MANUFACTURING - FOOD

1990

JANUARY — AUGUST.

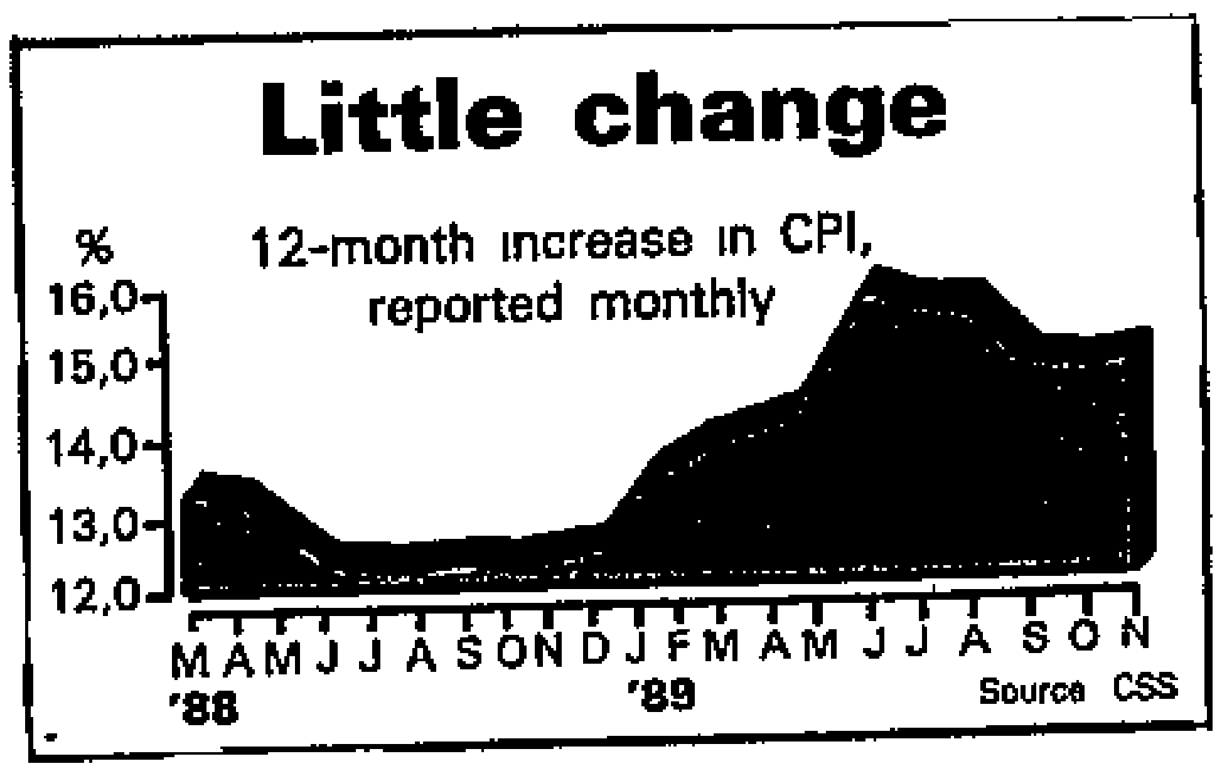
CPI EDGES UP

FM 5/1/90 (186)

In November, food again made a major contribution to the increase in year-on-year CPI to 14,9% (October: 14,8%).

The increase over the month was 1% or 1,1% seasonally adjusted. Food made the largest contribution to the unadjusted figure. Grain prices rose 5,6%, fish and seafood 2,1%, fats and oils 2,5%, and fruit and nuts 6,1%. Milk, cheese and [illegible], however, fell by 0,2%.

Relatively large monthly increases also came in non-alcoholic beverages (1,8%), cigarettes, cigars and tobacco (4,1%), household operations (1,5%) and trans[illegible] (1,3%).



Little change

Source CSS

KANHYM F/M 5/1/90

Putting on fat

(186)

Kanhym's restructuring is to all intents and purposes complete and, in the wake of the past financial year's solid advance, will be tested in a slowing consumer market.

Chairman Dirk Jacobs believes higher earnings are in prospect as the company increases its emphasis on value-added products. Next in line is diversification into food products other than meat, though it is difficult to envisage rapid diversification involving the establishment of grass-roots competition for the likes of Tiger or Premier.

Value-added trading emphasis and the financial restructuring were the principal legs of the recovery from the near-collapse of 1983-1985, and the full effects were apparently not felt last year. Unfortunately, Kanhym does not differentiate between its fresh and processed meat businesses, which makes it difficult to analyse trading operations. An indirect measure is the fact that total meat sales rose by 9,1% while the operating profit increased by 30,8%. Whether that reflects greater sales of processed meats or simply lower input costs is not clear.

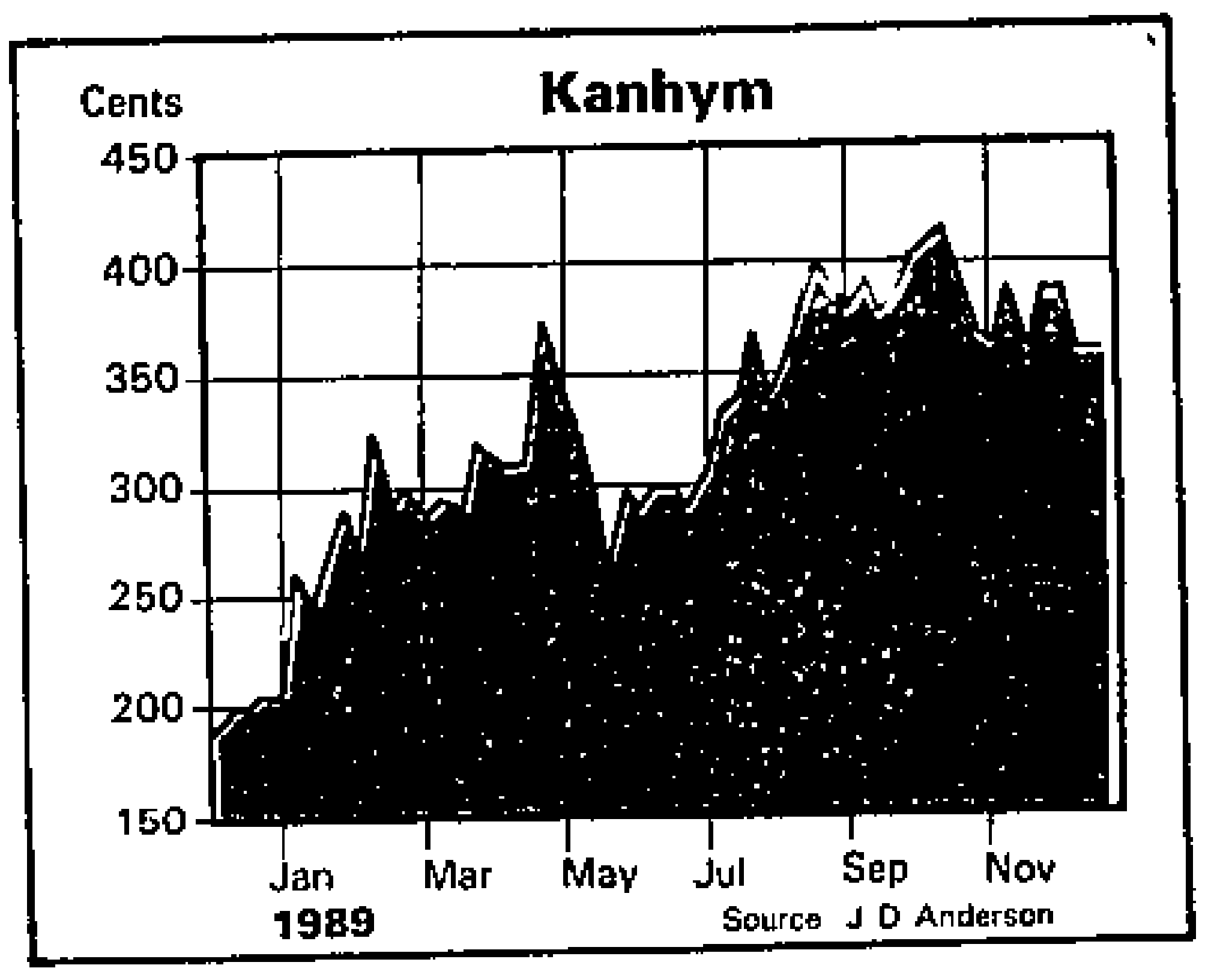
The directors say unprofitable lines were eliminated and operating efficiencies improved But they add that competition in the fresh meat market remains intense and expect it to remain so Over the next few years, trading emphasis will be away from carcasses towards ready-to-use packaged products

Leather by-products are marketed through Karoo-Ochse and Hanni, the upholstery leather tanner. In June, Kanhym sold its coal mining interests for R20m and used part of the cash to buy the half of Hanni it did not own. The company is in a comparatively strong growth phase, expects to increase sales in line with the rises recorded in recent years, and is expanding capacity by 20%

Kanhym's Jacobs ... beefing up value

FIM 5/1/90 (186)

In contrast, the feedlot and farming operations came under pressure last year and are not expected to emerge from the difficulties this year Feedlot operations margins were cut by shortages of weaner calves and their supply remains problematic this year The directors believe weaner prices will level out as availability improves, but only in the longer term



Source J D Anderson

Essentially, then, this year's trading performance improvement will depend largely on the meat and leather divisions while the pre-tax performance should also be enhanced by lower interest charges as well as reduced borrowings However this year should see a return to large tax payments as the accumulated loss had been reduced to fractionally less than R2m by end-August, though it is not a consideration which persuades Jacobs to modify his forecast of sustained earnings growth this year

Assuming earnings rise to 75c, matched by a proportionate dividend increase, the share yields a prospective 7% and seems adequately priced.

Jim Jones

FM 5/1/90 (186)

FM 5/1/90 (186)

TIGER OATS FM 5/1/90

Meeting needs (186)

Activities: *Diversified food group with interests in food, fishing and pharmaceuticals*
Control: *C G Smith Foods has 53% of the equity*
Chairman: *R A Williams, managing director C Wolpert*
Capital structure *138,8m ords of 10c Market capitalisation R3,33bn*
Share market *Price 2 400c Yields 2,3% on dividend, 6,6% on earnings, PE ratio, 15,2, cover, 2,9 12-month high, 2 600c, low, 1 440c Trading volume last quarter, 809 000 shares*
Financial: *Year to September 30*

	'86	'87	'88	'89
Debt				
Short-term (Rm)	253,0	223,5	385,9	366,1
Long-term (Rm)	55,8	58,4	103,7	97,8
Debt equity ratio	0,05	n/a	0,30	0,34
Shareholders interest	0,49	0,48	0,42	0,42
Int & leasing cover	11,9	17,4	n/a	16,0
Debt cover	0,58	0,73	0,56	0,78

Performance	'86	'87	'88	'89
Return on cap (%)	13,2	14,1	14,1	16,7
Turnover (Rbn)	3,51	3,54	4,39	5,74
Pre-int profit (Rm)	215	254	327	434
Pre-int margin (%)	5,4	6,5	7,5	7,6
Taxed profit (Rm)	124	153	206	265
Earnings (c)	77,5	98,1	126,6	158,0
Dividends (c)	27	33,7	43,5	54,5
Net worth (c)	518	567	594	691

Elimination of Tiger's cash pile, acquired when UK-based Bibby was sold to ultimate parent Barlow Rand, has started to affect the group's drive for acquisitions and capital spending

Last year's purchases — Cereal & Malt and W G Brown — were comparatively small and the cost of acquisitions dropped to R79m from 1988's R227m But expansion capital spending lifted to R136m from R77m and was accompanied by a net reduction in total debt The upshot was a R109m drop in cash resources to fractionally more than R85m

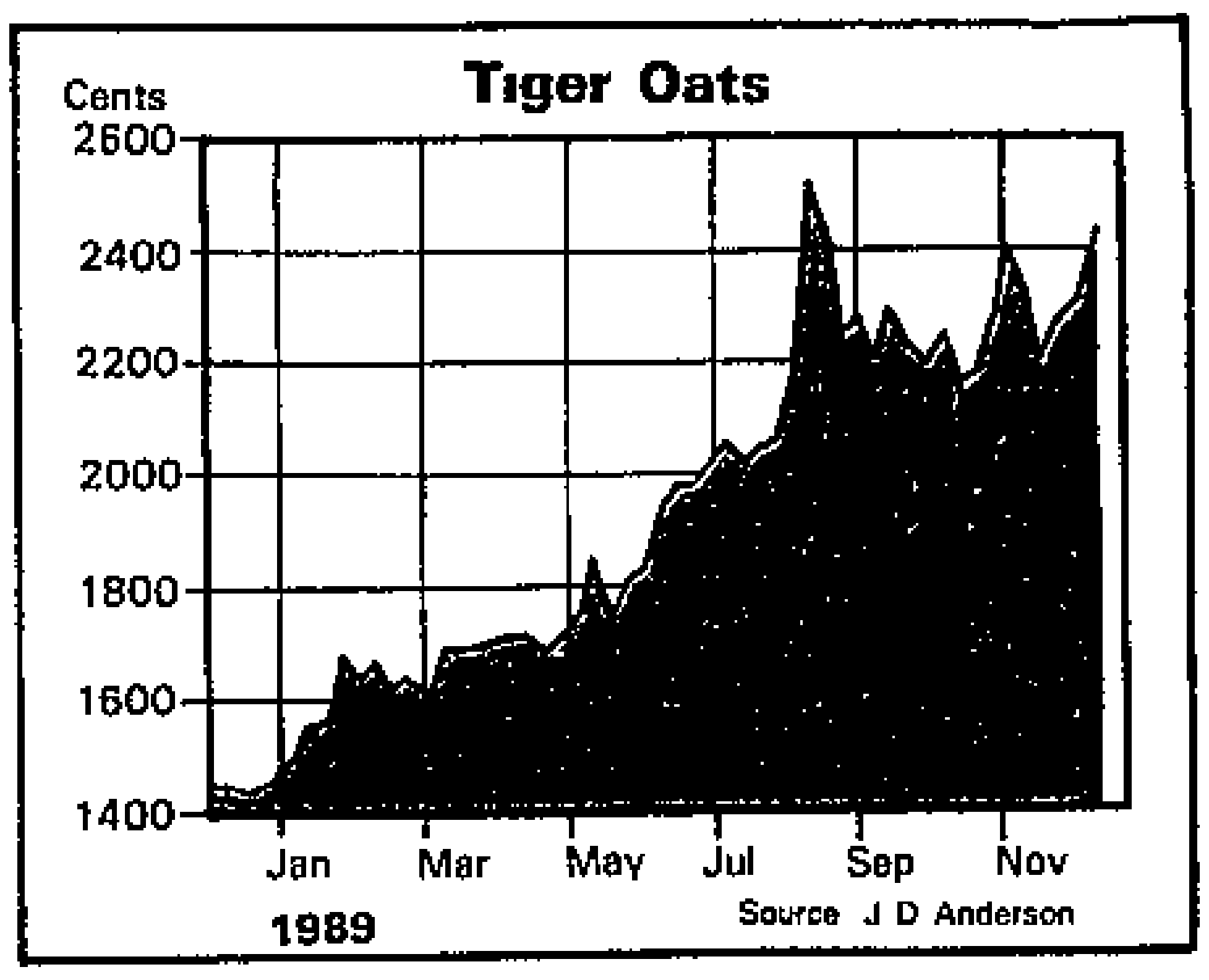
TIGER'S STRIPES

Divisional performances (Rm)

	Turnover		Operating profit	
	1988	1989	1988	1989
Milling/banking	1069,5	1184,4	104,3	120,8
Animal feeds/ agri-business	791,2	1408,1	58,2	111,7
Edible oils	590,2	698,2	32,6	23,2
Trading/ distribution	1338,0	1634,6	40,7	64,6
Pharmaceuticals	379,0	546,1	53,4	80,2
Fishing	226,9	275,0	38,2	33,8
Financial	n/a	n/a	25,2	17,6
Total	4394,8	5743,4	352,6	451,9

This year, acquisitions are likely to decline yet again, while capital spending on expansion and maintaining operations is unlikely to be less than last year's R266m The major expansion project is the R85m wheat and maize mill in Maritzburg, expected to be commissioned in 1992

Management is well aware of the effect of borrowings, given present interest rates Last year, interest payments lifted to R44,8m from the previous year's R16m and, presumably, the aim will be to limit increases this year by curbing expenditure and financing as much capital and acquisition spending as possible from retentions rather than debt. That does not necessarily imply an increase in cover Dividends have been covered 2,9 times by earnings in each of the past four years, and there is no pressing reason for an increase this year



Of course Tiger has for several years been emphasising investment in higher margin interests — that explains its emphasis on pharmaceuticals in preference to lower-margin foods

But food sales and profits should help insulate earnings growth from any setbacks caused by tighter household budgets

People have to eat and, as discretionary income is squeezed, housewives are likely to switch to cheaper foods — chicken and eggs rather than beefsteak — which form the core of Tiger's business Chairman Robbie Williams is clear that pharmaceuticals and food are less sensitive than other consumer goods to economic downturns and forecasts "satisfactory" earnings growth this year

Apart from the new wheat and maize mill at Maritzburg, the major development targets are the chicken and egg businesses The County Fair division plans to lift its daily broiler chicken production to 600 000 birds next year from 550 000 in January 1989, though margins remain crimped by high feed prices and severe competition in the frozen chicken market The aim is to add value by developing new products

Apart from the fact that new products can generate better margins, they are necessary if Tiger is to satisfy shifting consumer needs Rapid development of spaza shops serving people in black townships has altered consumer needs, and development of new and appropriate packages, products and distribution methods is given full priority, Williams says

That is commonsense, but I do not recall Williams' views being stated by other food groups.

On earnings and dividend yield fundamentals, Tiger's shares are not cheap But yields are largely irrelevant for investors buying the shares Tiger, with other major food and consumer groups, represents an irreplaceable asset situation Competition is limited to that provided by the other food majors and new competitors are unlikely to appear on the scene and compete effectively The share is one to be accumulated gradually

Jim Jones

January 8 1990

COMPANIES

186

Seafoods firm plans to float 12-million shares on JSE

B/Day 8/1/90

ZILLA EFRAT

SEA PLANT Products (SPP) of Hermanus intends listing 12-million shares in the food sector of the JSE's main board

Executive chairman Shlomo Peer, a former executive deputy chairman of Anglo American Assurance (AAA), stood as the NP candidate for Houghton in last year's general election, but lost to the DP's Tony Leon

Peer, who has served as a member of the SABC board, retired from AAA — now merged with Southern Life — in 1983 to devote more time to politics and the NP

However, in the same year he took over SPP after the death of his father-in-law, and bought out other heirs to the business

SPP, the largest local processor of abalone, was formed in 1953 and pioneered exports of the product to the Far East

While Peer is reluctant to give company information before the prospectus is published, he says SPP controls 32% of the local and export markets

SPP uses divers to get the seaweed-eating abalone off ocean rock beds

The abalone is then processed into fishcakes, pancakes and mince, or frozen for the local market However, 97% of SPP's business is export-oriented

"This will give our share rand-hedge value," says Peer

SPP exports only canned products to its markets in the Far East

Peer says the main aim of the listing is to give staff an opportunity to trade their shares However, it will also enable the company to expand into abalone farming as natural resources are being depleted

The company might also diversify into other fishing and food-processing operations

F/M 12/1/90 186

ICS F/M 12/1/90 · 186

Margins cooling

While ICS's margins are likely to be squeezed this year, its longer-term prospects look bright enough Attributable profits have been rising strongly since 1987, when ICS shrugged off the effects of the earlier drought But while attributable profit increased by 40% in fiscal 1988 and 23% last year, EPS rose by only 16% and 4,6% because of conversion of pref shares

This dilution is over but weak product prices are taking a toll — local meat and poultry prices and international fish prices have fallen The group has lifted its margin every year recently but MD Russell Chambers believes it may decline slightly this year though turnover should rise, he says ICS will be pleased to achieve earnings growth in line with inflation Margins, generally low in the food sector, are vital on the high turnover

ICS does not divisionalise its income but rough estimates of contributions are meat 35%, fish 25%, dairy 15%, poultry 10% and food distribution the rest

Recession prompts people to consume more of the cheaper types of food For ICS this has been manifested in lower sales of ice cream and processed meat. While staples have been little affected, ICS has been moving towards greater added value Chambers says meat prices are cyclical and poultry prices can change quickly, so he does not expect the overall value of the basket of ICS products to be depressed for long

Activities· *Subsidiaries and associated companies produce and/or distribute perishable foods, particularly red meat and derivative products, poultry, fresh milk, butter, cheese, milk powder, margarine, ice cream, frozen fish and vegetables Also has interests in canneries, cold stores and feedlots.*

Control: *C G Smith Foods holds 69%, Barlow Rand is the ultimate holding company*

Chairman. *R A Williams; managing director N Dennis*

Capital structure: *38m ords of 25c Market capitalisation R513m*

Share market· *Price 1 350c Yields· 3,55% on dividend, 10,9% on earnings, PE ratio, 9,2, cover, 3,1 12-month high, 1 425c, low, 1 050c Trading volume last quarter, 243 000 shares*

Financial. *Year to September 30*

	'86	'87	'88	'89
Debt.				
Short-term (Rm)	30,3	29,9	18,9	42,7
Long-term (Rm)	78,4	70,5	69,8	70,2
Debt equity ratio	0,36	0,28	0,19	0,26
Shareholders' interest	0,50	0,49	0,49	0,48
Int & leasing cover	1,52	3,86	3,8	3,8
Debt cover	0,22	0,45	0,63	0,57

Performance·	'86	'87	'88	'89
Return on cap (%)	3,6	6,1	8,0	8,8
Turnover (Rm)	1 367	1 405	1 649	1 877
Pre-int profit (Rm)	19,5	37,2	49,1	61,5
Pre-int margin (%)	1,4	2,6	2,9	3,3
Taxed profit (Rm)	3,4	20	29,3	36,3
Earnings (c)	30,2	121,1	140,9	147,4
Dividends (c)	15	34	40	48
Net worth (c)	846	1 069	1 004	948

Medium term, ICS is optimistic because it is well placed in a market fuelled by population growth and rapid urbanisation Chambers says the rate of conversion from staples to processed foods is rapid Like parent Barlow Rand, ICS sees major potential in the informal sector and is changing its marketing to suit For instance, much growth in ice cream sales is coming from hawkers equipped with little more than polystyrene cooler boxes

The group is in the middle of a major capital spending programme and Chambers believes the benefits of this should start being felt this year R39m (R4,2m) was spent last year on expansion and on acquisition of the other half of National Poultry Breeders from Premier Group, R43m capex is projected for this year Spending has particularly been directed at increasing capacity of the food distributor, The Cold Chain, already among the largest in SA. Another spending target is the poultry units, though other major broiler operators are also increasing capacity, contributing to the current oversupply ICS now accounts for about 9% of broiler chicken production

Dividend cover was reduced last year to allow dividend growth to remain ahead of inflation This year, assuming EPS growth is stronger than last year without conversion dilution, cover could be raised again In the 1991 year, when higher cover has been established, capex benefits and improved product prices should make for a strong EPS and dividend surge

The share looks fully priced for now but at some time it may rise to discount those prospects *Teigue Payne*

More prefer white to brown bread

Sowetan 12/1/90

186

WHEN everybody expects the consumer to complain about the constantly increasing price of white and brown bread - the man in the street has swung away from the cheaper bread to the more expensive super and special breads, claims the SA Housewives' League.

Not so long ago, the price of white and brown bread was increased by 10 cents to R1 and 9 cents to 85 cents a loaf respectively.

These increases were caused by a 12,4 percent increase in the basic selling price of wheat, increases in the margins of the milling and baking industries and a one cent a loaf increase to four cents for the retail trade.

The league says these high increases on basic foods will affect many people who are battling to feed themselves and their families.

"However, one or two facts must be noted.

"A few years ago, standard bread consumption was of the order of 70 percent brown and 30 percent white bread.

"The gap between the two narrowed and early last year, it was 50/50 percent.

"As the new increased prices were announced, the consumption figures were 48 percent brown and 52 percent white bread.

"This represents a very considerable swing away from the cheaper bread."

The organisation said that coupled to this, was the fact that super and special breads are increasing in sales and here prices are high.

"Before the latest increase, brown bread was within a range of R1,12 to R1,80 and white bread R1,23 to R1,86 a loaf.

Prices include general sales tax and were taken from stores in Pretoria and Johannesburg.

These facts make you wonder, don't they?

Price hikes will eat up wage rises

GERALD REILLY

PRETORIA — Wage rises will be neutralised by escalating living costs, with Pick 'n Pay expecting costs to increase by at least 15%.

BDay 15/1/90

Pick 'n Pay's Peter Dodson said "We'll be fortunate if the price hikes are kept as low as 15%, taking into account the big increases in related costs."

The Stellenbosch Bureau of Economic Research expects pay rises inside and outside the public service — with the possible exception of teachers, police and nurses — to sag below the inflation rate.

Dodson said there were about 400 companies producing food in SA and all had to contend with rising costs.

Price negotiations with suppliers started towards the end of last year

"In the negotiations we fight tooth and nail to keep suppliers prices as low as possible

(186)

"The coming increases would apply to virtually all supermarket goods, including toiletries," Dobson said.

Checkers MD Segio Martinengo said he did not expect price hikes, to be introduced early in February, to rise above 12%.

Grocery Manufacturers Association of SA CE Jeremy Held said manufacturers, like all other enterprises, had to contend with a barrage of cost rises.

These had to be recovered in the prices negotiated with the big retailers.

☐ According to sources, further bread price increases are virtually certain from April The 1989-90 R115m bread subsidy would run out at the close of the financial year and even if government decided not to phase out the subsidy, inflation would necessitate another price adjustment.

Ailing Bakoven to become cash shell

SYLVIA DU PLESSIS

AILING DCM-listed bakery chain Bakoven is to become a cash shell following a change of control from holding company Desmond Fisher Family Holdings (DFFH) to Alpha Bank-linked Intraplan

The announcement comes on the back of long-overdue results for the six months to end-August which reflect a dismal interim performance

B Day 18/11/90

Effective from March 1, Intraplan is to purchase 75% of the shares in Bakoven from DFFH at 11c a share, which constitutes 100% of DFFH's control

DFFH will purchase the business of Bakoven as a going concern for R2m in cash, also effective from March 1 Consequently, the company's only assets will be this cash sum and liabilities of R350 000, equivalent to a net asset value of 6,8c a share

New assets will then have to be injected into Bakoven within six months, in terms of JSE requirements

The company, which controls bakery and confectionery outlets through own ownership or franchising, lifted turnover to R7m from R5,9m during the period under review

(186)

However, depreciation of R217 000 (R112 000) and interest payments of R182 000 (R115 000) slashed attributable profits to R56 000 from the corresponding R310 000 Dividends have been waived

OCEANA

(186)

F|M 19|1|90

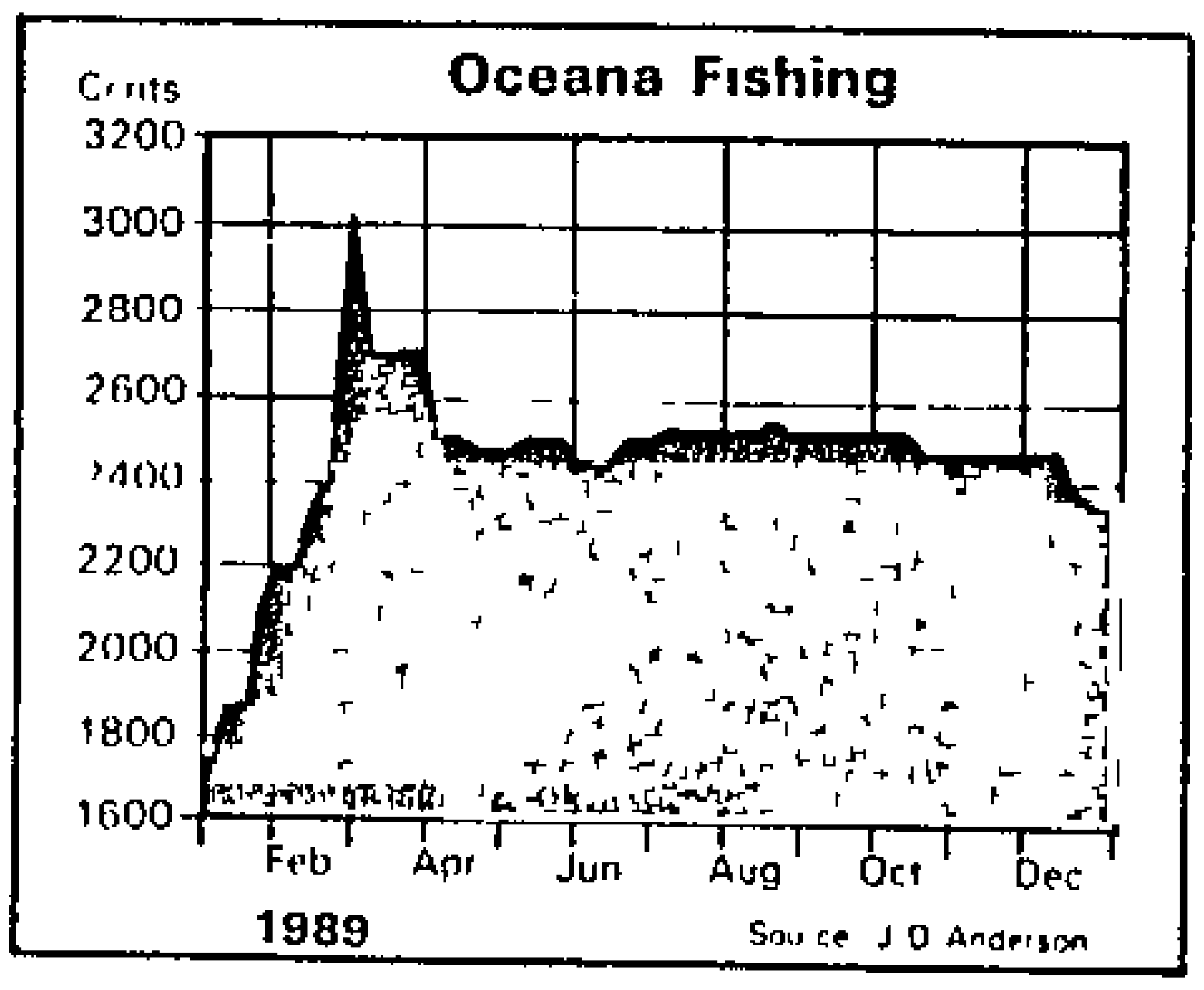
Filleted profits

Activities· *Fishing in SA and Namibia*
Control *Tiger Oats 68 8%*
Chairman· *W A Lewis MD D F Behrens*
Capital structure· *9,3m ords Market capitalisation R2 18m*

Share market: *Price 2 350c Yields 6,8% on dividend 11,1% on earnings, PE ratio, 9 cover 1 6 12-month high 3 000c, low, 1 700c Trading volume last quarter, 53 000 shares*

Year to Sep 30	'87	'88	'89
ST debt (Rm)	6 6	12 1	7 4
LT debt (Rm)	0 8	0 7	0 6
Debt equity ratio	n/a	n/a	n/a
Shareholders interest	52	52	51
Int & leasing cover	n/a	n/a	n/a
Return on cap (%)	25 4	34	28
Turnover (Rm)	173 8	226 9	275 0
Pre-int profit (Rm)	32 3	48 5	44 0
Pre-int margin (%)	16 2	17,0	12 6
Earnings (c)	206 8	250 2	260 7
Dividends (c)	105	225*	160
Net worth (c)	654	730	809

* Includes special dividend of 75c

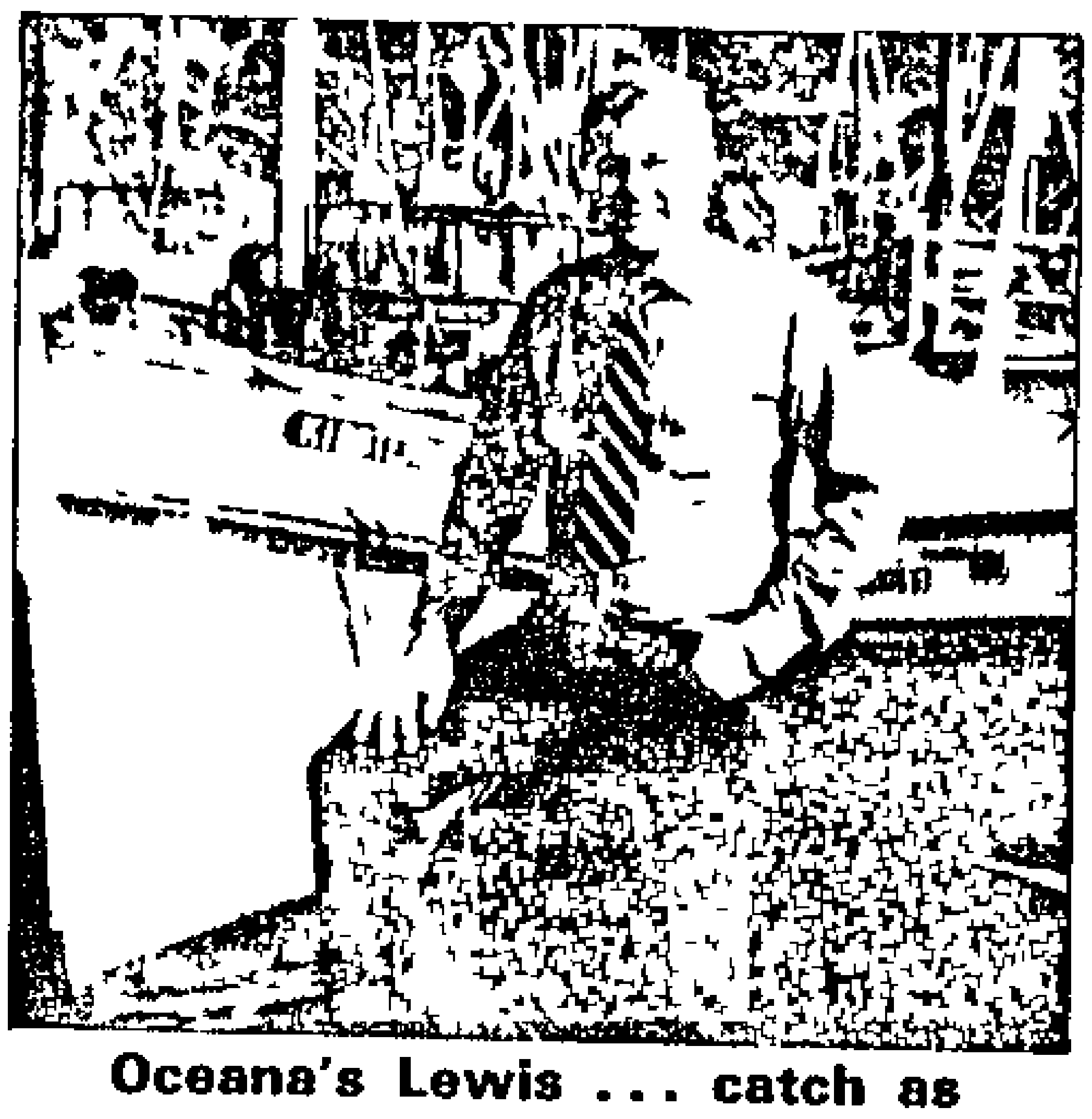


The shortened pelagic fishing season in SA and low catches off Namibia hurt Oceana last year Not only was the pelagic season closed on July 31 instead of September 30, but Oceana's pilchard quota was 30% lower than in 1988 and the anchovy TAC (total allowable catch) was 41% less

To some degree these reductions were offset by a successful lobster, tuna and squid season Good catches of redeye herring, a non-quota species that requires specialised catching expertise, also helped to maintain profitability

Blue Continent, the subsidiary which involves cold storage, trading and a wide range of shipping services, showed a substantial increase in turnover and income However, subsidiary Namsea produced results worse than expected due to bad weather in Namibian waters

Even though turnover rose by 21% to R275m the negative effect of the season's early closing cut margins and pre-interest profit Nevertheless, taxed profits were virtually unchanged on 1988 thanks largely to the sharp drop in Namibian income tax EPS before extraordinary items showed a slight rise of 4,2% because of a 25% decline in net income attributable to outside shareholders



Oceana's Lewis ... catch as catch can

The financial strength of the organisation is reflected in the balance sheet which shows no debt of consequence and a cash pile of R30m Capex of R17,7m (R8,4m) will be spent this year with a view to broadening the group's infrastructure, developing branches of the fishery such as redeye herring, tuna and squid, and increasing capacity of the cold storage network

Bearing in mind the risks inherent in fishing, the share appears to be fairly priced now In a diversified portfolio it should make an excellent long-term investment

Gerald Hirshon

Kelloggs laughs it off

Business Times Reporter

186

WITH the financial rand a bit stronger and the US chairman due out soon, rumour has it that Kelloggs is about to make a tasty breakfast treat for Anglovaal's Cerebos Foods.

Kelloggs SA managing director Peter Horekens laughs and says his company will be the last US corporation to leave

Having braved fire thus far, Kelloggs is unlikely to leave now that the heat is off in the US.

Anglovaal Industries chairman Jan Robbertze concedes that Kelloggs is on his acquisitive company's shopping list, but fears the door is closed

With its famous corn flakes, rice krispies, All-Bran and other products, Kelloggs has 40% of the breakfast cereal market It does 90% of the cereal advertising in SA.

"Several other guys imitate our products and sell them as housebrands We don't make housebrands," says Mr Horekens.

S/Times 21/11/90.

steel producer says
goods or for use in building and other capital projects

Advantage

Samancor is a major supplier of ferrochrome to stainless-steel manufacturers. It is trying not to compete with its ferrochrome customers producing a final product. It will not try to beat users in Europe on price

Iscor will have the capacity and ability to build a stainless-steel plant once its Pretoria works have been refurbished at a cost of R240-million by 1992 Iscor says it has no plans to make stain-

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(011) 497 2320 and 497 2321.

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contract's being awarded to Genrec Offshore, a venture between Murray & Roberts

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ends, crane engines roar and the 124-metre-long frame is

Kelloggs laughs it off

186

Business Times Reporter

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S/Times 21/11/90.

Milly's comes in from cold

Star 22/1/90

186

Diagonal Street

LYNNE PEACH

The past few years for Milly's, one of the oldest delicatessen and fast food chains in SA, have been the most difficult in its long history.

Founded in Cape Town more than 50 years ago, the group hit a particularly rough patch after its listing in 1986 and has yet to gladden shareholders' hearts with a set of results showing a taxed profit.

In the latest annual report chairman H Ehlers agrees that the historical accounts reflect a rather dismal picture.

COMPLETE

But at the same time he says that a complete turnaround has taken place.

Today the group, which is listed on the Development Capital Market, is to be officially renamed Hyperette.

The name change follows the restructuring of the once-troubled Milly's group into a multi-million-rand force in the convenience, delicatessen and specialised bread market.

The new group, with a turnover of R50 million, is forecasting profits of 1,2c a share on the greatly increased number of shares in issue.

Mr Ehlers says the restructuring of the group is now complete and that the company is once again trading well.

ACQUISITION

In the current financial year, the group has notably spread its wings with the acquisition of 25 Hyperette convenience food stores at a cost of R6,2 million and the purchase of three Bread Basket stores for R3,9 million.

Of the total consideration of R10,1 million for Hyperette and The Bread Basket, R5,6 million will be settled in cash and the balance by the issue of 44,7 million shares.

This, together with the issue of 2,3 million shares for the acquisition of Bothasig and the conversion of the group's preference shares, will lift the number of ordinary shares in issue from 6,9 million to 128,4 million.

In the year to July 1989, Milly's turnover fell more than R600 000, compared with the previous 12 months.

The loss from operations deteriorated from R3 million to R5,9 million as costs were generally higher, especially interest which jumped up from R125 000 to R1,3 million.

The loss per ordinary share rose from 42,89c to 84,27c.

The weakened balance sheet showed a shareholders' deficit of R9,6 million at the end of July, compared with a deficit of R1,3 million in the previous 13 months.

LIABILITIES

Long-term liabilities were up from R1,6 million to R9,8 million.

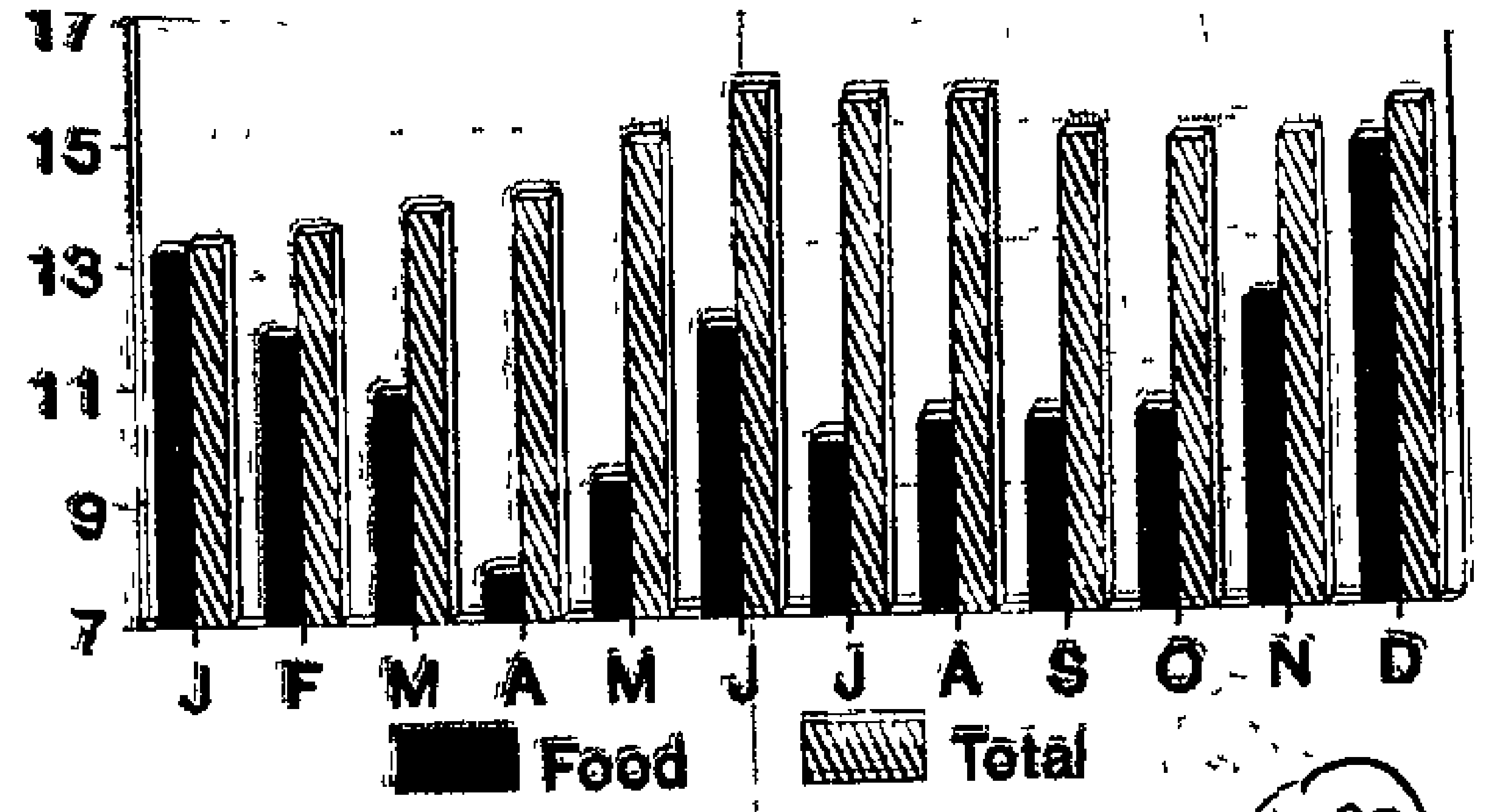
Other items to show deterioration included the bank overdraft, which grew from R1 million to R8,8 million.

New investments totalled R10,4 million, R9,6 million of which comprises loans to affiliated companies.

As a result of the poor financial performance, Milly's share price has steadily nosedived since reaching 150c early in 1988.

However, the price appears to have at last bottomed out at 16c, according to brokers, who believe the current level of 17c represents an opportunity for those shareholders willing to take on some risk to invest in a possible recovery situation.

Because of technical problems we are unable to publish Michael Menof's Bottom Line column today. Publication of the column will be



Annual percentage rises in overall CPI and food price CPI

186

Food prices weigh heavy on pocket

Stev 23/1/90

2

By Sven Lünsche

Inflation is likely to drop to the 14 percent level this year, despite surging food prices

Figures released by the Central Statistical Services (CSS) yesterday show that the Consumer Price Index (CPI) for food products rose by an annual rate of 14,7 percent in December (12,1 percent in November)

It contributed to an 0,4 percentage point rise in the overall CPI from a year-on-year level of 14,9 percent in November to 15,3 percent in December.

However, economists said yesterday that while the soaring cost of food would make it more difficult to lower inflation, the rate was likely to decline to an average of 14 percent this year

According to CSS, inflation last year averaged 14,7 percent (12,9 percent in 1988 and 16,1 percent in 1987).

Rand Merchant Bank economist Rudolf Gouws forecasts a decline this year as economic growth declines and the firmer rand exchange rate reduces the cost of imports

The stronger rand has already contributed to a lower Producer Price Index (PPI), with imported price increases falling from a high of 19 percent last June to below 15 percent at year-end.

Slower growth is beginning to impact on the money supply figures, which were released yesterday.

Reserve Bank statistics show that the rate of increase in the broadly defined M3 money supply in December 1989 rose by 21,84 percent to R144,80 billion, compared with December 1988.

This was well below the rise recorded in November, when M3 surged by 23,35 percent to R142,30 billion

M2 money supply in November reflected a year-on-year increase of 29,42 percent, while the narrowly defined M1 rose by 18,03 percent to R47,09 billion

The drop in M3 in December shows that the rate of increase is moving towards the targeted 14 to 18 percent level for the year

UBS economists comment on this trend in the group's latest *Economic Monitor* "Money supply growth rates exceeding 20 percent are likely to remain the major source of inflationary pressure

"However, the current policy of positive real interest rates will be beneficial in two respects = it will check the 'free' fall in the rand and encourage savings rather than expenditure

"As long as South Africa's real interest rate is roughly in line with that of our trading partners, inflationary pressures will decline in the foreseeable future," the UBS says

However, the brighter outlook holds little comfort for consumers, whose expenditure on food products makes up a large portion of overall outlays

According to CSS figures, food prices between November and December rose 2,6 percent after a two percent rise from October to November.

Vegetables rose by a monthly 8,2 percent, fruit and nuts 4,8 percent, meat 1,7 percent and grain products 1,6 percent.

CG SMITH F|M 26|1|90 (186)

Timeous capex

Activities: *Investment holding company with substantial interests in the food, packaging, carpets, textiles and pharmaceutical industries*
Control: *Barlow Rand holds 60%.*
Chairman: *W A M Clewlow*
Capital structure: *46,9m ords of R1 each. Market capitalisation R3 658m.*
Share market: *Price R78 Yields 3,3% on dividend; 9,6% on earnings, PE ratio, 10,5, cover, 2,9 12-month high, 7 800c, low, 5 100c Trading volume last quarter, 230 000 shares.*

Year to Sep 30	***'86**	***'87**	**'88**	**'89**
ST debt (Rm)	501,5	394	586,1	661,8
LT debt (Rm)	566,7	349,7	497,1	525,3
Debt equity ratio	0,28	0,16	0,31	0,36
Shareholders interest	0,49	0,50	0,44	0,44
Int & leasing cover	4,2	6,8	9,4	6,4
Debt cover	0,52	0,81	0,70	0,77
Return on cap (%)	13,2	15,8	17,3	19,1
Turnover (Rm)	7 237	8 518	10 047	12 424
Pre-int profit (Rm)	544,9	696	942	1 191
Pre-int margin (%)	6,6	7,4	8,6	8,9
Earnings (c)	287 5	390 4	612,7	746,1
Dividends (c)	130	163	212,5	260
Net worth (c)	2 262	2 552	2 822	3 311

* On basis of comprehensive deferred tax

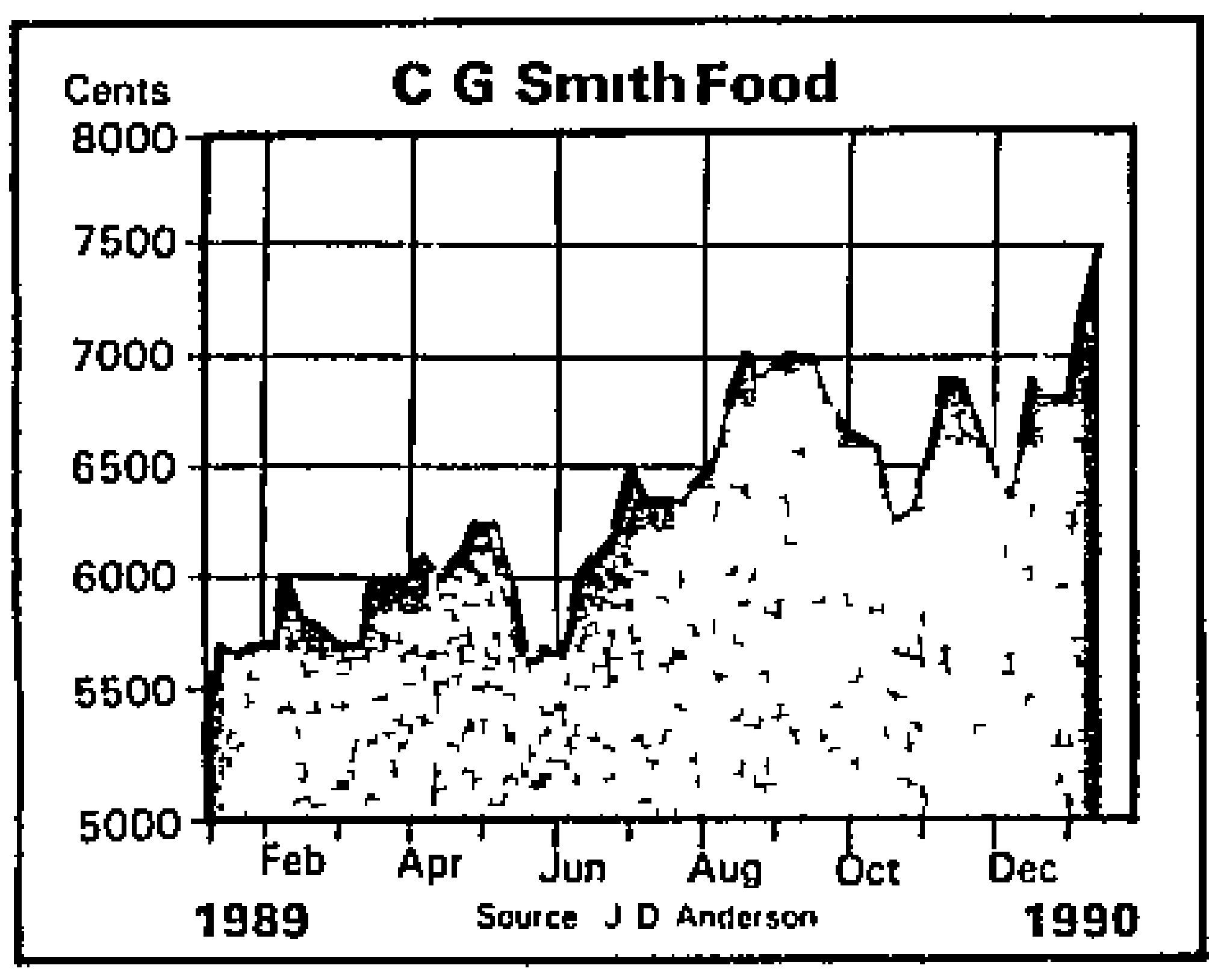
After three years of strong earnings growth, CG Smith is likely to consolidate this year EPS increased 22% last year after rising 39% and 52% in the previous two years

Increased capacity should counterbalance some of the expected effects of lower disposable income Spending on expansion rose 83% last year to R317m. Gearing rose slightly but remained well below 0,50 and, though the interest bill doubled, interest cover remained strong This year capex is likely to be little higher, according to financial director Brian Steele

The new policy on capital write-offs is likely to cut 3% off bottom-line earnings this year. This would not have happened had Barlow not switched to the partial method of deferred tax in 1988 Steele says the group believes accelerated allowances are needed to encourage investment in inflationary times and, therefore, regrets the change.

CG Smith's Clewlow
... slower growth ahead

However, chairman Warren Clewlow describes the change in the incentive regime for exports as "more approriate" Export and foreign sales rose to R1,4bn (R801m) or 12% of total turnover. This includes foreign subsidiaries which, Steele says, are relatively small and unlikely to expand much. Clewlow says the group's exports are moving away from basic agricultural products to higher value-added products Import replacement is also important, a major project being a joint venture with AECI to produce anhydrous hydrogen peroxide



CG SMITH

Attributable profit

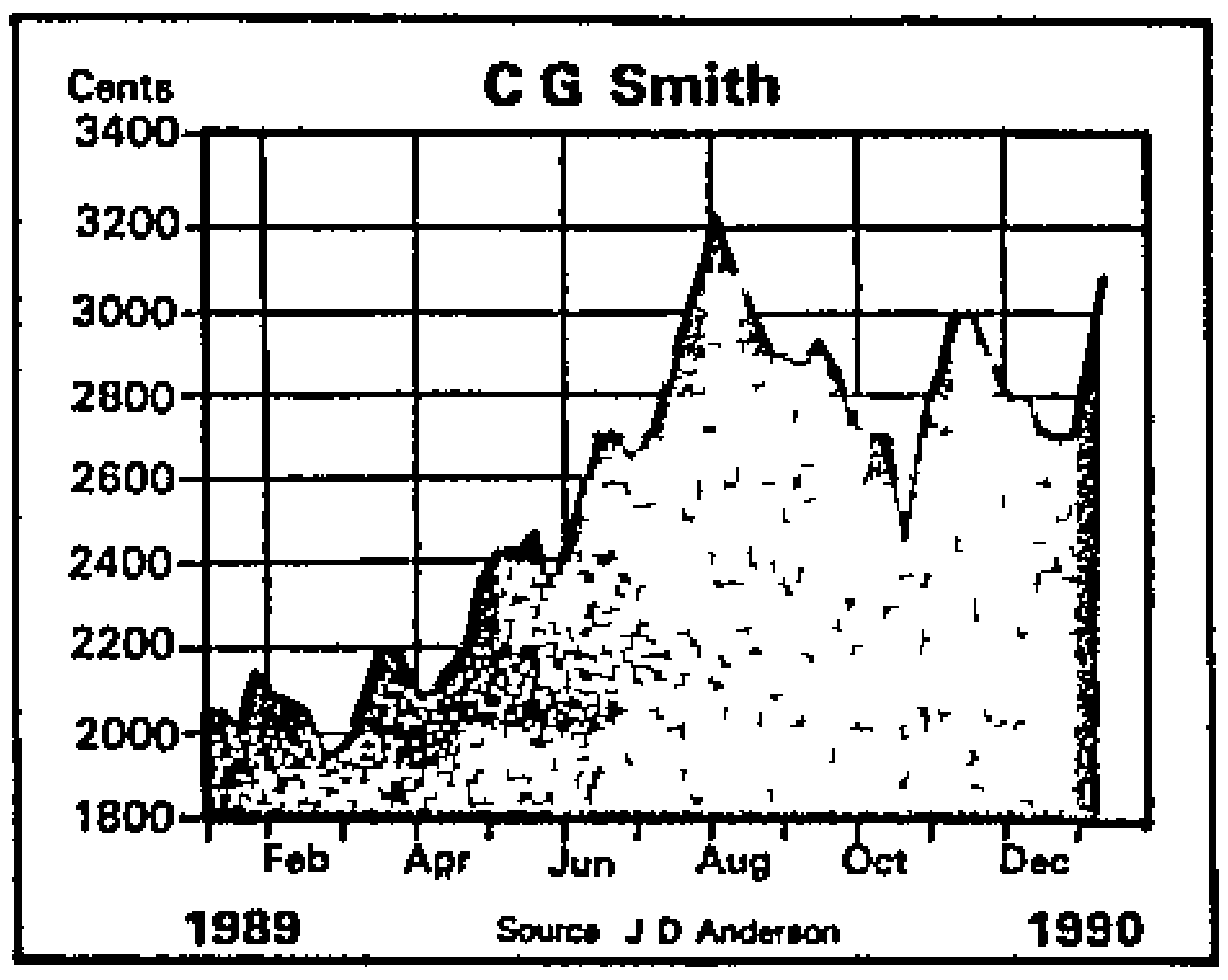
	1989		1988		
	Rm	% of group	Rm	% of group	% change
CG Smith Foods	180,8	51,7	148,0	51,6	22,2
Nampak	137,6	39,3	107,6	37,5	27,9
Romatex	30,8	8,8	31,1	10,8	(1,0)
Other	0,6	0,2	0,4	0,1	—
	349,8	100,0	287,1	100,0	21,8

Domestic demand for food and packaging — which contributed about 90% of CG Smith's bottom line — has been outpacing the population growth rate in recent years, largely because of rapid urbanisation and change from traditional foods to more pre-cooked and processed fare This trend, with the uptrend in the economy and good weather in the rural areas, must account for the excellent performance off a high base of those divisions Nampak, whose production is largely for food and beverages, particularly grew faster than the group average.

While further growth is expected from the two this year, it is likely to be modest.

Though overall demand for food is relatively stable, eating habits quickly revert to cheaper lines and this impacts on packaging demand. Nampak's sales slowed noticeably in the last quarter of 1989 due to customer destocking, pricing and industrial action; they may revive in the second half.

CG Smith Foods' earnings were contributed largely by food, followed by sugar, pharmaceuticals and fishing. Real growth in consumption of food every year compensates for the low margins in the food sector The advantage for large players is there: the broiler chicken market is, for instance, now oversupplied, which may keep pressure on smaller producers. On the basis of long-term trends CG Smith Foods has targeted this as a growth area and is investing in new capacity. Another expansion area is pharmaceuticals, where margins are much higher.



Sugar production will drop in the season ending March 1990 but the foods company will benefit from high export prices and growth from chemicals and pharmaceuticals Romatex contributes the smallest slice of earnings and, being primarily in the carpet and automotive sector, it suffers more than other divisions from downturns. Diversification in recent years has slightly reduced sensitivity.

The 10,5 times p e reflects the market's bullish view of the group's major component, especially Tiger and Nampak. *Teigue Payne*

USKO F/M 26/1/90

Alloyed outlook

Usko's share price has soared and dropped like a rocket with investors' changing perceptions of vanadium's prospects. The advance

186

INFLATION

Feeding the surge

December's unseasonal weather sent food prices soaring. And that meant a large jump in the CPI, which rose from 14,9% in November to 15,3% last month.

Food contributed nearly 50% to a 1,3% month-on-month increase. From November to December, vegetable prices rose 8,2%, fruit and nuts rose 4,8%, coffee and cocoa 3,6%, fats and oils 2%, meat 1,7%, and grain products 1,6%. For the full year, vegetable prices leaped by 34,2%, followed by fruit and nuts, which increased by 22,9%.

Old Mutual economist Rian le Roux says that during the first seven months of last year, food prices rose at an annualised 9,3%, but by 21,1% over the last five months

The increased price of vegetables resulted from unseasonal weather in the Transvaal and OFS, say produce market observers. This reduced the supply of some vegetables and raised prices F/M 26/1/90

Provisional Department of Agriculture figures suggest that food prices may be rising faster than the index shows Last month, the average price for vegetables at SA's 14 markets was R571,04/t, compared with December 1988's R370,23. Fruit was R908,29/t, against R690,79 a year earlier.

Nevertheless, the outlook for lower inflation may be brighter. "After a 14,7% average in 1989, inflation should follow a slow, jagged, downward trend. I expect an average of 13,5% for 1990," says Rand Merchant Bank economist Rudolf Gouws. "Interest rates will remain high for the rest of the year, so consumer demand will weaken, the rate of increase of wages and salaries will slow. The expected stability of the rand will help to slow the rate of increase in the prices of imported goods even further."

Adds Le Roux: "The underlying rate of inflation (excluding food prices) has come off, probably reflecting some strength in the rand As the economy slows one would expect underlying inflation to slow, but now food prices could rise further."

Le Roux expects average inflation for this year as a whole to be between 14%-14,5%.

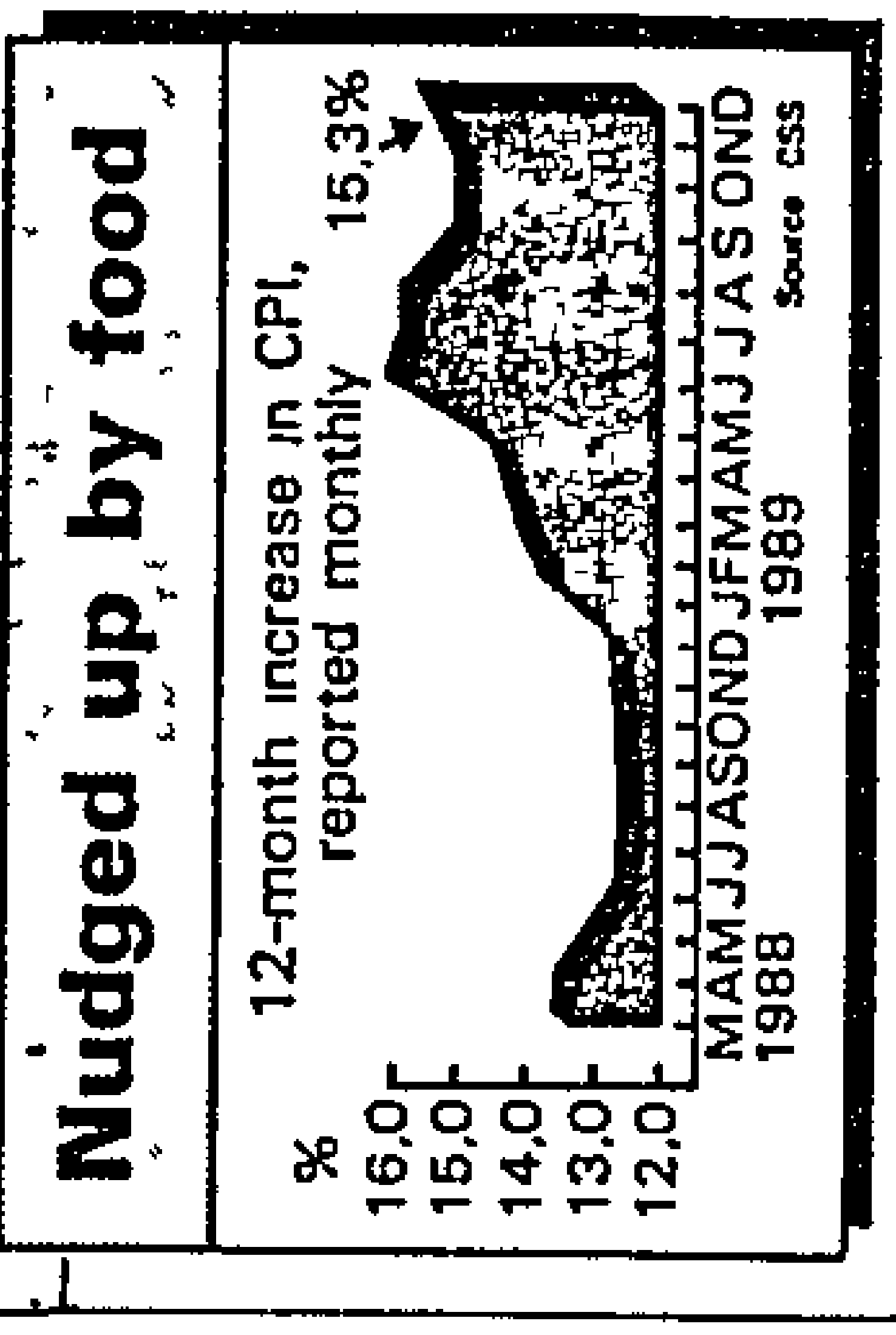
Econometrix economist Tony Twine says: "The food index was held down by cheaper red meat. We believe this was caused by oversupply as farmers reduced herds because of rising interest rates and retail prices dropped. When no longer cushioned by low red-meat prices, the food index jumped"

He adds: "We believe the inflation rate will rise again in the short term and think the 16,1% expected by a recent survey of top 100 companies' views is reasonable"

The PPI for November, announced last week, benefited from the firmer rand. It was 14,6%, down from October's 15,3%. The November index used a new base year, 1985. ■

FM 26/1/90

Nudged up by food



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FINANCIAL MAIL JANUARY 26 1990

FM 26/1/90 186

Lower quotas hamper Ocfish

Star 29/1/90

Diagonal Street

LYNNE PEACH

186

Stockbrokers are not expecting any high-flying performance from Ocfish in the current year — unless fishing quota's are significantly raised from the previous year's levels.

In any event, stockbrokers expect results to continue to improve and point out that the bottom-line could receive an added boost from the planned restructuring of the group

Chairman Walter Lewis explains in the annual report that the Oceana group's corporate structure could be simplified for administrative purposes by the elimination of a large number of minor subsidiaries.

He says assets and operations will be consolidated in 1990 and redundant companies deregistered.

Ocfish, a 68,8-percent subsidiary of Tiger Oats, with Barlow Rand as its ultimate holding company, is the major inshore fishing group in South Africa.

Principal activities include the catching and processing of pelagic fish into fish meal, fish oil and canned fish and the catching and processing of rock lobster.

The wholly owned Blue Continent group provides commercial cold storage facilities and other services.

Listed subsidiary Namsea has investments in the Namibian lobster and pelagic fisheries.

In the latest financial year, rock lobster and pelagic fish accounted for 55 percent of group pre-tax profit, compared with 65 percent previously.

Although the rock lobster season was successful, Mr Lewis says the group's pelagic operations were negatively affected by a shortening of the season and a lowering of quotas.

At the same time, the group's fish trading and cold storage division increased its contribution to pre-tax profit from 15 to 21 percent while net income from investments expanded to account for 24 percent, compared with 20 percent in financial 1988.

In the 12 months to September 1989, group turnover increased 21 percent from R226,9 million to R275 million

The increased level of activity within the Blue Continent group contributed materially to this record achievement.

Net operating income, however, fell 10 percent from R38,5 million to R34,7 million because of the effect of lower pelagic landings.

Dividend income fell seven percent from R10 million to R9,3 million, while group interest income more than doubled from R2,1 million to R4,5 million.

This reduced the decline in pre-tax profit to four percent from R50,6 million to R48,5 million.

A kinder effective tax rate of 38 percent, compared with 41 percent in the previous year, pushed attributable profit to R24 million

This is nearly six percent higher than the R22,8 million recorded in financial 1988.

After an increased number of shares in issue, earnings per share rose four percent from 250,2c to 260,7c.

The dividend for the year amounted to 160c, compared with a normal dividend of 150c and a special dividend of 75c in the previous year.

The balance sheet appears strong, with total borrowings representing only two percent of total shareholders' funds.

This figure takes into account short-term investments and cash of R30,1 million.

Over the year, net asset value has appreciated 13 percent from 696c a share to 787c.

COMMENT Ocfish's share price appears to have entered a downward phase approximately four months ago when it broke below the R25 level. The thinly-traded share should be avoided until the charts confirm a trend reversal.

Tongaat workers' strike deadlocked

ARGUS 31/1/90

186

Tygerberg Bureau

STRIKING workers at Tongaat Mushrooms outside Durbanville today refused to go back after management insisted they return to work before talks could start.

The workers went on strike yesterday, claiming the company was hiding behind agricultural legislation to avoid industrial laws, and refused to recognise the Food and Allied Workers' Union (Fawu) to which the workers belonged.

A spokesman for the workers, Mr Andrew Langevelt, said today the managing director, Mr Derek Chaplain, insisted the workers return to work before negotiations could start.

Workers, however, demanded talks first.

Asked for comment, Mr Chaplain referred The Argus to head office in Johannesburg.

Mr Richard Baker, managing director of Tongaat Mushrooms in Johannesburg, confirmed that the workers were still on strike but that workers' representatives and management were holding discussions to find out what the grievances were.

He said he was not aware of any deadlock before negotiations could start.

Asked to comment on allegations made by workers, he said he wanted first to find out which complaints were legitimate.

"At this stage it does appear that some of the complaints are not justified, particulalry regarding medical services."

Mr Baker said there was a full-time nurse and a doctor visited the factory twice a week.

Maasbanker to be canned in Port Elizabeth

186

ARGUS 2/2/90

The Argus Bureau

PORT ELIZABETH — A R1,5-million fish canning factory is being established at the harbour to process maasbanker

"This is the beginning of an industry which has immense scope for the Eastern Cape," the general manager of Oosterlig Fisheries, Mr Barnie Rose, said

Eighty people, mainly women, had been employed Machinery was being installed and production was expected to start in a fortnight.

It is the first fish-canning factory in Port Elizabeth. The quality of local maasbanker was first class and the end product would be well up to the standards required by the SA Bureau of Standards

The factory would get 80 to 100 tons of maasbanker on average every three days. "We will take in the equivalent of 50 to 60 tons of raw material every day, can the fish in 350g tins and market them all over South Africa," Mr Rose said

Oosterlig Fisheries' parent company, Suiderland Development Corporation, stems from the long-established company, Kaap Kunene, which generated almost the whole of the fishing and canning industries in Namibia and on the west coast of South Africa.

I&J runs into heavy weather as earnings show meagre rise

STAR 9/2/90 (186)

By Ann Crotty

After turning in excellent performances for most of the second half, of the 1980s, the last six months of the decade looked quite dull for Irvin & Johnson

Difficult trading conditions resulted in an earnings increase of only 2,5 percent to R26,8 million (R26,2 million), equivalent to 95c (92,6c) a share

The directors say the figures were achieved in difficult conditions brought about partially by government measures to restrain the economy and control inflation

"A further factor in curbing earnings was that prices of many products sold by the company were at the same level as a year ago and, in certain cases, prices were lower than a year ago"

The firmer rand undermined the benefits of export earnings

This suggests the 17,5 percent increase in turnover to R607,6 million (R517 million) was a volume increase.

But the squeeze on prices was reflected in the increase in operating income, which was just a nominal 3,6 percent — up from R42,6 million to R44,2 million. This meant operating margins were down from 8,2 percent to 7,2 percent

Income from investments dropped 13,8 percent to R3,6 million (R4,2 million) and interest payments rose 19 percent to R3,7 million (R3,1 million), leaving pre-tax income virtually unchanged at R44,1 million (R43,7 million)

A drop in the tax charge enabled I&J to report its slight increase in earnings

The balance sheet at end-December shows working capital up 15 percent at R142 million Long-term borrowings were down to R38,1 million (R40,3 million) Short-term borrowings were also down — from R17,5 million to R10,8 million, resulting in a reduction in gearing to 18,6 percent from 24,6 percent

BDay 9/2/90

I & J profit stunted and squeezed

LINDA ENSOR

AN escalation in operating costs stunted the interim profit growth of frozen food producer, Irvin & Johnson (I & J), which was simultaneously squeezed by the stranglehold which the stagnating economy placed on disposable incomes

Earnings inched up 2,5% to 94,9c a share (92,6c) on a 17,5% growth in turnover to R607,7m (R516,9m)

And the scenario for the second six months looks equally tough, with hopes settling on merely matching last year's earnings as restrictive governmental measures to restrain the economy and control inflation take their toll

"Current levels of restrained consumer spending, depressed selling prices and high interest rates are expected to persist throughout the remainder of the financial year," the directors state in the profit announcement

They say the prices of I & J's major products remained at last year's levels "and in some cases prices were lower than a year ago The firmer rand reduced export realisations"

Another worrying factor is the uncertainty over the continued operation of SA companies in Namibian waters

The rise in unit costs due to wage increases and hikes in fuel and packaging prices resulted in a fall in the operating margin from 8,3% to 7,3%, generating a 3,6% rise in operating profit to R44,2m (R42,7m)

The total allowable catch in SA waters was reduced by 2,5% but vegetable harvests and production of frozen vegetables were much improved

Investment income fell 13,8% due to the investment of less cash and to exchange rate fluctuations

High interest rates produced a shock 19% increase in the interest bill so that pre-tax profit nudged up 0,8% to R44,1m (R43,8m)

The situation was relieved to some extent by the lower tax rate of 39% (40,2%), but I & J derived less income from associated companies

The balance sheet remains relatively unchanged except for a R6,7m reduction in short-term borrowings which has brought debt equity to 18,6% (24,6%)

Transun to exploit further Wild Coast Sun's potential

BDay 9/2/90

LIZ ROUSE

TRANSUN, announcing satisfactory interim results today, has ambitious plans to expand and glamorise the Wild Coast Sun

A master plan to exploit fully the potential of the Wild Coast Sun casino-/hotel complex was presented at Transun's board meeting yesterday, MD Alberto Chiaranda said in an interview

Transun reports a 13% increase in turnover to R80,2m (R71,05m) in the six months to December on which a 13% increase in operating profit to R34,9m (R30,8m) and a 16% rise in attributable earnings to R24,7m (R21,3m) were achieved

The interim dividend has been raised to 13c (11,5c), keeping the group's dividend growth record intact

Directors say in the interim report that the interim results are satisfactory considering the fact that no major developments have taken place since September 1987

They say notwithstanding continuing difficult trading conditions, the board believes that earnings in the second half should be satisfactory

Transun's bottom line was affected positively by net interest earned

The group's healthy gearing of 37% opens the door for expansion The Wild Coast Sun achieved an average room occupancy of 80% for the six month period — 4% higher than room occupancies in SA's hotel industry

This is a better occupancy rate than the hotel achieved in the previous year and an indication that the casino/hotel complex can attract a bigger tourist traffic if facilities are pepped up

The gaming rights position is also now more clear for Transun to go ahead with expansions

Revenues

An agreement, which has been made an order of the Transkei Supreme Court but which is still subject to confirmation by the passing of the necessary legislation, has been reached with the Transkei government

Transkei has been divided into three sections (northern, southern and central) for the purpose of gaming licences In addition, gaming levies have been increased with immediate effect to 7,5% of gaming revenues for the next three years, increasing thereafter to 10% of gaming revenues for the next three years

Transun will be entitled to its exclusivity in the northern division until July 31 1998 and no other party can be granted a gaming licence in this division before that date

The group's five stand-alone slot operations, trading as Transgames, will be phased out over time The Idutywa and Mount Frere outlets will close on or before January 31 1991 and the Butterworth and two Umtata outlets will cease trading on July 31, 1998 or one year after the opening of any casino hotel in the southern division in the case of Butterworth and in the central division in the case of Umtata

Transun will therefore continue to enjoy exclusive gaming rights in the northern division until 1998 The remaining divisions are available to applicants, including Transun, for the granting of gaming licences dependent on the declaration of a tourist development area and the development of a casino hotel in the relevant division

Transun shares firmed 5c to 370c yesterday ahead of results The counter shot up to 425c on January 26 when the beverage and leisure sector was buoyant

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Metal Closures earnings crash in adversity

BDay 9/2/90

ZILLA EFRAT

POOR weather conditions, industrial action, intense market competition and lower sales in some markets contributed to Metal Closures's 21% drop in earnings in the year to December

The group produced earnings of 289,9c (367c) a share The total dividend for the year of 140c (122c) a share, is up 14,8% and covered 2,1 (3) times

Turnover rose 8% to R133,3m (R123,4m), but operating income fell 17% to R16m (R19,4m) as margins dropped to 12% (15,7%)

The interest bill soared to R1,5m (R392 000) with interest cover falling 10,6 (49,4) times, resulting in pre-tax profits dropping 23% to R14,6m (R19m)

On a drop in the tax rate to 48,3% (49,7%), attributable profits fell to R7,5m (R9,5m)

Directors say the low level of real growth, negative in the case of the rigid moulding business, when compared to extremely buoyant levels enjoyed in 1988 stems from various factors

These include poor weather condi[illegible]ions in the first quarter, conversion by customers to the plastic Duet closure where existing aluminium stocks were run down, illegal work stoppages and industrial action

The reduced level of activity has impacted adversely on the recovery of overheads which have sharply increased, thus eroding margins

Directors say the group has invested substantially over the last two years to expand and improve its manufacturing facilities and is confident, that it is well placed for growth

Downturn hits I & J profits

Cape Times 9/2/90

Financial Editor

CAPE TOWN-based fishing and frozen food company Irvin & Johnson lifted turnover by 17,5% in the six months to December. But operating profit rose by only 3,6% and earnings by 2,5%, lagging far behind inflation.

The directors explain that profits were squeezed by the economic downturn, which caused "difficult trading conditions".

This meant that cost increases could not be passed on. Prices of major products remained at the previous year's levels, or in some cases below them.

The strengthening rand hit the company's exports, making them less competitive overseas.

Income from investments fell by 13,8%, to R3,6m (R4,2m), while the interest bill rose by 19% to R3,7m (R3,1m).

Turnover for the half year was R607,6m (R516,9m) and operating profit R44,2m (R42,6m).

Profit before interest and tax was R47,9m (R46,9m) and pre-tax profit R44,1m (R43,7m).

The tax bill was 2,1% lower at R17,2m (R17,6m), leaving net profit of R26,9m (R26,1m).

Earnings at share leval were 94,9c (92,6c).

In accordance with company policy of one annual pay-out, no interim dividend will be paid.

Long-term borrowings were at the same level as on June 30 but short-term borrowings were reduced.

This resulted in a reduction in the debt:equity ratio, to 18,6% compared with 24,6% a year earlier.

The net asset value per share has increased to 852c from 690c.

Star
15/2/90
(186)

Tiger in sweet deal

By Ann Crotty

The giant Tiger group is moving into the R1 billion a year confectionery market with the purchase of a 50 percent stake in Beacon sweets and chocolate manufacturer, Durban Confectionery Works.

Beacon has an annual turnover of over R300 million and is estimated to hold a 34 percent share of the SA confectionery market.

The agreement between the Zulman family — owners of the Beacon operations in SA — and Tiger is subject to several conditions, all of which are expected to be fulfilled before February 28, 1990.

Although the deal fits well into the Tiger food basket it will not have a material effect on Tiger's earnings for the year to end-September or on its net tangible asset value.

No details of the price have been disclosed but industry sources indicate that based on the annual turnover figure and on similar deals that have been struck within the industry, Tiger could be paying as much as R50 million to get this stake in what is regarded as a fast growing market.

The joint venture deal between Tiger and Beacon should combine the former's resources (including its distribution expertise in the black market) with the latter's knowledge of the industry to maximise the benefits offered by market's growth potential

Utico lifts earnings and dividend

STAR 16/2/90 (186)

By Ann Crotty

Utico, the holding company for United Tobacco and Willards Foods, has reported a 16 percent increase in turnover to R361 million (R310,6 million) and an 18 percent hike in earnings to 307,4c (260,2c) a share in the year to December

A final dividend of 98c a share has been declared, bringing the total to 153c — up 39 percent from the previous year's 110c.

Operating income was up 19 percent to R37,6 million (R31,6 million), reflecting a slight increase in operating margins

Interest payments shot up to R1,6 million from R191 000 as a result of increased borrowings used to fund major capex on plant modernisation at both the Industria and Rosslyn factories

Total borrowings were up to R11,1 million — a sharp turnaround from the previous year's cash balance of R570 000

There was a 15 percent increase in pre-tax income to R36 million (R31,4 million)

A drop in the tax rate from 49,6 percent to 48 percent helped lift attributable earnings 18 percent to R18,6 million (R15,8 million).

The increase in turnover represents a volume increase of around two percent

MD Bruce Edmonds says there was some volume increase in snack food sales, but little volume change in cigarettes because of destocking by retailers and wholesalers in the first quarter of financial 1989

Volume increase in the snack division would have been higher if production constraints had not curtailed its ability to meet the sharp hike in demand after the re-launch of Big Korn Bites.

In financial 1988 Utico suffered similar production constraints in the face of an unexpectedly sharp hike in demand for Flanagan's Kettle Fried Crisps.

This reflects the production difficulties caused by the fashion aspect of the demand for snacks

Market launches, necessary to keep up with or ahead of competitors can be unexpectedly successful, leaving management without the production facilities to meet a sharp increase in demand

Then a decision has to be made about the sustainability of the higher demand and the feasibility of increasing production capacity (which involves a time-lag) to meet that demand

The increase in the dividend has resulted in a decrease in dividend cover to two times from 2,4 times

Mr Edmunds says dividend cover is determined by the group's liquidity and its need for medium-term funds

Despite the increase in borrowings in financial 1989, gearing was at a low 11,9 percent at end-year — up from 2,5 percent in financial 1988

Colour fades from Rainbow

Star 19/2/90

(3 186)

By Magnus Heystek,
Finance Editor

Rainbow Chickens, granted an almost immediate blue-chip status by JSE analysts and investors at the time of its listing last June, will be hard-pressed to meet its 1990 financial forecasts

At the halfway stage turnover growth was under pressure due to a number of factors, including a slowdown in consumer spending and an over-supply of broiler chickens.

Turnover rose 15,5 percent to R303,638 million (1988 R262,672 million) in the six months to December.

Operating profit showed a surprising drop of 4,4 percent to R40,617 million (R42,521 million), which was only made to look better by a sharp rise in interest received (up 234 percent to R9,401 million from R2,809 million) and a handy 28 percent decline in the tax bill — down from R14,107 million to R10,152 million.

These two windfalls boosted attributable earnings by 27 percent to R39,835 million from R31,192 million

With the average number of shares in issue rising from 251 million to 275 million as a result of the JSE, the earnings-per-share increase was a pedestrian 16 percent, up from 12,5c to 14,5c per share.

Much (1,8c per share) of this increase in EPS arose from the surrender proceeds of an investment-linked insurance policy, estimated to have been worth R4,950 million.

The dividend has been doubled from 2,4c to 4,8c, but this sharp rise must be seen in isolation and is not comparable with that of the previous year.

DJ Loch Davis (chairman) and JB Geoghegan say that trading conditions in the broiler industry deteriorated in the second half of 1989.

"Selling prices were only marginally higher than in the corresponding period last year.

"The effect of cost increases and static prices on operating profit margins were offset to a large extent by excellent production results," they say

Although Rainbow does not expect the rate of earnings growth to decline in the remaining six months of the financial year, it will be hard-pressed to meet financial targets contained in the prospectus.

Rainbow forecast attributable profit of R88,688 million for the 1990 financial year and an EPS of 32c per share.

EPS will have to rise by at least 20 percent in the second half to 17,5c a share, which appears unlikely in the face of a further slowdown in the economy, unless there are pleasant surprises in store.

