the six months to December For the year to December the income distribution of 77,78c per unit (1988 53,28c) represents an increase of 45,98 percent over the 1988 distribution

The market value of the GuardBank Resources Fund at end-December, excluding compulsory charges, was R55,82 million

The repurchase price of 140,10 per unit at end-December (inclusive of income distribution of 4,47c per unit) reflects an increase of 9,02 percent over the repurchase price of 128,51c per unit at end-September 1989

The market value of the GuardBank Income Fund at end-December, excluding compulsory charges, was R9,61 million.

The repurchase price of 114,80c per unit at end-December (inclusive of income distribution of 8,87c per unit) reflects an increase of 4,67 percent over the repurchase price of 109,68c per unit at end-September 1989 — Sapa

JSE FIRM INVADES FUTURES SCREEN TRADING

LESLEY LAMBERT

CAPE TOWN — Futures dealers were surprised yesterday to see a JSE stockbroker add its name to the list of financial institutions quoting futures prices on the Reuters screen — especially since the JSE has restricted its members from doing so.

Impatient from waiting for the JSE's go-ahead once derivative markets were formalised, Mechiel du Toit, Solms & Co found a way to become the first to break into the banking domain of screen-traded futures

The stockbroker has established a closed corporation called MDT Futures Trading, with one futures trader as the principal member and set up a cross-guarantee agreement with a Cape-based financial institution in which each party undertakes to guarantee the other's transactions without actually investing any capital in the other's business

To win the final approval of the SA Futures Exchange (Safex), MDT had to pay a R250 000 guarantee, kept by the Safex Trust as client security.

Another JSE stockbroker, J D Anderson, is understood to have linked up with the Allied Bank and applied for screen trading rights

While some dealers welcomed the entry of a stockbroker into their territory, others said it would encourage a flood of similar operations in a small derivatives market already served by a disproportionately large community of dealers and brokers.

A newly established Screen Traders Association is expected to discuss the issue at a meeting in Johannesburg today. The JSE could not be reached for comment.

232 BDay 4/1/90

Private commuter airline now official

232 ZILLA EFRAT

AHEAD of government's deregulation of air routes, SA's biggest private commuter airline, the result of a merger between Magnum Airlines, Citi Air and Border Air, has been formally constituted.

Shareholders consist of the three airlines' previous owners, merchant bankers Alpha Bank and a British investment group. B Day 11/11/90

The airline will get a new name and image. Until the name is launched later this year, it will operate as Magnum Airlines.

Director Lu Dowell says in addition to being a commuter airline in the business and tourist markets carrying cargo and freight, the airline will provide other aviation services such as maintenance and charter.

The airline will concentrate on routes between major centres, as well as serving the hinterland, filling the gaps where air services have not been provided and feeding the major airlines.

Dowell says the combination of the routes held by the airlines party to the merger already provides a substantial network.

Destinations include Johannesburg, Durban, East London, Port Elizabeth, Bloemfontein, Nelspruit, Newcastle, Maritzburg, Vryheid, Pietersburg, Skukuza, Richards Bay, Umtata, Welkom, Ladysmith, Ulundi and Maputo.

The initial fleet, to be upgraded and expanded, will consist of four Metroliners and eight Chieftans. These smaller aircraft

☐ To Page 2

Commuter airline

☐ From Page 1

232

will be used to provide a practical, efficient and high frequency service.

A team of professional consultants is handling the consolidation of the airline's operations to ensure the best use of combined resources and the quickest profit growth

At the first board meeting on Tuesday, Dick Flemming was elected chairman Directors include Edwin Scholtz and Peter Lawrence of Byrne Flemming Consultants, Charles van der Walt of Alpha Bank, Magnum's John Morrison, Citi Air's Dave White and Border Air's Dowell

Dowell says the new airline's strength is highlighted by the wealth of experience of its board's members in professional management, finance and aviation

Together with its policy of entrepreneurial aggression in the market, the new airline wishes to achieve service excellence, says Dowell.

B Day 11/11/90

B/Day 11/1/90

DIAGONAL STREET

Mandela fever gives finrand a sharp boost

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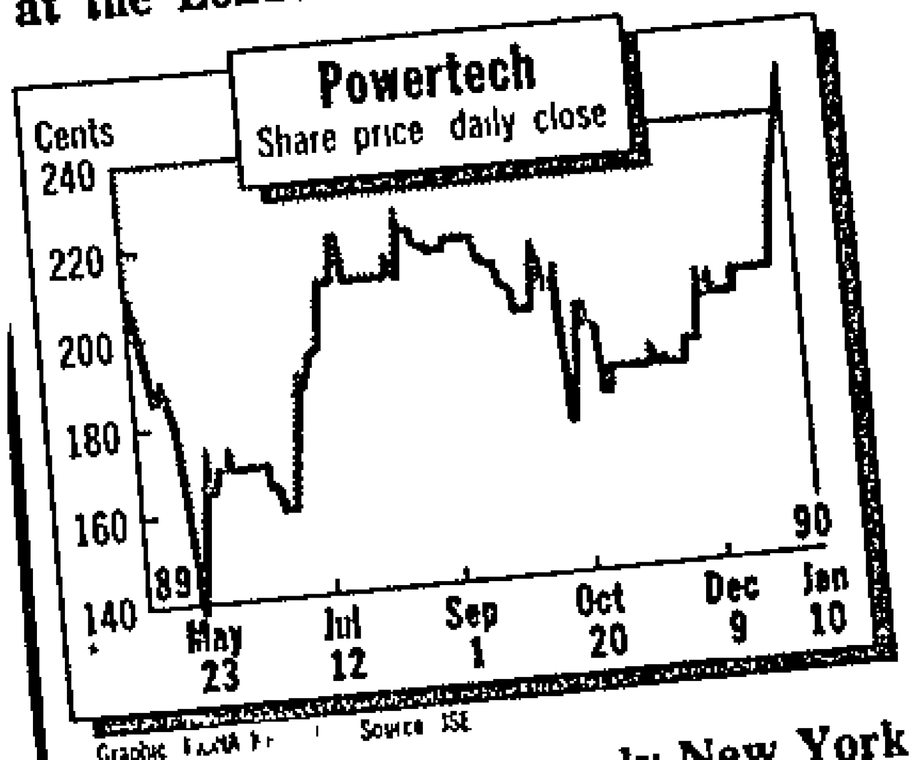
MANDELA fever hit trading on the JSE yesterday as unfounded rumours that the jailed ANC leader had been released pushed the finrand sharply higher to pull share prices down for most of the day.

The rumours had no basis, but the finrand held to its higher levels as a big buyer for the currency entered the market. The negative impact on local share prices was, however, offset by a rising gold price towards the close of trading

Gold was fixed $2 higher at $405,85 at the London morning setting and



Graphic ... Source JSE

improved to $407 in early New York dealings as the JSE was closing Dealers said sentiment in New York was bolstered by Japanese buying, apparently fanned by concern over the continued slump on the Tokyo stock market.

In fairly volatile trading, the JSE overall index closed 10 points up at 3 182 after easing nine points to 3 163. The all gold index recouped only part of its early 22-point decline to close 10 points off at 3 182

Industrials continued to move to higher ground and the index rose 15 points to a record 2 982, while strength in mining house leaders Anglos and Gencor kept mining financials on the boil.

Underlying market sentiment remained bullish and dealers reported good demand from London and the Continent for SA shares.

ANGLOS climbed from a low of R124 to end 150c up at R126,25, while GENCOR firmly breached the R12 level after lagging behind since mid-December The shares closed 45c higher at R12,25 and seems set to go higher

DE BEERS eased 45c to R64,25 and parent ANAMINT shed 500c to R810

VAAL REEFS and KLOOF each fell 1,1% to R410,50 and R45,25, respectively RANDFONTEIN, up 50c to R34,75, and FREGOLD, up 25c to R54,50, went against the softer trend.

MODDER firmed 5c to 485c but was off its high of 490c in good two-way trade on reporting a distributable profit of R5,5m in the December quarter after struggling to cover interest payment on debt of R40m in the wake of losses in the first part of the year

Leading industrials were mixed as some blue chips came off their peaks, but RICHMON edged up 10c to close at a new high of R19,10 and TIGER OATS moved up another 100c to a fresh high of R27,50.

POWERTECH, the high flyer during the 1987 market boom which has languished since the crash, seems to be stirring to life this year. After bottoming at 130c in May last year, the shares have recently attracted good demand and yesterday rose a further 15c (6,5%) to 245c.

Retailer BERGERS rose 10c to a new 12-month high of 160c to lift its gains to 28% so far this year. The company is on the expansion and acquisition trail

Motor distributor SPARECO slumped 85c (15,9%) to a new low of 450c Tin stock ROOIBERG had the largest decline of 17,2% (125c) to a new low of 600c. Rooiberg was at a 1989 high of R16,50 in June.

MERVYN HARRIS

COMPANIES

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Southern units riding high on gold's demand

B/Day 12/11/90

SOUTHERN unit trusts' long-term outlook on gold shares has paid handsome dividends on the strong performance of gold, and the funds were active in the market in the December quarter.

Both Southern Equity Fund and Southern Mining Fund reduced their liquidity levels during the quarter — the general equity fund's liquid assets were down to 11,6% from 15,3% as industrial shares followed the lead of gold while the mining fund's liquid assets declined to 13,3% from 21,1% of total assets

Both funds handsomely outperformed inflation

Investors in Southern Mining Fund received a return of 49,9% for the 12 months ended December, while Southern Equity Fund posted returns of 42,6% over 12 months

Portfolio manager Carel de Ridder says sentiment towards gold moved strongly positive when the dollar price recovered late in the quarter and the gold price rose significantly

De Ridder says the performance of both portfolios has supported Southern's belief that gold shares offered relative value.

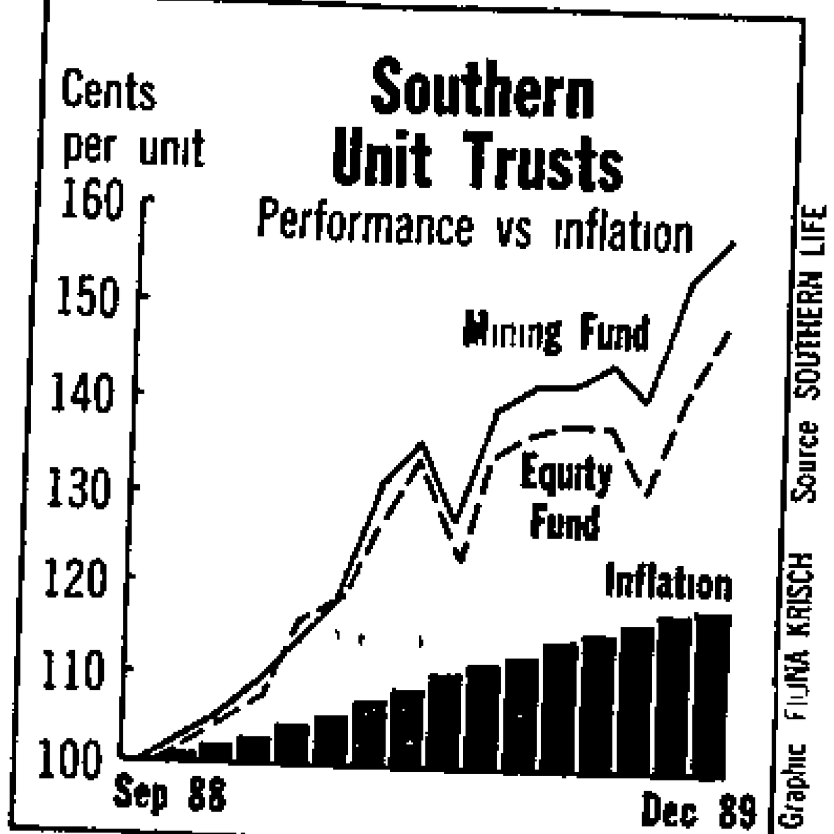
However, while sentiment towards

LIZ ROUSE

gold has improved, the fundamentals remain weak and gold needs to move above R1 200 an ounce for this situation to improve

Commenting on economic issues over the quarter, De Ridder says the rapidly changing political environment both locally and in Europe has led to improved business sentiment and economic activity in general

The strength of the financial rand towards the end of the year was indicative of the change in sentiment towards SA While this may depress



certain shares in the short term, these events will be positive for the economy, predicts De Ridder

He expects strong share prices in the year ahead, although he cautions that it will be necessary for fund managers to be more selective

The value of mining-related counters in Southern Equity Fund increased from 46,6% to 51,9% of the portfolio in the December quarter, while financial and industrial stock was reduced to 36,5%

Equity Fund's holdings in Driefontein, Elandsrand, Western Deep, Amgold and Genbel were increased and Apex Property Trust and Iscor (334 200 shares) added to the portfolio

Amcoal, AVI and D & H were sold out of the portfolio and the Plate Glass holding reduced further

Southern Mining Fund increased holdings in De Beers, Elandsrand, Western Deep, Keeley, Amgold and Minorco and added Vaal Reefs, Ofsil and Iscor to the fund.

Holdings in Amcoal, Freddev and Randex were sold

Market value of the assets in the funds rose by R4,5m to reach R39,6m at the end of December.

Institutions power up industrial index

Star 12/1/90 232

By Jabulani Sikhakhane

Demand for blue-chip industrial shares by institutional investors has been the driving force behind the 14,9 percent surge in the industrial index since December

Analysts say volumes and price movements show that the rally on the industrial board has been driven by institutional demand for quality stocks.

Smaller companies have been left behind The situation has been compounded by the fact that even smaller investors returning to the market have been attracted by mining stocks.

A sample of blue-chip shares indicates that they have mostly out-performed the industrial index, while second-rate stocks have not fared so well, with some showing losses over the period December 1 to January 10

South African Breweries topped the list, appreciating by an overall 26,5 percent, followed by Iscor with 20,9 percent, Sasol 18,3 percent, Safren 17,1 percent and Barlows 16,5 percent.

Only Richemont, CG Smith and Sappi showed increases below the index

They appreciated 11,04 percent, 12,3 percent and 9,1 percent respectively over the same period

However, in a sample of 15 non-blue-chip stocks, only Homemakers outperformed the index, increasing 29,7 percent since December 1, followed by Sunpak 22,2 percent, Hiscore 18,6 percent and FSI 16,6 percent.

Others had a poor showing against the index, with Unihold increasing 12,5 percent, Pep Stores 10,3 percent, Publico 10 percent, Lion Match 8,9 percent, Saficon 8 percent, Conshu 7,1 percent, Boumat 5,2 percent and CMI 0,3 percent.

Seardel declined 1,85 percent, Fedfood 1,06 percent and Cullinan 0,6 percent over the period

David Shapiro of stockbrokers Max Pollak & Freemantle says smaller companies have lagged behind the index because most institutional investors are scared to put their money into companies with less than a 10-year history of good profits

"When gold shares have been exhausted, the smaller investors may look at second-liner industrial stocks

"But for a long time most of the interest will still be on mining stocks and blue-chip industrials," he says

SATS GEARS UP FOR PRIVATISATION

FM 12/1/90

SA Transport Services is rationalising its computer facilities in preparation for becoming a public company on April 1 The transport conglomerate has ordered two large mainframe computers and associated equipment worth R46m It is also rewriting some of its essential software applications (232)

The two mainframes -- an IBM-compatible Amdahl 5990-700 and an IBM 3090-280J -- are being supplied by Siltek subsidiary Large Scale Systems and local IBM agent Information Services Management Corporate Management Services is to supply two StorageTek Nearline robotic systems capable of loading computer tapes at "near on-line" speeds The equipment is due to be installed at the organisation's Johannesburg and Durban computer centres next month

Sats data processing director Trevor O'Sullivan says the increased computer power is needed to support the organisation's more sophisticated information systems Sats is redeveloping its truck control system and intends adapting or replacing its integrated accounting and financial applications

According to O'Sullivan, the shift from State corporation to public company has necessitated substantial changes to the organisation's information systems, which have to become far more client-orientated

The latest order is the organisation's first major expenditure on mainframe computers since 1986, when it spent more than R20m on a variety of equipment, O'Sullivan says Much of the earlier capital outlay was a hedge against possible sanctions

Southern's unit trusts excel

Southern unit trusts' long-term outlook on gold shares has paid handsome dividends after the strong performance of gold on the JSE

Liquidity levels were reduced in both Southern Equity Fund and Southern Mining Fund in the three months to December

Portfolio manager Carel de Ridder said yesterday gold sentiment turned positive when the dollar gold price recovered late in the quarter and gold share prices rose significantly

"The performance of both portfolios supported Southern's belief that gold shares offered relative value However, while sentiment about gold has improved, the fundamentals remain weak and gold needs to move above R1 200 an ounce for this situation to improve "

Investors in Southern Mining Fund received a return of 49,9 percent for the 12 months to end-December

Southern Equity Fund posted returns of 42,6 percent

By handsomely outperforming inflation, unit trusts remained one of the few opportunities for real growth in asset values, said Mr de Ridder.

Industrial shares followed the lead of gold and as a result of selective share purchases, liquidity levels in both funds were reduced significantly

Liquid assets were reduced from 21,1 to 13,3 percent in Southern Mining Fund and from 15,3 to 11,6 percent in Southern Equity Fund

Mr de Ridder said the rapidly changing political environment both locally and in Europe had led to improved business sentiment and economic activity in general

"The strength of the financial rand towards the end of the year was indicative of the change in sentiment towards SA

"While this may depress certain shares in the short term, these events will be positive for the economy.

"Strong share prices can be expected in the year ahead, although it will be necessary for fund managers to be more selective," he said

Mining-related counters in Southern Equity Fund increased from 46,6 percent to 51,9 percent of the portfolio in the quarter, while financial and industrial stock was reduced to 36,5 percent

Holdings in Driefontein, Elandsrand, Western Deep, Amgold and Genbel were increased and Apex Property Trust and Iscor added to the portfolio

Amgold, AVI and D&H were sold out of the portfolio and Plate Glass holdings reduced further

Holdings in Amcoal, Freddev and Randex were sold out of the portfolio

The market value of the assets in the funds rose by R4,5 million to reach R39,6 million at December 31 — Sapa.

Crackerjack performance by unit trusts

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Star 13/1/90

DEREK TOMMEY

MOST investors in unit trusts have just had an extremely rewarding year Only the most unlucky will not have received a return of more than 40 percent on their units in 1989

Figures prepared by the University of Pretoria show that five unit trusts — UAL, Old Mutual, Momentum, Standard Gold and Old Mutual Mining — provided their unit holders with returns of more than 50 percent if the reinvestment of dividend distributions is taken into account. Another 13 provided returns of between 40 percent snd 50 percent.

Altogether more than 75 percent of the equity and specialist unit trusts increased the value of their investors' holdings by 40 percent or more

While the unit trusts were not creating instant wealth — they came pretty close to doing so

UAL was the top runner in the equity trusts, showing a 56,16 percent growth UAL also deserves to be commended for bettering the overall market increase of 55,5 percent. No other trusts managed this feat.

Standard Gold was the bright star in the specialist trusts with a total return of 56,5 percent.

Even the income funds were able to show fairly high returns, though they invest most of their money in fixed interest stocks.

Senbank Gilt had a growth in income payments and capital appreciation of 25,19 percent while Senbank High Yield showed a return of 23,79 — in both cases attractive figures

However, it must be said that measured against the recent past, 1989 was an exceptional year for investors.

Depending on which yardstick one uses, the JSE came either second or third in the world for capital appreciation last year And what happens on the JSE has a direct effect on the unit trusts.

The returns received by long-term investors in units also show that the 1989 figures were something out of the ordinary Nonetheless, those who have held units for seven years or more are showing highly acceptable average annual returns.

The average annual return in the past three years from Old Mutual units has been 23,41 percent. But if you had held them for the past seven years you would have had an average return of 27,49 percent, and if you had held them for 12 years the average return would have been 30,7 percent — more than double the inflation rate in this period.

Holders of GuardBank units have been similarly rewarded. The average annual return from GuardBank units in this 12 year period has been 30,52 percent — the same as the All Share index.

The specialist funds have also looked after their long-term unit holders Those who have held UAL Mining and Resources units for the past 12 years have received an average annual return of 27,12 percent while Sanlam Industrial has shown an annual return of 26,19 percent in this period

Several factors combined to make 1989 a bull year on the JSE. The sliding value of the rand in 1988, coupled with a sharp improvement in economic activity overseas, boosted South Africa's exports and the earnings of any company with foreign interests.

Then, just as the industrial and non-gold mining boom showed signs of slackening, the price of gold, which had been heavily oversold, started to recover This, plus an improvement in foreign investor sentiment towards South Africa, sent gold shares into orbit. The visible result was a 58 percent rise in the gold share index in less than three months.

On top of this, signs that the Government is actually doing something about curbing inflation and creating a strong base for greater economic expansion in say a year's time has also led to heavy buying of some of the major industrial stocks

Looking further into 1990, there seems a good chance that the share market will remain strong. The Government's anti-inflationary measures should ensure that the export industries remain competitive and prosperous Although there are signs of an economic downturn overseas, demand for South African goods is still expected to remain strong

Gold price

The price of gold is also expected to gently firm as the year wears on, helping the local gold mining industry Consumer demand for jewellery — the factor that determines the strength of the diamond market — now seems to be the major determinant of the gold price

In the past few years consumers have quite happily accepted 10 percent to 15 percent increases a year in diamond prices, so it is to be expected that they will not jib at similar increases in the diamond price and put a floor under the metal at beween $440 to $460 an ounce.

Finally, there is a dark horse which must be considered — foreign investment interest If this continues to strengthen as it has in the past month or so, the South African economy will receive a very healthy boost later this year

It could even lead to foreign creditors deciding not to take payment of the $2,5 billion (R6,25 billion) loans due to be repaid this year and roll them over instead

Were this to happen it would leave South Africa with a firm rand, healthy balance of payments and substantial foreign exchange reserves — all of which could open the door to a major jump in the economy

This does not seem to be the time for investors to take profits in their units Istead, it would appear that this is still the time to buy

Garlicks stores sold

(232) w/c Argus 13/1/90

By TREVOR WALKER
Business Staff

GARLICKS Stores has begun to redeploy property assets and has sold its Port Elizabeth and East London stores for an undisclosed amount, and will be closing down these outlets, chairman Mr Jack Garlick said.

He said "We are retailers and are not in the property business Nevertherless we will retain ownership of the Cape Town and Durban properties stores."

Asked whether the company might consider a lease-back scheme in order to free the money it had invested in property, he said "We have no need to do this at the moment, but while we are slightly overgeared as a result of the refurbishing programme in Cape Town and Johannesburg, we nevertheless have a substantial investment in property".

Bought out

Garlick, which was owned by Garcon, was bought by a a consortium, Jano Retail Holdings

As a result of the deal, which was sanctioned by the Supreme Court, all shareholders were bought out and the listing of Garlick was terminated on the Johannesburg Stock Exchange

Garcon was subsequently sold off and renamed by the new owners

GArlick Stores is now owned by two family trusts and the major players are Mr Jack Garlick, Mr Noel Boyce and Graham Beck

Mr Garlick said the Cape Town store had been completely refurbished and as the stores in East London and Port Elizabeth were very badly positioned for an up-market operation such as Garlicks it was decided to close them down

"In fact we should have closed the Port Elizabeth store years ago"

He said there was definitely a place for a Garlick type store in this country and Press comment on the closure of famous departmental stores in New York such as Bloomingdale's did not mean that the days of the these stores were over.

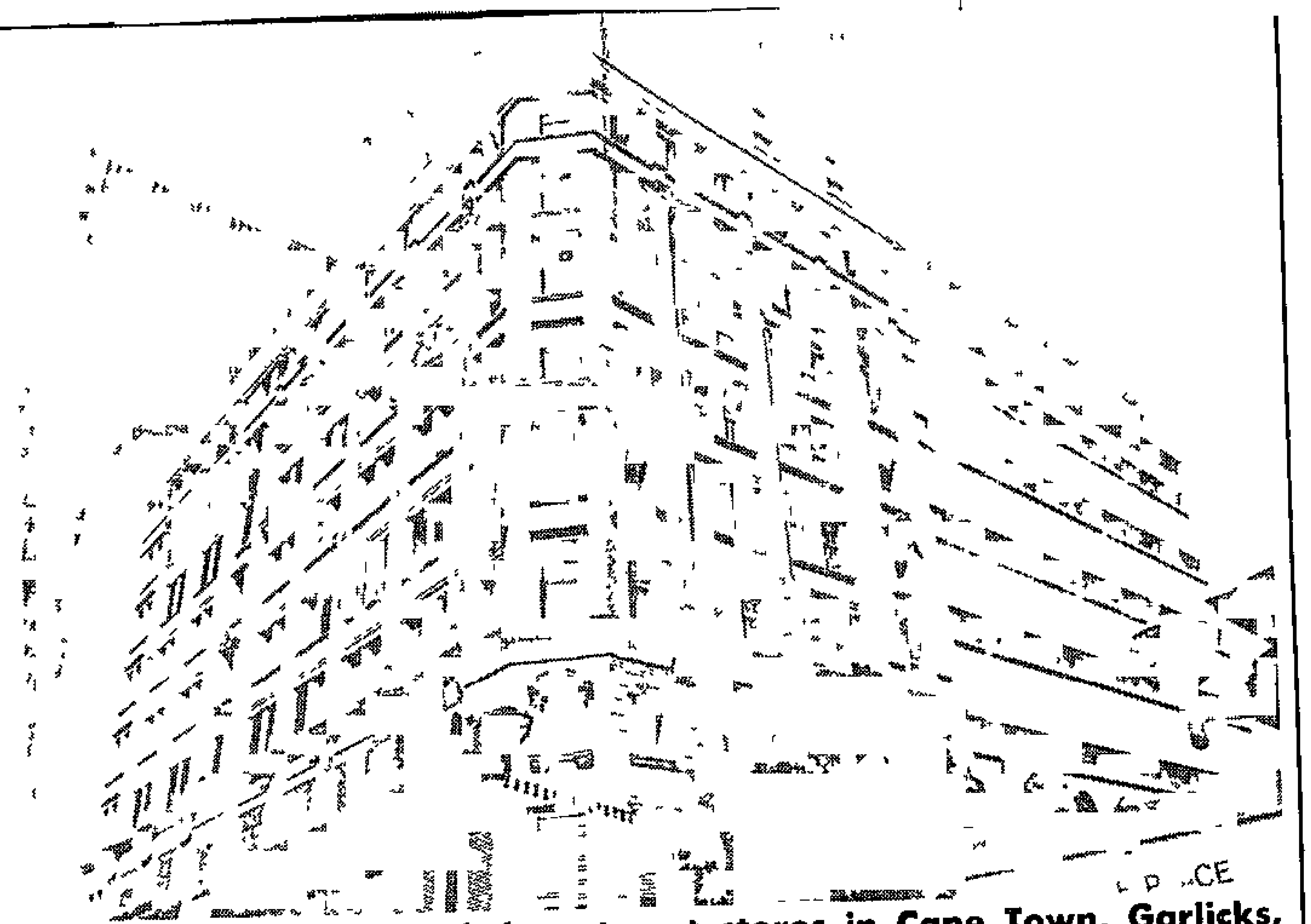
More opened

More departmetal stores were opened every year in the US than those closed, but it was only the high profile closures that made the news.

He said store location was the key to success and in cities where retail demand moved out of the Central Business Districts (CBD) into the suburbs then the retail stores had to follow this trend

Cape Town and Durban still experienced strong CBD retail demand and Garlicks would continue to cater for this.

Garlicks will open a store in the new Menlyn Park shopping complex in Pretoria in May this year and is a clear insight into the new competitive strategy that has been adopted by the company



That grand old lady of department stores in Cape Town, Garlicks, built in 1903, has had an expensive renovation, bringing its facilities into line with any of those to be found in the modern glass and plastic emporia of today.

UAL leads unit trust runners

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UAL unit trust was the top performer in 1989.

On a repurchase to repurchase, the price of units rose by 55,6%, handsomely beating the Old Mutual Investors into second place OM Investors climbed by 52% and third-placed Momentum by 51,8%

The returns include capital appreciation assuming distributed income

STANDARD

The one-year comparisons have been made by the the Association of Unit Trusts, and those of more than one year by the Graduate School of Management at the University of Pretoria

Bottom of the pile over a single year was Sanlam Trust, which managed a rise of only 36,8%

Among specialist equity trusts the Standard Bank gold fund sneaked into first place because of the rapid rise in golds in the last quarter of 1989

Being the only pure gold fund, Standard is the most highly geared to changes in the gold market The units rose by 55,7% last year

Old Mutual Mining also grew by more than 50%, followed by newcomer Southern Mining and by UAL Mining & Resources

Sanlam again took last place with growth of 26,9% on its Dividend trust

UAL Selected Opportunities did a fraction better at 27% It contains many non-index stocks which have so far been shunned by most investors

The income funds again floundered when compared with the equity trusts UAL again took pole position with a climb of 22% — less than half of the appreciation shown by the leading equity fund Senbank's Gilt trust picked up a shade under 22%, and its High Yield fund 21,8%

Standard Bank Extra Income fund managed growth of only 17,6%

The Pretoria survey measures performance over three, five, seven, 10 and 12 years In each case, Old Mutual Investors takes No 1 slot Over 12 years, the fund has grown by a compound 30,7% a year, pipping Guardbank by a whisker

UAL Mining & Resources was the best specialist fund over 12 years, growing at 27,1% a year, slightly ahead of Sanlam Industrial Trust

The longest-standing income fund is Standard's Over 10 years it has grown at 12% a year, but the consumer-price index was measured at 14,6% in the same time, says the survey

I don't suppose the poor-faring Sanlam will run a series of advertisements on the outcome of this survey

S/Times 14/1/90

COMPANY ROUND-UP

PRELIMS	Turnover (Rm)	% change	Profit before tax (Rm)	% change	Earnings a share (c)	% change	Div a share (c)	% change
Maxmech	4,5	+52	0,2	+163	3 5	+338	—	—
GF Prop	16,8	−5	16,4	+62	115	+85	42	+17
Vogels	—	—	21,4	+75	114	+73	60	+50
INTERIMS								
Tempora	—	—	1,9	+8	14 5	+8	—	—
Selmin	—	—	—	—	40	+5	25	0
Witdeep	—	—	—	—	22	−8	13	0
New Wits	—	—	12,6	+68	50	+56	17	+13

Whitehead arm owes parent R9m

S Times 14/1/90

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By Julie Walker

FRED Whitehead Management (Pty) has gone into liquidation owing the listed group of similar name at least R9-million.

Managing director Mick Whitehead confirmed the liquidation this week, promising that an announcement would be made tomorrow about negotiations for the future of the the Cape-based group which operates in painting and other finishing businesses

Trade in the shares was suspended on the JSE last August at 18c An extension was granted on August 28 when it was announced that.

- The audit for the year to June 1989 was unlikely to be completed before September 1989
- The unprofitable subsidiaries had been closed
- Kalley Flooring had been sold for R1,2-million.
- Negotiations were at an advanced stage for the continuation of the group's remaining operations

Kalley was bought for R1,6-million a year before Since then, shareholders have not heard another word. The company accounts at June 30, 1988, showed R9,6-million invested in the subsidiary management company

At that date, directors held 8,4-million of the 11,5-million issued shares

In the six months to December 1988, Fred Whitehead lost R750 000 on turnover of R18,8-million The directors blamed major losses in Dreamcoat (for which R450 000 was paid), rising interest rates and higher wages They said steps taken "should contain the losses and provide a platform for steady growth in the next financial year"

Now Mr Whitehead says Fred Whitehead will become a cash shell. He is formulating plans, and most subsidiaries have been sold in management buyouts

"We have been so quiet because the goalposts keep changing," he says

A deal with Lanchem was signed last year, but fell through because of a "slight technicality", says Mr Whitehead

The coming announcement will bear little news for shareholders Mr Whitehead agrees it will be a progress report

Shareholders have no option but to sit with stock they cannot trade while Mr Whitehead sorts out a mess which has cost the listed group R9-million

Cashworths acquire Management Services Corporation subsidiaries

(232) (189) (197)

ZILLA EFRAT

CASHWORTHS Fashion Holding's shareholders voted in favour of the acquisition of Management Services Corporation's subsidiaries at Friday's general meeting in Johannesburg

Shareholders Association of SA chairman Issy Goldberg, who had received about 500 000 to 600 000 proxies from minorities, queried various aspects of the proposed deal.

BDay 15/1/90

R12,2m deal

However, after finding the director's explanations "reasonably acceptable", he voted in favour of the acquisition

Prior to the meeting, the JSE persuaded Cashworth's controlling shareholders, the MAP consortium, to vote only half their 8,5-million shares

The R12,2m deal involved the transfer of Manserv's 13 subsidiaries to cash shell Cashworths, thereby making Manserv, also controlled by the MAP consortium, a cash shell

When this deal was announced in September, the consortium said they would use Manserv for their investment holding banking programme

However, in December they announced they would sell the cash shell.

At the general meeting, Goldberg said Cashworths' directors had to show the deal was at an arm's length in the spirit of equity and the law

He questioned various aspects of the circular sent to Cashworth shareholders, especially R4m shown as trademarks in the pro forma balance sheet

Low asset

If this figure was not included, net asset value would be substantially less than 68c a share, he said

Cashworths MD Jeff Wiggill said the subsidiaries were all service companies with low asset values

However, their names — which included Accsys, Colfin, Punch Line, Columbia Training and companies trading under the Don Gray name — had value

Bond market volatile as Eskom call options utilised

HAROLD FRIDJHON

THE exercising of call options on the Eskom 168 which fall due on February 1 contributed to huge profits and high volatility on the bond market yesterday.

Yields on bellwether bond 168 see-sawed between a low of 15,14% and a high of 15,34% in high volume trading in which turnover in the E168 stock alone exceeded R1bn.

Dealers said the three-month call options were written around yields well in excess of 16,34% and option takers, probably motivated by the bearish sentiment prevailing on the money market, decided not to follow the higher gold price and go bull but to take their profits and run It was more profitable than trying to onsell the options in markets with few buyers at prevailing prices.

They exercised their options and took the high-yielding, lower-priced stock which was immediately sold into the market at yields which were about 140 points with the price of the bonds commensurately higher.

The profits were substantial. Dealing in the bond market earns a profit — or a loss — of R450 a point for every million rands worth of stock dealt in. Assuming some dealers bought the option at a yield of 16,65% and sold the stock at 15,25%, 140 points difference, their profit would have been R63 000, less the premium which could have been about R10 000.

This could explain why the E168, which opened at 15,28% and dropped to 15,14% when the gold price appeared to be set to go up, rose to close at a yield of 15,34%.

B/Day 16/1/90 (232)

Directors act to keep grip on Unihold

SYLVIA DU PLESSIS

UNIHOLD directors have taken steps to avoid losing control of the engineering group when 9,2-million unsecured debentures are compulsorily converted in May by proposing to form a pyramid holding company called U-Control (U-Con)

But their proposals to Unihold ordinary members and convertible debenture holders entail an offer to debenture holders to replace their existing debentures with new debentures in the pyramid company

U-Con, which is expected to be listed on the JSE, will hold at least 75% of Unihold's issued ordinary share capital.

Directors say the proposals are motivated by the conversion of the 15% unsecured automatically convertible debentures of 90c each into ordinary shares by the end of May. This would dilute their existing 53% control of Unihold.

Their proposals would transfer control of Unihold to the listed pyramid and allow for the further issue of ordinary shares without a change in ultimate control, they say

These proposals are contained in two offers by U-Con. The first, to Unihold ordinary shareholders, is to exchange 75% of their Unihold ordinary share in the ratio of 150 U-Con ordinary shares of no par value for every 75 held

Certain associates have agreed to waive their rights to receive this offer to enable the remaining Unihold ordinary shareholders to acquire a pro rata percentage of new ordinary shares in U-Con.

They have also agreed to make up their total holding of ordinary shares in Unihold available for conversion into U-Con ordinary shares, if necessary, to ensure that U-Con will hold at least 75% of the ordinary shares in Unihold.

The second offer is to Unihold debenture holders to exchange 75% of their holdings for U-Con 15% automatically convertible debentures of 45c each in the ratio of 150 U-Con debentures for every 75 Unihold debentures held

These new debentures will have "substantially" the same rights as those attached to the Unihold debentures

Unihold directors say implementation of the offers will have no effect on the earnings per ordinary share or the net asset value of an ordinary share in Unihold, and expenses relating to the proposals will be borne by U-Con

CAPE TIMES 16/1/90

State to prosecute Rockman

THE attorney-general of the Cape, Mr Neil Rossouw, has decided to prosecute suspended Mitchells Plain policeman Lieutenant Gregory Rockman for contravening the emergency regulations

The charge is related to his addressing a protest meeting in Stellenbosch last year

Other charges against the lieutenant which were forwarded to the attorney-general for consideration have been referred back to the police for departmental action.

Asked to comment, Brigadier Leon Mellet, spokesman for the minister of law and order, said this would probably mean that a further departmental investigation will be instituted

The charges referred back by the attorney-general for internal investigation include "a contemptuous and impertinent attitude towards his superior, refusing to obey a legal order from a superior officer, failing to report for duty at his new posting at the SAP Quartermaster in Pinelands and expressing himself unfavourably towards the administration of the police force" — Sapa

UAL optimistic on JSE

Star 17/1/90 **Finance Staff** (232)

UAL unit trust managers have a slightly more positive attitude about the equity markets performance during the current year In his report covering UAL's four unit trusts for the December quarter, UAL Management Company MD Clive Turner does not regard the prospect of a short term deterioration in corporate earnings as a negative factor in the outlook for the markets

The UAL Unit Trust posted an overall gain of 55,6 percent, while UAL Mining and Resources showed 47,8 percent. UAL's highly specialised fund, Selected Opportunities, gained 27,1 percent while the Gilt Fund posted 22,16 percent.

The UAL Unit Trust's quarterly income distribution of 17,87c per unit was well ahead of the 10,73c paid for the same quarter in 1988, while UAL Mining and Resources' income distribution at 3,32c, compares with an equivalent in 1988 of 3,07c per unit.

UAL MD confident of sound performance by its unit trusts

B Day 17/1/90 (232)

LIZ ROUSE

ALTHOUGH it would be unreasonable to expect a repeat of the excellent 1989 performance of UAL's unit trusts, UAL Management Company MD Clive Turner is positive that sound returns can be achieved

He said in his December quarterly report that portfolio managers' responsibility would be to meet the challenges of the next three years and the more positive international economic environment

Turner did not regard the prospect of a short-term deterioration of the growth rate in corporate earnings as negative in the outlook for the broad market base

UAL Unit Trust posted an overall gain of 55,6% over the year ended December 1989, the best performance among major general equity trusts last year

UAL Mining & Resources showed a 47,8% gain, the highly specialised fund UAL Selected Opportunities gained 27,1% while the Gilt Unit Trust posted a gain of 22,16%

Changes

Most of the portfolio adjustments were confined to Selected Opportunities, where an aggressive stance was adopted in consolidating the portfolio

Turner said management was disappointed at the performance of second-liners in the past year, hence these were sold The entire holdings in Malhold, Oaklands, Altron, Control Instruments, Clyde Industrial, Masterbore, Gresham and Tongaat were sold, while Vestacor was added.

In the UAL Unit Trust portfolio, the only changes of note were the sale of a small holding in AECI and the introduction of a pilot holding in SA Managanese

Liquidity was reduced marginally to 17,4% from 19,3% in the September quarter The quarterly income distribution of 17,87c a unit was well ahead of the 10,73c paid for the same quarter in 1988.

UAL Mining & Resources made no significant structural changes to the portfolio, but also reduced liquidity marginally to 11,6% from 12,7% Income distribution for the quarter at 3,32c a unit compares with 3,07c distributed in 1988

Distribution to unitholders in Selected Opportunities and the Gilt Unit Trust are made half-yearly in March and September

NBS disputes FNB contention on assessment basis of shares

HAROLD FRIDJHON

NBS Holdings disputes First National Bank's contention that bank and building society shares should be assessed on a basis other than on the conventional yardsticks of a return on equity and a return on assets

BDay 18/11/90

FNB's contention was published in Business Day last week

FNB maintained the performances of these institutions should be measured by their "added-value" earnings after the benefits of their no-cost endowment of high capitalisation had been stripped out To put all the companies on an equal basis FNB apportioned a notational 15,8% earnings on their shareholders' funds

Profits

(232)

NBS GM management services Mark Farrer says in a statement the FNB analysis hinges on the use of a "transfer rate" — the 15,8% — to adjust reported pre-tax earnings downwards He regards this as a highly theoretical and impractical concept ignoring the fundamental tenet that equity capital is used to fund a business

Farrer maintains the correct method of measuring returns must relate to total profits earned on equity, and preferably after tax

As equity/asset ratios vary tremendously, it is appropriate to adjust to a basic return on equity Assuming equal returns on assets, the more highly geared an instituion the greater the return on equity. This must not be looked at in isolation but should be viewed in the context of the industry and the better captalised institutions in the industry

Farrer says the different levels of gearing can be skirted around by looking at the return on total assets He says the FNB exercise ignores real world analysis by using pre-tax profits

"It is after-tax profits that finally count as far as shareholders are concerned"

A note of justifiable pique creeps into the NBS statement If FNB had used the building society's interim report for September — published on October 23 1989 — when calculating the ranking of institutions by its adjusted "value-added" pre-tax method, NBS's return on equity would rise from 1,68% to 3,02% and its ranking on the FNB table would rise to fourth place from sixth

The Star

Finance

US deficit widens

Star 18/1/90

WASHINGTON — The US foreign trade deficit widened in November to $10,5 billion, its worst showing in 11 months, the government reported yesterday

The Commerce Department said that while imports declined by $593 million to $40,69 billion, US exports dropped a larger $843 million to $30,19 billion.

The government blamed much of the setback on the Boeing aircraft strike, which severely cut into exports of expensive commercial airliners.

But private analysts were still disheartened by the deficit figure Many had been looking for a slight improvement following a sharp deterioriation in October.

The October trade deficit totalled $10,25 billion. Both October and November represented the worst performance since a $10,8 billion deficit in December 1988.

For the first 11 months of 1989, the US trade deficit ran at an annual rate of $111 billion, compared with a deficit of $118,53 billion in all of 1988 — Sapa-AP

Unit trusts net R159,6-m

The unit trust industry experienced a net inflow of R159,6 million on sales of R366,2 million for the December quarter.

Figures released yesterday by the Association of Unit Trusts show that with the strength on the share market, the unit trust capital index increased 41,6 percent from 116,32 a year ago to 164,70 at December 31 1989 The income index climbed to 1917,01 from 1380,52 at December 1988, a 38,9 percent improvement.

(232)

The total market value of the 31 unit trusts at the end of the December quarter amounted to R6,6 billion against R6,1 billion at the end of the September quarter.

Sales were R366,2 million (R352,8 million) while repurchases totalled R206,6 million (R199,6 million) Net inflow increased to R159,6 million compared with R153,2 million in the September quarter.

The number of unitholders increased to 567 141 in the December quarter against September's 556 466

Commenting on the growth of the industry during the past 10 years, Association chairman Roy McAlpine said that R1376,6 million worth of unit trusts were sold in 1989 compared with R42,3 million sales achieved in 1979.— Sapa

Govt poised to enact sweeping deregulatory measures, says Durr

B/Day 18/11/90

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● DURR

MIKE ROBERTSON

CAPE TOWN — Government was set to introduce sweeping deregulatory measures affecting all areas of commerce and industry, Trade and Industry Minister Kent Durr said yesterday

"There is nothing that we will not deregulate," Durr said in an interview.

He declined to give details of actions that government would undertake, but promised "a few dramatic announcements" in forthcoming weeks.

Durr said his department was undergoing restructuring while the activities of bodies like the Board of Trade would undergo rationalisation

Plans were being drawn up to computerise the Companies Office to make it more efficient

Detailed investigations into the activities of the various boards and statutory bodies falling under the department were under way to identify and eliminate areas of double jurisdiction and duplication, Durr said

The minister would not give details of what changes were envisaged for the Board of Trade but said: "I am very happy with the new breezes blowing at the board. Long may they blow."

Durr said while he was not yet in a position to give accurate figures, the one major dergulatory measure he had already announced — the scrapping of the Travel Agents Board — had saved "an enormous amount of money".

Government was backing off all structural adjustment programmes that attempted to regulate the economy on a micro basis, he said.

"Anybody who got the impression that we might be over-involving ourselves in the economy need not have that fear. Export incentives no longer form part of the structural adjustment programme"

While Durr would not be drawn to comment specifically on the fate of government's "Sunrise" industry programme, announced in 1988, it seems likely from his general comments that the entire scheme has been at best put on a backburner.

Durr's department has since December taken control of decentralisation initiatives and he hastened to say that the entire policy is under review.

"There are large amounts of money involved and when one spends public money you want to do so thoughtfully and efficiently. It is appropriate that we take a hard and critical look at what we are doing.".

The minister recently made public his opposition to import surcharges, and promised a thorough investigation in order to stablise the surcharges which were amended more than 60 times last year. He said he had nothing to add to what he had already said on the matter.

Importers would have to wait until Finance Minister Barend du Plessis delivered his Budget to see what action would be taken

Durr said while the sanctions environment made it impossible for him to give detailed figures he could disclose that SA exporters had sought and found new markets in Asia, Africa, Eastern Europe and South America.

Exports to African countries were rising particularly rapidly. These assumed a growing significance when it was realised that what was exported to these countries were those products with the highest added value, as well as services

Durr said SA's growing trade with Eastern Europe should be seen in the context of those countries normalising their relationships with the world trading community.

"When Eastern Europe seeks to come in from the cold they find us as part of that community. There are some things they are looking for that only we do, and others that we do particularly well"

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Unit trusts had a 'golden' decade

LIZ ROUSE

THE eighties were golden years for the unit trust industry, with the combined asset value of the funds appreciating more than tenfold to R6,6bn, while the number and variety of trusts increased significantly.

But perhaps most important of all, SA's burgeoning unit trust industry continued to deliver an outstanding investment performance, says Roy McAlpine, chairman of the Association of Unit Trusts. Over the past decade the total annual compound return of the 11 general equity funds, which were in existence at the end of 1979, amounted to an impressive 24%.

McAlpine reports that at the end of 1989, the total market value of SA's 31 unit trusts — 13 general equity trusts, 10 specialist equity trusts and eight income trusts — amounted to R6,6bn.

At the end of 1979 there were only 12 unit trusts — 11 general equity trusts and one specialist trust — having a combined market value of R576,7m.

McAlpine says the greater recognition of the investment merits of unit trusts has also led to a sharp increase in the number of unitholders. In the 1970s it was estimated that SA had about 200 000 unitholders, wherease today there are almost 570 000. Over 73 000 new accounts were added to the association's list in 1989.

The growth in the industry is illustrated in sales of unit trusts of nearly R1,38bn in the 12 months to December 1989, compared with the mere R42,3m sales achieved in 1979.

McAlpine says the 1989 unit trust sales must be compared with the R1,64bn recorded in 1987, the year of a raging bull market, and R786,6m recorded in 1988.

Although SA enjoyed a strong equity market in 1989, the R565,5m net inflow into the unit trusts during the past year was about half the R1,072bn achieved in 1987, reflecting the higher level of repurchases. McAlpine ascribes this to the fact that the public was frightened off by the October 1987 market decline.

He believes that the confidence of the small investor in equity investment has not yet been fully restored. But those who rode out the market fall are enjoying great benefits today.

It should be emphasised that unit trusts are an investment for the long term and for those seeking both capital and income appreciation.

McAlpine believes that with its excellent track record and its ease of investment, unit trusts can make further inroads into the investment market.

In the last quarter of 1989, on sales of R366,2m, the industry experienced a net inflow of R159,6m. With the strength of the share market, the unit trust capital index soared 41,6% from 116,32 a year ago to 164,70 at Decemebr 31 1989. The income index climbed yet again, to 1 917,01 from 1 380,52 at December 1988, a 38,9% improvement.

The association's quarterly consolidation tables show that among general equity trusts, Old Mutual has been the best performer over the past five years with a return of 33,6% (51,8% in 1989), but UAL Unit Trust outstripped it with a return of 55,6% in 1989, while the smaller Momentum recorded a return of 52,2%.

Giant Sanlam Trust lagged behind with a return of 36,78% in 1989 and 21,72% over five years. However, Sanlam Index's return was higher at 27,83% over five years (nearly 47% last year).

Standard Gold starred among the specialist equity funds with a return to unitholders of 55,71% in 1989, followed by Old Mutual Mining with 50,18%.

Privatised Welkom is booming

Lesson 'for whole of SA'

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Privatisation and de-regulation, coupled with the opening up of opportunities for all South Africans, will ensure the equitable distribution of wealth in this country, according to Welkom town clerk Mr Chris Rademan KAIZER NYATSUMBA visited Welkom and spoke to him.

Mr Chris Rademan, Welkom's town clerk ... confident that privatisation will ensure all South Africans share in the wealth of the towns and cities. ● Picture by Kaizer Nyatsumba.

Welkom town clerk Mr Chris Rademan believes privatisation and de-regulation are the best things to have happened in South Africa in the past few years

Although he points out that some towns and cities throughout the country had long ago privatised some of their services, he acknowledges it was only recently that privatisation has become a buzz word and better defined, and this, he says, bodes well for the future

Mr Rademan, town clerk of this booming mining town second only to Bloemfontein in size in the Free State, said privatisation had drastically reduced Welkom's capital and operational budgets in the current financial year

Sky 16/11/90

Highest income

Welkom, with a population of about 300 000, has the highest income per head in South Africa and, according to Mr Rademan, is also the fastest growing city in the country About 60 percent of the city's residents are employed at the local mines

"We reacted almost immediately to the Government's declared policy of privatisation and de-regulation, and decided to privatise our costly local bus service Two private sector companies tried to run the service, but both failed," said Mr Rademan

He said although the privatisation of buses was not a resounding success, the consequence of privatising the service was a success The Welkom City Council subsidised the bus service at R1,4 million a year, and that had now been saved

Also as a result of the privatisation of the bus service, the number of black taxis doing business in the city increased from a paltry 400 to about 1 500 "to fulfil the need for black transport perfectly" He said the city council negotiated with the taxi indus try, and "a very healthy association" resulted between the local authority and taxi-owners

Three years ago there were only two taxi ranks in Welkom, but these have now increased and there are numerous pick-up points established by the council all over the city The taxi ranks have ancilliary facilities such as toilets

"This led to an increase of business activities in the city, to the advantage of the business community It changed the trading pattern because people now buy anywhere, so that there are no shopkeepers benefitting at the expense of others from being close to taxi ranks," he said

The informal sector was not left out The council identified areas away from established business interests and created facilities for vendors

"The project is a massive success," said the town clerk

Some of the privatisation activities carried out in the city were

●The council stopped supplying the public with plants from its nurseries, thus creating a vacuum which has so far been filled by five private individuals, two of whom were former council employees

●The local airport, recreational facilities and the show grounds have been privatised, as well as catering services, road services, auditing, clinics and a private bus service for schools.

"Naturally," said Mr Rademan, "certain functions of a local authority cannot be privatised Its co-ordinationg function and responsibility towards the financial administration of a city (are) essential But the fact is that many activities, previously considered to be 'holy cows' by local authorities, can unquestionably be privatised to everyone's advantage"

He warned that careful planning and expert advice were of critical importance in any attempts to privatise

"Everyone is a winner with privatisation at local level — the taxpayers, commerce, industry and entrepreneurs And not a single person has been retrenched In fact, many job opportunities have been created," said Mr Rademan

He said more than 41 municipal activities in the city had been privatised

Confident

Asked if other South African towns and cities could learn something from Welkom, Mr Rademan said "We have a lot to offer to other councils But they can also share their experiences with us"

He said he was confident that what privatisation had done for Welkom it could also do for South Africa

"Privatisation will ensure job opportunities and the distribution of wealth to all people in this country With privatisation, de-regulation and the opening up of opportunities to all, South Africans of all races can live much better and get to find one another"

Privatisation, he said, was a vehicle to ensure that South Africa remained "a democratic and capitalist country."

Syndicate for futures market gets go-ahead

ROBERT GENTLE 232

AN advertisement in last week's Financial Mail inviting prospective speculators to form a syndicate to play the futures markets has been given the all-clear by the authorities — but with a health warning attached

Safia (SA Futures Industry Association) and the office of the Registrar of Unit Trusts, which examined the advertisement, said members of the public should make all necessary inquiries before committing themselves to the plan.

BDay 19/11/90

If they felt they had not been fairly dealt with, their only recourse at the moment would be the courts

This was because the Financial Markets Control Act, designed with a degree of consumer protection, had not yet been fully promulgated

Only once the formal futures market in the form of Safex (SA Futures Exchange) starts operating later this year will the Act have the necessary teeth to rule on such advertisements

"The public should be aware that in the present informal futures market, neither Safia nor Safex has jurisdiction over futures and options syndicates," Safia MD Brenda Greyling said

Value of shares traded in 1989 a record R20,72bn

BD 19/1/90 LIZ ROUSE (232)

ALMOST a million more shares were traded on the JSE in 1989 than in 1988, while, as estimated previously by Business Day, total value of shares traded was a record for the stock exchange

Total value of shares traded amounted to nearly 2,78-million, valued at R20,72bn compared with 1988's 1,79-million shares traded, valued at R11,25bn.

Total nominal value of gilts traded was also at a record level of R195,37bn compared with R175,76bn in 1988

Iscor, launched in November, topped the list of five most active stocks in 1989 with a volume of over 61,64-million shares traded, followed by Allied Group (45,76-million shares) and Knights Gold Mining (45,38-million shares) almost tieing.

Richemont's turnover amounted to 44,14-million shares with De Beers recording a turnover of 43,94-million shares.

There were 21 new listings in 1989, including only one DCM company This compares with 37 new listings, including five DCM companies, in 1988

Go-ahead for cable and electrical giant

ZILLA EFRAT (232)

THE JSE and shareholders have given the go-ahead for the formation of a R1bn-a-year cable and electrical giant to be called Voltex Holdings Limited

The new company, currently H & J Supreme Cables, is the result of Elcentre and Illman's injection of their electrical interests into H & J after acquiring control of it.

At respective general meetings this week, Berzack, Elcentre and H & J shareholders approved H & J's acquisition of Elcentre's electrical, lighting and cable businesses, Berzack's cable and plastics products operations and certain property-owning companies.

They also approved the change of the par value of H & J's shares from 50c to 1c each. B/Day 19/1/90

The JSE has granted listings from January 29 for new H & J ordinary shares and J & H debentures, as well as the application to reflect the amended par value of the shares and the listing of these shares under Voltex's name.

Businessmen keen on further deregulation

Cape Times 19/1/90

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Staff Reporter

MINISTER of Trade and Industries Mr Kent Durr has declined to specify what further deregulatory measures are in the pipeline this year, but businessmen are full of suggestions about what he could tackle next

Mr Bill Lacey, a senior economist at the South African Chamber of Business, said regulations about the price-marking of goods on sale might be further softened

Traders might have to keep invoices for shorter periods At one stage the required time had been three years, he said.

There was also a great deal of confusion over Sunday trading The Natal provincial ordinance governing it allowed far more trading on Sundays than in other provinces

Hawking at the side of the road would surely be a lot more common throughout South Africa in future, Mr Lacey said

"What we are concerned about is bringing the informal sector into the overall economy so there are not two economies, one paying taxes and the other not

"We want everyone to operate legally without hassle and bureaucratic red tape"

Other areas for possible deregulation were professions which formed something akin to closed shops with their professional associations

Land use was another area of possible deregulation

BUSINESS DAY, Friday, January 19 1990

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SA futures market gains momentum

ROBERT GENTLE

TURNOVER in share-related futures contracts exceeded total turnover on the JSE for two days running last week, according to statistics released by Rand Merchant Bank, the official futures clearer.

On January 9 and 10, the value of contracts traded in All Share, Gold and Industrial futures totalled R168m and R147m respectively, compared with total JSE turnover of R119m and R124m

Futures traders expressed satisfaction at the figures, which they said showed the increasing importance of the still informal market months ahead of the opening of the formal SA Futures Exchange (Safex)

"As time goes on, I think we shall find futures activity regularly exceeding total JSE activity," said a trader from National Futures & Options

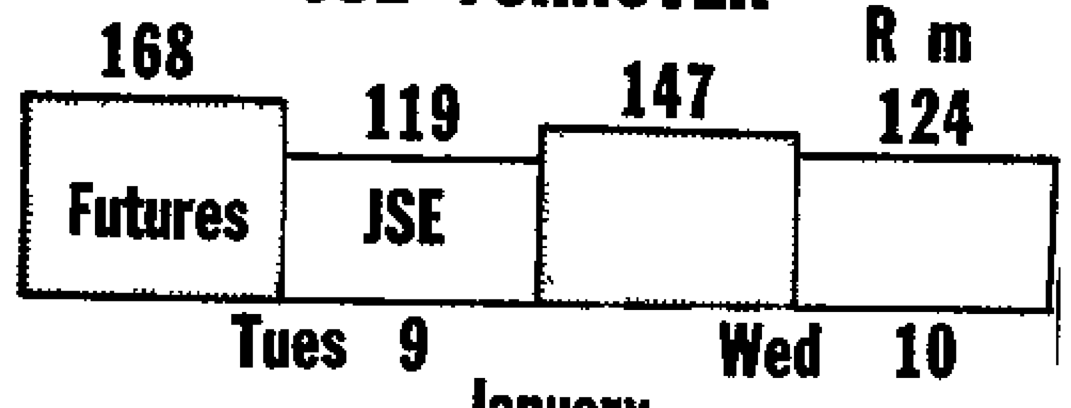
A trader at Greenwich Futures said that while the figures were good, this was by no means a record month But futures activity was now more stable and appeared to be regularly tracking the JSE.

Finansbank assistant GM Stuart Yates called the figures encouraging, but said the link with the JSE should be put in perspective — it was probably the most illiquid stock market in the world. It traded only about 5% of its market capitalisation annually, compared to about 55% in London and 70% in New York.

Futures activity in those centres was often five to ten times that of the underlying stock markets — a phenomenon of the tail wagging the dog

"We've come a long way, but we're far from that situation," said a Rand Merchant Bank spokesman

SHARE FUTURES TURNOVER VS JSE TURNOVER



Graphic LEE EMERTON

DATE

300 —

COMPUTERS

German marriage (232)

The decision by West German electrical and electronics giant Siemens to acquire control of compatriot Nixdorf Computer could hardly have come at a better time for local subsidiaries of the two companies

In SA, both Nixdorf and Siemens have struggled to establish themselves as major players in the computer industry The merging of their computer interests in this country — which appears likely if the acquisition goes ahead — would create a R100m-a-year company with a wide range of hardware and software products FM 19/1/90

Hampered by many of the problems that have beset its parent, Nixdorf SA is under-

FM 19/1/90

stood to have slipped into the red last year Though local MD Tinus Bosch is confident the company will be profitable in 1990, it would be considerably strengthened by merging with the data division of Siemens SA Nixdorf SA's turnover for the year ending December is estimated at about R40m

The data division of Siemens SA has long been overshadowed by the company's power engineering, telecommunications and commercial electronics businesses Though it has access to a wide portfolio of computer products from Siemens in West Germany, the data division contributed less than 5% of the local group's R1,15bn turnover last year A reorganisation in 1988 to place greater emphasis on fewer markets is beginning to show results but director Geoff Hainebach maintains the division is still making little profit

The merging of the data processing and communications interests of Siemens and Nixdorf would create Europe's largest indigenous computer company with annual sales of more than DM12bn Siemens, which turned over DM62bn last year, is a major supplier of computer equipment in Europe It distributes a wide range of products, including large mainframes, Unix minicomputers, PCs and communications equipment, and runs a lucrative software development business (232)

Nixdorf began to run into financial difficulties in 1988, two years after the death of founder and chairman Heinz Nixdorf The company reported a pre-tax loss of DM465m for the first nine months of last year and is expected to post a year-end deficit of between DM600m and DM1bn It has struggled to adapt to the changing requirements of the computer industry and move from being solely a turnkey supplier — responsible for every aspect of a customer's computer installation — to a company that can supply specialised applications software on standard hardware

Under the terms of the proposed takeover Siemens will acquire an effective 80% of Nixdorf and merge its computer operations with its new partner to form Siemens-Nixdorf Information Systems The deal is subject to approval of the German Federal Cartel office

In SA there is little overlap in the products marketed by Nixdorf and Siemens Nixdorf

FM 19/1/90 (232)

SA, a wholly owned subsidiary of its German parent, employs about 150 people and has a base of more than 300 customers. Though the company has recently concentrated on marketing Unix systems, most of its customers still use the firm's proprietary minicomputers. Unlike its parent company, Nixdorf SA did not venture into the PABX market — a major stronghold of Siemens in Germany and SA

Siemens has a 52% interest in Siemens SA — the other shareholders are the Industrial Development Corporation, Gencor and Sankorp which each hold 16% The local company's data division, which has a staff of 120 people, has also begun to attack the Unix market Other areas of focus are specialised mainframe applications — there are 45 Siemens mainframes installed in SA — networks and geographical information systems The division could well benefit by being moved out of the shadow of Siemens's other larger and currently more lucrative businesses ■

B Day 19/1/90

DCM sector a channel for development

LIZ ROUSE (232)

DESPITE some poor performances, the Development Capital Market (DCM) sector is still the springboard for development and expansion for well-managed companies and the ultimate transfer to the main board

Davis Borkum Hare analyst Louise Castle points out that 41 companies have been transferred successfully since the DCM's introduction

Although the DCM represents high risk opportunities, careful long-term selection could be rewarding for the patient investor, despite the stigma attached to the sector, says Castle

A review of the DCM sector's performance shows that in January 1988 95 companies were quoted in the sector, declining to 63 and 48 in December 1988 and 1989, respectively. Only 20% of the companies listed during 1986 and 1987 met their profit forecasts

The majority of companies have recently reported poor results and some results have been delayed

Castle says rights issues by highly rated companies are the best way of raising funds Not so for the lower-rated companies on the DCM board. Their cost of raising capital can be relatively expensive

This has been a prohibitive factor for prospective newcomers and as a result there has been only one new listing in the sector since June 1989

Castle says institutional trading on the DCM board is limited Shares are generally tightly held by the original vendors and investments made, if any, are in small value terms and have little effect on an institution's performance

Current negotiations keep Playtime in suspension

232

B/Day 19/11/90

SYLVIA DU PLESSIS

DCM-LISTED Playtime, whose shares were suspended in July 1989, has announced details of conditions to be fulfilled regarding the sale of its subsidiaries to Hunts-owned toy and leisure products manufacturer Hygienia Products

And pending completion of these matters, Playtime — pressured into the negotiations by its bankers after poor results for the 1988 financial year — is to remain suspended

The announcement, issued today, concerns the sale of Playtime subsidiaries Metrotoy, Wembley Balls and Woodken for a consideration of R150 000 and 17 000 Hunts ordinary shares at R10 each, and the businesses of the operating companies for a consideration of R3,1m plus 60 000 Hunts ordinary shares at R10 each

Distribution

Playtime says the indivisible transactions are subject to the fulfilment of certain conditions, the main one being that creditors of the operating companies agree to accept the distribution of R3,1m and 60 000 Hunts ordinary shares in "full and final settlement of their claims".

The group's major banking creditors — also its principal creditors — have agreed to this distribution.

Negotiations taking place with remaining creditors are expected to be completed by the end of February, it says.

Playtime has also agreed to acquire certain property-owning companies in exchange for its shares, subject to the transactions becoming unconditional and being approved by Playtime shareholders

Playtime chairman Martin Seehof and Hygienia chairman Ivan Posniak and MD Colin Weir could not be reached for comment yesterday

The group, listed in 1987, posted a R2,3m loss (R745 000 profit) in the year to December 1988 after directors predicted at the halfway stage that earnings would exceed R1m.

Directors later revised their forecast, saying earnings were likely to be "substantially lower" than this in view of the uptrend in interest rates and the imposition of import surcharges

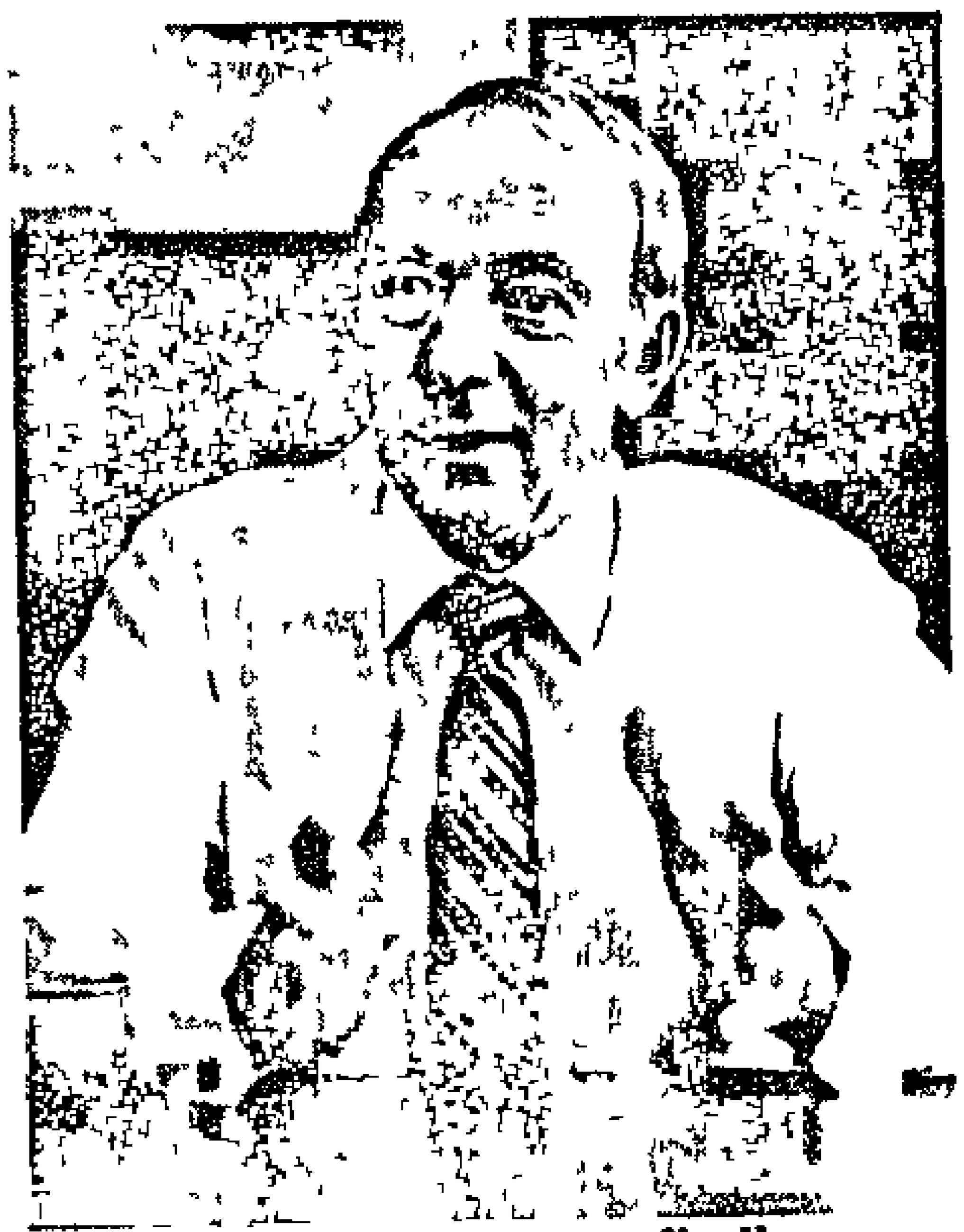
Karee merger? (232)

As the *FM* went to press there were strong rumours that a merger between Lonrho's Western Platinum and Impala Platinum's developing Karee Mine was imminent

It appears Karee is to be merged with Western Platinum's operations in return for which Impala will take about a 27% stake in Westplat The two mines are contiguous in the Marikana area of the western Transvaal. Approached for comment, Lonrho SA chairman Terence Wilkinson said he could say nothing before a press conference scheduled for Wednesday afternoon.

The deal follows earlier rumours of talks between Impala and Westplat (*Fox* May 12 1989), which were confirmed at the time by Wilkinson and Impala chairman Steve Ellis. Both said the talks related to areas of possible synergy between the businesses, including a possible swap of mineral rights. On Tuesday night Ellis declined to comment before a press statement due from Impala on Wednesday afternoon FM 19/1/90

The Karee mine is being developed to provide replacement tonnage for Impala's operations and, at first glance, it appears strange Impala should want such a deal.



Impala's Ellis ... finding synergies

FM 19/1/90 (224) (232)

From Westplat's side a major consideration must be the tax status of Karee It is a separate mining area and, therefore, should be "ringfenced" for tax purposes. However, one suggestion is the deal is aimed at lessening the financial burden on Impala, which is faced with developing both Karee and the Messina platinum project with limited financial resources

Karee was announced in October 1987, when it was forecast it would cost R406m in July 1987 money values to bring the mine to an initial production rate of 100 000 oz/year of platinum It was estimated a further R320m, in July 1987 money values, would be required to lift production to full planned output of 300 000 oz/year

Impala had planned to fund this through a rights issue but so far it has been unable, or unwilling, to do so because of stock market conditions It has funded the work from its own sources, spending R211m in the year to June 1988 and planning to spend another R190m in the current year The group may prefer to let Westplat spend the money needed to complete Karee, while concentrating its attention on Messina Westplat is in the final stages of a project to double its own production to 500 000 oz/year of platinum group metals, of which about 225 000 oz would be platinum

Brendan Ryan

Milly's trading profitably after restructure

(232) Cape Times 20/1/90

By AUDREY D'ANGELO
Financial Editor

THE restructured Milly's group might be "the embryonic stage" of a company which would give serious competition to Pick 'n Pay and Checkers, the chairman of the Shareholders Association of SA, Issy Goldberg, suggested at the general meeting yesterday.

Earlier in the meeting Goldberg questioned a forecast that the group — to be renamed Hyperette Stores — would achieve earnings of 1,2c a share on a turnover of R50m in the current financial year

He commented that it was "almost magical" that a group which had been technically insolvent at the beginning of the year, before being restructured, should now be trading profitably after restructuring.

But Milly's new chairman, Hein Ehlers, said "the old Milly's business has virtually ceased to exist" and, in its new form, had no interest-bearing debt except R200 000 worth of leasing repayments and its current trading position.

Ehlers explained that the group had a bank overdraft facility which swung from deficit to credit in the course of a month

Discussing the restructuring, Ehlers said that he was now the major shareholder owning 51% of the company with Unidev owning 34%.

The company now consisted of 27 convenience shops in strategic locations.

Of these, the majority were Hyperettes and four were branches of the Breadbasket, the upmarket delicatessen chain which proved successful in Johannesburg and was recently bought by Milly's.

The branch of Milly's in the Gardens could be highly profitable under its existing name and customers had asked that there should be no change

"The company is trading profitably now and will achieve the profit forecast for the year of 1,2c a share."

Goldberg said that, on a projected turnover of R50m, this implied better profit margins than the big chains

But Milly's had assessed tax losses in the region of R17m which meant "a tax-free ride for the next three to four years".

Approving Ehlers' statement that the company would have "a conservative policy" on dividends, in the interests of building up the business, Goldberg said he envisaged it "growing into a company with a turnover of R100m and earnings of 4c or 5c a share in a few years' time

"It must only expand within the parameters of no interest-bearing loan."

Ehlers said after the meeting that the Breadbasket in Sea Point — the first in the Cape — had been trading ahead of expectations. It was possible that another might be opened in the Constantia area, but only when it had been seen how the Sea Point branch traded outside the holiday season

Negotiations were in progress for more Hyperette sites, but he was "not in a hurry to open more stores".

Capital gains and the tax factor

WITH the stock market soaring to new highs on an almost daily basis (prior to this week's correction) many smaller investors have taken advantage of sharply rising share prices and have ventured back into the market, taking profits along the way.

This once again raises the eternal question. what is the attitude of the Receiver of Revenue in such cases? At what stage will the smaller investor be taxed on the profits of share transactions?

The principle in question here applies to all kinds of transactions like property sales, Krugerrands or any other kind of investment Previous disputes in this regard have always centered around the intention of the investor when the investment was originally made

Star 20/11/90

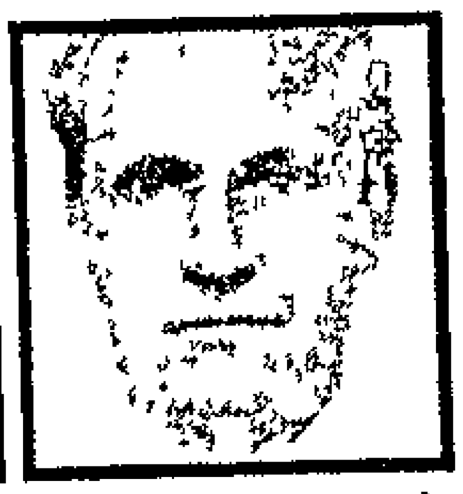
In a celebrated case in the Special Income Tax Court several years ago a private investor appealed against the decision of the Receiver to tax him on the profits made on the resale of his Krugerrands, bought some years ago His argument was that his original intention when he bought the Krugerrands was that it should be a long-term investment. However, a deterioration of his health forced him to sell some of the coins to pay for his medical expenses His argument was accepted

In the absence of any legislation defining what exactly constitutes a capital gain or a trading profit, this area is very much a nightmare for individual investors The same applies to large mining conglomerates

Money Matters

232 (220)

MAGNUS HEYSTEK



Many large mining houses currently hold billions of rands worth of equities on the Johannesburg Stock Exchange but are afraid to sell as they would run the risk of being taxed on the profits.

This is locking up very valuable capital which the mining houses need for further expansion but until this matter is resolved, they will not sell despite the fact that they bought the shares many years ago.

The smaller investor, however, is going to find it extremely difficult to pursuade the Receiver that a number of share dealing transactions over a short space of time will be anything but speculation. Under these circumstances it would be better to play fair and provide him with a full list of all share transactions and pay the tax required

If this route is followed, then severeal legitimate expenses will be tax deductible, like in any other business operation. All expenses incurred in making a profit on the JSE (or any other investment area) will be tax-deductible These include finance costs, telephone calls to one's stock broker, entertainment of stock brokers or analysts, costs of business magazines and also the cost of a personal computer and the software necessary to analyse individual shares.

A further advantage is that any losses on the share dealings will be tax-deductible as well

Large speculators on the JSE would also be able to make a very good case for deducting all or a part of an office at home if it is used in the process of speculating on the stock market

Does this method mean that an individual will necessarily be taxed on all his share transactions? Not if the Receiver is informed that the particular investor has two accounts, one clearly a share dealing account and the other a long-term investment account

All speculative deals are included in the first one while long-term investments are made in the other. This will prevent all share dealings from being taxed.

In some cases, particularly if the amount of money involved is large, it would make sense to register either a private company or a closed corporation through which all dealings are made.

GKO OF HARTEBEESPOORT writes. In 1988 my "independent" investment consultant advised me to invest R20 000 in Sandiv unit trusts At the time I was too naive to enquire into the why's and wherefore's

According to my own amateurish calculations, my investment has in little less than 2 years increased 42,7 percent in value

This impressed me no end, until I noticed in last Saturday's finance

Disenchantment with golds

NEIL BEHRMANN

LONDON — Disenchanted with flat quarterly results, a small number of London stockbrokers are becoming cautious about South African gold shares

"In dollar terms SA gold shares have increased by more than 60 percent since the bullion market turned in October," says Robert Davies of Shearson Lehman Hutton.

Star 20/1/90.

"But on fundamentals they now look expensive Price earnings ratios are 10 to 30 and dividend yields are presently in low single figures.

"Although we remain positive about the gold price, we only expect it to trade in a $400 to $450 range.

"Moreover a firmer gold price has already caused an appreciation of the rand and this trend is expected to continue.

"Further upward pressure on the rand may come from South Africa's improving foreign debt position and a less hostile attitude towards the country

"South Africa's debt is now less than 25 percent of gross domestic product compared with the 32 percent pertaining to Australia," says Mr Davies.

"A higher rand will negate most of the revenue benefits from the higher dollar gold price. Although domestic inflation appears to be more favourable, in the short run mines must still cope with cost increases of 15 percent.

"Since locals cannot invest abroad, they are bidding up gold shares to price earnings ratios of 30 or more," he says

"There is no reason why foreigners should compete with them"

For foreigners who can buy gold shares at a discount of 25 percent, estimates Mr Davies, prospective 1990 price earnings ratios of Driefontein are 24, Kloof 30, Deelkraal 16, Harties 27, Elandsrand 26,Randfontein 19, Vaal Reefs 9 and Freegold 8

Before a 15 percent withholding tax, dividend yields of Driefontein have fallen to 4,2 percent, Kloof 3,7 percent, Deelkraal 5,7 percent, Harties 3,5 percent, Randfontein 5,2 percent, Elandsrand 3,9 percent, Freegold 11,1 percent and Vaal Reefs 7,1 percent.

The calculations are based on an average gold price of $400 an ounce.

He is advising his international clients to switch into De Beers, a company with a wide portfolio of gold shares.

metal

Not alone was there very little buying or selling activity this week there was just about no news of any deals on the go Myles says there are a few currently being discussed but it will be a week or two before he can reveal any details.

Fintech.

Rhoex is expected soo announce details of its pla inject Rhombus Mining Rhoe, putting the mining exploration arms togethe will result in Rhoex becor the holding company of Nigel.

Record trading in 1989

Star 20/1/90.

SVEN LUNSCHE

232

THE total value of shares traded on the Johannesburg Stock-change surged to a record high last year Figures released by the show that during 1989 shares valued at R20,72 billion changed ha- an increase of 84,3 percent on the 1988 figure of R11,25 billion.

The total volume of shares traded rose by almost 1 billionn 1,79 billion in 1988 to 2,78 billion last year, as the number ofs surged from 731 249 to 902 223 Capital market dealers also had m to smile as the total nominal value of gilts traded improvea a record high of R195,371 billion compared with R175,763 billion in.

Predictably the most active stock was steel giant Iscor, whies listed only in November, but attracted about 300 000 investors

Second in the table is the Allied Group with 45,76 million es traded, followed by Knights Gold Mining with 45,18 million es. Completing the list of five most actively traded stocks are Richt (44,15 million) and De Beers (43,94 million0

The number of new listing fell further last year. Only 21 corres were listed, including one on the Development Capital MarketM) and two on the newly formed Venture Capital Market.

R1000 a month. other choice.

(232)

Star 22/1/90

Political sentiment lifts gold

Star Bureau

LONDON — Rumours of Nelson Mandela's imminent release have boosted both share prices and the rand and chartists say gold could go through the roof

Some experts have expressed fears about the effects of the rebel cricket tour, saying this could threaten the hope of an early end to the State of Emergency

But business people are nevertheless enthusing over prospects for South African shares, which have doubled on average over the past year in local terms and have made larger gains in Sterling because of the Pound's rise

Mr Rob Weinberg, from stockbroker James Capel, said "There is a vast dam holding back a vast amount of international money waiting to invest in South Africa if the right sort of political climate emerges

"Prices could well go substantially higher if a release date for Mandela is announced at the state opening of Parliament on February 2 and if the State of Emergency is removed, as many expect'

In the meantime, Richard Lake, at the World Stock Market Analysis, sees the price of gold consolidating earlier gains at the present $408 an ounce

He believes the price could rise to $460 and possibly $500 this year

Gold opened at $409 in Hong Kong this morning, after closing at $410,25 in New York on Friday

Anglovaal misses quorum

232 S/Times 21/1/90

By Julie Walker

A QUORUM could not be raised at general meetings of certain classes of Anglovaal shareholders this week

Most companies require three members to be present Anglovaal requires 75% A spokesman says that the Hersov and Menell founders of the company — and fathers of current chairman Basil and vice-chairman Clive — built in a protection for themselves in the event that they could not attend a meeting

When a quorum cannot be raised, the meeting is adjourned for a week Then those present can form a quorum, and proxies from the previous week remain valid Presumably, the founders thought they could get back to base within seven days

However, enough ordinary shareholders — 80% — were present to pass the resolutions to simplify the share capital. But the quorum requirement could not be met for the A ordinary shares or the 5% participating prefs

Anglovaal shareholders can have few objections to the way the group is run Both classes of ordinary shares jumped to all-time highs of R625 this week and the loan stock hit 4 475c.

Colfin group off to a slow start

Diagonal Street

ANN CROTTY

The latest rearrangement of assets within the Manserv/Cashworth/Colfin group (controlled by the MAP consortium) which involved Cashworth acquiring the Manserv assets and being renamed Colfin, has so far had little beneficial impact on the Colfin share price — currently languishing at around 45c.

Until last Monday, Colfin was listed in the DCM and was named Cashworth.

It was a R10,2 million cash shell. Although this was equivalent to 68c a share, Cashworth had for some months traded at only around 35c.

The discrepancy between the cash backing and the market price seemed to reflect investors' disenchantment with management's plan for the cash. That plan was to acquire the 13 subsidiaries of Manserv which was listed in the banking sector. (Six of the subsidiary companies were dormant.)

The plan not only entailed handing over all of the R10,2 million cash but borrowing an additional R2 million to match the R12,2 million price tag on the Manserv assets.

But after the deal, the Cashworth (now renamed Colfin) shareholders were sitting, not with R10,2 million of assets but R6,1 million. The missing R4,1 million is the difference between the net asset value acquired by Colfin and the price they paid. This sum is described in the Cashworth/Colfin circular to shareholders as the "premium on the acquisition of subsidiaries".

According to the circular, back in 1988 Manserv paid around R11,85 million for the assets it sold on to its associate company, Cashworth. At that stage it paid R4,8 million for Colfin Ltd; R2,21 million for Punch Line Columbia Training Ltd; R2,3 million for Punchline Education Ltd and; R291 000 for Academy of Learning.

In addition R2,25 million was paid for Accsys.

All of which seems fair enough except that the Cashworth shareholders had to pay R4,1 million for goodwill that obviously did not exist.

Deducting this goodwill leaves net tangible assets of R6,1 million, equivalent to 40,5c a Cashworth/Colfin share.

The pro forma balance sheet for Cashworth/Colfin after the Manserv acquisition shows that of this R6,1 million, some R4 million comprises trademarks. If this R4 million is deducted then the net tangible asset value drops to 19c a Cashworth/Colfin share — not the sort of figure to generate much enthusiasm among the Cashworth shareholders who may have been hoping to get paid out 68c a share in liquidation dividends.

On a more positive note the R4 million trade mark valuation reflects a professional, arms length assessment of the value of the Accsys, Colfin and, Punchline Columbia Group names

According to Colfin MD Mr Jeff Wiggill, an offer was recently received for one of these companies, valuing goodwill at R2 million.

In addition shareholders should realise that it is quite in order for a service-oriented company such as Colfin, to have a relatively low tangible asset base. The really valuable part of a service company is the quality of the management.

That Colfin is trading at around 45c (equivalent to ntav including trade marks) is probably attributable to a number of factors chief of which could be the market uncertainty as to the value to be placed on the quality of the management team headed by Jeff Wiggill and Harry Spain.

On the worrying side is the fact that there appears to have been a lot of churning of assets within the Manserv/Cashworth/Colfin group.

And there have been a number of major changes in plans. For example, on acquiring a very troubled Cashworth in early 1989, the original plan was to sell off the manufacturing assets and develop the retail side. This was changed when Spain and Wiggill received a very attractive offer for the retail operation. Critics might describe this as ad hocery or opportunism. It may be just as appropriate to describe it as astute and flexible handling of assets.

But it raises the point that while this management team seems to have proven itself as a very capable handler of assets (in just two years it has increased Manserv's net asset value from 65c to 105c and in less than one year lifted Cashworth's value from 39c to 65c) in terms of actually managing the Manserv subsidiaries there's little in the way of a substantial track record to go on.

The current mood of the JSE (seemingly fixated on gold shares and blue chip industrials) is not conducive to a rapid advance in the Colfin share price. Three years ago it would have been the sort of share in which investors delighted. It might even have generated the same sort of enthusiasm which, back in '86/87 took the Columbia share price to 800c from an issue price of 75c within five short months. (To an extent, Colfin may have to pay a price for the fall of some of the '86/'87 high flyers)

Mr Wiggill isn't too comfortable with the analogy but does not seem overly concerned with the current relatively low level of the share price, seemingly confident that Colfin's future performance will, in time, lead to a share price hike

For the 13 months to end-April 1990 he is forecasting earnings of 18c a share (annualised 16,6c) and, "barring unforeseen circumstances" a dividend of not less than 6c for the 13 months. This means that at 40c the share is on a prospective price/earnings yield of a mere 2,2 times and a prospective dividend yield of 15 percent.

For the former Cashworth's shareholders (who less than a year ago were, in Issy Goldberg's words "looking at a company that was perilously poised on the brink of disaster") this must indeed be a very pleasant outlook. It should be quite comfortably achieved considering that for the 12 months to end-March '89 the same assets produced eps of 16,2c.

Similarily for the Manserv shareholders, who a few years ago were also close to the brink, things are looking significantly brighter as a result of the Wiggill/Spain involvement.

Undisclosed finrand deal knocks firm

232) BARRY SERGEANT

STOCKBROKING firm Ed Hern, Rudloph Inc, has disclosed that it took a substantial knock arising from an unauthorised, undisclosed position in financial rands taken by one of its employees late last year.

Ed Hern last night said that not only had the losses been made good by the firm, but that the firm's capital had been increased by 65% compared to a year ago

He said that an "unauthorised, undisclosed position in financial rands was taken by one of our registered clerks which resulted in a loss

"Reluctant to admit the loss, the person concealed the position and increased it in an attempt to recoup."

Hern said the position was aggravated by large market movements during December

He added that the loss had been written off above the line, in order that its full extent would impact once and for all

The alternative was to consider the loss as a below-the-line extraordinary loss, which Hern said the firm would not countenance MDay 23/1/90

The loss was discovered by the firm's internal audit team early this month. Hern said the directors immediately "closed down" the position and met the shortfall

Hern stressed that the "financial position of the firm remains absolutely sound, and we have not lost nor do we expect to lose any of our key staff members"

He emphasised that the person concerned did not stand to gain directly from the action, "nor was it a case of so-called 'round-tripping', involving the illegal conversion of financial rands into commercial rands".

Hern confirmed that nobody else personally stood to make money out of the positions, and that the absorption of the differences was a "function of the market".

The matter had been fully reported to both the JSE and the Reserve Bank Hern said that part of "comprehensively dealing with the event was the suspension of the employee as both a registered dealer and as an employee of Ed Hern, Rudloph Inc"

Hern added "As a result of this incident, we have improved our control systems to ensure that nothing similar can happen again"

Figure estimated at up to R30m

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TrustBank hit by big loss on Eskom gilts

BIDay 23/1/90

ROBERT GENTLE

TRUSTBANK suffered a major loss in December on Eskom E-168 gilt options after misjudging the scale of gilt purchases by non-residents, and found itself dangerously exposed, bond market sources said yesterday.

The bank confirmed there had been "a mismatch" for December, but it would not comment on market estimates indicating losses of between R25m and R30m.

Bond market sources said TrustBank had written large amounts of call options at rates of around 16%, and had then found itself scrambling for stock to cover open positions when heavy foreign buying drove rates down

What probably followed was that TrustBank continued to write options to cover itself, but the falling rates simply compounded the problem — a phenomenon they described as "whiplash".

The scale of the exposure was such that ripples eventually reached the Reserve Bank, the bond market sources said

Reserve Bank senior deputy-governor Japie Jacobs confirmed that TrustBank's exposure had been brought to his attention

"We pointed out to them that it would be wise to cover themselves," he said.

Jacobs would not disclose exact figures, however, saying only that it was "unwise" for a bank to have such exposure

TrustBank senior GM, treasury and offshore activities, Martin Croucamp, said he had personally contacted Jacobs about the matter, and corrective action had been taken afterwards.

Croucamp would also not disclose the extent of the loss.

"It is the cost of restructuring the book that is relevant here, and that is not something we are uncomfortable with," he said

He did not elaborate and would not be drawn on whether the cost of restructuring the bank's book would have a detrimental effect on the next round of profit figures.

Without going into detail, Croucamp said TrustBank had miscalculated the timing of the bull market brought about by foreigners piling into SA gilts and driving rates down

"The rapid fall of that market caught us unawares," he said. "We thought the bull market would happen in the first months of this year We made a tactical error"

TrustBank was now back in the gilts market "in a limited way", and there were lessons to be learned

Reaction in the market concentrated on what was described as "TrustBank's failure to hedge" the exposure that inevitably results from the writing of a call option.

"This episode shows you have to administer and manage your positions when you have so many open call options," a JSE gilt trader said.

An options trader questioned the degree of control TrustBank management exerted over its dealing room.

He also pointed out that the options had been written in a thin market in which volatility was low.

"That is bad," he said

The Reserve Bank said it now regarded the matter as closed

"We are satisfied things will be monitored in future," said Jacobs its temporary suspension of imports

But China was expected to come back

continued and consumers were prepared to pay a premium for quality products.

Public servants edgy over govt plan

(232)

GERALD REILLY

PRETORIA — The prospect of a speed-up in government's privatisation programme this year is causing anxiety in the public service, according to sources here

Aggravating this growing insecurity felt by some goverment workers is the determination of Administration Minister Wim de Villiers to rid the country's bureaucracy of at least some of its fat

De Villiers said recently he would work closely with all Cabinet ministers concerned with the economy to develop a better system of co-ordination, monitoring and management in the service.

And backing him are the two private sector experts appionted last year to sharpen efficiency levels in the service — ISM's Jack Clark and Gencor's Tom de Beer

A Commission for Administration spokesman said they had helped develop a financial management system which was now being implemented

BDay 23/1/90

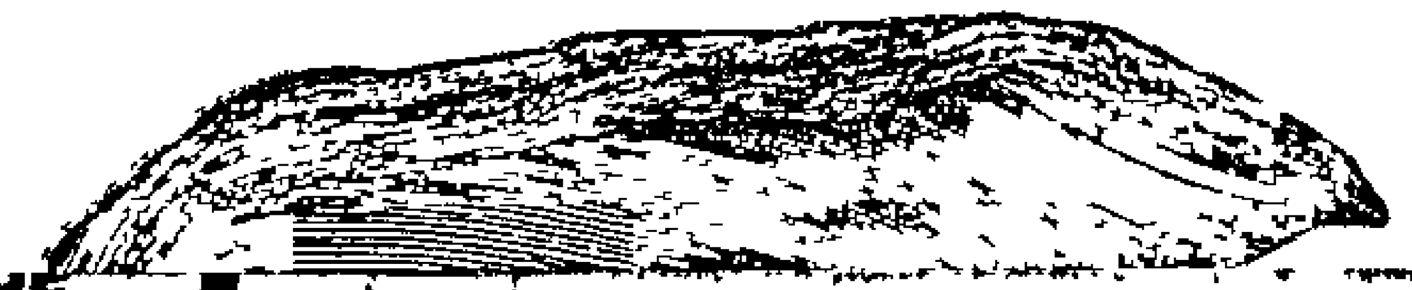
Trade and Industry Minister Kent Durr said recently the policy of decentralisation was under close study

There were large amounts of money involved, he said, and it was necessary to look critically at the situation

Sources pointed out it was not only large amounts of money involved, but large numbers of bureaucrats administering and dispensing lucrative incentives.

An editorial in the latest Public Servants Association magazine complains of the uncertain career prospects in the service and the destructive and unfounded criticism often aimed at government workers

The PSA claims the freezing and abolition on posts in the service has resulted in a 9% staff shortage and a saving of R400m a year for government



TR boosts share of paging market

(232) ZILLA EFRAT

TR Services' acquisitions of Unidata Security Systems (USS) and Nira SA will boost its burgeoning security business and give it 70% of the on-site radio paging market.

TR CE Peter Brennan said TR would pay about R1,5m for USS, a former Datakor subsidiary with projected annual turnover of more than R5m.

He said USS would extend TR's ability to provide turnkey solutions to the security needs of SA's larger mining and industrial companies.

TR is also to pay about R1m for the stock, customer base and maintenance contracts of Nira SA, a supplier of on-site radio paging equipment.

B/Day 24/1/90

The deal will increase TR's share of this market to 500 systems and more than 15 000 pocket receivers. Total value of this market is estimated at about R4m a year.

Both acquisitions are effective from January 1 this year, says Brennan.

Futures door may open wider

ROBERT GENTLE

THE Reserve Bank may soon allow non-residents to hedge and speculate on the local futures market via the finrand

This would provide the ultimate kick-start to the still informal industry, greatly increasing the liquidity of both the futures and finrand markets.

Safex (SA Futures Exchange) executive committee chairman and executive chairman of Rand Merchant Bank G T Ferreira said a formal sub-group was talking to the Reserve Bank about the matter

"I am fairly confident it will be allowed," he said

Reserve Bank officials were not available for comment

Ferreira said the Reserve Bank would probably give the green light once the formal market in the form of Safex was up and running later this year — the latest timetable suggests June or July.

However, other senior figures in the futures market said it might be sooner rather than later They said futures contracts would soon be classified as listed securities, which non-residents are allowed to trade in anyway

One trader said he had already started to sound out London-based market makers in SA stock in anticipation of just such a move, and said he believed his competitors were doing so too.

He said while JSE stockbrokers would probably be able use their well-established international links to profit from such a ruling, but many futures broking houses would have to make the contacts themselves

Traders said the most likely scenario

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B Day 24/1/90 (232)

Futures

B Day 24/1/90 (232)

☐ From Page 1

was an all-finrand one in which non-residents would place both initial and variation margins in finrand, gain interest on those margins in finrand, and take out eventual profits in finrand

They doubted whether interest would be permitted to accrue in commercial rand — this is presently the case with gilts — as this would result in capital outflows

Non-residents would then, they say, simply take out equal and opposite positions on the same contract — for example, go long and short on the gold index Virtually risk-free interest would then accrue, which would leave the country via the commercial rand

Another trader also warned of the possibility of abusing the arrangement to make risk-free profit

Among the overseas institutions thought to be able to profit from this eventual arrangement are market makers in SA stock like Smith New Court, Deutsche Bank and Credit Suisse/First Boston

Bolpro plan to dispose of properties

B Day 24/1/90

SYLVIA DU PLESSIS 232

BOLTON Properties (Bolpro) has announced plans for the disposal of certain fixed properties and a major portion of its plantations during the current year as part of a scheme to distribute some of its surplus funds among investors

This follows a warning to shareholders in November last year, on the back of the publication of the company's interim results, to exercise caution when dealing in their shares

Directors said at the time they had decided properties and other assets should be "realised to the best advantage of shareholders" and from time to time the proceeds would be repaid to them by way of reduction of share premium account

Their proposal, yet to be approved by shareholders, entails the distribution of surplus funds on hand to Bolpro shareholders by way of a reduction of R11,9m in the share premium account in the company's capital from R23m to R11,1m

The effect of the disposals and the proposed capital reduction on February 22 on Bolpro's earnings, assuming those for the current year to February would have been identical to those for the 1989 financial year, would be to increase earnings to 18,9c a share from 16,9c

The net asset value attributable to one Bolpro share is thus about 540c.

Property-listed Bolpro, which owns transport depots, motor dealership premises, houses and pine plantations, reported 11% growth in turnover to R1,4m (R1,2m) and attributable profits of R402 000 (R355 000) for the six months to August last year A dividend of 4c (2,1c) a share was declared

BDay 24/1/90 (232)

'SA market least liquid of top exchanges'

ROBERT GENTLE

THE JSE has confirmed its ranking as the least liquid of the world's significant stock markets by trading a mere 5,5% of its total market capitalisation for 1989

The figure, which compares with 4,4% for the previous year, is based on the total value of shares traded and the average market capitalisation of the JSE at the start and end of 1989

It comes despite an 84% leap — from R11,2bn in 1988 to R20,7bn in 1989 — in the total value of shares traded

Acknowledging the figures, JSE president Tony Norton says the JSE is the least liquid of the world's significant stock markets.

The next worst in terms of liquidity, he says, is Brussels (18%) and Stockholm (19%)

London and New York are known to trade in excess of 50% of total market capitalisation

Norton ascribes the plight of the JSE to high Marketable Securities Tax (MST), lack of clarity on the issue of income versus capital and double taxation of dividends.

"These factors have been identified by the Margo Commission and the government is working on them," Norton says.

He adds that the low liquidity means the cost of capital on the JSE is unnecessarily high

Norton says the JSE's Traded Options Market, scheduled to open by the end of March, will help the liquidity of the underlying market

"But it will be a palliative, not a cure The tax is the problem," he says

The low liquidity has meant that daily turnover in share related futures often outstrips total daily turnover on the JSE itself.

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W & A Investment Corporation subsidiary buys US service company

ZILLA EFRAT

W & A INVESTMENT Corporation's London-listed subsidiary AAF Investment Corporation has made its second acquisition in the rapidly growing system and modular building market

After completing the £5,6m acquisition of UK-based Premier Construction last month, AAF will pay £3m cash for Mobilbau Inc, which operates in eight US states

AAF CE Peter Greenhalgh says Mobilbau is primarily a service organisation offering design, project management and financing for system and modular buildings

Its client list includes NSA, General Electric, Disney, Westinghouse and Hospital Corporation of America

Mobilbau will continue to be operated by its existing management team from its head office in Ohio.

Together, Premier and Mobilbau have a combined turnover of more than £20m a year.

Thus, says Greenhalgh, they offer "excellent prospects for rapid growth in both the short and long term".

The total price of £8,6m for Premier and Mobilbau represents a price earnings multiple of 7,5 times.

"These companies are leaders in a niche industry that is showing explosive growth in markets around the globe," says Greenhalgh

Both Premier and Mobilbau concentrate on the quality end of the market. There is scope for cross-fertilisation of technology, design and marketing skills between the UK and US businesses, he says

After paying for the two companies, AAF still has over £18m cash on deposit for investment in modular building and other industries

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Ozz's management trims Lucem down

BRENT MELVILLE (189)

THE recently installed Ozz management team at Lucem has begun the process of rationalising its new assets

B/Day 24/1/90

Lucem announced yesterday it had sold off its motor component dealerships to the Silver group and Curle Acquisitions had concluded the sale of Lucem's 75% stake in Perana Plastics and Talima Plastics

Last September Gary Zulberg led a daring leveraged buyout of Lucem by a consortium composed of Ozz Holdings and First National Corporate and Investment Bank (First Corp)

Before that deal, Ozz, in which the Zulberg interests hold 65%, had 26% of Lucem, which was jointly controlled by themselves and the Krok brothers.

Ozz now holds almost 57% of Lucem, and the restructuring, now under way, will see it increase its stake to 85% of Ozz Industrial, a new company being established to hold Ozz's and Lucem's operating interests. First Corp has bought the remaining 15% in Ozz Industrial.

"We are moving rapidly to concentrate on our key areas, which we have clearly identified as the engineering businesses, the Bruma Lake project and the construction operations," said Zulberg.

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BRENT MELVILLE (1989)

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"We are moving rapidly to concentrate on our key areas, which we have clearly identified as the engineering businesses, the Bruma Lake project and the construction operations," said Zulberg. (189)

Futures brokers do brisk trade on JSE

BDay 24/10/90

ROBERT GENTLE

FUTURES brokers did brisk trade in local futures contracts yesterday after it became apparent that the JSE was not about to mirror the massive fall on Wall Street the day before.

Traders said all share, gold and industrial futures contracts had been marked sharply down at about 8am in anticipation of the JSE opening sharply down in sympathy with Wall Street's huge fall the day before.

In the event, the JSE opened only slightly lower then quickly stabilised, aided by an initially weaker finrand and a firmer gold price.

Futures consequently shot right back up again, cancelling out earlier falls and creating huge swings which exceeded 100 points — or R10 000 on a standard lot of 10 contracts.

Greenwich Futures and Holcom Futures in Johannesburg, as well as SA Futures and Options in Cape Town, all reported active morning trade.

A Greenwich trader described it as a rerun of the volatility of the previous week when the JSE bucked the trend of the falling Nikkei index in Tokyo and caused huge swings in local futures contracts

DIAGONAL STREET

Foreigners prompt surge in SA golds

232

GOLD shares made a sharp about-turn at noon yesterday on perceptions of an improving gold price A report of the imminent release of jailed ANC leader Nelson Mandela helped fuel aggressive buying

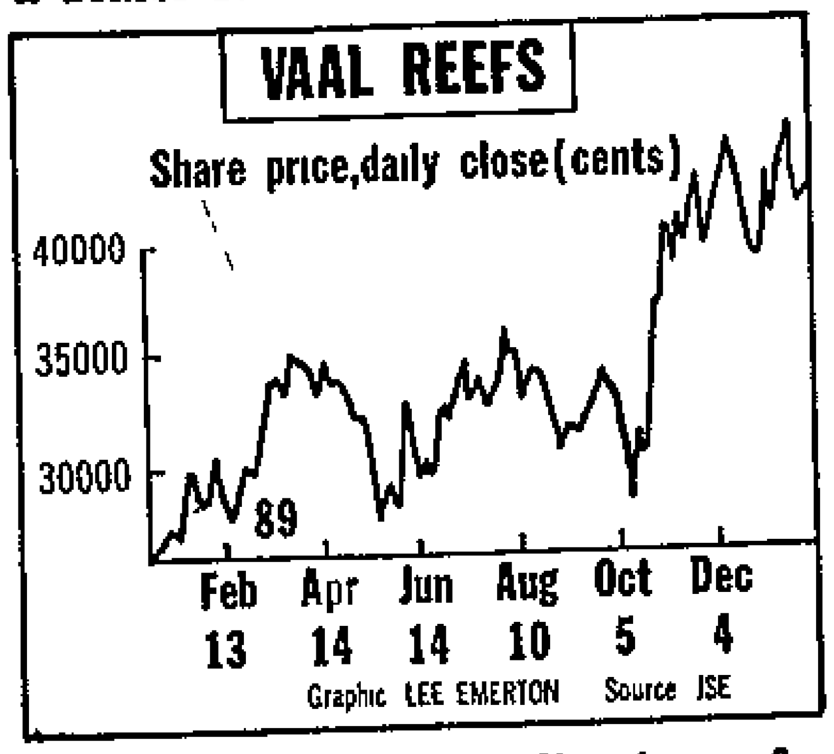
The market opened softer but heavyweight and other selected gold shares held up well on a combination of a weak finrand and initial buying from the Continent.

Buying picked up later and some dealers described demand for golds from overseas and local investors as "aggressive". The Mandela news caused a sharp rally in the finrand investment currency but shares held on to their gains.

After easing four points to 2 050, the JSE all gold index climbed to 2 092, a gain of 38 points on the day, enabling the overall index to turn around from a 13-point fall and close six points up at 3 114.

Leading industrials came off their lows but the index fell 18 points to 2 897 on nervousness over the slide on global stock markets.

"The gold market has had a correction and could be on its way again but I do not think we have seen the end of weakness among quality industrials," a dealer said.



Dealers reported indications of a good market in SA shares overseas. This was reflected in ASA — a company with assets consisting largely of SA gold shares — which rose on Wall Street on Monday as the Dow Jones plummeted 77 points, its 10th largest one-day fall in history.

Gold rose nearly $3 to a London morning fix of $408,60 on fresh buying sparked by a weaker dollar and concern over further falls on Wall Street. A firmer silver market aided the trend.

Star performer on the gold board was STILFONTEIN, which surged 25% or 475c to a new high of R23,50, more than double its May low of R11. The company paid a 200c interim and is cum dividend with a final of 130c The shares are mainly favoured by overseas investors.

Heavyweight VAAL REEFS closed R11 up at R425, but off a high of R427, and DRIES recovered early losses to end 125c up at R54,50. Lightweight golds, which had suffered most in the recent downturn, made the largest gains.

BLYVOOR climbed 13% or 150c to R13; HARMONY, which reported substantially improved December quarterly results, maintained its uptrend with a rise of 10,3% or 375c to R40,25, while LORAINE jumped 6,9% or 85c to R13,25

Mining holding leader AMGOLD rose 700c to R372, but JOHNNIES continued to lose ground in the mining house sector. The shares eased 100c to R50m, for a decline of 18% from its peak, a week ago, of R61.

ANGLOS eased 75c to R128,75 but CHARTER came off its bottom with a gain of 110c to R26,35. Diamond leader DE BEERS was weaker, in line with Wall Street's slump The shares closed 25c off at R62,25.

SASOL was the most actively traded leading industrial, but the price declined 25c to R13. SA BREWS recovered a 50c loss to close unchanged at R30.

Retailers and wholesalers was the only firm sector on the industrial board as EDGARS rose 200c to a fresh peak of R32 This is almost double its 12-month low of R16,50 in April.

CONSOL rose 45c to a new high of R18,25, placing the shares on a historical dividend yield of 1,8%. The rise came on news that its tyre manufacturer Tycon (formerly Goodyear) has merged with Tredcor to form a tyre giant.

Troubled INBOARD came off its low of 20c on a 5c rise to 25c on evidence to the Supreme Court that the group's financial position is strong despite strains on cash flow.

MUTUAL & FEDERAL was the bright spot in the insurance sector on a rise of 75c to a fresh peak of R14. SANTAM firmed 10c to 280c.

SAAMBOU, up 4c to 100c, was the only share to show a rise in a weak bank sector ALLIED fell 6c to 130c while UBS continued its decline from last Thursday's peak of 665c. The price eased 15c to 620c.

MERVYN HARRIS

Political sentiment lifts JSE

232 **Finance Staff** [redacted]

Initial fears that the JSE would crumble yesterday amid Monday's three percent slide on Wall Street were dispelled by large-scale foreign investment on the stock market Star 24/1/90

Over the last few months foreign investors have pushed up the JSE to new record highs, while local institutions remained on the sidelines as gold failed to break through the $420 mark

Non-resident purchases of local stocks, in particular mining shares, have intensified lately, fuelled by reports of the imminent release of Nelson Mandela

Political sentiment had already improved since President FW de Klerk took office and tentatively moved on the path to reform, but the release of Mandela could unleash a new flood of foreign investments, say local analysts

That is not to say the JSE will be immune from international stock market movements, but it certainly will be sheltered to some extent by the prospect of meaningful reform

This, in addition to a gold price above $400 and the discount offered to foreigners through the financial rand, will keep the JSE moving up although at a more moderate pace than in recent weeks, argues one stockbroker [redacted]

Not all analysts agree though "The JSE will not escape the repercussions of the sharp drop this week in the Dow Jones and a downward correction could be expected," says Syfrets Unit Trust manager Anthony Gibson.

"We expect this to go on for about two months, unless the gold market should run, in which case our market would run counter to the current international trend," he adds

BDay 28/11/90

Mashold earnings look set to rise

SYLVIA DU PLESSIS

DIRECT mail order group Mashold is likely to produce earnings of 33,3c (25,6c) a share during the current financial year to February, according to Frankel, Kruger, Vinderine retail analyst Aloma Jonker

Should it be able to reduce debt levels, continuing good growth in earnings levels is expected, she says

Earnings growth for the group "should remain in excess of 20% until 1992, when earnings could reach 53,5c a share", as its tax rate is expected to remain low during the next three years because of export allowances and remaining tax losses.

"Improved economic conditions and lower interest rates should add to earnings growth during 1992."

The retail and wholesale-listed group's customer base of more than 3-million is relatively unaffected by economic downswings.

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Profit

Jonker forecasts an increase in turnover of about 40% (51,9%) during the current year.

Pre-tax profit looks set to rise to R8,2m (R6,2m) translating into attributable earnings of R6,5m (R5,1m), from which total dividends of 15c (12c) will be declared.

Jonker says while the group operates in a growing market with very little competition, the share is to be recommended for portfolios requiring smaller holdings, as tradeability is relatively low.

"Mas Holdings we regard as offering a better opportunity than (holding company) Mascon," she says.

Market speculation is that the group, which last month warned shareholders to exercise caution in dealing in their shares, is set to buy into struggling competitor Springtex and take over its assessed losses.

Consultants aid in civil service trim

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BDay 26/1/90

GRETA STEYN

GOVERNMENT is implementing a rationalisation programme aimed at saving hundreds of millions of rand in spending by slashing the size of the civil service.

With the help of private sector consultants, a large-scale investigation is underway to pinpoint activities that could be provided by the private sector rather than the civil service.

Merchant banks, accounting firms and academics are helping to create this leaner civil service.

Privatisation director in the office of the Commission for Administration Kallie Saayman said yesterday the employment of thousands of civil servants, and at least hundreds of millions of rand in government spending, were affected.

"New savings plans are currently being drawn up by teams headed by directors-general of government departments. Private sector consultants, including Tom de Beer of Gencor and Jack Clarke, formerly of IBM, are team members."

Apart from these programmes, details of which are not yet available, a few smaller programmes are under way.

The main target of these smaller operations is cutting services by government for government.

One of the first items on the agenda this year is likely to be the scrapping of government's own transport service, or government garage, as it is known — a service with an annual budget of R400m and assets of about R300m that could be sold.

Saayman said government was currently finalising plans for its internal transport service.

"The suggestion is that transport is left entirely to the departments to arrange through contracts with the private sector."

Another thrust is in catering, cleaning and gardening — all functions that need not be performed by civil servants, Saayman said.

"The saving through privatisation of these three services is clear from the number of civil servants employed in them — 38 000 — a number we aim to reduce dramatically."

These services would be phased out over a period of three years and it was hoped small businesses would benefit.

Another programme was in the Department of Public Works, where activities such as maintenance of government buildings were already in private hands.

A study in the Water Affairs department aims to improve efficiency and find ways in which engineering and other services can be farmed out.

The move to create a leaner civil service is an extra source of business for private sector management consultants.

Merchant banks Finansbank and SMB and accounting firms Pim Goldby, Deloittes Haskens and Sells, Price Waterhouse and Arthur Andersen are known to have pitched for the business.

In the case of government's garage, four consultants' input was used, including that of Price Waterhouse. Pim Goldby was involved in the Public Works rationalisation. SMB and Deloittes are finalising a study of Water Affairs.

'FW speech crucial to business'

B/Day 26/1/90 (232)

GERALD REILLY

PRETORIA — The economy was holding its breath until the content of President F W de Klerk's opening address in Parliament on February 2 was known, Information Trust Co-operations CE Paul Edwards said yesterday. B/Day 26/1/90

Business was poised on a knife edge and positive indications of real and significant reform would contribute greatly to a soft landing and even a measure of growth during 1990, he said.

If, however, expecations were not realised the adverse impact on business confidence could be dramatic with the threat of tightened sanctions and boycotts

Edwards was commenting on the latest liquidation and insolvency figures released in Pretoria by Central Statistical Service yesterday

They show liquidations in the last quarter of last year decreased by a solid 26,5% to 382 compared with the third quarter.

Insolvencies, however, increased by 6,6% to 662 in the three months to end-November compared with the same three months in 1988.

They decreased by 1,3% compared with June-August last year.

If there were reasons in De Klerk's speech for favourable political perceptions, this trend could continue and strenghten, adding further to a more optimistic outlook for the rest of the year.

Exporters on rack as the rand rallies

S/Times 28/1/90

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Hawton happy about Kei deal

Business Times Reporter

TRANSKEI Sun International (Transun) is ready to expand its casino empire in Transkei after settling its differences with the Government

Buddy Hawton, chairman of parent Kersaf says the settlement is a breakthrough for Transun, even though it has lost its exclusive gaming rights in the central and southern regions of the territory

"The northern areas closest to Durban and the south coast were most important to us and we have exclusivity there

"In addition, we have agreed to casino levies of 7,5% for three years and 10% thereafter We are also glad it is an eight year agreement. The previous one was for only six years."

Mr Hawton says Transun paid nothing for the settlement, not even the Transkei Government's legal costs.

Island

But the agreement is strictly between the company and the Government It does not affect Sol Kerzner or anyone else involved in a R2-million payment to former President Matanzima.

Mr Hawton says his company will consider spending many millions on extending the Wild Coast Sun and in other places.

Former Western Province cricketer Andre Bruyns and Roy Meaker, his Durban businessman partner have been prevented by the new agreement from going ahead with their proposed casino resort at Umzinkulu.

The site on an "island" of Transkei territory is inland but in a beautiful setting. It is closer than the Wild Coast Sun to Durban.

Mr Hawton says the agreement means that Transun will have exclusive rights to the Umzinkulu area The company is interested in the area because it is close to the Maritzburg and Natal Midlands markets.

Mr Hawton says the agreement requires Transun to close two small slot-machine operations, one at Idutwa and the other at Mount Frere in a

S/Times 28/1/90

FAIZAL HAFFEJEE world quest for a publisher Picture Margot Williams

Faizal's game plan hits £15m jackpot

By Charmain Naidoo

A SOUTH African has signed contracts worth £15-million (about R61-million) with two London-based Arab publishers for the rights to his religious game and encyclopaedia.

Faizal Haffejee and his brother Zane travelled to many parts of the world in trying to sell their game Islamic Quest, launched in SA a year ago

They struck gold when an Arab publisher — he fears blacklisting because of the SA connection and wishes to remain anonymous — offered them a deal.

Guarantee

Mr Haffejee says He wants to manufacture, market and distribute my game worldwide — excepting South East Asia, Singapore and Australia, which we will handle

"In the first year, we are guaranteed sales of a million sets and 5-million in the next three years.

"I will receive a minimum of £4 a set plus £100 000 a month for 12 months for the purchase of the rights"

The second publisher has

When the brothers set out last year on a 16-country tour to sell Islamic Quest — a trivial pursuit type game dealing with Islamic general knowledge — they had R78 000

"We took every cent we had because I believed there were enough Muslims who would be fascinated by my game It teaches children and adults about the religion.

"In Paris alone — Islamic Quest is being translated into French — there are 6-million Muslims."

Islamic centres, especially in the Middle East, competed for sole rights to the game Most were not prepared to produce the game, wanting only the product

"As South Africans we knew we would have problems in setting up factories in Europe Anyway we did not wish to become involved in production of the game for a world market. To keep our hand in the business, we have a factory in Malaysia and will distribute to South-East Asia, Singapore and Australia

"Our Arab publisher will manufacture the game in Jordan."

The publisher said from London that he expected the game to be a top seller

After Islamic Quest was launched in SA, 10 000 copies were sold within weeks.

"It was sad that we had to go abroad to find a publisher We tried here, but had neither financial support nor the resources to market the game internationally,' Mr Haffejee says.

Expensive

Another obstacle was that South Africans found the game, retailing at R65, expensive. It costs the Haffejees R35 to produce the board and cards that make up Islamic Quest.

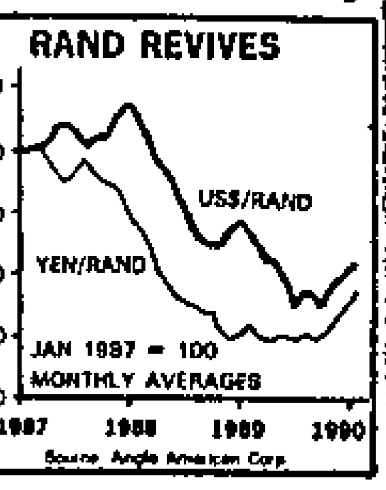
Mr Haffejee says "I thought up a game for SA Airways, but it was rejected International flights can be long and boring, so I designed a simple board game to fit in a seat pocket.

'Now I am negotiating with four American and two European airlines and will take the best offer"

Business Times Reporters

THE firmer rand is devastating the earnings of exporters It has strengthened by nearly 10% against the dollar and the yen since September Foreign-currency earnings by companies could fall by R4-billion a year if the rand and export volumes remain unchanged

Because companies cannot effect concomitant cost savings, the R4-billion comes virtually straight off the bottom line



The improved political outlook, together with monetary and fiscal discipline, a healthier balance of payments and possibly a weakening dollar, could push the rand still higher and squeeze exporters even harder

The Reserve Bank is on record that it will not allow the rand to kill non gold exports — but Governor Chris Stals says curbing inflation is the priority The inference is that the bank will not try to suppress the rand's rise yet.

Killing

Because the harder rand means lower inflation, cheaper imports and travel, consumers welcome it But exporters, who made a killing in SA s darkest hour when the rand was on the floor, are struggling.

Gold, platinum, diamond, sugar and coal exporters have received some compensation from higher dollar prices — but returns from other commodities have plummeted in dollar terms

- The ferrochrome price has fallen by 34% from $0,84 a pound to $0,55 since last August.
- Stainless-steel prices are down 35% in seven months
- Vanadium has fallen by 68% from $7,5 a pound last July to $2,5
- Copper has plunged by 30% from $3 400 a ton a year ago to $2 363

The share prices of several large exporting companies have cracked Samancor is down from a recent high of R24 to R15, Phalabora Mining from R65 to R56,50, Vansa from R9 to R4,25 and Highveld from R22 to R16,25

Other prices have held highs, including Associated Manganese Haggie and Barlows. Analysts hope Barlow Platinum and other companies will compensate Barlows from the expected downturn at Middelburg

Nullified

For gold mines, the firmer rand has partly nullified the 15% rise in the metal s dollar price in the past four months

When gold was at $360 in September, a dollar was worth R2,75, so the price to the mines was R990 an ounce. Today, with a gold price of about $415 and the dollar worth about R2 55 the rand price is roughly R1 060 The mines' rand price has risen by only 6,8% But their costs are rising at more than 15% a year

Barlow Rand managing director Warren Clewlow warned this week that profits of his mega group s biggest earner, Middelburg Steel & Alloys (MS&A) were bound to fall Analysts estimate the impending earnings fall at 30% to 50%

Paddy Probert, general manager of MS&A's ferrochrome division, says strategy is to watch the long term. MS&A sees prices reviving in two to three years. Its new R250 million world first chromium direct reduction plant will reduce its variable costs.

Iscor managing director Willem van Wyk says a softer trend in world steel prices is even more worrying than the harder rand.

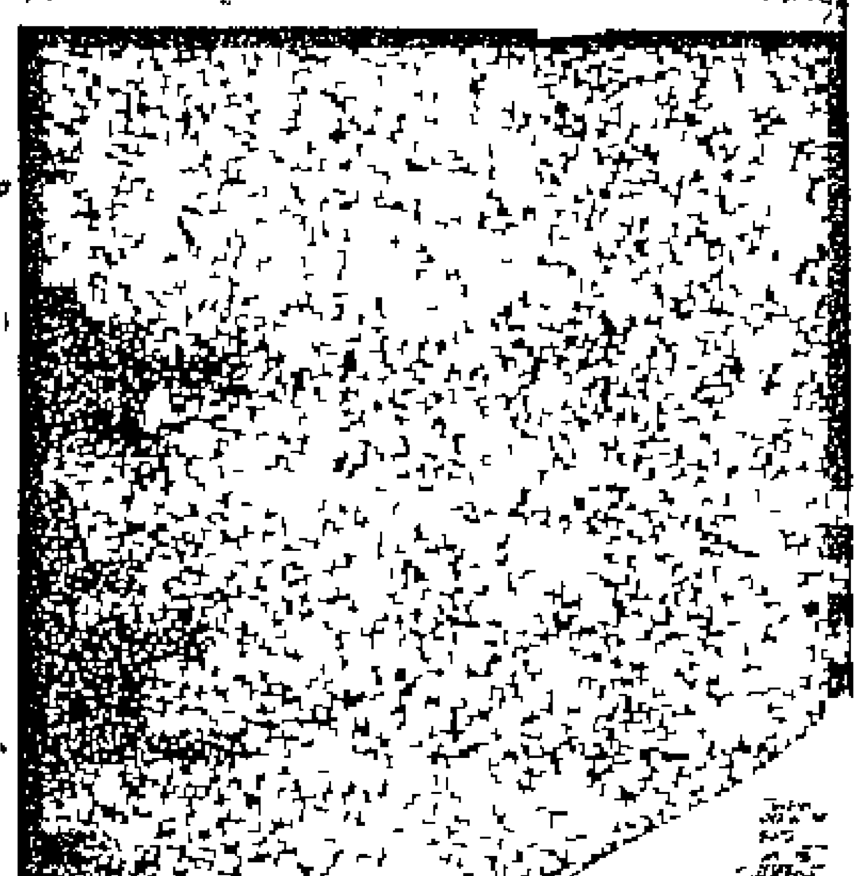
Like other chief executives interviewed by Business Times, he will not speculate about the effects on Iscor's earnings.

Incentives

Hans Smith, managing director of Samancor, Gencor's biggest profit earner, says a 10% stronger rand could knock 30% off an export company's bottom line.

After flagging last year, ferromanganese prices are close to a high of $650 a ton. But rand receipts are still expected to be down — and

● To Page 3



S/Times 28/1/90

Exporters

● From Page 1

74 232

costs are due to rise

Haggie group managing director John Feek says 1990 will be a challenging year for the world's biggest wire-rope producer

Mr Feek says the stronger rand is not the only problem His company has to contend with high domestic inflation

MS&A and Highveld Steel both believe that the only way to beat the strengthening rand is to cut costs and control inflation The heartening side-effect of a strong rand is reduced inflation

Highveld Steel general manager, marketing Robert Herbertson believes a strong rand will have a directly proportional effect on export profits The only way to combat a stronger rand is to restrain costs

"It will be a more difficult year than 1989, but we are geared to cope"

Mining houses are among those hardest hit by the stronger rand They stand to lose billions

Rand Mines gold division chairman Clive Knobbs says the flattening of revenue has a serious effect on profit margins But he is confident that the rand will weaken in coming months

Other rand hedge stocks that are bound to suffer from a rand recovery are Safren through Safmarine, Plate Glass, Richemont, Oceana Investment Trust and First Investment Trust The latter three are affected mainly by the finrand

B Day 30/1/90

Marlin deal unlocks plans for fast growth in granite operations

CHARLOTTE MATHEWS

MARLIN Corporation's R37,7m in cash will enable it to expand its existing activities and also expand by purchasing other operations, the directors said yesterday.

Marlin announced yesterday that a consortium headed by the Board of Executors would acquire control of Furnfair, which holds R37,7m in cash

Furnfair will offer to exchange 60% of the Marlin shares for Furnfair shares at 190 Furnfair for 100 Marlin. This will create 41m new Furnfair shares and bring the total of Furnfair shares in issue to approximately 62m. Furnfair will become the pyramid holding company of Marlin.

Marlin will raise R37,8m by a rights offer of 30 Marlin shares for every 100 held, the offer to be underwritten by its pyramid company.

"Marlin will be able to expand its existing granite operations at a faster rate than would otherwise be the case," chairman Peter Gain said in a telephone interview yesterday.

Embassy

"Our existing activities are quarrying and exporting of granite blocks, international granite trading and the processing of granite, including its application in specialised cladding and flooring contracts on construction projects.

"The group is actively engaged in SA in work on Bank City and Anglo American's new head office at 55 Main Street, as well as the US Embassy, Pretoria."

Financial director Ian Macmillan said the group was moving more into the beneficiation of granite.

"We believe the future of the industry lies in this area (232)

"Up to now we have been mainly engaged in the sale of the raw material Initially beneficiation would not form a large part of our operations but we will expand this as rapidly as the market will allow."

He said the new arrangement would have a significant effect on the group's earnings

Marlin announced its first step into beneficiation in September with the acquistion of Marble Pentelic, a leading granite and marble processor for building contracts.