BDay 19/2/90 (186)

Turnover up but hard trading conditions squeeze Rainbow's margins

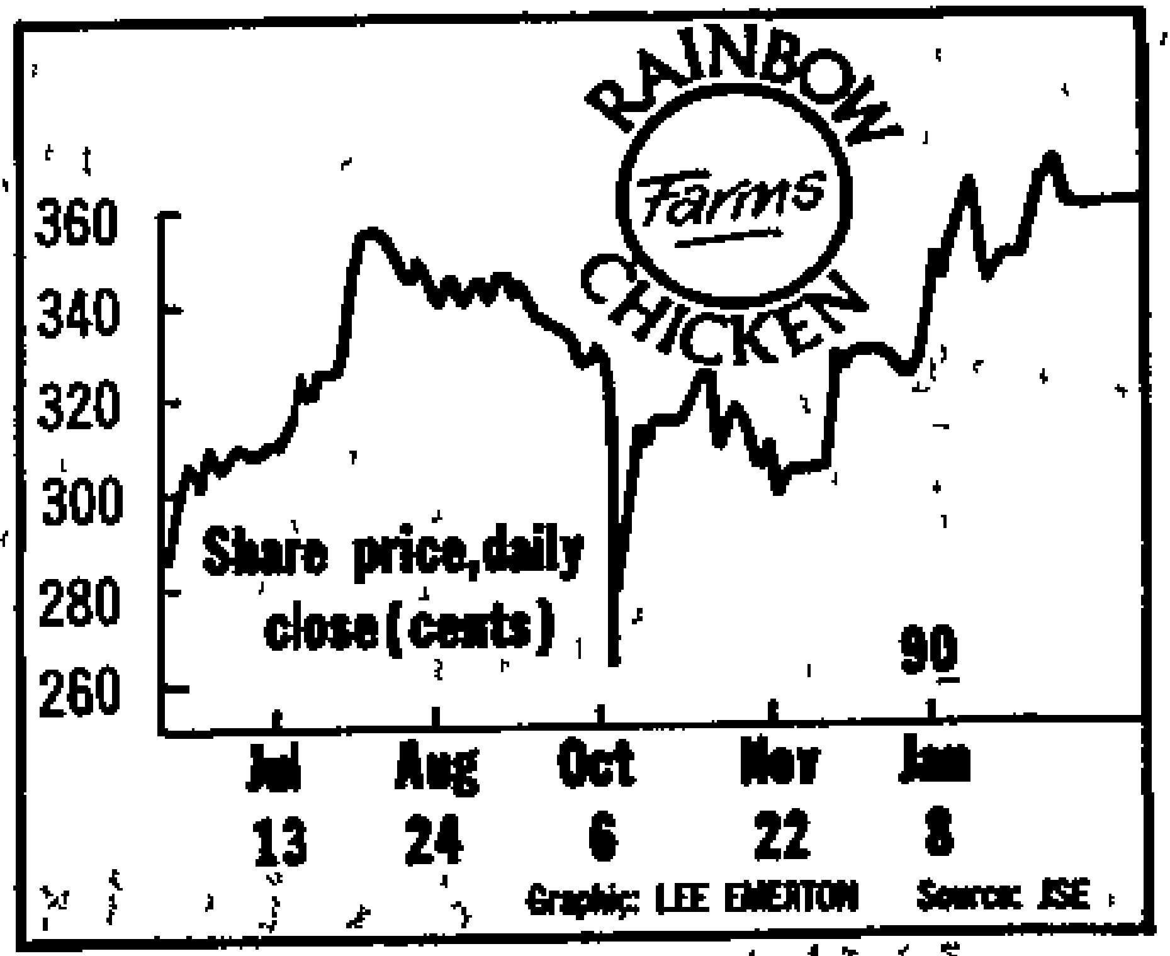
CHARLOTTE MATHEWS

DIFFICULT trading conditions squeezed Rainbow's margins in the six months to December and the 15,6% rise in turnover to R303,6m compared to R262,7m in the previous year was achieved by increasing volumes rather than higher prices.

The interim dividend was doubled to 4,8c a share from 2,4c.

Rainbow Chickens was listed in June 1989 and immediately became a blue chip share.

At the time of listing it was estimated to hold about 35% of the broiler market but as management has pushed up sales at a time of oversupply and reduced consumer spending, the proportion should now have grown.



Graphic: LEE EMERTON Source: JSE

Attributable profits climbed by 27,7% to R39,8m from R31,2m. Earnings of 14,5c (12,5c) a share were reported on a slightly higher number of shares in issue. The directors said 1,8c of this was derived from the surrender proceeds of an investment-linked insurance policy.

Operating margins succumbed to cost increases and static prices and pre-tax profit fell 4,5% to R40,6m from R42,5m last year.

"These factors were offset to a large extent by excellent production results which came from economies of scale and genetic improvements," group MD John Geoghegan said.

He said Rainbow had contained production cost increases well below the inflation rate.

Bottom line profits were aided by a increase in interest received from R2,8m to R9,4m as a result of the investment of the money received from flotation and by a lowering of the tax rate to 20% from 31%. In this period there was increased capex at various centres which had tax compensation.

Geoghegan admitted Rainbow's Rustenburg expansion programme was contributing to the current oversupply of chicken in the market but said there was no intention of slowing the programme down because there were still significant economies of scale to be achieved.

The directors anticipated that the current rate of increase in eps would not decline in the remainder of the financial year.

Pleasure Foods shows 13,8% growth

186

CHARLOTTE MATHEWS

PLEASURE Foods posted a 3% improvement in attributable earnings for the six months to December on a 13,8% growth in turnover.

Management believe the benefits of group reorganisation will be felt in the second half of the year and that the reduction in borrowings at end-December should have a positive effect

Pleasure Foods is a fast food group owning brand names such as Juicy Lucy, Wimpy, Pizza Hut, Milky Lane, Golden Egg and Golden Grill During the period they sold their BJ's Pantry division

B/Day 20/7/90

Turnover for the six months rose to R45,3m from R39,8m and operating profit by 8,6% to R3m from R2,8m

After a doubling of the interest bill from R345 000 to R697 000, attributable earnings grew by R53 000 to R1,8m.

Earnings of 3,8c (3,9c) a share were achieved on a higher number of shares in issue.

An extraordinary loss of R2m was made on what directors say was the sale of an operating division.

If this had been taken into account above the line it would have resulted in a below the line loss of R276 000 for the period

However, in this period overall borrowings fell to R5,3m from R8,8m at the same time last year because of more stringent cash management, the directors said

Trading conditions were satisfactory during the period although the holiday season results, particularly in Durban, were below expectations

R2,4m was spent on capital expenditure compared to R3,5m in 1988 and a further R151 000 has been committed.

The Star
Finance

Star 21/2/90

(186)

Pick 'n Pay sets up clothing shops

By Trevor Walker

CAPE TOWN — Pick 'n Pay is about to expand its retail clothing business by opening 150 stores selling casual ranges, says Johnny Rosenberg, GM in charge of clothing.

"We sell clothing in our major stores and are now intent on using the expertise in specialist stores.

"Our first store is to open in Port Elizabeth in April and we will be monitoring its sales profile."

The move by the country's major food retailer is of major significance.

If its retail expertise is about to be brought to bear on clothing, its rivals could come under pressure.

Clearly, the clothing manufacturing industry is set for a shake-up with the advent of Pick 'n Pay clothing.

"We have a well deserved reputation for driving prices as low as possible and this same philosophy will be used in our new clothing operation," says Mr Rosenberg.

However, the rag trade is very different from the food industry and "our buying profile and relationship with the clothing industry have developed along very different lines", he says.

"Turnover and cost overhead reduction is the name of our game and clothing manufacturers willing to supply us with the necessary stock will benefit from our marketing expertise."

Motorvia

RAINBOW CHICKEN FM 23/2/90

Demanding rating (186

It was a difficult six months with trading profit to December 31 R2m less than a year before Various benefits down the line, however, led to a progressive improvement

A R6,6m increase in interest received helped pre-tax profit just to keep pace with a 10% increase in issued share capital, and the bottom line gained from a much lower tax charge (only 10% against 31% in the six months to December 1988) and the cashing in of an investment-linked insurance policy, which kicked in 1,8c a share earnings

With chicken in oversupply selling prices were only marginally up Most of the rise in turnover reflected higher volumes.

All the news is not bad Production cost increases were held well below the inflation rate, thanks partly to economies of scale at the expanding Rustenburg facility

FM 23/2/90 (186)

Feed conversion efficiency rose by more than 4% and *liveability* (the number of birds that survive to be processed as a percentage of hatchings) by more than 40% — which begs the question of what the previous mortality rate was

Net current assets rose from R21m to R52m, largely because of (unquantified) increased cash resources. These were R100,5m at June 30. Considering that the group is in the middle of a R120m expansion at Rustenburg — and in total spent R51m on capital account, of which R34m was at Rustenburg, during the six months — this is evidence of an extremely healthy cash flow and presumably explains the improved interest received

MD John Geoghegan is "pleased" with this performance, while directors say the rate of earnings growth "is not expected to decline" in the second half If first-half 16% growth is sustained, annual earnings would reach 31,1c, a little short of the prospectus forecast of 32,3c While the directors may well be leaving something in reserve, there

STILL CLIMBING

Six months to	Dec 31 '88	Jun 30 '89	Dec 30 '89
Turnover (Rm)	263	291	304
Pre-tax profit (Rm)	45,3	42,9	50,0
Attributable (Rm) .. .	31,2	36,2	39,8
Earnings (c)	12,5	14,3	14,5
Dividends (c) .	2,4	5,1	4,8

FM 23/2/90 (186)

were special factors in the first half which are unlikely to recur Indeed, the second-half tax rate last year was only 15%

At the minimum prospective 31,1c earnings, the new dividend policy (three times cover) should allow total distribution of 10,3c, against last year's 7,5c The share has risen 35c since we called it "fairly priced" when reviewing the annual report in November, and now offers a minimum prospective yield of only 2,9% Even given the blue-chip status and strong liquidity, this is a demanding rating

Michael Coulson

B/Day 28/2/90

Cadbury Schweppes announces sweetened results

186

CHARLOTTE MATHEWS

AFTER a year of major developments in 1989, Cadbury Schweppes has boosted attributable profits by 27% to R30,7m, compared to R24,2m for the previous year.

Earnings were 20% higher at 88,4c (73,7c) a share on a weighted average of shares in issue The comparatively lower improvement was due to the final conversion of debentures at January 1989 A dividend of 36c (30c) was announced

Cadbury Schweppes manufactures and sells confectionary, soft drinks and food products

Last year it bought 82,5% of Chapelat-Humphries and 49% of Springer. Confectionery and glacé cherry factories were established in Swaziland and several new products introduced

Turnover rose 35% to R440,2m from R326,5m and a slight squeeze in margins was indicated by the 31% rise in operating profit to R41,9m from R32m in 1988

MD Peter Bester said in an interview yesterday margins were affected by the consolidation of the Chapelat-Humphries acquisition and there was pressure on Bromor's margins

"Chapelat-Humphries' operating profit was in line with our expectations despite production constraints towards the end of the year," he commented in the announcement.

"Bromor Foods achieved a modest increase in operating profit. Although gains were made in the squashes and cordials market, margins declined due to strong competitive pressure and the impact in the Transvaal operation of capacity constraints which are now being addressed."

He said Bromor's Cape Town factory and its distribution network had been upgraded but there was still more to be done Bromor's upgrading would be completed within two to three years and was being funded internally.

Crown food turnover hit at sales level

B/Day 28/2/90

CHARLOTTE MATHEWS

INCREASED competition and the economic downturn shaved Crown Food Holdings turnover.

This dropped by 2,4% to R55,5m for the six months to December, compared with R56,9m for the last six months of 1988

Operating margins dropped to 7% from 9,6% and operating profit fell by 29% to R3,9m from R5,5m

Group secretary Martin Hanlon said in the announcement that this was the result of a decline in real sales.

186

Catering

The dividend stayed at 1,5c a share on earnings of 3,9c (5,6c) a share. Attributable profits fell by 31% to R1,35m from R1,96m

Crown Foods is made up of a food processing and a catering division.

Hanlon said competition and the economic downturn had been more severe in the food processing division than had been expected.

The catering division had maintained sales though.

Crown sold Fine Foods and bought Aloe Catering Equipment

"This will achieve a balance between the catering equipment division and the food processing division"

CE says Lonrho proud to be Africa's largest food producer

186

SYLVIA DU PLESSIS

LONRHO'S proudest achievement is that it is the largest food producer in Africa, CE Tiny Rowland says in the British-based international trading conglomerate's latest annual report.

Rowland says Lonrho's holdings in Africa and the US together exceed 1,6-million acres, including extensive beef cattle ranches carrying 120 000 head

Its African food operations include sugar estates in SA, Swaziland and Malawi, farming in Mozambique and Zimbabwe, food processing and distribution in Kenya and bottlers in Zambia

The group, whose shares are quoted on the JSE, will always value its origins as an African mining and ranching company, he says

"Throughout years of sometimes tumultuous political change in Africa, our experience has overwhelmingly been one of co-operation

"Mining and agriculture are long-term investments which need sustained goodwill from governments over many years if they are to succeed"

Rowland says Lonrho's sugar estates — its largest single agricultural profit-earner — benefited during the year to September from the continued improvement in the world sugar price, with record profits being achieved

Record

"In Mozambique we are one of the largest tomato growers in the southern hemisphere and the Lomaco estates are now the major supplier of vegetables to the capital city"

During the period under review Lonrho acquired Kenyan pork products supplier Farmers Choice and is now the largest pig farmer in the country, while Nigerian-based John Holt Farms commissioned a modern poultry plant outside Benin City with a capacity of 1 000 processed chickens per hour

He adds that in Malawi tea production of 5-million kilograms was a "record" and prices were higher

The group's other African-based operations include motor distributors, wattle estates, pharmaceutical distributors and construction companies Mining interests are concentrated in SA

Rowlands says gold and platinum group metal production reached nearly one-million ounces, and an improvement of more than 30% looks achievable due to the addition of a productive mine neighbouringWestern Platinum

The enlarged company is expected to market a third of the world's platinum group metals during the 1990s, he says.

Lonrho posted earnings a share of 29,8p (25,7p) in the year to September on turnover which rose to £5,1bn (£4,2bn) Dividends of 16p, 41% up on the previous 11,1p, were declared

Rowlands says Lonrho, with 1 000 companies in 100 countries, is "well prepared" to expand into developing areas of Eastern Europe

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT

Yes, Hansard 6/3/90

(a) seven members of public and one member of Parliament,

(b) from 11 June 1987 to 5 July 1989 Unfortunately information is only available as to the past three years,

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Hydroquinone

*19 Mr M J ELLIS asked the Minister of National Health and Population Development

What steps have been taken with a view to implementing the banning of the manufacture and importation of products containing hydroquinone, as announced in the reply to Question No 8 on 21 February 1989? B344E

Hansard 6/3/90

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT

Government Notice R1227, published in the Government Gazette dated 24 June 1988, prohibits the use of hydroquinone in cosmetics as from 1 January 1991

However, I am considering advancing the date of this prohibition

Seaweed: permit for certain company

*20 Mr E K MOORCROFT asked the Minister of Environment Affairs

Hansard 6/3/90

(1) Whether a certain company, the name of which has been furnished to the Minister's Department for the purpose of his reply, has been granted a permit to gather seaweed off the east coast of South Africa, if so, (a) who granted this permit and (b)(i) when and (ii) subject to what conditions or specifications was it granted, Hansard 6/3/90

(2) whether his Department monitors the gathering of seaweed by this company; if not, why not, if so,

(3) whether the gathering of seaweed by this company has in any way affected the local environment, if so, in what ways? B345E

The MINISTER OF ENVIRONMENT AFFAIRS

(1) Yes

(a) Minister of Environment Affairs, Mr G J Kotzé, MP

(b) (i) 1 November 1988

(ii) The Permit Conditions are

1 The Permitholder shall be a member of the South African Concessionaires' Association (SASCA)

2 This permit shall be subject to the following fees, payable to the Department of Environment Affairs, Private Bag X2, Rogge Bay, 8012 (the 'Department')

(a) Annual permit fee of R1 500,00 per concession area payable in advance, and

(b) A levy of R4,00 per ton (dry mass) of all seaweed collected/harvested, shall be *payable before or on the 15th day of May each year*, and thereafter at *six-monthly intervals* The levy shall be submitted together with an appropriately completed levy form V1/13/5/1L Should payment not reach the Department of Environment Affairs before or on due date, interest at the standard rates for Government loans and advances shall be payable from the due date to the date of receipt

3 Should the Permitholder fail to pay the annual permit fee and/or levies as prescribed in clause B3 above by due dates and still fail to pay such fees within 30 days after payment has been demanded in writing by the Department of Environment Affairs, the Minister of Environment Affairs and of Water Affairs (the 'Minister') may cancel this permit without further notice, and the Permitholder shall be liable for all fees plus interest due in terms of this permit

4 The Permitholder shall, on the prescribed form V1/13/5/1E, furnish monthly to the Chief Directorate Sea Fisheries, Private Bag X2, Rogge Bay, 8012, the details specified

5 Notwithstanding anything to the contrary contained herein, the Minister may at any stage during the period of validity of this permit amend or supplement the conditions contained therein, or withdraw and cancel the permit in its entirety, by giving notice of his intention to do so and his reasons therefor, in a prepaid registered letter addressed to the *domicilium citandi et executandi* of the Permitholder, in which case, the Permitholder shall be entitled to a *pro rata* refund of the permit fee.

6 Subject to review, this permit may be extended

(a) for two further periods of five (5) years each, or

(b) indefinitely, should the Minister be satisfied that the Permitholder processes locally *To qualify as a local secondary processor a Permitholder shall within the Republic of South Africa convert to final consumer-use a substantial proportion of raw material it handles*

7. The Permitholder may surrender the permit by giving six (6) months' written notice to the Department of Environment Affairs, in which case the Permitholder shall be entitled to a *pro rata* refund of the permit fee

8 This permit is not transferable

9 The Permitholder indemnifies the State against all expenses, losses, actions and claims, including claims for damages, injuries to persons or damage to property and all costs between attorney and client which the State may be adjudged or obliged to pay, arising directly or indirectly from any action which may be taken by any person(s) as a result of the granting of this permit, or as a result of any act performed by the Permitholder, its employees, contractors or customers, on the said land pursuant to the permit The Permitholder shall be held responsible for any contravention its contractor(s) may commit while in its employ

10 The Permitholder may at any time apply in writing to the Department for permission to collect/harest seaweeds excluded from this permit

11 Nothing contained in this permit shall detract from the powers conferred on the Minister and the State President by Sections 4, 5 and 10 of the Seashore Act, 1935 (Act 21 of 1935), in relation to third parties

12 Seaweeds shall be collected/harvested only by collectors in the employment of the Permitholder or of its accredited representative(s) or contractor(s)

13 Seaweeds shall be harvested by hand-plucking or such other method(s) as is/are prescribed by the Department

14 The Permitholder shall ensure that its employees, while engaged in collecing/harvesting operations

(a) shall, as soon as possible, remove and return to the sea all limpets accidentally included with the collected/harvested seaweed,

(b) do not collect any shellfish,

(c) do not create a public nuisance whether by reason of unacceptable noise, smell, or anything likely to endanger public health,

(d) shall comply with all regulations relating to public health,

(e) shall make use of authorised and satisfactory sanitary facilities that shall, if necessary, be provided by the Permitholder where appropriate,

(f) are distinctively dressed so as to be readily identifiable;

(3) (a) Yes

(b) J S Slabber—Services temporarily utilized at Area Office
L Redelinghuys—Transferred to Good Hope College
G M W Visser—Services utilized at the Umzingisi Special School
P H de Wet—Transferred to Head Office
C S Kelly—On sick leave pending application for early retirement due to ill health
J J Schutte—Transferred to Head Office
H S J Coetzee—Services temporarily utilized at Area Office
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C W van der Vyver—Services temporarily utilized at Area Office

Hansard 6/3/90

Harms Commission. investigators

*13 Mr D J DALLING asked the Minister of Justice Hansard 6/3/90

Whether, with reference to his statement on 7 February 1990, a team of investigators to be put at the disposal of the Harms Commission has been appointed, if so, (a) what are the names of the persons involved, (b) what are their qualifications and (c) by whom are they employed at present? B338E

The MINISTER OF JUSTICE

Yes

(a) (i) Advocate T P McNally, SC
(ii) Advocate L J Roberts, SC
(iii) Major-General R N van der Westhuizen
(iv) Lieutenant-Colonel J P Wright

(b) (i) Advocate McNally is the Attorney-General of the Orange Free State and has been eonrolled as an advocate of the Supreme Court of South Africa
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Lead concentration exceeded

Hansard 6/3/90

*14 Mr R F HASWELL asked the Minister of National Health and Population Development

Whether the maximum allowable concentration of lead in the atmosphere, as specified in the reply to Question No 506 on 26 May 1989, was exceeded in Cape Town on any day in 1989, if so, on how many days? B339E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT

No, the concentration was never exceeded during 1989

Hout Bay: development of harbour area

*15 Mr C W EGLIN asked the Minister of Planning and Provincial Affairs Hansard 6/3/90

(1) Whether any progress has been made with the plans for the development of the harbour area at Hout Bay, if not, why not, if so, when will the plans be finalized,
(2) whether, in considering these plans, his Department or the Cape Provincial Administration has commissioned an environmental impact study relating to such development, if so who undertook the study,
(3) whether this environmental impact study will be made public, if not, why not, if so, when,
(4) whether his Department or the Administration has discussed the plans for the proposed development with representatives of the local community; if not, why not; if so, (a) with what representatives and (b) when? B340E

The MINISTER OF PLANNING AND PROVINCIAL AFFAIRS Hansard 6/3/90

(1) Major developers were asked to submit sketch plans for the development of part of the harbour at Hout Bay for purposes of tourism Two groups of developers came to the fore, and the preliminary plans of these two groups are at present with the Provincial Executive Committee for a decision and the appointment of one of them Subsequently the successful developer will be asked to submit full architectural plans, which, if necessary, will be subjected to an environmental impact study
(2) Falls away
(3) Falls away
(4) No, because there are as yet no final plans which can be discussed with the local community The final plans will be open to inspection by interested parties

Mr C W EGLIN Mr Speaker, arising out of the hon the Minister's reply, may I take it that although they are called "final", the plans will not actually be finally formalised until an impact study has been done and approved and until the local residents have been consulted and have made their input?

The MINISTER Mr Speaker, what is happening at the moment is that two different plans are being evaluated One of these developers will then be asked to present architectural plans, as they are rather expensive items Once they have been received, those plans will be submitted to the local community for their input and comment

Brown's Farm: housing

*16 Mr J VAN ECK asked the Minister of Planning and Provincial Affairs

(1) How many persons will Brown's Farm be able to accommodate after it has been developed, Hansard 6/3/90
(2) whether any other land has been allocated for those persons who were forced to leave the Crossroads area in 1986 and cannot be accommodated on Brown's Farm, if not, why not, if so, what land? B341E

The MINISTER OF PLANNING AND PROVINCIAL AFFAIRS

(1) The assumption is made that the ~~218 ha~~ development area at Philippi is at question A total of 5 036 erven is to be developed, and at a family size of 6 the estimated number of people is in the order of 30 000
(2) No Current indications are that the development area will be sufficient for *inter alia* the particular category of people

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Cape Town railway station: certain police officer present

Hansard 6/3/90

*17 Mr J VAN ECK asked the Minister of Law and Order

(1) Whether a certain police officer, whose name has been furnished to the South African Police for the purpose of the Minister's reply, was present on the third-class concourse of the Cape Town railway station on the afternoon of 31 January 1990, if so, why,
(2) whether this officer or any policemen under his control took any action there, if so, what action,
(3) whether he will make a statement on the matter? B342E

The MINISTER OF LAW AND ORDER

(1) Yes The officer was in charge of a group of policemen who were performing duty on the station
(2) No
(3) No

Tartrazine

Hansard 6/3/90

*18 Mr M J ELLIS asked the Minister of National Health and Population Development

Whether her Department has received any representations regarding the use of tartrazine in foodstuffs during the past five years, if so, (a) from whom, (b) when, and (c) what was the (i) purport of and (ii) response to these representations, in each case? B343E

186

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Hansard 6/3/90 B344E

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*20 Mr E K MOORCROFT asked the Minister of Environment Affairs

Hansard 6/3/90

(1) Whether a certain company, the name of which has been furnished to the Minister's Department for the purpose of his reply, has been granted a permit to gather seaweed off the east coast of South Africa, if so, (a) who granted this permit and (b)(i) when and (ii) subject to what conditions or specifications was it granted, Hansard 6/3/90

(2) whether his Department monitors the gathering of seaweed by this company, if not, why not, if so,

(3) whether the gathering of seaweed by this company has in any way affected the local environment, if so, in what ways?

B345E

The MINISTER OF ENVIRONMENT AFFAIRS

(1) Yes

(a) Minister of Environment Affairs, Mr G J Kotzé, MP

(b) (i) 1 November 1988

(ii) The Permit Conditions are

1. The Permitholder shall be a member of the South African Concessionaires' Association (SASCA)

2 This permit shall be subject to the following fees, payable to the Department of Environment Affairs, Private Bag X2, Rogge Bay, 8012 (the 'Department')

(a) Annual permit fee of R1 500,00 per concession area payable in advance; and

(b) A levy of R4,00 per ton (dry mass) of all seaweed collected/harvested, shall be *payable before or on the 15th day of May each year*, and thereafter at *six-monthly intervals* The levy shall be submitted together with an appropriately completed levy form V1/13/5/1L Should payment not reach the Department of Environment Affairs before or on due date, interest at the standard rates for Government loans and advances shall be payable from the due date to the date of receipt

3 Should the Permitholder fail to pay the annual permit fee and/or levies as prescribed in clause B3 above by due dates and still fail to pay such fees within 30 days after payment has been demanded in writing by the Department of Environment Affairs, the Minister of Environment Affairs and of Water Affairs (the 'Minister') may cancel this permit without further notice, and the Permitholder shall be liable for all fees plus interest due in terms of this permit

4. The Permitholder shall, on the prescribed form V1/13/5/1E, furnish monthly to the Chief Directorate Sea Fisheries, Private Bag X2, Rogge Bay, 8012, the details specified

5 Notwithstanding anything to the contrary contained herein, the Minister may at any stage during the period of validity of this permit amend or supplement the conditions contained therein, or withdraw and cancel the permit in its entirety, by giving notice of his intention to do so and his reasons therefor, in a prepaid registered letter addressed to the *domicilium citandi et executandi* of the Permitholder, in which case, the Permitholder shall be entitled to a *pro rata* refund of the permit fee

6. Subject to review, this permit may be extended

(a) for two further periods of five (5) years each, or

(b) indefinitely, should the Minister be satisfied that the Permitholder processes locally *To qualify as a local secondary processor a Permitholder shall within the Republic of South Africa convert to final consumer-use a substantial proportion of raw material it handles*

7 The Permitholder may surrender the permit by giving six (6) months' written notice to the Department of Environment Affairs, in which case the Permitholder shall be entitled to a *pro rata* refund of the permit fee

8. This permit is not transferable

9 The Permitholder indemnifies the State against all expenses, losses, actions and claims, including claims for damages, injuries to persons or damage to property and all costs between attorney and client which the State may be adjudged or obliged to pay, arising directly or indirectly from any action which may be taken by any person(s) as a result of the granting of this permit, or as a result of any act performed by the Permitholder, its employees, contractors or customers, on the said land pursuant to the permit The Permitholder shall be held responsible for any contravention its contractor(s) may commit while in its employ

10 The Permitholder may at any time apply in writing to the Department for permission to collect/harest seaweeds excluded from this permit

11 Nothing contained in this permit shall detract from the powers conferred on the Minister and the State President by Sections 4, 5 and 10 of the Seashore Act, 1935 (Act 21 of 1935), in relation to third parties

12 Seaweeds shall be collected/harvested only by collectors in the employment of the Permitholder or of its accredited representative(s) or contractor(s)

13 Seaweeds shall be harvested by hand-plucking or such other method(s) as is/are prescribed by the Department.

14 The Permitholder shall ensure that its employees, while engaged in collecing/harvesting operations

(a) shall, as soon as possible, remove and return to the sea all limpets accidentally included with the collected/harvested seaweed,

(b) do not collect any shellfish,

(c) do not create a public nuisance whether by reason of unacceptable noise, smell, or anything likely to endanger public health,

(d) shall comply with all regulations relating to public health,

(e) shall make use of authorised and satisfactory sanitary facilities that shall, if necessary, be provided by the Permitholder where appropriate,

(f) are distinctively dressed so as to be readily identifiable, portfolios. *Jim Jones*

LEPPIN FM 9/3/90

Margins vanish

(186)

Activities: *Imports, manufactures, distributes and exports food supplements and vitamins.*

Control: *Directors 76,7%.*

Chairman: *G Leppin; joint MDs: N Hannemann and T Hannemann.*

Capital structure: *8,6m ords. Market capitalisation: R1,5m*

Share market: *Price: 17c. 12-month high, 28c; low, 14c. Trading volume last quarter, 36 650 shares.*

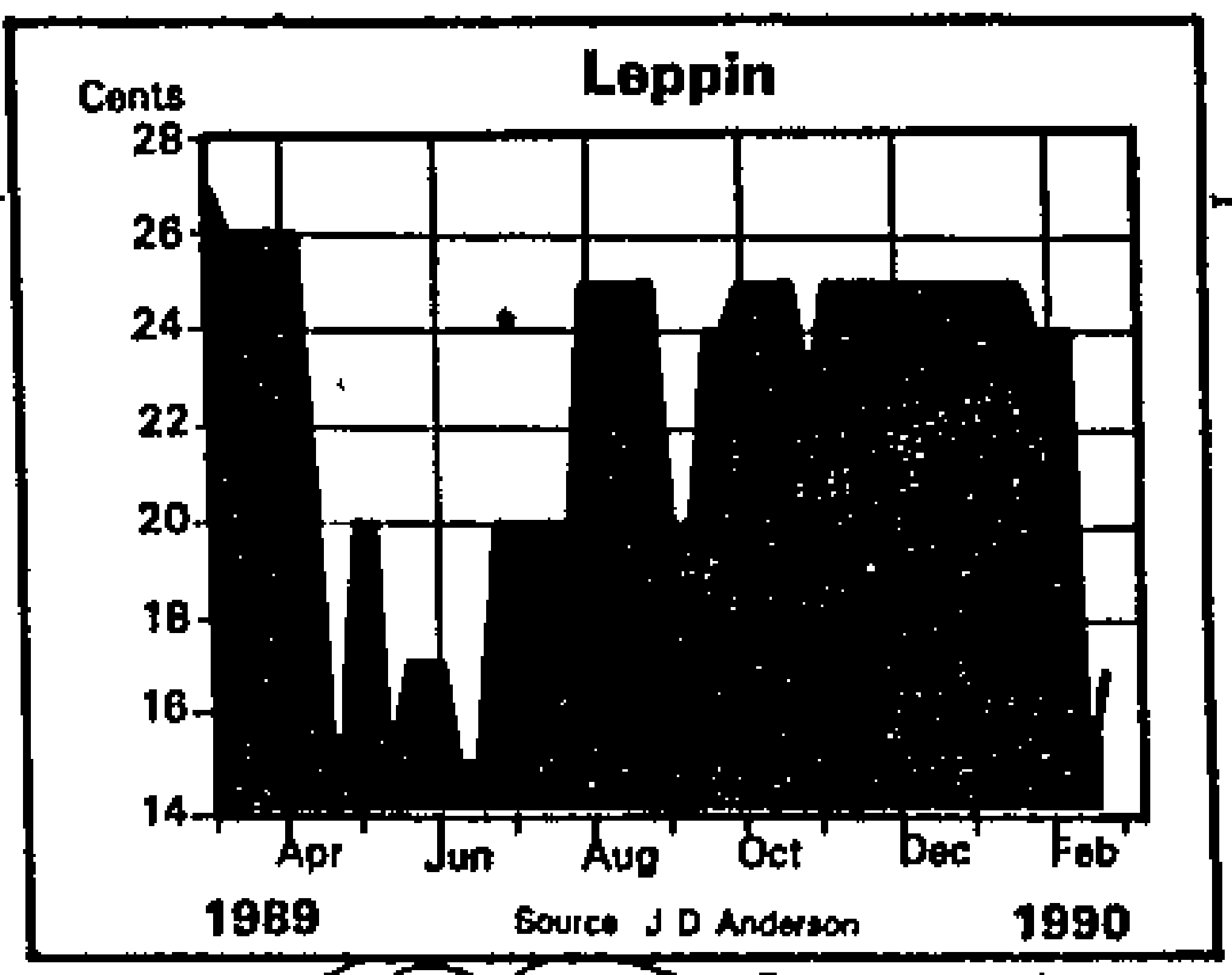
Year to July 31	**'87***	**'88**	**'89**
ST debt (Rm)	0,3	0,5	0,9
LT debt (Rm)	0,1	0,1	0,2
Debt·equity ratio	0,74	0,47	1,07
Shareholders' interest	0,33	0,44	0,27
Int & leasing cover	13,1	3,9	(0,48)
Debt cover	0,8	0,6	0,05
Return on capital (%)	20,3	10,2	—
Turnover (Rm)	3,7	4,4	6,1
Pre-int profit (Rm)	0,3	0,3	(0,08)
Pre-int margin (%)	8,8	6,9	—
Taxed profit (Rm)	0,2	0,2	(0,25)
Earnings (c)	3,2	2,7	(2,9)
Dividends (c)	nil	1	—
Net worth (c)	8	15	12

* Pro forma

[redacted]

For the second consecutive year, Leppin Holdings' earnings have fallen despite strong turnover growth.

Management attributes the latest 2,9c per



Source J D Anderson

long term [redacted] (186) FM 9/3/90

The share price is down 37% on infrequent and small trades in the past year but stands 40% above net worth It appears some shareholders remain optimistic even though the company has failed to meet its forecasts Meanwhile, a price recovery is unlikely until earnings are firmly in the black *Pam Baskind*

Not that easy being the king of the jungle

186

CHARLOTTE MATHEWS

MARKETING chips is no snip, says Simba Quix MD Neville Isemonger

The R420m-a-year chip market is dominated by the potato chip sector, which forms 59% of the market, Isemonger estimates Of that, 79% is made up of what the industry knows as ridge cut and the consumer knows as crinkle cut.

"You have to be totally marketing orientated and spend a lot of money on launching a new brand," Isemonger said in an interview

"We do ongoing market research At any one time we are testing a number of flavours but we throw out more than we decide on. It is hit or miss most of the time Sometimes when we launch a flavour it is a dead dog," he said.

B/Day 12/3/90

"We thought Ghost Pops would be a seven-day wonder and would have been happy if they had sold for three or four months We have now been selling them for a couple of years"

He said Simba had already discarded 15 products and added 14 new ones this year

Simba's number one bestseller in the Transvaal was cheese-and-onion, followed by Mexican chilli. Mexican chilli was, however, only number eight in the Cape.

Isemonger said Simba did not regard Willards as its main competitor — its market share made Simba the undisputed snack market leader

"We compete not only against other snacks, but with the whole impulse market, from meat pies to chocolate bars

"We therefore try to keep our price increases as low as possible to ensure value for money to our many young consumers."

He expressed concern about backyard operators who made the orange extruded snacks sold in very large bags in Johannesburg "We call these gut-fillers They serve as a treat where money is not plentiful, but there is no control over quality or freshness"

The main chip-eating age had been established by market research as between 12 and 19 Research had also showed that 35% of the population were heavy snackers, eating 10 or more 30g packets of chips a month.

Fedvolks sets market buzzing

Star 13/3/90

186

By Ann Crotty

Yesterday's cancelled Fedvolks press conference has fuelled speculation that figures for the 12 months to March will be down on management's forecast that earnings for will be little changed from 1989's 85,3c a share

At the half-way stage, a 30 percent hike in the weighted number of shares in issue meant that EPS was little changed at 35,6c (34,8c)

Now it looks as though two major problem areas, combined with the likely pedestrian performances of most of the divisions in this consumer-oriented group, will result in a fall in earnings

Tek and Fedmech are the two areas which appear to be bleeding the group

The latter, which has been hit by the sharp drop in tractor sales, does not fit into Fedvolks' portfolio of consumer-oriented operations

A few weeks ago management said negotiations were in progress with Fedsak. These are likely to result in some form of divestment of Fedmech

Tek, whose MD of 16 years resigned suddenly last month, has taken quite a beating from the squeeze on consumer spending over the past 18 months

Industry reports are that the company is heavily overstocked and has had to suffer margin-crushing discounts to offload stocks

Other divisions appear to be performing relatively well against competitors, so there is unlikely to be pressure from Sanlam to enforce any signficant reorganisation beyond the divestment of Fedmech and some changes at Tek.

But in the absence of a counter-cylical contributor to its earnings, it's difficult to see any attraction in the Fedvolks share

186

B|Day 15/3/90.

Utico braced for slowdown

ACHMED KARIEM

UK-controlled food and tobacco group Utico expects the group's markets to be adversely affected this year by the forecast of an economic slowdown.

Chairman Fred Haslett says in Utico's annual report President F W de Klerk's speech to Parliament was cause for optimism and may improve the "sluggish" economy.

Utico was prepared and staffed for the possible tighter conditions ahead.

"The snack food market remained highly competitive and continued to show real growth," says Haslett. "The cigarette market continued to show real, albeit modest, growth."

New plant and equipment required for both the Industria and Rosslyn factories was likely to increase borrowings. However, debt was expected to remain modest in relation to shareholders' funds.

Haslett said turnover showed a 16% growth in the year under review while operating income improved by a "very satisfactory " 19%.

Repfin to be reversed into Funa

BRENT MELVILLE

186

TRADE finance group Repfin is to be reverse-listed into cash shell Funa Foods, in terms of a deal announced by Rand Merchant Bank (RMB) today. B\Day 16\3\90

Repfin is to purchase RMB's entire 12-million ordinary shares in Funa Foods for a cash consideration of R7,2m, or 59,65c a share. RMB acquired these for 57c a share before the sale of Funa's assets to Tongaat-Hulett for R6,9m last March.

In terms of JSE requirements, the Repfin vendors, Stoffel Erasmus (ex-TrustBank) and Andre Prakke, will make a similar offer to minority shareholders holding the remaining 468 600 ordinary shares in issue.

After the change of control Funa will purchase the entire issued share capital of Repfin Finance and Repfin Holdings for a consideration of R13,3m, payable by R2,1m cash, R306 190 by the credit of a loan account, R4,9m by the allotment of 8,1-million new ordinary Funa shares and R6m by the issue of 10,1-million convertible debentures.

The group will be listed under the name Repfin Holdings in the banks and financial services sector of the JSE.

Soft market affects Guardian

UTICO FM 16/3/90 (186)

Capacity constraints

Utico, the UK-controlled holding company of United Tobacco and Willards Food, weathered difficult trading conditions, capacity constraints and a higher debt level to post an 18% rise in earnings in the 1989 year.

Turnover rose 16% and the pre-interest margin was slightly up at 10,4%. But volumes in the tobacco division were almost static High interest rates and sliding consumer spending caused wholesalers and retailers to destock, particularly in the first quarter. According to chairman Fred Haslett, Benson & Hedges (B&H) Special Mild and Ultra Mild retained their positions as SA's largest selling mild and ultra mild cigarettes, while B&H Ultimate Lights were

FINANCIAL MAIL MARCH 16 1990

FM 16/3/90 (186)

launched "highly successfully" Other brand names include Cameo, John Player and Texan cigarettes, A 1 Special and BB tobacco.

Snack sales rose in real terms but capacity constraints prevented Willards from taking full advantage of the growing market for these foods. Products adversely affected included Fresh-up 100, which was relaunched successfully.

Similar problems were experienced last year and a programme was initiated to modernise plant and increase capacity at both factories The capex and a higher level of leaf tobacco stocks saw total interest-bearing debt rise 430%, and interest payments reached R1,62m (R0,19m)

Though the debt.equity ratio and debt cover have deteriorated sharply from last year, the group remains conservatively financed. The capex programme will be continued this year to overcome packaging capacity constraints, particularly at Rosslyn where maximum capacity is being reached.

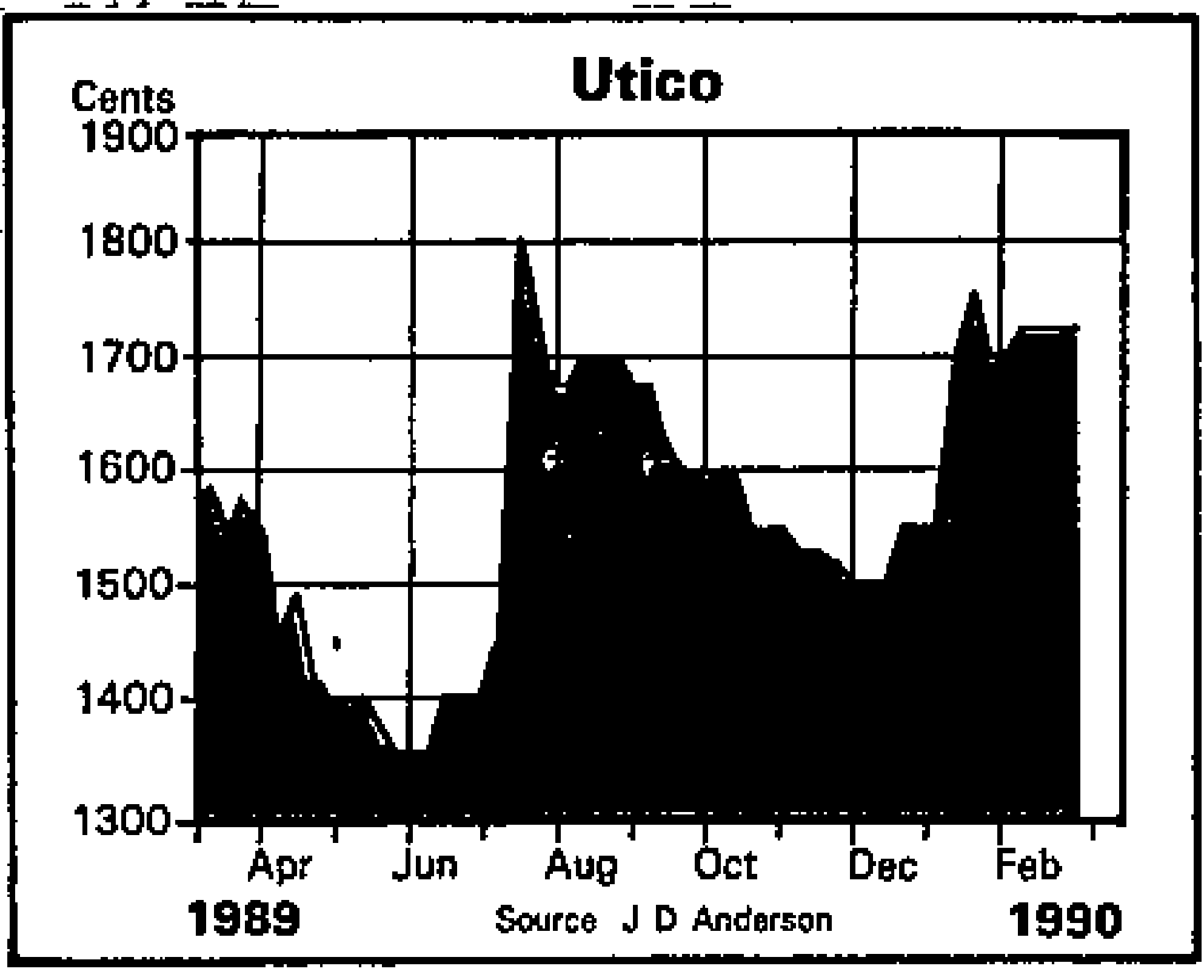
Dividend cover has fallen progressively from 3,2 times in 1986 to 2,0 times last year Borrowings can thus be expected to rise further, but Haslett expects debt to remain modest in relation to shareholders' funds

Utico's performance is tied to trends in personal consumption expenditure and more specifically to the successful launch of its fashion products Trading conditions are ex-

FM 16/3/90 (186)

pected to remain highly competitive in the 1990 year, but the company should be better placed to take advantage of market demand

Pam Baskind



Source J D Anderson

Activities: *Manufactures and markets cigarettes, tobacco, snack food and fruit drinks.*
Control. *B A T Industries Plc 63,62%*
Chairman: *F N Haslett, MD· D B Edmunds*
Capital structure· *6,1m ords of R1 Market capitalisation. R107,8m*
Share market: *Price 1 775c Yields 8,6% on dividend, 17,3% on earnings, PE ratio, 5,8, cover, 2,0 12-month high, 1 800c, low, 1 350c Trading volume last quarter, 17 550 shares.*

Year to Dec 31	'86	'87	'88	'89
ST debt (Rm)	9,9	1,3	1,3	6,5
LT debt (Rm)	8,8	1,7	0,8	4,7
Debt equity ratio	27,9	4,0	2,5	11,9
Shareholders' interest	0,43	0,48	0,49	0,48
Int & leasing cover	5,5	26,6	165,4	23,2
Debt cover	0,2	0,7	11,2	2,6
Return on cap (%)	13,7	18,4	18,6	19,4
Turnover (Rm)	224	269	311	361
Pre-int profit (Rm)	19	27	32	38
Pre-int margin (%)	8,5	10,0	10,2	10,4
Taxed profit (Rm)	2,8	8,0	16,0	19,0
Earnings (c)	132	218	260	307
Dividends (c)	41	87	110	153
Net worth (c)	1 105	1 236	1 386	1 540

FM 16/3/90 (61) (198) (186)

R55m bread subsidy this year expected to be the last

B/Day 16/3/90

186

GERALD REILLY

PRETORIA — This year's R55m bread subsidy is likely to be the last as government cuts itself loose from a system of supporting basic foods at a cost of millions of rands a year, sources here said.

They said a government investigation into food and nutrition strategy, led by former agricultural professor Dirk Smith, is expected to be completed by the year end.

One recommendation is expected to be on how best to lighten the burden on lower income groups after the removal of all food subsidies.

The bread price, taking into account the introduction of VAT and the likelihood that even basic foods will be taxed, could rise by 25c or more from April 1991.

Finance Minister Barend du Plessis's announcement that the bread subsidy has been slashed by R60m to R55m means a substantial price increase is on the cards by mid-year.

Sources said the R55m could hold prices at current levels only for about three months. Last year's R115m subsidy is almost exhausted.

Homemakers lifts earnings and dividend

By Ann Crotty

Homemakers, the consumer goods group in the FSI stable, has reported a 20 percent increase in earnings and an 18 percent hike in dividend for the 12 months to December.

Star 16/3/90

Earnings were up to 112c (93c) a share, with the dividend at 35,5c (30c)

(186 X [illegible])

Continued reorganisation in 1988 means comparison with the audited figures for financial 1988 is not appropriate. Management provides pro forma figures to allow for the impact of the switch from consolidation to equity-accounting of the results for JD The change in accounting policy followed the reduction in holding in JD from 60 to 49 percent.

On the basis of the pro forma figures, Homemakers lifted turnover 29 percent to R531,4 million (R411,5 million). Operating profit was up 33 percent to R76,5 million (R57,7 million). Finance charges rose to R19,7 million (R8,5 million) — reflecting higher interest rates and more borrowings to fund the Edworks acquisition

This reduced the improvement at pre-tax profit level to a 15 percent increase — up from R49,2 million to R56,7 million

The tax charge was down to 26,8 percent from 29,8 percent, leaving attributable earnings of R41,5 million (R34,5 million).

The directors say Edworks, which was rescued from provisional liquidation last July, made a contribution to profits However, this was before allowing for an extraordinary loss of R4,3 million attributable to the reorganisation of Edworks.

Score's forecast 'optimistic'

(186) B/Day 2 30

SYLVIA DU PLESSIS

CARLOS dos Santos, MD of Score Food, has no chance of realising his forecast of earnings of 100c a share for the year to February, according to analysts.

In fact, he will be lucky if his group, which includes wholesaler Trador and retail chains Score and Grand Supermarkets, reports earnings of 80c a share, they say.

Dos Santos predicted at the halfway stage that full-year earnings would reflect 25% growth over the previous 80,5c. This was in spite of interim earnings which fell 15% to 31,55c (37,50c) a share.

But the group's shares — pitched as high as R23,50 prior to the 1987 crash — nosedived 25c to a new low of 325c yesterday.

Ed Hern, Rudolph analyst Sid Vianello said yesterday this did not bode well for the group's forthcoming results.

"Consumer spending has not been good over the past year, the wholesale industry has had a tough year and I doubt whether the group's problems at Grand Bazaars have been rectified." These factors pointed to a grim set of year-end figures.

Dos Santos "will be lucky to get 48,5c, which would lift total earnings to 80c", he said, but dividends were likely to be maintained at last year's 37c.

Another analyst, who did not wish to be named, said Dos Santos had "no hope in heaven" of achieving 100c a share.

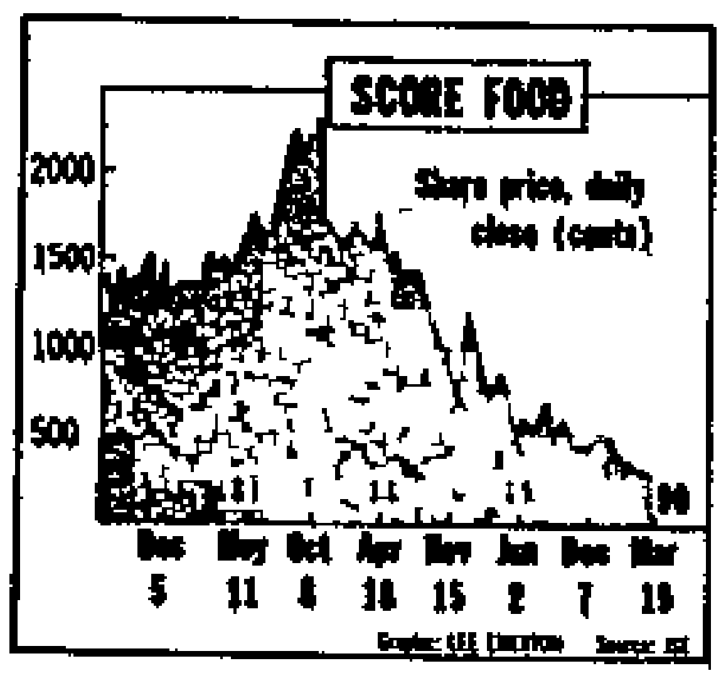
Even earnings of 80c were out of the group's reach, she said, although Score could maintain its dividend.

"If it were to achieve earnings of 100c, its margins would have to be better than Pick 'n Pay's," she said.

20/3/90

A third analyst said she was looking at earnings of between 80c and 96c, and expected dividends — Dos Santos' "saving grace"— to be maintained.

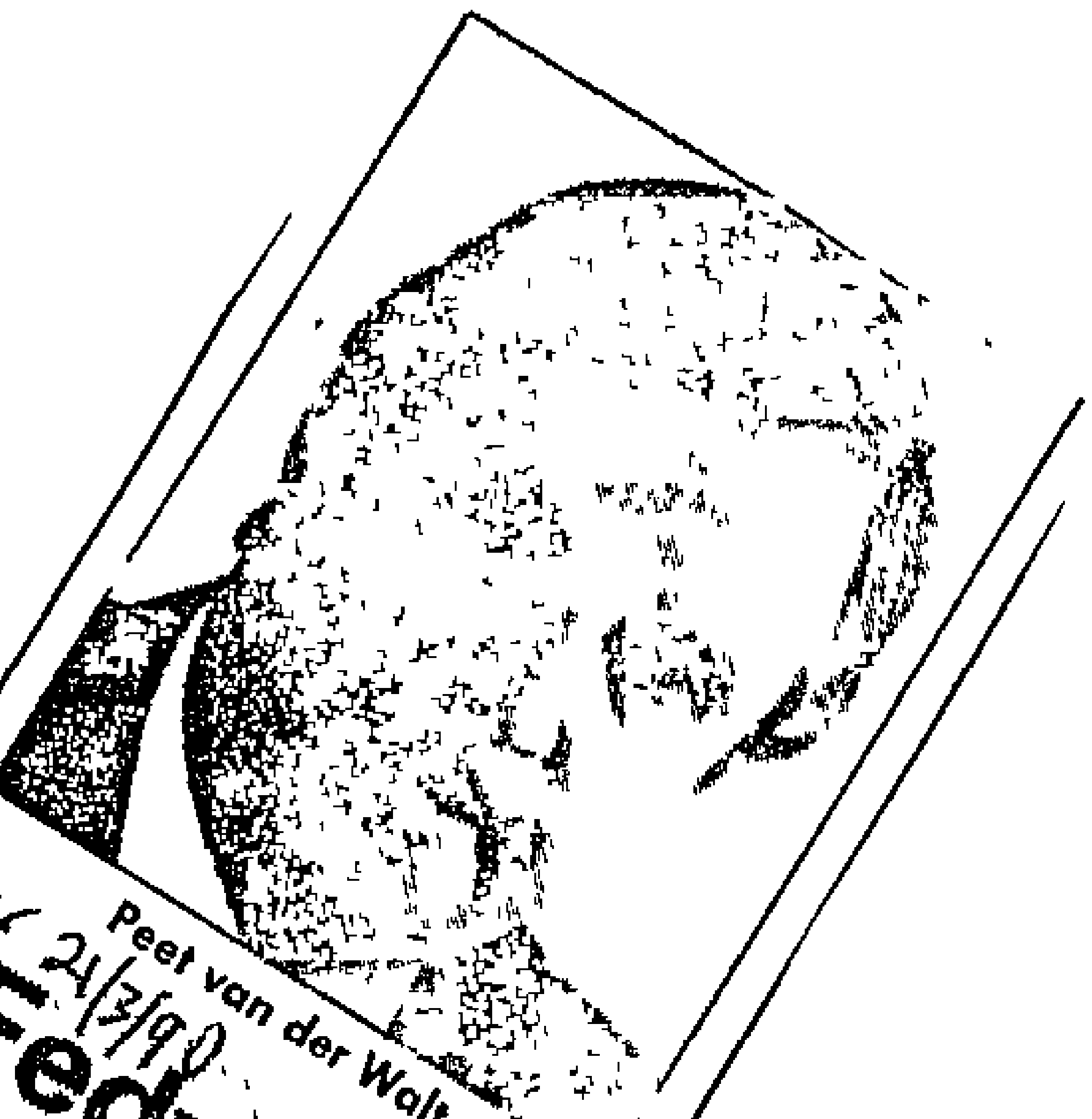
"Even 100c would not be great, but it would be important for Dos Santos' standing in the investment community that he meet this forecast."



Dos Santos was in Lisbon yesterday and could not be reached for comment, but financial director John McLean, while refusing to be drawn on what the group's results would show, said the share currently represented a "buy prospect".

"I personally think the shares are underrated," he said. "There was a hiccup at Grand Bazaars but this has been sorted out. Good results are the only way to restore investor confidence, and hopefully this will be the case when we report in mid-April."

The group, which announced a drop in profits in the 1988 year, posted lower earnings in the six months to August after interest doubled to R2,6m.



Peet van der Walt

Star 21/3/90

886

Fedvolks takes on new chief

By Ann Crotty

News that a replacement has been lined up for Fedvolks chief executive Johan Moolman did not surprise the market yesterday.

Most analysts agreed a major change was on the cards after last week's announcement that results for the 12 months to March would be considerably below management's earlier expectations

Significantly, Mr Moolman's successor, Peet van der Walt (51), comes from Fedvolks' services and pharmaceutical divisions, which have provided solid performances over the years

Mr van der Walt has been with Fedvolks since 1964, heading its services division since 1974 and its pharmaceutical interests since 1982

Fedvolks' share price moved ahead on the news, reaching a high of 320c Analysts were speculating on steps Mr van der Walt might take to improve profit performance and image

Financial 1988 and 1989 produced solid earnings figures which had obviously been helped by the sale of assets and the creation of a more focused operation.

But the '88 and '89 performances were also helped by a much healthier economic climate and Fedvolks has never able to shake off its image of being a fair-weather stock that does well when the economy is strong, but is unable to produce the goods in times of weakness

Mr van der Walt said yesterday he would be working out a strategy with the board, which could involve a change of direction and/or involve a number of transactions

Although he would not be drawn on specifics, he voiced some concern about group dependence on economic cycles and said there could be a further narrowing of its focus — implying some sale of assets

It may be that he will be given some time to achieve a turnaround before any significant asset sale is forced on him But parent Sankorp may be running low on patience and want to see something solid

Inflation declines, but food prices rise

B/Day 23/3/90 (186)

NEIL YORKE SMITH

THE inflation rate is declining, but economists are concerned low income groups are bearing the brunt of price increases.

This was disclosed in interviews yesterday, after the February consumer price index (CPI) figures were released.

The annual rate of increase in the CPI was 14,9% for February, 0,2 percentage points lower than January's 15,1%.

Central Statistical Service (CSS) figures showed the monthly non-seasonally adjusted increase was 0,7% (1,4%).

The annual rate of increase in the indices for lower, middle and higher income groups for February were 15,6%, 14,8% and 14,7% respectively, compared with February last year

"The overall reduction is welcomed but it is worrying that low income groups are bearing the brunt of high price increases, especially for food products," SA Chamber of Business economist Keith Lockwood said yesterday.

The price index for food was 15,7% higher than for the corresponding period last year. This was the index's largest annual increase since August 1988.

TrustBank economist Nick Barnardt said the lower rate of increase confirmed views that inflation would continue to fall.

"We expect the rate of increase in the CPI to be 13,5% by the middle of the year and 12,5% by year-end," he said.

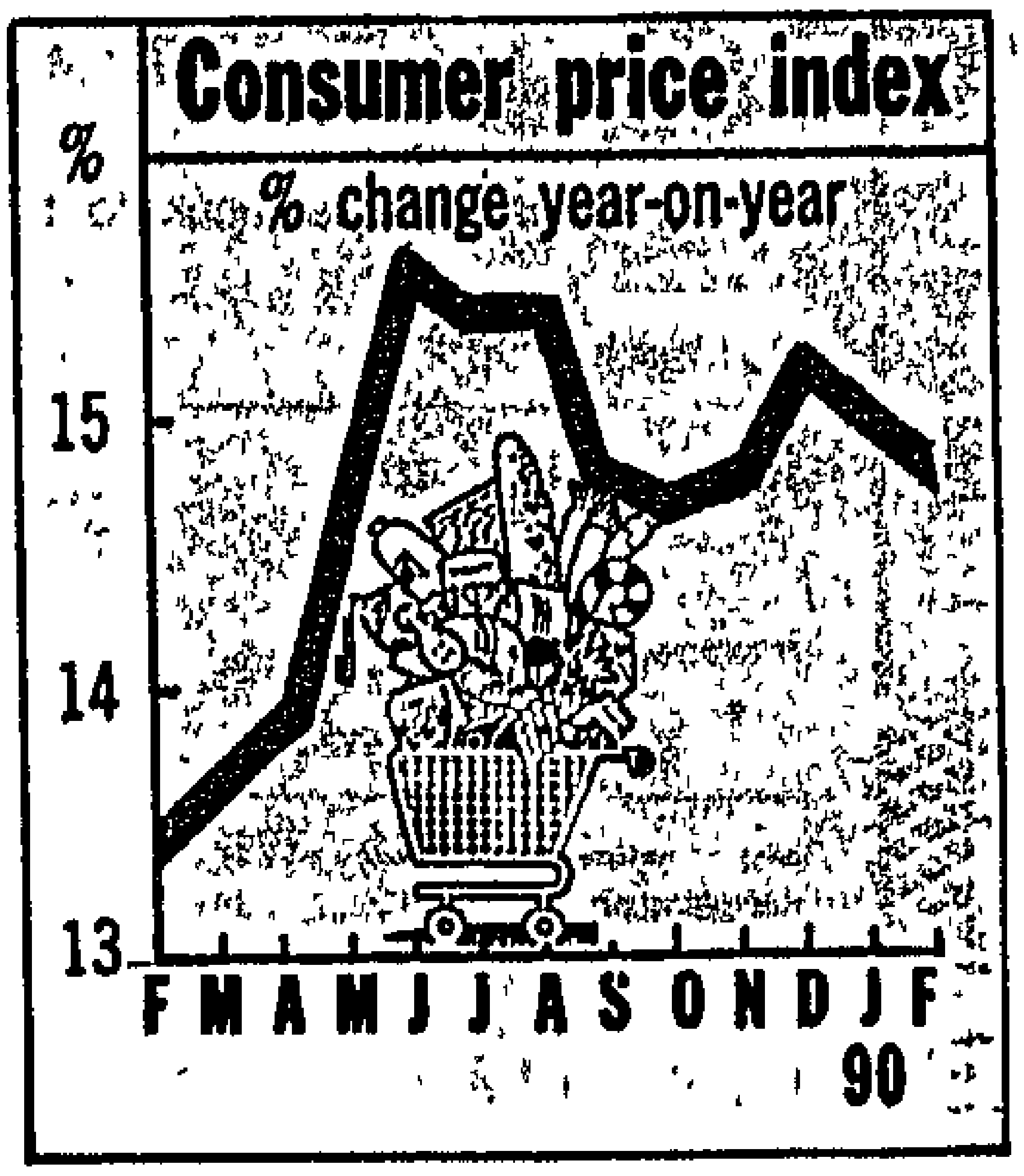
Barnardt attributed the reduced rate of increase to the relative stability of the rand in recent months.

"The rate of increase in the producer price index has been falling recently, largely because of lower import price inflation," he said.

The largest contribution to the monthly increase came from transport costs. This resulted from higher prices for new vehicles, increased running costs and higher prices for public and hired transport.

Other large increases were recorded for milk, cheese and eggs (1,7%) and coffee, tea and cocoa (2,2%).

The actual index increased to 193,3, meaning it now costs R193,30 to buy a basket of goods which cost R100 in 1985.



FUNA/REPFIN FM 23/3/90

Reversal (186)

Repfin, a factoring and confirming house, is to be reversed on to the JSE through the Funa Foods cash shell Funa sold its assets to Tongaat-Hulett a year ago and was, in turn,

FM 23/3/90 (186)

acquired for 57c a share by Rand Merchant Bank (RMB) in September

Control of the privately owned Repfin was acquired by Bankorp in the early Eighties and, a few years later, it suffered a funds haemorrhage when customers, whose books had been factored, went to the wall Those trading losses were compounded by losses on uncovered forex positions.

Subsequently the factoring and confirming interests were bought by Trust Bank officials Cristoffel Erasmus and Adriaan Prakke, who have run the company as a private operation ever since.

They will now buy RMB's Funa shareholding for R7,17m or 59,65c a share and intend making a similar offer to minorities. In turn, Funa will pay R13,3m for the share capitals of Repfin Holdings and Repfin Finance along with shareholders' claims against the firms The payment will be in cash, loan account credits, new ordinary shares and convertible debentures. A transmuted listing statement is scheduled in the next few days

Gerald Hirshon

Hyperette turns corner

Star 23/3/90

186

By Ann Crotty

Hyperette, which was formerly Milly's, has reported a major turnaround in the six months to end-January and, for the first time since 1987, has managed to report a profit

In the review period the group achieved an operating profit of R1,16 million — a turnaround of R5,8 million from the previous interim's loss of R4,6 million

Turnover was up to R26,4 million from R7,2 million, with earnings at just over the R1 million mark — a sharp swing from the previous period's R5,8 million loss

At the per-share level it does not amount to much — just 0,78c But what is significant is that the figures mark a significant improvement in trading

As management says, Hyperette is now poised to realise its full potential

Star 24/3/90

Pick 'n Pay results likely to disappoint

186

ANN CROTTY

PICK 'N PAY's figures for the 12 months to February will disappoint investors. The sales figures indicate that the group has lost market share

The latest CPI figures show that food prices rose 15,7 percent in the 12 months to end-February. Over the same period Pick 'n Pay reported a sales increase of just 13,2 percent.

Turnover rose 13 percent to R4,38 billion from R3,87 million. Pre-tax profit increased by the same percentage to R131 million.

This suggests that although management has not improved margins, it has succeeded in keeping a lid on upward cost pressures

The group enjoyed a significant reduction in its tax charge, which management attributed to "good utilisation of company funds".

As a result of the lower tax charge Pick 'n Pay was able to lift its pre-tax profit advance from 13 percent to a 22,4 percent earnings hike to 105,9c a share.

A second-half dividend of 41,5c a share has been declared, lifting the total payment to 52c (42c).

Plans to feed starving and make a bundle set for launch

S/Times 28/3/90

186

2

By Charmain Naidoo

A HUMANITARIAN moneyspinner — that's what Mike Owen-Jones's "feed the starving, make a bundle" plan is all about.

Mr Owen-Jones, managing director of Harvest For Life SA, spent two years perfecting a long shelf-life protein food product that could be the answer to malnutrition and starvation.

Now that the fish-based formula has passed stringent health department tests, as well as taste tests, the product is ready to be marketed.

Southern Sea Fishing, a wholly owned subsidiary of the Premier Group, was approached this week to finance the marketing of the venture.

Says SSF managing director Chris Venn "It's too soon to comment. We are looking at the marketability of the product and could be interested in it It certainly sounds like a good idea"

Harvest For Life financial director Allister Langford says that about R5-million is needed to set up a plant for the large-scale production of this food formula.

"One plant can produce 15 000 tons of the food a year. That's a drop in the ocean — Mozambique, for example, needs 800 000 tons of fresh products per annum. The market is a hungry one, one that will not dry up," Mr Langford says

He puts projected turnover figures at R40-million a year.

Secret

"I arrived at that figure by taking 15 000 tons based on actual production time, sold at $1 a kilogram.

"Conservatively, that will mean a minimum of R6-million in net pre-tax profit.

"The secret of success of this product is that whoever gets involved in it will get political as well as humanitarian mileage out of this feeding scheme," Mr Langford says

Mr Owen-Jones — who claims he's spent more than R350 000 of his own cash on the project so far — says he's been "at sea" his whole life — he joined the merchant navy as well as working as a fisherman.

"We have an abundance of raw material (fish) combined with a large wastage factor. That started me thinking An emergency food supply is essential both in famine hit countries as well as for emergency relief aid.

"At $1 (R2,57) per kilogram pack of my product, an entire family can be fed. That is very cheap. My ready to eat product has a shelf life of between five to seven years and does not require refrigeration."

CHRIS VENN

The product can be flavoured in any flavour so that it in no way resembles the original base. It can have chicken, chilli, tomato bredie or whatever flavour added to suit the tastes to the people it is to feed.

"It is packed in a flexible foil package that can be torn open so no mechanical openers are necessary," Mr Owen-Jones says.

At the distribution point, each bag (they are colour coded according to taste) has to be returned before a new one can be bought — "to prevent littering and pollution."

He adds that they have tested the product on the black market and had a favourable response.

B/Day 26/3/90

Tollgate plans rights offer after poor results

186

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)

Gants profits fall to R14,6m

Grp
Tns
24/3/90
186

GANTS Holdings, which was hit by stiff competition on the local market in the year to December 31, is concentrating on building up its export trade and the directors forecast improved earnings this year.

Turnover rose to R193,3m (R176,7m) last year but operating profit fell to R14,6m (R23,8m) and the interest bill rose to R13,3m (R9,2m)

Earnings slid to 2,2c (27,5c) a share and the dividend to 8c (13c) The net asset value per share is lower at 144c (156c)

Admitting that "financial results are not in line with expectations," the directors say anticipated results were not achieved due to lower than expected crops, excessive discounting by competitors on the local market and "the failure of some expected export contracts to materialise."

Although the local market is not expected to improve significantly in the short term "the new management has concentrated on actively extending the export market and consolidating the existing export market"

Forecasting improved earnings for the current year, the directors say the new management team has been in place since August. It "has provided strategic direction to the group as well as rectifying inefficiencies which have been found to exist over a wide spectrum of the group's activities"

Food firms 'set to list lower growth'

B/Dy 27/3/90

LIZ ROUSE

186

FOOD company profits are expected to experience lower growth this year than in the previous three years, a survey indicates

However, the major groups are likely to exceed the rate of food price inflation through small increases in volume and shifts of emphasis in line with market trends, the survey by Davis Borkum Hare's Carol Neff shows

Increased volume sales in basic foods might enable profits to firm through higher capacity utilisation. Any reduction in interest rates will also benefit the bottom line, but the analyst does not expect much relief on that score this year

Neff says the short-term outlook has changed with rising unemployment being the main enemy of the food companies, and smaller increases being awarded in wage settlements for all population groups — in many cases below the inflation rate

The discretionary spending of home-owners with mortgage bonds has declined; shoppers are buying less at a time and buying down. A move back to staples has been noted There is over-supply in poultry and in a number of value-added products, including frozen vegetables and convenience foods.

Neff's long-term view is that major food groups will continue to be included in all serious portfolios because of their financial strength, strong cash flows, stability and long-term growth rates

Population growth is on their side and they will continue to benefit from SA's increasingly urban character

Current-year prospects are mixed for the nine food groups reviewed by Neff

Necessities

For Cadbury-Schweppes (SA) the outlook is for real growth, although at a slightly slower rate than in the recent past The acquisitions of Chapelat-Humphries and Bromor will be positive for the current year, helping to offset weakness in consumer spending

Premier Group will benefit from a once-off saving, estimated at 12c a share (for the second half) in finance charges, following the rights issue Neff expects earnings growth to March, excluding this amount, to be about 20% for the half year despite the fall-off in consumer spending A larger number of shares will be in issue

Food and pharmaceuticals, which are basic necessities and Premier's main sales components, should hold up fairly well

The outlook for Rainbow Chicken — considered a sound long-term investment — is for real earnings growth from increased turnover despite pressure on margins

Indications are that Tiger Oats will experience slower but still satisfactory growth in 1990 and 1991. This will be the result of lower consumer spending, stiff competition and buying down to lower-margin foods The pharmaceutical and toiletry companies should be able to beat inflation, but with slower real growth

Subsidiary Langeberg, which has performed ahead of expectations, may be listed in 1991

Neff says the outlook for ICS Group is at best a flat performance this year because of lower consumer spending, flattish demand for ice-cream and value-added dairy products, doubtful outlook for fishing and low or negative margins in poultry

C G Smith Foods' growth will slow down to about 17% this year, but it remains an excellent long-term investment.

Kanhym Investments is a recovery stock The outlook is for real growth in 1990 and 1991 as tax will remain low, efficiencies should improve and the balance sheet will look healthier

Fedfood's short-term outlook is unfavourable as profits are likely to mark time in the current year in real terms. Irvin & Johnson is likely to show no real growth this year and the short-term share price could weaken

FM 30/3/90 186 [redacted] [redacted]

PEET VAN DER WALT 186 [redacted] [redacted]

Clear focus

Through the mixed fortunes of the industrial conglomerate Federale Volksbeleggings, its service sector has been a consistent success. Since 1974, the service contribution to the bottom line has increased from R1m to more than R30m; companies such as Avis, Priceforbes and Interleisure have been built into market leaders. F/M 30/3/90

It was, therefore, hardly surprising when Peet van der Walt (51), who is responsible for services and pharmaceuticals, was appointed Federale MD from April 1.

Van der Walt hasn't unveiled his complete strategy for the group yet, but he is prepared to say: "We need to regain focus and not get too diversified as we did in the past. There are some weak points in the company which aren't providing good returns and there'll have to be some rationalisation."

He says Federale will still look at opportunities, but only within its defined core businesses — food, motor components, services, pharmaceuticals, domestic consumer goods and mineral fibre.

Van der Walt is a career Federale man. "I have had the good fortune to enjoy new career challenges within the Federale group, first within the finance department and then through my line responsibilities."

Born in Burgersdorp and educated at Robertson High School and Stellenbosch, he has a picture of Table Mountain in his downtown Jo'burg office to remind him of his home territory. He and his wife Erika have two sons.

Van der Walt ... a hands-on approach

After qualifying as an accountant, he joined Federale and spent ten years in the finance department before being transferred to head the service division, where he had a number of successes.

"I'm most proud of the way we built the Priceforbes Group into the biggest risk management company anywhere outside the US and UK. We expanded Fedics from conventional catering into inflight services and airport catering. We also built Avis into the market leader."

He joined the Federale board in 1981 and the following year he was also given responsibility for the pharmaceutical industry and became chairman of SA Druggists. At the time, SAD was one of the black sheep of the group after the Alumina acquisition gave it a weak balance sheet. After rationalisation and the strengthening of the key Link, Lennon and Fine Chemical subsidiaries, SAD became one of Federale's profit centres. In September 1987, just a month before the crash, SAD was relisted and Federale's stake reduced from 100% to 68%.

In the same year, Federale took over Sanlam's cinema interest Satbel and joined forces with Kersaf to form Interleisure, which subsequently acquired a sports division that includes wholesalers Game Set and Match and retail outlets such as the Golf Discount Centre and the Pro Shop. This acquisition delighted Van der Walt, who is a keen golfer and a member of the Randpark Club.

Though Federale is only a minority shareholder in Interleisure, he says: "We usually like to have control of our subsidiaries, otherwise we like to have input in their management. In Interleisure, we share management responsibility with Kersaf by agreement."

But Van der Walt insists his job isn't to run the operating companies. "I need to find the right people to run our companies, to ensure we have a balanced portfolio of investments and to allocate funds properly."

Van der Walt says services, pharmaceuticals and foods represent the stable elements in the Federale mix, as well as motor components, but expects short- to medium-term problems with the consumer durable sector. Federale sold its interest in the Morkels furniture chain, it is having a close look at its durable manufacturing arm, Tek, and is concerned about tractor company Fedmech.

But with Van der Walt's track record, he's probably got a good chance to make things work. ■

FIM 30/3/90 [redacted] (186)

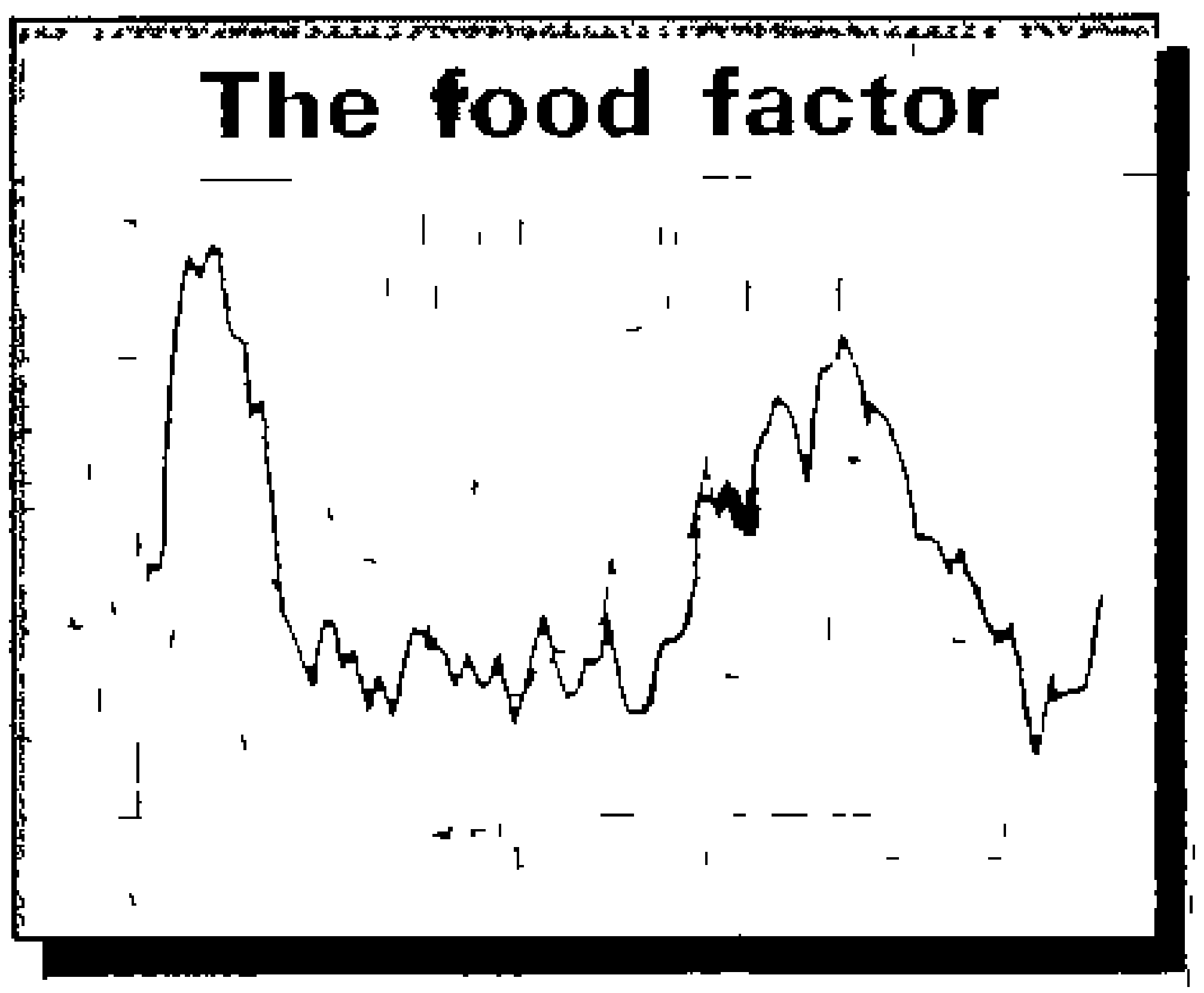
CPI FIM 30/3/90 [redacted] (186)

Transport higher [redacted]

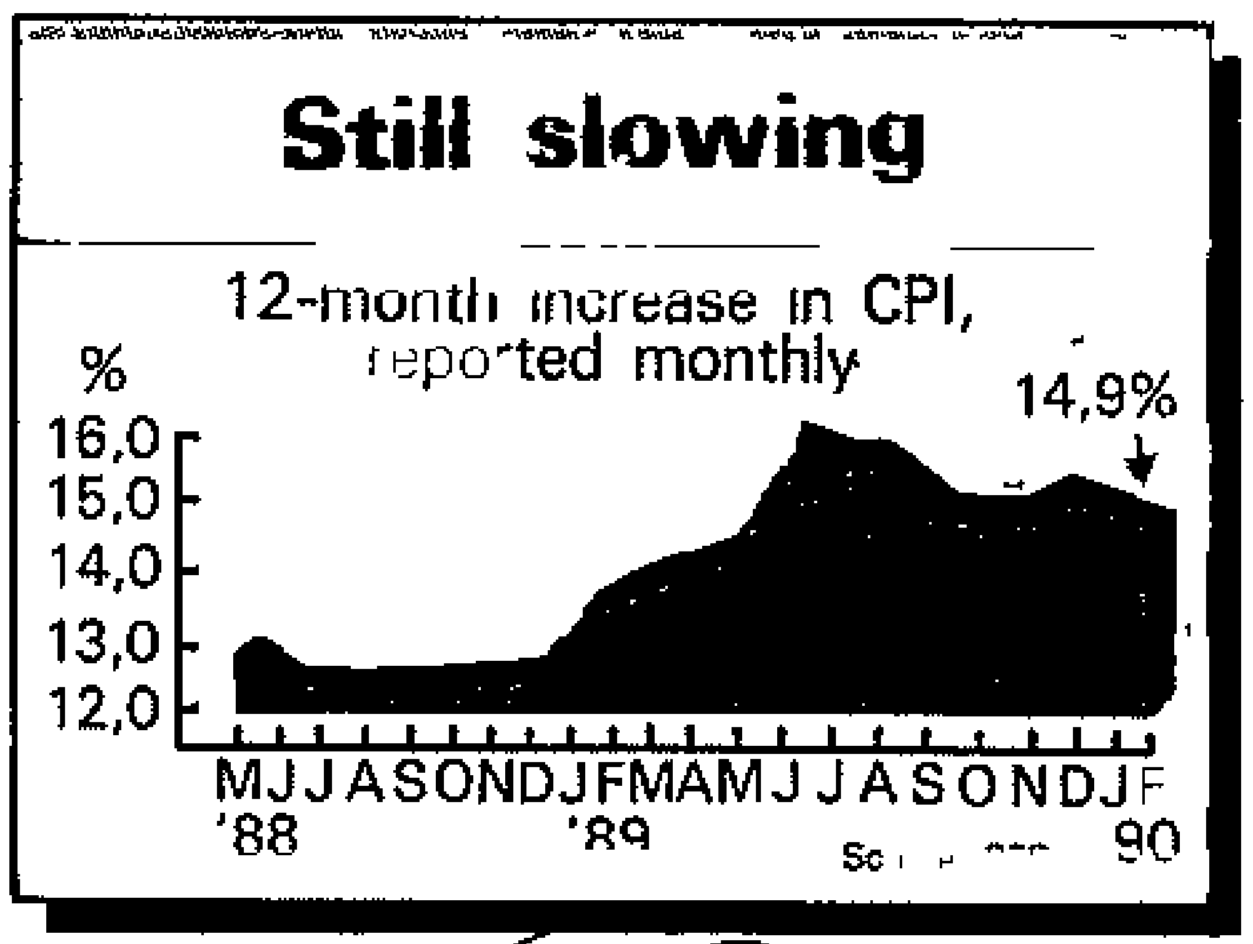
February's unadjusted monthly 0,7% rise in CPI was the smallest since June 1988's 0,3% The seasonally adjusted increase is 0,8%, increases over the past four months annualise at 15% seasonally adjusted and 14,1% unadjusted

Year-on-year inflation was 14,9%, down from 15,1% in the 12 months to January

Transport was, statistically, the largest contributor to the monthly rise However, it incorporates all increases in the three months to February — new vehicles, running costs and public and hired transport are included in February, May, August and November



The food factor



Still slowing

[redacted]

February's figures include an average 13% rise in rail tariffs Vehicle parts went up an average 5%, repair costs and labour 15% Tyres rose 8,5% for passenger vehicles and 10% for commercial Toyota is the only manufacturer which did not raise new vehicle prices during the period Average increases include Delta 13%, Nissan 3%, Mercedes-Benz 5%, Honda 4%-4,5% on November 15, in December BMW was up 3,1% and Volkswagen 2,5%

Year-on-year growth in food CPI is increasing, largely because it is being measured against "a subdued base" in 1989, says Econometrix's Tony Twine In the 12 months to February food climbed 15,7%, January 14,9% and December 14,7% But monthly food price inflation declined from 2,6% in December and 1,8% in January to only 0,2% in February.

Despite this trend, says Twine, longer-term impetus will be up the rate of increase in underlying production costs for agricultural produce in general, and food in particular, have not slowed as much as retail prices, for two reasons

☐ Good crop volumes in the 1988-1989 summer, and

☐ Higher interest rates which made the holding of livestock more expensive and encouraged farmers to destock The resulting oversupply softened red meat prices

The supply situation has changed and will contribute to a faster rise in the food index Food, at an annual 15,7%, is outstripping overall CPI inflation (**see graph**)

"As food makes up nearly a quarter of overall CPI, this must cause concern to those who expected inflation to ease markedly in 1990," says Twine. "This confirms our long held view that we have not yet shaken off the root causes of inflation, which are largely tied to monetary growth We still have to see the effects of 1988-1989 feed through to CPI — a lag of nearly two years " ■

Acquisition sweetens profits

B/Day 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

186

Leadership

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

Gants gains in great bear market

BARRY SERGEANT

(186)

B/Day 3/4/90

FOOD processing firm and Tollgate subsidiary Gants was one of only two JSE shares to post a gain of 15% or more in yesterday's great bear market.

The Tollgate subsidiary moved up 15c to 115c ahead of speculation that the company would either be sold outright or involved in a joint venture with a major food holding company such as Tiger Oats.

The speculation is riding high on the announcement of March 26 that millionaire London businessmen Julian Askin and Hugo Biermann were part of a consortium that had purchased control of Duros, Tollgate's holding company, for R45m

The new five-man consortium said it intended to "pursue a policy of group rationalisation, and non-performing assets in each subsidiary and/or division will be disposed of in due course " Gants is currently capitalised at R60m, but analysts speculate that an outright offer of substantially more than the ruling price of 115c would have to be made to secure an outright takeover

A Tollgate spokesman said last night that the absence of a Gants cautionary notice at this stage indicates that the company is not involved in serious discussions

Tollgate gained 10c yesterday to 290c, while other listed subsidiaries, Arwa, Norths, and Entercor, held steady

Analysts said the Duros group shares' ability to either gain or hold steady — except for Duros itself which slipped 10c on profit taking — was remarkable, given yesterday's harsh change of sentiment

☐ To Page 2

Gants' gains

B/Day 3/4/90

(186)

☐ From Page 1

Market analysts point out that Gants is highly attractive because it is one of the few food processing companies that is not controlled by one of the JSE giants They said the party most suited for Arwa (textiles) was FSI Gants and Arwa are seen as just coming off their lows, and Tollgate management is known to feel assets in the group are vastly undervalued if JSE prices are used as a yardstick

JOHN CAVILL reports from London, where Tollgate is also listed, that Askin and Biermann have repurchased two of the former Thomson T-Lines businesses from Ladbrokes and are on the point of completing another deal Askin and Biermann built Thomson T-Line into a mini-empire, falling prey to a hostile bid by Ladbrokes, which appears to have seen Thomson T-Line soccer pools subsidiary Vernons as the main attraction

The businesses repurchased are Jayton, a UK industrial fasteners distribution company, and Telpower, a US maker of electronic printers The incomplete deal involves a UK electronic cable distributor Askin said the companies "are not necessarily for inclusion in the new Tollgate stable The US business will go into our other electronics operations there

"Obviously, however, we will be putting things into Tollgate "

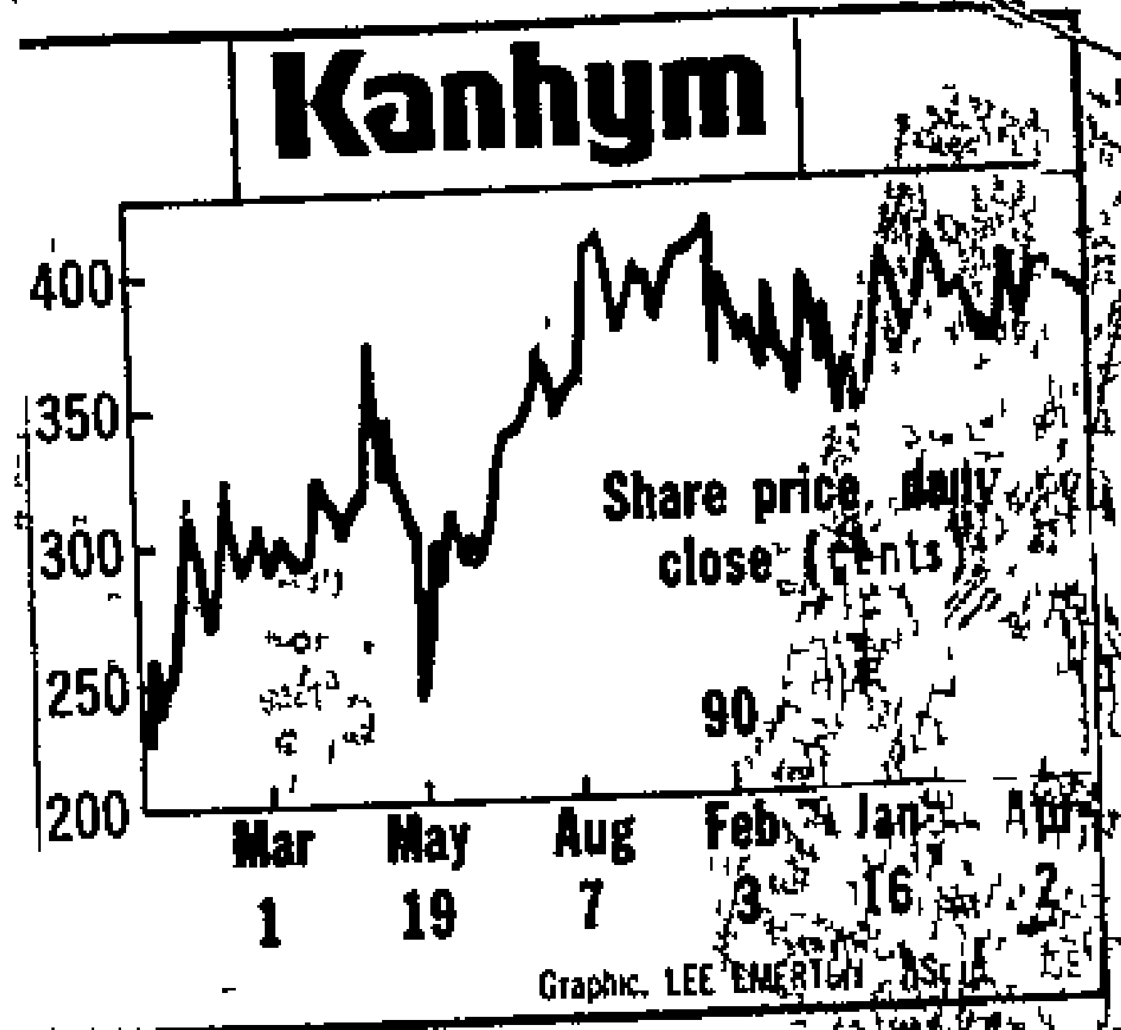
COMPANIES

Kanhym in bid to boost its value-added operations

BDay 4/4/90

(186)

SYLVIA DU PLESSIS



MALBAK-owned Kanhym was likely to tie up an acquisition to the value-added side of its business next week in an attempt to lend momentum to the value-added and branded direction being pursued, executive chairman Dirk Jacobs said yesterday

The group's value-added operations include meat processor Enterprise and tanner Hanni, in which the remaining 50% was acquired recently

The announcement that the group is involved in negotiations to this effect follows interim results to February, which reflect a 32% rise in earnings to 36,7c (27,9c) a share, attributable mainly to good performances from these operations Dividends of 10c (7,5c), covered 3,7 times, have been declared

Jacobs told a Press conference he was not at liberty to disclose with whom the deal was likely to be concluded

"There are still a few things bothering people but I think I've got it in the bag," he said.

Tollgate Group Holdings subsidiary Gants, said to be for sale, was not involved.

Kanhym improved turnover during the six months by 11% to R477m, while operating profit 17% up at R26,2m raised margins to 5,5% (5,2%)

Total funds employed — R274m (R222m) — were higher than normal due to the consolidation of Hanni and the settlement of the purchase consideration But gearing at 52% was still in line with the previous year's 51%

Kanhym's commodity-type activities failed to improve margins under difficult trading conditions

However, value-added operations, towards which the group was reorientating itself, rose above the recession

☐ Kanhym shares fell 5c to 390c yesterday, but Mathison and Hollidge's Aloma Jonker said the right acquisition could push full-year earnings to 80c a share and investors should hold or buy the shares for the longer term

The Star
Finance

Kanhym continues its strong growth

Star 4/4/90

(186)

By Ann Crotty

Another set of sterling results from Kanhym For the 6 months to end-February the group reported a 22 percent hike in earnings to 36,7c (30,1c) a share and declared a dividend of 10c (7,5c) a share.

Vindicating management's increasing emphasis on value-added products rather than commodities is the fact that the strong interim performance came from these areas of the group's activities — mainly products from Enterprise Foods and Hanni.

By contrast because of difficult trading conditions Karoo-Ochse, Kanhym Estate and Kanhym Fresh Meat were only able to maintain the previous interim's profitability levels by concentrating on, and effecting internal cost savings to neutralise inflationary cost inputs

Turnover for the six months was up 11 percent to R477 million (R428,7 million) An improvement in margins from 5,2 percent to 5,5 percent translated this into a 17 percent hike in operating income to R26,2 million (R22,3 million).

Reflecting the group's strong cash flow, finance charges were little changed at R5,9 million (R5,8 million). Pre-tax income was up 23 percent to R20,2 million (R16,5 million). The group had no tax charge. Attributable earnings were 45 percent ahead at R20,2 million (R13,9 million) But the conversion of prefs to ordinary shares reduced this to a 22 percent advance at share level.

The figures are in line with analysts' expectations but they may not be sufficient to effect a re-rating in the share price.

Executive chairman Dirk Jacobs isn't happy with the rating the market is giving his company. At 395c Kanhym is currently on a price/earnings rating of 6,3 times and a dividend yield of 5,1 percent compared with the food sector's averages of 12,7 times and 3,4 percent.

Mr Jacobs indicates that earnings of around 75c are attainable for the full year. This puts the share on a prospective p/e of 5,3 times.

A number of considerations appear to be restraining the market's enthusiasm for the share Parent Malbak is sitting on 87 percent of the shares which means that tradeability is restricted, as Kanhym moves into a tax paying position its earnings performance is expected to take a knock soon and, the market has a long and unforgiving memory and the current management team is still carrying the stigma of the earnings collapse suffered under the previous management back in the first half of the Eighties.

Mr Jacobs believes that Malbak would be prepared to reduce its holding to around 70 percent, prefering to do so by not following a Kanhym rights issue (that could be used to fund an acquisition in the future) than by selling off the 16 percent

On the tax issue he stresses that management has plans that should ensure that earnings will continue to show real growth even when Kanhym is faced with tax Because of the group's agricultural activities the maximum tax rate will be 30 percent. Mr Jacobs expects to reach this in two years

An acquisition of around R15 million — involving a listed company — is currently under negotiation.

Referring to speculation about Gant's, Mr Jacobs indicated that he would be interested but thought it would be difficult to justify more than about 80c a share.

Kanhym shows interest in Gants

BDay 6/4/90

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.

(238) (186)

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

Cape Times, Wednesday, April 4, 1990 17

Kanhym improves earnings despite tough conditions

JOHANNESBURG — In spite of the tougher economic conditions, Kanhym notched a 23% increase in taxed earnings for the six months to February

The interim results show operating income grew by 17% to R26,2m on a turnover increase of only 11% to R477m as a result of a further margin improvement from 5,2% to 5,5%.

Taxed profits rose from R16,5m to R20,2m and earnings per share increased by 32% (fully converted 22%) to 36,7c

An interim dividend of 10c (1989 7,5c) was declared

Funds employed traditionally peak at the interim stage and were boosted this year by the consolidation of Hanni and the payment of its purchase price

Gearing at 52% remained in line with the previous year, however, and the return on average funds employed increased by 10% to 21%.

Finance charges were also contained at the 1989 level in spite of a further escalation in interest rates and the growth of the business

Executive chairman Dirk Jacobs said consumer spending had been severely affected by the government austerity mesures, with food buyers trading down and substituting

Traditional purchasing patterns were being distorted, and this was reflected in shifts in demand in the different product categories

Jacobs said the improvement in Kanhym's performance in recent years was attributable not only to strict financial disciplines but to the introduction of a new business philosophy based on the re-orientation of the business towards value-added products.

"All the basic work has now been done to transform Kanhym from a 'red' meat business into a branded food company.

"We see particular potential in new products aimed at the convenience-minded or health-conscious consumer," Jacobs said — Sapa

Cape Times 4/4/90 (186)

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.

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• 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."

Kanhym tipped to get Mielie-Kip

Bd 5/4/90 By Ann Crotty (186)

It looks as though Mielie-Kip could be Kanhym's next acquisition.

Releasing Kanhym interim results yesterday, chief executive Mr Dirk Jacobs indicated that the group would be making an acquisition in the near future. No details were given except that the target was a listed company that would expand Kanhym's product base and, the purchase could be funded out of the group's cash resources.

This limited the number of possibles to Crown Food (a supplier of ingredients and light meat processing equipment to the meat industry) and Mielie-Kip (a broiler producer which supplies fresh and frozen chickens to the retail sector in the PWV sector).

Crown seemed to be the analysts' favourite. The very tough trading conditions in the chicken market and the fact that Rainbow is regarded as being well ahead of the competition seemed to rule out Mielie-Kip.

But today's cautionary from Mielie-Kip, referring to negotiations that are taking place, indicates that it is probably the target. The share is currently trading at 72c which would put a price tag of around R10 million on the deal.

Utico prepares for a tough year

(186) ([illegible]) Star 6/4/90

Diagonal Street

LYNNE PEACH

Tobacco and snack food group Utico is suffering from the effects of the economic slowdown and there is not much prospect of exciting performance this year, according to stockbrokers.

They point out that Utico, being in the so-called "luxury goods" market, is rather vulnerable to declines in consumer spending. In addition, a higher interest burden is expected to eat into profits

In the latest annual report, chairman Fred Haslett says the group is well prepared for possible tighter trading conditions ahead and will need total commitment from all employees to maintain the growth achievements of the past four years.

Mr Haslett also reveals that new plant and equipment required for both the Industria and Rosslyn factories will increase group borrowings. He adds assurance, however, that debt is forecast to remain modest in relation to shareholders' funds.

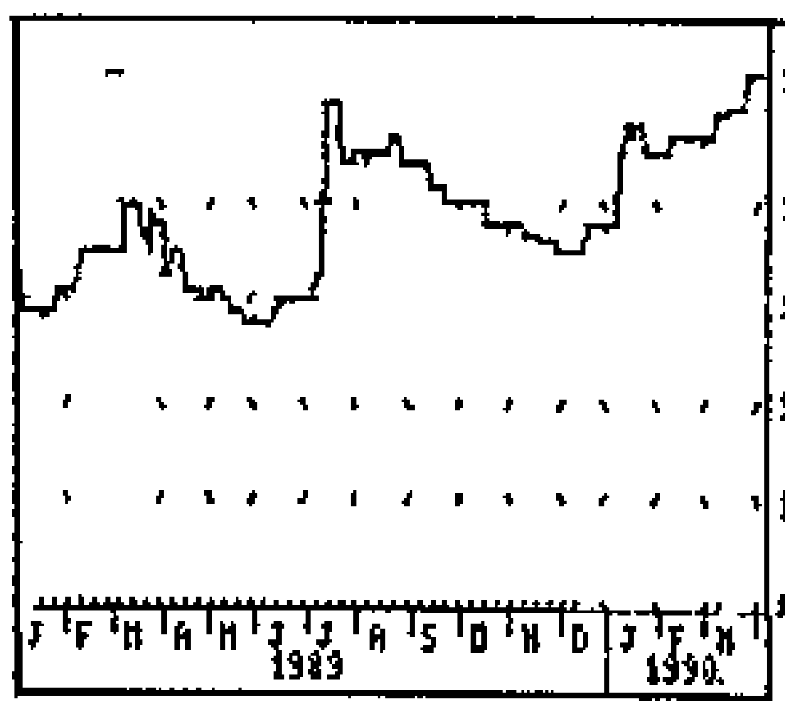
The Utico group manufactures and markets a wide range of well-known branded cigarette, tobacco, snack food and fruit juice products. Brand names include Benson & Hedges, John Player Special, Winston, Willards and Flanagan's Kettle Fried Crisps.

Mr Haslett says that both the United Tobacco Division and the Willards Foods Division achieved a satisfactory improvement in profitability last year. In the 12 months to December 1989, group turnover climbed 16 percent from R310,6 million to R361 million.

Operating income grew a higher 19 percent from R31,6 million to R37,6 million. However, a sharp increase in borrowings and higher interest rates resulted in a more than eightfold hike in interest paid from R191 000 to R1,6 million.

Consequently the rise in pretax profit was limited to 15 percent from R31,4 million to R36 million.

An easing in the effective tax rate from 49,7 percent in 1988 to 48,1 percent allowed attributable profit to advance 18 percent from R15,8 million to R18,7 million Earnings per share increased a similar amount from 260c to 307c.



Utico's share price bottomed at R15 some four months ago before rising steadily to a new high of R18,25 The primary trend remains favourable although some short term correction could follow.

A fall in cover saw the dividend for the year rise to 153c a share, 39 percent higher than the previous year's payout of 110c.

Mr Haslett says that although trading conditions continued to deteriorate during the second half of the year, the results for this period showed an improvement over those of the first six months of 1989 which were adversely affected by trade inventory reductions.

The balance sheet disclosed an 11 percent rise in net asset value from R13,86 a share to R15,40.

A feature was the significant increase in borrowings from R2,1 million to R11,1 million. This caused gearing to deteriorate from 2,5 percent to 17,9 percent.

Mr Haslett explains that borrowings increased sharply as a result of capital expenditure on plant modernisation at both the Industria and Rosslyn factories and to a lesser extent by higher leaf tobacco stocks following an improved local crop.

Thinly-traded Utico, priced at R18,25, is trading on a price:earnings ratio of 5,9 and provides a dividend yield of 8,4 percent. These yields are attractive and the share should be held in the long term, according to stockbrokers.

KANHYM F/M 6/4/90 (186)

More leather

Despite virtually no growth in the processed meats market, Kanhym has reported 23% interim earnings growth through increasing its share of that market and more profits from leather Nevertheless, some of the gains achieved by emphasising value-added products were dissipated by consumers substituting cheaper foods for processed lines.

Food market surveys show processed meat sales volumes have been second only in growth to confectionery in recent years but last year they grew only 1% in volume and 15% in value Kanhym executive chairman Dirk Jacobs says Enterprise increased market share was reflected in 7% growth in volume and 26% growth in value of its sales.

The purchase last year of the remaining 50% of leather processor Hanni boosted the results even more, compensating for static

F/M 6/4/90

performances from all other divisions — fresh meat, Kanhym Estate and Karoo-Ochse The purchase also resulted in gearing remaining almost the same at 52% (51%) With a 35% improvement in cash flow in the latest half, Jacobs believes gearing will be down to 40% by August year-end.

The national cattle herd is now restored and leather is thus in better supply Demand was rampant last year, especially for upholstery and automotive use, but prices have stabilised after steep rises over the past two years Jacobs expects demand to remain strong and also believes the lower growth of processed meats sales will be temporary. Capital spending will be concentrated in these two areas and he expects to announce an acquisition in processed meats within a few weeks (186)

The increased relative importance of the two divisions is reflected in a rise in the added-value component in interim operating income from 37% in 1988 to 55% in the latest results Jacobs reiterates that Kanhym will

F/M 6/4/90

be diversifying into non-meat areas and go for value-added products like canned foods' rather basic activities like milling However, no move is imminent (186)

Earnings for the full year are likely to be about double those at interim, or about 75c, which on a dividend cover of 3 would place the share on a forward yield of 6,7%

The market has neither forgotten nor forgiven Kanhym's crash into deep losses in 1984 and 1985, though management has changed Kanhym now compares favourably with Gants, I&J and Rainbow in returns on

F/M 6/4/90 (186)

funds employed, total assets and shareholders' funds. Its returns are well above its closest competitor, ICS However, it is on a p e of 6,3, compared with ICS's 10,2

Teigue Payne

RED BLOODED

Six months to	Feb 28 '89	Aug 31 '89	Feb 28 '90
Turnover (Rm)	429	433	477
Pre-tax profit (Rm)	16,5	17,7	20,2
Attributable (Rm)	14	17,7	20,2
Earnings (c)	30,1	32,5	36,7
Dividends (c)	7,5	12,5	10

Kanhym's Jacobs ... no bull about these results

CHEMICAL SERVICES FM 6/4/90

Margin recovering

The steady record of Chemserve through periods of downturn augurs well for this year after the group stumbled last year. Management maintains downturns have little effect on performance though it does not boom in upturns (183)

Jim Jones

FINANCIAL MAIL APRIL 6 1990

B|Day 10/4/90

186

Cadswep plans to boost performance

SYLVIA DU PLESSIS

MANAGEMENT at Cadbury Schweppes SA (Cadswep) plans to better market share in core operating areas during the current year and to improve trading performance by addressing productivity constraints and costs, chairman Alan Clark says.

Writing in the food-listed group's latest annual review, he says this is expected to raise operating profit and translate into further real growth in earnings per share — despite tight trading conditions.

Cadswep, which manufactures and sells confectionery, soft drinks and food products, posted a 20% rise in earnings to 88,4c a share in the year to end-December after the final conversion of debentures at January 1989 Dividends of 36c (30c) were declared

Clark says new ventures are proceeding well These include sugar confectioner Chapelat-Humphries, in which 82,5% was acquired, and Namibian-based quality chocolate confectioner Springer Schokoladenfabrik Group, in which a 49% shareholding was acquired.

He says the confectionery market in SA is now dominated by three large groups with a relatively equal balance. His group is well-placed to take advantage of the growth opportunities it perceives, he says

Clark says R28m was spent during the year on fixed assets — to be viewed in the light of the group's annual depreciation charge of about R7m — and projected capex will be financed substantially out of internally generated cash flow.

He said the "even-handed" reaction to recent "bold" national reform initiatives deserved unconditional respect

"We are at the beginning of an immensely complicated political reformation that can only be successful if all sides continue to have acute sensitivity for the needs and aspirations of the constituencies of those with whom they are negotiating.

"The capacity of the economy to take the strain of reform will be doubtful unless economic and fiscal management measures are taken almost without regard to the short-term political consequences" He says it is encouraging to see that this is understood.

Sugar industry makes dent in support debt

B/Day

12/7/90

186

LINDA ENSOR

THE sugar industry expects to have paid off R210m of its R327m debt, incurred when it took out price support loans, by the end of the March financial year.

Last year R140m of the government-guaranteed long-term debt was paid off, R100m from A Pool proceeds and R40m collected in previous seasons This last season a further R69m was set aside

Nearly all the R327m was raised in US dollars, but cover was taken out at advantageous levels with the result that the SA Sugar Association (Sasa) has not and will not experience any currency losses

The debt was incurred after severe droughts which saw a radical drop in sugar production of 600 000 tons out of a normal crop of about 2,3-million tons in the one season

"The industry became fairly strapped and over a period of three or four years we used up the entire Stabilisation Fund of R95m which had been created in the '70s," says Sasa chairman Glyn Taylor

Sasa then went negative by borrowing R327m and injected this amount into the price, thereby subsidising it and suffering an onerous interest burden which at the peak of interest rates reached R40m a year.

F/M 13/4/90 (186)

MIELIE-KIP F/M 13/4/90

Beefing up

(186)

Kanhym and Mielie-Kip are about to merge — an early move in the beef and leather company's diversification plans Mielie-Kip, 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

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

ST Times 15/4/90

186

Prawn ponds promise profit and tiger taste

By Dirk Tiemann

RELIEF is at hand for cash-strapped prawn lovers.

Construction has started on a R10-million seawater prawn farm

Ernst & Young management services director Jeff Howard says "Mtunzini Prawn Farm Project promises investors an annual 29% return for the first three years, increasing as expansion plans come to fruition"

Managing director Alan Chettle says "The company hopes to export to the European Economic Community before 1992 and will initiate a trial run next year A listing on the JSE is also planned"

Listing

The project was set up with R6,2-million shareholders' funds, a loan of R3,5-million from the Industrial Development Corporation and Ernst & Young raised R3,5-million from private placing of shares

The capital cost, including land, development of infrastructure, ponds and nurseries on the Natal North Coast is R10,6-million

The company has three directors — Bill Collett, Alan Chettle and H D Earle-Smith Their consortium owns 25% of the company, rest being held by 45 shareholders.

Mr Howard says "Ernst & Young's involvement began with viability studies and forecasting exercises Research, based on technology developed by the Fisheries Development Corporation in the 1970s, was undertaken for many years and the company was registered a year ago"

Mr Chettle says the prawn culture is one of the world's fastest-growing consumer industries because natural stocks are being depleted. The project will save foreign currency because 80% of the 2 500 tons of prawns consumed in SA are imported from Mozambique, the Far East, Australia and Argentina.

"Tiger Prawns will be bred because they grow fast, are big, hardy and resistant to temperature changes."

Tiger prawns are landed in SA at between R32 and R40 a kilogram depending on the quality and size. Import variety costs R40/kg excluding the 40% surcharge

Only 7% of world prawn consumption is met by aquaculture But with an annual shortfall estimated at 200 000 tons this year, natural prawn stocks declining and trawling costs rising, aquaculture is the solution, says Mr Chettle World demand for prawns has increased by 60% in the past 10 years

Mr Howard says construction of the first phase is under way at the 46,2 hectare site and is due for completion in June Annual production, starting in 1991, is expected to be 175 tons of king tiger prawn The prawns will be sold directly to hotels and restaurants and through wholesalers and retailers

Suitable

"The female prawns are spawning and the harvest will come after nine months The harvest takes several months because each pool is the size of a rugby field"

Mr Chettle says the Mtunzini area is suitable for prawn aquaculture, the climate is ideal and the water unpolluted Most of the pools have been constructed above recorded flood levels of the Umlalazi River including cyclone Demoina

Mr Howard says "Production will be a drop in the ocean in the SA market and the entire crop will probably be sold in Natal"

Kanhym buys out Mielie-Kip

3/5 13/4/89 (56) [illegible]

By Ann Crotty

In another move to increase its exposure to the value-added side of its operations, Kanhym has acquired 88 percent of Mielie-Kip for R10,5 million. The 88c-a-share offer will be extended to the minorities.

Mielie-Kip, which is the ninth-biggest broiler producer in SA, has a market share of around two percent.

But as its production is mainly directed at the fresh-meat market, it is not in direct competition with major frozen-chicken producers.

Recently, margins in the frozen chicken market have been sharply knocked by massive oversupply.

As Kanhym executive chairman Dirk Jacobs says "Mielie-Kip does not compete with the dominant frozen-chicken producers, but concentrates instead on the value-added niche of the poultry market with its range of fresh chickens, chicken portions and prepared chicken products."

A full-year contribution from Mielie-Kip is expected to increase Kanhym's exposure to value-added products to 60 percent of its operating income from the current 53 percent.

And, according to Mr Jacobs, a 12-month contribution from Mielie-Kip would increase Kanhym's earnings per share by 2,5c — "after allowing for the interest payments on the funds used for the acquisition"

If all of the minorities accept the 88c, the acquisition will cost Kanhym R11,6 million.

The offer is well ahead of the share's recent trading range, but significantly below its 12-month high of 130c touched briefly last September However in terms of the historic P/E rating, the offer is a modest four times on the 22c earned in the 12 months to February 1989

Mielie-Kip goes to Kanhym at R10,5m

BDay
18/4/90

SYLVIA DU PLESSIS

186

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.

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to deliver an
Handel

Sweet relief for Natal's refugees

186

[redacted] [redacted] BILLY PADDOCK [redacted]

THE sugar industry was to donate R250 000 to provide relief to the thousands of refugees who had fled the violence-hit Natal townships, SA Sugar Association chairman Glyn Taylor said yesterday.

He expressed his concern at the violence and the needless loss of lives and property.

The sugar industry had also been affected by the unrest and it was in the interests of all to put an end to the fighting, he said B/Day 20/4/90

There had also been disturbances at industrial level, with incidents in the cane supply areas of each of the Natal sugar mills.

Many of the refugees were being housed in temporary accommodation in and around Durban, Pinetown and Maritzburg where relief co-ordinators were finding it difficult to make ends meet, he said

The Natal region of the SA Red Cross Society is to administer the grant with the SA Sugar Association.

Natal region Red Cross chairman Inka Mars said the society had set up soup kitchens and had sent bedding to the refugees.

The fund would enable the Red Cross to deal more effectively with the ever-increasing number of people rendered homeless by the violence.

Taylor said R5 000 of the R250 000 had already been used in the form of a sugar donation and was being distributed among victims of the Edendale violence.

Part of the fund will be used to assist black small cane growers who had been driven off their land.

FM 20/4/90 (186)

Cadswep's percentage interest in ABI remained unchanged at 19%.

A new Cadbury confectionery factory and cherry processing facility was opened in Swaziland. Bester says these projects are already benefiting Cadswep's export development.

Acquisitions and the expansion of the group led to increased borrowings and interest payments. Net interest paid on interest-bearing debt of R50,7m (R18m) rose to R5,5m (R3,2m) But the group remains very conservatively financed.

There was a slight decline in margin during the year due to the inclusion of C-H (traditionally lower margin business) and competitive pressures in the food and soft drinks sectors

Bester says trading conditions in the first three months of the year were comparable to conditions in the latter part of last year Carbonated soft drinks benefited from favourable weather conditions and the confectionery market remained competitive Cadswep hopes to keep price increases below the rate of inflation and Bester expects to see real volume growth in all markets accompanied by gains in the share of core market areas. *Pam Baskind*

KANHYM FM 20/4/90 (186)

Chicken pieces

Kanhym has confirmed its acquisition of Mielie-Kip And, as we pointed out last week, the purchase is an initial strategic diversification away from core red meat markets into a food company which concentrates on value-added products

Mielie-Kip provides an entry into the rapidly growing market for chicken It concentrates on strongly branded value-added products mainly distributed in the PWV area Kanhym chairman Dirk Jacobs believes that Mielie-Kip's markets can be expanded greatly by using the distribution system of subsidiary Enterprise and Kanhym's own marketing resources

The 88c a share offer gives Mielie-Kip's controlling Van Wyk family R10,5m cash A further R1,1m will be needed if minorities accept the same offer Kanhym's financial

FM 20/4/90 (186)

director Neels Kilian justifies the premium to the ruling 72c share price saying it discounts net worth

Kanhym has tied up a long-term lease of the Van Wyk's grain farming operations which the family and present management will run

Jacobs says the strategic importance of the acquisition outweighs any immediate financial benefits Mielie-Kip's turnover in 1989 was R37,9m and is projected to rise to R50m in 1990 Last year's taxed profit was R2,9m, earnings 8,4c and the dividend 2,5c Kanhym expects the transaction to contribute 2,5c to its share earnings *Pam Baskind*

Kanhym's Jacobs ... markets can be expanded

UNIDEV

FM 27/4/90

186

It's been a rollercoaster ride

■ But a new, leaner look may in time restore the group's image

When Unidev was listed via a reverse takeover in 1986, market expectations for organisations calling themselves "investment bankers" were hyper-optimistic Enormous price rises by shares like New Bernica and Columbia set the pace With a similar label, Unidev roared to 1 050c in October 1987 from an issue price (after consolidation) of 225c This February, it hit a low of 85c, from which it has made a good but partial recovery

There are many reasons for this rollercoaster behaviour But studying it leads inexorably to the obvious questions· what brought it about and what are the prospects for this diverse operation that so captured the imagination of the investing public in those halcyon days only to be discarded and dumped to a p e ratio of just over two now?

Geoff Grylls and Steve Phelps started the ball rolling when they structured a consortium deal with Benny Rabinowitz in 1986 to take effective control of Unidev by pooling assets Rabinowitz contributed venture capital and certain properties through his Property Group of SA (Propgroup) and its Retco subsidiary, while Grylls and Phelps brought to the party properties, the property company Equikor (listed in 1989) and the managerial services company, Quaestor IV, then best known for its new listing business

In a surprise move after only a few months, Rabinowitz, in effect, negotiated a swap with assurer Southern Life of his 26% of Unidev for a parcel of Frasers shares and quit. This left Grylls and Phelps with a minority shareholding, no effective control and vulnerable to predators.

The Crash of 1987 trimmed the share to a trading range of 200c-400c for most of 1988. It was also at this time that the debacle of Milly's unexpectedly proved the Achilles heel that ruined Unidev's reputation

Milly's delicatessen chain was bought for R2m in early 1988 In mid-year, Unidev's financial manager discovered Milly's had a second, undisclosed bank account — with a huge overdraft Auditors were called in and the share was suspended Milly's unaudited attributable loss of R4,3m took the accumulated loss to R5,5m. Unidev wrote off its R2m investment and pumped resources in to try to save something from the wreck (*Fox* October 21 1988).

Meanwhile, most of the properties were realised: Prestige, which makes household kitchen equipment, was acquired from a divesting parent and a division of Krost was bought and merged into it, and Quantum Finance, Corbank Registrars and stakes in computer operations CIG and CRB were added to the portfolio

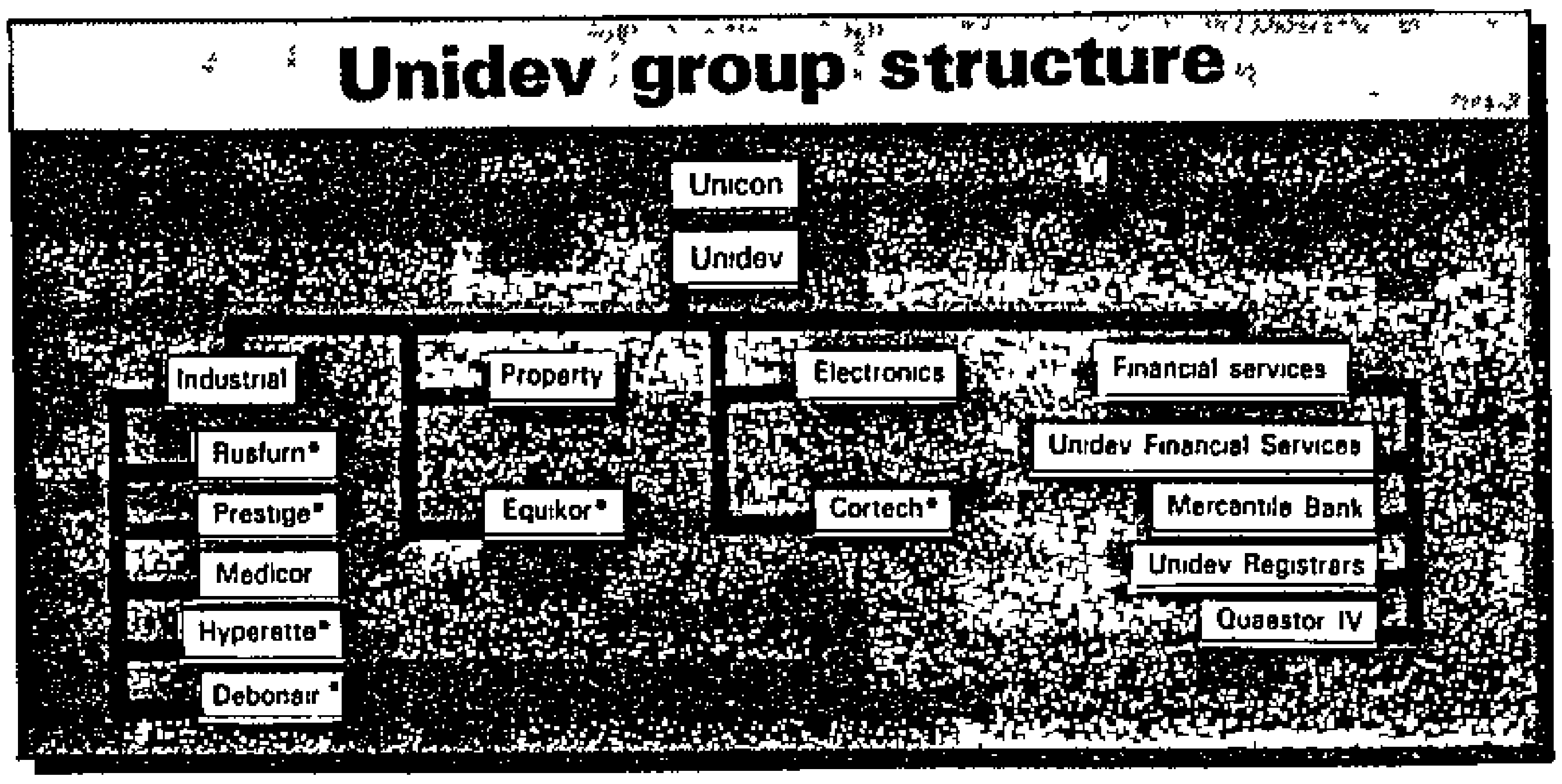
Whereas 1987 EPS of 61c exceeded the transmuted listing statement forecast, 1988 EPS fell to 52,1c. Milly's remained a drag both in the marketplace and internally and a change in top management was decided on.

In 1988, Ronnie Stein, previously managing partner of auditor Kessel Feinstein in Cape Town, overseeing the management consulting arm, was appointed to the board From four partners when he joined, he built Kessel's Cape operation into a 23-partner organisation when he left

Stein admits that when he joined, Unidev had a "cowboy" image. He ascribes this to the fact that "top management was composed of genuine entrepreneurs who were all expert financial engineers but none was trained or suited to manage companies" All, he says, were and still are motivated by the heady attractions of "deal making"

The result was a lack of meaningful management infrastructure Situations like Milly's were bound to occur. In essence, there were no

Unidev group structure



FM 27/4/90 186

Geoff Grylls ... analysts' scepticism is misplaced

tight controls on management in subsidiaries or associates. Stein says these have now been implemented across the board and are continuously policed by hand-picked, professionally qualified staff in Unidev Corporate Services This division oversees the implementation of management controls, investigates budget exceptions and examines prospective acquisitions

It is backed up by the Financial Services division, which contributed no less than 54% of attributable earnings in 1989, when EPS recovered modestly but in line with forecast to 55,5c It earns fees from handling "one-off" deals — the area which caused all the excitement when Unidev was listed Even today, this division is the "wild card" As Stein says, while it is budgeted to produce at least 17% of overall earnings this year, this could be substantially higher depending on the nature and number of deals done

Stein, named group MD in March 1989, has been responsible for the reconstruction of the past two years "When I joined, the subsidiaries just dangled," he says "So we sold off the small companies and formed the four divisions that now exist. Meanwhile, we became aware that the low share price was attracting predators' attention

"That was when we bought the Garcon cash shell for R26m We had two reasons First, the five of us (Stein, Phelps, Grylls, Lionel Willmore and Ian Hirschson) believed that our combined strengths would enable us and our shareholders to benefit from our expertise, second, we knew it to be important that the investing public saw that we were seriously committed by putting our own money up front"

Stein structured a rights issue in such a way as to reduce debt in Unidev while ending up with control in Unicon, as Garcon was renamed This pre-empted any bidder

Since then, the philosophy has changed. Stein says the group will now involve itself only with more mature companies to which value can be added or which offer outstanding value at acquisition price. When it becomes evident that no further value can be added, the investment will be realised and turned into cash

In essence, this process is Unidev's *raison d'être* It creates a growing capital supply continually reinvested in new opportunities It is in this context that Stein says the financial expertise of his colleagues really manifests itself

In future more than 50% will be sought in new investments, giving control He hastens to add, though, that even in present minority holdings Unidev influences operational direction through board representation and even more directly if loan funds are involved

Stein points to the recent buy of 23% of Rusfurn as typical Rusfurn, he says, is a mature company that needs no day-to-day involvement But in policy matters, Unidev has a definite influence Irrespective of unrest, Stein is sure that Rusfurn will make the earnings reflected in Unidev budgets

He is also confident that Unidev will make its own forecast EPS of 20% to at least 66c this year The biggest growth is expected to come from the unlisted "industrial" subsidiary Medicor, which operates seven clinics, hospitals and has assets valued in excess of R80m It will produce operating profits of over R3m this year, which is expected to rise exponentially thereafter. Strategy is to sell off Medicor properties within two years and turn these into a source of cash for Unidev.

The second largest growth area will be Equikor Unidev bought Natprop in late 1988, did a Section 311 compromise with creditors to get rid of old liabilities, sold Equikor's property business into Natprop and changed its name to Equikor Holdings. The property division is expected to contribute 6% of group earnings this year

Stein and Grylls say analysts' scepticism of recent preliminary figures for the Cortech electronic operations is misplaced Stein counters that while Cortech contributed just 0,4% to 1989 attributable earnings, in 1990 this will increase to 10%

Finally, Stein predicts that industrial holdings will contribute 67% (38,7%) to overall earnings this year All are expected to produce real growth Milly's, now effectively reversed into Hyperette, is a small percentage of either assets or profits

With 30,7m shares outstanding post-rights, attributable profit will almost have to double, to top R20,2m (R11,6m), to produce EPS of 66c Stein and his team are firm that, unless economic conditions deteriorate in unforeseen and uncontrollable circumstances, the target is realistic

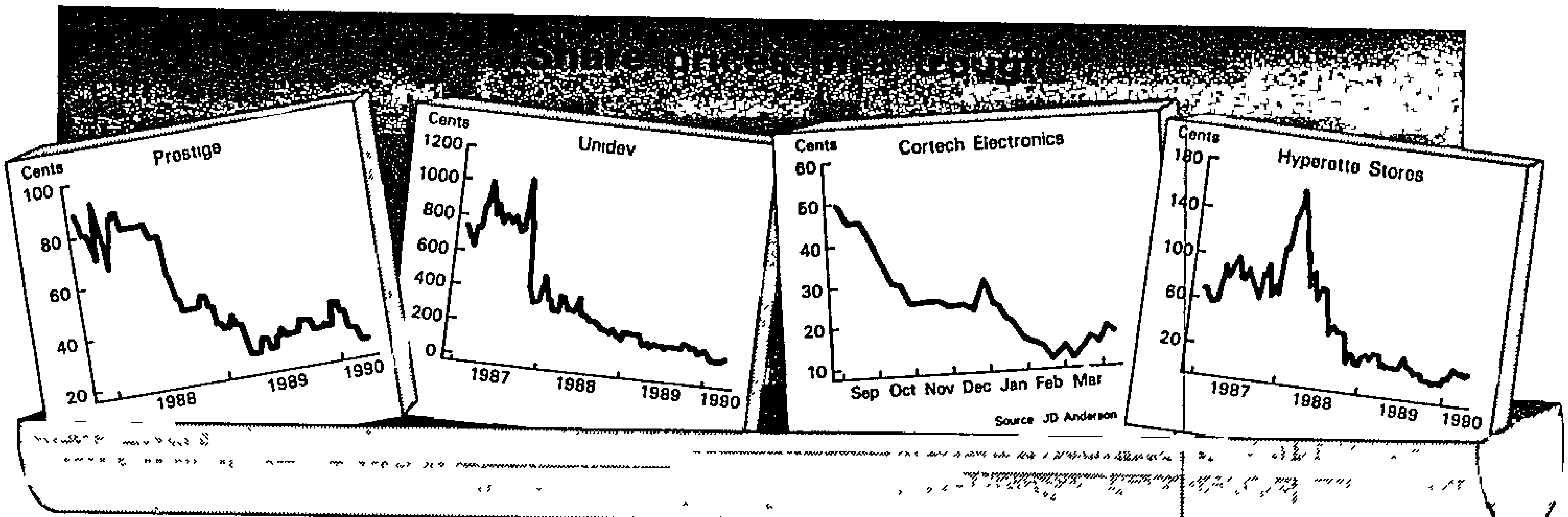
Stein

In Unidev's early days, the quality of earnings raised some eyebrows Stein is adamant that Unidev never included one-off property profits in its reported earnings Equikor did, but that's part of any property developer's normal business

The 1989 preliminary figures put net worth at 294c a share Stein says this includes goodwill equivalent to 73c, so tangible NAV is 221c The current 130c market price is a 41% discount

With four times cover, distribution this year should be about 16,5c If the required yield stays at the present 9,2%, that gives the share a forward value of about 180c As the average p e and dividend yield of the Industrial Holding sector are 8,4 and 4,4%, the rating suggests the market does not view the share with much enthusiasm

It's a moont point whether Stein has given the operation all the bathing it needs For example, debt is still too high But it can be argued that Unidev is now clean and lean enough to post a real recovery. Certainly, prospects seem better than the rating the market attaches to the shares *Gerald Hirshon*



Source JD Anderson

its net profit falling almost 40 percent.

Hoteliers feel the squeeze too

Str 28/4/90

186

JABULANI SIKHAKHANE

WITH disposable incomes of domestic tourists taking a hard knock from the downturn in the economy, the hotel industry is turning to foreign visitors to help off-set the decline in the local market.

This trend has been shown by the poor perfomance during the traditional boon Christmas and Easter periods. Over Christmas revenue from all grades of hotels declined 11 percent in real terms

High food prices, combined with the declining disposal incomes of the locals, is also knocking what is usually a profitable part of hotel business.

In 1989 food prices rose 14,9 percent on a year-on-year basis, with vegetable prices up a staggering 47,8 percent.

Fred Thermann, executive director of the Federated Hotel Association of South Africa (Fedhasa) says hotel food and beverage sales (adjusted for inflation) in 1989 did not increase over the 1988 figure. Most affected were country hotels where food and beverage sales declined by three percent in real terms.

He also notes that even though a few new hotels came into the market, room capacity declined by 1,1 percent in 1989 over the 1988.

"The hotel industry is no money spinner. We hope that the growth in the number of foreign visitors will help offset the declining spending power of the domestic tourists," he said.

Foreign visitors

The number of foreign visitors to SA has shown a steady increase over the last three years. According to the South African Tourism Board, the number of foreign visitors increased 15,9 percent in 1989.

Between January and December 1989, 930,393 foreign visitors arrived, which is 3,8 percent up on the previous record set in 1984.

Their spending has also increased, from R904 million in 1985 to more than R1,9 billion in 1989, excluding air fares and domestic tourism.

Mr Thermann is optimistic that the number of foreign visitors will increase up to 1,2 million this year and is pinning his hopes, among others, on a recent study which showed that SA hotels still offer the cheapest accommodation in the world.

Figures by the CSS show that the total number of bednights sold to foreign visitors in January 1990, increased by 10,4 percent to 124,572 from 112,863 in December.

But this was 1,3 percent lower than the number of bednights sold to foreign visitors in January 1989.

Hoteliers recognise the growth potential of the black market.Increased urbanisation, fast improving living standards and increased disposable incomes of most black urban families are helping re-shape black holidaying patterns.

Mr Thermann sees quite a big potential in the affluent black urban market and estimates that there could be up to five million blacks ready to make use of holiday resorts and hotels.

186

The Star
Finance

Star 3/5/90

Oceana's earnings more than halved

By Ann Crotty

The considerably weaker figures from Barlows' Oceana Fishing group shouldn't have taken too many investors by surprise.

Reduction in fishing quotas were expected to have a significant adverse impact on performance and as last week's figures from Namibian Sea Products reflected, there were also problems with rock lobster catches.

So the more than halving of earnings — down from 181,2c to 70,2c a share — may not have too much impact on the counter's high rating although in the short-term, confirmation of the bad news may weaken the price. The dividend was cut to 30c from 55c a share.

Ahead of the release of the figures Ocfish was trading at its 12 month low of R22 — the 12 month high of R25,50 was not significantly higher,

Turnover, at R130,2 million was down from the previous interim's figure of R140,3 million

The real damage shows up at the operating income level with net operating income plummeting from R23,3 million to R8,5 million. All that chairman Mr Walter Lewis has to say is that :"Operating profit declined mainly as a result of lower pelagic and lobster landings in the first six months of the season."

A sharp drop in dividend income — from R4,2 million to R1,1 million — reduced overall income from investments to R3,5 million from R6,2 million. Attributable income fell to R6,6 million from R16,6 million.

According to Mr Lewis, catches are expected to increase in the second half but, although second half results will be better, than first half "earnings for the full year will be lower than those achieved in the previous financial year."

BAKERS F|M 4|5|90 (186)

Taking the biscuit

Anglovaal Industries' biscuit-making subsidiary, Bakers, is planning a new R11m head office at Westville, near Durban

The project is being developed by Durban-based property group DPF Investments and involves the construction of a 3 600 m², two-storey building Work begins in July, with completion towards the end of next year DPF MD Paddy Delaney says the scheme has been on the drawing board for 18 months, during which time the site, at the junction of Buckingham Terrace and Menston Road, was rezoned for business use

He adds that the face brick building will be in keeping with both the image of the biscuit company and the residential nature of Westville

A large part of the 7 000 m² property, bought by DPF nearly two years ago, will be landscaped and most of the existing trees will be retained ■

Spur performance sizzles as income rises 40%

BiDay 4/5/90

BRENT MELVILLE

SPUR Steak Ranches (Spur) and holding group Spur Holdings (Spurhold) have upped earnings a share by 34% and 7% respectively for the year to end-February

Spur, the fast expanding Cape-based restaurant franchise group, showed a strong performance, bolstering operating income by 40% to R4,5m (R3,2m), on a rise in turnover of 50% to R13,4m (R8,9m)

4C

For its part Spurhold (with a 40% holding in Spur) showed a 43% drop in net income before tax to R809 000 (R1,4m) on reduced turnover of R4,2m (R7,5m) However, the contribution from Spur added R1m (R693 000) — leaving attributable income at R1,6m (R1,5m)

Spur and Spurhold declared dividends of 12,75c and 10,75c — representing 86% and 83% of earnings respectively (186)

The results reflect the group's move into Europe in partnership with a European consortium and local expansion into the fast food chicken business In addition, Spur, franchised several new operations this year, and now operates over 80 franchised outlets throughout SA

W/C Argus
5/5/80

Canned fish for export

186

Business Editor

FOR the first time since 1976 South African fishing companies will be able to export highly lucrative canned pilchard soon

Pilchards have not been exported because each year's catch was barely enough to meet home requirements

However, catches and output of canned fish have increased substantially this year and this is likely to result in a surplus that can be exported, says Mr Walter Lewis, chief executive of the giant Oceana Group

About one million cases may be exported and at higher prices than fetched on the local market

However, this is still far below the 6 million cases exported in 1976

Exports are badly needed by Oceana to recover from a slump in earnings for the six months to March 31 — down by R10 million to R6,6 million

Landings of pelagic fish dropped drastically to 34 000 tons of all species from 77 700 tons a year ago Hardest hit was the anchovy catch of only 14 500 tons, down from 51 700 tons for the first six month of last financial year

However, the group has broadened its base with new investments of R8 million in the Blue Continent cold storage business This includes two stores at Epping and at Durban

Negotiations are also continuing for a Cape Town Docks site, Mr Lewis added.

Jonny Frankel strikes while the iron's hot

S/Times 6/5/90

(186)

By Ian Smith

ORGANISED business will never have a better chance than now to put its message across to the Government.

That is the view of Tiger Oats executive director Jonny Frankel, who has taken the helm as president of the Johannesburg Chamber of Commerce and Industry — the biggest organisation of its kind in South Africa. It has 5 300 member companies and is part of the new SA Chamber of Business.

Mr Frankel says the changed political climate has opened doors to Cabinet members, directors-general and other senior officials.

Jonny Frankel business gets a better hearing from the authorities

Top businessmen, including Mr Frankel, came away from meetings with Cabinet ministers and MPs in Cape Town encouraged by a refreshing new attitude from the Government side.

"I left with a strong feeling that the Government welcomes the views of business,' says Mr Frankel. "The relationship will get even closer, but we have gone a long way towards removing the 'them' and 'us' syndrome which existed, to an extent, in the past.

[illegible]

"The Government is encouraging organised commerce and industry to work closely with it because everyone realises how vital economic growth is to the country

"A burgeoning economy and hoped for foreign investment offer the best chance for SA to create jobs, generate wealth and meet the aspirations of the people."

As the only son of the legendary Rudy Frankel, now life president of Tiger, it was predestined that Jonny would join the group which he did as a trainee manager after gaining a BComm at Wits in 1964.

Six months in Tiger's London office in 1965 was followed by six months with Continental Grain Corporation in the US.

He completed an MBA at the University of Cape Town in 1967, and then spent 10 years gaining experience throughout the group He was responsible for much of the pioneering work in branded products which completed Tiger's transformation from a milling and grain company into a diversified food giant with an expanded basket of well known grocery products.

Jonny Frankel was largely responsible for persuading a somewhat reluctant Rudy Frankel to diversify into the pharmaceutical sector

Tiger's acquisition of a controlling stake in Adcock Ingram proved to be an excellent move, and today the group is a powerful force in pharmaceuticals and toiletries

[illegible]

With 25 years service in the group, Jonny Frankel is a member of the executive committee. In recent years he has concentrated on the group's public affairs and social responsibility programmes.

But whatever the Tiger Group's demands he has for some years found time for a role in organised business.

He was heavily involved in the merger of the Transvaal Chamber of Industries with the Johannesburg Chamber of Commerce to form the JCCI — the first effective chamber of business.

This played a significant role in the emergence of the SA Chamber of Business (Sacob) from the merger of Assocom and the FCI.

"It has increased the influence of business enormously," says Mr Frankel.

"It made no sense for commerce and industry to duplicate representations to the authorities when most problems were common to both sectors."

Mr Frankel appeals for younger business executives and entrepreneurs to become involved in organised business.

"In the new SA organised business — and business as a whole — will have to work hand-in glove with governments to ensure economic growth.

'It is the task of organised business to try to work closely with the authorities to bring about an overall environment in which business can prosper and optimise its performance."

He says it is fortunate that commerce and industry came together "at the most critical time" in SA s economic and social history "We have a formidable body today

[illegible]

The next step, says Mr Frankel should be to bring in the AHI and Nafcoc.

"I cannot accept that language, colour or culture can keep apart business people of any persuasion who have the overall welfare and prosperity of the country as their objective."

Pick 'n Pay embarks on major expansion

Star 4/5/90 [illegible] 186

By Tom Hood

CAPE TOWN — More than R130 million will be invested in new stores by Pick 'n Pay in the biggest expansion programme in its 22-year history

Well over 2 000 new jobs will be created for shop workers and builders, said the chairman, Mr Raymond Ackerman

"It is a huge investment and it shows our confidence in the economy and the future of the country."

This follows an R85 million expansion last year which gave employment to more than 660 people

In his annual report he disclosed the supermarket chain of 136 stores currently employs more than 21 000 people and paid R402 million in wages and salaries in the 12 months ending February 28

About R30 million would be spent on fixtures and fittings, R20 million on stock, while the cost of only Pick 'n Pay buildings — not whole shopping centres — would be about R60 million, he added.

The cost of new shopping centres would put hundreds of millions more into the economy.

Another R20 million will go on renovations to many of the 136 stores.

When the company started with four small supermarkets in the Cape 22 years ago, sales were only R5 million in the first year of trading

There are now 97 supermarkets, 13 hypermarkets and 26 other outlets with a total selling area equal to 19rugby fields

Sales of R4 381 million were notched up in the 12 months to end-February and if, as Mr Ackerman says in his report, sales and profits should increase at a faster rate than last year, the group will top R5 billion in sales

"Our earnings have an unbroken record of solid growth and the current annual dividend payments are more than 300 times greater than in the year of listing, with more than R209 million having been paid out since," says Mr Ackerman

Mr Ackerman disclosed that 6 000 employees are now shareholders through the group's employee share purchase scheme

"We believe that developing the principles of ownership in South Africa must be beneficial to uplifting the general economic level.

"In a developing country like ours, a workable democracy can only come about if people's material aspirations are reasonably fulfilled

"Taking full cognisance of the scientific advances which have been made as we enter the last decade of the 20th century, there is no doubt that people make the difference when comparing the quality of corporate approach to build the morale and motivation of our staff at all levels.

"We believe that the company has achieved this and that our staff have carried out the company's mission well"

Premier impresses as earnings rise 32%

BDay 11/5/90

(186)

BARRY SERGEANT

PREMIER Group has posted a 32% increase in earnings on the back of an improvement in overall trading margins from 6,9% to 7,7% for the year to end-March

A final 35c dividend is declared today, raising full dividends by 20% to 60c (50c) a share The period under review included a rights issue, numerous acquisitions and reconstructions and the divestment of Premier's major investment, 33,8% of SA Breweries

Attributable earnings at R122,1m translated to earnings a share up 24% at 180c (145c), diluted by Premier's R281m rights issue For the first time Premier has disclosed its divisional results, and stated some figures and its policy on its troubled poultry division.

Premier's main interests comprise food and other, contributing 67% of 1990's attributable earnings (1989 61%); Gresham 5% (9%), Twins 16% (17%), and CNA Gallo 12% (13%).

Commented Ed Hern, Rudolph Inc's Syd Vianello "Premier's margins, particularly in its all-important food and baking division, are fast catching up with its major competitors, if not exceeding them in some cases.

"Given the difficult conditions of the past year, including management time which had to be devoted to reconstruction of the poultry division, the results could be regarded as most commendable

"Particularly pleasing are the results from the fishing division, given the tough times for SA and Namibian enterprises. In addition, it is understood Premier's quotas in Namibia have been increased, compared to cuts for its competitors "

The 1990 results indicate a particularly strong financial position with interest-bearing debt down substantially to R290m (R466m)

Premier says its rights issue was timeous, "significantly strengthening the group's financial position and considerably reducing its borrowings in a time of consistently higher interest rates. The ratio of interest bearing debt to shareholders' funds is now only 23,1% which compares favourably with the previous year's restated figure of 51,8% "

Premier's 1989 figures have been restated to reflect Premier's divestment of its SA Breweries holding to Bevcon. Premier says its 1990 results do not reflect the group's erstwhile share for the assets and earnings of SA Breweries.

Divisional results, disclosed for the first time and using 1990 trading profits 1990 show: milling and baking R121m; agribusiness and pet food R15m, edible oils and

☐ To Page 2

Premier

BDay 11/5/90

(186)

☐ From Page 1

distribution R14m; fishing R11m; manufacturing and toiletries R83m, distribution and sundry wholesaling R19m, education/retail R35m, entertainment R20m, support services R12m, and financial services R6m

Premier chairman Peter Wrighton summarised the position at Bonny Bird poultry "Despite the disruption occasioned by the major restructure of Bonny Birds, where over 1 500 employees were retrenched, three plants closed, and over R60m spent on bringing the facilities up to state-of-art, a small trading profit of R7m was posted (excluding non-recurring retrenchments and reconstruction costs).

"No funds were put in by the shareholders and the capex was financed purely by bank borrowings (our joint venture agreement provides that we have no obligations in this regard) This caused the interest bill to increase to R11m for the year and result in an operating loss after interest of R4,6m

"As the group has a put for its shares and loan account exercisable by 1994 and does not have management control or any financial obligations, the accounting procedure adopted is to write-down the investment in our book for any losses incurred and to bring dividends to account when any profits are made."

The overall trading margin of 7,7% differed sharply from certain divisional margins, milling and baking at 8%, agribusiness and petfood at 3,6%, edible oils and distribution at 2,6%, fishing at 16,2%, distribution and sundry wholesaling at 2,3%, and manufacturing and toiletries at 27,2%

SUGAR FM 11/5/90 (186)

Bagging a market

Refined sugar has become more popular with foreign importers over the past 10 years, at the expense of bulk shipments, and it now makes up nearly 20% of SA's sugar exports

To widen its niche in this market, the SA Sugar Association is investing R13m in a new bagged sugar warehouse in Durban.

The 16 000 m² warehouse will have a capacity of 57 000 t It will be situated to the north of the bulk sugar terminal at Maydon Wharf. Work could start next month, depending on negotiations now under way between the association, Portnet and the Durban City Council

The association's international marketing director, David Hardy, attributes the market swing to refined sugar to lower prices. These have made it cheaper to import refined sugar rather than erect refineries to process the bulk product

However, this is no longer the case because refined sugar now costs between US$80-$100/t more than bulk sugar, compared with $50/t a few years ago. So importers, lacking updated facilities to process raw sugar economically, are riding out the high prices and waiting for the trough that usually follows a price surge

This time, though, they could have a long wait The local sugar industry believes that the world sugar price will remain high because, unlike the sharp upward peaks that characterised earlier price surges, the price has had an undramatic but steady climb to its current highs. The consensus is that the price could continue its upward trend for another 12-18 months as world sugar consumption consistently outstrips production

"This is good for the country because it means the raw product is being processed here," says Hardy "Right now it probably would be cheaper for importing countries to refine the raw product themselves But they are obviously waiting for the price to drop again rather than erect refineries."

It seems the world trend towards bagged sugar is here to stay — if only for economic reasons. Thus a feasibilty study carried out by the association recommended erecting a new storage facility rather than continuing to lease costly storage space. ■

FM 11/5/90 (186)

Tiger checked

By Ian Smith

IT'S tough at the top, and the strain is telling on blue-chip Tiger Oats (186)

Attributable earnings growth which has run above 20% in the past seven years dipped to 13% in the six months to March 31

Turnover of R3,2-billion was 17% higher and attributable earnings increased from R106,6-million to R120,8-million The interim dividend has been increased from 19,4c to 22c

Chairman Robbie Williams, is confident that the first-half increase in earnings will at least be maintained in the second six months, although he sees no improvement in trading conditions

S Times 13/5/90

Mr Williams says Tiger Oats performed "satisfactorily despite difficult trading circumstances"

Tiger Foods' distribution and service operations did well, but margins on food lines remained under pressure in "extremely competitive" trading

Nevertheless, Tiger Foods increased its earnings by 20% off a high base

In pharmaceuticals, both 75%-owned Adcock Ingram and wholly owned Logos were up to scratch But in the unpredictable fishing industry there was a heavy reduction in earnings from Oceana Fishing because of a decline in pelagic and rock-lobster landings and lower volumes and margins in the trading divisions

The result is that food increased its contribution to attributable earnings by 20% to R96,6-million, pharmaceutical operations by 32% to R19,6-million and fishing fell by 60% from R11,4-million to

● To Page 3

Tiger Oats

(186)

● From Page 1

R4,6-million

Typical of the problems in the food operations was the broiler chicken operation. After four good years for the industry, several producers lifted production capacity, increasing competition considerably

There are, however, signs that conditions are improving in this business.

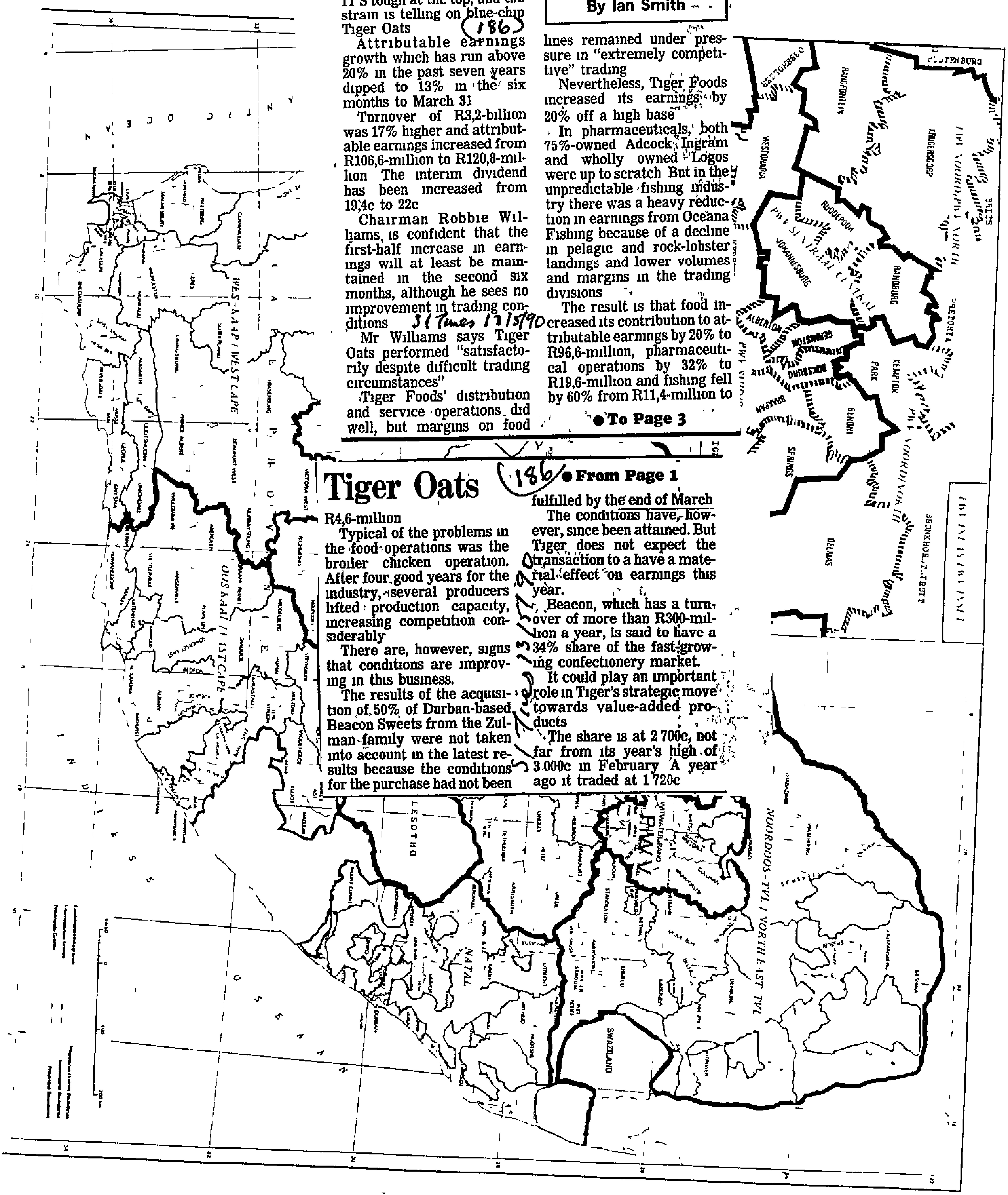
The results of the acquisition of 50% of Durban-based Beacon Sweets from the Zulman family were not taken into account in the latest results because the conditions for the purchase had not been fulfilled by the end of March

The conditions have, however, since been attained. But Tiger does not expect the transaction to a have a material effect on earnings this year.

Beacon, which has a turnover of more than R300-million a year, is said to have a 34% share of the fast-growing confectionery market.

It could play an important role in Tiger's strategic move towards value-added products

The share is at 2 700c, not far from its year's high of 3 000c in February A year ago it traded at 1 720c



30% plunge hits ICS hopes

SYLVIA DU PLESSIS

THE hopes of Imperial Cold Storage (ICS) directors for improved full-year earnings this year have been dashed by a 30% nose-dive in bottom-line profits in the six months to March.

(186

An ongoing surplus in the poultry market, coupled with the economic slowdown, sent midway earnings for the producer and distributor of perishables — part of the Barlows group — plummeting to 63,8c from 90,8c a share.

Consequently, dividends of 14c — 20% lower than the corresponding 18c — have been declared

Recently appointed MD Nick Dennis said at the weekend production of poultry over the past year had outstripped demand, leading to a drop in market prices in an industry "highly sensitive" to pressure on margins

In addition, ICS experienced interruptions to production at the poultry division's Festive Farms during the commissioning of an upgraded processing plant

While the group's dairy and distribution divisions achieved satisfactory results, its red meat division — where margins came under pressure — had also "struggled", Dennis said.

BDay 14/5/90

Turnover during the period under review grew a slow 12% to R1bn on a volume increase of 3%, and operating profit fell by R14,6m to R23m to slash pre-interest margins to 2,18% from 4%.

After an interest bill which grew by

☐ To Page 2

ICS plunge

BDay 14/5/90

(186)

☐ From Page 1

42,6% to R9m, and an abnormal item of R3m representing dividends released on disposal of a foreign subsidiary, attributable profits were substantially lower at R24,2m (R34,4m)

Contributions from associate companies — including fishing (Sea Harvest), meat canning (Bull Brand), food services (Fedics) and ships chandling (Chandling International) — increased by 3% to R11,3m

Looking to the future, Dennis said a rationalisation programme was being implemented at ICS's red meat division.

However, seasonal factors mitigated against any improvement in the group's performance in the second half, and earnings would be below the 147,4c a share recorded for the 1989 financial year.

The share closed at 1 175c on Friday, far off its January high of 1 825c

Oceana weighs on Tiger Oats

BDay 14/5/90

186

LINDA ENSOR

A POOR performance by Tiger Oats fishing subsidiary Oceana proved a drag on the food giant's profit growth in the six months to end-March — fishing's contribution to attributable earnings fell 60%.

The anchovy quotas were drastically reduced and catches were not good, says Tiger Oats chairman Rob Williams. Lobster catches were also lower and volumes and margins in the trading divisions dropped

Oceana's contribution to total attributable earnings — which rose 13% to R120,8m (R106,6m) or 86,9c (76,9c) a share — fell to R4,6m (R11,4m).

The food division, despite strong competition and difficult conditions in the poultry and eggs sector, maintained a strong performance, increasing their attributable earnings contribution by 20% to R96,6m (R80,3m).

The contribution by the pharmaceutical division (Adcock-Ingram and Logos) rose 32% to R19,6m (R14,9m). An interim dividend of 22c (19,4c) was declared — a rise of 13,4%

Trading margins came under pressure and this with a sharp decline in investment income and a higher tax rate resulted in a rise in after-tax profit of 1,8%. Attributable earnings grew 13% because of a lower amount being paid to outside shareholders resulting from the acquisition of W G Brown minorities.

Operating margins fell from 7,9% to 7,3%, pulling the 17% increase in turnover to R3,2bn (R2,8bn) down to an 8% rise in operating profit to R236,3m (R218,8m). The tax rate rose to 37,5% (36,7%).

Imphold reshuffle

CHARLOTTE MATHEWS

RAPID growth had led to the Imperial Group restructuring its boards of directors, new Imphold executive chairman Bill Lynch said yesterday BDay 15/5/90

Group turnover had risen to R446m in the year to June 1989 from R147m in 1985 In the six months to December 1989 turnover was R279,7m (186)

The group's pyramid company, Imperial Group, is now headed by chairman Percy Abelkop and deputy chairmen Stephen Abelkop and Leon Wilder Lynch is MD and the other directors are Maurice Fluxman and Joe Rabinowitz They are also represented on the board of Imphold, which controls Imperial Car Rental, the motor division, Imperial Truck Systems and an insurance, finance and property division

Food irradiation: studies

*15 Mr M J ELLIS asked the Minister of National Health and Population Development

(1) Whether any studies have been conducted in South Africa on food irradiation, if so, (a) when, (b) what is the title of each such study and (c) who was responsible for (i) conducting and (ii) commissioning each of them,

(2) on the basis of what specified research did the Government decide to allow food irradiation in South Africa?

B984E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT

(1) Yes,

(a) in 1962 research on food irradiation commenced at the Fruit and Food Technology Research Institute at Stellenbosch Since 1969 the Atomic Energy Corporation has been intensely involved with research in this field Numerous studies and reports in this respect have been published during the past years In addition to the above, numerous feasibility studies have also been conducted by the other two major food irradiators in South Africa, viz Iso-Ster (Pty) Ltd and Hepro

(b) I am in possession of a comprehensive list of studies which were conducted locally There are in excess of 100 publications in this list of which the honourable member may obtain a copy,

(c) (i) the majority of these studis were conducted by the Atomic Energy Corporation in collaboration with local institutes and universities,

(ii) the majority of studies were commissioned by the Atomic Energy Coporation and the former Department of Agriculture Technical Services,

(2) on the basis of the aforementioned studies and the recommendations of the Codex Alimentarius Commission of the World Health Organisation and the Food and Agriculture Organisation of the United Nations that food irradiated up to dose levels of 10 kGy (kilo Gray) is considered totally safe and wholesome, the process was allowed in South Africa The Commission's view on food irradiation was backed by the outcome of decades of research by international bodies amongst which the United States Defence Force and the North American Space Agency were pioneers

The irradiation of foodstuffs certainly is the processing method most intensely researched in modern day history with regard to safety It was thus not necessary for South Africa to repeat everything, but to approve of the use of this safe processing aid, on an individual application basis

Clermont residential area: schools for Blacks

*16 Mr R M BURROWS aksed the Minister of Education Hansard 15/5/90

(1) Whether all the schools for Blacks in the Clermont residential area fall under the control of his Department, if not, (a) why not (b) (i) under which authority do the schools concerned fall and (ii) why,

(2) whether the control of any schools in the Clermont residential area has been transferred from his Department, if so, (a) when and (b) by what body was this decision taken?

B987E

The MINISTER OF EDUCATION

(1) No

(a) and (b)(i) These schooos have always been controlled by the Department of Education and Culture KwaZulu

(ii) Because the schools have always been under the jurisdiction of KwaZulu and a change in the situation would be undesirable, the Government aims to legalise the situation as soon as possible

(2) No

(a) and (b) Fall away

SADF: incorrect remuneration

*17 Mr R V CARLISLE asked the Minister of Defence Hansard 15/5/90

(1) Whether any instances of remuneration having been incorrectly credited to members of the South African Defence Force occurred during the period 1 January to 31 March 1990, if so, how many,

(2) whether he will make a statement on the matter?

B988E

The MINISTER OF DEFENCE

(1) and (2) Yes A total number of 0,78% queries were received as a result of the implementation of a new computerised pay system for approximately 54 000 members of the SA Defence Force Queries received immediate attention and have in most cases been solved Those members with pay queries are encouraged to report them immediately to their officers commanding in order that they can be solved

Animals used for research

*18 Mr A E DE WET asked the Minister of National Health and Population Development

(1) (a) (i) How many and (ii) what species of animals are used in South Africa for the purpose of researching the toxicity of medicines and agricultural remedies, (b) where are such experiments conducted and (c) what procedure is used to measure the toxicity of such substances,

(2) whether the Government has commissioned or conducted any studies on the use of animals for such research, if not, why not, if so, what studies?

B992E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT

(1) (a) (i) and (ii) The Department of National Health and Population Development does not have data on the numbers or species of animals used for the determination of toxicity of medicines and agricultural remedies,

(b) a formal inventory of private and public organisations conducting experiments does not exist,

(c) the procedures will depend upon the technical requirements in respect of each individual product Laboratory techniques are used wherever possible,

(2) the Department of National Health and Population Development has neither commissioned nor conducted any such studies All aspects of the use of experimental animals are controlled by the Animal Protection Act, 1962 (Act 71 of 1962) which is administered by the Department of Agriculture

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INTERPELLATIONS

The sign * indicates a translation The sign †, used subsequently in the same interpellation, indicates the original language

Own Affairs

Agricultural Credit Committees

Mr A A B BRUWER to ask the Minister of Agricultural Development * Hansard 15/5/90

Whether he accepts the recommendations of organized agriculture in respect of appointments to Agricultural Credit Committees and other boards ~~or councils under~~ his control, if not, why ~~not?~~

B1027E INT

*The MINISTER OF AGRICULTURAL DEVELOPMENT Mr Speaker, the hon member for Lydenburg has asked an apparently simple question, namely whether the Minister accepts the recommendations of organised agriculture in respect of appointments to agricultural credit committees and other boards or councils under his control This question, however, has a more deep-seated political motive The answer is simple Sometimes the Minister accepts the recommendations of organised agriculture and sometimes not, because the Act affords the Minister a discretionary power

Section 6 of the Agricultural Credit Act provides that the Minister may, after consultation with the Agricultural Credit Board, make appointments to the committees concerned Nowhere does the

C G Smith Foods suffers from pressured margins

SYLVIA DU PLESSIS

186

C G SMITH Foods upped earnings by 11% to 136,9c (123,8c) a share in the six months to end-March, compared to corresponding growth of 28%, in what directors describe as an "unquestionably" tougher climate.

B Day 16/5/90

An interim dividend of 34c (31c) has been declared.

Executive chairman Robbie Williams, commenting on the results, said margins were under pressure in most sectors of the food industry in which the group operated. However, the majority of divisions' performances were level with expectations.

A higher world sugar price enabled C G Smith Sugar to boost earnings, and the strong growth predicted at pharmaceutical companies Adcock Ingram and Logos had also materialised, he said.

But the contribution from fishing operations declined sharply as Oceana's results were negatively affected by a drop in pelagic fish and rock lobster catches.

The foods division, accounting for over 50% of attributable earnings, showed virtually no change, with Tiger Foods' 20% growth being offset by a 30% decline at Imperial Cold Storage.

Total group turnover during the period under review rose 15% — in line with inflation — to R4,8bn (R4,2bn), but pressurised margins saw pre-interest operating profit grow a much slower 4% to R350m.

The interest bill climbed to R72,1m (R55,1m) due to both higher borrowings and interest rates to leave attributable profits 11% up at R129,3m (R116,8m).

The balance sheet reflects net borrowings at 38% (37%) of equity.

Williams said directors' outlook was for little change in trading conditions in the second half, and the current level of earnings would "at least" be maintained.

Barlow Rand-controlled holding company C G Smith, with interests in food and pharmaceuticals, packaging and paper and carpets and textiles, raised turnover for the same period by 14% to R6,86bn.

Earnings were 3% up at 378,2c a share and a midway dividend of 105c (102c) has been declared.

COMPANIES

Bottom-line income's slow rise is realistic — Fedfood

186

B/Day 16/5/90

SYLVIA DU PLESSIS

FEDFOOD — in the Fedvolks fold — has turned in a slow 3,7% rise in bottom-line income for the year to March, but directors say this is a realistic reflection of market, climatic and fishing conditions during this period

The group, whose best-known subsidiaries include Fedbake, Marine Products, Nola, Ruto, Simba and Table Top, lifted attributable income to R50,9m from R49,1m on turnover which grew 11,9% to R1,2bn

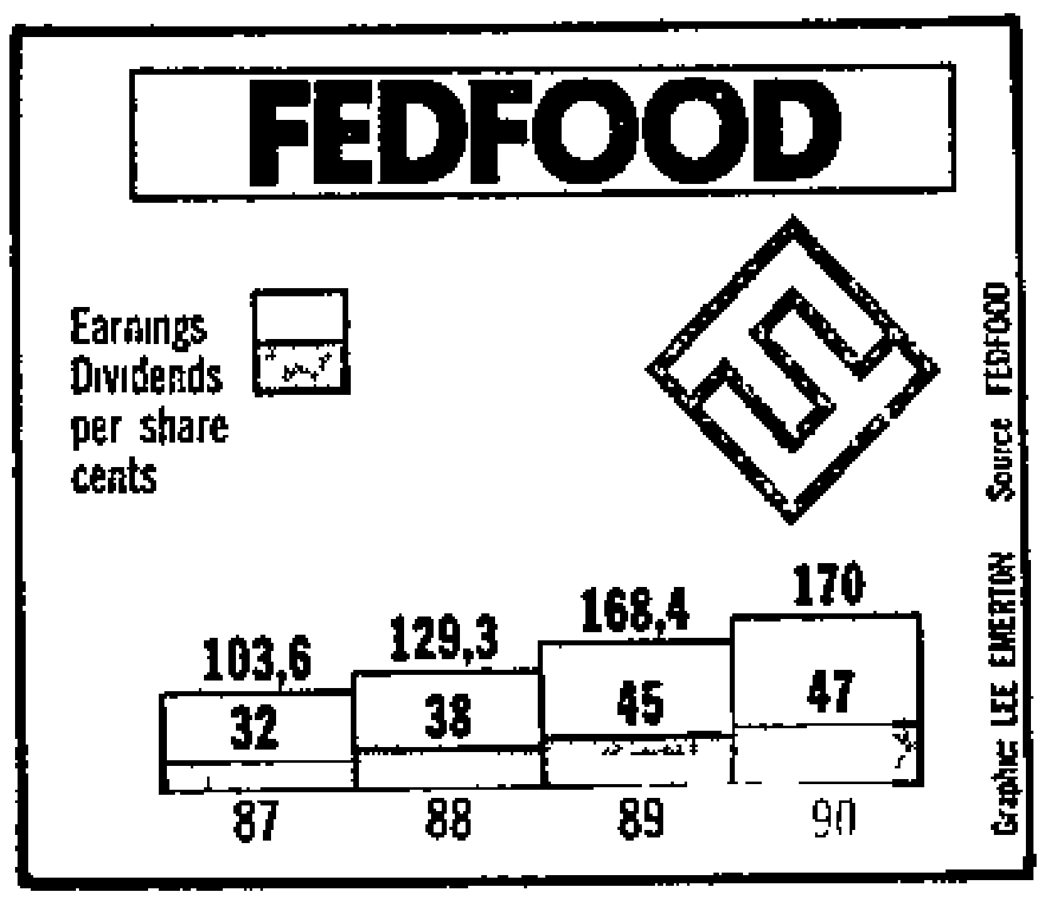
Largest earnings contribution came from fishing (R15,9m), followed by snacks and baking, milling and grain processing (R14,8m each) and frozen foods (R8,1m) Group services contributed a R2,7m loss

This translated into earnings 1% up at 170c (168,4c) a share — the comparable figure has been restated in view of the inclusion of earnings from overseas subsidiaries — and a 4,4% rise in dividends to 47c (45c), covered 3,6 (3,7) times.

MD Jan du Toit said the figures were "commendable" considering a severe drought in the vegetable producing areas which adversely affected production at Table Top, and a shorter fishing season

Excellent results from Simba, exceptional fishing harvests from overseas waters and substantially improved yields from Nola and Ruto enabled Fedfood to "stand firm" and improve on 1989's earnings, he said

Du Toit said the group's overseas subsidiaries had reached the point where they were self-financing and able to declare dividends Their results were therefore included as contributing to the group



Graphic LEE EMERTON Source FEDFOOD

While difficult trading conditions were expected to continue throughout the current year, Fedfood's mix, corrective measures taken and restructuring of management strengthened directors' confidence

Consequently, a "significant" improvement in earnings was expected.

The group's gearing ratio remained healthy at 29% (20%) and it was well-placed to aggressively continue seeking expansion through acquisitions This would be a priority in the year ahead, he added

☐ In an analysis of the food sector, **STEPHEN RICHTER** reports that tough conditions in the food industry — as evident by this week's results from ICS, Tiger Oats and Fedfood — make patience a requirement of shareholders who are willing to retain a holding in any of these companies

It will take time before they can expect these share prices to advance significantly above current levels.

Consequently, for long-term investment purposes, it would be advantageous to invest in a vehicle which offers above-average income prospects while at the same time having promising capital gains potential.