Lower stock levels could help reduce Reggies' debt

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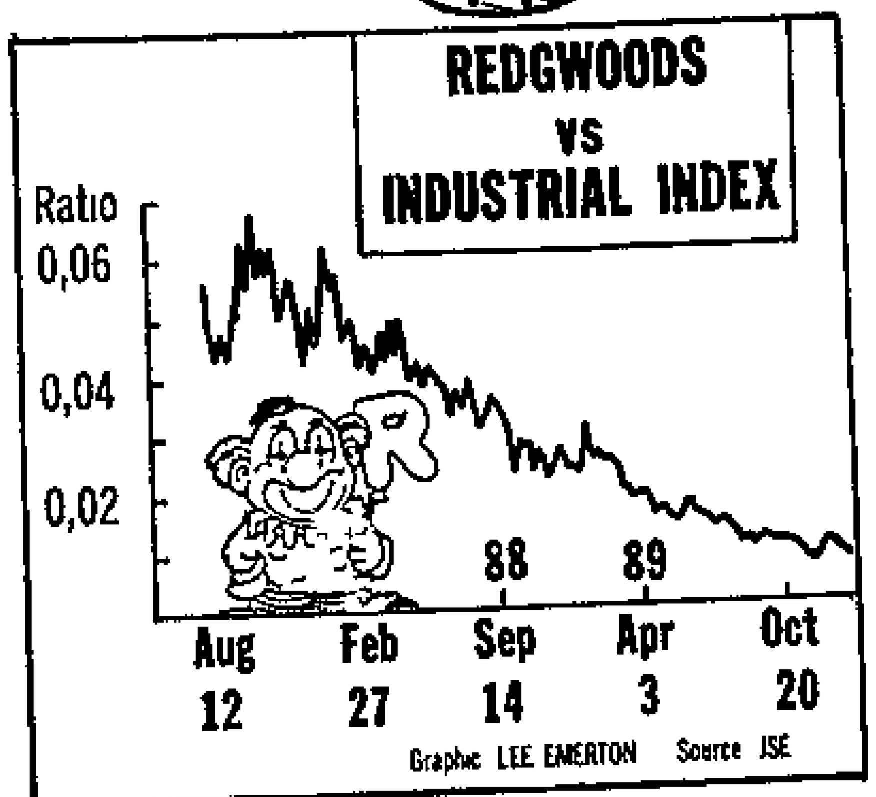
B/Day 30/11/90

ANALYSIS:
STEPHEN RICHTER



THE continuing decline of Redgwoods Holdings (Reggies) share price indicates growing investor dissatisfaction with this group's performance since its JSE debut in July 1987.

The share price has fallen to a recent low of 19c from its 1987 peak of 150c. Reggies closed yesterday at 23c.

Waltons held a controlling stake in Reggies prior to the toy retailer's JSE listing, and continues to retain this stake. Investors feel Waltons' superior earnings growth record justified a premium rating for Reggies shortly after making its JSE debut.

After all, Waltons management team is highly regarded in the investment community, and Reggies was expected to produce impressive growth figures.

Indeed, in the first year after its listing, Reggies exceeded all expectations as the group earned 6,1c for the 12 months ended February 1988, compared to EPS of 3,3c for the previous financial year.

This 1988 performance was well up on the expected 4,1c, as indicated in the prospectus, and justified the premium rating of the share. At its peak of 150c, Reggies had risen 200% above its original offer price of 50c.

Action

But when investor confidence was severely shaken after the October 1987 crash, Reggies' share price suffered. Reggies failed to respond to the strong rebound in industrial share prices that followed.

The market action of the share was indicating that there was potential trouble brewing for the company, and one of the first disappointments came in the interim report covering the six months ended August 27, 1988.

The prospectus clearly indicated the group intended paying an interim and final dividend in respect of each six months financial period. But in the August 1988 interim statement, the directors informed shareholders that no dividend would be forthcoming.

While the directors did discuss the interim dividend in the interim report, they did nat inform shareholders that financial 1989 results could be disappointing. This may have played a major role in the prevalent loss of investor confidence toward Reggies.

It appears that management did not adequately prepare for the abnormally high interest rates and reduction in consumer discretionary spending that has plagued many SA companies during the past year.

These problems caused Reggies' financial 1989 earnings to fall marginally to 5,1c from 6,1c earned during the previous year. But the conditions worsened in the latest interim period, as after-tax income dropped nearly 90% to R98 000 from R934 000.

Waltons director Alan Muirhead has since replaced Bernard Akal as MD.

Muirhead stresses that stocks will be lowered to manageable levels, which should help reduce the debt burden on Reggies. Management's job was made easier by the fact that Reggies experienced a decent December trading period.

On Reggies' manufacturing front, Muirhead says one factory has been closed while the other appears to have turned the corner.

Health is no special case when it comes to privatisation

BDay 31/1/90.

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W DUNCAN REEKIE

AS WE move in fits and starts toward a racially liberalised society, vested interests motivated by factors other than racial grouping will become ever more evident. In particular producer power (as opposed to consumer sovereignty) will become, as elsewhere in the world, an issue of consequence.

The reasons why producer groupings, as opposed to consumer groupings, are effective political lobbyists are well known. Producers are relatively few in number, they have focused and well defined goals. They consequently find it easy, cheap and worthwhile to organise and lobby for the attainment of their objectives.

This is true whether we are talking about a handful of mining houses lobbying for a tax break, several thousand retail pharmacists arguing that chemist shops should only be owned by "professionals" and not bodies corporate, or several tens of thousands of trade unionists striking for a pay rise.

By comparison, millions of consumers are costly to organise. As each individual in turn has a vast array of differing goals, the attainment of any one of which is to consumers only of relatively trivial value, they tend not to coalesce readily into pressure groups. The consumer must generally look to the market or the state to ensure his interests are optimally served.

Since the state is under pressure from producer vested interests, there is a presumption, at least, that the market, if unregulated and not subservient to producer pressure via the state, will be the better safeguard.

The deregulation and privatisation trends worldwide consequently have significant economic and social arguments in their favour. At a recent conference held on the issues at the University of the Witwatersrand, one speaker from the floor agreed in general but argued that privatisation should not be extended to health care — after all it is surely different and the cold calculus of the market should hardly be applied to the allocation of resources in the area of human suffering.

Recently several health-care producers (in particular medical academics) have also begun to argue along similar lines. Health care is different and the conditions necessary for the market to operate effectively are absent. Informed and responsible consumers are not present on the demand side (we need physicians, surgeons, pharmacists and so on to take decisions for us as patients).

On the supply side these same producers do not compete for custom because professional and ethical codes of practice, often given *de facto* leg l status by government-approved occupational licensure boards, prohibit inter-producer rivalry such as price competition, product-quality variation or the promotion and advertising of such differences. (This lack of suppplier competition is generallly argued by the professions to be in "the public interest" and so a protection for the ignorant against exploitation by "quacks").

Finally, the "health care is different" school argues that supply and demand do not meet in a cash nexus. There is third-party payment by the state or medical aid schemes. This often results in little incentive for suppliers to act efficiently as they are paid for the service they provide and consumers bear little direct expense.

The incentive system thus encourages both production and consumption, not conservation or efficiency. To aggravate the situation, existing regulation not only hampers competition between suppliers of care, it also inhibits competition and innovation between forms of third-party reimbursement.

There are really two issues here. First is health care really different? Second, should its privatisation or deregulation have a government health warning attached? (The warning, of course, would be designed by the producers and bureaucrats who often claim to know what is best for others).

Is health different? How much do you really understand about the recent compact disc player you bought? Or the automatic 35mm camera? The questions are not trivial. Most of our purchases are made with a degree of ignorance. Health care is not a special case. We use agents, retailers, dealers, specialists, doctors, advertising, friends' advice and so on to gain information before we buy.

Economist Dennis Robertson suggested there was "great spiritual comfort in buying a known and trusted brand of cocoa, rather than a shovelful of brown powder of uncertain origin". My own well loved physician gives me a not dissimilar feeling of contentment.

On the supply side, of course, competition is minimal but this is an argument for, not against, deregulation of the professions. It is the physicians' and pharmacists' guilds protected by law or custom against rivalry, or even investigation by the Competition Board, which are special, not the provision of health care.

Finally, third-party payment or insurance is ubiquitous. It is not confined to health care. Who pays if your house is burgled or your car is smashed? Probably not you. Again it is regulation of health care and the prohibition or discouragement in SA of alternatives which make health care special, not the lack of a cash nexus as such.

Consider some US experience with innovative and competitive third-party payment schemes.

Health Maintenance Organisations (HMOs) such as the Kaiser Permanente are a burgeoning and successful phenomenon. Patients pay annually in advance for care irrespective of the quantity consumed. Physicians receive either a salary or share of the profits after hospital and other costs have been paid.

The incentives are not to over-provide (or profits fall), not to skimp on treatment (or semi-cured patients will return) and to do so efficiently (or patients or their employers will seek out an HMO with cheaper rates next year).

Hospital utilisation is lower with HMOs than with conventional insurance plans or the type permitted in SA.

Even in the government sector in the US, market-related pricing has reduced hospital utilisation. The state scheme for the elderly, Medicare, experienced a 12% fall in average length of stay per diagnostic grouping when it switched from a retrospective payment scheme to a prospective one. Providers had an incentive to minimise costs to maximise their residual surplus.

SA has two main health care systems, a state-provided scheme and a heavily regulated private one. There is no free market in health care of any meaningful consequence.

How then can we find a better way of curing and caring for ourselves? Markets, as Nobel Laureate Hayek reminds us, are "discovery processes". Only deregulation can permit us to find the best system or (more likely) the optimal plurality of systems.

The alternative, letting those with vested interests decide, namely the bureaucrats or the medical care producers, is akin to asking an admiral if he believes his navy should have another aircraft carrier.

☐ **Prof Reekie is Dean of Commerce at the University of the Witwatersrand**

BDay 3/1/90

Small share rises in poorly rated furniture sector

CHARLOTTE MATHEWS

SMALL rises have been notched up by shares in the poorly rated furniture sector in recent weeks in anticipation of financial results due to appear in the next few months.

The furniture index has risen by 84 points or 35% to close at 322 points yesterday since its 12-month low of 238 last May. At this level it is 20 points off the 342 points reached two weeks ago.

In 1989 the furniture sector was hit by stricter HP regulations and by higher interest rates designed to curb consumer spending.

As expected, greater resilience to these moves was shown by the larger furniture companies.

According to figures released by the JSE, shares such as Amrel have shown an increase of 10,3% over the last two months while Afcol, considered to be an exceptional performer in the sector by several analysts, has gained 8% in the last month and 9,5% over the last two months. Over the last year Afcol has gained 21,1%.

One analyst said Amrel had been under-performing "for a long time", but he expected results for the year to March would show an improvement. The share closed at 800c yesterday, having picked up 100c or 14,28% since December 7.

Optimistic

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Ellerine Holdings, which showed a 79,8% improvement in earnings to 512,9c (283,5c) a share for the year to August 1989, has gained 66,8% in value over the last 12 months and a 38,5% improvement in the last two months alone.

Analysts were optimistic about Ellerine's performance for the interim period, and one said earnings growth could be 20% higher.

Another share frequently mentioned by analysts was that of J D Group. It had gained 28% over the last year but in the last month fell back 1,5%. It closed yesterday at 320c, slightly down from last week's 325c which was a 12-month high.

One analyst said the J D Group was the best share in the sector in his opinion.

"They have a most solid management and a very conservative policy and do not over-expand their debtors book."

But, he added, he would not advise anyone to be in the furniture sector unless it was in office furniture.

"Grant Andrews (Gahold) is an office furniture company and that sector is generally more resilient."

In contrast, small shares such as Romano and Tafelberg have dropped significantly over the last year. Romano fell 71,9% to 9c in the course of 12 months and Tafelberg by 28,6% to close at 20c yesterday.

These two shares are, however, not frequently traded, with a total of 65 000 and 60 000 shares respectively changing hands on average a month.

But, one analyst warned, 1990 would probably not be a good year for the furniture companies.

"This year I do not expect spectacular results," he said

Consol finalises sale of flexible plastics, package operations

ZILLA EFRAT

CONSOL Plastics has finalised the sale of its flexible plastics operations to Plastall and M & R Plastics. BDay 11/2/90

Plastall will acquire Gundle plastics, construction and agricultural sheeting business for about R7m cash, while M & R has bought Consol's flexible packaging and industrial products for an undisclosed amount.

Plastall's purchase of the Gundle business includes various patents, copyrighs, trade marks and trade names, as well as the right to use the trade name Gundle.

Plastal, which recently moved from the DCM to the main board, manufacures and distributes polyethylene bags and sheeting through wholly owned subsidiary Plastall Flexible Packaging.

Network

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Plastall Chairman Bob Wenteler said: "The Gundle business complements the existing business of the group as well as facilitating access to a national distribution infrastructure with branches in Johannesburg, Cape Town, Port Elizabeth, Durban and Bloemfontein.

"This national network will enable us to offer a comprehensive service to Gundle and Plastall customers."

The addition of the Gundle business would expand Plastall's current product range and would ensure greater market share, particularly in respect of the construction and agricultural sheeting products, he said.

The acquisition will have no effect on NAV per Plastall share, but is expected to make a significant contribution to earnings in the year to September.

JCI earnings soar to R148,5m

RIAAN SMIT

JOHANNESBURG Consolidated Investments (JCI) increased interim attributable earnings 22,4% to R148,5m, mainly due to increased platinum and industrial dividends (232)

The dividend per share declared for the six months to December 1989 increased 20% from 35c to 42c

As a result of the 20-for-1 subdivision of shares in December, earnings and dividends per share and net asset value per share for previous periods have been restated. BDay 1/2/90

In a statement, the board said income from investments increased by R27,4m for the half year because of increased platinum and industrial dividends

Pre-tax profits were R169,8m (R144m) while taxation was marginally lower at R21,3 million (R22,7 million).

Attributable earnings of operating subsidiaries have improved from R13,5m to R17,1m as a result of "more favourable conditions prevailing in the coal industry", the board said

JCI's acquisition of 40% of the Middelburg coal mine announced in December — worth R235m — is included in the investments, loans, marketable properties and mining prospects, which increased 65,9% from R1 149m to R1 906m Capex was well up at R30,9m from R7,3m for the same period in 1988.

Net asset value per share increased to R58,50 from R35,60. JCI surged to an all-time high of R61 on January 16 after the share split, but yesterday closed at R50.

BDay 1/2/90 232

Columbia wants acquisition 'when the time is right'

MERVYN HARRIS

COLUMBIA Consultants is looking for a major acquisition, but will only act when the time is right, CE Gordon Polovin said yesterday

"We have considered a number of different deals but cannot rush into things because certain individual shareholders are losing patience.

"Our major institutional shareholders are not impatient They are waiting for me to do the right deal," Polovin said

Rumours have been swirling around the investment company since it announced a new strategy last year of disposing of its interests in smaller companies to concentrate on a large blue chip acquisition.

Polovin adamantly denied market speculation of dissent between himself and co-director B Herbert, or that he intended emigrating

"These rumours have been making the rounds for some time, but there is no truth in them whatsoever," he said

Columbia has about R22m in cash and is ungeared after selling its stakes in Milstan, Toco, Trimtex, Supalek, Manserv, Concorde and Crusader It still has interests in listed Pride (40%), Acrem (52%), Blocktech (73%) and Powernet (60%), as well as some properties.

"We are basically sellers but will only talk when someone comes up with the right price If not, we will continue to manage them"

On the acquisition side, Polovin said Columbia did look at acquiring full control of Supalek, but decided to turn it down

Columbia was one of the high flyers during the market boom of 1987 when the share, issued at 75c, rocketed to a peak of around 750c. Recent shareholder dissatisfaction has pulled the share down from last year's high of 240c to a low of 120c in January.

The share closed yesterday at 130c

[illegible]

By Ann Crotty

After months of speculation about a change of control Corbank is to be merged into Cape Investment Bank Holdings (CIBH) in a deal that values Corbank at approximately 161c compared with yesterday's market price of 125c.

For CIBH, major attractions of the deal are that it gets a significant foothold in the Transvaal market and, it gets access to a number of resources such as Corbank's foreign exchange licence. An additional attraction must be Corbank's attractive assessed tax loss

Initial response from analysts is that it is a good move for Cape-based CIBH assuming that CIBH can efficiently manage the enlarged group and that the losses suffered by Corbank in the gilt market in financial 1989 have been accounted for and the problems behind those losses resolved.

CIBH chairman, Jan Pickard (jnr) is confident that none of these factors is cause for concern. On the issue of management he stresses that there is "considerable value" within the Corbank team. In addition he believes that any real or potential trading losses that exist have been built into the price at which the deal was struck.

This price was based on 75 CIBH shares being equivalent to 100 Corbank shares but does not reflect the market valuation of the shares which puts 75 CIBH at R157 and 100 Corbank at R125.

The purchase of Corbank shares will be settled by the payment of R35 in cash and the issue of 60 CIBH shares for every 100 Corbank shares held. This will entail the payment of R4,83 million in cash and the issue of 8,27 million new CIBH shares

On the basis of yesterday's CIBH price of 210c and, assuming that the prospect of an increase in issued shares from 10,6 million to 18,8 million will not have an adverse impact on the share price, the deal values Corbank at 161c a share The 1989 annual report shows Corbank's NAV at 217c at end-March 1989

Analysts believe that the Investec bid for Corbank, which was called off at the last minute last October, was based on a price of 170c a share for Corbank.

Ahead of the October 1987 crash, Corbank was trading at around 425c. Disappointing operating performances combined with generally weak investor sentiment knocked the share price to a low of 80c last October. Last year major losses in the gilt market caused earnings to drop from 24,5c to 14,5c a share in '89 and NAV to fall from 250,9c to 217c a share.

CIBH's name will be changed and Corbank executive chairman, Laurie Korsten will become chairman of the new enlarged holding company Mr Pickard will be chief executive

HOUSE OF ASSEMBLY

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QUESTIONS

†Indicates translated version

For written reply

General Affairs

Deregulation applications

11 Mr J J WALSH asked the Minister for Administration and Privatisation

(a) How many applications for deregulation had been (i) received, (ii) investigated and (iii) granted in terms of the Temporary Removal of Restrictions on Economic Activities Act, No 87 of 1986, and (b) in how many cases had deregulation taken place, as at 31 December 1989?

B34E

The MINISTER FOR ADMINISTRATION AND PRIVATISATION

(a) (i) Six One application was carried over from 1988 (see (a) (iii) below)

(ii) One application was discontinued The other applications are currently being considered

(iii) The application received in 1988 was granted Particulars are contained in GN 60, 61 and 62 in Government Gazette 11850 of 1989-05-05

(b) The Businesses Act, published in concept form in GN 228 in Government Gazette 11813 of 1989-04-07, envisages the deregulation of various aspects relating to the activities of retail businesses As this Act has not been put into operation yet, the powers conferred by the Temporary Removal of Restriction on Economic Activities Act was exercised In accordance with this GN 208 in Government Gazette 12231 of 1989-12-22 was issued This notice substantially facilitates the obtainment of licenses for activities in the retail sector Restrictions on business hours from Mondays to Saturdays, are furthermore suspended

Apart from those mentioned above, a variety of deregulatory actions are being undertaken which can not be quantified as specific cases, due to the nature and extent thereof

Professionally qualified persons: emigrated/immigrated

25 Mr S S VAN DER MERWE asked the Minister of Home Affairs

How many (a) doctors, (b) dentists, (c) lawyers, (d) architects, (e) social workers, (f) quantity surveyors, (g) scientists and (h) other specified professionally qualified persons (i) emigrated from and (ii) immigrated to South Africa in 1989?

Hansard 1/3/90 B61E

The MINISTER OF HOME AFFAIRS

	(i)	(ii)
(a) Doctors and specialists	64	37
(b) Dentists and dental specialists	4	3
(c) Attorneys and advocates	9	17
(d) Architects and town and regional planners	38	22
(e) Social workers	4	5
(f) Quantity surveyors	7	7
(g) Scientists	103	54
(h) Other specified professionally qualified persons	1 067	810
1) Engineer, engineering technician and related occupations	342	213
2) Medical, dental and related health service occupations (excluding (a) and (b))	116	136
3) Mathematical and related occupations and computer sciences occupations	97	57
4) Accountant and related accounting occupations and economic occupations	110	114
5) Legal occupations (excluding (c))	—	—
6) Education and related occupations	97	133
7) Religious professions	92	24
8) Author and related occupations	6	23
9) Artist, plastic arts and designer	54	29
10) Artist, performing arts and related occupations	45	18
11) Sport occupations	11	2
12) Professional, semi-professional and technical occupations n e c	97	61

NOTE.

Information is furnished for the period January 1989 to November 1989 as the December 1989 data is not yet available

Immigrations/emigrations

26 Mr S S VAN DER MERWE asked the Minister of Home Affairs

How many (a) Whites, (b) Coloureds, (c) Blacks and (d) Indians (i) immigrated to and (ii) emigrated from the Republic in 1989?

B62E

The MINISTER OF HOME AFFAIRS

	(a)	(b)	(c)	(d)
(i)	9 404	217	196	121
(ii)	4 008	210	27	194

NOTE:

Information is furnished for the period January 1989 to November 1989 as the December 1989 data is not yet available

Immigrations/emigrations

27 Mr S S VAN DER MERWE asked the Minister of Home Affairs

(a) What is the estimated number of (i) males and (ii) females who (aa) immigrated to and (bb) emigrated from the Republic in 1989 and (b) how many such (i) males and (ii) females were 17 years of age or younger?

B63E

The MINISTER OF HOME AFFAIRS

	(i)	(ii)
(a) (aa)	5 484	4 928
(bb)	2 157	2 308
(b) (aa)	1 230	1 172
(bb)	714	678

NOTE.

Information is furnished for the period January 1989 to November 1989 as the December 1989 data is not yet available

Permanent residents of SA: visits abroad

40 Mr K M ANDREW asked the Minister of Home Affairs Hansard 1/3/90

(1) How many permanent residents of South Africa left the country on visits abroad for stated reasons other than emigration in each of the latest specified five years for which information is available, 236

(2) how many permanent residents of South Africa excluding new immigrants and returning emigrants, returned from visits abroad in each of the above five years?

B44E

The MINISTER OF HOME AFFAIRS

(1)	Holiday	Business	Study
1989*	343 049	139 448	5 743
1988	411 586	137 861	6 296
1987	380 216	127 065	5 497
1986	373 851	120 628	5 285
1985	383 447	120 177	6 004
1984	427 789	120 281	5 846

(2)	
1989*	540 570
1988	531 763
1987	488 072
1986	480 077
1985	489 243
1984	543 133

*Information is furnished for the period January 1989 to November 1989 as the December 1989 data is not yet available

Public service: persons gainfully employed (250)

60 Mr P H P GASTROW asked the Minister of Home Affairs Hansard 1/3/90

What percentage of gainfully employed (a) Whites, (b) Coloureds, (c) Indians and (d) Blacks were (i) directly and (ii) indirectly in State employ in the Republic as at 31 December 1989?

B156E

Hofmeyr to chair Argus Holdings

JACQUES MAGLIOLO

JCI chairman Murray Hofmeyr will take over as chairman of Argus Holdings at the end of March when executive chairman Hal Miller retires.

Miller also retires as chairman of the newspaper division, which will be taken over by Douglas Band, who will also become chief executive of Argus Holdings.

Peter McLean becomes deputy chairman.

Hofmeyr, who wishes to defer comment until the end of March, says the appointments do not mean Anglo American is gaining control of the Press.

Sapa reports that C L C Hewitt and F J L Wells, having reached retirement age, will resign from the Argus Holdings board on March 31

Star editor-in-chief Harvey Tyson will be appointed to the board on October 1 after his retirement at the end of September.

BDay 1/2/90

Bishops to meet leading groups

ACHMED KARIEM

THE Southern African Catholic Bishops' Conference (SACBC) said yesterday it planned to meet different SA groups which could play a pivotal role in dismantling apartheid.

SACBC president Bishop Wilfred Napier said at a news conference after the annual plenary session that this was necessary to foster a climate for negotiations.

The groups included the ANC, mass democratic movement, government, the PAC, Azapo and Inkatha.

On the sanctions issue, the conference's justice and peace commission chairman Archbishop Denis Hurley said although the SACBC was "deeply concerned" about the suffering of people, a continuation of economic pressure was justified. There could be no doubt that economic pressure had been effective.

"It has played its part in curbing government's military power and causing it to negotiate peace in Namibia and Angola," he said.

"Internally we have witnessed such developments as the reprieve of the Sharpeville Six and the release of prominent black political leaders."

Archbishop Hurley said there was no explicit promise of fundamental change from government.

"Still firmly in place are such cornerstones of apartheid as the constitution, the land laws, homeland policy, discrimination in education and the Population Registration Act."

□ The SACBC has for the first time called for the abolition of capital punishment.

At a Press conference after the annual plenary session SACBC vice-president Bishop Reginald Orsmond called on government to place a moratorium on all executions.

He also said the government should appoint a commission of enquiry into all facets of the death penalty and to examine its relation to the widespread violence in society.

Cape retirement village subject of court action

BDay 1/2/90

232

LESLEY LAMBERT

CAPE TOWN — An application for the provisional liquidation of Shemara Holdings, the management company of the troubled Helderberg Retirement Village, was made in the Cape Town Supreme Court yesterday.

The application, brought by one of Shemara's creditors, chartered surveyors and valuers Roy Horrall and Associates, for a debt of R18 984, was postponed to give the respondent time to file opposing affidavits.

The court ruled that Shemara would have to put its affidavits by February 9 and that Horrall would have to reply by February 14

Horrall's application followed recent urgent attempts to rescue the new Somerset West retirement village from financial collapse

The R18 984 debt was for valuation of land and residential houses intended to be incorporated as units in a share-block scheme in which investors would buy shares in a unit for the duration of their lives.

Offer

But papers before the court said the total secured creditors of Shemara amounted to between R5,5m and R6m. This amount, R4,2m of which was owed to the Allied Building Society and the Allied Bank, excluded loan claims of R5,85m by Personal Trust, a shareholder in Shemara which acted as the trustee of the debenture trust governing the scheme's operating capital.

Horrall said it was clear that the scheme had "failed hoplessly". He said he had been told that Sanlam, which is claimed to have been approached to rescue the scheme, had refused to become involved.

In the most recent rescue attempt, creditors are claimed to have been offered 50c in the rand up front and a further estimated 22c some time in the future — a future that could have been as far ahead as two years. Horrall he was not prepared to accept the offer.

In the meantime, Helderberg Village Share Block Holdings, the company establish to take over management of the scheme, and Shemara, both of which are opposing liquidation, are understood to have put forward proposals to incorporate a new company to restructure the village scheme. The prosposal is understood to exclude Shemara from being placed under provisional liquidation.

At stake are about 300 villagers who paid an average of R175 000 for their shares in the village.

BDay 2/2/90 · (232)

Prosperous decade for world share markets — report

JACQUES MAGLIOLO

LATEST available unit trust figures, released by the University of Pretoria, prove that the world's share markets have had, on average, one of the most prosperous decades "in a very long time".

A university report said markets seemed to reach a peak in the last quarter of 1989, when share prices fell during a "mini crash" in October. However, the price of gold and gold shares increased and long-term interest rates dropped suddenly, helping the market to correct itself in only 12 weeks

The all-share index climbed 36% to 3 119 from 2 338. The JSE share price rose 66% to end-December, making it the third most successful stock exchange in the world after Mexico (86%) and Austria (76%)

During the last quarter of 1989, the JSE All Gold Index climbed above the 2 000 mark for the first time since the Ocober 1987 crash, reaching a peak of 2 260 on December 13. A return (including dividends) of almost 25% was achieved for the quarter.

The Standard Bank's Gold Fund took advantage of the upswing in gold price to achieve a 20% quarterly increase and 56,5% rise for the year

Old Mutual will introduce the second Gold Fund on Monday.

Old Mutual fund manager Mike Harper expects an inflow of at least R30m within the next six to 12 months

The income funds were also affected last year by a drop in long-term interest rates to 15,25% from 17%

The total market value of 13 general funds rose by 8,9% to R5,1bn in the fourth quarter of 1989 The asset value represents an increase of 55,5% over 1988

The market value of the 10 specialist equity funds rose by 8,8% to R1,2bn.

FM 2/2/90 (232)

TAKING CONTROL FM 2/2/9

Ruperts' rise (232)

It has long been accepted that the control of shares listed on the JSE is highly concentrated. The problem is how to measure where control exists and how to relate the holdings of the big investors to the market as a whole

Robin McGregor, publisher of the tenth edition of *Who Owns Whom*, has for a number of years listed the groups or interests which he believes control more than 1% of the market capitalisation of the JSE (see table).

The use of market capitalisation is not without problems, the obvious one being that capitalisation is determined by share prices as well as by the quantum of shares held In some cases, too, critics may balk at the judgments made as to where control is held. But McGregor does offer a consistent approach which allows useful comparisons.

Prices may, of course, move for any number of reasons, such as levels of international commodity prices and currencies. As became clear during the past decade, depreciation of the rand — generally seen to be a result of local inflation and foreign political perceptions — tends to boost prices and market capitalisations of the "rand-hedge" stocks

Those groups with large holdings of such counters or sectors may thus appear to have gained a greater or lesser "control" of the JSE. Anglo American Corp is a case in point. It not only has large holdings of mining stocks, but has large stakes in currency-sensitive stocks such as De Beers, Minorco, JCI, Amic and Amcoal

Interestingly, according to McGregor's figures, the level of Anglo's control of JSE capitalisation has dropped from the peak of 60,1% in March 1987 to 45,3% last October — the lowest since 1983 One reason may be the generally dour performance of gold and the weakened profit margins in the industry. Anglo has holdings in gold stocks with large capitalisations such as Amgold, Vaal Reefs, Freegold, Western Deep Levels, Southvaal and Elandsrand What will also have affected Anglo's relative position is that 44 Main Street has not pulled off many really large acquisitions in recent years

In contrast, the JSE-listed interests considered to be controlled by the Rupert family — McGregor lumps together Remgro and Richemont — have doubled over the past two years to 16,1% of the total

The stake of 20%-odd which Remgro built up in GFSA is assumed by McGregor to represent control (a view with which the GFSA directors may not agree) and this acquisition is seen as a major reason for the rise of the Rupert interests to second place The other important reason was the creation of the separate company, Luxembourg-based Richemont, to hold the international interests, whose valuation by the market benefited from the improved disclosure as well as the weak rand, a consistently good performance from Remgro also helped

Old Mutual and Sanlam have not been particularly active on the acquisition front in recent years and Mutual is considered to have held its 9,8% control of JSE capitalisation, while that of Sanlam slipped from 10,8% in 1988 to 9,5%. After continued divestments, the foreign-controlled holdings have been shrinking, dropping to 3,6% from 6,1% in 1986

An instance where acquisitions have been decisive is the FS Group, now stated to control 1,1% of JSE capitalisation after absorbing the Waicor/W&A group But the downward rerating of the electronics sector, as well as some unpleasant shocks that followed acquisitions and listings during the 1987 bull market, has seen the control credited to the Ventron Group drop from 1,2% two years ago to 0,6%.

McGregor again concludes, disturbingly, that no less than 80,7% of the JSE's total capitalisation remains under the control of the four blocs at the top of the table.

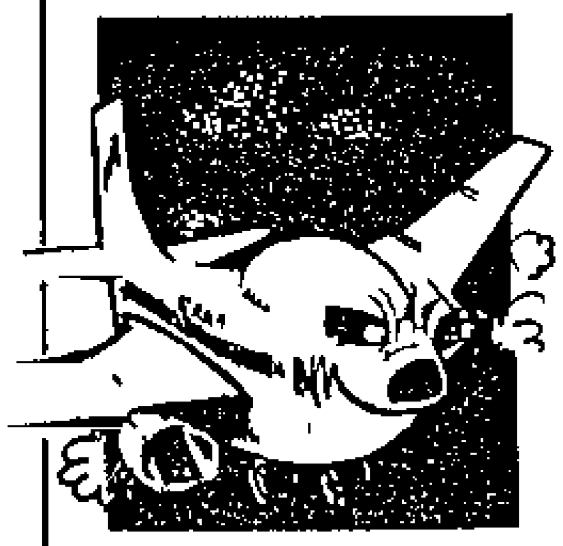
That compares with 77,7% in 1988 and 64,6% in 1983 Of course, if one drops the capitalisation measure — which emphasises size — then the number of JSE companies not controlled by the giants will be much larger

F/M 2/2/90 (232)

SAA AND DEREGULATION

The sky's their limit

Freeing domestic routes will test SAA's business acumen to the utmost



Is SA Airways finally getting real about deregulation and privatisation? Aspects of it, that is Or are the SAA mandarins so accustomed to flying high that their intellectual wheels hardly ever touch the ground any more? While there have been welcoming noises from the airline on freeing up the skies, a lot still remains to be done

In December, SAA came close to wrecking a pioneering venture by international charter operator Masterleisure by stubbornly refusing to make concessions needed for the scheme's viability And now SAA is opposing an application from a new black-controlled company, Liberty Airlines, for scheduled flights to the US — even though its own rights to the route were cancelled in 1986 by sanctions law.

These prospective challenges to SAA's supremacy are, of course, aimed at lucrative international routes — a no-go zone for competition as far as SAA is concerned It is on domestic routes that it claims greater flexibility. Nonetheless, on the face of it, these examples suggest nothing so much as an *attitude*: that SAA would do almost anything to torpedo competition and thwart deregulation.

Do they, or is there more to the story?

SAA is obviously in two minds when it comes to deregulation In arguing against opening up international flights to competition now, it rests its argument on the fact that sanctions prohibit SAA from flying to Australia, the US and — most important — over most of Africa, which means an uneconomic bypass of the continent for points north On direct flights to Europe, SAA takes 90 minutes longer than British Airways and its other competitors. "It's not a level playing field," complains SAA CE Gert van der Veer.

He has a point — certainly as long as SAA represents in so many minds the international carrier of an apartheid government Whether it would fare better as an independent is not really at issue at this stage. Why it should prevent independent carriers going where it is forbidden by law to go — the US — is a little more baffling

Back home, SAA says it supports deregulation of domestic flights — and has done so for two years Van der Veer says "We have no objection to competitors entering the field For any organisation it's healthy to have competition We know what the international competition does for us. it makes us a better airline. Even if no one else enters the market, the threat of competition keeps you on your toes "

Public Enterprises Minister Dawie de Villiers, whose Cabinet portfolio includes SAA, seconds this view. "SAA is in favour of private enterprise and deregulation, but the view is held that the forces of the free market should be the same for all participants "

Trouble is, the "forces of the free market" just don't apply With State protection, SAA has monopoly control over most of the country's domestic routes — the very ones it claims to want to open. A matter of "Lord make me chaste, but not yet ..."?

SAA could argue that it's not its job to open up the routes The technical responsibility lies with the National Transport Commission Last year, Transport Affairs Minister Eli Louw urged private airlines to approach the commission for new routes Which is fine, except that under the restrictive provisions of the Air Services Act, they have little chance of success. When reviewing an application, the commission must consider whether the current service on the route is satisfactory, it usually does not have the power to grant allow a parallel service

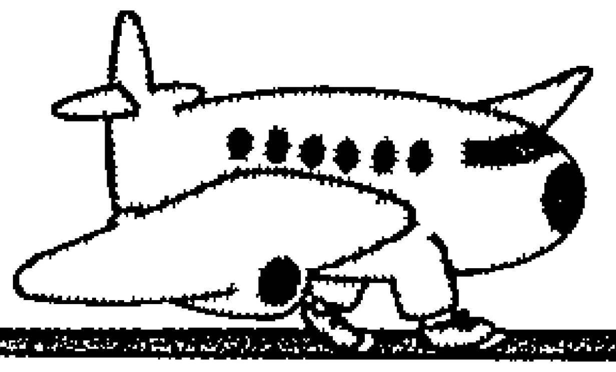
Nonetheless, in response to Louw, several applications were indeed filed For example, late last year, Magnum Airlines — the recently formed merger of Magnum, Citi Air and Border Air — applied to fly four routes now served only by SAA These applications may be heard in April — and SAA not only hasn't objected to them, but has urged the commission to approve them, according to Van der Veer. "But the commission may not have the discretion to do so," he cautions, until the Act is changed or scrapped "Eli Louw was ahead of the game "

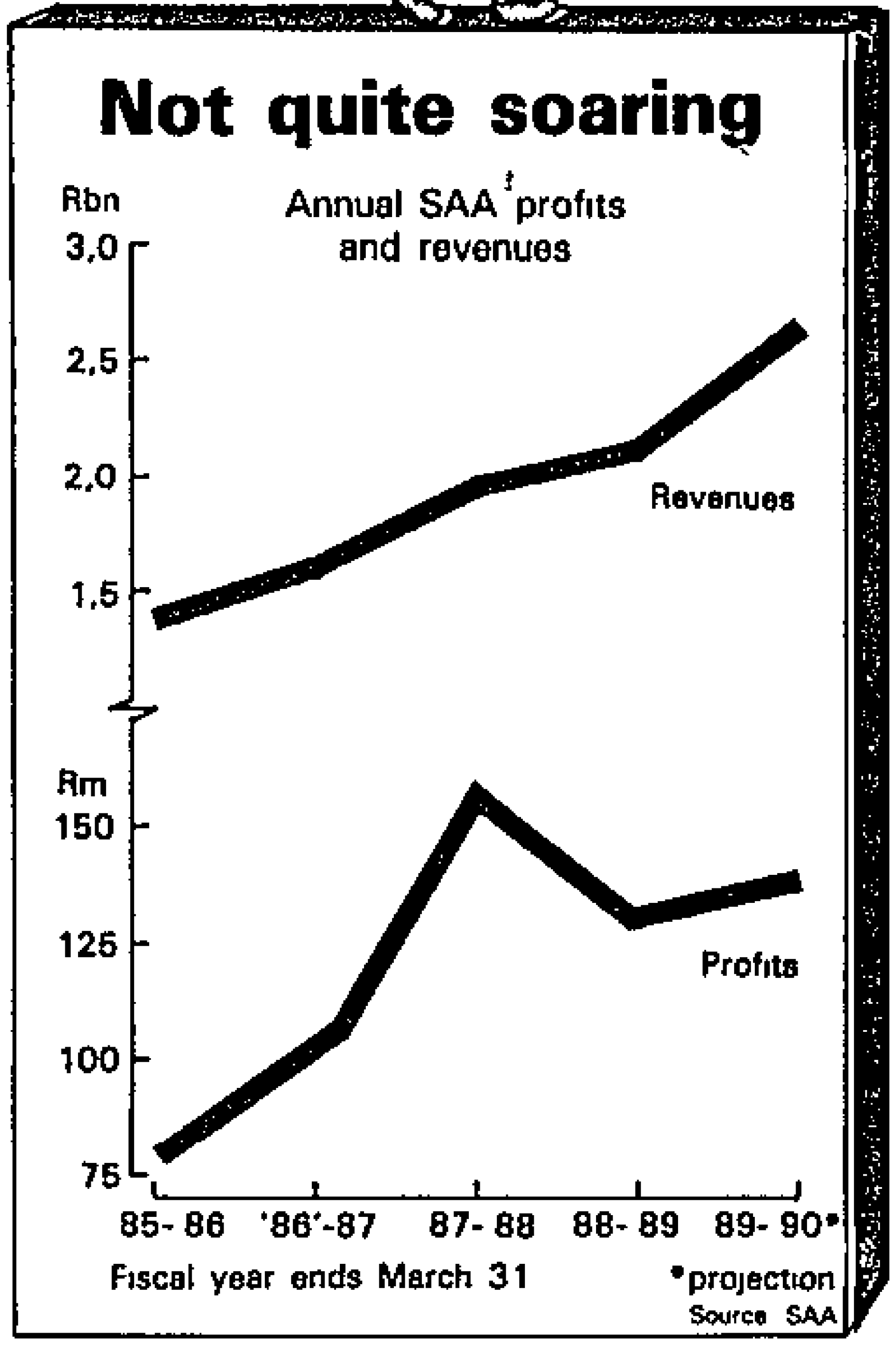
That change could occur this year. A report commissioned by Pretoria found that domestic flights should be totally deregulated and the report is now being studied Van der Veer says it calls for a "totally different game, identical to the US, with no economic barriers to new competitors, only safety and technical standards " Proposals for a new Act may then go before parliament this year

Van der Veer ... being helpful at home

Meanwhile, SAA says it's been preparing for deregulation since 1984 Many more discount fares have been introduced — so that now nearly 40% of its domestic passengers fly on discount tickets, from 5% six years ago It froze hiring for three years and now has 11 000 employees, down from 12 000 in 1985, despite a big jump in traffic Profits, though, have not been spectacular a projected R140m for the year ending March 31 on revenues of R2,67bn, down from a R160m profit on R2,01bn in 1987/1988 Does this say something about efficiency?

The profit profile, precisely, is what will soon have to change. On April 1, SA Transport Services, which includes SAA, will switch from being part of government to a public company, with all the shares held by Pretoria. The difference is that the airline's profits will be taxed for the first time, so business skills will be put to the test as never before For the first time, the airline will have to keep its books in the same shape as other companies and it will have to show a





P.T.O

FM 2/2/90 (232)

return on investment, Van der Veer explains This should be the final step in getting the company ready for being sold off

SAA appears to be following the lead of British Airways — which began preparing for privatisation in 1981 and quickly slashed its work force from 59 000 to 36 000 The airline famous for regarding customers as irritants started focusing on service, began marketing itself as the World's Favourite Airline, and turned a R550m loss in 1981 to a R1,1bn profit last year After six years of that, the airline was privatised in 1987

But how well would SAA fare in a deregulated market? The answer to that question will help determine when the airline is privatised With its dominance of the market and its massive capital base — though SAA is only the world's 49th largest airline, according to *Fortune* magazine — the battle might at first blush appear lopsided SAA carries 94% of the 5,3m domestic passengers who fly each year and 97% of the 50 000 t of annual air freight It could very easily proceed from one monopolistic situation to another

Fortunately, there are examples that prove otherwise New Zealand, with a market similar to SA's, was dominated by a single airline before deregulation in 1984 A year later, a private airline had captured 35% of the market, though that share has since slipped back somewhat.

In the US, the rigours of open competition were too much for most of the biggest airlines when deregulation came in 1978 Of the top 10 US airlines then, three have gone into bankruptcy, another two no longer exist and another, Pan Am, perhaps America's proudest airline, dropped off the list

Almost all the airlines underwent buyouts and restructurings in bids to cope with leaner, hungrier upstarts more in touch with the market

Not a happy experience for the established airlines — but an unqualified success for the public. Safety improved, the number of fatal accidents per 1m aircraft miles fell from 0,0023 in 1968-1978 to 0,0010 from 1979 through last year, according to the US Air Transport Association Competition is stronger — though there are fewer carriers now, the remaining ones have produced more vigorous nationwide competition than before, according to a US Department of Transportation study

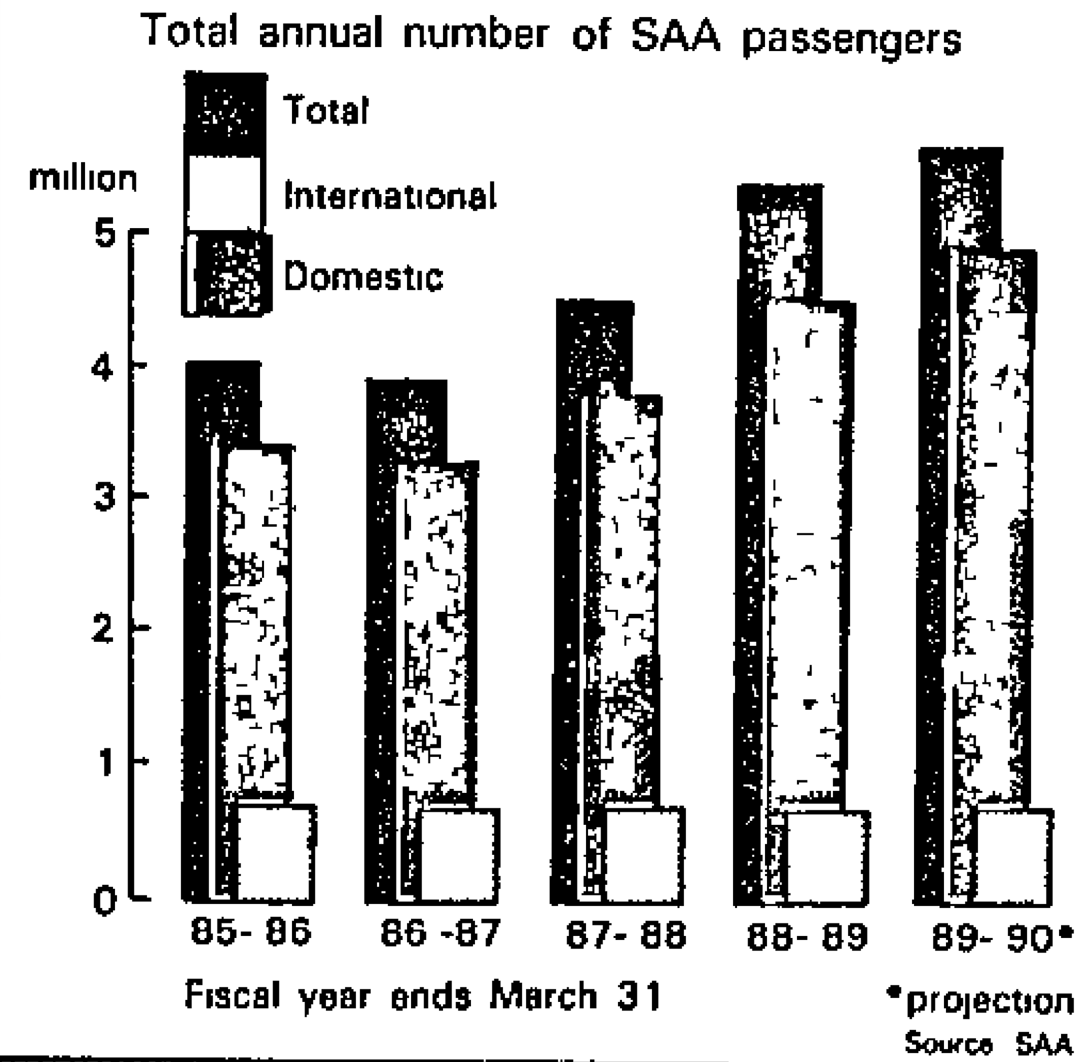
And then there is the best test of deregulation's popularity the number of passengers carried each year jumped by 65%, according to the association

To be sure, it will be a hard slog for the local private operators "The domestic market in SA generates just over 5m passengers a year, which is an extremely small number when one considers countries such as the US, where in excess of 1m passengers are transported each day," according to Comair MD Pieter van Hoven

But as in the US, the market may grow quickly after deregulation And that's the biggest attraction of deregulation for SAA the airline obviously stands to gain the lion's share of the expanded market

When deregulation does come, airlines will try different strategies against SAA Safmarine — parent company of freight airliner Safair — has applied to fly passenger routes against SAA, and Safair CE Piet van Aswegen says "We don't envisage entering the industry in a big way with the sole aim of being a competitor We approach the market with the objective of earning a sound return on capital like any other business We believe in the advantages of competition but hold the view that success does not come from focusing on competition only and forgetting about the bottom line"

Taking wing



Then there is pricing Van Hoven, Van Aswegen and SAA's van der Veer all believe that deregulation will lead to ticket price increases, though in the US the experience was the opposite Fares dropped dramatically there — and stayed low Since 1978, the US Consumer Price index has increased by 90%, but airfares have increased by only 47%

Van der Veer fields this argument "We'll be an attractive investment only after we increase our domestic fares and bring them into line with domestic fares in other Western countries" He says that SAA's domestic service only breaks even, with fares having been kept artificially low because the airline has not been obliged to produce the return on investment expected in the private sector

Van der Veer may be right about SA's domestic fares as compared with Europe's still-regulated market But the wider variety of discounts available in the US means that passengers there generally pay less for domestic flights

In any case, it's doubtful if SAA will have any leeway to raise fares after deregulation because its competitors, surely, will be cutting them

Van Hoven says Comair doesn't plan to start a price war, but will offer "improved services" to business travellers and "economic services" to the general public

In the end, nobody knows what will happen to SA air travel after deregulation Several strong competitors might jump in and cause a free-for-all, as happened in the US in the late-Seventies and early-Eighties Or SAA might put itself into such good shape that competitors will find it impossible to make money on anything other than niche markets — a situation similar to SA Breweries dominance of the beer market

Either way, the public, we must hope, will be the winner

Go-ahead for Anglovaal

232

RIAAN SMIT

THE proposed capital restructuring of Anglovaal, resulting in a reduction in the number of share classes in issue from five to two and a 10-for-1 split of ordinaries, was sanctioned by the Supreme Court on Tuesday, the group said in a statement yesterday

The two remaining share classes would be ordinaries, which would be subdivided from 50c previously to 5c, and "N" ordinaries Listing would start on February 12 for both classes.

B/Day 2/2/90

The listing of "A" ordinary and participating 5% preference shares would be terminated at close of business on February 9 and loan stock certificates should be surrendered to the transfer secretaries, the statement said

Anglovaal spokesman Ray Moore said the restructuring would streamline the group's capital structure and make its shares more marketable.

US demand may boost SA share prices

(232)

MERVYN HARRIS

SHARE prices are expected to open higher when the JSE opens today after demand for SA stocks in New York on Friday night in what could herald an upward re-rating of SA shares overseas in response to President F W de Klerk's speech

JSE executive president Tony Norton, who returned to SA yesterday from London where he was looking at latest market developments, said "British financiers and businessmen were extremely impressed, not only by the contents of the speech but the manner in which he managed it

"Hopes were lowered on Thursday so that his reform initiatives more than met expectations when he announced them on the Friday It was a wonderful day to be in London

BDay 5/2/90

"An appreciation of the finrand and improving economic prospects in the long term are two good reasons for foreigners to invest in SA The firm gold price is also an encouraging aspect at the moment, and I expect continuing overseas interest in our market," Norton said

Dealers in New York reported US gold stocks coming under some pressure as traders sought to liquidate positions to take advantage of the rally in SA gold shares, which still appeared undervalued relative to US companies

On the JSE, expectations that ~~the~~ President's moves would result in an easing of sanctions against SA and thus improve trading prospects for SA companies sparked a scramble among institutional investors for blue chip industrial shares

The industrial index surged 3,3% to a fresh peak of 3 031 to help lift the overall index 2,7% to a record 3 280

Profit taking and the firmer finrand stymied attempts by the all-gold index to move to higher ground and the index ended four points below its mid-December high at 2 250 support systems

Bonn said while refugees would prefer to

solve the trained labour shortage

Liquidation case held up

232

Own Correspondent

CAPE TOWN — The urgent application brought to the Supreme Court on Friday for the liquidation of Helderberg Village Share Block Holding Ltd was adjourned to February 15 to give the respondent (Helderberg) time to file opposing affidavits

The Somerset West retirement village was developed by Shemara Holdings, which also faces liquidation

The application was brought by Matheus Lourens Geldenhuys, a resident of Helderberg Village

In an affidavit before the court, Helderberg finance company chairman Murray McLachlan, said "My estimate of the shortfall between the monthly levies receivable by Helderberg and monthly payments due to creditors amounts to R113 000 There is no prospect of the respondent being in a position to pay such, other than from further loans"

He said a lease agreement with the Standard Credit Corporation had only come to his attention on February 1

B IDay 5/2/90

"To the best of my knowledge, neither the directors nor the members of the respondent had any knowledge of this obligation It seems it was entered into by Mr Barry Barbour on behalf of the respondent and which shows a balance of R834 752,40 It proposes monthly payments of R6 956,27," McLachlan said

Bulgarian wins Unisa prize

THE 19-year-old Bulgarian soprano, Aleksandrina Pendatchanska, won Unisa's third international singing competition at the weekend

Pendatchanska was named best opera singer out of eight contestants and was awarded the R25 000 first prize

No first prize was awarded in the lieder category and the sole finalist, Alma Oosthuizen, won the R12 000 Hanneli Rupert second prize

Tenor Johan Botha was named best South African singer and was invited to take part in an international competition in Poland — Sapa

Two burnt by petrol bomb

Own Correspondent

EAST LONDON — Florida Metele, wife of Border Council of Churches fieldworker Alfred Metele, is in a critical condition in hospital after being burnt when their Mdantsane home was petrol-bombed last week

Metele also suffered severe burns in the incident Both were admitted to the Cecilia Makiwane Hospital

BDay 5/2/90

It was the second attack in a week on a political activist in Mdantsane. On Monday trade unionist Jeff Wabena was shot in the leg when his home was attacked with an AK 47 rifle and handgrenades

Ciskei has declared a state of emergency in Mdantsane and Zwelitsha.

Foreign Affairs and Information deputy director-general Headman Somthunzi described Metele's condition as satisfactory, but said Florida Metele was in a critical, but stable, condition.

Metele, who suffered 30% degree burns on the face, abdomen, legs and knees, said he heard an explosion and then saw flames and thick smoke

Metele has been detained or arrested on several occasions in both Ciskei and SA in connection with his political activities

NATAL UNREST DEATHS

September 1987 — January 1989:	668
February 1989 — February 4 1990:	567
Past 24 hours' official toll.	2
TOTAL	1 233

We regret that the incorrect grid was published with the two-speed crossword clues on Friday For those who managed without it, or used the correct grid that appeared in our Saturday special edition, we publish Friday's solutions today.

10 MINUTE X-WORD 7523

Bank calls for shareholders

By JOSHUA RABOROKO

THE African Bank has appealed to the black community to buy shares in Afribank, despite the turbulent and trying social, political and economic times South Africa was undergoing. (-232)

At a meeting of shareholders in Johannesburg, Dr Sam Motsuenyane, who was re-elected chairman, said the present climate has had a disruptive effect on the socio-economic fabric of the black people.

He also said it was "touching" to note that the bank achieved its best results just after going through its most trying times which were characterised by bad and hostile publicity. Sowetan 5/12/90

The current capital structure of the bank, particularly the existence of 750 000 16 percent and the 3 750 000 eight percent cumulative redeemable preference shares, compelled the bank to pay out a large proportion of its taxed profits to the holders of these shares, a factor which operated against the ordinary shareholders.

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BDay 6/2/90

Futures score as JSE lingers

ROBERT GENTLE

THE frenzy of activity in the futures market before and after President F W de Klerk's parliamentary address last week brought into sharp focus the adverse conditions under which the JSE has to operate at times

These include the high cost of dealing — via MST (Marketable Securities Tax) and brokerage — the relative slowness of share transactions, the shortage of quality scrip and the low level of liquidity

Futures traders in Johannesburg and Cape Town reported roaring business as intuitive clients piled into shares not via the JSE but through its speedier family relation, the futures market

In the March 1990 all-share index future alone, almost 4 000 contracts changed hands in 184 deals, representing turnover of R124m Open interest — the number of open contracts and hence an indicator of future business — reached 12 490.

Although the low margins required to enter futures — usually under 10% of contract value — was the essential technical reason for the flight into futures, the speed of transaction was also cited as a key factor.

Traders spoke of clients wanting to buy shares, but at the same time not willing to miss out on the rising market by waiting for the the slower JSE.

"The futures merely reacted faster to the buying orders that were streaming in," said Stewart Penn of Greenwich Futures "The same people buying futures were buying shares"

He emphasised the distinction, saying that while the futures market set the tone for the JSE, it was not really a case of the tail wagging the dog (a futures market which drives its underlying stock market)

Preventing perhaps more business in futures and shares at the height of the De Klerk-generated bullishness were brokerage fees and MST

This increased the cost of the theoretically profitable opportunities that arose for arbitrage — simultaneous buying and selling of the same commodity in different markets

As an example, if gold was trading at $420 in London and sudden American bullishness pushed it to $423 in New York, an arbitrageur would quickly buy gold in London and sell it in New York, locking in a $3 risk-free profit before transaction costs

This process smooths out pricing inefficiencies

An identical scenario happened on Friday when the share index futures quickly anticipated the effect of the De Klerk address and started climbing to huge premiums to their underlying spot indices.

At one point, March gold index futures were 150 points above the spot gold index, representing a gap of R15 000 on a standard lot of ten contracts.

Stockbrokers Fergusson Brothers and Cape-based brokers Bailey Overseas reported futures/spot arbitraging — selling the index future and buying the shares of the underlying spot index.

Cape-based brokers Simpson Futures reported arbitrage on the so-called calendar spreads — price mismatch between the near (March) and far (June) gold index futures.

However, traders said the many theoretical arbitrage opportunities went unexploited because of the deterring effect of the slow speed of share transactions and high dealing costs

Naill Smith of stockbrokers Fergusson Brothers conceded the effect of high dealing costs, but said there were ways of arbitraging profitably, especially on large six-figure sums

But the most serious obstacle to arbitrage, traders agreed, was simply the illiquidity of the JSE and the difficulty in actually obtaining shares

The JSE trades about 5% of its market capitalisation a year, compared to about 70% in New York

A solution to the JSE problems of liquidity, speed and dealing costs would go a long way towards eliminating this

Overseas, futures markets trade five to 10 times the volume of their underlying equity markets, effectively driving them

SA has come a long way in this respect, observers agree, but is nowhere near that situation

Approached for comment, JSE chairman Peter Redman said. "The illiquidity of the JSE is something the institution is very concerned with and it has been highlighting the problem for some considerable time."

He added that while futures markets might enable quick in-and-out strategies, they were notoriously volatile, and that being a zero-sum situation (profits and losses are always equally balanced), they required investors to exercise "extreme caution".

Pepsi in SA to be provisionally liquidated

BD 6/2/90 (232)

LESLEY LAMBERT

CAPE TOWN — Pepsi Cola Africa has been placed under provisional liquidation, following years of financial instability since the US parent, Pepsi Cola International (Pepsico), disinvested in 1984

An application for the provisional liquidation was brought in the Cape Town Supreme Court on Friday by one of Pepsi's creditors, Cream Advertising, and a court order was granted after Pepsi failed to settle the matter out of court

Cream's application for R203 000 for services between June 1989 and January 1990, followed an application last year by Master Directories for an amount of R9 400 which was only paid once liquidation proceedings had been launched

Cream MD Brian Addison claimed in papers that Pepsi had initially delayed settlement of the debt in December as it said it was involved in a management buyout and was awaiting a transfer of funds

Addison said that agreement was reached on the terms of settlement last month but, when the first of three post-dated cheques was deposited, it was returned by the bank

He claimed it was clear the company was insolvent

Henry Roux, new Pepsi MD and the third since Pepsico helped the Soweto Investment Trust Company (Sitco) to buy Pepsi Cola Africa from Cape Beverage Holdings in the early 1980s, said yesterday that Pepsi had been unable to get new capital investments for many years

He said the company would need about R2m to fight off final liquidation

The return date is February 22

Bank supports deregulation

TRUSTBANK supports deregulation and privatisation which promote free enterprise and the development of the informal sector (232)

The bank says it believes that all South Africans should have equal access to economic opportunities. (83) (KSA)

In his review, the bank's managing director, Mr Kobus Roetz, says part of their Community Development Programme involves the support of job creation organisations such as the Foundation for Entrepreneurial Development, African Council of Hawkers and Informal Businesses, and Triple Trust (which is particularly active in Crossroads and Khayalitsha) Sowetan 8/2/90

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SABBM set to announce plans for acquisition

CHARLOTTE MATHEWS

AN ACQUISITION was being negotiated by SA Bias Binding Manufacturers (SABBM) and an announcement would probably be made within the next 10 days to two weeks, MD Phillip Coutts-Trotter said yesterday.

He declined to give details of the transaction because negotiations were "at a delicate stage".

SABBM released a cautionary notice earlier this week advising shareholders negotiations in progress could affect the price of ordinary shares

According to one analyst, a cautionary would not be necessary unless an acquisition or change of control of significant size, likely to materially affect the company, was under discussion

Coutts-Trotter confirmed it was a sizeable acquisition "relative to our size If you were talking about Anglo American it would not be a large acquisition"

In August last year chairman Chris Seabrooke said two acquisitions were being negotiated, one in SA and one in the UK, both in the group's present field of operations

Coutts-Trotter said yesterday the cautionary concerned the SA acquisition

BD 8/2/90

SABBM shares closed at 280c yesterday where they offer a dividend yield of 6% and an earnings yield of 15,4% compared to an average for the clothing sector of 5,1% and 15,6% respectively

The share has risen 24% over the last year from 225c last February

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FM 9/2/90

SOUTH COAST TIME BOMB

Johannesburg timeshare company Leisure Life International has come under fire from SA Property Owners Association (Sapoa) for selling timeshare belonging to a company in provisional liquidation.

The timeshare division of Sapoa has held meetings to find a solution to the Blue Marlin issue which has had buyers scrambling to offload their units.

Leisure Life is trying to sell the remaining 80% of the units available at the Scottburgh resort on the Natal South Coast. Unit weeks range in price from R2 000-R12 000.

But the liquidators and the company in provisional liquidation, World of Leisure Holdings (which holds 50% of the shareblock shares in Blue Marlin Shareblock), insist Leisure Life is not entitled to sell.

However, consultant to Leisure Life Norman Peires argues that an agreement reached before the liquidation proceedings began in November empowers Leisure Life to sell units in the development.

Neville Jessop of Golden Trust Services, which is handling the liquidation, says Peires has been told more than once to cease his selling activities. He says: "Peires started to sell on the strength of an alleged agreement to buy the time sales shares from World of Leisure. But its directors say the agreement did not go through."

He maintains the shares were pledged to Trust Bank and the share certificates could not be released or the sales ratified.

Resort manager Manfred Fichtl has been inundated with calls from concerned unit holders and has advised those who bought timeshare after the provisional liquidation to consult their laywers.

Stephen Griessel, of Sapoa's timeshare division, says the situation surrounding the troubled resort is causing concern in the industry.

He says a meeting was called by Sapoa some weeks ago specifically to deal with the problem because it's putting the industry in a bad light.

However, Peires says he will continue his sales drive in spite of the liquidator's objections — adding that he hopes to finalise a deal shortly which will resolve the dispute.

RABIE FM 9/2/90 (232)

Sales firm

Activities: *Develops residential and industrial property*
Control: *Directors 59%*
Chairman: *J S Rabie, MD L H Cohen*
Capital structure: *18,4m ords Market capitalisation R22,1m*
Share market: *Price 120c Yields 12,5% on dividend, 30,9% on earnings, PE ratio, 3,2, cover, 2,5 12-month high, 275c, low, 100c Trading volume last quarter, 62 715 shares*

Year to June 30	'88	'89
ST debt (Rm)	0,05	0,01
LT debt (Rm)	0,24	8,20
Debt equity ratio	n/a	n/a
Shareholders interest	0,27	0,28
Int & leasing cover	36	16
Return on capital (%)	44	24
Turnover index	100	248
Pre-int profit (Rm)	5,48	9,95
Pre-int margin (%)	n/a	n/a
Taxed profit (Rm)	5,3	6,25
Earnings (c)	33,4	37,1
Dividends (c)	13	15
Net worth (c)	21	64

High interest rates have presumably persuaded many potential home buyers in the lower-priced sector to defer purchases However, Rabie MD Leon Cohen says the group is trading "exceptionally well"

He says Rabie is selling about 300 houses a month countrywide, of which 80-100 are being sold in Khayelitsha near Cape Town First-time black home buyers are keen purchasers The institutions are readily providing bond finance to qualifying applicants and many can afford to buy On the other hand, he says, the coloured market in the Cape and

FM 9/2/90 (232)

the Indian market in the Durban area have been affected by rates and sales have tailed off

Rabie last year acquired Zozo, a manufac-

FM 9/2/90 (232)

turer of playground equipment, Wendy Houses and prefebricated site huts for R14m The purchase strained the group's financial resources and it benefited when a deal was struck with Murray & Roberts in which Rabie disposed of the total assets and liabilities of Zozo to M&R

These were then merged with Kwikspace Holdings, M&R's prebuilt accommodation business Rabie gained a 40% interest in the merged operation and eased the strain on its balance sheet

The merger took effect on July 1 and made the year-end balance sheet figures ir-

Rabie's Rabie ... a firm market

FM 9/2/90 (232)

relevant *Pro forma* figures for July 1 show that shareholders' interest rose from 0,28 to 0,46, total debt was R419 000 (R8,2m) and net worth increased from 64c to 84c

Cohen believes that, barring unforeseen circumstances, the sales being experienced now will translate into meaningful growth in attributable earnings for the 1990 year Interim results due soon should reflect this and Cohen is expecting the second half to be better than the first

Longer term, efficient and experienced developers of low-cost housing could be looking forward to a fast-expanding market-place Meanwhile, the 12,5% yield looks attractive

Gerald Hirshon

JSE ecstacy, but the world's not rushing over

WM 9/2 - 15/2/90

(232)

South African business has hailed the FW speech as the path back to recovery. But Washington showed a great deal more caution

A RISING gold price has made for a general air of optimism on the Johannesburg Stock Exchange of late but the atmosphere last Friday afternoon following State President FW de Klerk's speech was euphoric

Brokers were receiving interested phone calls from their foreign counterparts, not just about South African mining shares, but about industrial shares.

Within three days the JSE industrial index rose by 9,4 percent, with blue chip shares, particularly those listed on the London Stock Exchange, increasing by much more than this Barlows, for example, gained 21 percent and Remgro 16 percent

The stockbrokers' euphoria seemed based not only on increased overseas interest but also on a perception that South Africa's economic prospects, particularly its balance of payments outlook, should improve following the De Klerk speech.

Indeed the balance of payments situation already looked better before the speech, as a result of changing foreign perceptions of South Africa's political and economic situation.

With very high foreign debt repayments of around $2,1-billion due this year, economists had been predicting capital outflows of up to R7-billion But Reserve Bank governor Chris Stals said last week it was possible this figure could turn out as low as R2-billion thanks to rollovers and extensions on the debt payments.

He also told *Weekly Mail* there was a small increase in the amount of foreign capital, especially short-term finance, available to South Africa.

And following the speech there were suggestions that sanctions pressure could be lifted — with Britain in the lead and the US possibly to follow

But despite De Klerk's speech and the general euphoria, it is far from certain that foreign capital will now come flowing back into the country

For one thing, there is a worldwide shortage of capital, especially long-term investment capital, available for developing countries

And for another, the response from South Africa's major trading partners has so far been cautious

From New York, **MARK GEVISSER** reports that despite the fact that both the United States Congress and the Administration have called for a further moratorium on sanctions, there is currently a bill in the House of Representatives that proposes to tighten the 1986 law

Drafted in response to the debt rescheduling agreement between South Africa and its American creditors, it would, over a staggered period of three years, institute legislation to make the rescheduling of debts more difficult — by preventing American banks from converting short-term debts into 10-year exit loans

It would also prohibit the US government from using any bank that did business with South Africa

Although this bill, still in its early stages, seems out of line with the broader "no more sanctions" policy, legislators are preparing it so that it will be ready in June if there is a need to apply more pressure

"We hope," says a congressional source, "that it will serve as a constant reminder to (State President FW) de Klerk that we are not relaxing our vigilance "

The tone of suspicion and caution that lawmakers use even when praising De Klerk is echoed in the business world where, according to the *New York Times*, recent events have not and will not stimulate new foreign investments in South Africa.

The banks are unlikely to make further loans to an economy that is not only politically stigmatised but also shows no signs of stabilisation Divested businesses have lost so much by leaving that it would simply not be viable to return

Sal Marzullo, chairman of the Sullivan Signatory Companies, believes however that much of the credit for De Klerk's initiative must be claimed by the companies that have stayed in South Africa and have spent millions on education, housing and other services

"These companies have been within the movement for peaceful change, and now that the goals of this movement are beginning to be realised, fewer of them will feel compelled to withdraw "

He believes that if and when negotiations do take place, many of the major corporations who have left will revise their positions

But a representative of Honeywell Incorporated said that her company would only consider re-entry after "a complete elimination of the laws supporting apartheid, and the establishment of political freedom and equal opportunity for all" A similar statement was made by Barclays Bank

Privatisation — the path to future prosperity

STAR 10/2/90 (232)

DEREK TOMMEY

AS THE Government prepares to sell off its trading operations, many South Africans are starting to ask whether privatisation is going to be a rip-off or the claimed recipe for prosperity.

Motorists travelling between Johannesburg and Durban who have to pay R24 to ride on roads when previously they travelled for nothing, may feel that privatisation is costing them more than the benefits they are getting.

The 80 or so timber millers who have just been notified that as part of the preparation for the privatisation of the state's timber enterprises they will have to pay 30 percent more for their logs, are also not too happy about the process.

The recent rise in Sats rates also looks like an effort to improve its financial situation ahead of privatisation — although Sats adamantly denies this

The proposed privatisation of certain hospitals is also expected to lead to a sharp increase in tariffs, increasing the financial burden on those that use them.

Summing up, there is no doubt that privatisation is likely to lead to a great many South Africans having to pay out more for what they used to get for nothing or for relatively little

On the other hand, there is no doubt that in the long run South Africans should benefit handsomely from the privatistion of state operations

Firstly, there is the "selling off of the family silver" aspect When governments sell off their assets they usually raise large sums of money which can then be used to reduce taxation This results in an immediate benefit to the public.

The Government raised R3 billion last year when its privatised Iscor. Rough estimates suggest that the sales of Sats could bring it R65 billion — which is more than a whole year's Government expenditure.

Eskom is worth some R30 billion, and Post and Telegraphs could fetch a further R10 billion to R15 billion.

In addition there are a host of smaller enterprises ranging from forestry to Foskor, and from diamond mining to dam operations that could eventually be sold.

One can even see circumstances arising when even the SABC could be offered to the highest bidder.

But this is only part of the potential benefits from privatisation The real gain s that under-utilised assets are put to better use. Privatisation results in these bodies no longer being run by bureaucrats, whose main consideration is to avoid making mistakes, but by businessmen — whose aim is to make profits

Dr Anton Moolman, managing director of Sats, when discussing the bright and dark sides of privatisation in Johannesburg this week, made some interesting remarks in the process

Sats is to become a commercial operations from April 1

He said that the most important aspect of the process of changing from a state sector organisation to a private sector organisation was that of increasing efficiency In certain areas it would be a painful process

Trasnport services was proud of what it had already achieved in raising efficiency In the past eight years it had reduced its labour force from 279 000 to 180 000

He was certain that the new road Sats was on would lead to a further increase in efficiency This was necessary to fight the competition

New contracts

It would place pressure on the Transport Service to continue reducing personnel to become more effective and market oriented Dr Moolman said that from April 1, 1 000 of Sats top managers would have have to sign contracts in which they would give up the job security afforded public servants, he said

"I can already be fired by the Minister and from April 1, the 1000 top managers can be fired by the directors"

But in return the 1000 top managers will get more market related salaries.

From April 1, Sats would also be liable for tax, Dr Moolman said

Another benefit of privatisation is that the Transport Services will get the freedom to invest its funds as it wants

Instead of an investment being determined by whether it is necessary or not, the determining factor in the future will be what is the return?

"If the return is not satisfactory we won't invest in the project"

A further benefit is that Transport Services will be completely depolitised

Subsidies paid will become public and Sats will operate on a level playing field Because the rules for all participants in transport will be the same, regulations will no longer be needed

Commercialisation also broadens the country's tax basis because Sats will be payingtax

And that will benefit all.

TOURIST ATTRACTION: South Africa is one of the few countries in the world to still operate steam trains as part of its overall tourist attraction. As a result thousands of foreigners flock to this country every year just to take a trip down memory's line. Many private operators lease these trains from Sats and there's never any shortage of passengers prepared to pay a high price for travelling in the old style. Privatisation could see this market expand considerably.

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ST Times 11/2/90

Fund chief sees JSE share value doubling

By Robyn Chalmers

A SUDDEN reversal of foreign sentiment towards SA could double the market value of shares listed on the JSE.

Peter du Toit, managing director of the new Momentum Asset Trust, says it would open up major business opportunities for SA.

But he queries whether fund managers and markets are up to the new challenges.

"With the delay in privatisation, the decline in the issue of long-term bonds and slowing disinvestment, the appropriation of funds to effective means of investment is going to be difficult, given the growing confidence."

Capital outflows have declined steadily since the first quarter of 1989 The Reserve Bank Quarterly Bulletin shows a decline in capital outflows from R1,8-billion in the first quarter of last year to R244-million in the third

President De Klerk's speech last week has induced foreign investors to look at SA with cautious interest

Mr Du Toit says that although foreign organisations have not responded immediately to the new political climate in SA, they are certainly viewing its prospects with greater optimism

In terms of world market capitalisation last year, Japan took pole position with 37%, followed by America with 32% and Europe with 20,1%

The market value of SA shares made up 1,3% of the world total

The Pacific Rim, including Australia, Hong Kong, Taipei and South Korea, represented 7,3% of world markets, and Canada 2,3%

Mr Du Toit says that because of increasing concentration of money in trust companies, pension funds and insurance companies, fund managers of international securities portfolios are the new intermediaries in recycling global imbalances.

It is estimated that fund managers dealt in worldwide securities worth $20-trillion in 1989.

Mr Du Toit says Japan alone accounts for investment outflows of $100-billion a year

"There must be major business opportunities here, but are the managers up to the challenge? The 1987 crash was a warning of how financial shocks can be transmitted around the world.

"If investment capital is securely committed to long-term opportunities, it is a stabilising force. The danger that exists is the build-up of mobile international funds"

PETER DU TOIT . . . new role for fund managers

February 90

Sasol's earnings growth is slower

(232)

BARRY SERGEANT

SASOL has increased earnings per share by 18,3% (34,8%) to 58,6c (49,6c), for the half year to December 23. Turnover — excluding excise duties and the fuel levy — increased 15,9% to R2,4bn (R2bn) and the interim dividend was increased 10% to 27,5c (25,0c).

Bottom line attributable profits increased 11% to R330,2m (R297,3m), swelled by Sasol Three, in which Sasol has a 50% stake. Sasol received R25m (zero) in dividends from Sasol Three The provision for taxation was up 25,9% to R308,8m (R245,3m).

The board of directors stated that after last year's fire at Sasol Two, the regular inspection programme had been "considerably intensified".

The programme had a negative effect on production in the first half and would also have an adverse effect on the second half, they said.

In the absence of major changes in current price levels, the profit in the second half of this year "should show an improvement" over the first.

Mynkar looks at merger deal

CHARLOTTE MATHEWS

MYNKAR Holdings is engaged in negotiations which could result in its merger with a company in the same field, executive chairman Peter Brown said yesterday. BDay 14/2/90

The company, which makes, hires and sells portable toilets, sanitation equipment and modular buildings, released a cautionary announcement last week (232)

"We were approached by SMB about three months ago on behalf of one of its clients, who is in a business allied to ours," Brown said

"SMB asked if we were interested in talking to its client or doing a deal.

"We had some informal discussions followed by a formal meeting on Wednesday. SMB then advised us to issue a cautionary"

Brown said the merger would be with an unlisted company.

"We should have some clarity some time next week," he added.

February 1990

Federale sells 74.9% stake in Morkels

(80) SYLVIA DU PLESSIS (2×8)

FEDERALE Volksbeggings is selling its 74,9% holding in Morkels for R28,5m to a management-led consortium backed by an undisclosed West German individual with effect from April 1

The announcement follows speculation to this effect after the furniture and sports-goods retailer issued a warning to shareholders on January 25 to exercise caution in dealing in their shares

In terms of the deal, the consortium will buy Federale's 30-million ordinary shares for 95c each

However, the disposal is with dividend of an estimated R1,2m, so the consortium is effectively buying the shares for 91c each A similar offer will be made to minority shareholders

Federale domestic consumer goods division chairman Neville Organ said last night the sale — for a "fair" price in view of Morkels' recent performance — would tighten his group's focus on its domestic consumer goods interests, which include Continental China, Tek Corporation and Teljoy. (232)

Federale's policy was to concentrate its investments in companies which had a substantial market share, he said

"Morkels has a comparatively small share of the furniture and electrical retail goods market which is at present quite volatile and exposed to a high degree of government intervention in the form of credit restrictions on HP sales."

Morkels MD Carl Jansen, in Johannesburg to confer with staff, said the consortium planned to issue a formal statement "in due course".

"Our priority is to bring all our staff who have a vital stake in the business as shareholders as well as employees into the picture and this is being done throughout the country this week."

Morkels, hit by HP curbs, import surcharges and interest rates, posted earnings for the nine months to December of 12c (17,7c) a share, but Jansen said then he saw the new trading year as a "fresh platform" to return to previous high levels of turnover, profitability and market share gains

The shares peaked at 95c earlier this month ahead of the announcement from a low of 70c in November, but closed unchanged yesterday at 90c.

February 90

Consol increases profits by 43% to R87,5m

JOHANNESBURG. — Consol Limited, the packaging, tyre and rubber subsidiary of Anglovaal, increased operating profit by 43% to R87,5m (R61,1m) in the half year ending December 31, 1989

Financing costs were high and profit after tax increased by 22% to R39,3m (R32,2m) and, after allowing for the preference dividend, earnings per share increased by 12% to R36m and 56,3c respectively (50,4c) per share.

Turnover increased by 61% to R631,7m (R392,8m), mainly as a result of the acquisition of Tycon, formerly the Goodyear Tyre and Rubber Company with effect from July 1, 1989

Operating profit was adversely affected as sales volumes in most of the group's packaging markets either remained static or declined marginally, and an 11-week strike and a two week go-slow occurred at Tycon, which originated from union demands related to the American disinvestment from the company

Interest earned previously on surplus cash declined as it was used, together with the proceeds of the issue of R50m preference shares, for the purchase of Tycon and financing costs were high during the half year because of increased borrowings required to finance the installation of a new furnace at the Clayville Glass Factory

The effective tax rate was 48,8%, slightly higher than the 48,3% for the same period last year and the 47,8% for the 12 months to June 1989

Profit growth was recorded by the glass division despite sales being affected by generally weak demand and start-up costs related to the new glass furnace at Clayville

Rigid plastics showed a marginal profit improvement in a soft market. Losses in flexible plastics increased because of high competition in a weak market for industrial flexibles and bags and sacks. The sale of the industrial flexibles operation becomes effective on March 1, 1990

The paper division, with its corrugated investments, achieved meaningful profit growth in spite of a small decline in its market and a loss of market share to a new entrant in the Western Cape.

In spite of the disruptive effect of industrial action which adversely affected sales and output at Tycon a small operating profit was achieved. — Sapa

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Pros and cons of the floor vs screen debate

WITH barely a few months to go before the opening of Safex, the argument over whether a floor or screen system would best suit the new formal market still rages on

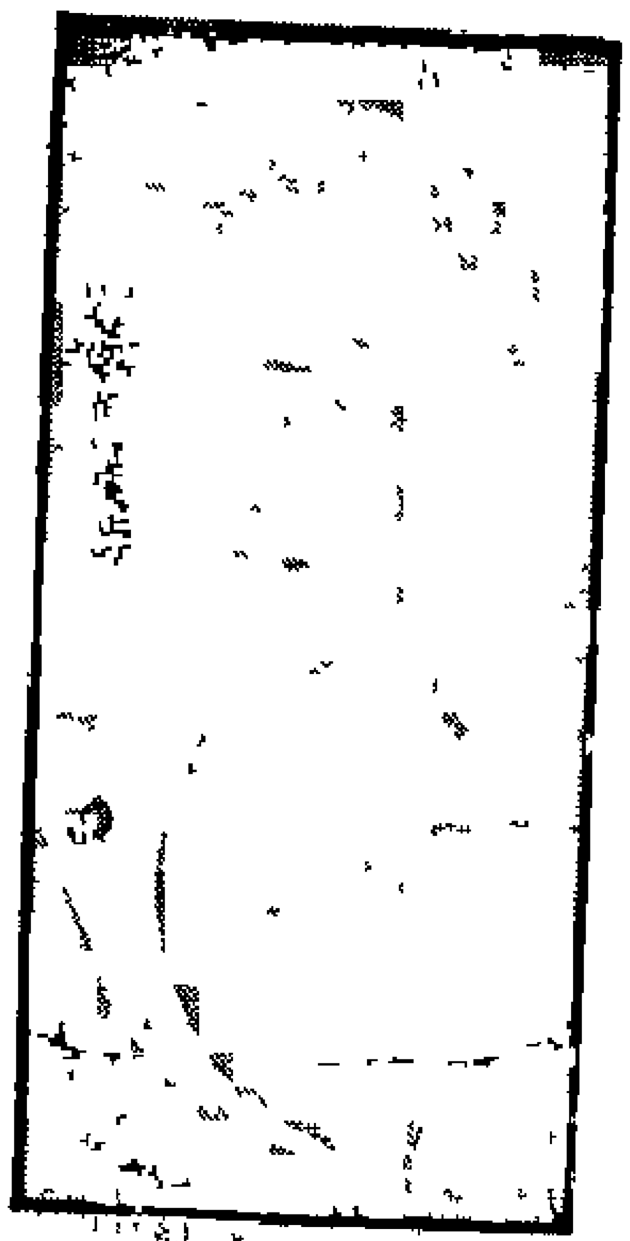
This is in spite of the fact that a compromise solution in the form of a dual floor-screen system has already been imposed (the floor will be in the newly opened JSE annexe)

Compromise

Senior figures within the JSE and the futures industry concede in private that it has been a "political compromise" between the proponents of each system.

These are the traditional screen-based dealers (institutions, banks and screen-based traders) and the traditional floor users (JSE brokers and traders)

Summarising the pro-floor argument is JSE president Tony Norton, who says all the research done by the JSE has shown that hand-and-eye trading fits futures, providing accurate price information and greatly enhancing liquidity



ELAINE SLOT

It is acknowledged in international markets that the mere presence of certain people on the floor can move futures prices

The opposing view, actively argued by institutions such as Cape Investment Bank, is that screens are already in place, are more cost-effective, provide instantaneous price information and eliminate opportunities for insider dealing, such as frontrunning

Then there are personalities such as Elaine Slot, director of Cape-based Simpson Futures, who steer around the black/white argument of floor vs screen by saying what ultimately counts is "the most efficient market"

Further complicating the issue, says director of Cape-based SA Futures and Options Mike Davis, is that SA does not have a true screen trading system, but merely a sceen viewing system.

Apart from bid and offer prices, virtually everything else is done off screen — including the striking of the deal, which is done by telephone

There is no ongoing information on market dynamics — deals, volumes etc.

The ultimate success of the dual system should be clear within three years, says Safex assistant GM Mike Henegan

Users are therefore locked into a three-year commitment, which needless to say has not gone down well among the pro-screeners, who give the floor two years at the most

Henegan envisages the following scenarios after three years, either the floor wins through, it flops altogether or the dual system proves itself just right

If the floor flops, says Henegan, Safex and Safcom will pick up the tab

Fortunately for exchange members, the Reserve Bank has chipped in R2m of the R3,5m capital cost

Wasted

However, Cape Investment Bank trader Ian Visser estimates that if the floor fails, as much as R25m will have been wasted in direct and indirect costs

As for the dual system, he says. "It's simply duplication, like a tricameral system"

Meanwhile, the following quote (said to have emanated from Cape Town) continues to raise smiles all over the market "The floor will flop and the JSE annexe will eventually house the hanging gardens of Johannesburg"

BDay 15/2/90 (232)

Arbitrage — how to exploit price gaps

ARBITRAGEUR, a word associated with characters like Ivan Boesky and Gordon Gekko, is slowly creeping into local financial parlance, though thankfully with not nearly the same negative connotations

What the arbitrageur does is arbitrage — a process defined as simultaneously buying and selling the same commodity in different markets

In theory, the profit he makes is risk-free, as he is merely exploiting price inefficiency in the market

Thus, if gold is trading at $420 in London and sudden US bullishness pushes it to $423 in New York, an arbitrageur quickly buys gold in London and sells it in New York, locking in a $3 profit before transaction costs

This process smooths out inefficiencies and brings prices more into line with one another

As the abitrageable gaps are often very small, the payoff comes by investing huge sums of money In the above example, 100 000 ounces of gold would bring in $300 000 profit before transaction costs

Equally important is speed In sophisticated markets, arbitrageurs swarm around arbitrageable gaps like bees around a honey pot, and one sizeable deal is enough to move the market and arbitrage the gap away

Gaps

Since the advent of the futures markets in SA, arbitrageable gaps have appeared between index futures and their underlying spot indices (which are essentially the same products in different markets)

Local futures traders say these gaps can be as high as 6%, where as in a sophisticated market such as the US, they are in fractions of a percentage point

In theory therefore, SA arbitrageurs should be making a mint In practice, however, not nearly enough of it is being done

The main reason is the illiquidity of the JSE, which trades a mere 5% of its market capitalisation a year compared to about 70% in New York

Shares do not move around in enough volume and at enough speed to permit the quick in-out transactions demanded by arbitrage

This naturally impacts upon speed

Says Cape Investment Bank's Ian Visser. "It takes us two minutes to unwind a futures position, but up to three days on the shares"

Also deterring the would-be arbitrageur is the 1,5% Marketable Securities Tax (MST) and the 3% brokerage fees which apply to share transactions

The bottom line is that an arbitrageable gap has to be in excess of 4,5% before any money can be made

As brokerage does not apply to the stockbrokers themselves, it comes as no surprise to learn that stockbrokers are the most active in the field

Says Frankel Kruger director Wayne Rosenberg "We do it all the time"

Dismisses

He dismisses the brokerage and MST arguments advanced by most futures traders, saying the gaps are large enough for those willing to invest the necessary capital

Fergusson Brothers' Niall Smith agrees, saying there are ways of arbitraging profitably with sums in excess of R250 000

Frankels, Fergussons and Rice Renaldi were particularly active during the bullish climate that followed State President de Klerk's parliamentary address, when index futures were trading at premiums of 150 to 200 points above their underlying spot indices

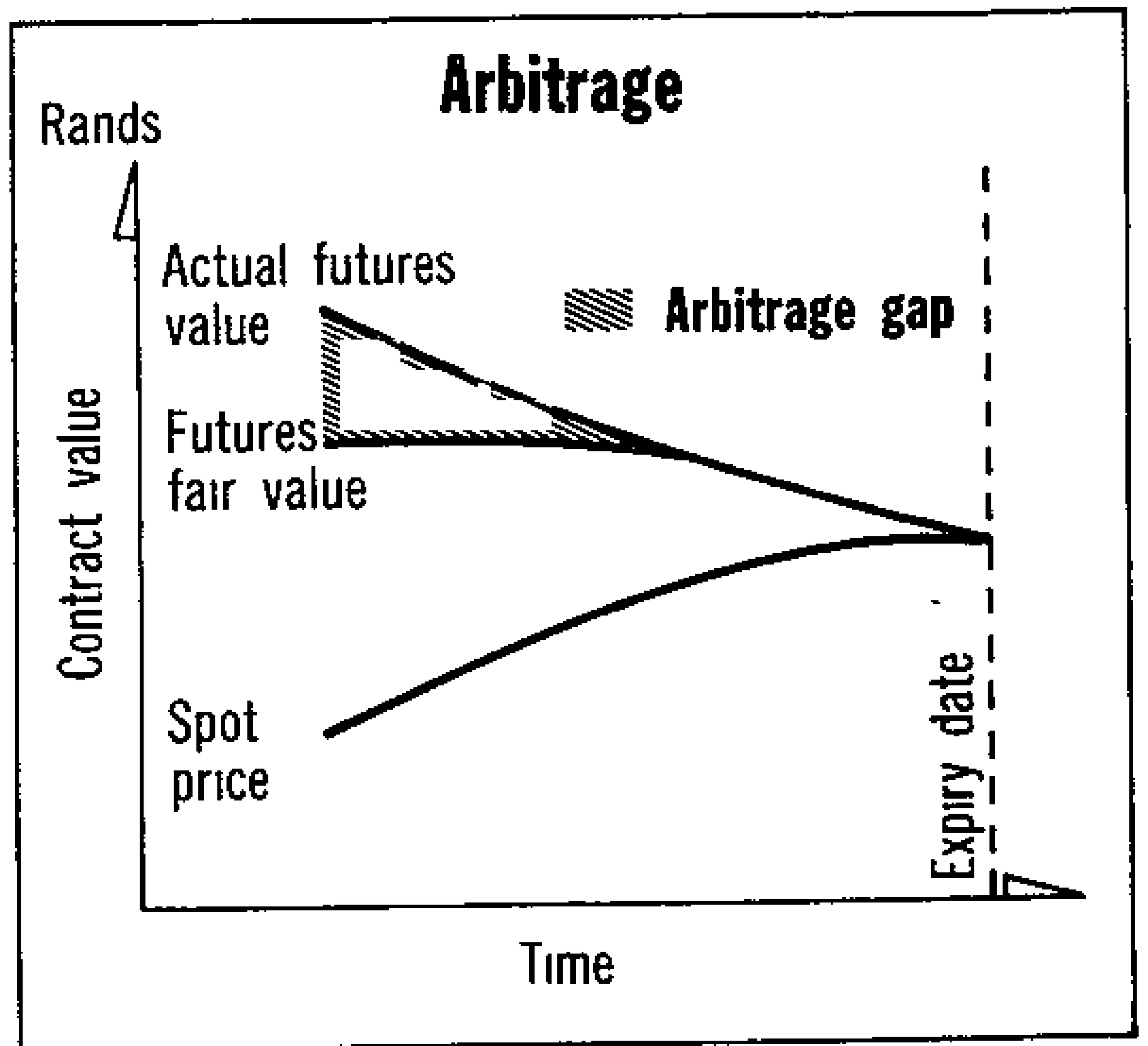
Another form of arbitrage successfully exploited by firms such as Cape Town based brokers Simpson Futures is the so-called calendar spreads — or price mismatch between near and far contracts (eg, between the March and June index futures)

This is a pure future/future arbitrage which can be executed in a matter of minutes with none of the problems associated with the share market

There are a host of other arbitrageable opportunities, such as the BA futures vs cash, the E168 future vs cash, or the Elfi (Equity Linked Financial Instrument) vs equity futures

Opportunities

A Standard Merchant Bank spokesman speaks of "absolute distortions" and "unsophisticated markets" in describing some of the abitrage opportunities available to those with eyes to see them



Graphic FIONA KRISCH

B | Day 16/2/90

Profit margins for industry to come under pressure

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ALL categories of South African travellers — corporate, leisure, inbound or outbound — should be ready to take advantage of their bargaining power this year.

While in many ways the '90s herald excellent revenue prospects for both foreign and domestic tourism and travel — an industry which according to Satour earned the country R3 866m in 1988 — profit margins for all players are likely to come under unprecedented pressure

Even now, retail travel agents say their ability to retain two percent of revenue after operating costs is considered good

A host of factors are culminating in the travel world, including

Pressure

- Deregulation and the downward price pressure of new competition it will bring,
- Greater competition in the retail travel trade as barriers of entry fall away;
- Increasing tendency of airlines, hotels and car-rental companies to market directly to corporate clients

Deregulation will affect all operators and, in particular, will challenge SAA's domination. It will introduce a host of new alternatives for travellers, all of which could trim travel agency bottom lines as they cope with a smaller share of a fragmented market.

TOURISM EARNINGS 1983 TO 1988

YEAR	FOREIGN	DOMESTIC
1983	R 750 m	R1 300 m
1984	R 900 m	R1 583 m
1985	R 904 m	R1 618 m
1986	R 905,2m	R1 738 m
1987	R1 162 m	R1 983 m
1988	R1 494 m	R2 372 m

Holiday Travel executive chairman Gavin Simpson says "With deregulation, new ground rules apply which call for a different calibre of executive in the travel business Price and service are paramount.

"The days of the IATA man in the dark raincoat skulking around the corner checking on the prices passengers paid are over

"There may be no official discounting on ticket prices, but all airlines offer travel incentives and that makes a lot of price flexibility possible

"The costs of a three-week trip for three executives to London and New York could vary by R10 000 between different agents The business is becoming competitive and it pays to shop around"

Airlines internationally have creative offers with hotels and car-rental companies in special deals to attract customers to sometimes roundabout routes but at cost savings and often with some leisure perks thrown in

Simpson says "An airline seat is a perishable commodity, it must be filled before takeoff"

There are ways of achieving bargain basement prices on air travel which bend the limits of legality, say some agents — for example, having the ticket issued in another country to take advantage of a stronger currency But such a practice could never be openly encouraged

Where passenger flexibility is possible, travel agency expertise can assist in taking advantage of special offers and the best timing and routing for a particular passenger

Gundelfinger chief executive John Fryer says buyers should search for the travel agency that has recognised changed tis and has realised the necessity of being more than an "order taker".

"Many clients and suppliers of retail travel age see the industry as no m than a necessary evil conduit for taking ord but offering little for commission.

"The retail travel industry has to recognise need for it to offer true pertise to clients — something it can only do throu understanding the speci requirements of each ent

Detailed

"In the case of corpor clients, this requires a cl relationship and detai involvement in the forw planning It takes in from both sides

"If the travel agency allowed to use its full pertise in working wit company there can alm certainly be in excess 10% savings," says Frye

Behind the increas competition is the Board Trade and Industry moves to remove all "b riers or measures restri ing any person acting as travel agent"

Fryer says while dereg lation in principle is w come, it is now more i portant than ever th travel buyers search for superior service level fro their agents and dema the kind of service th makes budget planning a savings possible

Business Day

16/2/90

SURVEY

*Deregulation and increasing competition have resulted in new ground rules in the travel industry. Now price and service are paramount considerations, and the person who stands to benefit is the business traveller. **SUSAN RAMWELL** looks at the travel industry and assesses the prospects for both the industry and its clients in the 1990s.*

SAA gears up for stiff competition

(232)

BDay 16/2/90.

DEREGULATION of the travel industry means SAA's domination of SA's air travel market may be challenged

It will be difficult to challenge an airline with such an established dominance — SAA carries 94% of SA's 5,3-million air passengers annually

But already there are exciting changes in air travel ahead of deregulation and most observers are praising what they see as innovative marketing from SAA in preparation for more competitive times

SAA CE Gert van der Veer says nearly 40% of domestic passengers fly on discount tickets, up from 5% six years ago

Its well-advertised Frequent Flyer discount package has drawn tremendous response

What interests local business travellers more is likely to be air travel costs — and SAA, even following its unpopular November 1989 13% increase — still believes further increases are required to "bring its airfares into line with domestic fares in other Western countries"

Judging by comments from private commuter airlines, price-cutting is not going to be an important feature of competition following deregulation

Expand

The main private airlines are Magnum Airlines (which merged with Citi Air and Border Air last month), Comair and Safren's Safair, which may expand from freight into passenger services

Comair MD Peter van Hoven has been quoted as saying Comair plans to offer "better service" business class air travel and "economy" travel for the general public

GERT VAN DER VEER

Safair CE Piet van Aswegen describes the airline's approach as requiring a "sound return on capital"

All involved appear to be taking the view that deregulation will lead to price increases

Nevertheless, in the long term, competition should ensure more efficient operation, which should eventually have spinoffs for the traveller

Magnum Airlines chairman Dick Fleming says its strategy is to provide a reliable, comprehensive feeder service rather than competing with the major carriers.

The effects of deregulation internationally have usually proved to be to the benefit of the travelling public.

In the US, the number of people flying increased by about 65% a year after deregulation

Safety also improved and prices came down and stayed down

Magnum Airlines covers a substantial network, taking in Johannesburg, Durban, East London, Port Elizabeth, Bloemfontein, Nelspruit, Newcastle, Maritzburg, Vryheid, Pietersburg, Skukuza, Richards Bay, Umtata, Welkom, Ladysmith, Ulundi and Maputo

Fleming says the merger between Magnum, Citi and Border has resulted in a passenger mix of about 90% business travellers

Complement

"We will be looking at leisure travel to complement this," he says

Bop Air is expanding its services and will replace the SAA/BopAir connection for the two routes between Sun City, Durban and Cape Town with mainline services of its own. The airline will also link Sun City with Mmabatho

It provides an early morning and late afternoon flight serving business travellers between Johannesburg and Mmabatho and has introduced two other flights at 10am and 3pm to cater for the leisure traveller

National Airlines, in conjunction with Namakwaland Lugdiens, operates weekday flights to the northern and western Cape mining areas between Lanseria airport in the Transvaal and Cape Town.

It takes in Sishen, Kuruman, Upington, Aggeneys, Springbok, Alexander Bay, and Kleinzee.

Routes to the northern Transvaal and to Venda are covered by an independent company called Theron Airways, based at Lanseria. A number of executive air charter companies meet more customised corporate needs

Business Day
16/2/90
SURVEY

*Deregulation and increasing competition have resulted in new ground rules in the travel industry. Now price and service are paramount considerations, and the person who stands to benefit is the business traveller. **SUSAN RAMWELL** looks at the travel industry and assesses the prospects for both the industry and its clients in the 1990s.*

SAA gears up for stiff competition

(232)

BDay 16/2/90.

DEREGULATION of the travel industry means SAA's domination of SA's air travel market may be challenged

It will be difficult to challenge an airline with such an established dominance — SAA carries 94% of SA's 5,3-million air passengers annually

But already there are exciting changes in air travel ahead of deregulation and most observers are praising what they see as innovative marketing from SAA in preparation for more competitive times

SAA CE Gert van der Veer says nearly 40% of domestic passengers fly on discount tickets, up from 5% six years ago

Its well-advertised Frequent Flyer discount package has drawn tremendous response

What interests local business travellers more is likely to be air travel costs — and SAA, even following its unpopular November 1989 13% increase — still believes further increases are required to "bring its airfares into line with domestic fares in other Western countries"

Judging by comments from private commuter airlines, price-cutting is not going to be an important feature of competition following deregulation

Expand

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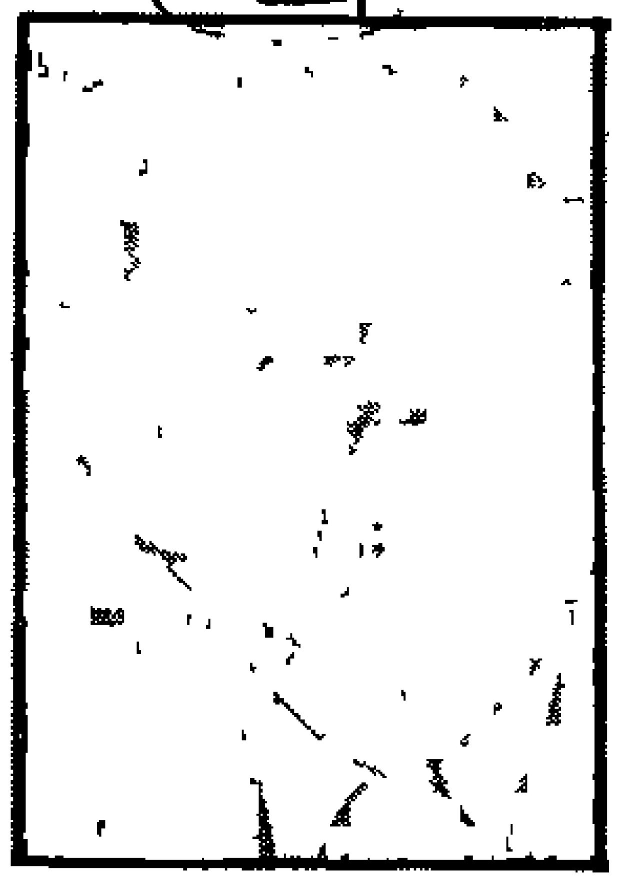

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HELDERBERG VILLAGE FM 16/2/90

In the melting pot

Voluntary efforts to save the beleaguered Helderberg retirement village have failed

An interim management board comprising creditors, lenders and villagers, which was to have run the retirement village from December 15 to February 15, ceased functioning about 10 days before it was supposed to.

(232)

F/M 16/2/90

One of the objectives of the board was to induce the different factions to co-operate in seeking solutions to the village's financial problems without going to court (232)

However, it is understood the final breakdown occurred because the parties were simply unable to agree on the procedures to be followed. Now it seems the fate of the retirement village probably rests with the courts through the imposition of judicial management or liquidation.

The only prospect of an out-of-court settlement would be if one of several rescue plans being bandied about was able to provide the financial muscle to haul the scheme out of its quagmire of debts.

February 15 was the return date when applications for the liquidation of the developer and share block holding company for Helderberg Village were to be heard, as well as an application to put the company into

F/M 16/2/90 (232)

judicial management

However, at the time of going to press, delays and amendments to the court proceedings looked likely. It is understood that parties opposing the shareblock liquidation application failed last week to file replying affidavits and have sought a postponement.

Those seeking the liquidation have apparently agreed to the postponement — provided the cost of the delays is met. Meanwhile, the application for the liquidation of the village's developer, Shemara Holdings, may also not take place

It is understood moves are afoot, supported by the share block company's major creditor, Personal Trust, to intervene and seek to have Shemara placed under judicial management. The original liquidation application was brought by a minor creditor Roy Horrell.

A further possibility is that one of several rescue packages being talked about could come to fruition and nullify the need for any court proceedings.

DCF properties MD Peter Irvine confirms there is an offer on the table and that negotiations to bring in a major institution are in progress.

Last week saw an application to have the shareblock holding company placed under judicial management. This is seen by some as a delaying tactic. The applicant's argument is that the shareblock company is not a trading company and hence has no prospect of trading its way out of trouble. ■

Acquisitions help boost Adcorp earnings

SYLVIA DU PLESSIS

ABOVE-BUDGET results from recent acquisitions helped boost earnings for professional services agency Adcorp Holdings by 37% to 20c (14,6c) a share in the year to December.

The group improved taxed profit by 41% to R1,3m on turnover 36% up at R31,7m after the acquisition of public relations practice TWS Communications, corporate design company JSA Design International and financial advertising agency Adplan International with effect from last July.

Dividends of 9c (7c) a share, covered 2,2 (2,1) times, have been declared. 8/Day 16/2/90

Chairman John Barry said yesterday the results reflected growth in the form of an increased contribution from the DCM-listed group's traditional manpower companies, supplemented by acquisitive growth.

The three communications acquisitions had achieved a "strategic widening" of Adcorp's activities within the professional services field.

"During 1989 the communications division handled one or more aspects of financial communications for 120 companies listed on the JSE. Of these, 46 called on Adcorp subsidiaries to provide service on two or more areas — financial notices, annual reports and investor relations," he said.

A strong second half, during which TWS and JSA worked on the privatisation of Iscor, enabled management to improve on the first half's 23% rise in earnings. (232)

On prospects, Barry said the strength of the enlarged group, coupled with expansion opportunities under consideration, would help management achieve earnings a share growth of at least 20% this year.

Sowetan 19/2/90 (232)

Opening door to JSE

By THAMI MAZWAI

THE stock market has been a closed book to our readers, but that should not be so.

As from Thursday the Old Mutual will advertise prices of their unit trusts in *Sowetan Business*. The first advert will be accompanied by an article on what unit trusts are and their worth as an investment. Old Mutual controls a substantial portion of the unit trusts market with 30 percent of their investors being black.

These shareholders will now be regularly informed the worth of their shares so they can either acquire more or dispose of them. The golden rule in the stock market is to buy cheap and sell when the shares are worth more.

However, the more knowledgeable believe that keeping the shares as an investment makes better sense as a share worth R20 this year could be worth double or more in the next few years.

Making a profit is the name of the game.

Invest

Secondly, those of our readers who do not know what unit trusts are will now know and be able to invest.

This is not all, unit trusts will help those who can afford to participate in the Johannesburg Stock Exchange (JSE). Participating in unit trusts will give an insight into the workings of the stock market and, as time goes on, *Sowetan Business*, like other financial publications, will publish stock prices.

Star 20/2/90 (232)

Sats workers urged to reject redundancy

By Drew Forrest

Trade unions representing the majority of black and white railway workers are to urge their members not to accept SA Transport Services' surprise offer of voluntary redundancy

In terms of the offer, which is linked to the looming commercialisation of Sats, workers who agree to quit by March 15 will receive at least three months' salary in severance pay

The secretary of the 140 000-strong Federation of Trade Unions of Sats, Mr Abie Koekemoer, said members would be sent a circular advising them not to accept

"We regret that management has linked the offer to privatisation This confirms the left-wing union view that privatisation will hurt workers," he said

The federation — comprising recognised white, coloured and Indian unions — also feared that the offer would increase the workload of those left in Sats employment, he said

The general secretary of the SA Railway and Harbour Workers Union, Mr Martin Sebakwane, said the offer indicated retrenchments were in the offing

"Management should declare its hand so that the issue can be negotiated in the April wage talks," he said

Sarhwu's commitment to the right to work, and its standing opposition to privatisation, meant it could not encourage members to accept the severance package, he said

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Worker shot during picket is paralysed

STAR 20/2/90

A 28-year-old worker who was injured in a Johannesburg shooting last week has been told he will not be able to walk again

Mr Sandile Hiya, of Transkei, was one of six men injured — one man was killed — when shots were fired during an incident involving picketing workers at a Pritchard Street building site

Mr Hiya was shot in the neck and back

He has been told he is paralysed and will be transferred from Johannesburg Hospital to Natalspruit

The six were injured when a security guard fired shots at more than 100 workers, members of the Building Construction and Allied Workers Union

Combrink Building Constructions dismissed the workers after a dispute

Mr Johannes Madida and Mr Johannes Kgalati are in a serious condition at the Hillbrow Hospital

The dead man is Mr Alpheus Bapela (33) of Potgietersrus

Mr Alred Zibula and Mr Lucas Matlala were treated and discharged

Captain Eugene Opperman, police liaison officer for the Witwatersrand, said the guard had fired a shot after workers tried to take his gun

Wild Coast Sun employees strike

Star 20/2/90

PORT SHEPSTONE — Nearly 2 000 members of the Commercial, Catering and Allied Workers' Union (Ccawusa) have stopped work at the Wild Coast Sun resort in the Transkei

The organiser of the Port Shepstone branch of Ccawusa, Mr Michael Nsimbi, said the stoppage was due to wage and other grievances

Sun International chief executive Mr Ken Rosevear said his organisation hoped to meet union representatives as a matter of urgency in order to settle the dispute

At the moment the hotel is offering limited services and prospective visitors are advised to check on the South African side of the border whether they will be able to gain entrance or not — Sapa

Professionals climb in as foreigners sell

BDay 21/2/90

LIZ ROUSE

FOREIGN sales of SA shares soared in the week to February 9 but the professionals continued to climb into SA gilts

Equity sales amounted to R608,3m while purchases totalled R235,7m, compared with sales of R376,8m and purchases of R195,9m in the week to February 2 The result was that the net deficit in non-resident transactions widened to R373,7m from R180,9m

2320

On the other hand, gilt purchases rose to R231,4m, with sales totalling R54,5m, resulting in a net surplus of R54,5m The previous week's purchases came to R142,8m with sales at nearly R69,4m, making a net surplus of R73,4m

These figures represent that portion of the financial rand market where non-resident transactions are executed through the JSE.

In general, the week before the Mandela release was a buoyant one for the JSE, which recorded a turnover of R894,9m against R635,97m in the week to February 2.

Govt urges curb on inflationary wage rises

Star 21/2/90 (232)

By Derek Tommey

The Government is urging the private sector not to grant inflationary pay rises

Conditions are conducive to an important reduction in inflation, the Governor of the Reserve Bank, Dr Chris Stals, said yesterday

"It will be a great pity if unreasonable demands for wage and salary increases prevent this from happening," he said

Both the Minister of Finance, Barend du Plessis, and Dr Stals used the Frankel Kruger Vinderine investment conference in Johannesburg yesterday to appeal to employers to keep wage and salary increases in line with the inflation rate

Dr Stals said monetary and fiscal policy were making a major contribution to the fight against inflation

"One further major action is now required, and that is for salary and wage adjustments to come into line," he said.

Wage increases in the first nine months of last year were 17,9 percent ahead of those of 1988.

Dr Stals said that workers could expect to be compensated for the decline in the buying power of the rand

But pay increases greater than the inflation rate were themselves inflationary unless justified by higher productivity, which was not the case last year.

Inflation

Noting that the 17,9 percent increase in wages last year was on the high side, Mr du Plessis warned employers and organised labour about the adverse effects excessive wage and salary increases had on the rate of inflation, on economic growth and on the use of capital, instead of labour and export competitiveness.

Dr Stals said that although the consumer price index (CPI) in December was 15,3 percent higher than a year earlier, indications were that inflationary pressures had eased in recent months.

"This was not entirely owing to anti-inflationary measures — in this game you also need a little bit of luck," Dr Stals admitted.

Among the indications of lower inflation were the 4,2 percent appreciation in the weighted average of the rand in the past seven months and the fall in the growth of money supply

Other important indicators were the estimated 0,5 percent decline last year in real gross domestic spending after it had increased by 7,5 percent in 1988, the drop in the annualised growth rate of the CPI from 18,4 percent in the second quarter of last year to 13,3 percent in the fourth quarter, and the drop in the growth rate of the producer price index (PPI) from an annualised 20,2 percent in the second quarter to 8,7 percent in the fourth quarter

Dr Stals said it was policy to hold the rand at its present levels to help exporters maintain the markets they had developed

"We do not mind if the rand is undervalued in terms of the foreign exchange rate," he said.

Reserve Bank

But for Reserve Bank intervention, the exchange rate would have been much higher

It was also policy to keep the exchange rate stable, he said.

The Reserve Bank did not want the rand to appreciate and then depreciate again.

So far there had been no sign of any long-term investment by foreigners so the present upward pressure on the currency might only be temporary.

Dr Stals said the Reserve Bank had held the exchange rate by selling rands for dollars. Because the banks had used these rands to reduce their indebtedness with the Reserve Bank, there had been some increase in money supply

To mop up these extra rands the Reserve Bank had from yesterday morning been offering the banks dollars in exchange for rands on condition that the dollars are invested abroad.

Bankers expect this to tighten conditions in the local money market where the shortage has fallen from R5,5 billion to around R2,4 billion in recent weeks.

Cape Times

·dnesday, February 21, 1990

232

SATS takes first steps to privatisation

Own Correspondent

JOHANNESBURG. — South African Transport Services (SATS) yesterday took its first step towards commercialisation with an announcement that it is to become a public company with a new corporate image on April 1 this year.

The new company, complete with a logo similar to that of British Rail, will be called Transnet Limited which will control five business divisions

Four of the business units will be called Petronet (pipelines), Autonet (roads), Spoornet (railways) and Portnet (harbours). SAA will retain its name

"If something is successful and works you don't change it," SATS managing director Mr Anton Moolman said at a press conference yesterday

Mr Moolman said the new company would have to live by the same rules and regulations as the private sector It would have to make ends meet and generate profits for shareholders

Any business unit that could not be run profitably would be phased out, he said

He said there was no timetable for privatisation as this had to be handled step by step

However, if SATS was going to privatise, the registration of the company was the first logical step to privatisation, he said Until this time, the state would be the only shareholder in the new company.

He said that as SATS had, by law, not been allowed to make profits, it would take time for each profit centre, or business unit, to show what it could produce for the benefit of potential shareholders.

The national rail commuter service would no longer be funded by the new company as it was impossible to run a commuter service on a profitable basis, he said.

K-H acquires furniture firm

CAPE TIMES 21/2/91 232

Financial Editor

EPPING—based office furniture manufacturer Brown & Neethling has been bought by Kallenbach-Hendler (K-H), the company in which Mathieson Ashley (Math Ash) and SA Breweries' office furniture interests are merged

But Math Ash chairman Winky Ringo said, in a statement issued yesterday, that the deal would make no difference to Brown & Neethling customers

He said the sale included the company's Epping factory and land

"In keeping with K-H's successful decentralisation policy, Brown & Neethling management retains control, to run the company autonomously, in competition with the other three office furniture manufacturers in the group.

"The holding company's role will be one of support rather than direct involvement."

Brown & Neethling production director Martin Janutsch said he expected output to increase as a result of joining the group

The target for the current financial year is R30m, but the firm has the capacity to step this up to R50m

Janutsch said expansion already planned for the factory included the installation of a R1m painting facility in March

Ringo said the purchase price was funded equally by Math Ash and SAB through a private rights issue by K-H

He said the acquisition would enable the group to supply dealers, estimated to make up 50% of the R716m-a-year office furniture market in SA Math Ash already held R120m worth of this market.

It had been the group's stated intention "to enter the dealer market in which there is a supply shortage of quality office furniture".

But until now, it had lacked the capacity to supply dealers who approached it.

Minorco buys US company

Capt Times 23/7/90

232

By ARI JACOBSON

MINORCO returned to the acquisition trail yesterday, after the Consolidated Gold Fields (Consgold) saga But this time it was successful with the purchase of US company Freeport-McMoran Gold, listed on the New York Stock Exchange

The total purchasing price at a tender share price of $17 in cash will realise $705m — 61% of the shares are held by Freemont-McMoran

It is anticipated the tender offer would be followed by a merger with any untendered shares being converted to cash of $17 a share

Freeport-McMoran has agreed to tender its 61% interest into the offer or to sell these shares separately to Minorco, if the tender offer is not completed

The offer price represents a 21% premium to Freeport-McMoran Gold's shareholders over the closing price of $14 a share on Friday

Minorco's executive director Hank Slack, said "The purchase of Freemont-McMoran Gold is a major step in Minorco's strategy of becoming an operator, rather than a passive investor"

Slack said that after reviewing a number of acquisition opportunities in the US and abroad, Minorco concluded Freeport-McMoran Gold's management and employees, reserve base, operating record and exploration potential represented an attractive opportunity

Freeport-McMoran chairman Milton Ward said the announced intention to seek a buyer for its interest in Freemont-McMoran Gold resulted in the transaction with Minorco "which is attractive to the shareholders and employees of the company"

Freeport-McMoran Gold has joint venture interests in two Nevada gold mining operations — Jerrit Canyon (70%) and Big Springs (60%)

Attributable gold production at these sites in 1989 was 244 100 ounces at a cost of $207 an ounce

For the financial year to end-December the company's total assets were $179m with shareholders' equity at $161m and gold revenues of $88m

Its attributable and probable reserves are 2 216 000 recoverable ounces from its two operations

Minorco is a European-based natural resources group with its principal interests in mining and the processing of metals and industrial materials

Prior to the acquisition Minorco had cash resources of $2,5bn

22/2/90

Take a share in big business

232

SOUTH Africa's unit trusts offer the black investor the opportunity to take a stake in big business and share in the profits earned by some of the giant groups such as Anglo American, SA Breweries, Rembrandt and Iscor.

The 31 unit trusts now have investments worth no less than R6,6 billion They are in a sense giant stokvel's investing the monthly savings of thousands of South Africans and the return has been way above most other investments Over the past 12 years the returns have been as high as 30 percent a year for leading funds

The unit trusts invest the bulk of their funds in the stock market buying the shares of blue chip companies. The price of these shares can fall as the stock market reflects the state of the economy and the profits which the companies earn.

The unit trust prices move in line with the stock market If the stock market crashes the unit trust prices will move down as well. But for most long term investors, the returns, even allowing for falls in the stock market, have been excellent, far outpacing the inflation rate

Savings

One should not buy units with the aim of making a short term profit Rather invest a regular sum monthly with the aim of building up capital over say a five-year year term

Many South Africans are using the unit trust to save for their children's education and the fund's performance is far exceeding even the soaring costs of university education

There are basically two types of unit trusts The general share funds which invest in a spread of shares across the market and secondly, the specialist funds The latter specialise in a section of the market such as gold shares or mining companies

Protection

The specialist funds are designed for the specialist investor who may want to have the major part of his investment in, say, gold shares The general funds are highly recommended having shown the best return

Protecting your savings from inflation is a prime goal of personal financial planning and one which is not easily met

Interest rates or returns above the inflation rate are available but usually as the rate rises so the risk increases One might be offered 20 percent but your capital could be at risk

The most secure investments offer interest rates well below the inflation rate However, while one has security, the low returns mean that within four years the buying power of your savings could be halved

It is important not only to have a fund of hard cash (instantly available) but also higher growth investments These may have more risk but offer higher real returns and, significantly, growth in capital

For the farmer, the stockmarket - where share prices have moved up over time and his savings have been insulated from the ravages of inflation - appears to be such an investment

While stockmarkets do have their ups and downs the long term trend has been upwards.

As profits rise companies increase their dividends and this in turn is reflected in higher share prices

The problem with investing in the market is that the blue chip shares (companies with good management and prospects) are too expensive for the average farmer particularly if he wants to spread his investments over several sectors

A spread is most desirable - it provides security against a sharp drop in fortunes in any one sector of the economy

The best way around this problem is to take advantage of one or more of South Africa's Unit Trusts of which the Old Mutual Investors' Fund is the largest

One can invest as little as R50 a month in the Investors Fund or a minimum R500 at any one time - buying a stake in a share portfolio of nearly R2 000m.

High cost

The cost of buying into the fund is comparatively high. The upfront administration charge (there is a sliding scale for big amounts) is 5 percent and there is an annual portfolio management fee of 0,5 percent of the portfolio value

But if one considers that one is buying the skills of top investment specialists, backed by economists, research analysts and high tech systems, it's clear that the charges paid are low indeed

The Unit Trust prices are published daily in all the major newspapers under three headings - buy, sell and yield Old Mutual Investors' Fund buyers price is the price at which you can buy units while the sellers quote is the price at which you can sell your units back to the unit trust company

The difference between the buy and sell is, in broad terms, the initial administration (and marketing) charge taken by the unit trust management company and brokerage and tax taken by the trust

The third column is the actual distribution yield - the dividend and interest return in percent terms which it paid over the past 12 months.

You will see that this yield is very low around 3 - 5 percent for most funds But remember the yield is in line with ruling dividend yields of the listed shares in portfolio

It is useful to look at the long term track record of a unit trust fund to gauge how it has performed compared to inflation Investors Fund's return was an outstanding 28,6 percent a year over a 15 year period as against the average annual inflation rate of 13,7 percent over that period

This article has been prepared by Paul Dold of the Old Mutual to help our readers learn more about unit trusts.

SOWETAN Thursday February 22 1990

232

Privatisation begins

Sats forms a public company called Transnet

PRETORIA - South African Transport Services (Sats) is to be transformed into a public company by the name of Transnet Limited from April 1 - a move widely regarded as the first step towards privatisation.

Announcing the name change at a function in Johannesburg yesterday Sats managing director Dr Anton Moolman said the company would control five business divisions:

* Autonet, the transport division

* Petronet, the pipeline.

* Portnet the harbours.

* Spoornet, the railways.

* South African Airways (SAA), which would retain its present name

He said SAA's name had not been changed because "if you have something that is successful you don't change it".

The State will initially be the company's sole shareholder but Transnet will operate according to the Companies Act.

Moolman said the changes were made to transform a state enterprise into a commercial enterprise, but to privatise Transnet as a company or its divisions, it first had to prove it could be successful and make a profit in its new environment

Decision

"Once it is successful, it will be up to the shareholder to decide whether to privatise " he said

"If we are going to privatise, it is a logical step towards privatisation but no decision has been taken The previous Minister of Transport has given some indication of possible candidates for privatisation such as road transport and the airlines," he said

He was not prepared to comment on a time scale for its possible future privatisation adding that Transnet had to 'take it step by step '

Moolman said they had experienced no resistance from the official trade unions to the changes that had been made "We've restructured our whole organisation, aiming for a more decentralised management structure. Within a month or so we will have a board of directors in control of this company and they are going to enforce on us the rules of the private sector

"Basically they wouldn't want to invest in any venture that doesn't give a good return on capital," he said.

On the commuter side, he said they would be hiving off the service although still rendering it on contract to a corporation. There would still be losses on the commuter side but 'the corporation will be the child of the State and the State will pick up the tab".

Moolman said that pipeline tariffs were not increased on January 1 while harbour tariffs were changed to such an extent that wharfage charges were actually lowered This was an indication of what could happen to tariffs in future under the new arrangement, he said

He said they would limit the costs of changing their logos and image by phasing the changes in slowly.

COMPANIES

5/04/22/490 (232)

Projec shares put on intriguing show

CHARLOTTE MATHEWS

AN INTRIGUING share performance has emerged from the last eight months' trading of DCM-listed Projec Investment Holdings, which bought canvas company Canvacor and appeared on the JSE last July under its new name

The company appeared at around 500c a share after a one-for-five consolidation of the previous shares Within a month it had shot up to 900c and proceeded to zig-zag upwards to 1100c at the beginning of September, where it has stayed unchanged for the last five months

The volume of shares traded, however, started to get really significant after this stage Without the price changing at all, the share frequently recorded more than 100 000 shares changing hands a day On two occasions more than 200 000 shares were sold in one day

Projec's Joe Caldeira, said this week the directors, who owned around 89% of the shares in issue at the time of listing, now together held about 40% of the issued share capital He said the remainder was publicly held

Loss

Caldeira said he had no direct involvement with Projec Holdings and preferred to call himself a consultant to the company MD Bernard Bester had been unable to make the interview, although the first interview arranged had been cancelled for this reason

Canvacor was a canvas product and protective clothing manufacturer In the year to November 1988 directors reported the Solid Pine division had incurred a loss of R213 000 and the profitability of the core business had also declined

The company was then bought by Interstate Breweries, a private company, and renamed Projec At the same time the sale of the Solid Pine division for R1,4m was announced

Caldeira said Projec had disposed of the Canvacor business in January for R2,3m, payable over four months, to a private company called SAPHI The price had been determined on the basis that Canvacor carried excess stock for which the buyers would be invoiced over a period of time An announcement would be made shortly

However, Caldeira said the buyers of Solid Pine had not complied with the purchase agreement and the division would now form the base of a furniture retail venture for Projec

Expand

"Most of it will be owned by Projec and the remainder by two senior directors of a large public furniture company in SA."

The furniture business would start with two stores and eventually expand around the country, he said

"In the first year of operation net earnings are budgeted at R6,5m"

Caldeira said Solid Pine broke even during the last financial year

"About 80% of its production was for the export market The pricing was wrong and the marketing policy generally was no good But with new management we believe it will do well"

Projec's other investment was a 32% holding in a private company called Project Financing, bought for R2,6m and paid for by the issue of 258 000 shares

"Project Financing has an issued share capital of R7,5m," Caldeira said. "Its business is the financing of various things — it lends money in the liquor industry and leases shop fittings and so on It has a current book of R1m"

Caldeira said final results for the year to November would be released at the end of February

Understanding the relationship between SA futures and shares

ROBERT GENTLE

FUTURES, like shares, give an indication of what is going on in the market

The two complement each other and to rely solely on JSE market reports while ignoring the futures is like farming without paying attention to the weather.

They are not called derivatives for nothing — the one derives its value from the other

For example, an all-share index future derives its value from the underlying all-share index.

Because of their low entry cost — under 10% of contract value — and their speed of execution, a position can be unwound in a few minutes. Futures are therefore more active than shares and present a more immediate picture of market dynamics.

The futures market starts trading at 7am, and immediately starts ingesting the events subsequent to the previous day's close, from late night news to market opening in Tokyo.

Rapidly

By the time the JSE opens at 9.30am, enough buying and selling has already taken place in share-index futures (also called share-related futures or simply equity futures) to give the JSE a fair idea of which way to jump

Throughout the day, the futures market will always react more rapidly to the share market.

Two recent examples are how futures soared all morning prior to President F W de Klerk's parliamentary address, and how they plummeted minutes after Nelson Mandela's remarks to the BBC about the ANC's armed struggle.

Traders freely admit the futures market overreacts — but then that is its *raison d'être* It is the first line of reaction to changing market conditions.

Whether it is freezing cold in Florida, sending orange juice futures soaring (cold weather, fewer oranges, higher prices), or a new gold find in Papua New Guinea, sending gold futures plummeting (more gold on world markets, lower price), the principle is always the same — futures lead, shares follow.

Although the Financial Futures Closing Prices column in Business Day is not nearly as comprehensive as the JSE's, it is nevertheless a mine of information.