Fedfood offers three investment vehicles which are listed under the JSE food sector Aside from the ordinary shares, there are 7% compulsorily convertible preference shares and 13% unsecured subordinated compulsorily convertible debentures

The advantage of holding the debentures is the superior return generated, which is in excess of 10% compared to the dividend yield on the ordinary shares which is less than 6% Tradeability does not seem to be a problem either

CGS Food misses out on the dessert

(186)

By Derek Tommey

Food producers are facing difficult times and are having to operate on extremely tight margins

This is clear from the interim results of CG Smith Foods, which was able to increase its operating profit in the six months ended March by only 4 percent to R349,6 million from a turnover increase of 15 percent to R4,8 billion

However, the company did manage a small increase in its dividend from 31c to 34c a share

The company's operating profit after interest actually declined by 1,6 percent to R277,5 million

However, investment income rose R2,5 million to R34,0 million and the tax rate was marginally lower This enabled the company to show a taxed profit of R200,2 million

After including the share of associate companies' earnings and deducting outside shareholders' interest, the attributable profit was R129,3 million, an increase of 11 percent on the R116,8 million earned a year ago

Earnings a share also rose 11 percent to 136,9c

The chairman, Mr Robbie Williams, says that most divisions performed in line with expectations, with the higher world sugar price contributing to CG Smith Sugar's increasing earnings Pharmaceutical companies Adcock Ingram and Logos produced predicted strong growth

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Disappointing Fedfood looking for acquisitions

Star 16/5/90

(18.6)

By Sven Lunsche

Despite poor results in the 1989/90 financial year, Fedfood is examining the possibility of acquisitions "as a top priority"

Fedfood's attributable earnings rose by a mere 3,7 percent to R49,1 million (R50,9 million) in the 12 months to end-March This translated to a one percent rise in earnings per share at 170c (168,4c), from which a dividend of 47c was declared — 4,4 percent up on the previous year's 45c

Turnover from ongoing operations improved by 11,9 percent to R1,22 billion (R1,09 billion), but the pressure on margins caused a decline in operating profits from R100 million to R96 million.

Despite the modest profit performance, Fedfood's MD JC du Toit says the group's gearing ratio of 0,29 remained healthy and would allow further expansion through acquisitions

He also expected a significant improvement in earnings for the 1990/91 financial year "following on the corrective measures taken and the restructuring of the management at head office"

A divisional breakdown of attributable earnings show that the biggest contributions last year came from the snacks division, in particular Simba Chips The division raised profits from R11 million to R14,8 million

The succesful overseas diversification of Marine Products more than made up for the curtailed local fishing season and lifted earnings for the fishing division from R14,8 million to R15,9 million

The frozen foods division raised its contribution from R7 million to R8,1 million but earnings were held back by the drought in the vegetable producing areas of the Eastern Cape.

Higher yields from Ruto Mills allowed the baking, milling and grain processing division to lift profits from R13 million to R14.8 million

Nampak results show severity of downturn

Star 16/5/90 (186)

Diagonal Street

ANN CROTTY

Nampak's three percent drop in earnings will take more than shareholders by surprise.

Economists are likely to be a little taken aback as it indicates that the downturn may be more severe than had earlier been forecast.

Because of its exposure to the food and beverage sectors, Nampak has tended to be regarded as more resilient to downturns than most industrial counters.

But the figures reported for the six months to March suggest that times were too tough to be able to count on this traditional support.

A disappointing sales performance, a heavy interest burden and an increase in the tax charge were the main features of the weak interim results.

The heaviest damage was suffered on the metal side, which means that having 100 percent of Metal Box (since September '88) hasn't helped the group's resilience to the current downturn.

But as MD Dan McCartan says, that sort of acquisition is not made with a view to short-term considerations — it has a role in the group's long-term strategic direction

Group turnover was up 15 percent to R1,7 billion (R1,5 billion) This reflected the combined impact of varied performances from its divisions.

Turnover at the Divpac and Foodcan divisions was down R16 million on the previous interim. The printing division took a R5 million knock on turnover.

The beverage packaging activities reported a good increase in turnover. Other divisions reported steady turnover performances.

Mr McCartan says the fall-off in canning activity was due to significant de-stocking in the food canning industry and in the retailing chain.

This trend has been evident since last July. In addition, weak conditions in the pineapple industry have further tightened Nampak's market

Operating income was up 10 percent to R200,4 million (R182,4 million) as the lower volume throughput squeezed margins from 12,3 percent to 11,8 percent.

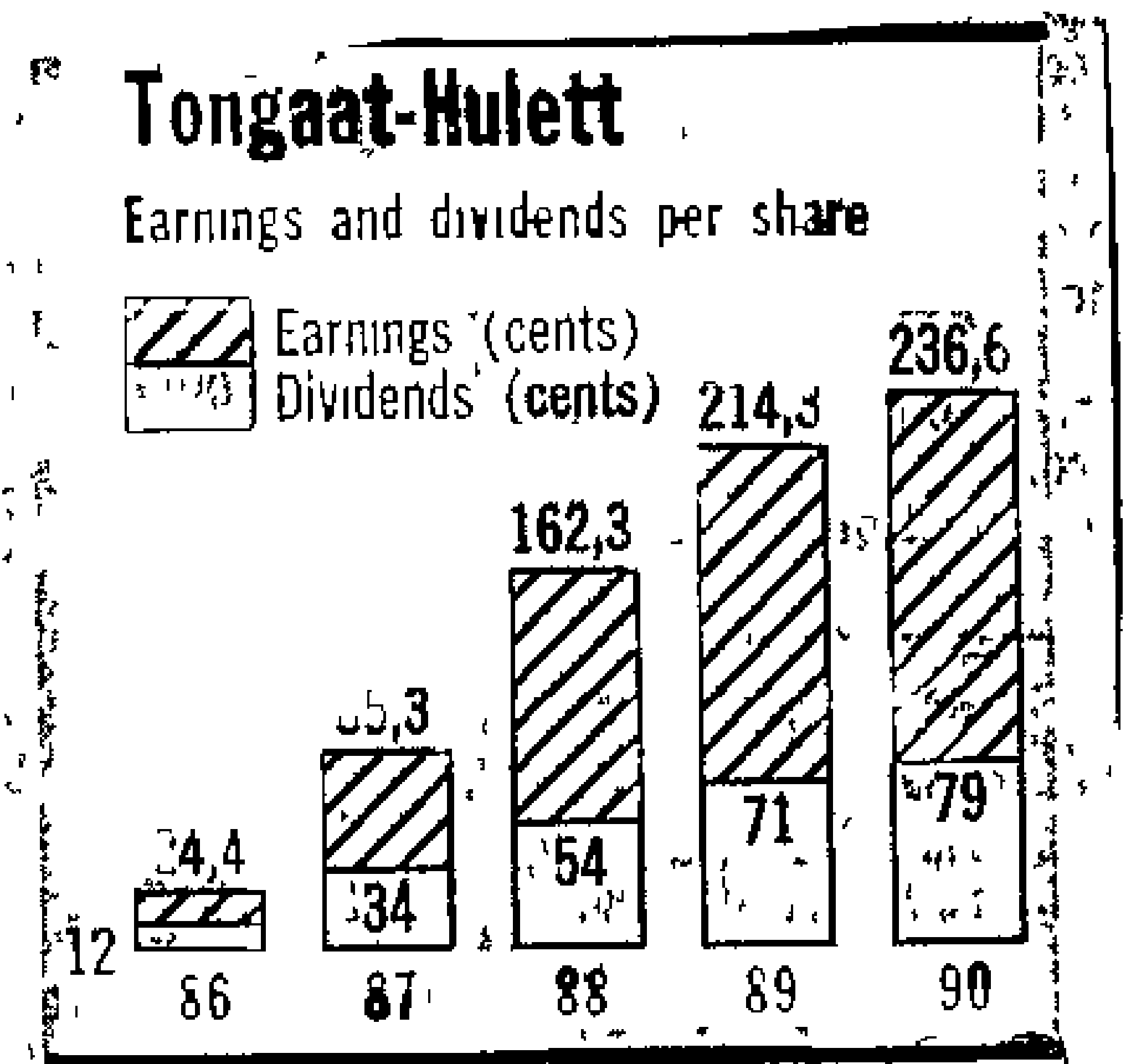
The interest bill was up 39 percent to R33,6 million (R24,2 million), reflecting high interest rates and the increase in borrowings needed to help fund the group's capex and working capital requirements.

Pre-tax profit was up six percent to R171,3 million (R162 million).

The tax rate was up from 36 percent to 42 percent as a result of the revision of the wear-and-tear tax allowances and the need to make allowance for the proposed tax amendment on consumable stores.

This left attributable earnings showing a three percent drop to R96,6 million (R99,3 million), equivalent to 205c (212c) a share, from which an unchanged dividend of 68c has been declared.

At this stage Mr McCartan is not expecting any improvement in the second half and is forecasting a three percent earnings drop for the full year.



Graphic FIONA KRUCH Source TONGAAT HULETT

186

Tongaat-Hulett Group raises final dividend

BDay LIZ ROUSE 17/5/90

TONGAAT-Hulett's March year-end earnings are slightly higher than forecast at the interim stage and the group has raised its final dividend.

However, the effects of a continued downturn in building activity and a general slowdown in the economy in the second half of the year are evident in the slower growth now being achieved by Tongaat.

Earnings a share increased by 10% to 236,6c (214,3c), compared with a forecast of 235c. The final dividend has been raised to 53c (48c), making a total of 79c compared with last year's total of 71c

Turnover rose by 17% to R3,7bn (R3,16bn) but operating profit grew at a slower pace of 14% to R373,8m (R328,3m). Increased borrowings and higher interest rates acccounted for a 29% increase in interest charges to R89,8m (R69,5m) Attributable profits were up 13% to R177,1m (R157,4m)

Tongaat directors said in the preliminary report the stars in the group were the

☐ To Page 2

Star 17/5/90 [illegible] 186

Economic downturn fails to hold back Tongaat

Finance Staff

Despite a "serious deterioration" in trading conditions in its second-half, Natal-based Tongaat-Hulett reported an improvement in annual sales of 17 percent at R3,7 billion (R3,16 billion).

The increase in attributable earnings marginally trailed the inflation rate — rising by 13 percent to R177,1 million (R157,4 million)

Earnings per share in the year to end-March rose to 236,6c (214,3c) and the final dividend was raised from 48c to 53c, making a total of 79c (71c) for the year.

The group reported that all divisions other than building materials reported improved results. Major contributions were made by the sugar and aluminium divisions which both had "outstanding results".

The continued downturn in building activity was exacerbated by high interest rates and unrest in the townships This caused severe problems for the building industry which is operating well below capacity

During the year, some R200 million went on capital expenditure, which was financed by retained earnings and increased borrowings

As a result of the high level of capital expenditure and increased working capital requirements, borrowings rose by R71 million to R325 million, which translated to a debt-equity ratio of 17,9 percent

The interest bill went up 29 percent to R89,8 million, while tax payments were up by nine percent to R103 million Minorities took R4 million (R6,7 million)

Despite deteriorating conditions . . .

Tongaat-Hulett produces 13% higher earnings

186

Cape Times 17/5/90

By ARI JACOBSON

THE Tongaat-Hulett group — bludgeoned by unrest in the townships, a higher interest bill and deteriorating trading conditions — produced attributable earnings 13% higher at R177m (R157,4m) for the year to March

Earnings a share, diluted by an increase in the amount of ordinary shares in issue, rose 10% to 236,6c (214,3c)

A final dividend of 53c was declared (48c), bringing the total for the year to 79c (71c)

Turnover rose 17% to R3,7bn (R3,2bn) in spite of a serious deterioration in trading conditions in the last six months for the group, which is involved in sugar production, maize milling, cotton ginning, aluminium fabrication and the production and distribution of various materials

MD Ron Phillips said the textile division, contributing about 10% of the group's income, was plagued by unrest in the war-torn district of Hammersdale. "The other bad performer was the building materials division which felt the ill-effects of declining building activity and the higher interest rates " Phillips said the sugar and aluminum divisions, buoyed by higher world prices, performed well until the second half of the year when prices dropped sharply.

The interest bill climbed 29% to R89,8m (R69,5m) allowing interest cover to slip from three to two times earnings

Profits, which were 14% up before interest at R373,8m (R328,3m), felt the impact, declining at the pre-tax level to a 10% increase at R284m (R258,8m)

This rise remained intact at the after-tax level after incorporating an effective tax of 36%

In spite of the high level of capital expenditure and increased working capital requirements, group borrowings increased by only R71m to R325m (R255m).

This impacted on the gearing situation, but debt maintained a comfortable 18% (16%) of equity

Return on assets yielded a constant 7% between comparable periods. The return to shareholders dipped under the inflation rate yielding 11% although improving on the previous year's 10,4%

FIM 18/5/90 (186)

FIM 18/5/90 (186)

FOOD COMPANIES

Hotting up

Competition remains intense in the food sector, even though the industry is dominated by giants The business is generally capital-intensive and volumes are crucial Results released this week by four leading food groups show profits continue to be squeezed by contests for market share and over-trading Some were also hit by the poor fishing season

The effect was a swing in the relative performances of Premier, Fedfood, and Barlow companies, Tiger Oats and ICS Outstanding performer was **Premier**, which last year relinquished its 33,8% stake in SA Breweries and refunded its balance sheet with a R281,4m rights issue

In the year to end-March, Premier increased its EPS by 24% and lifted the dividend by 20% Against the trend, Premier raised its overall trading margin to 7,74% from the year-ago level of 6,9% Direct comparisons are complicated to some degree by the reconstruction at Premier, which has restated 1989 figures for comparative purposes

However, profitability is rising sharply in the food division, now the major contributor to attributable earnings Premier's 1990 earnings of R122,1m were derived from food (67,2%), Twins (15,5%), CNA Gallo (12,3%) and Greshams (5%) The previous year's figure of R92,3m was from food (60,8%), Twins (17,1%), CNA Gallo (12,7%) and Greshams (9,4%)

Problems in Premier's food operations — ostensibly the core business — have for years been the major bugbear restraining earnings growth There remain hurdles to be overcome, but, as chairman and CE Peter Wrighton sees it, the most significant point now is that food earnings have jumped 46% "The food division has been degeared and its trading margins are well up," he notes

Working in Premfood's favour was the hiving off in the 1989 year of the poultry business and a relatively low reliance on fishing profits With the poultry disposal having removed some R350m from group turnover, total sales increased by only 6%, after adjusting comparative figures for this, turnover was up 16%

The group retains an interest in the poultry business through a 50% stake in the enlarged Bonny Bird Farms in which it has no management involvement and nor does it carry any financial risk Though Bonny Bird made a loss after rationalisation and capex, Premier treats the holding as an investment and simply brought no dividend income to account

Problem areas remain, though Wrighton reckons these are opportunities With poultry excluded, profitability rose in the agribusiness and petfood division, where margins are still low at 3,6% In the edible oils and distribution division, where the margin was only 2,6%, production was affected by the maintenance shutdown at the Isando edible oils plant

With that plant back on stream and a modern plant being commissioned south of Johannesburg, Wrighton expects an improvement in the division's profit this year The snag, as Wrighton concedes, is that the surge in volumes is likely to trigger a new price war in that sector — though he points out the market has shown long-term growth of 4%-5% a year

For **Tiger,** long seen as the industry leader, competition contributed to a slowdown in the earnings growth rate to 13% in the six months to end-March Turnover was up by 17% but the trading margin slipped from 7,9% in the 1989 first-half to 7,3% and trading profit was up by only 8%

Chairman Robbie Williams notes that the margin on food was only marginally down and attributable earnings from food rose by 20% The agribusiness ran into tough trading, particularly in the over-traded poultry sector Tiger's County Fair is primarily in the added-value area of the market, in which a number of producers have expanded recently

Elsewhere in the agribusiness division Langeberg was under pressure, as was much of the canned food industry Exports have been difficult and competition intensified in the domestic market

Trading has "remained tough" in the edible oils business, where Tiger complained last year that prices were being depressed by imports of cheap vegetable oil "Imports are starting to slow down," he says "That hasn't yet had any effect on profitability but we are looking for an improvement in the second half

Tiger was hit hardest in the fishing division, whose earnings contribution slumped by 60% to R4,6m owing to reduced quotas and lower catches

Pelagic catches were generally poor and Williams says the group reduced its lobster landings partly because the lobster were considered too young

He expects fishing results will improve in the second half — but they will clearly be down for the full year

While Tiger's balance sheet remains strong, the group has moved beyond the phase of holding a large net cash balance There is still a net cash balance of R82m but net gearing has climbed to 0,42 (0,35), which compares with Premier's stated gearing of 0,23 (0,52) Williams says Tiger's debt equity ratio will rise towards 0,50 when the Beacons acquisition takes effect in the second half though the intention is to reduce it to around 0,40

After rising strongly off a low base in 1987, **ICS**'s earnings slumped in the latest six months Turnover grew by 12% on a volume increase of only 3% and trading profit fell 29% after margins buckled from an already-thin 4% to 2,18%

Management says margins were lower in most product categories Among the worst affected areas was poultry, which made a loss, thanks to lower market prices and production interruptions during the installation of upgraded processing equipment Fresh meat wholesaling was another problem area

The only sectors singled out as producing "satisfactory" performances were the dairying and distribution divisions and the associated companies The result was that EPS plunged by 30% No improvement in trading profit is expected in the second half and the interim dividend was slashed by 22%

Fedfood is another that saw a sharp slowdown in the second half of the year to end-March After showing 11% growth in turnover and EPS at the half-way stage, the full-year's earnings are up by only 1% The dividend was lifted by only 4,4%

As expected, the best divisional performer was the snacks, which includes Simba Chips This, and exceptional fishing catches from foreign waters and improvement in Ruto Mills, offered only partial compensation for the effects of drought in vegetable producing areas and the poor local fishing season

The food sector's profits may well rebound in some areas such as fishing But battles for market share and more feeble consumer spending will generally keep a tight lid on earnings growth, which for most will lag inflation this year

Andrew McNulty

MARGIN STRAINS

Six months to	Mar 31 '89	Sep 30 '89	Mar 31 '90
Tiger Oats			
Turnover (bn)	2,76	2,98	3,23
Trading profit (Rm)	218,8	215,5	236,3
Attributable (Rm)	106,6	112,4	120,8
Earnings (c)	76,9	81,2	86,9
Dividends (c)	19,4	35,1	22,0
Imperial Cold Storage			
Turnover (Rbn)	0 94	0,94	1,05
Trading profit (Rm)	37,7	18,4	23,0
Attributable (Rm)	34,4	21,6	24,3
Earnings (c)	90,8	56,6	63,8
Dividends (c)	18	30	14

FIM 18/5/90 (186)

HLH FM 18/5/90 (186)

All things nice

In its first year as Rembrandt's fully structured food arm, Hunt Leuchars & Hepburn (HLH) has performed better than far larger food sector competitors Unlike others, HLH widened its operating margin in the past financial year and, as a result, increased its operating profit at a slightly greater rate than its turnover

Turnover reflects only the group's sugar and spice interests — the timber interests are excluded as they are 50%-owned and equity-accounted So the past year's turnover and operating profit growths were narrowly based.

Group finance director Gerald Crossman tells me Robertsons, the spices company, operated in a particularly competitive market And though he is reluctant to disclose divisional contributions, it seems likely that margins were tight In contrast, the sugar interests export about two-fifths of their product and benefited from substantially higher international prices Domestic sugar prices were increased twice during the year, each time by 7%

For the present, HLH is happy to sit with its 25% interest in Rainbow Chicken It has pre-emptive rights to acquire shares owned by members of the company's controlling family, so is under no pressure to exercise those rights Rainbow was acquired for R196m in shares and cash on June 1, so was equity accounted for ten months and paid only a single dividend to HLH Crossman is reluctant to disclose HLH's 10-month share of Rainbow's retained profits, saying that Rainbow's results have yet to be published and disclosure of HLH's share of retentions could spill the beans.

On the equity-accounted timber side, hardwood sales were difficult last year with weaker demand from a squeezed mining industry Crossman expects no improvement in demand for normal products this year but postulates some growth from newly developed timber mine supports

In contrast, the softwoods division has lifted sales and profits and is planning for further increases this year The division's pine products go largely to the construction industry, have a comparatively high value-added component and are experiencing strengthening demand from overseas

Debt rose sharply to R51,1m in the past year as borrowings rose to finance "slight" expansion of sugar milling capacity, "significant" expansion of citrus plantations and investment by Robertsons to secure trademarks In essence, HLH paid Robertsons' foreign owners for the right to go on using the trade marks free of future royalties The strategy makes sense as customers are particularly brand-conscious and the company is not faced with new trademark launch costs

SUGAR & SPICE

Year to March 31	**1989**	**1990**
Turnover (Rm)	371	464
Operating profit (Rm)	75,8	95,4
Pre-tax profit (Rm)	94,4	100,2
Earnings (c)	66,8	81,4
Dividend (c)	24	28,8

This year is expected to be tougher and Crossman warns that earnings growth is unlikely to match that of the last period when per share earnings were diluted by shares issued for the Rainbow acquisition Much will depend on the international sugar market, particularly if the creeping recession cuts into local sales of timber products

Jim Jones

LEPLAT FM 18/5/90

All out battle

Lebowa Plats' stand on last week's wildcat strike has overturned a hornet's nest The company has fired 1 500 workers, almost the entire work force of its Atok mine, after attempts at negotiation failed to end two days of illegal strike action by black miners protesting at "racism" on the mine Specifically, the men claim one mine overseer persistently

COMPANIES

Royal Corp earnings go up by a healthy 37%

BDay 21/5/90

BRENT MELVILLE

IN contrast to the increasing trend of food companies to post indigestible results, Royal Corporation has served up an eminently edible performance

Earnings for the group improved by a healthy 37% to 18,5c (13,5c) a share and a dividend of 6,0c (5,0c) was declared Comparative results are stated pro forma

Chairman Vivian Imerman said newly acquired Royal Beechnut (RBN) had turned in a virtuoso performance, helping operating income to a 28% improvement to R17,7m (R13,8m) on turnover which increased by 15% to R170,5m (R148m)

About 85% of the Royal Group's business flows from food and pharmaceuticals

Imerman noted that, again in contrast to most other companies, and helped by strong cash flow tradionally generated by RBN, interest paid had declined to R3,2m covered 5,5 times and gearing was "well within" target at 18%

The report disclosed that the proposed merger of Royal subsidiary Lovasz with Holpro had been affected by disputes with the sellers which could conceivably result in a drop in the price to be paid to Holpro

186

Apparently the dispute surrounds certain warranties germane to the true value of the acquisition "As a consequence the proposed listing has been delayed Shareholders will be advised of further details of the merger as soon as they become available," the report says

Royal Corporation's share price increased by 10c on Friday ahead of the announcement Currently at 160c, the results place it on a P E of 8,6 and a dividend yield of 3,8%, versus sector averages of 8,6 and 4,4% respectively

☐ Sapa reports the results comfortably exceed forecasts made in the transmuted listing statement published in July 1989 of 18c per share earnings

Royal Beech-Nut (RBN) was acquired during the year to voluble criticism from some sources over the price paid

Pyramid company Royhold with a 52% stake in Royal has announced matching results for the year

Royal ups earnings by 37%

21/5/90

186

Financial Staff

ROYAL Corporation, the food and pharmaceutical oriented company, outpaced its forecasted earnings of 18c a share, in its revised JSE-listing statement, with a 37% hike in earnings a share to 18,5c for the year to February

A dividend of 8c a share was declared

The directors say the acquisition of Beach-Nut, the company's star performer, as well as several other purchases altered the financial structure of the firm making a comparison of previous the year's meaningless

Group Chairman Vivian Imerman said 85% of the Royal group's business flows from food and pharmaceuticals more trouble Therefore it is now the time to act [Interjections]

*The MINISTER OF LAW AND ORDER Mr Chairman, the standpoint and actions of the DP are really astounding Yes, they are the ones who have always advocated freedom, but now we have to impose restrictions and abrogate freedoms

*Mr W C MALAN We still advocate it [Interjections]

*The MINISTER In the second place it seems to me as if the leadership struggle among the three sitting here in front of me is so fierce that what they say is no longer consistent [Interjections]

*Mr J H VAN DER MERWE All three leaders are armed

*The MINISTER No, I do not think they are armed, they are not frightened people

If we, and the SA Police, appeal to the people on the left, begging them to renounce violence, we are heroes, but the moment we talk to Mr Eugène Terre'Blanche on the right in the same manner, we are villains [Interjections]

As far as this matter is concerned, I am not interested in designating a winner I am really interested in putting an end to violence in this country The SA Police and I seek peace We do not want to single out any winners in regard to these sensitive matters, because what is involved here is the future of this country. That is why we act this way!

The hon member for Bethal is dissatisfied because we are taking the SA Police reservists out of party politics I want to give him this advice If a Police reservist had to choose between being a member of the CP or a Police reservist, the best choice would be to remain a Police reservist [Interjections] That is my considered opinion I should like to tell the hon member that

The hon member for Bethal is now very angry He says that another two Whites have been murdered, and that is why the people of Welkom—the White people—are up in arms again The fact is that the two people in Welkom were murdered at the mine They were not murdered in the streets of Welkom One must not use all kinds of excuses to do these irresponsible things [Interjections] That is why I have now explained to hon members how we deal with this It is a fair and just view to take We try to do everything possible to ensure people's freedom We try to do it with the persuasive force of reason, before we really come to grips with these people in earnest [Time expired]

Debate concluded

QUESTIONS

† Indicates translated version

For oral reply

General Affairs

Question standing over from Tuesday, 15 May 1990

Cape Town Police Station: changes

*6 Mr K M ANDREW asked ~~the~~ Minister of Law and Order

Whether there were any changes in the (a) extent of crimes committed and (b) number of policemen serving within the area of jurisdiction of the Cape Town Police Station during the 1980s, if so, (i) what changes and (ii) how many policemen were there in (aa) 1981 and (bb) 1989? B939E

Hansard 22/5/90

†The MINISTER OF LAW AND ORDER

(a) and (b)

During the period 1980 until 1984, crime in the area of jurisdiction of the Cape Town Police Station remained reasonably constant and there was even a decrease in both serious and less serious crimes The average detection figure during this period was 41,9% for serious crimes and 98,1% for less serious crimes.

During the period 1985 until 1989 intensified police actions were taken in the area of jurisdiction of the police station The purpose of these actions was threefold in nature, namely

to establish a larger police presence,

to, as far as possible, eliminate the opportunity to commit crimes, and

to take action against persons who committed less serious crimes, and who were previously not prosecuted Less serious crimes inter alia refer to crimes such as

Drunkenness,
Drinking in public,
Prostitution,
Trespassing,
Ignoring traffic rules,
Riotous behaviour, etc

Although an increase of 15,44% in serious crimes occurred during the period 1985 until 1989, the intensified police actions on the one hand prevented a more drastic increase in serious crime On the other hand it resulted in the institution of 86% more prosecutions against less serious offenders The average detection figures for serious and less serious crimes during this period were 45,8% and 99,1% respectively

From the available records it was ascertained that the following number of uniformed policemen were stationed at Cape Town Police Station

1980 — 184
1981 — 184
1982 — 182
1983 — 185
1984 — 185
1985 — 185
1986 — 187
1987 — 268
1988 — 286
1989 — 277

However, it must be kept in mind that a number of these policemen are utilised daily, to perform duty on suburban trains and also at magistrates', regional and Supreme courts. From time to time some of these members are also nominated to do special duty in areas afflicted by unrest as well as other areas in the Republic

New questions

Laaiplek Police Station: alleged assault by constable

*1 Mr R R HULLEY asked the Minister of Law and Order Hansard 22/5/90

(1) Whether an incident involving an alleged assault on a member of the public by a certain constable, particulars of whom have been furnished to the South African Police for the purpose of the Minister's reply, was reported at the Laaiplek Police Station on 6 April 1990, if so, what is the name of the constable,

(2) whether any action (a) has [redacted] (b) has been taken in respect of the constable concerned, if so, what action; if not, why not? B967E

Hansard 22/5/90

The MINISTER OF LAW AND ORDER

(1) Yes The name which was furnished by the hon member

(2) No, because at that stage the member of the public concerned, preferred not to lay a charge If the person would now like to lay a charge, it would be appreciated if he could immediately make an affidavit available to us

(a) and (b) Fall away

Food irradiation: consultations

*2 Mr M J ELLIS asked the Minister of National Health and Population Development

(1) Whether any individuals, institutions or organisations were consulted before the decision to allow food irradiation in the Republic was made, if not, why not, if so, (a) which individuals, institutions or organisations and (b) when,

(2) whether the Government has received any representations regarding food irradiation, if so, (a) from whom and (b) what was the (i) purport of and (ii) response to each such representation? B985E

Hansard 22/5/90

†The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT

186

(1) Yes,

(a) and (b) all interested persons were invited to submit any substantiated comments on the proposed regulations, governing irradiated foodstuffs or any representations in regard thereto, as per Government Notice R 157 of 4 March 1983,

(2) yes

(a) support for the regulations was expressed by the Pilot Committee for the Sale of Irradiated Agricultural

Hansard 22/5/90

186

Products, the Atomic Energy Corporation and local food irradiators as well as the South African Consumers Union Recently objections were expressed by a few individuals who did not want to eat irradiated food, whether it was safe and wholesome, as declared by the World Health Organisation, or not

(b) (i) refer to (2) (a),

(ii) although no scientific reasons exist for doing so the Department of National Health and Population Development decided that since it is the democratic right of the consumer to be able to choose whether he/she wants to eat irradiated food or not, the labelling of such foodstuffs be made compulsory

To this effect all first generation products have to be labelled, as from 1 January 1990, with the internationally recognised Radura emblem and one of the following words "Radurised"/"Irradiated" or "Geraduriseerd"/"Bestraald"

Draft Labelling and Advertising Regulations which are in the process of being drawn up, will make full labelling of all irradiated products, including ingredients of composits or manufactured food products, mandatory

None of the other processing methods such as boiling, cooking, roasting, frying, grilling, retorting, pasteurisation or cooking by microwave, have been subjected to the same scrutiny as was the case with food irradiation

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Mr Lennox Sebe. current residence

*3 Mr L FUCHS asked the Minister of Foreign Affairs Hansard 22/5/90 [redacted]

With reference to paragraph (1) (b) of his reply to Question No 24 of 17 April 1990, (a) who owns the house in which Mr Lennox Sebe is currently residing, (b) what rental is being paid for the house by Mr Sebe and (c) where is it situated?

B986E

The DEPUTY MINISTER OF FOREIGN AFFAIRS Hansard 22/5/90

(a) The Department of Public Works and Land Affairs [redacted]

(b) Mr Sebe is temporarily accommodated in Pretoria as a guest of the South African Government in an attempt to promote peace and quiet in Ciskei which is also in the interest of South Africa Mr Sebe is consequently not expected to pay rent He, however, pays for his own upkeep

(c) Waterkloof Heights

Simons Town dockyard: vessels repaired/refurbished

*4 Mr R V CARLISLE asked the Minister of Defence

(1) Whether any vessels other than those of the South African Navy were repaired or in any way refurbished at the Simon's Town dockyard in 1989, if so, (a) which vessels and (b) at what cost,

(2) whether Treasury approval was obtained in advance in each case, if not, why not?

B989E

†The DEPUTY MINISTER OF DEFENCE

(1) Yes

(a) A British vessel and a yacht belonging to the General Botha Merchant Navy Academy

(b) R13 203,94

(2) No The British vessel called at Cape Town harbour for emergency docking but the dock was occupied The ship was routed to Simon s Town where it was repaired without obtaining Treasury approval in advance, due to the time factor The cost was recovered and receipts were issued The yacht was loaned by the SA Navy under contract conditions, including maintenance and repair Treasury approval was not required in this case

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Hillbrow Hospital: strike action/staff dissent

*5 Mr L FUCHS asked the Minister of National Health and Population Development Hansard 22/5/90

(1) Whether there has been any strike action or staff dissent at Hillbrow Hospital since January 1990, if so, (a) when, (b) what (i) [redacted]

is the extent of and (ii) are the reasons given for such action or dissent and (c) what steps were taken and/or are being taken to rectify the situation,

(2) whether patients were affected by this action or dissent, if so, in what manner?

B990E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT

(1) Yes,

(a) 19 to 27 April 1990 and from 30 April 1990,

(b) (i) during the period 19 to 27 April 1990, the general assistants and clerks only worked until 11 00, whereafter they assembled on the grounds From 30 April 1990 all general assistants, clerks and approximately 30 nurses striked The strikers were aggressive and intimidated the personnel who wanted to proceed with their work The strikers assembled on the grounds and disrupted the hospital activities,

(ii) reasons advanced for the incidents are—

dissatisfaction with salaries and conditions of service,

alleged discriminatory practices at the hospital

temporary status of general assistants,

segregated health services,

privatisation,

local accommodation arrangements at the hospital,

dissatisfaction with recognised staff association and

the demand for the recognition of the National Education Health and Allied Workers Union (Nehawu) as union,

(c) discussions between the hospital management and the workers' committee were conducted to defuse the situation

Representatives of the Transvaal Provincial Administration negotiated with the workers committees Discussions between Nehawu and the TPA were held to resolve the problems at this hospital, as well as other hospitals and an agreement was reached with the union in terms of which the strikers would resume duties not later than 12 May 1990 Formal channels for communication between Nehawu and the TPA are to be established,

(2) yes, admissions were limited to emergency cases, out-patient services were discontinued, cleaning and food services were obstructed and surgery had to be postponed

†Dr W J SNYMAN Mr Chairman arising out of the reply of the hon the Minister I should like to know in respect of the nurses who were involved in the strike, whether any disciplinary steps were taken against them in their professional capacity, and if so, what steps In the second instance I should like to know whether the hon the Minister's announcement arose out of the strikers' demand for non-segregation

†The MINISTER Mr Chairman, in the case of disciplinary steps against the nurses, this is a matter for the Nursing Council The Nursing Council issued a press statement on this and it is thus within their authority to decide what steps they will take

As far as the second question is concerned, I can say that the request made by Nehawu in this case had nothing to do with the announcement I made in Parliament last Wednesday

Mr H H SCHWARZ Mr Chairman, arising from the hon the Minister's reply, would she please tell us whether and to what extent payment was made during the period that the people did not work either wholly or partially?

The MINISTER Mr Chairman, I do not have that information available If the hon member will table his question I shall get the information for him

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Servamus et Servimus copies printed

*6 Mr P G SOAL asked the Minister of Law and Order Hansard 22/5/90 [redacted]

(a) How many copies of the planner *Servamus et Servimus/Ons beskerm en ons dien/We protect and we serve* were printed (b) to what

186

HOUSE OF ASSEMBLY

QUESTIONS

† Indicates translated version

For written reply

General Affairs

Plants: irradiation of foodstuffs

457 Mr R R HULLEY asked the Minister of Mineral and Energy Affairs and Public Enterprises Hansard 23/5/90

(1) (a) How many plants for the irradiation of foodstuffs are there in South Africa and (b) where is each situated, 186

(2) (a) what substances are used to irradiate foodstuffs at these plants, (b) what quantities of each were used in 1989 and (c) from where are such substances brought to the plants in each case;

(3) whether such plants produce any (a) low level, (b) medium level and/or (c) high level radioactive wastes, if so, (i) what quantities of each were produced in 1989 and (ii) where are such waste disposed of in each case?

B1072E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES

(1) (a) Five

(b) Tzaneen
Milnerton
Durban
Kempton Park
Pelindaba

(2) (a) Cobalt-60, specially manufactured and double encapsulated in stainless steel

(b) Cobalt-60 sources are used continuously and remain in the facility indefinitely

(c) The Cobalt-60 sources used in all the plants were supplied by AECL (Atomic Energy of Canada Limited), Canada

(3) (a), (b) and (c) No

(c) (i) and (ii) Fall away

Own Affairs

Hansard 22/5/90

School buildings: sale

72 Mr J VAN ECK asked the Minister of Education and Culture

Whether, since his reply to Question No 3 on 14 February 1989, (a) he or (b) his Department has been approached to sell or otherwise dispose of any school buildings under his control, is so, (i) (aa) by which person or group of persons, (bb) when and (cc) in respect of which schools were these approaches made and (ii) what was the outcome of each such approach?

B619E

The MINISTER OF EDUCATION AND CULTURE:

(a) Yes,
(b) yes,

CAPE

(i) (aa)	(bb)	(cc)	(ii)
Huis van Heerden Kinderhuis, Moorreesburg,	90-03-26	Dwarskersbos Primary School	alienation under consideration
Mr P J van Dyk and Dwarskersbos Landgoed (Edms) Beperk	90-02-02 89-08-30 and 90-03-14		
Kurland Estates (Mr N E C Behr) and Mr M Wells	90-03-16 89-11-22	Woodlands Primary School	alientation under consideration

(i) (aa)	(bb)	(cc)	(ii)
Internationale Maranata Evangelie Sending	89-08-12	Kalbaskraal Preparatory School	being transferred to Transnet
Zuurbraak Gemeenskapsontwikkelingsorganisasie	89-07-18	Zuurbraak Primary School	being transferred to the Zuurbraak Gemeenskapsontwikkelingsorganisasie
Kirkwood Commando	89-10-16	Addo Primary School	alienation under consideration
Ocean City Estate Agents on behalf of Mr R I Shamley	89-11-30	Swartkops Primary School	in the process of alienation
John D Crawford & Son on behalf of F H & P J Scheün	89-06-01	Leeuw-Gamka Primary School	alienation under consideration
Department of Education and Training	89-02-23	Frans Jooste Primary School at Norvalspont	alienation under consideration
Mr I Nel	90-02-02	Nuwefontein Primary School	alienation under consideration
Administration House of Representatives	89-08-17	Sir Lowry's Pass Primary School	alienation under consideration
Mr S P Jonè	89-10-30	Elim Eiland Primary School	alienation under consideration
International Wine Manufacturers	89-06-26	Hermon Primary School	in the process of alienation
United Herzlia Schools and the Western Cape Community Chest	89-10-26 89-03-10	Ellerslie Girls' High School	re-utilised by the Department
ACVV	90-03-08	Oudtshoorn Primary School	under consideration

NATAL

None

ORANGE FREE STATE

(i) (aa)	(bb)	(cc)	(ii)
Heuningspruit Community Fund	90-01-31	Heuningspruit Primary School	alienation under consideration
G P Holthzhauzen	90-02-12	Willem Pretonus Primary School, Kelly's View	alienation under consideration
Judge D A Kotze	89-11-01	Glen Primary School	alienation under consideration

TRANSVAAL

(i) (aa)	(bb)	(cc)	(ii)
North Western Co-op, N G Grobbelaar and Alfiredich Transport CC	90-03-31	Laerskool Pienaarsrivier	alienation under consideration
East Rand Sheltered Work Place for the Mentally Retarded	90-03-31	Laerskool Pomona	alienation under consideration

Food holds back inflation decline

By Sven Lunsche

The inflation rate is finally responding to the slowdown in the economy, but rapidly escalating food prices are holding back the rate of decline.

Latest Central Statistical Services (CSS) figures, released yesterday, show that while inflation fell to 14,6 percent in April, compared with 14,9 percent in March, food prices soared by a year-on-year 16,8 percent last month — the highest level in almost two years.

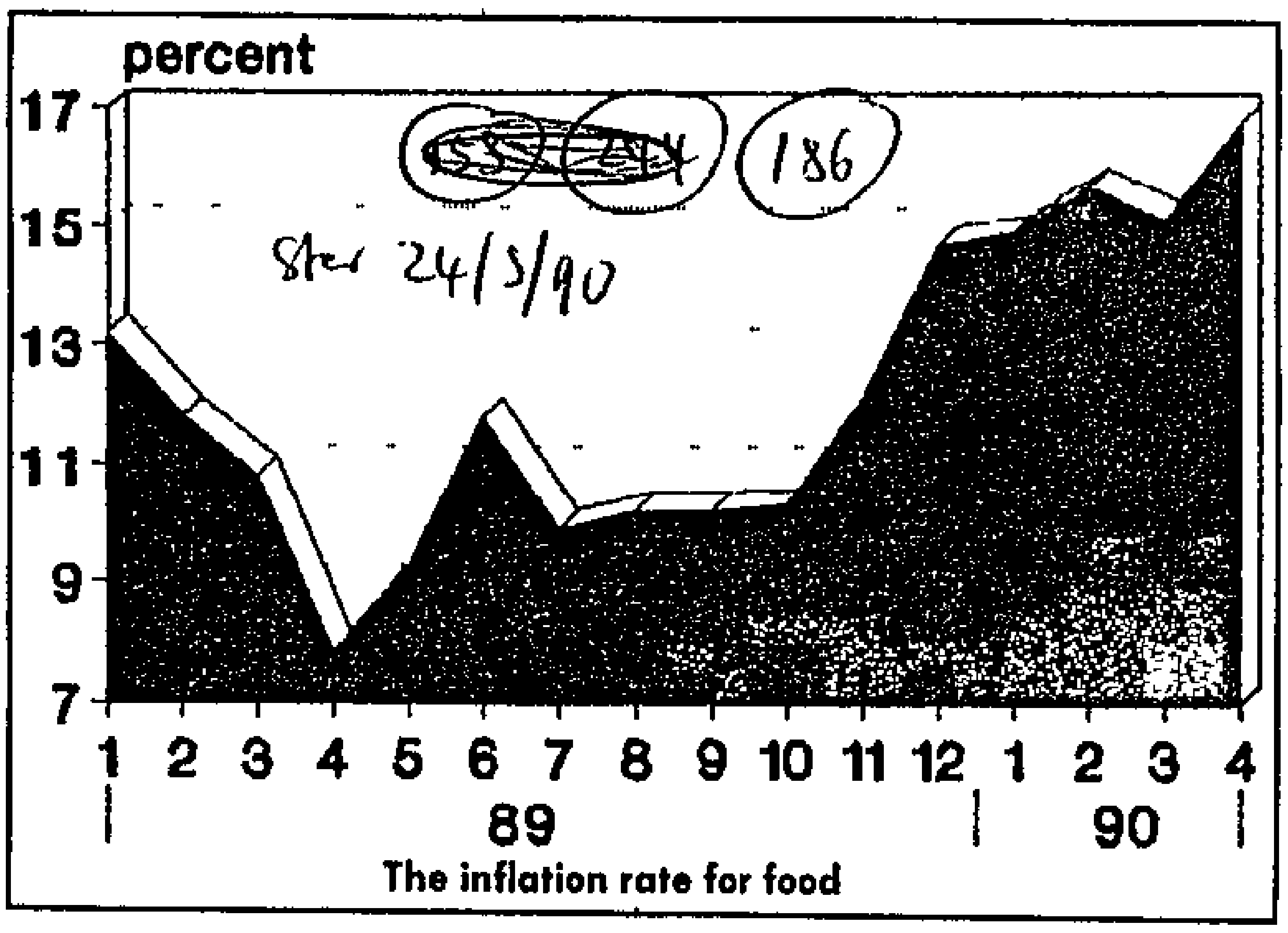
For most of last year food price increases were lower than the overall rate of consumer price rises.

But prices of these goods have been escalating rapidly over the last few months.

In January the consumer price index (CPI) for food rose by an annual 10,3 percent. In February it surged by 15,7 percent and in March by 15,1 percent before the higher rate of increase was repeated in April

On a monthly basis, the food CPI was up by 1,6 percent last month.

Food prices were responsible for about 40 percent of the overall monthly CPI increase of one percent.



The inflation rate for food

186

Star 24/5/90

A detailed analysis of these increases makes worrying reading

The CSS says vegetable prices alone rose by 44 percent over the year, with fruit and nuts not far behind at 29 percent

Econometrix economist Tony Twine says a particularly dry season in the vegetable- and fruit-growing areas of the Eastern Cape was largely responsible for this, with the few quality goods that hit the market being sold at a premium

On a monthly basis, relatively large increases occurred in the prices of grain products (1,7 percent), dairy products (7,1 percent), sugar (2 percent) and, once again, fruit and nuts (5,3 percent)

What effect will these increases have on consumer price inflation rate?

The weighting of food at 23 percent of the overall CPI is significant Since many economists expect at most a slightly lower rate of increase for food over the next few months, they are revising their estimates for average inflation this year.

Sanlam, in its Economic Survey, forecasts a rate of about 14 percent for 1990, compared with an average of 14,7 percent last year, "which is slightly higher than previously expected".

Syfrets' Elmien de Kock expects inflation to average out at just below 14 percent this year. The Bureau for Economic Research at Stellenbosch predicts a rate of 14,2 percent

However, most longer-term forecasts still sound optimistic and are supported by the recent substantial drop in the rate of increases in producer prices.

From a peak of 16 percent in mid-1989, the year-on-year increase in the producer price fell from 14,1 percent in January to 12,9 percent in February and again to 11,6 percent in March

Consumer prices usually lag changes at the producer level by about six months

Even if the weather continues to play havoc with agricultural conditions, these benefits will eventually filter through to the consumer level

186

Sacked workers to decide today on job offer

Cape Times 24/5/90

Staff Reporter

THE nearly 600 fish factory workers dismissed by I&J management on Tuesday had been offered their jobs back but would decide only today whether to accept the offer, a Food and Allied Workers' Union (Fawu) spokesman said yesterday

Yesterday police dispersed about 300 workers outside the company's Woodstock premises. The Fawu spokesman said that at least 10 workers were injured in the confrontation — including an eight-month-pregnant woman.

The spokesman said police had used teargas and rubber bullets to disperse the workers — many of whom then gathered on an open field, where they had a meeting with union officials

Police confirmed that about 300 people had been dispersed after taking part in an "illegal gathering".

Police said some of the people had thrown rocks at police and confirmed that ten people had been treated at Woodstock Hospital, but could not confirm that a pregnant woman was hurt

In a statement yesterday, I&J general manager Mr L H Fourie claimed that workers on both the day and night shifts who had wanted to work had been intimidated and prevented from working

The workers embarked on a strike on May 17 and were given an ultimatum on Monday to return to work — which they did for three hours

On Tuesday, management gave the workers an ultimatum to return to work or face dismissal and when the workers did not heed the ultimatum, nearly 600 workers were dismissed

The workers demand a minimum wage of R200 The present wage is R142 and management has offered R172

They also demand a 40-hour work week to replace their present 46-hour week.

Quick exit of shareholders sparked by ICS interims

B/Day 25/5/90

(186)

ANALYSIS:

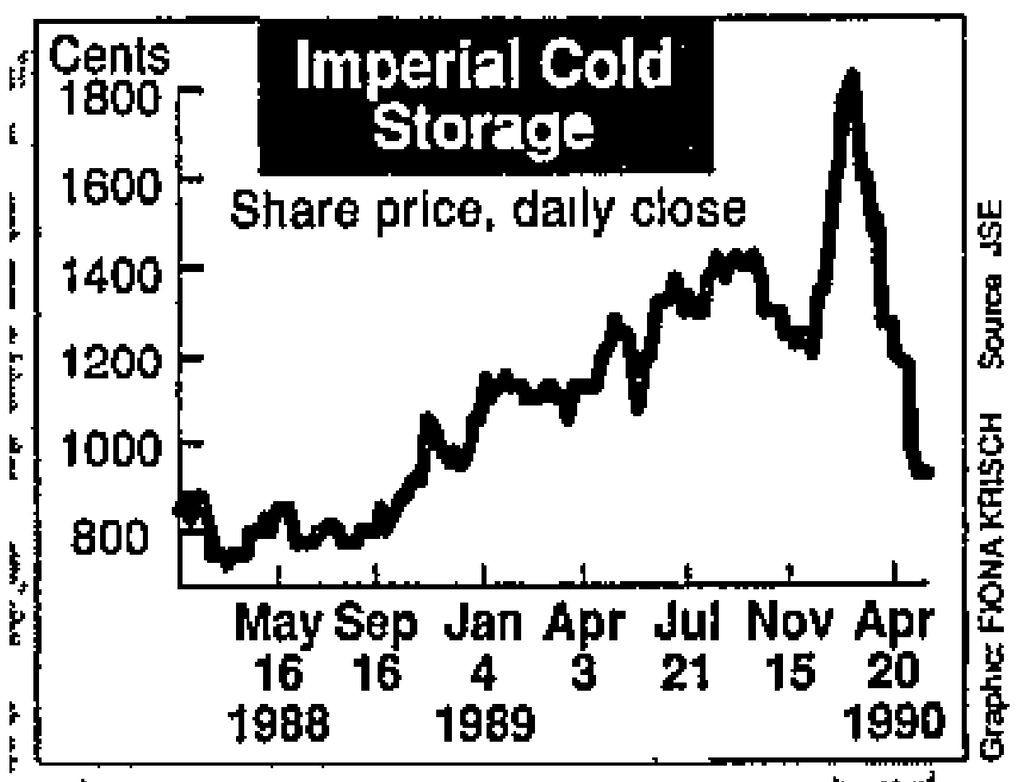
STEPHEN RICHTER

THROUGHOUT 1989, investors continued to accumulate shares in Imperial Cold Storage (ICS), but the company's poor interim results have caused many shareholders to make a sudden exit from this counter

Things seemed to be going quite smoothly for the group during the 12 months ended September 1989, as turnover advanced by 14% to R1,9bn (R1,6bn) and attributable profit gained 23% to R56,1m (R45,5m)

Commenting on prospects, management said in the 1989 annual report that "further satisfactory growth should be reflected in the year ahead"

Until January of this year, investors seemed to agree with this observation as the price surpassed its 1987 peak of 1 600c to reach a high of 1 825c But shortly thereafter, buying interest dried up and the share price collapsed



Graphic FIONA KRISCH Source JSE

The graph clearly indicates investor sentiment suddenly changed against the group

Interim results showed attributable profit down by 30% to R24,3m (R34,4m) EPS dropped by a similar percentage to 63,8c (90,8c), while the interim dividend was reduced by 22% to 14c (18c)

The directors blame the poor results on the difficult trading conditions experienced during the first six months of the financial year With margins under pressure within most product categories, an earnings decline seemed unavoidable as interim turnover grew by only 12% to R1,1bn (R937m).

The fresh meat and poultry divisions were the most affected It is unclear whether these problems can be rectified within the next 12 months The dairy and distribution operations are performing well

It is quite clear that current conditions within the food industry are tough, and Tiger Oats and Fedfood, which recently published results, acknowledge this fact But unlike ICS, those companies maintained earnings at similar levels to the previous year It would seem that certain shareholders may be selling their ICS holdings with the intention of perhaps reinvesting the proceeds in a company offering more stable earnings prospects

The previous economic slowdown caused ICS earnings to decline in 1985 and 1986, before it staged a strong recovery the following year If this pattern is repeated, shareholders must not expect an improvement in the bottom line until financial 1992

FEDERALE VOLKS FM 25|5|90

Debt soars

(186

When the troubled Federale Volksbeleggings announced management changes earlier this year it appeared that some hefty rationalisation moves could lie ahead Results for the year to end-March reinforce that view

Trading margins have buckled, leading to a 9% drop in trading income despite a 13% increase in turnover More importantly, the interest-bearing debt rose by R190m to R573,6m and finance charges absorbed nearly 40% of operating profit

That left the attributable earnings down by 26% and, with the bottom line dilution after the 1988 rights issue still continuing, EPS collapsed by no less than 35%

As far as the trading performance is concerned, the hardest hit sectors were the consumer and agricultural equipment businesses The attributable profit contribution from motor components and agricultural equipment fell by 28% to R14,5m. The domestic consumer goods slithered from a R23,5m profit to a R2m loss Services were 14% higher at R29,9m, pharmaceuticals were 1% down at R27,7m and food was only 4% up at R35,4m

Federale's Van der Walt . . . portfolio changes planned

FM 25|5|90 (186)

MD Peet van der Walt is forecasting an improvement for this year He bases this view on plans to rationalise and strengthen the portfolio and on better results expected from the food and pharmaceutical companies Of the "ailing companies" he says there will be actions and announcements during the course of this year

FVB SLUMPS

Year to Mar 31	1989	1990
Turnover (Rbn)	3,39	3,83
Trading profit (Rm)	321,0	291,0
Pre-interest profit (Rm)	347,0	333,0
Attributable (Rm)	129,5	95,3
Earnings (c)	86,9	56,6
Dividends (c)	21	21

"We envisage a combination of shrinking some operations, mergers and disposals," he says

The rationalisation will also be aimed at reducing the sensitivity of the group's profits to agriculture and consumer spending The divisions concerned are now seen as playing too large a role in the portfolio The effect, he says, will be a narrower focus for Federale, which will concentrate on food, services, pharmaceuticals and core motor component companies

Last year's jump in borrowings, which resulted from overstocking in certain divisions, pushed up the group's gearing to 65% — less than two years since the large rights issue in mid-1988 Van der Walt says the intention is to reduce gearing to below 50%, though it is unclear whether that will be achieved in the current year There are no plans for a refunding

In view of the economic climate, interim figures in the 1991 year will be down on the year-ago level, but some growth in EPS is expected for the full year *Andrew McNulty*

B|Day 25|5|90

Lebaka sees its dough rise

(186)

ROBERT GENTLE

LEBOWA Bakeries (Lebaka), whose 10 Transvaal bakeries churn out about 270 000 loaves of bread a day, has posted a 34,8% increase in attributable earnings to R5,23m (R3,88m) for the year ending March 1990.

The performance was the result of increased business, good gains in operating margins and a sharp hike in investment income.

Turnover — which has been restated for comparative purposes to reflect the bread price subsidy — rose 14,3% to R73,5m (R64,4m).

Investment income soared from R911 000 to R2,29m as a result of increased cash reserves and higher interest rates. About R4,5m of this was earmarked to refurbish plant and replace vehicles.

Operating income rose 18,8%. When related to the restated turnover figure, operating margins rose 0,6% to 14,7%. The net result on the bottom line was a 35% rise in earnings per share to 20,9c (15,5c) and a 29% rise in the dividend per share to 7,75c (6c). Dividend cover was, accordingly, slightly better at 2,7 (2,6) times.

WM 25/5 - 31/5/90

186

Recession eats into food industry profits

Consumers are not the only ones hit by the declining economy. The food companies are poorer too.

By ANN FRIEDMAN

SEVERAL food companies have reported a decline in their profits — a warning sign that the recession is cutting living standards for a growing number of South Africans.

The economy is now officially in recession, according to statistics released this week, following two quarters of negative growth. Gross domestic product declined by 1,5 percent in the last quarter of 1989 and by 1,3 percent in the first quarter of this year.

Food companies are usually least affected by the economic cycle, maintaining production levels even when growth slows. But the largest of them, Tiger Oats, has announced growth in profits for the six months to the end of March slowed to 13 percent (Tiger had been recording annual profit growth of over 20 percent for several years). Fedfood's profits for its financial year ending in March rose by only one percent. And Imperial Cold Storage, like Tiger Oats part of the Barlow Rand group, saw its bottom line plummet by 30 percent in the six months to March, compared with the same period in 1989.

The exception was Premier Milling, which raised its profits by 24 percent, in part due to a restructuring of the group last year, presided over by group chairman Peter Wrighton.

Most revealing was the experience of Nampak, whose food can manufacturing division saw its operating profit fall by R11-million because of lower demand for the cans. Nampak's management said they were surprised to find demand for staples such as baked beans had fallen.

And Langeberg Foods, the food and vegetable cannery which is now jointly owned by Tiger Oats and the Langeberg Co-operative and whose brand names include Koo and All Gold, also performed poorly.

Clearly consumers' worsening economic position has been one reason food companies have found the going tough since the second half of last year. But there have been other important factors making trading difficult in particular markets.

For example, bad catches of fish affected Tiger (through subsidiary Oceana Fishing) and Fedfood. Oversupply in the poultry market, where new operators had come in to take advantage of high prices, created strong competition — with short term benefits for consumers, but a squeeze on the producers. Both ICS and Tiger (whose brand names include County Fair) were affected by this. Premier has hived off its poultry interests (brand names Farm Fare and Bonny Bird) so that its results were less affected.

Peter Wrighton

There was stiff competition too in the egg market, where Tiger's Golden Lay brand is dominant and Premier's Nu-Laid has significant market share. There too, smaller producers have been challenging the large groups.

Margarine is one of the "known value items" for shoppers, so the big retailers such as Pick 'n Pay and Checkers try to ensure prices are kept down — by putting pressure on manufacturers, if necessary. The margarine market too has seen tight trading conditions for the food groups. Lever Brothers, a subsidiary of British-based Unilever, is said to have a market share of around 50 percent market share with Rama and Floro. But Premier, whose Epic Oil Mills produce Blossom, Kraft and Ole, has been feeling the squeeze on its edible oil margins. Tiger is a smaller player, with brands such as Sunshine-D.

The core businesses of groups such as Premier and Tiger are, however, in maize and wheat milling and grains — Premier's Iwisa mealie-meal and Snowflake flour, for example, or Tiger's Ace mealie meal, oats and Tastic Rice. These areas have remained strong. Fedfood is more in processed and frozen foods (Ouma Rusks and Table Top vegetables are among its products). Its snack division, Simba Chips, was the star of the group.

FM 25/5/90 (186) FM 25/5/90

TONGAAT-HULETT FM 25/5/90

Less sweet

(186)

Tongaat-Hulett is among those groups which have benefited from booming commodity markets but is now feeling the pinch in some sectors as prices have eased and consumer spending has lost momentum

In the 1989 fiscal year, the sugar and aluminium divisions became the biggest contributors to profits Though divisional contributions are not quantified before the annual report, that trend evidently continued in the 1990 year, as the directors note that sugar and aluminium produced "outstanding performances "

Aside from sugar and aluminium, all the divisions barring building materials improved their contributions for the year The result was that EPS rose by 10%, a growth rate that indicates a significant slowdown from the pace during the first half. Whereas in the first six months the bottom line grew by 16,3%, in the second six months the increase was only 4,5%

Turnover for the year was only slightly ahead of inflation, with an increase of 17%, and the trading profit rose by 14%

For now, the sugar price remains at high levels, so that division's profits still look promising for this year However, financial director Ted Garner notes that the world aluminium price has dropped sharply from last year's peaks, the LME price is now around $1 500/t compared with levels around $2 200/t Hulett Aluminium contributed 28% of group profits in the 1989 year, so earnings could well be sensitive to a weaker result from this division

Several other divisions such as textiles and the building materials are under pressure as demand continues to slacken in the domestic economy, and it would not be surprising to see some declines this year

Capital spending has remained at fairly high levels, with R200m spent last year, and the group's total interest-bearing debt rose by R71m, bringing the gearing ratio to 17,9%

Garner does not offer any view on prospects before the annual report, except to say that real growth in earnings will be "very difficult" to achieve, which looks like an understatement

STILL RISING

Year to March 31	**1989**	**1990**
Turnover (Rbn)	3,16	3,70
Pre-interest profit (Rm)	328,3	373,8
Attributable (Rm)	157,4	177,1
Earnings (c)	214,3	236,6
Dividends (c)	71,0	79,0

At 1 810c, the share offers a dividend yield of 4,4% and looks fully priced

Andrew McNulty

Pick 'n Pay forging ahead

By Tom Hood Star 31/5/90

Pick 'n Pay is trading ahead of inflation and the company expects to show real growth in turnover and profits in the current year, the chairman, Mr Raymond Ackerman, told the annual meeting in Cape Town yesterday

Turnover for the first three months of the current year is running 17 percent ahead of a year ago

"Some people have said that after 22 years Pick 'n Pay is running out of steam We have a company with a R4,5 billion turnover and in the present climate it is not easy to grow by between 15 and 20 percent.

"But we will work hard to keep growth above the inflation rate."

Mr Ackerman said the number of employee shareholders had grown from 2 000 to 8 000 in a year through the decision to allow staff below senior levels to obtain shares

"We believe that in the present political climate it is important for all employees to be able to become shareholders"

He said the company paid salaries R300 a month ahead of the opposition and had about R70 million invested in staff shares, bursaries, housing and education.

"If we cut out these benefits we could easily increase profits, but we believe it is our duty to make this investment."

Replying to Mr Issie Goldberg, chairman of the Shareholders Association, he said for every rand of sales, only 0,75c stayed with the company

Rainbow maintains strong position in chicken sector

BDay 6/6/90 (186)

Analysis
STEPHEN RICHTER

IT APPEARS Rainbow Chicken's share price is holding up relatively well considering the negative sentiment evident within the JSE food sector.

Although the accompanying chart clearly shows the share price is in a short-term downtrend as substantiated by the 50-day moving average, there has been solid support for Rainbow at the 300c level since its listing in June, 1989 The only exception was towards the end of 1989, when the price dipped briefly to 260c

Rainbow made its JSE debut shortly after Hunt Leuchars & Hepburn (HLH), acting as Remgro's nominee, purchased a 25% stake in the chicken producer The original offer price of 285c appeared to place a fair value on the group when compared to the average earnings and dividend yields available within the JSE food sector

For the year ended June 1989 the group achieved record results as earnings a share jumped by 37% to 26,8c This helped boost investor sentiment toward Rainbow, and the share, after falling to its 260c low in October, began to climb steadily to reach a high of 370c in February.

But soon after the price peaked, strong selling pressure drove the counter back down to its support level It appears investors began to realise the tough conditions in the food industry would also affect Rainbow Judging by the figures for the six months ended December 1989, the slowdown in consumer spending is having an adverse impact on demand for chicken

Although interim EPS rose to 14,5c (12,5c), the increase was primarily due to a substantial jump in interest received to R9,4m (R2,8m) Pre-interest income, however, declined to R40,6m (R42,5m)

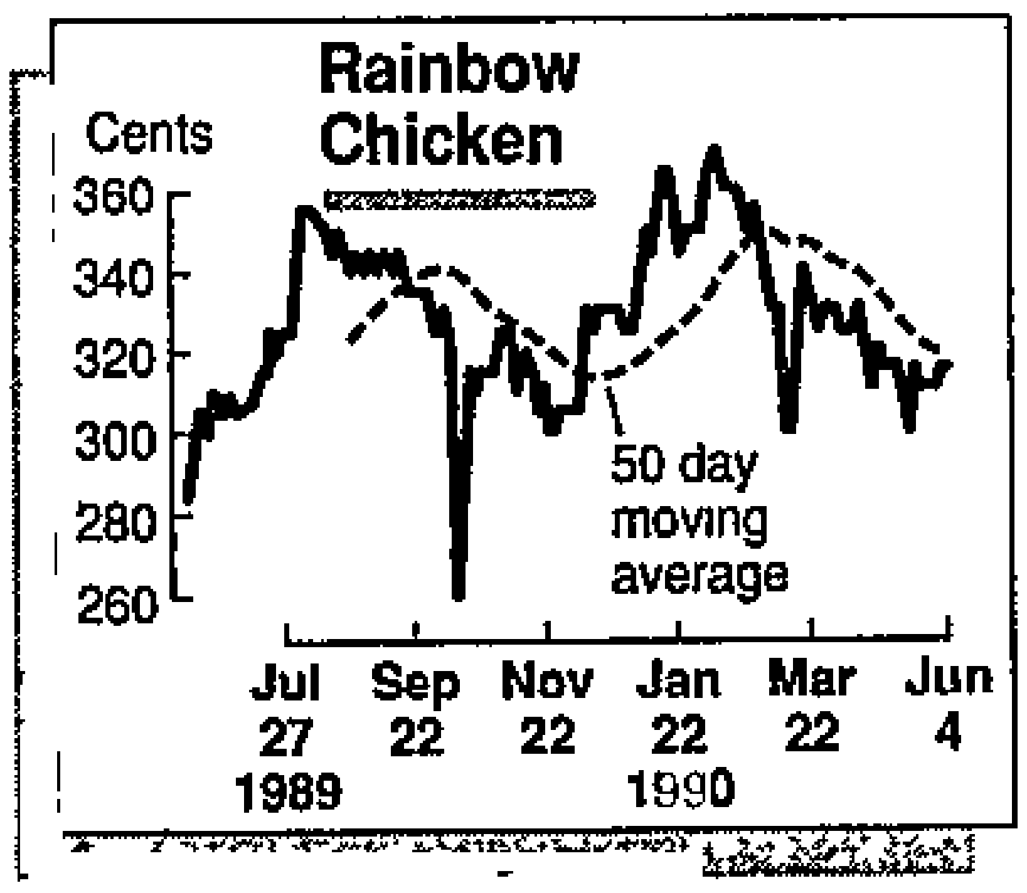
Management says selling prices are only marginally higher than the corresponding period last year Therefore the increase in first-half turnover to R304m from R263m was primarily due to higher volumes

Despite all the negative factors in the food industry, the share price continues to hold comfortably above 300c It appears long-term oriented investors are impressed with the volume growth and the substantial market share that Rainbow holds in the chicken sector.

Rainbow is heavily involved in the fast food industry, and is the sole supplier to the Kentucky Fried Chicken chain The fast food industry is growing rapidly in SA and when consumer spending begins to improve, this industry should be among the first to feel the positive effects

In addition, Rainbow maintains a strong presence in the fresh chicken market and supplies the majority of chain stores It is also a significant supplier to the black consumer market, where Rainbow's products enjoy a high reputation for quality and consistency

Rainbow, therefore, displays some very impressive qualities which should allow the group to maintain its strong position within the chicken sector At current levels, the shares are not considered cheap, but offer good long-term gains potential



Graphic FIONA KRISCH Source JSE

B.Day 12/6/90

New margarine plant opened

186

EDWIN UNDERWOOD

PREMIER Group subsidiary Epic Oil Mills has commissioned the first phase of the most modern margarine plant in SA

The R37m project involved the relocation of Epic's Selby margarine manufacturing plant to new premises in Aeroton, south of Johannesburg — without disrupting production.

The factory — accommodating Epic's new head office in an adjoining block — will produce a full range of margarine products and spoonables

Epic Oil Mills expects the new factory to contribute towards improved efficiency and hygiene in production of margarine and related products.

The first phase was commissioned by project engineers Simon-Carves

(2) yes,

	(a)	(b)	(c)	(d)	(e)
Bultfontein	1				
Bethlehem	52	1		6	32
Bothaville	15	1		3	8
Botshabelo	51	1	14	13	28
Clocolan	8				3
Ficksburg	15			1	16
Frankfort	5			1	7
Harrismith	19			1	4
Heilbron	4			2	4
Hoopstad	13			1	5
Jagersfontein	11			1	2
Voortrekker (Kroonstad)	60	1	4	5	21
Boitumelo (Kroonstad)	84			2	26
Ladybrand	7			2	2
Odendaalsrus	10		1		15
Parys	14			2	8
Reitz	6	1		1	5
Sasolburg	43			3	26
Smithfield	9				5
Virginia	17			1	9
Vrede	6				3
Winburg	9				2
Zastron					
Central Laundry (Kroonstad)				2	8
NKOFS	6			2	6
Central Laundry (Bloemfontein)				1	12
Phekolong	22			3	14
Welkom	169	6		8	103
Oranje	66	3	5	9	42
Pelonomi	46		31	10	70
Mankofs (Mangaung)	12				3
Universitas	716	112	189	79	242
Head Office	52			15	15
Regional Office					3
District Surgeon Bloemhof				1	
TOTAL	1 548	126	244	175	749

(3) (a) 2 860

Hospitals	(a)	(b)	(c)	(d)	(e)
Bultfontein	1	0	0	0	0
Bethlehem	47	1	0	6	29
Bothaville	15	1	0	3	8
Botshabelo	51	1	14	13	28
Clocolan	8	0	0	0	3
Ficksburg	15	0	0	1	16
Frankfort	5	0	0	1	6
Harrismith	19	0	0	1	4
Heilbron	4	0	0	2	4
Hoopstad	13	0	0	1	4
Jagersfontein	11	0	0	1	2
Voortrekker (Kroonstad)	52	1	4	5	18
Boitumelo (Kroonstad)	84	0	0	2	26
Ladybrand		0	0	2	2
Odendaalsrus	10	0	1	0	15
Parys	14	0	0	2	8
Reitz	6	1	0	1	5
Sasolburg	43	0	0	3	26
Smithfield	9	0	0	0	5
Virginia	17	0	0	1	9
Vrede	6	0	0	0	1
Winburg	9	0	0	0	1
Zastron	0	0	0	0	0
Central Laundry (Kroonstad)	0	0	0	2	8
NKOFS	6	0	0	2	6
Central Laundry (Bloemfontein)	0	0	0	1	12
Phekolong	22	0	0	3	14
Welkom	122	2	0	0	100
Oranje	66	3	5	9	42
Pelonomi	46	0	31	10	70
Mankofs (Mangaung)	12	0	0	0	3
Universitas	716	112	189	79	242
Family Planning Head Office:					
Bloemfontein	44	0	0	14	12
Regional Office	0	0	0	0	3
District Surgeon Bloemhof	0	0	0	0	1
Primary Health Hoopstad	0	0	0	0	1
Bloemfontein	6	0	0	0	3
Vrede	0	0	0	0	2
Bethlehem	15	0	0	0	3
Kroonstad	8	0	0	0	3
Welkom	3	0	0	0	3
Frankfort	0	0	0	0	1
Fouriesburg	0	0	0	0	1
Dentistry	0	0	0	1	0
TOTAL	1 558	126	244	175	757

(b) (i) 2 860

(ii) none

Irradiated foodstuffs

Hansard 6/6/90

186

441 Mr M J ELLIS asked the Minister of National Health and Population Development:

(1) (a) What foodstuffs may currently be irradiated in South Africa and (b) what is the dosage of irradiation in each case;

(2) whether South Africa (a) imports and/or (b) exports irradiated foodstuffs, if so, (i) what quantities of each specified foodstuff were (aa) imported and (bb) exported in 1989 and (ii) what was the dosage of irradiation in each case? B1032E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT:

(1) (a) and (b)

Foodstuffs	*Average absorbed dosage* (kGy)
Almonds	10
Beef biltong	9
Shoulder bacon	4,5
Bread and cake crumbs	2
Egg pulp (frozen)	4
Egg white powder	10
Vegetables (dehydrated)	10
Rolled oats	1
Whole egg powder	4,5
Chicken	2,5
Cheese flavouring compounds	8
Bee-pollen capsules	10

Coconut	10
Garlic	0,17
Queen-bee jelly	10
Condiment paste	10
Herb mixtures	8
Sweets	10
Milkshake powder	4,5
Muesli mixtures	4,5
Pink viennas	4,5
Rooibos tea	10
Seaweed (dried)	4,5-9
Soya powder	7
Soya fibre	8
Soup powder	0,75
Sorghum malt	10
Spices	4-7
Sugar solutions	4,5
Yeast powder	4
Torulite yeast	10
Reverse osmosis concentrated egg white	5
Onion powder (dried)	4
Pork crackling	9
Slimming aids	4,5
Fibre (raw)	8
Mango achar	4
Fish	0,5-2
Meat extract	9
Food supplements	2,5
Fruit (dried) and nuts	4,5
Fruit jam	4
Fruit pulp	8
Figs (dried)	9

(2) (a) no, no irradiated foodstuffs were imported in 1989,

(b) yes, it is possible Except that foodstuffs destined for the export market must also conform to the requirements of the Foodstuffs, Cosmetics and Disinfectants Act, 1972 (Act 54 of 1972), the Department does not control the export of such foodstuffs,

(i) (aa) none,

(bb) unknown,

(ii) (aa) not applicable,

(bb) unknown

Irradiated foodstuffs labelling 186

442 Mr M J ELLIS asked the Minister of National Health and Population Development

Whether (a) wholesalers and (b) retailers are obliged to meet certain requirements regarding the marking or labelling of foodstuffs which have been irradiated for human consumption, if not, why not, if so, (i) in terms of what statutory provisions and/or regulations and (ii) what are these requirements?

B1033E

186

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT

(a) and (b)

Wholesale or retail dealers who submit applications to the Department to sell irradiated foodstuffs are obliged, by means of a condition whereby permission is granted, to label first generation irradiated foodstuffs with the internationally recognised Radura emblem and one of the following words "Irradiated" or "Radurized" or "Bestraald" or "Geraduriseerd" directly below the emblem

A wholesale dealer who supplies irradiated foodstuffs to a food manufacturer who uses the afore-mentioned foodstuff as an ingredient of a mixed, compounded or blended product (so-called second generation irradiated foodstuffs) cannot legally be held responsible for the labelling of such a composite product Provision is being made for this, however, in the new draft regulations governing the labelling and advertising of foodstuffs which are to be published later

State-financed hospitals· foreign patients

460 Mr M J ELLIS asked the Minister of National Health and Population Development

Hansard 15/6/90

(a) How many foreign patients, including those from the four independent Black states, were treated in State-financed hospitals in each province in 1989, (b) from which countries did these patients come, (c) what was the total cost of these patients to each province and (d) what amount of the fees payable was recovered from these patients in respect of each province?

B1081E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT

Foreign patients treated in South African provincial hospitals period 1988/09/01 to 1989/08/31

Country/City origin	Province concerned	No of patients	Hospital fees Collectable R c	Collected R c	Written off R c
Australia	Cape	9	313,05	313,05	
	Natal	3	1 096,00	1 096,00	
Austria	Cape	1	341,00	,00	
Bahamas	Cape	2	142,95	142,95	
Belgium	Cape	4	195,75	195,75	
	OFS	1	40,00	40,00	
Botswana	Transvaal	305	691 643,90	473 724,21	
	Cape	9	985,05	551,55	
	Natal	6	4 315,00	3 730,50	
	OFS	4	560,00	560,00	
Brazil	Cape	3	2 238,60	2 238,60	
	OFS	1	20,00	,00	20,00
Bulgaria	Cape	3	1 890,70	1 890,70	
Burma	Cape	1	1 936,50	,00	
Canada	Cape	5	695,05	496,05	
Chile	Cape	2	50,00	,00	
China	Cape	4	1 061,10	859,10	
Cyprus	OFS	1	220,00	220,00	
Comoro	Transvaal	1	13 502,07	,00	
Korea	Cape	4	1 212,90	1 212,90	
France	Cape	20	4 901,95	4 282,55	
Germany	Cape	84	29 579,40	9 661,20	
	Natal	3	351,50	351,50	
Greece	Cape	6	8 624,03	2 326,55	
	OFS	3	300,00	300,00	
India	Cape	10	19 075,45	17 496,50	
Ireland	Cape	4	5 964,80	,00	
Israel	Cape	6	628,10	628,10	
Italy	Cape	12	2 771,15	992,35	
	OFS	1	132,00	132,00	
Japan	Cape	11	6 278,10	6 160,60	
	OFS	3	3 520,00	3 520,00	
Kenya	OFS	7	770,00	770,00	
Lesotho	Transvaal	1	56,00	56,00	
	Cape	152	76 241,25	1 502,50	16 972,85
	Natal	20	2 075,00	1 391,00	39,00
	OFS	1 533	1 071 904,26	731 449,27	1 592,00
Madeira	Cape	1	71,00	,00	
Malawi	Transvaal	24	76 981,62	29 516,21	
	Cape	56	27 326,55	12 319,85	
	Natal	3	1 170,50	,00	
	OFS	8	990,00	990,00	
Mauritius	Transvaal	43	372 921,06	347,121,55	
	Cape	264	144 336,83	91 544,70	
	Natal	31	68 249,50	68,249,50	
	OFS	77	8 470,00	550,00	
Mozambique	Transvaal	66	185 896,45	125 493,93	

Self-governing territory*	Commerce, services and housing	Industries	Small industries	Mining	Agriculture	Transport	Other
KwaZulu							
(a) (i)	297	3 730	328	—	2 180	500	887
(ii) (aa)	297	3 730	328	—	2 180	500	887
(bb)	—	—	—	—	—	—	—
(b)	R11 492	R6 625	R5 315	—	R7 598	R14 040	R6 127
Lebowa							
(a) (i)	256	662	78	249	79	—	975
(ii) (aa)	256	481	78	249	79	—	975
(bb)	—	181	—	—	—	—	—
(b)	(1)	R5 358	R6 331	R20 878	R22 199	—	R13 054
Qwaqwa							
(a) (i)	132	3 300	200	—	392	—	285
(ii) (aa)	132	3 300	200	—	392	—	285
(bb)	—	—	—	—	—	—	—
(b)	(1)	R3 183	R1 350	—	R6 657	—	R5 937
STK i r o SADT-areas							
(a) (i)	53	3 343	576	—	1 825	—	—
(ii) (aa)	53	1 443	576	—	1 825	—	—
(bb)	—	1 900	—	—	—	—	—
(b)	(1)	R9 300(2)	(1)	—	R6 610(2)	—	—

(1) Not available as yet

(2) Only average term figures available

* The Minister of Development Aid is not responsible for activities in border areas Industrial development in these areas is managed by the Industrial Development Corporation (Ltd) (IDC)

Irradiated foodstuffs: applications

443 Mr M J ELLIS asked the Minister of National Health and Population Development

(1) (a) What are the names of the individuals or companies that applied to irradiate food in (i) 1987, (ii) 1988 and (iii) 1989 and (b) for (i) which specified foodstuffs and (ii) what quantities of such foodstuffs were such applications made in each case,

(2) whether she will disclose the names of the retail outlets to which each applicant intended to distribute such irradiated foodstuffs, if not, why not, if so, what are their names, Hansard 21/6/90

(3) (a) what total quantity of each specified foodstuff was irradiated in each of the above years and (b) where was it done in each case?

B1034E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT

186

(1) and (2) These questions relate directly to the business or affairs of the persons or companies who have been given approval to sell irradiated foodstuffs Section 16(1)(b) of the Foodstuffs, Cosmetics and Disinfectants Act, 1972 (Act 54 of 1972) prohibits the disclosure of such information,

(3) (a) attached is an exposition of the total number of foodstuffs irradiated in the Republic during the period 1 July 1988 to 31 December 1989 No figures are available for the period prior to 1 July 1988,

(b) for the same reason as mentioned above the kind and number of foodstuffs irradiated at each of the five irradiation facilities cannot be disclosed

Total number (metric tons) of products irradiated commercially in the RSA for the period 1 July 1988 to 31 December 1988

Product name	1/7/88–30/9/88	1/10/88–31/12/88	Total
Dried onions	16	0	16
Strawberries	53	82	135
Herbs and spices	310	267	577
Mango pickle achar	56	171	277
Seaweed powder	2	0	2
Torulite yeast	147	169	316
Fresh fish	16	0	16
Egg-white powder	10	39	49
Milkshake powder	2	0	2
Dehydrated vegetables	24	1	25
Papayas	0	38	38
	636	767	1 403

Total number (metric tons) of products irradiated commercially in the RSA for the period 1 January 1989 to 30 June 1989

Product	Mass (metric tons)		Total
	1/1/89–31/3/89	1/4/89–30/6/89	
Torulite yeast	63,08	196,00	259,08
Yeast	128,48	163,00	291,48
Spices and herbs	229,31	539,42	768,73
Egg-white powder	19,55	11,02	30,57
Mango achar	161,18	172,11	333,29
Dehydrated vegetables	30,08	18,98	49,06
FRN Squizy	10,24	4,10	14,34
Bacon	8,64	3,19	11,83
Dried figs	3,06	1,83	4,90
Meat	0,59	—	0,59
Fruit juice concentrates	3,50	4,35	7,85
Potatoes	0,45	—	0,45
Onions	15,99	—	15,99
Fish	13,49	9,50	22,99
Milkshake powder	—	1,12	1,12
Concentrated egg-white	—	1,07	1,07
Rolled Oats	—	1,00	1,00
TOTAL	687,65	1 126,69	1 814,34

Total number (metric tons) of products irradiated commercially in the RSA for the period 1 July 1989 to 31 December 1989

Product	Mass (metric tons)		Total
	1/7/89–30/9/89	1/10/89–31/12/89	
Spices and herbs	1 107,818	1 090,901	2 198,719
Concentrated egg-white	47,032	51,683	98,715
Mango achar	126,339	172,452	298,791
Concentrated fruit juice	3,024	3,024	6,048
Fish	17,545	10,755	28,300
Rolled oats	1,125	0,507	1,632

Total number (metric tons) of products irradiated commercially in the RSA for the period 1 July 1989 to 31 December 1989

Product	Mass (metric tons)		
	1/7/89–30/9/89	1/10/89–31/12/89	Total
Torulite yeast	209,725	196,200	405,925
Meat	—	1,090	1,090
Mushrooms	—	0,053	0,053
Chicken	—	0,278	0,278
Strawberries	—	0,016	0,016
Dehydrated vegetables	3,630	5,174	8,804
FRN Squizy	—	0,640	0,640
Dried figs	4,660	18,065	22,725
Queen jelly	1,390	—	1,390
TOTAL	1 522,288	1 550,838	3 073,126

Minister of National Health and Population Development. lawsuits

452 Mr A E DE WET asked the Minister of National Health and Population Development

(1) Whether any lawsuits were brought against (a) her/his predecessor in her/his capacity as Minister of National Health and Population Development and/or (b) any specified chief executive director of provincial hospital services in 1989, if so, what (i) were the circumstances of each lawsuit and (ii) was the outcome in each case, Hansard 21/6/90

(2) whether (a) her/his predecessor and/or (b) any specified chief executive director of provincial hospital services paid out any money in 1989 (i) as a result of successful lawsuits brought against them and (ii) in out-of-court settlements, if so, what amount in respect of each case?

B1045E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT

(1) (a) (i) and (ii) Yes,

- application for military pension or alternatively a gratuity Out-of-court settlement — no costs,
- injury on duty Application for pension, indemnification and sick leave with full pay Case pending,
- application for payment of medical expenses by medical scheme Minister as second respondent won t oppose the application and will abide by the decision of the court,
- dispute between employer and employee over date of retirement Minister as second respondent won't oppose the application and will abide by the decision of the court,
- dispute between employer and employee over a debt which was recovered from such employee's pension Minister as second respondent won't oppose the application and will abide by the decision of the court,
- employee on bicycle colliding with plaintiff's car Case pending

(b) (i) and (ii) Yes,

Administrator Cape Provincial Administration

None of the cases mentioned below have been finalised or withdrawn Negotiations are still in progress in all of the cases.

- Allergic reaction to iodine after angiographic examination,
- fracture due to a motor vehicle accident Experiences problems after removal of plaster of paris. Private orthopaedic surgeon alleged negligence,
- patient loses his sight after several tests performed on him in hospital,
- alleged undiagnosed head injury,
- intra-muscular injection caused gangrene,

- ulna nerve injured from elbow to fingers due to alleged negligent administration of anaesthetic,
- facial paralysis due to Meniere's disease,
- chemical burns to both eyes and forehead due to Cidex left in the anaesthetic mask,
- patient allegedly treated incorrectly after snakebite,
- patient goes into a coma after administration of anaesthesia resulting in loss of sight,
- baby suffers brain damage during birth due to alleged negligent conduct during the labour process,
- charges of assault laid against the medical officer by a patient referred for a blood alcohol test,
- treatment of injured finger leading to amputation of the finger,
- baby suffers injury during birth,
- operation on left instead of right ear,
- needle breaks off in breast during operation,
- periphery neuropathy due to alleged "Amiodarone" toxicity,
- patient dies after erroneous dosage of medication,
- allegation that irradiation was done negligently in an incorrect position Patient experiences discomfort due to the alleged negligence
- brain damage due to cardiac arrest during a tonsillectomy,
- patient suffers injuries to his ankle Alleged irregular treatment as outpatient,
- both legs were later amputated after medication was administered for pain in the legs,
- alleged negligence during labour procedure,
- patient complains of pain No problem can be traced during examination Patient discharged and dies that same evening,
- septicaemia of operation wound,
- patient starts to haemorrhage during a confinement whereupon a catheter is applied which broke off in the vein,
- finger amputated after it turned septic due to a fish bone which was not removed,
- alleged incorrect diagnoses resulting in the amputation of both legs of a toddler

Administrator Orange Free State Provincial Administration

- Needle left in kidney during an operation Case pending,
- loss of the use of both legs as a result of poor post-operative care after a cardiac by-pass operation Case pending

Administrator Transvaal Provincial Administration

- Negligence during birth process Case pending,
- negligence during sterilisation operation Case pending,
- negligence during examination after motor accident resulting in permanent disability Case pending,
- persistent pain in hip due to inefficient treatment after motorcar accident Case pending,
- unsuccessful sterilisation resulting in an undesired pregnancy Case pending,
- pain, suffering and discomfort caused by negligent treatment after motorcycle accident Case pending,
- Patient died under general anaesthetic resulting from an insufficient oxygen supply to the brain Case pending,
- indecent assault of a person by porter Out-of-court settlement,
- unlawful dismissal of an employee Out-of-court settlement

Administrator Natal Provincial Administration

None of the cases mentioned below have been finalised or withdrawn Negotiations are still in progress in all of the cases

No plans to sell off Gants

ACHMED KARIEM

DUROS group joint chairman Mervyn Key dispelled market rumours on Friday that food group Gants was for sale (186)

He said there were "lots of buyers" but no plans to dispose of Gants.

The sale of Arwa had prompted speculation that food group Gants could be next on the list.

Both Gants and Arwa are subsidiaries of Tollgate Holdings.

The Gants share price shot up to 92c on Friday after a low of 65c on March 14 B/Day 25/6/90

Gants reflected a loss of R5,8m for the year to December, compared with a profit of R7,7m in the previous year This was on a 9,4% improvement in turnover to R193,4m (R176,7m).

The end-December 1989 balance sheet reflected the net asset value of Gants at R119,9m (R112,7m) — equal to 144c (156c) a share

Tollgate increased its minority share in Gants to 56% in May 1989 after being family-controlled for 33 years.

Processing plants operated by the group are located in Bophuthatswana, Venda, KwaZulu, Transkei and Swaziland. They produce canned and bottled products.

BUSINESS

Premier to build R100 m wheat mill in Natal

AR69
27/6/90
A6

By MAGGIE ROWLEY
Business Staff

THE Premier Group is to build a new wheat mill in Pietermaritzburg for R100million, the chairman and chief executive, Mr Peter Wrighton, says in the group's annual report

He anticipated capital expenditure for this financial year at about R142 million Work on the new mill "in the fastest-growing region in South Africa" would begin shortly and was scheduled for completion within three years

The new mill, he said, would enable Premier to maintain its position as the leading miller and baker in South Africa

Mr Wrighton said the downturn in the economic cycle had not yet run its full course and achieving earnings growth at least equal to the rate of inflation would not be easy

The year ending March 31 saw a major restructuring, with the group's 33,8 percent stake in The South African Breweries separated from its core business SAB shares were divested to Beverage and Consumer Industry Holdings (Bevcon), whose shares were distributed to Premier shareholders Bevcon was listed on the JSE on October 2

The rights issue was undertaken simultaneously and was fully subscribed, raising about R281 million, much of which was used to reduce the group's borrowings. The debt to equity ratio at year end was 23 percent against the previous year's 52 percent

In spite of worsening economic conditions, earnings for the year increased by 23 percent to R122 billion, earnings a share of 180c (145c)

Premier's offer gave rich rewards, says CE

B Day 29/6/90 (186)

EDWARD WEST

PREMIER Holdings shareholders who followed their rights in an issue to inject R280m into the company in the middle of last year were richly rewarded, Premier CE Peter Wrighton said yesterday.

Wrighton was speaking at a presentation to stock market analysts in Johannesburg on the Premier group, which had a turnover of R4,3bn last year

The food, pharmacuetical, animal feeds and education and entertainment conglomerate's Bevcon and Premier shares were R36 on May 22 1989.

After the issue, share prices increased 40% by October 3 to R50,50 and by yesterday the shares had increased 80% to R65.

Bevcon, listed after the rights issue, acquired Premier's 33,8% interest in SA Breweries. The market capitalisation of the combined shares increased from R2,3bn at May 22 1989; to R3,6bn on October 3, to R4,7bn yesterday.

Premier management's annual financial targets include an annual earnings increase at 33% above the inflation rate with all divisions earning at least 25% on capital employed, said Wrighton.

In the year to March, attributable earnings grew by 32% to R122m while earnings a share — after the diluting effect of the rights offer — increased 24% to 180c (145c).

Based on deliberate policy decisions, trading margins increased steadily over the past five years. In 1986 margins were 5,5%. In 1987 they were 5,8%. Margins of 6,4% were achieved in 1988 and rose to 6,9% in 1989, while a trading margin of 7,7% was achieved in the year to March

Due to reliance on off-shore financing and because of the rights issue, interest increased marginally by 4% to R78,8m up to March 1990 Premier expected to borrow below prime rate for some time due to long term off-shore financing facilities. The debt equity ratio at March was 23%.

However Wrighton said the animal feed and pet food divisions, under brand names such as Fido and Epol; the edible oils, under brand names like Blossom and Epic, and the pharmaceutical distribution division were still not showing proper returns.

Problems faced by the edible oils division included the temporary closure of a production facility, unfair competitive practices — there were court cases pending in this regard — and oil and margarine prices.

However steps taken to overcome these problems were the recent commissioning of a R40m new high technology plant, the employment of a new management team, improved marketing and the institution of further cost controls

4 SUNDAY TIMES, Business Times, July 1, 1990

Premier unlocks value after split

S/Times 1/7/90 186

PREMIER Group has bloomed under the management team that took the reins in 1988.

Chairman Peter Wrighton and deputy chief executive Gordon Utian gave a comprehensive presentation to the Investment Analysts Society about the food, pharmaceuticals, education and entertainment giant this week

By JULIE WALKER

The unbundling of its SA Breweries holding into separately listed Bevcon unlocked the group's true value Before the announcement in May last year to hive off SA Brews, Premier was R36 a share

By October the total value was 40% more, and this week shareholders were 80% richer from the sum of the parts Premier's market capitalisation more than doubled to R4,6-billion in 13 months

Half the trading profit comes from food interests, 30% from pharmaceuticals, and the rest from education and entertainment

Premier Foods makes leading brands Snowflake flour, Epol pet food and Kraft margarine

Bonny Bird — formed from the merger of Farm Fare with the broiler operations of Bokomo and Sacca — has been a problem, but the group has made some progress Bonny Bird has retrenched 1 500 workers, the plants have been rationalised and modernised at a cost of R68-million Turnover of R397-million yielded a profit of R7-million, but interest and extraordinary losses brought the bottom line loss to more than R20-million, Premier's share being half

Mr Wrighton says that is not too bad Premier treats its 50% in Bonny Bird as an investment and will bring only dividends to account It has no management responsibility and secured a put option on its entire stake

Geared

The investment in Bonny Bird will be written down by any losses incurred

The pharmaceutical brands include Grippon, He-Man and Betapyn as well as controversial skin lighteners Mr Wrighton says that safe replacement products have been developed The harmful lines will be discontinued from next year

The pharmaceutical operations have been realigned to where they were and Mr Wrighton is confident that improvements will result

Premier is invested in CNA Gallo, and a compact-disc plant is being built It also owns 20% of Walhold

Mr Wrighton gave several reasons why investors should hold Premier shares The group is properly geared at 23%, its foreign funding has been secured at lower than SA interest rates, it is focused and has strong brands and motivated management


PETER WRIGHTON ... good ride since unbundling

The downturn in the economy does not affect it too severely because 70% of its food business is in non-durable staples It has good labour relations and export potential, having secured footholds throughout central and southern Africa

Mr Wrighton says "Europe is abandoning Africa as it comes out of its adolescence We are entering joint ventures to expand in the sub-continent and beyond."

He silences any lingering critics with impressive comparative performances against three competitors (A, B and C). "The best reason to buy Premier is on its performance," he says

Interest reviving, says Ackerman

Star 2/7/90 [illegible] 186

CAPE TOWN — Major businessmen in Europe, the US and the UK have shown great interest in re-investing in South Africa in the wake of recent political developments, says Raymond Ackerman, head of Pick 'n Pay.

He said at the weekend on his return from abroad that investors were becoming aware that because of its sound infra-structure, SA would be a better prospect than East Bloc countries

Mr Ackerman said sanctions were on their way out because European and US businessmen wanted to invest in SA no matter what their governments felt. — Sapa

CA Times
4/7/90

[redacted] [redacted] [redacted] (186)

Tongaat-Hulett to spend R250m on new investments

By **JON BEVERLEY**

DURBAN. — The Tongaat-Hulett group plans capital expenditure of R250m this financial year and has set up a unit to find new investment avenues, the chairman, Chris Saunders, says in the annual report

He says that maintaining and advancing "our competitive position in the diverse businesses which make up the group heads our list of priorities "

The first two months of the financial year had been difficult and the economic climate was not expected to improve in the immediate future

"At this stage it is difficult to forecast earnings for 1991, although it is unlikely that they well exceed those achieved in the past year."

Earnings per share were 236,6c (previously 214,3c) out of which dividends of 79c (71c) were paid

He noted that following the political changes flowing from the State President's speech earlier this year there had been proposed economic action which included the nationalisation concept to tackle the mass grievance and bitterness displayed in the wide disparity between rich and poor

He said that there was no evidence anywhere in the world of the effectiveness of nationalisation or of its economic success and it has "become totally discredited"

Privatisation rather than nationalisation would appear to be a far more effective way of bringing about a new economic order, he said

The report also mentioned the various divisions

In the sugar division (pre-interest earnings of R76m) the weather had been promising and a cane increase was expected — sucrose results were "encouraging"

Domestic market sales were expected to stabilise and export prices had fallen to last year's levels and were likely to move within narrow limits

The forecast was for a similar profit contribution this year

The report notes that construction of an ethanol plant is "unlikely" but that the deregulation proposals for farmers within 30km of mills will benefit the group

The building materials division (with pre-interest earnings down to R18m from R28m) forecast that the delibrate slowing of the economy by the government and political uncertainty would affect sales of their products

But demand is thought to be in balance with affordability levels at current high intererst rates Sales levels and profit levels are expected to be similar this year to the 1989/90 contribution

It is noted that considerable funds are heading towards the building market but were still held by the government.

In March the Vitro brick factory at Springs was exchanged for Tongaat's 50% holding in Coverland Two new production facilities were commissioned

Tongaat Foods with pre-interest profits at R29m expects a substantial profit improvement this year which will be cut by increased taxation

The mushroom division will bring into operation a high-technology farm at Shongweni and the third phase of the Phesantekraal (Bellville) this year pushing capacity to where it can meet local demand and export

Hulett Aluminium with R70m in pre-interest profits says that as a significant exporter it will be "severely" affected by the drop in prices and changes to export incentives and expects a drop in earnings

Delivery of the 3 800 ton extrusion press was delayed and will now be commissioned towards the end of this year

The textiles division (pre-interest profits of R23m) faces the clouds of a projected 36% cotton price rise, a downturn in local trading conditions and deterioating labour conditions

The first half will be difficult but an improvement will follow allowing for an increased contribution to group earnings.

Employees at the Hebox division at Mpumulanga face severe unrest and violence and production and export orders were impeded

African Products (R20m profits) expects an increased demand to continue this year but it was unlikely that the same rate of growth would be achieved. The division aims to achieve a low-cost producer status

Profit levels should improve in spite of the tighter economic environment.

dent Guillermo Endara

Cape-Times 5/7/90 (186

Boland wine strike ends

JOHANNESBURG — Workers at Anglo American Farms Ltd's Groot Drakenstein Estate near Franschhoek, which includes Boschendal, have gone back to work after a two-day work stoppage.

B|Day 5|7|90

186

Tongaat-Hulett to invest R250m

Own Correspondent

DURBAN — The Tongaat-Hulett group plans capital expenditure of R250m this financial year and has set up a unit to find new investment avenues, chairman Chris Saunders said in the annual report.

He said that maintaining and advancing the group's "competitive position in the diverse businesses which make up the group heads our list of priorities"

The first two months of the financial year had been difficult and the economic climate was not expected to improve in the immediate future

He said it was unlikely earnings for 1991 would greatly exceed those achieved in the past year

Earnings a share were 236,6c (214,3c) in the year to end-March out of which dividends of 79c (71c) were paid

The report on the sugar division (pre-interest earnings of R76m) said sucrose results were "encouraging".

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Tongaat Foods, with pre-interest profits at R29m, expected a substantial profit improvement this year

The mushroom division would bring into operation a high technology farm at Shongweni this year, pushing capacity to where it could meet local and export demand

Hulett Aluminium, with R70m in pre-interest profit, said in its report that as a major exporter it would be hard hit by the drop in prices and changes to export incentives, and expected an earnings drop.

The textiles division (pre-interest profits of R23m) faced a projected 36% cotton price rise, a downturn in local trading conditions and deteriorating labour conditions

The first half of the year was expected to be difficult but it would look up later, increasing its contribution to group earnings

Employees at the Hebox division at Mpumulanga faced severe unrest and violence and production and export orders were impeded

African Products (R20m profits) expected increased demand to continue this year but it was unlikely that the same rate of growth would be achieved

The division aimed to achieve a low-cost producer status.

B|Day 5|7|90

SA equities' foreign sales rise in June

LIZ ROUSE

FOREIGN sales of SA equities speeded up in the latter part of June, according to the latest figures released by the JSE

Sales increased to nearly R180,1m in the week ended June 22 from R141,4m in the previous week while purchases declined to R88,8m from R105,6m This resulted in a net deficit of R91,2m (R35,8m) on foreign transactions handled through the JSE

These transactions are a small part of total equity transactions of 60,5-million shares worth R493,8m transacted in the week ended June 22 (51,9-million shares worth R479,1m were transacted the previous week).

Foreign transactions in the gilts market remained steady, with purchases at R38,6m (R37,4m) and sales at R28,3m (R25,4m) resulting in a net surplus of R10,2m (R11,9m).

The weak gold price caused a sharp decline in the number of coins traded — 4 695 coins worth more than R4,4m changing hands in the week ended June 22 against 8 206 coins worth R8,3m traded on the JSE in the previous week

Middelburg Steel braced for hard times

Sta 5/7/90

(189)

Magnus Heystek,
Finance Editor

Middelburg Steel & Alloys (MS&A), the unlisted stainless steel and ferrochrome producer in the Barlows stable, is bracing itself for more tough times as over-production and depressed prices on world markets continue.

"Times are still very tough", John Gomersall, group MD of MS&A, said in an interview yesterday.

Worldwide production was 1,4 million tons in excess of expected demand of 2,4 million tons this year, with several new producers recently coming on stream or set to come on stream this year

"This is bound to place further downward pressure on prices, which have already shown signs of a price war among international producers," Mr Gomersall said

"This is bound to continue for some time," he added

He stressed that MS&A, one of the world's largest producers of ferrochrome and stainless steel, would not give up market share easily, clearly indicating that pricing would be a major weapon in the international ferrochrome arena for the foreseeable future.

Another factor placing MS&A's profitabilty under pressure was the stable rand exchange rate since ferrochrome is a dollar-denominated product.

"It's not always possible to pass on a local inflation rate if dollar prices are holding firm," he added.

A general slowdown in world growth had added to the woes created by over-supply, especially among countries in the Far East, he said.

While still showing healthy growth rates of about five percent, this was much lower than the average growth rates of up to 10 percent in countries such as South Korea, Japan, Singapore and Taiwan.

Mr Gomersall saw no sudden demand for ferrochrome or stainless steel products from consumers behind the former Iron Curtain.

In fact, it was possible that East Germany, with the financial and technical help of West Germany, could upgrade its current antiquated ferrochrome plants and become an important player in its own right.

Conditions in the stainless steel market had improved slightly in the second quarter of the year, he said, and profits were being made again, but very much "on a month-to-month basis"

"I don't believe that the slight improvement in the supply/demand situation in the second quarter will be sustained. Several major producers have temporarily reduced their production in order to upgrade their facilities.

"When these producers come on stream again, the market is bound to weaken," Mr Gomersall said.

● MSA split the management of its operations into two wholly owned subsidiary companies — MS&A Chromium and MS&A Stainless — from July 1

Mr Gomersall said the move put in place the structure to manage the exciting opportunities for the group

Paddy Probert, formerly general manager of MS&A's alloys division, has been appointed managing director of MS&A Chromium, which takes over the management of MS&A's ferrochrome business.

Keith Luyt, formerly general manager of MS&A's steel division, has been appointed managing director of MS&A Stainless, which takes over the management of MS&A's stainless steel operations.

Looking at prospects for MS&A Stainless, Mr Luyt said it was producing only 1,5 percent of the world's stainless steel

"Our vision is to become one of world's lowest-cost producers and, from that base, develop into a major force in world supply," he said.

BREAD FM 6/7/90

Off to market

Next March, the bread subsidies, which cost government more than R250m a year at their peak, will finally end

The good news is that this will usher in an era of deregulation and competition that will see the price of government bread and flour and the profit margins of millers and bakers set by the market, not government. (186)

But what the impact will be on the price and supply of bread, not to mention the effect on the income of bakers, millers and

FINANCIAL MAIL JULY 6 1990

90

make it uncompetitive For example, local tyre manufacturers that keep their factories going 235 days a year can't compete with foreign manufacturers that reduce costs by producing tyres 347 days a year.

However, government is responsible for much of the industry's uncompetitiveness and that's where manufacturers should concentrate their lobbying. For example, local manufacturers face a restriction on the amount of raw material they can buy abroad while foreign manufacturers are free to buy raw materials at the lowest available prices, whatever the source

Manufacturers are allowed to import natural rubber but must pay a 25% duty There is no local alternative Karbochem no longer makes the synthetic replacement for natural rubber It does, however, make the other rubber they use. Karbochem charges more for its products than they cost abroad so the 25% import duty — levied because synthetic rubber is regarded as a strategic industry — shields the company from competition

Karbochem MD Ben Schoeman believes the 25% duty on natural rubber will be phased out soon He says the company stopped making the synthetic alternative, polyisoprene, at the end of May because it could no longer compete with the cost of imported natural rubber — even with the 25% duty "When we started the plant 10 years ago natural rubber was selling for US$970/t," Schoeman says. "The price has since dropped to $780/t "

leaving tracks
re industry

Competing with imports

Karbochem's Newcastle plant is still making buthadiene rubber and styrene buthadiene rubber for the tyre industry. Schoeman claims that Karbochem's prices are competitive with international prices for similar types of imported rubber, but concedes that its prices become competitive only after the 25% duty is added to the cost of imports

He says the high price of locally made tyres can't be blamed on Karbochem, the company has increased its prices by only 20% in two years

Instead he points to the high cost of transporting the imported raw materials needed to make rubber Buthadiene has to be transported to SA in gas ships and from Richards Bay to Newcastle in special rail tankers "The cost of sea freight alone is $160/t " he adds

David Pincus

FINANCIAL MAIL JULY 6 1990

FM 6/7/90 (189)

HUDACO FM 6/7/90

Cutting debt (189)

Engineering group Hudaco is aiming to drive borrowings down over the coming year to counter high interest rates and difficult trading conditions That is not, perhaps, surprising as the scale and pace of the current economic slowdown caught Hudaco's management team on the hop Sales to customers who, in turn, supply the mining and construction industries were particularly badly affected

Hudaco was able to increase its interim earnings per share to 47c from 44c In a way, this can be seen as representing real growth because there was zero price inflation in Hudaco's specific fields, helped by the rand's comparatively stable exchange rate. The operating margin was improved to 12,5% from 11,7%

It is difficult to compare the results of the half year ended May 31 with those of the corresponding previous period because of the restructuring of assets within the group Norton Abrasives was merged into 50%-owned Abcor and a restructured Deutz Dieselpower was convereted into a subsidiary as Hudaco's shareholding was raised to 70% from 50%

These changes have enhanced the increase in turnover and operating profit without a corresponding increase in earnings per share Two noticeable changes took place on the balance sheet Net borrowings rose by 33,3% during the period and, now at R40m, are equivalent to 44% of shareholders' funds

This increase arose as the result of the R2m cost of acquiring the minority intersts in oil and hydraulic seal distributor ABES and oil seal manufacturer Angus-Hawken as part of the development of the group's seal interests. Borrowings were used to reduce creditors to R85m and that, in turn, has resulted in a reduction in the ratio of total liabilities to shareholders' funds.

HANDLING RECESSION

Six months to	May 31 '89	Nov 30 '89	May 31 '90
Turnover (Rm)	175	191	205
Operating profit (Rm)	18,0	25,6	25,6
Pre-tax profit (Rm)	15,0	21,7	20,9
Earnings (c)	44,0	63,3	47,0
Dividends (c)	20	28	21

Chief executive Kevin Clarke says the slowdown in the economy has left Hudaco with temporarily high inventory levels financed with borrowings The group's plan to lower its borrowings entails cutting inventories

The first step in this strategy has been the reduction of purchases from suppliers abroad This has had the initial effect of reducing creditors and it will be followed later by a reduction in stock levels

The difficult trading conditions suppressed the sales of original equipment, particularly new engine sales at Deutz Dieselpower, which dropped by R20m to an undisclosed level The balance of sales are mainly into the replacement market and were not as seriously affected

The improved operating margins were due to a more profitable sales mix and emphasis on cost control Because the group's business continues to generate cash, management remains comfortable with the temporarily high debt and interest cover With a bit of luck and if the recession does not bite too severely, this year's total dividend could be lifted to 50c That puts the share on a forward yield of 4,8% at its present price of 1 050c

Gerhard Slabber

PREMIER GROUP FIM 6/7/90

The staff of life

(186)

Activities: *Interests in food, pharmaceuticals, education and entertainment*
Control: *Liberty Group, JCI, Anglo American 77,1% jointly*
Chairman and CE *P Wrighton*
Capital structure: *71,9m ords Market capitalisation: R1,4bn*
Share market: *Price. 1 960c Yields 3,1% on dividend, 9,2% on earnings, p e ratio, 10,9, cover, 3,0 12-month high, 5 100c, low, 1 450c Trading volume last quarter, 463 000 shares.*

Year to Mar 31	**'87**	**'88**	**†'89**	**'90**
ST debt (Rm)	105,4	84,6	144,8	69,3
LT debt (Rm)	295,3	349,3	320,9	220,5
Debt equity ratio	0,16	0,17	0,53	0,23
Shareholders' interest	0,50	0,72	0,53	0,52
Int & leasing cover	3,4	3,9	3,6	4,4
Return on cap (%)	4,6	7,9	14,1	14,1
Turnover (Rm)	2 690	3 204	4 150	4 342
Pre-int profit (Rm)	210	276	287	336
Pre-int margin (%)	5,8	6,6	6,9	7,7
Earnings (c)	233	317	145	180
Dividends (c)	105	140	50	60
Net worth (c)	2 344	3 549	1 000	1 366

† Adjusted for restructuring and divestment of SAB interest

Large, unfocused groups with fingers in many pies are showing weaknesses So Premier's decision to focus on "three core divisions" proved correct EPS rose by an impressive 24% even after dilution by a R281m rights issue New capital helped reduce debt by 61% to R290m and marginally cut interest payments to R76m Debt equity ratio fell to a more acceptable 0,23 from 0,53 And capital was amassed for expansion of existing businesses and possible further acquisitions, though no indication has been given as to what it would be interested in buying.

Premier's Wrighton ... standing on his own feet (186)

FIM 6/7/90

The improvement in EPS will also bolster Premier's image as it is now seen to be able to stand on its own without the support of SAB The 33,8% stake in SAB, which contributed 65% of 1989 profits, was divested to a new company, Bevcon, in September

The year was not without problems. But chairman Peter Wrighton believes these have been addressed by, among others, a new oil-derivatives plant, remodelling other plants in the troubled Epic division and the acquisition of Amalgamated Chemists' Association and the Salters businesses

The food group, with interests in maize, wheat and baking, is still the main contributor — 59% of turnover and 67% of earnings

FIM 6/7/90 (186)

Premier's position as "leading miller and baker" is expected to be consolidated by a R100m wheat mill in Maritzburg, due for completion within three years

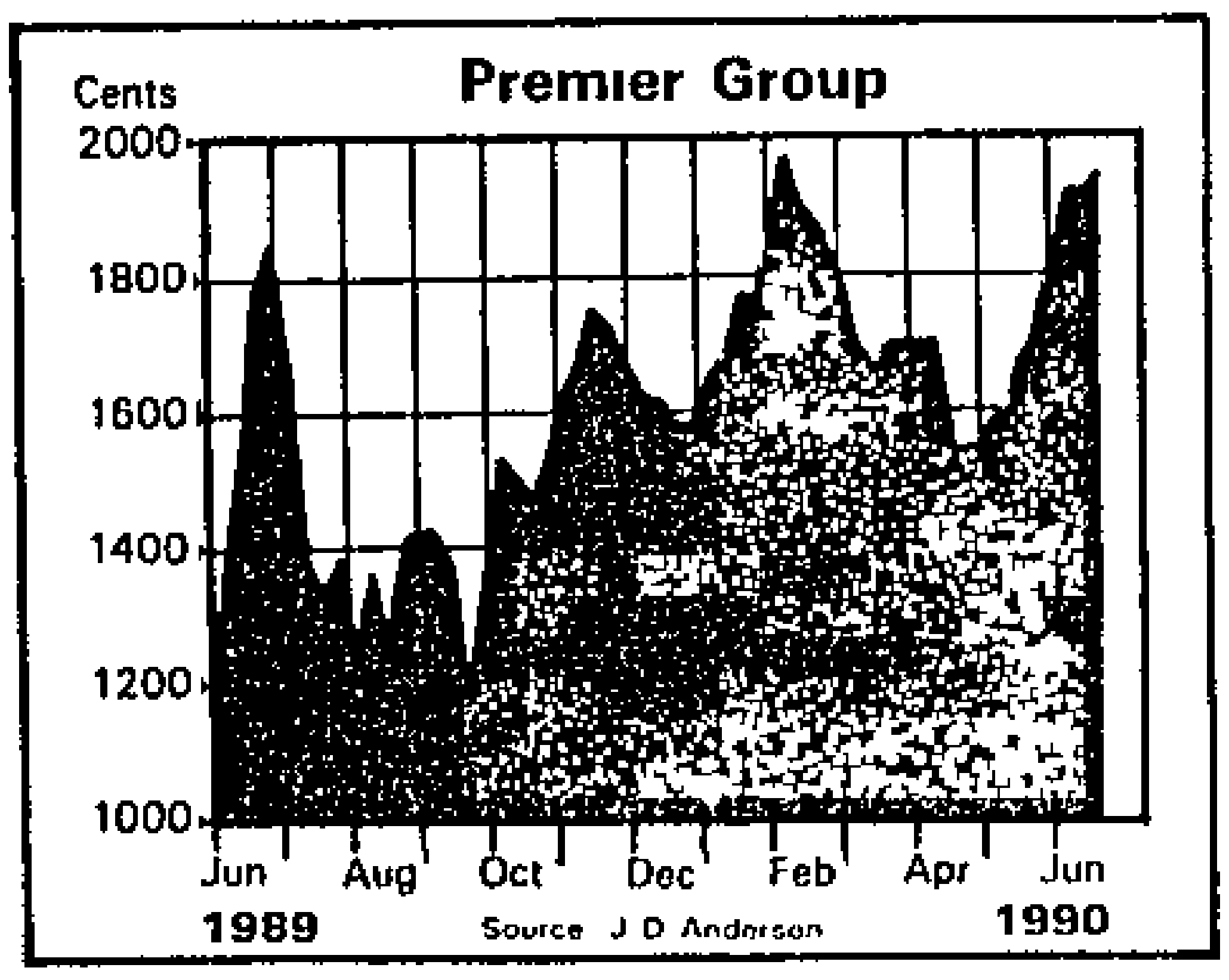
This division was the major beneficiary of the rights issue, which helped it achieve a 47% increase in earnings despite losses in the Mama's Pies division, of which the remaining 50% was bought this March

Intense competition in edible oils and fats is being confronted by concentrating on production and cost efficiencies and improved marketing The new factory in Aeroton, south of Johannesburg, is expected to help

A reduction in anchovy and rock lobster quotas does not augur well for the fishing division But the group is hoping to improve productivity and believes diversification into processed fish products will continue to smooth the cyclical nature of this business

In the pharmaceutical division, good results of manufacturer and distributor Twins were depressed by "very poor performance" at Safimed A 35% earnings increase was reduced to only 14% after consolidating Safimed Rationalisation is expected to improve profitability this year

But profits in retail and wholesale pharmaceuticals are expected to remain under pressure because of discounts to medical aid societies and increased competition Subsidiary Gresham actually posted a reduction in earnings of 33% because of problems in its



Source J D Anderson

FIM 6/7/90 (186)

wholesale distribution division, PDC

CNA Gallo, 33% owned, achieved a 26% increase in EPS but lower consumer spending does not bode well for this year.

Wrighton says forecasting is difficult in an economic downturn which has not run its course and an environment where violence and unrest disrupt working conditions But if some problem areas can be overcome, earnings growth should at least equal inflation

On a yield of 3,1% (3,9% sector average) and p.e ratio of 10,9 (11,4), the rating has improved in the past year Though tight trading conditions lie ahead, shareholders' faith could be rewarded in a better focused and more tightly run operation

Heather Formby

Perlemoen catch for Fedfood

ST Times 8/7/90

186

By DON ROBERTSON

FEDFOOD, a Federale Volksbeleggings subsidiary, expects earnings to increase by about 7c a share in the current year because of the acquisition of 70% of Sea Plant Products (SPP)

SPP is a major harvester of abalone (perlemoen) and will be administered by Fedfood subsidiary Marine Products The purchase price is R14,25m and includes the already harvested abalone quota for 1990

Fedfood managing director Jan du Toit says the investment is excellent

Although it will increase assets by only 0,9%, earnings should rise by 7c a share In the year to March, earnings rose to 170c a share from 168,4c

The purchase of SPP strengthens the company's interests in fishing which was one of only two sectors which helped earnings to increase last year

The deal comes at a time when Fedvolks is the subject of a buy-out by Sanlam subsidiary Sankorp

The plan is to buy out the 27% interest not already held by Sankorp for R305m in cash or cash and shares in either SA Druggists, Fedfood or Teljoy

At present, Marine Products is involved in catching pelagic and white fish and rock lobster off the SA coast and elsewhere

Demand for perlemoen has always exceeded supply and quotas were introduced in 1970

They have been maintained since between 620 tons and 660 tons a year SPP has 32% of the 625-ton quota for 1990

About 90% of the catch is exported, mainly to the Far East

186 Star 12/2/90

Speculation mounts over Kanhym, Fedfood merger

By Ann Crotty

There's growing speculation in the market that a deal may be hatched between Fedfood and Kanhym, which would create a giant food empire with an annual turnover in excess of R2 billion

Kanhym sources are emphatic that there are no talks on the go

Both food groups are within the Sankorp stable — Fedfood is a subsidiary of Fedvolks and Kanhym is a subsidiary of Malbak.

Analysts believe that with Sankorp currently studying the Fedvolks portfolio — with a view to cleaning it up and sorting out problem areas — combining the two groups in the Sankorp organisation seems a reasonably logical step.

There may have been some reluctance to undertake such a step while Fedfood was stabled at Fedvolks.

But now that Fedvolks is being delisted, and possibly dismantled, the situation becomes much more fluid and gives Sankorp management a freer rein to link up appropriate assets

Although both Kanhym and Fedfood are major players in the food industry there is little apparent duplication in their activities.

This is the justification for keeping the two groups separate.

It could also be regarded as justification for merging the two to form a giant conglomerate with a well balanced portfolio

Fedfood operates in five sectors of the industry: bakeries, grain processing, fishing, frozen foods and snacks

Kanhym is an integrated meat producer and retailer.

It has interests in livestock auctioneering and leather production

In recent years emphasis at Kanhym has been on value-added products — this has been a successful attempt to give management more control over its bottom line.

At the release of interim results early this year, Kanhym management said it was interested in moving beyond meat products into groceries and was keen to add to its own basket of branded food products.

Although Fedfood is by far the larger of the two and profitability has recently improved, the market gives Kanhym management a better rating.

Analysts believe that if, and whatever way, they are put together Kanhym management will feature more prominently at the top.

Star 12/3/90

186

Police arrest five men after city store hold-up

Staff Reporter

Police have arrested five men in connection with a robbery at Clicks in central Johannnesburg yesterday

Three men entered the office of store manager Japie Nkosi (28) at about 11 30 am, while two others remained outside the store, said police spokesman Captain Eugene Opperman.

The men held up Mr Nkosi and two Clicks employees with a firearm and took R5 000 from the safe.

Meanwhile, members of the Robbery Reaction Unit who had been notified of the robbery arrested two suspects a block away

Brixton Murder and Robbery Squad detectives took over the investigation and three more arrests were made during the day

Police confiscated a firearm, three knives and "nearly the full amount of the stolen money", said Captain Opperman.

136

NEWS

Breakthrough comes in retail strike

By Staff Reporter

Settlement has been reached in the Trador Cash and Carry strike — the first sign of a breakthrough in the strike-torn retail industry

Management agreed to a R160 across-the-board increase back-dated to April 1.

This was a "highly significant" breakthough which was a big step forward in the fight against poverty and job security, the South African Commercial Catering and Allied Workers Union (Saccawu) said.

Trador also undertook not to retrench or close stores for the next 18 months.

But conflict in other companies seems set to continue as employers and workers battle over wage demands

- Mediation broke down on Wednesday between Checkers and Saccawu, but continued yesterday afternoon between OK Bazaars and the union
- OK Bazaars yesterday claimed a group of non-striking workers was removed from the Elsburg store and taken to Saccawu offices. They were then allegedly assaulted and threatened with death if they continued working.

OK Bazaars challenged the union to "publicly declare its position on this act of thuggery".

- In the liquor industry where about 3 000 workers are on strike, talks between the employers' body and the striking union are due to start next Wednesday.
- The Southern Sun strike involving about 6 000 workers is escalating into a bitter dispute, with allegations of intimidation of picketers coming from the union.

Saccawu met Southern Suns yesterday in an attempt to end the hotel strike which has been on since July 2

A joint protest outside Newcastle Checkers ended in the arrest of 168 workers from Holiday Inns, Southern Sun, and Wimpy There have been 98 arrests since the beginning of the strike, Saccawu said

Saccawu said it contacted Holiday Inns head offices in Britain and a number of airlines which use the hotels for support.

FEDFOOD F/M 13/7/90

Abalone bite

(186)

Shlomo Peer has changed his mind about listing Sea Plant Products (SPP), his family's abalone (perlemoen) export business, on the JSE He has instead sold 70% control to Fedfood for R14,25m.

In January, Peer believed a listing was needed so employees could trade their shares He also thought it would help finance an abalone farming venture to overcome depletion of a natural resource.

Fedfood is satisfied with its majority holding and no offer will be made to minorities at this stage There seems to be no immediate intention to invest more money in the company. Plans to farm abalone are on ice since experiments by Rhodes and Cape Town universities failed to develop a viable farming method Nor, it seems, is there any need to rush into farming to replace the resource

Fedfood MD Jan du Toit contradicts Peer and says abalone is not depleting He cites studies in Hermanus that indicate the average size of the abalone snail is getting larger and that, far from being depleted, the resource is increasing He also pointedly remarks that export quotas are unlikely to be increased in the near future SPP has about 32% of the total export quota

The acquisition is expected to add 7c a share to Fedfood's earnings In its last financial year the food company earned 170c a share Peer has his cash, seems like the only losers from the deal could be minorities who are denied a similar offer and still can't trade their shares on open market *Gerhard Slabber*

SPP's Peer . . . no JSE perlemoen market

FINANCIAL MAIL JULY 13 1990

F/M 13/7/90 (186)

(86)

The Star
Finance

Star 18/7/90

Checkers disbands warehouse division

By Roy Cokayne

Major national supermarket chain Checkers is disbanding its 10-store "no frills" warehouse division.

Group managing director Mr Sergio Martinengo confirmed the division would be absorbed into the main supermarket chain and result in the disappearance of the "Checkers Warehouse" name.

Mr Martinengo said there had been an "internal" announcement to this effect last week and that the warehouse signage would be taken down within the next two weeks.

There would also no longer be a separate infrastructure or head office for the warehouse stores.

The restructuring would allow the group to benefit from the "synergies of joint effort".

However, he said, it would not result in any retrenchments. All the staff had been placed within the group.

Mr Martinengo said there had effectively been two infrastructures — one for the small warehouse division, which comprised only 10 stores and the other for the main supermarket group.

He said the existence of the warehouse stores had created confusion in customers' minds because certain prices applied only to the supermarkets and vice versa.

The warehouse stores were larger than Checkers supermarket stores and would join about 30 "extended range" stores in the chain.

"There is a need for extended range stores in Pretoria and Randburg and we will be looking into this."

At the beginning of last year, Checkers announced it was considering developing a multimillion-rand Checkers Warehouse store in Pretoria. However, it has to date been unable to secure a suitable site.

Launched 1984

The warehouse shopping concept was launched by Checkers in 1984 with the opening of stores in Kempton Park and Durban. Other warehouse stores were added in Vanderbijlpark, Vereeniging, South Hills in Johannesburg, Klerksdorp, Chatsworth, Greenacres in Port Elizabeth and in Brackenfell and Parow in the Cape.

Initially the concept was that savings would be made by cutting out such frills as fancy decor but, Mr Martinengo said, over the past 12 months the merchandising had become very similar to that in the supermarkets.

End of Checkers strike is in sight

Star 20/7/90 (186) [illegible]

By Brendan Templeton

The end of the 13-day strike involving 9 500 Checkers workers appeared to be in sight yesterday, with management and the union hammering out a draft agreement, mediator Brian Currin said

He warned that the strike was not over, but said he hoped a final agreement would be completed by last night

His announcement follows mediation talks since Wednesday between Checkers and the South African Commercial, Catering and Allied Workers' Union (Saccawu).

Before going into the talks, Checkers issued a "final" wage increase offer of R140 across the board. The union had until yesterday to accept the offer Negotiations started with the union demanding R150.

● OK Bazaars and Saccawu held mediation talks yesterday after the company issued an undisclosed improved pay offer. The company has also issued 570 workers with retrenchment orders and Saccawu spokesman Jeremy Daphne said settlement could be hampered if the company refused to withdraw the orders.

FM 20/7/90

POWER TOOLS

Slicing prices

(189)

A fierce price war has erupted among distributors of German hand-held power tools The conflict has forced prices down to below the levels of a year ago

This is happening despite inflation, factory price increases and a fall in sales due to a drop in building activity. Many grinders and electric drills, which underpin the market, are being sold for less in SA than in West Germany.

A price war is rare in SA. In many industries competition is limited because only a few companies control the market and informal understandings are suspected of keeping prices for many products above certain levels In the power tools business, however, many players now square off.

Derek Dreyer, marketing director of Robert Bosch SA power tool division, the market leader in industrial power tools, says no one knows who started slashing prices.

Grinding out market share

"It has developed into a situation where people have to sell to retain market share and that leads to prices deteriorating. What really hurts is that prices of angle grinders, which account for 45% of the market, and impact drills, which account for 30%, have been the hardest hit "

For example, distributors are expected to sell the same number of electric drills this year as last but will collect 5,2% less revenue, says Armin Hallermann, MD of Metabo Power Tools and chairman of the SA Power Tool Association.

John Keyser, MD of Black & Decker, which probably has the lion's share of the do-it-yourself market, says. "There aren't the volumes in belt sanders, routers and jigsaws — which have not been caught up in the war — to save the situation Everyone is going into the market with attractive offers No one is making money "

FM 20/7/90 (189)

Distributors keep the pot boiling with repair work Industrial units break down at some stage "and users turn cartwheels when they learn of the price of labour and armatures," Dreyer says

Distributors of Japanese power tools claim they are not part of the war Jim Caunter, executive marketing director of Rutherfords, which distributes Makita power tools, says these distributors have no complaints about profits. "Ten years ago the Germans claimed their products were superior and complained that the Japanese were dumping power tools They can no longer claim superiority in value for their products, so they're cutting prices "

Hallermann says the power tool market was worth R123m at the wholesale level last year and is expected to grow by 2,8% this year It follows the fortunes — now flagging — of the building industry So the number of units sold could fall by more than the 0,4% predicted for this year, he says

"There must be a better way to retain market share than by giving tools away for near or less than cost, especially when users are replacing worn-out industrial units with cheaper do-it-yourself units "

He says he no longer knows who leads the overall market Caunter opposed a proposal that the association's monthly reports should list the market share of each player. ■

TONGAAT-HULETT F/M 20/7/90

(186)

Profits squeezed

Tongaat-Hulett's turnover growth remains strong but in the past year the group was unable to maintain the rapid pace of earnings growth achieved since 1985 Management warns that financial 1991 will be tough but tempers that gloom by saying considerable capital expenditure and a search for new growth opportunities hold promise for the future

The consolidated turnover was 17,4% up on fiscal 1989, reflecting strong growth in all divisions except building materials. This last sector contributed 13% to group turnover but its share of attributable earnings fell to 8% from 14% the previous year. The slump in the building industry adversely affected both unit sales and profitability

FINANCIAL MAIL JULY 20 1990

Activities: *Operates in sugar, building materials, foods, aluminium, textiles and starch and sweeteners*
Control: *Amic (23,5%); Anglo American (20%).*
Chairman. *C J Saunders, MD T G Cleasby*
Capital structure: *74,8m ords Market capitalisation. R1,31bn*
Share market *Price 1 750c Yields 4,5% on dividend; 13,5% on earnings, p e ratio, 7,4, cover, 3,0 12-month high, 2 000c; low, 1 500c. Trading volume last quarter, 1,06m shares*

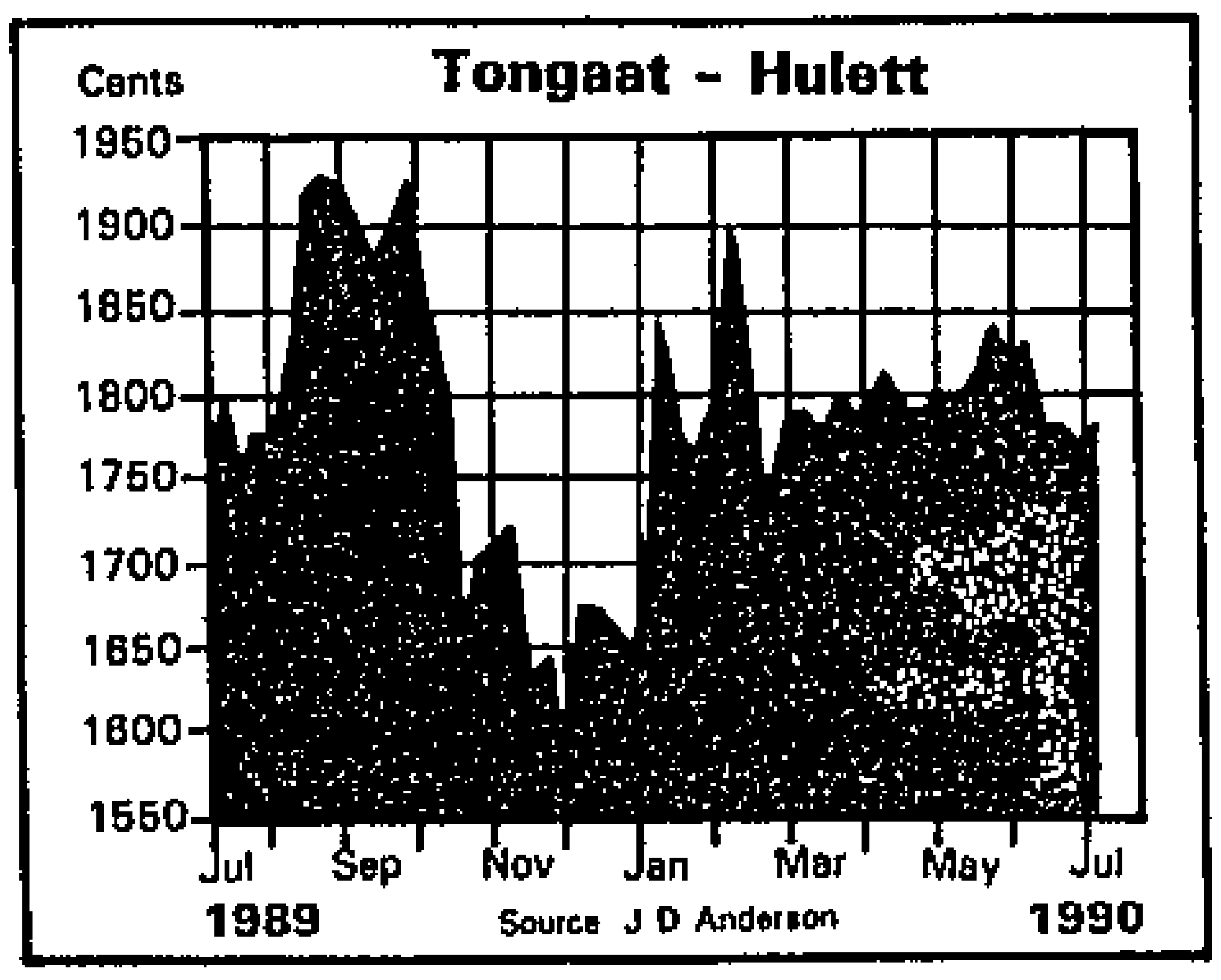
Year to Mar 31	'87	'88	'89	'90
ST debt (Rm)	79,2	63,5	56,7	87,5
LT debt (Rm)	301,5	241,0	197,7	237,8
Debt equity ratio	0,45	0,33	0,17	0,20
Shareholders' interest	0,53	0,54	0,63	0,61
Int & leasing cover	2,4	4,3	4,4	3,9
Return on cap (%)	11 2	14 3	14,0	14 1
Turnover (Rm)	2 177	2 622	3 158	3 709
Pre-int profit (Rm)	177	241	328	374
Pre-int margin (%)	8,1	9,2	10,4	10,1
Earnings (c)	85,3	162,3	214,3	236,6
Dividends (c)	34	54	71	79
Net worth (c)	1 081	1 189	1 977	2 141

The sugar and aluminium divisions, which each contributed 23% to turnover, both improved their share of attributable earnings to 32% (27%) and 30% (28%) respectively The sugar division's profits were boosted by an increase in production, an improvement in the quality and sucrose content of the cane, better recovery at the mills and buoyant export prices.

The aluminium division benefited from strong domestic demand and international sales But both demand and export prices eased in the second half of the year.

The food division contributed 26% to group turnover and its share of earnings remained constant at 12% despite a drop in margins This was counteracted by a better mix of higher value-added export products and a rise in export prices

The widespread unrest in Natal affected all divisions, particularly textiles which failed to meet profit targets even though its contribution increased.



Source J D Anderson

Higher interest costs cut into the group's operating profits to limit growth in attributable income to 12,7%, well below that achieved over the past few years

Chairman Chris Saunders says "it is unlikely that they (earnings) will exceed those achieved in the past year." He expects the textile and starch and sweeteners divisions to contribute more to group earnings A substantial improvement in this food division's trading profit is also expected but higher tax will limit its earnings growth The performance of the building material division will stabilise while sugar's profit contribution should remain constant A reduction in earnings from the aluminium division is forecast mostly due to lower international prices and the change in export incentives.

The group's growth potential will be bolstered by the high level of capex planned for this year and establishment of a business development unit to focus the search for new opportunities *Pam Baskind*

Strikers to go back to work

186 ~~152~~

STAFF REPORTER and SAPA

Star 21/7/90

THOUSANDS of striking workers will be returning to work after yesterday's settlement of strikes at two supermarket chains, the Harmony Gold Mine and the J G Strijdom Hospital.

The month-long workers' crisis at the Verwoerdburg Town Council also reached a possible end yesterday, with the announcement that some dismissed municipal workers could be re-employed on Monday.

● Two of South Africa's largest supermarket chains, OK Bazaars and Checkers, settled lengthy national labour disputes with the SA Commercial, Catering and Allied Workers Union (Saccawu) yesterday, bringing about a return to work for thousands of workers who have been on a countrywide strike for weeks.

In terms of the agreements struck, more than 9 000 Checkers employees will return to work on Monday after striking for two weeks, while about 7 000 OK employees will resume their duties on Wednesday, ending their marathon seven-week strike.

Checkers agreed to a R140 a month across-the-board increase for its workers. The OK settlement is based on length of service — workers with less than five years service will get a R125 increase, those with more than five but less than 10 years service will get

● TO PAGE 2.

Strikes to end

Star 21/7/90

186

[illegible]

R135, and workers with 10 years or more R145

The end of both strikes will bring relief not only to the supermarket chains and their non-striking employees, but also to thousands of black workers who have gone without pay for the duration of the strikes

The bitter aftertaste left by the many unpleasantries of the OK strike in particular will not, however, easily be forgotten.

Saccawu said the OK strike had been characterised by widescale picketing and "a large large degree of police intervention"

An important outcome of the strike had been to make OK acknowledge that "management attitudinal problems do exist, are severe and must be addressed"

Yesterday's agreement included a clause stating that all parties concerned commit themselves to a process of discussion and negotiation aimed at identifying and providing solutions to difficulties

Saccawu yesterday also announced new labour-related protest action, planned for just two days after OK workers are due to return to work.

The new offensive, Saccawu's "National Hour Of Action" on July 27, will focus on alleged right-wing harassment and the arrest of picketing workers during strikes The protest will be used to demand the right to picket without interference and the right of access to company facilities by striking workers.

Saccawu said the picket issue had been raised with the Commissioner of Police, the Minister of Justice and the Minister of Law and Order

● A work stoppage by about 4 000 mine workers at Welkom's Harmony gold mine ended yesterday after the National Union of Mineworkers (NUM) and the mine owners, Rand Mines, agreed to begin negotiations on Monday on higher wages, according to the union Workers had been on strike since Tuesday afternoon at Harmony's Merriespruit shaft

"Normal work resumed with the return of workers at yesterday afternoon's shift," said NUM's head office spokesman Mr Thomas Kepsife

Mr Kepsife said the wage negotiations would involve workers only at the Harmony Gold Mine

● The strike by about 80 members of the J G Strijdom Hospital's kitchen staff also ended yesterday after a "fruitful" meeting between two Transvaal Provincial Administration (TPA) officials, union leaders and a committee representing workers

The workers went on strike after dissatisfaction about certain administrative procedures

● The Verwoerdburg Town Council and the South African Municipal Workers Union (Samwu) yesterday announced a possible end to a month-long strike after chairman of the council's management committee, Mr Pieter Smith, said 500 of the 750 workers fired after refusing to return to work would be re-employed on Monday. The cutbacks were a result of losses incurred in the strike action

In the agreement the union retained its right in respect of any employees who would be affected in this way. About 90 employees who did not take part in the strike action were not affected by the dismissals

Housewives demand probe into food costs

Star 26/7/90 [illegible] 186

By Helen Grange

Since the deregulation of the dairy industry in 1983, the price of milk has soared — with one Natal dairy having implemented a second milk price increase this year

In the wake of Clover Dairy's recent milk price increase of 8 percent, implemented in Natal, the Housewives' League has demanded an investigation by the Government into the prices of basic foodstuffs.

Certain brands of milk will now cost the Natal consumer more than R1,90 a carton in a corner cafe

Statistics provided by the Central Statistical Service show milk, cheese and egg prices for June were already 20 percent higher than a year ago.

The annualised inflation rate for all goods and services has fluctuated between 13 percent and 15 percent this year.

According to the Dairy Board, the recent price adjustments on milk represent a healthy recovery of prices — a typical pattern after any deregulation.

186

High food costs could spark a security crisis

B/Day 26/7/80

GERALD REILLY

PRETORIA — The food price spiral, particularly as it affected basic foods, was developing into a major crisis in a country with a vast poverty stricken population and a security problem, said the DP's Finance spokesman Brian Goodall.

He was commenting yesterday on sporadic milk price increases — the price of milk was decontrolled two years ago — and on the likelihood of two bread price increases within the next nine minths

"With widespread and growing unemployment among lower income groups the prices of basic foods are moving to a level where fewer and fewer can afford to buy adequate quantities," Goodall said

Food was a major component in the consumer price index contributing 23%

Milk producers are expected to get increases in September, but higher milk prices in various areas are likely before then

For instance, in the Maritzburg area the price is to rise by 8%, pushing up the price of a carton litre to R1,90

Subsidies were not the solution as these merely favoured those who could well afford to pay economic prices.

What was needed was a food stamp scheme which would cheapen basic foods for the poor and a school feeding scheme for the children of under priviledged families, Goodall said

Meanwhile, the producer price for wheat is likely to be raised from the start of the new wheat season in November

At the same time the baking and milling industries are expected to be given relief

This year's bread subsidy of R65m — it was reduced from R115m last year — will run out by end-November

Strategy

Against this background a bread price rise is considered inevitable

Then when the bread subsidy is totally abolished from end-February next year — this has been announced by Agriculture Minister Jacob de Villiers — another price hike could be imposed from the start of the new financial year

Government appointed a committee last year to investigate a food strategy policy

Its report is expected before the end of year and a major recommendation is expected to be a scheme for cheapening basic foods for lower income families

186

Star 27/7/90

Countrywide strike at Metro Cash 'n Carry

By Brendan Templeton

More than 5 000 Metro Cash 'n Carry workers have downed tools at more than 150 stores in the first nationwide legal strike in the company's history, a union spokesman said yesterday

Group chief executive Tony McDiarmid confirmed the strike by SA Commercial Catering and Allied Workers Union (Saccawu) members but said exact figures were not yet available

The strike's opening day was marred by police action in Pietersburg where picketers' posters were torn up, he said.

Mr McDiarmid said mediation was due to start on Monday.

At issue is the workers' demand for a R150 across-the-board increase. All other points, including March 21 as a recognised holiday, had been cleared up in previous talks.

● About 90 000 Saccawu members are due to hold a one-hour work stoppage today between 2 pm and 3 pm in support of the union's "living wage campaign".

It will also highlight harassment of picketers by police and rightwingers as well as strikers' rights to picket and to have access to company facilities.

This follows the bitter scenes of the OK Bazaars and Southern Sun strikes during which strikers were evicted from canteens and frequent accusations of intimidation were heard.

Shoprite and Score issue cautionaries

186 Star 21/11/90

By Ann Crotty

Yesterday's cautionaries from Score and Shoprite have given rise to speculation that the two retail food groups might be involved in negotiations that could lead to a change of control at one or the other

No details have been provided by either party, but each company's shareholders have been advised that negotiations are in progress that could affect the share price

Shoprite is a tightly held and seldom traded share, which has had an unexciting JSE performance, despite solid operating results and an excellent five-year track record

It has a strong balance sheet and, with Pepkor being an 80 percent shareholder, it is unlikely that it would be sold from a position of weakness — if it is being sold

In the 12 months to end-February 1990, when turnover was up 34 percent to R471 million, earnings were up 19 percent to 27,5c, from which a dividend of 12c was paid

Yesterday the share was trading at 220c, compared with a 12-month high of 275c and a low of 210c

Referring to group prospects at that stage, management said that despite unfavourable conditions, the company was well placed to maintain above-average growth — helped by its strong ongoing expansion programme.

Most of its supermarkets are located in the Western Cape, but it is gaining market share in the Transvaal and Free State It sells on a cash basis and its target market is the lower-to-middle income group.

Score's track record is not as good, having been seriously knocked off course in financial 1989 and '90 after a rapid growth phase

Turnover was up 24 percent to R1,4 billion and earnings were up the same percentage to 99,6c a share.

Pepkor chairman Christo Weise, who is also chairman of Shoprite, is believed to be on an acquisition trail.

It is likely to be a week or so before investors discover whether he is streamlining this division or whether he is building on it.

© Comment Page 6

186

Rooikraal's shareholders sell for R1,2m

CHARLOTTE MATHEWS

B/Day 27/7/90

SHAREHOLDERS holding 62% of DCM-listed food company Rooikraal Foods have sold their 4,96-million shares to Stratplan for R1,2m, says an announcement released today

Stratplan has paid 25c a share in cash to these shareholders, and has undertaken to make a similar offer to minorities to acquire all the issued shares

Rooikraal shares closed at 32c on the JSE yesterday with buyers offering 31c

The company's results for the six months to end December showed an 11% drop in attributable profits to R328 000 from R367 000 and sharply higher finance charges Stratplan has indicated its intention of selling the Rooikraal business as a going concern

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Details of Premcon and Retco share offer

CHARLOTTE MATHEWS

DETAILS of the offers to be made to Retco and Premcon shareholders were released today after the announcement in May of the reorganisation of the Property Group of SA (PGSA)

B Day 27/7/90

The objectives of the re-organisation are to simplify and streamline the corporate structure of the group and make Retco the industrial arm and Premcon the property arm of the group

Retco's capital will be reduced by a distribution of 50 Premcon shares at 45c each for every 100 Retco shares held Retco shareholders registered on August 17 will qualify for the distribution

With effect from August 17, Retco will consolidate its capital on the basis of four shares into one Shareholders who hold less than 400 shares on that day will be able to sell their entire shareholding to PGSA for 300c in cash for every consolidated Retco share

In a separate announcement, Premcon minorities are being offered a cash consideration of 45c for every Premcon share held or one consolidated Retco share for every five Premcon shares sold

Premcon minorities registered on August 10 can take part in the offer

This offer does not apply to Retco shareholders who obtain Premcon shares as a result of the reduction of Retco's share capital.

FM 27/7/90 (186)

Staying sweet

(186)

Activities: *Food and timber.*
Control: *Rembrandt has 65% of Huntcor, which has 77% of HLH*
Chairman: *L F Rive, CE N J Morris.*
Capital structure: *129,9m ords Market capitalisation. R1,49bn*
Share market: *Price 1 150c Yields: 2,5% on dividend; 7,08% on earnings, p.e ratio, 14,1, cover, 2,8. 12-month high, 1 150c; low, 775c. Trading volume last quarter, 291 000 shares.*

Year to Mar 31	**'87**	**'88**	**'89**	**'90**
ST debt (Rm)	17,9	12,9	16,7	26,7
LT debt (Rm)	3,1	4,6	41,3	64,8
Debt equity ratio	n/a	0,82	n/a	0,05
Shareholders' interest	0,72	0,74	0,86	0,84
Int & leasing cover	14,0	6,1	17,3	7,5
Return on cap (%)	7,3	10,6	22,1	24,3
Turnover (Rm)	251	301	371	464
Pre-int profit (Rm)	45,4	53,3	99,9	114,7
Pre-int margin (%)	18,1	17,6	24,7	22,4
Earnings (c)	36,3	48,4	66,8	81,4
Dividends (c)	14,5	18	24	28,8
Net worth (c)	273	302	498	596

Hunt Leuchars & Hepburn (HLH's) plan to diversify beyond its timber interests took a leap forward last year with the acquisition of an effective 25% stake in Rainbow Chickens That deal lifted the contribution to attributable earnings from associated companies — which includes the 50% stake in HLH Timber — to 35%

The Rainbow acquisition bolstered the group's assets to almost R907m and established HLH as the Rembrandt group's food arm Of this amount 24% is invested in timber activities, 23% in the broiler chicken industry, 26% in sugar growing and refining, 23% in manufacture and distribution of food and household products and 4% in other investments

The major associated companies, HLH Timber and Rainbow, hold 47% of the assets but produce only 35% of the attributable earnings So returns are higher in the subsidiaries, Transvaal Sugar (TSB) and CGP Investment, which trades as Robertsons; the subsidiaries produced trading income of R95,4m on turnover of R464,2m — partly reflecting the buoyant conditions in the sugar industry. TSB's contribution to turnover was R216,7m and Robertsons' R247,5m, both companies showed satisfactory growth over the previous year.

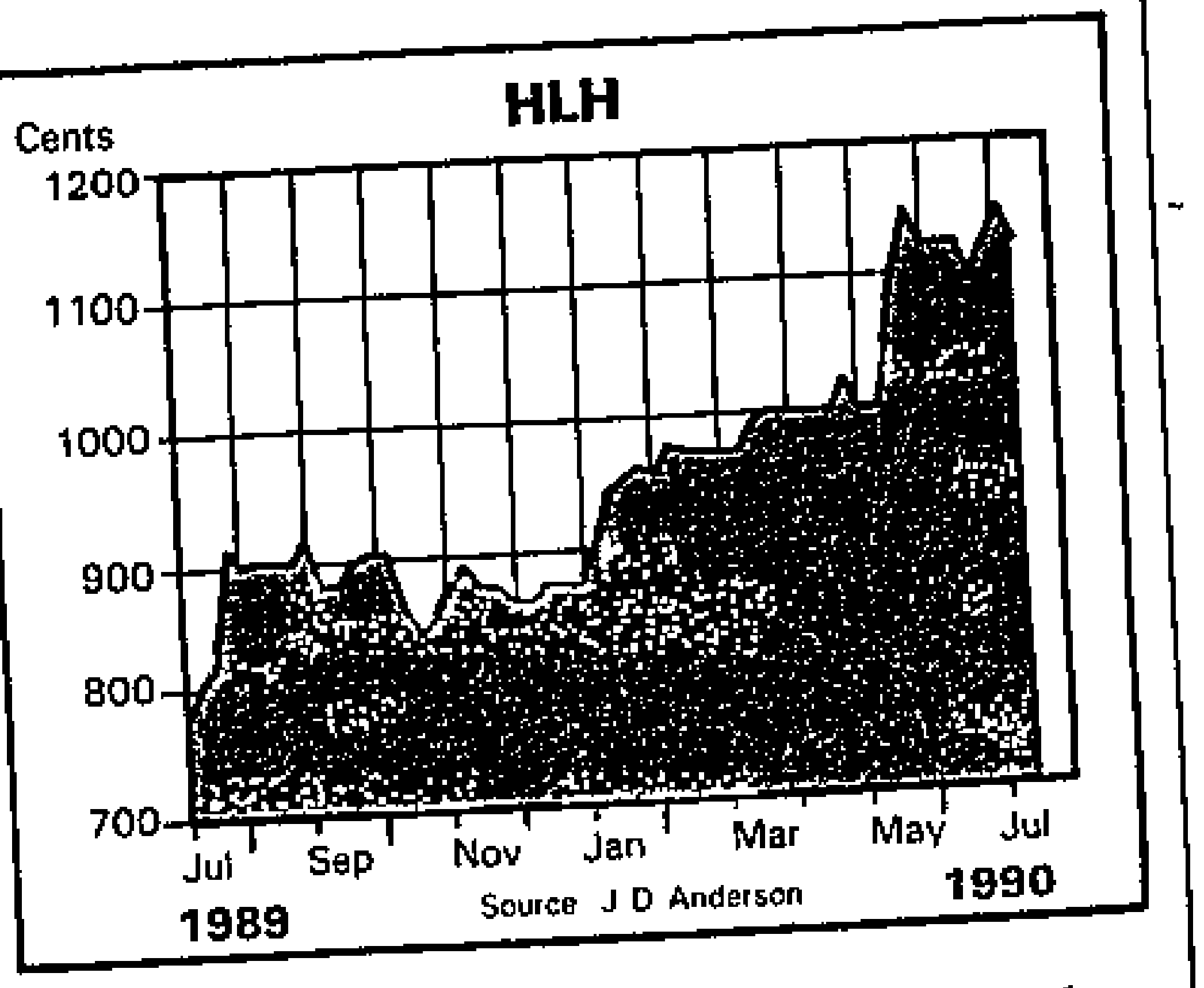
CE Neil Morris says dividends and interest received fell 20% due to a loss of interest income on cash deployed to partly fund the

FM 27/7/90 (186)

HLH's Morris . . . more profit from food

Rainbow aquisition Cash and short-term investments dropped to less than R7m from R64m and a bank overdraft of R10m was run up. Proceeds from the rights issue, totalling R145,9m, together with cash holdings, were used to fund the acquisition of the Rainbow deal.

Morris says the benefit is reflected in an 86,4% increase in the share of associated companies' retained earnings of 86,4%. The investment in associated companies more than doubled to R441m



Source J D Anderson

Cash flow from operations amounted to R78,2m After allowing for the funding of increased working capital of R21,7m and the replacement of fixed assets of R7,2m, R49,3m was available to fund dividends to shareholders to R30,7m and the balance to expand existing businesses

Some special factors are influencing the associated companies' performances. The timber business will be affected by the profit squeeze in the gold mining industry, which is leading to cutbacks in capital spending and closures

Morris says Rainbow is experiencing much the same problems as its competitors The broiler industry has expanded capacity and flagging consumer demand placing pressure on margins Rainbow invested in capacity at Rustenburg. Another problem is chicken diseases in winter, though Rainbow is said to have been less affected owing to research it has done on these diseases Morris says the position appears to be easing.

FM 27/7/90 (186)

Best near-term growth prospects seem to be in sugar activities TSB's cost structure compares well with the sugar industry average and if export prices are maintained and agricultural conditions remain favourable, Morris expects positive growth this year A second sugar mill may be built and there are plans to produce more added-value products

HLH is financially sound and well positioned for further takeovers The share remains close to the 12-month high, with the p e at a demanding 14,1 *Gerhard Slabber*

Premier acquires Atlantic Fishing

Cape Times 3/7/90

186

Business Editor

THE Premier Group has acquired the entire fishing operations of Cape Town-based Atlantic Fishing Enterprises, for an undisclosed sum, with effect from today

Premier chairman and CE Peter Wrighton said, in a statement issued yesterday, that it had been bought as a going concern and would continue to be run by its "highly competent management".

Atlantic, which has modern premises in Cape Town Harbour, is involved in the catching, processing, storing and trading of fish and shellfish including deep sea lobster from the south coast.

Wrighton said the acquisition "presents Premier with a rare opportunity to complement and expand its fishing operations in a tightly held industry, particularly in the profitable south coast lobster market."

He said Atlantic also had "a well developed export marketing arm enabling Premier to increase its participation in this substantial market

"The acquisition of Atlantic Fishing, which has been funded by the issue of shares in Premier, should marginally improve the group's earnings in the current financial year"

Atlantic was owned by Caspar Wolff, who founded it in 1975 in partnership with Peter Cuttell and Sean Keegan, and bought complete control three years ago

He said yesterday "I have had 35 years in the fishing industry, and I think that is enough. I am retiring from it, at least for a while."

He will retain his interest in a harbour restaurant.

Wolff said that, although the coastal fishing industry is having a difficult year, his deep sea operations have done well. "The deep sea lobsters are a different species from the West Coast rock lobsters. We filled our quota in as good a time as any other year"

Confirming this, Premier deputy CE Gordon Utian said the West Coast lobsters had been of poor quality this year and in limited supply. But this had not applied to the deep sea variety.

The acquisition of Atlantic would widen the scope of Premier's fishing activities "It will give us an entry into the white fish market"

Cadswep shrugs off downturn

Star 31/7/90

186

By Ann Crotty

Cadbury Schweppes has demonstrated some resilience to the downturn by reporting an 18,5 percent hike in earnings per share for the six months to June

A dividend of 9,5c a share has been declared — 18,7 percent up on the previous interim.

Group turnover, up 37,8 percent to R218,8 million (R158,8 million), was lifted by the acquisition of Chapelat-Humphries in financial '89.

Operating profit rose 34,4 percent to R17,9 million (R13,3 million)

But financing costs shot up to R3,7 million from R953 000, reflecting a higher level of borrowings and increased interest rates The additional borrowings were needed to fund expansion

The finance costs held back the advance in pre-tax profit to 15 percent — up from R12,2 million to R14,2 million.

Dividend income and equity-accounted earnings helped lift the improvement in attributable earnings 19,3 percent to R12,5 million (R10,5 million)

Looking to divisional performances, the directors say Cadbury increased its share of the chocolate slab and bar markets.

Sales of the Chapelat-Humphries range were adversely affected by labour disputes in the Johannesburg factory, but demand remained strong

Bromor Foods recorded satisfactory sales growth, increasing its share of the cordial and squashes market But conditions in that market were tough

The directors say pressure on trading margins limited the increase in operating profit.

Schweppes benefited from good weather in the first quarter of the year, showing strong volume growth and profit gains

The group's share of Amalgamated Beverage Industries' earnings was up 38 percent.

Looking to the second half, the directors say "We expect trading conditions to remain difficult. Given these circumstances, we believe we will achieve a satisfactory rate of growth in earnings per share"

Premier buys Atlantic Fishing

ACHMED KARIEM

186

B/Day 3/7/90

THE Premier Group has purchased Atlantic Fishing, a Cape Town company said to account for over half the deep sea lobster caught in SA, for an undisclosed sum which will be paid by the issue of Premier shares

Atlantic Fishing is involved in the catching, processing, storage and trading of fish and shellfish (particularly rock lobster)

Premier chairman Peter Wrighton said yesterday Atlantic Fishing had been purchased from a Cape Town family, who did not wish to be identified

He said the company was a major player in the deep sea lobster business

"We are already in the business and this will improve our existing lobster operations The acquisition should marginally improve the group's earnings in the current financial year," Wrighton said, adding that Premier had actively sought an acquisition in the fishing industry

Management said the acquisition would enable Premier to complement and expand its fishing operations, especially in the profitable South Coast lobster market Atlantic Fishing's export marketing facility would allow Premier to increase its participation in this substantial market

Wrighton said no changes to the "highly competent" management of Atlantic Fishing were envisaged

Premier's fishing division Southern Sea, engaged in pelagic and rock-lobster fishing in SA and Namibia, is expecting sales of R75m this year

Finance burden decays Cadswep's bottom line

186

BDay 31/7/90

SYLVIA DU PLESSIS

INTERIM turnover for Cadbury Schweppes (Cadswep) — boosted in part by the inclusion of sugar confectioner Chapelat-Humphries — rose by 37,8%, but sharply higher financing costs eroded bottom-line growth

Accordingly, the manufacturer and seller of confectionery, soft drinks and food products posted a 18,5% increase in weighted earnings to 35,9c a share for this period, from which dividends of 9,5c (8c) have been declared

Turnover for the six months to June 16 rose to R218,9m and operating profit grew by 34,4% to R18m following the acquisition of a 82,5% stake in Chapelet-Humphries last year

However, financing costs nearly quadrupled to R3,7m (R953 000) as a result of higher rates and borrowings required to fund the group's expansion After tax of R5,5m (R4,8m) and dividend income and equity-accounted earnings of R4m (R2,9m), bottom-line profit was 19,3% up at R12,5m

Comparative figures have been restated due to the change in 1989 from the comprehensive method of providing for deferred taxation to the partial method

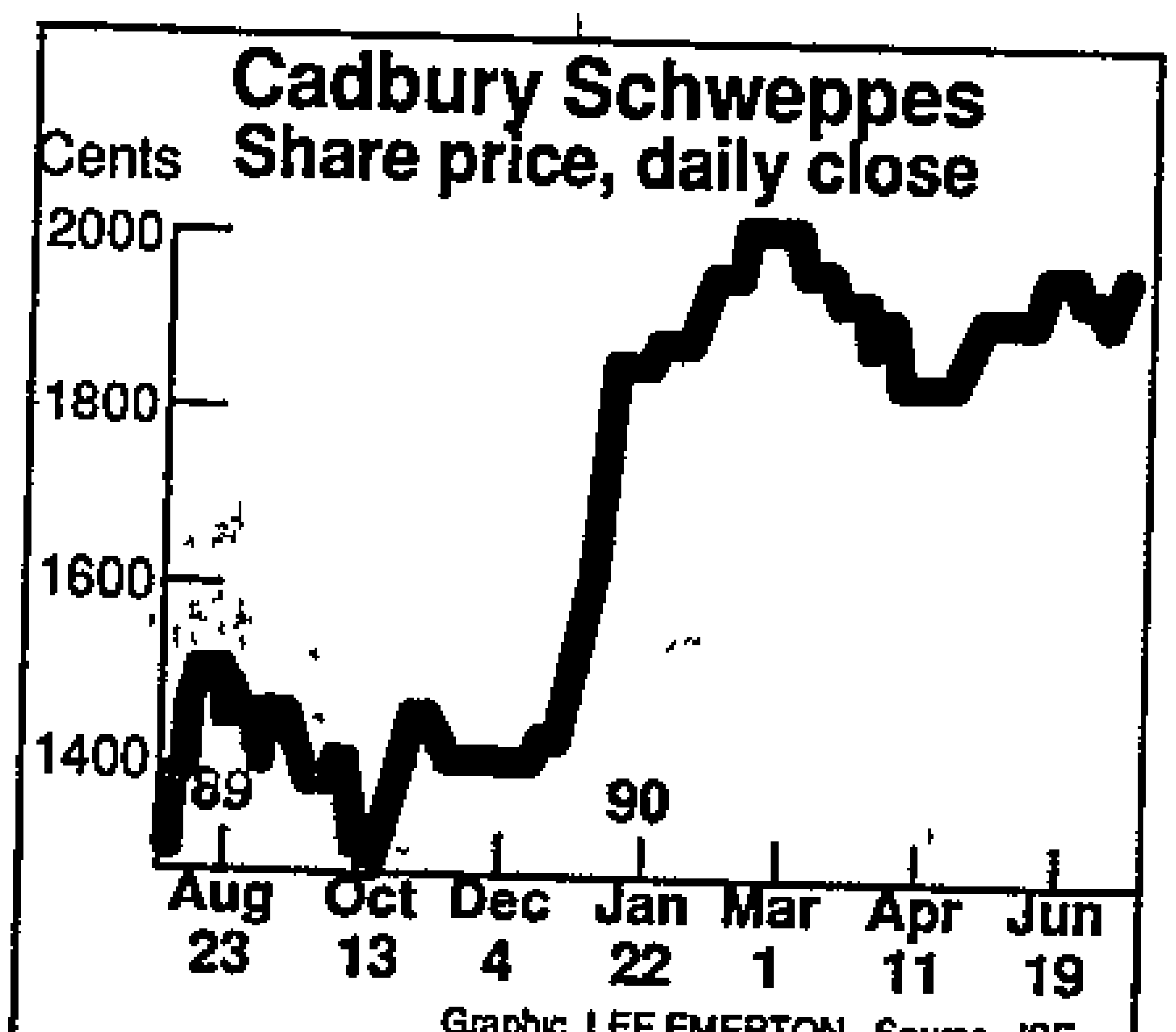
MD Peter Bester, commenting on divisional performances, said Cadbury again recorded growth in its share of the chocolate slab and bar markets. While demand for the Chapelat-Humphries range remained strong, sales were affected by labour disputes at the Johannesburg factory

Schweppes benefited from good weather conditions in the first quarter of the year and posted strong volume growth and profit gains, and Bromor Foods recorded satisfactory sales growth, achieving an all-time record share of the squashes and cordials market, he said.

However, pressure on trading margins limited growth in operating profit in the latter division

On prospects, Bester said trading conditions would remain difficult during the second half of the year Given these circumstances, directors would achieve a "satisfactory" rate of growth in earnings a share.

Cadswep's shares closed unchanged at 1 950c yesterday after peaking at a year's high of 2 000c on March 2.



Graphic LEE EMERTON Source JSE

Mielie-Kip optimistic on poultry future

B Day 21/8/90

ACHMED KARIEM

POULTRY producer Mielie-Kip, recently acquired by food giant Kanhym for R10,5m, was reasonably optimistic about an improvement in demand for its products, chairman Boet van Wyk said in its annual report.

The agricultural division had improved upon the previous year's performance

In the year to end-February 1990, prices of broiler chickens slackened because of an oversupply in the second half of the year

"Large stocks were consequently offered at discounted prices and the expected improvement in the market, which normally occurs during the second half of the year, did not materialise," he said.

The share price closed at 83c yesterday after its high of 130c in September.

(186)

Shoprite picks up Grand 'bargain'

Star 3/8/90

186

Diagonal Street

ANN CROTTY

Shoprite has acquired Grand Supermarkets from Score — picking up 27 supermarket outlets for just R17 million cash.

To establish similar supermarkets from scratch would cost Shoprite approximately R1,4 million a piece (or R37,8 million in total) for furniture, fixture and fittings and, related assets (excluding stock). Shoprite is paying less than half of this — R630 000 for each of the stores.

In addition the R17 million includes some payment for trade marks and this can be written off with tax benefits.

Of course the Shoprite management may not have chosen exactly the same sites if they were starting from scratch — but Shoprite MD Mr Wellwood Basson believes that only four or five Grand Supermarkets (formerly Grand Bazaars) will overlap with existing Shoprite stores.

The bargain price at which Shoprite has picked up the Grand Supermarkets reflects the damage that this poor perfomer wreaked on the Score group since it acquired Grand back in 1986.

Group earnings

For Score the acquisition was trouble from day one. Not only did it never make any contribution to group earnings but with so much management time devoted to trying to sort out the problems, other areas of the Score operation may not have received the appropriate amount of management attention.

In the second half of calendar '88 Score's rating on the JSE dropped sharply on speculation of trading difficulties.

During financial 1989, Score merged the Grand and Score trading operations into Grand Score Supermarkets. There were some savings on management structures but still no profits from Grand. According to Score MD Mr Carlos dos Santos, in financial '90 Grand broke-even.

Referring to the sale of Grand, Mr Dos Santos says: "It will enable Score to concentrate on expanding its traditional core businesses of Trador Cash and Carry and Score Supermarkets."

The acquisition will only be a bargain if Shoprite can make the supermarkets perform without investing much additional money or management time.

Mr Basson seems confident, despite the fact that the deal substantially increases Shoprite's asset base in one go — from 48 to 75 outlets. "We are not worried about problems. The Grand Supermarkets are very similar to the Shoprite outlets — we will apply the Shoprite formula to Grand." Both are dominant in the Cape and target the B/C markets with an 80/20 split of food and non-food merchandise.

Intervening years

As major competitors, Mr Basson is already familar with the Grand Supermarkets. Mr Barney Rogut, who is a founder director of Shoprite, was also a founder director of Grand Supermarkets.

Shoprite had expressed some interest in acquiring Grand back in '86 but Score clinched the deal. It is likely that Shoprite management has been closely tracking Grand's performance in the intervening years.

In contrast to Grand's failures, the Shoprite formula has been extremely successful. For the 12 months to end-February, Shoprite reported a 34 percent increase in turnover and a 19 percent hike in earnings.

Despite ongoing openings of new stores, Shoprite continued to enjoy relatively low gearing. This will help it carry the debt burden attached to the R17 million acquisition.

This burden will put some strain on the balance sheet in the initial years. Funding for the deal will come from Shoprite's cash rich parent, Pepkor.

The deal is effective from August 20. The stock valuation will be determined at that date and is likely to lift the overall cost to around R50-R60 million. But as Mr Basson points out, the stock element of the price will pay for itself as stock is sold.

Mr Basson does not expect much of a contribution in the current financial year but thereafter the Shoprite formula should produce significant benefits.