Whereas the JSE shows where the market has just been, the futures show where it is heading

WHAT THE TERMS MEAN

Futures, like shares, are quoted at **BID** and **OFFER**

The difference is the spread.

The **MARK-TO-MARKET** is the mid-point of the spread, and is nothing more than the daily readjustment of futures prices to reflect market conditions.

MARK-TO-MARKET is to futures what closing price is to shares.

INTEREST ON SAFEX TRUST indicates the interest your margin money would be drawing if you had an open contract. The money resides with the trust.

The other key terms are the contract months, listed in order of distance from the present day.

The first (March) is called the near month, the furthest (September) the far month.

The underlying spot values relating to the futures contracts are also given, showing yet again that the one is meaningless unless viewed in relation to the other This is where trends come in.

BULLISH TREND — The first indication of a bullish trend is when near month futures are trading higher (ie, at a premium) to spot

Thus March all-share index futures (or, in shorthand, March all-shares), at 3 167, are at a 167-point premium to the all-share index of 3 100.

BEARISH TREND — The first indication of a bearish trend is when the near-month future is trading lower than (ie, at a discount) to spot

This occurred at the height of the Nelson Mandela-inspired unease, when March all-shares sunk to a 19-point discount to spot.

WHAT THE MONTHS INDICATE

A rule of thumb (ignoring the concept of fair value) is that a consistently rising set of prices as the months stretch further away suggests long-term bullishness.

Falling prices suggest long-term bearishness.

TREND SPOTTING — Widening premiums suggest increased bullishness, narrowing premiums increased bearishness.

A key trend reversal occurs when a premium reverts to discount, or vice versa.

These basic concepts should help demystify the growing number of articles on derivatives that now routinely appear in the daily Press

78 to date **Nominal +131.0%, Real -45.0%,** Real Weekly Wage **12/88 R 42.83**

36.20	43.20	50 90	57.40	64.40	71.90	80.40
36.02	33.36	38.59	37.57	38.56	29.66	30.12

78 to date **Nominal +194.7%, Real -29.8%,** Real Weekly Wage **12/88: R 25 47**

(232) FM 23/2/90

Giving it all away

Brian Kantor is Professor of Economics at the University of Cape Town

There is a simple way of giving the lie to the accusation that SA whites, through privatisation, are just grabbing the goodies while they still can That is by exercising the option to give away rather than sell the shares on the basis of one person one share

When the shares are sold at market prices the value of public-sector assets is reduced Simultaneously, so are public-sector liabilities — if the proceeds are used to retire public debt or are used as an alternative to additional public-sector borrowing

Government, acting on behalf of the people, owns less and owes less The private sector, in taking up the shares, has exchanged one asset, money, for another, issued shares If the shares are correctly priced, the private sector is neither wealthier nor poorer The benefit of the proceeds of selling the shares will accrue to taxpayers

Were the shares to be given away, everybody would be better off in proportion to the market value of the shares they were presented with But the same individuals would then have to service an unchanged stock of public debt The entry on the asset side of the private-sector balance sheet would be higher to reflect the value of the shares, but so would the entry for private-sector liabilities In the case of a sale, the value of private assets are unchanged and liabilities are reduced In the case of a giveaway, assets and liabilities are both greater

But privatisation is much more than bookkeeping What is all-important is how the corporation performs *after* privatisation What makes the difference is that the managers of a State-controlled industry report to the representatives of the people in parliament The managers of a private corporation report to a board of directors who represent shareholders Ideally, the directors are also important shareholders

The issue is. which system for controlling managers best serves the public interest?

The general problem with government intervention in the economy is that the interests of producers usually carry much more political weight than those of consumers Producers, including the managers and workers in a State-controlled industry, are relatively few in number They make themselves highly visible and influential They are very well placed to exploit their political power to receive benefits of employment they could not hope to enjoy in other sectors of the economy

Shareholders have their own interests which are obviously not the same as those of their managers and workers It pays the shareholder to hold down labour costs It may also pay to exploit a competitive advantage by holding down prices or improving value for money The case for privatisation is the case for extending the socially beneficial role of shareholders in securing the interests of the many consumers against the competing interests of relatively few workers and managers

Patronage lost

What the politicians lose in the process of privatisation is the power to allocate jobs in and to provide benefits for the workers and managers in the State-controlled sector in exhange for their political support It is understandable that an ANC government might wish to exercise the kind of influence traditionally enjoyed by SA governments

Nevertheless, it should be well understood that the exercise of such powers could in no way be represented as being in the public interest

The intended beneficiaries, the workers in State industries, will be relatively few in number, the losers will be, as before, all those many more blacks and whites outside State employment

Inevitably, there would be no financial surpluses to be used for education or any other worthy purpose The workers and managers are bound to grab it all for themselves The only financial surpluses will come from privatisation The danger is that funds so generated will be wasted rather than used to reduce debts

Giving the shares away has a huge advantage of eliminating such possibilities

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Privatisation step as Sats goes public

By CONNIE MOLUSI

SOUTH African Transport Services (Sats) is to become a public company with a new corporate image from April 1 in what is considered a step towards privatisation

Managing Director Anton Moolman said the move could be the start of privatisation, although the state would initially be the sole shareholder

The name of the company will be changed to Transnet Limited, with five autonomous divisions and Marius De Waal as chairman.

The road transport section will be named Autonet, pipelines as Petronet, harbours as Portnet and railways as Spoornet. South African Airways (SAA) will retain its name.

The company will be run by a board of directors on strictly business principles Areas of operation that are not profitable will be cut and the work they perform offered to the private sector.

Already Transnet has started a campaign to build a new corporate image with the slogan "We mean business" and a change of colours from red to orange

Moolman says Sats was prevented by law from making a profit and it will take time for each unit to show its profit-making potential

With the restructuring, the national rail commuter service will not be funded by the new company It will, however, continue to operate the service being paid for by the government.

The massive workshop system maintained by Sats will also have to compete with the private sector and if the costs of running a Sats workshop prove too high, work will be farmed out to private companies

Writing in the company's internal information brochure, Moolman says Sats has followed commercial strategies since 1988 Structural changes are aimed at making financial results the responsibility of each unit.

"As a company we must now enter the transport market with a competitive approach with regard to the rendering of services in order to satisfy the expectations of our clients The financial results of our company will determine when we will be able to privatise," said Moolman.

No employee would be dismissed as a result of the formation of the company

"The reduction of 100 000 employees over a period of seven years has taken place as a result of a natural process of not filling vacancies," he said.

White workers sign up with Sarhwu

Sats has offered workers a voluntary redundacy package of three months' wages and the return of their pension fund contributions.

South African Railways and Harbours Workers' Union (Sarhwu) general secretary Martin Sebakwane said the union was committed to spearheading an anti-privatisation campaign and to building unity among workers of all races around the issue.

"Instead of Sats negotiating retrenchment with the union, it has gone behind our backs and offered workers voluntary retrenchment The company should put retrenchment on the table as a collective bargaining issue, as we believe we can negotiate a better deal for our members," he said

"The retrenchment package offered to workers has several weaknesses. For instance, workers will receive only their pension contribution and not that of the company"

He said privatisation talk had caused frustration, insecurity and uncertainty among workers across the race divide, and all workers have rejected the offer.

"Already many white workers have approached Sarhwu asking for the constitution and other union documents to be translated into Afrikaans, while others have already signed stop-order forms for the union"

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Mighty SAA could ground newcomers

By Roger Makings

THE Government's plans to set up effective competition in the aviation industry will not get off the ground unless it makes far-reaching concessions to SAA's potential competitors

One of the options being tossed around in Government circles is the sale of a portion of SAA s domestic fleet to the private sector

SAA, opposed to the fragmentation of its domestic fleet, will not comment

The major stumbling blocks facing competitors are the huge amounts of capital required to buy aircraft and to establish an infrastructure to match SAA's

If travellers think deregulation will bring cheaper air travel, they are in for a shock — fares will have to increase for the private sector to make profits

Stacked

Jackie Walters, of the department of transport economics at Rand Afrikaans University, says effective competition will not be seen in the aviation industry for many years

Professor Walters says 'The odds are stacked against competitors SAA has a superb infrastructure, a fleet of fairly modern aircraft and all the expertise it needs

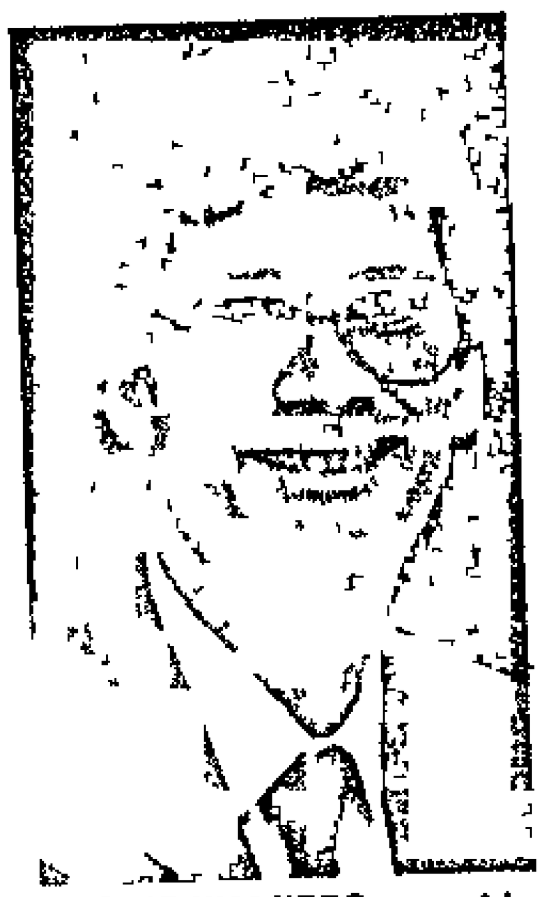
"To be competitive private airlines will have to buy comparable jets, establish a reservation system and maintenance department as well as foreign booking outlets to attract tourists"

Airline profit margins are slim and any company with cash to spare could easily find a more profitable investment than an airline.

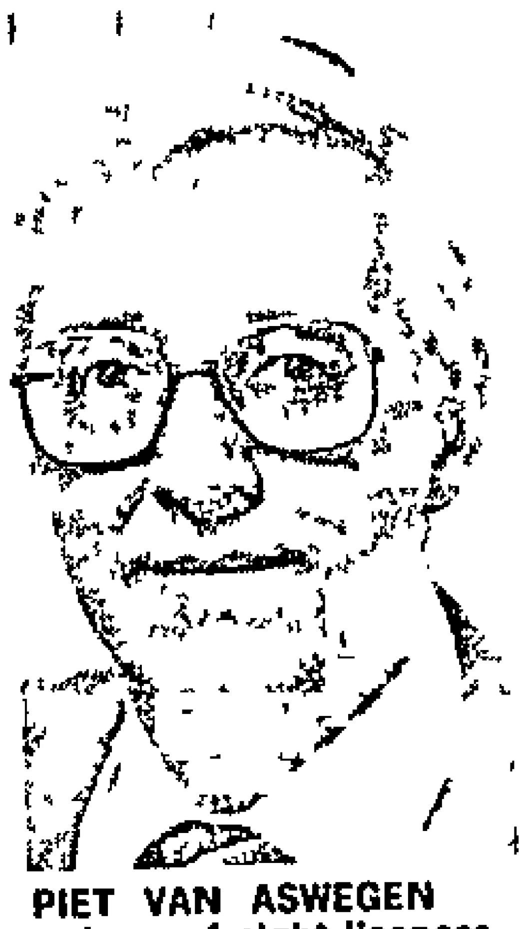
"For these reasons the Government will have to make concessions to SAA's competitors This will almost certainly mean making SAA facilites available to them"

The acquisition of aircraft is a sensitive issue SAA will have to buy its fleet from the Government after the new company is formed on April 1 at market related prices That will "level the playing fields and SAA will not start with bargain priced aircraft"

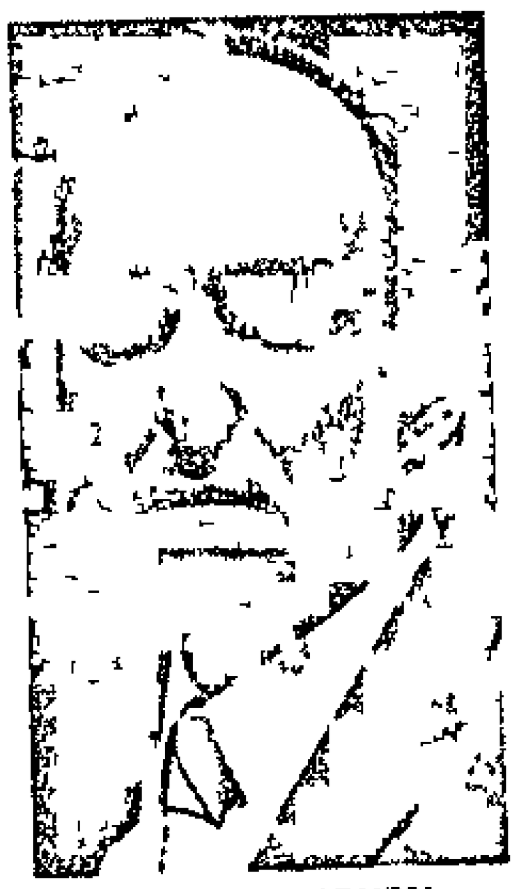
"For effective competition, the private sector should have between 30% and 40% of the market.



JACKIE WALTERS odds stacked against them



PIET VAN ASWEGEN give us freight licences



PIETER VAN HOVEN barriers are too high

Share

"The one way the three main competitors — Safmarine, Comair and Trek Lugdiens — can obtain the equipment they need at the same price that SAA will pay is by splitting up the domestic fleet and sharing existing facilities"

Professor Walters says there are other ways to spur competition, such as limiting SAA's growth and reserving part of the market for the opposition This means new regulations in what should be a deregulated market

"The most cost-effective way of ensuring deregulation's success is to share the exsiting infrastructure instead of building a new one, for which nobody has the money anyway"

Those opposed to the splitting the domestic service will be quick to point out that it would bring a two-airline policy which was tried in Australia and failed

But Professor Walters rejects the claim, saying that the number of aircraft in service will not initially be increased and that there will be neither regulations about departure times nor fare levels

It is not sufficient for the Government merely to change the laws and stand back. It will have to be involved in deregulation and probably consider selling part of the SAA fleet to the private sector and renting out faciliites

Barriers

Comair managing director Pieter van Hoven agrees with Professor Walters, saying competing airlines have no chance against SAA

"SAA holds 95% of the market, has aircraft bought at historic costs and favourable exchange rates controls the national computer reservations system and has the only big-jet maintenance and training facilities in SA

"How are we a supposed to compete with that? It would be impossible for any new entrant to start against those barriers

"Comair will review its position once the legislative framework under which operations will take place has been dealt with by Parliament and SAA's attitude towards facilitating the introduction of competitive services is known"

Fragmentation

Public Enterprises Minister Dawie de Villiers says the State, with SAA, will evaluate the most practical ways of encouraging competition — "for instance by fragmenting SAA into different parts and/or creating a suitable regulatory environment for the aviation industry if fragmentation is not considered the best option"

"Experience elsewhere shows that fragmenting any particular business to create competition is not necessarily conducive to technical and commercial efficiency"

Safair Holdings chief executive Piet van Aswegen says "It's good to hear that incentives are being considered in the passenger market — but we need to know more about the details"

Dr Van Aswegen says Safair is prepared to expand its freight activities without any incentives — "all we need are the licences"

Cipress 25/2/90.

Privatisation would transfer more wealth to black sector

(232)

Nationalisation is the buzzword for a post-apartheid South Africa. But can it work? How should the historically disadvantaged blacks empower themselves? Writer Don Caldwell explores these questions in his award-winning book, *South Africa: The New Revolution.* ZB MOLEFE reports.

SUCCESSIVE white governments have used guns, expropriation and taxes to take land and wealth from blacks, who also have been prevented from entering business and owning land Constant government harassment has made their lives a misery

What's to be done to compensate for this? The "obvious" answer is to make the perpetrators compensate their victims, through a redistribution of wealth from whites to blacks

This solution is tempting But, Caldwell warns, before redistribution becomes the name of the game, South Africans should recognise the problems In the final analysis the numbers don't add up

Caldwell argues that (in South Africa) "there are too many poor people, not enough rich people and not enough wealth".

Contrary to popular opinion, South Africa is not a wealthy nation The annual income is 1 850 American dollars for each person. In the United States it is 17 480 American dollars

"This means that if all the money South Africans earned this year (1989) were divided equally, we'd each end up with about one-ninth of what an American earns That tiny fraction is not sufficient to end apartheid's poverty For that, much more wealth must be generated," continues Caldwell

But supporters of redistribution persist with their calls for a transfer of wealth. Money can come from the whites, the government, or company profits

Although there is a wide gap between black and white incomes, "it's simply not true that all whites have swimming pools, stately suburban homes, BMWs and nightly braais "

The yearly income of whites is an estimated R5 000 each – less than residents of many Western countries. On the other hand, for blacks it's about R3 000.

Not only are whites not rich, adds Caldwell, there also aren't many of them. Because there are about five-million whites and 30-million blacks in South Africa it would take R6 from every white to give R1 to every black

People calling for redistribution from white to black rarely say how much money they're talking about But R1 000 for each black would require R6 000 from each white, or R24 000 from a family of four

But some whites earn only R1 200 a month as secretaries or R1 500 as salesmen. And that's eroded by income tax and sales tax

If whites became poorer they would cut back by firing their maids and gardeners or not employing informal carpenters, builders and painters to improve their homes

The second option is to get money from Pretoria But, argues Caldwell, the government hasn't any money either It simply takes money from individuals through taxes However, it could raise company taxes

Don Caldwell ...the numbers in wealth redistribution don't add up. ■**Pic: TLADI KHUELE**

To collect R1 000 for each black, the government would have to raise R30 billion. Yet in the 1988 fiscal year it budgeted for revenue of only R44 billion Raising taxes by another R30 billion would cripple the economy, Caldwell points out.

Again, the numbers don't add up.

The third option is to divide corporate profits among blacks The country's top mining houses – Anglo American, Gencor, GFSA, JCI and Rand Mines plus the top 100 industrial companies – earned R8,7 billion in after-tax profits in 1987

"Take all that away and give it to blacks and each would get R17 a month for a year In the meantime, of course, taking away all the profits would halt investment and job creation and destroy the economy," writes Caldwell.

So what's to be done? Caldwell argues that the solution must be more sophisticated and lasting He proposes a four-point plan that would both compensate blacks and be acceptable to whites in power – privatisation, economic freedom, growth and bribery

■ Privatisation "We won't get much money from whites, taxes or corporate profits. But we could from privatisation A simple way to redistribute wealth to blacks is to give them what Pretoria owns today",

■ Economic freedom "All this talk about redistribution hides a crucial point. blacks don't need hand-outs from whites, they need equal rights",

■ Growth "Unless it is done through privatisation, redistribution is a dreary, win-lose strategy for prosperity It assumes there is a fixed amount of wealth in South Africa and that the fight should be over who claims it", and

■ Bribery "Before long, all South Africans would be far better off in a free economy When the economy doubles every six years, everybody wins But at first, some people could be hurt, including white workers, industrialists, farmers, shopkeepers and civil servants who have been shielded from black competition "

Caldwell ends his argument: "And if that happens, the champions of socialist redistribution will be proved right there's not going to be any more wealth, so let's start fighting over what there is."

■ SOUTH AFRICA: THE NEW REVOLUTION by DON CALDWELL (FREE MARKET FOUNDATION) – R25

(2.32) S Times 25/2/90

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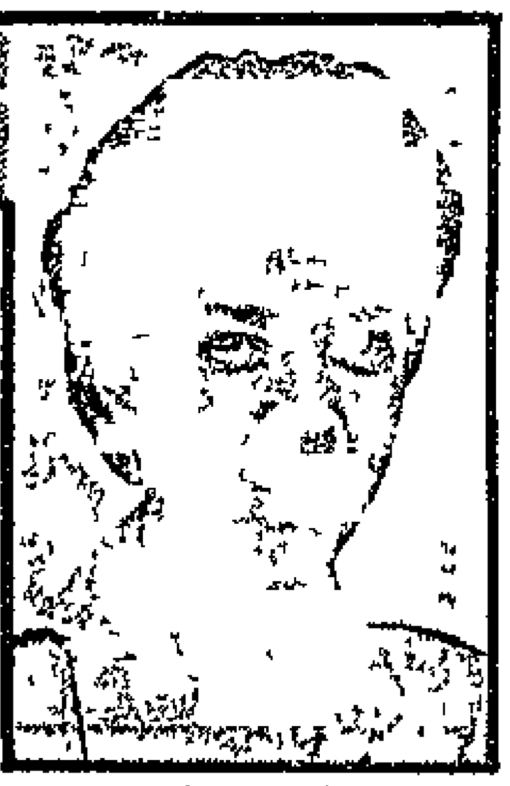

R100m from an R8m cash shell

IN a little over a year, Brian Joffe has turned cash-shell Iclef — worth R8-million — into Bidcorp, an investment holding company capitalised at more than R100-million.

That he is involved at all is curious. Until two or three years ago, he was in the driving seat of W&A, an investment outfit orders of magnitude away from the original Bidcorp

A change of control at W&A — and who knows what other factors — persuaded Mr Joffe of the benefits of being his own man. Out he went, and into Iclef

His forte is at gearing businesses properly. Bidcorp's first acquisition was Walter Chipkin, now known as Cater Plus. The R23-million deal was financed partly by the issue of Bidcorp shares at 282c each, and R8-million cash. The Sea World companies came on board at the same time.

Cater Plus distributes products to the catering and retail trade. It comprises the original Chipkin businesses, bakery, perishable and frozen division, seafood wholesale, butchery, spices and so on.

It is already listed indirectly Last February Bidcorp issued 4-million 13% debentures at 475c, convertible into shares in Cater Plus should a listing be granted in September 1991.

Failing that, the debentures will be redeemed at 550c, but that is of academic interest — Cater Plus meets the JSE's requirements, and the debentures are up to 660c.

CURFIN

The next move by Bidcorp was the purchase of 60% of Currie Motors from Curfin for the issue of 1,6-million Bidcorp shares and R16-million cash. Curries had sold its motor divisions, and held cash and R11,6-million of property, which is to be sold.

Curries was renamed Bidvest, and bought 55% of miscellaneous packaging manufacturer Afcom at 123c a share, retaining the management. Afcom's interim results in 10 months fell because of the economic slowdown.

The new management is "aggressively giving attention" — a euphemism for kicking a few backsides. A turnaround can be safely forecast. Less than 1% of Afcom's securityholders accepted the offer to minorities — a sure endorsement of their confidence in the new controller

At the request of various members of Afcom's management, Bidvest agreed to sell 2,3-million securities to them at 123c. Its price dipped a little after the results to 120c offered. Operating company Afpac is at 115c. Bidvest is quoted at 2 225c.

Mr Joffe says he approached Afcom. "We are small, fringe operators and we look for niche businesses that the major companies are not interested in."

One problem is that the Bidcorp set-up has too many holding companies. Bidcorp owns Cater Plus and 60% of Bidvest, which now has 51% of Afcom, whose sole investment is Afpac.

Bidvest still has R25-million cash, which will be applied to a suitable acquisition. Perhaps Afcom will also be used to expand

STE[illegible]

Mr Joffe's office makes a change from the usual sterile suites and demure lion prints. Three framed newsbills announce that "Brian Joffe Strikes Again" or sentiments to that effect. He found two newbills and paid R5 for the third. A clutch of golf trophies huddles on the cupboard.

Bidcorp's results were twice as good as the rise Mr Joffe teased me with (I saw him before they were announced) Turnover was up fivefold to R177-million and earnings a share 118% better at 45,4c.

Notwithstanding the economic dip, Mr Joffe expects results to exceed last year's for the second half of the current year

Only a fool would contradict him Bidcorp shares look absurdly cheap on six times historic earnings They added 40c to 740c during the week

The debit side of Ohio debs

the share price would probably be above 400c.

Debenture holders would have received 14% a year on 150c, plus a share worth R4 or more Assuming my simple forecast is valid, an investor laying out 150c in 1988 could by 1994 have received.

- Six years' interest of 21c, making 126c
- A share worth 400c or more.

This totals 526c over six years, a compound rate of return of more than 23%.

Now, backdated to September 1, 1989, half of Ohio's debentures will be converted into four ordinaries At the current market price of 12c a share, that is 48c worth of return

Interest payments on the remaining debentures will be suspended until the end of February 1992, when it will be resumed at 9% a year

These debentures will not be converted, but will be redeemed at par in four equal annual instalments beginning on August 31, 1992.

Work out the return here.

- Shares worth 48c after two years.
- Nothing for the next 2½ years.
- 13,5c a year interest for the four years from 1992.
- 37,5c a year redemption for four years from 1992.

TOTAL

That makes a total of 252c over eight years, roughly a rate of return of 7% a year It is a big if There is no guarantee that the market value of 12c a share is in line with net asset value

Ohio says the reorganisation will reduce its loss for the year to February 1990 by R361 000, and improve earnings by R723 200 the following year.

It is a foregone conclusion that the proposal will be passed to satisfy the JSE's requirements Ohio says members representing 78% of the ordinaries shares and 84% of the debentures will vote in favour

No wonder the debentures last traded at 70c on a hypothetical yield of 30% Investors will not be getting anything for two years. Maybe the goalposts will be moved again.

Perhaps debenture holders have to choose between getting something back — or nothing.

Sowetan 26/2/90

Attack on workers continues - Golding

PRIVATISATION of industries was an attack on workers and a way of further entrenching apartheid, a senior trade unionist said at a workers' rally at the weekend

Mr Marcel Golding, assistant general secretary of the giant National Union of Mineworkers, told the rally at Mamelodi near Pretoria, that despite talk of change the Government and big capital "attacked workers through privatisation and the entrenchment of apartheid"

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Flags

The rally, punctuated by shouts of "Viva ANC", was attended by about 8 000 members of the Congress of South African Trade Unions

African National Congress flags fluttered in the crowd.

Mr Donsie Khumalo, a high-ranking Cosatu official, told the rally that the federation rejected the outcry from big business and the Government on nationalisation following pronouncements by Mr Nelson Mandela and the ANC.

Golding said Cosatu would press ahead with its opposition to the Labour Relations Amendment Act. - Sapa.

CAPE TIMES 26/2/90 232

AA Life in R100m reverse takeover deal

JOHANNESBURG — In a deal worth more than R100m, AA Life Assurance goes to the market today via a reverse takeover by a cash shell — Ocean Appliance Corporation

AA Life Assurance's 95% (7,3m shares) of the issued share capital has been acquired by AA Life Group (formerly Ocean Appliance Corporation) in exchange for 67,9m AA Life Group (AALG) ordinary shares at an issue price of 147,6c a share.

The remaining 5% of the issued share capital of AA Life is held by the AA Life Share Purchase Trust.

In the light of AA Life's past and anticipated future dividend stream the directors of the new holding company consider the purchase price "fair and reasonable"

Principally through private placing, initially only 5% of the equity of AALG will be made available to the public, but this will rise to 10% at a later stage in order to fulfil JSE requirements

The current major shareholders in the group — Anglovaal (which acquired 41,6% last year), Volkskas Merchant Bank, and the Automobile Association will remain unchanged

Commenting on the background reasons for listing at this stage, MD Brian Benfield said "We believe that now is a particularly good time to list because life assurance companies, not least our own, are showing considerably improved performances

"Our own total growth in net premium income in the eight months to end-December 1989 was up 48%

"We are using a cash shell to list because we do not require to raise capital, and timing is not a particularly important consideration on this occasion

"What is important to us is that the market should have the opportunity of rating our equity in comparison to that of the other listed life companies, and that the public should have an opportunity to participate in the fortunes of our group

"The present move is a long planned development which will greatly contribute to the envisaged growth of our group"

Benfield said the next crucial step will be the listing of AA Life itself but "this will depend on capital needs which, in turn, will be determined by the company's marketing opportunities and its rate of growth"

An AA Life listing it is believed, could take place in the relatively near future, possibly together with a merger, takeover or other structural development

"I want to re-emphasize our determination to move the group into the ranks of the top five assurance companies over the next five years, measured by premium and assets — a position that will be achieved both through organic growth and acquisition

"We are confident of maintaining our growth at between 20% and 25% in declarations of earnings and dividend — and greater rates of growth are a real possibility"

Benfield said that when AA Life itself is listed a "wider public will have the opportunity to participate in our fortunes — from policyholders to our supporting brokers, business associates and staff"

"Our intention is to become blue chip equity among life offices," he added — Sapa

Gencor forms energy giant for JSE listing

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Cape Times 26/2/89

JOHANNESBURG — Gencor announced on Saturday it was injecting its energy interests — its investments in Mobil, Mossgas and Soekor — into Trek Beleggings in exchange for shares and cash

The considerably enlarged entity, called Engen, will be SA's first, fully integrated energy group and will have a turnover in excess of R5bn, a taxed profit of R200m and a market capitalisation of around R2bn, Gencor's statement said.

Gencor finance director Tom de Beer said Engen was set to become a major contributor to earnings.

"On our current projections we expect that the energy division will contribute about 14c a Gencor share in the present financial year ending August 31, 1990.

"Assuming static earnings for Gencor of 105c a share, this mean that the division would contribute a meaningful 13% of the group's earnings," De Beer said.

He added that Gencor was tremendously enthusiastic about Engen's future potential.

"The group has a low debt:equity ratio of 18%, is a net cash generator and has the potential to become a real force in the development of the Southern African petro-chemical industry."

According to De Beer, the decision to list the integrated energy group using the Trek Beleggings listing was prompted by Gencor's desire to allow the investing public to participate in this new group

"In Engen we believe that we have a great investment, with exciting potential.

"But remember, Gencor had a R1,5bn rights issue last year and we don't need the cash that a public offer would generate This prompted our decision to inject our energy assets into Trek Beleggings in exchange for 89,8m new Engen shares and R55m cash.

"We see this as a first step in a process and envisage that in time Gencor will reduce its investment in Engen as we spread Engen's shareholding still further."

Engen is forecasting earnings of 182c a share in the year-ending August 31, and expects to pay a dividend of 90c for the full year.

The new shares to be issued will not rank for the interim dividend to be declared in March.

At last week's level of R20 the Trek share price currently stands on an 11 times price earnings ratio and, if this share price is maintained after the transactions and once the name has been changed to Engen, with the 110m shares which will be in issue, Engen could have a market capitalisation of around R2,2bn

If one were to take the published costs of the assets that are being injected into Engen — R650m for the purchase of Mobil, a total of R106m when Gencor took out the BP and Shell investments in Trek beleggings, the R30m Gencor paid for its 30% interest in Mossgas and the R24,8m that is being paid for Gencor's participation rights in Soekor — and measures this up against Trek's probably market capitalisation, one can see that Gencor's executive chairman Derek Keys has indeed fulfilled one of Gencor's stated missions.

He has certainly created additional wealth for Gencor shareholders.

On analysts' suggestions of a possible market capitalisation of R2,2bn, Gencor's 84,4% interest in Engen could be worth around R1,8bn.

Commenting on the developments, Engen chairman and Gencor executive director Bernard Smith said Engen was an excellent opportunity for the SA investing community

"Under one umbrella we house a complete and logically integrated energy group

"Engen encompasses exploration for oil and gas with our participation agreements with Soekor, production capability via our 30% interest in Mossgas, refining and the ability to produce various chemical feedstocks at Genref (the Mobil oil refinery in Durban) and three independent and competing fuel marketing companies — Mobil, Trek Petroleum and Sonap.

"Within the englarged group there are excellent opportunities for rationalisation in common areas such as production, distribution, systems, technology and finance."

Smith added that the group is already engaged in detailed engineering studies to expand and upgrade Genref.

The creation of Engen requires certain approvals and a circular to Trek Beleggings shareholders is being prepared and will be circulated in due course

The transmuted listing statement will be published in early May, and the new name comes into effect at the same time. — Sapa

Two quantity surveying firms merge

Star 27/2/90 232

An expanding workload of construction projects in the public and private sectors has led to the merger of two major quantity surveying companies.

The formation of a new consultancy, Reid Kippen Duncan & Andrews, has resulted from the merger of Du Toit & Mittens with Reid Kippen & Associates.

R400-million

The company is involved in building projects with a combined value of about R400 million.

A senior partner of Reid Kippen says: "The merger will link the manpower and technological resources of two professional consultancies.

"The securing of new contracts by the consultancies has necessitated the creation of a broader base of expertise."

QUESTIONS

†Indicates translated version

For oral reply

Own Affairs

Hansard 27/2/90

School admissions policies, parental choice

*1 Mr K M ANDREW asked the Minister of Education and Culture

Whether any individual, committee or other group is investigating the question of parental choice in respect of school admissions policies, if not, why not; if so, (a) what are the names of the persons investigating the matter, (b) what is their brief, (c) to whom are they to report and (d) when are they due to report? B235E

The MINISTER OF EDUCATION AND CULTURE

Yes,

(a) an internal task group of the Department under the guidance of the Superintendent General,

(b) to investigate the provision of education by the Department with a view to a possible adjustment regarding the rendering of service The investigation also includes school admission policy,

(c) the Minister,

(d) as soon as possible

Mr K M ANDREW Mr Speaker, arising out of the hon the Minister's reply, could he give us an indication on the time frame he was talking about? He said as soon as possible and I accept that he cannot give a precise date, but does he think it is going to be a matter of weeks, months or years?

†The MINISTER· Mr Speaker, I said on a previous occasion that I am in a hurry in this regard, and if I am in a hurry it can naturally not last for a year I want to hope and trust that it can be within weeks or months The hon member will understand that when we come forward with a possible model, it must also first be submitted to the advisory bodies The result of the investigation and the possible submitting of a model must take place much faster than that

School/tuition fees

*2 Mr R M BURROWS asked the Minister of Education and Culture

(1) Whether his Department is taking steps to make the collection of school and/or tuition fees compulsory, if so, what steps, if not, why not,

(2) whether he will make a statement on the matter?

Hansard 27/2/90 B236E

†The MINISTER OF EDUCATION AND CULTURE

(1) No, the payment of school fees (school funds) is a voluntary contribution and the Department does not envisage making it compulsory. Regarding the levying of compulsory tuition fees various other alternatives for the generation of additional funds are also being investigated,

(2) no

Mr R M BURROWS. Mr Speaker, arising out of the hon the Minister's reply, may I ask him whether he is preparing to make any aid available to those schools which are placed in considerable financial difficulty by parents who are either unwilling or unable to pay the voluntary contributions on which schools are now dependent?

†The MINISTER Mr Speaker, we have already discussed this same subject on various occasions I took the trouble—I think the hon member also did this—to go and look at debates that we conducted about this We then indicated very clearly that we naturally are aware thereof that the problem exists at specific schools because the school fees are not compulsory.

We will however most certainly not be able to make an *ad hoc* specific grant to a certain school where particular problems are experienced because a large percentage of the parents do not want to contribute to the school fees In respect of this we are indeed in a hurry, but the hon member will also know that the possible model of compulsory school fees is not the only model Therefore we are looking whether there are not alternative methods to relieve the financial burden Only when we have done this, can we come with a well considered solution in this regard

Continue →

Hansard 27/2/90

The direct reply to the hon member's question is therefore no We cannot consider an additional grant in a particular way to a certain school

Housing subsidies, overpayments

*3 Mr R M BURROWS asked the Minister of Education and Culture

(1) Whether any overpayments and/or errors in the payment of housing subsidies have occurred in his Department, if so, (a) what is the extent of the overpayment and/or error and (b) what action is he taking in this regard,

(2) whether he will make a statement on the matter? B237E

The MINISTER OF EDUCATION AND CULTURE

Hansard 27/2/90

(1) Yes,

(a)* 453 overpayments and/or errors to the value of R792 373,

(b) adjustments are effected immediately and where applicable overpayments are recovered in terms of Treasury instructions, the officials concerned receive training on a continuous basis,

(2) no

- The Cape Education Department does not keep these statistics

†I may perhaps tell the hon member as background information that the overpayments and/or mistakes can be greatly ascribed firstly to the fact that certain receivers of subsidies do not inform the department in time that the property concerned is being let or has been sold and secondly to the fact that the department is not always informed in time of changes in interest rates or bond amendments by the financial institutions, which inevitably contributes towards us making another particular overpayment and only receive the information thereafter and then have to make the correction

I also wish to say that there are indeed a few cases that can be attributed to administrative computer errors and it is in that regard that we give continual instruction and training to the particular officials I wish to say further that, depending on the extent of the overpayment per person, it is normally reclaimed over a period of 12 months so that it is made as easy as possible for the person who received the overpayment

Hansard 27/2/90

Mr R M BURROWS Mr Speaker, arising out of the hon the Minister's reply, may I ask whether any of the cases concerned involved overpayment brought about by incorrect interpretation of Commission for Administration circulars and, if so, whether in those cases of overpayment the officials who have been overpaid are now being requested to pay such moneys back themselves?

*The MINISTER Mr Speaker, I am not aware of it, but if the hon member has knowledge in this regard, he is most welcome to bring it to my attention We will then look at it

Business interrupted in accordance with Rule 180C (3) of the Standing Rules of Parliament

Agricultural credit committees- political affiliations

4 Mr A A B BRUWER asked the Minister of Agricultural Development †

Whether the political affiliations of persons play any part in appointments to agricultural credit committees, water boards and other statutory boards falling under his Department, if so, to what extent?

Hansard 27/2/90 B247E

The MINISTER OF AGRICULTURAL DEVELOPMENT

No, Political affiliations of persons do not play any part

For written reply

General Affairs·

Hansard 27/2/90

Privatisation: statutory corporations/institutions referred

232

9. Mr J J WALSH asked the Minister for Administration and Privatisation

(1) (a) Which statutory corporations or institutions have been referred to his Department since its inception with a view to privatisation and (b) in respect of what period is this information furnished,

(2) (a) which of these corporations or institutions (i) have been rejected as unsuitable for privatisation, (ii) are currently being

P.T.O. →

investigated and (iii) have already been privatised and (b)(i) which of these are to be privatised and (ii) when in each case?

B32E

The MINISTER FOR ADMINISTRATION AND PRIVATISATION

(1) (a) and (b) 232

The Ministry for Administration and Privatisation, assisted by amongst others the Office for Privatisation and the Privatisation Unit, has since 1 June 1988 acted in a supportive role in respect of all commercialisation/privatisation actions in the public sector when institutions/functions/services have been identified by the government or the responsible decision makers as candidates for possible privatisation and assistance was needed The institutions/functions in respect of which such a supportive role has been played, are listed in (2)(a)(ii) below

(2) (a) (i) In respect of those institutions/functions/services which have been investigated None

(ii) With the aim of commercialising and/or privatising

Foscor;
South African Transport Services,
Posts and Telecommunications,
Eskom,
Forestry Branch of the Department of Environment Affairs,
Sorghum Beer Industry,
Lanseria Airport, and
the Abattoir Corporation

(iii) Iscor; and
certain State mineral rights

(b) (i) At this stage there exists in most cases at best a potential to commercialise as a necessary preparatory step to possible privatisation

(ii) When the necessary investigations have been completed and the government has reached a decision General market conditions, for instance the capacity of the capital market and other strategic considerations must however also be taken into account

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Privatisation of state activities

10 Mr J J WALSH asked the Minister for Administration and Privatisation

(1) Whether any activities previously undertaken by the State have been privatised by his Department since his reply to Question No 573 on 26 May 1989, if so, what are the relevant details,

(2) whether any activities currently undertaken by the State are planned to be privatised, if so, (a) which undertakings and (b) on what date in each case?

B33E

The MINISTER FOR ADMINISTRATION AND PRIVATISATION. 232

(1) Activities privatised in 1989

Several activities previously undertaken by the State, are now farmed out to private contractors and consultants, e g .

- Construction and maintenance of roads (some of the provincial construction units was closed),
- Construction and maintenance of big and small works (works departments),
- Sewage purification works,
- Consultant services in respect of
  - housing projects,
  - development projects,
  - design of schools,
  - amendment of legislation, and
  - exploitation of mineral deposits
- Access control and guard services;
- Consult engineering services in respect of dam safety and design of water schemes,
- The publication Focus of the Department of Foreign Affairs

The total value of all these contracts is unknown

Other completed privatisation actions are the following

continue

- Sixty beds of which four are high care beds, are leased to Iscor Medical Provident Fund (Ferromed)
- The certification of seed (Department of Agriculture) has been transferred to the South African National Seed Organisation
- The seed-potato scheme (Department of Agriculture) has been transferred to the Potato Board
- The serving of criminal process documents (Department of Justice), which has been a task of the Police, was transferred to the messengers of the court Expenditure of ± R2,8 million is involved
- Law work of the SA Transport Services has been sold to the two central buying co-operations, Vetsak and Boeresake An income of R14 832 276 accrued to the Treasury
- Development of rural areas (House of Representatives) A private company, the Rural Development Company (LANOK) has been founded to promote development projects in rural areas

Good progress has been made with the privatisation of catering services, cleaning services, nurseries and horticultural services See also the reply to the second part of the question

(2) Planned to be privatised

(a) — Workshops of the Department of Public Works and Land Affairs—as big a share as possible of contracting out is promoted and it is planned to convert the seven regional workshops into business units

- The manufacturing of furniture by the Natal and Free State Provincial Administrations
- Government motor transport
- Post mortem inspections regarding meat hygiene—it is planned that the abattoirs take over this activity
- Catering services, cleaning services, nurseries and horticultural services The tender specifications and terms of contract have in most cases already been drafted and tenders will be invited in 1990

Note There are few public service activities where there is at present a possibility of final privatisation (change of ownership) Several activities are being investigated with a view to rationalising, restructuring, commercialisation, greater management autonomy, the creation of business units, etc Real privatisation can only take place after this process has been completed

(b) When the necessary investigations have been completed and government has reached decisions thereon

Shortage of classroom places

73 Mr K M ANDREW asked the Minister of Education Hansard 27/2/90

Whether there was any shortage of classroom places in 1989 at (a) primary and (b) secondary schools administered by the Department of Education and Training, if so, how many classroom places were short at (i) primary and (ii) secondary schools, if not, what was the average number of pupils per classroom at (aa) primary and (bb) secondary schools?

B182E

The MINISTER OF EDUCATION

(a) Yes

(b) Yes

(i) 60 343 classroom places

(ii) 99 506 classroom places

Statistics are given for March 1989 These statistics apply to permanent classrooms in public schools administered by the Department of Education and Training In answering the question the following has not been taken into account

1 1 Rented accommodation

1 2 Temporary accommodation

1 3 Private schools

PTO

Backed by overseas investor . . .

Management buys out 75% in Morkels

Cape Times 27/12/90

232

By ARI JACOBSON

MARKET rumours of a Management Buyout (MBO) in the Federale stable have rung true with the sale of its 75% stake in furniture retailer Morkels for R28,5m to a consortium led by its management and backed by an overseas investor.

Federale's domestic consumer goods chairman Neville Organ, while not wishing to name the overseas party, said it represented capital inflows which was much needed in this country.

From Federale's viewpoint, the disposal of Morkels was aimed at tightening the focus of the group's domestic consumer goods interests, said Organ

"Morkels has a comparatively small share of the furniture and electrical retail goods market, which is quite volatile and exposed to a high degree of goverment intervention through credit restrictions on hire-purchase sales."

These restrictions battered Morkels performance in the nine months to end-December with turnover up a mere 2,4% at R139m compared with R135m for the same period last year

Poor margins saw operating profit fall 24% to R12,6m (R16,5m) with the trend continuing as bottom-line profits plummeted 32% to R4,8m (R7m).

Morkels MD Carl Jansen said at the time there was little opportunty for recovery in the final quarter

He added "Morkels was a profitable business which had climbed several peaks over the past few years"

Market sources said the MBO was a logical step for an exceptionally strong management team

This was backed-up by Organ, who said the furniture retail industry was well served by companies with strong management participation

In terms of the agreement, Federale will sell its 30 000 000 ordinary shares for 95c a share.

The disposal is cum-dividend and the consortium will receive the final Morkels dividend for the financial year to end-March — about 4c a share.

The consortium agreed to make a similar offer to the minority shareholders

The disposal will have no significant effect on the earnings or net asset value a share of Federale.

Privatisation: State enterprises named

Political Staff ARGUS 28/2/90 (232)

THE Abattoir Corporation, State forestry and Lanseria Airport are among state enterprises being investigated for privatisation or commercialisation.

Dr Wim de Villiers, Minister of Administration and Privatisation, told parliament this yesterday in reply to questions

The others state enterprises being investigated were Foskor, Sats, Posts and Telecommunications, Eskom and the Sorghum beer industry

Dr De Villiers said that most of the enterprises under investigation were, at best, candidates for commercialisation as a preparation for possible privatisation

They would be privatised when necessary investigations had been completed and the government had reached a decision

General market conditions, such as the capacity of the capital market, had to be taken into account

Dr De Villiers also gave details of state activities which had been privatised in 1989

These included road construction and maintenance and other works, sewage purification works, consultant services for housing, development projects, design of schools, amendment of legislation and exploitation of mineral deposits, guard services and the publication Focus in the Department of Foreign Affairs

Genbel plan 'makes shares more affordable'

RIAAN SMIT

GENCOR's Genbel Investments would split its ordinary shares 10-for-one, MD Anton Botha said yesterday (232)

Ordinary shares of 100c each would be subdivided into 10 ordinary shares of 10c each, meaning that Genbel's shares, which were unchanged at R72 yesterday, would adjust to about R7,20 BDay 28/2/90

"At this level, the share is far more affordable for investors, which in turn will help improve the marketability of our shares," Botha said

Genbel ordinaries traded at R43,50 exactly a year ago and peaked at R79 on February 12 The company has a portfolio of investments, primarily in the mining and resource areas, which is valued in excess of R3,5bn In addition, it has a right of refusal to participate in projects offered it by its major shareholder, Gencor, and mineral rights through its investment in exploration company, Randex

Details of the subdivision of the shares would be mailed to shareholders shortly, Botha said

Lanseria joins the privatisation list

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BDay 28/2/90

MIKE ROBERTSON

CAPE TOWN — Government is investigating the possible privatisation of Lanseria Airport, Administration and Privatisation Minister Wim de Villiers said yesterday.

Replying to questions from Jasper Walsh (DP Pinelands), De Villiers said Lanseria was one of eight statutory corporations and institutions which his department was investigating as possible candidates for privatisation.

The others were Foskor, Sats (Transnet), Post and Telecommunications, Eskom, the forestry branch of the Environment Department, the sorghum beer industry and the Abattoir Corporation.

Construction

De Villiers said that in most cases there existed a potential to commercialise most of the corporations and institutions as a prepatory step to possible privatisation.

The Minister also listed several activities of government that were privatised last year.

These included the construction and maintenance of roads, which led to the closing of some provincial construction units Sewerage purifications works and consultant services in respect of housing, design of schools and exploitation of mineral deposits had also been privatised

In addition, guard services, engineering services in respect of dam safety and the Foreign Affairs publication Focus had been privatised.

De Villiers said that at this stage the total value of these contracts was not known.

Other completed privatisation actions were

- ☐ The leasing of 60 hospital beds to the Iscor Medical Provident Fund, (Ferromed),
- ☐ The transfer of certification of seed to the SA National Seed Corporation;
- ☐ The transfer of the Agriculture Department's seed potato scheme to the Potato Board,
- ☐ The transfer of the serving of criminal process documents to messegers of the court;
- ☐ The sale of Sats's "law work" to two central buying co-operations, Vetsak and Boeresake, for R14,8m; and
- ☐ The formation of a private company, Lanok, to carry out rural development tasks for the coloured own affairs administration.

De Villiers said activities that government planned to privatise included:

- ☐ The workshop of the Public Works Department,
- ☐ The manufacturing of furniture by the Natal and Free State administrations,
- ☐ Government motor transport; and
- ☐ Post-mortem inspections regarding meat hygiene

He said tender specifications and terms of contract had been drafted for the privatisation of catering, cleaning, nursery and horticultural services.

SA aims at privatisation and efficient economic performance — Wim de Villiers

Argus 6/2/90

232

Dr Wim de Villiers

By MICHAEL MORRIS
Political Correspondent

SOUTH AFRICA could no longer afford "inefficient parastatals" which relied on the government to prop them up with loans, said the Minister of Administration and Privatisation, Dr Wim de Villiers.

Further privatisation was essential, in spite of the unavoidable consequence that people would lose their jobs This would have to be offset by a "rapid improvement" in employment in the private and industrial sectors.

At a time when the ANC had reiterated its commitment to an economic policy that included a significant degree of nationalisation, Dr De Villiers said South Africa would necessarily have a mixed economy, but it should be one run on the basis of economic performance, not on "preconceived ideas of centralised control".

NATIONALISATION

He told foreign and South African journalists at a briefing yesterday· "We will have a mixed economy, but I believe we cannot accept further nationalisation You can have a more effective economic performance if you privatise State corporations.

"Nationalisation has been a proven failure because your bottom line is not profit and loss and performance, but ideological ideals."

He indicated that he would talk to the ANC for as long as it took to convince them that nationalisation was "counter-productive".

He said the process of de-nationalising parastatals began with a "commercialising" phase in which "you get rid of the excess fat" and restructure the corporation as a business. Privatisation could follow this process, which took about three or four years.

GREAT ADVANTAGE

The great advantage of private enterprise industrial organisations was that they required "less capital to create more employment".

He said there was a perception in the black community that "the communist system centralised control and this was the answer to giving a bigger share to the man-in-the-street. We have to bring it home to these people that this does not work. It does not create prosperity."

South Africa was committed to changing the economy from one in which the government played a central role, to one in which "free market forces operate the economy to create employment".

Slovo: Only democracy can work

Cape Times 3/12/90

Own Correspondent

LONDON. — South Africa must become a multi-party democracy — and the chaos caused by Eastern Europe's "dive" into nationalising and land-grabbing socialism will not happen, says Mr Joe Slovo, general secretary of the South African Communist Party

Interviewed by BBC radio's Africa Service, Mr Slovo dismissed fears that some form of mindless communism would try to impose itself on the country.

"No single party, communist or not, has a right to rule, except under the processes of democracy for the South African people," he said

Dismissing panic as unnecessary, he said: "I dont't believe that nationalisation, or a change in legal ownership, changes anything"

He said the SACP had learnt from the hard lessons of Eastern Europe's economic chaos

"You have had in South Africa for a long time state ownership of some very basic sectors of the economy which has by no means meant an advantage for the people or socialism."

He said the SACP alliance with the ANC had "grown firmer over the years and will continue into the future".

"Of course, as a party, we stand for an ultimately socialist South Africa (although) the ANC does not embrace that as an ideology.

"It (the ANC) is a sort of multi-class organisation which welcomes all within its ranks whether communist, non-communist or socialist.

"But in the immediate perspectives for a post-apartheid society, there is hardly anything which divides the SACP from the ANC."

On land, he said the present position by law was that blacks could buy land in only 13% of the land area. "That has to go," he said.

"That does not mean necessarily that every piece of land that a white man has owned will be confiscated, or that there will be no compensation if redistribution takes place. These things have to be worked out."

Mandela supports policy of nationalising mines

Cape Times 13/12/90

232

Political Staff

MR Nelson Mandela said yesterday that he fully supported the ANC's policy of nationalising the mines and other sectors of the economy

But in an interview with the BBC at the weekend, SA Communist Party general secretary Mr Joe Slovo called for the whole issue of nationalisation to be the subject of negotiations as he believed it was not necessarily the answer to redressing economic imbalances in South Africa

Mr Mandela, asked at a press conference whether he had modified his views on the redistribution of wealth, said "No My views are identical to those of the ANC The question of the nationalisation of the mines and similar sectors of the community is a fundamental policy of the ANC and I believe that the ANC is quite correct in this attitude and that we should support it"

Indicating that the whole question of the ANC's economic policy was undergoing re-examination, Mr Slovo said that while any democratic government would have to address the whole issue of redistribution, this did not necessarily mean that sectors of the economy would have to be nationalised

He said that in SA there had been state ownership of basic sectors of the economy for some time, but this did not mean advantage for the people or socialism

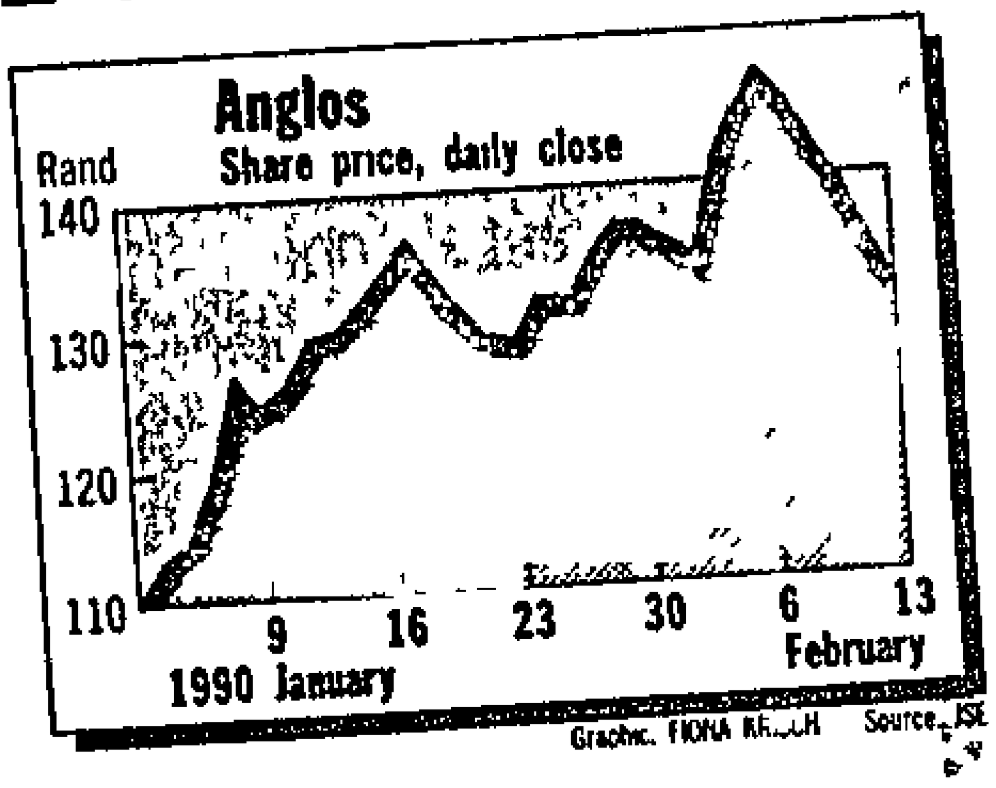
The approach towards generating resources to address injustices of the past would have to be negotiated

If redistribution of land took place this would not mean that all land owned by whites would be confiscated or that there would be no compensation, said Mr Slovo

Foreign investors offload SA shares

B/Day 14/2/90 232

MERVYN HARRIS



DIAGONAL Street continued to be weighed down yesterday by the nervous reaction of overseas investors to Nelson Mandela's tough policy stance on nationalisation and negotiations

After overnight selling of SA shares in New York had pushed the market to a sharply lower opening, a morning rally petered out by the afternoon as local buyers withdrew and sellers reappeared on fears of renewed offloading by US investors when Wall Street opened.

The JSE overall index fell 1,8% or 59 points to 3 214 on a 2,9% or 61 point decline in the all gold index to 2 029, with jitters moving to industrials as the index shed a 14-point gain to end 15 points down at 3 135.

However, selling in the finrand market subsided after Monday's 6,9% plunge to R3,58 and the currency partially recovered to close at R3,44 to the dollar.

Dealers said the unsettled reaction to Mandela's remarks was overdone.

"People feel that once things have settled down he will moderate his stance. It will then come back to the gold price and, in retrospect, the last two days will be seen as a buying opportunity," said one

The softening of overseas sentiment on SA shares was reflected in the downturn of Anglos which has fallen from its peak of R149 a week ago to R132 yesterday

The morning rally was helped by a firmer gold price in Europe although profit taking pared gains as the metal again ran into resistance at the $420 level.

The metal ended little changed in London at $418,50 as news that US junk bond specialist Drexel Burnahm Lambert had defaulted on debt stemmed gold's downward drift.

But a weekly report from Union Bank of Switzerland said frustration was mounting after failure of week-long efforts to shatter resistance levels

Market must adapt to needs of the people

CMI Times 15/2/90

232

By GORDON KLING
Executive Editor

DON'T blame Nelson Mandela for the alarming slide in share prices on the Johannesburg Stock Exchange since his release

He has said nothing particularly unexpected, unreasonable or detrimental to the economy The market should look to itself if Mr Mandela's broad reiteration of ANC policy on nationalisation of the mines and monopoly industries was responsible for the price decline and bear in mind, too, that the JSE is still standing at near record highs

Who could possibly expect the arguable leader of most South Africans to come out soundly on the side of an institution which far from relating directly to the vast majority of the population, white or black, is effectively dominated by a handful of business magnates?

Latest research by McGregors On Line Information shows that only four groups — Anglo American, Rembrandt, SA Mutual and Sanlam — control 80,7% of the market capitalisation of all shares on the JSE Only a minuscule percentageof those shares ever change hands in a given year and most of that trade is conducted by the groups themselves. The JSE is, of course, simply a reflection of a badly distorted economy controlled by what is seen by the disaffected majority as an unholy alliance between government and big business, an old boys' club that apportions the wealth of the land according to its own priorities

Since they effectively own the thing, gloom on the part of big business has to be self-fulfilling on the JSE

On threshold

Certainly events in Eastern Europe have proven the ruinous folly of communist and socialist centrally planned economies, but the masses in South Africa clearly do not believe they have fared appreciably better under a system masquerading as the opposite The ANC has evidently not updated its economic policy in the wake of that juddering collapse with its massive implications but, as Alex Irwin, one of its key theoreticians, made clear at Madame Mitterrand's Marly-lé-Roi conference, now is no time for slinging economic rhetoric

We don't have anything like a genuine capitalist, free enterprise system in South Africa We have failed totally to involve the majority in the fruits of the free market system And while it is becoming widely appreciated that the communist economic model could never work, few blacks could be expected to accept that the past 41 years of Nationalist apartheid rule has been a threshold of great opportunity.

So-called capitalism in South Africa hasn't done enough for enough people

Yet here lies the rub The system does work. We just haven't tried it, despite the urgings of an almost sycophantic financial Press Ask yourself who do your friends work for? If you are white, the overwhelming odds favour the answers government, parastatal or big business Your financial security is closely intertwined with the performance of mega-taxpaying big business on the JSE, the performance of which also directly affects your pension and insurance policies

Progress

If you're black, it probably doesn't matter at present and any black leader worth his salt would have to recognise the fact that the performance of the JSE is not the barometer it should be for the economy.

Progress has been made by Anglo American and others on extending the principle and benefits of share ownership to employees but most whites don't own shares in their own or any other company, virtually no blacks do

So why all the fuss over how the market is doing?

For starters, we ourselves don't generally realise what warped capitalists we have become If we did we might begin to appreciate that no transition could be much worse financially than what we've had a pariah economy badly administered by an unrepresentative, racist, minority government on behalf of a hamstrung business clique incapable of generating sufficient growth for reasonable employment levels let alone higher standards of living for those with jobs

The capitalist West might have understood our difficulties but that didn't make SA a better investment, and if our past performance has bred a backlash against the real thing, the free market system, they would be correct to fear for our future

And why the grave mutterings in the marketplace over any suggestion of possible action against the big business cartels?

If the American administration could use anti-trust laws to actually break up a gigantic conglomerate such as AT&T, we should be able to withstand the possibility of deconcentration of economic power in the private sector. Similarly in the public sector, governments no longer relish being saddled with responsibility for unprofitable undertakings, albeit rhetoric to the contrary Thanks again to the revolution in Eastern Europe, the inefficiencies of big government in the West stand every chance of being seen as less desireable than ever

Mixed economy

Gung-ho free marketeers don't like the idea of a mixed economy, arguing that the free enterprise system can provide better opportunities and eventually sort out distortions by itself Correct. But years of unfathomable inequity have debased the ideal, hopefully only in the short term Instead, the "mix" of the mixed economy is probably what the future is all about and there is every reason to believe it should be an improvement on the phony capitalism of the past.

WCTA supports seizing of state assets

CapeTimes 15/2/90

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The Western Cape Trader's Association (WCTA) says it fully endorses and supports the ANC's intention as a future government in South Africa to reclaim state assets such as Iscor

In a statement yesterday, Mr Dawood Khan, spokesman for the WCTA, said his organisation would "go so far as to state that no compensation be made in cases of such reclamation of state assets.

"WCTA also strongly favours a mixed economy with the emphasis on the redistribution of wealth and will therefore totally support nationalisation"

"As a major player in the economy of the Western Cape, WCTA will ask a future ANC government that the development of the Victoria Basin by a small group of whites for the benefit of a few wealthy whites be reclaimed and nationalised without compensation," Mr Khan said

● Mr Raymond Parsons, director-general of the SA Chamber of Business said that the ANC's current economic views are hardly a recipe for survival in a highly competitive world

Parliament and Politics

ANC policies on industry just theft — Du Plessis

15/2/90

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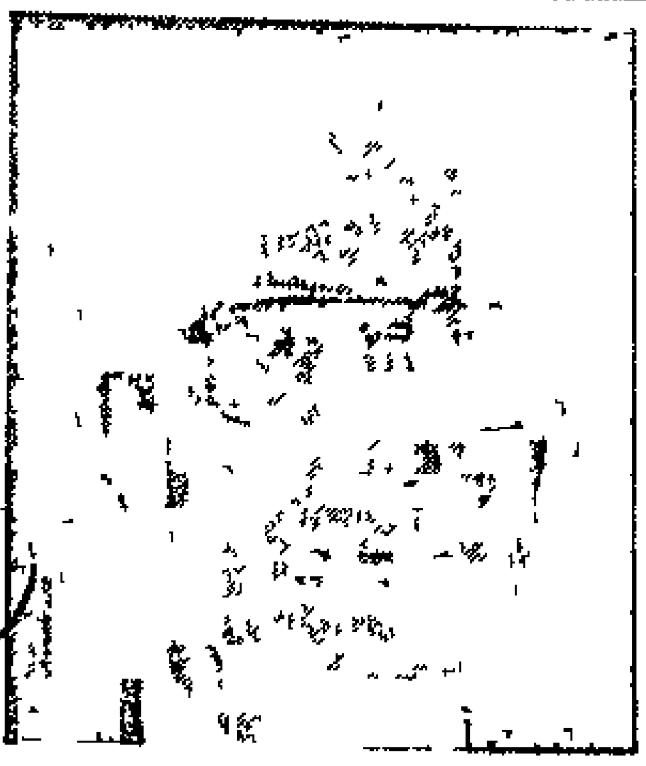

Mr Du Plessis

Political Staff

THE ANC'S economic policies amounted to nothing other than theft, Finance Minister Mr Barend du Plessis said yesterday as the government stepped up its attack on the organisation for propagating the nationalisation of mines and other sectors of the economy

Speaking in Parliament, Mr Du Plessis said that following the reaction of the markets to Mr Nelson Mandela's statements on nationalising mines, the ANC leader should now realise the danger of indulging in such loose talk

He said there was no shortage of development opportunities in the newly industrialised world and in Eastern Europe and it should be accepted that only a small portion of development capital would be available for investment in sub-Saharan Africa

South Africa could not afford to create suspicions that it would change its economic policy away from a free-enterprise system to a "socialist system with nationalisation and that kind of theft", he said

Earlier, Mr Du Plessis said attempts to isolate South Africa were crumbling. Sanctions had not brought the country to its knees and it was a mistake to think President F W de Klerk had been forced by them to make concessions

He agreed with other speakers that there were tremendous gaps in income, wealth and standards of welfare in the country, but said it had to be realised that before SA could begin redistributing wealth it had to be created

Only the free-enterprise system, which allowed people to exercise their talents, would be able to achieve this

Referring to criticisms of state pension funds, Mr Du Plessis said commercialisation of these funds would have to be carried out with great circumspection

It had to be borne in mind that these funds had only been able to invest in government bodies

As compensation they had been given a larger contribution from the exchequer than would otherwise have been the case

Overseas panic at M-factor

Prices tumble as jitters rub off on the JSE

B/Day 15/2/90 (232)

MERVYN HARRIS

SHOCK waves through the JSE on the Mandela factor gathered momentum yesterday to take the tumble in the overall index to 7,5% since the ANC leader's release at the weekend

Panic selling of SA shares by US investors in New York on Tuesday night, in the wake of Nelson Mandela's tough stance on nationalisation and negotiations, rubbed off on local investors

Renewed selling from the US through London ahead of Wall Street's opening last night accentuated the declines

Dealers said the stampede out of shares caused sharp, swift falls in prices not seen since the October crashes of 1987 and 1989 Despondency was deepened by a weaker gold price, which touched a low of $413 at one stage in London

Gold shares bore the brunt of the selloff and the all gold index tumbled 108 points or 5,3% to close at 1 921, but off its low of 1 899 as the newly formed Old Mutual Gold Fund was believed to be mopping up stock coming out of the US

The index has now shed 11,5% since Monday, while the 84-point or 2,6% slump in the industrial index to 3 051 took its decline to 4% The overall index yesterday fell 123 points or 3,8% to 3 091

UAL executive director Alister Colquhoun said "US investors are known to be jumpy but the panic selling seen yesterday does not seem to be justified

"While the falls have been heavier than expected, the question is whether these are actual sales or jobbers taking short positions in anticipation of further declines when Wall Street opens"

Jannie Mouton, of stockbrokers Senekal, Mouton & Kitshoff, said "Overseas investors tend to panic more quickly than local investors and they have been large sellers of our shares The market has been very sensitive to Mandela's comments but it should be realised that he is engaged in a power struggle within the ANC When everybody is in a negative mood, it could present a buying opportunity, and I would not be surprised to see foreigners back in our market once things settle down"

Another dealer said "Intense worldwide media coverage has created the perception that SA is on the way to becoming the last outpost of communism This has frightened overseas investors, particularly from the US, who have been transformed from aggressive buyers of gold shares into panic sellers"

With the market's decline through several technical resistance levels, chartists are now projecting that the all gold index could now go down to 1 700 points

However, perceptions of tension in SA helped platinum reverse an early downward trend to close $2 higher in London at $520 The rise spilled over to gold, which trimmed losses in late trading to close at $417, a decline of $1,50 on the day

ROBERT GENTLE reports that a major trend reversal occurred in the futures market yesterday when all share futures sank to a 19-point discount to the underlying spot index, and premiums on all gold and industrial index futures narrowed considerably

For much of this year, index futures have been trading at hefty premiums — as high as 200 points — to their underlying spot indices as they rode the bullish climate created by President F W de Klerk's political initiatives

The new tendency was definitely down-

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Prices tumble

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wards, traders said, and unless there were positive political developments soon, remaining future/spot premiums could reverse into discount.

"The bloodbath continues," said a trader from Holcom Futures, commenting on a day of panic selling made worse by lunchtime statements by Mandela.

Mandela had told the BBC that government installations were legitimate targets for the ANC, and that civilians could be caught in the crossfire.

The remarks sent the market into an almost 100-point nosedive. "There wasn't a buyer in sight," said a trader from National Futures & Options.

Traders said they expected futures to open even lower today.

● Comment: Page 8

Shareholders pick up profit peanuts

S/Times 18/2/90

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By David Carte and Charmain Naidoo

THE ANC is considering nationalising parts of the private sector, but analysis shows that only 1,8c in every rand passing through 347 listed industrial companies went to shareholders last year.

A study by Aad Zevenberg of the Bureau of Financial Analysis at the University of Pretoria discloses that employees and the State received far more from companies than shareholders did

Dividends came to R3,6-billion on turnover of R206,8-billion

Professor Zevenberg says "We do not have statistics about wages, but I imagine that labour would have taken about 30% of the total — R60-billion — the rest going to cost of materials, services and interest. The 347 companies paid R5,3-billion in tax.

"Profits before tax were only R18,77-billion, or 9% of sales That slender margin has to fund tax, ploughback and dividends"

The Chamber of Mines says workers on gold mines received R4,9-billion and the taxman R2,4-billion from revenue of R18-billion in 1988 Shareholders' dividends were R2 2-billion

Dividends from mines, which, unlike growing companies, are wasting assets were 12,4c in every rand of sales

Business counters Mandela demands

means of giving shares to whites ahead of black majority rule It has been a worldwide trend for the past 10 years"

Amic last year added R2,3-billion to materials and services bought in Wages took R1-billion, tax R337-million and dividends R239-million Shareholders received a sixth of the benefit going to workers and the State

Barlows generated R8-billion of wealth, of which R3,9-billion went to employees and R1,2-billion in taxes Dividends came to R570-million The State and workers thus received nine times more than shareholders.

Other businessmen are reluctant to accept that Mr

Minding the store ... ARTHUR HIRSHOWITZ and GORDON POLOVIN move into retailing and hire purchase Picture: MARGOT WILLIAMS

Platteland home for

Goss, Heron ponder link

S/Times 18/2/90

Business Times Reporter

DICK Goss and Ian Heron, who resigned suddenly from Kersaf boards last December, may team up in private business ventures.

Stressing that he resigned from Kersaf's boards because he wished to, Mr Goss says he has plenty to do in "semi-retirement"

He has business interests and game farms and is still on the boards of Old Mutual and Safren, the company that controls Kersaf Mr Goss says his Safren position should not be the cause of any conflict.

Cattle

He and Mr Heron say they are considering certain opportunities Neither will disclose why they resigned

Mr Heron says he has been offered corporate jobs, but may prefer to do his own thing He has bought a 2 000 hectare cattle farm near Ficksburg

Mr Goss was chief executive of SA Breweries until 1983 He and Sol Kerzner, then mana in director of been independent with the Old Mutual as largest shareholder Old Mutual chairman Jan van der Horst resigned from Anglo American's board because of the deal

Mr Goss, a long-time friend of Mr Kerzner, became chairman of Sun International after the split from Southern Sun.

Mr Heron was managing director of the SA operations of Joy Manufacturing, an American mining machinery company, before he was made a director of Kersaf by Mr Kerzner

The resignations have not been explained by the parties, but sources close to them say disagreement over the scandal involving payment of R2-million to Chief George Matanzima of Transkei sparked the fall-out.

Through the roof

PROPERTY prices are soaring in Cape Town and estate agents report that demand exceeds supply

Cape Peninsula agent Carmella Seeff says house prices are up by between 20% and

By David Carte and Charmain Naidoo

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Dividends from mines, which, unlike growing companies, are wasting assets, were 12,4c in every rand of sales

Slump

Statements by Nelson Mandela about nationalisation, the armed struggle and sanctions knocked the JSE off a peak of euphoria this week

The JSE Actuaries overall index slumped 9% from a high of 3 386 on Wednesday last week to a low of 3 091 this Wednesday, before recovering to 3 139 on Friday.

Foreign investors suffered even bigger losses because of the financial rand's plunge The London Financial Times gold-share index plunged by 22% in one week from a high of 372,5 to 288,3 SA industrials also weakened in London, Barlows and Amic each losing 9% on the week

SA investors were flabbergasted at the emotional pattern of trading

Mr Mandela's statements had business people up in arms

Leslie Boyd, chairman of Anglo American Industrial Corp, said "I left Britain because of Harold Wilson's disastrous nationalisation policies Under government management my old company, British Steel, lost £10-billion, shed 150 000 jobs and nearly went bankrupt Since its privatisation, it has been a winner

"Mr Mandela was wrong to suggest on television that the privatisation drive was a means of giving shares to whites ahead of black majority rule It has been a worldwide trend for the past 10 years"

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Other businessmen are reluctant to accept that Mr Mandela's stance on nationalisation was final They believe he is sticking to ANC ideology, taking an extreme position ahead of negotiations, and (they hope) concessions.

Clem Sunter, chairman of Anglo American's gold division, said "We believe that Mr Mandela and the ANC will drop all ideas of nationalisation in negotiation"

Justice

Mr Sunter, who had a three-hour meeting with Mr Mandela before his release, said "He struck me as being an open-minded person, unshakeable on the issues of social justice I am sure he is prepared to compromise on other issues"

Mr Sunter said foreign investors continually moved between euphoria and despair aboput SA

"Taking the long-term view, I think some conditions for our high road scenario are being met The critical factor now is that no party holds out for winner takes all

"If there is no compromise, we are back to square one It is essential for the high road scenario that we retain a free market But we must also have an ideologically free society

"We do not want to replace apartheid with Marxism

● To Page 2

● From Page 1

Crumbs

People are fed up with ideology" ST Times 18/2/90

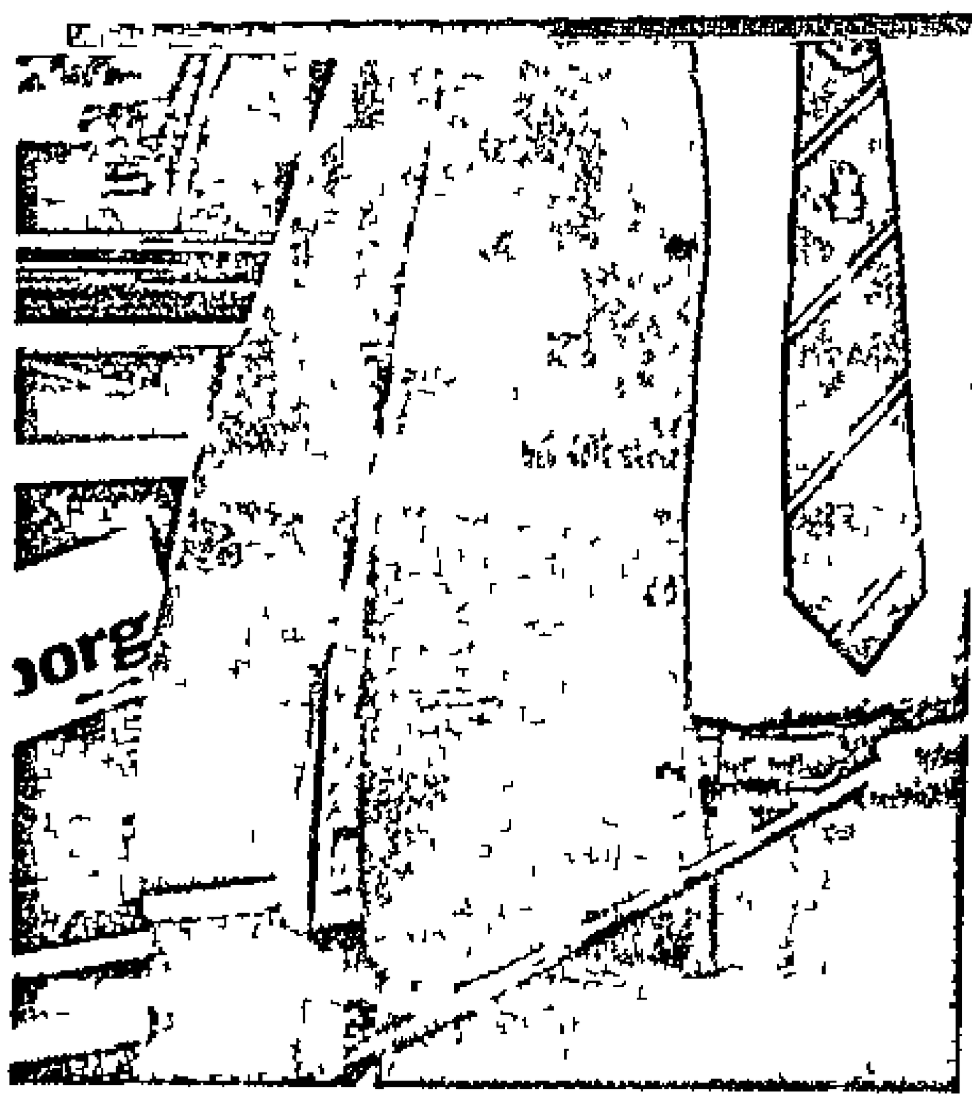
Handelsinstituut executive director Martin van den Berg said he had hoped that the East European experience would show the ANC that communism did not work.

"If we want the ANC to rethink its nationalisation ideals, we need to sell private enterprise in negotiation, and at grassroots level (232)

"But we have no hope of selling it if there is no equality of opportunity We must take away restrictions on black businessmen, and deal with educational problems"

Dr Van den Berg sid of the JSE panic. "I am holding my shares If the market goes down, I will buy more"

SA Chamber of Business director-general Raymond Parsons said competition and private ownership "are necessary for efficiency"



Minding the store ... ARTHUR HIRSH[...] retailing and hire purchase

(58

Plattelan[d] Colombia[...]

ST T[...]

Business Times Reporter

AFTER enriching shareholders who stayed with Columbia Consultants from day one by more than R45-million, founder Gordon Polovin has decided on his next investment.

He will pump a large part of Columbia's cash holdings into little Acrem, a JSE-listed chain of platteland stores

Mr Polovin says "We were a management consultancy turned investment banking operation We brought several of our clients to market successfully Now we have cashed in our chips and will focus on retailing"

Mr Polovin listed his business consultancy in October 1986 There were 20-million shares with a net asset value of 24c — capitalising the company at R4,8-million Today, after disposing of 11 companies that it brought to the JSE, Columbia has net assets of 166c and 30-million shares in issue

Although the companies Columbia brought to the market have been successful, the track rec[...] cable The [...] overexcited [...] of Columbia [...] ates at time[...] instance, wa[...] Buyers at t[...] showing loss[...] Mr Polov[...] panies such [...] been succes[...] doubt that t[...] But we neve[...] didn't have [...] ute We also [...] of debt, with [...] not comfort[...]

Dis[...]

"Like mos[...] Columbia st[...] to net assets [...] to bring in [...] the discount[...]

"We had a [...] for a year h[...] for a majo[...] which to foc[...] numerous p[...] ing disinve[...] tions and a c[...] ceutical con[...] could find n[...] ing as Acre[...] ready in our [...] Acrem ha[...] 35% and ear[...]

CONCENTRATION OF OWNERSHIP 232

Learning from history?

There has without doubt been a concentration of ownership of quoted shares in this country over the past 40 years — and, accordingly, growing disparities in the distribution of wealth It is a situation that will have to be changed in a fairer and more egalitarian post-apartheid society

No new negotiated political dispensation can ignore this fact So it would be well now to consider the policies that will change this situation without threatening economic growth The ANC's solution is simply to nationalise the towering heights — the mines, banks and monopolies — and no doubt use them to create jobs for disadvantaged blacks

This after all is how the National Party used the railways, Post Office, police, defence force, Iscor and, to a lesser degree, Eskom and some IDC-owned companies in the late Forties and early Fifties By doing so, they actually didn't have to nationalise anything

Presumably, this is what Nelson Mandela meant when he referred to nationalisation being part of the history of this country In that respect, he was quite right

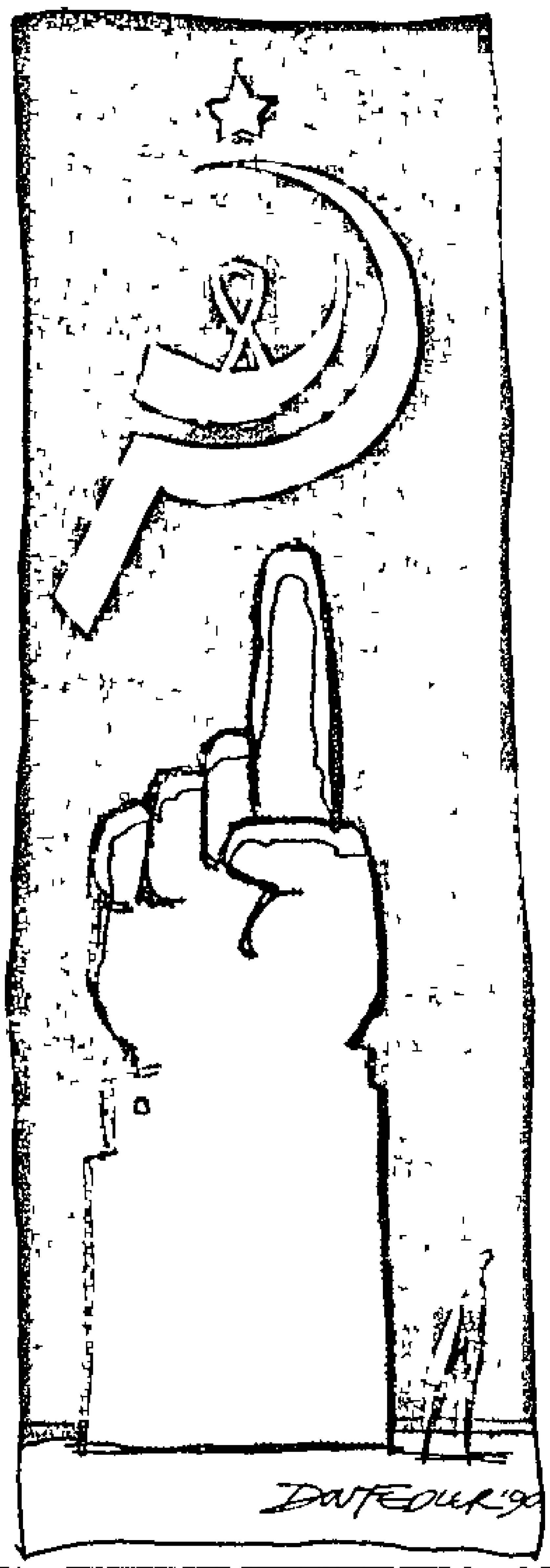
It is a beguiling argument — one especially attractive to politicians seeking policies of mass appeal and more power But there are several things that those who espouse it must keep in mind

First, as it was introduced into the social circumstances of SA some three decades ago, it was the manifestation of the authoritarian and collectivist ethic of apartheid If Mandela wants to perpetuate apartheid for the benefit, this time, of blacks, it is of course the road to take

Second, when apartheid was being increased in the Fifties, the gold mining industry was booming It is not in that happy position today It has been overtaxed, is facing cost increases that are eroding its international competitiveness and the depths at which gold is found nowadays demands greater ingenuity both in financing and the technologies required more than 30 years ago

Third, the concentration of ownership has taken place precisely because of authoritarian and socialist policies that apartheid itself has fostered Exchange controls are a socialist device that assumes the State has some claim on where and in what form private wealth may be held They are designed as a means of physically constraining those who might wish to vote with their money or their feet for a different system

By restricting the inflow and outflow of wealth, government forces a greater share of private savings into the hands of the most efficient corporations operating in a circumscribed market Where else can they invest?



Likewise, for many years, the authorities in Pretoria took it upon themselves to decide how many banks and financial institutions there should be in this country This was done in the name of an orderly market It provided a great deal of protection for the established banks and institutions This meant that, very quickly, most of the approximately 55 independent banks were absorbed into five main banking groups By the time this policy changed a few years ago, there were less than five independent banks left This was a massive concentration of ownership

The fastest way to widen ownership of productive assets would be to reverse these apartheid-spawned policies Banking and insurance legislation is being altered now to achieve this and the authorities have been far less restrictive

More impetus could be given to the process, too, by changing government's attitude to privatisation The emphasis has been too strongly on raising funds for government rather than to create a share-owning democracy

The ownership of residential land could be widened quickly by removing the Group Areas Act and giving township land, on which blacks have been resident for some time, to them, or selling it to them for a nominal sum Precedents already exist After World War 2, some local authorities sold land to returning servicemen at one pound sterling per plot

Deregulation and immigration, if only from the rural to the urban areas, are important ways of spreading wealth and creating jobs Successive waves of immigrants revitalised the economy of the United States over numerous years

However, exchange controls are by far the greatest cause of a concentration of ownership They are an anomaly among the policies of a government that increasingly claims to be free-market orientated

Their justification is sought on political grounds, when both the basis of policy has altered and the results have invalidated their efficacy

Nationalisation does not redistribute wealth It merely places control of more assets in the hands of a few politicians and bureaucrats And they can be guaranteed to make decisions about them by strictly political, rather than economic, lights Therein lies impoverishment

Probe into nationalisation

CPT TMS 28/2/90 Own Correspondent (232)

JOHANNESBURG. — The National African Federated Chambers of Commerce (Nafcoc) has been asked by the ANC to investigate nationalising business in SA

This follows a recent meeting in Lusaka between a top-level 21-member Nafcoc delegation and members of the ANC's executive committee at which the ANC's stated aim on nationalising mines, financial institutions and large corporations was discussed

Nafcoc will be calling on major SA businesses to attend a conference in May so that the views of all interested parties can be aired.

ANC welcomes direct contact with industry

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CAPE TIMES 2/4/90

Own Correspondent

BISHO. — Direct contact between organised commerce and industry and African National Congress-aligned organisations on local problems would be welcomed, Mr Nelson Mandela told businessmen here on Saturday.

At a specially organised meeting between Mr Mandela and the businessmen at the Independence Stadium here, attended by more than 100 000 people, Mr Mandela said the ANC would not object to local discussions on regional problems.

Referring to the controversial question of the ANC aim of nationalising the mines and other monopolies, Mr Mandela said nationalisation did not mean that the ANC would simply take over the enterprises concerned. He said nationalisation could mean also a partnership or shareholding by the state in the mining sector and other monopolies.

Mr Mandela said he wanted to make it clear that it was not the policy of the ANC to take over businesses generally. It favoured a free-market system.

He said the ANC's aim was to bring economic benefits to all the people of the country, and the ANC regarded nationalisation as a strategy to achieve this.

On ANC support for sanctions, he said "If you can tell me a better peaceful way to force the government to allow me to vote, I would be happy to embrace it."

CT 4/4/90 (232)

Call for alternative to nationalisation

JOHANNESBURG — Chamber of Mines president Kennedy Maxwell yesterday urged SA businessmen to provide alternatives to nationalisation and, as a matter of necessity, begin talks with organisations poised to shape the political and economic future of SA

"It is not enough for us to point out African and European failures and expect black leaders to accept that having floudered in other countries, nationalisation must automatically be abandoned as an option in SA," Maxwell said

In an address to the annual general meeting of the Association of Mine Managers, he named far-reaching issues the business sector had to overcome involving the inequalitites in wealth distribution, saying priorities would have to be reshuffled and a more equitable distribution of wealth considered

He also urged the mining industry to improve the wealth of its employees, saying the latest national bubget had presented opportunities which would enable business to move in the direction of greater economic growth, prompt new mines and create thousands of jobs

A clear priority for business in looking for alternative choices was to identify the areas where the greatest deprivations had occurred

He said it seemed universally accepted that the central cause of deprivation had been the educational system

Other areas where imbalances would have to be put right were housing, job creation, and the rapid promotion of qualified blacks into management.

Facilities for the care of the aged needed to be improved, so did health services, and linked to education, practical training programmes which gave people the correct qualifications to progress in their chosen careers

Reverting to means of wealth distribution, Maxwell said more attractive employee share-option schemes were a possibility as were profit sharing incentives

Assistance with home ownership, education, training, health care and pensions were other benefits business would have to look to provide

Maxwell warned that if the mining industry was to improve its employees' wealth merely by paying higher wages without regard for productivity and costs, many mines could be closed, resulting in unemployment.

He added "We are compelled to adopt a more long-term approach because the only way to improve the income and hence the wealth of all in SA is by greater productivity and by economic growth."

Nationalisation may not be the option — ABASA

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CAPE TIMES 4/4/90

Financial Staff

IT is essential to promote the ownership of the country's resources by as many of its people as possible, says the executive director of the Association of Black Accountants (ABASA), Mashudu Ramano.

Speaking on "ABASA's Role in the New Economy", Ranamo said, at a lunch organised by Young & Rubicam in Sandton, that SA's wealth distribution was far too uneven, with 98% of assets owned by 20% of its people. "This cannot continue. We are promoting the concept of a new, efficient and effective economy."

Ramano said, however, "nationalisation may not be the option," judging by what has happened in certain other African countries.

Quoting Zambia as "the classic example", Ramano said since that country's economy had been nationalised it had declined very rapidly.

He further contended that the threat of nationalisation in SA is encouraging some of the country's major groups to remove their assets.

"We need capital to generate wealth," he said, adding that "great tact" would have to be exercised in this area.

He said ideas of immediate transfer of wealth from the haves to the have nots were "absurd". Instead the new economy should promote "a just and equitable distribution of wealth in rewards and benefits based on individual work and judicious use of resources for both the individual and society's welfare."

Abasa's goal is to "facilitate and encourage the entry of blacks (the so-called blacks, coloured and Indians) into the accounting profession and to promote their academic excellence.

Accountants provide information for the administration and management of a country's socio-economic activities at both the micro and macro level. This information is critical now and will be even more so in the new SA."

With lack of finance being one constraint faced by most blacks wishing to study, ABASA is already doing much to help promote accountancy as a profession by providing financial support through several schemes.

One such scheme is Female Accountants' Bursary Scheme. "We have been accused of being sexist for singling out females for special attention," said Ranamo. "However, this shceme is warranted as there is only one black female chartered accountant in SA."

Private investors hold 1,3pc of JSE

w/c Argus 28/4/90

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Business Staff

THE private investor's stake in the Johannesburg Stock Exchange has slumped dramatically.

From 9,9 percent of total market capitalisation in March 1983, his direct interest had dribbled away to a miniscule 1,3 percent in October 1989, according to the latest figures published by McGregor's Takeover Digest.

The inescapable conclusion is that the character of the South African share market has changed irretrievably, with the degree of concentration of ownership being among the highest in the world

According to the latest McGregor findings, the "Big Four" — Anglo American, Rembrandt, Old Mutual and Sanlam — increased their control over shares listed on the JSE from 64,6 percent in 1983 to 80,7 percent last year

Anglo accounted for a mammoth 45,3 percent, Rembrandt 16,1 percent, Mutual 9,8 percent and Sanlam 9,5 percent

The publication reveals further that 4,9 percent of the JSE is controlled by directors, 3,6 percent by foreigners, 3,4 percent by the Liberty group, 2,2 percent by Anglovaal and 2,2, percent by the State.

The most striking revelation, however, is the drastically diminished role of the private investor to the lowest level in stock exchange history.

All the signs point to even greater concentration in JSE ownership in the next few years, with the close links between assurers, banks, mining houses and industrial companies being strengthened by the ongoing expansion in the cash flows — which could amount to R30 billion this year alone — of assurers and pension funds

A similar influence could be exerted by the pending programme of further privatisation, since the bulk of such equity issues will no doubt be absorbed by the institutions.

And any additional foreign disinvestment will only exacerbate the position, since many of these overseas-controlled firms would surely be absorbed by the domestic giants

Already the low 3 percent turnover of shares in relation to the JSE's market capitalisation is rock-bottom by international standards.

Yet against the background of the growing dominance of the market by a small group of corporate and institutional investors, there are grounds for arguing that the share market's liquidity could deteriorate further

Important implications for the private investor include.

- If the ANC's nationalisation proposals are ever implemented, the prime targets would be the large mining houses, the mines, big industrial groups, the banks and the assurance companies The shares of such companies could in due course be priced with this nationalisation risk in mind

- The JSE faces growing instability, since the institutions tend to follow similar investment philosophies They buy at the same time and sell at the same time. Private investors behave in a more diffused manner

- With the share market becoming increasingly institutionalised, the two-tier nature of the JSE is growing more and more entrenched.

The institutions concentrate their buying on a coterie of marketable blue chips, where dividend yields are low relative to the rest of the market. Many second-line share are ignored

Some have argued that the market's two-tier characteristic will in time disappear.

But with the private investor becoming an increasingly endangered species, this argument is becoming less and less credible

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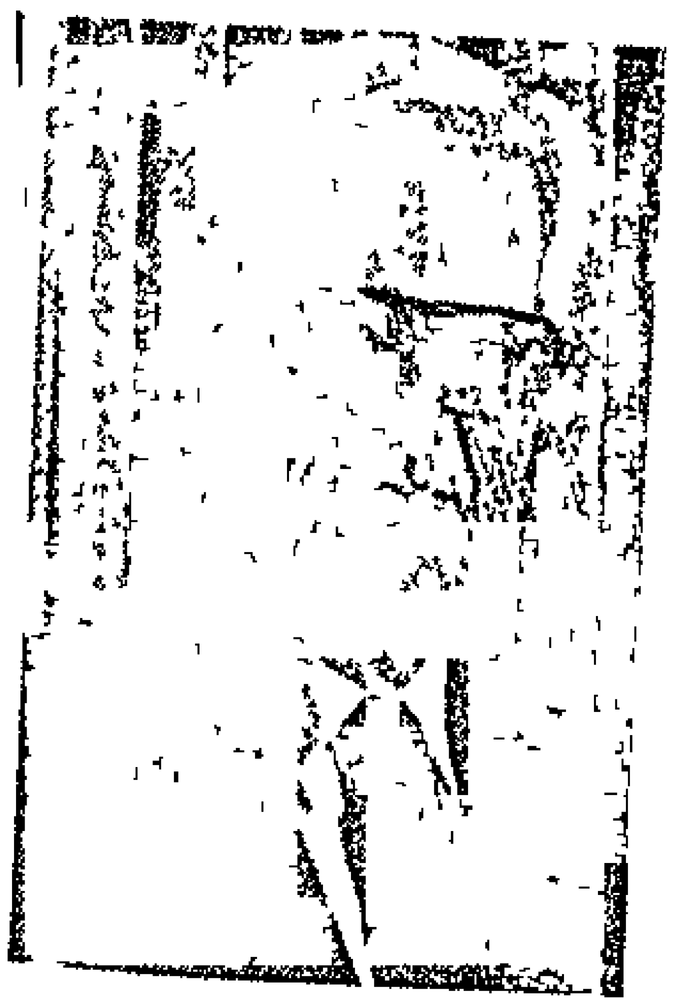
CAPE TIMES 2/3/90



Mr Julian Ogilvie Thompson

Nationalised business 'not the route for SA to follow'

JOHANNESBURG. — Nationalisation is not the route that South Africa should follow, says Anglo American chairman designate Mr Julian Ogilvie Thompson.

Rather, a business community that was credible to all racial groups should be created, he said.

He was speaking at a press conference yesterday after chairman Mr Gavin Relly had announced his retirement with effect from the end of the month.

Mr Ogilvie Thompson, chairman of De Beers Consolidated Mines and deputy chairman of Anglo American, said nationalisation did not feed the population or benefit the economy.

"It is not the best way to develop South Africa and we must try to persuade others of this view."

Mr Ogilvie Thompson said that the solution to SA's problems was not a simple one, but one that covered a whole number of options.

Mr Ogilvie Thompson, the son of the former Chief Justice of SA, was born in Cape Town in 1934 and was educated at Bishops and Worcester College, Oxford.

He was appointed personal assistant to Mr Harry Oppenheimer in 1957 and executive director of Anglo American in 1971. He became chairman of De Beers in 1985 when Mr Oppenheimer retired.

Mr Ogilvie Thompson is chairman of De Beers Botswana Mining Company (Debswana) and chairman of De Beers Consolidated Mines and Namibia's CDM.

He is also a deputy chairman of Anglo American Corporation of South Africa and chairman of Minorco and Anglo American Gold Investment Company (Amgold).

He is on the boards of several major group companies, as well as other local and international non-group companies, including First National Bank, of which he is vice-chairman.

Rhodes University conferred the honorary degree of Doctor of Laws (LLD) on Mr Ogilvie Thompson in April 1988. Fourteen years before, the university had conferred this degree on his father. — Sapa

DIAGONAL STREET

by HEIDI VOLLMER

Second-liners with the right credentials

S Times 4/3/90

2324

RECENT political events have resulted in vast fluctuations in the JSE indices

What with Mr Gorbachev's reforms destabilising world stock markets, President De Klerk causing an immediate run-up in our indices after his speech at the opening of Parliament and Nelson Mandela reversing it even more quickly through his nationalisation ideas, the markets have been more than a little volatile

Even shares with little or no earnings growth potential for the next two years were dragged up along with the rest of the market in the bull run from last November to January

ANALYSIS

But can one justify a 108-point drop in the gold index in one day as a result of Mr Mandela's first speech in Johannesburg?

No matter how well acquainted one is with the fundamentals applicable to specific sectors the job of analysis in the past few months has become more a matter of gauging the effect of political events

The indices appear to be motivated more by sentiment than earnings potential

Foreign investors are exposed to (sometimes biased) media summaries of political events in SA which have resulted in movements both in and out of our stock market in the past few months

SWEEPING

However, is it not possible that as foreign investors come to believe we are facing a relatively bloodless revolution, change being phased in over five to 10 years (according to statements by prominent politicians), their investment will slowly start to increase?

Having spent a week in Cape Town with some of our leading financial institutions, I returned to Johannesburg alarmed at both the diversity and volatility of opinions about political events and SA's financial markets

Sweeping statements are made, sometimes based mainly on hearsay

Wild speculation carried by word of mouth, combined with realistic expectations of negotiating difficulties between the various white and black political groups — as well as posturing and public utterances directed at gaining support from specific audiences — has lead to fluctuations in the stock market

Bear in mind that the ANC hierarchy has spent more than a generation outside SA, receiving a large amount of Western exposure This group includes several well-educated members

The past year was marked by the retreat of communism, particularly in Eastern Europe, and its threat to SA is not what it once was

FRIENDLY

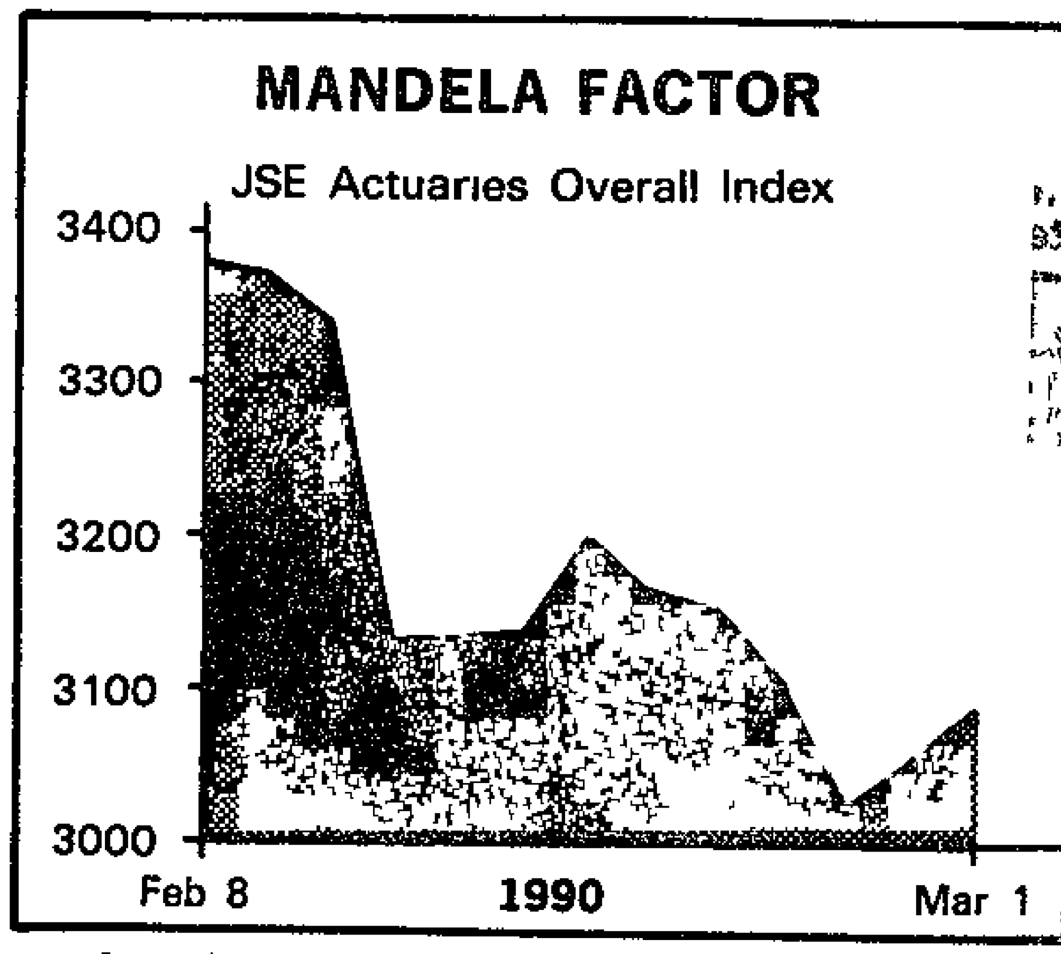
Mr Mandela, according to President De Klerk, is a friendly man From what we have seen in media coverage as well as from accounts by people who have spoken to the man, he is more than friendly He is rational Mr Mandela appears to be a learned man, willing to listen to most points of view

It should also be borne in mind that his following expects him to take certain stands Surely it is possible to convince him that cuts in State expenditure in some areas — for example, security spending — could be used to improve education without resorting to nationalisation

When the cost saving from the reduction of the overhead structure of State administration under apartheid is considered — for example, fewer education ministers — the necessity for nationalisation diminishes further

In addition, nationalisation is not the only option when it comes to redistributing wealth and improving living and education standards

It is possible that nationalisation is one of the most



appealing ideas available to black politics until a better solution can be found Other means of redistribution include greater overall national wealth from a growing economy and by taxation

Although the rapid political changes and attitudes to negotiations can be expected to influence our markets in the short to medium term, is there not an overreaction? Should we not refocus on market fundamentals?

LABOUR

Granted, matters on the business front could be volatile in the short term However, growth prospects are beginning to appear

A manifest change in emphasis from a military to a more socially concerned SA should, at last, result in the gradual return of capital from abroad

The lifting of the UK ban on new investments in SA should start to contribute to economic growth, particularly as the economy moves into an upswing at the beginning of 1992

Sanctions pressure in terms of trade should also gradually ease as genuine political change is acknowledged

However, for several years now labour has been using big business as a negotiating lever with the Government This is a most effective tool for communicating political dissatisfaction to the Government and the trend of strikes cannot be expected to abate overnight

In spite of increased economic growth prospects, effective labour relations will remain a crucial part of operations

However, the increasing possibilities of higher inflows of foreign investment, more trade and co-operation with our neighbours, reductions in overall sanctions, greater sympathy from foreign creditors on debt repayments, and a burgeoning black market are encouraging

SURCHARGES

In general, the first half of this decade should be marked by the beginning of stronger economic growth in SA at the end of the current slowdown

All this affects the potential growth sectors and shares on the JSE industrial board Speculators are liable to lose money in the current volatile market. However, the short to medium term poses a challenge to serious investors

Investment in production capacity has been declining since 1985, exacerbated by sanctions and import surcharges The shares to back in the manufacturing sector will be those whose companies can increase capacity fast enough to take advantage of a growing economy by 1992

The real growth is to be found in sectors which are not obvious consumer areas, such as furniture, which fluctuates with interest rates and which everyone else has already identified as a potential consumer growth area

Heidi Vollmer, guest columnist while Julie Walker takes a week's holiday, is an analyst at stockbroker Irish & Co.

The top blue chips will be exposed to this growth, but it will be discounted in their share prices

The best place to look for share-price growth in the short to medium term is among the top-class second-liners — those which will benefit from higher demand, the black market in particular, and have the infrastructure to cope with this growth

Textile shares are good examples, one of them being Da Gama, the small, but highly efficient manufacturer.

Tyre manufacturers should also benefit from a burgeoning black market Most of them have additional capacity coming on stream in the next three years

Packaging, providing manufacturers can increase capacity sufficiently and timeously, is another area which tends to be a prime indicator of economic growth

Waltons, benefiting from increased educational needs, and Africom are two more possibilities

Beverage distributors are a more obvious growth area

The growth in black tourism should benefit the hotel industry

The engineering sector is not always the first to be identified with additional black market demand and economic growth in general But it should benefit indirectly from increased economic growth

Nationalisation talks 'misguided and unproductive'

CAPT 7/1/1 19/3/90 232

Own Correspondent

JOHANNESBURG. — Talk of nationalisation is "misguided and unproductive", says Liberty Life chairman Donald Gordon in his chairman's review published today

He says it is vital in the forthcoming negotiations that "the economy be structured in a manner to achieve a high level of growth, which will in turn facilitate job creation and employment opportunities and ultimately a higher standard of living for all"

At a news conference last week, Gordon said nationalisation could never work as those who would take over did not have the requisite skills to run highly complex business organisations

SA entrepreneurs with high levels of expertise, much sought after in the world, would not be prepared to work in nationalised bodies If a new government wanted access to more funds it would make more sense to impose higher taxes

In his chairman's review, Gordon welcomes President F W de Klerk's bold initiatives and says "major and traumatic reappraisals of the very fabric of SA society" would result from the widespread fundamental changes which lay ahead.

SA was well-positioned to assume the role of economic leader and powerhouse of the sub-continent

"Given the massive amount of funding which will be sought from the Western world for the rebuilding of Eastern Europe, the level of funds available to impoverished African countries is likely to be drastically curtailed This represents a special opportunity and challenge for SA to restore credibility and good relationships with its neighbours"

Commenting on the international economic scene, Gordon warns of the possibility of a serious recession in the US. An economic slowdown in Pacific Rim countries was already apparent The UK and Western Europe, however, had sound financial and economic infrastructures and should "weather the stormy conditions which lie ahead"

While the future of the British property market looks uncertain because of a development boom and resultant overcapacity, Gordon believes Capital & Counties, the cornerstone subsidiary of TransAtlantic, has considerable scope to outperform the overall property sector because of its investment in out-of-town shopping centres which will comprise just over 50% of C & C's portfolio by the end of 1991

Turning to the investment activities of Liberty Life, Gordon says the group increased its holdings of prime industrial, financial and mining counters in 1989 During 1989 it acquired 20% of unlisted Gold Fields SA Holdings, which owns 43,7% of Gold Fields

Holdings in the R18,3bn investment portfolio include TransAtlantic (R1,7bn), SA Breweries (R1,4bn), Standard Bank Investment Corporation (R946m), Gold Fields and GFSA Holdings (R910m) and Anglo American (R604m)

SA investors grab golds

W/E ARGUS 24/3/90

By TREVOR WALKER
Business Staff

SOUTH African investors now own more of the country's gold shares than ever before and Mr Mandela's pronouncements concerning nationalistation have pushed the process apace.

Stock Brokers Davis Borkum and Hare said in a paper at the beginning of the year that from a peak of 42 percent in 1979, foreign holdings in the country's gold shares had progressively declined to 24,24 percent by 1989.

The broking house said then that "this phase of gold share sales has left the foreign involvement in the South African mining industry, as far as can be established, at an all time low"

Analysts at Davis Borkum were this week of the opinion that this trend had strengthened following the ANC's reasserted policy of nationalisation

The market bounded ahead following the government's decision to release Mr Mandela and all that this entailed, but this was sharply curtailed by subsequent ANC policy statements.

So once again South African institutions are "buying back the farm" but on a scale largely different from that which pertained following Sharpville and the Soweto school riots.

South African institutions, with their huge daily cash inflows, are prohibited from investing abroad and this captive money has to be placed in land, buildings and shares in South Africa.

Analysts said that the investor returns shown by the majors in recent years had been phenominal and the next round of plusses could come from selling gold shares back into the market when it improved.

Namibia was showing what moderation might produce and Mr De Klerk's discussions with leading southern African politicians in Windhoek should not be underestimated

South African investors had a tradition of being bullish supporters of gold shares and, given the present trends in in Eastern Europe, Mrs Thatcher's difficulties and the excessively strong dollar, the reverse side of the investment coin could yet prove to be very profitable for investors in traditonal hedge instruments.

According to Davis Borkum the four Rand Mines gold mines have a foreign ownership made up, as follows — Blyvoors 76 percent, Durban Deep 48 percent, ERPM 65 percent and Harmony 70 percent.

Certaily talking to institutional investment managers in the City this week it was immediately clear that they were all in the market for gold shares and that in the shorter-term were looking to raise the portion of their total invested funds into gold.

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Four unions to stage protests nationwide

ADELE BALETA

THOUSANDS of public sector employees from four trade unions will stage nationwide protests against privatisation tomorrow and on Thursday.

Post Office and Telecommunications Workers Association (Potwa) vice-president and a national co-ordinator of the protest action Floyd Mashele said anti-privatisation rallies would be held tomorrow in Johannesburg, Cape Town, Port Elizabeth, East London, Pretoria, Bloemfontein and Kimberley.

He said workers were prepared to fight to the "bitter end" to prevent privatisation and he warned shareholders "they would not be reimbursed once nationalisation takes place". 310 Wn 27/3/90

Members of Cosatu affiliates Potwa, the SA Railways and Harbours Workers Union (Sarhwu), the National Education Health and Allied Workers Union and the SA Municipal Workers Union (Samwu) would take part in the action.

Sarhwu launched a three-day anti-privatisation campaign at the Kaserne railways depot in Johannesburg yesterday.

A depot spokesman said 500 workers held a peaceful demonstration on the premises for about an hour. Workers did not meet management.

Mashele said public sector employees countrywide would march on employer bodies starting at 10am tommorrow. Memorandums calling for a halt to privatisation would be handed in and a picket would be staged for the rest of the day.

Johannesburg public sector workers, however, would march on the JSE, where a memorandum would be handed in, followed by a picket.

The action was part of a public sector worker campaign to protest against privatisation, de-regulation and government's 10% pay rise for workers.

Action would include work stoppages, overtime bans and, as a last resort, strikes, Mashele said.

ANC 'not set on nationalisation'

Cape Times 14/5/90 (232)

THE ANC was "certainly not dogmatic" on the issue of nationalisation, Dr Alex Boraine, convenor of an Idasa conference on Economic Justice in West Germany last week, said on his return yesterday

Dr Boraine said top businessmen, academics and ANC economists had been delegates to the conference at Lake Constance

Among the businessmen had been Mr Michael Spicer of Anglo American, Dr Ronnie Bethlehem of JCI, Mr Chris Saunders of Hulett-Tongaat and Mr Christo Nel of P G Wood and of the Consultative Business Movement

"There was consensus among the businessmen, economists and the ANC that we are in this thing together," Dr Boraine said "We have to find a way through which is not going to destroy the economy, but will deal seriously with legitimate grievances"

By PETER DENNEHY

Nationalisation, he said, was just one possible way for the ANC to give itself the ability, power and assets to bring about speedy economic restructuring and thus address "the historic and justified grievances of the black majority"

Another delegate to the conference, economist Professor Pieter le Roux, director of the Institute of Social Development at UWC, said it was also his impression that the ANC commitment was "to meeting the needs of the poor", rather than to nationalisation

"They said nationalisation would not take place without proper investigation and probably also compensation, although that was not spelled out clearly," Prof le Roux said

Dr Boraine said the ANC kept saying at the conference that the onus was on those who had economic power "to come up with better alternatives (to nationalisation), to seriously address this economic restructuring"

It was clear that the ANC was "extremely concerned" with the socio-economic position of its constituency, Dr Boraine said

The ANC had argued that "if it was not able to deliver the goods, in terms of a socio-economic shift, then it would be outbid by some other player" The businessmen had taken this "very seriously"

High-powered company executives had pointed out that even debate about nationalisation would chase away potential foreign investment

However, the ANC had responded that if it did not restructure the economy, and hundreds of thousands of disillusioned young black people "brought about instability", investors would also be frightened away

Argus 4/5/90 (232)

ECONOMY

Nationalising gold mines given poor prospects

By Jabulani Sikhakhane

JOHANNESBURG — Nationalising gold mines to gain control of dividend income has few positive attractions as total dividends paid by gold mines in 1989 amounted to only R2,2 billion or 2,7 percent of current State expenditure

9 percent of GDP

Mr Mike Brown, an economic consultant at Frankel Kruger and Vinderine, said in Randburg yesterday that in its present state the gold mining industry held little attraction for nationalisation

Gold mines now account for only about 9 percent of gross national product and their after-tax profits (before dividend payments) in 1988 amounted to R1,81 billion

The equivalent figure for other private business entreprises was R26,7 billion and this meant the gold mining industry accounted for only 6,8 percent of total private business returns

Mr Brown added the development of gold mines at a cost of between R1 billion to more than R3 billion with lead-times of five to 10 years, slow paybacks thereafter and high possibility of reefs not meeting projected grades, were not risks the Fiscus should expect taxpayers to bear

High-risk ventures required the risk/reward profile of venture capitalists rather than the State with its more pressing near-term social and economic obligations, he said

"The market capitalisation of South African gold shares is approximately R60 billion The cost of paying compensation to existing shareholders in order to lay claim to a dividend flow of about R2 billion a year would scarcely seem worth while"

Retaliation

Mr Brown added about 20 percent of South African gold shares were still in the hands of foreign investors Nationalising their assets would invite retaliation through seizure of South African assets abroad and would terminate chances of fresh foreign investment

Cape Times 7/5/90. 232

ANC more flexible on nationalisation

Own Correspondent

JOHANNESBURG. — Less than three months after ANC deputy president Nelson Mandela reiterated the ANC's committment to the nationalisation of monopoly industries on February 12, recent policy statements indicate a softening in the organisation's economic thinking

In his first public statements after his release on February 11 Mandela confirmed that the ANC was still committed to the nationalisation of SA's mines and other sectors of the economy.

His stand on nationalisation led Finance Minister Barend du Plessis to say in Parliament on February 14 that the ANC's nationalisation policies amounted to nothing other than theft.

At the same time Constitutional and Development Minister Gerrit Viljoen described Mandela's comments on nationalisation as "naive and irresponsible"

Since then, however, public statements by Mandela and other senior ANC officials have indicated a more flexible approach in determining an economic system which will ensure a more equitable distribution of wealth in SA

In an address to businessmen in Johannesburg on March 11 Walter Sisulu reiterated Mandela and the ANC's commitment to nationalisation.

In an interview two days later Sisulu was less inflexible

"When we talk of nationalisation we are laying down a policy which should be a guide and we are not specifying the mechanics of it," he said

In the same week senior ANC member Albie Sachs in an interview with the Financial Mail said business was going to have a very important role to play in a democratic SA — partly through its economic activities and partly because it could become a major agent for nation building by contributing towards breaking down inequalities

"We are not keen on the idea of a purely passive or beleaguered business community," Sachs said

In an interview on February 21, little more than a week later, Mandela himself assured businessmen that the ANC would make no changes to any sector of the economy without full discussions with the private sector

"We are very keen not to do anything without proper discussion with those interested and involved," he said

Mandela also said he would welcome a debate among the business community on the nationalisation issue

"This is an extremely important matter and in any democratic situation a free expression of opinions is absolutely vital

"I also expect compromises on both sides," Mandela said

The same week, February 18, press reports quoted a "senior ANC source" as saying that the ANC's main economic priority was to address the historical injustices and distortions caused by racism

"There are many reasons why we cannot nationalise even if we wanted to

"We do not want our economy to collapse into nothing" the source was quoted as saying

Public statements by ANC representatives in recent weeks also indicate a flexibility in the ANC's economic thinking

At a conference almost two weeks ago ANC representative Mike Roussos said the nationalisation of certain sectors of the economy would only occur if an ANC led post-apartheid government believed no alternative would achieve its objective

His remarks followed a speech made by Mandela to a group of Transkei businessman in Umtata on April 25 in which he told them the ANC would only nationalise certain business sectors if this would strengthen the economy

Mixed Signals

The Nationalisation Debates

By Professor Lawrence Schlemmer, Director, Centre for Policy Studies, Wits Graduate School of Business Administration

There is a long-overdue realisation among all responsible politicians that racial inequality in South Africa has to be a first priority in future economic policy. Arguments and counter-arguments about economic policy saturate the newspapers today

In the following review, Lawrie Schlemmer warns that one can win the argument but lose the war. This political paradox may be aptly illustrated by the recent debate in the local media about possible nationalisation of major industries in a future South Africa

In all the serious arguments about economic policy in the media, the anti-nationalisation school has won most rounds It is noteworthy, for example, that Alec Erwin, who is perhaps most prominent among professional economists in the Mass Democratic Movement, cautiously stops short of arguing for nationalisation ' neither the unfettered ownership rights of free market capitalism, nor the bureaucratic control arising from state ownership, provides for effective social control of the economy' (SALB, 1990 40-44)

It is also worthwhile to briefly recapitulate the arguments for and against nationalisation of major strategic industries and finance - the 'commanding heights' of the economy

The Case For

A note of caution should be sounded at this point, however The following arguments for nationalisation tend to make the assumption that levels of management efficiency will remain the same, despite nationalisation. This assumption may be a dubious one

• *to redistribute wealth*
It is argued by some politicians that nationalisation will enable the state to redistribute wealth. This belief has been stated repeatedly by prominent African National Congress leaders and in particular, by Mr Nelson Mandela The reasons given are unconvincing, however

If the state assumes control of a major conglomerate, even assuming that no compensation is paid, it seems fairly obvious that it will acquire very little capital to use for discretionary purposes *At best* the state acquires what it would have taken in taxes plus the profit after taxes If it is to stimulate growth in the particular industry nationalised, however, the state will have to invest at least some of its returns, which is what private shareholders do Shareholders generally do not squander their dividends on wine, women and song - they invest them to make more money

If the state assumes control of a major conglomerate, it acquires very little capital for redistributive ends

Hence the state may end up with little more than what it would have raked off in company taxes, without nationalisation, to spend on mass needs In fact, if compensation is paid the state will have even less money to spend on targets of redistribution

Hence the argument is flimsy in content to say the least, and politicians will hopefully soon become too embarrassed to use it

• *to create employment*
Others argue that nationalisation will enable the state to fully determine employment policy This would apply particularly in operations with large labour forces, like the mines

If nationalised, labour forces could be artificially increased to aim at fuller employment in the economy, obviously with less initial output per worker. Alternatively, wages could be increased to

Will the goal of raising wages be met best by central command or by increased union power?

match trade union expectations or prior political commitments, or particular categories of employees could be advanced very rapidly and artificially. To some degree or another these objectives are probably achievable if the new government owners are willing to sacrifice some profitability.

One has to ask, however, whether the affect achieved will be greater than, say, leaving the operation in private ownership and offering tax incentives for increased labour-intensive methods of production. Will the goal of raising wages be met best by the central command of the government owner or by, say, changing legislation to increase the bargaining power of unions in the private market? (I am not endorsing such alternatives but simply noting them to contrast with state ownership)

What one also must remember is that when an operation is nationalised the managers become senior civil servants. Governments have to accommodate their civil servant constituencies as well as their mass constituencies. The managers, if they are any good at all, will try to discourage the state from making their operations inefficient through artificial labour policies. Here again, it is extremely doubtful that public ownership achieves more than alternative strategies.

The arguments for nationalisation tend to assume that levels of management efficiency will remain the same

• *to direct investment*
In the case of the financial sector, nationalisation can enable investment to be directed at certain targets, lower interest rates to be charged in the case of the poor, or loans to be granted without collateral, etc.

None of these objectives require the state to take over ownership, however. They can be achieved through legislation which say, requires insurance companies to invest a proportion of their capital in housing and infrastructure funds. The government could even create a loan guarantee fund to enable banks and building societies to grant lower-cost loans to the poor.

COMMENT
What the above points suggest is that nationalisation - in the sense of the state purloining the assets of companies in order to achieve social ends - is either vacuous and unconsidered rhetoric, or else is based on considerations and goals *which do not require nationalisation for their achievement*.

Since even the most idealistic of governments would not wish to run hopelessly inefficient industries, with the factors of production distorted, the effects of nationalisation on wealth redistribution are likely to be a great deal less than what constituencies would have come to expect. In fact, it is probably true to say that relatively more social benefits can be achieved through state intervention and taxation than through assuming ownership.

The Case Against

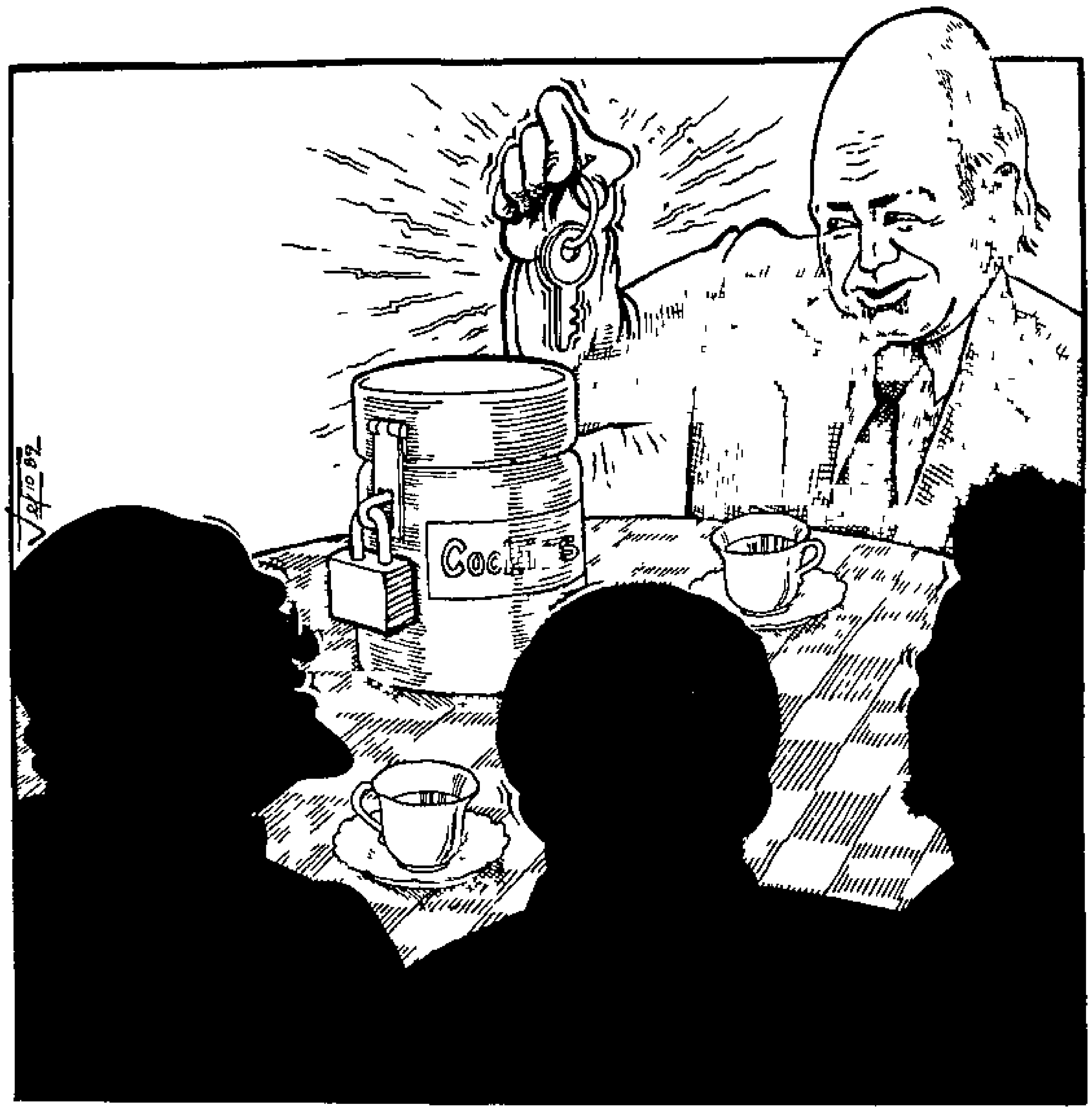
The arguments against nationalisation are equally obvious. As above, only the major criticisms will be noted.

• *undercut competition*
Industrial production, banking, insurance, mining and other targets of nationalisation are all competitive operations in one sense or another. Indeed, the critics of nationalisation argue that the very viability of these enterprises is based on their competitive advantages. Even if there is no competition between companies, as in the case of a monopoly, there is competition for investments from shareholders, competition for imported products or services and one might even argue, competition against other expenditure priorities among the ordinary consumers of products.

If nationalisation is seen to be needed it will be because the government considers that these competitive market forces generate socially inappropriate priorities. By forcing a change of priorities the competitiveness of the undertaking at some level or another will suffer. If it does not suffer, then forced control *would not have been necessary in the first place*. If competitiveness does suffer, then the state will be generating its 'correct' social benefits from a static or dwindling base of production.

Today's wealth may be available to redistribute, but what of tomorrow's? In time the benefits become constrained and everyone suffers - the nationalised capitalist, consumer, worker, shareholder and the welfare-hungry mass public alike.

• *reduced efficiency*
Perhaps the dominant feature of free-market entrepreneurship is that there are ruthless criteria of success, the bottom line of the balance sheet. Lack of profitability is not sustainable in the medium or long term. The verdict of shareholders or the bankruptcy commissioner is usually final. Hence private entrepreneurs and their managers



are anxiety-driven, and it is this extra 'business adrenalin' which has helped to make capitalism relatively efficient Managers in publicly-owned enterprises, on the other hand, have the relaxing knowledge of the state as final guarantor of their operations and their occupations Even though a government may try to be a hard business taskmaster, it is very difficult for it to close down unproductive operations, with the loss of jobs and production entailed, and the managers know that As long as they stick together, as civil servants usually do, the government cannot even readily weed out the less efficient The bureaucrat managers can even exploit public capital, as so many parastatal or so-called development organisations throughout the world have done

Thus, it would seem that there is a fundamental logic in the argument that state or parastatal operations have the tendency to be less efficient, less anxiety-driven than private management

• *flight of capital*
It is also freely predicted that there will be a flight of investment capital under conditions of nationalisation, as well as continuing problems in attracting private direct investment from abroad, as at present

Admittedly, a future government may try to reduce the damage by using its moral credibility to attract development aid from abroad. The record in this regard is disappointing, however. Zimbabwe and Mozambique, to mention only two countries which enjoyed high moral credibility after independence, found that development aid fell far short of their needs It proved to be a totally inadequate substitute for private multinational investment

Besides which, major aid and loan dispensing agencies, like the IMF and the World Bank are inclined to insist on a respect for market mechanisms before approving loans

In negotiations the ANC naturally feels justified in calling for policies which are symbols of transformation

• *increased taxation*
Perhaps the most ironic factor is that nationalisation undermines what it is intended to achieve, particularly in the financial sector If the major banks and conglomerates were nationalised and their (formerly) pre-tax profits were to be used for welfare, taxes on remaining private returns would tend to rise, simply because the state would presumably not wish to see its fiscal resources reduced

Increased taxes would drive up the cost of investment capital, and hence attempts by nationalised banks to offer cheap loans to the poor would be frustrated This is quite apart from the fact that the lowered profitability of savings and insurance funds would reduce these forms of investment

COMMENT
There are other relevant arguments besides those already adduced but the major points made will suffice In terms of fairly basic logic it is very difficult to make a convincing case for nationalisation. If the basic arguments are insufficient then surely the fact that virtually all countries which have nationalised operations are now seeking to introduce or reintroduce market factors (from French banks to Chinese

The political advantages of nationalisation far outweigh its economic contradictions as a basis for redistribution

agriculture) must have some demonstration effect on a future government

In the face of the arguments and the international evidence, therefore, it is difficult to see the proclaimed ANC policy of nationalisation surviving, in terms of economic logic or as a basis for redistribution This, however, does not mean that the ideological/analytical war between public and private control will be won through logical persuasion and debate

Anti-Capitalist Cult

The motive to nationalise or control the economy has large political components which are immune to economic logic

Against a background of universal condemnation of apartheid, and the equally universally condemned economic inequality between races in South Africa, the ANC quite naturally feels itself justified in calling for future economic policies which are in terms of political symbolism, diametrically at odds with the present dispensation

In its long period of exile, the ANC survived the political drought sustained by revolutionary theory, which is shared with other liberation movements, including the PLO and the IRA This theory, as many universities know, becomes a total mode of thought in which all problems are traced back to some central evil, the capitalist mode of production, which reaches its apogee in what is understood to be monopoly capital

Socialisation of production can cause similar damage to the prospects for economic growth

The ANC has never been alone in this theoretical obsession Of all the agencies responsible for its persistence as a mobilising dictum, the liberation movements like the ANC are least blameworthy The high priests of the cult of centralist dictatorship parading in the name of democracy, with total control not only of the state but of the economy as well, have been the communist dictators themselves, as well as a tradition of political idealism, with its political perfectionism - a secular pietism - at Western bourgeois universities

Furthermore, for politicians anticipating assuming power in difficult situations, in which impoverished and discontented mass support may be liable to schisms and fragmentation, the more total the control by the state the more levers are at hand to use as sanctions South Africa, a difficult country to keep under control by any standards, is probably seen as a little easier to control if the power elite controls not only the Union Buildings but 44 Main Street as well

It is not at all surprising, therefore, that ANC spokespeople seem reluctant to jettison the ideal of nationalisation Its political advantages far outweigh its economic contradictions

There are factors likely to arise, however, which might make the arguments in favour of nationalisation impossible to sustain For example, the current Western disapproval of this policy might intensify, to a point at which effective international support for the ANC might become conditional on the acceptance of continued private ownership of large companies

If the countries which are still dominated by public ownership, most prominently the Soviet Union and China, become increasingly disreputable because of continuing state suppression of dissidence in the future, then the moral public image of socialism may be further weakened It is also conceivable that a sustained information campaign by South African businessmen will contribute to a weakening of the political urge to nationalise leading companies

[illegible]

This, however, is where the initial point about winning the argument and losing the war comes in Nationalisation can easily be jettisoned without sacrificing the capacity to damage the prospects for growth in the economy Here one is talking about 'socialisation' as opposed to 'nationalisation' of production

Mr Joe Slovo, whom one must assume to be very influential in the ANC on the basis not only of his intellect but his membership of the national executive committee, is quite clear on what should happen He argues that 'The destruction of the political and economic power of capital are merely first steps ' He is fully aware of the alienation of both managers and workers which bureaucratic state control implies He quotes Gorbachev in calling for 'real socialisation and the real turning of working people into the masters of all socialised production' (SALB, 1990 23).

Writing in the same issue of the *SA Labour Bulletin* (ibid·45-50), Karl von Holdt acknowledges the need for caution and compromises in future policy but pleads for what he terms 'a radical mixed economy', in which the state's 'plan dominates the market and private enterprise ' He distinguishes this mixed economy from social democracy, in which state regulation is subordinate to capitalism

Not only these quotes but a great deal of informal public debate suggests that a mixed economy is seen as the compromise between nationalisation and market-related capitalism The phrase 'mixed economy' can be heard among the most elevated captains of industry Certainly, in using the phrase they do not mean to endorse the proposed radical model, but one is not sure what most of them do actually mean

The radical mixed economy is clearly highly state interventionist and could entail a veto of management decisions by organised labour on the shop floor One prediction can be made quite confidently Most boards of companies would probably prefer to be nationalised, with compensation obviously, than to struggle under the kind of muddling in management decisions which the socialisation of production would imply If anything is likely to be a formula for capital flight, a collapse of business confidence and falling growth, it is the kind of mixed economy that some interests in the MDM have in mind

The economist, Ronnie Bethlehem probably comes closer to the mixed economy concept that most businessmen have in mind He argues that, 'It is the duality of capitalism and socialism that South Africa will have to incorporate in its mixed market system' (Business Day, 28/2/90) These words no doubt sound terrifying to investors, but Bethlehem specifies that the market system must be dominant and that both capitalist and socialist institutions should be subject to the disciplines of the market

It would seem to be essential that convincing models of the market-based duality be found to give content to the well-intentioned but dangerously vacuous endorsement of the 'mixed economy' which some capitalists offer

Bethlehem suggests that a 'restructuring of ownership' take place to give blacks a substantial stake in entrepreneurship In the article quoted, however, he does not indicate how such structuring should take place. If it is to be significantly at the cost of existing shareholders or taxpayers, then it will, like most other mixed economy models, simply inhibit the growth that South Africa requires I am also not convinced that the extension of entrepreneurship to individuals will have the symbolic appeal to outweigh the powerful, if economically irresponsible symbolism of ANC economic policy.

It might be far more appealing, and effective, for the state to expand its current privatisation strategy to empower black *communities* (and possibly trade unions) in the field of social services Loan funds, of the order of or even larger than the recently created R2bn 'social upliftment' fund, might enable identifiable *collectives*, such as civic associations, trade unions and even voluntary organisations to become established as co-operative owners of a variety of service companies, peri-urban or urban housing estates, shopping centres, economically viable production operations and perhaps even urban service companies in the field of refuse removal, electricity and water reticulation, etc.

A condition for a loan to establish an economic collective would have to be that a suitable management team be engaged to undertake the technical tasks and co-ordination that most community collectives are generally not able to cope with Appropriate government subsidisation would also be included in the case of certain operations

This would be a way of giving a community board real access to material resources without intervening in and undermining the growth potential of the existing private economy It would also give communities a sense of ownership, and the collective aspect creates the correct political symbolism

I am not suggesting privatisation to community collectives as the only strategy It is merely an example. Without workable models of community empowerment, however, the fall-back position from nationalisation - a 'mixed economy' - is likely to become a popular passion in thinking about the 'new society'. The imprecision of the concept, and the consequences which are masked by good intentions, hold very grave dangers to the future prosperity of all South Africans IPSA

The radical version of a mixed economy is highly interventionist and could enable labour to veto management decisions

It would be more appealing for the state to expand privatisation to empower black communities in the field of social services

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CAPE TIMES 2/5/90 (232)

ANC, Cosatu 'in struggle against privatisation'

HARARE — The African National Congress and the Congress of South African Trade Unions have reiterated their determination to push for an end to privatisation in a post-apartheid economy, Zimbabwe's news agency Ziana reports

Addressing a joint press conference here yesterday, ANC economic and planning department officials and Cosatu spokesmen said they would be actively engaged in the struggle against privatisation, which they said, to their horror, was increasing

"We are expressing utter opposition to privatisation All industries already privatised should be put back to the public sector

"We are going to engage in a struggle against privatisation and this will take various forms — mass demonstrations, mass boycotts and many others," said an ANC representative

The representatives said now was the time to start reconstructing the new South African economy — the present South African economy was in a shambles, they said

The press conference was told that the impact of sanctions was not hurting the black majority in the country, but internal problems caused by the Pretoria regime caused much suffering and discontent

Cosatu also said foreign investment would not play a major role in the South African economy — but the changing of the domestic economy and its reconstruction, based on a mixed economy, would do the trick

"We are looking for a mixed economy which will address all problems like unemployment, deprivation and poverty in our country

"The future government of South Africa must begin now to make plans to change the economy We are looking at a massive reconstruction programme," said Mr Tito Mboweni, ANC economic and planning representative

Mr Mboweni said the ANC was not a socialist party, but at the same time was not opposed to socialism

"The ANC is a national democratic movement, not a socialist party But we are not opposed to socialism, in fact, we work in alliance with them (socialists)," he said

The new South African economy envisaged by the ANC and Cosatu would not take the shape of other African economies, but would be modelled according to South African circumstances, speakers noted — Sapa

S Times 6/5/90 (232) (IA)

ANC 'massively opposed' to call for privatisation

By PETA THORNYCROFT
Harare

ALL South Africa's state institutions being privatised will be re-nationalised, the ANC said this week after an economic workshop

Mr Tito Mboweni, a senior member of the ANC's economics department, who travelled from Harare to Zurich for another meeting with South African businessmen yesterday, said "People should be under no illusion We are convinced the privatisation process should be stopped and reversed"

Mr Mboweni said there could be no negotiation on this issue and any future privatisation of national resources would be "massively opposed"

Those institutions already sold off would be renationalised by an ANC government

The conference was attended by academics and economists from South Africa and Britain, as well as trade unionists and the ANC

In Zurich, the ANC — including Mr Mboweni, Mr Vella Pillay, Mr Rob Davies and Mr Esop Pahad — will meet with businessmen from South Africa, including Mr Christo Nel and Mr Ronnie Bethlehem Nationalisation will be a main topic of discussion shares would have been JSE's requirement that as-

Brokers blame Mandela for cooling zeal on JSE

B/Day 5/7/90 232

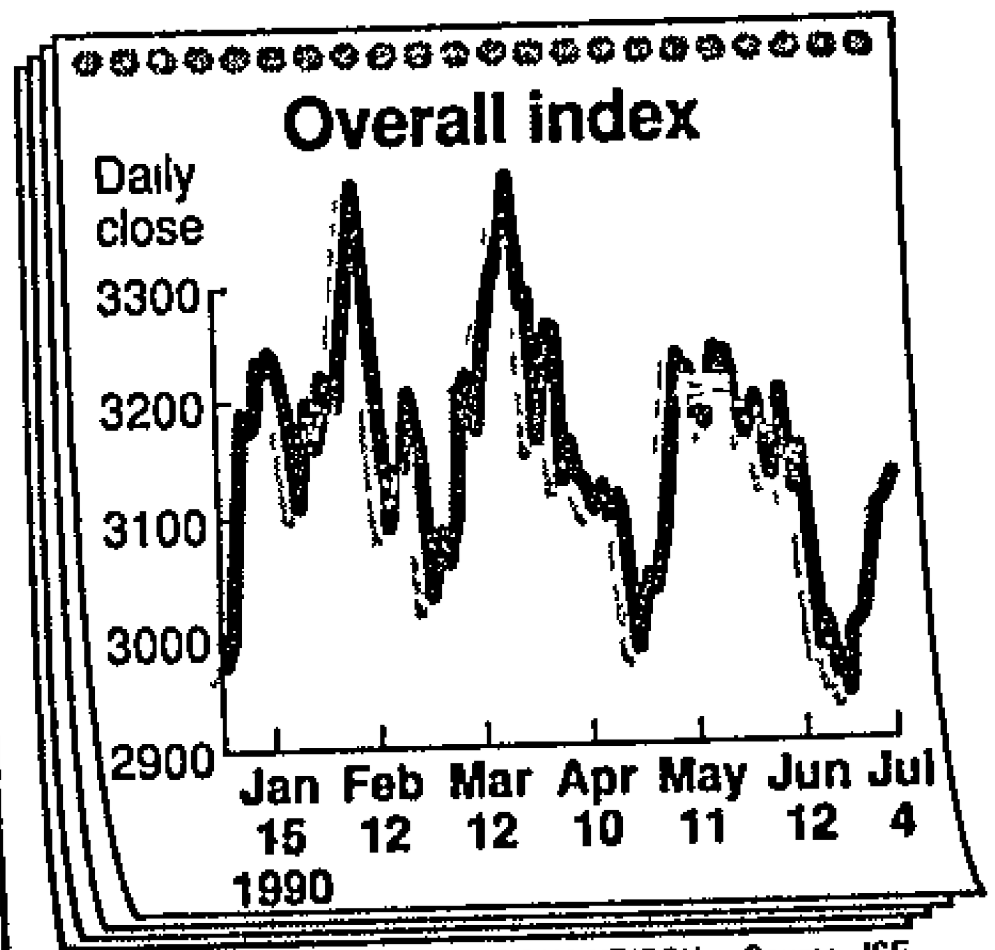
HELENA PATTEN

ANC deputy president Nelson Mandela has played an important role in cooling enthusiasm on the JSE in the past six months, say brokers

Mandela's pronouncements since his release from prison in February — specifically on sanctions and nationalisation — have added to a host of factors depressing market sentiment in the half-year

Senior partner at Max Pollack & Freemantle David Shapiro said there was a notable change in mood after Mandela's speeches, but the dive in the gold price was still the major factor impacting negatively on the JSE

Max Borkum of Davis Borkum & Hare said the market started the year strongly due mainly to a "significant and improving political sentiment which brought in foreign buyers"



Graphic: FIONA KRISCH Source JSE

While the opening of Parliament speech and the release of Mandela had been well-received, later the drop in the gold price and the threat of nationalisation had led to a reassessment in the market

"The negative mood was amplified by the high level of interest rates which made it attractive to hold cash and also started to affect growth in the economy and reported industrial profits and forecasts"

Shapiro said the sense of the coming political change had been felt for most of 1989, during which time there had been massive overseas investment in the SA bond market, largely due to high interest rates That trend was continuing this year

"The demand in the bond market meant finrands had to be created, and this was achieved by a major sell-off abroad of stocks like De Beers and Anglo But price was not affected because of demand from South African institutions"

A leading analyst who could not be named said a large number of factors — notably the drop in the gold price — had persuaded portfolio managers to raise liquidity levels

"The earnings growth rate has passed the top and is falling sharply Many blue chip industrial corporations will be reporting a drop in earnings."

Shapiro said he believed the bottom of the market was in sight and investors should begin accumulating slowly in the market

Borkum said recent industrial unrest had been cited as a reason for the gold price bouncing up to current levels

An elderly woman waves her umbrella as she yells at riot police outside the Seoul City Hall. The police held back from a clash with 200 women protesters opposed to a municipal scheme aimed at resettling squatters in temporary shelters.

Nationalisation inefficient, says Ogilvy Thompson

AK63 13/7/90

(232)

JULIAN OGILVY THOMPSON, chairman of Anglo American Corporation, the country's largest mining and industrial conglomerate, gives his views of the future in these extracts by TOM HOOD, Business Editor, from his annual review and an interview this week.

SOUTH Africa is not a rich country in spite of its mineral endowment It has no pots of gold or platinum or anything else stashed away, to be brought forth by will alone

Economic growth depends on using the country's resources more productively

Privatisation of industries is one way of increasing the productivity of resources Where private business can operate effectively it is more efficient, and therefore makes a greater contribution to the national wealth than state enterprise This is why governments all over the world are engaged in extensive privatisation

Opposition to the privatisation of industries, as distinct from services, is motivated chiefly by political self-interest People wish these industries to remain in state hands so that employment in them can be used for patronage, both for a privileged circle of ministers and administrators, and for the workers, who are expected to remain loyal to a government that shelters them from economic realities

This happened in nationalised industries throughout the world and under all kinds of government and is the principle reason why nationalisation is inefficient and undesirable, and indeed in most cases insupportable in the long run

At a huge cost in terms of economic growth, the National Party conferred substantial benefits on about 10 percent of the population at the expense of the rest — not only of blacks, who were largely excluded from the system, but also of the remaining whites who paid high taxes to support transfer payments to other whites

The same thing could be done at comparable cost for a different 10 percent of the population but not for the majority — no country can be a parasite upon itself

The only way to benefit the population at large is by means of balanced economic growth, which will certainly be promoted by the right forms of privatisation

The South Africa of the future will need private organisations with the resources to undertake large and important projects which the government either should not or could not attempt

Provided a competitive climate is preserved, the existence of big companies is conducive to the growth of small business — not the reverse

Anglo American is a big group and we're proud of being a big group.

We are often criticised on

Mr Julian Ogilvy Thompson .. economic growth depends on using resources more productively

the grounds of being very large but we are not as large as critics claim, allegedly controlling 45 percent of the Johannesburg Stock Exchange

That figure is just plain wrong — there is a lot of double counting

Anglo and its associates account for about 30 percent of the stock exchange and, more important, 25 percent of the stock exchange consists of companies that Anglo and its associates brought to fruition

We are proud of this achievement and I sometimes wonder if those critics would have preferred Sir Ernest Oppenheimer to have gone to Australia and not to South Africa

Anglo and its associates own about only six percent of the nation's total fixed assets About 54 percent of those assets are owned by the government and parastatal organisations and four percent by agriculture I think that puts the matter in perspective

Anglo American and De Beers have worked with governments all over Africa and in other parts of the world.

In Botswana, the government took a shareholding in the company in exchange for mineral rights

Governments can choose what overall "take" they are going to have from a company's profits, what percentage they would like to have in shares and what they would like to have in taxes

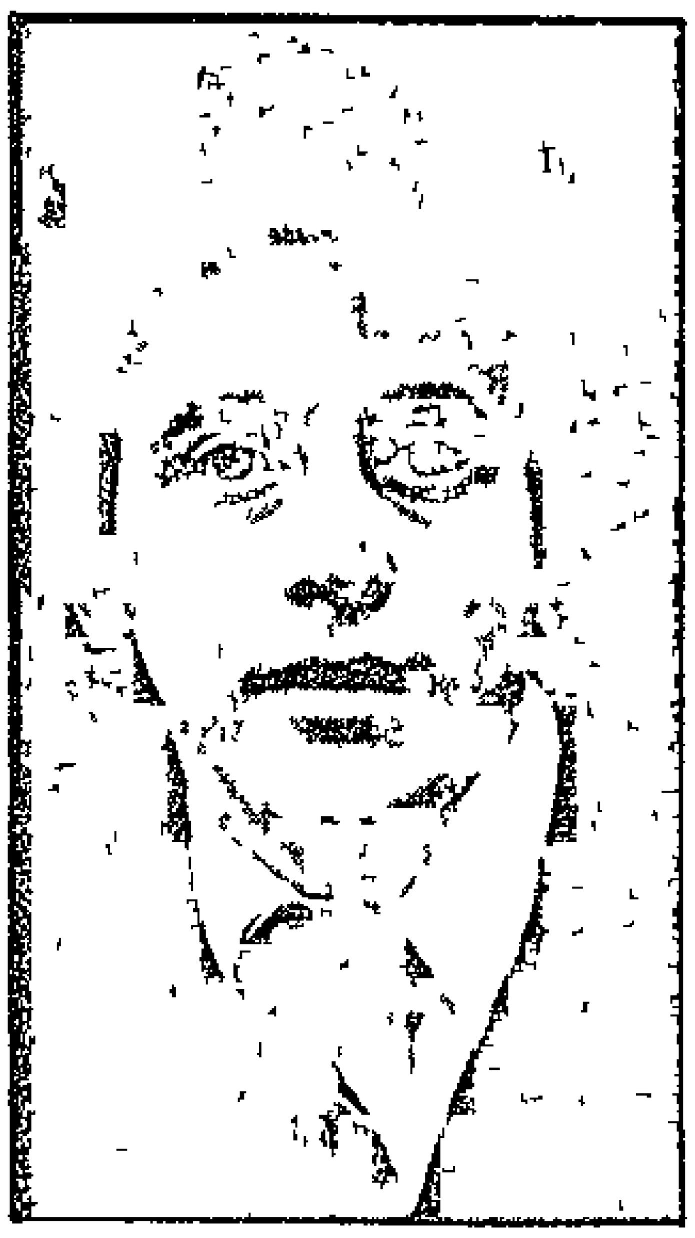
What they can't have, and expect the company to prosper, are very high taxes and very high shareholdings

Anglo would be prepared to invest almost anywhere in Africa But you have to be sure there is an economic opportunity, that shareholders will get satisfactory returns, that there will be reasonable stability in the economic and political systems, that dividends will be transferable and that the currency will operate within reasonable bounds

The cake's big enough for all

By LEON LOUW, Director of the Free Market Foundation of Southern Africa and co-author of two best sellers — SA: The Solution and Let the People Govern

(232)


LEON LOUW

WHICH well-known South African demanded that the Government stop privatising and said "These privatised institutions belong to the people, and to sell them to the money powers in SA will be illegal We warn those who are planning to buy these institutions that while they may be free to do so now, when (we take power, they) will simply be taken away from them and given back to the people"

Mandela? Tambo? Sisulu? No Eugene Terre Blanche

Who, historically, have been the most fervent protagonists of nationalisation? The ANC? The PAC? Black unions? No The National Party

Yet when the word "nationalise" flowed from Mandela's lips it "came as a hammer blow" to the world, according to YOU! magazine "Why?" asked ANC spokesman Thabo Mbeki Why indeed? Why should this one word cause shock waves around the world?

Revolution

After all, the Nats came to power twice on a pro-nationalisation economic policy almost indistinguishable from the ANC's Furthermore, extensive nationalisation has occurred in many "capitalist" countries As Mbeki pointed out, Mandela said nothing new

The answer is that the world has undergone a fundamental ideological revolution over the past two decades Only a few years ago words like *privatise* and *deregulate* did not exist — now they constitute the official economic policy of most countries, West and East

Fifteen years ago most people honestly believed that Big Brother government would outperform the market at overcoming human misery But now it has become clear that the only effective way to close the gap between rich and poor is through rapid economic growth — and this is only achieved in free, or nearly free, markets

Proposals to redress injustices through nationalisation and redistribution are often well intentioned, but they would damage the economy so badly that the victims of apartheid would end up in a worse position than ever

The practical alternative is to follow the example of the world's richest countries and free the economy As recently as 1958, Japan's per capita gross domestic product was $40 less than that of SA in the same year

Abundance

By freeing their markets, the Japanese achieved over five times our per capita GDP by 1989 They did this with virtually no natural resources, little arable land and more than 193 people a sq km

With our abundant arable land, exceptional mineral wealth, excellent infrastructure, sophisticated financial markets, established trading partners and fewer than 38 people to each sq km, we could easy become one of the world's fastest-growing economies

This would be by far the quickest way to help the poor As countries become richer, the income gap narrows and lower income groups earn a bigger and bigger percentage of the total

We have already experienced a taste of the growth that deregulation can bring us The black share of the economy remained unchanged for 60 years

Then minor deregulation resulted in black wages rising five times faster than those of whites between 1972 and 1984 Further recent decriminalising (deregulation) of black business has led to the swift emergence of many thousands of enterprises contributing an estimated 40% of SA's wealth

But potential growth won't solve the problem of meeting black expectations now There is only one way that this or any other government can raise funds for redistribution in the short term without damaging the economy — and that is through privatisation

Wisdom

The present Government did not start privatising because it suddenly stumbled on the wisdom of Adam Smith, but because it needed money to pay debts and to improve black conditions

Nationalisation consumes State revenue, privatisation generates it The more money a future government wants to spend on social programmes the more it should privatise

SA has more than R300-billion worth of privatisable assets — enough to provide every black family with R50 000 Privatisation could create hundreds of thousands of black (and white) business and investment opportunities State monopolies could become small private businesses or shares in them can be sold or given to employees or "the people"

Consider the biggest monopoly, the railways It seems an unavoidably giant undertaking The railways could work like roads The Government owns the roads but not the vehicles on them Trains could be contracted out like the Sun City Express Small businesses could become train owners paying tolls and fees for station time, as private airlines to at airports

Small investors could buy or rent an engine from the State and sell towing services to passenger or truck owners, who would hire out space as shipping containers do

Despite having a CP municipality, Welkom became the first SA city to have integrated urban transport — thanks to privatisation The municipal bus monopoly was privatised and within days black taxi operators started providing such a satisfactory service that the public did not want the buses back

The proceeds of privatisation could also be used to transfer private wealth into new hands without coercion

Most blacks, both in white SA and in the tribal homelands and locations, are the victims, or the descendants of victims, of land theft It is hardly surprising that redistribution of land is high on the agenda of many black organisations Once again, there are ways to bring about redistribution of land without damaging the economy, or terrifying whites out of the country or into armed resistance

St Times 26/8/90

Land

First, free the land market At present, numerous laws prevent blacks from competing with white farmers If all these were repealed or amended, prospective black farmers could take out loans, form consortiums, and buy up the farms of those inefficient white farmers who would go bankrupt without the State to prop them up

Another way to help transfer white farms into black hands would be through the introduction of a land tax based on the soil's potential yield This would encourage better farming and discourage underuse of land

The most practical way to overcome black unemployment is not through some government programme which is likely to destroy more jobs than it creates, but by deregulating self-employment and small business To this end scrap or relax licensing laws, anti-business town-planning schemes, interest-rate controls which discourage lending, transport permits, control board monopolies, and so on

Also, deregulate labour relations so the unemployed are free to sell their labour to formal sector employers

Human

Vast transfers of capital in the form of foreign aid have failed to create prosperity in the Third World But nations like Japan and Germany have lost everything and then risen within a generation to even higher socio-economic levels than before This is because they have human capital, which is the ability to produce wealth Human capital cannot be destroyed or consumed as material wealth can

The State should help poor people to acquire human capital in the form of skills and training But this does not mean it should provide education

Instead, it should subsidise the children and allow them and their parents to "spend" the subsidies at the schools they prefer This could be done with a voucher system whereby every child or school-going age, regardless of race or gender, would receive an equal amount for education

Such a system would provide a great incentive for private schools to enter the market Farm schools, mission schools, schools offering "people's education" and store-front colleges would mushroom Industry and commerce would be encouraged to train youngsters in technical skills if they could obtain vouchers to subsidise their costs

Government institutions would have to compete with private ones for vouchers, which would spur them to greater efficiency and higher standards

There is no logical reason why the State should provide welfare services The private sector invariably does a better job at a lower cost Governments should be restricted to financing the needy, and this can be done effectively with vouchers for many service besides education

Vouchers increase the options of the beneficiaries, whereas most government programmes *remove* options — they take initiative and power from the people and transfer them to bureaucrats and do gooders

The Government should scrap all transport subsidies and give needy commuters transport vouchers that they can use for whichever mode of transport they prefer Then bus companies, minibus operators and taxi drivers can all compete for their custom

Nurses

Instead of introducing rent controls, financing black housing or subsidising building contractors the Government should give destitute people housing vouchers to spend as they choose — to pay rent, or to build or buy a house This would encourage competition among builders and increase opportunities for small black contractors

Health services sould be deregulated so that paramedics and nurses can provide basic care for the poor and run clinics in rural areas, referring only the cases they are unable to treat to doctors and specialists Health vouchers can be given to the indigent

Whenever governments try to move away from expensive social schemes and subsidised services towards market-related welfare, they face great difficulties from vested interests

This problem can be circumvented by devolving the provision of most welfare to second tier governments Those local governments that cannot resist the pressure of interest groups can continue to fund bloated bureaucracies, and others will allow private enterprise to provide services and limit themselves to financing the needy It will soon become apparent to all which process helps the poor most effectively

OWNERSHIP & CONTROL

1990

March — APRIL

Profit, payout rise 88% after Ellerine face-lift

S Times 1/4/90

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ELLERINE takes first prize this week for a great performance with an 88% climb in earnings and dividends in the six months to February.

The furniture chain, which sells mainly to blacks, improved its market share by opening stores and moving others to better sites. Sales grew by almost a third to R239-million, but pre-tax profit doubled to R40,4-million Earnings were 327c a share and the dividend 109c.

Ellerine says its ability to maintain performance will depend on external factors, such as political stability and an economic climate that prevailed in the first six months of the financial year The shares hit a year's high this week of R24.

Return

Pick 'n Pay's earnings were up by 22% in the year to February and Math Ash recorded good interim growth to December. Its earnings rose by 30% to 26c a share from a 52% lift in sales to R65-million.

Fertilisers helped Omnia to 53% higher earnings [illegible] 37c a share from a 42% ri[illegible] in sales to R336-million.

Trek set the pace with a 40% climb in interim profits to February from an increase in turnover of a third to R588-million.

The Basil Starke companies returned to profit in 1989, but declared no dividends BSI's turnover rose by 11% to R148-million, but last year's loss of 37c a share was turned into a profit of 15,5c.

BSI has regrouped its assets, eliminating dormant companies It owns 87% of BSG, which is still R350 000 in arrears on its preference dividends. It turned a 31c loss into a 33c profit.

Wit GM's earnings for the six months to December were helped by royalties and

By Julie Walker

site rentals from Knights Gold Mining, and tributing from Balmoral It earned 5,95c a share compared with 0,64c previously.

Other than Autoquip, Greenfields property company, Harwill, Sanlic and contract miner Scharrighuisen, the results were grim.

Grove's earnings were up by 12%, Broadacre, Sage, Sasfin and Traclo managed single-figure rises, and the rest returned a worse performance than previously.

Flattest on its face was Gants Sales grew by 10% to R193-million in 1989, but earnings shed 92% of the 1988 total to only 2,2c a share At least it made a profit, and declared an 8c dividend.

Tollgate and Duros returned sharply lower profit in the 18 months to December But the shares picked up on news of control passing to more powerful hands.

Arwa incurred a loss of 12,2c a share in 1989.

WB Holdings' earnings slipped by a third to 36c from a 12% lift in sales to R7,6-million in the year to December. It had forecast a decline to 42c at the interim. It has spent money on orchards, with little corresponding income until the fruit is harvested

Natrawl netted 44% lower earnings at 7c a share in 1989.

Rentbel's bottom line dropped by 10% to 44c a share at the interim to December after an 86% fall in pre-tax profit. Income from associates made up the difference.

Absolute losses were recorded by Powernet, Aimark, Mynkar, Furntech and Swimhold.

Only weeks ago, most companies were reporting good increases. This week's set shows that the economic slowdown is taking its toll in the form of lower growth in sales, sharply higher interest bills and bigger operating expenses

SUNDAY TIMES, Business Times, April 1, 1990

Fidelity back n the old firm

232

OY MACFARLANE . . . homes and careers at stake

By Ian Smith

SECURITY services market leader Fidelity Guards marches with confidence from under the Rennies umbrella after this week's management buy-out

Managing director Roy Macfarlane and six other executives have put their careers and homes on the line in a deal put together by Corbank Leveraged Investments (CLI)

Mr Macfarlane has a lot to lose He has been with Fidelity for 26 years, 24 of them as chief executive

"But I have no fears The company has been on its own before and I see this as a great opportunity for all of us"

Assurance

Mr Macfarlane has assured the 8 000-strong staff and trade unions that there will be no retrenchments or loss of benefits

CLI has taken a stake in the company, but the working directors will acquire control in time, says Mr Macfarlane Plans have also been drawn up for a trust to acquire shares on behalf of staff members

The cost of buying Rennies' 100% holding has not been disclosed, but market estimates say it could not have been far short of R20-million

The group, which turns over R160-million a year, dominates all three sectors in which it operates armed banking, general guarding and key-point protection, in which members of a specially-trained paramilitary force guard strategic and essential service sites

It has assets worth R12-million, including 1 000 armoured trucks and vehicles and 70 branches and depots

Fidelity's links with Rennies go back a long way Rennies took an interest in the company in 1972 and bought Mr Macfarlane's remaining holding in 1984.

Misfit

Rennies chief operating executive Pete Steyn says the sale came after the group decided to concentrate on its core businesses of freight and cargo management, travel and related services

"Although security service is seen to have considerable growth potential, with Fidelity in the forefront, it does not fit in with Rennies' portfolio for the future"

Mr Macfarlane says the parting was amicable

"It has been a happy relationship However, our independence means we will be able to react more quickly to opportunities"

He says the MBO took some time to structure because of a general lack of knowledge of the security industry, where operators tend to be reticent about individual performances

But worldwide there is considerable growth in the business The US Department of Labour ranked the guarding business the third-fastest growing employment sector a few years ago

Threat

In SA the industry has been stimulated in the past two years and growth has increased, says Mr Macfarlane.

Political disturbance and labour unrest have increased demand for the the services of companies like Fidelity Guards.

Mr Macfarlane says armed banking — or cash-in-transit business — is the group's core activity The rise of plastic cards had been seen as a threat to the industry, but most people still use ATMs as cash dispensers, and more money than ever has to be carried around

Banks are faced with the alternative of setting up their own cash-movement service if they do not want to use a professional carrier

"If we lose a consignment we often make up the loss before our insurance has paid out," says Mr Macfarlane.

The demand for guards for industrial, commercial and residential property is increasing and key-point protection has become more expert

Key-point personnel are specially trained and are inspected regularly by the SADF to ensure standards are maintained.

Like other executives in the industry, Mr Macfarlane is concerned about the rising crime rate, particularly armed attacks The availability of AK47 assault rifles in townships has helped make the armed hold-up an everyday occurrence in some cities

Mr Macfarlane says "We have access to the latest security developments in the world We plan to counter the threats — but I'm not going to talk about them"

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DBN1003

Raylite, Chloride merge

S/Times 1/4/90 (232)

By Ian Smith

BATTERY manufacturers Raylite and Chloride SA have merged to create a new power in the industry.

The holding company of both, First National Batteries, will be the biggest player in both the auto and industrial battery markets It is controlled almost equally by three big groups — Raylite's controlling shareholders Metair and Federale, and Chloride PLC

Listed Metair and Federale have a close association with the motor industry through subsidiaries in the component field

The group will have a turnover of R150-million a year and a combined workforce of 1 500

Marketing

Chloride SA managing director John Smith says "Our parent company has made this decision on industrial and business logic and not through political pressure — it is not relinquishing any South African assets"

The Raylite factory in East London and Chloride's Benoni plant will continue in production Both companies will maintain separate marketing identities to keep their brands alive

Chief executive of First National Batteries is Louis Laubscher, who is also managing director of Raylite

Mr Laubscher says "The merger has given the group access to the best battery technology in the world through agreements with Hagen Batterie of Germany and the UK's Chloride"

Conditions in the battery manufacturing industry have been difficult for many years with some overtrading and the original equipment sales of automotive batteries stalled by static new-vehicle sales

"The national car park has grown, vehicles being kept on the road for longer. But there has been too much manufacturing capacity.

"The merger will allow the business to compete on the best terms here and abroad"

Market sources believe the group will supply more than half of the batteries sold to new-vehicle manufacturers

The group will benefit from more effective buying, economies of scale, transport and "considered rationalisation" in manufacturing

Effective

There will also be advantages in distribution and retail sales Raylite's Battery Centre franchise will add weight to Chloride's distribution, which has concentrated on sales through parts and accessory stores

Both companies are major suppliers of batteries and stand-by power products to industry and the mines

Raylite's access to Hagen copper stretch metal negative plate technology helped it to develop the world's first commercial load-levelling system.

The system, commissioned at Vaal Reefs No 10 shaft towards the end of last year, is expected to save the mine hundreds of thousands of rands

Lamp

Chloride, with companies in North America, Europe, Africa and Asia, has been in the industry for more than 100 years

Its technology developments include the recombination techniques which have been effectively used in stand-by power batteries and the Oldham maintenance-free miner's cap lamp

Federale executive director Tony Barnes is chairman of First National Batteries He says the merger will benefit the industry and the staff of the two companies.

"Both organisations are strengthened by the merger. We will gain local market share.

"We also have increased export potential through superior technology and improved production capacity. All this leads to greater security and opportunities for staff members and customers"

Hersov and Menell duck R200m payout

(232) S/Times 1/4/90

A LIVELY debate has broken out over the issue of shares with minimal voting rights in Anglovaal's R800 to R900-million rights issue

The new shares have only one five-hundredth the voting power of ordinary shares They avert the need for Anglovaal controllers, the families of chairman Basil Hersov and deputy chairman Clive Menell, to take up about R200-million of new shares to retain control

By David Carte

Fund managers and stock brokers say the issue of shares with diluted voting rights sets a precedent, making it easier for majority holders to retain control of companies, virtually regardless of the amount of outsiders' money they use

They complain that because of pyramids — forbidden in London — too few minority holders in SA receive bid premiums

Both Mr Menell and Mr Hersov confirm to Business Times that they will not be taking up their rights in full

Mr Hersov says "We'll take up what we can, but we can't pick up our full entitlement."

He confirms that voting control will be unaffected, saying "Family control has been good for shareholders We believe this issue is in their interests.'

Scrupulous

Mr Menell says "I can speak only for myself All my assets are in Anglovaal I don't sit on cash I had to either raise a loan or sell my rights I have chosen to sell my rights"

Mr Menell says minority shareholders have had a good run That is common cause, even with the critics.

Anglovaal ranked No 8 in Business Times top 100 companies last year, giving shareholders an average compound return of 52% a year in five years No fewer than 11 of its subsidiaries made the top 100

But the worry is that less scrupulous controllers could abuse the precedent.

A fund manager, who does not wish to be named, says there are precedents for shares with diluted voting rights in the US, Canada and Luxembourg But the London Stock Exchange would not have permitted such shares

After ruling out pyramid companies for years, the JSE allowed Pick 'n Pay to form Pick n Pay Holdings in 1981 All shareholders agreed that Raymond Ackerman's continued control was desirable.

Thought

Since then, however, numerous other pyramids have been formed, enabling majority shareholders to keep control while using millions of rands more of outsiders' money

JSE president Tony Norton says the exchange thought long and hard about Anglovaal's "N" shares.

"We came to the conclusion that Anglovaal could have done the same thing by issuing participating preference shares and that, in this case, it would do the minority no harm

"As to precedent, there are only four or five companies on the JSE that could imitate this issue It is only because of the company's outstanding track record that it can depend on the shares being taken up '

Shareholders Association chief Issy Goldberg says "I am not aware of any precedent in which voting rights are based on the par value of shares, as in this case Par value can be changed at the stroke of a pen"

Genbel managing director Anton Botha says "It's an extension of the pyramid concept and could be used to the detriment of minority holders Minority holders in Anglovaal have every reason for satisfaction, but it was incorrect of the JSE to permit the issue of these shares."

A spokesman for UAL merchant bank, which is handling the rights issue, says the issue complies with the Companies Act and has been approved by the JSE

Investment experts say the Rupert family used a similar device to secure control of Richemont.

The new shares do fulfil the letter of the Companies Act Years ago, when it was permissible, Anglovaal had A shares, which carried no vote

Converted

Last December, they were split 10-for-one and converted into N shares, which in terms of their par value, had one five-hundredth the voting power of ordinary shares No objection was raised because the N shares actually had greater voting power than the historical A shares

Now R800-million of the limited voting shares are being issued Anglovaal's immediate holding company, listed Anglovaal Holdings, is renouncing its rights in favour of shareholders Holders in the top company have to come up with R400-million, the minority with the balance

Subsidiary Middle Wits (53% owned) is raising R400-million, R212-million of which will come from Anglovaal

Anglovaal had assets last balance sheet of R2,3-billion and a market valuation of about R3-billion It needs the extra cash to fund future projects

Together with its subsidiaries, it has been an aggressive acquisitor in the past two years

The mining house is widely expected to start work soon on its Sun gold prospect near Bothaville Mr Hersov says the house could not mention the mine in its rights offer because drilling is incomplete

Nicky closer to top spot

HAVING been appointed joint deputy chairman of Anglo American Corp and chairman of Amgold, Nicholas Oppenheimer has moved into position to ultimately follow his father and grandfather as executive chairman of SA's biggest company

Officially, he is third in the Anglo hierarchy behind Julian Ogilvie Thompson and Graham Boustred

But industrial supremo Mr Boustred is expected to retire in the next couple of years, and Mr Ogilvie Thompson, who is in his mid 50s, is expected to keep the helm for about seven years

Then, if he wants it, Nicholas could take over and resume the Oppenheimer rule.

But Anglo sources say the appointment seven or eight years hence is no foregone conclusion Never mind royal families, succession will be based on merit.

Mr Oppenheimer will be non executive chairman of Amgold, holding company of Anglo's gold mines, while he gradually extricates himself from De Beers and the Central Selling Organisation.

Clem Sunter, recently appointed chief executive of the gold and uranium division, will do the hands-on executive work at the 200 000-man operation

Divide

Anglo is expected to appoint a second black director soon. The new man, unlike Dr A L Vilakazi, the present black on the board, will be an executive director

A big question mark is succession at De Beers as Nicholas Oppenheimer disengages

The politics at De Beers and the CSO has always been labyrinthine There has long been a cultural divide between the Brits in London and the South Africans.

Hotly favoured to move into Nicholas Oppenheimer's spot is Gary Ralfe, a South African Rhodes scholar already on the De Beers board. Gavin Relly, who is moving to London, will probably have a crucial say in the matter

Minorco, the other major arm of Anglo, is headed by a troika of managing directors — Hank Slack, Roger Phillimore and Tony Lea.

● See the back page for a review by John Cavill, London correspondent of Business Times, of a new book about Anglo and its people

JOHANNA McDOWELL .. not afraid to drop a R10-million account Picture Steven Green

No-nonsense Johanna the youngest MD

GREY Group has changed the unwieldy name of wholly owned subsidiary Grey-Phillips, Bunton Mundel & Blake-Generation Two

By Charmain Naidoo

The advertising and marketing company will be known simply as Grey Advertising

Nobody is more relieved than the switchboard operators, says managing director Johanna McDowell,

"It was a clumsy mouthful but I insisted that they give our full name when answering phones"

Billings

BMW experienced her no-nonsense management style last year when she resigned the R10-million account after the motor-maker invited other agencies to pitch for a new corporate campaign

She said "I resigned the account not for ego reasons, but because we did not feel a corporate campaign was appropriate"

There has been more than a name change at Grey Internal restructuring includes the amalgamation of two other wholly owned Grey Group subsidiaries, Stamm Miller and Bridge International

Shepherd Advertising has been acquired and will become part of the new company with billings of more than R150-million and a staff of 180

This puts Grey Advertising among the top three in SA

Mrs McDowell — at 37 the youngest managing director in the advertising industry — managed Generation Two, was responsible for billings worth R60-million and headed a staff of at least 75

With the merging of the four different companies, she becomes one of the three joint managing directors who will assume client responsibility

Executive chairman Ivor Abelheim will be responsible for overall management and the two other joint managing directors are Ian Shepherd and Denise Stamm

● To Page 2

Aids threatens world economy

S/Times 1/4/92 (?)

By Robyn Chalmers

THE spread of Aids, estimated to affect about 1 1 billion people by 1992, could plunge the world into economic depression.

Aids economic research unit head Keith Edelston told a conference in Johannesburg this week current trends indicated that the number of victims of the disease was doubling roughly every 12 months in the West

Breaking down the 1,1 billion figure — a World Health Organisation (WHO) projection — National Institute for Medical Research head Reuben Sher said Africa would be hardest hit by the disease

"Africa will have 575 000 cases, 425 000 in America, 5 000 in Asia, 100 000 in Europe and 6 000 in Australia and New Zealand But these figures are only a very rough estimate"

Mr Edelston said Aids would hurt the labour intensive Third World economies by reducing the number of workers

"Where there is substantial unemployment, the full effects will be postponed But as trained staff are replaced by the formerly untrained, recruitment and training costs will rise and productivity fall

"As production and turnovers decline, profits fall even faster and a domino effect impacts right through all sectors of the economy"

Mr Edelstein said less tax being paid to governments would hamper their ability to provide vital services, damaging the infrastructure

In First World economies, demand would eventually fall along with numbers but initially the big cost would be medical

'Profits always drop more dramatically than turnover Falling profitability means staff laid off Unemployment will rise, interest rates will climb"

In a typical Western economy, he said 2% of the population needing Aids treatment would result in a fall in industrial production of about 10% to 11%, with consumer durable production down by 16%

Wel

to

PEOPLE AT THE TOP
ARE ON THE MOVE
SEE PAGE 9

APPOINTMENTS

PAGES AND PAGES OF THE BEST JOBS IN SOUTH AFRICA

MANPOWER MIRROR by ROBYN CHALMERS

Transnet means privatisation business

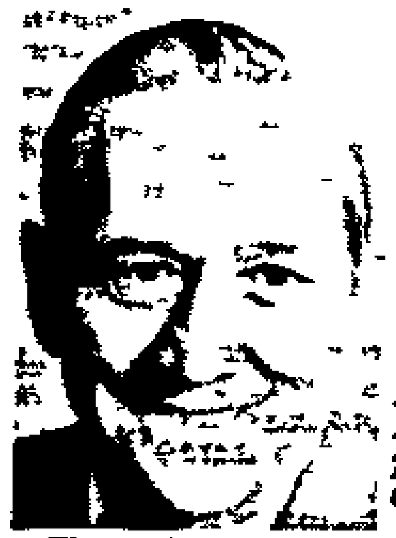
S Times 1/4/90

THIS week's protests by public-sector workers against privatisation could increase.

The 1989 report of the Commission for Administration shows that 3 520 posts in the public service have been abolished since April 1, 1988. That translates into a mere 0,02% reduction, but the number is set to rise dramatically

Transnet is an example of what happens to workforce numbers in the run-up to privatisation (or commercialisation as the former SA Transport Services calls it)

Since March 1, 1985, staff numbers at Transnet have dropped by 27% from 233 986 to 170 000 Employee figures could go as low as 80 000 before the corporation is fully privatised.



Piet van der Merwe privatisation a top priority

The African National Congress's stance on nationalisation has contributed to worker opposition to privatisation. But black trade unions have expressed reservations about it for some years.

Anti-Privatisation Campaign co-ordinator Floyd Mashele says the question in the minds of workers and trade-union organisers is not about the viability of nationalisation, but whether shareholders will be reimbursed or not.

"We say to the State that if necessary, we will stop privatisation the hard way They have taken no notice of our opposition."

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The Commission for Administration plays a central role in privatisation through its promotion of the programme in the public service.

Commission chairman Piet van der Merwe says privatisation is regarded as a top priority

To promote smooth privatisation, the commission asked the Human Sciences Research Council to differentiate between functions that belong to central government and those belonging to the private sector

One of the policies outlined by the commission is that the public sector be made as small as possible.

Dr Van der Merwe says there are other policies, including one that requires the public sector to promote effective management and that qualified personnel be appointed to manage the change.

"In addition, management goals must be formulated and an environment created that will be conducive to good management.

"The creation of such an environment means that every manager and department head must be given the greatest degree of autonomy"

Privatisation also means that labour relations in the public sector should be placed on the same footing as those in private business.

The Public Service Amendment Bill was introduced in Parliament in 1989 to bring about a system of collective bargaining for the public service. Through this system, a forum will be set up for bargaining on remuneration and conditions of service.

Transnet was the first to take the collective bargaining route. On March 30, 1990, it launched the Sats Labour Council, whose functions include collective bargaining, the referral of disputes to mediation, arbitration and conciliation.

The council is also entrusted with investigating and recommending improvements in conditions of service and related matters.

Dr Van der Merwe says "Its primary objective is to promote labour peace by means of pro-active actions, but also to deal effectively with labour unrest.

"The envisaged bargaining structure will create a communication channel for the State as employer and representatives of the workforce to negotiate collectively and meaningfully and come to an agreement."

At present, six recognised staff associations represent about 146 000 employees.

Dr Van der Merwe says that in 1989 a survey was undertaken to determine state of labour relations in the public service.

It showed that

- Even though more attention is being given to labour relations, there is a need for the structured organisational accommodation of the function.
- Although certain training courses on labour relations are given in the public service, a more intensified and comprehensive programme should be set up.

Protests could slow or prevent privatisation

CT 7/4/ES 2/4/90

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Own Correspondent

JOHANNESBURG. — Widespread protests against privatisation by trade unions and other opposition groups is likely to slow down the process, and even cause some state-owned corporations initially earmarked for privatisation to remain in state hands.

Mineral and Energy Affairs and Public Enterprises Minister Dr Dawie de Villiers said at the weekend that government had taken note of reservations expressed by certain groups.

These "reservations" manifested themselves most recently in the protest marches in Johannesburg, Pretoria and Port Elizabeth on Thursday by thousands of members of four Cosatu-affiliated public sector unions.

Dr De Villiers said there appeared to be a degree of "confusion and misunderstanding" about the issue that needed clarification.

But government was also aware of the existence of conflicting needs and objectives. Out of this, he had to seek an optimal solution, and attain the result most acceptable to all.

Dr De Villiers said that as the privatisation process took cognisance of all these issues, this implied that "many of the state enterprises currently acting as monopolies may not be privatised at all".

He did not identify to which enterprises he was referring, but Eskom appears to be an obvious example.

Another government source indicated that, in future privatisation exercises, the authorities were likely to be more sensitive to the views of organised labour than they were in the Iscor case last year.

With Iscor, the unions were presented with a *fait accompli* on the fact of privatisation and an employee share scheme.

Protests likely to slow privatisation

BDay 4/4/90 (232)

ALAN FINE

WIDESPREAD protest against privatisation by trade unions and other opposition groups is likely to slow down the process, and even cause some state-owned corporations initially earmarked for privatisation to remain in state hands

Mineral and Energy Affairs and Public Enterprises Minister Dawie de Villiers told Business Day at the weekend government had taken note of the reservations expressed by certain groups

These manifested themselves most recently in protest marches in Johannesburg, Pretoria and Port Elizabeth last Thursday by thousands of members of four Cosatu-affiliated public sector unions

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With Iscor, the unions were merely presented with the fact of privatisation and the details of an employee share scheme

The source said each company had its own, unique relationship with the trade unions, and each had its own method of dealing with them

Strategy for the Iscor exercise was, as far as union involvement was concerned, devised by Iscor management

"We will have to address these problems and get perceptions right We will have to

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Privatisation

(232)

☐ From Page 1

enter into the privatisation versus nationalisation debate We will try ensure it is done fairly," he said BDay 2/4/90

He stressed there were other interested parties in addition to the unions.

The source believed government had time on its side, as there were no major privatisation exercises scheduled for the immediate future.

Plans for the sorghum beer industry were advancing But the privatisation of such enterprises as Transnet and Posts and Telecommunications was still a long way off Eskom was even further down the road

"Right now, privatisation is not an issue We are looking at the commercialisation of state enterprises to increase efficiency This is a necessary first step, but actual privatisation is perhaps five to six years away

"Introducing businesslike approaches and using private sector yardsticks for measuring the success of operations is something no one can object to," he said.

Volatile quarter on JSE as index hits two peaks

B Day 2/4/90 (232)

LIZ ROUSE

THE JSE experienced a volatile first quarter with the overall market index hitting two peaks, one in February and one last month

In between it has been a bumpy ride for investors with political events, unrest and the gold price causing wild swings on the charts

The overall index peaked at 3 386 on February 7, dropping 9,8% before rising 11% to a new peak of 3 392 on March 19, falling again by 6,8% to 3 163 on March 26 when gold suddenly plunged

However, investors did not take the metal's sharp fall seriously and the next day the major indices ticked upwards The overall market index managed to recover 3% to 3 257 on Friday, the end of the quarter, despite a wobbly gold price and continued unrest

The all gold index also showed two strong shoulders in January and February but took a knock — tumbling by 16,2% from the peak of 2 250 on February 2 to 1 885 on March 5

The index clawed back to 2 137, a 13,4% rebound, as the mining sector was seen as a beneficiary of several of the Budget announcements

However, the sudden plunge in the gold price, which appeared to be heading towards a $360 support base, caused a plunge of 12% to 1 881 on March 26, when the index suffered a hefty 151-point one-day fall

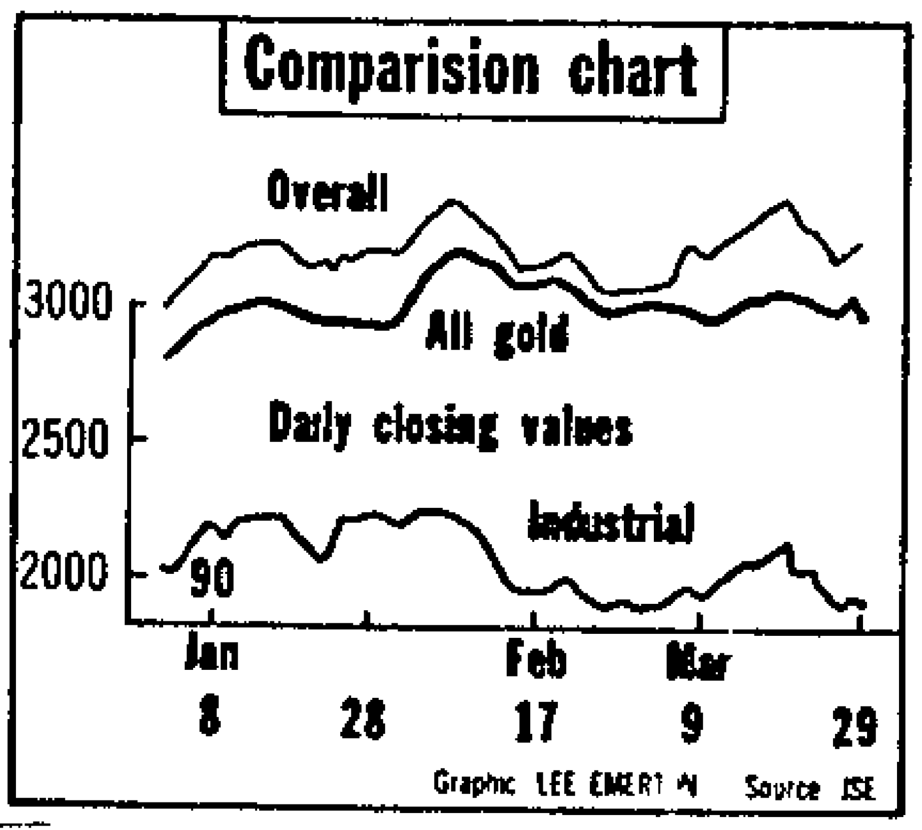
But by the end of the quarter the all gold index was up 4,2% at 1 960 in the face of pressure on the gold price and lack of direction in the market

Both corrections were sharp enough to have panicked investors, but every time they have rationalised the effects of the particular cause

The recent immediate uptick on the gold charts has been largely due to a seemingly growing immunity on the part of SA investors to adverse political factors or even to cracks in the price

Foreign investors — whose interest is mainly confined to gold and mining financial shares — abandoned the JSE after ANC deputy president Nelson Mandela's statement about nationalisation, particularly of the gold mines

In any case, foreigners were mainly involved in the gilts market in the past quarter and fear of a R5bn dumping of SA gilts stock, plus its depressant on the financial rand, was rampant at one stage



This reaction was linked to sporadic bloodshed on the Tokyo, New York and other equity markets during the first quarter

The industrial index has been less erratic due to support of solid institutional holdings It peaked at 3 218 on February 7 (President F W de Klerk's new dispensation even briefly lured some foreigners into industrial blue chips at the beginning of February) before sliding 9,6% to 2 929 as unrest and Mandela's statements eroded optimism

Recovery on the industrial board has been hesitant However, the index quickly turned around after its 45-point one-day fall on March 26 to 2 963 It ended the quarter higher at 2 976, despite end-of-quarter book-squaring

Because of the erratic background prevailing during the first quarter of the year, action was confined to the popular counters on the JSE

Technically, gold, mining finance and blue chip industrial shares were in an overbought situation after strong rises since the beginning of the year

They were thus more vulnerable just when sentiment wavered in the face of political change and a pedestrian gold price, which then succumbed to the sudden collapse below the support level of $400/$425

RTZ's record profits helped by acquisition

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BDay 7/4/90

Business Day Reporter

OVERSEAS group RTZ produced record profits during 1989, which were at the top end of market estimates

RTZ is a metals producer and is also involved in energy, industrial minerals and exploration It reported profits of slightly more than £1bn at the pre-tax level which was an advance of 26% on the previous year

Stockbroker S G Warburg says in a report on the company that the major reason for the improvement in the results was last year's acquisition of BP Minerals, which accounted for a net gain of £142m after financing costs The other major area of improvement was the contribution from Australian associate CRA, which rose 51% to £157m

At the net level, which has traditionally been the main item to look for in RTZ, profits due to the numerous subsidiaries, associates, tax rates and currencies involved, rose 38% to £588m from £425m

Although the results were higher than generally expected, the broker comments that there was little surprise after last year's acquisition of BP Minerals which contributed a net £142m to profits after the interest on the acquisition cost of £2,1m

The tax rate for the year was 37,8%, but there were big differences between the first half and the final six month period This is because the financing of the BP Minerals acquisition was tax deductible in the second half

The acquisition of BP Minerals resulted in the interest bill increasing to £273m from £77m, while the proceeds from the rights issue and sale of RTZ Chemicals helped to boost interest received to £172m from £65m

Aside from the positive contribution by BP Minerals, RTZ's performance was assisted by higher average copper, zinc, lead and tin prices A strong result from Australian associate CRA and start-up of the new Neves Corvo copper mine in Portugal also helped

Strength

But profits were reduced by lower average aluminium and precious metals prices, the depressed UK and North American housing markets, and low uranium prices

The broker notes that the first quarter of the year has already brought some sharp movements in metals prices with falls in January reversed by strength in the last few weeks Stocks of metal are low and as world industrial production growth continues, any supply disruption is having a positive impact

But with the outlook for commodity prices mixed this year, it is expected that RTZ's profits will be on something of a "plateau" for the time being

FINANCE

T & N (UK) bids for US company

B\Day 2/4/90 232

Business Day Reporter

UK AUTOMOTIVE components, engineering and industrial group, T & N plc is to make a $190m cash tender offer for J P Industries (JPI), which is based in the US.

JPI manufactures and supplies automotive components to the North American and European markets

The group's annual turnover amounts to $400m, of which 84% is generated in North America JPI's product range consists primarily of plain bearings, gaskets, piston products and camshafts

T & N chairman Colin Hope notes that the world vehicle manufacturing market is becoming increasingly concentrated in the hands of US and Japanese based manufacturers, which continue to establish manufacturing plants in the major vehicle markets

It is expected that these customers will require standardised automotive component manufacturing support from factories close to their own regional manufacturing facilities

Hope says that T & N is well-positioned in Western Europe, and the "acquisition of JPI will enable T & N to supply these customers in North America"

T & N controls SA based T & N Holdings, which is also involved in the automotive components industry

It appears that this acquisition will have little impact on the group's local operations

But it does strongly suggest that overall group strategy, both locally and overseas, will be to remain highly involved in the automotive components business

Unfortunately for JSE listed T & N, that industry is proving very unpopular at the moment judging by the price action of Midas, Spareco and Fleishmans which have all established new yearly lows within the past month

T & N is managing to remain above its December 1989 low of 530c, but the share appears extremely weak

T & N last traded in early March at 620c, but buying interest in the group has been virtually non-existant since

This has resulted in sellers lowering their expectations, and the seller price has been falling

At the close of business on Thursday, T & N was being offered at 575c, or 45c below its last-traded price

Earnings for the year ended December, 1989, declined to 69,3c from 87,7c during the previous 12-month period Although directors anticipate that 1990 will be a difficult trading year, they are confident of producing improved results.

SIH posts a 98% rise in earnings

BD 24/4/90

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ANDREW GILL

MAJOR restructuring and acquisitions have enabled Supreme Industrial Holdings (formerly Mewa Holdings) to post a 98% earnings per share increase of 18,6c for the year to December 31 1989, compared with 9,4c for the 10 months ending December 31, 1988

The earnings increase takes into account a 57% rise in the weighted average number of shares in issue

After-tax profits grew to R4,9m for the year compared with the previous year's R1m Turnover shot up 520% to R75,6m as a result of last year's acquisitions of Insulated Structures, Protea Furnishers (formerly Sam Steele) and Victoria Lewis.

However, the downside of the deals is witnessed in the R2,6m interest bill on the long-term debt (including deferred tax) of R51,6m, most of which SIH took on from Viclewis.

SIH's two main interests — Protern and Supreme Manufacturing (SMH) — recently turned their profits around and are now operating in the black.

A dividend of 7c per share was declared, based on Mewa and Insulated Structure's earnings

D/Day 2/4/90 (232)

Pubhold becomes a listed pyramid company today

NEIL YORKE SMITH

THE holding company of specialist publishing group Publico (The Publishing Corp of SA), becomes a pyramid company listed on the JSE today

The share premium account of Publico Holdings (Pubhold) will be reduced by R1,1m Pubhold shareholders will be awarded 1,9-million shares, representing 25% of Publico's issued capital, in the ratio of 25 Publico shares for every 100 Pubhold shares held on March 30

Pubhold shareholders will retain their existing Pubhold shares and will also receive 25% of the issued share capital of Publico.

Pubhold, which becomes the pyramid company of Publico, will own the remaining 75% of Publico, this being its sole asset

Publico and the subsidiary of Publico (Newco) has adopted the name Publico Limited

Chairman Jack Shapiro said the group was poised for its next stage of development and the formation of a pyramid company was a logical step.

The pyramid's listing will enable current controlling shareholders to retain control of the group while at the same time increasing flexibility

This will ensure the group can take advantage of potential acquisition opportunities

Publico was originally listed in 1986 It publishes a diverse range of magazines and newspapers, including Drive and Top 40 magazines.

Since 1985 when attributable earnings were R150 000, average earnings growth for the group has exceeded 50% a year Publico boosted attributable earnings by 37% to R1,3m during the year to end-February.

NBS to buy Pepsi's assets

Star 2/4/90

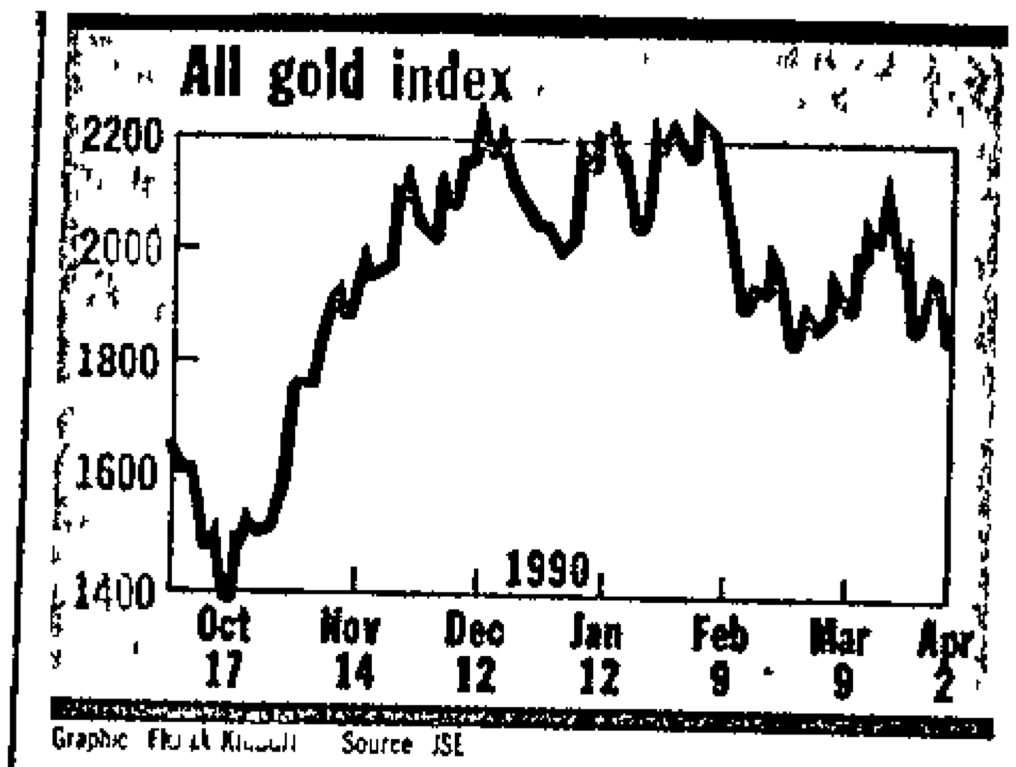
The Star Correspondent 232

CAPE TOWN — The liquidators of Pepsi Cola Africa are to sell the entire assets of the ill-fated cool drink company to National Beverage Services (NBS) for R4 million after permission for the transaction was granted in the Cape Supreme Court.

The company was liquidated last month.

Mr Justice AJ Lategan granted permission to liquidators Ralph Millman and Stephen Gore to accept National Beverage Services' offer with the consent of the majority of creditors and the Master of the Supreme Court.

Mr Millman said in an affidavit the offer was "very favourable" and in the interests of creditors.



Graphic ... Source JSE

Move on talks hits trading

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MERVYN HARRIS

DIAGONAL Street was mauled yesterday by a combination of bearish factors, with sentiment being hardest hit by the ANC's cancellation of talks with Inkatha and President F W de Klerk

News that the talks had been called off resulted in a wave of selling of SA shares from London Then the second largest one-day fall of 6,6% on the Tokyo stock market caused a ripple of nervousness on the JSE

The third negative factor in a depressing session of trading was the failure of the gold price to penetrate the $370 level The metal closed unchanged in London from Friday's $369 after trading in a narrow band in featureless conditions

The JSE overall index plummeted almost 4%, or 129 points, to 3 128 as a sharp 4,2% weakening in the finrand investment unit failed to stem the downward tide with share prices substantially lower in dollar terms

"Markets are driven by sentiment and yesterday we had not just one but a combination of three negative factors," a dealer said

Analysts said the nosedive in political sentiment on the external front was reflected in the sharp downtrend of the finrand while, internally, sentiment could be measured by the Krugerrand's premium of almost 21% on the rand gold price

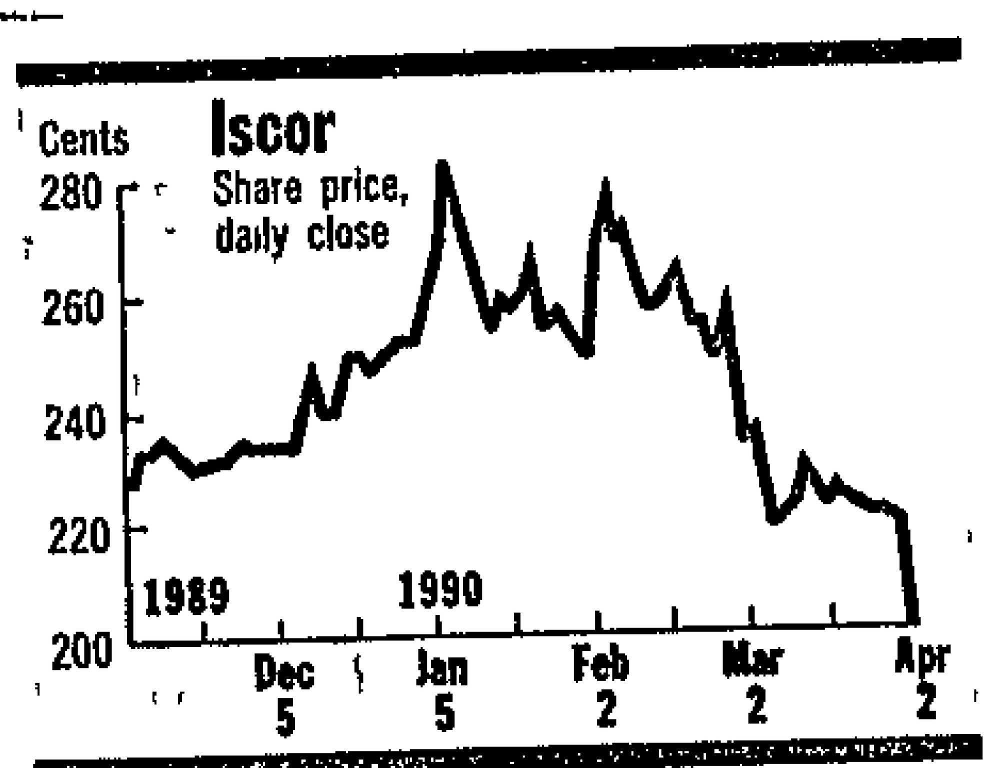
The Krugerrand closed R3 lower at R1 187 Analysts said the differential with the rand gold price of R983 was high in historical terms and indicated uncertainty and unease at the current situation in SA

The 5,2% (103 point) plunge in the JSE all gold index to 1 857 was seen as a belated reaction to last week's slump in the price of the metal to five-month lows

Dealers said gold shares were now at more realistic levels, after showing remarkable resilience last week when share prices recovered almost all of their initial losses by the weekend in the hope that the metal would at least recoup part of its $25 loss

More depressing was the way leading industrial shares wilted under the weight of the negative factors with the index shedding 3,2%, or 96 points, to 2 880

Dealers said the only positive factor to emerge was the lack of heavy selling after London instigated the initial downturn There was only selective offloading of shares by local institutions which also nibbled at some stocks on their way down



Graphic FIONA KRISCH Source JSE

Iscor blow to privatisation

BRENT MELVILLE

CRUMBLING market sentiment towards Iscor had dealt government's privatisation plans a severe blow, market analysts said yesterday (232)

A disenchanted market left the steel giant at on an all-time low of 200c a share yesterday — its issue price A total of 560 000 shares traded hands in feverish trading which saw the share briefly touch a low of 195c Citn 3/4/90

The prevailing price means Iscor's market capitalisation has shed R1,6bn since its R5,3bn high in January, to R3,7bn

J D Anderson analyst Dave Russell said Iscor had done more damage to privatisation than last week's protest march on the JSE by members of four public sector trade unions

However, one analyst said the fall in the price did not make sense based on the attractive rating Iscor enjoyed The current price puts Iscor on a historical p e of 4,2 times and a dividend yield of 8,0%

"Iscor was very reasonably priced at 200c," he said

The analyst said there could be a variety of reasons for the depressed confidence levels, ranging from the perception that Iscor would take a knock from the new government stance on Lifo reserves to Iscor's interim stage disclosure that it was unlikely it would meet prospectus earnings forecasts by year-end

Russell said the cyclical downswing in raw steel production was well under way "World monthly crude steel production is down 4,2% on last year with SA's year on year raw steel production down by 10,6% for the month of February

"Taking into account that Iscor accounts for 78% of SA steel production, this will have impacted accordingly," he said.

□ Iscor spokesman Piet du Plessis said yesterday there were indications that conditions in the international steel market would start improving from the second half of this year

Brokers back IGI share as good buy

LINDA ENSOR

STOCKBROKERS' Mathison & Hollidge have attached a long-term "buy" label on the IGI share. B/Day 3/4/90

In a report on the short-term insurance group, analyst Ian Christison forecasts a final dividend of 26c giving a 43c (38c) total for the year to end-March. This translates into a dividend yield of 7,2% at the share price of 600c (currently 650c) which Christison says is "very generous" when seen against the possibility that over the next few years an easing of the purse strings is likely.

"The investor who can afford to exercise just a little patience should therefore be well rewarded and on a long-term view the share is a strong buy."

(237)

Lowering

Christison says it will probably be a year or two before IGI relinquishes its "parsimonious dividend policy", the reasons for which are steadily losing their force.

IGI increased its dividend cover from 0,3 times to 8,8 in 1987, lowering this to a still high 7,1 in 1988.

"With the solvency margin now comfortably over 40% and the very liquid position combined with the relaxation of pressure springing from the less aggressive growth in premium income, optimism could be well justified. To some extent this has been realised already."

But he cautions IGI still has to exercise conservatism in its dividend policy.

Equity market will be 'even more volatile than in 1989'

(232) LIZ ROUSE BDay 3/4/90

~~THE~~ equity market will be characterised this year by even greater volatility than in 1989, with the overall trend being upward, says GuardBank Management Corporation chairman Donald Gordon.

Such conditions were ideal for the regular investor in unit trusts. GuardBank would continue to provide investors with one of the best opportunities to augment savings in real terms, Gordon said.

In comparison to the effect that political events would have on the equity market, the economic outlook paled into relative insignificance, he said.

However, in light of the various restrictive policies which would continue to be pursued by the authorities throughout the year, it was unlikely the economy would achieve a growth rate of 1% in 1990.

Accordingly, the high levels of profit increases which most companies had enjoyed during the past two years had to decline.

He said SA had moved forward in a direction from which there was no withdrawal.

"A major beneficiary will be the equity market because the prospect of the removal of sanctions, the opening up of many new markets and free access once more to the world's capital markets will offer opportunities to SA companies of such magnitude that the result would be breathtaking," Gordon said.

Last year the combined size of GuardBank's suite of three unit trusts, GuardBank Growth Fund, GuardBank Resources Fund and GuardBank Income Fund, grew to R914,2m from R584,7m, while the number of unit-holders increased to 63 900 from 50 300.

Sales of GuardBank units amounted to R203,8m, while repurchases amounted to R105,1m, resulting in a net inflow of R98,7m This represented an increase of 161,8% over the net inflow of R37,7m in 1988, but nevertheless reflected a decrease of 33,2% over the record net inflow in 1987.

The higher level of repurchases over the past three years illustrated that the equity market collapse of 1987 was still fresh in the public's mind, he said.

Dividends may feel effects

BD 3/4/90

232

RIAAN SMIT

THE dramatic fall in the gold price has occurred too late to affect results for the March quarter, but the vulnerability of the metal's price will no doubt be taken into account when mining houses decide upon dividends, analysts Kaplan and Steward says.

Apart from a few of the smaller, 'marginal' operations which are still reaping the benefits of rationalisation programmes, expectations are that, at best, the March quarterly results will be no better than in December with some mines turning in worse performances

Looking at Ergo, the analysts say it has had an indifferent year so far and a decline in dividends from the record level of 135c a share achieved last year seems inevitable

Ergo's earnings for the first nine months amounted to 72c a share and a final of no more than 50c a share can be expected, bringing the year's total to 100c.

Warning on unit trusts' prospects

BDay 3/4/90 (232)

LIZ ROUSE

INVESTORS should be wary of a continuation of 1989's superior performance of unit trusts, says MD of Consolidated Fund Managers Clive Fox

An investor's choice of fund and his or her level of exposure to units should now be of paramount importance, says Fox in the company's newsletter to investors

Volatile international stock exchanges, a weak gold price and an uncertain environment in SA indicate caution and vigilance are necessary ingredients to a prudent investment strategy The months ahead are likely to remain challenging and will require skill as to the choice of various investment alternatives, he says

The first quarter of 1990 has been an interesting period for investors and especially those invested in unit trusts The equity market has displayed a high degree of volatility owing to various factors Consequently, it has been difficult for most investors to determine the likely course of the market

Political factors were both positive and negative for the equity market, but the Budget gave equity investment a general boost

The scrapping of tax on dividends and the increase from R1 000 to R2 000 in the tax-free portion of an investor's annual interest receipts are to be welcomed These particular concessions are positive for unit trust investors, as they effectively make investment in units a highly tax efficient form of investment, he says

Contrary

The scrapping of tax on dividends proved to be beneficial to the share market last month However, the strong performance on the JSE seemed somewhat contrary to development in other parts of the world, says Fox

In the first quarter of 1990, the Tokyo Stock Exchange has fallen by 22,9% as measured by the Nikkei index This decline has been sharp and is more severe than the falls registered in October 1987

Fox says there remains the fear that this action may spread to London and New York if Japanese investors are forced to sell offshore investments to cover local trading losses

In an environment of rising world interest rates, it would seem unkikely that gold is capable of any appreciable upside move and a note of caution must be expressed in this regard, says Fox

He says unit trusts performed well in the first quarter of this year, with an appreciation (excluding income distributions) of just less than 9% On an annualised basis, units trusts have performed well above long-term averages

General equity funds, with a meaningful exposure to De Beers, have been at the forefront of performance The mining funds, which showed such excellent returns in the last quarter of 1989, did not perform as well as the general equity funds and this situation may continue if gold were to languish at current price levels, Fox concludes.

Acquisition sweetens profits

BDay 3/4/90

STEPHEN RICHTER

CADBURY Schweppes again turned in a sparkling performance for the year ended December 1989 as the inclusion of recently acquired Chapelat-Humphries boosted bottom-line profitability

In the latest annual report the directors indicate that the acquisition of 82,5% of Chapelat-Humphries was the highlight of 1989 Coupled with other strategic moves, this acquisition enabled Cadbury Schweppes to increase market share of the sugar confectionery market significantly, strengthen its position in other core sectors and include several new nationally recognised brand names in its portfolio

Chapelat-Humphries' operating profit exceeded pre-acquisition estimates and represented satifactory growth over the previous year Although industrial relations difficulties at the Johannesburg plant had an adverse impact on sales and earnings, the climate has since improved as union agreement has been negotiated

Chapelat-Humphries is the owner of Chappies Bubble Gum, which is extremely popular among children and in rural areas Other products manufactured by Chapelat-Humphries include Wicks bubble gum, Sweetie Pie, Humphries, Sunrise as well as Dimes and D'Orsay hard boiled candy

Since 1984, Cadbury Schweppes has produced annual compounded earnings a share and dividend growth of 18,4% and 23% respectively, while net asset value has increased by an average of 15,9% a year

Leadership

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After reaching a low of 11,9% in 1985, return on equity increased to 25,2% last year The effective tax rate has remained around 36% for the past three years

The Cadbury division increased its share of the growing chocolate-slab market to 54% This represents a record for the brand and confirms its leadership in this segment of the chocolate market

Aside from the Chapelat-Humphries addition, Cadbury Schweppes acquired a 49% shareholding in the Springer Schokoladenfabrik Group of Namibia In addition, the group opened new confectionery and glace cherry factories in Swaziland

The group expects trading conditions to remain tight this year as economic restraints persist But the directors are confident that market share can continue to improve by aggressively promoting brand names and providing consistent quality and value to the consumer

Consequently, Cadbury Schweppes expects operating profit to advance further in the current year Without the effect of the debenture conversions which are now complete, earnings should show real growth

DIAGONAL STREET

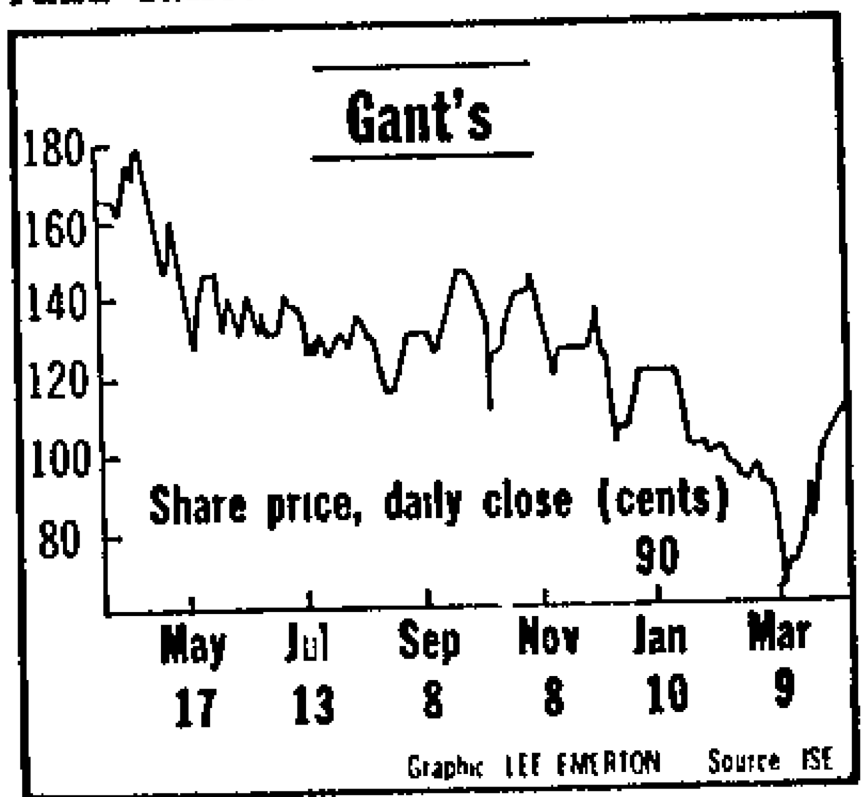
ANC pull-out sends shares falling on JSE

(232) BDay 3/4/90

SHARE prices tumbled on a combination of negative factors yesterday to send the JSE overall index down almost 4%, or 129 points, to 3 128

Dealers said selling was initially instigated from London on adverse political sentiment on news that the ANC had cancelled proposed talks with Inkatha and government

Confidence was also hit by the second biggest one-day fall of 6,6% on the Tokyo market and the failure of gold to penetrate the $370 an ounce level A sharp 4,2% slide in the finrand failed to stem the downward



tide of share prices, which were substantially lower in dollar terms

The all gold index shed 103 points, or 5,2%, to 1 857 while the industrial index gave up 96 points, or 3,2%, to 2 880. Heavily weighted diamond leader DE BEERS fell 350c, or 4%, to R83,50 and mining house leader ANGLOS lost 850c or 6,4% to R125

Dealers reported only selective local selling but the downtrend of share prices was accentuated by lack of buyers, with investors tending to sit on the sidelines.

Gold shares were finally reacting to the slump in the price of the metal after holding firm last week.

KLOOF was in the forefront of the falls of quality golds on a decline of 7,7% (325c) to R39, while leader VAAL REEFS fell 4,5% (R18) to R380. Falls among lightweights ranged up to 12,5% as in the case of LORAINE, which gave up 150c to R10,50, but was off a low of R10,15.

GENCOR was hardest hit among mining financials on a 9,5%, or 115c, plunge to R11, but CONSMNG (Consolidated Mining Corp) went against the softer trend on the mining holding sector by rising 4c to 44c in the session's largest volume trade.

More than 2,2-million Consmng shares worth almost R1m changed hands in 32 deals with market speculation that a broker was buying more than 1-million shares on behalf of an institutional client taking a position on the company

Platinum shares were sharply lower as the free market price of the metal fell to a two-year low of $470,50 in London. Leader RUSPLAT shed 550c to R73 while BARMINE, widely tipped to be one of the best performers on the market this year, touched its February low of 470c before closing 25c off at 475c

ISCOR led the downtrend of leading industrials as the price fell to a low of 195c before recovering to close 20c off at 200c, its lowest level since its listing and at its issue price.

Shares in the Duros fold were among the few to go against the weaker market trend GANTS topped the list of largest price gainers on a 15c rise to 115c after touching 130c on speculation that the food company was to be sold The shares were at a 12-month low of 65c three weeks ago.

TGH (Tollgate) rose 10c to 290c, while ARWA held at its recent high of 330c on speculation that it too could be up for sale in a reconstruction of the Duros group by new CE Julian Askin Analysts said Arwa would fit in well with W & A's Burhose, while Gants could either be bought by Brian Joffe's Bidcorp or slotted into the Tiger Oats group.

PUBHOLD, pyramid company of Publico, made its debut in the printing and publishing sector at 110c, 10c higher than the last traded price of Publico Operating subsidiary PUBLICO traded at 80c.

In the bank sector, UBS slumped 25c to 595c with BOLAND the sector's best performer on a 10c rise to 450c.

MERVYN HARRIS

JSE investors dump shares in wake of turmoil

Star 3/4/90 (232)

By Sven Lunsche

Nervous private investors are dumping their shares on the Johannesburg Stock Exchange in the wake of South Africa's political turmoil

The share price of steel giant Iscor, the first company that was sold to the public as part of the Government's privatisation programme, yesterday plunged by 20c to 200c, its issue price

The sell-off to the public brought about 200 000 new investors to the share market, but their confidence has been shattered by recent political events and many of them have sold their shares

Yesterday alone, 560 000 Iscor shares changed hands as the price plummeted to a record low of 195c before recovering to 200c.

Iscor's share price has virtually mirrored the performance of the market overall

Soon after President de Klerk's landmark opening of Parliament speech on February 2 the price rose to about 280c. But remarks by ANC deputy president Mr Nelson Mandela that the organisation would not give up its programme of nationalising key economic assets and union protests against privatisation have heightened investors' fears

At an anti-privatisation rally last week, one union official indicated that a black SA government would reverse the programme and that investors would not be compensated

Analysts have said that on financial criteria alone Iscor represented a good investment, while company spokesmen have pointed out that conditions in the international steel market should improve in the second half of the year.

On the JSE yesterday the political tensions, the failure of the gold price to rise above $370 and the turmoil on the Tokyo Stock Exchange brought down the overall index by 4 percent or 129 points to 3128. The all-gold index plunged by 5,2 percent (103 points) to 1857

● See Page 22.

Share prices slump

SICN 3/4/90

By Jabulani Sikhakhane

Share prices closed sharply lower on the JSE yesterday, with the overall index declining 129 points, or four percent, to 3128

Dealers blamed the easier trend on falls in share prices in London and Tokyo, on the weaker gold price and on news that the ANC had postponed exploratory talks with the Government.

Gold-related shares were sharply easier in London on growing worries about South Africa's political future, after the ANC called off meetings with Inkatha and the SA government.

On the JSE the gold index shed 103 points (5,2 percent) to 1857 and the industrial index came off 96 points (3,2 percent) to 2886.

Even a sharp fall in the finrand was not sufficient to stop gold shares closing lower. The financial rand plunged 3,4 percent to R4,23 to the US dollar which boosted gold shares only slightly towards the close.

The market gleaned some support, however, from limited early losses on Wall Street and London.

"Both London and Wall Street have fairly confidently absorbed the sharp falls in Tokyo," said a dealer. "We didn't follow Tokyo up so why should we follow it lower?" he asked, noting that Tokyo would have to spiral sharply lower to suggest a downward re-rating of overseas markets on the basis of fundamental investment yardsticks.

In Tokyo today the Nikkei stock index finished a rollercoaster morning down 77,19 points at 27 924,88 after plunging by 6,6 percent yesterday, Reuters reports.

Share prices resumed their upward struggle after the midday break on Tuesday, boosting the Nikkei index 191,02 points, or 0,68 percent in the first 15 minutes of the afternoon session.

The US dollar was changing hands late morning at 159,25 yen, slightly down on its 159,95 Monday close

Wall Street closed lower, but managed to sidestep most of Tokyo's fall and limited the fall in the Dow Jones average to 6,76 points at 2 700,45

The FTSE index in London closed 25 points down at 2221,6

Engen forecasts R220m profits

ARGUS 4/4/90 232

By DICK USHER, Business Staff

ENERGY giant Engen, which comes on to the JSE at the end of April, expects bottom-line profits for the year to August of around R220 million on turnover of R5,3 billion.

Engen will enter the market through the Trek Beleggings listing and consists of Mobil, Sonap, Trek, the Genref refinery in Durban, a 30 percent stake in Mossgas and participation rights in Soekor

For future growth it is looking to increased refining margins, improved efficiencies, rationalisation and aggressive investment and exports.

THREE SECTORS

Engen will operate in three sectors — marketing of petrol, oil and related products through Mobil, Trek and Sonap, refining through Genref, formerly the Mobil refinery, and its stake in Mossgas, and, exploration through Soekor

Ahead of listing it has announced a R1,2 billion upgrade at Genref and a R110 million expansion, which will double capacity at its lubricating oil plant at Island View in Durban

With about 70 percent of Engen's profits due to come from refining, and with capacity tightening, the first phase of the Genref expansion will enable it to take on Trek's refining by 1992 At this stage all the company's refining will be done at Genref

The second stage is aimed at refining for further demand and possible exports

Phase one will cost between R600 million and R800 million, and phase two between R500 million and R700 million

Capability will be upgraded to increase the yield a barrel and when all Engen's requirements are refined through Genref it is anticipated overheads could be trimmed by as much as 25 percent

Other growth is expected at Mobil, which has put about 70 percent of new investment into black service stations in anticipation of increased black earning power.

If Engen takes up its option to buy 30 percent of Mossgas, which it manages, this will be financed through a rights issue, as will the second phase of the Genref expansion

Cape Times 4/4/90 232

Business Report

Kanhym shows interest in Gants

Own Correspondent

JOHANNESBURG. — Kanhym would be a strong contender for food processor Gants — rumoured to be on the market — but would buy it only under circumstances where "sanity prevails", executive chairman Dirk Jacobs said yesterday

He was responding to speculation that his Malbak-controlled group was a possible suitor for the Tollgate Group Holdings subsidiary, said to be either for sale or involved in a joint venture with a major food holding company.

Rumours to this effect were fuelled by the recent announcement that a consortium had bought control of Tollgate holding company Duros and that it planned to dispose of "non-performing assets in each subsidiary and/or division ... in due course".

Jacobs, whose group announces interim results to February today, said the price that market sources are reported to have estimated for Gants — 190c a share representing an historic P:E of 86,3 — was too steep

"It would be a great acquisition and we would naturally be a contender, but not at that price — it would dilute our earnings," he said.

He declined to reveal who or what the acquisition involved.

Gants market capitalisation climbed to R80,8m yesterday, on the back of a 20c increase to 135c

According to results to end-December, its NAV is 144c a share, giving it a notional value of R86m.

• See Page 8

Ray Sanger, new President of the Insurance Institute of Cape of Good Hope.

Training essential in insurance industry

THE insurance industry has an obligation to provide efficient and professional service — and staff must be adequately trained in all facets of the business, Ray Sanger, new President of the Insurance Institute of the Cape of Good Hope, told members

Speaking after his inauguration at the President Hotel, Sea Point, Sanger said "A few employers have good in-house training programmes but, even in such circumstances, I believe the institute can play an important role in supplementing this training with its courses

"Many employers, for a variety of reasons, provide very little or no formalised training and it is in such cases that full advantage should be taken of the varied courses offered by the institute."

Discount to NAV reflects disinterest in Columbia

B1294 4/4/90

232

NEIL YORKE SMITH

SHARES in Columbia Consultants, controlling shareholder in rural retailing group Acrem, are trading at 97c on the JSE, a substantial discount to net asset value (NAV) of 166c a share

A large portion of the group's assets are in cash or near-cash instruments

Commenting on the share price yesterday chairman Gordon Polovin said "Our job is to run the businesses, let the market make the price"

Analysts attributed the poor rating to lack of interest in second-line shares, investor disillusionment after Columbia shares crashed from about 800c in October 1987 and a "wait and see" approach regarding the Acrem investment

Columbia was listed in 1986 Listing price was 75c a share but a frenzied market drove the price to about 800c before October 1987

Originally a management consultancy operation, Columbia made numerous acquisitions, mostly financed by its highly rated paper

Recently, the group has sold most of its minority interests to concentrate on a single large investment

This was in Acrem, in which Columbia holds about 53% Polovin plans to increase this to about 80% after Columbia underwrites and participates in Acrem's R16m rights issue, he said

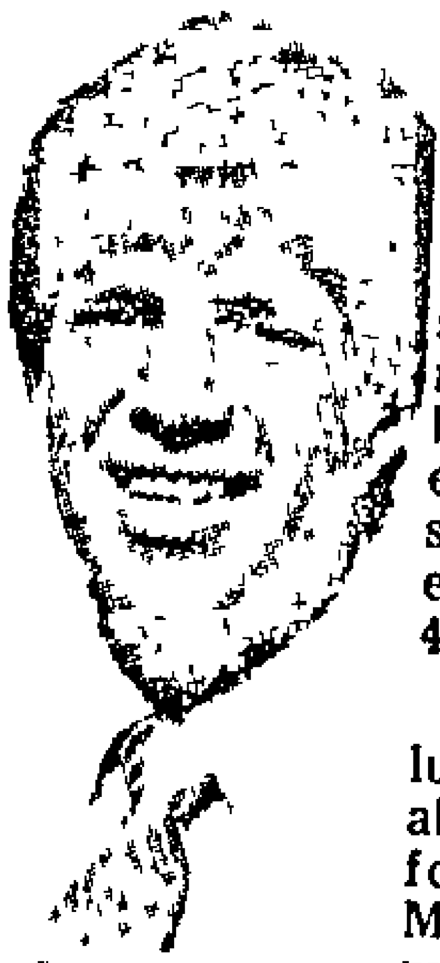
Besides its Acrem interests and about R22m in cash, Columbia has shares in listed Pride (40%), Blocktech (73%) and Powernet (60%), as well as property holdings Polovin confirms Columbia is prepared to sell any of these companies, but only at the right price

"We will happily continue managing the operations until we get the right prices," he said

Acrem, founded 42 years ago, operates general dealer stores in rural areas of the Transvaal and eastern Cape A large part of its business is credit based

Market sources said Acrem was a solid, well managed business with a good track record "We expect good growth, especially if funds generated by the rights issue are quickly put to good use," said one

Polovin said the rights issue would leave Acrem totally ungeared and in a strong position to make acquisitions in the retailing sector



● POLOVIN

"We are already considering one or two deals," he said

The market values Acrem shares at 50c It earned 5,9c a share for the six months to September 30 and full year earnings of 14c a share are anticipated Tangible NAV is 41,2c

Polovin said Columbia would earn about 17c a share for the year to March 31 1989 Almost all earnings would be paid to shareholders via dividends as the company did not need the cash, he added

"For the year to March 1991, we expect earnings of 30c to 40c a share," Polovin said

Economic activity 'hampered by Act'

232 ANDREW GILL

THE Group Areas Act — apart from its "inherent evils" — was seriously hampering economic activity, Law Review Project executive officer Prof Louise Tager said yesterday D/1124 4/4/90

In a statement, she welcomed the opening of all land-zoned businesses in Johannesburg to all races, saying this would create new business opportunities

"If local authorities around the country took the same decision they would soon come to experience not only the goodwill of the people but the growth of the economy in their areas," she said

Deregulation was based on the principle that there should be appropriate legislation, rather than over-regulation or no regulation at all

Appropriate laws, Tager said, were those necessary for public health and safety and ones that were simple, respected and complied with

Deregulation was an essential ingredient for the creation of a free economy where more jobs were created as growth and development were allowed to increase.

Speaking about union opposition to deregulation and privatisation, Tager said it stemmed from the concern that labour legislation, especially industrial council agreements, would become the target of deregulation Unions had to be involved in deregulation in these areas

"Given the international experience that deregulation and privatisation create a favourable climate for job creation in the long run, the unions would themselves benefit in the form of increased membership from the very system they are opposing," she said

Kanhym shows interest in Gants

B/Day 4/4/90.

SYLVIA DU PLESSIS

KANHYM would be a strong contender for food processor Gants — rumoured to be on the market — but would buy it only under circumstances where "sanity prevails", executive chairman Dirk Jacobs said yesterday.

(232)

He was responding to speculation that his Malbak-controlled group was a possible suitor for the Tollgate Group Holdings subsidiary, said to be either for sale or involved in a joint venture with a major food holding company

Rumours to this effect were fuelled by the recent announcement that a consortium had bought control of Tollgate holding company Duros and that it planned to dispose of "non-performing assets in each subsidiary and/or division . . in due course"

Jacobs, whose group announces interim results to February today, said the price that market sources are reported to have estimated for Gants — 190c a share representing an historic P E of 86,3 — was too steep

"It would be a great acquisition and we would naturally be a contender, but not at that price — it would dilute our earnings," he said

"I think four Gants shares for one Kanhym share would be an equitable swop, and I would be a buyer under circumstances where sanity prevails"

Jacobs said Kanhym was hoping to tie up another acquisition next week — to the value-added side of its business

He declined to reveal who or what the acquisition involved

Gants market capitalisation climbed to R80,8m yesterday, on the back of a 20c increase to 135c

According to results to end-December, its NAV is 144c a share, giving it a notional value of R86m

● See Page 8

Dutton gets default judgment set aside

SUSAN RUSSELL

FORMER Interboard chairman Ed Dutton yesterday obtained a Supreme Court order setting aside a default judgment for R61 000 granted against his company E Dutton Holdings (Pty) Ltd in December.

The default judgment was obtained against E Dutton Holdings by National Airways Corporation (Pty) Ltd for chartered flights from February to July 1989. BDay 4/4/90

In an affidavit in support of his application to have the judgment set aside, Dutton said summons of the original application was served on a domestic servant at his home while he was overseas in October. He said he was unaware this had taken place.

"I am the only employee (of E Dutton Holdings) and I was the only person who could have dealt effectively with the summons," he said.

Dutton said he was arrested for alleged forex offences on December 28 last year and given bail on February 23.

He said while in jail he heard that National Airways had tried to execute a warrant of execution against his company.

Dutton said his company's failure to enter an appearance to defend the action was not due to any wilful default on its part, but due to circumstances outside its control.

He said his company had a bona fide defence to the claim.

It denied it was obliged to pay for any services rendered by National Airways, had never contracted for such services and had never made use of such services.

Dutton said it was Interboard Ltd which had requested and made use of National Airways' services.

"At the time when the flights were requested I made it very clear to the employees (of National Airways) that I was contracting on behalf of Interboard Ltd," he said.

Final sequestration of Agliotti estate

SUSAN RUSSELL

THE estate of Hyde Park businessman Norbert Glenn Agliotti, whose debts total approximately R2m, was finally sequestrated in the Rand Supreme Court yesterday. BDay 4/4/90

His half-brother Sydney Mason Baker brought the application for sequestration.

In an affidavit Baker said he was owed R970 000 by his half-brother.

Baker said Agliotti's debts also included R400 000 owed to First National Bank. Agliotti's liabilities exceeded his assets by about R1 350 000, Baker said.

The final sequestration order was granted by Mr Justice Flemming. (232)

Coffin-making business goes under

STAR 4/6/90 Staff Reporter 232

A Johannesburg coffin-manufacturing business was wound up in the Rand Supreme Court yesterday after it had incurred debts of more than R450 000

Mr Peter Willem Adriaan Claasens, a managing member of Universal Coffins CC of Darwin Street, Savoy, brought the application to have the corporation liquidated following a decision by its board of managing members last month

He said in a founding affidavit that the corporation had failed in its business as the market was highly competitive and he could not afford to increase the price of standard coffins beyond R150 each

Corporation members had resolved to have it wound up as it was unable to pay its debts.

Transnet workers face ruin waiting for severance pay

ARGUS 5/4/90 (232)

By SHARKEY ISAACS
Staff Reporter

SCORES of former Transnet workers are facing ruin because they have not got their severance pay and pension payouts yet after opting for voluntary retrenchment in March.

Delays in processing the "lump-sum" payouts of 5 881 workers have left many without money to meet the claims of creditors.

Payments have been delayed by tax adjustments and deductions for housing loans, medical aid scheme payments and other loans.

Many workers contacted The Argus this week claiming they had been overwhelmed by commitments and had been left with virtually no cash "in hand" at the start of April.

However, in a statement yesterday, the regional Spoornet division of Transnet said: "Employees who took advantage of the voluntary retirement package may apply for an advance on their March salary to relieve any financial burden they may be experiencing."

Spoornet said the delay in the payments was "due to the enormous workload" caused by the large number of resignations.

"Transnet personnel are working as quickly as possible and we call upon our previous employees to have understanding of the mammoth task of processing their payments," a spokesman said.

The wife of a former Transnet employee, who asked that her identity be withheld, said: "We are really in a terribly difficult position and have our backs to the wall because our rent was due on April 1."

Transnet, which has been reducing staff for almost five years, is poised to pay out R90-million in its latest retrenchment exercise.

Only 937 of the black labour staff, who comprise the majority of employees, opted for voluntary retirement.

Of the whites who did, 3 504 were men and 1 438 women.

Transnet's labour force has dropped 27 percent from 233 986 on March 1 1985 to 170 000.

ARGUS. 5/4/90 (232)

Inspiring biography

Sharing the Success, by Peter Thompson (Collins)

PRIVATISATION, nationalisation, capitalism, socialism — these are very much on the lips of people at this time The death rattle of communism in Russia and Eastern Europe is loud and clear In Britain, Mrs Thatcher's Conservatives have been carrying out privatisation ever since they came to power Here in South Africa, we have a similar policy of privatisation by the government, while the ANC espouses nationalisation.

The timing of this publication, the story of the National Freight Corporation in Britain, could not have been better and it makes fascinating reading It is a business autobiography which describes the life of a socialist and his theories of management, and his complete about-face following his realisation that state ownership is "not capable of motivating talented management or solving management-worker industrial relations" and the solution which brought him a knighthood and the award in 1983 of Businessman of the Year.

A period with nationalised British Steel was followed by his joining National Freight Corporation, which was at the top of the Conservative government's list of corporations to be privatised

The story of how a bankrupt formerly state-owned company was completely turned around to become a profitable international asset, and the management principles that were involved, provide the ingredients of an inspiring story which is well told

Denton Tee

CAPE TIMES 5/4/90

Engen has sights set on Caltex

232

ENGEN, the energy giant formed when Gencor acquired Mobil from its US parent company, is eyeing Caltex as a possible acquisition.

After hinting strongly at this yesterday, Engen chief executive Mr Rob Angel said: "We are not talking to Caltex, yet. But they are vulnerable — they have to be."

He said US-owned Caltex was in the same position that Mobil had been in before it became a South African-owned company. It was subject to double taxation and unable to invest in new technology.

● Report — Page 13

Investors bemused at Iscor shares

ARGUS 5/4/90 232

By TREVOR WALKER, Business Staff

THOUSANDS of first-time share market investors in Iscor have watched bemused at the topsy-turvey fortunes of their investments since the launch of the shares last year.

The giant steel producer's share price has fallen below its opening price of 225c fixed on the Johannesburg stock market on November 8 last year

Over-enthusiastic forecasts concerning the future course of the rand, the gold price and the company's expansion plans have led to a steady reversal in the share price in recent weeks

Iscor listed 1,85 billion shares including an offer of 150 million to the public at 200c a share This was eventually over-subscribed four times

Public interest

Huge public interest in the offer was stimulated by a widespread television and newspaper advertising campaign which led to complaints that the company was openly touting its stock This is forbidden under JSE rules

But the company argued that as this was the first major privatisation of a state asset and as the company was seeking the widest possible spread of its shares among the public the "hype" of the advertising campaign was justified.

The campaign created unprecedented interest in Iscor and the stock market in general.

When the shares were allocated to the public the 200 000 people who had applied for up to 1 000 shares each received their full allocation

Prior to this Iscor placed no fewer than 1,215 billion shares among the country's major financial institutions

When the shares traded for the first time on November 8 last year trading was described as "frenzied and chaotic"

Quick profit

Many small investors and even some sizeable institutions had taken up shares in the hope of a quick profit.

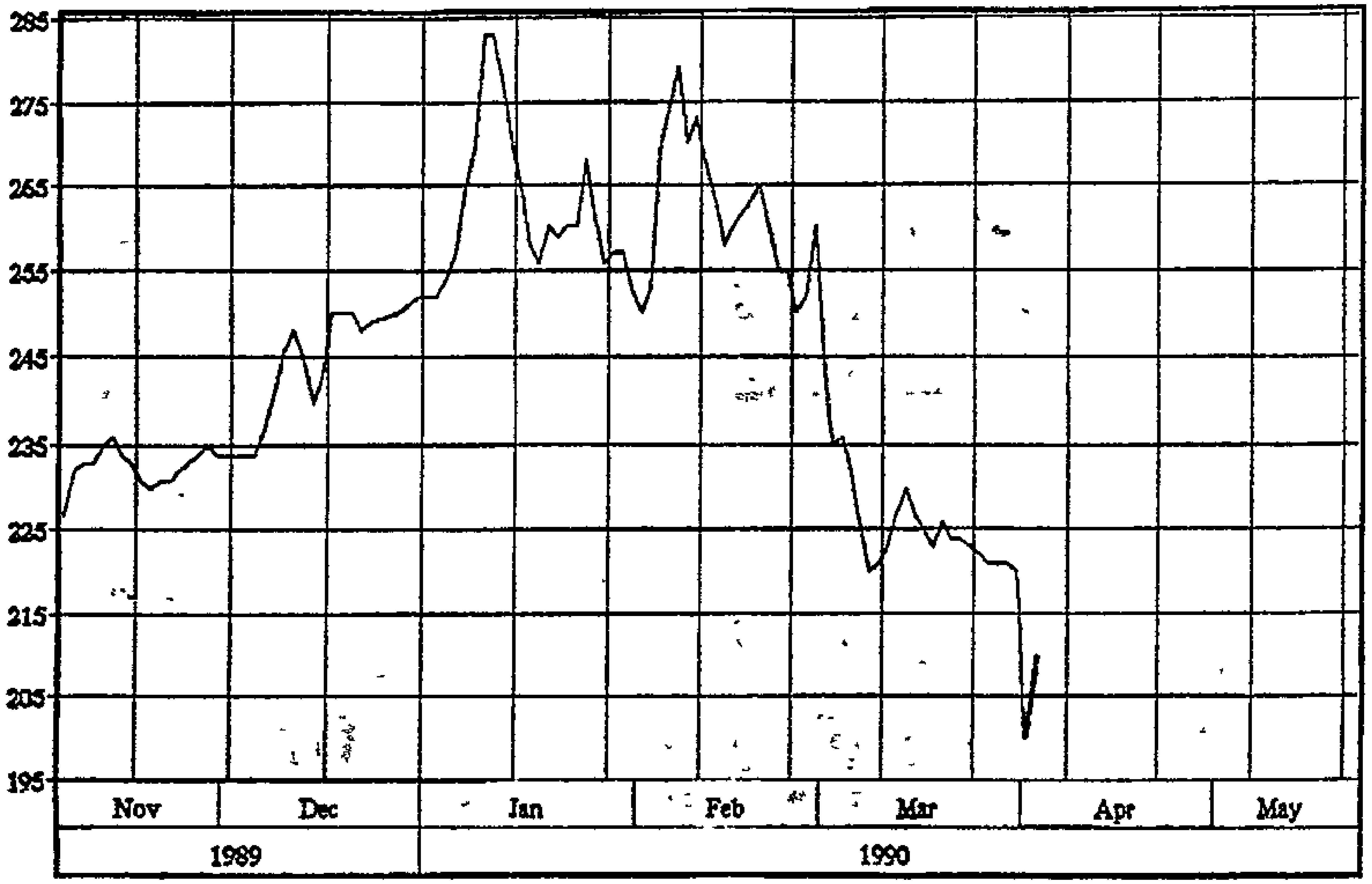
Among many, before and after the listing, this remained the main issue. As the price moved up towards 250c a share more people began to sell and take their profits.

But many hung on even when the share reached a peak of 285c.

Now the share has come back close to its issue price of 200c and has touched this level during one session. It traded at 213c yesterday

A city broker had a few encouraging words for confused investors. He said the share was unlikely to fall below 200c

Jitters at topsy-turvey share ride



Anglovaal to raise R822m via rights offer

CAPE TIMES 5/4/90 232

Financial Staff

THE financial, industrial and mining Group, Anglovaal Ltd, is to raise R822,1m by means of a rights offer of its "N" ordinary shares to shareholders and loan stock holders

The company is to offer 30 "N" ordinaries at 4 900c each for every 100 ordinary or "N" ordinary shares held and 21 "N" ordinaries also at 4 900c for every 100 units of loan stock held.

The offer is underwritten by UAL Merchant Bank and the last day of register will be April 12, the day on which Anglovaal will publish the listing and other salient dates of the offer

In terms of the Anglovaal rights offer, Anglovaal Holdings (Avhold) is entitled to 2 690 217 "N" ordinary shares, but it is to renounce its entitlement over 2 654 408 of these (for no consideration) in favour of its shareholders

This will be achieved through a renounceable rights offer of 29 "N" ordinaries for every 100 Avhold shares held. The balance of 35 809 "N" ordinaries will be sold for the benefit of Avhold

Last week Anglovaal and Middle Witwatersrand (Western Areas) announced that, between them, they were to raise some R1,2bn through rights offers.

However, because Mid Wits does not have a sufficient reserve of ordinary shares for such an offer, it is to call a general meeting of shareholders to ~~authorise~~ authorise the creation of additional shares

Further details of its proposed rights offer will be made known when the meeting is convened

The reason for Anglovaal's offer is that it, together with certain of its subsidiaries, spent more than R1bn on acquisitions in 1989

The board has decided to raise new permanent equity to ensure that adequate funds would be available to enable the group to take advantage of any future investment opportunities, including new gold mine developments, as well as following its rights in Mid Wits

Because funds from the offer will only be received in May, the "N" ordinaries to be issued in terms of the offer will not rank for Anglovaal's final dividend in the current financial year

Thus the registration date for the final dividend will be the same as that for the rights offer (April 12), so all shares traded after that date will be both ex-rights and ex-dividend

Anglovaal expects that its final dividend will be at least 60c a share, compared with the previous financial year's final of 51c, thereby giving a total for the year of at least 90c (1989 76c)

During its last financial year, Anglovaal's earnings rose by 26% to R183m (1988. R145m), equivalent to 4 265c (3 395c) a share This covered the 76c (65c) a share dividend 5,6 times (5,2 times).

The average annual rise in earnings over the last five years has been 28% while the average annual increase in dividends was 19% for the same period

In its interim report published in March, Anglovaal revealed that consolidated earnings had risen by a further 34% to a record R105,6m in the six months ended December 31, from R78,6m in the first half of 1988/89

Furthermore, the board stated that it expects satisfactory earnings growth in the current half year, although this was unlikely to match the growth in the first half.

Caltex seen as possible acquisition

Cape Times 5/4/90

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AUDREY D'ANGELO
Financial Editor

ENGEN — the energy giant formed when Gencor bought Mobil (SA) — is currently eyeing Caltex as a possible acquisition.

This was made clear when CE Rob Angel spoke to stockbrokers and analysts at a prelisting presentation at the Mount Nelson Hotel yesterday.

But he emphasised later: "We are not talking to Caltex, yet, but they are vulnerable — they have to be."

During the presentation, Angel said: "Engen's mission is one of real growth, both from our core business and new business. We shall be looking at possible acquisitions."

Acquiring another oil company would not be too much for Engen.

Later he pointed out that Caltex was in the same difficult situation he had been in while Mobil was owned by a parent company in the US.

"They are caught by double taxation and they cannot bring in new technology or investment."

Answering a question on how a change of government would affect oil companies in SA, Angel said: "If the industry is deregulated we shall all be scrambling round for market share.

"There might be a drop in earnings but it would only be in the short term.

"As soon as Caltex sees a drop in earnings they are not going to be staying here very long, I believe."

Discussing the future of Engen, Angel said the expansion of Genref's refining capacity by 50% — at a cost of between R600m and R800m in 1990 and between R500m and R700m in 1992 — would include preparations for lead-free petrol.

This was already in use in Britain and continental Europe "and it will come in SA, I think by 1995".

Making preparations for this now would give Engen the edge on other oil companies in Southern Africa, which would start several years down the line.

Angel said he knew Shell (SA) would like to invest in improvements to its refineries but it was handicapped in this by its partnership with BP.

He said Engen was concerned with the environment and care would be taken to control pollution in emissions from its chimneys and in its waste water.

Pointing out that SA's situation was changing, he said that Engen expected to expand its markets beyond Southern Africa in the future.

Discussing its option to buy 30% of Mossgas, which it manages, Angel said the project was now "much further down the track than most people realise".

The onshore development was now 51,2% complete and the offshore development 75,2% complete.

Engen would take up its option to buy 30%, raising the money through a rights offer, only if the return to shareholders were worth while.

He was confident this would be the case. Engen was also very hopeful about its participation rights in up to 20% of Soekor wells in "a vast area" off Cape Agulhas. The Bredasdorp basin was "encouraging".

Pointing out that Mobil had targeted itself specifically at the black consumer market, Angel said spending in this sector was growing rapidly.

Engen will be listed on the JSE at the end of April, by way of the listing of its subsidiary Trek.

The group consists of Mobil, Sonap, Trek, the Genref refinery in Durban, and its option of a 30% stake in Mossgas and participation rights in Soekor.

The pro forma forecast for the 12 months to August, 1990 is of attributable income of R200m on a turnover including sales tax and levies of R5 282m.

Income before interest and tax is forecast to be R306m, with an interest bill of R52m and a tax bill of R54m.

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BUSINESS

Sentiment rather than logic drives JSE

Fluctuations in Johannesburg Stock Exchange prices depend more upon the news of the day than a considered assessment of the market, argues ANN FRIEDMAN

CONFIDENCE is a fragile thing and nowhere has this been more evident than on the volatile Johannesburg Stock Market in recent weeks

The JSE overall index started this week by falling by almost four percent on Monday, after going up a bit on Friday Then prices rose again by the close of trading on Tuesday Monday's falls were said by share dealers to be a response to the African National Congress calling off the scheduled April 11 talks with President FW de Klerk as well as to the gold price which remained below $370, and to the falls in international stock markets, particularly Japan

On Tuesday the index rose again, apparently in response to the gold price fix of $375 and De Klerk's stated plans to curb violence in Natal

Political factors and the gold price have made for a great deal of volatility in the market this year — although the JSE has still not been as badly hit as some of the foreign markets — by the middle of last week it was only 7,5 percent below its peak while the turbulent Tokyo market was 18,2 down, Hongkong 24 percent and the Australian market 32 percent below its peak, according to *The Economist's* index

The theory is investors make rational decisions to buy or sell shares (or other assets) based on the expected stream of future earnings — what the share will yield in dividends and via a rise in its price

Of course investors must look to the environment — economic and political — to forecast the outlook for companies and the expected returns from their share investments

But the response of the JSE to daily political developments recently has looked like overreaction — based on the front pages of the daily news-papers or the TV news, rather than on considered assessment

In practice the JSE is usually driven by what the brokers call "sentiment" — rather than detailed financial or economic calculations

This is particularly so because the JSE is a "marginal" market — well under 10 percent of the shares are traded each year, in contrast to major overseas markets which have turnover of at least four times that The result is JSE share prices often go up or down on just a few trades — the price of a share is simply the price at which it was last traded

If a few individual investors or a couple of London brokers take fright, this can have a substantial impact on the day's index, even though those who hold the bulk of the shares are sitting tight

Political sentiment has carried much weight lately, particularly with foreign investors It was selling from London which was said to have started the market falling this week — and it was buying by foreigners which boosted the JSE in the brief period following De Klerk's speech

Picture the investor in London — who can buy shares anywhere in the world — who decides following De Klerk's speech that South African gold shares are now a good bet (most foreign investment in the JSE is in mines and foreigners held at least 24 percent of gold mine shares and 25 percent or more of De Beers shares in December last year, according to stockbrokers Davis Borkum Hare) But on hearing about nationalisation (or perhaps seeing nasty Natal scenes on the BBC), our investor decides his/her money is safer in American or Australian gold mines, even if financially they are not as good That the ANC's views on nationalisation are not new is probably not some-thing the investor in London knows or cares about.

In a recent report, Davis Borkum Hare's Dana Wakefield has noted that "many recent overseas investors have not previously been familiar with South African shares due to political factors during the 1980s And they often have only limited or no first-hand knowledge of this country The result can be false expectations based on simplistic applications of their experience in mature first-world countries on to the South African scene"

Wakefield adds "This promotes speculative trading rather than medium- to long-term investment intentions"

But the JSE's volatility cannot be blamed only on unsophisticated foreign investors Local investors have reacted in similar ways In part they are merely making rational decisions based on the "sentiment" expected of others if you believe other people will be selling their shares and driving prices down, it may make sense to get out now

But jittery investors are also acting on the basis of their perceptions of the future — which may or may not be well-founded. While there is a whole industry of well-informed investment analysts in the stockbroking firms and the financial institutions, it can't be assumed that their political analysis is necessarily sophisticated Most are CAs, MBAs or BComms — not political scientists or sociologists

JSE investors also become jittery when the gold price falls (and euphoric when it rises) The gold price is perhaps the strongest and most consistent influence on the JSE This is rational — although only up to a point

One reason the focus on gold is rational is, obviously, its price influences the outlook for gold mines and therefore for gold shares

Some investors react to any move in the dollar gold price, but the important price is not the dollar but the rand gold price, since the mines are paid for their bars of gold by the Reserve Bank in rands

If the dollar gold price falls but the rand falls against the dollar to the same degree, the mines' position should be unchanged But recently the rand gold price has been falling — to below the R1 000 an ounce mark If this continues, some mines may be producing at a loss More risk-averse investors would want to put their money elsewhere, in industrial shares, for example

Perhaps a more important reason for gold's dominance — one whose importance is difficult to quantify — is the centrality of gold in the South African economy It accounts for 40 percent of export revenue and a $10 movement in the gold price average for the year would make a R500-million difference to the country's export earnings

The gold mines are such large customers for many of South Africa's manufacturers that what happens to them has a ripple effect through the economy That perception looms large in the imagination of investors — and when the gold price looks bad, some become altogether disenchanted with the stock market

● The JSE overall index yesterday was down slightly to 3136 But it was still 23 percent up on a year ago while the all gold index was 16 percent higher and the industrial index was 17 percent up Gold was at R374,25

Mine results nudge gold share slide

MERVYN HARRIS

BDay 5/4/90

THE slide of gold shares on the JSE yesterday was given a further nudge by the March quarterly results of mines in the GFSA fold which showed the tough conditions for mines at the current gold price.

The report, from the first of the mining houses to announce quarterly results, also indicated that mines are losing the ability to switch mining areas in order to maintain grades. (232)

Gold failed to make fresh headway yesterday and eased $1,50 to close in London at $374,25 as bullion markets abounded with rumours over Tuesday's sharp gains to a high of $378.

Widespread market talk of Middle East operators buying back gold they had sold last week was discounted by some analysts who suggested the talk was an attempt to manipulate prices.

Most analysts were seeing the advance as a technical short covering rally rather than as a significant inflow of fresh interest. "Gold could go either $10 higher or $10 lower," a Zurich trader said.

Uncertainty over the direction of gold, the shakiness of global stock markets, jitters over the current political situation in SA, and the approach of the public holidays, combined to make investors reluctant to take up positions on Diagonal Street yesterday.

"When dealers and fund managers are uncertain, they sit on the fence, markets follow the least line of resistance and share prices drift and tend to go lower," a trader said.

In slow trading the JSE overall index shed 26 points to 3 135 on a 27-point decline in the all gold index to 1 868 and a 12-point fall in the industrial index to 2 901.

A firmer finrand investment unit, up from R4,0800 to R4,0100 to the dollar, provided no support for share prices but dealers noted little stock coming out at the lower levels so that investors would have to bid up prices to obtain scrip.

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Anglovaal aims to raise R822,1m through rights offer

BARRY SERGEANT

FINANCIAL, industrial and mining group Anglovaal Limited has announced the terms of its rights offer

It is to raise R822,1m by a rights offer of its "N" ordinary shares to shareholders and stock-holders. These shed 200c to close at 5 200c on the JSE yesterday.

The company is to offer 30 "N" ordinaries at 4 900c each for every 100 ordinary or "N" ordinary shares held and 21 "N" ordinaries — also at 4 900c — for every 100 units of loan stock held.

The last day to register for the offer, underwritten by UAL Merchant Bank, will be April 12 when Anglovaal will publish the listing and other salient dates of the offer.

In terms of the Anglovaal rights offer, Anglovaal Holdings (Avhold) is entitled to 2 690 217 "N" ordinary shares, but it is to renounce its entitlement over 2 654 408 of these (for no consideration) in favour of its shareholders. This will be achieved through a renounceable rights offer of 29 "N" ordinaries for every 100 Avhold shares held. The balance of 35 809 "N" ordinaries will be sold for the benefit of Avhold.

Last week Anglovaal and 53% subsidiary Middle Wits (MidWits) said they were to raise about R1,2bn between them through rights offers.

Because MidWits does not have a sufficient reserve of ordinary shares for such an offer, it is to call a shareholders general meeting to authorise creation of additional shares. Further details of its proposed rights offer will be made known when the meeting is convened.

Anglovaal said it would be raising cash via the rights offer to help fund more than R1bn of acquisitions in 1989 and to take advantage of future acquisition opportunities.

FM

who has collated figures on judgments, which clear the way for sales in execution. He says they increased by 152% to 888 between December 1988 and the end of last year However, not all judgments end as sales in execution — "We have found at the Perm this happens only to around 50% of our judgments," says Hibbit

Lamont also points out many homes are used as collateral for business loans from banks So sales in execution figures are deceptive and need to be kept in perspective

Many problems arise, says Information Trust CE Paul Edwards, through "borrowers who neglect to disclose all their commitments and inflate earning capabilities " Failures to meet payments also stem from developers who sell homes without asking for an initial deposit. The UBS's Piet Kruger says· "Terms are offered which make monthly repayments easier for a period but, when this falls away, instalments automatically become higher."

The only society to show a decline in properties in possession, as a percentage of total book, is Saambou, 0,56% to 0,52% "We have made a concerted effort to get rid of them We have priced these houses on the basis of loss of interest and have offered them to those renting them to get them off our books This has paid off "

Institutions are determined to cut down on repossessions and sale of execution is a last resort, says Allied GM Geoff Bowker. "We are surprised at the difficulty in getting borrowers to come in and talk to us."

Information Trust has mooted a centralised database with full credit rating information on clients fed by banks, retailers and HP concerns along the lines of those in the UK and US Edwards says this would enable them to assess a borrower's ability to service a debt more accurately

□ Figures originally submitted by the Allied, on BSA11 forms, for properties in possession were not accurate because the division between sold and unsold properties was incorrect The NBS's reported figures are not directly comparable with those of other organisations, says Olivier, because properties sold are not moved from the unsold category until transferred The chart shows correct figures. ■

CONFIDENCE MERGER

Anyone worried by the non-appearance of the SA Chamber of Businesses' Business Confidence index (BCI) can take heart. It will appear this Thursday and, thereafter, on the first Thursday of each month, accompanied by the Industrial Confidence index (ICI).

Consolidation of the two indices follows the January 1 merger of Assocom and the Federated Chamber of Industries. The BCI is a quantitative statistical measure based on a number of market indicators, while the ICI is a qualitative measure based on responses of industrialists.