CADBURY SCHWEPPES (186)

Losing fizz

FM 3/8/90

Interest rates and takeover costs are taking a toll on Cadbury Schweppes Financing costs virtually tripled in the six months to end-June by rising to R3,7m

Borrowings rose mostly as a result of the acquisition of Chapelat-Humphries from May 1989 Though the directors don't say so, the acquisition of 49% of Namibian-based Springer Schokoladenfabrik for R2m and the R4m purchase of 1,1m Amalgamated Beverages Industries (ABI) shares, which ABI issued to fund its acquisition of Sparletta Bottling Company, must also have had an effect

Operating profit was up 34% but after finance charges there was only a 15% increase in pre-tax income Finance director Patrick Fleming does not expect financing costs to be reduced in the current year because of proposed expansion in the confectionery business In the 1989 annual report MD Peter Bester announced plans to expand and modernise chocolate factories at a cost of R100m over six years

The group will also need funds for the acquisition of the remaining 17,5% of Chapelat-Humphries Even so, Fleming says the group should be able to accommodate expansion without undue strain on the balance sheet and "continued satisfactory growth in earnings" is expected

Strangely, the confectionery business does not suffer the ills of an economic downturn as much as most other businesses This helped these activities post real growth for the first six months of the year "Low cocoa prices which have allowed price increases below the rate of inflation also helped," Fleming says

FM 3/8/90 (186)

SWEETENING UP

Six months to	Jun 17 '89	Dec 30 '89	Jun 16 '90
Turnover (Rm)	157	440	218
Operating prof (Rm)	13	41	18
Pre-tax profit (Rm)	12	36	14
Earnings (c)	30,3	88,4	35,9
Dividends (c)	8,0	36,0	9,5

Good weather conditions and synergy benefits from the acquisition of Sparletta Suncrush caused Cadbury Schweppes's share of earnings from 19%-held ABI to rise by 38% Bester, reasonably enough, regards the 19% increase in attributable profit as satisfactory given the state of the economy At 1 950c, the share stands on a demanding p e of 21 times

Heather Formby

RED MEAT INDUSTRY (186) F/M 3/8/90

Lots of bones to pick

Red meat producer prices have been steadily falling for months but consumers are yet to see any real benefit This was underlined by the recent furore between the Meat Board and retail butchers over the board's sale of discounted meat directly to the public

While butchers are singled out for not passing on the benefits of lower prices, the insidious web of regulations that controls the meat industry is a much better target for blame Pressure is building to scrap the controls and there's a government study into deregulating the over-administered industry

Trouble is, while Agriculture Minister Jacob de Villiers called on interested parties to comment in January, and promised action by May, nothing has happened

The Meat Board still administers a regulatory web that retards growth in the R5,5bn-a-year industry The result is that shadowy middlemen flourish while consumers must pay inflated prices and farmers suffer from reduced consumption Some examples

☐ No meat can be brought without a board permit from the "uncontrolled" rural areas into the "controlled" urban areas where the board holds sway — along with the powerful, State-owned Abattoir Corp (Abakor);

☐ Permits (or quotas) to slaughter at Abakor are granted only if the producer is registered (and accepted) by the board, and

☐ Auction prices are not allowed to drop below floor price levels, which the board determines annually for various grades and types of meat

Despite the delay, deregulation is still being considered. The board is scheduled to meet De Villiers and retail butcher representatives separately next week to discuss possible changes to the system

Government has considered privatising Abakor but faces a dilemma the huge meat co-operative Vleissentraal (whose senior GM Jan Lombard also chairs the powerful Red Meat Producers' Organisation) could then control Abakor's R300m worth of assets and obtain effective control over slaughtering in urban centres. Though it would theoretically be in the interest of farmers, such an arrangement would make the meat barons even more powerful

The free market-orientated Organisation for Livestock Producers strongly opposes these moves and calls for the "deregulation of the meat industry and a more effective system of marketing red meat "

"A study done by the organisation in 1985 revealed that unnecessary statutory intervention in the meat industry was costing the consumer in excess of R400m a year — and the situation has not improved since then," says chairman Sandy Speedy "The organisation has proposed to the minister that meat traders should have the right to buy their stock directly from producers, have the stock slaughtered at abattoirs of their choice and sell their produce according to the dictates of consumer demand "

Speedy's calls are supported by Guy Hawthorne, MD of Blue Ribbon Meat, the meat retailing arm of Pick 'n Pay He says retail meat prices would have come down far more in recent weeks — and much more meat would have been sold — had board regulations not been in place

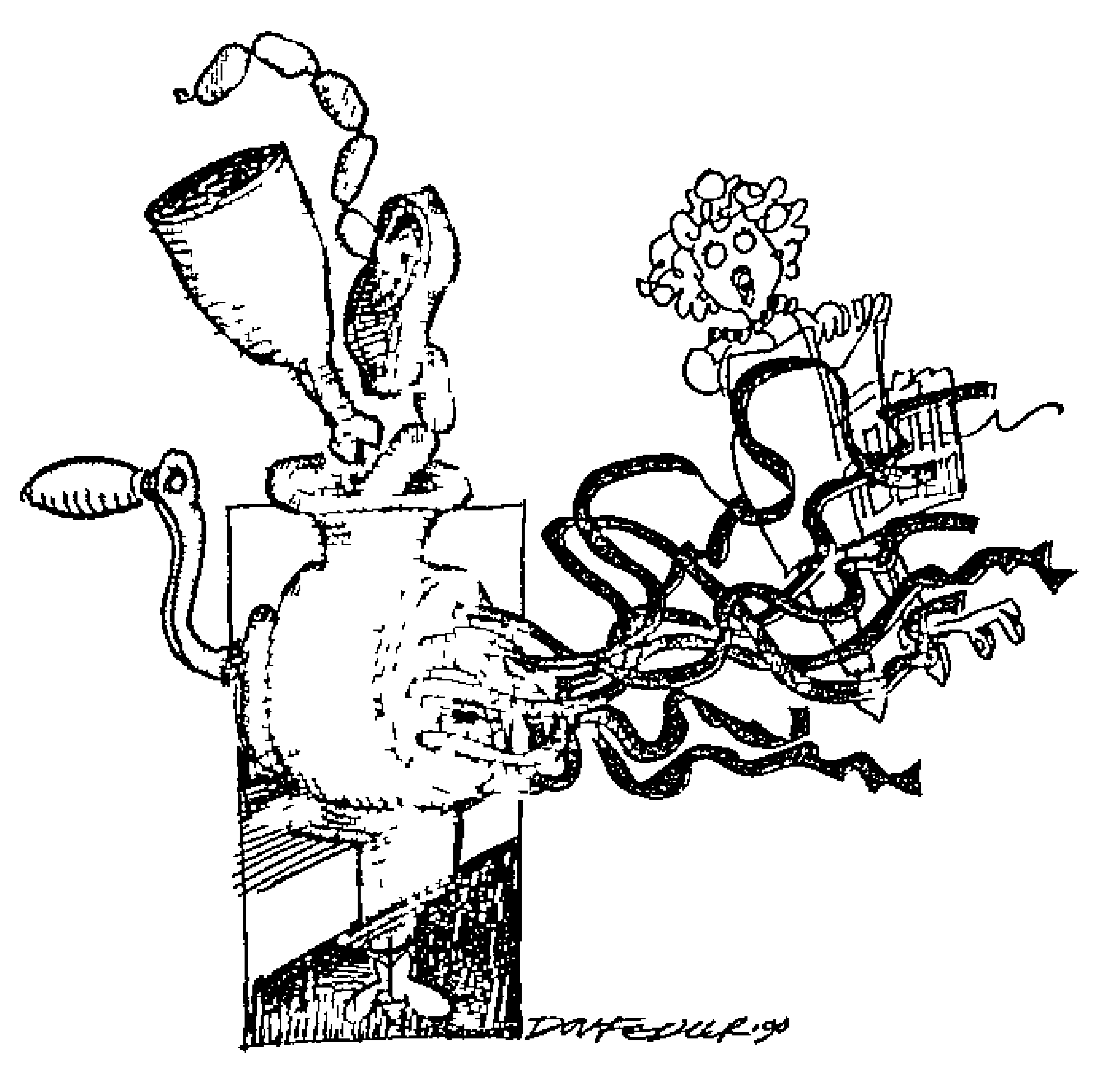
"Over the past seven weeks, group national meat sales shot up by 27%, though our meat prices dropped by only 7%-8% below last year's levels But, had we been allowed to buy our meat directly from producers (and not through the costly Meat Board and Abakor system) we could have launched special promotions that would have moved huge quantities of red meat, to the benefit of both consumers and producers "

Hawthorne also fulminates against the notorious Dutch clock system that still operates at all Abakor auctions

"This odd mechanism operates from the top down and allows anyone to punch in higher prices and artificially keep prices at higher levels than would be the case with the normal, bottom-up auction system "

Hawthorne calls on government to allow direct sales negotiations between buyer and seller, without regulatory interference that benefits neither party "By allowing us to negotiate in advance for prices, we can properly plan and launch sales promotions, which is impossible under the current system "

With livestock overproduction expected to create huge meat surpluses soon, red meat prices could come down far more steeply — and allow consumption to rocket accordingly — if the regulations controlling the industry were stripped away Farmers and consumers alike expect government to take the bull by the horns *Arnold van Huyssteen*



ELECTRONICS F/M 3/8/90

Banding together

There is nothing like a crisis to bring people together In the past few weeks most major electronics firms have buried their differences and agreed to support the new Electronics Industries Federation

The federation, announced this week, is intended to promote SA's beleaguered electronics industry High on the organisation's agenda are likely to be ways of offsetting State cuts in capital expenditure, the economic downturn and possible threat to local manufacturers of the easing of sanctions.

Its spokesman, Grinaker Electronics chairman Tienie Steyn, insists that the organisation is not looking for government handouts The objective, he says, is to define the issues affecting the industry and develop a practical action plan to stimulate local and external investment.

Steyn acknowledges that such a strategy might have been better implemented a few years ago when the industry was enjoying healthy profits and could more easily afford to invest in its long-term future However, he says the federation's objectives go beyond overcoming current difficulties

Change in SA is placing increasing demands on technology to meet the challenges of education, communications, housing, health care and basic industrial development, he says "With a strong electronics industry, these needs can be met "

The federation claims the support of several representative organisations, including the Business Equipment Association, Electronic Component Manufacturers' Association and Radio & Television

Simba snacks perform well

186

SYLVIA DU PLESSIS

SIMBA'S growth projections in the nineties are based on the development of new marketing techniques to stimulate consumption, a further increase in market share and the development of unconventional distribution opportunities, says Fedfood MD Jan du Toit in his latest annual review.

In a divisional report, Du Toit says the group's snacks division performed "admirably" in the year to March, with pre-tax income increasing by 28,4% to R28,5m due to Simba's success.

"While leading brand names such as Simba Chips and Niknaks were responsible for the lion's share of sales and operating income, the three lesser brands filled niches in the snack market," he says.

"This aided Simba to once more increase its market share The company has also taken over as market leader for packaged peanuts."

Du Toit says sweet snacks and Golden Harvest breakfast cereals producer and marketer Fedbisco experienced a disappointing year, due to serious production problems arising from the relocation to a new plant in October.

Sluggish

"These problems have now been brought under control. The market for biscuits and breakfast cereals is at present showing little growth but still offers some opportunities"

Fedfood, in the Federale fold, posted a sluggish 3,7% rise in bottom-line income to R50,9m, from which earnings 1% higher at 170c a share were declared.

Largest earnings contribution came from fishing, followed by snacks and baking, milling and grain processing, and frozen foods.

Du Toit says in the report that fishing was disappointing in West Coast and Namibian waters.

He says the drought in the eastern Cape resulted in considerable shortages of certain vegetables intended for Fedfood's freezing facilities in Port Elizabeth.

The maintaining of earnings a share and the 3,7% rise in attributable income were therefore encouraging, "particularly in view of the excellent results achieved in the previous year on which these comparisons are based", Du Toit says.

3-Aug-1990

Crookes investors approve share split

186

Own Correspondent

DURBAN — Shareholders of Crookes Brothers yesterday agreed to a four-for-one share split and the distribution of one C G Smith share for every four Crookes shares held.

The new shares will be listed from August 20

The divestment would lead to the reduction of about R1,223m in dividend income, but the dividend estimate of 75c (18,75c on the new shares) would remain firm, chairman Ian Gillatt told the shareholders' meeting

BDay 9/8/90

Gillatt said the purchase of four Eastern Transvaal farms was part of a long-term plan which would be enhanced if a proposed sugar mill in the area was commissioned.

No capital would be required yet, but the grant of a cane quota and a decision to turn the land to cane would require capital expenditure

Interest and tax charges were expected to be higher, with the result that operating profits would be much the same as last year's.

FEDFOOD

Simba chips in

(186) FM 10/8/90

Activities: *Diversified food group, with interests in baking and milling, frozen foods, snacks and fisheries*
Control: *Federale Volksbeleggings 69,7%*
Chairman: *P J J van der Walt, MD Jan C du Toit*
Capital structure: *29,8m ords Market capitalisation R243m*
Share market: *Price 815c Yields 5,8% on dividend, 20,9% on earnings, p e ratio, 4,8, cover, 3,6 12-month high, 1 020c; low, 7 00c Trading volume last quarter, 90 000 shares*

Year to Mar 31	**'87**	**'88**	***'89**	***'90**
ST debt (Rm)	52,9	46,6	56,3	82,6
LT debt (Rm)	17,4	9,4	14,7	17,3
Debt equity ratio	0,23	0 20	0,19	0,20
Shareholders interest	0,51	0,56	0,57	0,60
Int & leasing cover	2,9	4,7	5,2	3,6
Return on cap (%)	15,9	15,7	16,2	13,3
Turnover (Rbn)	0,97	1,01	1,17	1,22
Pre-int profit (Rm)	71	78	100	96
Pre-int margin (%)	7,2	7,5	8,6	7,9
Earnings (c)	104	129	168	170
Dividends (c)	32	38	45	47
Net worth (c)	617	723	1 050	1 302

* Leases capitalised and overseas interest consolidated

Fedfood has maintained the earnings growth trend established over the past few years — but only just EPS were only marginally better than the 1989 figure and the group had to depend on good results from the snacks division and international fishing operations to achieve this

Shareholders are told that the main bugbears — operational and management problems in the baking and milling division, and difficult conditions in the frozen food and local fishing activities — are being overcome Fedfood thus expects earnings growth ahead of inflation this year

Turnover and operating profit fell in the volume-sensitive baking and milling division, which contributes almost half Fedfood's turnover. This largely reflects the sale of Fedpro's animal feed plant, which in 1989 contributed R80m to turnover and R2,1m to operating profit.

MD Jan du Toit says turnover of the division's continued activities actually rose 10,7% Fedpro also encountered problems in its maize milling operations — surplus capacity in the industry required a scaling down of these operations, and interests in Vryburg and Schweizer-Reineke were sold Labour problems dented Fedbake's contribution to the baking and milling division

BREAKING THE BREAD

Division	**Turnover**		**Earnings**	
	1989	**1990**	**1989**	**1990**
	Rm	**Rm**	**Rm**	**Rm**
Baking and Milling	618	696	13	14
Frozen Foods	157	182	7	8
Snacks	285	338	11	15
Fisheries	109	103	15	16
Total	1 171	1 221	49	51

Fedfood . . . scaling down maize-milling activities

The fishing division experienced differing fortunes in local and foreign waters, underlining the volatility of this industry Du Toit says limited quotas and disappointing catches off the west and Namibian coasts seriously affected profitability of Marine Products, but the earnings decline was countered by rising income from foreign fishing interests Operating profit from fishing fell 35% on a 6% turnover decline, but earnings rose 7,4% with inclusion of equity accounted foreign income.

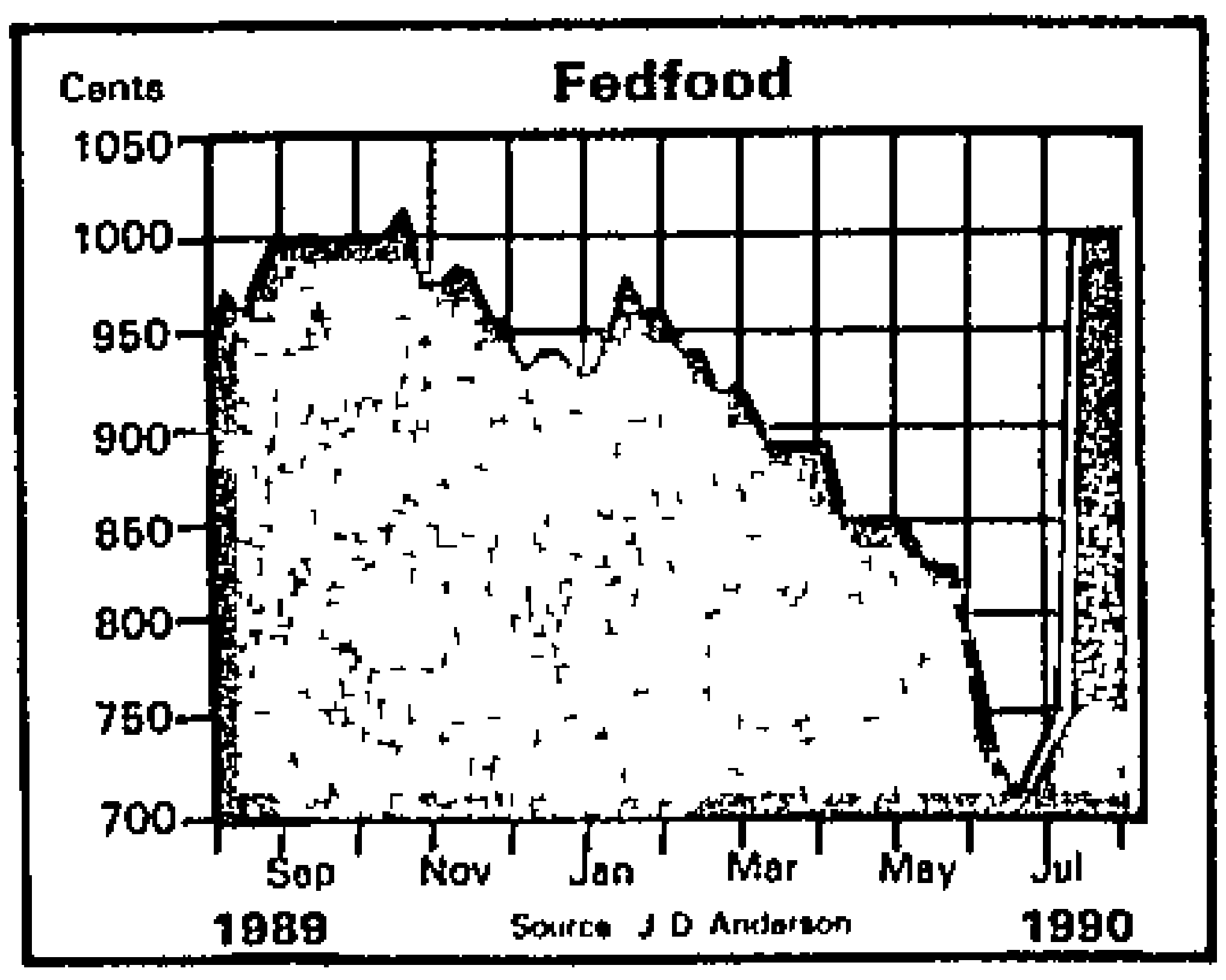
Frozen food maintained turnover and earnings growth despite cost increases and production shortages caused by drought in the eastern Cape It was faced with declining demand resulting from the economic squeeze and oversupply of cut-price fresh vegetables The small, pre-prepared foods operation faced tough competition and its returns were inadequate The 8,3% operating margin achieved in frozen foods was slightly less than I&J's 9,4%

Snacks was the star performer Turnover rose 19% and earnings 35% despite substantial losses at Fedbisco Fedbisco, which makes and markets sweet snacks and breakfast cereals, experienced serious production problems, and operates in a market where there is little growth Du Toit says Simba chips and Niknaks produced the lion's share of the division's sales and operating income Simba expanded its share of a growing market

On the assumption that the problems that hampered growth in 1990 will not recur, group financial manager Peter Zeelie says earnings growth should improve this year.

Better returns are expected from Fedpro, whose rationalisation is to be completed this year In October, Boerstra's new bread-making line will be completed and should enable improved efficiency and market share gains Boerstra supplies about 10% of standard bread but competition will sharpen soon with the lifting of controls Zeelie says effects of deregulation will, however, really be felt only in 1992

The fishing division received a fair share of the local and Namibian quota but total quotas remain limited In contrast, the foreign fishing interests continue to perform well Since year-end, a 70% interest in an abalone export business was bought for R14,25m Fedfood has been seeking to extend the product and geographical spread of its fishing interests, to reduce risks inherent in the business, and the deal is a step in that direction



Source J D Anderson

The frozen food division should gain from good crops of vegetables, particularly peas.

Simba should again benefit from growth in the snacks food market but its margins may be affected by rising potato and oil prices Zeelie says Fedbisco has shown a big improvement since new management was installed about four months ago It will concentrate on quality products rather than quantity — this may indicate a market share decline

The balance sheet is sound and growth through expansion of existing product lines, or through acquisitions in the food industry, should be achieved Still, the group is operating in highly competitive markets and investors remain cautious, as shown by the 5,9% yield.

Pam Baskind

Utico's shares boosted 100c to a new high

bDay 16/8/90

ACHMED KARIEM

186

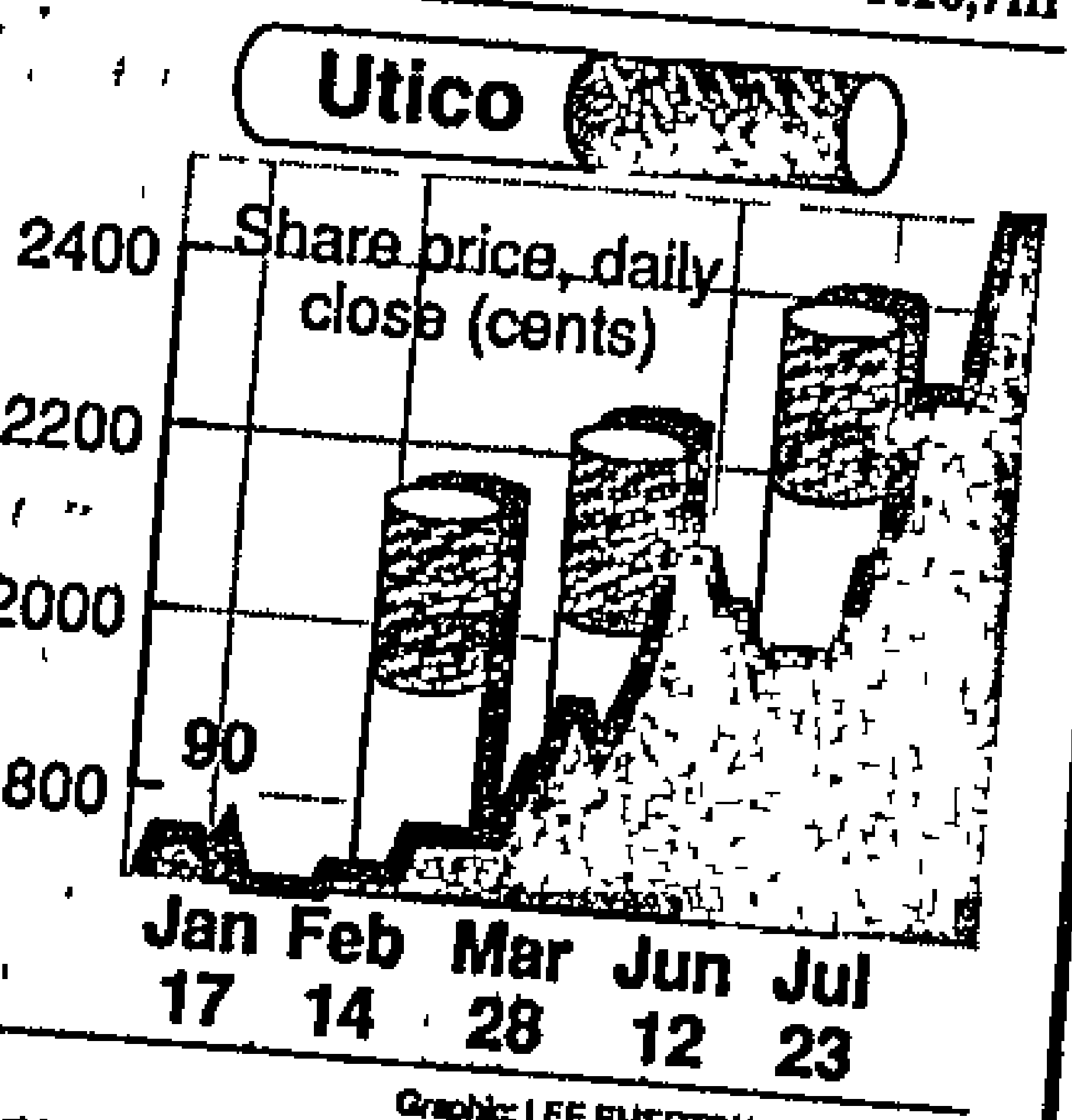
UTICO shares rose 100c yesterday ahead of interim results to a new high of R26 after a low of R15 in December.

In the six months to end-June, the tobacco and snack group managed a 15,4% increase in earnings to 135,5c (117,4c) a share — barely keeping pace with inflation.

However, the dividend rose 36,3% to 75c (55c) — covered 1,8 (21) times — after what directors said were the "encouraging trading results and the group's comfortable liquidity position".

Despite declining margins due to congestion and poor productivity at the Rosslyn snack factory, the group turned in a 19% rise in operating income to R16,7m (R14m) on a turnover growth of 21,2% to R201,9m (R163,8m).

"Costs of staff training and improvements to the infrastructure at both the snack and Fresh-Up factories necessitated by additional volumes have also had some impact," directors said.



Graphic: LEE EMERTON Source JSE

The turnover figure was due to buoyant cigarette sales and improved snack sales.

Fresh-Up 100, relaunched by Willards, reflected great potential in overseas and local markets.

After a hike in interest paid to R858 000 and a tax bill of R7,6m (R6,9m), Utico witnessed attributable income rise to R8,23m (R7,13).

High interest rates and the cost of financing extra debtors after the huge turnover growth contributed to the sharp increase in the interest payment.

Management said the effective tax rate was "marginally more favourable" than the comparable period as a result of export allowances.

Borrowings rose by 40% to R19,8m (R14,2m).

The group acknowledged that trading conditions would tighten in the next six months, which would affect turnover growth

However, year-end results were expected to maintain at least inflationary growth, provided unrest and the political situation did not rise and influence operations.

Royal seeking acquisitions

Royal Corporation is looking forward to continuing growth in the current year, despite deteriorating trading conditions

In the annual report for the year, executive chairman Vivian Imerman ascribes the deterioration in the second half of the year to high interest rates and unstable socio-political conditions.

Star 22/8/90

His confidence in the future is bolstered by the group's strong performance over the past year during which a number of major changes were made including the acquisition of Royal Beech-Nut and Manhattan Confectioners

186

Mr Imerman stresses that the growth that the group is now seeking in both its food and pharmaceutical/chemical sectors will be attained locally and overseas.

In both sectors, considerable emphasis is being placed on further acquisitions, particularly the food and confectionery division.— Sapa

Jazz blows blue notes

Star 23/8/96

(186)

Finance Staff

Although Metro's cash-and-carry business performed well, problems at Jazz dashed group hopes of earnings growth for the year to June.

Metro's operating income was down 11 percent to R71,4 million and earnings per share were down 22 percent to 41,3c.

Some 28 Jazz stores have been sold to Pepkor, so its figures show the performance of continuing operations — a nine percent reduction in operating income to R73,6 million and a 17 percent drop in earnings per share to 44,7c

The final dividend is 10,5c, making a total payout of 21c (1988/9 25,5c), with cover maintained at 2,1 times.

BRENNER MILLS F/M 24/8/90

Grinding debt

(186)

Activities: *Maize meal, malt and animal feeds manufacturer*
Control: *Brenner family 80%*
Chairman and joint MD: *A Brenner, Joint MDs Z Brenner, M Brenner*
Capital structure: *23,3m ords. Market capitalisation· R11,2m*
Share market: *Price. 48c Yields. 10,4% on dividend, 20,6% on earnings, p'e ratio, 4,9, cover, 2,0 12-month high, 68c, low, 48c Trading volume last quarter, 112 136 shares.*

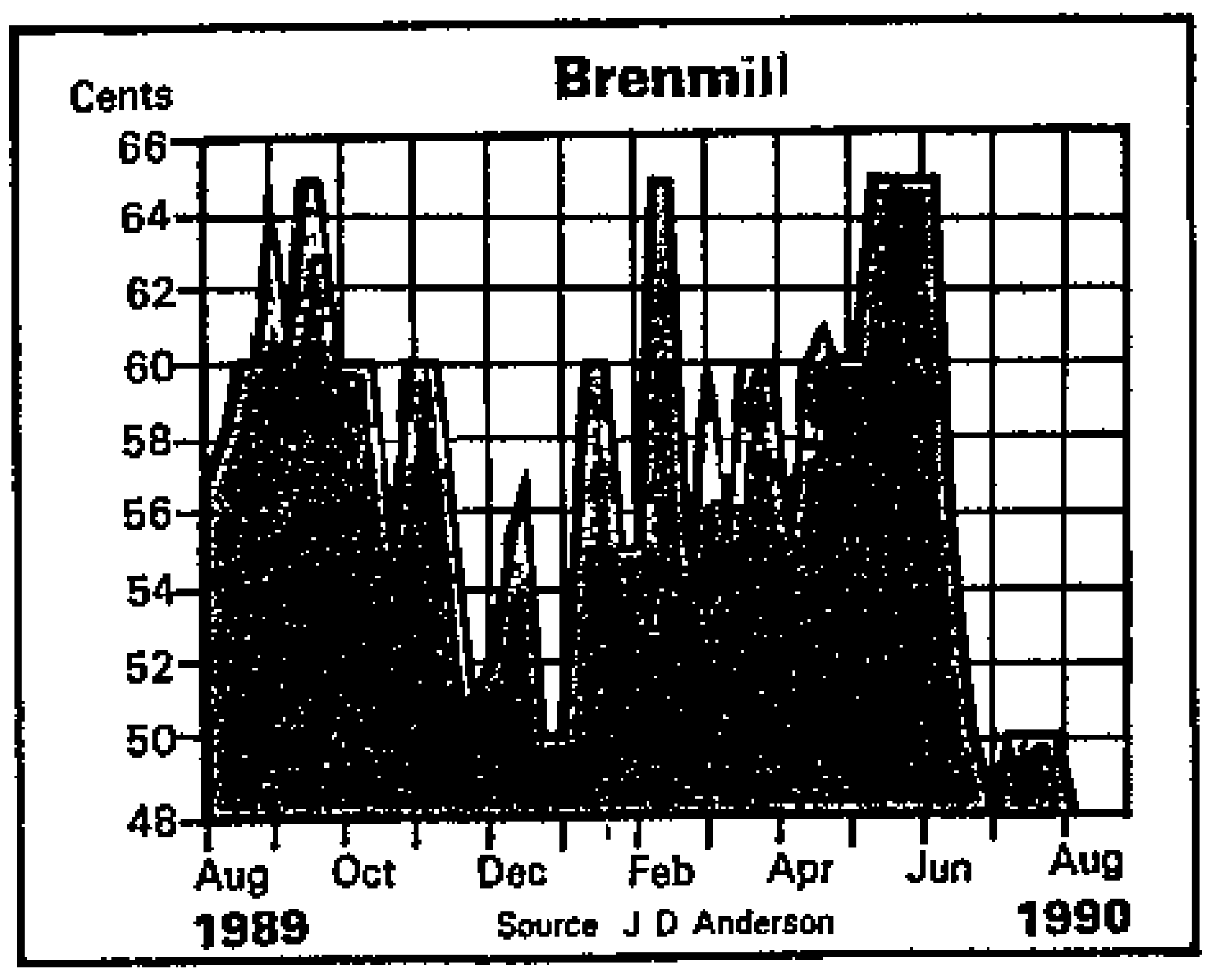
Year to Feb 28	**'87**	**'88**	**'89**	**'90**
ST debt (Rm)	0,8	nil	nil	1,7
Debt equity ratio	n/a	n/a	n/a	5,9
Shareholders' interest	0,83	0,81	0,77	0,72
Int & leasing cover	n/a	n/a	n/a	9,3
Return on cap (%)	30	27	13,4	14,05
Pre-int profit (Rm)	6,5	7,5	4,2	4,9
Earnings (c)	14,2	16,2	11,8	9,9
Dividends (c)	nil	6,5	5	5
Net worth (c)	79	96	103	107

A highly competitive market and increasing overheads cut Brenner Mills' earnings from 11,8c to 9,9c Chairman Aaron Brenner blames it on the fact that mealie meal prices could not be increased to counter higher raw material prices and wage bills.

To remain competitive, the group has offered customers longer credit terms. As a result, debt has increased from a zero base in financial 1989 to R1,7m (largely in bankers' acceptances) in 1990 That, in turn, led to an interest bill of more than R500 000 against net interest income in the previous year. Unexpected additional capital expenditure on the upgrading of the Hammanskraal mill and an eight-month delay in the completion of the work also added to the financing misery

However, Brenner believes the new mill, which has been operating at full capacity since the end of May, "should contribute to increased profitability in the future." Turnover increased 18,7% from the previous year against 8,3% in financial 1989 The company plans to increase its market base, which is mainly in the northern Transvaal, to increase turnover further. "We are constantly developing new products in the milling area," Brenner says F/M 24/8/90

F/M


Brenmill

Source J D Anderson

The company manufactures maize products — the most established brands are Shaya and Brennco maize meal — malt for sorghum beer and animal feeds under the brand name Brennco Feeds. (186)

Brenner says it is difficult to assess likely growth in the food industry in the current year but feels the slow-down in the economy might cause higher maize sales as consumers revert to staple foods.

It seems investors took fright when 1990 results were released as the share price plummeted from around 65c at end-May to its present all-time low of 48c. There seems no reason to expect an early recovery.

Heather Formby

FINANCIAL MAIL AUGUST 24 1990

Pleasure Foods cuts dividend

B/Day 30/8/90

CHARLOTTE MATHEWS

PLEASURE Foods (Plesure) has halved its dividend to 1,5c a share for the year to end-June from 3c in 1989 partly as a result of a substantial loss incurred in its Pizza Hut division. (186)

Pleasure Foods is a franchisor of fast-food outlets. During the year BJ's Pantry was sold and the group's interest in Mr Fruit Juice reduced to 45% from 50%. The group now controls Wimpy, Milky Lane, Golden Egg, Juicy Lucy and Pizza Hut.

The directors said Pizza Hut's management problems hurt profits.

They were satisfied with the 9% improvement in turnover to R88m from R80,8m. Operating profits of R2,5m (R4,6m) showed the effects of an operating margin reduced to 2,8% from 5,7%.

Interest charges dropped by a third to R874 000 from R1,2m but the tax charge rose to 24% from 3%. This contributed to a cut in attributable earnings to R1,2m, one-third of 1989's figure of R3,5m. On a weighted average of 46,3-million shares, earnings of 2,6c (7,8c) a share were posted.

Weak I & J results show swing to cheaper foods

(186)

B/Day 30/8/02

LESLEY LAMBERT

CAPE TOWN — Anglovaal's frozen food company, Irvin & Johnson (I & J), has reported a 12% decline in attributable earnings to R58m for the year to end-June, largely as a result of declining sales and smaller profit margins

The decline in earnings growth, which follows a 2,5% increase in earnings a share at the interim stage, is larger than expected, analysts say

Turnover grew by 15% to R1,25bn in spite of a 6% decrease in frozen food sales — the first decline recorded in 10 years But operating profits came under pressure as consumer demand swung to the cheaper food products

Investment income increased by 9% to R8m The interest and tax bills declined by 13% to R6,6m and 14% to R32,2m respectively But these positive effects did little to halt the decline in bottom-line earnings

After a 74% drop in the share of associated companies' earnings, attributable earnings of R58m were 12% down on the previous financial year. This translated into 203,3c (231,9c) a share

Dividend cover was reduced from 3,3 to 2,9 to maintain last year's total distribution of 70c a share

The directors said margins had been squeezed by a declining demand for more expensive lines.

However, increased distribution and selling expenses and the rand's relative strength against a weak dollar had reduced export earnings

Stockbrokers Davis Borkum Hare commented recently that I & J's decision to concentrate on frozen vegetable and seafood products and steer clear of the lower margin staple foods might have temporarily backfired

Lower consumer spending had been accompanied by increased demand for staples and other grain products such as rice and pasta

The analysts said it was possible the company would diversify or find new products. But they felt the profitability of the existing business would recover after the current economic dip

The group's balance sheet remained healthy. Borrowings, which were kept under control during the capital expenditure programme of the past two years, were reduced from R58,8m to R46,1m during the period under review

Directors said a recovery in earnings growth would depend on an improvement in the economic conditions

Despite drop in earnings . . .

Cape Times 30/8/90

I & J maintains dividend payout

186

Business Staff

IRVIN & JOHNSON, the frozen food company in the Anglovaal group, has announced a reduction in earnings of 12,3% for the year ended June 30, 1990.

This reduction halted the company's long record of sustained earnings growth and was attributable to the difficult business conditions which prevailed throughout the year

They key financial ratios, however, continue to reflect a healthy company with low borrowings and the dividend has been maintained at 70c a share.

Group turnover increased by 14,9% to R1 257,3m but a reduction in margins resulted in a downturn in pre-tax profit of 12,3% to R90,2m

Earnings attributable to ordinary shareholders declined by 12,3% to R58m. This amounted to share earnings of 203,3c (231,9c) a share

The directors say dividend cover was reduced from 3,3 to 2,9 times in order to maintain last year's dividend of 70c a share

The consumption mix in the frozen food market moved to lower-cost products which resulted in strong volume growth in certain sectors and declines in others

The retail frozen food market declined for the first time in 10 years in volume terms by 6% for the year-end June 30, 1990

Margins were squeezed as a result of the swing to less expensive products

High inflation in distribution and selling expenses and a weak US dollar resulted in lower realisations from exports

Capital expenditure of R30,9m was below the level of expenditure of the previous two years.

In addition to the ongoing replacement of vehicles, distribution branches were expanded and updated

Total group borrowings were reduced from R58,8m to R46,1m

Net current assets at June 30 rose to R152,9m (R121,8m), while the net asset value on that date was 886c (772c) a share

With regard to future prospects, the board welcomes the resolve of the authorities to curb inflation and to maintain real interest rates, but states that while this approach augers well for the longer term, the short-term effect will be to curtail consumer spending and consequently the profitability of businesses

The resumption in earnings growth will therefore depend significantly on a favourable shift in the adverse external factors present in the economy at this time

The Star
Finance

Star 30/8/90 (186)

Tradegro still battling with Checkers and Metro

By Ann Crotty

Tradegro has reported a disappointing 20,7c earnings a share (fully diluted) for the 12 months to end-June.

A final dividend of 6c a share brings the total payout to 11c a share for the year.

The disappointing figures reflect a sharp deterioration in the second half of financial '90 in line with the much tougher trading conditions that faced most sectors of the economy.

Weary shareholders who for years now have been encouraged to believe that Tradegro is about to move on to a sustainable profit growth path will have to resign themselves to a few more years of dull and frustrating performances. Or they can dump the shares.


Chief executive Donald Masson

Chief executive Donald Masson now believes the 47c conversion mark will not be reached before financial '92

As usual when things are tough for Tradegro, the source of most of the difficulty can be found in Checkers and Metro — reflecting the enormous absolute and relative size of these two divisions.

This time around the problems in both these divisions were severe. Metro reported a 9,5 percent increase in sales to R3,5 billion (R3,2 billion) for the 12 months but pre-tax profit slumped 21,4 percent to R49,8 million (R63,4 million), which meant that margins were down from 2 percent to 1,4 percent.

At Checkers turnover increased by 16,2 percent to R3,2 billion (R2,7 billion) but pre-tax profit was down 24 percent to R18,2 million (R23,9 million), reflecting a drop in margins from 0,87 percent to 0,57 percent.

Mr Masson is disappointed with the performance but points out: "They didn't make losses." And he believes that both divisions "have a lot going for them".

Metro's financial '90 performance is attributed to the continued weak performance at Jazz, which resulted in Fairways coming in well under budget. In addition there were serious aggravating factors in the form of boycotts and a weak economy.

Confident

Mr Masson seems confident that the problems at Jazz have "to a large extent been rectified" and is certain that there will be an improvement at Metro in financial '91.

It seems that by far the greater worry is Checkers Operating margins of one percent were promised years ago by a different management team. Last year the retail giant seemed to be edging towards it but the latest figures show that it has been knocked way back and Tradegro and Sankorp management must now be wondering at what stage do they decide to call it a day.

On this point Mr Masson again points out that Checkers is not showing a loss but he stresses that margins have got to be pushed to 1,5 percent. If it had been achieved on financial '90's turnover Checkers would have reported a pre-tax profit of R47,5 million instead of the R18,2 million it did. This would have had enormous impact on the bottom line.

Checkers, which was doing reasonably well up to the half-way stage, was knocked on a number of fronts. A change of management and in this case, management style, may have had an initial adverse impact on profit while standing to reap considerable longer-term benefits.

The new style involves much greater emphasis on decentralised management. As Mr Masson points out, decision-making had to be pushed from Tradegro's Johannesburg head office down the line to where decisions were having an impact.

This change in strategy involves a certain amount of risk given that the previous management team apparently did not encourage much serious decision making at regional level.

In addition Checkers was hit by boycotts and shrinkage — the latter kicked up quite significantly towards the end of the financial year just before the strike.

Already financial '91 is looking fairly rough for Checkers. The two week strike in July will have a major adverse impact on bottom line and until management and management control systems are significantly improved margins will remain tight.

Another feature of the results is the sharp drop in gearing after the sale of Rusfurn

186

Cape Times, Friday, August 31 1990 9

Rainbow lifts profits by 27,6%

Financial Editor

THE broiler chicken group in the Rambrandt stable, Rainbow Chickens, had a very good year to end-June Attributable profit increased by 27,6% from R67,4m to R85m

Group turnover was R635,3m which is an increase of 14,6% over 1989.

Higher interest income, the surrender proceeds of an investment linked insurance policy, and a decreased taxation charge have contributed to this increase, say the directors in their financial statements

Earnings per share have improved by 16,8% from 26,8c to 31,3c A final dividend of 5,9c a share has been declared. This brings the total dividend for the year to 10,7c a share which is in line with the prospectus forecast

The directors say the difficult trading conditions experienced in the latter part of 1989 continued in the first half of 1990, and selling price increases for the year were well below the inflation rate.

Increases in input costs were generally greater than the inflation rate, but were offset to a large extent by excellent chicken production results which partially negated the impact of the foregoing on operating margins

The directors say Rainbow will continue to expand its facilities, particularly at Rustenburg, in line with market demand and capital expenditure of more than R150m has been budgeted for the forthcoming year

"These measures are expected to maximise economies of scale and place Rainbow in a strong competitive position to take advantage of the increase in demand when the economy improves

"Nevertheless, economic conditions are likely to remain unfavourable for the financial year ending June 30, 1991 and it is therefore not anticipated that earnings growth will match that achieved in the past year," say the directors

Rainbow gets close to its earnings target

Star 31/8/90 (186)

By Ann Crotty

A sharp increase in interest income and a major reduction in tax charges, enabled Rainbow Chicken to get within striking distance of its prospectus earnings forecast — reporting 31,3c (26,8c) earnings per share for the 12 months to end-June. Last May's prospectus forecast was 32,3c.

A final dividend of 5,9c a share has been declared bringing the total for the year to 10,7c (7,5c) which is in line with the forecast.

During the review period turnover was up 14,6 percent to R635,3 million (R554 million) mainly as a result of expanded production at the Rustenburg operation But tough operating conditions — static selling prices and high feed input costs — resulted in an 8 percent reduction in operating profit to R74,9 million (R81,4 million)

The weak selling prices and high input costs meant that margins were reduced from 14,7 percent to 11,8 percent.

Interest income shot up to R17,3 million (R6,7 million) The tax rate was down sharply from 23 percent to 6 percent which lifted the improvement at taxed profit level by 27 percent to R86 million (R67 million). Attributable profit was R86 million (R67 million).

Most of the R150 million capex authorised for '91 will take place at the Rustenburg plant.

Management states that "These measures are expected to maximise economies of scale and place Rainbow in a strong competitive position to take advantage of the increase in demand when the economy improves".

According to management, trading conditions in the chicken industry have improved in the first two months of financial '91 but earnings growth will be affected by a decline in interest income and unfavourable economic conditions.

Despite the grim conditions in the chicken industry, Rainbow has managed to sustain a relatively attractive market rating since its listing in June 1989. At yesterday's price of 250c the share was on an historic price/earnings rating of 8 and a dividend yield of 4 percent.

Big rise in profits for Rainbow

186

ACHMED KARIEM

RAINBOW Chicken has achieved a 27,6% increase in attributable profit to R86m (R67,3m) for the year to end June.

Management said the rise in earnings was primarily due to higher interest income, the surrender proceeds of an investment-linked insurance policy and a lower tax bill. B/Day 31/8/90

Earnings a share went up by 16,7% to 31,3c (26,8c) on an increased number of shares in issue and a final dividend of 5,9c was declared, bringing the total distribution for the year to 10,7c.

Directors blamed difficult trading conditions and price rises below the inflation rate for the turnover increase of only 14,6% to R635,3m (R554,1m) Squeezed margins reflected a drop in operating profit by 8% to R74,9m (R81,4m).

According to the profit announcement, the company intends expanding its facilities in Rustenburg and capital expenditure of R150m has been ear-marked for the next year. However, earnings growth for the forthcoming financial year were not expected to match those of the current year.

MANUFACTURING — FOOD

1990

SEPT. – DEC.

Crown Food falls foul of recession

186

BDay 3/9/90

LINDA ENSOR

SUPPLIER Crown Food Holdings joins those companies which have in the past few months reported a dramatic downturn in profits as tight monetary policy and the recession take their toll

The latest casualty, its earnings fell 39,2% to 7,6c a share (12,5c) for the year to end-June and the total dividend was cut 33% to 3c (4,5c) after a final dividend of 1,5c (3c) was declared

Margins have come under pressure, falling to 7,3% (10,2%) and directors say with economic activity depressed, interest rates high and labour unrest frequent, margins will continue this way

High interest rates which have bored deep into corporate profits will be of concern to Crown Food — borrowings totalled R18,5m (R13m) at year-end translating into a debt equity of 70,4% (52,9%)

Nevertheless, some improvement in earnings is expected this financial year despite the difficult trading conditions

Turnover fell 2,4% to R112,5m (R115,3m) but the slide in margins resulted in a 30,5% fall in operating profit to R8,2m (R11,7m).

The Vulcan Food Service Equipment division — a manufacturer of catering equipment — has increased turnover and margins despite keen competition

"Steps have been taken to reduce expenses within the Crown Mills division, which included the closure of two depots and the rationalisation of certain operations," the directors say.

Food firms look to a tough year

B Day 4/9/90 (186)

MARCIA KLEIN

INCREASED costs and less disposable income in a difficult economic period are adversely affecting the food industry, with many companies predicting a year of limited growth.

Higher fuel and distribution costs, wage increases and costs of replacing capital goods have been cited as contributing factors to slow growth in the industry during the next year.

Decreased disposable income and a tendency for consumers to trade down and eat more efficiently are major factors, according to I & J group marketing manager Roy Gordon

He says staple and top-range foods are not as badly affected as the middle market

Fedfood finance GM Charl Kocks says all large companies' profit margins will remain under pressure for some time.

Staple foods "are under price pressure", and VAT would affect the consumer's spending power.

He says wage increases — of up to 20% during the past year — will have a greater effect on costs to food companies, which are labour intensive.

However, the food industry's capital cost is high, and contribution costs are rising fast

Kocks says companies often cannot recoup expenses for fuel, vehicles, labour and inefficiencies in the system.

Many companies in the food sector have diversified during the past year to increase their spread in an attempt to balance cyclicality and to move in to growth areas

Some strategic decisions might not have any material effect for five to 10 years, says Kocks

C G Smith financial director Brian Steele says the industry should show growth in basic foods, but there will be declines in discretionary expenditure, depending on products

He says margins will be depressed in line with the trend to downtrade.

Gloomy

However, C G Smith has a big portfolio with a broad spread and the contribution of one product is likely to outweigh those of the others

On VAT, Steele says most foodstuffs will suddenly bear a tax which will have to be recovered — and may affect prices.

Kanhym executive chairman Dirk Jacobs says the picture is gloomy for the industry, where income is lower and overheads are rising at a faster pace than the inflation rate

While inflation continues to rise unchecked, there has been no change in volumes, and the industry is likely to see a shrinking of margins.

Jacobs says it will be interesting to see if food companies can live up to the industry's reputation of being less volatile than others

Fedfood takes 83% stake in Patoma Foods

CAPE TIMES 5/9/90

186 282

Financial Editor

FOOD investment holding company Fedfood has expanded its interests to the processing, marketing and exporting of sub-tropical fruit and vegetables

It bought an 83% interest in Patoma Foods for R9m The price is made up of R6m in cash and R3m in existing Patoma shares

Fedfood MD Jan du Toit said the cash will be used for essential extensions to present capacities and to finance operational assets.

"Patoma Foods is presently the largest canner of sub-tropical fruits and citrus segments in SA of which a significant proportion is exported

"The range of products which are processed, positions the company to grow with both the burgeoning mass market as well as the sophisticated consumer market," said Du Toit.

"Excellent growth opportunities exist in all these products and synergies with existing Fedfood companies are obvious, which further influenced this investment decision," he said.

Patoma operates two factories at Kaapmuiden and Nkowankowa and has a packaging and distribution facility at Verwoerdburg

The total market in which Patoma operates is worth about R550m a year. Patoma also controls 35% of the atchar market and 65% of the market for canned citrus segments

"An investment in Patoma will make a contribution to the improvement of Fedfood's portfolio stratagy and contribute positively to Fedfood's share earnings," said Du Toit.

The current top management structure and all the staff at Patoma will remain in place.

Fedfood buys into Patoma

B Day 5/9/90

MARCIA KLEIN

(186)

FEDFOOD has acquired an 83% interest in Patoma Foods which processes, markets and exports subtropical fruit and vegetables

The R9m investment in Patoma is made up of R6m cash — which will be used for extensions and to finance operational assets — and R3m in acquiring existing Patoma shares, according to Fedfood MD Jan du Toit

Fedfood group manager public relations Dirk Rezelman said yesterday the total market in which Patoma operated was worth about R550m a year, and it controlled 35% of the atchar market and 65% of the canned citrus segment market.

Other Patoma products included dehydrated subtropical fruits, fruit juice concentrates and canned fruits including tomato products.

COMPANIES

Oceana selling off Namsea for R13,7m

NEIL YORKE SMITH

OCEANA Fishing has moved to eliminate underperforming assets with the sale of its troubled subsidiary Namibian Sea Products (Namsea) to a UK-based investment company for R13,7m cash

At per share level, the transaction involved the sale of 2,1-million non-cumulative preference shares at 37,5c each and 2,29-million ordinary shares at 565c each — 65c higher than yesterday's ruling price

A similar offer will be made to Namsea minority shareholders

The announcement follows an earlier cautionary announcement

Namsea had not been performing well and it had been decided the best strategy was to dispose of it to UK-based Arun Holdings, executive chairman Walter Lewis said yesterday

Namsea has suffered heavily from poor catches and reduced quotas over which it has had lengthy negotiations with the Namibian government

Its results for the six months to end-March showed earnings plummeting from last year's 120,1c a share to 24,4c.

Funds arising from the disposal would be invested in the SA fishing industry in the near future, Lewis added. B/Day 6/9/90

"We are already studying potential acquisitions in some detail," he said

Recent announcements suggest the acquisition of a company in the perlemoen industry is imminent, although no final details have been released yet

Oceana is a subsidiary of Tiger Oats

Dividend

186

Along with other fishing groups it has taken a hammering recently with interim earnings falling 61% to 70,9c

The interim dividend of 30c was also much lower than last year's 55c

Had the Namsea deal been effective from October and the funds invested in the money market, Oceana's interim earnings would have increased by 1,1c to 72c a share

The shares have traded at about 1 575c recently, well off the high of 2 550c reached in August

P

Ocfish sells Namsea stake for R14-m

Star 6/9/90 (186)

By Duma Gqubule

Oceana Fishing Group (Ocfish) yesterday disposed of its 54,5 percent shareholding in Namibian Sea Products (Namsea) to UK-based Arun Holdings for a cash consideration of R13,7 million — equal to 565c a share.

Namsea relies heavily on fishing activities in Namibia and prospects there have deteriorated in the past year.

Ocfish has recently been embroiled in negotiations with the Namibian government, at one stage threatening to take legal action against the Namibian Sea Fisheries Department after Namsea's fishing quotas were slashed by 52 percent.

In addition, lower lobster catches resulted in a 100 percent reduction in Namsea's attributable earnings to R1,5 million (R3,1 million) for the six months to June 1990.

The Namsea share has reached a high of 850c and a low of 400c in the last 12 months

The 600c per share that was paid compares with Namsea's net asset value of 367c at the end of September 1989 and represents an historic (for financial 1989) P/E ratio of 2,8 times

Since this is a change of control it must be assumed that an offer of 600c a share will be made to minority shareholders

FEDFOOD FM 7|9|90

INTO FRUIT

186

Barely a month after its acquisition of 71% of Sea Plant Products, Fedfood this week bought its first interest in the fruit business It acquired an 83% interest in Patoma Foods for R9m The deal comprises a cash outlay of R6m and a R3m investment in Patoma shares The cash will be used for extensions to capacity and to finance operational assets

Patoma products include atchar, dehydrated subtropical fruits, fruit juice concentrates and canned fruits Fedfood MD Jan du Toit says "Excellent growth opportunities exist in all these products and synergies with existing Fedfood companies are obvious, which further influenced the decision "

Oils from subsidiary Nola Oil could be used in the production of atchar and tomato products from Patoma can be used by Marine Products Du Toit says Patoma's food processes are closely related to certain of Fedfood's divisions

According to a company source, earnings from Patoma should allow for an extra 1c on the Fedfood dividend *Stephen Cranston*

FOX FM 7|9|90 186

than these At interim stage, one broker was forecasting turnover of R1,28bn (almost spot on), but the firm was also forecasting operating profit of R111,4m and attributable earnings about R72m — both way off the mark Even so, if the share price is any guide, the market has recognised the group has gone ex-growth

Since reaching a high of R31 in February, the share has fallen steadily to the current R20 With the dividend pegged at 70c, and prospects for a turnaround looking remote, the stock looks fully priced at the 3,5% yield

Gerald Hirshon

IRVIN & JOHNSON FM 7/9/90

INTO DEEP FREEZE

(186)

It's a case of unlucky number 13 for Irvin & Johnson For the first time since 1977 EPS have dropped below the previous year's

Preliminary results for the year to end-June reveal a trying period for this Anglovaal subsidiary MD James Williams says adverse political and economic conditions have resulted in a decline in the frozen food market — by volume — for the first time in 10 years. Also, the 1990 hake quota was cut by 2,1% and the seafood market was adversely influenced by local supply and international considerations

While turnover rose 15% to an all-time high of R1,26bn, operating profit declined to R88,8m from R103,1m Clearly, margins have come under severe pressure — particularly in the second half At the halfway mark turnover was up by 17,5%, so the overall advance of only 15% for the year highlights the slide in demand in the last six months Operating profit fell by at least 17% in the second half

Other than turnover, only two aspects of the income statement were positive Investment income rose 9% and interest paid, following a reduction in interest-bearing debt, fell to R6,6m from R7,6m However, earnings fell by 12% to R58,04m and EPS by a similar percentage

Analysts were looking for better results

FM 7/9/90 (186)

price increases in the short term

Categorised as farming, the group qualifies for a 100% tax write-off on all buildings and a substantial tax write-off on plant and equipment Capex amounted last year to R101,4m The tax bill fell to R6,2m (R20,7m), with the effective tax rate dropping from 23% to 6,7% Further expansion is planned for this year, particularly at the Rustenburg farm and processing plant, and R150m capex is budgeted

Rainbow has a cash balance of R59,4m and interest income totalled R17,3m (R6,7m) However, Geoghegan says cash will be used to fund this year's expansion The group has not borrowed for the past 10 years.

Geoghegan attributes the slide at operating level to difficult trading conditions, By this, he means the meagre 5% chicken price increase for the year Presumably, producers' rapid expansion of capacity has contributed to these weak prices

Geoghegan says this and increases in input costs, generally ahead of inflation, were offset by excellent chicken production He says fowl production was 2,5% up on the forecast quantity, mainly because of low mortality and shorter growth periods

With an increased issued share capital, EPS rose 17% Though Geoghegan expects lower earnings growth for this year, he says operating margins will not be under the same pressure as last year

"In the first two months of this financial year chicken prices have increased 10%," he says However, interest income will fall, and Geoghegan believes poor economic conditions will hinder turnover growth If plans are met the group could later increase its claimed 35% share of the chicken market Confidence in the group's asset management shows in the share rating, one of the best in the food sector The 265c price has recovered from the recent low of 205c *Heather Formby*

RAINBOW CHICKEN

FM 7/9/90

Ruling the roost

(186)

Interest income and a lower effective tax rate helped Rainbow Chicken to overcome an 8% slump in trading profit

The surrender proceeds of an investment-linked insurance policy also helped, and after-tax income rose by 28% The group has deployed its large cash balances to pursue a capital investment programme that could result in expansion of market share later Meanwhile, the expenditure has enabled Rainbow to qualify for generous tax concessions

Group MD John Geoghegan explains "If we didn't know in advance that these positive factors were available to us, we would have reduced our expansion programme, resulting in increased operating profits "

Considering the interest income available on its cash balance, and tax concessions available, Rainbow can afford to invest in expansion even if it results in only modest price increases in the short term

NOT CHICKEN

Year to June 30	**1989**	**1990**
Turnover (Rm)	635,3	554,2
Pre-tax profit (Rm)	81,4	74,9
Invest rec (Rm)	6,7	17,4
Profit after tax (Rm)	67,5	86,1
Earnings (c)	26,8	31,3
Dividends (c)	7,5	10,7

Categorised as farming, the group qualifies for a 100% tax write-off on all buildings and a substantial tax write-off on plant and equipment Capex amounted last year to R101,4m The tax bill fell to R6,2m (R20,7m), with the effective tax rate dropping from 23% to 6,7%. Further expansion is planned for this year, particularly at the Rustenburg farm and processing plant, and R150m capex is budgeted

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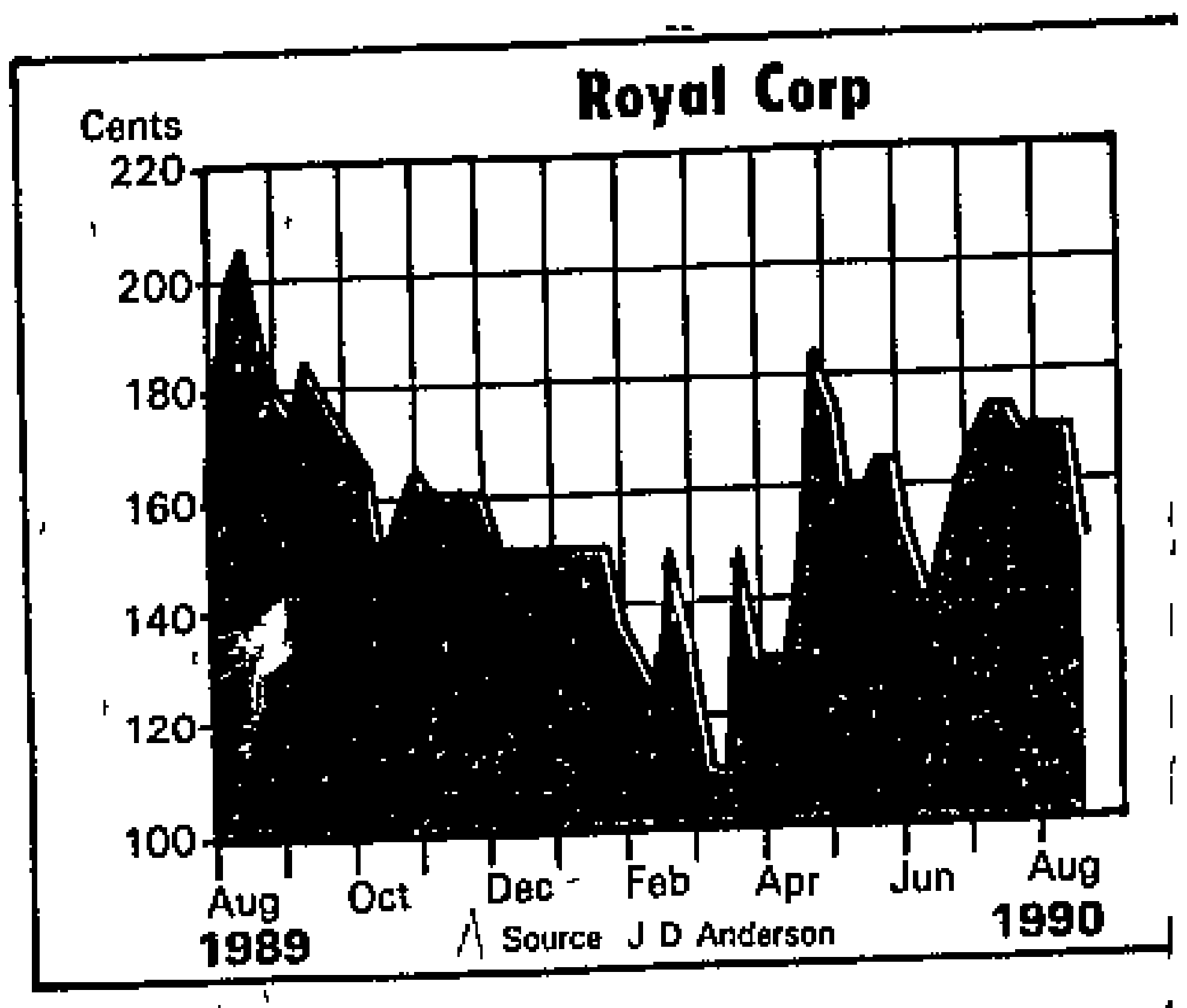
FM 7/9/90 186

ROYAL CORP FM 7/9/90

BUYING BENEFITS

186

The market initially took a sceptical view of Lovasz's buyout of Royal Beech-Nut (RBN) last year and subsequent listing of the enlarged group, Royal Corp Results for the 1990 year show the acquisition brought benefits all round — including management skills and independence from US parent Nabisco — which resulted in substantial growth apparently without the usual problems Tough trading conditions this year, particularly for Royal's chemical products, are expected to limit earnings growth



Source J D Anderson

Activities: *Manufactures and distributes confectionary and food products and distributes speciality pharmaceuticals and industrial chemicals*
Control: *Directors 33,5%*
Chairman: *V Imerman, MD D Johnston*
Capital structure: *67,8m ords Market capitalisation R101,7m*
Share market: *Price 150c. Yields 4% on dividend, 12,3% on earnings, p e ratio, 8,1, cover, 3,08 12-month high, 195c, low, 110c Trading volume last quarter, 1 311 000 shares*

Year to Feb 28	***'88**	**'89**	**'90**
ST debt (Rm)	2,2	1,9	5,7
LT debt (Rm)	6,1	10,1	10,7
Debt equity ratio	0 62	0,55	0,29
Shareholders interest	0,44	0,41	0,53
Int & leasing cover	4,5	4,0	3,9
Return on cap (%)	12,6	10,2	16,6
Turnover (Rm)	44 6	63,4	170,5
Pre-int profit (Rm)	3,9	5 6	17,7
Pre-int margin (%)	8,7	8,8	10,4
Earnings (c)	11,8	15,1	18,5
Dividends (c)	3,0	5,0	6,0
Net worth (c)	50,0	75,1	80,8

* Pro forma

The relative size of the acquisition of RBN, including Manhattan Confectioners and a number of Kellogg's brands, is reflected in turnover and profit comparisons between the 1990 and 1989 years turnover rose to R170,5m from R63,4m and operating profit to R17,6m from R5,6m RBN contributed 63% of attributable profit

A comparison of the new entity with financial 1989 pro-forma figures, published in Royal's transmuted listing statement last July, gives a better indication of the 1990 performance operating profit increased 28% on 15% turnover growth, earnings rose 37%, exceeding the forecast, and the dividend rose 20%

Management was restructured, with three RBN executives strengthening Lovasz's team Financial director Jacques Fragis says the stress on asset management practised at RBN has been adopted throughout, and this accounts for working capital rising only 30% despite turnover more than doubling.

RBN products benefited from rapid urbanisation and made several "strong gains in market share " Fragis says the severance of ties with Nabisco expanded export opportunities for some RBN products and export sales, though relatively small, increased by 40%

It seems Nabisco's reluctance to increase its investment in SA resulted in a need to upgrade machinery Capex of R9m this year reflects the new owner's belief in running state-of-the-art equipment

Lovasz's chemical and pharmaceutical products encountered tough competition and trading conditions deteriorated in the latter half of the year. Chairman Vivian Imerman says turnover and profit forecasts were achieved

March 1990 saw the merging of Lovasz and Holpro Pharmaceutical & Chemical Group, a former competitor which Fedsure bought as an intermediate step The intention is to list the joint Fedsure-Lovasz venture separately, but a dispute with the family owners regarding the purchase price is delaying this A listing of the food and confectionery division is also on the cards

Imerman says the group is in a strong position to grow organically and acquisitively The integration of Holpro should lead to operational efficiencies and cost savings In addition to growth in the domestic market, RBN intends to expand export sales and is constantly seeking offshore opportunities. This year the group is hoping for earnings growth ahead of inflation

Pam Baskind

Royal looking for real growth rate

Star 7/9/90 186

Diagonal Street

Jabulani Sikhakhane

Following a 38 percent hike in attributable income last year, Royal Corporation is looking for growth above inflation this year from existing businesses.

It will also be pursuing local and off-shore acquisitions.

Royal, previously Lovasz Chemicals, was reconstituted in March 1989 to incorporate the Royal Beech-Nut acquisition after disinvestment by RJR Nabisco.

The group also bought Manhattan Confectioners, together with complementary brands from Kellog's.

Lovasz changed its name to Royal Corporation, and its listing transferred from chemicals and oils to industrial holdings.

Royal now has three major divisions — Royal Beech-Nut (food and confectionery), pharmaceuticals/chemicals (merged operations of Lovasz and Holpro) and Regency, the international division.

Group MD Doug Johnston says the group is looking at separate listings for wholly owned subsidiary Royal Beech-Nut (RBN) and the merged operations of Lovasz and Holpro.

Mr Johnston says RBN, which contributed 63 percent of group attributable profits in financial '90, will list when it makes an acquisition or when the market is right for a listing

A listing of RBN in the food sector could give it a better market rating. Management believes a P/E ratio of 12 is possible in the short term.

RBN is looking for acquisitions, particularly in the UK confectionery business. With the strong brand names (trademarks are listed at R33 million in the balance sheet) it plans to take offshore, RBN would only need to acquire production capacity.

Exports from RBN's SA operations will form another growth leg. In financial '90 exports wer up 40 percent — from a fairly low base.

Financial director Jacques Fragis is looking for even faster growth in exports.

Reason for optimism on the export front is that after the break-up of the RJR Nabisco empire two years ago, RBN can now trade in previously restricted markets.

RBN has established markets in the Middle East, the Far East and Europe where it is registering further trademarks to take advantage of new opportunities in Eastern Europe.

Africa represents a major growth area, says Mr Fragis, but lack of foreign currency for non-essential imports is curbing trade.

On the chemicals side, management believes the intergration of the Lovasz and Holpro businesses in March this year has led to improvements in operating efficiency and cost-savings.

Despite difficult conditions, Mr Johnston says the medium-to-long-term outlook is good.

However, the proposed listing of the merged operations has been delayed because of disputes with the sellers of Holpro.

The outcome of the disputes could lead to a material reduction in the purchase price.

Royal's international trading division started three years ago as a strategic purchase-type operation with offices in London, Hamburg and Atlanta, Georgia. But trading is fast becoming an important component of Regency.

Since Royal's first published results (1988), turnover (boosted by acquisitions) increased from R45 million in 1988 to R171 million in 1990 — a compound growth of 95 percent.

Operating income showed a compound growth rate of 113 percent over the same period from R3,9 million to R17,7 million.

Royal has a fairly low tax rate (11,5 percent in financial 1990), which is expected to apply in the foreseeable future because of assessed losses and the capital expenditure programme (R9 million this year).

FEDICS CATERS FOR CHANGING TASTES

ST Times 9/9/90

By CHARMAIN NAIDOO

FEDICS has completed a decade of steady growth.

Profit of the food service company has risen 15 times, albeit from a small base in 1980 Group managing director David Wigley acknowledges that it is not a brilliant performance when inflation is taken into account

Fedics has 550 contracts today after 190 in 1980 Turnover in the year to March was R195-million compared with 1989's R153-million

A cautiously optimistic Mr Wigley expects turnover of R240-million in the current year Having spent 10 years at the helm, he has noticed dramatic changes in the market

Keen

"In 1980, Fedics was way ahead The market then, as now, consisted of many owner-operators There is no high-capital, high-technology entry level in an industry like ours," he says

Several major companies have entered food service and competition is keen

Mr Wigley came to SA from England to look after Southern Sun's city hotels He left after working closely with Sol Kerzner for three years

"I felt that with Sol, the chance to run my own company was not possible My appointment to Fedics was fortunate, because it was coming into its own," he says

DAVID WIGLEY

Has he achieved the things he set out to do when he joined Fedics?

"You achieve some things, but do they last? Quality has been a catch phrase at Fedics where our motto is a happy and satisfied customer"

But customers' requirements have changed

"Many of the high-street names in food today were not around then People are eating out more and expect the same quality in staff canteens as they get in restaurants"

To keep up with changing trends and ensure high standards of quality and service, Fedics restructured late last year

Mr Wigley says "We decentralised Individuals in the company are now mature enough to handle more responsibiltiy and authority

"In the past, everything from decision making, personnel and marketing to accounts was handled from Johannesburg Now we have a leaner head office for food services"

Mr Wigley says the major thrust this year is to look closely at opportunities in the food market

186

Knitting

"Lots has been said about the contracting out of Government food services It is possible that hospitals, schools, prisons and Spoornet will start using outside caterers — as SA Airways does"

Fedics has had the SAA account for five years

"The adage, 'stick to your knitting', has become pertinent Government departments are also considering sticking to their knitting

"In an economic downturn, there is more chance for growth than in an upturn People become more aware of costs and can better analyse them We are concentrating on organic growth We are an important part of the hospitality industry"

Fedics is not capital intensive and the food-service division has few overheads other than providing food and staff

"Service-based businesses deal with food and drink, which means cash Control is vital A major challenge is motivating and training staff — the lifeblood of our industry"

Revamp for station

DURBAN'S historic old station building is to be turned into offices with nearly 4 000m² of A-grade space when a suitable tenant is found

Anglo American Property Services (Ampros) development director Fred Bihl says the Victorian facade of the building, a Natal landmark, will be kept

The property, acquired by Anglo American Properties recently, will be managed by Ampros

Mr Bihl says a structure will be built behind the Victorian front to provide offices

The building has not been used since the main station was moved to Umgeni Road several years ago.

Pick 'n Pay's labour benefits tops

10/9/90

Bottom Line

186

MICHAEL MENOF

"All operating divisions of the company made a solid contribution to profit and there has been an ongoing improvement in the control of expenses and labour scheduling," says chairman Raymond Ackerman in Pick 'n Pay's 1990 annual report.

Pick 'n Pay has had its share of labour disputes, but employee benefits are now tops.

These include provident and pension funds for different categories, even for those who join after the age of 53, disability fund benefits, share purchase schemes, medical aid, life insurance, educational bursaries, housing loans, subsidies and loans in general

There's also bonus leave for long service, non-contributory funeral schemes, subsidised canteen facilities, comprehensive maternity and paternity benefits, free health care and staff transport.

About 6 000 employees are shareholders. Caring for staff is paying dividends as sales and pre-tax profits rose 13 percent, with only a 46-member increase in head count (from 27 127 to 27 173), despite total trading area expanding from 303 864 to 321 001 square metres, with eight new stores opened.

The bottom line was boosted by a reduced effective tax rate of 36,5 percent (1989: 41,5 percent).

New systems technology includes scanning to speed up payments at cash registers and to improve margins.

PayNet, the electronic funds transfer system, is now operating smoothly at 15 stores in the Western Cape

The Hypermarket's clothing department success led to the opening of a specialty store in PE in April under the name Chain Reaction

The 23-year success story is based on the strategy of value and service backed by a firm commitment to the stakeholder concept.

Earnings show an unbroken record of solid growth. Praise aside, I still say suppliers are funding the expansion at Pick 'n Pay — and it's interest-free to boot.

Sales rose to R4,38 billion (1989: R3,87 billion), with trading income R112,9 million (1989: R106 million).

Investment income rose R14,2 million (1989: R10 million) and interest received rose to R8 million (1989: R5,5 million).

Interest paid declined to only R3,8 million (1989: R5,2 million)

After virtually unchanged tax of R48 million (1989: R48,2 million) and insignificant outside shareholders' profit of R500 000 (1989: R400 000), earnings were R82,8 million (1989: R67,7 million) — up 22,4 percent.

Profit from the sale of property at R4,2 million was shown as an extroardinary item below the line. Earnings per share were 105,9c (1989: 86,4c), with dividends up from 42c to 52c.

Earnings as a percentage of sales rose to 1,9 percent, bettering the four previous years' constant 1,7 percent.

The balance sheet has been drafted to show an interesting concept — "funding" and "utilisation".

At end-February 1990, funding comprised shareholders' interest of R266,4 million, outside shareholders' interest of R1,5 million, long-term liabilities of R7 million, tax owing of R55,8 million and accounts payable of R461,4 million — a total of R792,1 million (1989: R694,9 million)

This is invested (utilised) in four items — fixed assets of R313,6 million, investments of R39,8 million, loans of R49,6 million and current assets of R389,1 million, shown after deducting the R32,5 million dividend owing.

By restating the current assets, less current liabilities (working capital), an interesting trend is developing.

In 1988, current assets, less current liabilities, showed a deficit of R74,9 million. In 1989, the deficit widened to R96,4 million

By end-1990, current assets of R421,6 million, less current liabilities of R549,7 million, lifted the deficit to R128,1 million But I am praising, not critising management.

This is an old trick and the cheapest way to fund a business with creditors' money which, after all, is tax-free.

Most companies do this — retain the cash in the bank for the longest time to earn interest (or save interest) and take maximum terms from creditors.

Another way is to extract the maximum discount from creditors for short terms. It's a question of financing and saving interest expense, or earning interest.

Just imagine the interest saved on the working capital deficit in 1988 at 21 percent would be R15,73 million, 1989 R20,24 million and 1990 R26,9 million.

Furthermore, loans to directors and employees of R49,6 million (1989: R42,5 million) bear interest at only four percent, with no fixed repayment date.

Three new board appointments include Gareth Ackerman, the chairman's son, who received his overseas experience when Pick 'n Pay's Australian venture lost out to political pressure.

But where to in 1991? Despite a recessionary phase, with political change and volatile situations making it unwise to be specific, the structures of the company should enable it to increase sales and profits at a greater rate than last year, says Mr Ackerman Senior.

There's no denying Pick 'n Pay is on a roll and will continue to reach new milestones, what with the population explosion and store expansion.

Giant new retailing group in the offing

Star 10/9/90 (186)

By Ann Crotty

Tradehold (the holding company of Tradegro) and Pepgro have issued separate cautionary announcements to shareholders warning that negotiations are in progress which may affect the value of the shares

Although neither cautionary makes reference to the other, their coincident publication seems to confirm speculation that the two retailing groups are currently investigating the possibility of a merger

Merger speculation is fuelled by the fact that Sanlam has an 18 percent stake in Pepgro, which no doubt would be used to boost the value of what Sankorp brings to the party

A tie-up between Pepgro and Tradehold would create a giant retailing operation with an annual turnover of around R9 billion and operating profit in the region of R300 million

The bulk of the turnover comes from Tradehold, but the contribution to profit is much more evenly split

For the 12 months to end-June, Tradehold, which has a 54,6 percent stake in Tradegro, reported turnover of R7,3 billion and operating profit of R155 million

Pepgro, which has a 58,2 percent holding in Pepkor, reported turnover of R1,5 billion and operating profit of R134 million for the 12 months to end-February

The acquisition of Grand Bazaars (via Shoprite) will lift turnover to around R2 billion

In the absence of comment from either Sankorp or Pepgro, speculation is that the plan may involve the merger of the two groups into one company, which would hold the operations of Tradegro and Pepkor

Given the general antipathy to pyramids, it is likely that instead of creating another company to hold Tradehold and Pepgro, the latter would be merged into the former, with Tradehold shares being issued in exchange for Pepgro shares

Pegro chairman Christo Wiese and the other controlling shareholders of Pepgro would presumably convert their shares in Pepgro to a stake in an enlarged Tradehold

And Sankorp, which currently holds 68 percent of Tradehold, would then have a smaller percentage of the larger company

A deal of this nature means that cash payments by one controlling party to another would not be involved

This means that minority shareholders in Pepgro would be offered shares in Tradehold, which may or may not be underpinned by a cash offer

Because of the disparity between the profit performance of the two groups, which is reflected in a much higher market valuation for Pepgro, it is likely that the deal would be done on the basis of net asset value and not share price

Tradehold is currently trading at 70c, which is a P/E rating of nine times and a dividend yield of 7,1 percent (for June figures)

Pepgro is trading at R23,50, which reflects a P/E of 7,5 times and a dividend yield of 3,7 percent (for February figures)

But Pepgro's share price represents a massive premium on its net asset value of around 560c a share.

By contrast, Tradehold's share price is at a discount to its net asset value of around 185c a share

At this stage, establishing the size of the merged entity in terms of shareholders' funds (and the percentage the two main players would have) is complicated by the existence in both companies of debentures and convertible instruments

The potential downside of the deal is the size of what is being created

It may turn out to be an unmanageable monster and if Mr Wiese gets actively involved in trying to manage it, Pepkor might suffer from an inevitable reduction in attention.

This fear seems to be based chiefly on the damage that Checkers is believed capable of inflicting — with Metro and other trouble spots in Tradehold regarded as being manageable

Emphasis on decentralisation into viable units seems the only way of avoiding the danger.

Union Wine cautionary suggests change of control

Star 12/9/90 (186)

By Ann Crotty

There's speculation that the cautionary announcement issued by Picbel subsidiary Union Wine could relate to a change of control

Some months back Picbel chairman Jan Pickard indicated that a restructuring of the group could be one way of easing the heavy debt burden — which is primarily carried by Picapli

At the time, analysts believed a restructuring could involve a rights issue.

The sale of Union Wine would result in a cash injection of R25 to R30 million, leaving Picbel with cash resources of around R60 million

Trading conditions in the wine industry have been fairly tough in recent years

In the 12 months to June 1989, Union wine's earnings slipped to 14,3c from 16,2c During that financial year, management sold some unprofitable retail outlets and an hotel — more hotels were to be sold in financial '90

Tradegro had a major stake in Union Wine — dating back to the early Eighties Union Wine bear squeeze sage — but sold it some months ago

The Tradegro results for financial '90 reflect a loss on the sale of the Union Wine shares

Indications are that Picbel acquired the Tradegro shares and in doing so took its stake in Union Wine to around 90 percent.

The current market price of Union Wine is around 70c, which is considerably below the net asset value of around 300c

It would be difficult to justify a change of control at less that about 150c a share

If Union Wine is to leave the Picbel stable, the group's major operating assets will then be Picapli and Cape Investment Bank.

Cape Times 12/9/90 186

Cape

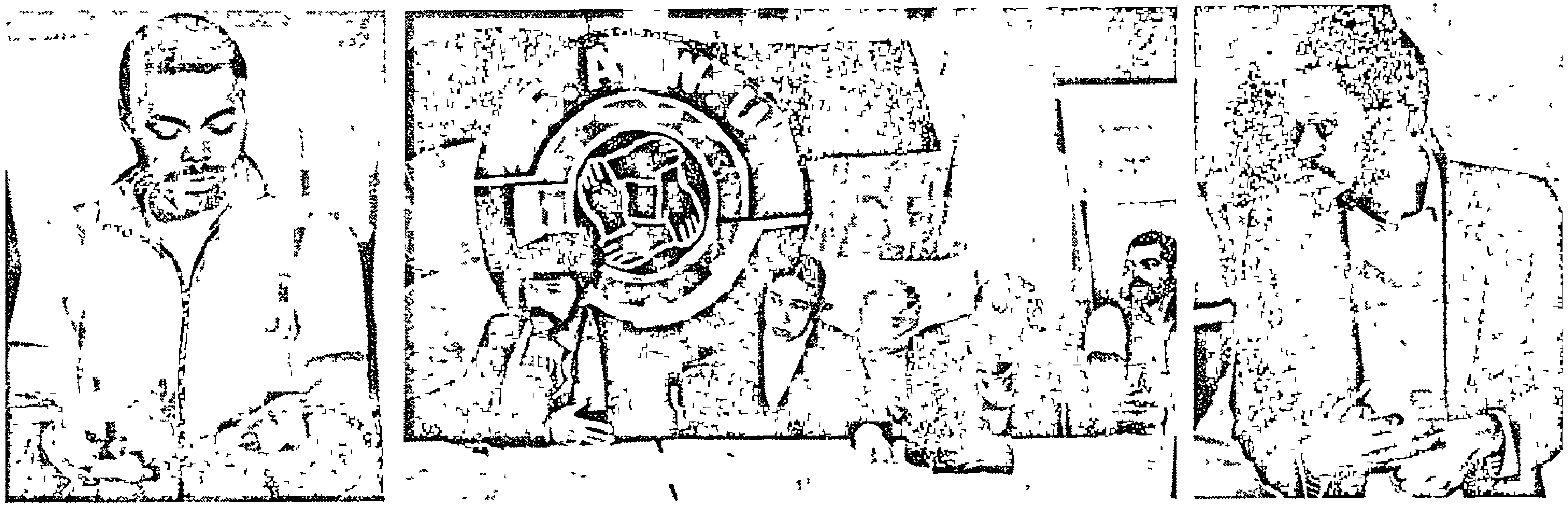
Cosatu fights gillnet fishing

By CHRIS BATEMAN

TAIWANESE gillnetting companies yesterday gained themselves a new and militant enemy — Cosatu — which is determined to use all legal means to put a stop to "gross" exploitation of local workers and the South African marine ecology

At a press conference held to launch their campaign, local member union the Food and Allied Workers Union (Fawu), said its members would refuse to handle any gillnetted tuna at local and West Coast factories

Fawu's regional secretary, Ms Lucy Nyembe, said her union had members at all local cold storage factories which, she alleged, were openly storing the easily identified gillnetted tuna



LEFT: Mr Joseph Haddon, 33, of Bonteheuwel, shows his almost fingerless hands — the result of "forced" work in the freezer compartments of a Taiwanese gillnetting vessel RIGHT. Mr Ndodomzi Loliwe, 35, of Guguletu, a former worker aboard a Taiwanese fishing trawler, who lost fingers through frostbite. CENTRE: At yesterday's antigillnetting press conference are, from left, Mr Nosey Pieterse, executive member of Fawu, Ms Lucy Nyembe, regional secretary of Cosatu, and trawler fishermen Mr Loliwe and Mr Haddon

Pictures STEWART COLMAN

The campaign is a direct result of at least 38 South African trawlermen suffering frostbite-related injuries, many of them losing all or some of their fingers from forced periods in the freezer compartments of foreign vessels

Two of at least five local seamen present yesterday showed the media their fingerless hands, the result of amputation due to frostbite

Fawu national executive member Mr Nosey Pieterse said experts had predicted that within three years gillnets would "exhaust all our resources", turning coastal fishing villages into "ghost towns" with massive unemployment.