PRIVATISATION F/M 6/4/90 (232)

Art of the possible

Selling off the State is big business From being the ideological preserve of the free market right, privatisation has become central to policy in developed and developing countries with governments of widely varying views

This does not mean it has been depoliticised Indeed, if politics is the art of the possible, then privatisation has become pure politics Questions over what to sell, how, and ways to regulate the resulting enterprise are more controversial than ever, even if the

F/M 6/4/90 (232)

decision to privatise is less so

This trend has much in common with the corporate reaction to conglomerates created in the Seventies In the Eighties, corporate raiders "unbundled" these groups, hoping to realise their value and, in the process, create more efficient units

Privatisation has become entangled with the peculiarities of dozens of different State-owned enterprises, many in Third World countries, with capital markets in various degrees of financial maturity and with vagaries of local politics

Objectives are one factor determining the methods Others are the condition of the enterprise — a rundown railway in Africa cannot be sold off like a larger European telecommunications company — and the availability of local and foreign capital

External assistance — through multilateral institutions such as the World Bank or foreign merchant banks, many of them British or American — has been vital to the success of many privatisation programmes

Four general sets of problems have been encountered in privatisation, in developed countries such as Britain as much as in Mexico or Mali.

□ How to adjust market forces where they operate inadequately — a privatised company may be entangled in the same bureaucratic regulatory structures it faced when it was State-owned,

□ Maintaining employment and services such as telecommunications to communities from which the market might shy away,

□ Correct pricing; and

□ Foreign ownership of domestic assets which have been State-owned Often the reason for nationalisation was to reduce foreign influence, or because the industry was considered strategically sensitive Reversing this is controversial

In eastern Europe — where all or the vast majority of the economy has been State-owned and there is no guide to pricing, little local capital and a resistance to foreign ownership — finding appropriate methods of sale and creating new regulatory structures will be a huge task ■

TIME FM 6/4/90 232

Odd preference

An unusually structured rights issue of convertible/redeemable preference shares by Time Holdings which will raise R10m,

FM 6/4/90 232

equivalent to 45% of its existing shareholders' funds, is designed to minimise the eventual dilution of share capital

Time will use the cash to invest in more property developments, to maintain its stake in its developing life assurance company and to reduce its short-term debt At December year-end, short-term debt was R12,3m and gearing 54%

The 100c, 14% prefs, which will be listed, will be redeemed or converted into ordinary shares at the directors' discretion in two equal instalments in June 1993 and June 1994 If they are redeemed, it will be at par (100c) plus 25c Conversion is more complicated and will be calculated by dividing the prefs 100c issue price by 80% of the ords' average price over the preceding six months So the higher the price of the ords ahead of conversion, the fewer ords the pref holder receives

Time's share has fallen from around 130c in early 1989 to its present 70c Assuming the share recovers by 1993, the dilution from the rights offer will be lower than if the offer had been of ords or if the prefs were convertible at a fixed rate

In December 1988, Time issued 6,05m new shares in a rights offer at 105c It has also offered bonus shares as an option to dividends By December 1989, it had 18% more ords and prefs in issue than at December 1987 and EPS, which had grown from 1,5c in 1985 to 25c, fell back to 14c (4%) last year

Hibbert says the 1989 dip in earnings is small compared with that of most listed housing companies and believes earnings will grow well this year because of some revival in the housing market and Time's increasing diversification

Time's Hibbert . . . sees revival in housing

Overall, the housing division is profitable, but the extent of its downturn shows in the fact that housing's contribution was about the same as that of TimeLife Because of this, Time has decided to delay the separate listing of the housing division

Commercial property was the leading contributor to Time's income last year Time has until now passed the developments it has project-managed on to its clients, but plans to use some of the rights offer proceeds to invest in selective developments as a principal

The rights offer assumes either that the housing market will be booming by 1993 or that other divisions will be contributing so much that Time's image will have changed Now on a dividend yield of 14,3%, the share is rated as a housing company and the growing life company is ignored *Teigue Payne*

CAPE TIMES 6/4/90

Caltex plans expansion in SA

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Financial Editor

FAR from being ripe for take-over by Engen, Caltex Oil (SA) is upgrading its Milnerton refinery and sees SA as a base for further expansion into the black consumer market in Southern Africa, says chairman Jock McKenzie

He was replying to suggestions by Engen CE Rob Angel, at a prelisting presentation in Cape Town on Wednesday, that Caltex might disinvest and was "vulnerable" to takeover

In a statement yesterday McKenzie said Caltex had "no intention whatsoever of disinvesting from SA"

Angel had suggested that Caltex (SA), as a US-owned company, was subject to double taxation and could not invest in new technology

But McKenzie said his company was fully and adequately funded from its own resources

It had made substantial investment in its retail network in order to maintain its leading position in the petrol market It was extensively upgrading its Milnerton refinery

It had "not experienced any difficulties in obtaining the necessary technology for either its refinery upgrading, or in its ability to supply the local market with the most advanced petrol available"

McKenzie said Caltex's investment policy both internationally and locally was based on long-term analysis of economic potential Caltex management believed that the market in Southern Africa had a potentially bright future with good prospects for growth

He added that short-term economic uncertainties, and the inevitable fluctuations in earnings resulting from this, were not the determining factors in maintaining a presence in this particular market.

Caltex Oil's management and its US shareholders firmly believed that its continued presence in SA, ongoing business activities, corporate social responsibility programmes and positive links between the US and SA made "a positive contribution to the future of SA and all its people"

The black consumer market in SA had already expanded considerably and he expected further growth

If political problems were solved and SA became a member of the OAU markets would open up in other parts of Africa and he was certain that Caltex (SA) would develop the capacity to expand into them.

Standard Bank seen as new shareholder in West African bank

CAPE TIMES 9/4/90 232

Own Correspondent

JOHANNESBURG. — Negotiations which could see Standard Bank of SA becoming the major shareholder of the Paris-based International Bank of West Africa are under way, according to a radio report from Paris.

The BIAO (Banque Internationale de l'Afrique Occidentale), though based in Paris, has branches in a number of West African countries and in Swaziland.

Radio France Internationale last week quoted Central Bank of West African States Governor Allassane Ouattara as saying the BIAO's probable new financial partner would be Standard, which would become the major shareholder and take over the BIAO in Paris.

While West African states would prefer the BIAO to be taken over by partners within the franc monetary zone, Ouattara said, other shareholders would be accepted if this was not possible.

The BIAO's major shareholders are understood to be the French bank BNP (Banque Nationale de Paris), Union Bank of Switzerland and a major Brazilian bank.

The radio report said Standard's interest in the BIAO was linked to a desire to revive the Ivory Coast and Senegal branches, said to have debts of more than $130m.

Standard Bank group MD Conrad Strauss said yesterday he was aware of the reported interest in the BIAO, but was not able to comment.

If successful, a takeover of the BIAO would represent a major thrust into Africa for Standard, whose only presence on the continent beyond Namibia is a 49% stake in Union Bank of Swaziland.

Though Standard has foreign associate companies in the UK and Luxembourg, it does not have a stake in any fully fledged bank elsewhere in the world.

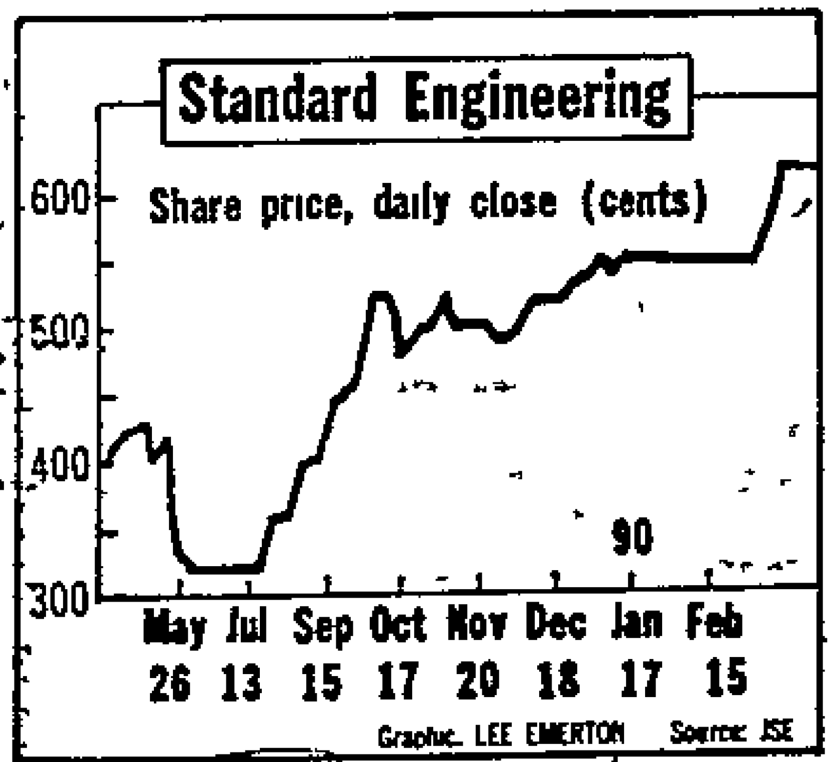
Financial effects of the acquisition

It is expected that the ...

4 BUSINESS DAY, Tuesday, April 10 1990

(2-32) BDay 10/4/90

Standard Engineering begins to show mettle on the JSE



ANALYSIS: STEPHEN RICHTER

ENGINEERING holding company Standard Engineering has been gaining momentum on the JSE recently as its share price continues to move into new high territory.

The share is showing strength and its price has nearly doubled after reaching a July low of 320c

The group was known as Standard Brass but in April last year acquired its new name when holding company Malbak took the decision to focus its engineering interests within Standard Engineering.

The company was enlarged with the acquisition of a 100% interest in Fluid Holdings and Abertech Industries In addition, the group added a 58,2% interest in Hall Longmore and 46,7% of Union Carriage and Wagon.

Later on in the year, the group acquired from Malbak a 67,6% interest in Astas Holdings which in turn has a 68% shareholding in AS Transmissions and Steerings and a 100% shareholding in Protea Axles, in addition to other related interests

Standard Engineering also disposed of the foundry and complementary engineering divisions

Controlling shareholder Malbak used 1989 as a year to mold the enlarged group into a cohesive entity This was accomplished by improving efficiency and productivity, in addition to restructuring businesses where necessary

Prior to the reorganisation and name change, Standard Brass' performance left much to be desired as earnings became somewhat cyclical

The last year the group paid a dividend was in 1985, and investors had shown little interest in the group

But judging by the accompanying chart the market rating of the share is improving steadily From its July lows, Standard Engineering rose above 500c during the next few months

Since then, the price has held relatively steady at the higher levels

It appears investors are expecting satisfactory results for the six months ended February, due out shortly

Management is confident each division of the group is poised for further growth which will translate into higher earnings for this financial year

Equikor shows big turnaround

CHARLOTTE MATHEWS

EQUIKOR Holdings, the renamed and reformed National Properties, has achieved R3,6m profit attributable to shareholders for the year to December compared with National Properties' loss of R27,6m for the 18 months to December 1988 (232)

Equikor was listed on the JSE in October 1989 when troubled National Properties changed its name and acquired the business of Equikor Projects

Part of the purchase price was settled by the issue of 96,3-million new shares which together with other acquisitions increased the number of shares in issue to 276-million from 63,9-million

On the higher number of issued shares, Equikor's earnings for the period were 1,3c a share compared with National Properties' loss of 43,2c a share

The directors said they would resume payment of dividends on profits made in the current year

Equikor's management has attributed the turnaround to continuing strong growth in the profitability of its business

B/Day 10/4/90

Tax and low prices hurt GFSA mines

BDay 10/4/90

BARRY SERGEANT

WEAKER prices for copper, tin and silver, combined with the effect of tax changes announced in the Budget, caused a sharp drop in taxed profits reported by GFSA base metal companies for the March 1990 quarter

Overall, the six reporting GFSA companies, including Gold Fields Namibia, fell 42,9% in taxed profits — from R40,5m in the December quarter to R23,1m in the March quarter

The tax changes applied include the treatment of consumable stores as stock for tax purposes At O'okiep Copper, for example, the effective tax rate increased from 24,9% to 43,8%, at Black Mountain from 48% to 57%, and at Zinc Corporation from 50% to 53,1%

Gold Fields Namibia (copper, lead, silver) turned a December quarter R1,3m loss into a R718 000 profit by countering a R27,5m shrinkage in sales to R70,1m with a R30m cut in cost of sales Capital expenditure was up from R382 000 to R554 000; the unexpended portion of capex at quarter-end was R37,7m GFSA says the Kombat mine has been dewatered and "consequently no extraordinary expenditure was incurred during the quarter"

Gold Fields Coal sales and cost of sales were cut R9,4m to R59,7m and R9,6m to R50,4m respectively Profits after tax increased 1,8% to R4,3m, physical sales fell from 2,4-million to 2,0-million tons. Capital expenditure shot up from R153 000 to R1m

At Rooiberg Tin, losses after tax more than doubled from R832 000 to R1,7m Ore treated fell to 75 000 tons (77 000 tons), tin metal sold was up 5,3% but sales fell from R6,9m to R6,1m GFSA says efforts to reduce costs include a reduction in labour

Average prices in the March quarter were R17 500 a ton against R19 800 a ton in December, reflecting a continuation in the metal's declining price Capital expenditure dipped to R59 000 (R278 000)

Zinc Corporation's profits after tax fell 39,7% to R6,2m (R10,3m) Physical zinc sold increased 7,3%, but sales fell by 11% to R86,4m (R97,1m) GFSA said the average price reached for zinc in the March quarter was R3 600 per ton, 2,9% higher than the December quarter's R3 500

At O'okiep copper sales fell by 31,5% to R38m (R55,4m) and taxed profits collapsed 55,9% to R6,3m (R14,3m) Blister copper sold was down 26,2%, but cost of sales fell in sympathy by 26,8% to R30,8m Capital expenditure shrunk to R3,9m from R9,7m, unexpended authorised capex at March 31 was R53,1m.

At Black Mountain Mineral Development Company (copper, lead, silver, zinc) sales contracted but for zinc and value sales fell 19,4% as cost of sales were curtailed from R27,1m to R25,4m Profit after tax fell 47,4% to R7,3m (R13,8m).

Old Mutual's unit trusts grow to a record R2,5bn

(232) BD-1/10/14/90

LIZ ROUSE

A RECORD R215m flowed into Old Mutual's four unit trusts in the March quarter, bringing total investments at market value to a new high of R2,5bn, twice as large as its closest rival.

The Gold Fund, launched in February this year, attracted over 7 000 account holders and an inflow of R49m in its first two months.

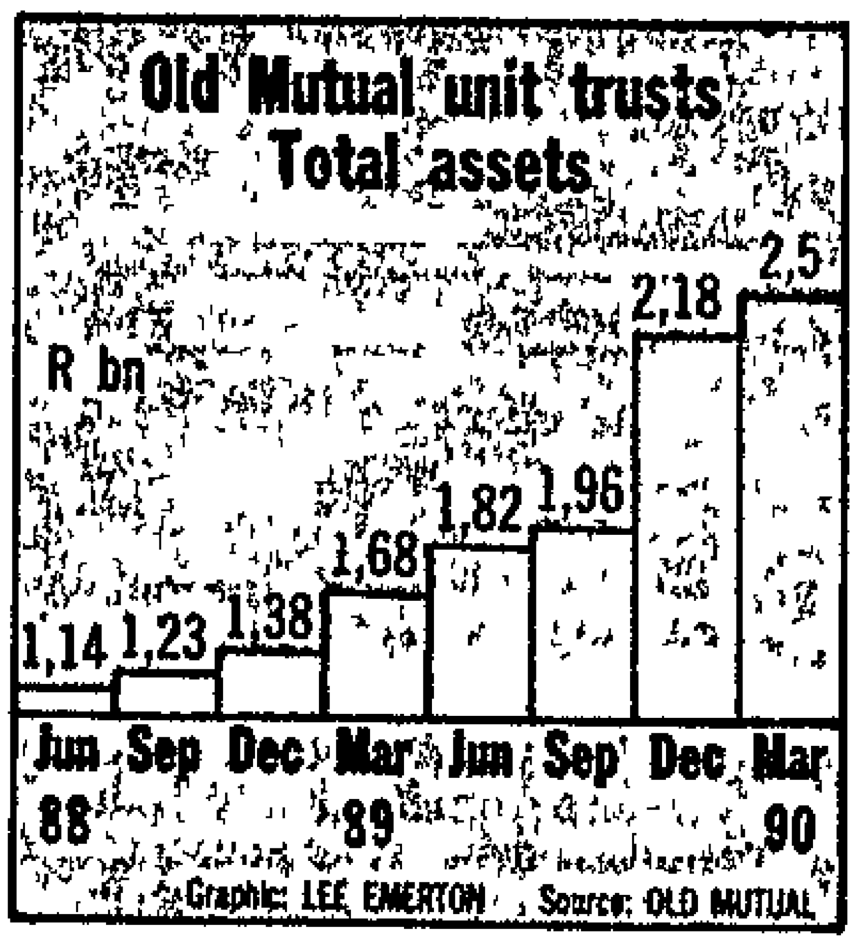
These are remarkable achievements, seen against volatile equity market conditions during the quarter Old Mutual portfolio managers, who are now looking after 250 000 account holders, took a positive view on longer-term prospects, retaining liquidity at fairly low levels

The latest University of Pretoria unit trust survey indicates that Old Mutual Investors' Fund achieved the highest investment returns in the industry over the five, seven, 10 and 12-year periods and second over the one and three-year periods

The Investors Fund has declared a record distribution of 53,69c a unit, which brings distribution for the year to 105,73c This is 34,8% higher than the year before

Its 10 largest holdings are Anamint/De Beers, Richemont, Rembrandt Group, Anglos, Safren, Sasol, JCI, Gencor, Rand Mines and AVI Liquid assets acounted for R326,9m (14,62%) of total assets of over R2,2bn

The Gold Fund followed the fully invested policy it committed itself to and closed the quarter with R26,2m (59,6%) in direct gold shares, R15,5m (35,2%) in gold related mining financials and a liquidity of only 5,1% (R2,25m) Total assets amounted to nearly R44m



Its 10 largest holdings are Kloof, Amgold, New Central Wits, GFSA, Anglos, Dries, Southvaal, Elands, Vaal Reefs and Zandpan

The portfolio has a good spread across the gold/mining finance board, including holdings in Eersteling, Gazgold, Knights in golds, and Southgo and Wit Deep in mining financials

The Mining Fund reduced liquidity to 11,37% — R22,9m out of total assets of nearly R202m — riding the volatile market to utilise buying opportunities

Significant buying took place in De Beers, Southvaal, Venters, East Dagga, Samancor, New Central Wits and Lydex

Its 10 largest holdings are Anamint/De Beers, Anglos, JCI, Genbel, Sasol, Gencor, ET Cons, Dries, Rand Mines and Lebowa Plat

Old Mutal Income Fund has declared a distribution of 4,75c a unit for the quarter, bringing the total for the year to 17,43c, representing an effective income return of 17,2%

Major activity during the quarter involved taking advantage of the high interest rates offered Liquid assets amounted to R16,4m (77,68%) of total assets of nearly R21,1m

Star 10/4/90 (232)

Flemingo forms Jarocom

Flemingo group chairman Keith Fleming has announced the formation of Jarocom by combining two subsidiaries, Jarman Mining & Construction Supplies and Clover Compress Air Services.

Brian Jarman and Mervyn van-Reenen have been appointed joint managing directors of Boksburg-based Jarocom, which will sell Airman mobile and stationary compressors as well as crawler drill rigs and allied equipment.

Jarocom is looking at an eight to 10 percent share of the R80 million a year compressor market.

Edgars Stores in liquidation bid

Star 18/4/90

By Cathy Stagg (232)

A two-night holiday at a timeshare resort, which "sounds too good to be true", according to an advertisement, resulted in Edgars Stores Ltd refunding R40 to 598 members of the Edgars Club and applying to the Rand Supreme Court for the liquidation of a close corporation.

In papers, Mr C G G Morkel, Edgars' group legal consultant, said Dynamic Promotions CC of Sattara Avenue, Gallo Manor, owed Edgars of Crown Mines R23 920 for the ceded claims.

Edgars took over the claims on behalf of subscribers to its magazine, Edgars Club, believing its reputation "was being tarnished as a result of Dynamic Promotions CC's poor or non-existent service".

The CC placed an advertisement in the December 1988 edition of the magazine. It offered a weekend or a four-night mid-week break at any one of a list of timeshare resorts for up to two adults and two children for a R40 membership fee.

Edgars Club members responded but no accommodation was made available and their money was not refunded. Meetings were held and some people were provided with accommodation and a few were refunded their R40 payments — but 598 club members did not have their complaints attended to.

At one stage Dynamic tried to say the R40 was for a club membership registration and not for accommodation, Mr Morkel said, but Edgars disputed this. The accommodation offer was clear and this was why amounts of R40 were paid over by Edgars Club members.

Mr Justice H J Preiss granted a provisional winding-up order, returnable on May 8.

COMPANIES

Norwich NBS Unit Trust shows 30% asset growth

BD 11/4/90

LIZ ROUSE

(58) (232)

NORWICH NBS Unit Trust achieved a 30% asset growth in the March quarter as a result of higher market values and strong cash inflows.

Notwithstanding being net buyers of shares during the quarter, the fund's liquidity increased to 24% because of the strong cash flow

Although this figure is relatively high, Norwich Life as the fund manager is comfortable with this cash cushion because of short-term uncertainties associated with gold, the political climate and vulnerable international stock markets

Nevertheless, MD of the fund's management company John Bowman endorses the Association of Unit Trusts' recent reminder of unit trusts' merits as a long-term investment vehicle, and says investors should not be too concerned about short-term volatility.

During the quarter the fund added to several of its existing holdings, principally in mining shares, and opened new holdings in Amgold, Fraser Alexander, Genbel, Kersaf and Western Deep.

Sales were made in Turner & Newall, Sunbop and Eskom stock. The holding in Midas was reduced.

An income distribution of 11,64c has been declared. The fund's overall performance for the past 12 months was 20,5%.

M&M sells development properties for R8m

MONEY & Management Holdings sold its portfolio of development properties in the Sandton/Randburg municipal areas to a group of Randburg businessmen for more than R8m

These properties, as well as some already owned by the purchasers, are to be put into a company focusing its efforts on property development in the Sandton/Randburg area.

Its initial portfolio will have a present land-only value of more than R12m. Total development costs over the next two years will be more than R50m, to be funded by development loans through financial institutions

M & M property director Peter Wood says this is a further step in the rationalisation of M & M towards becoming a clearly focused financial, investment and management services group

But, he says, the company is not withdrawing totally from the property market. "M & M will focus on selective buying, upgrading, letting and selling"

M & M has sold the properties outright to the purchasers, but has retained an option to acquire up to 50% of the shares in the new property group at any time during the next two years for a price linked to net asset value

Cash generated by the sale of the properties will be used to reduce bank loans and to fund further expansion in the leisure and tourism industries through Forum Group Ltd, a company formed by M & M with other investors.

Unidev's profits improve by 31%

232

BTOY 11/4/90

CHARLOTTE MATHEWS

THE payoff in Unidev's policy shift towards investment in mature companies with a proven track record and away from new high-risk companies is shown in its 31% improvement in attributable profits to R11,7m in the year to December from R9,9m in 1988.

In the past year Unidev's executive management acquired control of the group through listed pyramid Unicon. Unicon now holds 54% of Unidev

At the same time a rights offer to raise R20m was held which increased the number of shares in issue.

On earnings of 55,5c a share, a total dividend for the year of 14,5c (12c) a share has been declared.

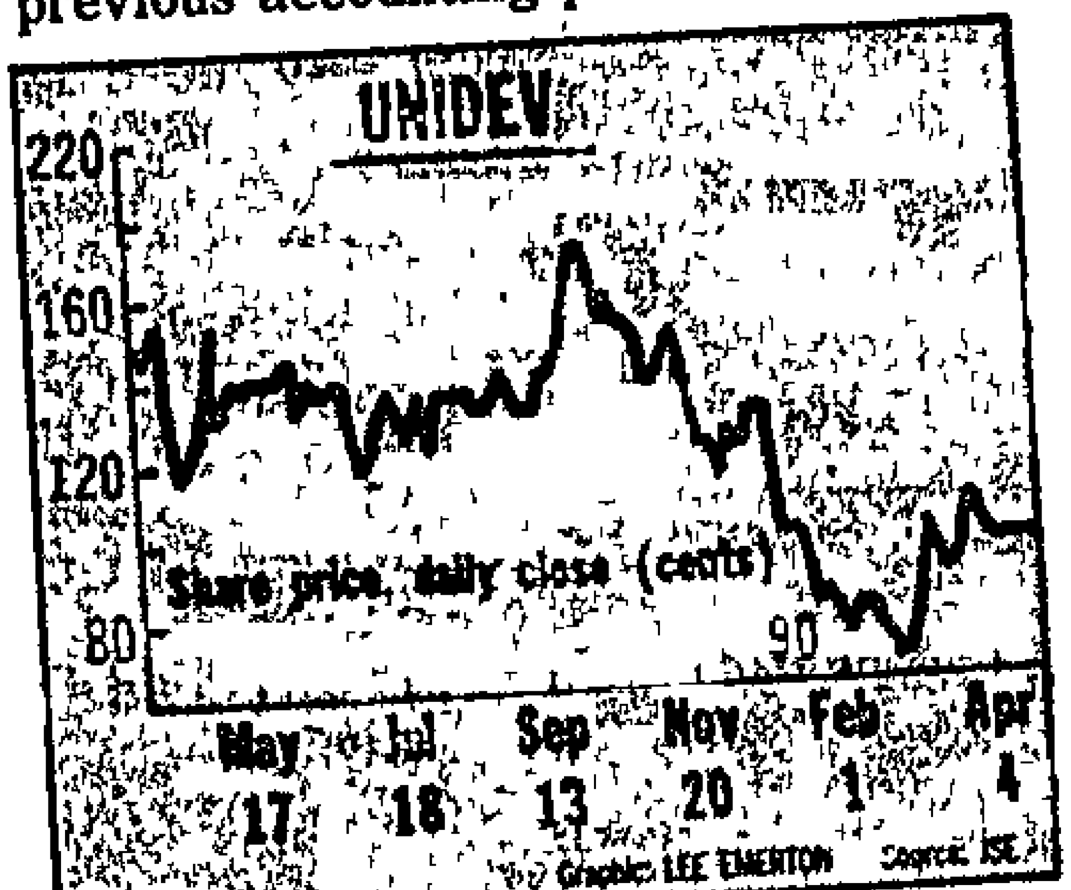
Unidev is an investment holding group with interests in industrial, retail, electronics, medical, financial services and property companies. Through its subsidiaries the group has a R1,65bn turnover 65bn and employs about 15 000 people.

In the past year, the group acquired 23% of Rusfurn which achieved a 55% increase in earnings a share in its first months of operation after a management buy-out from Tradegro.

Of the group's other investments, 81%-held Prestige improved operating profits by 20%, property group Equikor showed a profit of R3,6m after restructuring and, computer group Cortech produced earnings of about R4m in its first 10 trading months.

"This is more than satisfactory, bearing in mind the volatility of the computer industry," Unidev MD Ronnie Stein said

In its first six months of trading after restructuring, Hyperette made R1m profit compared with R4m losses in the previous accounting period



Medicor, which is not contributing significantly to group profits because of start-up costs of new hospitals, is considered by Unidev to hold a solid asset base worth more than R80m.

Financial services group Mercantile Bank performed well in its first full year of operation after the granting of a banking licence.

Unidev shares closed unchanged at 115c yesterday, 75c below the 190c registered last October. At this level they offer a dividend yield of 10,4% and a p e ratio of 2,4 compared with 8,2% and 3,9 respectively for the sector average

Trek looks at new Engen giant

BRENT MELVILLE

BIDay 11/4/90

DIRECTORS in Trek Beleggings have outlined the likely financial impact the formation of energy giant Engen will have on the group

The report forecasts a boost to net asset value by 12,7% to 857,3c from 760,7c a share for the 1990 financial year. Based on 110-million shares in issue — compared to the 20,3-million prior to the transactions — earnings are expected to be 5,4% lower at 181,9c (192,9c) a share.

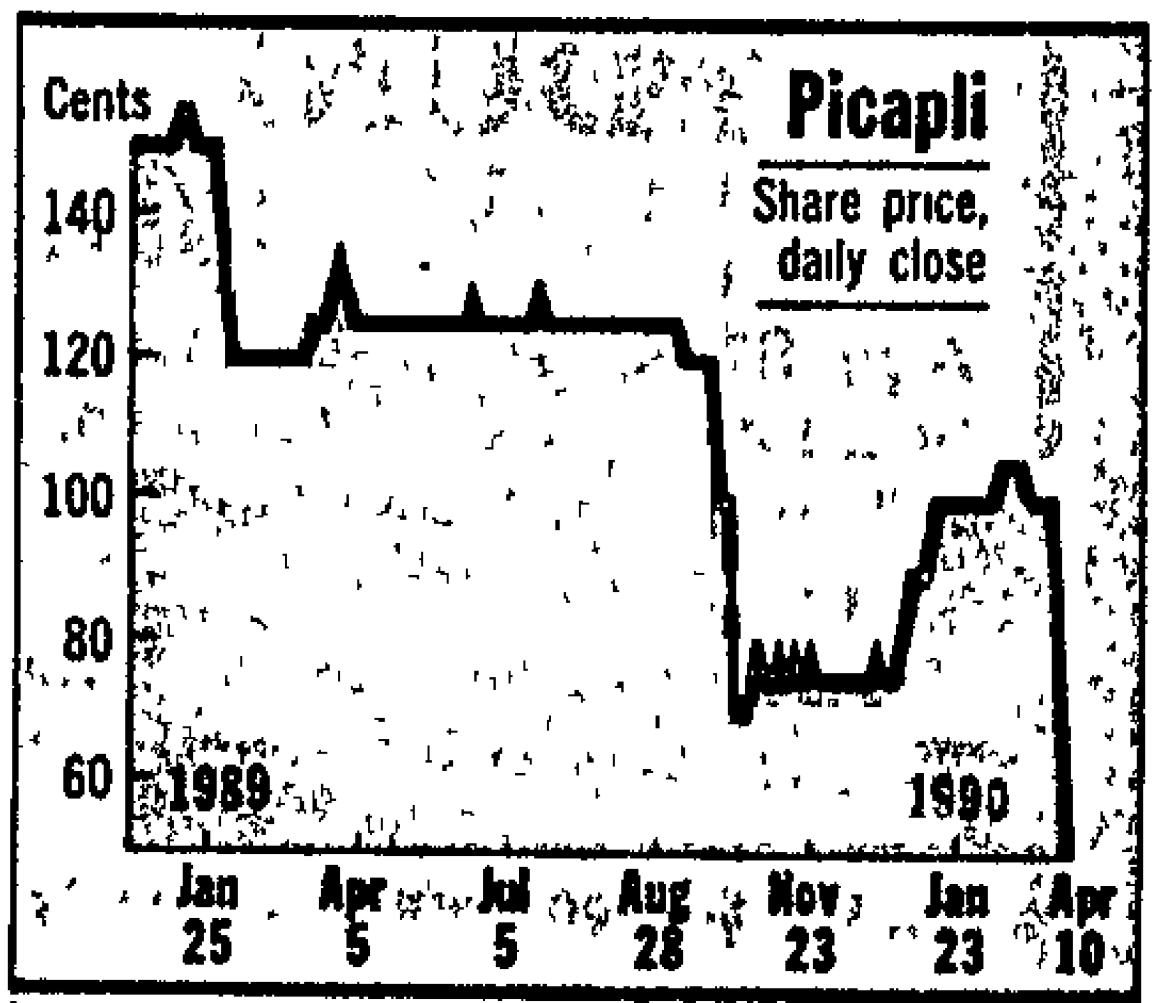
This translates into pro forma attributable profits for the 12 months ending August of R200m. The final dividend for the year is forecast at 55c a share.

Gearing has been limited to a maximum of 50%, interest cover to a minimum of five times, and dividend cover to a minimum of two times.

Engen CE Rob Angel says that the future earnings potential of the enlarged group — consisting of Mobil, Sonap, Trek, the Genref refinery, its 30% stake in Mossgas and participation rights in Soekor (adding to an annual turnover in the region of R5,3bn) — should be greatly enhanced by the merging of the companies. (232)

Directors note that the group is well-placed to participate in the fast expanding SA liquid fuels and lubricants market and in other opportunities.

In addition the 30% participation in Mossgas poses limited risk, with Engen exposed to a maximum loss of R30m. As a hedge against the negative impact of sharply rising oil prices on margins, directors say the group is planning to involve itself in exploration and activities to acquire control of crude oil.



Graphic FIONA KRISCH Source JSE

BDay 11/4/90.

Pichold posts a loss of 44c a share

SYLVIA DU PLESSIS (232)

GROWTH at Picardi Holdings (Pichold) continues to be hampered by higher interest bills and lower margins at major subsidiaries, exacerbated by particularly depressed market conditions at 90%-owned Picardi Appliances (Picapli).

The group, which derives most of its income from Picapli, Picardi Properties (Picprop) and Union Wine, has posted a loss of 44c (128c earnings) a share for the six months to December.

The loss, produced on margins of 5,8% (9,8%) and interest paid of R21,5m (R15,1m), follows a dismal performance at June year-end, when interest doubled to R34,9m and bottom-line earnings tumbled to R10,3m from R14,2m.

Chairman Jan Pickard Snr said at the time government's efforts to restrict growth had caused a build-up of excessive stocks at high interest rates, but increased earnings were expected this year.

However, a sad interim showing from Picapli — it contributes more than 50% of group turnover — translated into a loss of 12,7c (32,2c earnings) a share for the manufacturer/distributor of household and electrical appliances.

☐ To Page 2

Pichold loss

(232) ☐ From Page 1

While Pichold's shares — at a low of 450c in December — closed unchanged at 550c yesterday with buyers offering 500c, Picapli's lost 15c to close at a new yearly low of 50c.

BDay 11/4/90

The latter's loss per share, taking into account the conversion of compulsorily convertible preference shares, was based on undisclosed turnover which fell 8% and an interest bill which rose R4m to R15,2m.

Pickard said yesterday trading conditions would remain restrictive to end-June, but he had no plans to sell the company.

Substantially reduced stockholdings of brown goods, for example, and major reductions in interest-bearing debt since December were expected to help cut interest costs in the second half, he said

Restrictive fiscal and monetary measures which negatively effected the liquor industry saw undisclosed turnover at 58%-owned Union Wine grow 12% (14%) — negative growth if inflation-adjusted.

This subsidiary recorded a loss of 5,6c (5,4c earnings) a share, but Pickard said improved market share, coupled with the sale of three hotels — two of which were unprofitable — pointed to satisfactory long-term prospects.

Merger creates giant optical instrument firm

B Day 12/4/90

(232) EDWARD WEST (19)

CAMBRIDGE Instruments and Wild Leitz announced a merger today, creating one of the largest optical and scientific instrument companies in the world.

The new company, called Leica, would produce annual sales in excess of £500m. It employed 11 000 people operating from factories in eight countries and distribution companies in 22 countries, Leica announced today.

The new company's operational headquarters were established in St Gallen, near Zurich, Switzerland.

SA's Leica-Leitz Optical Equipment MD Michel Peyre-Morte said that as a result of the merger they would be taking over Cambridge agencies in SA.

They would take over distribution of Reichert-Jung microscopes in SA and the distribution of microtones in SA produced by Reichert-Jung and Cambridge. Microtones are used in the medical and research industries.

The SA company would also become distributors of image analysis and photogrametric equipment.

Leica-Leitz Optical Equipment is the largest supplier of land surveying equipment in SA and now, with the merger, becomes the largest supplier of microtones.

Pyre-Morte said a major benefit of the merger was that it would increase turnover and profitability and no fixed cost.

BUSINESS DAY, Thursday, April 12 1990 3

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Bevcan pumps R250m into Springs

ZILLA EFRAT

BEVCAN, a division of the Nampak-Metalbox packaging group, is to invest about R250m in a can-manufacturing plant in Springs to meet the needs of the growing beer and beverage industries

It has acquired more than 7ha of industrial land from the Springs Town Council for this purpose

Bevcan has been increasing its capacity around the country and will undertake further expansion in both Cape Town and Botswana in the next two years

Bevcan CE Alastair Lang says forecast growth in the beer and beverage industries necessitates a big new plant in the Johannesburg area.

The Springs plant should be able to supply in the needs of Transvaal and the surrounding areas for at least the next 10 years

Development of the new Springs facility should take place in three phases and cost about R250m

Lang says Bevcan's decision to site its plant in Springs follows Amalgamated Beverage Canners decision to build a softdrinks canning facility in Springs. However, the Springs plant is well placed to service SA Breweries, Sparletta and other major customers in the Transvaal

Unit trust industry 'is booming'

B/Day 12/4/90

(232)

LIZ ROUSE

THE first quarter of 1990 has been a bumper period for the unit trust industry, the Association of Unit Trusts reports

Unit sales topped the R638m mark, comfortably exceeding the previous record of R599,3m for the September 1987 quarter However, on account of a significantly higher level of repurchases, the net inflow into the industry at R364,7m was below the record R453,8m in the September 1987 quarter.

Not only was there a significant rise in new money that flowed into the industry in the quarter, the total value of the assets managed by the industry soared by almost R1bn, from R6,643bn at the end of 1989 to R7,624bn at the end of the March quarter

Market value of the funds climbed almost 45% from March 1989 to March 1990, an impressive increase and an indication of growing public awareness, said association chairman Roy McAlpine

There are now over 600 000 unit trust accounts in SA, an increase of 15% over the past 12 months

McAplline said the industry experienced a strong upturn in sales in the first six weeks of 1990. The mood in the country was euphoric — the gold price was rising, the socio-political climate was extremely optimistic and share markets were firm internationally In addition a couple of new unit trusts were launched.

However, this was somewhat tempered from about mid-February in response to a lower gold price, the poor performance of international markets, especially the Tokyo share market, and the ANC's public pronouncements on nationalisation This slowed down unit sales noticeably, said McAlpine

He cautioned that it would be unrealistic to expect unit trusts to continue to achieve returns of the magnitude posted in the past 12 months. He also believed it was unlikely that the record sales notched up in the first quarter of 1990 would be repeated in the current quarter due to a more cautious investor sentiment

McAlpine advised the public to take advantage of any declines in the share market to build up their unit holdings

Annual

Returns for investors have been impressive The five-year compound annual average performance (capital growth plus income) of SA's seven general equity trusts, which have been in existence since 1986, ranges from 27,2% to 32,5% and averages 31,3% per annum

Over the more recent one-year period, the annual return of the 13 general equity trusts ranges from 21% to 44,3% with an average of 35,4%.

The specialist equity trusts also performed well achieving a compound average retrun over the past five years of 25,2% and an average 30,3% over the most recent 12-month period.

PRIVATISATION FM 13/4/90

No stomach for the fight

232

Government has now the excuse it needs if it wants to postpone privatisation of the biggest State corporations: gathering union protests coupled with the DP's about-turn on the issue.

Last week, days after thousands marched in Johannesburg and other cities to protest against privatisation, Public Enterprises Minister Dawie de Villiers warned darkly: "Many of the State enterprises currently acting as monopolies may not be privatised at all."

The head of government's privatisation unit, Pieter van Huyssteen, says privatisation still forms part of Pretoria's economic programme. He adds that the privatisation of organisations should take place when "it's conducive to economic growth in a competitive environment and should give rise to an increase in jobs."

This gives the green light to companies such as phosphate rock producer Foskor, and it could be extended to include the State's 30% stake in Sasol. But it puts the brakes on privatising the big State monopolies that are the focus of the union protests — Eskom, Transnet and Posts & Telecommunications.

Van Huyssteen says the goal is to ensure that State enterprises operate efficiently but, contrary to the belief in business circles, he says "this does not necessarily imply a commitment to the privatisation of any of these activities." So why is Van Huyssteen's body called the privatisation unit? Wouldn't the "efficient management of public corporations unit" be more appropriate?

Government's backtracking is motivated by politics — it wants to get negotiations off the ground so it's sacrificing one of the basic planks of its economic policy. Floyd Mashele, one of the organisers of the protests and vice-chairman of the Posts & Telecommunications Workers' Union, sends a clear message: "If government wants to negotiate in good faith it must suspend the privatisation process."

The DP is also playing politics. Finance spokesman Harry Schwarz's recent statement opposing the privatisation of Eskom, Posts & Telecommunications and the railways and harbours components of Transnet was a reversal of his stand during the general election (*Leaders*, August 18). Then, the only candidates the DP ruled out for privatisation were schools and hospitals. The DP's new, more populist position seems plainly designed to curry favour with the ANC and unions.

Government's retreat is more than anything a marketing failure. Critics charge that it would not now be slowing down its privatisation drive if it had marshalled its arguments and mounted a clear and forceful campaign for privatisation long ago.

Chamber of Business director-general Raymond Parsons agrees, saying privatisation must be sold as something that benefits the whole population, including the workers in State companies. "It must be presented as a part of the restructuring of the economy. But there's no question that the process itself should continue."

Even Van Huyssteen says government will pay more attention to the communication of its objectives to avoid "further confusion and misunderstanding."

In the Iscor privatisation, government was accused of not consulting the company's unions and merely presenting them with the details of an employee share scheme the management had devised. Transnet last month stoked the unions' resentment by offering only a three-month severance package in an attempt to cut overstaffing. A much larger package will be needed to win over the unions on privatisation.

A strong government selling job on privatisation might defuse many objections. For example, government must demonstrate that instead of redundancies, as the unions allege, privatisation creates more jobs. Frank Vorhies, a business lecturer at Wits, says this is because more players are allowed into the sector when a company is privatised and the industry is deregulated.

Britain learnt this lesson. Privatisation of overstaffed, uncompetitive companies such as British Leyland produced short-term job losses as the firms struggled to regain competitiveness. But within a few years job growth soared. Unemployment in Britain has fallen from a peak of 13,6% in the mid-Eighties to just 5,6% this February.

Unions argue that service deteriorates when companies are privatised. "They lose interest in serving the community and are interested only in making profits," Mashele says, though how any company can make a profit without serving the needs of the community (also known as the market) is unclear. But the shoddy service of government companies is legendary. The waiting list for telephones reached 250 000 in 1988. In Britain as many as 200 000 names filled the waiting list for phones before privatisation, now that backlog is nearly eliminated.

The DP's Schwarz argues that keeping the largest companies under government control keeps down tariffs, but telephone charges, for instance, are no bargain. In a comparison of 10 major countries put together by *The Star* and *The Economist*, SA had the third-highest international and long-distance charges. They were more than twice as high as the lowest charges — in the UK.

Other examples of steep prices abound: SAA's international fares and SABC's licence fees — which would no longer be charged if the company were privatised. Vorhies says it is obvious that privatised companies would need to reduce prices to become competitive. A successful campaign for privatisation must emphasise how wasteful and unreliable public corporations are, and outline how much better service would be once they were in private hands, though a campaign like this would be hard for government to swallow.

A potent argument of the unions and DP is that these large public corporations are public monopolies that would become private monopolies with privatisation. Even some business people believe that these companies are in industries that lend themselves to what they term natural monopolies.

Government has done nothing to clear up this issue. These companies are monopolies only because of laws prohibiting anyone from competing. These sectors would have to be fully deregulated but government has taken few steps in that direction. Deregulation, for example, could open up more bus routes to compete with rail. Already, there is an embryonic competitor in telecommunications. Transnet has a sizeable telecommunications division (*Computer Mail* March 30).

Marching for Rip van Winkle economics

P.T.O.

MIELIE-KIP F/M 13/4/90

Beefing up

(232)

Kanhym and Mielie-Kip are about to merge — an early move in the beef and leather company's diversification plans Mielie-Kip,

F/M 13/4/90

the listed broiler and feedgrain producer, advised shareholders on April 5 that it is involved in negotiations which could affect the share price, but chairman Boet van Wyk would only confirm he was talking about a merger Kanhym was equally mum, saying no more than that negotiations were taking place

(232)

Mielie-Kip draws 80% of its turnover from the overtraded broiler market and sells 130 000 chickens a week, giving an estimated 2,5% market share Its market is, however, concentrated in the Witwatersrand and the company is one of the few independent broiler producers

Kanhym's aim is to diversify into non-meat value-added areas Per capita consumption of red meat has fallen over a number of years, whereas chicken sales are growing

Still, the broiler market remains extremely competitive though that did not prevent Mielie-Kip from improving its margin to 8,4% (6,8%) in the year to end-February 1989 Turnover for the year was R37,9m (R31,6m) and taxed profit R2,9m (R1,6m) A dividend of 6c was paid on earnings of 22c At the 1990 interim stage, earnings improved to 8,4c (7,4c) and the dividend to 2,5c (2c) Turnover increased 17,5% to R20,3m

While Kanhym gains entry into the broiler market, Mielie-Kip could benefit from Kanhym's maize farming for its own feedlots Kanhym's maize fields are near Mielie-Kip's broiler houses and, at present, the chicken company grows only half of the maize its broilers eat

Mielie-Kip shares, 78% of which are controlled by management, are trading at 72c giving a market capitalisation of R9,5m

Pam Baskind

APRIL 13 1990

Financial Mail

PRIVATISATION AND THE DP (232) FM 13/4/90.

No time for selling the past

It's ironic that the DP, so long unjustly condemned by radicals as the propaganda arm of big business, seems to be rushing head over heels to abandon its free market principles. And this at the time when its stand on broader political issues has been converted by the governing hierarchy from an obscene heresy into received wisdom.

DP finance spokesman Harry Schwarz's recent statement opposing the privatisation of Eskom, Posts & Telecommunications and the railway and harbour components of Transnet is also a reversal of his stand during the general election (*Leaders* August 18) Then, he said that the only candidates the DP ruled out for privatisation were schools and hospitals.

Having had a lengthy business career, Schwarz should know better than most politicians that only the private sector can create wealth, the public sector consumes it

The belief that nationalisation or public-sector ownership can effectively redistribute income or wealth in a way that will benefit the disadvantaged and reduce our admittedly excessive extremes of poverty is also not one that can be taken seriously by anyone with practical experience of the two sectors

It is now common cause that it's no longer enough for business just to bewail that nationalisation is a bad thing; it must argue the positive advantages of free enterprise systems in maximising general welfare. It's not sufficient merely to point to basket cases like Tanzania or Zambia; it's necessary also to explain why countries like South Korea or Taiwan, with few natural resources, have done so much better

Of course, it's also necessary to accept that free enterprise does not mean a total abnegation by government of social responsibilities But these social responsibilities can be met only in an efficient economy; and that means an economy in which the supply and demand for goods and services are as far as possible determined by the market.

That is the message the DP should now be sending forth, against the intrinsically socialist ethos, in their distinctive forms, of both Afrikaner and African nationalism.

Instead, the DP's new populist position curries favour with the ANC and the unions (see ***Business***) That is a sad retreat into expediency for a party whose *raison d'être* for decades was a refusal to sacrifice principle for political gain.

How tragic that when those decades in the wilderness are at last being justified, the DP should opt for policies which will increase poverty and inefficiency rather than maximise the prosperity of the majority of the population ■

Burhose set to grab pantihose market

BPam 10 14/9 232

ACHMED KARIEM

BURHOSE SA, manufacturer of Cameo pantihose, is set to capture 99% of the pantihose market with its proposed purchase of the Arwa hosiery operation from Tollgate Holdings Group (TGH).

Burhose is wholly owned by Hunts, the holding company for FSI's industrial interests.

MD Alan Falconer said yesterday the deal depended on clearance from the Competitions Board, which is due to meet on Thursday. He refused to provide further details.

Market sources estimate the transaction will involve at least R30m.

There is some opposition among major retailers to the takeover.

Checkers group MD Sergio Martinengo said he was against monopolies as they led to higher prices.

Pick 'n Pay executive chairman Raymond Ackerman said he did not approve of takeovers because they inhibited competition.

TGH obtained a 58,5% share in Arwa from Johan Claasen, then controlling shareholder in Duros, for R31m in 1988.

The Arwa group, manufacturer of hosiery, fabrics, leisurewear, yarns and ties, reflected an attributable loss of R3,3m for the year to December compared with a R7,3m profit in 1988. Operating profit declined by 35% to R6,7m (R10,3m).

The total advertising budget within the pantihose sector was R1,8m in the 12 months to January, according to Adindex production manager David Pennels.

Arwa spent 24% while Burhose's main brand, Cameo, comprised 45% of the industry budget.

Unit trusts cool off after record sprint

232

ST Times 15/4/90.

By Robyn Chalmers

THE first quarter of 1990 has been a bumper time for unit trusts.

Unit sales and the market value of the 33 unit trusts hit records The number of unit trust accounts exceeded 600 000 for the first time.

Sales of units in the three months topped R638-million, comfortably beating the previous record of R599,3-million for the September 1987 quarter.

Euphoric

However, because of much higher repurchases in the March quarter, the net inflow of R364,7-million was below the record R453,8-million achieved in the quarter shortly before the October 1987 market crash

Association of Unit Trusts chairman Roy McAlpine says "The industry experienced a strong upturn in sales in the first six weeks of 1990.

"The mood in the country was euphoric — the gold price was rising, the socio-political climate was extremely optimistic and share markets were firm internationally In addition, a couple of unit trusts were launched which appealed to investors.

"However, from about mid-February the mood of optimism was somewhat tempered in response to a lower gold price, the poor performance of international markets, especially the Tokyo share market, and the ANC's public pronouncements on nationalisation. This had an impact on unit sales, which slowed quite noticeably"

Mr McAlpine is, however, pleased that there are now more than 600 000 unit trust accounts, a 15% increase over the last year

The total value of assets managed by the funds soared by almost R1-billion in the three months — from R6 643-million at the end of last year to R7 624-million at the end of March

According to statistics from the Association of Unit Trusts, the market value of the funds climbed almost 45% in the year to March, an indication of the growing awareness of the funds,

Investors have been impressed by the strong performances of unit trusts in recent years — a trend which continued in the last quarter.

The five-year compound annual average performance (capital growth plus income) of the seven general equity trusts which have been in existence since 1986 ranges from 27,2% to 32,5% and averages 31,3% a year

Unrealistic

Over the most recent one-year period the annual return of the 13 general equity trusts is even more impressive, ranging from 21,0% to 44,3% with an average of 35,4%

Specialist equity trusts also did well with a compound average return over the past five years of 25,2% and an average 30,3% over the most recent 12 months

But Mr McAlpine warns that it is unrealistic to expect unit trusts to continue to achieve returns of the magnitude achieved in the past 12 months

He also believes it is unlikely that the record sales of the first quarter will be repeated in the current three months because sentiment among investors, both internationally and in SA, has become more cautious

"Unit trusts are essentially medium- to long-term investments and investors must appreciate that in the short term share prices can decline as well as rise."

Darryl's top of the class

232

By Ian Smith

HIGH-FLYING Darryl Phillips, who successfully transplanted his business expertise from Johannesburg to the City of London, is looking further afield.

The latest acquisition of Acsis Group, which is quoted on the LSE, is Los Angeles-based Hirsch Bedner & Associates, international hotel planners and designers. It has offices in Hong Kong, London and Atlanta.

Acsis has acquired all of the share capital of HBA International for $8-million. At the same time it becomes the world leader in hotel design.

S/Times 15/4/90

Double

If HBA achieves specified profits in the years to December 1993 an additional $20,95-million will be paid, with a maximum of $10,05-million satisfied by the issue of Acsis shares.

"This will mean a significant expansion of our hotel interior design activities," says Mr Phillips.

The Acsis group's three companies in hotel design were jointly ranked No 3 in the world market. HBA is the market leader.

Mr Phillips says: "The acquisition puts us firmly in the top spot, with roughly double the turnover of our nearest competitor."

He has seen the virtual shell he took over 2½ ago grow into a diversified niche, marketing and hotel services group, with market capitalisation up from the original £500 000 to £93-million.

The group's pre-tax profit was £7,3-million last year. Analysts are looking for £13-million in the current year to December 31.

The share price has held up remarkably strongly in a rattled London market.

The HBA acquisition will give Acsis a wider spread of international operations. About half of HBA's operations are outside the US, and the company is particularly strong in Australasia and the Pacific Rim countries.

It has built hotels in China and is involved in developments in Eastern Europe and Russia.

"In this market hotel designers and planners with international resources and strong reputations can secure contracts wherever the greatest activity is taking place," says Mr Phillips.

NC Wits and PGA differ over 'gap'

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NEW Central Wits improved earnings by 24% from its portfolio of mining holdings and maintained dividends at 47c in the the six months to March.

Investor interest lies largely in NCW's mineral rights The results refer to its joint venture agreement with Anglo American regarding deep-level drilling It has been shown that the "tenor of gold mineralisation" for the Cobble Reef decreases towards the east of the property

Failure

Several deflections of the MGM10 borehole failed to intersect the Cobble Reef because of faulting, and the best gold grade was only 2,19g/t over a width of 63cm Caving ground is hampering the deepening of this borehole.

Phase I of the drilling of 10 boreholes has not been completed, but the results encouraged Anglo about the merits of phase II Up to 16 holes will be drilled at a cost of R50-million in 1989 money The tone of the comments accompanying these results is at odds with those of Potchefstroom Gold Areas, whose

By Julie Walker

annual report carries significantly more optimism.

PGA is a participant in several drilling ventures in the Potchefstroom gap — the gap referring to an unmined stretch between the West Rand and Far Western Transvaal goldfields.

NCW's shares were unchanged at R64 after its results, but PGA added 20c to 250c, offered at 260c. PGA option holders may exercise some of their holdings by the end of May at 200c. The options are 95c

Score Food Holdings got back on track after slipping during 1989. In the year to February 1988 Score made 100c a share, but only 80c the following year, mainly because of shortcomings at Grand Supermarkets.

Remedied

This year's 99,6c was achieved through "strong remedial measures" taken at Grand, and the reduction of shrinkage to acceptable levels.

Managing director Carlos Dos Santos says Score bought market share at the expense of margins in some instances Sales grew by 24% to R1,36-billion, and earnings growth kept pace. The dividend has been raised by 3c to 40c.

Management says Score will continue to expand on both the retail and cash-and-carry sides, but unrest-related disruptions could affect trading.

The price of Score shares jumped ahead of the results. Score was bid at 410c — 45c up on the week.

Losers

Several companies reporting this week showed losses or reduced earnings. Pichold lost 44c a share for the half-year to December after a poor showing from major subsidiary Picaph.

Pichold earned 171c a share in the year to June 1989, although a marked slowdown was reported in the second half.

Tedelex's operating income fell much faster than its turnover did. Sales of R195-million were only 4% below those of the last interim period to February But profit before interest and tax dropped by more than a quarter to R16,2-million

Higher interest knocked the bottom line by a third to earnings a share of 16,4c. The dividend was cut from 7c to 5c.

CARLOS DOS SANTOS ... Score buys market share at expense of margins

Management says that although hire-purchase terms have been eased, they come at a time when the economy is slowing. Tedelex's business — selling electrical goods — is particularly vulnerable to adverse economic conditions.

Earnings for the second half year should be about the same as in the first.

Another loser was tanner Silveroak. Its losses for the six months to December were not as high as management expected Relocations and streamlining caused part of the losses.

Silveroak is to open a vegetable leather tannery and a fellmongery. It is moving towards smaller operations.

Molyslip was nailed by higher finance costs in the year to February 1990 Sales of the car-care company topped R13-million, but pre-tax profit was reduced to only R500 000, or 8,8c a share, compared with 11,4c.

A 3c-dividend was maintained. Molyslip's shares are 75c, a 50% premium to net asset value of 50c.

Protea Chemicals continued to wither. The six months to February brought a 63% dive in earnings to 4,3c a share and a dividend cut of 54% to 1,5c, even though sales added 8% to R191-million

In spite of labour instability and restrictive monetary policies, Protea expects to do better in the second half, but earnings will be lower than in 1989

Usko looking sluggish

Sou 16/4/90

Bottom Line

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MICHAEL MENOF

In 1998 Union Steel officially changed its name to Usko.

With the conversion of its A and B preference shares to ordinary shares, Iscor is no longer the holding company.

Usko is now jointly controlled by Iscor and Metkor and will continue to be managed on an equal-partnership basis by both.

Despite increasing turnover 25 percent, net income declined 15 percent

The income statement only looks respectable thanks to huge past tax losses resulting in no tax payable. At end-September 1989, R37,4 million in assessed losses could be carried forward.

More disturbing is that debt of R55 million a year earlier has trebled to R160 million.

This has caused net interest expense to double, making it now less than three times covered by income.

The unfavourable decrease in profitability is mainly attributable to the exceptional price increases of raw materials used for the manufacture of Usko's main products, says chairman FP Kotzee.

Large increase in the prices of steel scrap, copper, aluminium and alloys could not be fully recovered in product prices, he says.

Does this mean that management was fast asleep or that something was wrong with costing.

With sales of more than R0,5 billion, but attributable earnings only 3,66 percent of it and no tax to contend with, (the effective tax rate would be 50 percent), something is not quite right.

Looking back on the five-year review period, Usko was showing an improving bottom line trend

The losses of 1985 and 1986 were replaced by increasing profits in 1987 and 1988, but 1989 has spoilt it.

Perhaps the sluggish performance is due to the directors' lack of commitment — they hold only 100 shares (1988: 5 000 shares) out of the nearly 30 million ordinary shares in issue.

If management had a decent piece of the action, would it be better motivated?

Turnover increased to R543,8 million (1988: R434,9 million), but operating income hardly changed at R48,2 million (1988: R47,2 million).

Income from investments increased to R4,2 million (1988: R3,1 million). Depreciation of fixed assets was the same in both years at R10 million, but net interest expense doubled to R14,9 million (1988: 7,3 million).

The extraordinary loss of R1,04 million was due to start-up costs of the special metals division.

After preference dividends of R5,7 million (1988: R5,6 million), income attributable to ordinary shareholders was R19,9 million (1988: R26,9 million)

Earnings per share declined to 73,06c (1988: 90,55c), but the annual dividend was an unchanged 13c.

Steel sales increased to R295,4 million (1988: R249,3 million), the steel division operating profitably, says Mr Kotzee.

Increased raw material prices for commodities such as scrap and alloys, as well as an unfavourable sales mix had a negative effect on the division's profitability.

The shipments of export billets increased substantially and helped increase plant utilisation.

Non-ferrous sales increased to R249,3 million (1988: R185,6 million) and realised satisfactory income.

The special metals division begun in 1989, mainly for the production of vanadium pentoxide flakes, had a R1,84 million deficit

The income contribution and comparatives for both years would have been useful for investors. Usko employs only 3 871 people today, compared with 4 225 in 1988, so where are the new jobs?

Magnetite ore will be supplied to Usko under a supply agreement with Rhovan in which the group hasacquired a 20 percent indirect holding for R5,28 million.

Capex was R10,6 million at September 1989 and is expected to decline in 1990

Total shareholders' funds declined to R155,8 million (1988: R169,8 million) at end-September 1989 due to R30 million preference shares being repaid

Debt of R160 million should decline marginally when Usko is repaid its R26 million losses deposit utilised for the financing of the direct reduction plant.

Current assets rose significantly to R253,5 million (1988: R165,4 million), with stock at R133,7 million (1988: R82 million).

Funds on deposit were R34,2 million (1988: R10,1 million). Overall working capital increased to R105 million (1988: R88 million), with the illiquid position compounded by rising year-end stocks.

With a net worth per ordinary share of R4,55 at end-September 1989 and a current JSE price of around R2,80, investor confidence is lacking.

Sales of non-ferrous products are expected to be lower. Sales of vanadium pentoxide will start in 1990 and are expected to boost the bottom line.

Overall profit for 1990 will not differ materially from 1989, says Mr Kotzee

It is puzzling that Usko should perform so sluggishly in a resource-rich country such as SA.

It needs to wake up and aggressively make things happen.

Foskor privatisation reports expected soon

EDWARD WEST (232)

THREE independent reports on the privatisation of Foskor will help government reach a decision during the next month on whether to go ahead with its privatisation

No definite decision had yet been made, Foskor development GM Etienne Roux said at the weekend.

The parastatal mines phosphate rock used for products such as fertiliser, stainless steel, carbonated drinks and detergents B/Day 17/4/90

The Industrial Development Corporation (IDC) had handed a report, prepared by Foskor, to government for a decision A Privatisation Unit spokesman said he did not know when a decision on privatisation would be made as two consultants still had to file their reports on the company

This was likely be completed in a month, he said. Thereafter, the report would be sent to the relevant government ministers for approval

Foskor chairman and IDC CEO Koos van Rooy said government was considering various aspects of the privatisation like timing and method, but further news was likely to be available in a few weeks

Foskor — an IDC subsidiary — increased earnings 411% in 1989. Its total assets were valued at R629m. Van Rooy said Foskor did not expect and had not budgeted for the same rate of earnings growth in 1990 as in 1989.

The Foskor 1989 annual report said it was unlikely that an initiative towards privatisation would be made before the end of June 1990

Roux said Foskor was still on target to achieve its 1989 year to June attributable earnings of 1 263c a share, in spite of tougher international competition, lower copper prices and lower local demand for phosphates

Business interrupted in accordance with Rule 180C (3) of the Standing Rules of Parliament

*10 Mr P G SOAL — Law and Order [Question standing over]

Transkei: criminal prosecutions

*11 Mr F J LE ROUX asked the Minister of Foreign Affairs † Hansard 17/4/90

Whether he has at any stage made any requests or representations to Gen Bantu Holomisa of Transkei regarding criminal prosecutions in Transkei against certain companies, organisations or persons, if so, (a) when, (b) against what companies, organisations or persons and (c) with what result?

B701E

The MINISTER OF FOREIGN AFFAIRS

I wish to refer the honorable member to my reply dated 4 April 1990 to parliamentary question no 255

Constitution drafting by certain persons

*12 Mr L F STOFBERG asked the Minister of Constitutional Development †

Whether he has commissioned certain persons, whose names have been furnished to the Minister's Department for the purpose of his reply, to draft a constitution for the new South Africa, if so, (a) when, (b) what are the names of the two persons concerned, (c) how much time have they been given to submit a draft and (d) what was the purport of this commission?

B702E

The MINISTER OF CONSTITUTIONAL DEVELOPMENT

No

(a) falls away

(b) falls away

(c) falls away

(d) falls away

Government-controlled assets: privatising

*13 Mr H J COETZEE asked the Minister of Mineral and Energy Affairs and Public Enterprises Hansard 17/4/90

(1) Whether it was announced on or about 16 March 1990 that the Government would raise approximately R1 billion by privatising Government-controlled assets, if so, which assets are to be privatised in order to realise this sum,

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(2) whether the Government is considering the sale of South Africa's strategic oil reserves, if so, what are the relevant details,

(3) whether he will make a statement on the matter? Hansard 17/4/90

B706E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES

(1) Yes, by the State President through a media statement Various investigations are being carried out and it is envisaged that the amount will be realised out of different privatisation proceeds

(2) No, the Government is not considering the sale of South Africa's strategic oil reserves in order to obtain the R1 milliard However, I wish to point out that in terms of regulation 2 of Government Notice No R1614 of 19 July 1985, no person shall, except with the written permission of the Minister, publish, release, announce, disclose or convey any information regarding a wide range of actions in respect of petroleum products The Government, naturally, does not comment on the strategic oil reserves of the RSA

(3) Not at this stage Statements in respect of question 1 will be issued when deemed necessary

Protest marches: liability for damages

*14 Mr L F STOFBERG asked the Minister of Justice † Hansard 17/4/90

(1) Whether the organisers of protest marches are held liable for the damage caused by participants in such marches, if not, why not, if so, under what (a) legal rules and/or (b) statutory provisions,

(2) whether any claims in this regard have been put in by the relevant authorities, if so, against what organisations?

B708E

The MINISTER OF JUSTICE

(1) (a) and (b) At present the civil liability of organisers of protest marches for damage caused to another is governed mainly by the common-law rules regarding delicts

Claims against organisers of protest marches for damage caused by participants in such marches will consequently have to be founded on such common-law rules It is further known that some local authorities require under their municipal by-laws from the organisers of processions an indemnity in the form of a cash deposit or an insurance policy with a view to compensating for damage caused by participants in the processions

In a press statement on 30 March 1990 as well as earlier in this House I however announced that legislation regarding the regulation of orderly meetings in accordance with notifications as a prerequisite is at present receiving attention The various problems regarding damages that accompany these meetings is one of the aspects that has been identified and which specifically has been noted to be addressed in this Bill The Bill is at present in an advanced stage and I contemplate to introduce it in Parliament in the near future

(2) Particulars of such claims, if any, are not readily available

*15 Adv T LANGLEY — Defence † [Withdrawn]

Fanie Botha Dam at Tzaneen

*16 Adv T LANGLEY asked the Minister of Public Works and Land Affairs †

Whether the odd pieces of land of the Fanie Botha Dam at Tzaneen have been allocated to any person or persons for utilisation, if so, (a) on what conditions, (b) at what compensation and (c) for what term?

Hansard 17/4/90 B710E

The MINISTER OF PUBLIC WORKS AND LAND AFFAIRS

Yes

(a) The pieces of the land which remained in the possession of the State were allocated for nature conservation and recreational purposes as well as a recreation resort for Coloureds and Indians and placed under the control of the Transvaal Provincial Administration

(b) No compensation Hansard 17/4/90

(c) For as long as it is used or required for the relevant purposes

Police action. Khutsong

*17 Adv J J S PRINSLOO asked the Minister of Law and Order †

(a) How many persons were arrested in terms of the emergency regulations in the Police action in Khutsong on Wednesday, 14 March 1990 and (b) (i) how many of these persons are illegal immigrants and (ii) what are their countries of origin?

Hansard 17/4/90 B714E

The MINISTER OF LAW AND ORDER

(a) 25

(b) (i) None

(ii) Falls away

Contingency reserves

*18 Mr D G H NOLTE asked the Minister of Finance † Hansard 17/4/90

(a) How were the contingency reserves spent in the 1989-90 financial year and (b) (i) what amounts were paid out and (ii) to whom?

B716E

The MINISTER OF FINANCE

The information appears on pages III to V of the Estimate of Additional Expenditure, document R P 1-1990, which was Tabled in Parliament on 19 February 1990 and which was further elucidated in my speech to Parliament on the same date

Coastal dune area at St Lucia. mining activities

*19 Mr J CHIOLÉ asked the Minister of Mineral and Energy Affairs and Public Enterprises † Hansard 17/4/90

(1) Whether he intends taking any steps to stop proposed mining activities in the coastal dune area of St Lucia, if not, why not, if so, (a) what steps and (b) what are the motives for these steps,

Futures at lowest trading level

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ROBERT GENTLE

THE low trade on the JSE in recent weeks, coupled with a spate of public holidays, has pushed trading volumes on the futures market to their lowest level this year

B Day 17/4/90

For most of April, the daily value of equity futures traded has been languishing under the R50m mark On Thursday, April 12, the eve of the Easter weekend, it reached a paltry R31,8m.

This is a far cry from the heady days of the first three months of the year when the corresponding figure routinely exceeded R150m, and at times exceeded the value of shares traded on the JSE

Traders ascribe the low volumes chiefly to the thin, directionless JSE, where the daily value of shares traded is now often under R100m. On April 9, after the Founder's Day long weekend, it was a scant R55m.

Also cited are the effect of public holidays and the fact that a number of speculators got burned recently when gold started its downward slide

Although a falling market can be as profitable for trading futures as a rising one — what counts is overall market movement on the day — this is not fully appreciated in SA, says a Cape-based trader.

Blue Marlin deal almost complete

CHARLOTTE MATHEWS

SHARE block owners in the South Coast Blue Marlin Hotel timeshare scheme who have heard nothing about their investment since November last year were assured by Leisure Life International that negotiations to purchase the block are near completion

Leisure Life MD Sandy Quinn said last week there were 800 to 1 000 people involved who had paid World of Leisure for their units Some had not yet received share certificates

The shares in Blue Marlin Hotel Shareblock are 51% held by World of Leisure, currently in final liquidation

Blue Marlin Hotel Shareblock is trading profitably and has been secure at all times, Quinn said.

Leisure Life has made an offer to the liquidators of World of Leisure, Golden Trust Liquidators, to purchase the World of Leisure and Blue Marlin Time Sales shares for R4,3m in total

A spokesman for Golden Trust said yesterday that this offer had been put to the major creditors, including TrustBank and Standard Bank

"TrustBank has a pledge from World of Leisure and we don't know if this is valid or not," the spokesman said "If it is valid, the proceeds of the sale of the shares, less R200 000, would accrue to TrustBank In the meantime Standard Bank has applied to put Blue Marlin Time Sales into liquidation and this has held up the sale"

The spokesman said consent to the sale would have to be received from the liquidators of Blue Marlin Time Sales, to be appointed soon by the Master of the Supreme Court

"But if the transaction does not go through the purchasers of timeshare units from Leisure Life will be reimbursed," he added.

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Amrel promoted for its income benefits

(232)

PIERRE DU PREEZ

STOCKBROKERS Mathison & Hollidge recommend investors keep Amrel shares on income considerations.

The share price of the specialist retailing group involved in furniture, footwear and clothing sales, provides a reasonable return, though capital gains seem remote, says analyst Aloma Jonker in a research report.

If the price weakens, the share can still be considered a speculative buy for longer-term growth because of the relatively good quality of earnings, Jonker says.

She says Amrel does not signal a re-rating as growth above the inflation rate can occur only in financial 1992.

The share is trading at around 825c.

The decline in earnings experienced by Amrel during the first half to end-September 1989, is expected to continue through to the second half to end-March, although the rate of decrease might slow. Amrel achieved earnings of 241c (231c) in the year to end-March 1989.

Jonker expects total earnings for 1990 to decline by about 6%, slightly lower than the decrease experienced at interim mainly due to the sale of Smiley Blue, Goophees and Rock Bottom, which eliminated a loss during the second half.

BDay 17/4/90

An 11% increase in earnings is forecast for 1991 because of the expected decrease in interest costs.

"The group's current policy is to improve the quality of their earnings through a conservative expansion by creating adequate provisions. Recent tax changes should not have a material effect on earnings, as adequate provisions have been created," Jonker says.

Cashflow should improve as the tight control over working capital is maintained.

Deregulation confusion

B 1041 18/4/90.

WILSON ZWANE

DEREGULATION for small business had so far fallen short of the aims and recommendations made by the President's Council in 1985, the Small Business Development Corporation (SBDC) said yesterday

(232)

In a statement the corporation said the confusion over government's recent steps to loosen some of the legal red tape constricting the economy required government's urgent clarification

"Misunderstandings over the interpretation of the extent to which the deregulation applies is raising numerous problems," the corporation said

These were that the automatic registration of non-food businesses was not taking place and applicants were still subjected to major delays and objections, the distinction between food and non-food businesses remained unclear; limitations on the number of hawkers' licences were still applied in many forms, home businesses were still prohibited in many areas and by-laws were applied even more vigorously to prevent creation of new businesses.

SBDC spokesman Chris Cairncross said the appointment of an independent body to encourage greater access to opportunities for small business would help.

He said the independent body or the "ombudsman", appointed jointly by government and the private sector, would evaluate existing and new legislation and measure the effects of such legislation on the small business sector.

Other priorities included the scrapping of restrictive local authority by-laws and restrictions relating to land ownership contained in the Land Act and Development Trust and Land Act, the creation of one set of health regulations containing the minimum requirements applicable throughout SA and the introduction of an appropriate dispensation in terms of labour legislation and the industrial council system

Cenprop expects growth prospects to improve

BDay 18/4/90 CHARLOTTE MATHEWS

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THE expected economic upturn in 1991 and improved prospects for growth will improve future distribution to shareholders in Centrecity Property Fund's portfolio, say management company Property Fund Managers (PFM) directors

In a circular to unitholders giving details of Cenprop's R65m rights issue, PFM said reduced consumer spending might affect rental growth in 1990 in spite of some positive growth in the SA economy.

But a better outlook for 1991 would improve turnover-linked rentals and higher base rentals because there would be greater demand for space in buildings in prime locations

Total distribution for the year to December 1990 for unitholders who subscribe for new units at 240c a unit and continue to hold them is forecast at 25,88c, an increase of 26% over 1989

Cenprop portfolio managers J H Isaacs have estimated the replacement value of the property portfolio at R435m at December 1989, which equates to 319c a unit currently in issue

Cenprop intends to use the money raised in the rights issue to develop and acquire buildings in Rosebank, Durban and the Johannesburg CBD and to enhance and expand existing buildings in the portfolio.

UAL Unit Trust funds rise by 41%

B/Day 18/4/90

LIZ ROUSE

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UAL Unit Trust funds under management increased by 41% to R906,7m at the end of March from R641,7m at the end of March 1989.

UAL senior manager Peter Anschutz says the rise was attributable to increased sales of units as well as capital growth of the portfolios under management.

Each of UAL's four funds showed positive inflows of funds net after repurchases for the quarter ended March and all funds other than the Gilt Unit Trust showed increased net inflows over the previous quarter.

By lightening the gold holdings and increasing liquidity in its major funds, UAL has positioned itself to take advantage of buying opportunities which are beginning to present themselves in the market, says Anschutz.

Cash holdings in the flagship UAL Unit Trust were increased to R86,6m, representing 19,5% of total assets of R446,2m at the end of March

The UAL Mining and Resources Unit Trust benefited from a decision to have a relatively low weighting in gold shares and heavy weightings in mining houses and base metals.

The trust's total liquid asset amounted to R36,6m (12,78%) of total assets of R286,21m.

The portfolio managers took advantage of opportunities presented by volatile share prices and significant inflows from investors to consolidate further UAL Selected Opportunities Unit Trust.

Liquid assets made up R10,3m (12,05%) of the trust's total assets amounting to R85,84m.

The UAL Gilt Unit Trust maintained a high level of liquidity (R46,3m or 52,32% of total assets of R88,5m) to benefit from the continued tight monetary policy.

Mielie-Kip goes to Kanhym at R10,5m

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B Day 18/4/90

SYLVIA DU PLESSIS

FOOD giant Kanhym has bought listed poultry producer Mielie-Kip for R10,5m cash in a deal it expects will increase the contribution of its value-added operations to operating income by 7% to 60%.

Prior to the deal, effective from March 1, its value-added operations included meat processor Enterprise and tanner Hanni.

In terms of the acquisition, the Malbak-owned group will purchase 88,4% of Mielie-Kip's total shareholding for an effective 88c a share, which includes the final dividend from Mielie-Kip for the year to February. A similar offer will be made to minorities.

Kanhym executive chairman Dirk Jacobs said yesterday the acquisition was "highly compatible" with and would strengthen his group's existing value-added operations. It would also extend Kanhym's reach into major new market areas.

But while it would improve the group's total earnings by at least 2,5c a share — net of interest payments — its strategic importance was "considerably more significant" than its immediate financial effect, he said.

"We have made it clear that we see Kanhym's future growth coming from branded or otherwise differentiated products rather than from commodity-type activities," he said.

"Mielie-Kip already has an established place in this market and with access to Enterprise's national distribution network, the strongly branded Mielie-Kip range can now be introduced to customers countrywide."

"We have also said that we now see ourselves as a food company rather than just a red meat company. We have had to acknowledge the substantial impact that white meat has had on the red meat market, and it would be imprudent to ignore the fact that poultry consumption per capita now exceeds that of red meat."

Jacobs said the deal included an agreement with the Van Wyk family, which previously controlled Mielie-Kip, for the long-term leasing of their grain-producing operations. This would make Kanhym self-sufficient for about 70% of its chicken feed rations.

Kanhym bettered earnings by 32% to 36,7c a share in the six months to February, due mainly to good performances from its value-added operations.

R11,9m property scheme allows in small investors

B/Day 18/4/90

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CHARLOTTE MATHEWS

AN R11,9m property participation scheme is being launched by Masterbond Trust in conjunction with the Health & Racquet Club (HRC)

Masterbond Trust MD Laurence Perrin explained yesterday that property participation enabled the small investor to invest in specific commercial properties, unlike property trust investment which involved a predetermined portfolio.

The investor was paid debenture interest monthly. His investment was negotiable and could be used as collateral for loans

Masterbond Trust offered an over-the-counter market where units could be realised at about 14 days notice, Perrin said

Health & Racquet Club operations director Rod Mitchell said in an interview the clubs had expanded to a point where management had to decide whether the business would become operating the clubs or owning property.

It decided to continue operating the clubs and offer the public an opportunity to participate in the property holding side

Lease

According to the prospectus, the Health & Racquet Club Property Participation scheme, which is fully underwritten by Masterbond Trust, consists of 11 893 ordinary shares of R1 each and 11 893 debentures of R1 000 each. Each share is linked to one debenture and sold in units

The investment is in three properties, each tenanted on long lease by the Health & Racquet Club group — one in Sandton estimated to be worth R8m, one in Cape Town worth R5,7m and one in Tygervalley worth R4,7m.

The leases provide for an annual escalation of 11% for a five-year lease with a further 15-year renewal option. The tenant is responsible for all repairs, maintenance and running costs

According to the prospectus, the average rate of return over five years is forecast at 33,81% a year. The internal rate of return is 24,19%.

The Health & Racquet Club has a membership of 22 000 at present and by December 1991 this is projected to rise to 65 000

The group now has four clubs and a further four are planned for the next 18 months. Each centre costs about R6m-R10m to construct and the equipment costs between R1m and R2m

The property participation offer opened on February 1 and closes on April 30

VIEW ON JSE TURNAROUND

MERVYN HARRIS

THE two factors that have combined to prostrate the JSE — the gold price decline and the negative behaviour of world bourses — could in the not-too-distant future work towards a recovery of prices on Diagonal Street, according to stockbrokers V H Simmons & Co in their latest newsletter.

They say gold has been under pressure from short-term influences but once these have petered out, the metal will resume its long-term bull trend

Gold shares at their present levels offer good value, as do industrials, which must soon start to reflect the substantial benefits flowing from the abolition of tax on dividends in the hands of individuals.

V H Simmons finds it difficult to subscribe to the view that the Tokyo stock market's performance mirrors pending Japanese economic disaster.

"Interest rates might be high, the yen falling and Japan's positive trade balance might be growing less positive Yet Japan is still the world's leading nation in terms of productivity, industrial efficiency, work ethic and export performance.

"It is the American economy ... that has passed its peak."

The Japanese economy is in the ascendancy and the country's poor stock market showing must therefore be a reflection of a severe fundamental overvaluation rather than a signal that the economy is in secular decline.

If so, says V H Simmons, stock market indices should level out, at which stage the need to sell gold for near-term liquidity will diminish.

Airline flight delayed for Mandela

KIN BENTLEY

LONDON — An international airline agreed to delay its flight by about an hour to enable ANC leader Nelson Mandela to fly out of London late on Monday night, following his speech to the massive concert at Wembley

ANC deputy London representative Billy Masetlha confirmed yesterday that a prior arrangement was made with Ethiopian Airlines that a waiver would be granted to Mandela, enabling him to book in late for the flight to Harare

He said the flight, a normal passenger service, was delayed by about an hour.

Mandela arrived in Harare yesterday and said government had to remove all apartheid laws to ensure progess towards peace, Sapa reports

BDay 18/4/90

Mandela, here to attend Zimbabwe's 10th anniversery independence celebrations, which entered their second day yesterday, said if President F W de Klerk wanted change, he should "remove all laws which are cause for concern to black people of SA"

Addressing a Press conference, OAU secretary-general Salim Ahmed Salim said developments in SA were encouraging but a lot remained to be done

Liquidations set to rise by 20%

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BDay 18/4/90

SYLVIA DU PLESSIS and ANDREW GILL

THE number of companies liquidated this year will rise by about 20% over 1989, according to Kreditinform MD Ivor Jones and operations director Jack Brownrigg

This meant more than 3 000 of SA's 600 000 registered companies could go under, compared with an estimated 2 700 in 1989, they said in an interview

Brownrigg said steep interest rates, affecting highly-geared companies in particular, were the main reason for the expected sharp increase

Even if Finance Minister Barend du Plessis's moves to level out interest rates were successful, the effect on liquidations would be felt only in about 18 months, he said This was because of a time-lag between interest rate hikes and liquidations

A hidden factor in interest rates was one of prime plus Banks were offering prime rates to low-geared companies, while debt-ridden institutions were paying 1% to 3% above prime, he said

However, recent political developments could prove to be mitigating factors, boosting business confidence and limiting the number of liquidations

Information Trust Corporation chairman Paul Edwards said his organisation had recently noted a rise in the number of problem accounts — an early precursor to ultimate business failure

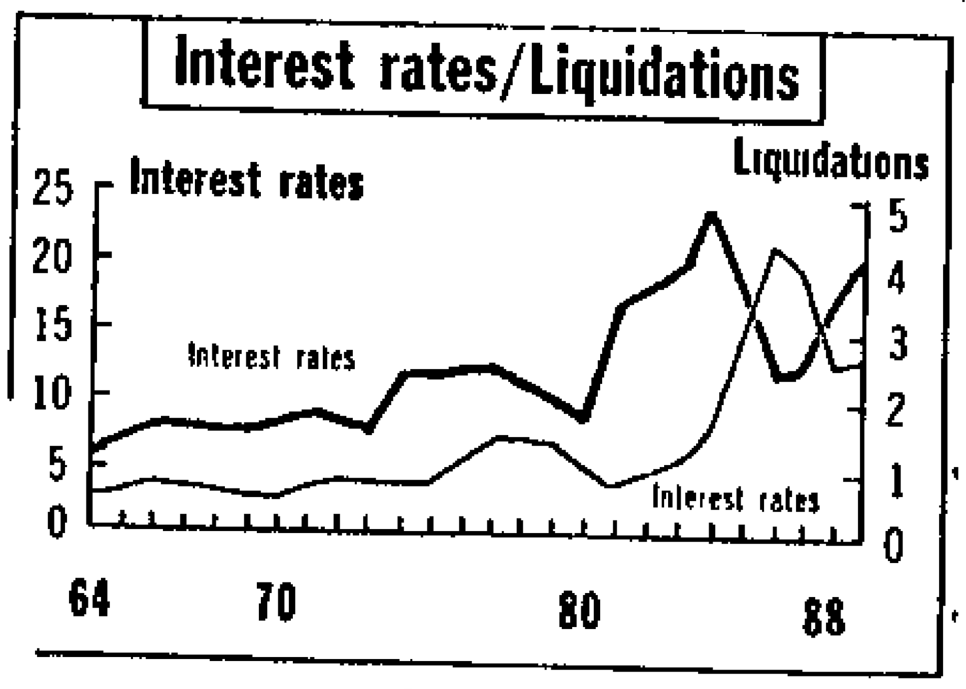
However, many businesses had learnt to adapt to tougher economic conditions

While the number of liquidations was set to rise significantly this year — service-orientated companies traditionally constituted the largest proportion of failures — it would be off a low base, he said

"We're only in a mild recessionary phase so I don't expect blood on the walls

"We urge businesses to take active measures to minimise their potential losses One such measure would be to get involved in industrial information-sharing schemes to enable them to help each other highlight problem accounts

"This will allow them to protect themselves from going down with failed companies due to loss through bad debt"



Graphic LEE EMERTON Source KREDITINFORM

Boesak tells ANC: reject violence

BDay 18/4/90

LONDON — World Alliance of Reformed Churches president the Rev Allan Boesak has urged the ANC to take a moral lead over government by forswearing all forms of violence

Speaking from Cape Town over Dutch radio at the weekend, he said such a move by the ANC would oblige government to follow suit Newspapers in the Netherlands yesterday reported that Boesak said government was responsible for the culture of violence in SA, as it had always chosen to confront problems with violence

The ANC was, however, equally responsible as it had contributed to the romanticisation of violence

"The ANC will have to tell the people 'We do not believe in violence any more'," Boesak said In doing so, it would place a moral obligation on President F W de Klerk to follow suit

"We have noticed moral matters are a priority to him," Boesak said

He also hoped for other changes in the ANC It would have to become aware that its liberation politics could not serve unaltered as a basis for a credible policy

☐ Our Cape Town correspondent reports that Archbishop Desmond Tutu has welcomed the ANC's admission of the torture of a group of ANC dissidents He said at the weekend he was glad a cover-up had not been attempted, and he hoped the tortures would not recur — Sapa

r social programmes to fight unrest

UNIT TRUSTS FM 20/4/90

Net inflow holds up

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Unit trusts continue to produce strong growth, with most outpacing the leading indices on the JSE over the past year

Investors have had reason to expect solid performances given the strength of the stock market In the 12 months to end-March, the JSE actuaries Overall index rose 28,6%, the All Gold index by 23% and the Industrial index by 21% — all well ahead of inflation

Of the 23 unit trusts in the table which have been running for the full 12-months, 17 outperformed the Overall index and several others came close to matching it Outstanding performers were Sygro (44,3%) and Sanlam index (40,11%) while the laggards were Norwich NBS (20,98%), Sanlam Dividend (21,81%) and UAL Selected Opportunities (21,2%) Fund managers, of course, stress that unit trusts should be seen as long-term investments and from this standpoint the five-year ranking shows that performances range from the 21,68% produced by Standard Gold, to the 37,64% by Old Mutual

Overall sales figures indicate the trusts have gained in popularity, though there are signs that some investors have turned cautious Among features of the March quarter was a surge in the gross sales of units (by the funds) but it was accompanied by a leap in the value of repurchases

Thus, while gross sales rose by R272,4m or 74% from the December quarter figure of R366,2m, the value of repurchases increased by R67,3m or 33% The extent of the upswing in repurchases is underlined by a comparison with the average figure of R203m for the 1989 calendar year

Throughout that period, however, as well as during the March quarter, the net inflow has remained in a rising trend The net inflow for March was R364,7m against R159,6m in the December quarter and compared with the average of R141m for 1989. What also contrasts with the surge in repurchases was the rise in the number of accounts to 601 082 from 567 141 three months earlier.

A development that clearly helped to attract new investment was the launch of the Old Mutual Gold Fund early this year Already it has built up a portfolio with a market value of some R44m, with gold shares dominant — there are some holdings in mining financials such as Anglo American (15 400 shares), Gold Fields of SA (20 900) and stocks in the mining exploration sector

But the fund is, as promised, maintaining a policy of near full investment in equities and the liquid assets portion totalled only R2,3m or 5% of the portfolio In contrast, the Standard Gold fund held 59% of its portfolio in gold, 24% in mining finance and 14% in liquid assets

Growing uncertainties in financial markets and the long ascent of equity prices has not yet resulted in a general swing towards substantially greater liquidity. Still, while less than half the funds in the table are more liquid than a year ago, a comparison of the March and December quarters shows about 15 had moved towards higher liquidity. Total liquidity at end-March was 17% for the general funds and 14% for specialist equity funds, compared with 15% and 13% at end-December

Standard Mutual remains the most liquid, with 31% (32%) of its portfolio in liquid assets, while Momentum has risen to 29% (18%) and Sanlam Industrial to 20% (14%).

Understandably, Unit Trusts Association chairman Roy McAlpine warns it is unrealistic to expect the trusts to continue to achieve the returns of the past 12 months. And he thinks it unlikely the record sales of the first quarter will be repeated this quarter, since investor sentiment, both internationally and in SA, has become "very much more cautious."

At R7,62bn at end-March, the total market value of funds invested in unit trusts represents a small percentage of the JSE's market capitalisation and much of the investment is contractual It remains to be seen whether any increase in repurchases would add greatly to bearishness on the stock market — but fund managers can meanwhile point to solid returns achieved over time.

Andrew McNulty

KEEPING THE PACE

	Investments (%) March 31								Performance %	
	Gold		Min Fin & other mining		Industrial		Liquid		1-yr	5-yrs
	'88	'89	'88	'89	'88	'89	'88	'89		
General equity funds										
Guardbank	3	3	22	27	59	54	10	16	36,20	32,50
Sage	6	5	20	24	50	48	20	14	33,21	29,40

The trial continues today

on April 29. — Sapa

Big four control 80,7% of shares on JSE

BARRY STREEK

CAPE TOWN — The big four SA companies controlled 80,7% of the shares on the Johannesburg Stock Exchange in October last year, while individuals held only 1,3% of the shares, according to the latest Takeover Digest.

The digest, edited by Robin McGregor, says the big four increased their dominance over the JSE from 64,6% in 1983 to 80,7% last year (232)

The Anglo-American Group had 45,3% of JSE control based on market capitalisation, the Rembrandt Group 16,1%, SA Mutual 9,8% and Sanlam 9,5%

Anglo-American's share dropped from a peak of 60,1% in March 1987 but the digest said gold price fluctuations affected its position significantly because the group's accent on gold

The Rembrandt Group's share went up from 2,1% in 1983 and 7,6% in September 1988 to 16,1% in October last year

The digest said 4,9% of JSE shares were controlled by directors, 3,6% was foreign controlled, the Liberty Group held 3,4%, Anglovaal 2,2%, the state 2,2%, the FS Group 1,1% and the Ventron Group 0,6%

In March 1983, ordinary investors controlled 19,9% of JSE shares, but this had steadily declined to 1,3% in October 1989

Bloem (80)

nty apparatus was intact and it , that its ... road to a democratic government was vital if the ... to be negotiated, Schwarz said

Mini-bus record defended

BDay 20/4/90 BARRY STREEK

CAPE TOWN — Mini-buses, statistically, had a lower accident rate in 1988 than buses and passenger cars, the National Road Safety Council (NRSC) disclosed in their annual report to Parliament yesterday

The number of accidents involving mini-buses did increase by 42,6% between 1986 and 1988 to total 47 952, and the number of people killed in minibus accidents more than doubled over the three years to reach 853

But the accident rate for minibuses was lower than that for buses and passenger vehicles

The accident rate for buses per 100-million kilometres was 1 208 and the rate for passenger cars was 986, while the rate for minibuses was 971

Accidents for commercial vehicles per 100-million kilometres was 382, the rate for motorcycles 391, and the rate for tractors was 466

The council said the overall accident rate in terms of collisions and fatalities declined in 1988 and its research indicated that the decline was maintained last year

"The ever increasing number of minibuses on roads and the high collision involvement among this group of road-users received serious attention and this road traffic safety problem will receive precedence in 1990"

In 1988, there were 702 681 vehicles involved in collisions with an average collision rate of 744 in 100-million

Nearly half of the 10 691 people killed in accidents — 4 950 — were pedestrians The rate of fatal collisions was 10,2 in 100-million kilometres

In 1988, there were 145 967 registered minibuses and 47 952 of these were involved in collisions, in which 853 people were killed, 3 382 people received serious injuries and 7 019 minor injuries, the road safety council said

Bureau looks at privatisation

CAPE TOWN — The Bureau for Information hopes to make recommendations to government by the end of this month on the possible privatisation of its functions, according to its annual report tabled in Parliament yesterday

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In introductory comments, the report says that as an interim step in this restructuring process, the bureau had already closed seven of its 13 regional offices

"Although this has diminished its national communication capability, the decision was unfortunately unavoidable from the point of view of cost-effectiveness"

Dealing with its foreign media liaison functions, the report says there were 240 accredited foreign media representatives based in SA in 1989 in the following categories 144 correspondents, 29 administrative personnel, 53 technical personnel and 14 photographers

Reports compiled by the accredited foreign media were monitored regularly and, where necessary, periodic discussions were held with correspondents on their reporting — Sapa.

BUSINESS DAY,

Equities bearish for now — expert

BDay 28/4/90

(232)

LINDA ENSOR

THE short-term outlook for equities seemed bearish, Old Mutual investment chief Johannes van der Horst said in Durban yesterday.

Speaking at the annual congress of the Pensions Institute of Southern Africa, Van der Horst said the slowdown in earnings growth and continuing high interest rates carried a downside risk for equities, especially gold shares, which looked expensive.

High interest rates made the opportunity cost of investing in equities very expensive and, said Van der Horst, share prices could come under some pressure as interest rates were expected to remain high for a while.

"With the economy likely to slow down further, company profits are expected to come under pressure, which may lead to a weakening in share prices.

"However, we don't expect the downswing to be as severe as it was during the mid-1980s," he said

Other bearish factors were continued political uncertainty and high levels of labour disruption

Finally, Van der Horst said, severe declines in vulnerable world markets, particularly Japan, were possible and — if they occurred — could flow over to the SA market

However, there were several bullish factors balancing the negative trends.

SA appeared to be under better fiscal and monetary management, improving the prospects for economic growth.

"Another positive factor is that the SA market is not expensive by world standards," he said.

"Institutional cash flows, expected to reach R25bn in the current year, continue to grow strongly and serve to underpin the market. To this must be added any new investment in equities by government and quasi-government pension funds."

Van der Horst expected the new investment regulations to result in most pension funds increasing their equity exposure over time, lending support to the market.

The single most important variable was the rating of shares.

"We will have to see whether we have entered an era of higher p e ratings in line with international markets, or whether history will repeat itself and the market be derated."

Guidelines

Our Durban correspondent reports that the rules governing how pension and retirement annuity funds could invest their money came under fire from Van der Horst.

He said the system should provide that actuaries and fund managers be given the responsibility to decide where the money should go, rather than be regulated by rules or guidelines made by the Registrar of Pension Funds.

Since the prescribed asset rules were changed last year to provide for maximum investment limits, the industry had had to work to certain ceilings and there were some serious flaws, Van der Horst said.

SunBop share drop reflects political uneasiness

Sel 20/4/90 104 732

By Jabulani Sikhakhane

Continued uncertainty about the political future of Bophuthatswana, the unrest situation and labour problems at Sun City continue to dog the fortunes of Sun International Bophuthatswana.

SunBop's share prices has dropped by almost 89,28 percent from R26,50 at the beginning of February to R14,00 yesterday.

An analyst said yesterday that the whole thing is related to politics, adding that newspaper reports in the last few weeks have fuelled expectations of a take-over in Bophuthatswana.

Although SunBop says hotel occupancy is running well over 80 percent, another analyst pointed out that real money in SunBop is made in the casinos and not the hotels.

A spokesman for SunBop said yesterday that the market perceived the share overpriced at R28. He said there has been some concern about safety on the roads, not only in Bophuthatswana but the rest of the country.

He added that SunBop's occupancy rates haven't been materially affected, but there has been some weakening in the number of day-trippers. Sun City has been advertising an alternative route from Johannesburg to attract more day visitors.

A drop in day-trippers means a drop in revenue and rising costs, which might squeeze SunBop's profitability. Costs in the casino business are very much fixed, with labour accounting for a very large share. The unions are reportedly planning labour action at Sun City to press for higher wages.

If this happens, the analyst said, Sunbop's earnings growth could slow down to between 10 and 15 percent.

Sunbop's R1 billion expansion programme could further depress the share price as many analysts believe the group will have to opt for a rights issue to finance the developments.

Management denies this argument and says that cash flows and limited borrowings will be sufficient to cover the cost.

Gencor lifts stake in Liberty offshoot

THE R368-million raised by Gencor investment arm Genbel late last year has not been left to burn a hole in the company's pockets.

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S/Times 22/4/90

Genbel has paid R341-million through the financial rand for a strategic 6,3% stake in Donny Gordon's high-flying offshore company, TransAtlantic Holdings PLC

By Ian Smith

The investment adds to Genbel's drive for rand hedge investments and provides a nucleus for the group's international expansion

Genbel managing director Anton Botha, who enthuses about the direction in which Genbel is moving, says "It is a strategic investment for Genbel because in one move we have streamlined our offshore investment portfolio by acquiring a meaningful minority stake in an international investment company with excellent growth prospects"

It also underlines the fact that Genbel is different from most other mining-house investment arms It is not prepared to sit while dividends roll in Genbel is mixing it in the market place

Exposure

Gencor has been a shareholder in TransAtlantic since 1982 and through its 8,3% stake in the company it has board representation Genbel's entry gives the Gencor group a 14,6% holding in TransAtlantic

Genbel has a portfolio of largely resource-based investments with an asset value of more than R3,5-billion, and it is a large contributor to Gencor profits

It has steadily reduced its exposure to gold investments and last year it raised R298-million by a rights offer and R70-million through a preference share issue

At the end of the first half-year on December 31 it was sitting on R113-million in cash awaiting "suitable investment".

Diverse

The TransAtlantic deal has been done through Genbel's purchase of 12,83-million convertible preference shares at £4 each The shares, which carry a net dividend yield of 6% (8% gross yield), are convertible into ordinaries one for one at Genbel's discretion

Genbel helped to finance the transaction by selling foreign assets which have performed "less than satisfactorily" recently

These assets were valued at R37,5-million in the latest annual report They mainly consisted of a diverse portfolio of primarily US-listed gold and financial mining shares

Mr Botha says "The stake in TransAtlantic means Genbel has an investment of sufficient size and growth potential to become the nucleus of our international expansion

"Instead of having unfocused and underperforming investments abroad, we now have a high-value investment with a critical mass which we could use as a base if we decide to invest in other non-South African projects

"A large asset like this in London also improves our credit rating with the international banking community"

Mr Botha has "enormous regard" for Mr Gordon's ability Under his guidance TransAtlantic has grown into an investment holding group with assets of more than £1,5-billion

Its major investments are a 71% stake in Capital and Counties PLC, the major UK-listed property development company, and a 28,9% stake in Sun Life Assurance PLC

Growth

TransAtlantic has consistently outperformed the Financial Times 100 index and other indices

"I don't think we have seen the end of the growth," says Mr Botha

Compound annual growth in net asset value in the past five years has been 12% Compound annual growth of earnings was 17%

"With a performance like that we expect our investment in TransAtlantic to make an impact on Genbel's growth," says Mr Botha

The TransAtlantic holding represents about 9,6% of Genbel's net assets and it will not have any immediate effect on Genbel's net asset value Neither is it expected to have any meaningful effect on the company's earnings a share in the next couple of years

Mr Botha says the deal is a good example of how well Genbel's symbiotic relationship works with parent Gencor

"We see ourselves as Gencor's funding partner, able to support our parent in some financial transactions"

Another example of the way this works is in Engen, which is being listed through Trek Beleggings Genbel was able to pick up 9% of Engen for about R10 a share because of the Gencor relationship Trek shares traded this week at R26

ANTON BOTHA: portfolio streamlined Sue Kramer

DIAGONAL STREET

One-man band NCI comes to market

S Times 22/4/90 (232)

NEW Company Investments has been granted a listing for 279,9-million shares on the JSE's Venture Capital Market.

It becomes the third listing in a sector established to promote the development of small, unproven businesses

No money will be raised because the company already has a spread of shareholders, no borrowings or liabilities, and current assets of R4-million

FLEDGLING

The net asset value of NCI, according to the prospectus, is 1,6c a share This is projected to climb according to differing criteria by 1993 it could be worth a pessimistic 10,1c a share, or 43,4c a share if the underlying assets are valued at 10 times projected earnings

Founder Mike Clarke established NCI in 1987 as a means of investing in fledgling businesses with promising prospects

Shares were issued in NCI at varying prices Some were at 85c, others at 95c Later, shares of 5,5c, 7,5c and 10c were issued, yet more at par of 1c There are 2 200 shareholders

NCI says that a spread of investments is made in order to cut down the effects of a business turning bad

The portfolio comprises stakes in McGregors Online Information, Analytical Systems, Novacom Technics, Glynn Bells Lovely Lady, FCC Chlorine Ventures International and Independent Publishing Corporation

The companies are in, respectively, furnishing computerised business information, SA manufacture of Astec personal computers, manufacture of repair products for the mining industry, skin-care products for blacks, water-purification plants and niche-market publishing

The ultimate plan is for NCI's investments to grow to such an extent that they can be listed, or NCI's shareholding otherwise sold, at large profit

Each venture must have good management, must not be of a "frivolous" nature, and should be innovative, says the prospectus A venture should be able to grow at a compound annual rate of at least 40% a year

NCI does not expect to pay dividends for the foreseeable future

The prospectus includes a clause on risk factors, conceding the fact that NCI is over-reliant on Mr Clarke.

But he has signed an agreement to lead NCI for five years A restraint of trade has been agreed on Other management is being groomed

After the listing, NCI directors will own 24%, or 66-million shares, and the public 213-million Mr Clarke owns another 56-million convertible A ordinary shares which will not be listed

They will be converted when the NCI share price reaches various levels When it averages 50c a share over three months, they will all be converted But if Mr Clarke leaves, they will not be converted, nor will they be if the ordinaries do not exceed the prescribed levels within seven years

INCENTIVE

It looks like a management incentive

Since nearly 4-million shares have been issued at 85c or higher, there are bound to be a few stale bulls holding NCI scrip and looking for an opportunity to exit. The cover of the prospectus warns that NCI is a speculative investment.

Under these conditions, the shares hold little allure for the conservative investor

Consul sells bag, sack division

CAPE TIMES. 23/4/90 232

CONSOL Plastics' bags and sacks division has been sold to Johannesburg-based Worldwide Holdings (Pty) Limited for an undisclosed sum.

Dave Spindler, MD of Consol Plastics, said that negotiations were concluded between Consol and Worldwide's chairman, Howell Hutchings, on April 18, 1990 to the satisfaction of both parties.

The bags and sacks company, previously known as Paktex (Pty) Limited, will again be known by that name. Arrangements to make this change will begin immediately after April 23, 1990, the effective date of the sale.

Discussions with the trade union SACTWU have been ongoing for many months.

Hutchings becomes the new chairman of Paktex and Rod Allison its new MD effective today. Allison will take up office immediately — this being the only change envisaged to the existing team.

Rod Allison is a graduate mechanical engineer who was previously MD of Highfield Bag, and technical director of its holding company, Blue Ribbon, in Zimbabwe. As such, he has 12 years' experience in weaving and yarn manufacture.

Paktex is well known in its field as a leader and has pioneered many innovations in the woven sack business over the last 5 years.

The latest in this long list is the Torii jute replacement bag, which was accepted and approved by the maize board some time ago. It enjoyed a very successful commercial introduction to the market during the last maize season.

Consol Plastics recently announced its intention to narrow down its field of activity and focus more closely on rigid platics markets whilst retaining certain strategic interests in flexibles.

The sale of Paktex therefore furthers this refocusing exercise and will make more senior management time available to attend to the development of Consol's major investments in new technology rigid packaging, including in-mould-labelled and security packaging, carbonated beverage packaging, speciality closures and high technology flexibles.

Iscor and banks at forefront of slide

MERVYN HARRIS

FISHING, bank and Iscor shares were in the forefront of sliding prices on Friday to bring the decline in the JSE overall index to 9% from its month-ago record high of 3 399 to 3 093 (232)

Despondency overhanging the market was deepened by the poor March quarterly results of gold mines in the Anglo fold but dealers said trading was trendless rather than characterised by meaningful selling

Bert de Klerk, of stockbrokers Meades, De Klerk Inc, said: "The market has been drifting lower on small volumes and this could continue if the gold price does not rebound

"There has been more selling than buying from overseas investors as reports of the violence in SA could be creating uneasiness among foreign investors

"But the decline in share prices has resulted in a lot of buying opportunities at the lower levels," he said.

For the second time since its November listing, Iscor fell to its issue price of 200c before finding support and closing at 203c The shares were dumped by some unit trusts in the March quarter and the offloading showed little signs of abating

BDay 23/4/90

Dealers lose out over ADR delays

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SOME JSE stockbrokers who trade in American Depositary Receipts (ADRs) with the US have locked horns with US settlement banks over costly settlement delays

This was reported from New York in the latest issue of The International Digest, a financial newsletter.

US citizens normally trade foreign shares in the form of these receipts, which are securities issued by a US bank against a number of foreign shares held in its depot.

When the receipt is ultimately cashed in — or cancelled — the issuing bank has to deliver the scrip.

First National Bank, the largest SA bank handling these receipt transactions with US settlement banks on behalf of JSE brokers, has confirmed there have been problems with lengthy settlement periods.

According to the report, these delays have left brokers waiting for up to four weeks for delivery of stock.

The process normally takes a week at most.

Some brokers have found themselves "thousands of dollars out of pocket" as a result of high interest costs on the money borrowed to buy-in the stock. Net losses have been registered on certain trades.

Luigi Wright, chief manager of FNB's JSE branch which handles ADR trades for a number of JSE brokers, said on Friday the loss estimates cited in the newsletter were not wide of the mark. Requests for compensation were normally turned down. BDay 23/4/90

A spokesman from stockbroking firm Ed Hern said if the normal settlement period was exceeded, it was easy to go into the red because of the fine margins on such trades

"We have lost a bit of money on late settlements, but the sums were not significant," he said

Wright said the key issue behind the settlement delays was a shortage of scrip as a result of the pattern of net sales of SA shares by US citizens over the past 18 months.

Mooted Arwa sale probed

LIZ ROUSE

THE Competition Board has announced it is to investigate whether Hunts is to take over Arwa Hosiery and to what extent the controlling interest will be. (232)

In a statement on Friday the board said: "In particular, comments are invited in respect of the impact of the transaction on competition as well as on the public interest.

BDay 23/4/90

"As far as the latter point is concerned, the presumption exists in the Act at present that the transaction must be regarded as being in the public interest unless information is forthcoming which shows that, on balance, the transaction does not serve the public interest."

Hunt's wholly owned subsidiary Burhose will capture 99% of the total pantihose market if the proposed purchase of the Arwa hosiery operation from Tollgate Holdings Group (TGH) gets approval.

A price of about R35m has been put on the deal.

Some major retailers have expressed opposition to the takeover, including Checkers group MD Sergio Maringo and Pick 'n Pay's Raymond Ackerman on the grounds that a monopoly would inhibit competition and lead to higher prices.

Burhose SA's brand names are Cameo, Escort, Activ Alive and Christian Dior. According to MD Allan Falconer Burhose now holds 70% of the SA hosiery market of close to 80-million pairs of pantihose a year.

Genbel tops up its offshore interests

B Day 23/4/90 (232)

BARRY SERGEANT

SANLAM associate Gencor has increased its stake in Liberty Life-controlled, London-listed Transatlantic to 14,3%, worth about R775m, in a deal announced by Gencor associate Genbel at the weekend

The deal, approved by the Reserve Bank, marks a significant increase in Genbel's offshore interests

Financial services group Transatlantic, the creation of Liberty's Donald Gordon a decade ago, includes in its directorate Derek Keys, also a director of Genbel and Gencor executive chairman

The deal marks a significant change in investment policy for Genbel, a departure out of a portfolio totally dominated by mineral resources

Genbel's stated mission is to maximise shareholders' wealth by its close association with Gencor, "being a major participant in the mining and resource investment markets, and the development of its mineral rights"

Genbel MD Anton Botha argued that the Transatlantic investment was "consistent with Genbel's philosophy of participating in Gencor group projects" He said the deal had been structured "by disposing of a rather diverse portfolio of offshore assets which have performed 'less than satisfactorily' "

Genbel's latest disclosed list of investments indicates foreign holdings worth less than 2% of its portfolio The acquisition in Transatlantic represents 9,6% of Genbel's investments

In the latest deal, Genbel acquired 6,3% of Transatlantic for about R341m, effective from tomorrow Genbel had R113m in cash resources available at end-January; the source for funding the balance of the price has not been disclosed.

Transatlantic records its business as the making of selected strategic investments with long-term potential in the insurance and real estate sectors and in other fields related to the financial services industry Its total assets were valued at £1,5bn on December 31; its two major investments are 71% fully diluted in Capital and Counties and 29,8% in Sun Life Assurance, property developer and life assurer, respectively

Transatlantic's earnings have grown from 8,06 pence per share in 1985 to 17,50 pence per share in 1989. On December 31 Liberty Life Investment Portfolio's most valuable stake was R1,7bn in Transatlantic, 9,5% of its portfolio At that date, Liberty's largest stake in a mining house was Gold Fields (R910m), followed by Anglo American (R604m), Gencor (R317m) and JCI (R245m) At end-January Genbel's investments were worth about R3,7bn

Genbel's latest annual report to June 30 shows its investment portfolio's worth at R2,3bn Investments ranked by value were

☐ To Page 2

Genbel

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☐ From Page 1

dominated by gold producers (32%), the most valuable being R176m in Kinross and R158m in Winkelhaak Both mines have just produced fine results in a generally depressing March quarterlies outcome

Genbel's most valuable investments after gold producers, in order of rank, were mining financial, platinum, financial commerce and industry, energy, diamonds and exploration However, its single biggest investment was R326m in Impala Platinum

Genbel's interim results to end-December disclosed that the most significant transactions for the period (when Genbel had raised about R370m in new equity), were stakes or further stakes in Unisel, De Beers, Samancor, Rusternberg Platinum, and Anglo American

The interims said Genbel used R229m of new equity funds to expand investments in qualify mining and resource industries "The company still holds about R113m in cash which is available for suitable investment," said the interims

Takeover bid badly handled — Relly

Cape Times 24/4/90

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By BARRY STREEK
Political Staff

THE takeover bid of Consolidated Goldfields by Anglo American's European flagship, Minorco, was not handled very well, the retiring head of the corporation, Gavin Relly, has admitted.

He agreed that anti-South African sentiment played a role in the Minorco business.

"It is very difficult to avoid coming to that conclusion and I don't think we handled it very well

Image

"It might have been a different deal if we had been looking at it now," Relly said in an interview in the latest issue of Leadership

Asked what his role would be as Anglo's "roving ambassador", he replied. "Essentially, the Anglo American group needs to re-establish its image overseas

"SA's years in the wilderness have obviously had their impact on Anglo.

"The group is nothing if not South African, and we ultimately have to be part of the expression of whatever SA is.

"Now that Mr De Klerk has started clearing the political logjam, we can begin clearing the logjam of foreign perceptions of us as a mining group

"It is envisaged that I should play this role particularly in Europe, historically the main source of Anglo American's financing

"So I will spend more time over there talking to people, as well as in our newly re-established Anglo American office in London," Relly said

In the same issue of Leadership, the new head of Anglo, Julian Ogilvie Thompson, said De Beers' relocation of its headquarters "obviously" did not indicate any lack of confidence of the situation in SA

De Beers had worked on the relocation of its headquarters "long before the developments of the last months came through".

Responsibility

"This is really a reflection of reality As a board, our duty is to our shareholders

"In De Beers and the diamond business we believe we have a responsibility, in addition to the shareholders, to the diamond industry as a whole

"With an increasing proportion of our profits coming from outside SA, it seems sensible to separate the companies but to have the internal and external groupings stapled together, still working through the same board of directors," Ogilvie Thompson said

Krugerrands

JSE Closing

Buyers Sellers Sales

Aurochs seals deal for Crest purchase

CHARLOTTE MATHEWS

THE long-awaited outcome of negotiations between Noristan Holdings and Aurochs on one side and Citizens Holdings and Crest on the other culminated in today's announcement of Aurochs' R7,2m purchase of 100% of Crest Holdings

All four are in the FSI group

In terms of the transaction Crest shareholders will receive R46,50 in cash and nine Aurochs shares for every 100 Crest shares held. Aurochs shares will be listed and allotted at 650c a share

Once the transaction is completed Crest will be de-listed.

Noristan MD Hugo Snyckers said yesterday the acquisition was in line with policy of changing subsidiary Aurochs' focus from property to health care

Aurochs is selling its property subsidiaries to Hunts before the end of June, which will leave it with R12,5m after the purchase of Crest

"Crest is a leading distributor of medical equipment to state and private hospitals," Snyckers said. (232)

"It is our intention to further develop the Crest businesses together with the existing management of Crest."

He said finalisation of the transaction depended on the major licenser represented by Crest agreeing to the transaction and to the transfer of its licensing and distributorship agreements

Crest is 70,6% owned by its directors, 9,3% by the public and 20,1% by Citizens. Citizens in turn is 55% held by W & A. B Day 24/4/90

After the transaction Citizens will hold 124 270 shares in Aurochs and R4,8m in cash If it does not identify a suitable investment opportunity before completion of the sale of its Crest holding, Citizens will become a cash shell and its listing will be suspended.

Star 24/4/90 (232)

Cape businessmen seek Soviet deal

By Tom Hood

CAPE TOWN — A two-man delegation from Cape Town flew to Moscow over the weekend in a bid to export a variety of consumer goods to the Soviets.

The businessmen are Zhaun Amid, managing director of the Zhauns group of companies, and his partner Nicky Sevim.

Mr Zhauns is best known as a textile wholesaler and retailer with 30 stores and growing — and probably the country's largest textile chain.

The group was approached by a Russian company looking at the possibility of importing a large variety of goods to the Soviet Union, said Mr Amid.

"The Russians visited South Africa and the Zhauns group had high-level meetings with businessmen in various walks of life here and lots of samples have already been forwarded to Russia."

Foreign goods are scarce in the Soviet Union and are normally sold in special tourist shops for American dollars or other hard currencies. The low rand exchange rate could give the Russians more South African goods for dollars than they could buy in Europe.

The two men left after finalising a multi-million-rand deal by which the Zhauns group took over the Revelation Manufacturing Holding group, including the former Rennies Luggage, from Picardi Properties

Other companies taken over are Invincible Sports, Super Springbok and Mitre Balls.

Remaining in Picprop are Logans Sports, Sechnic and various properties including cash.

The acquisition makes the Cape-based Zhauns one of the country's largest luggage manufacturers and distributors.

Its newly acquired luggage division will add Revelation lines to its Club Luggage and top-of-the range Samsonite products.

Mr Amid and his partner in the Club group Nicky Sevim said: "A special export division has been established in Zurich with Swiss partners who will be handling the Middle East and Eastern Europe clients."

The has diversified into property, watches, finance, electronics, television, luggage, sports goods and a travel agency.

Zhauns started in 1950 as a one-man textile retailer and has grown into a multi-million-rand diversified empire.

Mr Amid said Zhauns would not be doing a reverse takeover with the listed Picprop nor would it be seeking a listing on the JSE at this stage.

Noristan acquires Crest

Star 24/4/90

By Jabulani Sikhakhane

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Noristan Holdings has reached an agreement in principle for its subsidiary, Aurochs Investment, to acquire 100 percent of Crest Holdings for R7,2 million, which is the equivalent of 105c per share. Crest's share price closed at 85c yesterday.

The acquisition is in line with the policy to change the nature of Aurochs' business from that of a property company to one operating in the health care industry.

The finalisation of the transaction is subject to the major licensor, which is represented by Crest, agreeing to the transaction and transferring its licensing and distribution agreements.

In terms of the transaction, effective from October 1 last year (the beginning of Crest's current financial year), Crest shareholders will receive R46,50 in cash and nine Aurochs shares for every 100 Crest shares held. Aurochs shares will be issued and allotted at 650c each and the listing of Crest will be terminated on completion of the transaction.

Aurochs, which will own 100 percent of Crest, will have cash or near cash of R12,5 million from the sale of its property subsidiaries by no later than June 30 1990 to Hunts (an FSI company) for R15,7 million

Citizens (a 55 percent subsidiary of W&A), which owns 20,1 percent of Crest, will hold 124,270 shares in Aurochs and cash resources of R4,8 million If no suitable investment opportunity for Citizens is identified before the completion of the sale of its holding in Crest, Citizens will become a cash shell and its listing will be suspended.

COMPANIES

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Interest rates start to bite for Malbak

Mday 25/4/90

BRENT MELVILLE

THE six month performance of Malbak shows Gencor's diversified holding arm has finally started feeling the pinch of interest rates and tougher trading conditions.

Executive chairman Grant Thomas said the results could be regarded as satisfactory in view of the fact that Malbak was reporting on a half-year of which all six months were affected by recession.

This was reflected in the level of interest payments, on borrowings of R1bn (R832m), which slashed R91m (R61m) from operating income of R335m (R277m) — a 21% improvement Turnover was up by a commensurate amount to R4bn (R3,3bn).

Last year Malbak's borrowings permanent capital ratio decreased from 61,7% at the half year to 48,1% by year-end With it now at 61,6%, Thomas figured on a gearing closer to 48% than 62% by August.

Operationally the group's five major divisions — out of seven — have upped their contribution to attributable earnings to 98% (92%) of the R111m (R101m).

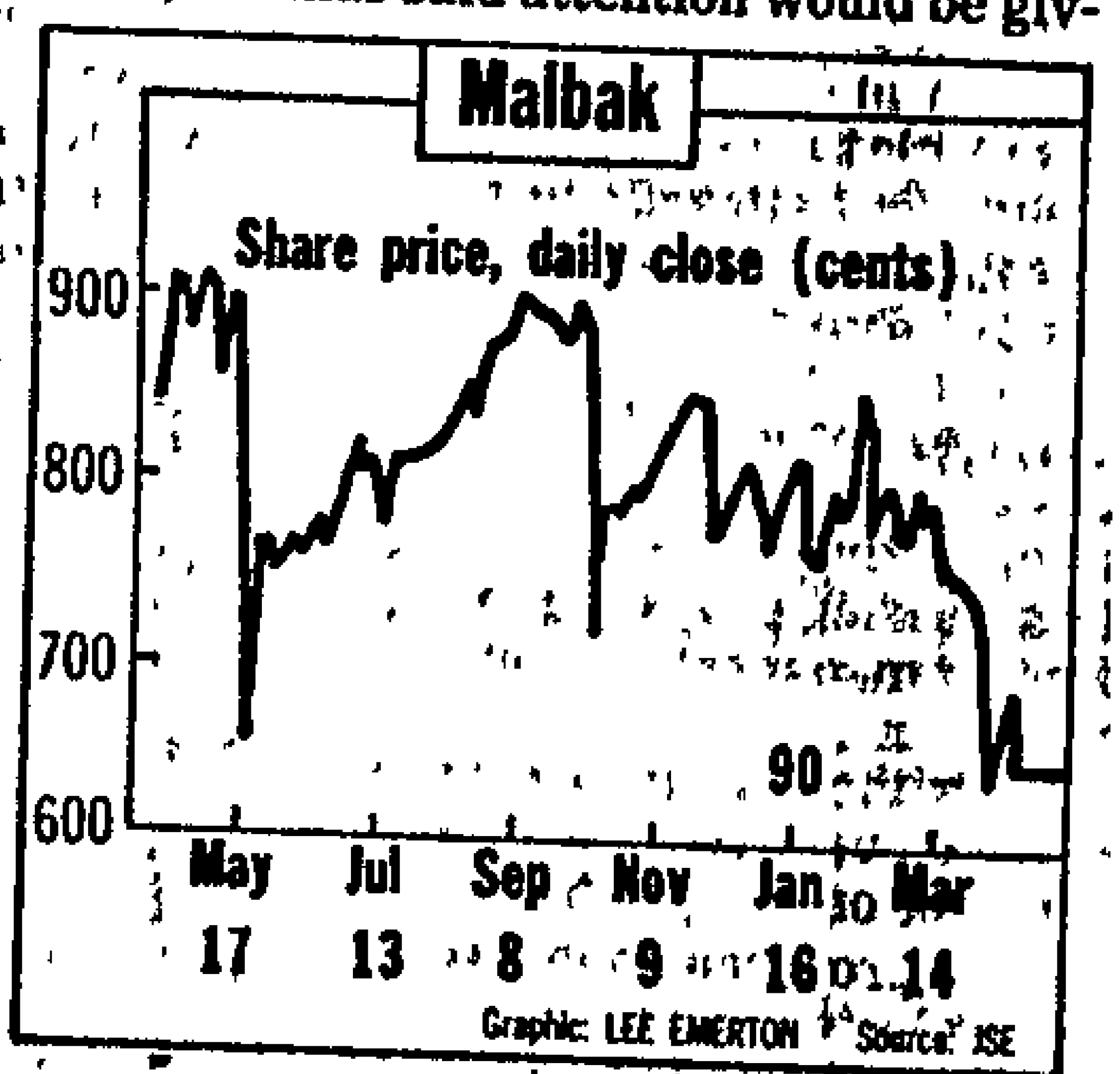
Thomas attributed the stagnant performance in the Development division and poor International division results to Protea Pharmaceutical — adversely affected by reduced government spending and operational problems — and Medical Supplies, which was hit by operational and relocation problems experienced by UK based M Y Holdings.

Of the major contributors, Holdains bolstered its contribution to total earnings to 24% (22%), or R26m (R23m). Engineering and mining supplies (Standard Engineering and Haggie) improved its donation to 21% (20%) or R23m (R20m) with Food, in the form of Kanhym, adding R17m (13m) — or 15% (13%) of total attributable profits.

The Construction supplies division, on the back of solid Darling & Hodgson results, improved most, upping its stake to 17% (14%) or R19m (R14m).

The largest single contributor was still the Branded Consumer Products division which added a full R31m (30m). Thomas was happy with the performance in view of recent measures to reduce demand.

Although Malbak has been traditionally focused on rapid expansion through acquisition, Thomas said attention would be given to organic growth over the short term. He said, however, acquisitions would be considered when prices were likely to be cheaper in 18 to 24 months time.



"In addition we are looking to getting our borrowings as low as possible."

A possible feature next year could be the merging of Malbak and Malhold to increase the marketability of shares.

"Malhold was created virtually by accident and there is little reason for its existence except that at present it would cost us R10m in stamp duty on transfer of shares to merge the two," Thomas said.

French company taken over

EDWARD WEST

IMS Process Plant has acquired Aquazur, an SA subsidiary of one of the world's largest water treatment companies, the French company Degremont

IMS CE Allan Whittaker did not want to announce the purchase price of the acquisition yesterday, but said the move was an expansion of its process related services in water treatment activity

IMS is a supplier of process technology and equipment to the mining, steel, chemical, petro-chemical and food processing industries

It had been involved on the fringe of water treatment activities for a number of years, but the addition of Aquazur, which would operate as a separate subsidiary, would bring a broader range to IMS activities, he said.

(232)

Minaco to be listed on the JSE today

B/Day 25/4/90 (232)

EDWARD WEST

MINACO Granite and Marble, with assets of almost R100m, is to be listed on the mining — metals and minerals sector of the JSE today under the abbreviated name Mingran.

This follows the successful placement of 189 200 linked units, each of which consisted of six ordinary shares issued at 175c a share, plus five 17,5% unsecured convertible redeemable debentures at 215c each, at a subscription price of R21,25 a unit

The JSE granted the listing of 28 482 479 ordinary shares and 946 000 convertible redeemable debentures, the company and sponsoring brokers Frankel Kruger and Vinderine said in a statement to Sapa

From April 25 1989 to end-December 1990, earnings of 12,1c a share and an 8c dividend in real terms were expected, equal to an earnings yield of 10,3% and a dividend yield of 6,9% on the issue price on an annualised basis.

In the year to December 1991, earnings a share were forecast to rise to 47,9c and the dividend to 32c a share, giving an earnings yield of 27,3% and a dividend yield of 18,2% on the issue price in real terms

For 1992, real earnings a share of 47,9c and a dividend of 31,9c a share were targeted to sign an agreement "on the implementation of the rights contained in the proposed amendments for so long as these rights have not been given legislative effect."

Final liquidation for Epigro

SUSAN RUSSELL (232)

A COMPANY that had failed to account for money it obtained from investors on the strength of a proposed JSE listing was placed under final liquidation in the Rand Supreme Court yesterday. B/Day 25/4/90

The application for the winding up of Epigro Mining & Exploration Company Ltd was brought by David Broad who has a R230 768 claim against the company. In an affidavit he said attorney Roy Sellers had informed potential investors in writing of the listing.

"No moneys raised from the public have been accounted for and no financials have been drawn up by the auditors of the (company)," he said.

Broad said he had obtained an order for provisional sentence for the amount Epigro owed him.

However, when the Deputy Sheriff tried to serve the warrant of execution issued he was not able to locate any assets at the company's registered office and was told by Sellers the company had no assets.