There had already been 259 retrenchments at seven Western Cape fish factories due to marine over-exploitation, he said

He called for the immediate withdrawal of Taiwanese businesses from the country and said the SA Department of Foreign Affairs had been approached to negotiate compensation for disabled sailors

Ms Nyembe said previous attempts to negotiate with the Taiwanese and/or their agents had been "fruitless"

Mr Pieterse said an estimated 500 South African fishermen worked on Taiwanese and other foreign gillnetting vessels every season under conditions far worse than those of the ships' own nationals

"There's an element of racism — it's easier to exploit foreign workers than it is your own They also know the history and track record of the South African government," she said

Recently two Taiwanese trawlers were successfully arrested by Cape Town lawyers as security for claims by frostbitten fishermen one claiming R195 000 and the other R250 000

Mr Joseph Haddon, 33 of Bonteheuwel, told reporters that for R500 a month he had been forced to work for up to 10 hours at a stretch in a trawler's freezer compartment. When he complained he was assaulted, he said

The campaign will include picketing the Taiwanese embassy and local agents recruiting workers, marches in all fishing communities and a march in central Cape Town

MIELIE-KIP Poultry (186)

SCRAWNY PICKINGS

FM 14|9|90

Mielie-Kip's 1990 figures reflect weaker chicken prices caused by oversupply towards the end of last year Attributable earnings

F|M 14|9|90 Poultry (186)

slumped by 38,8% and the dividend was cut

Little information is given in the annual report and nobody was available for comment But it is apparent that the group, like Rainbow Chickens, has been affected partly by the concessions given to chicken farmers for capital expansion (*Fox* September 7) The industry has generally invested heavily in capacity, though Mielie-Kip does not indicate significant expansion of its own plant in the 1990 year

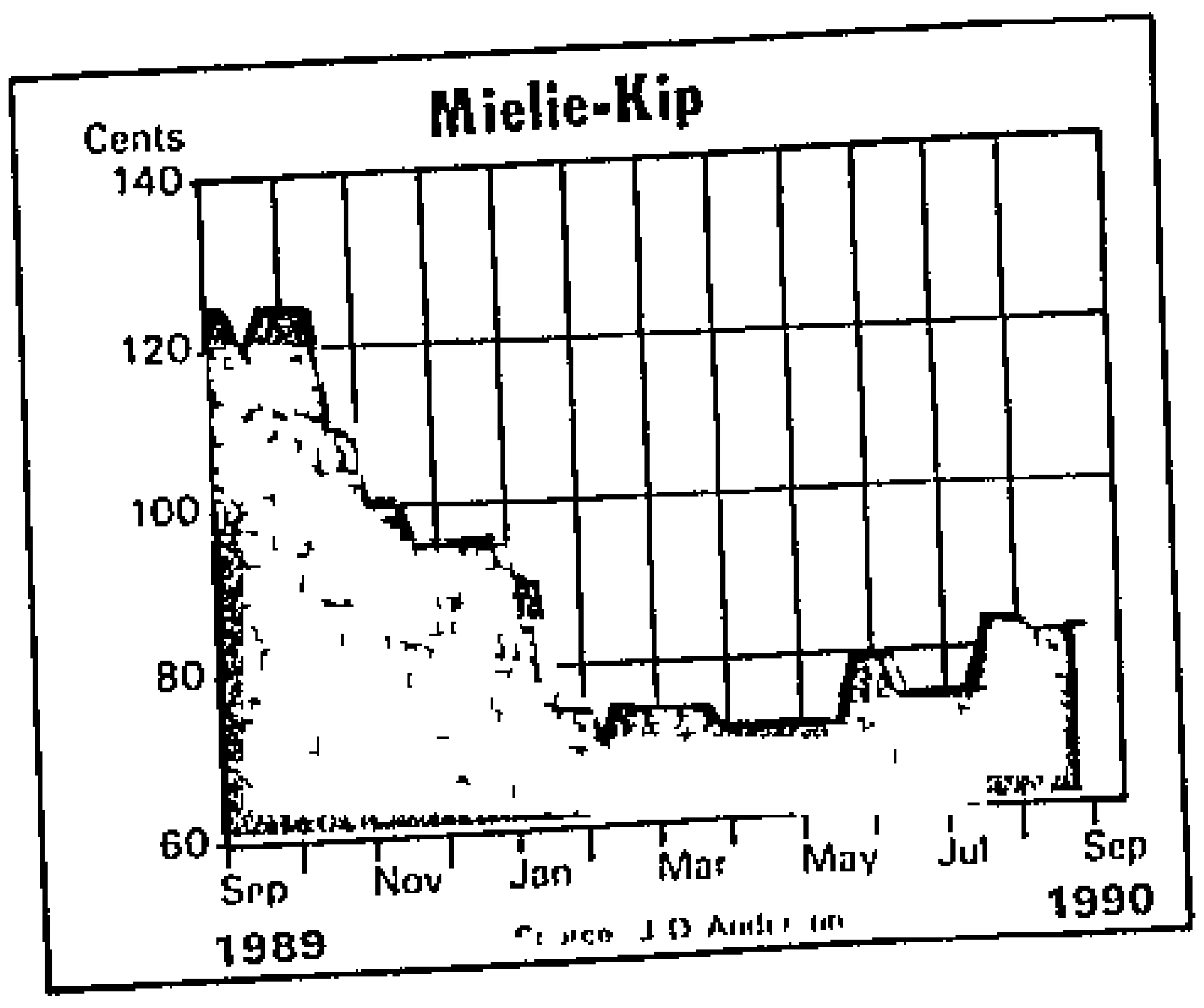
Activities: *Produces and processes chickens*
Control: *Van Wyk family 88,4% Kanhym acquired control after the year-end*
Chairman: *J J A van Wyk, Joint MD D C H van Wyk*
Capital structure: *13,5m ords Market capitalisation R11,1m*
Share market: *Price 82c Yields 6,1% on dividend, 6,3% on earnings, p e ratio, 6,3, cover, 2,6 12-month high, 130c, low, 70c Trading volume last quarter, 83 200 shares*

Year to Feb 28	**'88**	**'89**	**'90**
ST debt (Rm)	2,7	0 9	0 9
LT debt (Rm)	1,8	1 9	1,7
Debt equity ratio	0 41	0 12	0,13
Shareholders interest	0 48	0 49	0,50
Int & leasing cover	3 6	11,4	6 4
Return on cap (%)	10 9	15 1	10 2
Turnover (Rm)	31,6	37 9	43 5
Pre-int profit (Rm)	2,2	3 5	2,6
Pre-int margin (%)	6 8	9 3	5 9
Earnings (c)	11,8	21,5	13,1
Dividends (c)	—	6	5
Net worth (c)	71,7	83 8	94 0

However, there is no provision for tax Mielie-Kip has an estimated tax loss of R2,7m, which consists of development expenditure carried out over a number of years

As a small company, Mielie-Kip has evidently battled in the face of a highly competitive market Chairman Joachim van Wyk says "after year-end an improvement in demand enabled prices and margins to become more realistic" Higher prices will probably improve suffering margins. The pre-interest margin fell to 5,9% from 9,3% and return on capital dropped to 10,2%

The takeover by Kanhym in March, after the 1990 year-end, could also bring advantages Kanhym bought the entire shareholding of the Van Wyk family, who held control of Mielie-Kip, with 88,4% of the ordinary shares Dirk Jacobs was appointed chairman



Mielie-Kip will be able to use Kanhym's distribution channels, as well as take

F|M 14|9|90 Poultry (186)

advantage of its marketing expertise

At 82c, the share looks fully priced on a p e of 6,3

Heather Formby

Market takes time out

Star 15/9/90

Inside Out

186

ANN CROTTY

GOLD put up a reasonably good showing, but nothing seemed to be able to stir up market activity.

It looks as though the attention of investors is currently concentrated on local events and not too many people can afford the luxury of keeping a close eye the Middle East.

Fortunately there were a few deals on the go and this seemed to stop Myles from applying for early retirement.

Talk of the Tradehold/Pepgro deal has generated mixed response, but it seems investors reckon any tie-up between the two will do more for Tradehold than for Pepgro.

Myles hears that at this stage it looks as though a merger between the two would leave Christo Wiese's camp with the major stake — and presumably management control.

Mid-week there was a flurry of speculation that a deal had already been done — independent of the Pepgro negotiations — which would take Checkers out of Tradegro.

Myles is adamant that this sort of talk is completely unfounded — there is no separate deal for Checkers. If a deal is done with Pepgro, Checkers will be part of it.

Seems from the initial discussions that the two management teams should get on quite well as the Pepgro team are quite supportive of the actions being taken by Checkers management to turn the monstrosity into a money-spinner

Checkers' Serge Martinengo says he would be more than happy with a deal with Pepgro

It's likely to be a couple of weeks before something firm develops. Meanwhile speculation mounts about Mr Wiese chickening out before a deal is finalised Myles thinks not.

Picbel's Union Wine has moved ahead on speculation that there are negotiations to take over the company.

It seems the other party involved in negotiations is Graham Beck (of coal and racehorse fame).

Myles thinks this may be a first step towards trying to extract wine from coal.

Alternatively, Mr Beck may just be planning an asset strip — selling off the wine farm, Picardi bottle stores and Union Wine facilities.

If a deal is done, it's likely to be struck somewhere between net asset value of 250c and the market price of 80c.

But Myles warns that anyone tempted to buy any of the 10 percent shareholding that's on the market, should be reminded that negotiations could go either way.

Then there's the FSI restructuring. Amazingly, Myles could get no gen on this front except that the major institutions seem to be quite happy with the latest scheme. Final details are expected to be announced next week.

The Bankorp share was reasonably heavily traded, closing at a weaker 270c.

Divergence of opinion continues on this front, with almost half the punters indignant about the massive write-offs, the cost to Sanlam policyholders and the lay-off of staff. The other half believes it's a great recovery stock.

While some believe the write-offs should have been closer to R1 billion, others argue that Mr Liebenberg has been so cautious that write-backs are sure to provide good profits over the next few years.

Myles reckons that if the latter is the case, Mr Liebenberg will be sure to highlight it — in line with his more open disclosure policy.

If Bankorp is going to call up all these bad/doubtful debts, it might do more to slow down the economy that even Chris Stals and the Reserve Bank could achieve

Still no news of the white knight who is going to rescue Spareco... but any day now.

Institutional investors are apparently very disenchanted with Marlin; understandably, as this share was seriously punted a year or so ago.

(186) Str 20/9/90

The Star
Finance

Pick 'n Pay gaining more market share

By Ann Crotty

A strong second quarter enabled retail giant Pick 'n Pay to report a 15 percent increase in earnings to 41,8c (36,3c) a share for the six months to end-August

An interim dividend of 12,5c a share has been declared — 19 percent up on the previous interim dividend

The earnings improvement was achieved on an 18,7 percent hike in turnover to R2,4 billion (R2 billion) This suggests some increase in market share which was presumably gained at the expense of OK Bazaar and to a lesser extent Checkers — both of whom were hit by strikes during the review period By contrast Pick 'n Pay enjoyed a strike-free six months

Trading income was up 17 percent Trading margins, which are crucial in this industry given the massive turnover volumes involved, were squeezed slightly — down from 2,5 percent to 2,48

Although Pick 'n Pay has the highest margins amongst the major food retailers these have been under pressure in recent years — easing from 2,77 in financial '88 to 2,73 in '89 and 2,67 in the year to February '90

Investment income was down to R2,2 million (R2,6 million) In financial '90 a sharp increase in investment income had helped to cushion the effects of a pedestrian 13 percent advance in turnover

The balance sheet shows investments and loans shot up between end-August '89 and end-August '90, by 52 percent to R113,5 million from R74,7 million

The tax rate was 47,5 percent which is little changed on the tax rate charged at the previous interim However it represents a sharp hike on the tax charge for the full financial '90 year This was 36,5 percent — apparently benefiting from the tax free income earned on some of its investments

Earnings were up 15 percent to R32,7 million (R28,4 million)

The balance sheet shows accounts payable up 25 percent which, compared with the 18,7 percent hike in turnover, suggests that Pick 'n Pay managed to squeeze a little more funding from its suppliers

Tighter stock management, presumably helped by the electronic scanning system, helped to keep the increase in stocks to 16 percent

Looking to second half performance, chairman Mr Raymond Ackerman notes that although the economy is very tough "the turnovers over the last few months have been so encouraging that I feel confident of a significantly improved result for the second half-year"

He added "There is a possibility of a 20 percent increase in pre-tax profits for the whole year"

This is expected to be achieved on a turnover of R5,25 billion which would represent an increase of 20 percent on financial '90 sales of R4,4 billion

FM 21/9/90 (186)

PLEASURE FOODS

STILL COOKING

Activities: *Markets branded ready-to-eat convenience foods Major brands include Juicy Lucy, Milky Lane, Pizza Hut, Golden Egg and Wimpy.*
Control: *Anglovaal Holdings 63%*
Chairman: *J Bryant, MD· M F Silberbauer*
Capital structure: *46,5m ords Market capitalisation: R18,6m*
Share market: *Price, 40c Yields 3,8% on dividend, 6,5% on earnings, p e ratio, 15,4, cover, 1,7 12-month high, 75c, low, 35c Trading volume last quarter, 106 500 shares*

Year to June 30	***'88**	**'89**	**'90**
ST debt (Rm)	6,0	7,1	3,4
LT debt (Rm)	1 7	1,1	0,8
‡Debt equity ratio	1,37	1,25	0,59
‡Shareholders' interest	0,26	0,28	0,36
Int & leasing cover	11,1	3,9	2,9
‡Return on cap (%)	23,7	20,2	12,5
Turnover (Rm)	68,0	80,1	88,4
Pre-int profit (Rm)	5,2	4,6	2,5
Pre-int margin (%)	7,6	5,7	2,8
Earnings (c)	8,4	7,8	2,6
Dividends (c)	3,0	3,0	1,5
‡Net worth (c)	13,1	14,0	15,6

* 13 months ‡ Trade marks excluded

Some three years after its formation as Anglovaal Industries' vehicle in the convenience foods sector, Pleasure Foods remains interesting for its potential rather than its performance

Trading results have remained disappointing, despite efforts to reorganise operations and bolster management where necessary. Chairman John Bryant notes that optimism expressed in the interim report about the expected profit performance during the latter half of the year was not vindicated, notwithstanding a creditable performance from the flagship brand, Wimpy.

The cause of the poor bottom-line result is plain. Though turnover continues to grow, the trading margin has fallen throughout the past four years Regrettably, a divisional profit breakdown is not given Bryant does say Milky Lane and Golden Egg continued to show more than satisfactory improvement, while Juicy Lucy's performance remained unchanged Continued management problems impacted negatively on the Pizza Hut division, which made a "substantial loss."

Bryant notes that the group recorded real growth in sales volumes in difficult market conditions, particularly in the second half. Though turnover rose by only 9,4%, this must be seen in the light of the sale of BJ's Pantry, the turnover of Mr Fruit Juice no longer being included from January 31 and the sale of certain company-owned outlets

The group restructuring and brand positioning mentioned last year was largely completed BJ's Pantry was sold, and the business is focused around five major brands. Wimpy, Pizza Hut, Juicy Lucy, Milky Lane and Golden Egg

Borrowings fell owing to lower capital expenditure and tighter cash control Gearing appears high in the accompanying table, but this is after deducting trade marks valued at R52m from shareholders' funds When trade marks are included, gearing falls to 0,07 and net worth is 128c instead of the stated 15,6c Even so, interest cover dropped because pre-interest profit was virtually halved

Bryant says senior management changes have been made at Pizza Hut and, once profitability has been restored, emphasis will shift back to growth Based principally on the recovery potential in this division, and providing trading conditions do not deteriorate dramatically, he says group earnings should improve this year

Recovery prospects are largely reflected in the price, which stands on an earnings multiple of more than 15.

Andrew McNulty

September 1990

Four in court for R57 000

C/Press

186

By BERENG MTIMKULU

FOUR black men who allegedly robbed the Yeoville branch of the OK Bazaars of R57 000 in cash on April 9 last year, appeared this week in the Johannesburg Regional Court.

Edward Makhuhu, 42, Mike Leshomo, 42, Jabulani Ngwenya, 28, and David Ramboyani, 33, pleaded not guilty to a charge of robbery and attempted murder before F Booysens.

The state alleges that a shot was fired at Rhoda Seefort during the robbery , but missed.

Makhuhu, Leshomo and Ngwenya are also expected to appear in court on October 20 in connection with two bank robberies in which more than R500 000 was taken.

The hearing continues.

Lower prices set to knock Kanhym

186

B/Day 24/9/90

MARCIA KLEIN

EXCESS meat production, lower meat prices and reduced disposable income in a weak economy will affect food company Kanhym's earnings by 6% to 8% at the August year-end, executive chairman Dirk Jacobs says

Jacobs says in an interview that although this levelling out in earnings may be in line with many companies in the food sector, Kanhym — which has shown a more than 80% compound growth in earnings since 1986 — has the potential to maintain real growth in earnings

At the February interim stage — when earnings rose 23% to 37c a share — a faltering economy and reduction in the meat price was expected Jacobs forecast Kanhym would achieve growth of 15% assuming an inflation rate of 14%

Trends

However, since June, meat prices dropped by an unexpected 50c a kilogram to floor price level Jacobs says the months June to August cost the company R4m in its feedlots

In addition to this, cattle values at auctions were similarly lower, resulting in a R1,2m cost to the bottom line

In line with trends in the meat industry, earnings are expected to drop 14c a share in the second half, he says.

While gearing is expected to be lower than last year's 32%, Jacobs says overheads such as distribution costs, wages, fuel and costs in funding capital expenditure are rising — putting margins in the "discomfort zone".

Prepared meat product prices have declined by 1,5% in real terms and red meat consumption has declined to 22kg per capita compared with 33kg in 1970

With the economy in a contraction phase, Jacobs does not expect a change in the industry over the next 18 months, and Kanhym will be hard pressed to improve on this year's results But the group hopes to at least equal this year's performance

However, value-added products — which "have become a culture in Kanhym" — have shown profit improvement and last year's 55% value-added component now stands at 62%

Subsidiaries Hanni and Mielie-Kip have contributed to a diversification in the value-added area

The group is looking for acquisitions and "there is much potential for organic growth, especially with regard to product development and branded line extensions", Jacobs says

In terms of the future of the industry, Jacobs said in a speech last month a realistic floor price with regular and moderate adjustments such as in the maize and poultry industry would enable industry to be less volatile in both good and bad times.

Scholarship in honour of Sam Mabe

Star 24/9/90

[illegible] 186 [illegible]

Own Correspondent

CAPE TOWN — A R20 000 scholarship in honour of the late Sam Mabe, former assistant editor of the Sowetan, is being sponsored by Pick 'n Pay

Mr Mabe was slain by two gunmen in Jabulani, Soweto, in July

Details of the scholarship for study at the School of Journalism at Rhodes University in Grahamstown were announced recently by Raymond Ackerman .

It is to be named the Sam Mabe Memorial Scholarship and will cover all costs for the full four-year bachelor of journalism degree.

"We have requested that the scholarship be awarded to a student, like the late Sam Mabe, from a disadvantaged background," Mr Ackerman said.

"Sam Mabe had a clear vision of a new, better and rehabilitated South Africa and his memory, convictions and values need to be perpetuated," he added

Soaring prices of food push up rate of inflation

(186)

BDay 27/9/90

ANDREW GILL

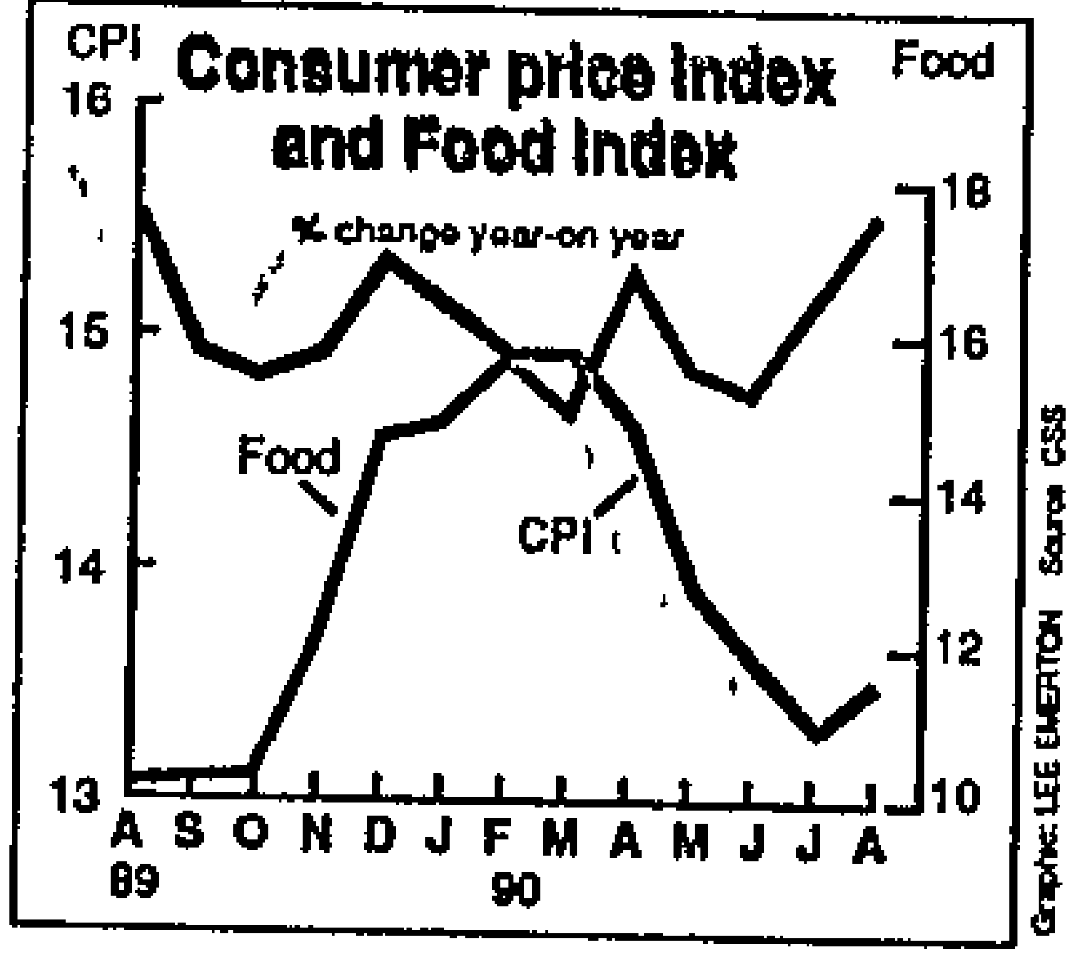
SOARING food prices are a major inhibiting factor in the Reserve Bank's fight to destroy double digit inflation, August's consumer price index shows

Food inflation increased at an annual rate of 17,7%, a 30-month high, helping to push the all-items inflation rate up for the first time this year

Unprocessed food prices are rising at an even faster rate of 18,5%, while processed foods were 16,2% higher in August this year than in August 1989

This is largely because of vegetable and fruit and nut prices Vegetables cost 41,1% more in August than in the same month last year. Fruit and nuts cost 28% more

If food inflation is excluded from the calculations, inflation is running at only 12,4% — levels not seen since 1988 when the average for the year was 11,8%.



Graphic: LEE EMERTON Source CSS

Bearing the brunt of the higher prices are the lower and middle income groups, for whom food price inflation is running at annual rates of 18,5% and 18,1% respectively In the higher income bracket, it is running at a much lower 16,5%

All-items inflation is 14,6% for the lower income groups, 14,3% for middle income and 13,1% for the higher income group

Since the all-items inflation rate began falling at the end of last year, the lower income group inflation rate has remained consistently above that rate, while high income group inflation has remained below it

One of the major contributors to the downward pressure in the all-items rate is housing, with a 21% weighting in the index, which rose at an annual rate of just 7,6% in August It has held below 10% since entering single digits in May

Transport costs contributed to August's higher rate, but this was more likely a seasonal hiccup The annual rate of increase is only 11,1%

Violence is hampering economy

186 Sowetan 27/9/90

* From Page 28

pany has experienced considerable difficulties with deliveries in the townships with a number of vehicles being damaged.

The chairman of Premier Food Industries, Mr Norman Fowler, says four vehicles have been damaged as a result of violence in the townships and are now arranging for collections.

"This arrangement has somehow minimised the losses as a result of delivering into the riot-torn areas." he says.

The president of the Nyanda Chamber of Commerce, Mr Rodger-Sushi, says violence in Natal has become the order of the day yet black traders are being called on to be of service to the people as if nothing has happened

The Vaal Chamber of Commerce has had several reports of business attacked, looted and razed by faceless "third forces" in the Evaton-Sebokeng complex in the past few weeks.

Shocking

The chamber's president, Mr George Thabe, says the reports are shocking as innocent traders are suffering at the hands of these unknown people.

Both the chamber and the civic associations have condemned the violence.

The president of Nafcoc, Dr Sam Motsuenyane, says the violence that has gripped the country must be stopped One of the reasons why black business is often destroyed during riots is due to lack of appreciation of its importance, or to the suspicion towards people's political aspirations.

He says those who run business are often looked upon as an extension of exploitative, unjust and corrupt system. Black business has witnessed many restrictions and tragedies in the past.

The riots certainly triggered off spontaneous reactions, not only nationally, but also internationally, which resulted in the formulation of various fair employment codes, such as the Sullivan and the EEC codes of conduct.

Rising violence is hampering business

Sowetan 27/4/90

(186)

BLACK business and the economy are being seriously hamstrung by the rising tide of violence in the townships.

Both formal traders and the small entrepreneurs (spaza shops) are running out of stock, particularly of cold drinks, bread and other foodstuffs, mainly because of the high risk to delivery vehicles before the start of "Operation Iron Fist"

Several shops have been attacked, looted and razed causing damage estimated at thousands of rands in Natal, Transvaal and Cape Province in the past months Some have been forced to close

Damage

Bakeries, visibly suffered the most vehicle damage, with Coca-Cola, SAB and other major suppliers also loosing because their staff has been reluctant to continue with their deliveries in fear of reprisals.

However, beer is getting through to the townships, despite the unrest, according to SAB's manager of public affairs Mr Adrian Botha.

He says overall sales have been better than they budgeted for Bottle store owners and taverners are picking up beer from nearby depots

But, he adds, the com-

* To Page 29

Business suffers in trouble spots

Sowetan 27/9/90

186

Sowetan Correspondent

UNREST has greatly affected business in Reef townships mainly because the high risk of damage to vehicles has made suppliers reluctant to continue deliveries.

This is the opinion of big traders and suppliers who do business in the trouble-torn-townships

As a result formal and informal traders have run out of stocks, particularly basic foods like bread and mielie meal.

Traders say the trend could worsen with the introduction of the "Iron Fist" measures which began on Tuesday night

Affected

Metro's human resources director Mr Piet Strydom says his company had been affected on the East Rand and Johannesburg where they encountered a high number of incidents which affected their turnover

Strydom says their woes were compounded by the high absenteeism of staff.

He said the above factors had greatly influenced their business Although he did not have specific figures at the moment but the effect was noticeable

Hampered

Tiger Oats group spokesman Mr Patrick McLlaughlin says to a certain extent their milling and bakery divisions have been affected.

This has hampered their deliveries into the townships Their drivers' safety was at stake they had to withdraw, he said.

"Our milling division who make Ace and Induna maize meal were slightly affected and other divisions such as rice, eggs and pasta were not affected as supplies continued as usual," McLlaughlin added.

SAB manager of public affairs Mr Adriaan Botha confirmed that it was difficult to make deliveries in the township after the their vehicles had been damaged

Their drivers were unable to make deliveries when violence intensified in the past few weeks.

Loss

Although Botha could not quantify the extent of the loss he foresaw the decrease of consumption with the introduction of night curfews

A spokesman for Premier Food Industries says the violence had geatly affected their deliveries although in certain areas the situation was back to normal

Assessment

Coca-Cola spokesman Mr Neville Barbara said some of their trucks had been unable to enter certain areas in the township.

He did not have figures to back his assessment.

McDiarmid quits Metro

Star 28/9/90. (186)

By Ann Crotty

Following the disappointing performance of Tradegro subsidiary Metro, news of the resignation yesterday of its MD, Mr Tony McDiarmid did not come as a surprise to analysts

Mr McDiarmid took the helm at Metro just one year ago and was faced not only with tough trading conditions but also with the difficulties of bedding down Jazz and Fairways The combination crippled earnings performance Despite this Tradegro head office indicated that it was looking for a significant improvement during the current financial year

News that Tradegro chief executive Mr Donald Masson will assume the role of executive chairman with immediate effect was also not unexpected

Much of the restructuring needed at Tradegro head office level was completed during financial '90 What is now needed from the group is an improvement at operating level Mr Masson has long been thought to be interested in taking a more hands on approach to Tradegro management.

Rainbow Chickens shines

W Mail 31/8-6/9/90

(186)

Weekly Mail Reporter

DESPITE difficult trading conditions Rainbow Chickens increased its bottom-line profit 27,6 percent from R67,4-million to R86-million in the year to end June

Profit was boosted by higher interest income and substantially reduced tax

Earnings a share increased by 16,8 percent from 26,8c to 31,3c just short of the prospectus forecast of 32,3c estimated in May 1989 prior to the JSE listing.

The final dividend of 5,9c a share brings the total for the year to 10,7c a share,in line with the prospectus forecast

Group MD John Geoghegan said trading conditions in the chicken business were tough, because consumer markets had been over-supplied and because of the recession

Turnover increased by 14,6 percent mainly because of expanded production at Rainbow's Rustenburg operation But relatively static selling prices and high feed costs had decreased operating margins.

Rainbow upped production and minimised the effects of thse factors on operating margins

Although trading conditions have improved in the chicken industry during the first two months of the new financial year, a decline in interest income will hurt earnings growth

Capital expenditure of more than R150-million has been authorised for the 1990/91 financial year

Most of the expansion will take place at the Rustenburg plant It is expected production will rise from 540 000 chickens a week to 740 000 by next June

Maximum production at this facility will be 1 250 000 chickens a week

Geoghegan commented. "The group has commenced construction of its own feed mill at Rustenburg which is expected to produce feed from June 1992 onwards and will be followed by further in-house mills at Hammarsdale and Worcester, coming on stream in June 1993.

"Feed costs account for 55 percent of total costs and 85 percent of live bird production and consequently a reduction in these costs will have a significant effect on overall profitability"

Star 3/10/90 186

Fedics buys stake in Protea

Finance Staff

The food services group Fedics has acquired a 40 percent holding in the hotel group Protea Hospitality Corporation with effect from July 1, the companies have announced.

Otto J Stehlik, executive chairman of Protea, and six fellow directors will retain control of Protea.

Three directors from Fedics will join the Protea board — David Wigley, Delwin Eggers, and Peet van der Walt, chairman of Fedics, with his alternate, Theo Bohlmann.

The companies say they believe their association will enable them to develop more successfully in the hospitality and allied tourism industries, which will see strong and sustained growth throughout southern Africa

Protea's expertise in managing, marketing and developing hotel and self-catering facilities and Fedics' knowledge of the food service industry will prove a strong combination

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186
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Lock-out, sleep-in and now a strike

By SHARON SOROUR
Labour Reporter

PRODUCTION at the Nestlé-Rowntree factory in East London has stopped after hundreds of workers downed tools following a deadlock in wage negotiations

Some workers were locked out of the factory by management yesterday while about 400 stayed inside the premises after beginning a sleep-in strike on Monday.

The factory's general manager, Mr F D Jelley, confirmed that 440 people had embarked on a sleep-in on Monday night but company spokesman Mrs Maureen Stagg said all the workers had left the factory by today.

GO-SLOW

The industrial action follows three months of negotiations between the company and the Food and Allied Workers' Union.

Two union shop stewards, Mr Mxolisi Ngunuza and Mr Thabo Oliphant, said the workers started a go-slow last week after negotiations deadlocked at industrial council and mediation levels.

Workers had last received a wage increase over a year ago and negotiations had been under way since June, Mr Ngunuza said

During wage negotiations the union had been prepared to compromise to R500 back-pay. Management had offered an increase of R35 a week plus R200 back-pay or an increase of R38 a week without back-pay

I&J plans to resume earnings growth trend

186

MARCIA KLEIN

FROZEN food producer Irvin & Johnson (I & J) — whose sustained record of earnings growth was halted in the June year-end — has planned for a resumption in earnings growth in financial 1991 "dependent on changes in adverse external factors", chairman Jan Robbertze says in the annual report.

Despite his reluctance to comment on future prospects, group financial manager John Morrison would only say yesterday that I & J was working on one or two ventures.

He said this was the first year the group had had a setback after 12 years of profit growth. I & J's return on capital and other key ratios was still very good, and considering adverse conditions over the last year, the group did not show a poor performance

Morrison said events in the Middle East affected the group, as I & J had a large fuel consumption

Because of the threat of a higher fuel price and uncertain political and economic conditions, the group was "apprehensive about making bullish comments"

Attributable earnings for the Anglovaal subsidiary decreased by 12% to R58m at the June year-end A 15% increase in turnover to R1,25bn was affected by a reduction in margins, bringing pre-tax profit down by 12,3% to R90m.

Robbertze said a drop in earnings — by 12,3% to 203c a share — was due to the economic downturn and "other external restrictive factors" These included a decline in the domestic retail frozen food market, in volume terms, by 6% at the June year-end

He said all key financial ratios still reflected "a robust company", with low borrowings

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ROOIKRAAL FM 5/10/90 (186)

ASSETS FOR SALE

Activities: *Supplies produce to the meat industry* (3) meat

Control: *Lurie and Becker families 62%*

Chairman: *G N Gluckman, MD J H Lurie*

Capital structure: *8m ords Market capitalisation R1,6m.*

Share market: *Price 20c Yields 2,4% on earnings, p e ratio, 41,7 12-month high, 40c, low, 20c. Trading volume last quarter, 938 500 shares*

Year to Jun 30	**'89**	**'90**
ST debt (R000)	838	522
LT debt (R000)	429	300
Debt equity ratio	0,37	0,31
Shareholders' interest	0,66	0,50
Int & leasing cover	29,0	1,35
Return on capital (%)	15,2	5,7
Turnover (Rm)	10,9	13,0
Pre-int profit (R000)	790	298
Pre-int margin (%)	7,3	2,3
Earnings (c)	9,5	0,48
Dividends (c)	4,1	—
Net worth (c)	42,6	33

By selling its R2,6m assets and forming a cash shell, Rooikraal hopes to be able to enhance the value of its shares. At 20c, the price is way below net worth of 33c and there is little chance of either the shares recovering or dividend payments.

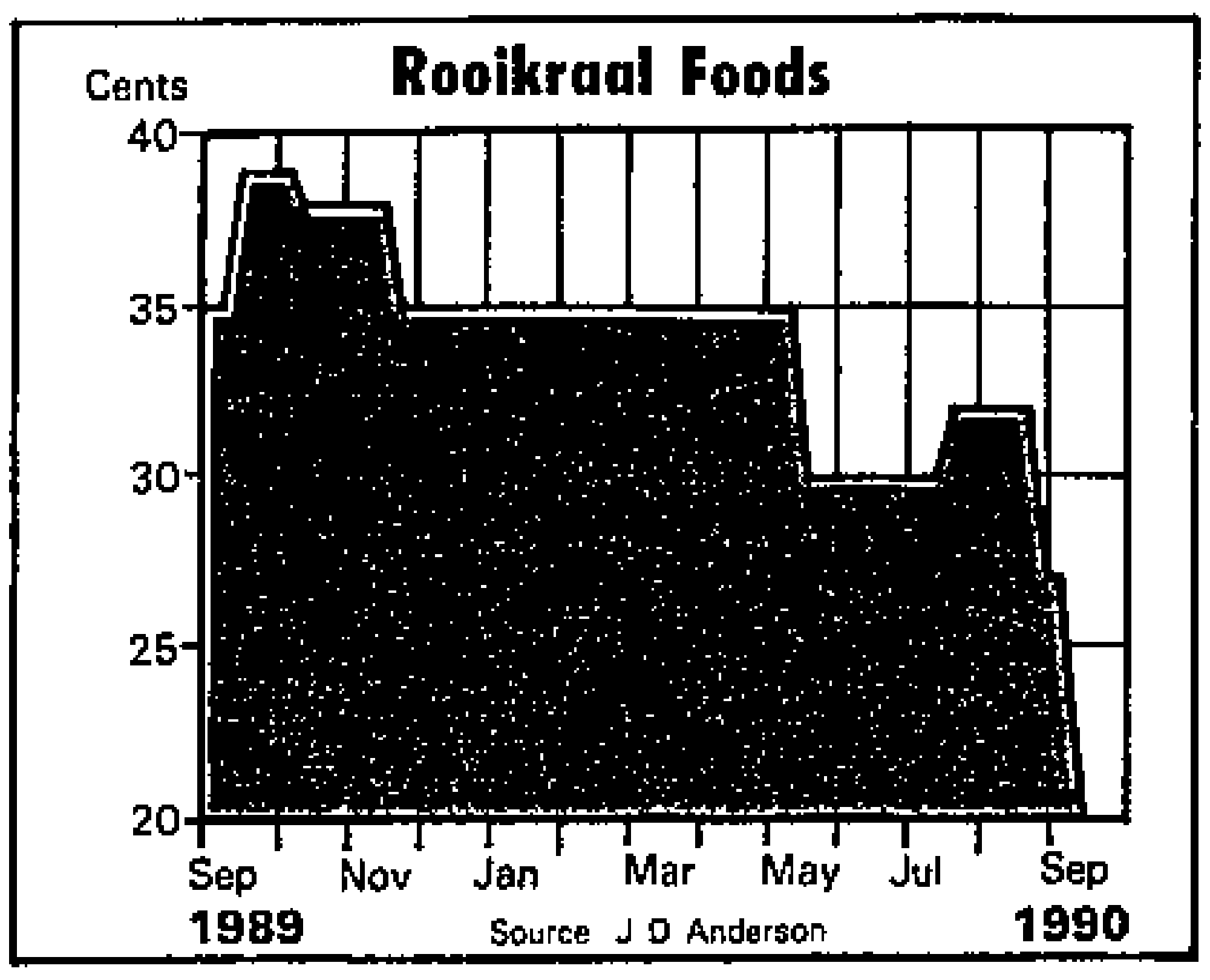
The majority shareholders, the Lurie and Berman families, have sold their 62% shareholding to Stratplan Corporate Consultants which decided to sell Rooikraal's assets, form and sell the cash shell or organise a reverse takeover. However, minorities can only be paid the net worth once the assets have been sold As yet, no buyer has been found and Rooikraal acting chairman Hugh Becker, who controls Stratplan, does not want to raise expectations

FM 5/10/90 (186) (3) Meat

Becker says the original reason for listing the company on the DCM was to raise capital to fund expansion He says the present state of the DCM leaves little prospect for this He admits "With hindsight, it was probably not a good idea to list the company" Aside from the weak state of the DCM, his reasons include the company's low return on capital and the nature of its assets, which make dividend payments almost impossible

Becker adds. "We require profits of at least R1m to service stocks and pay dividends." He estimates in another year R600 000 will have to be invested to maintain the cattle herd, while a 5c dividend would cost R400 000.

Instead, Rooikraal posted a net profit of R38 202 for the 1990 year, down from 1989's R762 363. After an extraordinary item relating to deferred tax, the small profit becomes a net loss of R772 361



Source J D Anderson

(3) meat. FM 5/10/90 (186)

According to Becker, the company was hit by the oversupply of red meat that caused real prices to fall "to their lowest level in years." Losses were further worsened by high inflation that boosted production costs. High interest rates lifted finance charges after debt had been increased to fund working capital that more than tripled The bank overdraft nearly doubled during the year, when the company was listed, its debt was minimal

Investors who bought shares at the high of 65c won't be pleased with the outcome but should a buyer for the assets be found, 33c is better than 20c A standby offer to minority shareholders, that closed on September 7, was for just 25c a share Becker says this attracted a good response and only about 5% of the shares are still held by minorities He says maybe this shows a price of 20c, giving an earnings multiple of 50, was not unattractive But it was still a lot less attractive than the 33c price he is hoping to realise — with few minorities still on board *Heather Formby*

Fedfood in possible deal

Star 5/10/90 (186)

By Ann Crotty

Market speculation has it that Fedfood is selling its local fishing activities to a private SA company.

Some of the funds needed for the deal are expected to come from an overseas party.

Yesterday's announcement that Fedfood was involved in negotiations over the possible disposal of a substantial portion of one of its divisions led to speculation that the deal involved either the baking and milling division or the fisheries division.

But no major player in the food industry in SA should be contemplating reducing its exposure to baking and milling.

Many analysts feel the group's exposure to the fishing industry is too large.

Results for the 12 months to end-March were hit by difficult conditions in local fishing activities.

By contrast, its foreign fishing interests reported increased profits.

If Fedfood does sell its local fishing interests, it will still be left with a reasonable exposure to the industry through its interests in South America and its recent acquisition of Sea Plant Products — a perlemoen operation.

Still some chance for embattled Metro

Star 9/10/90

Diagonal Street

186

ANN CROTTY

Metro had a tough time in financial '90.

Not only did it have to contend with an unstable political climate and deteriorating economic conditions, but it also had to undertake a comprehensive and costly reorganisation of its activities.

The combined effect on the bottom line was extensive — particularly in the second half when a lot of cleaning up was done at Jazz Stores, which was injected into Fairways.

Full-year earnings were down 22 percent, with the 44 percent second-half decline more than countering the 18,6 percent hike of the first half.

Despite the poor performance, head office management at Tradegro appears more optimistic about Metro than it does about Checkers.

For Metro, helped by its expansion outside SA, there seems to be some chance of earnings growth in financial '91. But the growth forecast is ringed with many reservations.

The annual report says: "Group prospects depend to a large extent on political stability and the strength of the economy. Current high interest rates are likely to have a dampening effect on the business If relative stability is reached and maintained and the economy has in fact bottomed out, group performance for the coming year should not only improve, but reflect a reasonable growth on last year's earnings"

Whatever SA's stability, the first few months of financial '91 have been fairly volatile for Metro — MD Tony McDiarmid has resigned (with Donald Masson stepping in as temporary replacement) and Pepgro was no doubt sniffing around Metro as part its investigation into the aborted merger between it and Tradegro

The reorganisation that was completed during the year created four autonomous divisions, each with its own MD and board.

The divisions are Metcash (wholesale cash and carry), Trade Centre (wholesale hyperstores), D&DH Fraser (conventional wholesaling, distribution and mine stores), and Fairways Supermarkets (retail).

Metcash, which remains the core business, appears to have put in a relatively good performance in financial '90'

That organic growth was achieved in this division should help to counter analysts' concerns that prospects for earnings growth at Metro are curtailed because it is operating in a mature industry.

Fairways, which, because of Jazz, was the major trouble spot of financial '90, is expected to show some benefit from the restructuring.

Trade Centre is hoping to achieve some growth by repositioning itself in the market.

D&DH Fraser had a reasonable year, despite difficult trading conditions.

But in view of the unrest, mine retrenchments, stiffer competition from larger national chains and the greater mobility of mineworkers, growth from this division will be difficult to sustain.

Fedfood remains a sound proposition

10/10/90

Diagonal Street

186

LYNNE PEACH

Fedfood achieved modest profit growth in the past year and although no great guns are expected this year, above-average performance appears to be in reach.

In the annual report, managing director Jan du Toit says results in the past year were dampened by the relocation of the biscuit factory, which took longer than planned.

In addition, fishing was disappointing (there is speculation of a disposal of some interests in this division) and drought in the Eastern Cape resulted in shortages of vegetables intended for freezing facilities in Port Elizabeth.

Fedfood is a holding company investing its funds in companies trading in the food industry and food-related services.

The baking and milling division, comprising Fedbake, Fedpro, Nola and Ruto, accounts for about half of group turnover.

Snacks, including Fedbisco and Simba, contributes about 30 percent to total sales, while the frozen food division accounts for 15 percent and fisheries for less than 10 percent.

In the year to March, group turnover grew a modest four percent from R1,171 billion to R1,221 billion.

After unsustained performance from the baking and milling and fisheries divisions, group operating profit declined four percent from R100,2 million to R95,9 million.

Pre-tax profit fell nine percent from R83,4 million to R75,8 million as a result of financing costs growing 20 percent from R16,8 million to R20,1 million.

A similar effective tax rate of 42,2 percent pushed taxed profit down from R48,2 million to R43,9 million.

After allowing for the equity portion of non-consolidated results and outside shareholders' interest, attributable profit showed a marginal increase of four percent from R49,1 million to R50,9 million

Based on a higher weighted average number of shares in issue, earnings per share rose one percent from 168,4c to 170,0c.

The dividend for the year was 47c a share — four percent more than the previous year's payout of 45c.

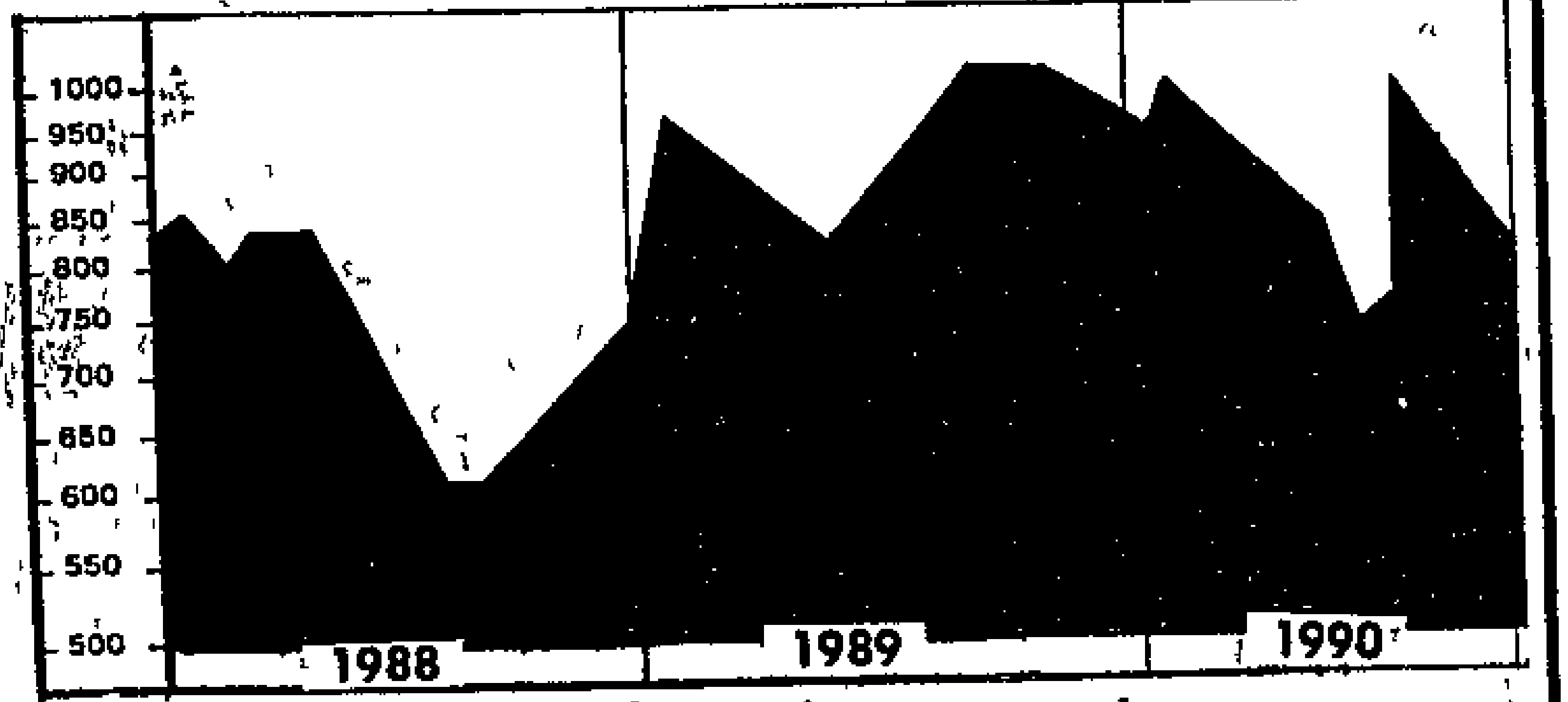
The balance sheet showed a significant rise in interest-bearing debt from R60,7 million to R100,1 million.

This pushed gearing up from 20,2 percent to 29,3 percent.

Net asset value appreciated 14 percent from 860,9c per share a year ago to 980,3c.

Fedfood, priced at 800c, is trading on a P/E ratio of 4,8 and provides a dividend yield of 5,8 percent.

The rating is relatively attractive, compared with the food-sector average and long-term prospects remain sound.



Fedfood share price movement

Dispute at city abattoir: Workers demand jobs back

AK64-5 6/10/90

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By SHARON SOROUR, Labour Reporter

THE African National Congress and other community organisations have stepped into a dispute involving the dismissal of about 300 abattoir workers.

The Food and Allied Workers' Union announced yesterday that the ANC, with Cosatu, the Muslim Judicial Council, the United Democratic Front, the Western Cape Traders' Association and the Chamber of Muslim Meat Traders, pledged support for the workers' reinstatement

They were dismissed from Cape Slaughtering, Dressing and Flaying on August 2 for staging a wildcat strike at the Maitland abattoir.

'TRICKED'

The union accused the company of dismissing the workers in an "arbitrary and dictatorial manner".

"They were informed of their dismissal by a police official. They had been tricked into clocking out on the pretext that the problem would be discussed with shop stewards the following morning," a union statement said.

But a company spokesman said the workers were requested, verbally and in writing, to return to work and were warned that if they refused they would be dismissed.

"It had been agreed upon by both parties that they would not take part in any industrial action during wage negotiations. The company claimed for the losses from the workers and the union and it was agreed upon that any back pay would be held back pending the outcome of the claim," he said.

BOYCOTT THREAT

An urgent industrial court application by the union to have the workers reinstated failed and the two parties were set to meet in court next week.

The organisations had called on the company to meet the union and settle the matter but company was not prepared to reinstate the workers and would meet the union in court, the spokesman said.

The union has threatened that the dispute could lead to a red meat boycott and support action by trade unionists at distribution firms.

186

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Arg(w) 10/10/90.

Conciliation board to rule on Gant sackings

SACKINGS on a Somerset West estate owned by Democratic Party national chairman Mr David Gant have resulted in a successful application for a conciliation board by five of the dismissed workers.

Confirming this, Stellenbosch attorney Mr Glyn Williams said the workers, formerly employed in a sawmill on Mr Gant's Lourensford Estate, claim they were summarily and unfairly dismissed

The employees and about 400 colleagues were fired on May 2 after a three-day strike, demanding that Mr Gant negotiate with an elected committee on wages and conditions of service

All but 69 workers were reinstated.

The farm manager allegedly refused to convey the workers' demands to Mr Gant unless they changed the name of their committee, which called itself the "ANC".

Obliging, they renamed the committee "Uzamaxolo" — Xhosa for "In the name of Peace"

Commenting, Mr Gant said the strike had been marked by intimidation, especially of "coloured" workers.

"During the course of that morning (Tuesday May 2) I decided to dismiss the 420 on the basis of the continued strike, the fact that they had taken the law into their own hands and on account of intimidatory practices."

Mr Williams said the former sawmill workers are deemed to be factory workers in terms of the Labour Relations Act and have access to the Industrial Court. — Sapa.

Nine shot dead

MARITZBURG. — Nine people, including a seven-year-old boy, were shot dead when a mob attacked four kraals while the occupants were sleeping in the Swayimani area outside Wartburg, Natal, at the weekend, police said — Sapa

11/10/90

East London sweet factory strike ends

186

Labour Reporter

HUNDREDS of employees of the Wilson-Rowntree sweet factory in East London, who downed tools after wage negotiations deadlocked, have returned to work.

Mr David Jelley, director of the company's chocolate and confectionary division, said an agreement had been reached between management and the Food and Allied Workers' Union (Fawu).

"Both sides are committed to building relationships for the future."

The workers returned to work yesterday.

Production at the factory was interrupted last week when about 400 workers staged a sleep-in strike and others were locked out by management.

● Nampak Corrugated Containers is to meet the Paper, Printing, Wood and Allied Workers' Union in a bid to resolve the nationwide six-week "illegal" strike by thousands of workers.

The meeting today follows a threat by trade union federation Cosatu to take solidarity action against the Barlow Rand subsidiary's "iron fist attitude".

The workers are demanding the company stop factory-level negotiations in favour of a single national bargaining forum.

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Rowntree strike ends

EAST LONDON. — Striking workers at Wilson Rowntree here are expected to return to work today following an agreement between management and the Food and Allied Workers' Union. More than 1 000 workers downed tools last Monday after wage negotiations deadlocked

IRVIN & JOHNSON

FIRMER MANAGEMENT

F|M 12|10|90

186

Activities: *Processes and distributes seafood and other frozen food products*

Control: *AVI holds 68,7%*

Chairman: *J C Robbertze*

Capital structure: *28,5m ords Market capitalisation R556m.*

Share market: *Price· 1 950c Yields 3,6% on dividend, 10,4% on earnings, p e ratio, 9,6, cover, 2,9 12-month high, 3 100c, low, 1 925c*

Year to June	**'87**	**'88**	**'89**	**'90**
ST debt (Rm)	15,9	15,0	20,2	11,0
LT debt (Rm)	19,3	38,4	38,6	35,1
Debt equity ratio	—	0,02	0,08	—
Shareholders' interest	0,45	0,46	0,48	0,49
Int & leasing cover	15,7	34,1	182,3	—
Return on cap (%)	20,4	22,4	22,6	18,0
Turnover (Rm)	737	890	1094	1257
Pre-int profit (Rm)	58,4	82,2	103,4	89,3
Pre-int margin (%)	7,9	9,2	9,4	7,1
Earnings (c)	122	179	232	203
Dividends (c)	38	55	70	70
Net worth (c)	460	594	772	856

Like most others, the *FM* was caught off-balance by I&J's 1990 earnings decline A year ago, it seemed inconceivable that a group with such a strong growth record would not show at least some improvement, now the question is whether a turnaround can reasonably be expected in the short term

Ironically, it must be stated that some of the uncertainty derives from the group's past successes It is recognised (deservedly) by the market as a well structured, soundly managed company. While these qualities no doubt helped cushion last year's earnings decline, there is also limited scope for internal productivity improvements which might otherwise offset deterioration in business conditions.

F|M 12|10|90 186

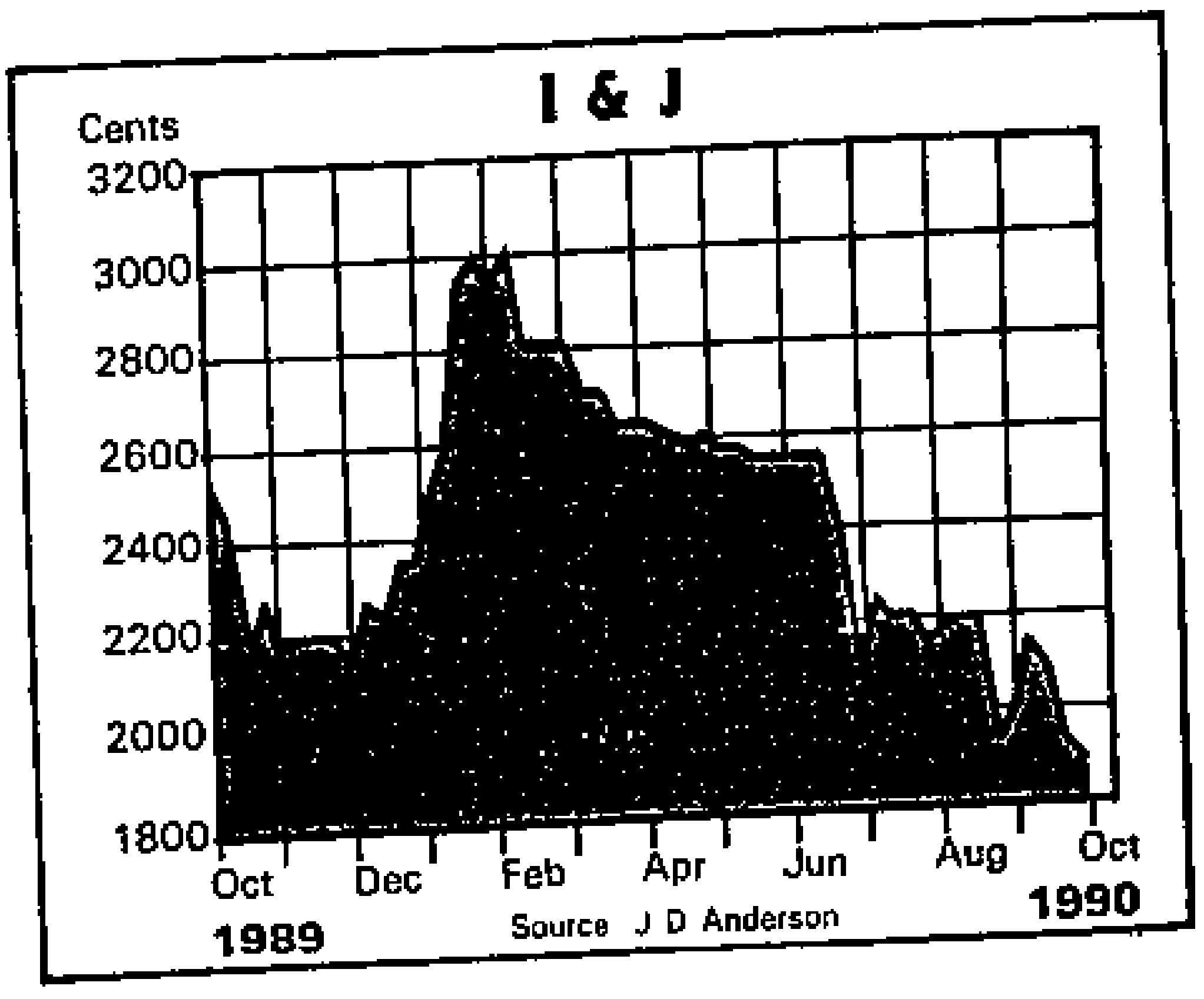
As was pointed out in the *FM*'s review of the 1989 report, efficiency gains played a strong part in, particularly, the two-year period of 1987 and 1988, when EPS rose about 150% on sales improvement of only 45% In 1989, it was already evident the process of weeding out inefficiencies was ending, as the relationship between sales and earnings growth started moving more into line, while 1990 demonstrated the impact of a market segment that failed to grow.

Chairman Jan Robbertze says the overall frozen-food market contracted by about 6% at retail level in the year to end-June, its first major setback in 10 years In the circumstances, I&J's 15% turnover gain in rand terms, coupled with sharp narrowing of margins, could suggest the group was fighting to maintain volumes in the face of a smaller market — a tactic that will stand the group in good stead in the long run, even if short-term effects have been less than pretty.

Robbertze says a changed consumption pattern in the frozen foods market favoured cheaper products, logical, considering the economic environment

But, surprisingly, under these conditions it was the group's prepared food products — mainly convenience foods — that did well, while its more basic fishing interests were hit by restricted availability of fish owing to a smaller quota as well as depressed international prices.

This much seems to have sorted itself out — international prices are said to be in a strong upward phase and, Robbertze says, there are prospects of a modest increase in SA fishing quotas



Source J D Anderson

Having said the efficiencies in the group leave little room for further improvement, it must be noted that management has responded to the more stringent environment by tightening up on asset management Working capital has been clipped to 8,1% of sales (1988 9,2%), and this contributed to an improved asset ratio of 2,5 times (1989 2,4)

These are still not the best the group has achieved (net working capital was down to 7,2% in 1987 and 1988, while asset turn has been as high as 2,6); but these improvements contributed to the group ending the year with a net cash balance of R61m instead of the R17,6m net borrowings of a year ago And, more important, the group is well-situated to respond to an improvement in trading conditions

But "when" is more problematic There is

F|M 12|10|90 186

the more promising outlook for the fishing division mentioned earlier On the other hand, most of the damage occurred during last year's second half turnover growth was only 12,5% in the January-June period, while operating profit and EPS tumbled 26% and 22% respectively, after small gains in the first half

Probably the safest bet is to assume a worst-case policy of another unchanged dividend, leaving the yield, at 1 950c, at 3,6% I&J stands at a discount of about 19% to the food sector, almost unchanged from last year At the same time, the premium at which I&J is rated relative to the industrial market has crumbled from 21% to 14%, clearly indicating investor disappointment

Brian Thompson

Elangeni Holdings waives dividend payouts

B/Day 12/10/90

SYLVIA DU PLESSIS

DIRECTORS of Durban-based edible oil processor Elangeni Holdings, which has not paid dividends since it made its debut on the JSE in August 1988, have waived dividend payments during the current and forthcoming financial years.

This is because the group's financial restructuring has not yet been finalised. The announcement follows an assurance at the interim stage that payment of four times-covered dividends would commence in financial 1990.

It comes on the back of a weak performance in the 14 months ended June, during which soaring interest costs and additional operating expenses incurred in the development of divisional operations saw earnings plummet 64% a share.

The JSE-listed group, products of which are marketed under the brand names Delo and Quik Fry, reported earnings of 3,2c a share for the period under review from a corresponding 8,8c

This was based on undisclosed turnover which grew to 477 on an index from 316 and margins under pressure by operating income which grew to R3,3m from R3,1m

After an interest bill which surged to R2,8m from R1,7m, this translated into a net income for the trading period of R529 000 — a third of the R1,5m posted previously.

Directors said the group's capex programme was largely completed, and its financial structure would be strengthened in the current year by both a R3,5m rights issue — announced earlier this year — and the free cash flow arising from the profitable running of new divisions.

They were confident of producing a "material" increase in earnings in the current year, they added. The shares, at a high of 150c in February, closed untraded at 120c yesterday

Fawu in fight for lost jobs

Cit Trad 13/10/

186

THE Food and Allied Workers' Union (Fawu), representing about 300 sacked Cape Slaughtering workers, will approach the Industrial Court on Monday in a second bid for their reinstatement.

Meanwhile, a company spokesman ruled out any further attempts to negotiate over the fired workers' jobs after a trade union delegation tried to reopen talks yesterday.

This followed an announcement earlier this week by Fawu of ANC, trade union and business support to reinstate the workers. — Sapa

'Lucky' OK raises borrowing limits

SStar 15/10/90

(186)

Bottom Line

MICHAEL MENOF

OK Bazaars can count itself lucky being 69 percent owned by mighty SA Breweries as its borrowings are close to its authorised limits.

At end March 1990 its articles permitted borrowings of R259,7 million while actual borrowings were a shade lower at R241,2 million. At the July annual meeting shareholders were asked to approve a special resolution altering the borrowing powers. Previously debt was limited to the amount of the company's paid up capital and reserves.

From now on, SAB will authorise the borrowing limits "in accordance with modern practise" whatever this means. The escalating debt of R241,2 million (1989: R178,3 million) is pounding the income statement where significant interest expense is only twice covered by operating income compared with 2,8 times a year earlier.

Remember this debt does not include the off balance sheet financing of the instalment sales which are done separately through associate finance company OK Fin (Pty) Ltd.

Through this company additional instalment sales' debt totalled R240,3 million (1989: R229,5 million). Does this mean total debt is close to half a billion?

It is hardly surprising that the bottom line failed to reach 1989's numbers. Not even a lower effective tax rate of 41,7 percent (1989: 45,3 percent) could help.

Milestone

While 1990 saw another milestone pass with sales exceeding R4 billion it was clearly a case of "sales being vanity, but profit sanity."

Chairman Mr Meyer Khan explained that the sharp drop in activity plus lower level of fixed overhead recovery and higher than normal shrinkage losses, linked with the social instability, caused the problems.

These are serious problems considering that earnings were up 15,7 percent at the halfway stage but overall declined by 16,4 percent for the full year. The last six months must have been a disaster.

Last year CE Mr Hood reported that a centralised warehousing grocery distribution system was introduced in half the stores. This year it was supplemented by a computerised space allocation and ordering system.

In the new year both systems will be expanded to cover the grocery, healthy and beauty aid departments in all stores. This would improve stock turn rates, reduce shrinkage and further improve the on-sales position, he says.

But there appears little wrong with the stock turn as the average for the year reached a record 6,1 times, says Mr Khan.

Turnover rose to R4,22 billion (1989: R3,73 billion) with operating income R68,43 million (1989: R67,12 million). Net interest was a massive R33,44 million (1989: R23,92 million). Attributable income declined 15 percent to R20,21 million (1989: R23,92 million).

The bottom line represents only 0,48 percent (1989: 0,64 percent) of turnover — what a pittance for all the hard work. Earnings per share were 163c compared with 1989's 195c. Dividends were reduced to 86c against 103c in 1989.

The retroactive phased tax on Lifo stock reserve was another cruel blow as Lifo values helped overcome rampant inflation. These retroactive tax increases make it difficult for businesses to plan their tax affairs with any degree of certainty, says Mr Khan.

He is so right as the Government seems to have little regard for business and their rotten past policies are the root of all the present problems.

In the balance sheet, shareholders funds declined to R359,4 million (1989: R375,6 million) at end March 1990. The notional tax on the Lifo stock conversion of R41 million caused the decline despite the surplus on fixed assets revalued during the year of R17,47 million credited to non-distributable reserves.

Apart from the massive debt the most disturbing aspect was the decline in working capital from R103,6 million in 1989 to only R19,9 million — not a healthy sign.

Prediction

While prospects appear gloomy both Messrs Kahn and Hood expect that while earnings will be under pressure there will some improvement. The interim results due out shortly should be a good indication of their predictions.

With all that OK does for its employees, sports promotions and pensioners (they receive a six percent discount on their purchases with the monthly limit recently increased by 25 percent), its high time organised labour gave OK a break.

Rather than hinder the company's growth, they should help it and never forget that their future is also at stake.

Ailing canning giant to close Strand factory

Argus 5/10/90

186

By VIVIEN HORLER
Staff Reporter

GANTS HOLDINGS, ~~the ailing~~ canning giant, is to close its factory at the Strand, putting about 1 200 people out of work

Already a number of people have been paid off The factory, which has been operating since 1955, will close finally on June 1 next year.

Mr Alf Robinson, managing director of Gants Holdings, blamed sanctions and overseas boycotts, high interest rates and the inflation rate, and the cost of selling to local markets, for Gants' poor performance lately

Hitting out at the local market, he warned that the trade could find itself dealing with a monopoly if it continued with punitive trading practices

Exports, which accounted for 50 percent of the company's business, had been hit hard by sanctions and boycotts, and the blow to the overseas market had been a major factor in the company's present situation

The company, which was taken over by Tollgate Holdings last year, will concentrate its efforts in the Transvaal and Swaziland Last year Gants closed down its factory in Kwazulu Its factory in Transkei is due to close next month

FINAL DETAILS

Bewildered workers at the plant, one of the Western Cape's major employers, were expecting to hear final details later this week

Although turnover for Gants Holdings rose to R193,3 million last year, operating profit fell to R14,6 million Gants' interim results for the six months to June showed a loss of 5,7c a share, down from earnings of 9,2c at the 1989 interim

Mr Ernest Wilson, new president of the Cape Chamber of Industries, said he had heard the news with "deep regret"

"The decision is deplorable in terms of the job losses, but it is symptomatic of the current economic situation This is another blow to Cape industry which is really struggling to find jobs for its unemployed at a time of increased urbanisation "

Some of the Strand workers will be moved to the Transvaal, but most will be retrenched Mr Robinson said "I feel devastated Some of the people here have worked for Gants for 30 years and more They know only about canning They have worked long hours, through weekends, they are tremendous people "

He described the retrenchment package as "fairly good" "In the light of the current cash flow of the company, we are paying more than we can afford We are going to have to borrow money to pay for the package "

BUSINESS DAY, Monday, October 15 1990

Loss-making Gants in offer to shareholders

BDay 15/10/90

186

Business Day Reporter

LOSS-making food-processing group Gants has announced a drastic rationalisation of operations to get itself back into the black, and is offering shareholders a way of realising their investments

Shareholders are to be given the chance to exchange their shares for shares in parent company Tollgate Holdings or, alternatively, to take a cash payment for their shares.

The reason for the offer, directors say, is that no dividend will be paid in the near future because of planned cutbacks in operations and the continuing adverse conditions in the industry

Minorities will be offered 20 Tollgate ordinary shares or R60 in cash for every 100 Gants shares held The Gants share is currently trading at 50c and the Tollgate share at R2,50

The announcement follows takeover talk — dismissed by the company — which has been rife ever since the acquisition of Tollgate's holding company Duros by a consortium led by Julian Askin and Hugo Biermann in March. The speculation sent the Gants share price up to a high of 135c in early April

Gants' directors believe it will be necessary to stop processing deciduous fruit in the western Cape, to relocate a major part of the Strand factory to its factories in the Transvaal and Swaziland, and to embark on a campaign to promote its meat, vegetable and other products and increase their market share.

In the six months to end-June Gants suffered a loss of 5,7c a share from the previous earnings of 9,2c and waived payment of a dividend Turnover just about halved to R67m (R129,3m) This was attributed to unfavourable trading conditions which resulted in low prices, high levels of stock and consequent high finance charges.

Directors said there had been aggressive discounting of prices by competitors, dumping of excess stocks by rivals and manufacturers of substitute products, and industrial action at major retailers

The forecast made in the interim statement that market conditions would improve in the final quarter had failed to materialise, hence the restructuring

It opened in Hong Kong today

depress sales for the
dustry, the major user

Gants to lay off 1000 workers

Star 16/10/90

186

CAPE TOWN — Gants Foods, the Strand-based canning company whose products have been known to numerous South African households for nearly 60 years, will be laying off about 1000 seasonal workers by the beginning of next year.

The closure of the company's deciduous fruit canning operation was the result of sanctions, a shrinking export market and high domestic interest rates, a director said yesterday.

Gants Foods (Pty) Ltd is a subsidiary of Tollgate Holdings.

Negotiations on retrenchment procedures and benefits were concluded with unions on Friday.

The closure will be finalised before next year's canning season and is likely to have serious economic and social repercussions for lower income families in the region.

The management source said the closure did not affect the meat and vegetable divisions, though the vegetable canning operation was to be moved to the Transvaal and Swaziland.

Axed employees were assured of their normal notice, Christmas bonus and severance pay.

According to the management source, foreign deciduous fruit buyers paid less for local produce sold outside the mainstream foreign markets because of sanctions and boycotts.

High internal holding costs, compounded by rising interest rates, added to the company's losses and its inability to compete on world markets.

Weekend press reports claimed Gants ran a trading loss of R3,41 million in the first six months of the current financial year, against profits of R5,53 million in the first half of last year.

This was after turnover droppped by 48,2 percent to R67 million — Sapa.

Gants plans to delist shares

Cape Times 16/10/90 186

By PIETER COETZEE
Financial Editor

TROUBLED Cape-based food processing and distribution company Gants Holdings plans to delist its shares from the Johannesburg Stock Exchange, MD Mervyn Key said yesterday

Minority shareholders in Gants will be offered 20 shares in holding company Tollgate Holdings or R60 in cash for every 100 Gants shares held According to calculations made it will be more profitable to elect the cash offer

This follows the announcement that the company is to terminate the processing of deciduous fruit in the Western Cape and to relocate a major part of the Strand factory to its factories in the Transvaal and Swaziland

According to Key, this will lead to a total loss of 900 job opportunities

Key says the main reason for this decision is the high prevailing interest rates in SA compared to that of overseas interest rates, especially compared to those in countries like Spain and Chile which are major competitors

"When a product is canned it takes about a year before it is exported At the prevailing high interest rates the company cannot be competitive with countries like Spain and Chile This has hit our exports hard," he said

"The local trading conditions that prevailed during the second half of 1989 continued into 1990 and had a significant effect on the financial results

"The situation was exacerbated by aggressive discounting of competitors' selling prices, dumping of excess stockholding by competitors and manufacturers of substitute products, and industrial action at major retail customers," says Key

This resulted in lower selling prices and a build-up of high stock levels which contributed to substantial interest charges

Key says "These unfavourable factors will continue for some time the rationalisation steps proposed will result in the company not paying a dividend in the near future"

1 200 jobs at risk when factory shuts

(186)

LESLEY LAMBERT

([illegible])

CAPE TOWN — The closure of Gants Holdings' Strand canning factory, announced this week as part of a major rationalisation programme to restore profitability, could result in the loss of about 1 200 jobs

Although the factory is scheduled to close in June next year, a number of employees have already been retrenched as the winding down process begins. Others will hear their fate later this week.

While the closure means the end of Gants' food processing activities in the western Cape, the company plans to relocate major elements of the Strand factory to its factories in the Transvaal and Swaziland.

B/Day 16/10/90

Gants, a subsidiary of Tollgate Holdings which was acquired recently by a consortium lead by Julian Askin and Hugo Biermann, has been battling to overcome financial difficulties for some time In the six months to end-June it reported a decline in earnings from 9,2c a share to a loss of 5,7c a share.

Gants MD Alf Robinson said yesterday steady increases in the cost of raw materials and punitive trade agreements with wholesale buyers, which made it impossible to pass on costs to the consumer, had virtually wiped out profit margins on business in the domestic market. And exports, which made up about 20% of the company's business, were hard to maintain.

Concern over Strand factory closure

Cpt Tms
6/10/90

186

Staff Reporter

THE closure of Gant's Foods fruit canning section at the Strand will affect the poverty rate and exacerbate social problems in the area, according to the Food and Allied Workers' Union (Fawu).

Spokesman Mr Stephen Edson said the closure of the factory was a "big problem" for the almost 900 workers employed, as other jobs were extremely scarce

Strand mayor Mr Dormehl Vosloo said the closure would be "very, very bad" for workers

A company director, who could not be named, said workers who chose to move to the meat and vegetable canning sections in the Transvaal would remain employed by the company

He said workers would be given full benefits

The director said sanctions and boycotts had closed the traditional European market which led to heavy losses in income.

Gants' minorities should take up offer

Star 17/10/90

(186)

Diagonal Street

ANN CROTTY

Gants seems to have been a disappointment to shareholders almost since it was first listed at the end of 1986. Now the final rub is a buyout offer of 60c a share to minority shareholders.

Analysts who have followed the group's grim fortunes advise acceptance given the bleak earnings and dividend prospects in the short and medium-term. (The scheme of arrangement will require acceptance of 75 percent of the minorities.)

The share came to the market (via a reverse listing) amidst much bullish expectations of it joining the short list of blue chip food companies — a list that enjoys a good rating on the JSE. It went to a high of 345c.

Over the years the pattern of dull trading performances was blurred by the acquisition and disposal of assets that were unrelated to Gants primary activity — the production, process and distribution of food products.

In the financial 1988 annual report, departing chairman Mr David Gant said that prospects — for financial 90 — were sound and that he was particularly optimistic for export earnings.

In financial 1989 (to end-December) earnings — before extraordinary losses of R3,5 million — plummeted to R1,3 million from R14,5 million.

At the time that those results were released the directors noted that weak local market conditions were not expected to improve significantly in the short-term but "the new management has concentrated on actively extending the export market and consolidating the existing export market, which has been successful and benefits will begin to flow to the group during the latter half of this year."

Shortly after the financial '89 figures were released, control of Duros (which, at the time, was Gants ultimate holding company) was acquired by a consortium led by London-based Julian Askin and Hugo Bierman.

The share subequently shot up to 135c on speculation that the company would be sold — although at the time the only party known to be possibly interested (Kanhym) indicated that 80c would be the upper limit.

Last month the new management reported a R3,4 million attributable loss for the six months to end-June. With these results came a directors report stating: "Management has now addressed the area of operating efficiency, which will also give rise to improved financial performance in the future and greater emphasis will be directed to those products which are able to be exported. In addition, certain other strategies are being considered to increase performance."

At the time market rumour suggested that the new consortium was trying to dispose of Gants but could only get offers in the region of 50c a share. This compared with a stated net asset value of 144c a share at end-December 1989.

At end-June '90 nav was down to around 97c a share. That the almost 50 percent discount to book value was the best offer received reflects the ongoing revaluation of the group's assets and the fact that, due to the seasonality of the business, some of the assets were only being used for part of the year.

In addition, trading conditions and competitive forces in Gants markets were tough and showed little hope of relief.

This week management announced that it was; terminating the processing of decidious fruit in the Western Cape; relocating a major portion of the Strand factory to its factories in the Transvaal and Swaziland and; increasing the brand awareness and market share of its meat, vegetable and other products.

Because of the unfavourable trading conditions and the need to take these steps, management believed that no dividend would be paid in the near future. Consequently it made an offer to buy out the minority shareholders.

Analysts believe that in view of the circumstances the rationalisation proposal is the only course of action open.

But one leading analyst cautioned that, given Langeberg's control in the overall market, any plans that Gants has to increase its share of a niche market would come up against considerable resistance.

Bacon saves Kanhym's day

Bloem 17/10/90 [redacted] (186)

MARCIA KLEIN

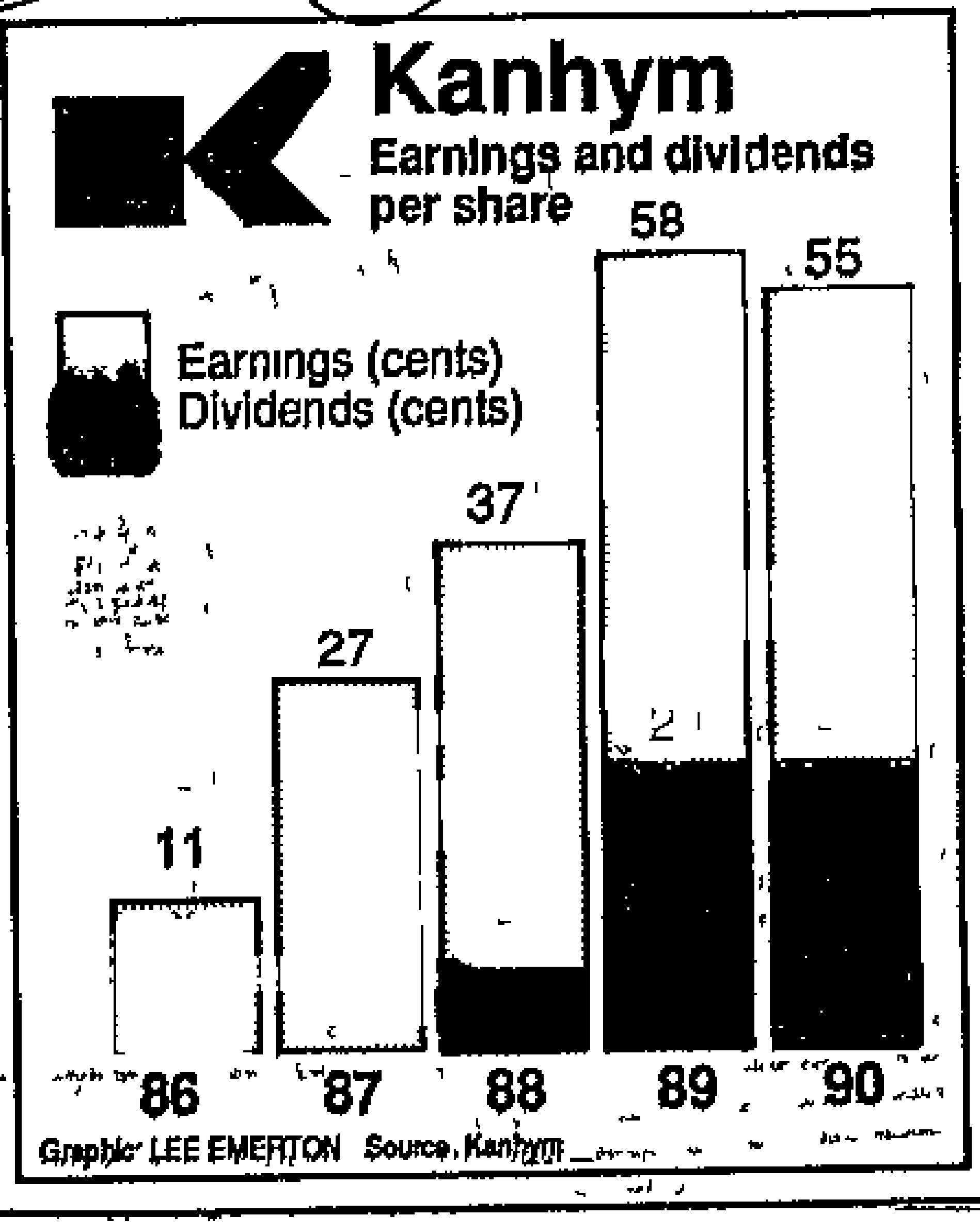
KANHYM's commodity divisions were hard hit by the collapse in the red meat price in the year to end-August, but value-added operations propped up group earnings

A shift in the balance of the food group's divisions favouring the branded value-added component "limited what would otherwise have been the devastating impact of the fall in the red meat price on Kanhym's results", executive chairman Dirk Jacobs said yesterday

The results demonstrated that Kanhym's strategy of focusing on manufactured products was "having the desired effects", Jacobs said.

The value-added divisions showed a 26% increase in operating profit to R27,1m,

☐ To Page 2



Graphic LEE EMERTON Source, Kanhym

Kanhym

Bloem 17/10/90 [redacted] (186)

☐ From Page 1

while the commodity operations fell by 33% to R16,5m, resulting in a 5% drop in operating income to R43,6m (R46m).

A corresponding decrease in attributable earnings to R30m (R31,7m) and in earnings a share to 55c (58c) was reported, and a final dividend of 10c was declared to maintain the full year dividend at 20c

The group's value-added operations — which grew over the last year from contributing 47% of Kanhym's operating income to a current 62% — include Enterprise, Hanni, Mielie-Kip and Herti

Turnover increased by 14% to R979m after increasing by 8% in the previous year The balance sheet was healthy with a 5% improvement in finance costs. Gearing increased only marginally and net asset value increased by 8% to 325c a share

Jacobs said the group hoped to at least equal current profits in the coming year

Results for 1990 do not reflect full-year contributions from Hertie and Mielie-Kip, which should contribute to earnings in financial 1991

Healthy trading at Score

186

Star 18/10/93

By Ann Crotty

A heavy interest burden and hefty extraordinary losses took the shine off Score's healthy trading performance in the six months to end-August.

Earnings, before extraordinary items, were virtually unchanged at 31,04c (31,55) a share. The interim dividend was unchanged at 13c a share

An extraordinary loss of R21,5 million resulted mainly from the discontinued Score operations, the disposal of Grand Supermarkets and the writing off of goodwill.

On a brighter note, the disposal of marginal Score stores as well as the sale of the Grand division (with effect from August 19) is expected to result in a reduction of infrastructural costs and a decrease in interest bearing debt of approximately R40 million

During the review period, turnover increased 17 percent to R726,7 million and operating income rose 29,6 percent to R14,3 million. But interest bearing debt was up sharply to R79 million (R29 million) which resulted in interest charges more than trebling to R6,5 million (R2,6 million). Attributable income was R4,6 million

Score-Clicks Holdings reported earnings that were little changed at 10,88c (9,91c) a share. The interim dividend is unchanged at 4c a share.

Hi—Score Holdings, the ultimate holding company, reported earnings of 19,84c (18,06c) a share The interim is unchanged at 7c a share.

Your health is at stake

South 18/10 – 24/10/90 [illegible] 186 [illegible]

DEMAND THE BANNING OF CHEMICAL PESTICIDES AND HERBICIDES DEMAND ORGANICALLY GROWN, CHEAP ALTERNATIVES

WHAT ALL THAT JUNK FOOD IS DOING

WALK into any supermarket and the chances are you'll be greeted by long aisles of neatly-packaged ready-to go food — each product the result of many hours of research and advertising by food companies.