Broad said a letter sent to shareholders and signed by Sellers, Cecil Holmes and Theo Tromp contained information which appeared to contradict this assertion.

NATAL UNREST DEATHS

September 1987 — January 1989:	668
February 1989 — April 23 1990:	936
Past 24 hours' official toll:	3
TOTAL:	1 607

Quality Tyres to cost Malbak R45m

232

BRENT MELVILLE

THE gross cost to Malbak of liquidated Quality Tyres had been pegged at R45m plus the group's original investment, Malbak directors said yesterday.

In addition, the group had written off its 41% investment in Quality to the tune of R18m, they said. BDay 25/4/90

Malbak financial director Peter Beningfield said the 31c in the rand offer accepted by Quality Tyres creditors in open tender translated into a gross cost to Malbak of R45m. The company was placed in voluntary liquidation last December.

Beningfield said, however, that after

□ To Page 2

Malbak

BDay 25/4/90

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□ From Page 1

realising certain of Quality's assets at better than purchase value, the final cost should be reduced by the over-recoveries in surplus assets, stocks and debtors and should be closer to R25m

He estimated that at the time of purchase total debtors were worth about R28m, though allowances had been made for some of the more "dodgy" ones, he said.

Beningfield added that Quality was having no trouble with its suppliers "They have appreciated that Malbak did not have control of the company."

At its peak last year Quality Tyres was the second largest new tyre distributor and retreader in the country

● See Page 13

Court winds up mining company

5tn 25/4/90. 232

Epigro Mining and Exploration Company was yesterday wound up in the Rand Supreme Court.

Mr David Broad of Sandton Village, Paulshof, said the company's managing director, Mr Roy Sellers, had said in writing that Epigro's shares would be listed on the Johannesburg Stock Exchange.

As a result, substantial sums of money had been raised from members of the public who were now concerned about the fate of their investments.

After Mr Broad instituted action against Epigro, he was inundated with calls from worried investors.

He said money from the public had not been accounted for.

The rule nisi granted by Mr Justice J C Kriegler on March 27 was confirmed yesterday by Mr Justice F C Kirk-Cohen. — Court Reporter.

Strong contribution from Mobil . . .

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Gencor lifts earnings, div

Cape Times 26/4/90

Own Correspondent

JOHANNESBURG — Gencor's Mobil has declared a maiden dividend, allowing a R106m turnaround in Gencor's energy division at the interim stage

The declaration has enabled newly created energy giant Engen, which houses Mobil, to contribute 13% of Gencor's attributable interim profits

The Mobil acquisition at a cash cost of R650m became effective July 1 1989 Analysts said its strong contribution at the Gencor level underpinned Gencor's skills in transacting profitable acquisitions

At the group level, Gencor increased earnings and dividends per share by 29% and 17% to 60,1c and 14c, respectively, for the interim six months to February 28

Executive chairman Derek Keys said "Results for the second six months are accordingly likely to be lower than the interim results

"Earnings per share should nevertheless be above those for last year"

Keys added that commodity prices had dropped throughout the interim period

Earning increased 55% to R707m, diluted at the earnings level by Gencor's rights issue Keys says the bulk of the cash raised through the rights issue is still at Gencor's disposal

Gencor is a major diversified group with interests in Genmin (14 gold mines, metals and minerals in Samancor, platinum in Impala and coal in Trans-Natal), forestry products (Sappi), industrial holding (Malbak), mining finance and investment (Genbel) and energy (Engen)

Genmin remained the major contributor to attributable profits (41%), followed by Genbel (24%), Sappi (22%), Engen (13%) and Malbak (8%) Genbel's contribution was a striking 128% increase on the year before, while Engen's R91m contribution was via a maiden Mobil dividend

Samancor contributed R211m or 73% of Genmin's net R288m

Keys says depressed base metal prices will, however, have an adverse effect on earnings in the second half of the financial year

The increased earnings from metals and minerals includes a contribution from Alusaf for the first time

Platinum's contribution to Genmin was marginally up at R33m

Exploration expenditure under the Genmin umbrella was static at R53m

In the interim period, Gencor announced the new Weltevreden gold mine, and concluded a major platinum deal with Lonrho by acquiring a significant stake in Western Platinum

It also spent R345m in increasing its stake in heavyweight developing OFS gold mine Oryx, and created diversified energy giant Engen

Within months Genmin is expected to announce details of a R1bn rights issue for continued financing of Oryx

Keys says lower levels of demand are likely to have a negative effect on Sappi's and Malbak's earnings growth

However, analysts said the group was soundly poised in difficult markets

The balance sheet reflected R450m long-term loans against assets with a market value of R17,7bn

Gencor is trading at a substantial discount to net asset value per share, which rose 42% over the 12-month period to 1 462c

Conference speakers include Mr James Mndawení (left) and Dr Sam Motsuenyane.

New mine, energy firm boost Gencor's wealth

Sowetan 27/4/90

232

MAINTAINING its dynamic pace, Gencor posted a 55 percent increase in attributable income and pushed up the interim dividend by 17 percent for the six months to February.

Financial statements released on Wednesday show that attributable income rose to R707m (R456m), which translates into a 29 percent increase in earnings a share to 60,1 cents (46,5 cents).

The interim dividend is 14 cents compared with the previous 12 cents.

During the six months Gencor announced a new gold mine, the Weltevreden, obtained a significant stake in Western Platinum Mines and created a new energy company, Engen

The latter's maiden contribution at R91m means that the energy company earned 13 percent of the group's total attributable income, making it Gencor's fourth largest profit generator.

However, the major contributor to Gencor's profits remains Genmin which provided R288m or 41 percent of the group's R707m attributable income.

Samancor, the metals and minerals division, contributed the bulk or R211 million of Genmin's slice. The increased earnings from metals and minerals includes a contribution from Alusaf for the first time.

With the benefit of high interest rates and rights issue cash raised by both Gencor and Genbel, the contribution made by Genbel and investments division rose sharply and the division becomes the second largest contributor to Gencor's earnings at R169m.

It generated 23 percent of the group's total earnings compared with the 16 percent or R74m last year.

Sappi which contributed 22 percent or R155m of the group's total attributable income, is being affected by lower levels of demand as is the Malbak group of companies

The group's balance sheet has only R450m in long-term loans against assets with a market value of R17 648 million

Executive chairman Derek Keys, however, is more cautious about the second half of the financial year.

"Commodity prices have dropped in the period under review and our second half results are likely to be lower than those now reported. Earnings a share should nevertheless be above those for last year." — Sapa.

ould be contacted.

Star 22/4/90 (232)

Star 25/4/90

Poor-performing operation seeks more cash

Mr Colin Hartley says he is hoping a salvage operation in which about R3 million will be raised from existing investors by offering them options to buy more shares will get his venture capital scheme back on tracks.

Mr Hartley, managing director of Capital Growth Investments, which markets the shares, concedes that Multi Gold and Mazuma Gold Holdings and a number of other Equity Participation Investment (EPI) linked operations have not performed as promised and that large amounts of investors' funds have been left in overseas accounts.

But he says that was "before his time" and he is confident that, if the necessary capital can be raised from investors, a listing on the Johannesburg Stock Exchange will be possible.

But sceptical investors say they are hesitant to put more money into a scheme which, to date, has not shown them any return and has many question marks hanging over it

Too risky A northern suburbs woman who does not wish to be named has invested hundreds of thousands in Multi Gold. She said she was approached by Mr Hartley recently to buy more options in the venture to speed up listing

"I have lost so much already that I dare not risk handing over more money," she told Star Line.

However, Mr Hartley says cash raised under an umbrella organisation, Livingstone Mining and Exploration Company, into which all assets will be passed, is one of the only options investors have.

"If we can get control of a listed company who will take over Mazuma and Multi Gold then these shares will be tradeable," he said this week.

He said Mr Norman Tilley, a director of Livingstone Mining, had taken the controlling interest in EPI from Mr Roy Sellers who has moved away from Johannesburg.

"Mr Sellers is now out of the picture now so shares are not in jeopardy," he claimed.

Mr Hartley agreed that there were still problems with up-to-date balance sheets and prospectuses of the various EPI satellite companies, but he was confident they could be solved.

FM 27/4/90 (232)

NORTHAM (232)

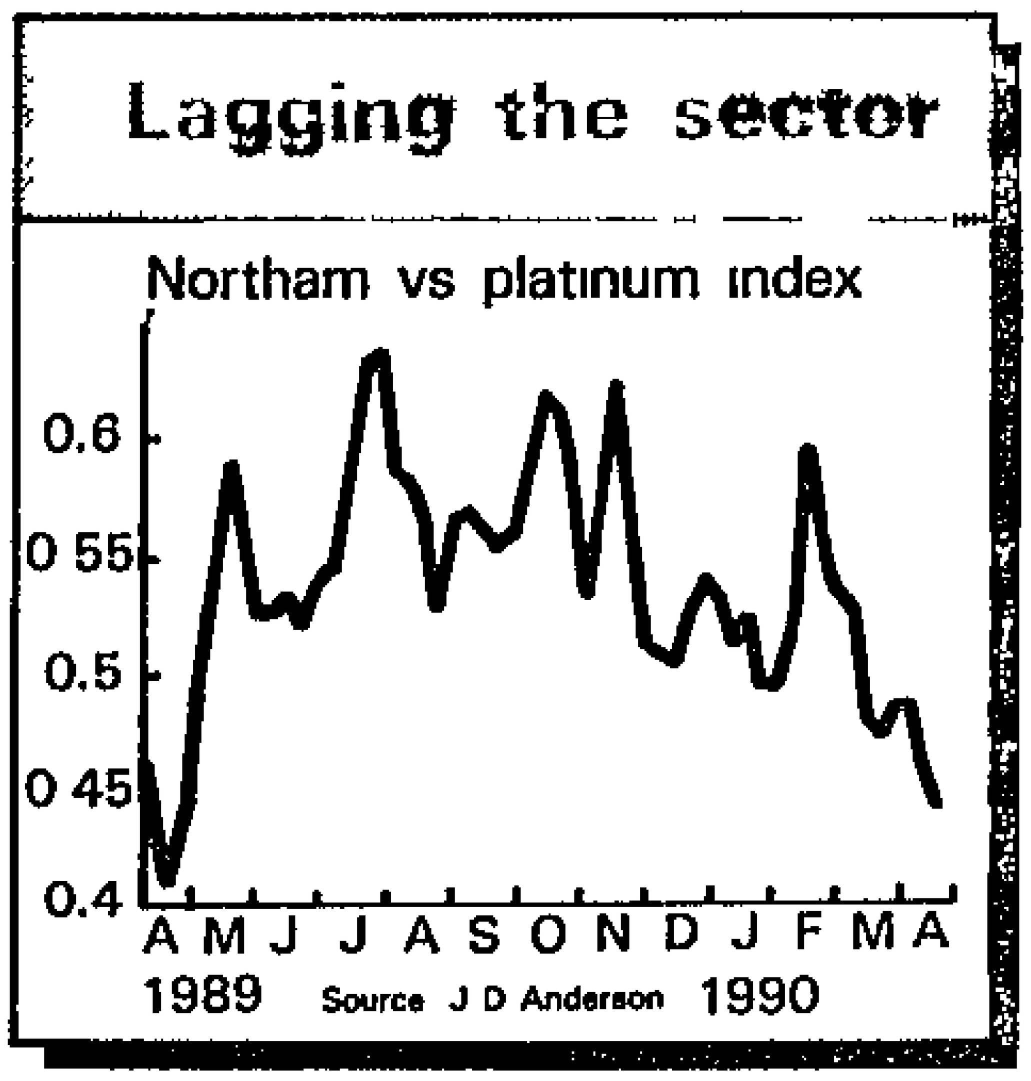
Bottoming out? FM 27/4/90

In the three weeks since Northam delivered its quarterly progress report, the developing mine's shares have fallen by nearly 8% against the JSE platinum index At that time, chairman Alan Wright said R600m would be needed and, though he was not specific on the timing, it now appears the company is targeting a mid-June issue date

This will be the last and largest of three rights issues needed for financing the developing mine — the first raised R256m in April 1987 and the second R274m in August 1988 If the three amounts are discounted at a rate of 16%, they equate to a total of R736m in June 1986 terms against parent GFSA's original estimate of R556m.

The market is clearly concerned ahead of the latest rights issue, but is the extent of the markdown justified? Essentially, nothing much has changed for the company. The total capex requirement is admittedly close to a third more than the original estimate but this should not come as any surprise By June 1988, the overrun was 56% as a result of a more rapid staff build-up than planned, the advancing of some expenses and imported inflation with the rand's collapse

A fairly detailed document released in January ahead of the listing on the International Stock Exchange in London in February revealed that platinum production is still scheduled to start in fiscal 1992, building up



to an annual rate of 250 000 oz by fiscal 1994. Financial self-sufficiency is expected within the first two years from the start-up and a maiden dividend seems possible in the year to June 1993.

There are at least two factors affecting the Northam share price at present Firstly, the market's general nervousness, particularly on the political front, is dissuading investors from looking further than a year out. Shares which are not yet yielding returns are being cold shouldered Secondly, a line of 100 000 shares came on to the market last week which appears to have been fully placed. This volume compares with the past average monthly turnover of 116 000 shares and has obviously had a depressing influence on the price.

The foreign seller has been in the market for several weeks And now his nervousness is no longer a factor, the share price seems well placed to rise.

Northam shareholders should also profit from the rights issue GFSA group companies normally pitch the price of their rights some 10%-15% below the market At the current price of 2 425c, the sell-off seems to have been overdone and the share is probably at a bottom in the present cycle

Gillian Findlay

SAVING ABERCOM

FM 27/4/90 (232)

Shareholders can justifiably be peeved at Abercom's interim plunge into still deeper losses. But the R50m interest-free lifeline loan from Malbak is probably the best deal they could have hoped for.

For the record, in the half-year to February 28, the UK packaging interests pushed the company into an R11,5m interim pre-tax loss against a R3,3m interim profit last year and an R8,2m loss in the second half of fiscal 1989.

And Ian Willis, sent from Kohler to sort out the problems at UK packaging subsidiary MY Holdings, is close to setting things right.

Grant Thomas, executive chairman of controlling company Malbak, makes the best of a bad job. Malbak had three choices: take out Abercom's minorities and risk being accused of buying at the bottom; re-finance Abercom with a rights issue at a time when minorities would be in the dark about future prospects; or provide an interest-free loan. Borrowing in Britain was not a choice. Debt there costs 16,75% and MY had no earnings either to pay the interest or to gain tax advantages.

The loan will be redeemed from the proceeds of a rights issue within two years when recovery is complete. And as the loan is being transferred to England through the financial rands — about £8m reached MY — it can be repaid through the financial rand.

MALBAK FM 27/4/90 (232)

Heading for a fall

Malbak executive chairman Grant Thomas has revised downwards his forecast of earnings for the year to end-August Whereas last October, the projection was for figures "of a similar order," now he expects "a small decline, perhaps 10%"

Thomas believes trading conditions are exceptionally weak and other industrial groups will suffer similar setbacks With these interim figures, which include attributable earnings up 10% and EPS only 4%, Malbak has signalled an end to the expansion embarked upon with the takeover of Protea in 1984 In the past five years, turnover has grown ninefold, from R827m to R7,3bn and earnings fivefold, from 25,9c to 136,1c

The group's half-year began in September and Thomas says it took the full brunt of the post-election measures against inflation and consumer spending. He contends the major divisions fared well in the circumstances Margins were maintained at 8,4% and turnover and operating profit both increased 21% Interest paid was higher by R30m or 49%; gearing was unchanged at 62% despite the write-off of R18m related to Quality Tyres

Strong performances were reported by packaging group Holdains, which contributed 24% (22%) of earnings, engineering and mining supplies 20% (21%), branded consumer goods, especially Ellerines and Malbak Motor Holdings, 28% (30%), and Kanhym 15% (13%) Divisions which declined were development, 4% (7%), due to the effects of bloodletting in the computer industry on ICL and a price war in the chemicals industry which hit Protea, and international with a negative 3% (2%)

Thomas says Malbak's results for March were not good and he doesn't believe the economy will improve this year. The group's earnings usually accrue in a ratio of 45 55 in the first and second halves The tax rate has been held at 33% for the past 18 months but will rise as D&H is moving to a full tax rate and assessed losses are running out in Standard Engineering and Holdains.

Divisions strong in the first half should continue to lead the group The generally cyclical engineering sector is being buoyed by Mossgas, and Thomas expects Standard Engineering to continue reflecting this

Malbak has a patchy record with acquisitions Kanhym did well but the purchase of MY Plc has been a disaster Thomas admits that too much was paid for MY, which is now Abercom's major asset (see "Saving Abercom")

Management envisages no restructurings, acquisitions or other major moves by Malbak in the second half. Holding the ship on course is apparently work enough

The international division is a small contributor to Malbak. The Quality Tyres investment was even smaller but these problem areas have eroded Malbak's share rating Its credibility will improve only when management has convincingly resolved them and shown it can perform as well as other major industrial groups in the downturn

Teigue Payne

MUCH SLOWER

Six months to	Feb 28 '89	Aug 31 '89	Feb 28 '90
Turnover (Rm)	3 314	4 015	3 997
Pre-tax profit (Rm)	216	296	244
Attributable (Rm)	101	158	111
Earnings (c)	54,6	85,6	56,5
Dividends (c)	12,5	18	12,5

Malbak's Thomas . . . facing the downturn

F/M 27/4/90 (232)

RESULTS AND DIVIDENDS

		Pre-tax profit Rm		Percentage change	Earned cents per share		Paid cents per share			Dividends		
		1988	1989		1988	1989	1988	1989	Sector	Amount cents	Register by	Payable about
Allwear	P	3,1	◊3,4	+10	39	◊43	#	▲16	Clothing	▲‡16,00	27 4 90	11 5 90
AT Collieries	D	—	—	—	—	—	250	367	Coal	†132,00	4 5 90	25 5 90
Clicks	P	◊29,5	32,4	+10	◊74	82	◊31,5	34	Retailers	†22,00	25 5 90	8 6 90
Glodina	P	7,7	6,2	−19	39	32	16	12,5	Clothing	†6,50	Recommended	
Hi-Score	P	41,9	57,9	+38	•43	•54	22,14	22,2	Retailers	†15,20	22 6 90	29 6 90
Italtile	P	20,4	25,4	+25	•74	•93	15	18	Building	†12,00	4 5 90	15 6 90
Knights	D	—	—	—	—	—	—	6	Rand & Others	††6,00	11 5 90	15 6 90
Score-Clicks	P	40,9	57,9	+41	•21	•30	9,45	12,18	Retailers	†8,18	22 6 90	29 6 90
Southgo	D	—	—	—	—	—	—	5	Min Hold	††5,00	11 5 90	15 6 90
Standard Engin	I	14,5	35,1	+141	•34	•46	10	14	Engineering	*14,00	11 5 90	18 5 90
Vaaltrucar	P	3,7	2,8	−26	14	16	4,5	5	Motor	†3,00	18 5 90	28 5 90
Witbank Coll	D	—	—	—	—	—	175	210	Coal	*210,00	4 5 90	25 5 90
ZCI	I	$0,62	$0,68	+10	48c	54c	#	#	Copper	—	—	—

I = Interim P = Preliminary # = Dividend passed †† = Maiden final † = Final * = Interim dividend • = Weighted earnings per share $ = US dollar c = US cents
◊ = Annualised ▲ = 14 months ‡ = Annual D = Dividend

ISSUES

		NIL PAID LETTERS					FULLY PAID LETTERS OF ALLOTMENT						PRICES OF LETTERS		
COMPANY AND TERMS	Last day to register	Listing begins	Issued	Listing closes	Last day for splits	Date offer closes	Listing begins	Issued	Listing closes	Last day for splits	Shares listed	Shares issued	Take up price	Price Apr 12 (cents)	Price Apr 23 (cents)
ACREM — Rights issue One new ord share for each ord share held at 40c per ord share	20 4 90	23 4 90	27 4 90	16 5 90	17 5 90	18 5 90					17 5 90	25 5 90	40	—	—
MARLIN — Rights issue 30 new shares for every 100 ord shares and 15 new shares for every 100 9% conv cum red pref shares at 350c per share	12 4 90	17 4 90	20 4 90	9 5 90	10 5 90	11 5 90					10 5 90	23 5 90	350	—	1

Property funds gain from firmer rentals

b'day 27/4/90

232

CHARLOTTE MATHEWS

PROPERTY funds Umdoni and Tamboti have benefited from the fact that a large proportion of leases in their portfolios have been renewed recently or are falling due for renewal shortly

This enabled the funds to benefit from firmer rental levels, property managers Russell Marriott & Boyd Trust MD Michael Hyatt said yesterday

Umdoni raised its dividend for the January to March quarter to 3,80c a unit, bringing the total dividend for the six-month period to March to 7,55c a unit This represented a 10,2% improvement over the 6,85c declared in the six months to March 1989

Hyatt said Umdoni's growth had resulted from annual escalations and much improved rental levels negotiated on leases that fell due for renewal during the past year At the end of the period under review the vacancy level was only 0,7%

Although the fund has invested most of its cash resources in property at yields below current call rates, the forward yield of the portfolio is over 11%

At the end of March, Umdoni had cash resources of R6m for investment and commitments for development in progress of R1,3m

Tamboti declared a dividend of 13,6c a unit for the six months to March No comparable figure was available because the year-end had changed

The fund is currently undertaking the development of the Protea Assurance Cape Town head office The first phase is almost complete and the second is due for completion in April 1991

At the end of March Tamboti had cash resources of R4,9m which were committed to the Cape Town development

Malbak dismisses shareholders' Quality complaint

b/day 27/4/90

(232)

BRENT MELVILLE

DISCLOSURES this week that Malbak was expecting to recoup much of what it paid to creditors of Quality Tyres has prompted allegations by several of Quality's minority shareholders that Malbak had effectively "stolen" the company.

Malbak promptly dismissed the suggestion as ridiculous and completely without foundation Business Day reported this week that the acceptance of the offer by Quality Tyres creditors in open tender translated into a R45m cash payment by Malbak

This is the gross cost of Malbak's open tender offer for Quality's assets, and will reduce as normal creditors and borrowings are brought into the new business

But, irked by the fact that they have been sidelined since Quality Tyre's October 24 suspension, minority shareholders suggested to Malbak financial director Peter Beningfield on Wednesday that all shareholders had not been treated equally and the competitive bid by Tredcor should have been accepted by liquidators instead.

Beningfield's response was to remind them that Malbak itself had been forced to write off its 41% investment to the tune of R18m as its full potential loss "In addition shareholders are not entitled to any share of a liquidated company," he said

A Deloittes spokesman said that there could have been a payment to minority shareholders only if Malbak had taken over in terms of section 311 of the Companies Act

Surplus assets

Deloittes, acting as liquidators, confirmed that the overall amount owing by Quality had been R118,4m.

Of the total, R6,3m would be paid at the 100% level to preferred (R3,5m) and secured (R2,8m) creditors Of the R112m balance — to be paid at 31c in the rand — banks were owed R58,7m, tyre companies R25,6m and minor creditors the remainder

Of the R45,4m outlay, therefore, R34,8m would be paid on the 31c in the rand basis, R6,3m at 100%, and R4,3m would go to liquidation expenses. Beningfield reckons that Malbak will over-recover surplus assets, stocks and certain debtors worth about R20m.

Quality Tyre's last traded value was at 145c a share. With 33,7-million shares in issue, this valued it at R48,9m Minorities, with an 18% holding, lost out on R8,8m.

Beningfield said Quality still retained its position as the second largest new tyre distributor and retreader in the country, though there were no plans to relist. Quality Tyre's listing was terminated on February 27

Malbak executive chairman Grant Thomas said Malbak's decision to acquire the interest in Quality, and merge it with its own tyre interests, had been based upon its audited accounts and subsequent management accounts — which contained material irregularities.

Even after the acquisition certain accounts presented to the board were unsatisfactory

An investigation into the "irregularities" and an inquiry under the Companies Act resulted in the estates of Quality Tyres directors Alex Hawes, Edward Philip, and Bazil Bruce O'Ehley (who together controlled 41% of the company) being sequestrated O'Ehley has been retained by Malbak and is still with Quality Tyres

Restaurateurs regret R250 000 investment

Star 27/4/90 (232)

By June Bearzi,
Star Line

Restaurateurs Mr David Broad and his wife Gloria say the R250 000 they invested in Mazuma Gold Holdings and Equity Participation Investments Ltd (EPI) has taught them an expensive lesson — all that glisters is not gold.

An angry Mrs Broad said that two years ago she was "sweet-talked" by former attorney Mr Roy Sellers and Mr Steven Wolff into investing R30 000 in their venture capital scheme

The money was to be used to develop a number of EPI's satellite companies, which she was told would be listed on the Johannesburg Stock Exchange.

A few months later Mr Broad was persuaded by Mr Sellers to enter a financial exchange deal involving buying shares in Mazuma Gold Holdings, which he was told would enable him to convert an inheritance from a British aunt into R220 000 within three months

But now the couple feel they should have heeded EPI's official logo in their glossy venture capital promotional literature "No opportunity without danger", instead of believing the verbal promises of fantastic returns.

Mr Roy Sellers . . . dispute over mining rights.

"The men's offices were across the road from our Craighall Park restaurant They used to eat there every day, and at the time they painted an incredibly good picture of investment opportunities they had on offer.

"I stupidly ignored my accountant's advice not to touch the scheme," Mrs Broad told Star Line.

Mr Broad says he has been landed with a worthless Mazuma share certificate, and has established that his British investment was put into a London bank account and never brought to South Africa

He says all attempts to get an explanation from Mr Sellers failed, and investigations established that the mine on a farm near Thabazimbi had not been worked.

Star Line has a list compiled by a mining expert which indicates that huge sums must be spent on equipment and repairs before mining can start at Mazuma. It also appears that a dispute exists over the mining rights.

Mrs Broad says that although she was promised she could sell her EPI shares at a handsome profit within six months, she is unable to trade with them because they are unlisted — and she cannot trace what has happened to her money.

Mr Colin Hartley, managing director of Capital Growth Investments which is marketing Mazuma and Multi Gold Holding shares, says he has stepped into Mr Sellers's shoes

He said he was not associated with either operations when the deals were made, but had tried to sort the matter out satisfactorily

He said Mr Sellers was no longer involved with the companies, and he did not know how he could be contacted

Star 27/4/90 . (233)

A Polish trade delegation to South Africa has signed agreements to buy iron ore, set up a joint food venture and strengthen other economic ties, officials of the two countries said yesterday

Mr Andrzej Arendarski, p[...] the Polish Chamber of Com[...] cluded a deal with the [...] Chamber of Commerce to [...] offices and develop trade

The Warsaw chamber's r[...] tive in South Africa, Mr T[...] minski, told Sapa on Wedn[...] Poland had signed an agr[...] buy 200 000 tons of iron o[...] promised to import 600 00[...] ing 1990

Mr Kaminski said it was [...] lateral trade could soon re[...]

Investigation reveals companies are empty shells

R14-million shock for thousands of investors

Star 27/4/90 (232)

Star Line

JUNE BEARZI

Investors stand to lose their money after sinking R14 million into a venture capital scheme, Equity Participation Investments (EPI) and its maze of subsidiaries which includes Multi Gold Holdings Ltd and Mazuma Gold Holdings Ltd

Several of the companies in which 4 000 South African and Swiss investors bought major stakes in the belief they would be listed on the Johannesburg Stock Exchange have turned out to be empty shells, a Star Line investigation has uncovered

Financial records of the operations are unavailable

Charges have been made that large sums of investors' cash were funnelled into a network of Swiss and British bank accounts, further probing established

Mrs Gloria Broad of Sandton who, with her husband David, has invested a R250 000 nest-egg, told Star Line this week

"We cannot trace our money but what we do know is that it did not go into developing the ventures we believed we were investing in

"My husband is a broken man because of what they have done"

'Wizard'

EPI in Rodland House, Craighall Park, was launched with great fanfare in 1987 by non-practising lawyer Mr Roy Sellers and a former "insurance company wizard", Mr Steven Wolff

Thousands of investors poured cash into EPI — dubbed by the promoters as "the vanguard of SA's venture capital business" — and its web of operations, because of promises of unbeatable returns for their stakes in "new gold and diamond mining and solar-powered TV ventures"

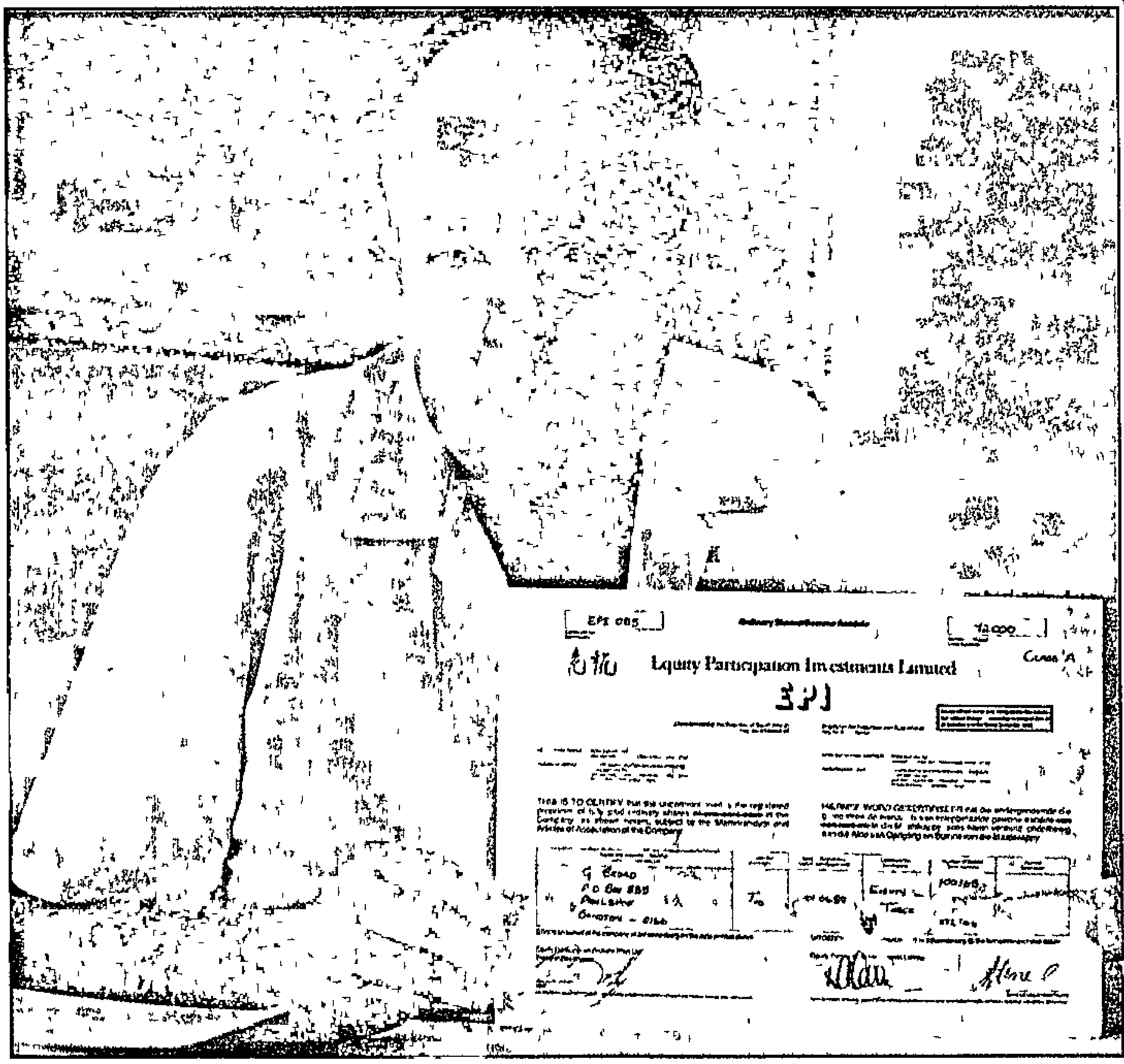
Johannesburg businessman Mr Woody Hornbuckle, however, told Star Line he was initially a partner in the EPI ventures but broke away in January 1989 when he discovered various irregularities He added that he was further disillusioned by misrepresentations made to him and investors by his former partners

When the first prospectus was released three years ago investors were told their R2 million would be used to back Supermax, Mechanipack and Brantam Investments, which, they were told, would be "listed on the stock exchange soon"

But the operations never got off the ground, Star Line established

Shortly after this, prospectuses calling for public funding of unlisted gold mining operations, Multi Gold and Ma-

● To Page 5



Mr David Broad of Sandton . . . invested R250 000

● Picture by Ken Oosterbroek

First National cuts its bond rate to 20,75 pc

Star 27/4/90 (58)

By Sven Lunsche

First National Bank has announced that it will reduce its bond rate next month by a quarter percentage point from 21 to 20,75 percent

This will bring its bond rate in line with those of other banks

The bank's senior general manager, Mr Jimmy McKenzie, said today while clients' monthly bond payments would not be reduced immediately, the lower interest would be offset by the automatic increase in capital repayments

This could shorten the term of their home loan by several years, Mr McKenzie said, adding that clients could choose to reduce their interest payments by arrangement with their branch managers

First National Bank is also offering a further rebate of 0,25 percentage point to clients who operate a cheque account and use at least two other bank services

The lower rates apply to new and existing bondholders

"We intend keeping our rates stable and our funding structures now indicate that reduced rates can be maintained," Mr McKenzie said

Commenting on the state of the home loans sector, he said the upper end of the market was beginning to feel the effects of recent adjustments in perks tax

But the market below R150 000 continued to experience strong demand

Probe into register for child molesters

CAPE TOWN — The Government has ordered an urgent inquiry into the feasibility of a register for violent deviants targeting children and women

This was announced in Parliament yesterday by the Minister of Justice, Mr Kobie Coetsee

He said a commission of inquiry presently probing psychopaths and other violent criminals would be asked to urgently turn its attention to the practicalities of establishing a register for molesters posing dangers to children, women and others

Mr Coetsee said the commission, chaired by Mr Justice Willem Booysen of Natal, would be asked to make recommendations and if necessary, compile concept legislation — Political Staff Star 27/4/90 (298)

Star 27/4/90

Investors may lose huge sum

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● From Page 1

zuma, were circulated

Members of the public took advantage of what they believed was a "once in a lifetime offer" and bought shares in companies which they believed would soon be listed on the JSE.

These companies, too, remain unlisted and the funds unaccounted for, it has been found.

"The affairs of these operations are most unsatisfactory and they don't stand a chance of being listed," Star Line was told by a former EPI marketing agent, Mrs Trude Oertel, who now lives in Cape Town

She added that R800 000 paid by 30 Swiss investors for Multi Gold shares and a British sterling investment amounting to about R220 000, which was to secure shares in Mazuma, a non-operational "gold mine" on a farm near Thabazimbi, had been deposited in British and Swiss bank accounts and never brought into South Africa

Mr Colin Hartley, managing director of EPI's new marketing arm, Capital Growth Investments (Pty) Ltd, told Star Line he and a Mr Norman Tilley had "taken over the reins" and were inviting investors to put more money into their ventures to help get listing on the JSE

He claimed that many of the financial problems occurred because Mr Sellers and Mr Wolff had bailed out of the venture capital schemes "too soon", taking large sums of cash earmarked for development.

When Star Line tracked Mr Wolff to his new home in Santa Anna, California, he denied Mr Hartley's allegations.

"In fact I have a written document showing I am owed a six figure amount," he said

He claimed he could not be held accountable for any problems as he had severed links with Mr Sellers more than a year ago

All attempts to contact Mr Sellers failed It was established he had put his Sunninghil, Sandton, home on the market at R495 000 recently but was negotiating to sell it for R305 000

He could not be contacted at an address in Brunsfelsia Road, East London where it was claimed he was now living

BUSINESS PERSONALITY OF THE WEEK

Fuelling energy growth

W/Cape 28/4/90 232

By TOM HOOD
Business Editor

ONLY one question was asked by Rob Angel when he was offered the chief executive job at Gencor's new energy company, Engen

"I asked if the the headquarters would be in Cape Town," he joked "I didn't ask about salary or conditions"

Assured he would stay in Mobil Court on the Foreshore and not move to the Golden City, he accepted

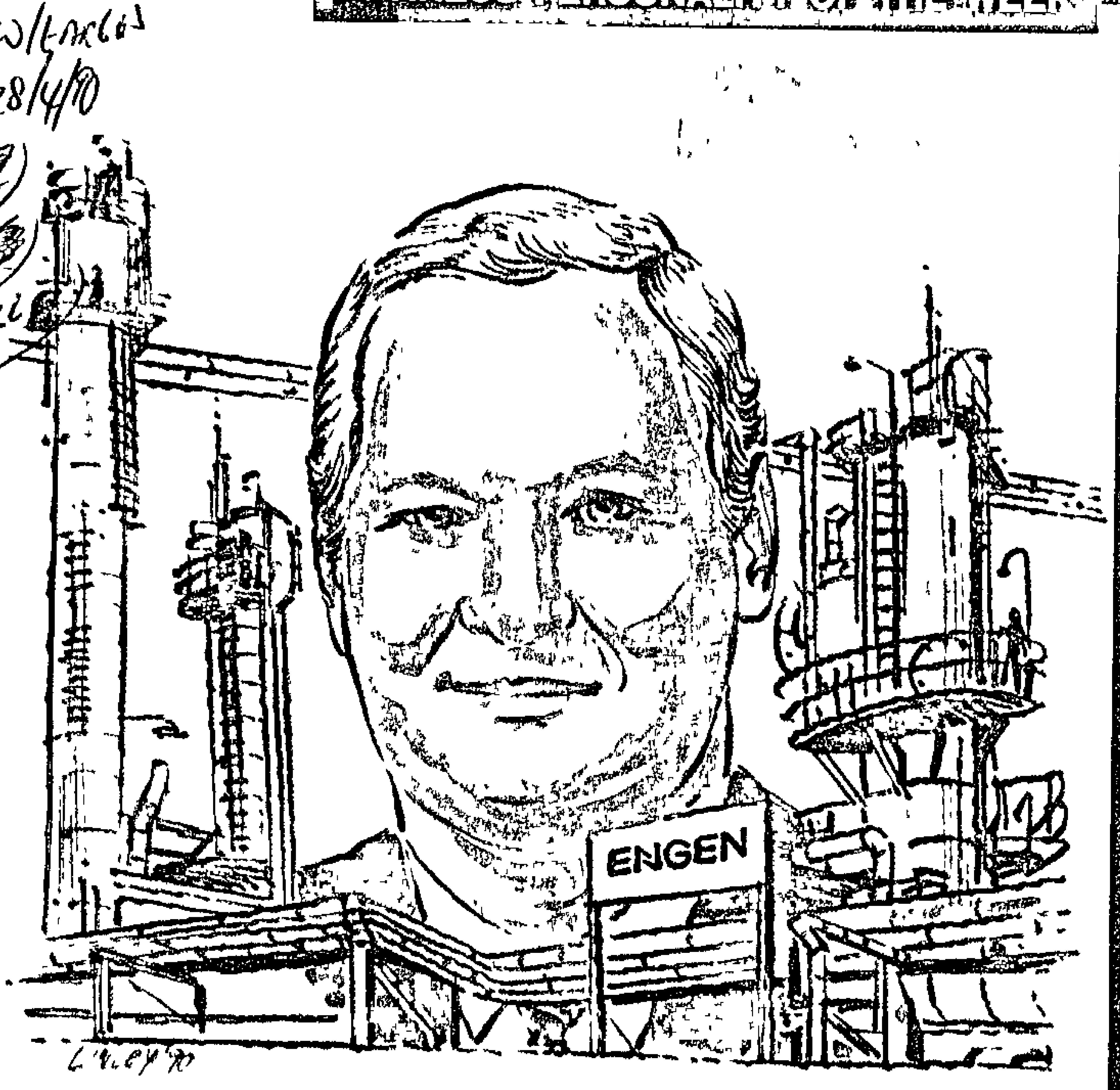
For Cape Town is "one of the great cities of the world — and I have lived in a lot of big cities," says the much-travelled Australian

After four years here as chief executive of Mobil, he equates the city to his native Adelaide, which to many Australians is the greatest place on earth

Maybe he is also influenced by a wife who comes from the Northern Cape

Living in the Cape forces him to spent a lot of time in the air But with computers and modern communications, an office could be almost anywhere, he reckons Some work he does from home with a laptop computer

Though a qualified chemical engineer and embroiled in the oil industry all his working life, he has operated in the areas of planning and general management in several countries



Rob Angel . . . planning for the future.

He sees his new role as in the area of project planning for the future rather than a hands-on engineer

"We have been given a wonderful core group plus the excitement of Mossgas and synfuels It will be my role to build on that base I won't be able to sit back and simply say 'great' and expect things to happen

"Our mission is one of real growth which is consistent with Gencor's Our vision is to be the most successful integrated energy company in South Africa," he says

"We want to take the group more into exports and finding new sources of oil and gas We see ourselves going beyond South Africa to other areas of Africa" Chemicals form a small part of Engen and he sees possibilities of expansion 'We would like to be bigger in chemicals We produce a fair amount but we can expect to be more active in the chemical business down the track

(See page 3).

Fuelling growth

W/Cape 28/4/90 232

(From page 1).

"We are not going to tangle with established chemical companies but perhaps find a niche"

International attitudes towards South Africa are changing, he believes — in fact those changes were part of his decision to stay in South Africa

"We see Africa as our oyster The infrastructure here will enable Engen to spring from South Africa into other parts of sub-Sahara Africa

"The sophistication of South Africa's infrastructure is far more advanced than in some of our neighbours"

He sees the group's social responsibility programme as a major investment for the future Mobil alone spent more than R10 million a year, one of the highest budgets in the country, and is heavily geared towards the future

"Mobil was one of the first companies to house black executives in white areas — we had 10 living in white areas at one time"

He sees the bringing together of Gencor's energy interests as well timed — just as the government is examining deregulation in the oil industry

There has been speculation that the government will examine areas such as the processing of crude, exports, synfuel production, service station quotas retail price maintenance and profit levels

In spite of the existing regulations, the industry is tremendously competitive and very efficient, he said For example, movements occurred in market share but they were not dramatic A successful advertising campaign could move market share

Engen had an advantage over all its foreign competitors in not having to remit dividends to overseas shareholders and instead could put money back in the business

"We feel we can make really big strategic investments right now,' he says Two recent ones are the R1,2 billion upgrading of the Genref refinery in Durban and an immediate injection of R110 million in the lube oil blend plant in Durban

Mossgas, in which Gencor has a 30 percent stake, would need a second platform early next century Tests had also shown promising offshore gas near Bredasdorp

Engen, which is due to make its debut on the Johannesburg Stock Exchange on May 21, indicated this week that it is clearly delivering on some of its promises by contributing R91 million to Gencor's profits

SUNDAY TIMES, Business Times, April 29, 1990

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Pressure on share prices building up

Business Times Reporter

EQUITIES are vulnerable because of slowing earnings growth and continuing high interest rates, says Old Mutual general manager, investments, Johannes van der Horst.

"This view applies even more strongly to gold shares, which look very expensive in terms of their own history"

The market generally is "somewhat expensive" in terms of price earnings ratios and dividend yields when compared with those of the 1980s

The average p/e ratio for the financial and industrial index was 8,3 for the previous decade and it is now 9,6 — similarly, dividend yields which averaged 5% are now 3,7%

Fundamentals

"However, on neither measure is the market as expensive as it was during the two years before the crash of October 1987," says Mr Van der Horst

He lists bull and bear factors which are affecting the market

SA appears to be under better fiscal and monetary management than it has been for many years For this and other reasons fundamental prospects for economic growth are probably better now than they have been for much of the past 10 years

By world standards, the SA market is not expensive The p e ratio is lower than those in many more developed markets, the closest being Hong Kong at 10, and the UK at 11.

Another positive factor is the strong institutional cash flow The insitutions are expected to generate about R25-billion this year, and to this must be added any new investment in equities from Government and quasi-Government pension funds.

Bubble

On the other hand, Mr Van Der Horst says high interest rates in the money market make the opportunity cost of being invested in equities expensive.

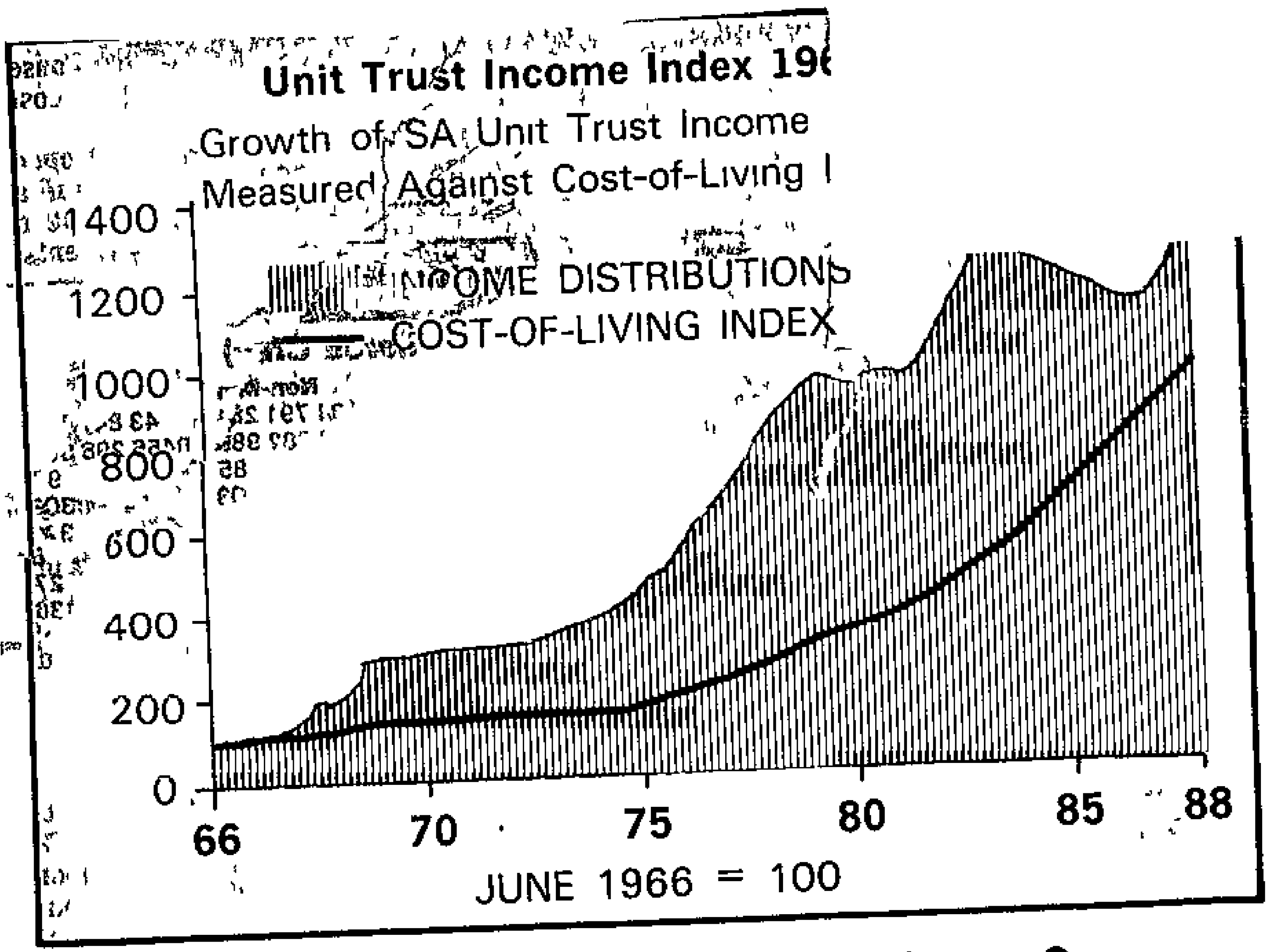
"With interest rates expected to remain high for a while, one could expect share prices to come under some pressure"

The slowing economy will also put pressure on company profits and could weaken share prices

"But we don't expect the downswing to be as severe this time as it was during the mid-1980s"

The sentiment of foreign and SA investors could be upset by political uncertainty Labour disruption is expected to remain high, hitting company productivity and profits

Mr Van der Horst says the final bear factor comes from world markets, which look vulnerable High interest rates or "bursting of the Japanese bubble" could cause severe falls

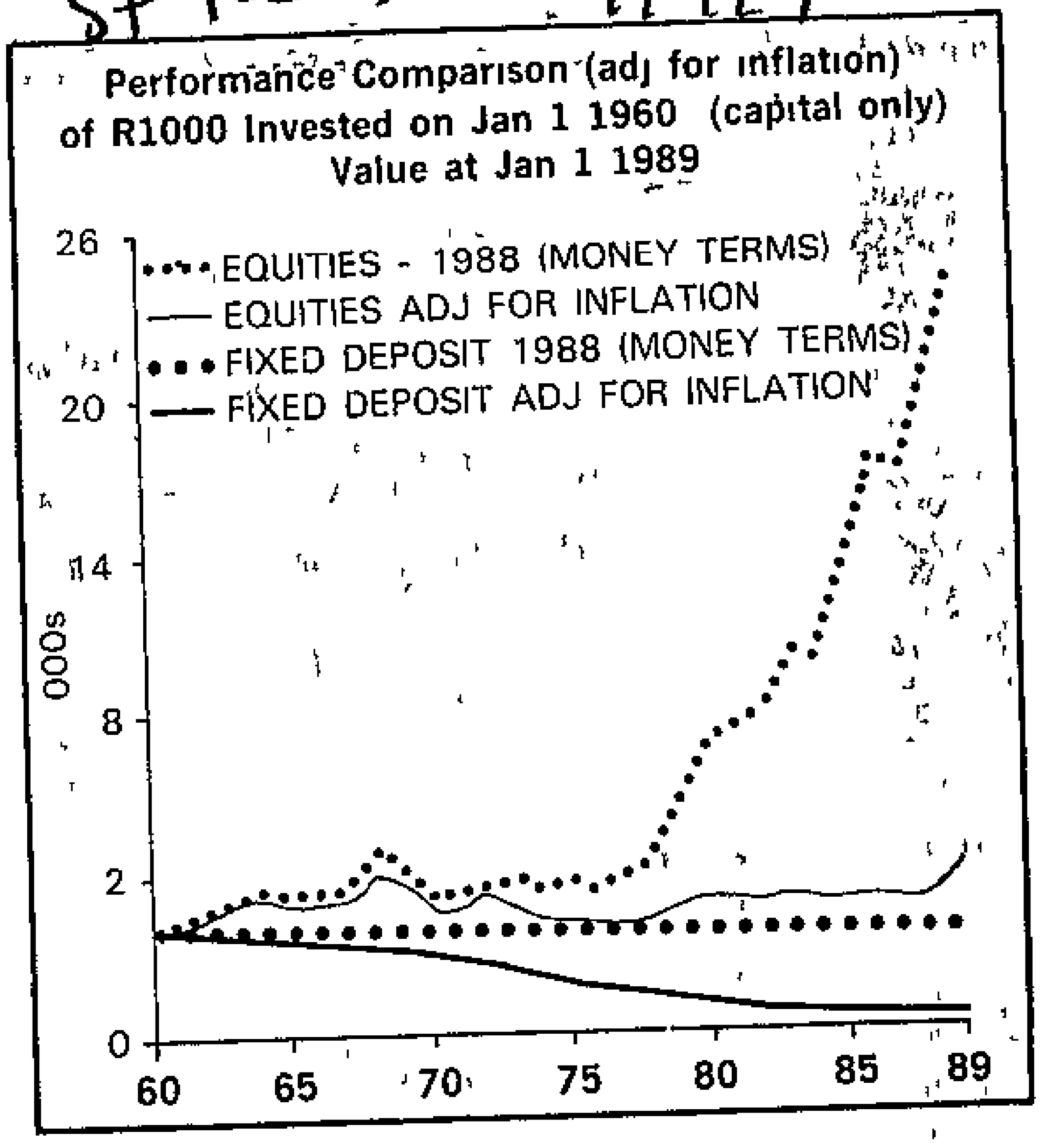


Unit trusts bring safety in numbers

232

STimes 29/4/90

By Julie Walker



BEATING inflation is the main reason for investing in shares listed on the stock exchange.

But how much of a part does luck play? If you rely on picking an underpriced share and hope it will dawn on the rest of SA's investing community that your stock has huge merit, you are probably going to regard yourself as unlucky

You probably bet on horses once a year — and pick a winner once every 10 years Professional punters make a living because they study form and know about racing They know whose stables are doing well, which jockeys are in form, when the race draw is good, and when to leave well alone

Luck plays a small part

Quality

So how do you eliminate luck from investing in shares? There are several answers, but the two most important are to spread the risk and to stick to high quality

As with all things in life, you get what you pay for when buying shares It is this fundamental truth that places the successful buying of shares beyond the average man

He simply cannot afford both spread and good quality On the other hand, he cannot afford not to, unless we come back to our old friend Lady Luck smiling at the right time

The way around it is to make a regular investment in a high-quality unit trust fund

Here, investors are the sleeping partners in a syndicate run by professional managers. The managers have many things in their favour — a big enough pool of resources to buy a spread of top-quality investments, the knowledge of what is a good buy and when it is time to get out of a particular share, and the flexibility to do so

You would expect to pay for this level of professionalism, and you do But the trust management fees are reasonable, and the returns from the top general equity funds have been outstanding in the past decade

The best funds have made a compound annual return of more than 30% — more than double the average rate of inflation over the period

Funds are managed by registered financial institutions who must meet stringent asset-base and other requirements

Unit trusts are not the only way to beat inflation, but they are certainly one of the best

Good guide manual on investment

BOOK: Who Owns Whom - The Investor's Handbook
AUTHOR: Robin McGregor
PUBLISHER: Juta
REVIEWED BY: ISMAIL LAGARDIEN

(232)

By ISMAIL LAGARDIEN

THE sub-title *"The Investor's Handbook"* is perhaps a bit misleading as the book is a better reference book than a "guide to sound investment" It is, however, very informative and makes for interesting reading.

It explains connections in the business world - who owns who and what, who are the major shareholders, bankers, business addresses, subsidiaries, investments and so on

The section on interrelationships between the companies is also an eye opener. A close analysis of the book shows that Anglo American is the marjority shareholder in more than 40 percent of companies in the country and has interests in just about every sector

The four giants emerge as Old Mutual, Rembrandt, Sanlam and Anglo. There is also a comprehensive index of subsidiary and associate companies, another of directors and a quick reference to abbreviations

It is thorough and covers the entire stock exchange with more than 800 entries It might just turn out as the most valuable book on your shelf - if you're involved in business and investment

Sowetan 30/4/90

Police to probe missing millions

Star 30/4/90 232

Star Line

JUNE BEARZI

The police are to investigate Craighall Park-based venture capital operations Equity Participation Investments (EPI) and associated companies Capital Growth Investments, Multi Gold Holdings and Mazuma Gold Holdings Ltd.

The police announcement follows last week's Star Line expose of the activities of EPI, its network of companies and two directors, former lawyer Mr Roy Sellers and Mr Steven Wolff, who netted R14 million from local and overseas investors

Mr Wolff is in California and Mr Sellers moved to East London two weeks ago.

Three Johannesburg men who are also involved in the organisations being probed are Mr Colin Hartley, former Rhodesian Mr Cecil D Holmes and his son, Robert

Investors were lured with assurances of massive profits in funding unlisted companies which were to reopen gold and diamond mines, re-treat existing dumps and develop mining seals and bushes for overseas marketing

A Sandton man and his wife were persuaded to put R250 000 into two of the ventures, a Namibian businessman handed over R72 000 and 30 Swiss investors paid R800 000 for unlisted shares.

Promises to list the companies on the Johannesburg Stock Exchange were never kept.

No assets

Instead it has been established the companies' affairs are chaotic Three of them — Epigro, Supermax and Compufax — have been wound up while several others appear to have no assets Investors who demanded to know what happened to their cash have slated directors for "ducking and diving".

Star Line has established, however, that large sums were put into British and Swiss bank accounts

Mr Norman Tilley of Livingstone Mining and Exploration Company, who describes himself as a troubleshooter, says he has taken over Mr Sellers' major shareholding in EPI and Multi Gold and has started a clean-up and capital-raising drive. Existing investors have been canvassed to buy more shares as part of the salvage bid, he said

When pressed, Mr Tilley conceded that the ventures were "in a mess" and that there was "a lot of murky water around". He said he would also have to establish whether certain mining rights existed.

He explained: "I knew I was walking into a minefield but I acquire businesses with problems and put them back on path."

Mr W Dresselhaus, an angry Namibian businessman with R72 000 in Multi Gold, said:

"I'm not interested in giving them more money. I don't know what happened to my initial investment anyway The men who ran these companies must be called on to explain what they have done with investors' money "

JSE's informal futures trading starts off slowly

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ROBERT GENTLE

TRADING on the JSE's newly opened informal futures floor got off to a quiet start yesterday with a brief flurry of activity in the morning which eventually tapered off into a thin, uneventful afternoon session

Stockbrokers and futures traders canvassed for opinions said it had been a quiet day, but added that activity in world equity and futures markets had been generally quiet

The real test of the new floor would come on a busy day

Although the JSE was unable to provide exact statistics, a Cape-based futures trader with a representative on the floor said about 30 deals, equivalent to about 300 contracts, had gone through

B/0277/3/90

A futures trader from Fergusson Brothers who had spent the morning on the new floor, said he had seen about 15 to 20 traders representing possibly 10 different stockbroking firms — more than he had expected

"It wasn't exactly big bang," he said "It was a slow start, but encouraging"

He said it was just as well trade had been thin, as big movements and heavy volumes would have proved difficult to handle on Day 1

JSE chairman Peter Redman, speaking for stockbroking firm Mathison & Hollidge, agreed "The quiet day allowed us to test our systems and familiarise ourselves with trading procedures," he said

The established futures broking firms said new JSE business went largely unnoticed, if only because what little activity there was happened off screen

A trader from Greenwich Futures said "We still traded with other JSE stockbrokers The floor made little difference to our daily business"

A dealer from National Futures & Options said one of the more important effects of the JSE stockbroking presence was the increased credibility of the futures market and an eroding of its "gambling image"

The start of trading on the JSE's informal futures floor yesterday Picture REUTER

Rembrandt dividend augurs well

ROBERT GENTLE

THE Rembrandt Group announced a 25% increase in its total dividend per share yesterday for the current financial year to 25c (20c previously), a figure which two analysts believe augurs well for the yet-to-be-announced earnings figures.

If the increase in the total dividend is an indication of earnings growth and there is no significant change in dividend cover, net earnings are set to reach R751m (R601m) B|Day 1/3/90

A statement released by the Rembrandt Group shows the total 25c dividend is to be made up of an interim dividend of 8,75c and a final dividend of 16,25c.

An analyst from stockbroking firm Simpson McKie called the result better than expected.

An analyst from stockbroking firm J D Anderson said the increase was "just about right" and in line with historic growth.

The other companies that form the overall Rembrandt structure announced identical rates of increase in their dividends.

Rembrandt Controlling Investments reported a final dividend per share of 12,03c, lifting the total dividend for the year to 18,51c (14,81c)

Technical and Industrial Investments reported a final dividend per share of 11,2c, lifting the total dividend for the year to 17,22c (13,78c) (232)

Technical Investment Corporation reported a final dividend per share of 10,56c, lifting the total dividend for the year to 16,24c (13c)

Swaziland stock market may open by mid-year

B/Day 1/3/90

SYLVIA DU PLESSIS

SWAZILAND'S mooted stock exchange may be in operation by the middle of the year, according to Swaziland Stockbrokers (SS) manager Michael Turner.

Turner said in a statement yesterday SS had been incorporated as the first stockbroking company to be a member of the stock exchange, on which at least two companies — Standard Chartered Bank and Sun International's Swazi Spa — were expected to list by mid-year.

Only local blue chip companies were under consideration for an early listing, but several others would follow, he said.

"Consideration is also being given to the creation of diversified investment trusts which, for example, could include a basket of investments or a portfolio of properties or a number of small enterprises."

The move follows Finance Minister Sibusiso Dlamini's announcement in his Budget speech last year that government had approved the establishment of a local stock market.

Turner said the working party assigned to study the feasibility of the proposal found there was sufficient interest from shareholders of major companies and potential investors.

This warranted the creation of an essentially low cost company, trading on an over-the-counter basis within the framework of the stock market facility, which provided the flexibility to develop with the growth of the economy.

Shareholders in SS were expected to include government, Swaziland's Central Bank and the Commonwealth Development Corporation.

"The company's principal aim is to provide a formalised medium for the exchange of shares in Swaziland public companies.

"In particular, SS will fulfil two main objectives, namely to provide companies with an additional means of raising capital and to provide investors with the opportunity of investing in successful Swazi public companies through a supervised market place," he said.

SS would trade initially on a matched bargain basis, generating income by charging listing fees, commissions and handling fees.

Turner said the regulatory and supervisory framework of the market would be administered by the Central Bank under the chairmanship of its governor. The management structure would comprise a stock market committee and a listings committee, both to be appointed by the bank.

It was likely institutional investors would use the facility more than individuals, but its structure and operating plan would be flexible enough to accommodate both, he said.

Government incentives for listing with the proposed stockbroking company include the deduction of direct costs of issuing and trading shares and a preferential tax on dividends for companies taking part in the market.

DCM-listed FSI declares dividend of 1,5c

B/Day 1/3/90 (232)

SYLVIA DU PLESSIS

DCM-listed FSI investment company Citizens Holdings, which issued a cautionary announcement last month, has posted earnings of 3c a share for the 10 months to December, compared with 4,2c for the previous 12 months to December.

A dividend of 1,5c has been declared, representing an effective 20% increase over the previous 1,5c.

The company's financial year was changed to end-December to coincide with that of FSI subsidiary W & A Investment Corporation after it gained control of Citizens during the period under review.

Chairman Terry Rolfe said yesterday attributable earnings of R347 000 (R493 000) were derived from interest earned on R4,2m in liquid funds of the 79%-owned Citizens Investment Corporation (CIC) and the 20% investment in JSE-listed medical equipment manufacturer Crest Holdings.

CIC reported a bottom-line profit of R201 000 for the same period against a corresponding extraordinary profit of R1,6m, from which earnings of 6,1c (14,2c) a share were declared.

A final dividend of 2,25c lifted total distribution to 6c (6,5c) a share.

Pharmaceutical group Noristan, in which W & A recently acquired an initial 20% stake in a move to give FSI a foothold in the healthcare market, has the option to acquire Citizens' 20% holding in Crest.

This would leave Citizens a cash shell.

B/Day 1/3/90

(232)

Helderberg: court told of share deal

LESLEY LAMBERT

CAPE TOWN — The originator and former director of the Helderberg Retirement Village, which faces provisional liquidation, is alleged to have given away a R430 000 cottage without paying for it.

An affidavit before the Cape Town Supreme Court this week alleged that attorney Barry Burton Barbour had obtained Helderberg Village Share Block Holdings (HVSBH) shares in respect of the cottage

It was alleged the shares had been transferred to his ex-wife, Nichola Burton Barbour, as part of a divorce settlement

But no consideration for the shares had been paid to either the company or developer Shemara Holdings

The developer went into provisional liquidation in a separate hearing last week

In the affidavit, brought by HVSBH chairman Dennis Lehmann, it was also alleged that Personal Trust, the trustee for the lenders of capital in HVSBH and Shemara as well as one of the villager's creditors, had been involved in "questionable transactions"

These transactions, it was alleged, were recorded in HVSBH's accounts

"The effect of these transactions appears to be the diversion of funds from respondent (HVSBH) to Personal Trust," Lehman alleged

He said Personal Trust must have been aware of the transactions, including Burton Barbour's possession of the cottage

This was because trustee director Johnny Kipps was jointly responsible with Burton Barbour for the management and control of the financial aspects of the scheme.

He said the transactions required careful investigation to determine the destination of the funds and the exact amounts involved

Personal Trust has strongly denied allegations that it benefitted itself in any "questionable" way

In a statement issued yesterday, it said it wanted to warn against false impressions created by unproven allegations and suggestions in papers before the court

Allegations, Personal Trust said, would be dealt with in court

It said it had consistently advocated an in-depth inquiry into the past management of HVSBH amd Shemara

The application for HVSBH's provisional liquidation by shareholder Matheus Geldenhuys was postponed until March 6

The court decided on Tuesday to give the defendant a chance to put its full case before the court and to consider a financial rescue offer by the Allied Group

Share bonanza for fruit farmers

Cape Times 2/3/90 232

By AUDREY D'ANGELO
Financial Editor

UNIVERSAL FRUTRADE (Unifruco) — the farmers' co-operative marketing millions of rands worth of Western Cape fruit overseas every year — has become a private limited company with assets of R46,7m, and 10m shares in issue.

Although ownership of shares is restricted to registered fruit exporters at present, chairman Leo Fine said yesterday that the directors intended to make them freely negotiable "in the near future".

It was possible that the company might seek a listing on the Johannesburg Stock Exchange, said Fine.

The new company came into existence yesterday when 10m shares out of an authorised 20m were allocated to more than 1 000 fruit farmers. The basis of the allocation was the relative contribution of each farmer to the funding of the Deciduous Fruit Board and of Unifruco, which took over export marketing from the board in September 1987.

A statement issued yesterday said the assets of the new company, including land and buildings, cash and investments, totalled R46,7m.

The deciduous fruit industry is one of the biggest employers and export earners in the Western Cape. Last year fruit farmers shared a record pay-out of R481m. But they complained that because of the rising cost of inputs their net earnings were below those of the previous year.

A spokesman for Unifruco said export turnover was expected to top R1bn this year and that the new company was one of the five largest fruit marketing concerns in the world.

Turning the co-operative into a company puts wealth into the pockets of individual farmers by giving them access to shares to which the individual producer previously had no right or ownership.

The company has all rights, worldwide, to the trade marks Cape, Jardin du Cap and Sunglo. It also has an interest in Fruit Importers and Distributors International (Fidi) which markets fruit from various parts of the world under the Bella Nova trade mark.

Staff who were in the service of the co-op have retained their jobs with the new company. Louis Kriel remains CE and MD.

Fine, who was chairman of the co-op, was elected chairman of the company. The vice-chairman is Stephanus Rossouw.

The man who is handing over

STAR 1/3/90

232

By FINANCE STAFF

Mr Gavin Relly, who retires as chairman of Anglo American at the end of this month, will be remembered above all as the man who wanted to show the group's hundreds of thousands of workers that capitalism and shareholding can have a pleasant face.

In 1988 he launched the group's employee shareholder scheme which entitled every worker to receive, free, a small annual allocation of Anglo American shares.

The scheme has been readily accepted by the group's employees. By March last year 133 000 workers — equal to 69 percent of the eligible work force — had become shareholders.

Mr Relly's philosophy has been that Anglo's first responsibility is to the community at large as much as to its stakeholders. "For, if it fails in that aim it will lack the means of discharging any broader social responsibilities."

Mr Relly recognised early the need for black people to move into more skilled jobs on the mines and he has been a staunch advocate of non-racial employment policies He has also been a leading force in the drive to provide better educational facilities for blacks and to improve their skills.

On the political front, he called on the Government a year ago to alter the political landscape by releasing political prisoners and addressing the issue of the state of emergency.

As a result, he said, "opposition groups will have to move away from the comfortable stance of protest politics, recognise the hard realities of the South African situation, and negotiate and find compromise solutions that do not satisfy abstract ideological positions". These were prescient words.

Gavin Relly was born in Cape Town on February 6 1926 and educated at Bishops and at Trinity College, Oxford, where he read politics, philosophy and economics after war service in Italy with the SA Sixth Division.

After leaving university he spent a short time in the political arena, working for Sir de Villiers Graaf who later became leader of the United Party.

Mr Relly joined Anglo American in 1949 and was private secretary to Mr Harry Oppenheimer and then to Sir Ernest Oppenheimer. In April 1965 he became a director of Anglo American.

After working in Lusaka and Toronto Mr Relly was appointed deputy chairman in May 1977 and chairman of the executive committee in November 1978 He became chairman on Harry Oppenheimer's retirement in 1983.

Under his guidance the group has prospered greatly. Equity-accounted earnings rose from R638 million in 1982/83 to R2,6 billion in 1988/89 and the group is well placed for further major expansion.

Mr Relly married Jane Glenton in 1951 and they have three children: Janis, Georgina and Giles.

When not working, he likes to fish and play golf.

HELDERBERG VILLAGE (232)

Breathing space

Residents of the Helderberg Village retirement scheme in the western Cape have been given another week in which to extricate themselves from their deepening financial difficulties (see ***Property***)

After hearing considerable argument in the Cape Supreme Court this week, Justice H L Berman decided to postpone the application for liquidation of the shareblock company associated with the village until Tuesday March 6

Last week, the village development company, Shemara Holdings, was placed in provisional liquidation.

Two main arguments for postponement were made by the respondents the need to file further affidavits so that the case could be fully presented to the court and the need to give the residents more time to consider the rescue offer subsequently made by Allied FM 2/3/90

The applicants, in turn, had two main arguments against postponement. One was that there were many areas of vagueness that required clarification — which a liquidation would bring — before serious offers could be considered The other was that Allied's offer was unlikely to succeed as at least 47 residents consider it unacceptable There is also disagreement about the terms of repayment of a third party, Personal Trust's, bond

The financial health of the shareblock company and the implications of liquidation are also being disputed The applicant maintains that the company is insolvent and, in the words of counsel Milton Seligson SC, liquidation "will prove to be the salvation of the villagers"

Not surprisingly, residents, who are fighting to keep their homes, believe the company can pay its debts They say liquidation of the shareblock company would inevitably mean the village being sold and their homes being forfeited

It has also emerged that the shareblock company is approximately R62 000 in arrears in interest payments on its two bonds with Allied. Owing to this breach of obligation, the outstanding capital sums of approximately R4,35m are immediately payable ■

HELDERBERG VILLAGE F/M 2/3/90

Going to court?

Last week's offer by the Allied Group notwithstanding, it would appear that the Helderberg Village affair still has some distance to run

Various imponderables make it difficult to predict the precise outcome of events These include.

(232)

- ☐ The nature of Allied's offer It involves villagers in a further R4,5m commitment to Allied, most notably each villager having to bind himself as surety to Allied Villagers may be reluctant to take on this commitment,
- ☐ The provisional liquidation of the developer, Shemara Holdings How this will affect the shareblock company, Helderberg Village Share Block Holdings, is not clear

The liquidators of Shemara may immediately attack the assets of the shareblock company, a move which would have uncertain consequences There is also some dispute over the state of liabilities between Shemara and the share block company Dennis Lehmann, share block company chairman, says the latest balance sheet shows Shemara owes the company R7m However, this figure could be disputed,

- ☐ Current court proceedings· will the applications for the liquidation, alternatively judicial management, of the share block company go ahead this week and, if so, what will the impact be?;
- ☐ Alternative offers· Peter Meakin of the Board of Executors says. "We are interested,

FM 2/3/90 (232)

but there is nothing we can do until we know how much money is involved." In other words, no bail out offer will be made until there has been an order for liquidation or judicial management.

The respondents are hoping for a further postponement in the judicial management and liquidation proceedings to give the villagers time to consider their options more clearly. Says Lehmann· "We don't think that by the trial date of February 27 we will have a completely clear picture to present to the court." Whether the courts will agree to a further delay is another matter.

Meanwhile, the villagers themselves have taken some action. Lehmann says on February 15 the board resolved to impose a capital levy on all villagers to enable them to liquidate their debt of about R6m, made up largely of mortgage bonds and debentures. Villagers will pay between R13 000 and R28 000 each, depending on the size of their property. The average payment will be R21 000.

The problem is about 50 of the 300 villagers are not in the position to make these additional payments, which means there is likely to be a shortfall of some R1,25m. The plan is to make up the difference by having other villagers contribute to a trust fund But whether this is feasible is a moot point

According to Lehmann, the Allied's offer is being seriously considered, but villagers seek more details and assurances. He adds the company has "other ideas that are not incompatible with Allied's. It's a question of getting the best package." For one thing, they are "talking seriously" with DCF Properties about the onward development and management of the complex.

They now believe the village's financial problem and the issue of the further development of the complex should be treated separately. As Lehmann notes: "The prospect of reaching an arrangement with DCF is much closer than reaching agreement on the Allied's proposals." ■

FM 2/3/90 (232)

FUTURES FM 2/3/90 (232)

Step forward

Stockbrokers may now deal in share index futures on clients' behalf Until now, they have been allowed to deal on own account only. The JSE reckons futures volumes could pick up 40% Some 12 brokers are believed to be active in futures and 27 have seats on the

SA Futures Exchange

In addition, agency trading is now permitted in the informal futures market, which means members may trade for a client with other members of the market. This cuts the cost of trading, as one set of booking fees (R18) falls away and the client gets the deal at the market-related price.

"Given the volatility in markets generally, the introduction of another dimension of hedging for private clients on the JSE is an important new facility," says JSE president Tony Norton.

An administration system, Futap, has been set up by the JSE to interface with Rand Merchant Bank (which clears for the informal futures market) through which brokers will book and record deals. They will trade from the JSE equity floor until the formal futures market starts.

Before permitting members to deal in this high-risk market, the JSE wanted to ensure it had adequate back office systems, that brokers were sufficiently educated and that RMB's clearing system was satisfactory.

A broker comments· "It will be a slow start because of the risk controls. However, it should grow, because stockbrokers have clients who trust them and believe this will give a modicum of protection."

RMB will still guarantee the entire market but, instead of having to credit-appraise each broking firm individually, the JSE will ensure the necessary controls through its inspectorate (*Markets*, November 3). ■

Milestone for SA unit trusts

S/Times 4/3/90

(232)

Business Times Reporter

THE unit trust industry is growing up.

The formation of an independent fund management company this week marks a milestone for the industry, now worth more than R6,5-billion

Consolidated Fund Managers has been established by a group of entrepreneurs, led by former Barclays Bank managing director Colin Waterson, with the aim of providing a professional management service for all unit trust investors

CFM managing director Clive Fox, a former head of Barclays Bank's investment research unit in SA and investment manager of Unilever's pension fund, says the company will specialise in the provision of portfolio management services to investors in unit trusts

"We will invest only in those trusts that are likely to show excellent returns," says Mr Fox "We will provide a professional and specialised service to all investors in return for reasonable fees"

He says existing fund managers might question the need for this type of company. But many established operations are unwilling to handle portfolios of less that R250 000 and the minimum fee is likely to be about R2 500 a year

Gulf

"This leaves a gulf between many ordinary investors and the professional service they seek," says Mr Fox

CFM will charge a one-off opening fee of R85 and then take 0,2% of the average market value of investments each quarter, with a minimum of R30 It will also earn revenue from the normal commission on the sale of units

CFM is registered with the Registrar of Financial Institutions, and it will operate independently of stockbrokers, insurance companies and banks

"We have no allegiance to any unit trust or management company," says Mr Fox

"We will be impartial This business could not work unless we were impartial"

Computers

Mr Fox has spent nine months investigating the demand for this type of professional service, and sophisticated computer systems have been developed to handle large volumes of transactions

"We intend to become a major player in the market," says Mr Fox "We will bulk up investments and a specialist committee will meet regularly to decide strategies

"Because we will handle large sums of money we will be able to reduce administration costs and carry out the research and analysis necessary to play the market in a professional manner

"Clients will be introduced to unit trusts at a much lower cost than if they invested on their own behalf"

Mr Fox says it is difficult for an independent investor to select and maintain a high-performing portfolio

An analysis of unit trust performances shows differentials between the best and worst of 53,1% over three years to more than 122% over 12 years

CLIVE FOX professional service for amateurs

The unit trust industry has shown dramatic growth — moving from a market value of R3,5-billion at the end of 1987 to R4,4-billion a year later and R6,6-billion at the end of last year

Valuations

CFM will report to clients whenever a transaction is made and they will be given quarterly portfolio valuations

Investors can participate by paying a lump sum for units, by making regular montly payments or by injecting existing unit holdings into a CFM portfolio.

"All of our research tells us there is a demand for this specialist professional service," says Mr Fox. "Most investors do not have the time or the skills to evaluate the opportunities and risks

"We hope to ensure the best returns by limiting operations to the top performers among unit trusts"

2 Mainly distributed amongst the black population of East London and vicinity
3 Mainly distributed amongst the Asian population countrywide
4 Mainly distributed amongst the Zulus of Natal
5 Mainly distributed amongst the black population of Bloemfontein and vicinity
6 Mainly distributed amongst the black population of Nelspruit and vicinity
7 Mainly distributed amongst the black population of Port Elizabeth and vicinity
8 Mainly distributed amongst the black population of Pietersburg and vicinity
9 Mainly distributed amongst the Coloured population countrywide
10 Mainly distributed amongst the black population of Cape Town and vicinity
11 Mainly distributed amongst the black population of George and vicinity
12 Mainly distributed amongst the black population of Johannesburg and vicinity

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5 Perskor
6 Lowveld Printers
7 NMB Printers
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Reply substituting reply to Question No 10 on 27 February 1990, put by Mr J J Walsh (col 208)

Privatisation

10 Mr J J WALSH asked the Minister for Administration and Privatisation

(1) Whether any activities previously undertaken by the State have been privatised by his Department since his reply to Question No 573 on 26 May 1989, if so, what are the relevant details,

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232 [redacted] B33E

The MINISTER FOR ADMINISTRATION AND PRIVATISATION Hansard 5/3/90

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— Construction and maintenance of roads (some of the provincial construction units was closed),

— Construction and maintenance of big and small works (works departments),

— Sewage purification works,

— Consultant services in respect of

— housing projects,

— development projects,

— design of schools,

— amendment of legislation, and

— exploitation of mineral deposits

— Access control and guard services,

— Consult engineering services in respect of dam safety and design of water schemes,

— The pulication Focus of the Department of Foreign Affairs

The total value of all these contracts is unknown

Other completed privatisation actions are the following

— Sixty beds of which four are high care beds, are leased to Iscor Medical Provident Fund (Ferromed)

— The certification of seed (Department of Agriculture) has been transferred to the South African National Seed Organisation

— The seed-potato scheme (Department of Agriculture) has been transferred to the Potato Board

— The serving of criminal process documents (Department of Justice), which has been a task of the Police, was transferred to the messengers of the court Expenditure of ± R2,8 million is involved

— Law work of the SA Transport Services has been privatised with the exception of sensitive matters which are still referred to the State Attorneys

— The State supply of jute grain sacks has been sold to the two central buying co-operations, Vetsak and Boeresake An income of R14 832 276 accrued to the Treasury

— Development of rural areas (House of Representatives) A private company, the Rural Development Company (LANOK) has been founded to promote development projects in rural areas

Good progress has been made with the privatisation of catering services, cleaning services, nurseries and horticultural services See also the reply to the second part of the question

(2) *Planned to be privatised*

(a) — Workshop of the Department of Public Works and Land Affairs—as big a share as possible of contracting out is promoted and it is planned to convert the seven regional workshops into business units

— The manufacturing of furniture by the Natal and Free State Provincial Administrations

— Government motor transport

— Post mortem inspections regarding meat hygiene—it is planned that the abattoirs take over this activity

— Catering services, cleaning services, nurseries and horticultural services The tender specifications and terms of contract have in most cases already been drafted and tenders will be invited in 1990

Note There are few public service activities where there is at present a possibility of final privatisation (change of ownership) Several activities are being investigated with a view to rationalising, restructuring, commercialisation, greater management autonomy, the creation of business units, etc Real privatisation can only take place after this process has been completed

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Own Affairs

Latin as a subject [redacted]

15 Mr R M BURROWS asked the Minister of Education and Culture Hansard 5/3/90

Earnings growth falters

(232)

B/Day 5/3/90.

Top company results signal JSE downturn

MERVYN HARRIS

THE first batch of results from major companies for the period to end-December show faltering earnings growth and indicate the difficulties ahead as the economic downturn bites deeper into profitability.

Inroads into company profits are putting leading industrial and several non-gold mining shares under pressure on the JSE and could put a lid on the continual uptrend in prices of the past couple of years.

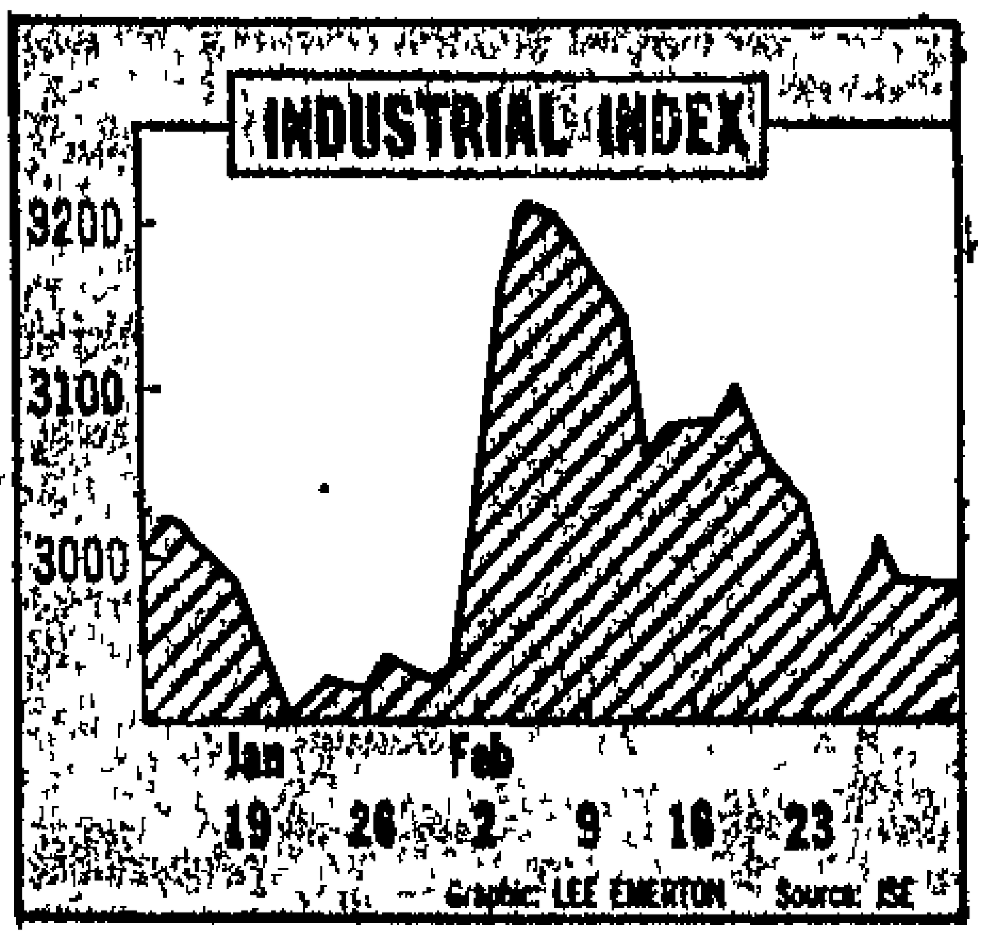
Even those companies which reported earnings growth above the inflation rate have signalled slower growth in the wake of tighter conditions here and abroad

John Liackman, partner in stockbrokers Max Pollak & Freemantle, said: "We must expect leading industrial companies to show lower earnings growth than we have seen over the past few years

"Euphoria over Christmas spending tends to hide the situation for a while but we are now starting to see the impact of the downturn on share prices

"Things are unlikely to get better until interest rates begin to ease," he said.

Mike Brown, of stockbrokers Frankel Kruger Vinderine, said· "The economy is now in the mature phase of the downturn but I am not too concerned about the fall in profits, particularly of industrial companies, as the level of earnings growth has been very good in recent years"



He pointed out that earnings growth of industrial companies on the JSE was 19% in 1986, 30% in 1987, 36% in 1988 and 34% in 1989. Brown projects 13% growth this year, recovering to 30% in 1991.

Offloading of Iscor shares has been a vivid example of the market's swift reaction to faltering earnings growth. After meeting interim earnings target, serious doubts whether it would fulfil earnings increase of 20% for the full year to June sent the shares plummeting.

In the two days after the release of the interim results, the shares fell from 270c to touch a low of 225c before closing at 235c, a fall of 17,5% from its January peak of 285c.

☐ To Page 2

JSE downturn

B/Day 5/3/90 (232)

☐ From Page 1

Keener international competition and lower world dollar steel prices have hit Barlows shares as the major component of its earnings growth over the last few years has come from Middelburg Steel

Barlows shares came off their lows on Friday to close at R42,85, a decline of almost 22% from the month-ago peak of R54,75 The plunge has helped push the JSE industrial index down 7,5% to 2 974 from its February 7 peak of 3 218

The decline in world commodity prices and the relatively strong rand has taken the edge off other rand hedge stocks Highveld Steel & Vanadium shares have slumped from an August high of R22,30 to R16,35 on Friday but off recent lows.

Softening international prices of pulp and paper are expected to have an impact on Sappi results for the period to February

Dismal results from Bankorp and earnings growth of only 8% from highly rated Anglovaal Industries have not helped to quell market nervousness.

But the impact of the economic downturn will be reflected more accurately when companies in the major industrial groups, SA Breweries and Barlows, report results for the period to March.

M & R and Consol scrap factory deal

ALAN FINE (232)

A MULTI-million-rand deal between Consol and Murray & Roberts, involving the sale to M & R of Consol's Germiston plastics factory, has been scrapped.

Consol director Hennie Stroh confirmed M & R had notified Consol just 15 minutes before the agreement was due to go through on Wednesday, February 28, that it was walking away from the deal.

However, Stroh denied the deal had fallen through because of a two-day strike in protest against it by the factory's 250 members of the Chemical Workers' Industrial Union (CWIU). The strike began on February 28. B10ay 5731 90

Stroh said M & R had cancelled the transaction because it had been "unable to come to a satisfactory leasing arangement with the landlord of the property".

He added this did not mean the deal could not be resurrected. Consol had decided to withdraw from the plastic flexibles business as it believed the sector to be saturated.

Right now the factory was running and Consol was keeping its options open, Stroh said.

The CWIU said at the weekend its members had staged a "factory occupation" to object to the conclusion of the deal by Consol and M & R behind their backs — "particularly the items which affected workers".

The deal, the union said, was to include the retrenchment of more than 100 workers and the transfer of others. The company had informed the union of the cancellation of the deal on March 1, and further negotiations on the status of the factory and the workforce are to be held between CWIU and Consol.

Stroh confirmed plans to retrench the employees, and said the company was talking to the union about the matter. He said the union had been informed in October of the pending deal.

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Anton Rupert retires from Remgro board

CMT Times 6/3/90 (232)

Own Correspondent

JOHANNESBURG — Anton Rupert, 73-year-old founder of the Rembrandt Group of companies (Remgro), has retired from its board.

However, he has been appointed to the relatively less active role of Rembrandt Controlling Investments chairman

The move, announced in a statement yesterday, is part of a key shake-up — effective from April 1 — which sees the appointment to the board of 11 senior executives from important Remgro operating companies

Included are such names as Peter H Flack (chairman of Fraser Alexander), Dawid E Mostert (Dorbyl group CE), Neil J Morris (chairman of Hunt Leuchars & Hepburn) and W J C Vermeulen (MD of International Tobacco Co)

A Remgro spokesman said the new members of the Remgro board reflect the diversified nature of the group

The Remgro board was now more of a managing board, while that of Rembrandt Controlling Investments was more of a controlling one

This view was echoed by an analyst from stockbroking firm Martin & Co, who called it was more of an operating board

An analyst from stockbroking firm J D Anderson said. "The significance of the move is that Anton is retiring from the group board"

He added that with the increase in the number of Remgro's investments over the past five years, the newcomers to the board probably reflect the need for a more hands-on approach to group business

Anton Rupert's appointment as chairman of Rembrandt Controlling Investments means former chairman D W R Hertzog now becomes vice-chairman

On the Remgro board, itself, Anton Rupert's brother J A "Koos" Rupert takes over as executive chairman, while his other brother, Johan Rupert, remains a director

The fully reconstituted Remgro board reads J A Rupert (executive chairman), J P Rupert, Dr E de la H Hertzog, W J C Vermeulen, A W J Marren, E N Brink, M H Visser, P H Flack, N J Morris, D B Mostert, T van Wyk, D M Falck, D Prins and A C van As.

Anton Rupert

No rush to embrace futures

BID cuy 6/3/90

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ROBERT GENTLE

NOW that JSE stockbrokers have finally been allowed to trade equity futures on behalf of clients, the brokers seem more likely to tread cautiously than embrace the new business with enthusiasm.

The reason? Futures is a whole new ball game, and is infinitely more dangerous than equities.

Futures traders contend that stockbrokers have been operating for too long in the relatively secure equity market where it is sufficient to keep one's head down, buy low, sell high, and generally ride out market swings.

Administration is relatively simple, lead times are longer, and as long as the market is rising, virtually everyone benefits

Futures, on the other hand, move rapidly, necessitating a totally different set of reflexes.

On the administration side, daily chores like margin maintenance, account monitoring and client contact are vital. Because of the high risk exposure — margins are only about 10% of total contract value — mistakes can put a company deep in the red in a matter of hours.

"There is a hell of a lot of stuff to be monitored," says a trader from Fergusson Brothers, one of the futures market's more active stockbroking firms

Most importantly, futures are a zero sum game in which profits and losses are equally balanced For every winner, there is a loser.

So while stockbrokers have large five-figure client bases that are the envy of futures brokers, it does not necessarily follow that these clients will be thrown headlong into futures from day one.

"We are not terribly optimistic about trading for clients," concedes a spokesman from Davis Borkum Hare, adding that some stockbrokers would probably not even consider it because of the inherent danger.

"We'll get our toes wet," says Ed Hern of Ed Hern Inc. "We'll wait … let others make the mistakes first"

"We have been making gentle preparations," says a spokesman from Ivor Jones, speaking of the new JSE floor. "If it grows, we'll grow with it"

A director from a well-known futures trading firm says this cautious approach is shared by most stockbrokers, many of whom do not even have the necessary systems in place to adequately monitor futures risk.

Futures traders say privately there will be a lot of casualties among the stockbrokers as they get to grips with the realities of the fast-moving futures market. "They are going to get creamed," says one.

At least one futures broking firm is targeting the first batch of disgruntled losers as possible clients.

The reasoning is that half of a stockbroker's futures clients will get so badly burned they will quit altogether, while the other half will still be courageous enough to come back — but this time via a more experienced futures trading house

Safia (SA Futures Industry Association) MD Brenda Greyling, implicitly acknowledging this possibility, says "Stockbrokers should take cognisance of the differences between stockbroking and futures broking vis-à-vis risk and the education of private clients"

David Bullard, MD of the options trading firm Johannesburg Options Market, puts it more bluntly. "A lot of good, long-standing friendships ought to be broken once stockbrokers start trading for clients," he says

So while the presence of JSE stockbrokers in the market has been unanimously welcomed and will eventually boost market liquidity, the jury is still out as to how long it will take

REVIEW

Premcon, Retco feature in restructuring

BDay 6/3/90. 232

BRENT MELVILLE

THE injection of Retco's property interests into subsidiary Premcon is on the cards following three separate cautionary announcements published today, industry sources said yesterday

The cautionaries, included in the interim results of Retco, its ultimate controlling shareholder Propgroup, and Premcon, allude only to a restructuring

Sources said the restructuring would more clearly focus the group into its property and industrial interests In addition, all three companies would be renamed, leaving Propgroup as the pyramid holding group, Retco with the industrial interests and Premcon with the properties An offer would be made to Premcon minority shareholders.

Premcon shares have not traded since mid-February, when they hit a low of 38c — well off the high of 55c reached last May Sellers were yesterday offering the shares at 50c

Suffered

Propgroup currently holds 73% in Retco which, in turn, owns 93% of Premcon The Rabinowitz brothers are 53% holders in Propgroup, with 36% of Retco.

Retco MD David Chapman said both Propgroup's and Retco's half-year results to December had suffered because the associated earnings of Frasers were not brought to account

Following the sale of the group's 23% interest in Frasers for R32m, Retco realised a surplus of R22,7m and an extraordinary deficit of R5,5m on consolidation The interim dividend was maintained at 2,5c and a special dividend of 45c was declared

Share of earnings of associated companies of Propgroup dropped by 88% to R379 000 (R3,2m) A R1,2m loss in its property trading division resulted in a drop in operating income of 45% to R3,7m (R6,7m) Earnings were at a scant 1,5c (18c) a share although the interim dividend was maintained with an 82,5c special dividend declared

Premcon picked up earnings by 31% to 6,88c (5,24c)

B/Day 7/3/90

Shareworld is liquidated

THEO RAWANA

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SHAREWORLD Educational and Entertainment company, which owes Standard Bank about R52m, was finally wound up in the Rand Supreme Court yesterday

Erect Africa Investment Holdings, which had executed a deed of surety in favour of Shareworld, was also liquidated in the action before Mr Justice Roux

Standard Bank first brought the application last June when Shareworld owed R47m Through accumulation of interest this had risen to about R52m, the bank said

Built at a cost of R300m on 34ha of land about two years ago, the 73% black-owned complex was closed after the bank withdrew its credit facilities when Shareworld's losses amounted to almost R25m

Standard originally agreed to bankroll running costs of R27,4m, but later granted an additional R20m However, when the complex failed to pay its way, the bank cut off credit facilities and paid out 900 black shareholders

Erect Africa, started by Shareworld founders Reuel Khoza and Jonty Sandler, concluded a notarial deed of lease with Shareworld in August 1987 for an initial 25 years at R500 000 a year or 5% of turnover — whichever was greater It executed a deed of surety in favour of Shareworld for its debts to Standard in September 1987

Standard brought the application for the winding-up of Erect Africa last August

JSE rides high amid frenzied trading

BDay 7/3/90

MERVYN HARRIS

JSE flagship De Beers set the market alight yesterday as investors piled into the shares to sweep the price up 13,5% or R10 to close at a record R84

Propelled by better-than-expected results and an announcement that it is to form a new Swiss company to house its foreign interests, De Beers' shares touched a peak of R85,25 before profit-taking trimmed the gains in frenzied trading

Yesterday's trade of 583 414 shares worth just more than R49m changing hands in 541 deals lifted the total value of De Beers shares traded over the last six days to almost R135m

Attributable equity earnings in 1989 surged 37% to 754c while the striking 40% increase to 280c a share in total dividend payouts for the year exceeded the top range of forecasts by analysts

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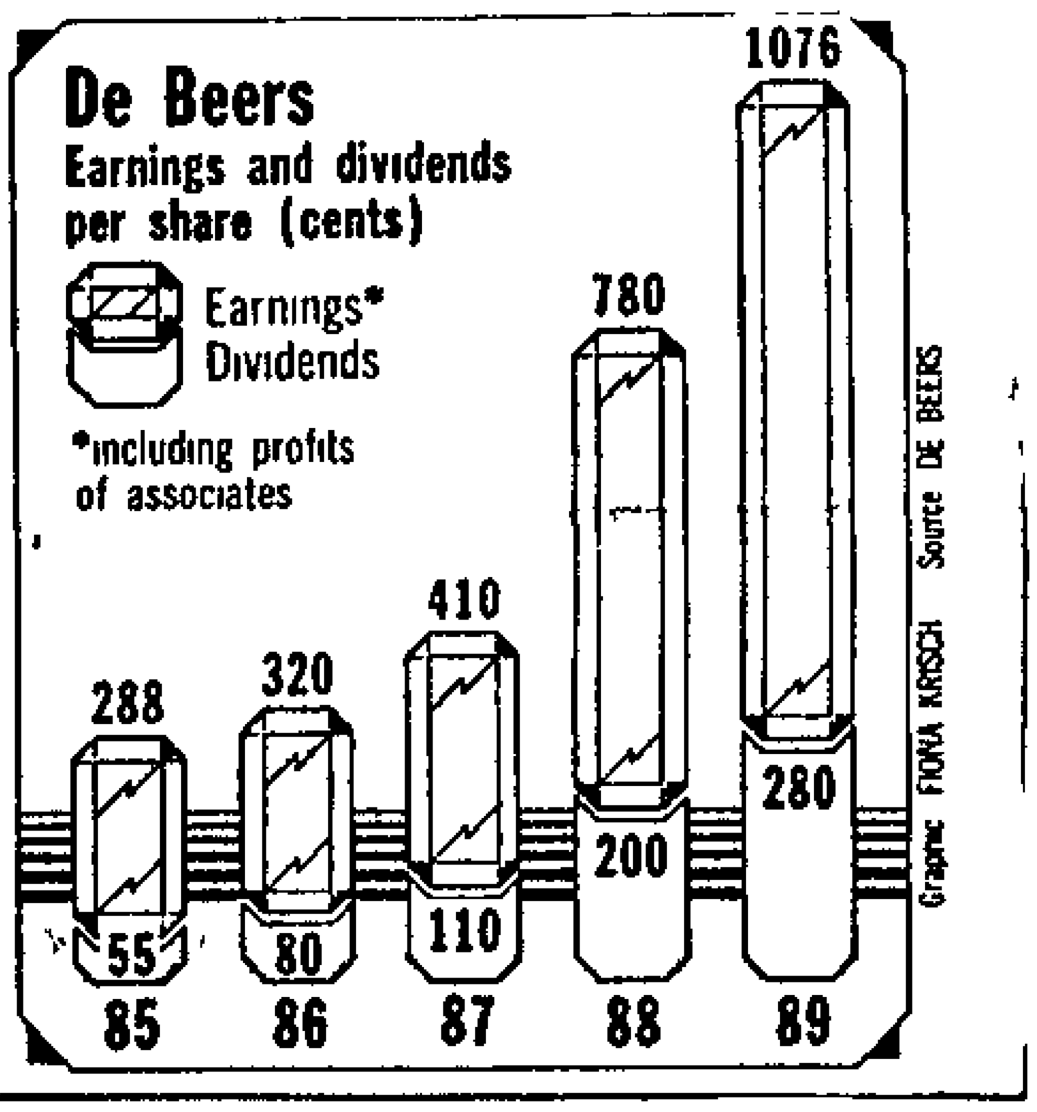
On the back of the rise in De Beers shares, associate companies Anglos, Minorco and Johnies closed sharply higher, while market sentiment was also boosted by perceptions that the gold price has bottomed.

Renewed buying interest in gold shares lifted the JSE all gold index 4,1% to 1 974 to help take the overall index up 3,1% to 3 201

The metal closed $1 higher at $405 in hesitant trading in London

The dollar closed in London just off its day peak of DM1,7012 at DM1,6998 against the previous close of DM1,7037



F|M 2/3/90 (232)

PRIVATISATION

So much to do, so little done

■ And political reform is no excuse for delay

The excitement of political change should not make government forget its economic objectives. Apart from the fight against inflation, privatisation and the removal of the State from the business arena should still take priority.

A wholly expedient government could be tempted to put privatisation on the political agenda and promise to end the process if the ANC drops its commitment to nationalisation. But it should not take much effort to persuade any rational person that the proceeds of privatisation, such as the R3bn proceeds from Iscor, can build more schools and hospitals than the ever-dwindling profits, and then inevitable losses, of nationalised industries.

Nor should privatisation be seen as a one-off cash injection. The State later enjoys rising taxes from ever-more profitable firms.

According to Patrick Minford, professor of Applied Economics at Liverpool University and one of the intellectual godfathers of privatisation, the process offers even more benefits to a developing country like SA than in the developed world. "It's crucial to encourage competition and incentives and to diminish the centralised power of government, which can so easily become too powerful in a developing economy. I don't have to tell you about the disastrous central planning of your northern neighbours. "

Government should take more heart from the Iscor listing, which JSE president Tony Norton describes as a textbook listing. In spite of its size, the issue was 4,16 times oversubscribed. It helped to popularise capitalism as it doubled the number of shareholding investors to 300 000.

It proves that the market is ready to handle a big issue. According to *The Economist*, the JSE was the most buoyant major bourse last year. In dollar terms the indices appreciated by 55,1%, outstripping even Singapore and Frankfurt

There should be no further delay in privatising companies that already operate in the business environment. The *FM* has called for the remaining portion of Sasol to be sold off (*Leaders* October 27) DP finance spokesman Harry Schwarz, no privatisation ideologue, says there should be no delay in the selling off of Phalaborwa-based phosphorus producer Foskor and two listed portfolio investment companies still controlled by the Industrial Development Corp, National Selections and Industrial Selections

True, two giant corporations, SA Transport Services (Sats) and Post & Telecommunications, will soon take small steps towards listing. Sats (now called Transnet) becomes a public, or State-owned, company on April 1; Post & Telecommunications splits into two business units next year

But is it right to keep such a diverse range of transport interests under the mammoth Transnet umbrella? Schwarz says there's no reason SA Airways can't be listed soon it competes on international routes and competition is being developed on domestic routes Road freight transport operates in an even more competitive environment.

On the other hand, Transnet still has sub-economic commuter services "These will never be profitable because workers are forced to live far from their place of work because of ideological reasons," says Schwarz.

Unfortunately, empires will have to be dismantled and vested interests that the NP has satisfied for years will have to suffer. The conditions for privatising a company seem simple enough. Privatisation Unit CE Pieter van Huyssteen says: "It needs to be financially feasible for the private sector to take an interest; there should be no reason for government to be in that business; and it should be in the broader national interest to privatise."

But it's this question of the "broad national interest" that provides the most convenient excuse to delay privatisation

Fred Macaskill, of the Privatisation Centre, an affiliate of the Free Market Foundation, suspects that while former President PW Botha acquired a strong interest in privatisation, even if late in life, this enthusiasm isn't shared by President FW de Klerk. FW still has to prove him wrong

The market, however, is hungry for a listing Foskor is the prime candidate The SA Abattoir Corp (Abakor) is also tipped for privatisation Both have been delayed, Macaskill believes, partly because of possible objections from vested interests.

Abakor has been delayed subject to a report, due in May, from the Red Meat Producers' Organisation. This body relies on the marketing structure provided by the Meat Board and fears that abattoir owners' bargaining power would increase once competition is introduced.

Foskor looks particularly juicy. But the fertiliser industry, its main customer, feels it should get a share of the business before the public Says Kynoch Fertiliser MD John Skeen: "Foskor is a sole supplier It has a limited customer base, unlike Iscor, which has customers in a wide range of industries, so a public issue may not be so appropriate"

Foskor meets the conditions of profitability. Its profits rose by 411% to R98,3m in the year to June on turnover of R429m (40% up) Market conditions are certainly right. As it's less than a tenth of the size of Iscor, the market could absorb it easily enough

But Van Huyssteen says stakeholders must be given their say before privatisation. The implications of a private Foskor on the fertiliser industry need more examination

An additional problem for some State en-

Van Huyssteen

Minford

terprises is that they may not qualify for listing. Indeed, because of the Chinese accounting practices in government departments, even their managements don't know if they're making a profit

Norton says that's not good enough for a listing: "Companies that are readily privatisable need an established profit history and must already operate in a competitive environment For example, the present SA Airways balance sheet can't provide a guide to likely profits after deregulation.

"But we won't be too pious. We normally expect a profit history of four years to qualify for the main board but we will show flexibility when listing State-owned companies. We would take note of any committed business plan."

Norton points out that there aren't as many candidates for privatisation — "give or take the odd Foskor or two" — as in Britain, where private companies had been taken over by earlier Labour governments

The process of privatisation is being put in private-sector hands, such as those of ex-merchant banker Pieter van Huyssteen, rather than those of politicians. Unfortunately, managements of the concerns don't have the final, or even major, say. Says Foskor MD John Stanbury: "I'm only the chauffeur so I can't decide when to sell the car."

He adds, however, that once the decision to privatise is made, Foskor could be on the boards within four months.

SA Chamber of Business president Les Boyd is puzzled at the delay in listing Foskor, though he isn't unhappy about the pace of privatisation in general "It's important to get these enterprises into shape so the full value of the shares are realised and they aren't just sold cheap"

Stanbury says that if Foskor were sold a year ago, it would have been underpriced as it is only starting to reach full potential.

Another school of thought, advocated by author and ex-*FM* journalist Don Caldwell and Ian Hetherington, MD of innovative management consultancy Job Creation, argues price shouldn't be a factor. Hetherington says State industries are supposed to belong to the people and this should be recognised by giving an equal share in the business to each adult.

"Poorer people could sell their shares immediately This would bring an immediate transfer of wealth from white to black"

The idea has a certain logic and would pull the rug out from under the argument that privatisation puts the nation's resources into the hands of big business or so-called "monopoly capitalism"

But it would deny the State the proceeds of sales which could substantially reduce deficits In addition, it smacks of paternalism. As Schwarz points out: "Nobody appreciates free hand-outs."

Minford says it's important to create a popular constituency for capitalism through wider share ownership but it is better for the economy to use privatisation proceeds to cut taxes rather than for capital transfers.

Even if ever government sells its industrial concerns it will still face considerable resistance to a sale of Eskom — from some unexpected quarters. Boyd says there is a difference between privatising a company operating in a competitive area and a utility such as Eskom, which doesn't have an obvious competitor "We should wait to see what mistakes are made in privatising electricity in Britain before we attempt anything."

Norton agrees that Eskom should have low priority. "It is a well-managed monopoly and it may be best to keep it that way."

Minford counters that privatisation provides an incentive structure to encourage companies to work more efficiently, whether in industries or utilities He adds there's no reason why there shouldn't be competing suppliers of electricity.

It's an argument, however, that still has to be swallowed by many business leaders. Eskom's privatisation may well be some way in the future but, with such a wide measure of agreement over most other State-owned concerns, there needs to be another listing — not just for its own sake but as a signal that privatisation wasn't just a nine-day wonder that ended in November 1989. ■

New agreement in bid to save troubled Helderberg village

B/Day 27/3/90 LESLEY LAMBERT (232)

CAPE TOWN — Judgment in the Helderberg retirement village case has been reserved until Friday to give the court time to consider a new agreement to apply for the home to be placed under provisional judicial management rather than in liquidation.

The agreement was reached on Friday last week between applicant Matheus Geldenhuys, respondent Helderberg Village Share Block Holdings, and an intervening creditor Rolf-Stephen Nussbaum, after the applicant's strong case for provisional liquidation was postponed on Tuesday.

All parties involved in the Supreme Court battle to save the troubled retirement village, had expected a judicial management order to be granted yesterday in terms of the compromise they had agreed on.

Counsel for the applicant argued that if a judicial manager — with more limited powers than envisaged in a previous judicial management application — was appointed to restore order in the company, there was a reasonable prospect of saving it either by a scheme of arrangement or an offer of compromise.

There would also be a considerable saving of costs in judicial management, he argued.

But presiding judge Mr Justice Berman issued a warning to counsel not to play "ducks and drakes" with the court by changing their applications after making strong cases for, or resisting, liquidation.

He said if it were not for his sympathy for the villagers, he would have summarily issued a provisional liquidation order for lack of sufficient evidence supporting the judicial management argument.

The judge said he needed to consider existing affidavits and new documents arguing for judicial management before passing judgment on Friday.

tice Grosskopf and acting judges of appeal Justice Friedman and Justice Nienaber. —

B/Day 7/3/90

Shareworld is liquidated

(232)

THEO RAWANA

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Standard brought the application for the winding-up of Erect Africa last August

Sable boosts income by 20%

BSDay 7/3/90

BRENT MELVILLE

ON THE strong performance of its recently purchased industrial division, Sable Holdings, the Nash family's listed interest in industrial and property development, has posted healthy results for the six months to end December.

On the bottom line income improved by 20% (over pro-forma comparative figures) to R3,7m (R3,0m), translating into earnings of 48,8c (40,6c) a share. No dividend was declared.

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Subsidiary

Pre-tax profits, up 40,3% to R7,8m (R5,5m), were reduced by a 58% hike in the tax charge to R2,9m (R1,8m) and minority share of profits which climbed by 82% to R1,2m (R678 000).

Chairman John Nash attributed the growth to the group's industrial subsidiary, Steiner Services, the wash-room services and linen and workwear rental division which accounted for 51% of group earnings after tax.

Together with Steiner's strong cash flow, the proceeds from the sale of investment properties with a book value of R1,6m and sold for a profit of R4,5m enabled the group to reduce financing costs by 39% to R1,4m (R2,4m)

Group borrowings at end-December stood at R21,4m.

Nash said new property investments and continuing growth from Steiner would enable continuing strong growth over the upcoming six-month period and into the coming financial year.

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SOWETAN BUSINESS
Building the Nation

It's safer to spread your investments

Paul Dold, public relations officer of the Old Mutual, continues his article on unit trusts and their worth as an investment.

FOR the black investor keen to take a stake in major South African companies, unit trusts are an ideal way of spreading your investment across several sectors of the economy.

Week before last I touched briefly on this subject which is fundamental to sound investment.

The price of blue chip (top quality) shares has soared in recent years with the result that even R50 000 cannot provide an adequate spread to investors nowadays

One share in Vaal Reefs - a leading gold mining company - is priced around R388 and the cost of 100 shares would take up most of the R50 000 capital. So we would be virtuallly limited to one share in our portfolio.

If the mine were hit by major labour or technical problems the price could fall drastically, and our capital would be wiped out This is why it is essential to spread your savings over several shares

Unit Trusts are a very cheap means of gaining this spread. Old Mutual Investors' Fund - the largest unit trust - has a minimum monthly investment of only R50. This monthly investment gives you a stake in more than 50 blue chip companies worth nearly R2 billion.

Diamonds

Your money will be invested in some 23 sectors including, coal, diamonds, gold, platinum, mining, banking, property, beverages, oil, clothing, engineering, food, furniture, motoring, steel, sugar and tobacco.

Thus, if world diamond prices fall sharply, the value of the portfolio would not be hit hard, and there are bound to be upswings in the other sectors which would offset the losses in diamonds.

Our first article dealt with the major advantage of unit trusts - providing growth above the rate of inflation. The graph below shows what happens to R1 000 capital each year if the inflation rate is 15 percent.

Within five years the buying power of your R1 000 is virtually halved! This is why it is so important, when saving, to obtain a return which is above the inflation rate.

Investing in unit trusts provides a stake in a growth investment. Company profits rise steadily, helped by inflation. Dividends to shareholders increase and share prices move up, reflecting the underlying growth.

Inflation

The Investors' Fund growth over the five years to December 1989 was 30,5 percent a year as against the average inflation rate of 15,8 percent.

The longer-term figures are equally impressive at 24,6 percent return as against 12,5 percent inflation. These are actual returns which applied to a R100 monthly investment

This is strong contrast to fixed interest investment which, although it carries less risk - the return is fixed - is fully exposed to inflation. Thus while you may be guaranteed 17 percent, after inflation of 15 percent the real growth is only two percent.

Another important advantage of investing in unit trusts is that the potential capital appreciation - the profit you make if you sell your units - is normally tax free.

Our next article will deal with points to consider when choosing a fund.

Readers with questions about unit trusts are invited to write to the Unit Trust Advisor, Old Mutual Unit Trusts, Free Post 271 CAPE TOWN, 8 000.

JSE nervous over unrest

B/Day 8/3/70

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MERVYN HARRIS

SHARES of companies heavily involved in the TBVC states came under pressure in late trading on Diagonal Street yesterday.

As news that the cycle of violence had spread from Ciskei to Bophuthatswana filtered through to the market, shares of casino and leisure group Sun Bop slipped 50c to close at R20.

The shares, which made one of the largest gains on the market last year and hit a high of R28 three weeks ago, were last quoted at a seller's price of R20 and a buyers price of R16.

Yabeng, the investment trust whose major interest is a holding in Sun Bop, eased 5c to 370c with sellers offering the shares at that price and buyers prepared to pay 330c.

Highly rated textile group Da Gama, which firmed to a high of R11,50 last Friday, continued to retreat on concern over the violence and destruction in Ciskei, where the group has a factory.

The shares fell back a further 20c to R10,50.

The market was nervously watching developments amid fears that shares of other companies involved in the homelands could also come under pressure.

UPDATE...

'Develop skills to increase wealth'

By MOKGADI PELA

IT is only through the free enterprise mechanism that there is some guarantee of the welfare of the majority of people in the country, a paper delivered at a labour conference stated yesterday.

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Mr Theo Pegel of the Institute of Personnel Management said to achieve this, the impetus to privatisation and deregulation had to be maintained.

He said this would ensure that wealth creation and the redistribution thereof become a national priority.

Pegel stressed, however, that the best environment for the redistribution of wealth would be an expanding economy in which possibilities existed for new opportunities for everyone.

Sowetan 8/3/90

To this effect, Pegel said, the development of skills was crucial.

He said IPM had an important role to play in providing knowledge and skills to their members.

City family sells stake in Garlicks

Cape Times 8/3/90

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By AUDREY D'ANGELO
Financial Editor

THE Garlick Family Trust has disposed of its stake in the department store group to Durban-based Prefcor — better known as Beares — for an undisclosed amount

But a director, Allister Rogan, said yesterday that it would be business as usual for Garlicks with no drastic changes at the Adderley Street store which has been part of Cape Town life for more than a century

"The store will have the same target market and Cape Town people will not notice much difference"

Garlicks was the subject of a bitter takeover battle in 1988 after two directors, Jack Garlick and Noel Boyce, offered R38m for it They offered R12 a share and offered to redeem the 1m preference shares at R2 each

A Johannesburg-based consortium tried to obtain control by buying pyramid company Garlicks Consolidated (Garcon)

Finally, after the dispute reached the Supreme Court, Garlicks was bought by the Jano consortium, which included coal mining magnate Graham Beck, Jack Garlick and Noel Boyce, for R42m

The company was delisted from the JSE Garcon was later sold, as a cash shell, to Unidev

Yesterday Beck's Kangra group issued a statement that, in co-operation with Prefcor, it had acquired 100% of Garlicks controlling company, Jano Retail Holdings, from the Garlick Family Trust.

The statement said Kangra previously held 50% of Jano

Kangra, like Jano, is an unlisted company and company spokesmen refused to give any details of the purchase price.

The new board of Garlicks includes former Checkers MD Clive Weil, who successfully turned the supermarket chain round and is now a director of Prefcor.

Other members of the new board are Prefcor chairman Terry Rosenberg, Hymie Sibul, Graham Beck, Allister Rogan and Ken Geeling. Jack Garlick will remain a non-executive director

A spokesman for Prefcor said the management team would be strengthened and the group would be restructured financially with the help of the Standard Bank. A team from Prefcor are expected to meet Garlicks management next week.

Allister Rogan said yesterday "The Garlick Family Trust's share of the business has been sold to Prefcor, and that suits us better.

"Kanga has never been involved in the running of Garlicks — our business is coal Garlicks will now be run by Prefcor They understand store keeping."

Asked if the character of the store would change, to become more like Beares, Rogan said "Garlicks should trade as normal People in Cape Town will not notice any difference."

Since its delisting, Garlicks has not made its results public Asked if these had been disappointing, Rogan said "It could have been doing better I believe the retail trade generally has not been doing as well since the economy turned down"

B/Day 8/3/90 (232)

Bearish sentiment on Iscor sweeps JSE floor

ANALYSIS: STEPHEN RICHTER

ISCOR's results for the six months to end-December have raised serious questions concerning the steel giant's ability to produce satisfactory earnings growth over the next few years

Bearish sentiment towards the group is sweeping across the JSE floor as the share price has fallen sharply during the past few days In fact, since the results have been released, Iscor has fallen to 225c, which represents the lowest level that this share has traded at since its listing This compares with its January peak of 285c

Iscor's price action since its interim results were announced clearly illustrated the significant role played by investor sentiment

In determining the appropriate share price of a listed company, both its past and future earnings performance are considered significant. In addition, other factors such as management strength and the industry or sector in which it operates are taken into account

In the case of Iscor, the company operates in the steel sector, which traditionally has been a highly cyclical industry

But during the final few years of the previous decade, steel producers were benefiting from very strong demand for their products As a result, the shares of Hiveld and CMI were in constant demand which caused their share prices to rise substantially

It was, therefore, logical to choose Iscor as a candidate for a JSE listing last year The SA public was literally bombarded with advertising, which proved successful And despite the October 1989 mini-crash on Wall Street, the share never traded below its initial offer price of 200c

Many analysts and investors placed a considerable amount of faith in management's projection, which appeared in the prospectus, saying "taxed earnings of the group for the year ending 30 June 1990, will, in absence of unforeseen circumstances, exceed those of the year ended 30 June 1989 by at least 20%"

The prospective shareholders had every reason to believe the directors' forecasts would become a reality After all, they had arrived at this projection by making a number of assumptions and the following statement also appeared in the prospectus

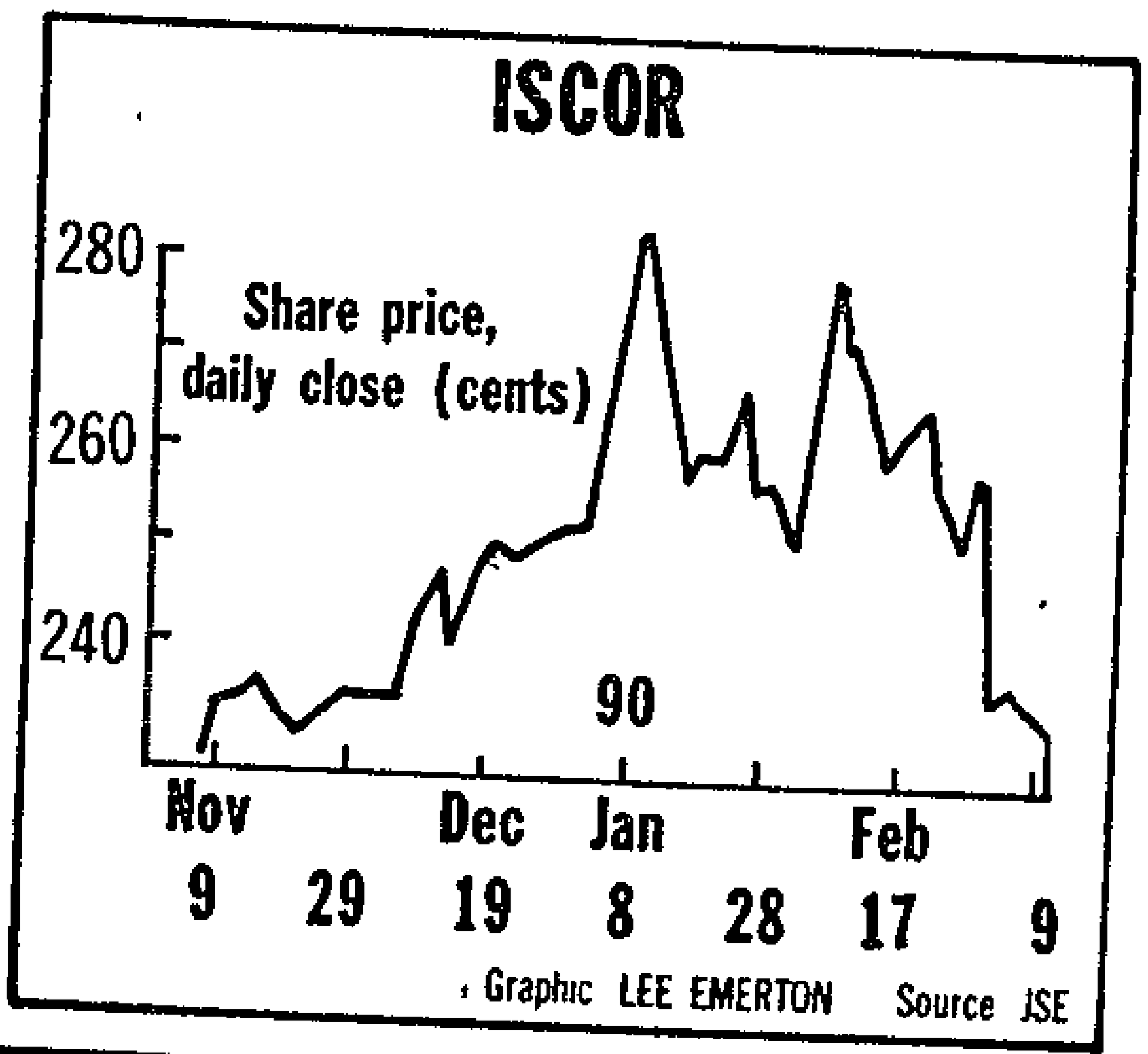
"As these are probably the most sensitive assumptions from a financial viewpoint, conservative estimates have been made Any change in these assumptions will, however, have little, if any, effect on the estimated profits of the Iscor group for the 1989/1990 financial year"

Regarding future earnings prospects, the directors said "It is also expected that the taxed earnings of the group over the next five years will increase at a rate which will be at least equal to the general rate of inflation"

But investor confidence toward Iscor has been shaken by the revelation in the interim report that "earnings for the second half are likely to decline and it is therefore expected that the earnings for the full year will now show only a modest improvement"

Iscor now says a severe oversupply situation has developed progressively in the international steel market towards the end of calendar 1989 But manager of public relations Piet du Plessis is confident that by the middle of this year, the oversupply situation should level out and be "in better balance".

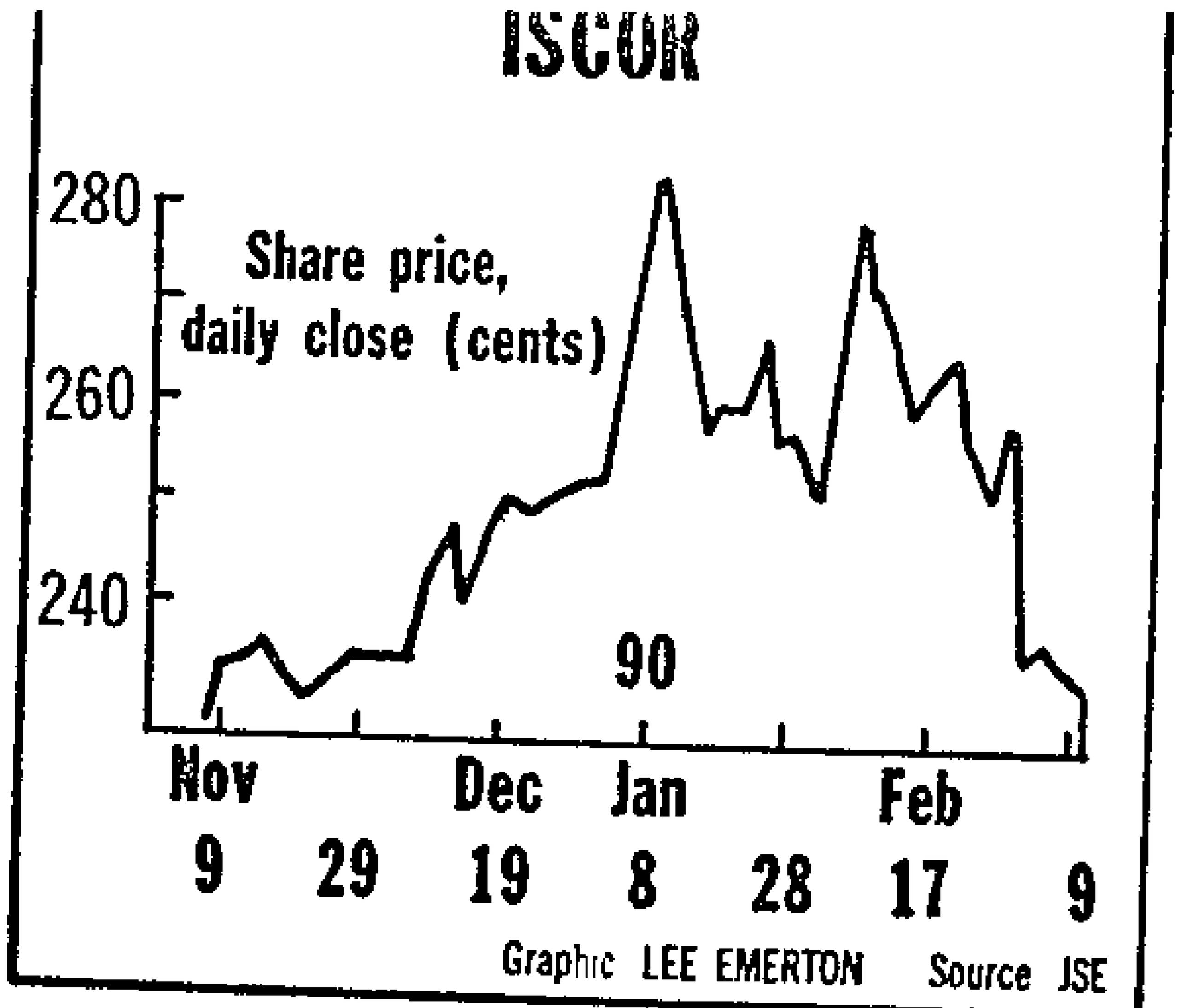
The explanation given for the sudden change of fortune by the international steel industry was that the high demand for steel products encouraged many producers to move into the export market As a result, prices softened on overseas markets



Graphic LEE EMERTON Source JSE

Optimistic

spectus that demand for steel internationally had begun to decline during 1989 It appeared that Iscor



of the group over the next five years will increase at a rate which will be at least equal to the general rate of inflation"

But investor confidence toward Iscor has been shaken by the revelation in the interim report that "earnings for the second half are likely to decline and it is therefore expected that the earnings for the full year will now show only a modest improvement"

Iscor now says a severe oversupply situation has developed progressively in the international steel market towards the end of calendar 1989 But manager of public relations Piet du Plessis is confident that by the middle of this year, the oversupply situation should level out and be "in better balance".

The explanation given for the sudden change of fortune by the international steel industry was that the high demand for steel products encouraged many producers to move into the export market As a result, prices softened on overseas markets

Optimistic

Unfortunately for the uninformed investor, Iscor failed to mention in the prospectus that demand for steel internationally had begun to decline during 1989 It appeared that Iscor management was aware of this fact, but they did not feel this situation would have a major impact on group profitability

Du Plessis states that "as late as October 1989, at an international iron and steel conference, the producers were still optimistic about 1990 prospects, and although a slight decline in market conditions was expected in 1990, no-one at the conference predicted the conditions that are evident now Consequently, a soft landing was expected"

The latest Iscor results illustrate how suddenly conditions can change in cyclical industries such as steel Not only will Iscor be unable to honour its projection of a 20% earnings growth rate for the coming year, but its prediction that earnings for the next five years will match the general inflation rate is suspect

This explains why the share price has been under considerable selling pressure during the past few trading sessions Investors may be tempted to purchase the shares at these lower levels, as certain stockbrokers feel they offer value at their current price

But with earnings during the second half of the financial year expected to decline, it is unclear if financial 1991 will show any earnings growth This will do little to restore confidence in the share in the near future and consequently, Iscor should be avoided for the time being

Highveld Steel a major contributor to Amic earnings

Cape Times 9/3/90 232

By ARI JACOBSON

ANGLO AMERICAN INDUSTRIAL CORPORATION (Amic) notched up a 26% increase in attributable earnings to R653m (R517m) for the year end-December with a major contribution from its subsidiary Highfield Steel.

This translated into earnings a share of 1 211c (963c) with total dividends for the year jumping 21% to 350c (290c) a share — covered 3,5 (3,3) times by earnings

Amic's chairman Graham Boustred, said in his annual statement, an extremely buoyant first half led up to a slowing in earnings growth towards the year end

"This reflected subdued demand in the local market, and lower commodity prices in world markets, although the latter were offset by the weakening of the rand/dollar exchange rate."

- Highveld Steel was a major contributor to the group's improved performance. Attributable earnings increased by 165% to R322m, equivalent to 450c a share.

These results were brought about by high levels of output for all Highveld's products and by exceptionally favourable prices realised for steel and ferro-alloy products, particularly vanadium

- Scaw Metals' earnings for the year increased by 24% from R62m to R77m These earnings were supplemented by a commendable performance by Haggie, in which Scaw has a 35,3% stake

- Weaker demand for paper and timber products locally and softening world prices for pulp and paper towards year-end saw Mondi Paper's operating earnings increase at a lower rate than last year Mondi's attributable earnings increased from R162m to R163m.

- Boart International experienced a severe downturn in demand for its exploratory drilling equipment and services brought about by substantial reductions in prospecting activities

As a result, attributable earnings fell from R97m to R87m

- AECI increased earnings by 23% from R255m to R314m with the group experiencing a firm demand in most divisions and a substantial increase in exports

Construction of the R920m Sua Pan soda ash plant in Botswana has commenced and is scheduled for completion in early 1991.

- In its year to March 1989, the Tongaat group increased earnings by 32% to R157m. The group has forecast earnings of R176m to March

Substantial development programmes are under way at core businesses in the Amic group particularly at Mondi, Highveld and Scaw

In spite of high levels of capital expenditure the debt equity ratio of the group was reduced to 20% (25%)

The initiatives undertaken by the State President and the political process which is now underway will hopefully result in the normalisation of SA's relationships with its overseas trading partners, says Boustred

"While it is not possible to forecast when sanctions will be lifted, once Amic's exporting companies are able to trade freely throughout the world, particularly in North America and Europe, the group should benefit significantly."

Iscor share price under strain from bears

Business Day Reporter

BEARISH sentiment toward Iscor remained yesterday as the steel giant's share price fell to 220c, its lowest level since the shares opened at 230c on the JSE in November. (232) (~~240~~)

At one stage Iscor declined to a low of 218c, but buying interest toward the end of the trading session allowed the price to recover slightly to finish at 220c, down 6c from Wednesday's level.

Volume remained extremely heavy and exceeded 3,2-million shares, which compares to Wednesday's turnover of 842 500.

Iscor's performance caused the JSE steel index to fall to a new yearly low. This indicator declined by 21 points to 982, which is substantially below its June high of 1 611.

Brokers confirm that negative Press comment during the past few trading sessions following the release of its interim results has contributed to Iscor's fall from grace. Since these results appeared in the Press at the beginning of this month, the share has lost 15% of its value.

B/Day 9/3/90

Holiday scheme wound up in court

Summer Leisure investors lose out

Star 9/3/90 232

Star Line

JUNE BEARZI

The inflation-beating holiday dreams of thousands of investors who sank R30 million into the Flexi Club Foundation and its marketing arm, Summer Leisure International Ltd, have been dashed.

Summer Leisure, which hit troubled waters a year ago with a flood of complaints to Star Line about unkept promises and flexible and cheap holidays which never materialised, was wound up in the Rand Supreme Court this week when Epsom Downs Properties of Sandton sued for R181 220 outstanding on the four-year lease of their plush Bryanston premises.

Creditors have very little chance of getting anything out of the liquidation of the company which will be lengthy and complicated, a legal expert said.

Following a Star Line probe last year into the holiday-points scheme run by Mr Larry Botes and Mr Bill Nosworthy, the government watchdog body, the Business Practices Committee, launched an investigation into its affairs.

Over the last six months Mr Botes and Mr Nosworthy have kept angry investors, unpaid staff and several creditors at bay with assurances that "all was well with Flexi Club" as they were expecting an overseas loan of millions "at any moment" to resolve the cash flow problem. However the cash failed to materialise and the scheme collapsed.

When the Flexi Club venture was promoted three years ago cash investors and those who swopped their timeshare units for holiday-points were lured with promises of "your investment back in 10 years", "low, low levies" and holidays on a luxury yacht anchored off Mauritius. However the yacht was repossessed by the Durban owners because of R150 000 outstanding on chartering fees and investors began receiving final demands for levies from their timeshare management companies which, when they swopped them for points, were supposed to be paid by Summer Leisure.

Several angry investors claimed the scheme had been mismanaged and they had borne the brunt of this.

A spokesman for the Business Practices Committee told Star Line this week that the team of investigators had almost completed its report which would be submitted to the committee for examination. Following this the committee would decide what action, if any, should be taken and make its findings public.

HELDERBERG VILLAGE (232)

Uneasy peace

FM 9/3/90

The decision to ask the court to place the Helderberg Village scheme under judicial management (JM) — rather than to press for its liquidation — represents a rare moment of agreement in an increasingly bitter battle But whether it's the best course for the village remains moot.

If the judge hearing this week's liquidation proceedings does opt for a JM order, as seems likely, the return date will probably be set for May 4, which means the judicial manager will have two months in which to sort out the village's problems

This application must be distinguished from the earlier application for JM brought by Ralph Nussbaum His application envisaged the judicial manager being involved in

FM 9/3/90 (232)

the onward development of the village, whereas the aim of the current application is to help present a clear financial picture of the village's affairs to allow any future developer to reassess his situation

JM represents a compromise between liquidation (sought by applicant Matheus Geldenhuys) and the villagers' hopes of avoiding liquidation and judicial management completely Dennis Lehmann, chairman of the village, says "It's not ideal — it's a compromise — but it does ensure that matters between Shemara and ourselves are sorted out and the marketing can go ahead That's our lifeline "

Lehmann says he has a list of "about 20" prospective buyers who would like to be involved in the scheme once the current problems are sorted out He says there is considerable overseas interest

Privately, there's some distress that the village has been driven to this point About 95% of the villagers would oppose JM or liquidation if asked There is also concern about who will be appointed judicial manager and if an inspector will be granted

On the other hand, some facts have become so intractably contested that the intervention of an outside party may be necessary to restore some order to the issue.

Meanwhile, the long hinted at criminal investigations into the affairs of the village have finally got under way Police sources confirm that allegations of fraud and breaches of the Shareblock Act and Companies Act are being looked into This came about from a charge laid by the Registrar of Companies after the village failed to lodge financial statements or an auditor's report

There may be an innocent explanation for the auditor's conduct They are understood to be owed R64 000 by the village for services rendered and may be withholding their reports until payment is forthcoming ■

FM 9/3/90 232

PRIVATISATION

Apple-stroika

The privatisation of Unifruco, the international marketing arm of SA's deciduous fruit industry, represents perestroika in the best sense of that over-used word It was driven by a need for restructuring and a desire by producers for greater democracy in the industry

It started in 1987 when Unifruco — now Unifruco Ltd — was formed to take over international marketing from the Deciduous Fruit Board. All remaining controls on the local marketing of deciduous fruit were also abolished

The privatisation, which took effect on March 1, saw the issue of 10m shares of an authorised 20m to more than 1 000 fruit growers Shares were allocated according to the contribution each export grower made to the funding of Unifruco and the board over a three-year period For now, the shares can be traded only among the export growers, but Unifruco does not rule out an eventual listing.

The shares represent the R46,7m value of Unifruco's assets, including its land, buildings, equipment, investments and cash, but not its major asset, its trademarks

Unifruco sees four main reasons for the privatisation·

☐ Over the years producers had to contribute to Unifruco's reserves yet have had no tradeable asset. Now they have marketable shares and the potential for equity growth;

☐ Restructuring cuts down on the considerable degree to which functions overlap in the industry, especially in terms of research. Two subsidiary companies, Unifruco Promotions and Unifruco Research Services, have been formed David Gant, chairman of the SA Apple and Pear Producers' Association, believes better co-ordination and better decision making will follow. Unifruco CE Louis

FM 9/3/90 232

Kriel hopes that more subsidiaries with potential as profit centres, such as a shipping company, will be formed;

☐ The overseas marketing handicap of being seen as a public corporation is eliminated; and

☐ The new format allows management incentive schemes.

From the producers' point of view, the reforms give them a greater say in the running of the industry. "Too many farmers were waving goodbye to their product when it left the farm gate," Gant says. "People should be involved all the way, looking at distribution, marketing and selling "

Grower Leycester Walton adds· "Many people wanted to have their hands more on the way the industry was run. We wanted a bit of perestroika — more democracy."

To that end, five extra places were added to the 11-member board. CE Kriel holds one place, three are elected by shareholders and one goes to an outsider, ex-Duros man Mervyn Key.

Unifruco now faces the challenge of all newly privatised companies — establishing a record of profits. In the past, returns simply went back to the grower. Now, Kriel says, "there is a degree of pressure because we have to perform both on the profit side and the returns-to-our-growers side." ■

S Times 11/3/90

(232)

Fewer firms fail

Business Times Reporter

THE soft landing has been kind to business

Analysis of liquidation and sequestration statistics for last year shows that the decline in economic activity did not lead to more bankruptcies.

Information Trust Corporation chairman Paul Edwards says the final figures for last year show that 1 564 companies and close corporations were liquidated — the lowest total since 1980

Mr Edwards says that because last year's figures include close corporations, which did not exist in 1980, business did even better than the numbers indicate

Most of last year's failures — accounting for 40% of the total — occurred in finance, insurance, real estate and business services

This is mainly attributable to the large number of small businesses which have been established in those categories

Mr Edwards says "The advent of PCs has led to many people operating their own businesses, often from home It is not surprising that the fall-out rate is high in numeric terms"

The category with the second-highest failure rate was wholesale, retail, catering and accommodation services, which made up 30% of the total

Construction, often a bellwether of the state of the economy, experienced a marginal increase in the number of failures — from 159 in 1988 to 166 last year

But Mr Edwards warns that bankruptcies are likely to increase this year Some sectors of the economy have noted a much slower start to the year and retailers report an increase in the number of accounts in arrears

London gold

The rand's world value

	R1 equals		One foreign unit equals (R)	
	09/03/90	09/03/89	09/03/90	09/03/89
US $	0,3864	0 3949	2,5883	2,5318
UK £	0 2353	0,2300	4,2506	4,3470
Deutschemark	0 6563	0,7359	1,5237	1 3589
Japanese yen	58,15	51,05	0,0172	0,0196
Swiss franc	0,5817	0,6284	1,7191	1,5913
French franc	2 2182	2 4989	0,4508	0,4002
Canadian $	0 4559	0,4739	2,1935	2,1101
Italian lira	483,97	540,34	0,0021	0,0019
Zimbabwean $	0 8973	0,7795	1,1145	1,2828
Australian $	0,5086	0,4832	1,9662	2,0695

Trade weighted value of rand, % change against 1974 base 40/04

Domestic interest rates

MONEY MARKET

	Friday 09/03/90 %	Friday 02/03/90 %	Friday 23/02/90 %
SARB accommodation rediscount rate TBs	18 00	18,00	18 00
Treasury bill tender rate	18 00	18 01	18,01
Basic call of discount houses	18,25	19 00	18,25
Three-month banker acceptances	18 45	18,45	18,45
Three-month NCDs	19 75	19,90	19,90
Three year RSA stock	15 52	15,70	15,65
Prime overdraft rate	21,00	21,00	21,00
All in yield of finest acceptance credits	19,53	19,55	19,55

CAPITAL MARKET

SECONDARY MARKET	RATES ON MOST TRADED STOCKS Average Previous Month	As on Friday
Long-term RSA stocks	15,61	15,62
Long-term Escom stocks	15,43	15,35

Best sections this week

	Av % Mv	Av D/Y	Av E/Y
Furn & Household	5,2+	7,4	19,7
Mining Exploration	3,9+	0 1	17,7
Manganese	3 8+	6 8	17,5
Copper	2,6+	3 7	35,1
Mining houses	2,2+	3,4	10,4

Overall market this week

(Ordinary Shares Only)

Against-the-tide Claas backs Morkel

232

S Times 11/3/90

By Ian Smith

THE man behind the R30-million buy-out of Federale Volksbeleggings's 74,9% stake in listed furniture and appliance retailer Morkels is West German entrepreneur Claas Daun

Mr Daun, who has always chosen to swim against the tide, has invested steadily in SA since 1986

He says "When other foreigners were disinvesting and even local businessmen were pessimistic, I saw the opportunities that this country offers"

Resources

Morkels management team under managing director Carl Jansen will remain in place

Mr Daun says he will throw his resources behind the group when suitable acquisitions and development opportunities occur

Although Mr Daun's West German holding company, Daun et Cie AG, will hold nearly 75% of Morkels, executive directors have an option to acquire a 25% stake Other managers will also be able to take shares

Institutions and individual investors hold the remaining 25,1% of the equity

Mr Jansen says "The course we have taken paves the way for the group's stability and its continued presence in the market

"We will not delist — it remains a public company The change secures management control for the Morkels executive team"

Mr Daun, a 47-year-old chartered accountant and tax lawyer, says he is content to remain an investor in Morkels and to leave the running of the group to management

He built his Daun et Cie from grassroots into one of the 20 largest textile groups in West Germany in only 10 years Last year sales were 300-million marks — about R195-million The group employs about 1 000 people

Mr Daun and his wife have total control

Brother

He has a brother who has farmed in Namibia for 20 years, and he was attracted by opportunities in SA in the dark days of 1985 and 1986

"Everyone was pessimistic, but I saw opportunities," he says

Mr Daun made his first cash investment in SA in 1986, and today he owns a Paarl textile factory and sizeable commercial and office property portfolios in Cape Town and Johannesburg

He has spent most of the past year living at the Cape, consolidating his textile acquisition

His introduction to Morkels came when he bought a building in which the group had a branch He liked the look of the company, studied the balance sheet and watched the share price closely after the listing in 1987

Debt

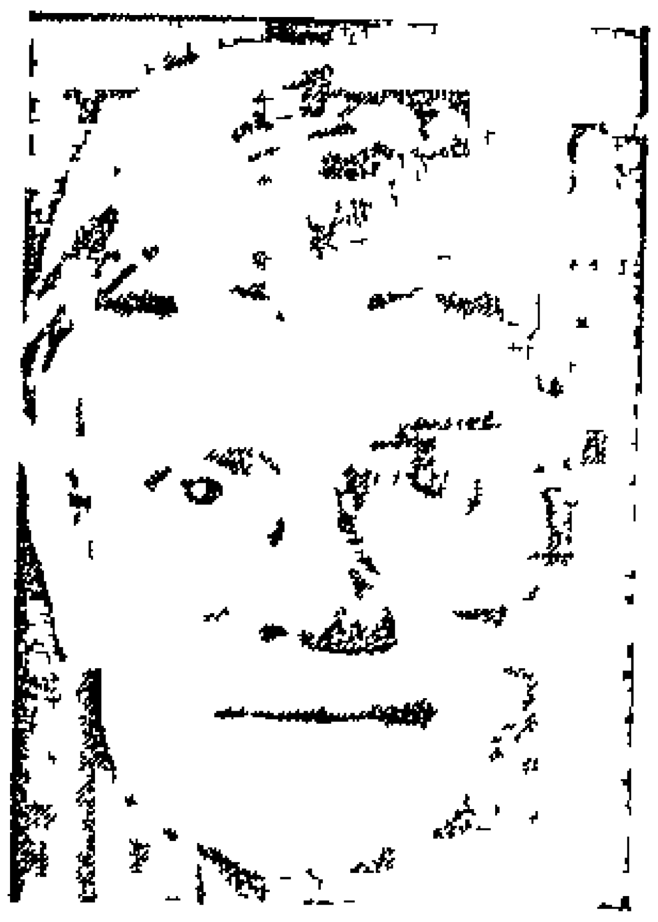
Meanwhile, Morkels management had sounded out FVB about the sale of its holding

Mr Jansen says "We have had and, I believe, will continue to have a good relationship with FVB, but the feeling had grown that we might do more by spreading our wings

"We considered a management buy-out, but we could have been left with a ruinous debt burden which might have restricted growth and curtailed our business flexibility"

Mr Daun had met Morkels managers and felt at home with them The change-in-control deal gave him an opportunity to invest in a company he admired and it solved the management's problem

The decision to invest in Morkels was made in 24 hours — shortly before Nelson Mandela's release from jail



CLAAS DAUN building a portfolio in South Africa

"My friends said I was mad to invest heavily in South Africa a few years ago But I attended political meetings of all the parties in the last general election and learned a lot about the country's problems

"Political developments have been favourable since then, but I know there are still many problems to be solved"

The change in control becomes effective on April 1

The 83-store Morkels network can comfortably be expanded to between 110 and 120 and the TotalSports chain will grow from 18 outlets to about 40 in the next three years

"But our strategic horizon extends beyond the reach of these operations," says Mr Jansen

Deloitte, Goldby merge

By Dirk Tiemann

232

TWO of SA's biggest accounting practices, Deloitte ~~Haskin~~ & Sells and Pim Goldby, are likely to follow their international parents into a merger. They will handle the affairs of 60% of JSE companies.

The merger, likely to take place in October, will set up Deloitte-Goldby (Touche Ross). Goldby SA chairman Bev Humphries says the new firm will be the biggest in SA with more than 2 000 employees and 21 offices.

The international merger formed one of the biggest employers of professionals with annual revenue of more than \$4-billion.

In SA Deloitte-Goldby will earn more than R100-million a year.

S Times 11/3/90

Touche Ross, parent of Goldby, has already merged with Deloittes in the US, Canada, New Zealand, Japan and France.

The SA move follows a spate of international mega-mergers which have had a big effect on accountancy.

CAPE TIMES 12/3/90

SA Bias buys Kirton

CP 232

Own Correspondent

JOHANNESBURG — SA Bias Industries, manufacturer and distributor of clothing, footwear and allied industries, has bought the Kirton Group for R11m

The Kirton Group manufactures, markets and distributes curtain tapes, drapery hardware and accessories, louvre windows, folding doors, sliding doors and moveable dry-wall partitions

It operates countrywide through all major cities and is a major supplier of products to the construction industry as well as to the DIY and interior decorating sectors

SA Bias Industries says the Kirton acquisition is a natural development as its own Narrotex division is already involved in the curtain suspension industry.

Acquisitions dilute earnings for Noristan

CHARLOTTE MATHEWS

NORISTAN Holdings has achieved a healthy 55% improvement to R3,6m from R2,3m in profits attributable to shareholders for the six months to December, but earnings a share have been diluted by recent acquisitions. (232)

As a result of the acquisition of Aurochs the number of shares in issue increased by 25%. This increased earnings a share by only 24% at 6,8c against the previous year's 5,5c The company does not pay an interim dividend

Noristan boosted turnover by 40% to R38,7m from R27,7m

Operating income rose only 13%, but MD Hugo Snyckers felt this was satisfactory in view of the investments made in people and markets

Noristan has also been engaged in two new ventures Noridata, which is involved in computerised systems in the health industry, acquired a software development interest and a hardware maintenance operation during the past six months

These steps are expected to make a contribution to profits for the six months to June 30 BDay 12/3/90

Friday.

It is unclear exactly who is involved in the violence A "taxi war" started more than a week ago between rival factions of the Germiston and District Taxi Association area, including journalists.

Residents are fleeing Katlehong as the violence continues. About 700 families marched to Katlehong police station on Friday seeking refuge, Sapa reported.

Judicial manager of village expected

B|Day 12/3/90

232

CAPE TOWN — A judicial manager is expected to be appointed this week to harness the financial affairs of the Helderberg retirement village which was placed under provisional judicial management by the Cape Town Supreme Court on Friday.

The judicial management order was granted on a new application brought by Dennis Lehmann, chairman of the Helderberg Village Share Block Holdings (HVSBH) company which managed the village. Lehmann's application was preceded by numerous postponements of other applications for provisional liquidation and judicial management.

In papers supporting his application, Lehmann said a previous liquidation application by villager Matheus Geldenhuys had been opposed because the 300 villagers who bought shares in HVSBH feared the loss of their cottages.

Added debt

According to the papers, the village was valued at R61m by DCF, a property developer which had considered opening a sectional title plan for the village and completing the development.

HVSBH's major debtor for an amount of R7m was its previous developer, Shemara, which was placed in liquidation a few weeks ago. Its major creditor was the Allied Group, which it owed R3,8m. The current creditors of the village, less the current debtors, left the management company with additional debt of R19 000.

Lehamn said there was every prospect that a judicial manager would be able to repay the village's debts and restore its liquidity. The first option open to a judicial manager would be to impose a capital levy

LESLEY LAMBERT

to repay the amount owed to Allied and to fund any extraordinary expenses other than day to day running expenses such as legal fees, auditors fees and any investigations the judicial manager conducted.

Another source of funds available to the judicial manager was the HVSBH's apparent entitlement to repayment of bridging finance from various villagers. The total sum was R645 000 in the form of short-term loans which would have to be refunded to comply with legal requirements

Lehman said the first inkling he had that all was not well with the village's financial affairs was when directors of Personal Trust told him that Shemara was in financial difficulties and that Personal Trust was no longer prepared to roll over its loan to the HVSBH. Further investigation revealed unsatisfactory arrangements with the HVSBH's banking account. Attempts were made to prune the budgets and prepare another budget in which services and staff were reduced. Increased levies were imposed on villagers

Then, with a liquidation application by villager Matheus Geldenhuys pending, the Allied Group made an offer of financial support to the village. But, according to Lehman, the offer was disappointing.

"In essence, it amounted to the making available of a further R4,5m in return for which the villagers were required to bind themselves to sureties to the Allied Group for an average R40 000 each. Although no instalments were payable for one year, the offer did not involve the waiver of interest during this period. Instead it continued to accrue..." he said in court papers.

The return date for the provisional judicial management order was set at May 8.

Warning to teachers on strikes

No room on JSE informal futures floor for Greenwich

B/Day 12/3/90 **ROBERT GENTLE** (232)

THE JSE has turned down a request from futures broking firm Greenwich Futures to use its recently opened informal futures trading floor, saying it would not be practical.

JSE president Tony Norton said the informal floor, which is used exclusively by JSE brokers, was too close to the DCM and main boards.

The presence of futures brokers and equity traders would present "physical" problems, he said.

"We could not mix futures and equity people on the same floor It is a question of layout."

He was greatly encouraged, however, that a key player like Greenwich, which does the lion's share of trade in local equity futures, had expressed an interest in floor trading.

A Greenwich spokesman said "We are disappointed. We believe our presence would have added liquidity to the floor and boosted trading volumes. Some JSE stockbrokers agree with us."

☐ Last month the JSE terminated an agreement between stockbroking firm J D Anderson and Allied Bank that would have allowed them to trade futures Such an agreement, the JSE said, would have been in breach of its policy requiring its brokers not to have any outside commitments or extranaeous business activities.

Business defies downturn 232

GERALD REILLY

PRETORIA — An analysis of liquidations and sequestrations last year indicated the expected decline in economic activity did not result in an increase in bankruptcies, Information Trust Corporation (ITC) CE Paul Edwards said at the weekend.

Edwards said 1 564 companies and close corporations were liquidated last year. That was the smallest number since 1980.

When it was taken into account that close corporations were not included in the 1980 calculations, businesses performed far better than the figures indicated. BDay 12/3/90

Edwards said individual sequestrations were only marginally up in 1989 over the previous year.

"While last year was kinder to businesses and individuals, bankruptcies are likely to increase this year," he warned.

Some sectors of the economy had noted a much slower start to the year and retailers were beginning to notice a rise in the number of accounts moving into arrears, Edwards said.

The current climate of unrestwould exacerbate this trend.

Repossession of homes had also increased over the past six months.

Most business failures last year — about 40% of the total — occurred in finance, insurance, real estate and business services.

In view of the large number of small businesses established in this category, it was not surprising the fallout was high.

Second-largest number of failures was in the wholesale, retail, catering and accommodation services — 30%.

Construction, often an indicator of the state of the economy, had a marginal increase in failures from 159 in 1988 to 166 last year.

Rate of takeovers and mergers rises

B/Day 12/3/90 (232)

SYLVIA DU PLESSIS

THE rate of mergers and takeovers has accelerated since January as the economic downturn begins to take bigger bites out of company profits — and it is the smaller listed companies which are most vulnerable, corporate financiers say

Colfin MD Jeff Wiggill said on Friday many of the company's clients had begun to show evidence of a marked economic slowdown and were now in a "precarious" financial position

Colfin had assessed the impact of this and expected significant mergers and acquisitions activity in the short-term ahead.

"We are dealing with about six smaller to medium-sized companies right now that are having to dispose of a lot of their assets to put cash into the system and get their core business in shape. And there is always a buyer for a business

"They tend to be highly geared, and turnovers and volumes have dropped because spending is depressed Since they have to cover their interest, they generally make a loss or at best a very small profit"

It was difficult to find an investor willing to put cash into these companies

"They can't contemplate rights issues because they are more vulnerable to economic downturns and there are no takers for their equity Returns appear attractive but are also often too reliant on one or two products and lack marketability"

By contrast, large companies were in a position to raise funding because their parent was often one of the Big Five institutions and "at the end of the day they have a big daddy to put in money".

Wiggill said there was activity on the merger and takeover front this time last year, but for a different reason smaller companies which had raised money through listings in 1987 used these funds to expand by acquisition

"Those same companies are now in trouble and are themselves targets for takeovers," he said

Senbank corporate finance consultant Pierre Wolmarans said smaller companies with high gearing were "definitely" under pressure and were looking at consolidating or curtailing their expansion programmes, or even disposing of under-utilised assets to keep their cash flow positive.

The deterioration in balance sheets of highly geared companies was a trend which had developed since late 1989 as the

☐ To Page 2

Takeovers rising

B/Day 12/3/90 (232)

☐ From Page 1

economy slowed down. These factors contributed to difficulty in finding institutional underwriters in equity rights issues

SA Chamber of Business economist Keith Lockwood said he had no figures on mergers and takeovers, but liquidations were on the increase

"It's quite possible some smaller companies have fairly high gearing so their interest burden is higher Riskier businesses often pay about 5-6 points higher than prime"

Indications were that company profitability would improve from the beginning of 1991, with some sectors later than others

Wiggill's message to businessmen is to hold tight as things will get better

Marchers say no to privatisation

Sowetan 12/3/90

232

THOUSANDS of public-sector workers from four major unions on Saturday marched and toyi-toyied in a mass demonstration through central Johannesburg to protest against the privatisation of State companies.

The Cosatu-affiliated unions presented lists of grievances and demands to representatives of public sector management at offices along a 3km route through central Johannesburg, Hillbrow and Braamfontein.

The high-spirited crowd was closely monitored by police who maintained a low profile.

Traffic department officers also blocked streets and controlled the busy Saturday-morning traffic.

The SA Railways and Harbour Workers Union (Sarhwu), the Posts and Telecommunications Workers Association (Potwa), SA Municipal Workers Union (Samwu), and National Education, Health and Allied Workers Union (Nehawu) led the protest against a 10 percent wage increase for the public sector.

Earlier, the workers assembled outside St Mary's Anglican Cathedral in downtown Johannesburg where speakers slammed privatisation and made impassioned speeches in favour of the nationalisation of industry. After the speeches, the march proceeded past Jeppe Street post office, up to Civic Centre, Hillbrow Hospital and the Sats offices, where memoranda were handed over.

Thousands march against privatisation

JOHANNESBURG — Thousands of public sector workers from four major unions on Saturday marched and toyi-toyied in a mass demonstration through central Johannesburg to protest against the privatisation of state companies.

The Cosatu-affiliated unions presented memoranda of grievances and demands to representatives of public sector management at offices along a 3km route through central Johannesburg, Hillbrow and Braamfontein

The high-spirited crowd was closely monitored by police, who maintained a low profile, as well as traffic department officers who blocked streets and controlled the busy Saturday morning traffic

The SA Railways and Harbour Workers' Union (Sarhwu), the Posts and Telecommunications Workers' Association (Potwa), SA Municipal Workers' Union (Samwu) and National Education, Health and Allied Workers' Union (Nehawu) led the protest against a 10% wage increase for the public sector

Earlier, the workers assembled outside St Mary's Anglican Cathedral in downtown Johannesburg where speakers slammed privatisation and made impassioned speeches in favour of the nationalisation of industry

Organisers of the march were complimented by management on the discipline and orderliness of the marchers

The crowd dispersed peacefully — Sapa

12/3/90 (232)

Fewer businesses liquidated

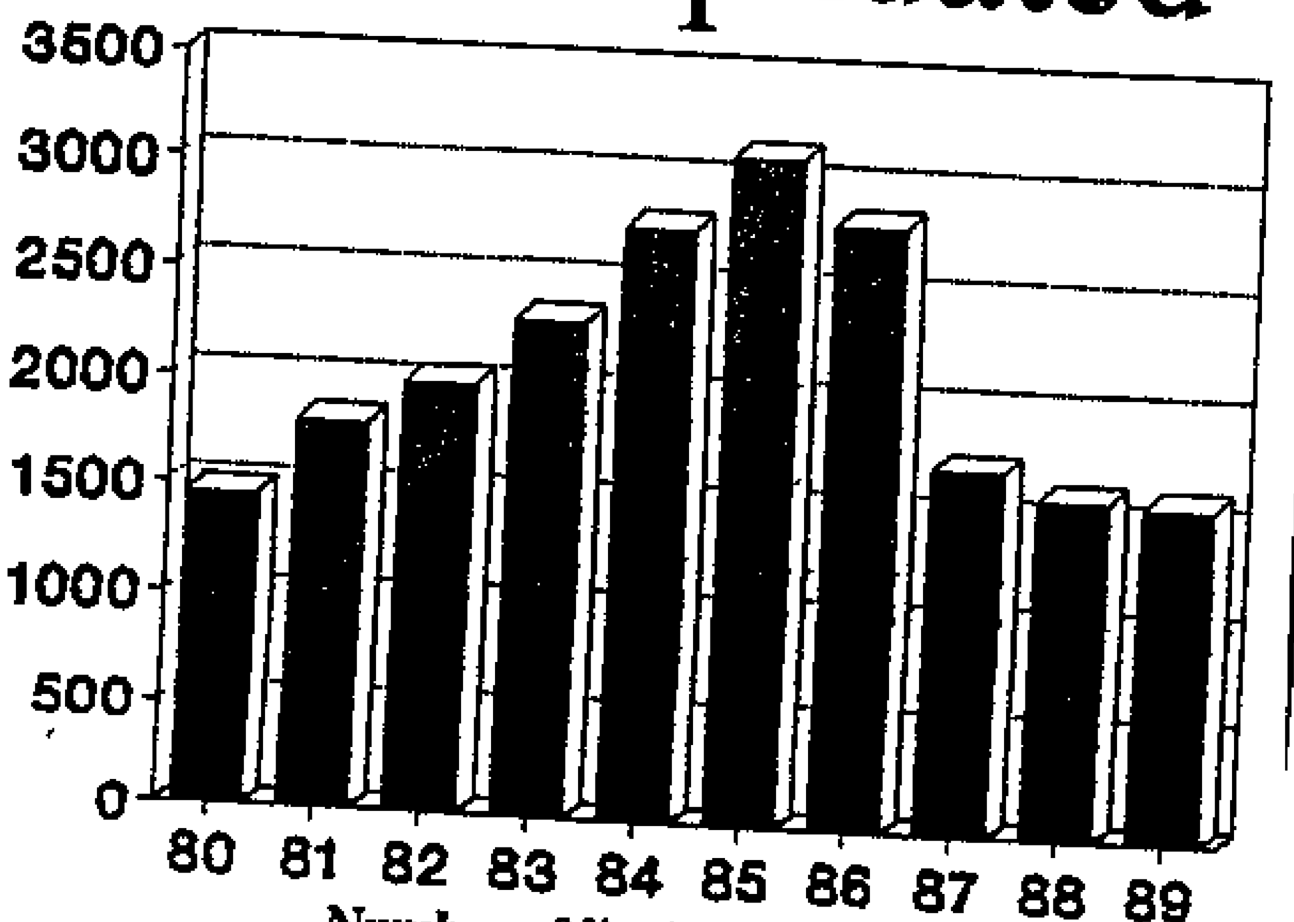
By Derek Tommey

In spite of the more difficult business conditions last year fewer businesses went insolvent than in any year since 1980

Mr Paul Edwards, chairman of Information Trust Corporation, says that 1 564 companies and close corporation were liquidated last year

As the latest figures include close corporations which were not included in the 1980 figures, businesses actually performed even better than the figures indicate

Bankers attribute the lower liquidation figures to better credit control by



Number of liquidations

themselves and by companies generally Businessmen, remembering the slump of the mid-1980's, have also been more careful about borrowing and lending money

Mr Edwards says, however, that the largest category of business failures — a total of 40 percent — was in the finance, insurance, real estate and business services sectors

He believes this is the result of the large number of small computer aligned businesses which have been established in these categories by people operating from home, often with little capital or business knowledge

But Mr Edwards warns that bankruptcies are likely to increase this year

He says some sectors of the economy have made a much slower start this year Retailers report that there was a marked drop in black buying in February and there has been an increase in the number of accounts moving into arrears

COMPANIES

BDay 13/3/90

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Reichmans declares total dividend of 21c

CHARLOTTE MATHEWS

INTERNATIONAL trade finance group Reichmans has boosted annualised pre-tax income by 21% to R18,4m for the 10 months to December from R15,2m in the previous year because of relatively buoyant trade in this period, according to results released today

Reichmans has changed its year-end to December to coincide with that of the FSI group after a partnership was entered into between the two companies in July last year. Results shown are therefore for a 10-month period, making it difficult to compare results with the year to February 1989.

After deductions, attributable income was R12,9m, annualised to R15,5m, from R12,8m. This translated into earnings of 36c (35,7c) a share, annualised to 43,2c, and a total dividend for the year of 21c (15c) was declared

Reichmans also has a 20% investment in a specialist steel merchandising group, Van Reenen and Nicholls (VRN), whose contribution to Reichmans' profits fell to R271 000 from R1,5m in the previous year

"The decline in contribution is largely attributable to the significant non-recurring expenditure VRN incurred in the development of its international operations," financial director Lewis Freidus said in a statement.

An extraordinary loss of R643 000 represented a restraint of trade payment and goodwill written off, he said.

"Economic conditions are looking somewhat flat for the next six months and the political environment is currently uncertain," Freidus said.

CE Clive Cohen said yesterday the impact of the last hike in interest rates and HP restrictions on market confidence would only appear in Reichmans results for the first half of the current year

He said that on the export side, there was still a reluctance overseas to accept manufactured goods from SA.

Raw materials, however, sold successfully.

Fedvolks shareholders warned of low earnings

B/Day 14/2/90

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BRENT MELVILLE

FEDERALE Volksbeleggings (Fedvolks) directors today informed shareholders that the no-growth earnings target of 85,3c a share, forecast at the interim stage, was no longer attainable due to poor market conditions and that earnings of about 60c a share were more likely

Market analysts said the warning by Sanlam's diversified industrial arm were likely to have a "disastrous" impact on its share price

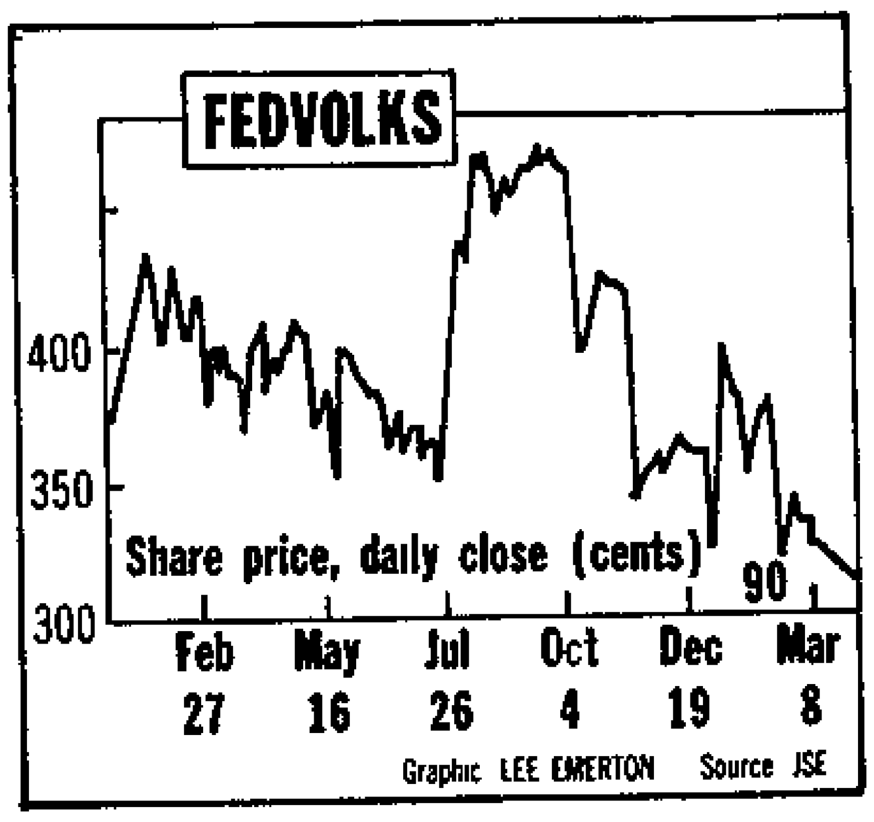
They said the 30% drop would "definitely" be reflected by the market Ahead of the announcement, the share yesterday dipped 15c to 310c.

One analyst said that while the announcement was surprising, it would at least maintain investor confidence "A disclosure like this ahead of results should serve to soften shareholder reaction — a step that Iscor should have taken.

"Regardless, the share will be knocked right through 300c. It is also on a very low rating relative to the sector, mainly due to its high debt," he said Assuming it retains its historical p e of 3,8, earnings of 60c suggest a price of 228c

However, analysts said because the market had already geared itself to poor results, the share was unlikely to drop that low

Fedvolks CE Johan Moolman said yesterday that the group had badly underestimated the extent of the decline in consumer spending, the slump in demand for Tek's consumer durables and the downturn in the local tractor market for the second half of the year



He said the agricultural equipment division (represented by its Massey Ferguson dealer, Fedmech) had been adversely effected by the 40% decline in tractor sales over the comparable period last year and negotiations were continuing regarding the rationalisation of Fedmech with Vetsak (which markets Fiat tractors and is run by the central farmers co-op).

In addition, the group recently sold its interest in Morkels for R28,5m effective from April 1

"The decline in the results of Tek and Fedmech were exacerbated by the fact that the number of shares in issue has increased by 13%," said Moolman He added that strong performances were still expected from the group's motor components (represented by Firestone, Gabriel, Midas and Raylite) and services divisions (Avis, Fedics, Interleisure, Interpark and PFV)

He said that regardless of the drop in group profits, the dividend would be maintained at 21c, reducing cover to 2,9 times "We feel that after this detour, and in view of the corrective measures being taken, Fedvolks could be fully back on course by as early as the 1990/91 financial year," he said

Moolman expects turnover to increase at roughly the rate of inflation to about R3,8bn this year Fedvolk's year end results will be published on May 23

JSE maintains its top ranking in international equity markets

B/Day 14/3/90

(232)

LIZ ROUSE

THE JSE remains one of the top performers among major equity markets

It ranks third, after West Germany and Singapore, in the best investment performers over one year and is the best performer in dollar terms since the beginning of 1989

While most major stock markets have suffered falls this month, resulting in a 4,1% decline in the world equity market index, the JSE overall index still shows a gain of 33% over one year despite a 7,4% decline on its record high The gain since the beginning of 1989 is a massive 52,2% in rand terms and 62,1% in dollar terms

West Germany has received a boost since the dismantling of the Berlin Wall and its overall market index is up 35,6% over one year, up 33% in Deutsche Mark terms and 40% in dollar terms

Switzerland has been a steady performer with an index advance of 20% over one year, 26% in local currency terms and 27,5% in dollar terms

The US's equity index is still about 16% ahead over one year and up 20,7% since the beginning of 1989 The UK's overall market gain has been whittled down to 12,6% over one year, 25,7% in sterling terms and 17,5% in dollar terms

Worst performers have been Australia, up only 5,7% over one year; Belgium up 1%, and Canada up 2,5%

FINANCE

B|Day 14/3/90

Govt relinquishes its direct control of Transnet — MD

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ONCE Transnet becomes a public company from April 1, Public Enterprises Minister Dawie de Villiers will have only indirect control over the transport giant


● DE VILLIERS

Transnet MD Anton Moolman said in a Leadership magazine corporate profile, Transnet board chairman Marius de Waal would render a report to De Villiers once the company was commercialised

The minister, in turn, would present the report to Parliament and it would then be open for general discussion, Moolman said.

The same situation prevailed with Iscor before privatisation, Moolman said

Transnet would no longer present a budget to Parliament or be subject to the same kind of scrutiny as it had in the past, he told Leadership

At present the divisions into which Transnet had been divided were not working with proper balance sheets. The divisions were producing profit and loss accounts.

EDWARD WEST

Eventually they would have to produce balance sheets, he said

Such divisions within Transnet would each be made into companies, with their own boards and directors, long before eventual privatisation, he said

Moolman said commercialisation was a process and Transnet had to realign itself Transnet had two auditing firms working full-time, helping the transport conglomerate revalue assets

Transnet also had two merchant banks working full-time, helping to reconstitute a balance sheet and getting the right balance within it with a view to privatisation at a later stage

By commercialising operations, Transnet would gain two-thirds of all advantages assigned to privatisation Commercialisation could not involve a wider share of ownership, but for the rest, commercialisation carried all the benefits of privatisation, Moolman said

He admitted investors could be more demanding than government had been However, as Moolman told his employees, "privatisation will mean more than a shift of money and paper and of shares To enable privatisation, you have to be successful and make a profit. That's the difficult portion," he said

Revised budget defended

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ROBERT GENTLE

THE JSE yesterday defended itself against claims that its Traded Options Market (TOM) was running over budget and could already have swallowed up R5m to R8m in development costs. B/Day 14/3/90

JSE president Tony Norton, responding to a speculated figure of R5m put out on the Reuters screen by the options firm Johannesburg Options Market, said the programme was within the revised budget.

He would not comment on the actual figure, saying the JSE's internal accounting was confidential.

The revised budget was, however, more than the initial budget, which Norton described as "unrealistic".

Meanwhile, TOM manager Jonathan Sims said most of the systems had already been written and that integration and testing were now taking place.

Sims said the systems, especially those that would be monitoring risk, were much more complicated than initially thought.

Neither Sims nor Norton would give an exact starting date for TOM. "As soon as is reasonably possible without taking any risk," said Norton. "We're on the last lap."

Earnings of 124c a share 'within' JD's grasp

B/Day 14/3/90

SYLVIA DU PLESSIS

EARNINGS of about 124c a share for the current year to December are easily within the grasp of furniture retailer JD Group, analysts say

Based on this, dividends could be in the region of 21c, with dividend cover unlikely to drop, they say.

This follows the 102,6c a share and six-times covered dividend of 17c the group — formerly Joshua Doore — reported yesterday for the 1989 financial year. (232)

According to analysts, directors have learnt valuable lessons from the recent strike, the group's structure is now "in place" and its debtor's book is healthier than it has been for years.

While the shares have justifiably been at a low point over the past year — JD spent a lot of money on the closure and conversion of its World outlets and was hard hit by labour action — good 1989 results in the face of these factors should see this improve

One analyst says investment is recommended in the medium-term as JD is set to become one of the best performers in the furniture sector

Its shares — an unchanged 300c at close of trade yesterday — are currently cheaper than Rusfurn's, which closed at 130c, and it has a higher dividend cover, she says

The shares dipped to a low of 220c at the height of the strike in July

Another analyst said JD's business was of a far better quality because the group was not chasing market share to the same extent as Rusfurn and its debt had remained virtually unchanged at year-end. Rusfurn's debt was "on a rising trend".

Chairman and MD David Sussman was unavailable for comment last night but has indicated directors expect "satisfactory" growth in earnings in 1990, given stable operating conditions

Two weeks left for Lanseria tenders

LINDA ENSOR

THE privatisation of Lanseria Airport is proceeding apace with just two weeks until the end of March — the closing date for the submission of tenders.

There is no reserve price, says acting airport manager Mauritz van Rensburg.

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Lanseria is equally owned by the Roodepoort City Council, the Krugersdorp City Council and the Transvaal Provincial Administration.

Annual turnover is about R15m.

The airport ran at a R201 000 deficit last year, but Van Rensburg says it is expected to break even in the year to end-June. However, local authorities did not have to pay tax, an advantage not available to a private owners.

But, he says, this will be more than offset by the expansion opportunities available. These include providing accommodation for passengers, expanding terminal facilities to cater for charter flight companies wanting office space and developing the surrounding land. BDay 14/3/90

Tenderers have been given a master plan for future development

Van Rensburg says the emphasis of the present owners has been to offer a service rather than make a profit.

The landing fee is 82% lower than that charged by state airports and aircraft parking fees are 300-500% lower.

CAPE TIMES 14/3/90 (232)

Finrand plunges

Own Correspondent

JOHANNESBURG — The financial rand plunged almost 5% to R4,06/08 to the dollar yesterday from Monday's close of R3,88/90 reflecting increasing foreign uncertainty about SA's political future

However, the plunge in the finrand protected the JSE against the effects of falls in precious metal prices following a surge in the US dollar

The collapse of the finrand was attributed to a foreign scramble to get out of the SA currency, created previously through large dealings in high-yielding Eskom stock, said Max Pollak & Freemantle's Archie Shapiro, doyen of arbitrage dealing on the JSE

Hunts earnings up 25%

By ARI JACOBSON

HUNTS, a key industrial and distribution group in the FSI stable, achieved a 25% rise in attributable earnings to R60,6m for the year end-December aided by strong organic growth

This translated into growth in earnings a share up 25% at 187c

Total dividends of 64c have been declared on ordinary shares — an interim of 26c and a 38c final — and 84c on preferred ordinary shares — making a dividend cover of 2,5 times

Turnover rose by 23% to R1,6bn with operating profit supported by improved margins up 28% at R188,2m

FSI chairman Jeff Liebesman says strong organic growth increased earnings by about 95% with the only acquisition by the group in the year, involved the expansion of Vektra's interests in the distribution of automotive replacement parts

- Teamcor, a diversified manufacturing and distribution subsidiary increased earnings a share by 21%
- Gentyre Industries, manufacturers of tyres and industrial rubber products, increased earnings a share by 40%
- Hunts manufacturing holding company for Burhose (hosiery) and Hygienia — toys and inflatables — produced record operating profit

"The results were achieved in spite of a general tightening of trading conditions in the second half of the year and bad debts arising from the liquidation of Quality Tyre, a major customer of Gentyre," says Liebesman

He said earnings a share are disclosed before and after the conversion of convertible preference shares in Teamcor — the conversion is expected to take place in 1990

"On conversion, Hunts' holding in Teamcor will fall from 74% to 63%" On a fully diluted basis, says Liebesman, allowing for the conversion of the existing convertible debentures in Teamcor, Vektra and Hunts, earnings a share of Hunts for the year end-December would have been 149c

"However, such a conversion is not anticipated in the next three years"

On prospects for the year Liebesman says, given stable operating conditions, earnings a share for the current 12 months should show satisfactory growth

COMPANIES

ARGUS 15/3/90 232

Liberty Life in 10 to one share split

From ANN CROTTY

JOHANNESBURG — Liberty Life has announced a 10-for-one share split in a move that's designed to increase the marketability of the share

At around R220 a share, Liberty Life has limited attraction for anyone other than large investors

A 10-for-one share split should initially reduce the price to just over R20, making it accessible to a wider group of investors

But in line with other instances when expensive and popular shares were split, it is likely that the split Liberty share will move beyond the R22 level as increased marketability will enhance its attraction

At the current pre-split share price of R220 it is on an historic P/E rating of 25 times based on the 889c a share earned in the 12 months to December 1989 The historic dividend yield is 2,9 percent based on financial 1989's dividend of 643c a share

On the basis of these very high ratings it is difficult to see much scope for a further advance in the Liberty share price The average for the sector (which is heavily influenced by the highly rated Liberty shares) is a P/E of 16,1 times and a dividend yield of 3,2 percent

In spite of these considerations, the feeling in the market is that the increased marketability of Liberty will enhance its share price

Highlights of Liberty Life's results for the 12 months to December 1989 included a 22 percent increase in net taxed surplus per share to 889c (730,2c), a 21 percent hike in dividend to 643c (530c) a share, total income of R3,1billion (R2,5billion) and total assets up to R18,8billion (R14,4billion) (The total effective dividend per share was up 24,9 percent to 662c when adjusted for the capitalisation issue which was undertaken on the basis of five new ordinary shares for every 100 held)

Net premium income rose 22,2 percent to R1,8billion (R1,5billion), while income from investments (and sundry income) shot up 33,5 percent to R1,4billion (R1billion) to give total income of R3,2billion (R2,5billion)

The balance sheet shows shareholders' interest shot up to R2,5billion (R2billion) The R510million increase is equivalent to R24 per Liberty Life share

Life funds, which include actuarial liabilities under unmatured policies and investment surpluses, increased to R15billion (R11billion), bringing the total to R18,8billion

The bulk of investments comprise shares and mutual fund units, which total R11,1billion — up 48 percent from the previous year's R7,5billion

Government and semi-government holdings was little changed at R3,5 billion

● Liberty Holdings reported a 28 percent hike in EPS to 262,8c (204,7c) and declared a final dividend of 92c (68c), bringing the total to 150c — up 29 percent on the previous year's 116c

FINANCE

(232) BDay 15/3/90

Fewer mergers expected

SYLVIA DU PLESSIS

THE year ahead will be another active one in terms of SA mergers and acquisitions, but some of the major conglomerates may choose to curtail their level of activity, says Ernst & Young Corporate Advisory Services.

The firm says in its latest monthly newsletter several major corporations are now suffering "indigestion" following their acquisition sprees of the past few years and will be less active in the acquisition market

They will concentrate on consolidating their positions and integrating and controlling their acquisitions.

Ernst & Young says it remains difficult to raise capital for minority stakes in medium-sized unlisted companies, which typically have run short of working capital and no longer measure up to commercial banking criteria.

"The vast majority of corporate acquisitors require control, effectively precluding them from such transactions, whilst the majority of merchant banks likewise avoid this category of transaction.

"We would like to see a loosening of this in the year ahead."

Venture capital remains "shrouded in suspicion" and is likely to be for some time "Irregularities and other problems uncovered in certain venture capital and DCM companies have exacerbated the situation, and most institutional investors will require some water to flow under the bridge before they are again persuaded to invest in less sophisticated companies "

The firm says entrepreneurs who listed their operations during the "heady" days of 1987 are evaluating what listing has achieved for them, and in many cases, actual experience has fallen short of expectations.

The present two-tier stock market — resulting from institutions shunning investment in many smaller companies — and the resultant lack of marketability of such shares, has caused the movement of share prices of many newly-listed companies to lag the market

As a result, acquisition through scrip issues has not been feasible for these companies and has led them to consider the delisting alternative.

But those contemplating this should bear in mind it could be perceived as an admission of failure and make it extremely difficult to re-list the same assets, the firm warns.

Leaner times force NEI into a cost-cutting exercise

ANDREW GILL

THE limited growth rate in the economy of 2% in 1989 and recent political developments have curtailed real growth in the engineering sector, Northern Engineering Industries Africa Limited (NEI) directors said in their annual report.

Citing the lack of major capital investment projects and SA's inability to attract significant foreign capital, the report said economic growth would continue to be limited in the forseeable future.

NEI's operating companies have embarked on cost-cutting programmes to eliminate unprofitable activities and improve working capital utilisation BDay 15/3/90

Import surcharges and the rand's depreciation adversely affected working capital ratios where imported parts and components constitute a large portion of capital.

Exports, however, had better prospects. "The improved political climate, together with export incentives, has given SA manufacturers a competitive edge in the export of manufactured goods, especially into southern African countries," the report said.

The group's interest in Mossgas now involved R115m.

Certain shares profits exempted from tax

Sowetan 15/3/90

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PROFITS realised from shares listed on the Johannesburg Stock Exchange that have been kept for more than 10 years would be exempted from income tax under certain conditions, the Minister of Finanace, Mr Barend du Plessis, said yesterday.

Uncertainties about the distinction between capital and income were an important reason for the low turnover on the JSE and the phenomenon that large financial investments were not released for application in other fields of investment.

The Tax Advisory Committee had consequently recommended the introduction of a so-called "safe haven" for shares listed on the JSE for more than 10 years. Profits from the realisation of such shares would be exempted from income tax.

These recommendations were acceptable to the Government under certain conditions and the adjustments would apply as from today.

The conditions were that profits and losses made on the realisation of shares listed on the JSE would be deemed to be of a capital nature if it took place 10 years after the date of acquisition of the shares.

Listed shares that have been acquired by exchange and were subject to Section 24A of the Income Tax Act would not qualify for this concession. The onus would be on the taxpayer to prove he had held the shares for the required period.

The results would be monitored to detemine whether a more refined and efficient system for these and other assets could be developed.

The higher turnover of shares should lead to an increased revenue of about R15 million from the marketable securities tax. It had also been decided in principle to phase out the present 1,5 percent tax on marketable securities over a period of three years. For revenue reasons this phasing out would commence only in the 1991/92 financial year.

'R8bn in mature shares unlocked'

BD 15/3/90

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BARRY SERGEANT

THE Budget had unlocked R8bn from the JSE, said Tom Dale, head of research at stockbrokers Ed Hern, Rudloph, Inc.

He said the new rule that shares held for 10 years or more on the JSE would be sold tax-free could unlock this amount, with major planned gold mines the most likely recipients.

Dale's analysis shows that the six major mining houses hold R32bn of JSE shares He said R14bn of this could be regarded as "mature". It was unlikely, though, that the mining houses would sell all these mature investments.

"The shares are often tied to lucrative management contracts, and I estimate that the houses would be prepared to sell about R8bn worth, over a period of time."

Syfrets said the major impact should be felt in mineral rights holding companies-,where cash available for greenfields ventures would be boosted by the exemption of mature investments from taxation

Syfrets said "This could free about R10bn to R18bn over a period of time. A consequence would be the increased share tradeability."

However, other changes for mines were generally met with disappointment

Willem Cronje of Deloitte Haskins & Sells said the move towards gradual reduction of the high rates was welcome, "but this merely continues policy announced last year".

JSE president Tony Norton hailed the creation of a 10-year tax-free safe haven for shares listed on the JSE as tremendously important for the equities market, reports LIZ ROUSE

Norton said huge funds would pass from the hands of the financiers into the hands of the "money engineers".

He estimated that at least R13bn would be released from the share coffers of the mining houses, which would now sell surplus stock held over many years.

This would mean a tremendous boost to the JSE's liquidity, said Norton

He expressed some disappointment, however, that the period of tax-free release could not have been shorter, as hoped — for by the JSE

Norton also hailed the phasing-out of marketable securities tax (MST) over three years, starting next year, as a boost for the JSE He said both measures indicat-

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Mature shares

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☐ From Page 1

ed government was taking capital investment seriously.

UAL Management Company MD Clive Turner said both measures would oil the wheels of the JSE to the benefit of unit trusts, which catered for the small investor.

A more liquid market and tax exemption of dividends to individuals would encourage a small-investor flow of funds into unit trusts, Turner said.

Anglo American Corporation said yesterday it was "most disappointed" the relaxation of ring-fencing in the Budget was not more substantial, reports RIAAN SMIT

"It is unlikely that this measure will provide a significant impetus to the development of large new gold mines, although it may assist some smaller projects," it said in a statement.

Chamber of Mines vice-president Clive Knobbs said although the industry was encouraged by the partial lifting of ring-fencing, it was felt greater concessions were required to create real stimulation for the development of new mining ventures.

Knobbs and Anglo both welcomed confirmation of the second phase of the reduction of mining tax rates, which had the ultimate objective of equating these rates with ordinary company tax rates.

Anglo also welcomed the increase of the gold mine capital allowance from 10% to 12%, as this allowance partially compensated for increased interest rates and costs of capital.

Gold Fields of SA executive director Bernard van Rooyen said the three measures announced by Du Plessis would encourage investment in the mining sector.

Mining shares react with euphoria

MERVYN HARRIS

MINING shares on the JSE reacted with initial euphoria to the Budget proposals, but leading stockbrokers were divided in their views, with some welcoming it as imaginative and others expressing disappointment.

News of the wide-ranging proposals affecting mining shares came shortly before the close of trading and lifted prices of leading shares sharply higher. The JSE overall index closed 44 points up at 3 304.

Max Borkum, of Davis, Borkum Hare & Co, said: "This is an imaginative Budget which will be favourably received. The overall strategy — there was a modest increase in excise duty on cigarettes, beer and spirits — shows a greater emphasis on indirect as opposed to direct taxes, which must be an indication of future trends."

"The mining industry will benefit to the greatest extent simply through the encouragement of new mining ventures. There will also be a knock-on effect for the amelioration of the unemployment rate through the release of funds.

"Local beneficiation has been encouraged through the abolition of excise duty on beneficiated products. This will stimulate exports and be good for the mines".

Borkum said a long-term benefit for the share market would be derived from the scrapping of marketable securities tax (MST), starting from next year.

"On the negative side, construction companies are likely to suffer through the consideration of consumables and work in progress as trading stock.

"In addition, those companies which have a LIFO reserve will see this phased out over 10 years at 10% a year," he said.

David Shapiro of stockbrokers Max Pollak & Freemantle, said: "There was

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Mining shares

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very little to encourage the market in the Budget. The phasing out of mining tax has already been discounted.

"The lifting of tax on dividends for individuals might be a move towards high yielding second liners by individuals. In the longer term it will encourage share ownership We are disappointed that MST has not been abolished immediately"

The 10-year safe haven would prompt some mining houses to consider selling shares This might lead to more trade but much of the selling could by pass the market

Bday 15/3/90

John Rogers, of Edey, Rogers & Co, said "The Minister has made more encouraging noises than in the past but this time it has been accompanied by practical action. Most striking were his proposals on gold mining tax and exemption of tax on dividends for individuals This will persuade people to increase their investment in shares instead of in fixed interest deposits"

State dividends to go to RCC

Cape Times 15/3/80

Own Correspondent

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JOHANNESBURG — In terms of an interim financing agreement between SATS and the embryonic Rail Commuter Corporation (RCC), dividends accruing to the state as shareholder in Transnet will go directly and immediately to RCC as an appropriation of state revenue.

Finance Minister Mr Barend du Plessis said that the traditional arrangement whereby rail commuter losses were partly defrayed through cross-subsidisation by SATS would consequently lapse.

The interim agreement, Mr Du Plessis said, would cover the period until the financing structure of the corporation and the responsibilities of authorities in this connection could be arranged permanently.

B/Day 16/3/90 (232)

NEWS FOCUS

TAC chief says haven for shares an SA tax milestone

BARRY SERGEANT

MICHAEL Katz, chairman of the Tax Advisory Committee (TAC) describes the "safe haven" for sale of shares older than 10 years on the JSE as "one of the most significant milestones in SA tax history"

The rule is simple subject to minor technicalities, any JSE-share that has been held for more than 10 years can be sold free of tax on any profits realised This is not an introduction of a definition of capital gains — like "income", capital gains is not defined in the Income Tax Act — but it provides certainty, in the sense that any qualifying share can be categorically sold without attracting any tax

Katz describes the proposal, which became effective yesterday, as an "experiment" that may lead to the rule being extended to other assets, such as immovable property

Integration

Reviewing the Budget, Katz said "One very important aspect is that it constitutes an assault on non-cash remuneration Essentially in the interests of equity, perks tax is being tightened to make all forms of non-cash remuneration unattractive"

He said the elimination of tax on dividends in the hands of personal shareholders constitutes a complete "integration" and thus the elimination of economic double taxation

Katz says the new rule should also assist in achieving neutrality of business form and neutrality between debt and equity financing The neutrality of business form, he adds, "will also be enhanced by Finance Minister Barend du Plessis's announcement that a move towards equating the rate between corporate tax and the maximum marginal rate of individual tax is planned"

Says Katz "The abolition of tax on dividends will have the further advantage that it will simplify the system completely since UPT (undistributed profits tax) will be abolished and all provisions relating to anti-avoidance in respect of dividend stripping will fall away"

Moreover, Katz argues that the announced three-year phasing out of MST (marketable securities tax) should also facilitate the financial markets in SA. He said the Budget's failure to address the issue of MST on derivatives (futures and options) amounts to a waiver

On the question of mining tax, Katz says the objective was to eliminate the so-called "ring-fence" which, he concedes, is undesirable in economic terms, "but which is necessary to protect the tax base Thus, to reconcile the objective of eliminating the undesirable economic concept with the objective of protecting the tax base, the solution chosen was to drop the ring fence to the extent of 25% of an existing mine's tax base"

However at this stage, the meaning to be given to "tax base" is not clear Yesterday Commissioner for Inland Revenue Hannes Hattingh said he was consulting his legal draughtsmen on the interpretation of the words, and also on the crucial question of "contiguity" in the context of ring-fencing

But it is in the capital versus revenue area that Katz applauds the Budget proposals "The distinction between capital and revenue is the very essence of the entire system of SA income tax, yet the Income Tax Act contains no comprehensive definition of these two concepts."

Over the years a considerable body of jurisprudence has been built up as a result of the many occasions when the courts have been required to interpret the concepts This body of precedent, with all the literature compiled by experts, "has served to reduce the uncertainty which would otherwise have existed as a result of the omission from the Act of any comprehensive definitions of capital and income.

Solutions

"Despite this body of jurisprudence, uncertainty continues to exist which in certain areas is unacceptable and is proving to be an impediment to the free flow of capital in the economy"

The TAC investigated the appropriate solutions, resorting to comparative approaches in many other jurisdictions. Katz says particular attention was paid to the UK and Canadian systems, where the concepts of gains made in the course of business or in carrying on a trade are used instead of the reference to the distinction between capital and revenue.

However, these concepts do not exclude subjective elements The TAC believed "the marginal advantage of adopting an approach similar to the UK or Canada would be outweighed by the disadvantage of throwing overboard the considerable body of jurisprudence which has been developed as an interpretative aid in respect of the existing distinction between capital and revenue"

But, argues Katz, the degree of uncertainty in certain specific categories of assets is "unacceptable" It may be said, his argument continues, that transactions in shares are being impeded to an extent that could be immobilising large capital resources

The essence of a solution recommended by the TAC, which also fits in the existing structure, is the introduction of a so-called "safe haven," with 10 years as the selected period.

The reason for the selection of listed shares is to reduce the possibility of "manipulations" designed to fall within the same haven; such as property being transferred into a company to get the benefit of safe haven treatment.

As announced by Du Plessis, there will be provisions — necessary for the proper implementation of the safe haven concept — including

- □ A share which has been categorised as trading stock by virtue of an exercise of a discretion in terms of S 24A will not get the benefit,
- □ The onus will be on the taxpayer to prove that he has held the shares for the required period,
- □ Where a taxpayer has acquired shares in the course of a trade and has been allowed a deduction of interest and expenditure for the carrying costs of such shares, he will be liable for a clawback of interest and expenditure (other than share losses) previously deducted in respect of the shares so realised, and
- □ Taxpayers may elect whether they wish to fall within the new proposals or to continue with the existing system Those who realise listed shares and elect to adopt the new proposals must thereafter apply the same principles to all transactions in listed shares which have been held for more than 10 years Losses will not be tax deductible

The safe haven treatment has been grafted on the existing structure

It makes no difference to the application of the safe haven principles to a particular asset as to when that asset was acquired The TAC saw this as an "experiment" which could be extended in time to other categories of assets

● KATZ . . . non-cash benefits attacked

threatens Gorbachev's reforms (779)

Last-minute futures rush lifts the JSE

B/Day 16/3/90 MERVYN HARRIS (232)

FORCEFUL buying of leading shares ahead of the expiration of March futures contracts enabled the JSE overall index to trim losses and close 20 points higher at 3 324

Most of the buying spree came shortly before the close with 31 of the 56 points gain in the industrial index to 3 046 coming in the last few minutes of trading.

The activity came after trading on the market had been stifled by a firmer finrand. After weakening almost 100 points to R4,11 in the past five weeks, the finrand firmed to R4 to the dollar as selling slackened and demand increased in a thin and nervous market.

The currency's strength and a weak gold price pulled down gold shares with some leading counters easing after rising on Wednesday in what dealers said was an overreaction to the Budget news on tax relief and other benefits for mines

The all gold index trimmed losses to end 47 points lower at 2 025

ROBERT GENTLE reports that the biggest close-out in the SA futures market — about R500m — saw frantic activity in March futures as contract holders rode on the back of a roaring all share index right up till the final minutes of trade

Traders said JSE brokers, thought to be acting on behalf of institutional clients holding long, or bullish, futures positions, ramped up share prices in a last-ditch effort to get the futures to follow.

This resulted in key blue chips like Anglos, Richemont and Dries being bid at unusually high prices in the closing minutes of trade, pushing the all share index up about 20 points between 3.50pm and 4pm to close at 3 324.

"It was a bunfight out there towards the end," said a trader from Greenwich Futures.

"There was definitely much more activity by the institutions this time around," said a trader from First Financial Futures

A trader from Holcom sounded a note o caution, saying that many had been caugh on the wrong side of the rising market. "It a zero sum game. For every winne there's a loser."

Share split sends Liberty soaring

B|Day 16/3/90

232

LINDA ENSOR

LIBERTY Life's share price surged 13,6% (R30) yesterday to establish a new high of R250 on the back of news that ordinary and convertible preference shares are to be split on a 10-for-one basis to enhance their marketability.

The share is expected to scale further heights as sellers are asking R275 and buyers are prepared to pay R255

Chairman Donald Gordon announced the split yesterday along with the group's record annual results.

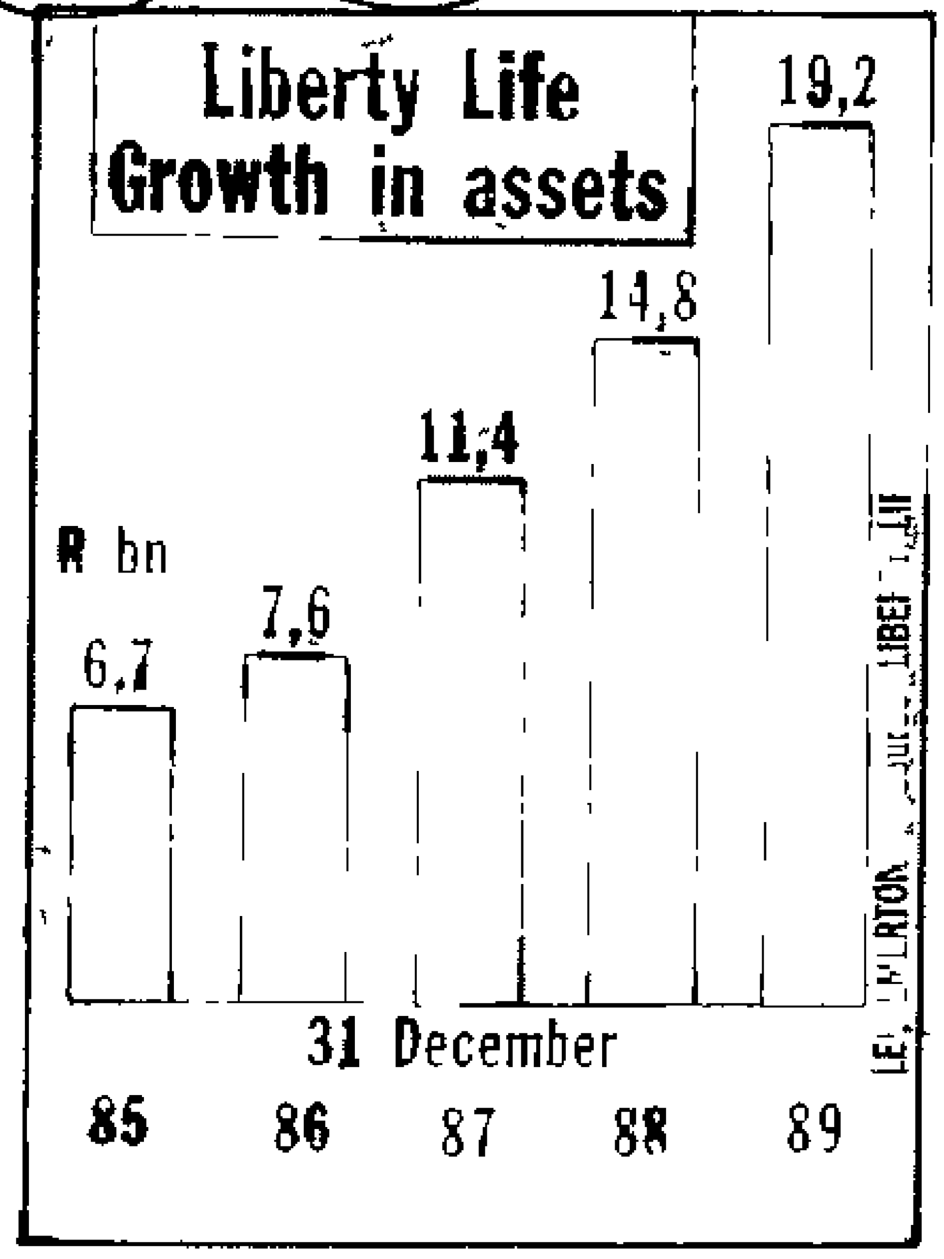
Liberty, which now has consolidated assets of R19,2bn (R14,8bn), notched earnings per share of 889c (730,2c) in the year to end-December — a rise of 21,7%.

A final ordinary dividend of 378c (310c) was declared bringing the total to 643c (530c) for ordinary and preferred ordinary shares

Taking into account the new ordinary shares issued as part of the capitalisation issue — which participate in the final dividend — the total effective dividend per ordinary share is 662c (530c).

Because this is above the dividend for preferred ordinaries, there will be an automatic conversion of the 2,5-million preferred ordinary shares into ordinary shares as from April 27.

The strengthening of the rand during 1989 meant a drop in long-term liabilities accruing from offshore arm, First International Trust (FIT), to R399,6m (R441,6m). But it also meant the contribution of FIT to Liberty contracted



Net premium income rose 22,2% to R1,78bn (R1,46bn), while investment income shot up by 33,5% to R1,38bn (R1,03bn) due to the increase in Liberty's share portfolio. Investments total R18,3bn (R14,2bn) This gave a total income increase of 26,8% to R3,16bn (R2,49bn). Attributable income rose 38,8% to 180,5m (R130m) The tax bill was R97,5m

Gordon says new business figures were

☐ To Page 2

Liberty

B|Day 16|3|90

232

☐ From Page 1

"a remarkable feat", rising 40%

Liberty Life's total capital and reserves increased by R311m over the year to reach R3,3bn, reflecting the growth in investments in blue chip shares The actuarial liabilities under unmatured policies increased by R3bn, R2,36bn of which represented the cost of bonuses to policyholders as well as capital augmentation of property- and equity-linked contracts

Liberty Holdings — which has a 56% (52,2%) stake in Liberty Life after the R140m acquisition of shares from Prudential Corporation plc and after the capitalisation issue — declared a final dividend of 92c (68c), resulting in a total of 150c (116c) Earnings rose 28,4% to 262,8c (204,7c) on after-tax profit of R119,7m (R93,2m)

● See Page 6

FM 16/3/90 FM 16/3/90 (232)

rolled products and foundry divisions achieved higher capacity utilisation through increased exports Boustred notes that the domestic market for Scaw's foundry products has remained depressed.

Heavier going in recent months has also been reported by another major contributor, 39,5%-held AECI (Fox February 23). Though full-year EPS were up by 23%, in the second half the pace slowed to 14,4%

The final dividend was lifted by 17% and the total pay-out was up by 21%, with the cover further increased to 3,5 (3,3) times For this year, rather than simply forecasting a slowdown, Boustred says it will be difficult to sustain earnings. The share has slipped to R92 from the 12-month high of R112.

Andrew McNulty

PROPGROUP/RETCO FM 16/3/90

Reconstructing (232)

When Benny Rabinowitz, chairman and controlling shareholder of Property Group of SA (PGSA), took over several years ago, prudence suggested he should bring conservative professionals on to his boards. That view has accounted for the roughly R25m cash left dormant in PGSA for more than a year, as no suitable investment could be found It also explains the latest reconstruction proposals involving Retco, Premcon and PGSA.

The money had been earmarked for an investment in Smart Centre, part of Frasers, in which Retco held 23% When Frasers was dismembered, this prospect fell away, because Retco would have received 5% of Metro and only 23% in Smart Centre — both ultimately acquired by Allan Gray Investment Council — and R8m cash Retco sold the Frasers shares for R35m

The principal PGSA shareholders, Rabinowitz (30%) and his brother (20%), determined that if a suitable investment could not be found, the group's cash should be distributed to shareholders Special dividends from PGSA and Retco were declared, the first last December and the second last week.

By April, Retco will have repaid to shareholders R30,8m or 70c a share, apart from the prospective *in specie* distribution of its Premcon shares. During the past six months, Retco's share traded between 100c and 125c. Though the earnings base has diminished, it now trades at 130c.

After the reconstruction, Retco will have as its sole assets 90% in Ivitex (textile manufacturing) and R23m cash. This will represent net worth of 70c per share.

PGSA shareholders will also receive sizeable special dividends. Between January and April, cash distributions totalling 127c per share will have been paid; in January the share traded at 170c, and rose to 210c After reconstruction, the company says, NAV will be 166c per share.

Premier Consolidated (Premcon) is to acquire all the property interests, to become the property arm.

Rabinowitz is to sell his personal portfolio to Premcon for R1,5m and will, as CE, involve himself in Premcon's day-to-day activities. After reconstruction, net worth of Premcon will be 64c.

Also after the reconstruction, controlling company PGSA is to make an offer to Premcon minorities to acquire all or part of their shares for either 45c per Premcon share or four Retco shares for every five Premcon sold.

Before the special dividends and the reconstruction announcement, all three companies traded below NAV. Now, barring Premcon, which languishes at 40c, after applying the effect of the capital reductions to the current prices, the stocks are trading above the cash alternatives. This suggests the paper options may be more attractive than cash

Perhaps the market likes the thought of Rabinowitz's hand firmly on the tiller again. Other board members will include Protea chairman Cedric Walton, former Cape senior partner of Coopers & Lybrand, David Chapman, and the former SA Nylon Spinners and Frame CE, Justin Schaffer.

Gerald Hirshon

FM 16/3/90

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Gerald Hirshon

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DEREGULATION MOVES

Government is considering allowing architects and other qualified draftsmen to self-certify building plans as a further move towards deregulation.

This means instead of having to submit plans to local authorities for approval before work can start on a new project, architects will be able to simply certify that the plans lodged with the local authority conform to the national building regulations and the relevant town planning scheme.

At a press conference in Cape Town this week, Trade and Industry Minister Kent Durr said the change, if introduced, will save time and money. Some local authorities currently take months to approve building plans.

He says there is already duality in the situation in that consulting engineers can self-certify drawings, but architects can't.

He believes self-certification will place even greater onus on architects to ensure compliance with standards and regulations. The system can be policed by random checks on plans by local authorities and inspections by building inspectors. Architects who don't comply could perhaps be dealt with by the profession's own regulatory body, he says. The minister assures that all interested parties will be consulted before any changes are made.

Durr says the existing building regulations are also being reconsidered to make more adequate provision for disabled people who comprise between 10% and 11% of the population. He says the building regulations, which have been in force for five years, comprise only 10% of the previous regulations and have contributed significantly to deregulation in the building industry.

SUMMER TIME OVER

(232) FM 16/3/90

The timeshare industry's most controversial operation, the Flexi Club Foundation and its marketing arm Summer Leisure International, were wound up in the Rand Supreme court last week.

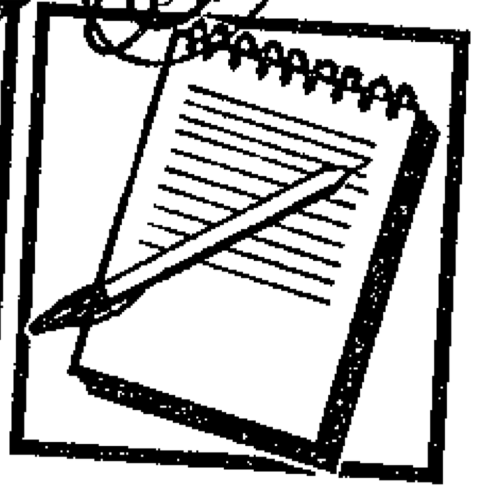
There is growing concern that many, particularly those who bought holidays for life, will not be able to recoup their investments in what may well be a long and complicated liquidation process.

I want SAA privatised — right out of the sky!

Star 17/3/90

232 2091

Notebook



DAWN BARKHUIZEN

THERE is an easy way to decide where you stand on privatisation — fly SAA

I do Frequently And, as each journey turns into a nightmare more ghastly than the one before, I become more zealous and uncompromising about the need for harsh, unqualified, immediate privatisation

The horrors of my relationship with the flying springboks could fill a book, but the cherry on the top was without doubt the 13-hour marathon flight to Cape Town two weeks ago that saw 250 passengers starved, misled, frozen and shunted around the country in the most stunning display of disregard for clientele that I have yet seen

The debacle started as we circled over Cape Town at 11.30 pm After two attempts to touch down the pilot told us the main runway was out of order and heavy fog ruled out landing on runway No 2 We would fly to Port Elizabeth

We arrived just before 1 am

As the plane refueled the voice of the pilot (now regarded with deep suspicion by the passengers) came on the air

There was "not a room to be had in PE because of conferences and did anybody want to get off the plane?" he mumbled in the carefully cultivated style of SAA pilots

Nobody budged

We sat Huddled, chilly, miserable, in a dark cabin without a morsel to eat/drop to drink/blanket to keep us warm It was much too late to go to bed, and besides, trumpeted the air hostess, she wasn't vaguely tired

She then proceeded to reel off the names of her favourite nightspots.

The entire back section of the Boeing did not warm to that little hostess

I made the fatal mistake of asking her colleague for a blanket. Naturally there was none.

I had strep—pneumonia, I explained, and had actually got out of bed to fly to Cape Town to recuperate Were there absolutely no blankets on board, I asked.

"What do expect me to do," came the tart reply "Do you want a tablet?"

I did not trust myself to answer. She did not bother to come back.

The ominous cockpit voice came back on the air We would go back to Jo'burg and leave for Cape Town AGAIN at 6 am.

We flew back into Jan Smuts Airport at 3 am

The crew got off (no doubt to go nightclubbing) and we were unceremoniously herded into the echoing halls of the terminal R5,50 refreshment vouchers were jammed into our sticky little hands and we were shunted towards an unending queue to wait for a sandwich and cup of tea

Well, 6 am came and went, but we no longer floated around the empty terminal halls like ghosts — we were joined by another 250 people who were stuck because their early morning flight was delayed

At 6 30 am we were herded back onto our Boeing

Buckle up, came the instruction from the cockpit . and then we did not take off but had the standard unimaginative prepacked SAA "breakfast" thrust under our noses

The voice of a new pilot came on the air

"The air traffic control tower, not SAA, has refused to give us permission to take off for another hour They say the runway is too busy I must stress this is not SAA's fault," the new yet still ominous voice said

A shout rose up from the passengers Had we been less exhausted I imagine we would have stormed the cockpit or the air traffic control tower

We took off at 8.30 am and arrived in Cape Town at 10 20 am — exactly 13 hours after taking off from Jan Smuts the night before

What made it worse was the discovery that the PE Holiday Inn alone had no fewer than 30 vacant double rooms that night.

To be fair, there is one positive side to SAA, and that's their press liaison department But unfortunately those two charming gentlemen don't run the outfit

SAA's apology as we circled Cape Town didn't do much for me

I wanted more Much more I wanted to see them get privatised Right out of the sky

S/Times 18/3/90 (232)

JSE no-tax take-off

By Julie Walker

HIGH-yielding shares almost came into their own on the JSE this week after the budget's proclamation scrapping tax on dividend income

Shares yield a high dividend for a number of reasons Either their prospects are poor in relation to previous years, they are not easily traded, or they are genuinely underrated

Blue chip Palamin added 625c to R65 before easing to R63 on foreign selling on Friday Palamin yields 13,9% in historic dividend Gold Fields Namibia added 100c to 950c, yielding 10,7%. Vogels was bid 40c higher at 560c although scrip was hard to come by Its yield is 10,9%

Other shares to look healthier were Msauli, Curfin, Basil Read and Group Five But Iscor bucked the trend It rallied from 221c to 227c, closing at 225c on a yield of 7,8%.

A backlash on property trusts was feared, because their high-interest yields are fully taxable Even so, many shares in the sector edged up 5c or 10c, including CBD Fund, Higate, Stanpro and Tricom But Apex, Cenprop and Tamboti eased by similar amounts

The finrand collapsed to 426c to the dollar at one point on faltering foreign sentiment, but came back to 398c by the close

The budget allayed fears about slashes in defence expenditure There was no real growth, but an absolute rise was announced as opposed to the expected cut

Reunert, which had crashed to R12, rallied to R13,25 Grintek shed 5c to 245c, but is expected to recover.

The rand's world value

	R1 equals		One foreign unit equals (R)	
	16/03/90	16/03/89	16/03/90	16/03/89
US $	0 3841	0,3919	2,6038	2 5518
UK £	0 2371	0,2279	4 2181	4 3865
Deutschemark	0 6528	0,7347	1,5319	1,3611
Japanese yen	58 53	61 25	0,0171	0,0115
Swiss franc	0 5836	0 6313	1,7135	1 5840
French franc	2 2061	2,4857	0,4533	0 4023
Canadian $	0,4546	0 4692	2 1997	2,1313
Italian lira	481 61	538 55	0 0021	0,0019
Zimbabwean $	0 9105	0 7740	1,0983	1 2919
Australian $	0,5082	0,4818	1,9677	2 0756

Trade weighted value of rand, % change against 1974 base 89/95 –

Domestic interest rates

MONEY MARKET

	Friday 16/03/90 %	Friday 09/03/90 %	Friday 02/03/90 %
SARB accommodation rediscount rate TBs	18 00	18 00	18 00
Treasury bill tender rate	17 94	18 00	18 01
Basic call of discount houses	18 25	18 25	19 00
Three-month banker acceptances	18,35	18 45	18 45
Three-month NCDs	19 25	19 75	19,90
Three-year RSA stock	15 50	15 52	15 70
Prime overdraft rate	21,00	21,00	21,00
All-in yield of finest acceptance credits	19,44	19 53	19,55

Best sections this week

	Av % Mv	Av D/Y	Av E/Y
Venture Capital	12 0+	0 0	6 6
Klerksdorp	9 9+	6 4	0 0
Copper	7 2+	3,5	89 6
West Wits	6 8+	2 4	0 0
OFS	6 2+	4,3	0 0

Overall market this week

London gold

Drought-hit FVB shares take a dive

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S/Times 18/3/79

Business Times Reporter

FEDERALE Volksbeleggings shares slumped by 20% this week after management announced an expected dive in earnings from the interim forecast of 85c a share, to 60c

The shares dropped from 335c to 270c before rallying to 300c on Friday Two bleeding divisions — Fedmech and Tek — were the cause of the setback

FVB managing director Jan Moolman said due to high interest rates and drought, tractor sales fell 42% in the first two months of this year. This was devastating for FedMech, which imports Massey Ferguson tractors on a six-month lead time

Tek faced similar carnage in brown and white goods because of high rates and tightened HP terms

"The government has eased HP rules to alleviate bloodshed in white and brown goods We are hopeful that interest rates will ease later in the year, bringing further relief"

Mr Moolman said FVB was trying to sell its stake in FedMech to its partner, Vetsak, the agricultural equipment co-operative. Tek, he said, could not do much in an over-traded market The company was being rationalised by Neville Organ

Mr Moolman said Fedfood would struggle to attain real earnings growth this year but other operations were matching their rivals in more trying times

Analysts expect controlling shareholder Sankorp to move resolutely to sort out the perennial disappointments at Fedvolks

It has been forthright at Sentrachem and Bankorp recently. Sentrachem's synthetic rubber plant, which cost R1-billion, has been mothballed

And, after friendly persuasion by Gencor chairman, Derek Keys, Nedcor chief executive, Piet Liebenberg this week agreed to move across to take the chair of troubled Bankorp

Sankorp chairman Marinus Daling confirmed that remedial steps are in prospect but would not be drawn. Pointing to the big discount of the share price to assets, some analysts advocate an asset strip, others a takeover by better performing companies in the Sankorp stable, such as Malbak or Murray & Roberts.

S/Times 18/3/90

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W&A's turnover hits R2-bn

By David Carte

W&A Investment Corporation has kept up its astonishing growth in Jeff Liebesman's FSI Group, pushing turnover above R2-billion and operating profits over R250-million

The conglomerate, which holds 76% of Hunts and 49% of Homemakers, reports turnover up 44% to R2,1-billion, operating profit up 51% to R266,6-million and taxed attributable profit up 60% to R86,1-million

Earnings a share rose 20% to 1147c in spite of a 33% increase in the number of shares

Mr Liebesman exulted "Since FSI took control in 1987, turnover has multiplied 2,5 times and operating profit has gone up 2,8 times This rapid growth has been achieved in a disciplined, planned manner

"Tight control of the balance sheet has held gearing at about half of our self-imposed ceiling of 60% while total assets expanded from R529-million to R1,46-billion"

W&A managed to fatten operating margins substantially over the past five years from 8,2% in 1984 to 12,8% this year But interest costs rocketed by 125% last year to R73,4-million, leaving interest cover a trifle slim at 3,6 (5,4)

Earnings in the five years from 1985-1990 have risen thus 102c, 357c, 609c, 953c, 1147c

Mr Liebesman said the results reflect solid organic growth in all operating companies, the benefits of group re-organisation and rationalisation of the furniture interests into Homemakers, expansion into auto parts through Vektra, manufacture of shoes via Edworks and entry into pharmaceuticals via Noristan

He is looking for "satisfactory growth" in the year ahead, in spite of cloudy economic conditions.

Hunts, holding company of Teamcor and thus of Natbolt, Gentire and other companies, lifted earnings a share by 25%, Homemakers, by 20%, AAF, based in the UK by 26% and Noristan, in which a 20% stake was recently acquired, by 24%

Dividends

W&A shows an extraordinary below-the-line profit of R11,9-million, being its share of the capital profit on the reconstruction of associate, Elcentre

Waicor, the controlling pyramid of W&A pushed up earnings 24% to 479c The dividend has been raised 14% to 168c

The dividends on the ordinary shares of both W&A and Waicor are now equal to those on the preferred ordinaries, which will consequently be converted into ordinary shares

AT 7900c, W&A is 6,9 times earnings and yields 5,3%. It stands at a 49% premium to net asset value. Waicor at 3700c is 7,7 times earnings and yields 4,5%.

Those are good ratings for conglomerates but the spectacular track record tends to justify them

S/Times 18/3/90 (232)

A dividend bonanza!

SHAREHOLDERS and stockbrokers braced themselves for shocks ahead of this week's Budget — and received a most pleasant surprise

The best belated Christmas present in a number of years from Finance Minister Barend du Plessis was the scrapping of tax on dividends to individual shareholders

That gives lucky shareholders a 43% income boost!

By Julie Walker

No wonder certain wealthy individuals broke open the Dom Perignon on Wednesday night

"Sanity at last" exulted JSE president Tony Norton

Before the Budget only one third of dividend income to individuals was tax free Mr Norton said it was wrong in principle to tax dividends after the profits from which they were paid had already been taxed at 50%

He felt the change would encourage investment and entrepreneurship

Mr Norton had been extremely worried shortly before the Budget that marketable securities tax would be doubled from 1,5% to 3%

He was so worried that he shot off an urgent letter to the Minister warning him that such a move would aggravate illiquidity

Delighted

In the event, Mr Du Plessis said that MST is to be phased out

"I can only say I am delighted," said Mr Norton He could not say whether his urgent appeal had caused the Minister to change his mind at the last minute, as one stockbroker surmised

This broker said the Minister's definition of a capital gain as being the gain on a share held for 10 years really affected only mining houses and companies with mature investments

He felt that before the Budget there was no way than an individual would be taxed on the profit on shares sold after, say, nine years

He said higher MST was proposed as a quid pro quo for a fairly generous definition of capital gains for individuals

But he suspected that when there were objections to higher MST, the definition of a capital gain for individuals was removed with the higher MST proposal

Kessel Feinstein's Tax Line Budget special points out that the Tax Advisory Committee recommended the introduction of a safe haven for listed shares which had been held for more than 10 years

Profits on the sale of such investments will be exempt from tax, subject to certain conditions

- The existing rules for the distinction between capital and revenue, subject to this concession, will still apply;
- Listed shares acquired by way of exchange in terms of section 24A of the Income Tax Act will continue to be trading stock,
- Where the shares were acquired in the course of trade, and deductions for interest and expenditure were allowed on those shares, the taxpayer will be liable for a clawback of interest and expenditure — other than share losses — previously deducted,
- Taxpayers can elect whether they wish to be subject to the new proposals or to continue with the existing system

Hope

If a taxpayer chooses to adopt the new proposals he must thereafter apply the same principles to all transactions in listed shares which have been held for more than 10 years

Losses realised will accordingly not be tax deductible

Kessel Feinstein points out that the rules do not apply to unlisted shares

The biggest hope is that mining houses and other holders of large amounts of scrip will be induced to part with mature investments in order to apply the proceeds to new developments

Winners and losers in Barend's Budget '90

Lower formula tax on gold mines continues to favour the most profitable companies, and the surcharge on other mines has been reduced from 12% to 9%

Ring-fencing provisions have been eased to such an extent that 25% of an existing mine's tax base can now be offset against the development costs of a new mine Mine managements had hoped for 100% relaxation

Capital allowances for new gold mines have been raised from 10% to 12%

Only mines that are already highly profitable benefit. Rich mines, such as GFSA's, were in an improved position to develop new mines

For traders and speculators, MST has been a problem, but for long-term investors it has not been of particular concern — certainly not a consideration for making investment decisions

Had it gone to 3% as rumoured, however, MST would have had a decided effect on investment

Its phasing out over three years from 1991 is unlikely to have a big impact on the market, whereas its immediate abolition might have made a bigger wave

Farm-Ag acquires Staalchem interests

ACHMED KARIEM

FARM-AG is to acquire Staalchem's agricultural and chemical interests for R15,4m

(232)

Staalchem's remaining assets will be cash and property worth R15,8m, equivalent to 46,9c a share.

The deal is effective from March 1 1989 and payment includes R10m owed to the cash shell Staalchem.

Farm-Ag — which holds 77% of Staalchem's equity — is involved in the basic manufacture, formulation, wholesale and retail distribution of agricultural chemicals and the contract packing of toiletries

The group is the target of market speculation that it is contemplating a merger of its chemical interests with another player in the agricultural chemical industry.

Farm-Ag and Rale issued a cautionary announcement to shareholders last week that negotiations were in progress that could effect their respective share prices.

B/Day 19/3/90

Farm-Ag has been critisised for being over-geared, but director Richard McElligott says the company has taken action in this regard.

"In November 1989, Farm-Ag subsidiary Staalchem disposed of its steel roof sheeting business which resulted in the borrowing of that subsidiary being reduced by some R13m.

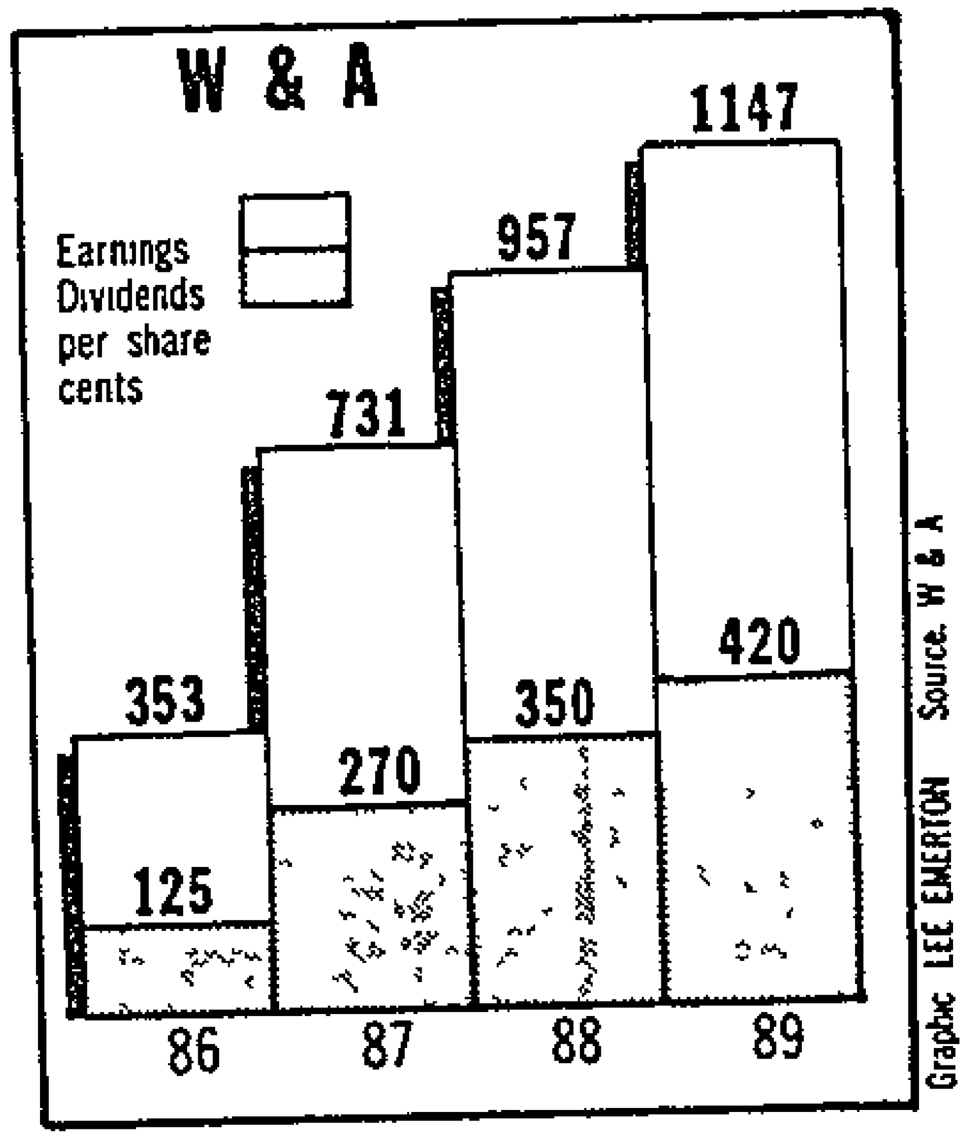
"Farm-Ag announced in January that it had disposed of its domestic electrical division which should result in group borrowing being reduced by a further R22m.

"Further, Farm-Ag toiletries subsidiary Potter & Moore has disposed of certain of its brands which will result in a further reduction in borrowing to the tune of R4m," he said.

Farm-Ag retains its 23% interest in listed bearing distributor Bearing Man, and its 40% holding in Hacks.

W & A proposes share split in bid for extra marketability

BDay 19/3/90 (232)



Graphic LEE EMERTON Source W & A

JEFF Liebesman, chairman of Waicor-held W & A Investment Corporation, is proposing to split the conglomerate's shares on a 10-for-1 basis to improve their marketability

The news, anticipated on the market where the shares rose R3 to R82 on Friday, coincided with the release of first-rate results for the year to December These reflect 20% growth in earnings to 1 147c (957c) a share in spite of a 33% increase in the weighted average number of shares

Ordinary dividends rose at the same rate to 420c a share (350c), covered 2,7 (2,6) times Liebesman said in a statement this equated dividends on the ordinary and preferred ordinary shares and "triggered" the automatic conversion of the preferred ordinaries into ordinaries This meant there were 7,5-million ordinary shares in issue with effect from January 1

SYLVIA DU PLESSIS

The group — in the FSI stable — topped the R2bn turnover mark during the period under review, with turnover up 44% from R1,45bn Operating margins rose to 12,8% (12,2%), lifting operating profit by 51% to R266,6m

Directly-held investments include Hunts (76%), Homemakers (49%), London-listed AAF (58%), MacPhail (56%), John Craig (100%) and Noristan (20%)

Finance charges rose 125% to R73,4m, but pre-tax profits still grew 34% to R193,2m After tax of R50,8m (R42m), attributable profits were 60% up at R86m

Liebesman said W & A had turned in an "excellent" performance in a tough year, largely due to solid organic growth.

Also reflected in the results was expansion into automotive replacement parts distribution, shoe manufacture and distribution and pharmaceuticals manufacture and distribution, he said Given stable operating conditions, earnings for the current year would show "satisfactory" growth

□ Holding company Waicor, 90%-held by FSI, posted a 24% improvement in earnings to 479c a share Its ordinary dividend was raised by 14% to 168c to equate it to the dividend on the preferred ordinary shares

COMPANY RESULTS WRAP-UP

Rembrandt takes stake in Lenco

CAN. 7/7.1.3 20/3/90 232

By AUDREY D'ANGELO
Financial Editor

THE Rembrandt group has bought a 16,5% strategic interest in Cape Town-based Lenco (Pty) — holding company of Lenco Holdings — for R15,9m in cash

The deal, with effect from March 1, was announced by Rembrandt yesterday

Fast-growing Lenco has three divisions — clothing, textiles and packaging But a spokesman for Rembrandt said: "This should not be seen as a new diversification for our group

"It is an investment in the management of a successful manufacturing company. Rembrandt will be an inactive partner.

"Anyone looking into the portfolio of our group will see a couple of small investments that do not fit into the pattern.

"We are always looking for certain investment opportunities where we think it is worth investing in good management."

Lenco CE Douglas de Jager pointed out that the Rembrandt investment "places a value of R96,5m on our entire group".

He said Lenco was "delighted to have a partner the size of Rembrandt There are a number of advantages including the fact that one does not have to re-invent wheels — they have a wealth of experience which they can share with us."

He anticipated further growth for Lenco, both organic and through acquisitions The group also intended to expand its export trade, which was mainly in menswear and footwear.

"The world offers a huge market, one must only learn to tap it We set up an infrastructure last year to increase our exports and we hope to see the results of our efforts this year"

Discussing the domestic market, De Jager said "At the moment things are looking bullish for us. We have had a wonderful season. In the clothing business one works six months ahead of time and we have found a slight increase in the value of orders, not a falling off.

"But when you widen your ranges, you may be taking business from someone else. Volumes do seem to be dropping in certain areas of manufacturing but we have not felt it yet"

Lenco's attributable earnings have risen from R855 000 in 1987 to R8,1m in 1988 and R14,2m in 1989. The results for its last financial year, to February, are due to be announced soon

It was listed in 1987 when Elvinco and Atlantis Nonwoven Textiles was reversed into Romanda Investment HOldings, which was renamed Lenco

Acquisitions since then have included Budget Footwear and House of Monatic. Its newest subsidiary is Combined Packaging

Equity futures turn over R1,6bn in a day

B/Day 20/3/90

ROBERT GENTLE

A STAGGERING R1,6bn in turnover was recorded on equity-related futures last Thursday when the March contracts expired, statistics by futures clearer Rand Merchant Bank show.

This was the largest volume recorded since the futures market first started nearly three years ago

It dwarfed total JSE turnover for the day of R156m, according to figures released yesterday

The high figure, three times what the market was expecting, was largely the result of the expiry of the March contracts in all share, gold and industrial index futures (232)

Significantly high volumes are a natural phenomemon in all futures markets at expiry.

That is when investors and speculators close out (cash in) open contracts, taking their profits or losses

Of the R1,6bn turnover, R554m resulted from actual close-out trading.

No large-scale privatisations seem likely in the year ahead

(232)

BDay 20/3/90

LINDA ENSOR

ALTHOUGH President F W de Klerk has said the proceeds of privatisation will be incorporated into the special fund for socio-economic upliftment, it is doubtful whether any major enterprise will come to the market this year

Foskor and the sorghum beer industry seem to be the only possibilities for privatisations in 1990, according to Privatisation Unit chairman Peter van Huysteen

On Friday, De Klerk announced that R1bn from the proceeds of privatisation would be added to the R2bn upliftment fund. If proceeds from privatisation did not materialise because of market factors, other steps would be taken to finance the fund in anticipation of future privatisation proceeds

Regarding Foskor, Van Huysteen said a report would be submitted to government in the next few weeks. This would enable it to take a decision on Foskor's privatisation

A further investigation into how to structure the privatisation, taking into account Foskor's monopolistic position as sole supplier of phosphoric rock — might be necessary, he said

The privatisation of National Sorghum Brewery was being investigated, Van Huysteen said

"This is an industry that really belongs to the black community so one would go to great lengths to ensuring that the investors come from the black community," he said

As for Eskom, a report has recently been submitted to government on the impact tax payments by the company would have on its tariff structure in the immediate and long term

Eskom might then become a taxpayer

☐ The Privatisation Unit is holding discussions with all parties interested in the privatisation process

Questioned on recent attacks on privatisation by ANC leaders and on the possible need to incorporate black leaders in decision-making about privatisation, Van Huysteen said talks were being held with "all interest groups right across the board".

Remgro buys stake in Lenco

ROBERT GENTLE

THE Rembrandt Group (Remgro) yesterday announced it had paid R15,9m cash for a 16,5% stake in Lenco Holdings Ltd, a Cape-based holding company whose subsidiaries operate in clothing, shoes and packaging. (232)

The three subsidiaries, all JSE-listed, are Cape-based House of Monatic, Natal-based Amalgamated Shoes and Transvaal-based Combined Packaging.

A Remgro spokesman said the acquisition, which became effective on March 1, was nothing more than a strategic investment in the management of Lenco Holdings.

The transaction, he said, would not have a material effect on either Remgro's estimated earnings for the year to March 1991, or its net asset value at that date.

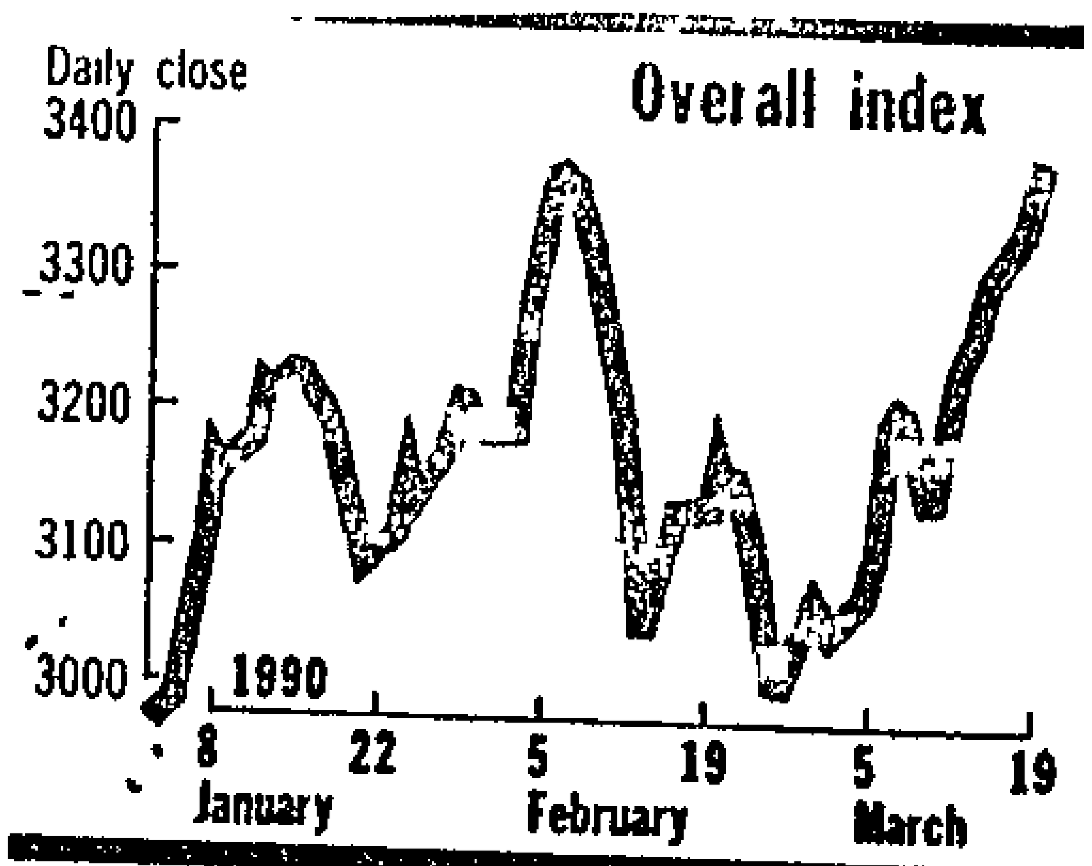
Lenco Holdings group MD Douglas de Jager said he was delighted at the Rembrandt presence, which would provide "stability".

He said control of Lenco Holdings still lay with Lenco Investment Holdings Pty Ltd, which holds a 57% stake.

An analyst from JD Anderson said in comparison with previous Rembrandt investments (like the R500m stake in Consolidated Gold Fields bought last year), this appeared to be one of its less important moves. BDay 20/3/90.

This view was echoed by a Simpson McKie analyst, who said it was too early to read too much into it.

Notwithstanding the use of Lenco as an eventual springboard for Remgro into clothing and shoe manufacture, the most obvious area of synergy would appear to be in packaging. Remgro is already involved in this field through a 30% stake in Printpak.



Graphic FIONA KRISCH Source JSE

JSE overall index hits new record

(231)

MERVYN HARRIS

A REPORT that US Secretary of State James Baker will have strong words for Nelson Mandela on the ANC leader's views on nationalisation boosted London demand for SA mining shares on the JSE yesterday.

Baker is due to meet Mandela and President F W de Klerk in Cape Town later this week A report in the Financial Times quoted State Department officials as saying Baker would also stress to Mandela the need to negotiate and to end violence.

The report was among several factors which fuelled bullish sentiment on the JSE yesterday to lift the overall index 51 points or 1,5% to close at a record 3 392 and surpass the previous peak of 3 386 set on February 7. BDay 20/3/90

Dealers said demand for mining shares was also encouraged by a positive reassessment of the Budget proposals on mining and the gold price going back above the $400 level.

Gold closed $1,60 firmer in London yesterday at $402,25 on the back of a weaker dollar against the mark and a soft opening on Wall Street in the wake of a 4,15% plunge on the Tokyo stock market, its third biggest one-day fall ever.

The dollar closed 1,5 pfennigs weaker against the mark at DM1,6785 as uncertainty over the East German elections was wiped away by Sunday's conservative victory

But the US currency closed at a three-year high of 153,30 yen in the wake of the Tokyo stock market plunge.

Nervousness about inflation in Germany as politicians race towards unity was supportive of gold. While the Japanese had not sold gold to cover margin calls, as happened during the last market plunge in February, dealers were cautious about what would happen if Tokyo continued to fall sharply.

hanglider he was testing crashed. He was Mr Jaun Garcie Morales

Cape Times 20/3/90 (232)

Retrenchment at Transnet

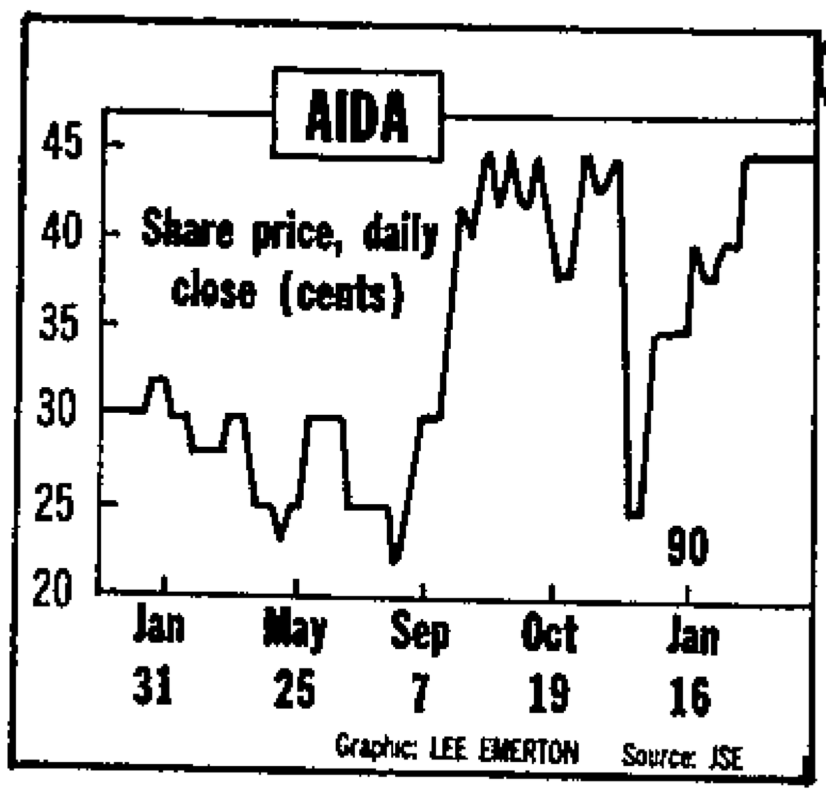
JOHANNESBURG — Nearly 6 000 workers at Transnet have opted to take advantage of a retrenchment package offered to them as part of the commercialisation of the old SATS.

Aida Holdings goes for R1m rights offer

232

CHARLOTTE MATHEWS

DCM-listed Aida Holdings is holding a R1m rights offer to finance a four-year expansion programme that will raise the number of Aida franchisees to 75 from the present 51.



Aida chairman Aida Geffen said yesterday the group planned to consolidate and expand client services More staff and space would be required

According to the terms of the rights offer in today's announcement, 19 new ordinary shares at a price of 45c a share would be offered for every 100 ordinary shares held at close of business on April 5 The offer is being underwritten by UBS

Geffen said she wished to increase the tradeability of the shares since at present she held around 60% B/Day 22/3/90

As a result of the rights offer, UBS would acquire a 25% stake in the company The balance of the shares would be held by franchisees and private individuals

"I see this as a programme to double our income over the next four years," she said.

Aida shares closed untraded at 45c yesterday, 1c below a year's high in September.

FM 23/3/90

FLEXI CLUB (232)

Probe continues

The probe into the accounts of the controversial Flexi Club Foundation timeshare operation continues. The investigation was launched at the end of last year by the Business Practices Committee.

This is in spite of the liquidation of its sister company, Summer Leisure International, in the Rand Supreme Court two weeks ago.

Though the foundation itself was not part of the liquidation, it is not clear how the company will continue operating — or whether it intends doing so. It shared Summer Leisure's Sandton offices and telephones. Last week, company officials could not be contacted.

The liquidation proceedings, latest in a series of legal moves against the cash-strapped timeshare operation, were brought by Epsom Downs Properties, owner of the Sandton offices, which is apparently owed R181 220 on the four-year lease.

Liquidators for Summer Leisure should be appointed this week. The basis of the Flexi Club/Summer Leisure operation was the substitution of specific timeshare for "points" aimed at allowing participants a choice of holiday destinations.

Louise Tager, head of the committee which began investigating Flexi Clubs accounts at the end of last year (*Property* November 24), says the probe will run its course and a final report will be handed to Trade & Industry Minister Kent Durr. She says an auditor is examining Flexi Club's investments.

She adds that her report will identify the foundation's problems. It will also comment on whether the "unusual legal mechanism of a foundation," as opposed to a company or close corporation, is appropriate for holding interest and investments. ■

REMGRO/LENCO FIM 23/3/90

Backing De Jager

Remgro's purchase of a 16,5% stake in Lenco Holdings for R15,9m seems, at first sight, to have implications Is the acquisition motivated by the wish to create synergy between the packaging interests of the two organisations?

Is it another sortie into the clothing industry after the earlier debacle of Monatic/Alba? Or is it the start of a strategic holding in the shoe industry, via Lenco, into Amalgamated Shoes? 232

Meaningless speculation

Remgro director Johann Rupert dispels all these as meaningless speculation The primary reason for the purchase, he says, is that the group is backing Lenco MD Doug de Jager and his brother Geoff. Rupert says he has known the brothers for many years, and that Douglas "is one of the best entrepreneurs I've ever met"

He emphasises that almost every investment Rembrandt has entered into, including Gencor, GFSA, Volkskas, UBS, Metkor, Transhex and many others, has been initiated at the request of the management of the company involved; the Lenco transaction was no different. Remgro was approached by the De Jagers. Rupert says the deal is a venture capital investment and Remgro will be involved only in the company's progress in a peripheral way

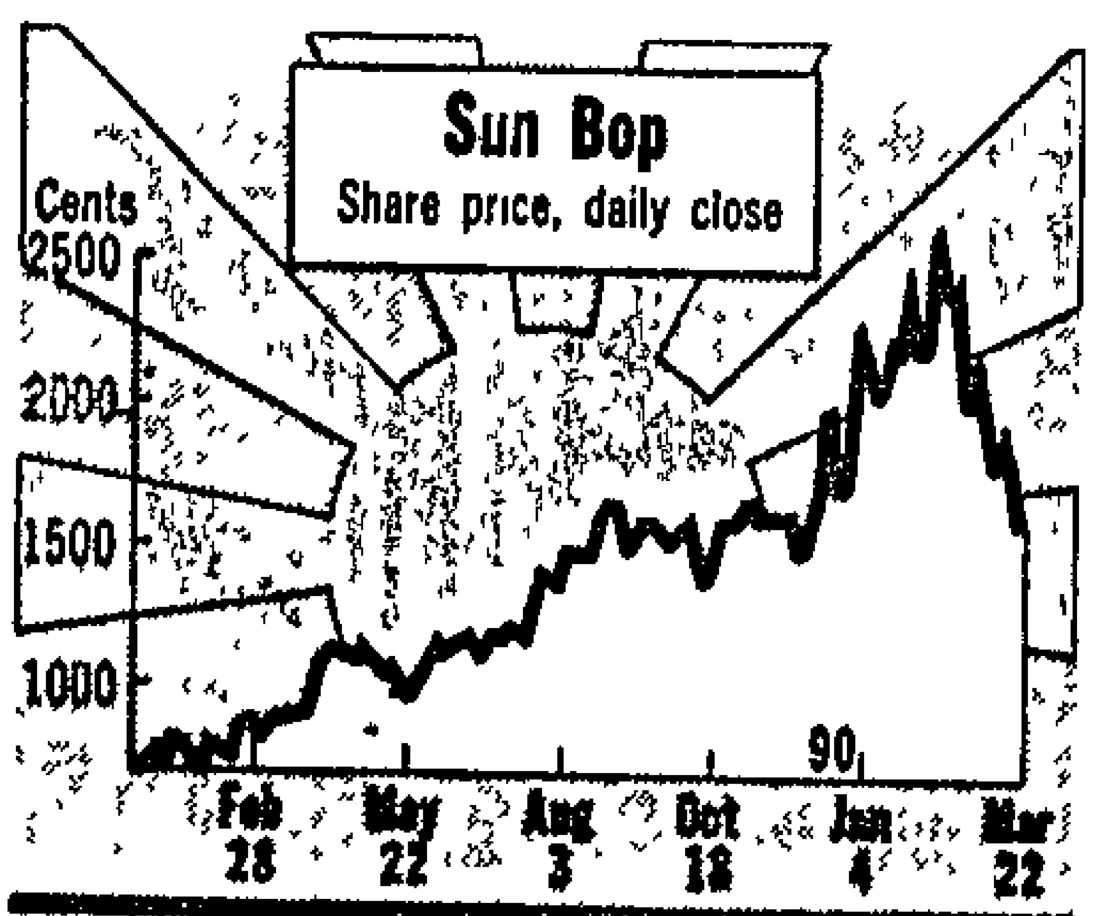
Doug de Jager adds that there are still details to be worked out. While no Remgro director has yet been appointed to the Lenco board, it would clearly be entitled to a seat He does not expect Remgro will be involved in management at this stage

De Jager says it was his brother's shares that were bought by Remgro They were sold out of a London-based company known as Lenco London and the funds realised from the sale are to be invested in SA-managed assets overseas. He declined to say whether

FIM 23/3/90 232

the investment vehicle will be Richemont, the Europe-based group which holds the offshore assets formerly in Rembrandt

Gerald Hirshon



Graphic FIONA KRISCH Source JSE

BDay 23/3/90

Sun Bop shares keep dropping

ANDREW GILL

SUN BOP and related Sun International shares continued to plummet yesterday as investors apparently began "disinvesting" from the volatile and often unpredictable homelands.

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The shares' fall from grace appears to be a result of uncertainty over the unrest situation in the homelands and the question of re-incorporation.

Sun Bop dropped 11,1% or 200c yesterday to 1 600 in relatively thin trading. It has dropped dropped 1 200c — over 40% — since its February 12 high of 2 800c.

Transun also continued its downward trend yesterday dropping 20c to 270c.

Kersaf dropped 50c to 2 300c, 400c down from its February 8 high of 2 700c. The only company in the group network to make any gains was Safren, firming 25c to 4 400c.

Market sentiment over the past few days has been to move away from Sun Bop and Transun into the more diversified Kersaf and Safren.

Yabeng, a major Sun Bop investor, dropped 14% or 40c to 250c.

Sun International CE Ken Rosevear said the group had obviously been affected by the unrest in the homelands, but things were returning to normal.

Occupancy rates in Sun Bop's hotels for the 20 days up to March 20 were 82%.

All hotels are now open, except for the Mdantsane Hotel which was burnt down during the Ciskei coup. Transun occupancy rates have fallen 7% in March from from last years 86% but Rosevear pointed out this was above normal industry levels.

He said their planned R1bn development at Sun City and Babalegi was on schedule.

"There will obviously be ups and downs in the future, but the investment is a long-term one," he said.

Last year Sun Bop made the largest price gain on the market over the year, over 220%.

Lack of trust over shortage of money

RW/Mail 23/3-29/3/90

232

By JOHNNY MASILELA

MISTRUST characterised the response of black professional people who attended a budget review seminar held in Johannesburg last week by *Black Enterprise* magazine, Trust Bank and the Association of Black Accountants.

At the seminar, which was addressed by economic advisor to the Department of Finance Dr Japie Jacobs, delegates fired a volley of questions, expressing reservations about the budget.

One delegate suggested that by going the privatisation route, the government was clandestinely planning to hand over major businesses to "rich whites" soon before a black or non-racial government could take over.

"The question of privatisation was addressed long before the present talk about a new South Africa. What we lack in this country is mutual trust and I personally blame lack of communication," Jacobs replied.

Another delegate asked him to explain why black and white people were equally taxed but there was a disparity in pensions. Jacobs said the matter was receiving the government's attention.

A delegate said there was no need for the government to "boast" about relaxing taxation on interest and dividend income because many blacks are too poor to invest money.

Privatisation yields R3bn during year

A TOTAL amount of R3,005bn accrued to the state as a result of privatisation in the 1989/90 fiscal year, Finance Minister Barend Du Plessis said in his speech

An amount of R2,915bn accrued from the privatisation of Iscor and R90m from the privatisation of the SA Mint B/Day 15/3/90

After financing certain expenditures, R2,847bn was used to reduce the public debt with a saving on interest of about R500m which, Du Plessis said, would be used to the benefit the taxpayer

A portion of the proceeds from the sale of the SA Mint was used as a capital augmentation for the Small Business Development Corporation and the development corporations in the self-governing territories

LINDA ENSOR

Government decreased the gross financing requirement to an adjusted lower amount of R5,856bn through privatisation income 232

On privatisation initiatives in the coming year, Du Plessis said draft legislation providing for the creation of a telecommunication company and a post company, of which the state initially will be the only shareholder, is being finalised

A draft amending Bill for the conversion of the commercial forestry and sawmill activities of the Department of Environmental Affairs into a financially autonomous statutory corporation will be finalised in consultation with interested parties

BDay 23/3/90. (232)

Hospitals favour some privatisation

TANIA LEVY

ABOUT 60% of hospitals are in favour of some type of privatisation, according to a nationwide survey conducted by Pim Goldby Management Consultants.

Although 45% of respondents were from the public sector, the survey found that 60% of respondents believed some form of privatisation would lead to a more cost-effective and efficient service.

Integration

While 40% of responding hospitals were racially segregated, 64% believed integration would have no effect on quality of health care. About 57% belived racial integration would not affect the hospital's financial viability.

Pim Goldby consultants Greg Candy and Penny Ludoff say a high level of interest and concern about the future of hospitals and health care in the country was clearly reflected in the 30% response rate to the survey.

Opinions of administrators at 700 public and private sector hospitals of varying sizes in SA were canvassed at the end of last year.

They were encouraged by the candid and positive attitudes towards change in the health care system.

About 85% of hospitals believed health care in SA would not look the same five years from now.

Half the respondents believed patients would have more freedom of choice in selecting health care services from a wider selection of institutions. The remaining half were equally divided between feeling the choice would be reduced or that there would be no change in the health care system.

Half the hospitals were experiencing a shortage of nursing staff. Of these, less than a quarter felt quality of service had been unaffected by the shortage. About 10% believed the shortage had greatly affected quality of health care, while two-thirds were moderately affected.

More than half the hospitals experiencing a nursing shortage had not taken or had been unable to take remedial steps such as using agency nurses, increasing overtime, cutting back on services or closing units. The shortage of nurses was worse in public than in private hospitals, particularly in the larger city hospitals.

DIAGONAL STREET

FM 23/3/90

Budget boosts sentiment

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Political uncertainties that followed the release of Nelson Mandela appear to have been a short-lived depressant on the JSE Last week's Budget has boosted investor sentiment, with bullish news on several fronts, and the major indices are again approaching — or breaching — record levels

With gold mine profit margins generally still under pressure, and foreign investors tending to avoid SA stocks, the All Gold index took the hardest knock last month It tumbled by 16,2% from the peak of 2 250 on February 2 to 1 885 on March 1 — enough to be seen as a fairly sharp correction in most markets The mining sector is seen as a beneficiary of several of the Budget announcements and in the past week the index clawed back up to 2 137, a 13,4% rebound

When some blue chips such as Barlow Rand and SA Breweries were driven upwards after President F W de Klerk's February 2 speech, the Industrial index peaked at 3 211 on February 6 before sliding 9,6% to 2 929 as unrest and Mandela's speeches softened the optimism It has since shown only a hesitant recovery of 3,4% The appearance in early February of foreign investors on the industrial board faded within a few days.

The Overall index has been more resilient After peaking at 3 386 on February 7, it dropped 9,8% before rising 11% to a new high of 3 392 This reflects at least three developments the announcement of the restructuring of De Beers, involving a new Swiss-based company, De Beers Centenary AG, to hold the foreign assets, saw some R10,6bn added to the group's market capitalisation, which ballooned to R35,3bn

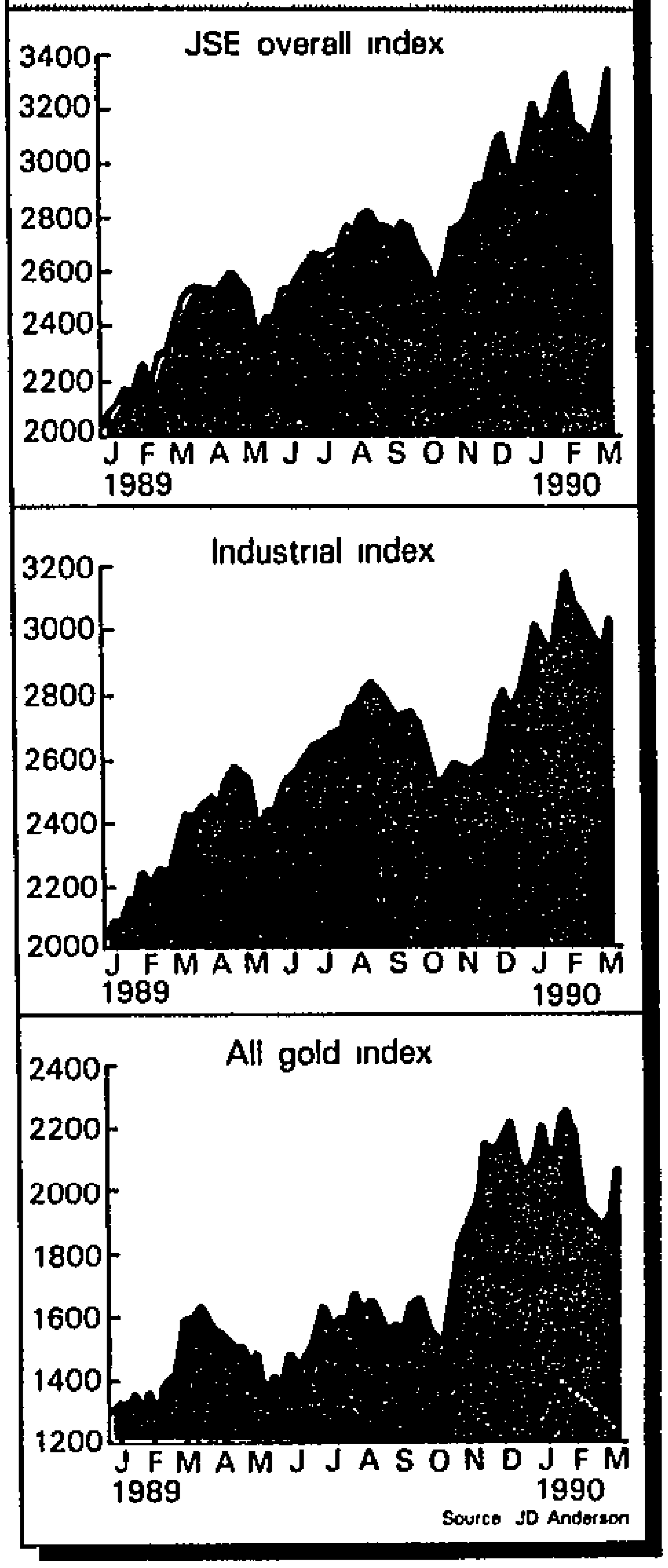
Secondly, the Budget was seen as favourable for mining financials and, more generally, holds out the prospect of more funds becoming available for investment in equities Thirdly, sentiment was further underpinned when the gold price edged back above $400/oz

The 1990 improvements follow breakthrough announcements in 1989, especially the abolition of the Prescribed Asset Requirements It is doubtful that the full effects of that step have yet been seen, given that it cleared the way for institutions to channel more of their funds into equities

Last week's elimination of tax on dividend income received by individuals must make equities — whether held directly or in unit trusts — more attractive to these investors For many, equities may previously have been held primarily for potential capital gains, but they will now become more attractive on income considerations Many investors who have large portfolios will receive an immediate boost to cash flow; until now there has been an effective tax charge of up to 30% on dividends Martin & Co's Richard Jesse says the move could trigger issues of new securities, with convertible preference shares now looking attractive vehicles

The safe haven for investors who have held shares for more than 10 years is seen as pleasing but likely to result in a gradual lightening of mature holdings in mining house portfolios, rather than having a direct effect on the market Also, several new gold mines are thought likely to go ahead as a result of the relaxation of ring-fencing to the extent of 25% of taxable income

In high ground



One analyst believes that Hartebeestfontein, a profitable, mature mine which is a large taxpayer, could now be used to open Anglovaal's Sun Prospect in the Free State And, as it appears that the tax umbrellas of non-gold mining operations may now be used for gold projects, Rustenburg Platinum could become the vehicle for JCI's South Deep prospect

The commitment in principle to eliminate the marketable securities tax, after pre-Budget rumours of a planned increase in the tax, was also seen as encouraging Another potentially helpful measure was the easing of fiscal drag effects on individual incomes But company tax changes may mean corporate cash flows will be looking less rosy before the year is over (see ***Economy***) The effect on earnings of the change last December in the basis of appreciation may well be more severe than many have yet realised, and some companies' results will also be dented by the announcement that lifo reserves will become taxable over 10 years

Business conditions, meanwhile, have tightened Already major groups have reported stodgier results for the six months to December, and the trend will worsen over the next few months The average yield is only 3,4% on the Industrial index and 3,5% on the All Gold index — hardly attractive by past standards and prospects for dividend growth in these sectors are not exciting

Though the All Gold index has remained solid, the rand gold price continues to disappoint; many of the marginals are well off their 12-month highs Among these, Cengold has dropped 33%, Modder 32%, Durban Deep 35%, Eersteling 29%, Modbee 36% and Falcon 69%

Many shares could thus be vulnerable on both the mining and industrial boards, and the market remains vulnerable to international developments, including rising interest rates and continued cracks in the Tokyo stock market But on the whole, the JSE remains buttressed by the bullish sentiment — and the institutional cash flows — that fuelled the climb early this year The Budget offers further hope for a fundamentally sounder economy later

Andrew McNulty

LIBERTY/FIT FM 23/3/90

Pattern maintained

Is Liberty's business thrust changing as chairman Donald Gordon no longer needs to prove his abilities on SA's comparatively small economic stage? At home the insurer's sustained performance needs little embellishment and it makes a great deal of sense to

Chairman and MD Hein Ehlers said the costs of reorganisation had

tigated for the highly lucrative gourmet and specialist bread markets."

Discussions on sale of Arontex subsidiary

CHARLOTTE MATHEWS

THE provisional liquidators appointed for Arontex Holdings subsidiary Lara's Manufacturing Company are trying to finish work in progress and are negotiating with interested parties for the sale of the company.

JSE-listed clothing company Arontex was placed under provisional liquidation in the Natal Provincial Division of the Supreme Court on Tuesday, together with operating subsidiaries Lara's Manufacturing, Personality Gowns, Roots Clothing and Supergear Clothing.

The shares have been suspended on the JSE.

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Ernst & Young trust director Lloyd Spendiff, who has been appointed provisional liquidator for Lara's together with Deloitte's Michael de Villiers, said yesterday they were trying to negotiate with workers and unions to finish work in progress for the benefit of the creditors

B/Day 23/3/90

He added they had received a number of inquiries about the purchase of the company.

Senbank senior GM Estienne du Toit, whose company has a notarial bond on the stock of Arontex, said the liquidators were controlling the stock on Senbank's behalf.

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Jeff Liebesman's FSI rumoured to be on the trail of Wooltru

BARRY SERGEANT

ANALYSTS and dealers believe Jeff Liebesman's FSI is stalking Wooltru, the blue chip in the retailing sector.

FSI director Ivan Posniak told Business Day that FSI was looking at acquisitions "big and small, each day of the working year".

Posniak said yesterday that FSI "was not looking at" Wooltru, but added "there was no one who would not like to have Wooltru".

Market sources are convinced that the energetic Liebesman is looking for a quality acquisition. They say that expansion into direct retailing is not an impossibility, with FSI's interests in Edworks, JD Group and Homemakers.

Market analysts say that if FSI is indeed stalking Wooltru, it would be near to a case of David stalking Goliath. Perhaps the best measure of relative size is market capitalisation, with FSI at R450m and Wooltru at R1,5bn.

Analysts say that on the face of it, FSI would have to come up with half of Wooltru's market capitalisation, or R750m, to secure a controlling stake of 50% plus one share. A premium would doubtless be in order.

For a possible predator such as FSI there is a handy feature of Wooltru's capital structure. Its main classes of capital, ordinaries and "A" ordinaries, are capitalised at R613m and R894m respectively.

According to the latest Wooltru annual report, the voting rights on the "A" ordinaries remain suspended unless annual dividends are less than 5c a share. The latest annual dividend was 112c.

How FSI would acquire the shares is another question as the ordinaries are 81,7% held by nominee companies, pension funds and life offices.

What funds FSI could utilise in such a bid is unclear. This week's balance sheet shows more than R500m debt, and a gearing ratio of 57%. Further debt is held in subsidiaries and associates. Posniak said that if FSI made a further acquisition, and gearing increased, it would be a paramount objective to reduce gearing to below the 60%-level.

□ A Wooltru source, who preferred not to be quoted, said he found the mooted situation "interesting".

Hyperette sales treble to R26m

Private ownership: Hospitals in favour

Cape Times 24/3/90

(23)

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Own Correspondent

JOHANNESBURG. — Some 60% of hospitals are in favour of some type of privatisation, according to a nationwide survey conducted by Pim Goldby Management Consultants.

Although 45% of respondents were from the public sector, the survey found that 60% of respondents believed some form of privatisation would lead to a more cost effective and efficient service.

While 40% of responding hospitals were racially segregated, 64% believed integration would have no effect on quality of health care. Some 57% belived racial integration would not affect the hospital's financial viability.

Opinions of administrators at 700 public and private sector hospitals of varying sizes in South Africa were canvassed by Pim Goldby Management Consultants at the end of last year.

Consultants involved said they were encouraged by the high level of candidness and positive attitude toward change.

SATURDAY, MARCH 24 1990

Ackerman takes son on board

W/C ARGUS 24/3/90 232

By TOM HOOD
Business Editor

A MOVE to maintain the grip of the Ackerman family on Pick 'n Pay, the country's largest food chain, was made yesterday when the board appointed a new full line director — Gareth Ackerman, 33-year-old son of the founder and chief executive Raymond Ackerman

Pick 'n Pay, now heading for R5 billion turnover this year, reported a record profit of R131 million before tax for the year to February 28

Announcing his son's appointment "with great pleasure," Mr Ackerman said he was 59 and had no thoughts of hanging up his boots, but he had to look ahead

Gareth, at present director in charge of the group's super stores in Johannesburg, would represent the family on the board

"He will be like a minister without portfolio and get more experience in the company," said Mr Ackerman

"We have tried to be in the middle between a family-run company and a professionally run company We want to keep the business family controlled — this is one of our strengths and we intend to stay that way"

Gareth studied in the United States, where he also trained in retailing He worked in Australia before Pick 'n Pay was forced to abandon that venture

"I have a wonderful team but I don't want in eight or 10 years' time to be guilty of not giving him the greatest experience possible

"We moved up four young men to the board last year and we have to educate the young brigade

"The appointment in no way changes my position nor that of Hugh Herman, managing director — it is planning for the future."

Mr Ackerman also disclosed that Pick 'n Pay is to fight Woolworths head on with a whole new range of up-market perishable food products ranging from pizzas to yoghurt.

"We have been working on this for a year The products will not be cheap but they will form a new area of convenience foods for us and could add significantly to our food turnovers in the years ahead"

About 30 stores will start selling the range from June

In line with this development, Pick 'n Pay has started a food technology division, employing four technologists

Next month the company's first experimental clothing store, Chain Reaction, will open in Port Elizabeth

"If this works we hope to extend this concept and open many other stores"

The development of scanning and electronic funds transfer — now used throughout the Western Cape and in hypermarkets — is to continue in various parts of the country

Scanning was a factor in the Western Cape stores achieving the best results in the group, reducing shortages and cutting shrinkage About a third of the groups's entire profits came from the Cape

(See page 3)

P 'n P heads for R5bn

W/C ARGUS 24/3/90 232

(From page 1)

Mr Ackerman said he was confident of the company growing in turnover and profit this year but it was hard to forecast figures because South Africa was in such a state of change

Sales increased by R511 million or 13 percent to R4,3 billion in the year to February 28 — only two years since turnover hit R3 billion

After-tax profit showed a 22,5 percent increaase to 105c a share

Final dividend is 41,5c, up 25,7 percent, while the total payout of 52c is up almost 24 percent.

Tens of millions of rands are to be invested by Pick 'n Pay in new store developments this year as well as many refurbishments and expansions at supermarkets and hypermarkets

These include a new produce warehouse in Cape Town and a new supermarket in Strand.

APPOINTMENT: Mr Raymond Ackerman and his son Gareth, 33.

by JULIE WALKER

Resurgence of Reunert — now a best buy

S/Times 25/3/90

232

SENTIMENT moves the market faster than any other factor — a maxim noticeably displayed by the performance of Reunert

Last September the shares were 2 350c ahead of great results Political progress since then has served to dent the perceived prospects of any company within a million miles of defence

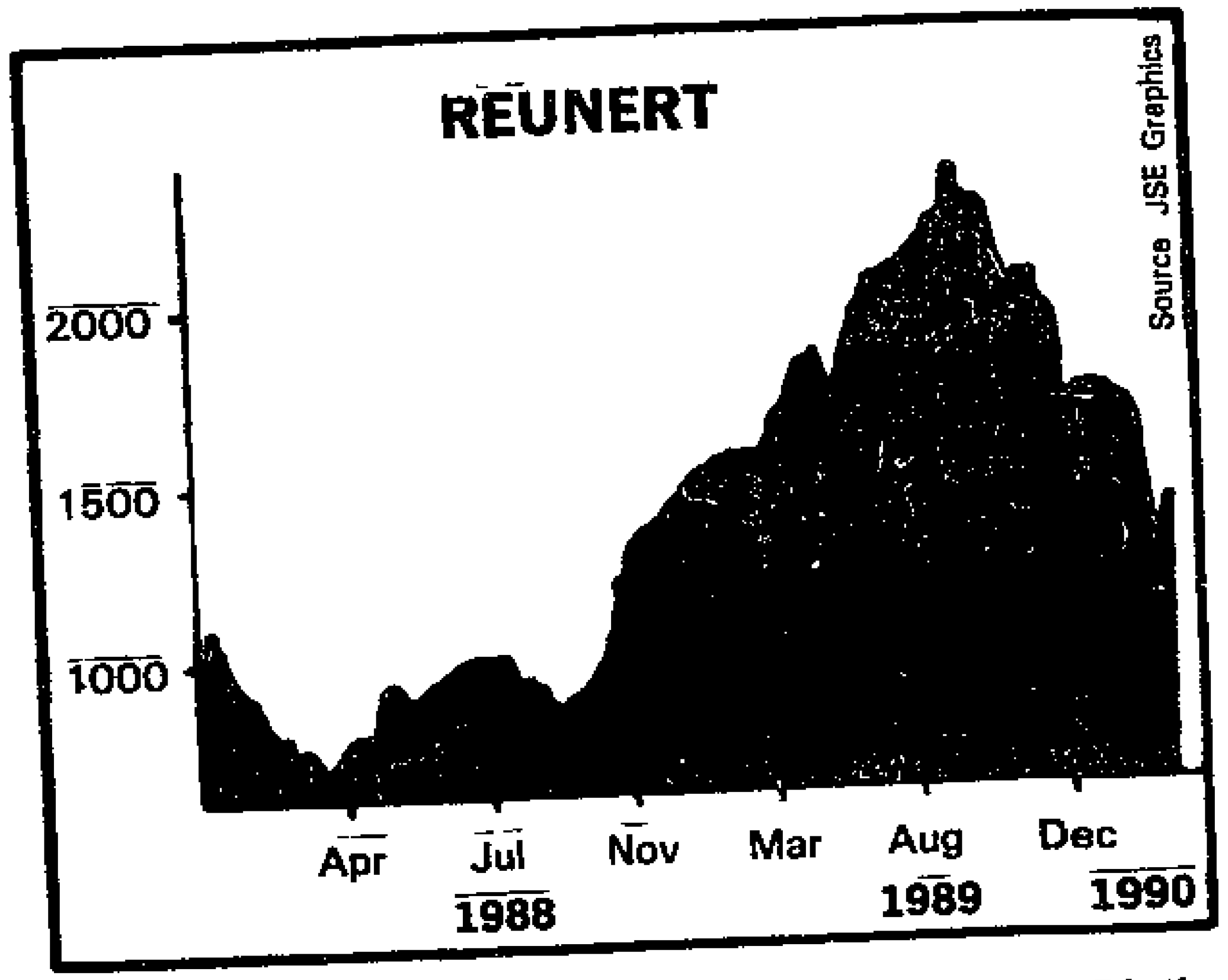
National service was halved, the war in Namibia over Everything on the border looked herbacious

Two weeks ago, before the budget, you could not get rid of Reunert at R12 The consensus was that defence spending would be sliced

In reality there was a nominal increase No real growth, nothing to counter the effects of inflation, but no cutback either

The result? Reunert is suddenly the best buy on the market The shares rallied to R14 in line with other defence contractors

The big question remains How much of Reunert's profits come from defence anyway? The annual report does not elaborate



OPTIMISTIC

Financial director Clive Vaux confirms that there is a meaningful element of defence in Reunert's work

His tack is to examine the reduced budget in terms of priorities Spending on consumables and personnel will fall, but technological advancement will not be cut

He is optimistic regarding further investment opportunities for some companies in the Reunert group The objective remains — real growth in earnings

It appears the alarms were false If Reunert won't suffer much in defence, and the annual report expounds plenty on other projects, the shares look attractive on fewer than seven times historic earnings

Reunert was almost demoted to Cinderella status from the 1988 financial year, when the glamorous computer division was stripped out and merged with IBM's Reunert members were given 150 resulting TSI shares for every 100 Reunert held

Since then, TSI has been a bit of a pumpkin, whereas Reunert shareholders have had a ball

Mr Vaux says there are three broad divisions, electronics (including defence), electrical engineering and telecommunications Of the first, say no more On the last, there are a few eye-catching developments

Trials are under way for card-operated public telephones and parking meters A computerised railway ticket issuing machine is a winner, and an electronic coin validator able to accept any coin or token has strong export potential

VALUE

Mr Vaux says it is fair comment to suppose that Eastern European and other developing nations would be buyers for SA's technology It is not the very latest state of the art, but offers value for money

On the second division, GEC UK is Reunert's major partner in electrical products and components, and power engineering Broadly speaking, GEC is the technical partner and Reunert the day-to-day operator

Last year, GEC UK's power engineering interests were merged with those of the French Companie Generale Electricite to form GEC-Alsthom

This effectively furnishes Reunert with a bigger foreign bedfellow in power engineering Mr Vaux says Reunert is busy aligning its operations to fit in to the new group There could be quite a lot of realigning — Alsthom has several other businesses in SA which could be housed under the Reunert/GEC-Alsthom roof

Reunert's financial prospects for 1990 will be affected by bigger average borrowings and a higher interest bill

The assessed losses referred to in the accounts relate to GEC, but will help to keep the tax rate close to last year's effective 29% However, the recently announced changes on capital allowances on plant and machinery will have an adverse affect.

Mr Vaux warmed up a bit to explain these matters — he is naturally a chartered accountant He even volunteered the information that Reunert will probably have a positive cash flow this year

Export potential certainly brings out the best vibes in Mr Vaux Reunert sensibly researches foreign markets, then tailors products to meet demand There is little point in trying to sell fridges to eskimos

Domestically, the Government's moves to corporatise para-statals before, hopefully, privatising them, might result in lower spending over the next few years

Ultimately, high-tech companies such as Reunert will still be doing plenty of business with the new-look service companies, but the near future is uncharted

Last year's 70c dividend is well covered by earnings of 202,7c More than 88% of Reunert's 31,3-million shares are held between Barlows and Sanlam, although the share is reasonably tradeable

It looks like a good buy at the current price of R14

Britons pump millions into city firm

CT 26/3/90

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By AUDREY D'ANGELO
Financial Editor

FORMER SA businessman Mr Hugo Biermann and his partner Mr Julian Askin — both based in Britain but with international interests — are making a multi-million rand investment in the Cape Town-based Duros group.

Companies controlled by their family trusts have formed a new consortium to control Duros together with Mr Johan Claasen and Mr Mervyn Key, the two entrepreneurs who built Duros up from a small hosiery company with a market capitalisation of only R6 million in March 1987 into an industrial holding company with a market capitalisation of R150m.

Results published today show that Duros has been hit heavily by high interest rates and by poor performances by food company Gants and hosiery company Arwa in the past six months.

Its earnings for the 18 months to December 31 have fallen to 7,6c a share compared with 60,5c in the year to June 30, 1988.

Last night it announced two rights offers by Duros and by Tollgate Holdings, holding company of the operating companies, to raise R45m each.

Mr Claasen said that the new controlling consortium would be following its rights, which would mean an injection of R45m in foreign exchange from Mr Askin and Mr Biermann.

He and Mr Key said that Mr Askin and Mr Biermann — who is the son of Admiral H Biermann, former chief of the Defence Force — both knew South Africa well.

"They know that Duros, catering for basic consumer needs, is poised to do well as the purchasing power of black people increases

"They see South Africa as a better place to invest in than Eastern Europe, where economies are in ruins as a result of the way they have been run."

Tollgate Holdings has a listing on the London Stock Exchange and Mr Key said the consortium intended to make use of this to expand in Europe.

Mr Askin and Mr Biermann will look after that part of the business and Mr Claasen, who will replace Mr Hennie Diedericks as chief executive of Tollgate Holdings, will run the South African operations.

Mr Diedericks has resigned from all his directorships in the group.

● Duros rights offer — Page 12

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CAPT Times 26/3/90

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● Duros rights offer — Page 12

BDay 26/3/90

Tollgate plans rights offer after poor results

(232)

CHARLOTTE MATHEWS

DISAPPOINTING results from Tollgate subsidiaries Arwa and Gants had a major impact on the group's results for the 18 months to December

The directors plan a rights offer and the disposal of some non-performing divisions to correct the situation, they say in an announcement today

Duros subsidiary Tollgate Holdings, which has diversified interests in consumer goods, posted turnover of R1,1bn for the 18-month period compared with R204m in the year to June 1988 In the intervening period the company has been re-shaped

Earnings of 23,5c (31,7c) a share on attributable profits of R10,9m, annualised R7,3m (R7,6m), were posted The number of shares in issue nearly doubled in the 18 months to 46,6m from 24,1m

Tollgate's interest bill shot up to R56m from R2,6m which represented interest cover of 1,7 times against the previous 6,8 times The directors said gearing would improve materially as a result of the corrective action planned in 1990.

A total dividend of 27,5c (20c) has been declared

Holding company Duros reflected turnover of R1,1bn for the 18 months to December against R6,8m for the year to June 1988 This translated into attributable income of R2,2m (R9,3m) and earnings of 7,6c (60,5c) a share A dividend of 25c (23c) a share was declared for the whole period

Food group Gants Holdings, whose results were below expectations, showed a loss of R5,8m for the year to December compared witha profit of R7,7m in the previous year on a 9,4% improvement in turnover to R193,4m (R176,7m) On earnings of 2,2c (27,5c) a share, a dividend of 8c (13c) a share was declared

Clothing group Arwa posted an attributable loss of R3,3m for the year to December against a profit of R7,3m in the 1988 year A loss of 12,2c a share was posted compared with previous earnings of 36,5c a share and no dividend was declared Turnover rose by 41% (no exact figure given) compared with a 97% improvement in 1988, but operating profit fell by 35% to R6,7m (R10,3m)

Control of Duros Group changes hands

CHARLOTTE MATHEWS

CONTROL OF the Duros Group has passed to a consortium consisting of companies controlled by Julian Askin and Hugo Biermann family trusts, and Mervyn Key and Lawrie Mackintosh. 222

At the same time Duros and Tollgate (TGH) are announcing a R90m rights offer to strengthen the capital base of the company and reduce borrowings.

An announcement today says the present controlling shareholder of Duros, Johan Claasen, has sold his 54,3% shareholding of 7-million shares to the consortium for R6,50 a share, valuing the deal at more than R45m. Duros closed at R7 on Friday.

B/Day 26/3/90

The consortium will make an offer to Duros shareholders of R6,50 a share for 54,3% of their shares.

TGH CE (SA operations) and Duros director Hennie Diedericks has also sold his holding for this price and resigned all directorships. He will be replaced as TGH CE by Claasen, who retains a substantial shareholding in Duros.

Askin becomes TGH executive chairman and, with Key, joint executive chairman of Duros.

● See Page 7

No decision made on SABC sell-off

CAPE TIMES 26/3/90 ~~260~~ 232

Staff Reporter

MANY of the services currently provided by the SABC could be privatised if it were in the interests of viewers and listeners, SABC board chairman Professor Christo Viljoen said yesterday.

But he said decisions on what would or would not be privatised had not yet been taken and no plans existed to trim down the SABC to just one TV and three radio channels, as suggested in a Sunday newspaper.

Professor Viljoen said a task group had been set up to investigate "the whole broadcasting scenario in South Africa, not just the SABC".

"It will be run on similar lines to the Peacock Commission in Britain, which recommended that there should be five stations there We would have to determine what is viable here, how many we can afford."

It would be possible to run a national television service without advertisements, like the BBC, he said, but it would have to be subsidised by private operators under some agreement because the SABC could not otherwise do without the advertising revenue.

"Advertising brings in 78% of our revenue and licencing fees 22%," he said "The government does not subsidise us at all, as is done in Australia."

TV1 was doing well financially, but losses were made on TV2, 3 and 4, Professor Viljoen said, and it was "not out of the question that some channels should be privatised"

Cross-subsidisation between TV channels did take place at present, but this would have to fall away "if we want to do something different".

He denied that the SABC was taking losses on all but two of its 23 radio stations, Radio Five and Radio Zulu

"Radio Good Hope and Radio Highveld show surplusses," he said. "Most of the regional services do, though the cultural services, like Radio South Africa, do not.

"There is no truth in the report of staff being cut by 2 000 We do have 6 000 people working here, but that figure of 2 000 has never been mentioned at board or top management level."

Professor Viljoen revealed that, the SABC's fixed income from licence fees was far less than M-Net's M-Net had 400 000 R39-a-month subscribers and the SABC had 2,5 million licence holders, one in eight of them R24-a-year concession licences and the rest paying R80 a year at present but more soon. He would not reveal how much more.

"M-Net have only 23 transmitters We have 10 times that," he said.

Consideration was being given to the future of Bop TV, Ciskei TV, Capital Radio and 702 should the independent homelands be re-incorporated into South Africa, Professor Viljoen said

Duros rights offer to raise R90bn

26/3/90
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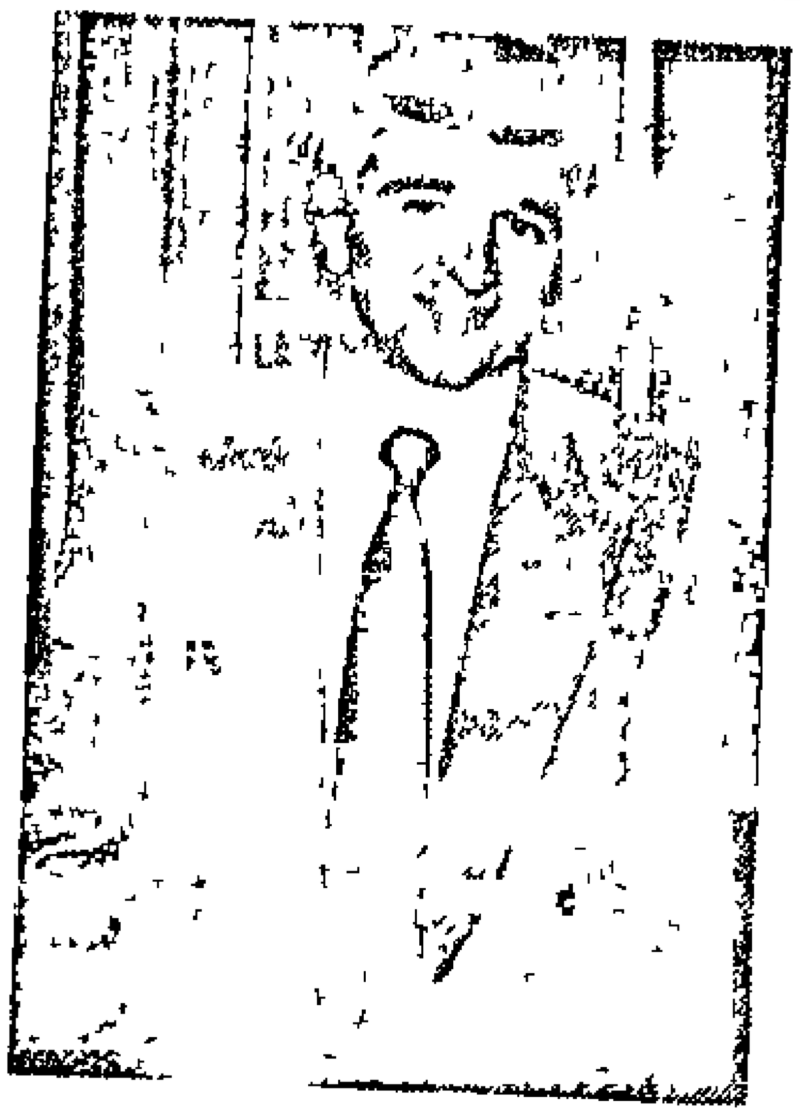

Johan Claasen

By AUDREY D'ANGELO
Financial Editor

THE Cape Town-based Duros group, with interests ranging from public transport to food, plans to raise R90 bn in rights offers to reduce borrowings and strengthen its balance sheet.

Former controlling shareholder and chairman Johan Claasen announced yesterday that most of this would come from the new controlling consortium of which he is a member. The other members are Mervyn Key and two international businessmen based in Britain — Julian Askin and Hugo Biermann.

Claasen pointed out that this would mean a massive injection of foreign exchange from Askin and Biermann, who have bought into the business through companies controlled by their family trusts.

A statement issued by Finansbank said that these companies and Mervyn Key and Lawrie Mackintosh, former financial director of Duros, had bought 54,3% of the controlling shareholding of Claasens for R6,50 a share. The consortium has also bought the shareholding of former Tollgate Holdings CE Hennie Diedericks, who has resigned from all his directorships in the group.

A similar offer to buy minority shareholdings will be made in due course, in accordance with the requirements of the JSE.

Admitting that Askin and Biermann had been able to buy into the group comparatively cheaply because its results had been "disappointing" Mervyn Key, who will become joint executive chairman of Duros with Julian Askin, said:"Due to high interest rates, Tollgate Holdings' earnings for the past year have been much lower than forecast."

Claasen, who retains a large shareholding and will become CE of operations in SA, said that although this was an apparent drop in status from being chairman "in fact I shall be doing what I enjoy most. I like to take an active part in operations, and status does not worry me."

Pointing out that the group had made acquisitions including food company Gants Holdings and hosiery company Arwa, Key said that any development phase normally involved high borrowings. The rise in interest rates had affected earnings

The current year would have been one of consolidation for the group, which was planning no more acquisitions in SA at present.

But Askin and Biermann had decided that, politically, the time was right to invest in SA. They considered the group had a great potential for growth.

Key said the consortium intended to make use of Tollgate Holdings' listing on the London Stock Exchange to expand into Europe. The group would grow into an international one.

He said there was already less resistance in Britain to being seen to do business with SA.

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BUSINESS DAY, Monday, March 26 1990 3

New laws drafted to facilitate privatisation

WILSON ZWANE

LEGISLATION has been drafted which would allow local authorities to transfer functions or services to companies while retaining a major shareholding in that company with board representation, privatisation unit adviser Eugene van Rensburg said at the weekend.

He was speaking at the SA Chamber of Business (SACB) Tranvaal regional congress near Krugersdorp.

Van Rensburg said privatisation and deregulation were cornerstones of a greater macro-economic plan to increase the overall efficiency of the economy.

More and more countries were turning to privatisation as a means of dealing with budget problems arising from central and local governments' growth.

He said that, in embracing a programme of privatisation, local authorities had to consider a number of factors.

These included being accountable for ensuring the continued performance of any service which was privatised by means other than total disposition and the determining of a basic minimum level of staff employment in certain categories to ensure a trained staff to deal with emergencies and natural disasters.

"One method for the local government to overcome these factors is to transfer the function or service to a company and to retain a major shareholding with board representation," said Van Rensburg

He said that in this regard, draft legislation had been drawn up and discussed with various interested groups.

Strategies

Van Rensburg said the privatisation and devolution of more powers and functions to local authorities offered a unique opportunity to resolve the financial and functional crisis facing local government.

However, to make privatisation and deregulation a success at the local level, the matter had to be approached in a positive spirit and the strategies and techniques should be thoroughly investigated and understood, he said.

He also called upon the private sector to render its services to local authorities saying "it had taken the back seat for too long".

Workers to march on JSE against privatisation

NM 27/3/90

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The Argus Correspondent

JOHANNESBURG — Public sector workers are to march on the Johannesburg Stock Exchange in working hours on Thursday to register their rejection of the government's privatisation policy

The march forms part of a two-day programme of national action — also focusing on the government's 10 percent pay increase for public servants — spearheaded by Cosatu-affiliated unions in the postal, health and education, rail and municipal sectors

The vice-president of the Posts and Telecommunications Workers Association, Mr Floyd Mashele, said yesterday that anti-privatisation rallies would take place tomorrow during working hours in all major centres

On Thursday, workers would march on the JSE and to the offices of public sector employers, such as Transnet and the post office

PROTEST AT TRANSNET

Memoranda would be presented, protesting against the imminent listing of Transnet on the JSE and plans to list the post office, possibly later this year, he said.

"We also want to warn prospective purchasers that if these industries are re-nationalised, under a future government, we cannot guarantee compensation," said Mr Mashele

Cosatu's public sector unions were organising their 110 000 members to participate in the protests, he said Approaches for support would also be made to Nactu and non-aligned civil service unions

COMPANIES

B/Dy 27/3/90

Transnet to launch Elfi bond issue 'worth R200m'

ROBERT GENTLE

TRANSNET (formerly Sats) is to launch a new Elfi bond issue soon — which the market estimates will be worth at least R200m — following the success of the previous one which expired at the recent futures close-out

The news was confirmed by Transnet, and widely welcomed in the derivatives market as likely to boost trade in both futures and options.

The reason Elfi (Equity Linked Fixed Interest) paper stimulates trade in futures and options is because it links interest rates and ultimate redemption value to the performance of the All-Share index

Elfi holders are therefore able to hedge their positions by buying or selling All-Share index futures, and can even write options against the actual paper

Transnet chief dealer Money and Capital Markets Herculas Bloem said "We will definitely be doing a new issue in early April. The last one was a great success."

He said the new issue would be handled by Finansbank, which would also be retained as a consultant during the life of the issue

Although Bloem was not in a position to release exact details, bond market sources said the issue was likely to be short- to medium-term (two to four years) and open-ended (Supply would be tailored to meet demand)

This would tend to mirror the last issue, which was launched in November 1986 at R200m and eventually reached R700m by the time of close-out.

Bond market sources said the interest rate structuring of that issue allowed Transnet to make "substantial" savings in the cost of its borrowings.

Futures traders said the new issue, like the previous one, would stimulate trade in the All-Share index future corresponding to the expiry month of the new Elfi.

"The liquidity in that Elfi-related contract should filter through the entire futures market and eventually allow arbitrage opportunities," said a trader from National Futures & Options.

March against privatisation

Sowetan 27/3/90

BY LEN MASEKO

FOUR Cosatu unions are to stage marches nationwide on Thursday to force the government to drop plans to private certain parastatals.

Cosatu spokesman Floyd Mashele said Cosatu would be holding rallies in Durban, Johannesburg, East London, Port Elizabeth and Cape Town (tomorrow), to explain the implications of privatisation to public sector workers.

Unions involved are, the SA Railway and Harbour Workers Union, the National Education, Health and Allied Workers Union, the Post and Telecommunication Workers Association and the SA Municipal Workers Union.

The two-day protest action is a culmination of weeks of lobbying by unions against privatisation which they fear will lead to retrenchment.

Cosatu members will march on the Johannesburg Stock Exchange on Thursday, to deliver a petition calling on investors to stop buying shares in parastatals earmarked for privatisation. (232)

The march will start from the Central Methodist Church in Pritchard Street.

R45m nets R1,6bn in assets

BARRY SERGEANT

THE four-man consortium that paid R45m for control of Duros, the 65% holding company of Tollgate Holdings (TGH), has acquired effective control of R1,6bn of assets, it emerged in an interview yesterday.

And the members of the consortium — Julian Askin, 40, Mervyn Key, 41, Johan Claasen, 40, Hugo Biermann, 42, and Lawrie Mackintosh, 48 — have put themselves on the line by agreeing to underwrite the R45m Duros rights offer.

Most of the R45m TGH rights offer will be taken up by foreign institutions.

TGH gained on the JSE yesterday and Duros was strongly bid, despite news of the rights offers. BDay 27/3/90

In an interview yesterday, Key, who becomes joint executive chairman of Duros with Askin, said Askin had been in the country from the UK since early December evaluating the group (Duros and TGH) assets.

He said Askin, new executive chairman of TGH, would have as his main concern foreign acquisitions from London, where TGH has been listed for 41 years.

TGH had assets with a "written down" value of R800m, but Key said the real value was at least double, or R1,6bn.

Key said the consortium would have outright control of Duros. With Claasen's remaining shares, the five men would hold about 70% of Duros's issued ordinary 18,3-million shares. (232)

Claasen is a Duros director and also new TGH CE, SA operations. (~~232~~)

Claasen replaces Hennie Diedericks, TGH CE for 18 months and previously a senior GM at Volkskas. Diedericks's small interest in Duros has been bought by the

To Page 2

McAlpine

COMPANIES

Figures point to a golden decade in unit trusts

BDay 27/3/90

LIZ ROUSE

THE decade of the 1980s has been a golden era for the unit trust industry, whose total value has grown from R576,7m to R6,6bn, says chairman Roy McAlpine in the Association of Unit Trusts 1990 Yearbook.

At the beginning of 1980 the industry consisted of 12 trusts — 11 general equity trusts and one specialist trust. A decade later the number of trusts had expanded to 33 — 14 general equity funds, 11 specialist equity funds and eight income/gilt funds.

In the year ended December 1979 sales of units amounted to R42m, repurchases to R60m, thereby resulting in a net outflow of R18m. In the year ended December 1989 sales of units soared to R1,37bn, not less than 33 times the level achieved in 1979 and the net inflow amounted to R565m compared with 1979's outflow.

McAlpine says it has been a decade in which it has been proved beyond any shadow of doubt that unit trusts are the most outstanding investment medium available to the general public with simple entry and exit terms.

On average, the 11 general equity trusts achieved a compound annual growth (income and capital appreciation) slightly in excess of 24% with the top performing funds achieving an annual compound growth of 27,2%.

Over the same period, the official inflation rate has averaged 14,5%, illustrating the substantial real returns unitholders have enjoyed.

McAlpine also points to the growing sophistication of unitholders, citing the different reaction to two sharp cracks in the equity market. Whereas there was a continued outflow of funds for a number of weeks after the October 20 1987 crash, the only marginally milder crash on October 16 1989 resulted in a net inflow on every ensuing day.

McApline ascribes the difference in reactions to two factors. First, in 1989 the majority of unitholders did not panic, recognising that their investment was of a long-term nature.

Second, a number of smart investors took advantage of the sharp drop in the price of units either to purchase units for the first time or to add to their existing holdings.

McAlpine says the year ahead is likely to be characterised by increasing volatility in the SA equity market, particularly in mining and mining financial shares with the ultimate direction of these markets being determined by the direction of the gold price and the action of international investors

He adds that political factors will be a major factor in investment markets in 1990

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"On ~~the other~~ hand, there is a very tight scrip position in respect of prime SA financial and industrial shares which have a track record over many years of providing solid growth in earnings and dividends which none of the smaller companies have matched.

"Such counters will continue to be in demand and this will ensure that the current price levels are fairly well underpinned by the vast institutional cash flows which will be seeking appropriate investments."

He cautions, however, that unit trusts must never be regarded as anything other than a long-term investment, and that, in the short term, the equity market may decline.

Uniserv shares still languish 10c off year's low

(232)

BDay 27/3/90

CHARLOTTE MATHEWS

UNISERV shares are languishing at 110c on the JSE, only 10c off the year's low of 100c, and have not recovered the high of 170c reached last May on news of acquisitions by the company

Uniserv transferred to the main board from the DCM in September 1988.

In the year to February 1989 Uniserv improved earnings a share by 93% to 20,3c (10,5c) and latest results for the six months to August showed a more restrained 36% improvement in eps to 9,5c (7c)

Attributable income however soared by 129% but was diluted by an increased number of shares in issue to finance the acquisitions of Gundlefinger and Sky Couriers

Results for the year to February are expected shortly.

Chairman Tiger Wessels said in an interview recently that although Uniserv was 58% held by Anubis Trust, an overseas holding company, and around 15% by institutions, the remainder was widely held

"There are a lot of vendors from previous acquisitions who are free to cash in over a certain period That tends to hang over the price

"The share price could be a factor of the low profile of the company We are not particularly concerned about the share price, except that it is like having a bad school report"

Wessels said there was no reason why the group should not maintain a level of growth similar to the August eps 36% improvement

Deputy chairman Barry Saxton said "A couple of things are in our favour In our industry we probably hold only a small portion of the available market, which allows a lot of room for growth

"The other factor is that the market for courier business has expanded rapidly. Everyone now wants to express their distribution requirements"

Spares

Uniserv has three main areas of interest. Sun Couriers, now including Sky Couriers, will contribute a greater percentage towards profits in the coming year than in 1989 when the bedding down of the Sky Courier acquisition caused some problems

The group also offers freight services through Burlington, which absorbed part of Gundlefinger Uniserv's third division is Gundlefinger, a small travel operation

Saxton believed the advent of the fax machine had improved the need for courier services

"It has created a greater need for urgency We don't send so many documents but more packages like spares for the motor industry Some documents are too cumbersome to fax and still need to go by courier

"Fax started to make companies look very carefully at the speed and management of information and this occurred around the same time as Just in Time stock control became more pervasive"

Apart from a fleet of around 400 vehicles, and branches around SA — Sun Couriers served more than 360 towns on a daily basis — Saxton said the group's main asset was its people In SA the company employed just under 2 000 people and ran an informal management style

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'Askin Factor' stirs up speculation on the JSE

BDay 28/3/90

BARRY SERGEANT

YESTERDAY Duros and its 65% subsidiary Tollgate Holdings (TGH) were marked up substantially on the JSE in reaction to the news that Julian Askin was to be executive chairman of TGH in London, mainly to mount acquisitions.

The news that each company was to make a R45m rights issue was turned from the normal share price discount into a premium. That Duros's and TGH's operating companies reported negative dividend covers — rare as hen's teeth — in Monday's results seemed irrelevant

A stockbroker who watched the rise of Askin in London said "Askin and Hugo Biermann (a new director of Duros and TGH) are highly respected as business partners in the City of London, among institutions, stockbrokers and investors Their main motives have been to achieve greater long-term security, build up transferable assets and to escape SA's relatively restricted corporate enviroment"

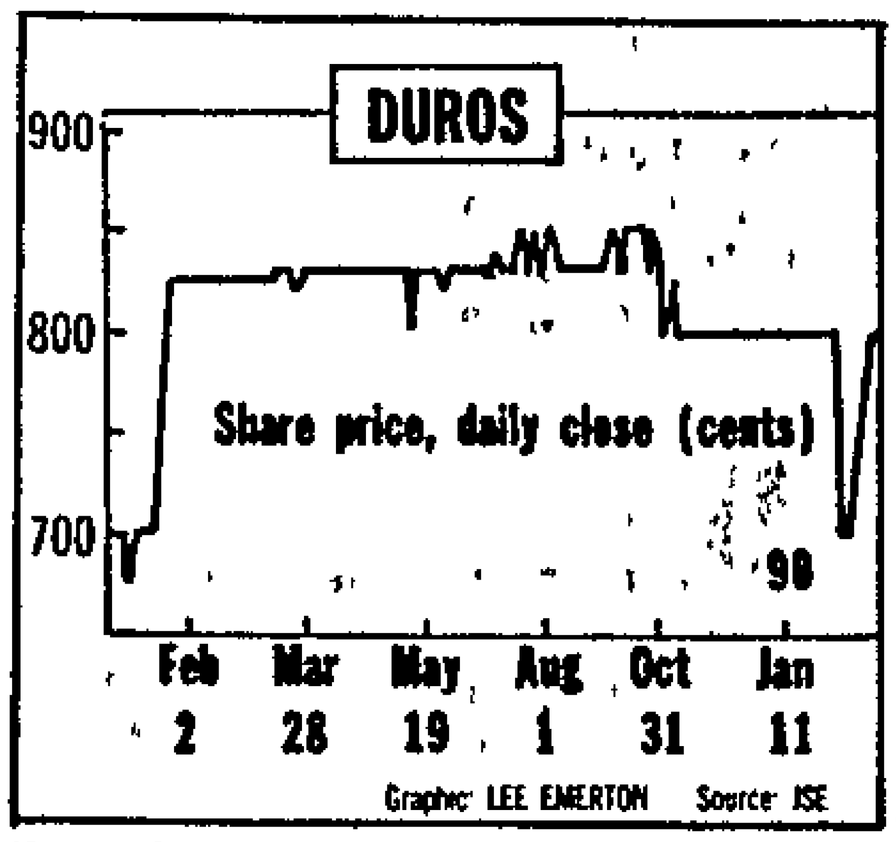
The stockbroker siad one of the key factors in the Askin/Biermann success was nuturing relationships with institutional backers "Askin and Biermann have often acted as intermediaries between SA entrepreneurs who want to launch operations abroad, and prospective City supporters They have successfully launched a number of SA-based businesses in London

"In most cases, the method used has been a classical shell operation The common starting point is a run-down company with low market capitalisation and deadwood management Askin and Biermann have each put in about R15m into buying shares in Duros, they must be convinced that TGH's performance can be substantially improved"

In 1988-89 Askin and Biermann were conservatively valued at £15m each Suffolk-born Askin, 40, and Biermann, 42, developed computer and reinsurance business in Johannesburg, and then moved to London in 1983

Their first target was via cash shell Peek Holdings, but after six months the attempt failed Along the way they had acquired contacts via stockbrokers Rowe & Pitman, Hambros Bank, and other City supporters such as Bankers Trust, Charterhouse, Sun Alliance, Robert Fleming and Coast Investments

The second target for Askin and Biermann was the Falkirk-based Thomson T-Line, which started life before the First World War manufacturing circus caravans, but which had degenerated



through poor management into a timber merchant supplying the caravan business It had suffered losses for years and its owners had tried hawking it everywhere

In the City, nobody bothered about a company in remote Falkirk — except Askin and Biermann. They purchased 61,5% of the company for £500 000, and a £2,57m February 1986 rights issue completed the takeover, killing the company's overdraft with Clydesdale Bank

Then Askin and Biermann set about their stated strategy, now a trademark "To grow internally and expand the asset and trading base as suitable opportunities occur" The rest is history acquisitions of — among others — Longton Industrial Holdings, Taddale Investments, and the £90m payment to racing tycoon Robert Sangster for Vernons Pool.

At this stage the Askin/Biermann mini-empire spanned interests ranging from electronics assembly to chemical manufacture and flexographic printing They then turned an eye to industrial group Suter

By then, substantial acquisitions had reduced their stake in Thomson to about 20% Ladbroke, attracted mainly by Vernons, mounted a very hostile takeover bid, and won, leaving Askin and Biermann out of the picture but each with about £12m in hard cash

In little over two years, they had taken the market capitalisation of Thomson from £809 000 to about £120m Judging on how Duros and TGH have been marked up on the JSE, despite all the downside factors, the market believes that Askin and Biermann can do much the same with TGH

TGH has interests in textiles, wholesaling and agricultural machinery, passenger transport, and others The overlaps with Thomson's interests are clear — practically all areas are industrial. Moreover, the group directors reckon that Duros and TGH assets, stated at book value of R800m, are worth between R1,5bn and R2bn. The combined market capitalisation of the listed companies is about R420m, suggesting that the group is vastly undervalued

The stockbroker concluded "TGH, to put it cynically, can be seen as an anti-nationalisation-threat stock. The new consortium's committment is shown in its statement that it will personally underwrite the R45m Duros rights issue But the strongest blessing for the new move is that Duros will cede most of its rights in the TGH rights offer to London institutions, which will take up the shares"

Unit trusts favoured industrials, with R2,4bn invested

BDay 28/3/90 (232)

LIZ ROUSE

SA's general equity trusts are weighted in favour of industrials, which also make up a reasonable portion of the specialist trusts.

Industrial blue chips comprised 47% of general equity trust portfolios at the end of 1989, against 36% invested in gold, mining finance and mining, according to the Association of Unit Trusts 1990 Yearbook.

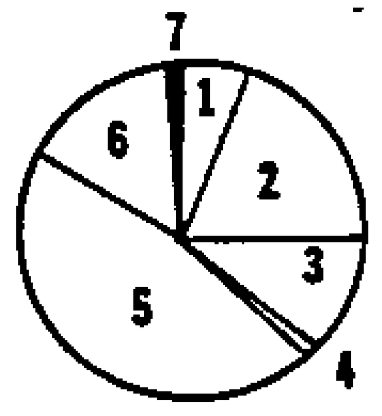
Industrial shares accounted for nearly R2,4bn of their total assets at the end of 1989, up 69% on 1988's value of R1,42bn

Market value of their mining financials amounted to R978,7m (19%), more than double 1988's R488m (16%) Other mining shares were valued at R561,8m (11%), up from the previous year's R313,2m (10%).

The percentage content of gold shares was unchanged at 6%, but the value rose to R318,5m from R181,2m.

General equity trusts 1989

1 Gold 6%
2 Mining finance 19%
3 Other mining 11%
4 Foreign 1%
5 Industrials 47%
6 Liquid assets 15 %
7 Other assets 1%



Graphic: LEE EMERTON Source: ASSOC OF UNIT TRUSTS

Foreign investments accounted for only 1% of total assets, but here again the value increased to R46,7m from R15,1m.

Total market value of equities held by general equity trusts rose by a massive 78% to more than R4,3bn from 1988's R2,4bn

Liquid assets accounted for R804,3m, 15% of total assets of R5,1bn, compared with liquid assets of R535,8m, 18% of 1988's total assets of just over R3bn

The specialist equity trusts concentrate on mining shares, which made up 94% of their total assets with industrials accounting for 18% of total assets of R1,2bn.

Gold shares were valued at R312,7m (26% of total assets), up from R246,7m (22%) at the end of 1988. Mining financials accounted for R311,3m (25%), up from the previous year-end's R230,1m (20%).

Specialist equity funds reduced their liquidity to R157,8m (13%) from R209,4m (18%), taking advantage of the surge in the gold and mining finance sectors towards the end of 1989.

These funds concentrate their investment focus on one particular area or sector of the stock market and invest in the shares involved, for instance, in the development of SA's natural resources or gold.

There are also specialist equity trusts which have capital growth as their main thrust

High income trusts operated in an unfavourable market last year and their liquid assets increased to R143m (47% of total assets of R306m) from R74,3m (34% of total asset valued at 219,7m at the end of 1988)

The value of their approved assets declined slightly to R89,8% (29% of total assets) from R93,1m (42% of 1988 total assets)

The unit trust capital index and the income index both peaked at the end of 1989, reflecting the record performance of the funds

The capital index stood at 164,70 at the end of 1989, up more than five times on 32,47 at the end of 1979.

The income index at 1 917,01 at the end of 1989 showed an almost similar growth from the 1979 year-end's 386,66

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Rennies sells security firm in MBO deal

BRENT MELVILLE

THE management team of Fidelity Guards (FG) has purchased the R160m-a-year "cash-in-transit" business from the Rennies group, MD and orchestrator of the MBO Roy Macfarlane announced yesterday.

Speaking on behalf of the team, Macfarlane said that the group was "very excited" about the future of the security industry, especially in the prevailing current of deregulation and privatisation.

He was guarded on further details of the buyout, though Rennies chief operating executive Pete Steyn said the cash purchase, made with merchant bankers Corbank Leveraged Investments, was closed to the satisfaction of both parties.

Steyn said the group had decided to sell FG, which has been part of the Rennies fold for 15 years, to concentrate on its core businesses of freight and cargo management, travel and related services.

"Although the security service industry is seen to have considerable growth potential, with FG in the forefront, it was not viewed as fitting in with the Rennies portfolio for the future," he said.

Macfarlane, who has headed FG for 24 years, said there were unlikely to be retrenchments and that none of the employment benefits would change.

FG has 8 000 employees, and a fleet of 1 000 vehicles including about 400 armoured trucks and a national network of more than 70 branches and depots.

Unihold aims to boost return on total assets

LIZ ROUSE

UNIHOLD, whose core activities are within the engineering, foundry and electrical industries, is raising to 30% its targeted minimum return of operating profits to total assets

To reach this objective, management will have to achieve an improved turnover-to-assets ratio while at the same time eliminating areas of loss, and improving or eliminating marginally profitable activities, says chairman James Haslam in his annual review

Unihold improved its return on total assets to 26% in the year to December 1989 from 1988's 20,3%

Haslam says the group is once again budgeting for major growth in earnings from all divisions Part of this growth is obviously of an inflationary nature, but a substantial portion is related to new market opportunities in its core business activities.

At this stage it is impossible to project earnings for 1990 until after the conversion of the balance of the debentures into ordinary shares in May. However, shareholders can judge the effect of conversion by the calculation of fully diluted earnings for the year to December 1989. These were 30,2c a share (1988 30,4c) compared with actual earnings of 37,5c a share (36,9c).

BDay 28/3/90

Listing

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Shareholders will soon be receiving a circular on the proposal to constitute U-Control (formerly Unihold Investments) as a pyramid holding company controlling 80% of Unihold U-Control is expected to be listed on the JSE with effect from April 9.

The final ordinary dividend of 8c will be payable on April 20, which is later than it would normally have been paid The reason for this delay is the listing of U-Control

Unihold CE John Butler reports that prospects for 1990 are good, and a rate of growth in turnover similar to that experienced in 1989 is expected The rate of profit growth will be more moderate.

Last year, turnover rose 36% and operating income soared 70% The increase in the group's operating margin from 11,1% to 13,9% was due to improved manufacturing processes and close attention to productivity and cost control at all levels.

Tax losses available to the main operating company of the group were fully utilised in 1989 Taking the residual benefit of tax losses carried forward into account, the effective rate for the year was 30%. The rate will increase this year.

Police involved in Projec Investment probe

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CHARLOTTE MATHEWS

THE Reserve Bank last night confirmed an investigation was under way into Projec Investment Holdings, whose shares were suspended on the JSE yesterday afternoon.

Reserve Bank spokesman Pieter Troskie said the matter had been handed over to the police. 610am 28/3/90

According to the JSE statement, Projec was suspended at 2pm in terms of Section 17(3) of the Stock Exchanges Control Act 1985 pending clarity on its financial affairs. Projec MD Bernard Bester was overseas, an employee said yesterday, together with consultant Joe Caldeira. They were due back tomorrow.

Projec entered the DCM sector of the JSE last July when it purchased canvas company Canvacor and renamed it. It also has an interest in a finance company and in a solid-pine business. Since listing the shares have been traded heavily. They were suspended at R10,98.

Auditors T J Lochner senior partner "TJ" Lochner said as far as he knew Projec was a sound company. He understood the investigation related to the shareholders rather than the company itself. He said the company had some offshore shareholders.

Projec was involved in negotiations to buy World of Music, but these had fallen through, WoM chairman Peter Cooke confirmed yesterday.

Merger spells growth for Consol

BDay 28/3/90

Business Day Reporter 232

THE merger between tyre manufacturer Tycon — formerly Goodyear Tyres — and tyre distributor Tredcor would have decreased Consol's earnings to 139,2c from 143,3c had it been in effect for the year to June 1989.

The merger of the two, effective from January 1, saw the creation of the biggest tyre force in SA with an expected turnover of R1bn annually.

Consol holds 61% of the new company, to be named Contred, while Trencor and Longmile — which previously held Tredcor — hold 21% and 18%, respectively. Consol acquired full control of Goodyear when its US parent disinvested from SA in July last year.

Announcing details of the financial effects of the venture today, UAL merchant bankers say improved growth in Consol's earnings a share is expected to result from the combined venture in the longer term.

UAL says goodwill of about R95m has arisen on the Tycon acquisition, and the combined venture will effectively increase this to about R104m. Consol directors say the goodwill is "fair and reasonable".

If the goodwill attributable to the combined venture was offset against the net asset value of Consol, the venture would have reduced the net tangible asset value per Consol ordinary share as at end-December by 5% to 248c.

Consol posted earnings 12% up at 56,3c (50,4c) a share in the six months to December on turnover which grew 61% to R631,7m due to the Tycon acquisition.

Privatisation fears allayed

GERALD REILLY

PRETORIA — Public sector staff associations have been given "cast iron" assurances that no workers will be adversely affected by privatisation.

Spokesmen were reacting to the planned protests this week by black public sector unions against the 'threat' of privatisation.

They are the Post and Telecommunications Workers Union, the SA Railways and Harbours Workers Unions, National Education Health and Allied Workers Union, and the SA Municipal Workers Union. B/Day 28/3/90

Federation of Sats Trade Unions general secretary Abe Koekemoer said afer a thorough investigation the federation accepted privatisation in principle.

"Against a background of what we consider watertight guarantees, we cannot understand the fuss being made," he said.

Public Servants Association GM Hans Oliver said the PSA had accepted privatisation provided no worker was prejudiced.

"Government has also undertaken to consult, and if necessary negotiate with, the PSA" on privatisation, Oliver said.

Post Office staff associations have also been told they need not fear privatisation.

Subsistence levels highest on E Rand

Star 28/3/90

Household subsistence levels (HSL) for blacks on the East Rand are the highest in the country.

The Boksburg level is R551,61 a month, the next highest is Germiston (R529,88) and then Benoni (R523,95)

These results, published by the Stellenbosch Bureau for Economic Research, are for the year ending September 1989.

Kimberley showed the highest increase over the previous year of 21,5 percent to reach R525,36 a month

The lowest HSL — R396,19 — was evident in Peddie in the Eastern Cape, followed by Maritzburg at R450,04 — a 16,3 percent increase over 1988 figures

Personal income levels were up 17,3 percent over 1987 but savings were down by 24 percent Direct tax increased by 17,2 percent while remuneration went up by 16,7 percent

Nominal and real earnings by ethnic groups in 1988 showed blacks having the highest percent change in real earnings at 6,9 percent versus whites at 2,7 percent, coloureds at 4,9 percent and Asians at 1,4 percent.

Cosatu march to Union Buildings

Sowetan 28/3/90

(232)

FOUR Cosatu public-sector unions plan to stage a march on the Union Buildings in Pretoria tomorrow to present an anti-privatisation memorandum to the Minister in charge of the Office for Privatisation, Dr Dawie de Villiers.

The march, for which permission has been sought, forms part of a two-day programme of protests countrywide against the State's privatisation policies, beginning with rallies during working hours today.

Nationwide marches, including a procession to the Johannesburg Stock Exchange, are planned for tomorrow.

Rejected

Campaign co-ordinator, Mr Floyd Mashele said the unions would ask De Villiers to halt privatisation, which was rejected by workers and the black community as a whole.

Meanwhile, Transnet has warned of possible disciplinary action against employees who miss work to take part in the protests. Workers would also not be paid for any period of absence, a spokesman said yesterday.

The post office will also apply a policy of "no work, no pay," said senior personnel manager Mr Pieter Senekal.

No disciplinary action was planned at this stage, he said. - *Sowetan Correspondent.*

R South 29/3-4/4/90 (232)

Rallies against privatisation

By CHIARA CARTER

UNIONS will step up their anti-privatisation campaign this week. The action may lead to protests involving thousands of public sector workers.

The vice-president of the Post and Telecommunications Workers' Association (Potwa), Mr Floyd Mashele, said more than 150 000 workers were expected to take part in marches and rallies in major centres throughout the country on Thursday.

The centres include Pretoria, Johannesburg, Bloemfontein, Kimberley, East London, Durban and Port Elizabeth and Cape Town.

Mashele said the marchers would include members of the unions which belong to the public sector forum — the South African Municipal Workers' Union, Potwa, the South African Railway and Harbour Workers' Union and the National Education, Health and Allied Workers' Union.

Independent unions and staff associations such as the Health Workers' Union and the Public Servants' League might also join the marches.

In Johannesburg, workers will march to the Stock Exchange to demonstrate against the sale of post office shares on the exchange.

"The government has repeatedly ignored our representations. Now we are taking serious action," Mashele said.

"We are prepared to negotiate peacefully. If the state presses ahead with privatisation, however, we are prepared to take whatever action is necessary."

Sources within the public sector forum say the unions have not ruled out "more sustained strike action".

The anti-privatisation drive comes amid unprecedented militancy in the public sector.

There was a bitter marathon strike involving up to 40 000 Sarhwu members throughout the country last year.

A strike involving about 5 000 workers at Cape Provincial hospitals ended last week in what Health Workers' Union general secretary, Mr Hassan Mahomed, called a "major victory" for the public sector.

In terms of the agreement, the hospital authorities agreed to meet with the union, give workers permanent status, improve maternity leave benefits and reduce working hours significantly.

Wage increases for both Sats and CPA hospital workers are to be announced next month.

This month, workers also downed tools at Ibhayi Town Council, in the prison services and police force and at DET schools in Soweto.

Potwa, the South African Post and Telecommunications Employees' Association (Saptea) and the Postal Employers' Association of South Africa this week issued a joint statement, warning that their members might take action in support of wage demands.

The statement said the present minimum wage of R624 was "unacceptable" and that workers demanded a minimum wage of R1 100 and a R400 across-the-board increase.

The statement compared this to cabinet minister's salaries of R15 084 and the salaries of MPs, who earn almost R8 000 a month

ACQUISITIONS

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Tollgate on world takeover trail

By TOM HOOD Business Editor

TOLLGATE the old-established Cape transport company has been transformed into an industrial holding group over the past two years

Now the company and its pyramid, Duros, are about to step on to the international takeover trail as a result of a R45 million purchase of a controlling stake in Duros

Joint control was acquired by London-based South African businessmen Julian Askin and Hugh Biermann and Duros director Mervyn Key, who intend to make use of Tollgate's London listing

The Askin-Biermann partnership made its mark in Britain by turning loss-making Thomson T-Line into a profit-maker and selling it to Ladbrokes last year They are already tackling the group's high gearing by proposing rights issues to raise R90 million to wipe out debt

Tollgate's borrowings of R113 million and its subsidiaries operating debt took R56 million out of the R94 million operating profit

"We will try and do more for these companies," said Mr Askin, joint chairman of Duros, in a telephone interview while skiing in the French Alps this week

"The balance sheet was well written down We will restructure them and strengthen the balance sheet"

He denied suggestions that the takeover was a rescue bid

"I have known Mr Key for many years and we have been talking about the companies for some time

"He had sold his former controlling stake and knew the group well and we have always wanted to do something together

"This was the perfect opportunity There was nothing to 'rescue' as the group is soundly based, but we believe our acquisition was perfectly timed

"I would not invest in a company that I didn't think had prospects

"Besides raising funds from the rights issues, we will dispose of under-performing assets We will be fully ungeared very quickly Borrowings will be taken on for a specific transaction and repaid quickly"

Mr Askin said the subsidiary Gant's had a great future and would be helped by him in the UK to export its products

The other joint chairman, Mr Key, said as soon as the restructuring was completed by the end of June they would be "a well diversified group in the business of basic consumer industries such as food, transport, tourism, textiles and property with minimum gearing"

Tollgate's turnover was R1 137 million and operating profit R94 million for the 18 months ending December

Mr Key's forecast was turnover of R1 billion, operating profit of R120 million and a substantially reduced interest bill for the current year

"We want to achieve earnings of 30c a share this year and 50 in 1991"

March by unions to Stock exchange

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Sowetan 29/3/90

THOUSANDS of public sector workers are today expected to converge on the Johannesburg Stock Exchange to deliver a petition calling on investors to block privatisation of parastatals.

The workers will march from the Central Methodist Church in Pritchard Street, and then to Diagonal Street at noon.

The anti-privatisation march is part of two-day nationwide protests organised by four affiliates of the Congress of SA Trade Unions to protest against the Government's move.

The four unions are National Education, Health and Allied Workers Union, Post and Telecommunication Workers Association, SA Municipal Workers Union and the SA Railway and Harbour Workers Union.

Mr Floyd Mashele, a spokesman for the four Cosatu affiliates, said the petition would be handed to Mr Tony Norton, the JSE president.

Mashele said the campaign got off to "a low-key start" yesterday, with public sector workers holding meetings and placard demonstrations at their workplace.

In Port Elizabeth, hundreds of public servants will march through the city today protesting privatisation. The marchers will proceed from the city centre to the Centenary Church, where UDF and ANC leaders will address them.

Overall index surges 64 points

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Recovery on JSE gathers momentum

B/Day 29/3/90

MERVYN HARRIS

THE SHARE price recovery gained momentum on Diagonal Street yesterday as fragile confidence returned to the market after Monday's tumble on the sharp plunge in the gold price.

The 64-point (2%) surge in the JSE overall index to 3 262 means it has recovered 99 points of Monday's 126-point plunge. The all gold index came off a high of 1 975 to close 49 points up at 1 967, recouping 82 points of Monday's 151-point tumble.

Dealers said the market undertone was firm with no supplies of scrip coming out of London or the Continent, and people who missed buying shares cheaply on Tuesday had to bid up prices to obtain stocks

They said market confidence was boosted by the fact that investors did not panic and rush to sell shares when gold was tumbling, and came in as buyers on the metal's uptrend.

Trading remained nervous, but demand was fuelled by what one dealer described as "the Greenhouse effect": cash flush institutions with restricted investment outlets were incestuously feeding their own market.

Gold started slipping off its highs towards the close of trading and took leading shares off their highs as buying dissipated amid indications that New York might be a light seller of SA shares.

A late burst of selling wiped out gold's early gains for the metal to close in London yesterday a marginal 50c higher on the day at $369,25 in active but choppy trading

Dealers said the selling was related to the expiry of options in what they described as a market still nervous and unstable after the metal's plunge on Monday.

Inspired by buying by fund managers and gains on Far Eastern markets, gold opened in London yesterday at $373,50 and surged to a high of around $375. But it fell back in early New York dealings as US operators liquidated positions

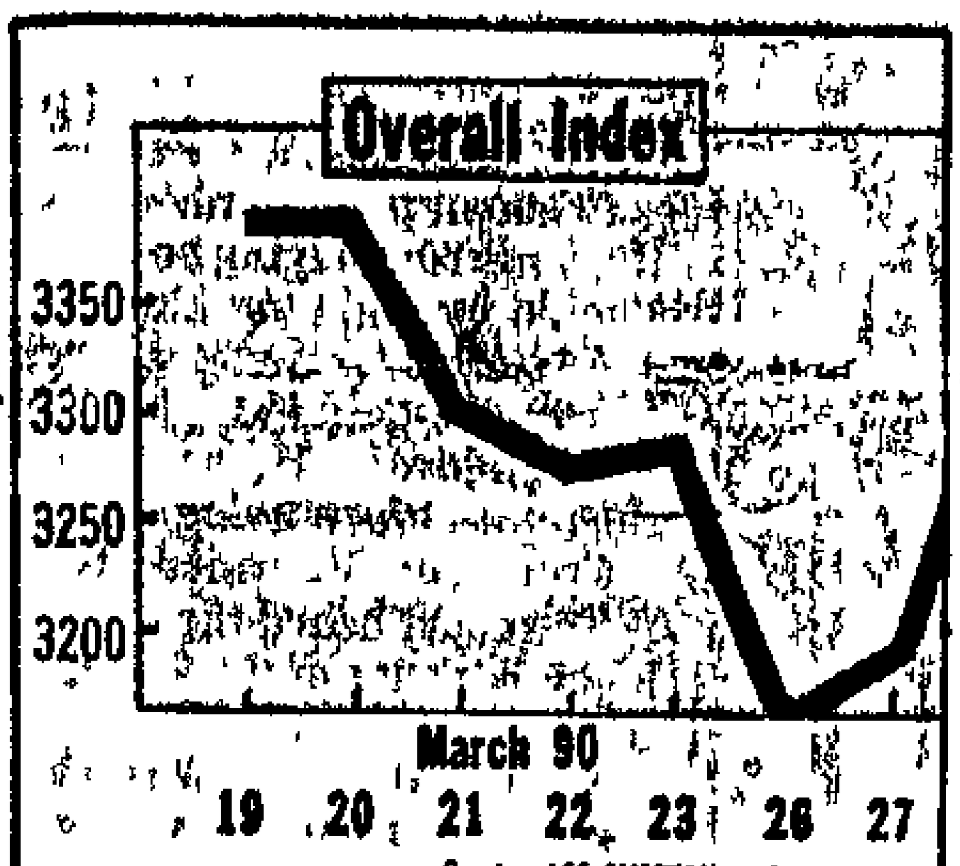
Dealers said the strong selling interest out of the US prompted European players to reverse direction, and gold consequently came under heavy selling pressure.

A Zurich trader said if gold closed above $370 in New York it could move higher in Europe today — to around $377 or $378.

There was little change for the commercial and financial rands yesterday as the dollar eased from its highs in Europe after reaching levels likely to prompt central bank intervention

The dollar closed in London at DM1,7095 after a midsession DM1,7133 and previous DM1,7115, and at 158,92 yen.

A report saying top US Treasury Department officials were unhappy with interest rates and were pressing the Federal Reserve to lower them took some of the shine off the dollar.



Graphic LEE EMERTON Source JSE

Star 29/3/90 (232)

DP calls for a debate on proceeds

'Use privatisation money for people'

Political Correspondent

CAPE TOWN — Proceeds from privatisation should be spent on correcting social inequalities to boost the credibility of free enterprise in the debate on the post-apartheid economy.

This is the view of the Democratic Party in a paper released yesterday on the issues surrounding privatisation and nationalisation

The party supports privatisation and opposes nationalisation in closing wealth and income gaps, arguing that "free enterprise with adequate protection against abuse creates wealth and with it employment and enables social benefits to be given which a socialist system promises, but cannot deliver"

The DP paper, which recognises that privatisation is a complex issue without clear-cut boundaries, says the proceeds from the process are vital in sending a signal to the broader public about the benefits of free enterprise

The party's chief finance spokesman, Mr Harry Schwarz, cautioned that it was wrong to spend the proceeds on meeting the deficit on pension funds or on the national debt.

He said "We believe if you use the proceeds to correct social inequalities and create socially desirable structures, then privatisation will have greater credibility and will prove to those opposed to it that there are benefits

Vested interests

"It would be better to seek to convince others of the validity of a system which will create new wealth and so remove imbalances"

There should be a thorough debate on nationalisation and privatisation to reach clarity on the implications

The DP's role, he said, was to "bring people together and to make non-negotiables negotiable" in a process of balancing vested interests and aspirations

At the same time, it was necessary to ensure that the public did not end up paying for privatisation through higher prices and tariffs once corporations were privatised, and to avoid replacing public monopolies with private monopolies

Certain functions, he argued, must be maintained by the State Health services should, in part at least, remain a health function There were other obvious State functions

As a general rule, productive activities which would "enter a competitive environment" should be in private hands

In particular, he said, Eskom, Railways and Harbours and Posts and Telecommuncations "should be held back" from privatisation Certain sections of Sats which would enter a competitive environment should be privatised

The DP is revising its economic policies to meet the changed circumstances in South Africa

B/Day 29/3/90

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DP opposed to privatisation of Eskom, others

MIKE ROBERTSON

CAPE TOWN — The DP was opposed to the privatisation of Eskom, the railways and harbours components of Transnet and the Posts and Telecommunications department, chief finance spokesman Harry Schwarz said yesterday.

Schwarz was outlining the party's policy on privatisation as a first step in the unveiling of a re-worked economic policy document, further details of which are to be released within the next few weeks

He said the DP believed the State's share of the economy was too high and there were clearly productive activities that should be in the hands of the private sector.

However, it was concerned that state monopolies might be converted into private monopolies.

"The privatisation of such entities as Eskom should not proceed at this time, and except for certain sections of Sats (now Transnet), which if privatised will enter a competitive environment, the remainder should be held back. These include the railways and the harbours The same principles should be applied to Post and Telecommunications," he said

Schwarz said there was little doubt that recent tariff hikes by railways and SAA had occurred because they were being prepared to become taxpayers and being made ready for privatisation

If Eskom was to become a taxpayer this would necessitate sharp price increases

At a time when there were thousands of new black consumers of electricity it was not an attractive proposition to force Eskom to raise tariffs simply in order that it could pay tax.

Schwarz said the DP had sharp differences with government on how the proceeds of privatisation should be distributed.

"Those who oppose privatisation and seek nationalisation could more readily be persuaded to change their view if the proceeds of privatisation were used to establish much needed and socially desirable capital projects which would help to redress the social inequalities."

President F W de Klerk's recent commitment of R1bn of privatisation proceeds to the "Jan Steyn fund" was a step in the right direction.

But a recent suggestion, made by government at a sitting of the Public Accounts Committee, that privatisation proceeds be used to meet deficits in pension funds of activities to be privatised was not acceptable.

Schwarz said the DP also believed it was necessary to show bona fides towards a negotiating process and not to use existing political power to impose economic objectives, such as privatisation, which were the subject of dispute.

If this was done the chances of political power being used in future to reverse decisions and to impose systems which minorities might find unacceptable would be increased.

"It would be better to seek to convince others of the validity of a system which will create new wealth and so remove imbalances."

Schwarz said the DP saw a role for itself in this process.

DP-led coalition takes shape

B/Day 29/3/90

Mass merger creates a medical aid giant

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DANIEL FELDMAN

THREE medical aid societies within the Medicaid Administrators group merged yesterday to form one of the biggest medical aid schemes in SA.

Known as Meddent Medical Scheme (MMS), it will offer more than 35 000 members and their dependants countrywide three benefit arrangements to choose from.

It was formed by the merger of Meddent, KWB, and Economed.

In a statement released yesterday by Medicaid Administrators, MD Jeff Slome said: "This merger was structured to streamline administration, claims handling, and service to members."

MMS would be fully operational as a single scheme from May 1, and would start next year with reserves of about R22m, he said.

The three benefit packages MMS would offer are Meddent, which would offer 100% benefits funded through differentiated contributions; Unimed, which would offer 100% benefits on the basis of integrated contributions; and Economed, which as a flexible scheme would offer 70% benefits to an agreed limit and thereafter 100%.

Meddent deputy chairman Don Plough said the merger "holds many benefits, such as stability and strength for the respective memberships".

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Heavy buying of Saambou shares ahead of results

232 NEIL YORKE SMITH

HEAVY buying of Saambou shares on the JSE recently probably reflects institutional investment, but it is unlikely the group will fall prey to a takeover bid, analysts said yesterday

Chairman Hendrik Sloet said yesterday it was more likely that individuals, no longer required to pay tax on dividends, were buying into Saambou's attractive dividend yield.

More than 4-million Sambou shares have traded this week, compared to a monthly average of only 1,4-million for the past 12 months.

Buying pressure forced the share price up to 115c on Wednesday. In early February it traded slightly below 100c

Saambou is one of the few listed SA companies not controlled by a dominant shareholder Minority interests account for about 70% of the issued shares, but insurance giant Sanlam and banking group Volkskas each hold about 10%

It has long been rumoured that Volkskas or Bankorp company TrustBank wanted to acquire Saambou operations, through which they could boost their mortgage lending operations

"The group has sound management, a good asset base and has had a long time to establish itself," an analyst said.

However, both Volkskas and TrustBankhave already succeeded in increasing mortgage lending so at this stage a deal would make little sense, he said

"Both already operate in Saambou's market (it is very strong in mortgage lending to civil servants) and are able to increase lending without opening new branches. If either organisation acquired Saambou they would have to close branches."

Saambou is expected to produce solid results for the year to March 31 Interim earnings, after accounting for a R6,7m loss in the capital markets, were R8,4m.

Sloet said earnings and dividends should be maintained Last year earnings and dividends a share were 21,6c and 11,5c respectively. A share price of 115c places them on an attractive historic yield of 18,8% on earnings and 10% on dividends Net asset value (with fixed assets at book value) is 235c.

Project Investment connection in UAL's big finrand beating

BDay 30/3/92

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ROBERT GENTLE

UAL Merchant Bank yesterday disclosed that the estimated R10m-R15m loss taken on a recent financial rand deal was connected with Project Investment, the shadowy DCM-listed company suspended this week for trading irregularities.

UAL senior GM treasury Chris Pearce said "At least some of the finrands involved in the deal were used to buy shares in Project Investment."

Project shares were unilaterally suspended on Tuesday — a rare form of corrective action — because of unusually heavy activity inconsistent with available information on the company.

More precisely, the number of shares traded in the past six months — much of it-apparently done via the finrand with a non-resident client — was almost three times the actual number in issue.

This led to speculation that they were merely being churned — bought and sold repeatedly — for ulterior motives and at increasingly higher prices that bore little relation to their true value.

Supporting this has been the lack of information about the company and its purported shareholders. Telephone numbers are unavailable and the directors are believed to be abroad.

"We cannot contact them at all," said JSE president Tony Norton yesterday.

Norton defended the actions of the JSE stockbroking firms that handled the Project share transactions, saying that they acted responsibly and in accordance with JSE regulations

Norton would not reveal who the brokers were, though it has emerged that at least three were involved — Lowenthal, Max Pollak Freemantle and H G Crosby

Lowenthal said it had handled a small deal, then ended the relationship after "certain problems" arose Max Pollak said it too had booked over a few deals before calling a halt because of suspicions over their frequency

Crosby would not comment except to say that it had traded in Project shares.

Market sources supported Norton's claims about responsible behaviour by stockbrokers, saying all the transactions appeared to be fully above board; the problem lay with their frequency (which explained the hopping from broker to broker) and the inflated prices at which they occurred

Similarly, UAL, an authorised finrand dealer, did nothing more than follow the standard-procedure of paying the finrands to another authorised dealer, who in turn released the finrands against delivery of the shares

A demonstrator with a toy AK47 clowns Rambo-style in front of an anti-privatisation, pro-nationalisation march through Johannesburg

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Picture: DENIS FARRELL, AP

Economy march ends in violence

Weekly Mail Reporters

TWO anti-privatisation protests were held in Johannesburg and Pretoria yesterday, with the latter ending in violence.

People attempting to stage a peaceful march to the Union Buildings were arrested, bitten by police dogs and beaten by police, according to trade union representatives.

More than 150 policemen, an armoured bus, remand trucks and 10 police vans surrounded Church Square, preventing protesting workers from gathering at the square

The protesters vacated the square peacefully.

Eyewitnesses reported that they were walking in small groups from Cosatu offices when, near Pretoria station, police began beating workers, firing teargas and setting the dogs on them.

The march organisers, however, did not let the day's incidents disrupt their plans. Yesterday afternoon a five-man delegation delivered a memorandum, rejecting privatisation and demanding a living wage, to the Union Buildings

The police public relations directorate said 39 people were arrested and three injured but would not elaborate on the incident

In Johannesburg, about 8 000 people marched to present an anti-privatisation petition to the chairman of the Johannesburg Stock Exchange, Tony Norton.

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DP takes pro-consumer line on privatisation

LINDA ENSOR

THE Democratic Party (DP) has changed its policy on privatisation — placing greater emphasis on consumer protection — because of the intense debate on the issue since ANC vice-president Nelson Mandela was released

And there was a need for consultation about privatisation/nationalisation as part of the political negotiating process, stressed DP chief finance spokesman Harry Schwarz yesterday

"No major decisions on privatisation should be taken without consultation," he said, adding that the benefits of privatisation needed to be marketed However, there were certain para-statals — such as Foskor — which could be sold off without delay

Schwarz said the change in DP policy had also been necessitated by the way in which government had made use of the privatisation proceeds It was not sufficient to merely allocate R1bn of the proceeds to socio-economic projects as State President F W De Klerk had done This was only a gesture The whole amount, Schwarz said, should be used in this way

Schwarz said the function of public utilities such as Eskom and the commuter service division of Sats was to offer services at reasonable tariffs and privatisation should not undermine this function in any way He did not believe Sats's commuter services could be run at a profit without being subsidised

And, he said, the consumer and taxpayer should not have to bear the cost of Sats's major pension fund deficit

FM 30/3/90

IN SEARCH OF EDEN

(232)

In the *FM* March 16 issue it was reported that there was increasing disquiet over financial and administrative problems of retirement villages like, among others, Eden Village

The owners of Eden Village have drawn to the attention of the *FM* that the retirement villages in question, owned respectively by Eden Village (Warner Beach) (Pty) Ltd and Eden Haven (Pty) Ltd, which are situated on the Natal South Coast had, during 1988, experienced financial and administrative problems, which were the subject of an investigation under the Harmful Business Practices Act

This investigation had resulted in an agreement between those two companies and the commissioner under the Harmful Business Practices Act, Prof Louise Tager.

The owners of Eden Villages in the Transvaal, namely Eden Village (Pty) Ltd, Eden Village (Roodepoort) (Pty) Ltd, Eden Village (Meadowbrook) (Pty) Ltd, Eden Village (Acacia) (Pty) Ltd, Eden Village CC and Eden Village (Edenvale) (Pty) Ltd, which owned the Eden Villages situated respectively in Pretoria, Roodepoort, Meadowbrook, Acacia (Pretoria), Benoni and Edenvale, had not at any time suffered financial and administrative problems

There has never been any disquiet over the administrative and financial affairs of these companies These Transvaal companies had in fact assisted the Natal companies to resolve their problems.

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answer in a full trial.

This week, having hurdled parallel obstacles including a suit by ASARCO, which was emphatically thrown out by the New York Supreme Court, Minorco wound up the merger with FMG With 98% acceptances from FMG shareholders, including the committed 61% from its parent, the merger was completed a little over two months after Minorco started serious negotiations

Minorco joint MD Tony Lea says: "This proves beyond doubt that Minorco can do business in the US. The acquisition of FMG is a significant step in Minorco's strategy We will be looking for other opportunities (and) still have about $1,8bn and are committed to deploying these funds into actively managed operations "

FMG offers more than the potential of 5,46m ounces of proven and probable resources of gold in Nevada It comes with a full team of management and local expertise to form the base for a new US mining house

Minorco found itself welcome in Nevada precisely because Anglo American Corp and De Beers had established track records as long-term investors The family name did it no harm at all Perhaps, as some suggested, the perceived need to demonstrate fiercely Minorco's independence of 44 Main Street in the Cons Gold situation was never really necessary

John Cavill

MYNKAR FM 30/3/90 (232)

Wasting away

The sale of Mynkar's businesses might be welcomed by some minority shareholders after the group's slump into losses in the half-year to end-December But investors who shelled out 70c a share when the company was listed in 1987 may be less than enchanted

Turnover was higher in the past half-year but sales of sanitation products were below expectations while overhead and finance costs were higher Financial director Nick Steenkamp says the gold mining industry and the army, two major customers, are buying less A per share loss of 1,3c resulted in the half-year, against a 5,8c profit in the comparable period and 9,8c in the full-year ended June

Against this, the 45c sale price, two thirds higher than the latest net tangible worth figure of 27,4c, looks sensible The buyer, Transport Technical Industries, is already involved in waste disposal and expects significant rationalisation benefits.

Mynkar was started by executive chairman Peter Brown and listed in November 1987 after a private placing raised R2,1m The share touched 70c only once thereafter, in early 1989, though the earnings performance in the first year was well ahead of prospectus forecast Earnings began deteriorating in the second half of the last financial year Now the assets are being sold and Brown is collecting a R550 000 restraint-of-trade pay-out

Large payments are often used to reduce payments to minorities but Brown's business expertise might justify his payment even if the latest results are terrible Also, of course, Brown owns about half of Mynkar's shares

The deal leaves a cash shell which, Steenkamp says, has been the subject of some negotiations Let's hope there will be news on a sale of it before minorities have to decide on the 45c.

Telgue Payne

Latest merger gives Grey R150m billings

MANDY JEAN WOODS

STAMM MILLER and Associates, a wholly owned Grey Group subsidiary, has merged with the group's flagship company Grey Phillips Bunton Mundell & Blake Generation Two (GPBM & B G2) to form one of the country's largest agencies.

It will have a staff complement of 180 people and billings totalling R150m Staff loss would be limited to attrition.

Grey Group operations director Ivor Abelheim said GPBM & B G2 would henceforth be known as Grey Advertising. "It's enough now of the complicated names," he said.

Both moves are effective immediately.

The latest merger is the completion of restructuring started earlier this month when the merger of Shepherd Advertising, Bridge International and GPBM & B G2 was announced

Stamm Miller MD Denise Stamm will become joint MD of Grey Advertising with Joanna McDowell (former GPBM & B G2 MD) and Ian Shepherd (former Shepherd MD)

Stamm Miller creative director (CD) Stan Miller will become a senior CD in the new company, working under the agency's newly appointed executive CD Ricardo de Carvalho

Overall responsibility for the agency will rest with Abelheim as the agency's executive chairman.

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R150m billings

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☐ From Page 1

Stamm Miller client OK Bazaars, with estimated annual billings of R30m, will be the new agency's largest client

The latest move was in line with the group's commitment to offer clients the most comprehensive and professional service available, Abelheim said

The agency would be running tight business units, each responsible for and totally committed to the marketing growth of their particular client

Grey Group chairman Darryl Phillips said from London yesterday "Big is beautiful Honestly, the shortage of management resources is such that you must make the most of them where you can"

Stamm said "I am thrilled with the move It is a reversal of our opinion that separatism and individual small agencies are better

"In the longer term, I think it is better to be big and powerful

"There are a few account conflicts, but we will resolve them one way or the other," she said

Abelheim said one of his key objectives was to create "one strong, powerful force, and we needed to combine our resources to give us the strength we needed to do this"

He indicated the position of some of the 20 companies in the group would be looked at in the future

"At the moment my concern is building up the flagship company"

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The Star

10 000 converge on stock exchange

Police, workers clash in Pretoria

By Drew Forrest

There were running battles between police and demonstrators in central Pretoria yesterday as thousands of public sector workers took to the streets across the country to protest against the Government's privatisation policies

The marches were coupled with a partial work stayaway An estimated 25 000 railworkers were absent from work in three cities

In Johannesburg, about 10 000 rail postal, health and municipal workers, carrying ANC banners and singing freedom songs, confronted grey-suited stockbrokers in the shadow of the stock exchange after a march through the city centre.

Permission granted

Permission had been granted, but Johannesburg's acting chief magistrate, Mr Pieter Theron, stipulated that not more than 1 000 people could take part.

A delegation including ANC veteran Mr Wilton Mkwayi presented a memorandum to JSE president Mr Tony Norton stating that no government had the right to auction national wealth without popular consent

It also called on the stock exchange not to sell the shares of concerns such as Transnet and the post office if they were privatised

Responding Mr Norton said the JSE was "here for all the people of South Africa"

The Star's Cape Town correspondent reports that tens of thousands of workers took part in a march through central Port Elizabeth yesterday

Demands were presented to the regional directors of state departments by the four Cosatu unions spearheading the anti-privatisation campaign — the SA Railway and Harbour Workers Union, the SA Municipal Workers Union the Post and Telecommunications Workers Association and the National Health, Education and Allied Workers Union

Sapa reports that in Pretoria, groups of workers, defying a city council ban on a planned march to the Union Buildings, were bitten by police dogs, baton-charged and teargassed in the Burger's Park botanical gardens after being dispersed at police roadblocks

About 2 000 workers converged on the city shortly after 9 am but were prevented by police from holding a rally in Church Square The subsequent march was repeatedly blocked and dispersed by police

Unionists said further action was contemplated in Bloemfontein where a planned march was aborted after official permission was refused

Campaign to intensify

Yesterday, Transnet reported work stayaways of 75 percent, 70 percent and 62 percent in Johannesburg, Pretoria and Port Elizabeth respectively Nearly a quarter of Reef postal workers, and 19 percent of postal employees in Port Elizabeth, stayed away from work

At a Johannesburg press conference union leaders warned that their privatisation campaign would be intensified "until we are satisfied that state industries are not going to be sold

They also warned that the campaign would be broadened to include workers in the private sector

Lighter moment an exuberant onlooker joined the crowd of about 10 000 marchers in Pritchard Street, Johannesburg yesterday, much to the amusement of the protesters ● Picture by Etienne Rothbart

RETIREMENT VILLAGES (232)

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Last summer's wine

Tentative proposals have been made to JCI Properties, new owner of the historic Steenberg wine estate in Tokai, Cape Town, for development of a multimillion-rand retirement village on the site (232)

Two companies are understood to be knocking on JCI's door with schemes planned before the Johannesburg mining and investment company bought the property for an estimated R20m (*Property* March 23) this month

They are Board of Executors (Properties), Cape (BOE), and Russell Marriot & Boyd Trust (Cape) (RMBT) RMBT is run by former BOE Properties MD Carl Scheppening

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However, if JCI feels a retirement village is appropriate for the site, it could decide to proceed with development on its own account. It could also sell a portion of the estate to another developer

Problems associated with the Helderberg and Silvermine retirement villages, however, may cause it to reflect carefully on the desirability of this type of development It might, instead, opt for a low-density residential scheme possibly with a golf course

RMBT director John Plimsoll confirms his company is talking to JCI "Scheppening has built up considerable expertise in this area While we have spoken to JCI, it's their prerogative to develop the estate as they see fit However, they seemed very interested in what we had to say and in what planning had been done"

RMBT's proposal involves the development of 180 retirement cottages, at a cost of about R30m, with the units sold on sectional title RMBT would act as facilitator and agent rather than developer

Plimsoll says there is a financier in the wings to back the project if JCI agrees to the scheme He says RMBT remains committed to the retirement village concept and problems experienced by other villages are the exception rather than the rule "Provided they are well structured, there should be no problems"

To prove the point, Scheppening has taken over as chairman of trustees of the ARP & P Noordhoek Development Trust which owns land on which the beleaguered Silvermine retirement village is located

In a move designed to resolve the fully developed shareblock retirement village's financial problems and restore confidence, the trust, along with the newly elected trustees of the shareblock company, has taken full control of Silvermine's management and financial affairs An interest-bearing loan fund is being created by residents to deal with all outstanding debts

Scheppening says the decision should help to restore confidence in the village His views are shared by fellow trustee Brian Musto, the village's attorney, and the company's

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auditors

He adds "There is a long waiting list of prospective buyers The future looks rosy thanks to the sensible approach of the residents who decided to take responsibility for their own affairs"

Meanwhile, the latest moves to rehabilitate Helderberg Village Shareblock Holdings have involved placing the organisation under judicial management

Calculations show that if the shareblock company were liquidated it would find itself with debts of R19m This means it would cost villagers R50 000 to R60 000 each to save their homes Furthermore, Helderberg has to finance R70 000 in bond interest payments each month ■

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DUROS/TGH

Control changes after slump

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The disposal by Johan Claasen of 7m Duros shares to the quartet consortium of Mervyn Key, Lawrie Mackintosh and London-based expatriates Julian Askin and Hugo Biermann, follows a *broedertwis* between Claasen and long-time colleague Hennie Diedericks An announcement that a change of control had taken place in Duros, and hence Tollgate Holdings (TGH), accompanies the gloomy year-end results from Duros, Arwa and Gant's this week

The accounts show major deterioration in performance by Duros and TGH, as well as Arwa and Gant's Earnings have been hammered both by weaker trading results and steep increases in finance charges, and there have also been large write-downs of assets These figures — and the slide in TGH's share price to levels of early 1988 — substantially justify the sceptical line taken in articles written in the *FM* by Pat Kenney (*Leaders* March 10, 1989)

Until the December year-end, Diedericks was CE of the diversified TGH, with Claasen non-executive chairman Since joining the group, Claasen had steadily increased his stake in Duros, which holds 65% of TGH, until he acquired 71% after buying all Mackintosh's and most of Key's shares last October Given his control ambitions, Claasen would not lightly have abdicated his power-base to the consortium

Claasen appears not to have been aware as a non-executive to what extent the affairs of the group had deteriorated When the light dawned, he acted with some speed The outcome was that Diedericks resigned all his group directorships and left the organisation

When the auditors told a shocked Claasen how poor the TGH results were, he approached old comrades Key and Mackintosh for help — having realised that the disappointing dividend flow would put severe pressure on him because of the gearing used to fund his Duros share purchases

Key, Askin and Biermann had previously been interested in working together, and Askin saw in TGH's London listing an opportunity to strike a deal When the consortium offered him 650c a share — or R45,5m — for 7m of his 12,9m Duros shares, Claasen was left with little alternative but to accept He thus relinquished control of assets, which Key says have a book value of at least R800m, to the consortium

Excessive gearing is among the problems the new controlling shareholders are faced with Of TGH's operating profit of R94,3m for the 18 months to end-December, R56,1m was absorbed in interest payments, these with abnormal charges of R15,3m, accounted for 76% of trading income **(see table)** Annualised EPS fell by 43% to only 23,5c (31,7c), and there are write-offs of goodwill and trade names, assets and losses on disposals totalling R56,3m

According to Key, the group's interest-bearing debt totals about R320m Hence the proposed rights issues, to raise R45m for Duros and R45m for TGH For both, the rights will be 14% compulsorily convertible debentures Those for Duros will be at 700c a debenture and those for TGH will be at 225c

The consortium now owns more than 7m of the 18,3m issued shares in Duros, while Claasen still holds 5,9m shares The balance is held by various institutions and the public Half the consortium's shares went to Askin and Biermann, and the rest to Key and Mackintosh, Askin and Biermann are paying for theirs through the financial rand All these parties are to follow their rights in the Duros issue

Askin says of the roughly R30m of the TGH issue for which Duros is responsible, R15m will be subscribed by Duros and R15m has been placed with between six or eight London institutions by Askin and Biermann Askin declines to name these investors but says they will be identified later It will be left to the minorities to subscribe for the balance Both issues are being underwritten by the consortium

It seems that Key and Mackintosh have not lost faith in Claasen Though Claasen has had to step down from the chair of both Duros, to be occupied jointly by Key and Askin, and TGH, to be filled by Askin who is to be executive chairman, Claasen becomes CE, SA operations

Key says non-profitable divisions will be sold out of subsidiaries Arwa and Tramways, to realise within the next few months another R100m Duros and TGH would then be ungeared and the operating susidiaries would have acceptable levels of debt The policy will then be to avoid further local acquisitions in new businesses Askin says expansion will in future occur through the LSE listing of TGH in non-rand assets Such plans are said to be in place, but he offers no details

The recapitalised group would then have considerable financial acumen and muscle in the boardroom The consortium may well have bought its stake cheaply The 650c price is well below the 730c market price But the group remains an industrial conglomerate which still appears to be lacking proven operational management expertise at the top

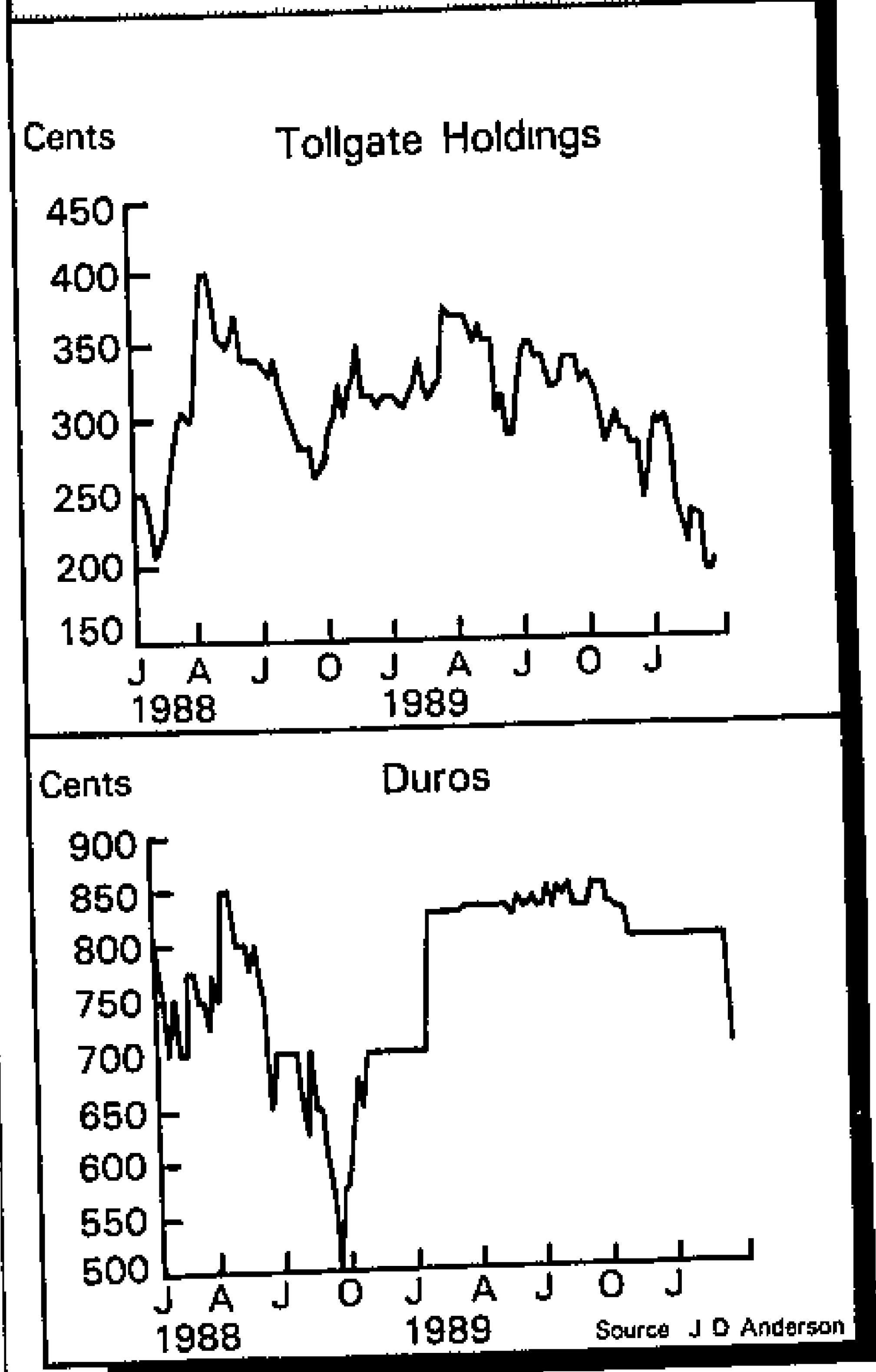
Gerry Hirshon

PROFITS CRUMBLE

Year to December 31	1988	1989*
DUROS		
Turnover (Rm)	6,8	759,0
Operating profit (Rm)	4,6	51,5
Pre-tax profit (Rm)	3,5	10,0
Earnings (Rm)	9 3	1,5
Earnings (c)	60,5	5,1
Dividends (c)	23,0	16,7
TGH		
Turnover (Rm)	204,2	758,3
Operating profit (Rm)	17,8	62,8
Pre-tax profit (Rm)	15 2	15,2
Attributable earnings (Rm)	7,6	7,3
Earnings (c)	31,7	15,7
Dividends (c)	20,0	18,3
Extraordinary items (Rm)	30,3	(56,3)

* 18 months figures annualised

Lower gear



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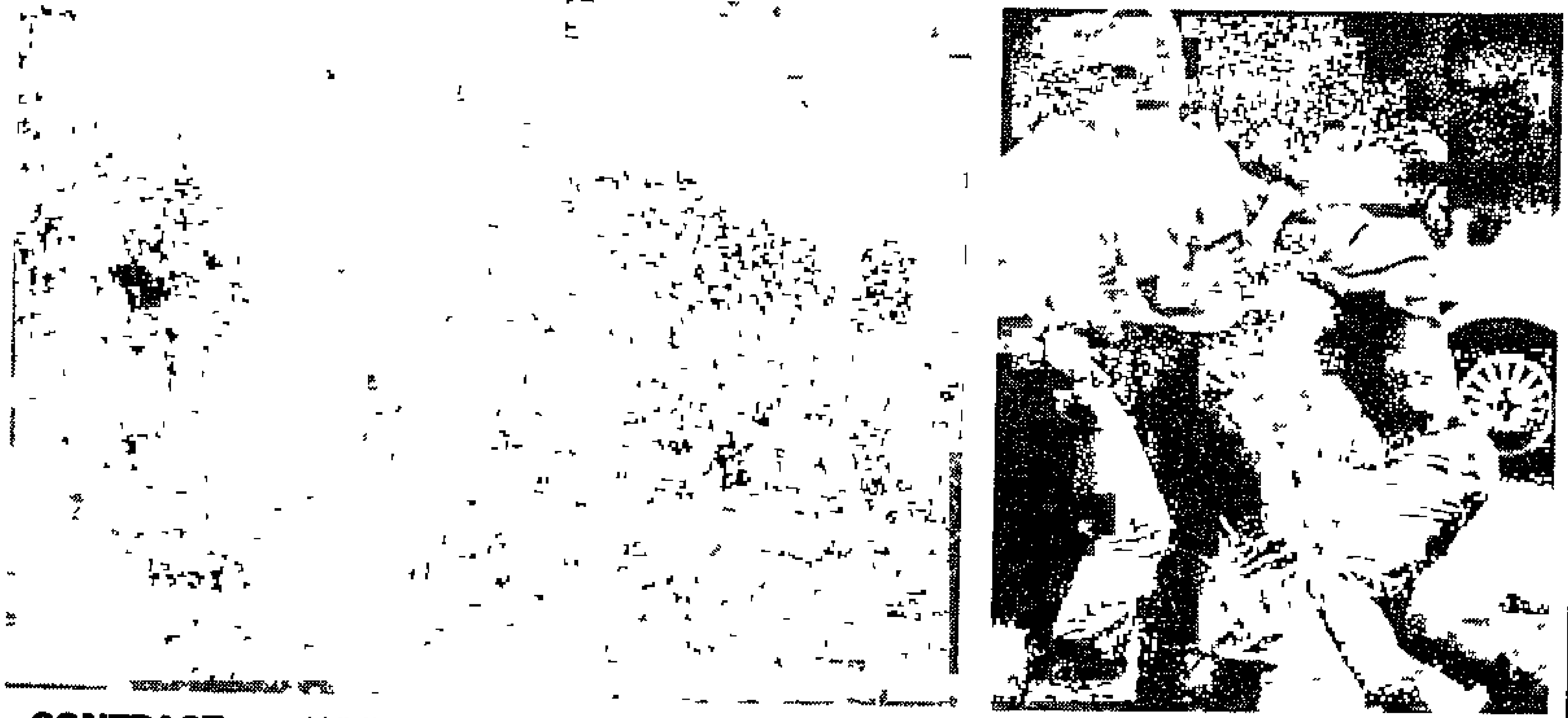

CONTRAST ... While tens of thousands turned out for a peaceful protest march against privatisation and salary grievances in Port Elizabeth yesterday, police in Pretoria stopped a similar march.

Thousands march on privatisation

Own Correspondent

JOHANNESBURG — Thousands of public sector workers of four Cosatu-affiliated trade unions marched with banners through South African cities yesterday to register opposition to government privatisation plans.

Members of the Post Office and Telecommunications Workers' Association (Potwa), National Education Health and Allied Workers' Union, SA Railways and Harbours Workers' Union and the SA Municipal Workers' Union were taking part in an ongoing national campaign to protest at privatisation and the 10% salary increase for public sector workers

In Pretoria police confirmed that 39 workers were arrested They were later released and warned to appear in court

A police spokemsan could not verify union claims that about 40 marchers were injured when police used teargas on workers Pretoria's Chief Magistrate, Mr Jan Burger, citing a city council bar on the anti-privatisation campaign, banned the march on Wednesday night.

Potwa vice-president Mr Floyd Mashele said a Cosatu delegation delivered a memorandum addressed to Privatisation Minister Mr Dawie de Villers at the Union Buildings in Pretoria

The minister was urged to stop the privatisation process with the union expressing fears of job losses

In Johanneburg, 10 000 public sector workers marched to the Johannesburg Stock Exchange (JSE) where Mr Mashele and ANC leader Mr Wilton Mkwayi handed a meomorandum to JSE executive president Mr Tony Norton

The memorandum said employees believed the sectors concerned were part of the national wealth created "out of the exploitation of our labour"

"We believe the government has no right to auction this wealth without our consent"

About 200 suspended warders from Johannesburg Prison — Police and Prison Civil Rights Union members — joined the march to support anti-privatisation demands

Sapa reports that in Port Elizabeth thousands of workers presented demands to employer bodies

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Thousands of protesting workers march down Pritchard Street towards the JSE yesterday. Picture ROBERT BOTHA

Unions mobilise protests against govt privatisation

ADELE BALETA

THOUSANDS of public sector workers from four Cosatu-affiliated trade unions marched with banners through SA cities yesterday to register opposition to government privatisation plans.

Members of the Post Office and Telecommunications Workers Association, National Education Health and Allied Workers Union, SA Railways and Harbours Workers Union and the SA Municipal Workers Union were taking part in a national campaign against privatisation and the 10% public sector pay rise

In Pretoria police confirmed 39 workers were arrested after an illegal march by about 2 000 people. The workers were later released and warned to appear in court.

A police spokesman could not verify union claims that 40 marchers were injured when police used teargas Several marchers were allegedly bitten by police dogs

Potwa vice-president Floyd Mashele said a Cosatu delegation delivered a memorandum addressed to Privatisation Minister Dawie de Villiers at the Union Buildings urging him to stop the privatisation process and expressing fears of job losses

In Johannesburg 10 000 public sector workers under four union banners marched to the Johannesburg Stock Exchange where Mashele and ANC leader Wilton Mkwayi handed a memorandum to JSE executive president Tony Norton

The memorandum protested against the sale of state industries and encouraged investors not to buy shares in the public sector

It said employees believed the sectors were part of the national wealth created "out of the exploitation of our labour" and "we believe the government has no right to auction this wealth without our consent".

Mashele said workers were prepared to "fight to the bitter end to prevent the move"

About 200 suspended warders from Johannesburg Prison — Police and Prison Civil Rights Union members — joined the march

Earlier Mkwayi told a packed Central Methodist Church the working class rejected privatisation because it would increase the minority's economic power; generate funds for the State which workers would not control; turn workers' houses into a source of profit and force employees into squatter camps, and leave a future ANC government with few economic resources.

Sapa reports that in Port Elizabeth thousands of workers presented demands to employer bodies. These included abolition of privatisation; recognition of workers' unions by the public sector; and salary parity regardless of colour.

Other national demands were that health services accessible to the poor be developed and that workers get the right to withdraw their membership from management-established councils and staff associations.

Permission for a march in Bloemfontein was refused but Mashele said alternatives were being discussed. In the Western Cape public sector employees embarked on a two-day stayaway on Wednesday.

Potwa and Sarhwu union workers marching through the city to the Johannesburg Stock Exchange yesterday to protest against privatisation.
Pic MBUZENI ZULU

It's theft from the masses, says Mkwayi

PRIVATISATION was a form of theft aimed at undermining the economic power of a future African National Congress government, ANC stalwart Mr Wilton Mkwayi said yesterday

Addressing public sector workers before yesterday's anti-privatisation march to the Johannesburg Stock Exchange, Mkwayi also warned that a future government would re-nationalise state concerns sold to private interests

He said privatisation would further concentrate economic power in the hands of a small group of private corporations, and would generate revenue for the state over which people had no control

"The robber is stealing our wealth," he said The mass of South Africans would receive "a small piece of pie" after foreign creditors, the state bureaucracy and business had been paid off

The alternative was to find "new and creative forms of co-operative control" One example was a proposed electricity co-operative in Soweto, owned by consumers and run on a non-profit basis

Also at the rally was a Diepkloof Prison staffer and member of the prison union Popcru, who said black prison employees had decided to "return to the people '

"We were responsible for killing your children and detaining you," said Mr Gregory Mohlathe. "Now we'd rather remove night-soil "

Early Amaprop dividend

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PIERRE DU PREEZ

ANGLO American Properties (Amaprop) has declared a dividend of 42c per share for the year ending March 31 1990, before the release of its final audited results, expected in May This is 20% higher than last year's dividend for the same period. BDay 30/3/90

Amaprop chairman Gerald Leissner said in a statement yesterday the dividend had been announced earlier than usual so that the higher loan stock interest, to be reflected in the company's income statement, could be claimed for tax purposes in the same financial year.

As a result of the increased dividend, the annual interest rate payable on Amaprop's variable loan stock units increases to 84c from 70c a unit.

Estimated bottom-line earnings were at about R29m, subject to a final audit

Privatisation is theft, says ANC's Mkwayi

STAR 23/3/90 Labour Reporter 23

Privatisation was a form of theft and aimed to undermine the economic power of a future ANC government, Mr Wilton Mkwayi said yesterday

The ANC stalwart was addressing public sector workers before yesterday's anti-privatisation march to the Johannesburg Stock Exchange

Mr Mkwayi warned that a future government would re-nationalise State concerns sold to private interests

He said privatisation would further concentrate economic power in the hands of a small group of private corporations, and would generate revenue for the State over which people had no control

The masses would receive "a small piece of pie" after foreign creditors, the state bureaucracy and business had been paid off

The alternative was to find new and creative forms of co-operative control One example was a proposed electricity co-operative in Soweto, owned by consumers and run on a non-profit basis

Swiss-based company formed . . .

CAPE TIMES 7/3/90

De Beers hives off foreign investments

(232)

Own Correspondent

JOHANNESBURG. — De Beers, the diamond conglomerate which controls 80pc of the world diamond trade, has hived off its foreign interests into a Swiss-based company, to be called De Beers Centenary AG, and based in Lausanne.

It will hold foreign elements of the UK-based Central Selling Organisation (CSO) and investments in Minorco, Anglo American Corporation of South America, as well as investments in the Far East and other parts of Africa.

Based on 1989 provisional results, the attributable earnings and equity accounted earnings of these foreign businesses would have amounted to 80% and 60% respectively of the total.

De Beers' local activities, which include interests in SA diamond mines, synthetic diamond operations and investments in Anglo American companies, will continue to be held through De Beers itself.

The first observation De Beers chairman Julian Ogilvie Thompson made when he announced the move at a press conference yesterday afternoon, was that it had nothing to do with recent comments from the ANC on nationalisation.

"It is in no way a reflection on current political developments in SA," he said, adding that a move of this magnitude must obviously have been planned some time ago.

Neither was it a disinvestment, Ogilvie Thompson said, as no SA assets had been sold and no cash had been transferred either via the commercial or financial rand.

The daring restructuring confirmed persistent rumours in the market since Tuesday that De Beers was about to "do a Richemont" — a reference to Rembrandt's hiving off in 1988 of its foreign interests into the Swiss-based company Richemont.

Coupled with the simultaneous announcement of record year-end results, it emerged as the key factor behind the dizzy heights to which the shares had been climbing.

Initial reaction from local analysts was that the move was a good one for De Beers shareholders and that today would see considerable gains in the share on world stock exchanges.

Ogilvie-Thompson said the restructuring would achieve four main aims:

- Enable shareholders to better identify the earnings, dividend and assets attributable to foreign and SA groups;
- Provide shareholders with securities representing direct interests in, and dividends from, the foreign and SA groups;
- Enable the foreign and SA groups to better develop their overall businesses, with appropriately focussed objectives and strategies;
- To facilitate both the conduct of international business and access to international capital markets.

Asked why De Beers had not made Centenary a separate entity as Rembrandt had with Richemont, Ogilvie Thompsons said the De Beers and Centenary groups should co-operate rather than act against each other.

For this reason, the two groups would be headed by identical boards of directors, Ogilvie Thompson said.

De Beers equity shareholders will now hold, in addition to their existing De Beers shares, new securities representing direct interests in the Centenary group.

Applications will be made to the stock exchanges worldwide on which De Beers is currently listed to have trade now take place in so-called "De Beers/-Centenary" units.

Record profits and dividends

DE BEERS CONSOLIDATED MINES announced record results and dividends for the year ended December 31.

Attributable profits rose by 37% to R2 865m (R2 090m).

Earnings at share level were 754c (550c) before taking into account De Beers' share of retained earnings of associated companies.

Including these retained earnings, profits before extraordinary items rose by R1 127m to R4 088m, or 1 076c a share, compared with R2 961m or 780c a share.

Total dividends for the year are 40% higher at 280c (200c) a share.

The final dividend is 217,5c (155c) and the interim 62,5c (45c).

The diamond account improved from R2 467m to R2 942m reflecting the price increase of 15,5%, which came into effect in March, and the lower rand/dollar exchange rate during the year.

Income from investments outside the diamond industry rose from R366m to R518m.

Interest received rose to R748m (R340m).

Prospecting and research expenditure increased from R245m to R271m.

General charges were R19m (R15m.)

Interest payable was higher at R85m (R59m) largely because of the lower rand/dollar exchange rate.

Group profits before tax amounted to R3 843m compared with R2 872m in 1988.

Stable base for De Beers foreign assets

CAPE TIMES 8/3/90 232

By ARI JACOBSON

THE separation of De Beers into separate foreign and domestic components allows for the swift excision of the SA portion if political problems should arise, says Kevin Kartun of Frankel, Kruger Vinderine

Kartun believes the move was conjured up over the last two weeks in reaction to political events.

"Fears of nationalisation have been eradicated now, with a stable base for De Beers' assets overseas"

Based on attributable earnings and equity accounted earnings, foreign businesses represent 80% and 60% respectively of De Beers, although Kartun considers this figure conservative

He was also critical of the way financial results for the year end-December, which outperformed market expectations, were presented

"I think the diamond stockpile was boosted by the inflow of foreign production while local diamond sales with higher margins were sold."

Kartun said there was a possibility that cash balances were used to fund the stockpile

William Bowler, who heads up reseach at Fergusson Bros, Hall, Stewart & Co also believes there was some political rationale behind the restructuring

The inter-linking nature of the diamond business, says Bowler, allows profit-taking at any point in the production process, making the geographical source hard to determine.

"But judging by the group's 1988 annual report their geographical dispersions remain consistent"

Separate labels provide easy access to international capital and derivative markets, says Simpson, McKie director Peter Trengove Jones

He says the ability to distinguish clear and separable parts reduces the SA risk factor — similar to the role played by rand-hedge shares

Neville Huxham, a spokesman for De Beers, says the focus on separate local and foreign interests will benefit shareholders and industry alike

"While political speculation was expected there has been no cross-border movements in the group's assets," says Huxham

De Beers in unwanted limelight

CAPE TIMES 12/3/90

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Swiss govt under attack

ZURICH — De Beers, who plan to set up a new Swiss company, De Beers Centenary AG, looks like drawing some unwanted limelight in the Swiss Parliament over a recent jump in diamond imports

A parliamentary debate, set for March 21, was requested by Switzerland's Green Party, which opposes all trade with SA and wants Berne to impose economic sanctions on Pretoria

"We want clear answers from the government why this diamond business is coming to Switzerland," said Monika Stocker, one of the party's 10 deputies in the 200-seat Swiss lower house

"Is it ethical or moral that Switzerland should help SA in this way? We say it isn't," she said

De Beers Consolidated Mines Ltd has recently attracted media attention in Switzerland over its plan to set up De Beers Centenary AG to run its foreign business

De Beers already has a Swiss offshoot, The Diamond Trading Company Ltd (DTC), set up in Lucerne 15 years ago, which imports rough non-industrial diamonds for sorting and selling to diamond cutters at 10 sales a year

DTC has expanded business strongly over the years and recently confirmed it plans to extend its offices

Re-exported gems

It says it is responsible for most of Switzerland's imports of rough diamonds, which official figures show have jumped by 36% since 1987 to reach 2,63bn Swiss francs (R4,5bn) last year

DTC re-exports most of the gems for cutting and polishing in other countries, such as Israel Little diamond processing takes place in Switzerland because of high labour costs

The Lucerne company is an associate of De Beers's London-based Central Selling Organisation (CSO), which controls and markets about 85% of the world's diamonds

Swiss government policy is to ensure Swiss territory is not used for circumventing other countries's sanctions, but only the Nordic nations have imposed full sanctions on Pretoria and government officials say none was a major diamond trader

The Greens believe they have little chance of persuading the government to act against SA But they see the debate as a useful exercise to try to force ministers to address the diamond issue

They will seek to find out why there has been a sharp increase in direct imports of diamonds from SA and why Bermuda, a non-producer, has become a major supplier

Five years ago almost all Switzerland's diamonds came from London, which is still the world's main market, Federal Customs Office statistics show

But Bermuda appeared in the statistics for the first time in 1987 and last year became the main supplier with 37% of the total, followed by SA with 34% and Britain with only 28%

The true origin of the Bermuda diamonds is unknown

"I assume they have not originated in SA but in other producer countries such as Botswana There's probably a tax reason for using Bermuda as a collecting point," said Christoph Kerez, chairman of the Swiss Association of Precious Stones Dealers

The reason for the rise in direct shipments from SA, the world's fifth producer in volume, is unclear

Government officials dismiss speculation in Swiss newspapers that De Beers may have begun to switch shipments from London to Switzerland because of fears that the European Community may impose economic sanctions against Pretoria

"I don't believe De Beers fears sanctions Britain has just lifted a ban on new investment in SA, and was always very reserved anyhow about sanctions," said Othmar Wyss, head of the Federal Office for Foreign Trade's North America and South Africa desk

Market recovery

He added sanctions on diamonds would be hard to enforce, since they are ideal for smuggling, given their high value and little weight, and a diamond's true origin is hard to detect.

De Beers in London and DTC in Lucerne both said the rise in Swiss diamond imports had coincided with a strong recovery in the world diamond market since a deep slump in the early '80s

They gave no explanation, however, for the fall in shipments from London and the rise in those from SA and Bermuda "I can't give you a satisfactory answer, I can't tell you," De Beers spokeswoman Joan Braune said

Braune said De Beers chose Switzerland for setting up the new company to hold its foreign interests, because it already had a base there, enjoyed good relations with authorities, and found Switzerland a "safe place" for doing business

The aim was to benefit shareholders, she said, adding "We feel the SA link has caused a discount on our shares"

The company denied the decision resulted from concern about the proposed policy of nationalising mines, banks and "monopoly" industries supported by deputy ANC president Nelson Mandela — Sapa-Reuter

De Beers claims the No 1 spot

BARRY SERGEANT

DE BEERS' market capitalisation on the JSE now exceeds that of Anglo American, the previous leader, after last Tuesday's announcement that De Beers is to house its offshore interests in Switzerland

De Beers made a total gain of 575c last week to close at 8 725c, reflecting a market capitalisation of R33,5bn. Anglo American is worth R31bn on market capitalisation, and Minorco, the Anglo offshore mineral resources arm, R10,9bn.

Analysts expect the De Beers share price to continue re-rating upwards, with 80% of its earnings to be based in Switzerland. To reflect a conservative European price-to-earnings ratio of about 12 times, and six times on the remaining earnings base in SA, analysts say De Beers' share price could rise to about R108.

Last week's De Beers' share price gains have also placed the counter at a slight premium to net asset value (NAV) The NAV at year-end December 31 was 8 032c, according to De Beers. The counter has traditionally traded at a discount to NAV, say analysts, because of its SA base.

De Beers latest market capitalisation of R33,5bn is two to three times higher than other JSE heavyweight blue chip counters. Driefontein, the single most valuable listed gold mine, is capitalised at R9,7bn. Gencor reflects a value of R13,6bn, GFSA R9,5bn, and JCI R8,2bn. Richemont, Rembrandt's offshore arm, is worth R10,7bn on market capitalisation, while industrial conglomerate Barlow Rand shows a value of R7,9bn.

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Investors cash in on De Beers via futures

ROBERT GENTLE

INVESTORS who could not get hold of De Beers scrip during the share's giddy run on the JSE this week did the next best thing and bought the March all-share index future — and ended up actually making higher net profits

A futures trader from National Futures & Options said R30 000 invested in the March all-share index future on Tuesday at 3 120 and closed out at 3 200 on Wednesday, would have netted R8 000 profit before transaction costs

The same R30 000 invested in De Beers shares over the same time period (buy at R73, sell at R90) would have made only R6 800 before transaction costs

As futures transaction costs are considerably lower than those on the shares, the difference in profit would have actually been much greater, the trader said

Greenwich Futures and Cape-based Simpson Futures also said clients had exposed themselves to the run on De Beers' shares by buying into the March all-share index future

De Beers constitutes about 10% of the the all-share index which means one is effectively buying at least 10% in De Beers — with the favourable knock-on effect on the other shares making up the index

Moreover, margin on the future — which is the actual price paid — is only about 10%, permitting a high gearing effect that compensates for the fact that one does not own an entire De Beers share.

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