The brand names often bear little resemblance to the nature of the product — like "Mutant Ninja Turtle Chips" and "Rambo Pizza", obscure names chosen for their mass appeal

If food manufacturers were not obliged by law to label some of the main ingredients used, they probably would not Besides, the listings found in small type on most packaged food give no indication of the presence of trace chemical elements, many of which enter the food cycle at its source, the factory farm

Since World War II, farmers have increasingly been using chemical pesticides and hormone herbicides

The toxic chemical DDT was once seen as a "miracle" chemical which would solve all farming problems Almost 30 years ago, Rachel Carson exposed the disastrous effects of DDT in her book, "Silent Spring"

Breast milk

DDT travels up the food chain until it eventually concentrates in the fatty tissues in the human body A recent survey of the breast milk of American mothers found traces of DDT in almost every sample taken

DDT is known to cause cancer in humans The Department of Health still uses DDT in Zululand to spray huts for maleria control

Pesticides are used to control unwanted insects, yet increasingly more insects develop natural resistance to the chemicals, making it necessary to create even more toxic replacements

High pesticide residues find their way into our food in various ways Carelessness or ignorance on the part of the grower is often a factor Too much chemical is applied or the wrong kind of chemical, or crops are sprayed too near to harvest

Some pesticides are extremely persistent in the soil, and can be picked up by crops planted in succeeding years A few persistent chemicals, such as DDT, have been banned in many countries but others remain on the market

We expect our food to have a perfect appearance, the right size, shape, colouring and the absence of blemishes This forces the farmer to use pesticides to prevent those unsightly holes in lettuce or the odd worm in our apple

Supermarkets also demand that products have a long shelf life, causing the farmer to use fungicides to prevent the spread of fungus — although this is a natural process in the life of any vegetable or fruit All these chemicals concentrate in our food which we then eat, blissfully unaware as to the risk we are taking

Cause cancer

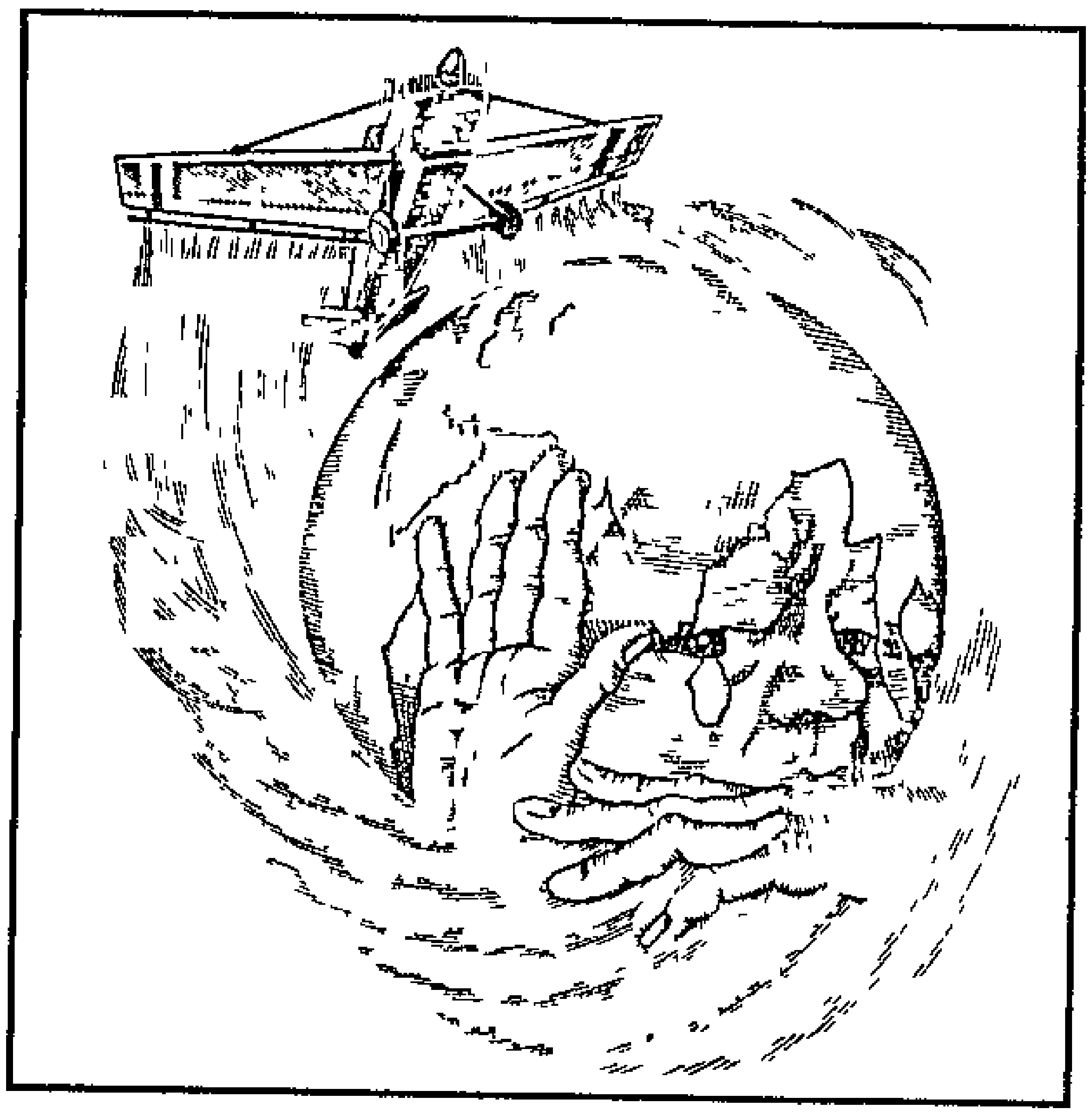
Other pesticides found in mothers' milk are Dieldrin and PCBs Both are still used extensively in South Africa Although Dieldrin has been banned, the CSIR continues to find relatively high levels in the environment Both chemicals, as can be expected, cause cancer

A group of Natal vegetable farmers failed to win a supreme court application earlier this year to prohibit the manufacture and sale of hormone herbicides They alleged that the herbicides — the same chemicals used during the Vietnam War as defolients — were causing extensive damage to the environment

The chemicals are used by the sugar industry to kill weeds but also affect nearby agricultural land where they enter our food chain Hormone Herbicides have been linked to spontaneous abortion in pregnant mothers and foetal abnormalities

It is not only those who consume chemically contaminated products who are at risk. It is quite normal for workers in the fields to be exposed to vapour drift from aerial crop spraying

Doctors in Groote Schuur Hospital have described the death of vineyard workers from skin absorption of Paraquat, a herbicide used by many Western Cape wine farmers as a weedkiller



It is clearly time that the public demands food free from chemicals and other toxic residues Our health and the health of those on the "frontline" in the fields and orchards is at stake

We need to lower our expectations of "fresh forever" fruit and "photogenic" cauliflowers Organically-grown produce is an alternative that has remained the exclusive choice of the wealthy But there is no reason why this should be the case

The manufacture of pesticides consumes an enormous amount of time and energy and ultimately compromises the health of our children

— Dave Lewis

WHAT YOU CAN DO

- demand adequate testing of food products for chemical residues
- campaign for the banning of chemical pesticides and herbicides
- demand organically-grown, cheap alternatives
- demand adequate health protection for farm workers
- read up about the effects of pesticides on our health and educate your friends

34

GANTS FM 19/10/90 (186)

THE UNKINDEST CUT

Tollgate Holdings (TGH) has taken drastic, but apparently necessary, steps to restore food processing subsidiary Gants to profitability. The company will be delisted by year-end and its factory at the Strand, near Cape Town, will wind down towards closure in the first half of 1991.

Shareholders have been offered 20 TGH or R60 cash per 100 Gants shares, valuing the company at only R36m — way below nominal NAV of 140c a share.

If minorities accept, it'll mark the end of an unhappy career as a quoted company, that started when the founding Gant family listed through the Davgra shell in a R52m transaction in late 1985. The Gants then bought the complementary Delport group for R28m and the local interests of disinvesting US tractor and agricultural equipment distributor J L Case for R27m — just as tractor sales started to collapse

FM 19/10/90 (186)

The Gant family sold out to TGH in May 1989 in a share-swap deal at an effective value of 140c — already well down on the 1988 peak of 190c, to say nothing of the earlier post-listing peak of 345c

The agricultural machinery division was sold to associate Drivetech a few months later for a mere R8m (a small premium on tangible asset value), but then the basic food business went into decline The six months to June 1990 were very poor. Compared to the corresponding period last year, turnover was down from R129m to R67m and a loss of 5,7c a share compared to earnings of 9,2c.

The directors blame the situation on unfavourable local trading conditions exacerbated by aggressive competition, dumping of excess stocks by competitors and industrial action at major retail customers

Some operations and equipment from the Strand will be moved to the Transvaal and Swaziland plants, but Gants is withdrawing completely from processing deciduous fruit

Mervyn Key, joint chairman of TGH parent company Duros, says the action should make Gants profitable again towards the end of next year Rationalisation will result in a drop of about 40% in Gants' SA turnover, but an increase of at least 20% in the turnover of the Swaziland operation

The changes are a further step towards the restructuring of TGH (*Fox* September 28), but not the final move Key says he's not yet in a position to disclose what that will be

While the move may be good for Gants, it's extremely bad for the Strand and nearby Somerset West. Employing 2 000-plus people (many of them seasonal workers), the factory has been an important support to the local economy According to Key about 75% of the workers will lose their jobs (On the other hand, new jobs will be created by the relocations to the Transvaal and Swaziland)

The decision to stop processing deciduous fruit is not expected to have a significant effect on Western Cape farmers Gants is a relatively small player and its share of crops will be easily absorbed by others

Relocation of the tinned meat operation to the Transvaal makes sense Gants is brand leader, says Key, and 80% of the market is in the Transvaal. It was only viable to keep the operation in the Cape while fruit and vegetables were also processed at the factory

FM 19/10/90 (186)

Key says the 27 ha factory site at the Strand is likely to be sold when the move is complete Bordering the N2 highway, it's a prime site, the land alone is probably worth about R12m

Chris Freimond

KANHYM (186)

BEEF SQUEEZE

FM 19/10/90

This food group's strategy over the past five years, to move away from the cyclical nature of cattle farming and focus increasingly on adding value to meat and hides, led to a 50% compound growth rate in pre-tax operating income since 1986 It has now also proved effective in holding up earnings in a weaker red meat market

The 10% drop in red meat prices from February to June (staying low in the last quarter of the financial year) was a heavy blow to Kanhym's commodity division, which suffered a 33% decline in earnings Executive chairman Dirk Jacobs says the 50c/kg price drop cut realisation per head by R100 and Kanhym Estate (feedlots) sold 40 000 head in the final quarter Combined with another R4m income drop at Karoo-Ochse and Kanhym Fresh Meat, this narrowing of margins on red meat translated into a 14c EPS reduction in income

This was cushioned by the shift to value-added activities (Enterprise, Hanni, Mielie-Kip and Herti), which showed 26% real earnings growth, despite lower consumer demand. Jacobs maintains the division's performance could have been even better, but Herti and Mielie-Kip kicked in earnings for only three and six months respectively

Jacobs introduced the move towards adding value when he took over as chairman in 1987. He and his new management team also showed a firm grasp of what asset management means in a group often accused of managing assets badly

Debt rose from R9,2m in 1979 to R178m in 1984; a year later a R73m rights issue was held, a R26m forex loss run up and a R50m compulsory prefs conversion done Jacobs cut interest-bearing debt from R100m in 1987 to R54m at year-end, while net assets rose from R168m to R325m He also trimmed a 220-strong headquarters staff, costing R10m a year, to nine.

Jacobs plans to reduce debt further this year but does not reveal details. A logical possibility would be to reduce stock but that could lose control over the beef source. A

LEAN MEAT

Year to Aug 31	**1989**	**1990**
Turnover (Rm)	862	979
Operating income (Rm)	46	44
Attributable (Rm)	32	30
Earnings (c)	58	55
Dividend (c)	20	20

FM 19/10/90 (186)

partnership in red meat might be a solution.

Jacobs sees "no prospect of an improvement in either the red meat price or consumer spending," the two factors that have a decisive effect on performance. They could even deteriorate further

The market rates the share at an earnings multiple of 3,8, the closest comparable rival, ICS, is rated at 6,9 It is interesting to note that Kanhym has a 23,5% return on capital employed while ICS manages only 11,5%. I&J leads the food sector with a 36% return.

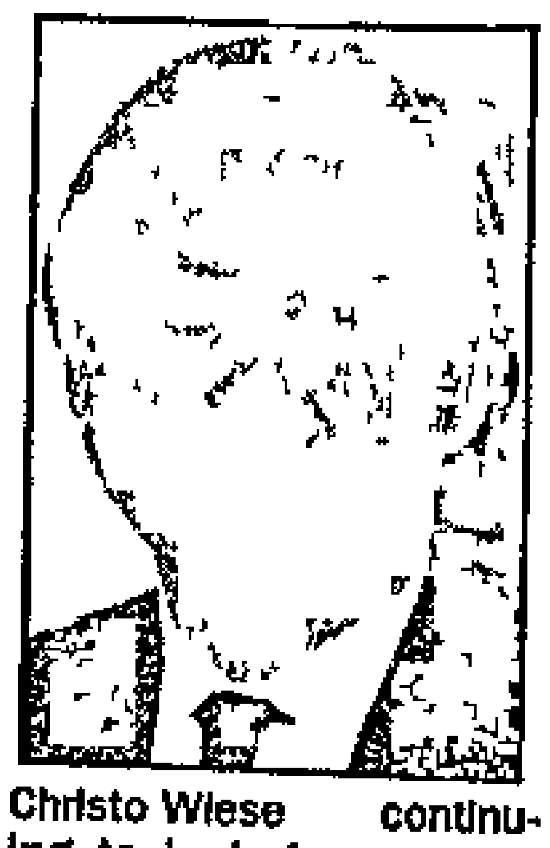
Gerhard Slabber

Star 22/10/90

A sparkling achievement by Pepkor

186

By Ann Crotty



Christo Wiese continuing to look for acquisitions

As expected, the difficult trading conditions didn't put much of a dent in the excellent profit record that Pepkor has achieved over the past few years

Things were a little slower for the giant retailer but the 18 percent hike in earnings to 247,2c (209,7c) a share for the six months to end-August was a sparkling achievement.

Indications from chairman Mr Christo Wiese are that, despite an increased tax rate, the full year growth will be in line with the 20-25 percent annual growth in earnings that the group has been notching up in recent years

An interim dividend of 62c a share has been declared — 15 percent up on the previous year's 54c

The strong income performance is complemented by a very healthy balance sheet with cash resources of over R100 million The acquisition of the 27 Grand supermarkets made no dent in these resources.

Mr Wiese says he is continuing to look for acquisitions (following the recent break-up of merger talks with Tradegro) but indicates that there are not many other major candidates within the retailing sector

He says he would be prepared to consider acquisitions in other sectors and believes that the group has learnt from its disappointing experiences in the early 80s when manufacturing activities that had been acquired, slowed down overall group performance and resulted in their fairly speedy disposal a few years later

Margins up

In the review period turnover was up 26 percent to R849,1 million (R47,8 million) So, despite the adverse trading conditions, management succeeded in lifting operating margins from 7 percent to 7,5 percent — this is attributable to an improvement at Pep Shoprite where margins were squeezed slightly

The operating profit includes R8,2 million earned on investments In the previous interim, investment income contributed R5,5 million A sharp hike in the tax rate — up to 37,7 percent from 31,6 percent — took some of the gloss of the operating performance.

Mr Wiese is expecting the tax rate for the full year to be around 38-39 percent In the longer-term, when all of the assessed losses are used up, he believes that the ceiling will be around 42 percent because of the group's export activities and its operations in neighbouring states that have lower tax rates

Taxed profit was up 17 percent to R33,9 million (R29 million) with attributable profit up 18 percent to R28,9 million (R24,5 million)

Pep Stores, which opened 30 new stores during the recent six months, reported a 29 percent hike in turnover to R579,3 million (R449,9 million) and a 32 percent increase in operating profit to R59,1 million (R44,9 million)

The increase in margins to 10,2 percent from 9,9 percent was attributable to "intensified cost control" which helped to achieve an annualised stock turn of seven times

Interest payments were up to R2,2 million (R1,2 million) The tax rate increased to 35 percent — a sharp hike from the previous year

Attributable profit was up 12 percent to R37,4 million (R33,4 million) equivalent to 81,9c (73,2c) a share. An interim dividend of 30c (26c) has been declared.

At Shoprite turnover was up 29 percent to R269,8 million (R209 million) with lower operating margins holding the improvement at operating income level at 16 percent — up to R6,8 million (R5,8 million)

Mr Wiese says the squeeze on margins was due to an increase in shrinkage. He believes the deterioration in shrinkage is in line with the industry experience but hopes that improved management control systems will see a reduction in shrinkage in the second half

Attributable profit was up 16 percent to R4,3 million (R3,7 million) equivalent to 14,5c (12,5c) a share An interim dividend of 5c (4,5c) a share has been declared

The Grand supermarkets, which were acquired at the end of the period, had no impact on the results and are not expected to make a major contribution in the second half Mr Wiese says that their assimilation into the Shoprite group is proceeding well

Cadswep losing some of its fizz

Sstar 25/10/90

(186)

Diagonal Street

Jabulani Sikhakhane

Cadbury Schweppes (Cadswep), the manufacturer of a wide range of confectionery, soft drinks and food products, has for some time enjoyed a premium rating in the food sector of the Johannesburg Stock Exchange.

Since early August, the market has placed this share on a price/earnings multiple of 20,9 and a dividend yield of 1,9 percentagainst the average p/e of 11,8 and a dividend yield of 3,7 for the food sector.

In the four years to end-December 1989, the group showed compound earnings growth of 38 percent a year compared with an increase of 16 percent in the consumer price index.

But after an acquisitive trail in the last financial year, Cadswep appears to be going through a consolidation phase' Analysts note that the group is still digesting the acquisition of an 82,5 percent stake in Chapelat-Humphries in May 1989 and a 49 percent stake in Namibian-based Springer Schokoladenfabrik Group for R2 million in July 1989.

Cadswep also opened a new confectionery and a cherry processing factory in Swaziland.

According to the 1989 annual report, the the aim in financial 1990 will be to achieve an appropriate level of integration of Chapel-Humphries and Cadswep organisations under a single functional structure.

The impact of these acquisitions on Cadswep's performance was a near trippling in financing costs to R3,7 million in the first half of financial 1990. This eroded the bottomline, despite a healthy 37,8 percent increase in turnover.

Analysts say that Cadswep is still fine-tuning the acquired operations and this situation is expected to continue for the rest of financial 1990.

The incorporation of the Cha pelat-Humphries into the Cadswep empire has also added pressure on the margins which fell from 9,8 percent to 9,5 percent last year and further down to 8,2 percent (84 percent) at the interim stage.

Compounding the situation has been the unrest situation which has led to a downturn in chocolate and soft drink sales over the past few months.

Also, with disposable incomes coming under pressure, products like chocolate and soft-drinks (which are bought on impulse) are usually the first casualties of the consumer basket.

Based on these factors analysts are looking at earnings growth of around 15 percent for the full year compared with 19,9 percent achieved last financial year.

Accordingly, investors are now downrating the share in line with other companies in the food sector.

This week the share price fell by over 9 percent to R17,50 from the R19,25 level where it has held steady for some time. (At this level, Cadswep is still relatively highly rated on a P/E of 18,3 and dividend yield of 2,1)

One analyst says the share price could come down to R15, at which level it would represent a good buying opportunity for long-term investors.

But the fact that most institutions are keen on the company (and seem prepared to tolerate flat earnings growth this year) combined with the fact that the share has limited tradeability should offer some cushion.

Overall, analysts forecast that earnings and dividends will show better growth rate in 1991. They base their optimism on the export opportunities offered by the Swaziland confectionery and cherry processing plants. Also Cadswep has a good management team, with a well proven track record

Rainbow budgets R161m for 1991 capex

MARCIA KLEIN

(136)

BDay 25/10/90

RAINBOW Chicken has budgeted for capital expenditure of R161m (R101m last year) in financial 1991, directors say in the annual report

This includes the first phase of the group's strategic feed mill project, and R90m to be spent at the group's Rustenburg division to "increase output and provide further economy of scale benefits".

Directors say the group is committed to expanding its operations

Rainbow — which is a high volume, low cost producer — decided to establish its first feed mill in Rustenburg, which will start production in 1992, to have some control on feed costs, which represent 85% of total live bird production costs

In financial 1991 the group should produce higher operating profits due to the recent upward trend in selling prices and a tight control of operating costs

The group posted a 27,6% increase in attributable profit in 1990 to R86m, which "compared favourably to the prospectus forecast of R88,7m" issued in May 1989 prior to the group's listing on the JSE

Workers propose march to abattoir

Cape Times 1/11/90 186

A RED MEAT boycott initiated by dismissed Cape Slaughtering Abattoirs workers would have "absolutely no effect" on the company, Western Cape Meat Board spokesman Mr Bertie Ackhurst said yesterday

He said producers and consumers — specifically township businesses which sold tripe — would bear the brunt of the action announced on Monday by members of the Food and Allied Workers' Union

The dismissed workers and sympathisers are expected to march to the Maitland municipal abattoir today

Nearly the entire Cape Slaughtering workforce of about 300 was dismissed on August 2 following a wildcat strike over claims for back-dated wages.

FM 2/11/90 (186)

SUGAR FM 2/11/90 (186)

BIDDING TO GO EAST

Sugar giant C G Smith and the smaller, but home-based, Transvaal Sugar Ltd, are the main contenders for a new R300m sugar mill planned for the Onderberg region of the eastern Transvaal

However, a third possible contender has also emerged Komatipoort mayor John Henn says he will bid and is confident that, if successful, he can get backing from financial institutions overseas He will leave his post at the end of the year, partly to spend time vying for the mill

He is already part owner of a private mill at Ntumeni and says he has been in contact with potential foreign backers He denies speculation that, if he got the mill licence, he would sell it to the highest bidder

Under the Sugar Act, government must approve any new mill Applicants for a licence must draw up proposals outlining potential production and other details. Despite government's role, the winning bidder pays the entire cost of the mill itself The SA Sugar Association this week advertised for bids and a decision will be made in the first half of next year

Tongaat-Hulett, neck-and-neck with C G Smith as the country's biggest sugar miller, is not interested in spreading to the eastern Transvaal It operates SA's newest mill at Felixton, on the Natal North Coast.

But C G Smith clearly views the Onderberg region as the industry's logical expansion area and will make a strong bid. The Barlow Rand-owned company, which already runs a mill at Pongola near the border of the eastern Transvaal, has opened an office at Komatipoort to assist cane growers and has been making presentations to the sugar farming community, an exercise that could raise support for its application

"We want to go there," says C G Smith chairman Glyn Taylor. "With rapid urbanisation in Natal, encroachment of timber on sugar cane land, the distance of cane transport from mills and a host of other reasons, the prospects for expansion of the industry are seriously limited there. There could even be shrinkage in the next 10 years, so the future of the sugar industry seems to lie in the Onderberg area."

But a move to the eastern Transvaal would be treading on the toes of Transvaal Sugar, which regards Onderberg as its territory.

Though small compared with C G Smith and Tongaat-Hulett, the Rembrandt company does account for about 10% of SA's sugar production — roughly 205 000 t/year — and operates a sugar mill at Malelane

Transvaal Sugar is a relative newcomer to the industry, having been in production for 25 years, as against C G Smith's 100 years But it now has the eastern Transvaal cane areas sewn up and should get a lot of support for its application from local farmers.

Local sugar farmer Jan Lourens says the new mill is important in stabilising the border region. "It will create new jobs and allow many small, black cane growers from KaNgwane to enter the industry With other spin-offs, it will be a small economic lift for the whole Komatipoort region"

The association also views the mill as an important part of its expansion and deregulation programme The extra 130 000 t that will come out of the mill each year represents nearly half of the increase in production expected under the industry's expansion plans

Shaun Harris

It's adapt or die for fishing companies as problems set in

B Day 2/11/90

LESLEY LAMBERT

CAPE TOWN — SA fishing companies, plagued by declining catches, a slowdown in demand for fish products and increasingly prohibitive demands by the Namibian authorities, have had to adapt or die.

Those, like Oceana Fishing, which have been too heavily exposed to the anchovy and rock lobster markets here and in Namibia, have been worst off, as year-end results have clearly illustrated

Oceana chairman Walter Lewis yesterday attributed much of the decline in company earnings to reduced landings of the two species.

The contribution to net group income of fishing operations had fallen from 58% to 40% This forced the group to expand other operations and find new income sources which, together, contributed as much as 52% to net income.

Profit margins on the reduced volumes also came under severe pressure as demand for animal fodder and fish products fell sharply.

Quota

186

With farmers and other major feeders, such as Rainbow Chickens, becoming more self-sufficient, and consumer demand slowing, profit margins are likely to stay tight.

Another major impact on earnings was the substantial decline in contributions by the group's Namibian interests. Over-fishing by foreign nations had depleted hake and pilchard resources off the Namibian coast, while lobster catches were affected by unusual weather conditions.

Also, Oceana's subsidiaries, Namsea and Namfish, were hit by the Namibian authorities' lobster and pilchard quota allocations.

The allocations were slashed and then reinstated after threats of legal action. But, attached to the expanded quota allocations was a price tag which read two months' salary as a bonus for Namibian employees

It is not surprising then that in September, the group sold its controlling interest in Namsea to as part of a major diversification programme.

Profits under pressure as Oceana takes a hammering

B/Day 2/11/90

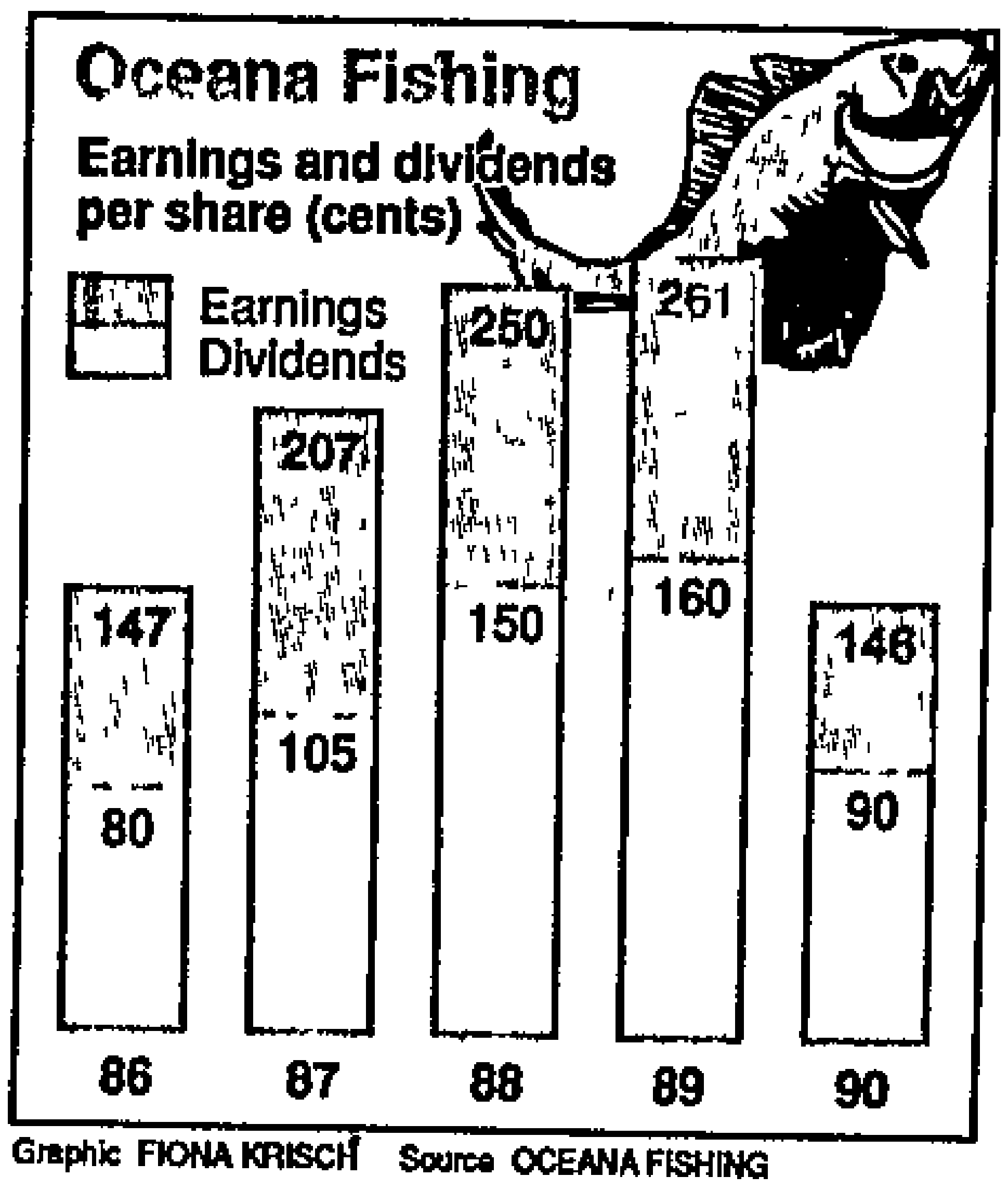
186

LESLEY LAMBERT

CAPE TOWN — Oceana Fishing, the largest of the listed fishing companies, has reported a severe reduction in earnings as a result of declining catches, declining demand for fish products and a dismal performance by its Namibian operation.

The scene was set at the half-year stage when attributable earnings plunged to R7,18m from R19,13m.

By the September year-end, they amounted to R13,6m (R24m), a 42% decline which stripped 115c off last year's earnings a share



Graphic FIONA KRISCH Source OCEANA FISHING

Turnover grew by 12,4% to R309m in spite of a reduction in anchovy and rock lobster catches.

But profits came under severe pressure from declining demand for fishmeal stock and canned fish products and increased working capital requirements, with the result that operating profit fell from R34,7m to R23,8m.

Net income from investments also declined drastically, to R3,8m from R13,8m as the Namibian subsidiary, Namibian Sea Fisheries (Namsea) reported equally grim results.

The group implemented a strict programme of rationalisation and diversification during the year, disposing of its controlling interest in Namsea in September and investing in new areas of operation.

Using retained earnings and the R13,7m proceeds from the sale of Namsea, the group invested R21m in new operations and the expansion of existing cold storage and clearing and forwarding facilities.

The new investments were in the abalone and tuna industries which offer better export opportunities than most other fish resources.

A final dividend of 60c (105c) was declared, bringing the total to 90c (160c).

Red-meat boycott call over sackings

ARGUS 2/11/90 186

Labour Reporter

THE Food and Allied Workers' Union has called for a red-meat boycott after the refusal by Cape Slaughtering to reinstate 285 dismissed workers

Union media officer Mr Mansoor Jaffa said the boycott was a last resort as the company refused to negotiate on the reinstatement of the workers.

The slaughterers were dismissed in August after a wildcat strike over wages

About 100 workers and community members marched from Pinelands station to the Maitland abattoir yesterday to hand a letter to the company, urging management to review the situation

FACED WITH REPOSSESSIONS

The letter, supported by Cosatu, the UDF and the ANC, said the workers had been out of work for several months and were being "deprived of the opportunity to earn an income"

"A large number of the affected workers are facing repossession of furniture and eviction for failing to pay rents, not to mention the other needs of their families "

A Cape Slaughtering spokesman said the march "by about 70 people" included not more than 15 ex-employees. He refused to comment on the content of the letter but said a red-meat boycott would have no effect on the company

R30 m tape factory opened at Atlantis

ARGUS 2/11/90

186

By BLAISE HOPKINSON, Business Staff

SOUTH Africa's first magnetic tape plant was to be officially opened today at Atlantis by Minister of Manpower, Mr Eli Louw.

The R30 million Magnetic Tape Manufacturers (MTM) factory has reached full commerical production after intensive planning and research.

Set to achieve maximum local market penetration, initially in the videotape sphere, the company has significant export contracts to supply European customers.

MTM managing director Mr Lloyd Cartey says the new plant is the only one of its kind in the Southern Hemisphere and is capable of manufacturing 110 km of magnetic tape a year, more than enough to supply the entire South African market.

"We have been exporting the product up until now. There is a world shortage of top quality magnetic tape. We have substantial orders to supply European companies but are now entering the growing local market," he says.

The 3 600 m² Atlantis factory employs the latest technology drawn from Europe, the Far East and the United States. Top-level training has been undertaken to bring the mostly local workforce of 80 up to international standards

"Initially we will be manufacturing magnetic tape for the video market but we intend to move into the audio and computer markets in the future. At present we have so many large orders we can't make the stuff quick enough," Mr Cartey adds.

He warns of widespread dumping of inferior offshore magnetic tape and says MTM's key to successful growth has been absolute quality assurance which affects all steps in the manufacturing process.

He doesn't fear any other local market contenders due to the high investment costs. Mr Cartey estimates the local market for base video tape exceeds R20 million a year and predicts MTM will corner a sizeable portion of this.

"The South African syndrome says imported is better. Our product therefore has to be better than the imported variety to make headway in the market. Our numerous export orders confirm that we are already there," Mr Cartey says.

Atlantis was the most suitable site for the new factory.

"The availability of the factory premises, the decentralisation benefits and the calibre of the local workforce all pointed to Atlantis being the best place for our factory."

He predicts the MTM workforce will top 100 by early next year as the drive into the South African market picks up momentum.

Conditions in the factory are stringently controlled and employees not only have to have a shower at the plant before work but they also have to don sterilised clothing.

"We have a number of highly skilled people from overseas but most of our people have been employed locally. They have undergone extensive training and we are thrilled with the results."

Magnetic Tape Manufacturers is backed by a British parent company which put up the bulk of the capital for the creation of the plant.

R300m sugar mill on way

S Times 4/11/90

186

By Ian Smith

THE sugar industry has not been cowed by rock-bottom world prices At least two big producers are willing to build the first mill in six years — at a cost of about R300-million

Barlow Rand's C G Smith and Rembrandt-controlled Transvaal Suiker are preparing their applications to put up a mill to produce 150 000 tons a year in the Onderberg region of the Eastern Transvaal

The applications will go to the Government in about three months' time and a decision is expected in the first half of next year

The mill will have to be supported by about 13 000 ha of cane, opening the industry to many new small-scale growers in KaNgwane and Onderberg

SA Sugar Association chief executive Mike Mathews says expansion in Natal and the Eastern Transvaal will expand SA's 2-million-ton output by about 300 000 tons a year.

Changing politics is opening doors

BDay 6/11/90

(186)

PREMIER International (PI) started eight years ago with a staff of 10 and an annual turnover of R1,2m.

MD Albert Nelissen says with the changing political climate in SA, the company export programme is set to soar.

"Since February, we have been receiving many requests from countries throughout Africa I have been spending most of my time receiving visitors from African countries in the past few months.

"There is no doubt that since President F W de Klerk's February speech Africa has opened up.

"Perhaps the only drawback is that expectations from African states of SA are so high that there is no way we will be able to fulfil them. SA doesn't have the funds or enough skilled people," Nelissen says.

PI has operations in SA, Mozambique, Zambia, Zaire, Angola and Europe and exports goods to Mozambique, Zambia, Zaire, Zimbabwe, the Indian Ocean islands, the Far East, Israel and Europe.

Nelissen says PI's export successes are due to

☐ Engendering a policy that SA's market is primarily Africa,

☐ Establishing an intricate network of off-shore companies, giving it great flexibility in trading,

Acceptance

☐ Developing acceptance within commercial and political circles of the countries it operates in;

☐ Regular visits to export markets by executives;

☐ Establishing bonded warehouses throughout the region to improve deliveries;

☐ Featuring prominently throughout the region by means of a number of joint ventures and management contracts in the agro-industrial field;

☐ Establishing an infrastructure able to control every facet of exporting, including a permanent PI presence in foreign countries;

☐ Delivering the right goods at the right price at the right time and in the right quantities, and

☐ Identifying new opportunities, such as those presenting themselves in the East Bloc and other African markets that previously opposed SA imports

PI's main exports are animal feeds, chickens, wheat, flour, eggs, oils/fats/margerine, salt, processed foods, construction material, cold drinks, soap, maize, defatted maize, germ, pet foods and alcoholic beverages

All these products are made from SA raw materials

Exports constitute 99% of the company's business and in the past two years have increased by 29,5% and 33,9% respectively.

Value

The percentage value added to raw material by way of beneficiation has been 69% for the past three years.

Unfortunately, Nelissen says, a major constraint of trading with African countries is the shortage of foreign currency with which to fund imports

"These countries find it is often easier to partake in aid programmes which, more often than not, preclude SA participation," he says.

ICS turnover is up but profits fall 35%

BDay 6/11/90

MARC HASENFUSS

(186)

PRESSURE on margins and dampened consumer demand saw food giant Imperial Cold Storage (ICS) report a 35% fall in attributable profits for the year ending September to R36,6m (R56m).

Earnings a share were down 35% to 96c (147c), with the dividend falling by 33% to 32c (48c).

Management said the poor results reflected the pressure on margins as group turnover during the financial period increased 10%, taking ICS through the R2bn (R1,9bn) mark for the first time

Despite the overall weak group performance, major associated companies Sea Harvest, Fedics and Chandling International performed well and made important contributions to the group's profits

ICS MD Nick Dennis said the poor state of the economy had dampened consumer demand and unrest made it difficult to maintain a constant flow of products to the marketplace

An oversupply of poultry, meat and dairy products caused intense price competition

"A certain amount of restructuring is taking place, certain of the activities have been rationalised and a number of product ranges have been reviewed. Our long-term strategy is to move towards added value products, thus reducing our dependence on commodity products which are constantly being affected by either surpluses or shortages"

Dennis said the outlook for the coming year pointed to a modest improvement in attributable earnings

INESS Star 6/11/90

186

ICS fails to sustain earnings

The ICS food group was unable to sustain its earnings and attributable profits fell 35 percent for the year ended September

Attributable profits decreased to R36,6 million from the previous R56,0 million on a turnover of R2,1 billion, 10 percent higher than the previous year's R1,9 billion.

Earnings a share showed a corresponding drop to 96,2 cents against the previous 147,4 cents.

The dividend has been reduced to 32 cents from 48 cents.

Major associated companies, Fedics and Chandling International performed well but an oversupply of poultry, meat and dairy products led to intense price competition with the resultant pressure on margins.— Sapa.

after colliding with a truck, killing at least 21 and injuring 20

CAPE TIMES 6/11/90

Deadlock in pay talks

180

DEADLOCK has been reached in annual pay talks between the Food and Allied Workers' Union and Fattis and Monis following a management walkout, union spokesman Mr David Makhema said yesterday.

CAPE TIMES 6/11/90

300 in city wildcat strike

ABOUT 300 workers at Ready Mix Materials, Paarden Eiland, staged a wildcat strike yesterday when annual wage talks deadlocked over union demands for centralised bargaining

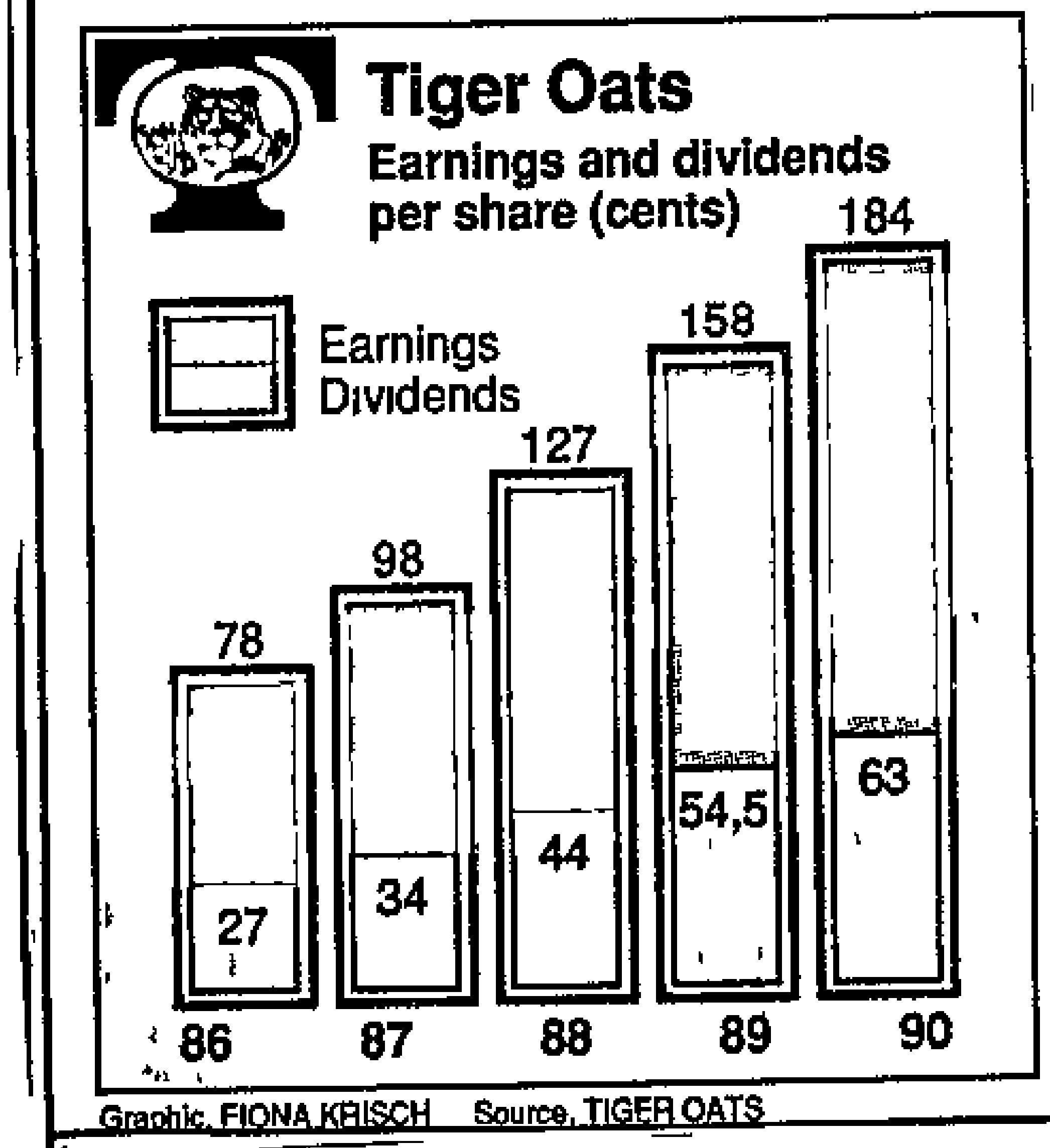
Tiger Oats has reason to roar

BDay 7/11/90

186

MARCIA KLEIN

FOOD giant Tiger Oats has posted a 16% growth in earnings a share to 184c (158c) for the year to end-September despite competitive trading conditions in the second half.



Graphic, FIONA KRISCH Source, TIGER OATS

Group turnover — which rose 19% to R6,78bn (R5,7bn) — lived up to expectations by exceeding the R6bn mark.

The food, pharmaceutical and fishing divisions contributed about 73%, 22% and 5% respectively to group profits.

Tiger Foods — the group's food division — reported sound performances in the milling, feeds, rice, distribution and shipping sectors, but the broiler, bakery and Langeberg canning divisions' results reflected "difficult trading operations where margins were under pressure".

The pharmaceutical division's Adcock Ingram and Logos Pharmaceuticals had a year of strong growth

Worst off were the group's fishing interests where disappointing pelagic and lobster seasons contributed to Oceana Fishing

☐ To Page 2

Tiger Oats

BDay 7/11/90

186

☐ From Page 1

Group's decline in results.

A 16% rise in attributable earnings to R255m (R219m) was higher than the 13% increase expected at the interim stage, and the full year dividend was up by 16% to 63c (54,5c) a share.

While operating profits rose 14% to R475m, an interest bill of R65m and taxation of R156m saw after tax profit only 7% higher at R284m.

Executive chairman Robbie Williams said despite high interest rates, gearing was only at 40% and the interest cover was just under eight times.

All acquisitions and capital expenditure were funded out of "a strong cash flow". In financial 1990, the group spent R109m on asset replacement, R126m on expanding existing operations and R119m on acquisitions.

Williams said he was particularly happy with the resilience of margins — which were maintained due to the strength of the group's brands

This indicated the importance of a fundamental shift in the group's portfolio — aimed at broadening its range of activities and strengthening brand names.

In line with this shift, the group acquired 50% of Beacon Sweets, which should benefit next year's results.

Williams expected a satisfactory improvement in earnings in 1991 once the benefits of the Beacon acqusition flowed through, and when Langeberg posted expected stronger results.

Business Report

Despite difficult trading . . .

Tiger Oats roars ahead

186

Cape Times 7/11/90

JOHANNESBURG — Tiger Oats achieved a 16% increase ion earnings per share for the year to end September, in spite of difficult trading conditions in some of its operating divisions

Financial results released yesterday show that earnings attributable to ordinary shareholders rose from R219m to R255m on an 18% lift in turnover to R6,7bn.

Operating profit rose by 14% to R495m and after interest costs of R65m and taxation of R156m, the after-tax profit was R284m .

A final dividend of 41c a share, taking the year's payout to 63c (54,5c), was declared.

The group acquired 50% of Beacon Sweets in the year, a purchase which is expected to benefit the 1991 results

Looking back on the 1990 financial year, chairman Robbie Williams said that R109m had been spent on asset replacement, R126m on the expansion of existing operations, and R119m on acquisitions.

Tiger Foods, the group's biggest division, recorded sound performances in the milling, feeds, rice, distribution and shipping sectors

In the pharmaceuticals division, Adcock Ingram experienced another year of strong growth, and Logos Pharmaceuticals also enjoyed a successful year

The group's fishing interests had a difficult year, mainly due to disappointing pelagic and lobster seasons contributing to a decline in results from Oceana Fishing

As far as the future was concerned, Williams stressed that Tiger Oats would increasingly seek to boost exports by building on its many years of experience in international markets

"Domestic competition may no longer be a reliable benchmark for achievements and standards, and wherever feasible, our target must be to become globally competitive," he said.

While he was confident that the stage had been set for a more prosperous future for all South Africans, it was too early for people to rest on their laurels Much had still to be done and the difficulties of political adjustment would undoubtedly continue to spill over into the economy.

"I foresee a difficult year ahead but as far as the Tiger Oats group is concerned, with the benefits of our Beacon acquisition flowing through and the expectation of stronger results from Langeberg, I am looking forward to a satisfactory improvement in earnings in 1991," said Williams — Sapa

TIGER OATS FM 9/11/90 (186)

MORE SOLID FARE

The balance Tiger Oats has achieved between its traditional commodities and value-added products provided a measure of protection in financial 1990 But lower margins and a higher tax charge curbed the profit advance

Trading conditions are expected to remain difficult this year but the inclusion of Beacon for a full year, and improved contributions from Langeberg and other problem divisions, will support growth Chairman Robbie Williams remains hopeful that financial 1991 will produce real growth in earnings.

Turnover rose by 18% and operating profit by 14% compared to financial 1989. This indicates a slide in the operating margin from 7,6% to 7,3% — Williams says it has been steady at this level for the past 18 months and reflects tough trading conditions throughout the period

Milling, the core activity, performed well, as did animal feeds, rice and the trading and distribution division, which includes the W G Brown operation The pharmaceutical division — Adcock Ingram and 100%-owned Logos — also produced good results and now contributes 22% to taxed profits. But margins came under pressure in the broiler operation, Langeberg's food processing and canning business, baking and Tiger's fishing interests

Oversupply in the poultry industry continued to affect margins, as did the high incidence of disease and mortality MD Clive Wolpert says demand was also dampened by discounting of red meat Significant extra capacity came on stream this year but the supply/demand equation is expected to narrow as the market for chicken remains a high growth sector

Baking activities were hit by unrest and boycotts because deliveries could not be made Wolpert expects the latest bread price increase to lead to a rise in demand for white bread relative to brown — because of a narrower price differential — rather than a swing towards other starches

Langeberg had a difficult year, Williams says, mostly because of a poor pineapple crop and difficultly in disposing of the product at a good margin abroad. Early indications are of a better quality of fruit this year and stronger world markets. Exports would also benefit from any enhanced ability to trade openly, particularly with the US

Tiger's Williams *margin sweeteners in 1991*

N'OATSO EASY

Year to 30 September	**1989**	**1990**
Turnover (Rm)	5 743	6 780
Operating profit (Rm)	434	496
Attributable (Rm)	219	255
Eps (c)	158	184
Dps (c)	54,5	63

The fishing contribution was squeezed by poor pelagic and reduced lobster catches. Sale of Namibian interests and purchase of a share in a local abalone operation proved advantageous Williams hopes this year will be slightly better but cautions that the anchovy quota will probably remain low; the lobster catch should improve and export prices are higher

Interest paid rose from R45m to R66m, owing to the interest rates and a slight increase in borrowings Interest cover remains at about eight Wolpert says cash flow is very strong and high capex (R235m) and acquisitions (R119m) were mostly funded through the group's own resources. The net debt equity ratio rose to 0,40 (0,34) and the balance sheet remains rock solid

Rising finance charges and a higher tax bill detracted from operating results but this was counteracted by lower payments to outside and preference shareholders Earnings and dividends increased by about 16% with dividend cover held at 2,9 times

This year Williams expects margins to benefit from inclusion of Beacon for a full year (four months in financial 1990) and a much improved performance from Langeberg. The contribution from pharmaceuticals will remain strong, though growth may slow. W G Brown through Spar has increased its market share for more than three years and will continue to grow. Additional emphasis will be placed on exports.

Williams says the best balance between commodities and value-added products has been achieved and the group will consolidate this year No major acquisitions are on the cards but a new wheat and maize mill in Maritzburg, a distribution warehouse for W G Brown and other smaller items will keep capex high *Pam Baskind*

FIRST NATIONAL BANK FM 9/11/90

CHANGE OF GEAR

First National Bank's curtailment of asset growth has positioned it to become more aggressive in the chase for market share Potential victims are certain other banks suffering the indigestion of asset growth that has exceeded capital formation

In the past FNB has found itself in a similar position asset growth surging ahead of a limited capital base Over the past two years management has purposely restricted asset growth to improve capital adequacy, which was below the industry average based on primary capital

Restrictions continued for the 1990 financial year with advances remaining virtually static at September 30 compared to the same time last year

Senior GM Viv Bartlett says some nominal growth in advances would have been preferred rather than no growth But, he adds, the bank has been very selective about the type of new business brought on to its books and credit demand has slackened

As a result of the conservative approach to asset growth, the capital.asset ratio — with capital incorporating subordinated debentures — has improved to 5,6 compared to Standard's 5,4, Volkskas's 5,5, Nedbank's 5,6 and Bankorp's 4,2 Bartlett says "On current growth and retention policies, FNB will comfortably meet the 8% requirement of the new Deposit-taking Institutions Act by the 1995 deadline."

Return on assets rose from 0,9% to 1,1%, while return on equity rose to 23,1% from 22,7% — the best in the industry

Bartlett says the 30,9% improvement in pre-tax income to R510,4m came mostly as a result of cost-cutting measures — operating expenditure rose by just 7,5% to R1,5bn — together with better asset/liability management This maximised the interest rate turn — net interest income rose 15,4% to R1,4bn — and low exposure to costly marginal funds This is despite a fall in demand for credit.

Profit would have improved further were it not for the 62% increase in the charge for bad and doubtful debts. Bartlett says this is because of a new system which categorises the advances portfolio and identifies potential bad debts sooner "We have tightened

RAINBOW CHICKEN

186 F/M 9/11/90

NO LONGER A CASH COW?

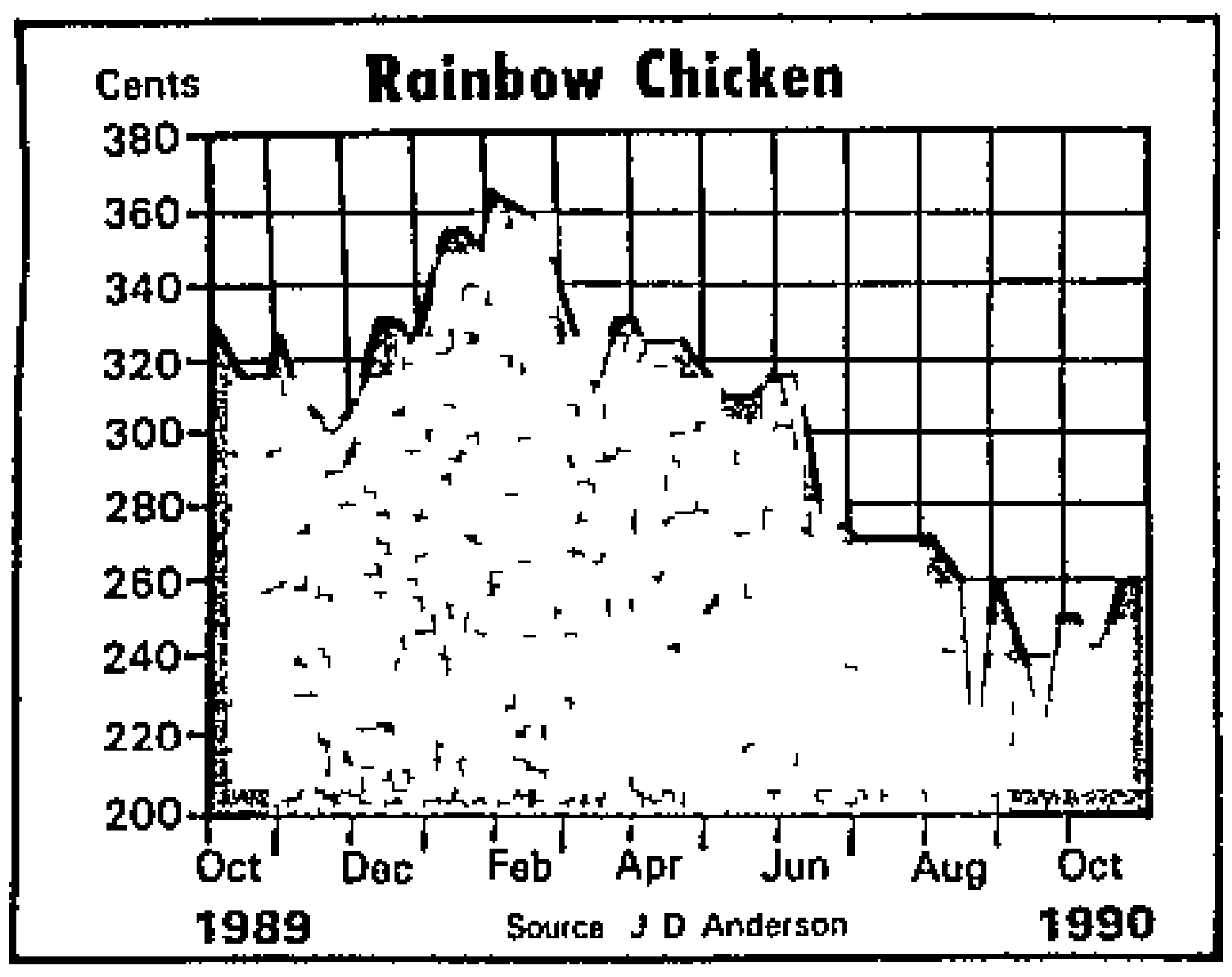
Activities: *Integrated broiler chicken producer*
Control: *S C Methven Holdings 68%*
Chairman: *D J Loch Davis, MD J B Geoghegan*
Capital structure: *275m ords Market capitalisation· R688m*
Share market: *Price 250c Yields 4,3% on dividend, 12,5% on earnings, p e ratio, 8,0, cover, 2,9 12-month high, 370c, low, 205c Trading volume last quarter, 1,1m shares*

Year to June	**'87**	**'88**	**'89**	**'90**
Shareholders' interest	—	0,82	0,80	0,81
Return on cap (%)	—	11,0	12,1	10,2
Turnover (Rm)	395	454	554	635
Pre-int profit (Rm)	35,0	56,9	81,4	74,9
Pre-int margin (%)	8,9	12 5	14,7	11,8
Earnings (c)	12,0	19 6	26,8	31,3
Dividends (c)	5,6	8,8	7,5	10,7
Net worth (c)	115	170	195	216

One thing is certain any company that invests more than R100m a year over an extended period on development and expansion is demonstrating in the strongest possible terms its confidence both in the industry and its own prospects

But in Rainbow's case, while the company is undoubtedly convinced, it seems to be having a bit of trouble carrying the message to investors In marked contrast to the time of the listing in mid-1988, when the share was immediately accorded a premium rating, 1990 has seen the price slither from a high of 370c to just over 200c before once more finding its feet Notwithstanding the recovery to 250c, the net effect has been a significant underperformance which has left the share trading at a discount not only to the food sector, but to the industrial market as a whole This dispite the fact that the company has delivered — almost to a t — what it said it would at the time of the listing

In such circumstances, the focus inevitably tends to fall (probably unfairly, from the company's point of view) on the negative factors in an effort to understand investor response Three factors deserve mention, all relating in one way or another to the substantial capex programme — more specifically, the decision to integrate backwards into the manufacture of feeds, which is the most expensive aspect of that programme



Source J D Anderson

Rainbow's Geoghegan *aiming to be the industry standard*

In a move directors say will significantly enhance earnings and ROE, Rainbow has decided to spend R237m over the next three years on three feed plants — one in Rustenburg, due for completion in June 1992, and the other two in Hammarsdale and Worcester, expected to be commissioned in 1993 Also, R90m will be spent on a further increase in broiler output at Rustenburg (bringing total budget capex for the year to R161m), while in future years there will undoubtedly be additional expenditure on the normal replacement/upgrading of plant

Why should the market be put off by this? One possible reason is that the programme will see Rainbow moving from its traditional net cash position to one of net borrowings at a time of high interest rates and low returns on funds invested within the industry.

Last year, for instance, pre-interest return on total assets was only 10% Even if cost-free funding (such as creditors) is excluded, this adds only 2,5 percentage points to the return, at 12,6% What is more, 12,6% is slightly above average — the mean return over the past seven years was 12,3%, from which it can be concluded that Rainbow is a difficult company to gear It has considerable debt capacity but can it borrow without negatively affecting returns to shareholders?

Another factor, also with debt implications, is that the decision to manufacture its own feeds may cost Rainbow its status as a cash cow Whatever the shortcomings of buying in feed requirements, the long-standing contracts with Tiger Oats' Meadow Feeds, which will end in May 1993, have one major advantage in that broilers are ready for the pot before their food is paid for This gives Rainbow a negative working capital requirement, a benefit likely to fall away once the group makes and uses its own feed

Even if the resulting net investment in working capital is kept at a relatively modest (say) 10% of sales, the need to provide additional funding of R63,5m (at current turnover) in place of the present negative investment of R1,2m will make quite a difference to the balance sheet Applied to the 1990 financial statements, Rainbow would probably have ended with borrowings of around R5m in place of cash of more than R59m

But while one can reasonably expect the character of the balance sheet to change in the next few years — and while one may have a few reservations about the possible effects of the changes — these considerations should be offset by the fact that industry volume sales are still rising strongly and Rainbow is unquestionably gaining market share The thrust is to improve cost efficiencies through higher production and, in so doing, become (if it is not already) the standard by which the industry measures itself

Something else that should count in Rainbow's favour is that the group is again forecasting improved earnings, though at a slower growth rate than 1990's 17% Pending an upturn in consumer spending, it will do well to pace inflation, but even this should be well ahead of the general industrial pack

The view that Rainbow was overvalued at its 285c issue price seems to have the upper hand But even critics should probably concede that at 250c the share offers value, which should at least limit the downside risk

Brian Thompson

Business Report

Food division boosts Premier earnings

Cape Times 9/11/90 (186

Own Correspondent

JOHANNESBURG — Food giant Premier Group's attributable earnings were boosted by 29% to R60,3m (R46,7m) in the six months to end-September, with the food division and CNA Gallo's results making significant contributions

The 20% increase in turnover to R2,525bn (R2,1bn) was "extremely gratifying", CE Peter Wrighton said yesterday

Trading conditions were exacerbated by violence, boycotts, unrest and stayaways, he said

Pre-tax profit was 21% up to R121,2m (R100,1m), and in spite of a 28% increase in tax the group reported a 19% rise in profit after tax to R84,2m (R70,7m)

In spite op the 29% growth in attributable earnings, shares issued to fund the Atlantic Fishing Enterprises acquisition as well as last year's rights issue diluted earnings to 84c a share, 16% above the 72c a share reported in September 1989

An interim dividend of 28c (25c) a share was declared

Wrighton said while Premier's core milling division contributed to the boost in earnings, the oils and fats division and the pharmaceutical wholesale distribution divisions still had problems

Food and related operations' contribution increased to 75% (66%) of earnings

However, Wrighton said non-food interests — which are dependent on the Christmas period — traditionally performed better in the second half

He hoped trading conditions over the Christmas period — which would affect CNA Gallo — would be "reasonable"

Wrighton said Premier should perform satisfactorily in the next six months — subject to favourable Christmas trading conditions

Premier shrugs off negative factors

B/Day 9/11/90

(186)

MARCIA KLEIN

FOOD giant Premier Group's attributable earnings were boosted by 29% to R60,3m (R46,7m) in the six months to end-September, with the food division and CNA Gallo's results making significant contributions.

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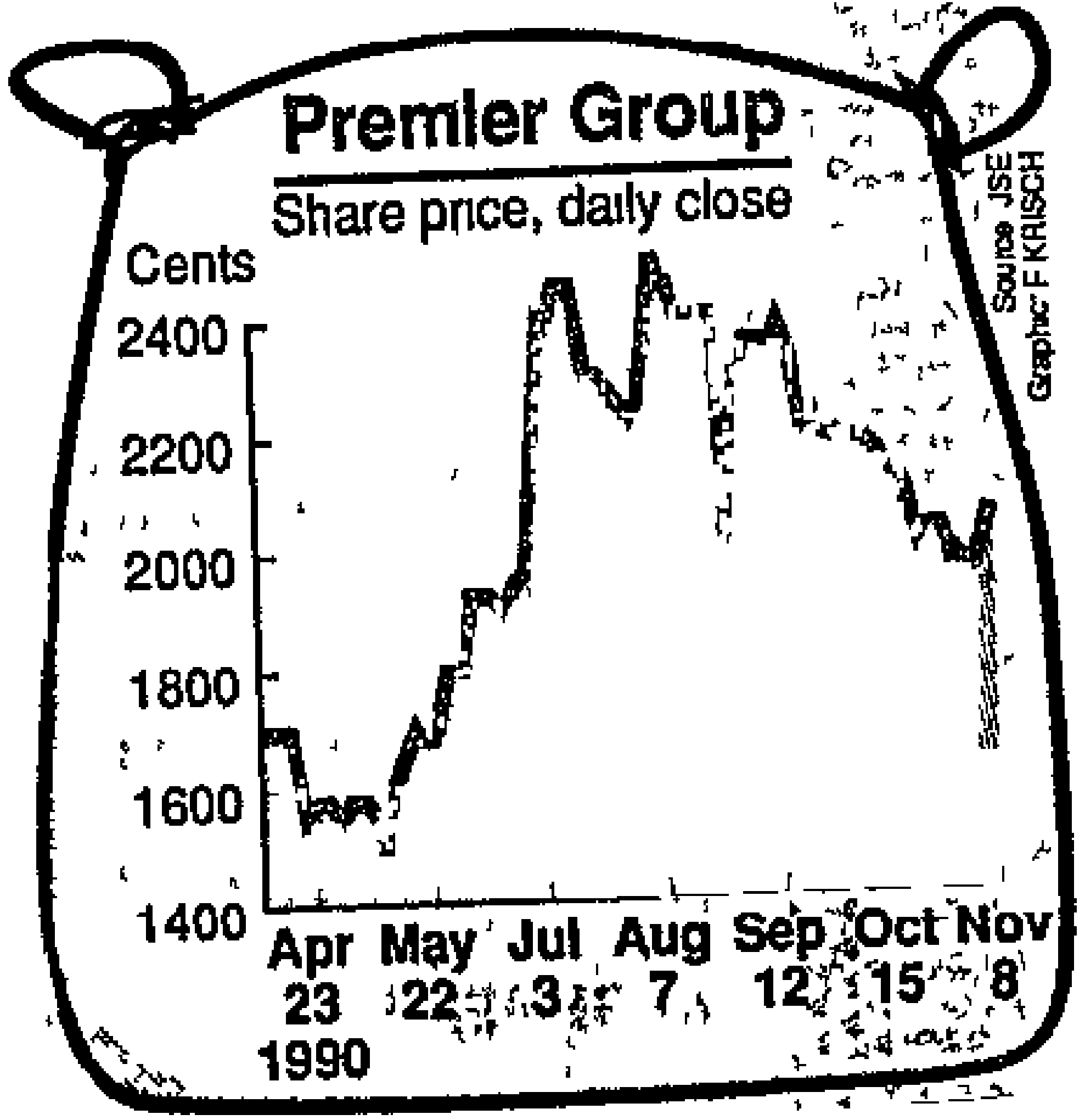
He hoped trading conditions over the Christmas period — which would affect CNA Gallo — would be "reasonable"

CNA Gallo posted a 19% increase in earnings to 38,5c (32,5c) a share in the six months to end-September

While it was difficult to comment on

☐ To Page 2



Premier

B/Day 9/11/90

(186)

☐ From Page 1

margins — which are normally lower at the interim stage than the second half, which benefits from Christmas sales — he hoped to achieve margins similar to those of 1989. Then, overall trading margins improved from 6,9% to 7,7% by year-end.

Subsidiary Twins Pharmaceuticals was affected by the Safimed rationalisation, but Wrighton said Twins' new MD Phil Nortier would "steer the ship satisfactorily in the future"

Recently listed pharmaceutical distribution company PDC suffered from very difficult market-related trading conditions, he said.

As to the future, Wrighton said the capital expenditure programme — expected to be about R142m for financial 1991 — was going according to plan and the wheat mill in Maritzburg would be operational in a few years.

The group also recently acquired Atlantic Fishing, which is involved in deep-sea lobster fishing.

Wrighton said Premier should perform satisfactorily in the next six months — subject to favourable Christmas trading conditions.

Poor crop hits canner

186

W/E ARGUS 10/11/90

By BLAISE HOPKINSON
Business Staff

A DOWNTURN in the local pineapple market and poor crops have contributed to a downturn in the fortunes of Bellville-based Langeberg, the country's largest canning concern.

Langeberg, 50 percent owned by Tiger Oats, is likely to report a turnover for the year to September of more than R600 million when its results are disclosed later this month.

Managing director Mr Ray Brown said this week the domestic operations of the company, which constituted 60 percent of turnover, had shown a small loss, while the effects of the poor pineapple crops had been "something of a disaster"

Tiger this week reported an 18 percent rise in turnover to R6,7 billion and operating profits up 14 percent to R495 million

Executive chairman Mr Robbie Williams said in a statement that while Tiger Foods, the group's biggest division, had sound performances in milling, feeds, rice, distribution and shipping sectors, results from Langeberg, broiler and bakery operations had relected difficult trading conditions and reduced margins

Mr Brown, who took over at Langeberg in September, said the company was looking for quality of earnings within South Africa and from exports in the coming year

"The export market has been very good It consitutes 40 percent of turnover and has shown a 3 percent growth in the year. Export profits make up the bulk of total profits," he said.

Langeberg employed 6 000 people full time This figure rises to 10 000 when seasonal labour is counted. Mr Brown foresaw a stable workforce figure

"The domestic market has come off a fairly good growth trend over the past few years. We have seen slight growth in our vegetable products markets, but there has been an across-the-board decline in canned food sales, including fruits, jams and soups," Mr Brown added

He was positive about the future and believed the gradual easing of sanctions would have a marked affect on export earnings

"We have suffered through sanctions and consumer boycotts, but have remained successful in exports by moving from West to East and finding alternative markets

"We are not going to invest just in case we can get back into the American market, for example"

Mr Brown said he regretted the decision by Gants to pull out of the fruit business as the competition served to help grow the market.

"There are a lot of opportunities out there We have a good base, of factories, good brands and good people With the right strategy in the marketplace we could do exceptionally well The plan is to become much more productive and get better at marketing our products."

Langeberg had 10 canning factories, three in the Western Cape Tiger acquired its stake in the former co-operative in 1988 following a cash injection of R80 million With this came management control

Tiger's other Cape-based operation, Oceana Fishing, also posted a decline in contribution following disappointing pelagic fish and rock lobster seasons

Other operations, including Adcock Ingram and Logos Pharmaceuticals, experienced strong growth during the year, while the food-division was strengthened by the acquisition of a 50 percent holding in Beacon Sweets

Spot-on forecast from Tiger

S Times 11/11/90

DIAGONAL STREET

By JULIE WALKER

TIGER OATS brought home the bacon for shareholders with a 16% rise in earnings to 184c a share in the year to September.

The Barlow food arm — also the major shareholder of pharmaceutical company Adcock Ingram — turned over R6,8-billion, of which almost R750-million was in exports.

Although turnover was 18% higher than the previous year's, operating profit was up by 14% to R496-million, showing margins slightly reduced to 7,3%. Interest paid rose to R66-million, and profit after tax to R284-million.

Lower amounts attributable to outside shareholders pushed the bottom line to R255-million, or 184c a share. A three-times covered dividend of 63c was declared.

Executive chairman Robbie Williams says the group did a little better than he expected when he examined prospects in the previous annual report. His statement noted the slowdown in the economy, forecast an increase in competition and dealt with the effect of a weak rand on the import of capital goods and raw materials.

Mr Williams said in the report that demand for food and pharmaceuticals was less sensitive to unfavourable trading conditions than other products and services, and he looked for satisfactory growth.

The results mirror his expectations to the letter. More organic growth is likely for the foreseeable future and Tiger will not shop unless something special turns up.

186

Maize had a bit of a renaissance after zero growth for several years. This reflects the decline in discretionary spending among the mass market.

Managing director Clive Wolpert says that although generic advertising has played a part, the promotion of strong brand names has been the underlying influence on mealie-meal sales.

During the year, Tiger bought a 50% share of Beacon Sweets, which is expected to boost the current year's performance.

Nearly R120-million was spent on acquisitions. The amount paid for Beacon is not disclosed.

The other changes to the group's portfolio came in Oceana Fishing, which sold its Namibian interests for R13,6-million and spent R21-million on tuna, abalone and other investments. Asset replacement took another R109-million.

The investment in Langeberg Co-op has not yet borne much fruit, but could improve with the closure of competitor Gants. The broiler and bakery divisions also came under pressure.

The right stuff came from milling, rice, distribution and shipping and the pharmaceutical companies.

Tiger is building up its own corporate treasury to handle bigger exports.

Mr Williams says domestic competition has become a doubtful benchmark of achievements and standards, and global competitiveness remains a target.

That said, it will be another tight year for Tiger, but Mr Williams hopes to keep his forecasting record intact.

Premier is still on the way up

ST Times 1/11/90

186

By JULIE WALKER

PREMIER GROUP's interim results to September underline the fine recovery the group has made since a flat patch in the mid-1980s

Attributable income was 29% higher at R60,3-million on an increase in turnover of 20% to R2,5-billion Dilution in earnings a share, arising from 1,67-million issued to fund the acquisition of Atlantic Fishing Enterprises, nevertheless meant a 16% rise to 84c a share, and a dividend 12% up at 28c

Its oft-compared competitor Tiger Oats lifted earnings by the same margin for its year Both companies changed their fishing portfolios

Pressure

Premier bought Atlantic effective from August 1, 1990, to allow it to expand in the predominantly export-driven rock-lobster market It expects the acquisition to improve group earnings marginally this year

Milling did well, ditto Tiger and CNA Oils and fats and the pharmaceutical wholesale industries themselves are under pressure

Chairman Peter Wrighton says trading conditions are difficult, made worse by boycotts, stayaways, unrest and violence Inflation is rising and high interest rates "are likely to prevail well into 1991" Rising fuel prices will also affect business badly

But he expects a satisfactory performance subject to favourable Christmas trading

Premier placed its holding in SA Breweries in separately listed Bevcon two years ago So while retaining the stake, its true value was unlocked with respect to SA Breweries itself

The beer and consumer industrial holding company performed unerringly in the six months to September Beer volumes grew by 11% and the contribution to group earnings rose by 25%

The group, which accounts for inflation before declaring earnings a share, raised them by 21% to 80c, and the dividend by 20% to 30c Turnover was up 19% at almost R7-billion

Violence changes food buying habits — analysts

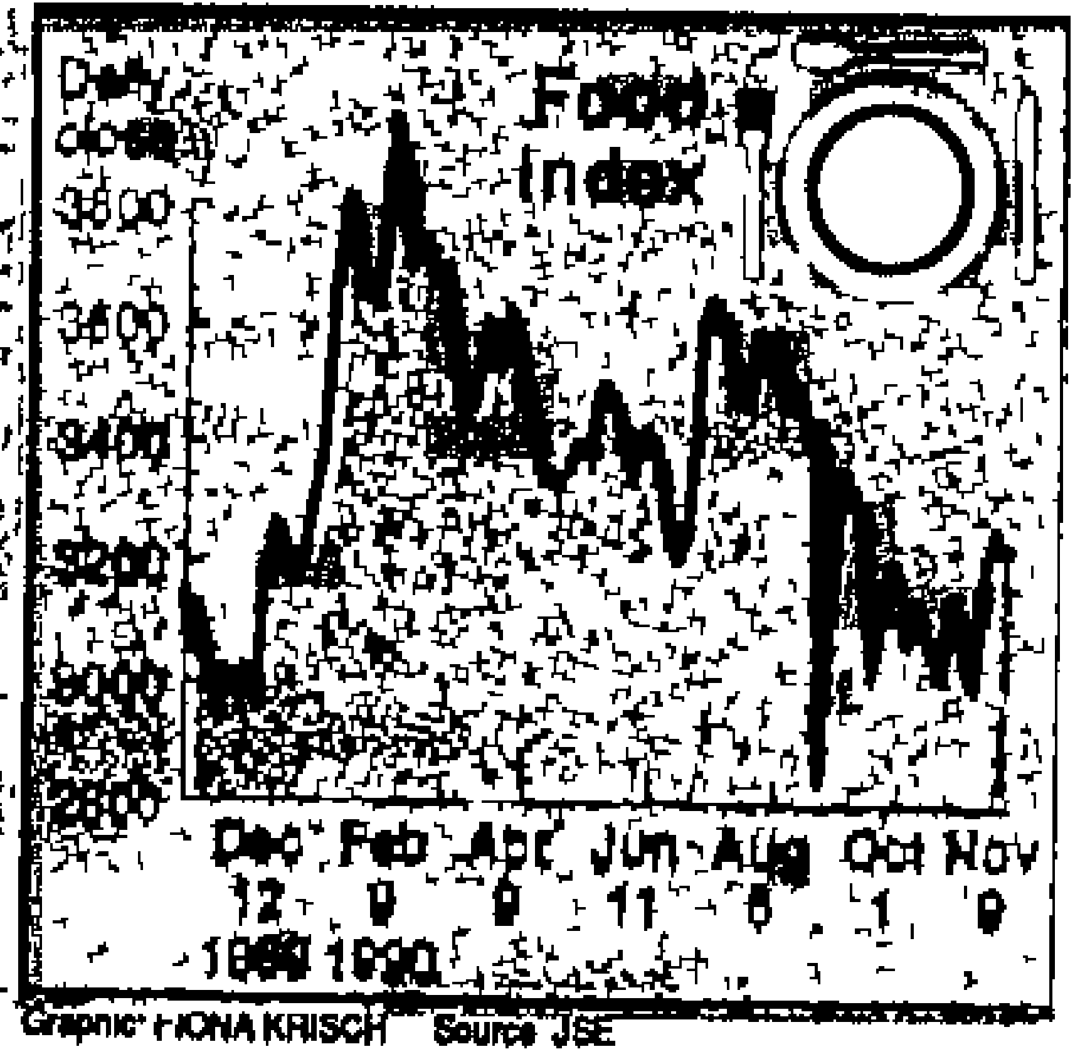
186

B Day 12/11/90

GILLIAN HAYNE

TOWNSHIP violence had played a large part in the mixed results reported by food groups, as it had led to a move back to foodstuffs such as maize which were easy to store and transport, analysts said at the weekend.

The food sector, which was thought to be insensitive to cyclical trends, had shown disappointing trends recently.



Graphic FIONA KRISCH Source JSE

Analysts said only large groups with diversified food interests to level out performance had done well

The mixed results from the sector, they said, could only be explained by a detailed breakdown of activities within the companies.

Commodities like fish, red meat, poultry and milk were beset with problems throughout the year, while milling and baking held up well

Milling and baking divisions were aided by government-approved increases in margins, as well as the general social upheaval in the townships, one analyst explained.

Imperial Cold Storage (ICS), for example, which is involved in all three areas, reported a 35% decline in attributable profits for the year to end-September. However, C G Smith Foods today reports a 12% increase in earnings a share for the same period.

Kanhym's shift to branded value-added components softened the blow of a collapsed red meat market Earnings declined to 55c from 58c a share.

Tiger Oats executive chairman Robbie Williams also cited the importance of strengthening brand names and broadening activities as part of the better-than-expected 16% rise in attributable earnings in the year to end-September

J D Anderson analyst Helen van den Berg noted that Premier's good results — attributable earnings rose 29% in the six months to end-September — were off a low base

Tiger Oats, she said, did not have the same room for improvement and the poor performance of the fishing industry would have suppressed Tiger's overall performance.

Van den Berg said government's moves to deregulate the bread industry would have a severe effect on the food sector Already there were signs, she said, of a price war which would put pressure on margins.

Increase in red meat floor price to 'curb fluctuations'

(186)

ACHMED KARIEM

THE floor prices for red meat for 1990/91 would be raised today in order to keep them market-related, Meat Board chairman Fanie van Rensburg said on Friday.

He said although beef and mutton prices were expected to drop at the beginning of 1990 by 4,9% and 6,9% respectively, the actual decrease was 4% and 12%.

Pork prices slumped by 10,4% in the first three quarters of 1990.

"This decrease contributed to a marked decrease in consumer prices of red meat, especially from July," he said.

Van Rensburg said the floor price of beef would increase to 419c/kg from 375c/kg, which was 30c/kg less than the average auction price

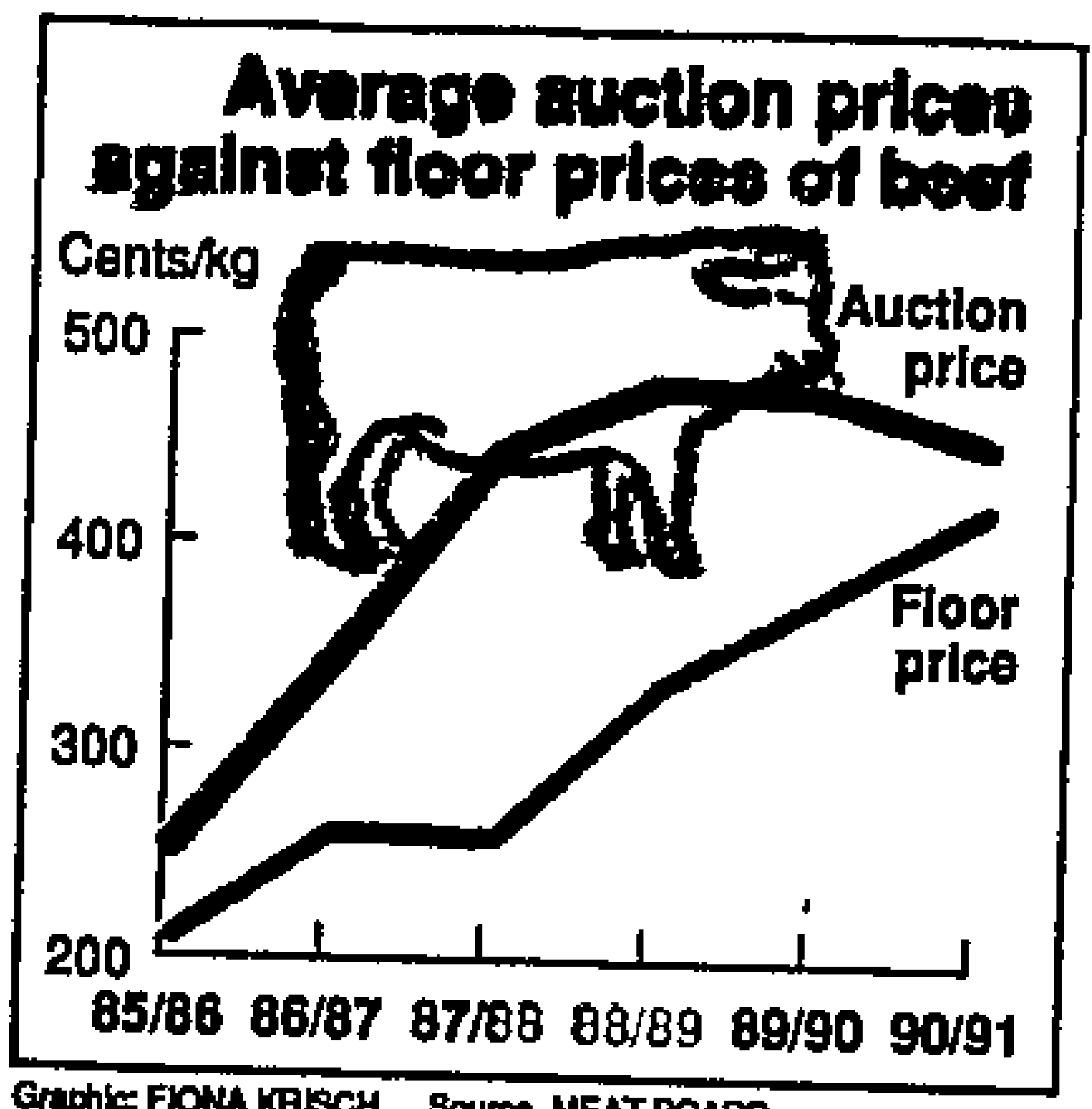
"An expected increase of about 18% in the supply of beef will also serve to curb price fluctuations."

He said the floor price of mutton and lamb would be adjusted to 522c/kg from 488c/kg, which was 12% lower than the auction price

The new floor price of pork — raised to 314c/kg from 289c/kg — was only 6% lower than the average auction price, he added

There were already visible signs of farmers quitting the pork industry.

"If this trend should continue, the present good supply of red meat would soon change to a situation of short supply with its characteristic price leaps," Van Rensburg said



Graphic: FIONA KRISCH Source MEAT BOARD

Bloem 12/11/90

He said the proposed floor price increase should not have a negative effect on auction prices, but should contribute towards removing price leaps

Checkers Fresh Meat deputy MD Ernie Smith said his only concern was the trading price which was consistently higher than the floor price.

Smith said farmers "could not lose" because during demand times they withheld meat forcing up prices, and at other times they glutted the market whilst enjoying a higher minimum floor price

Pick 'n Pay Butcheries MD Guy Hawthorn said the Meat Board's adjustment of floor prices would have no effect on what the food chain would charge consumers

Star 12/11/90 (186)

Food boosts HL & H

Good performances by its food interests boosted operating income before interest and tax of Hunt Leuchars & Hepburn (HL&H) 32 percent to R63,7 million in the six months to September

The increase was achieved on a sales rise of 27 percent, with the performance of the food and household company, Robertsons, compensating for lower growth of the sugar interests, says chief executive Neil Morris

Attributable income grew 30 percent to R52,3 million, when compared with the same period last year.

The rise in earnings per share was diluted to 14 percent, or 40,6c, because of additional shares issued to fund the investment in Rainbow Chicken.

"The reduction in mining activity in this period and extraordinary operating pressures had an effect on the performance of our mining timber associate," says Mr Morris.

"The company has responded well by redoubling its focus on operating efficiency and on the launch of several new products, which enable certain mines to reduce the overall installed cost of support."

Interest-bearing debt increased as a result of the acquisition by Robertsons of the Bovril and Marmite brands, Mr Morris says.

An interim dividend of 13,5c per ordinary share has been declared, which is 12,5 percent up on the same period last year.

Mr Morris says the prevailing economic climate is not likely to improve and might, in fact, even deteriorate

Despite this, both earnings and earnings per share would show a satisfactory growth for the year as a whole.

Huntcor, an investment holding company whose only investment is its holding in HL&H, has declared a dividend of 27,2c ar share for the half-year, representing an increase of 12,4 percent over the same period last year. — Sapa

Fedfood's 10% increase beats 'tight conditions'

B Day 13/11/90 186

MARCIA KLEIN

FEDFOOD posted a 10% increase in earnings to 80,1c (72,5c) a share in "tight market conditions" for the six months to September, MD Jan du Toit said yesterday.

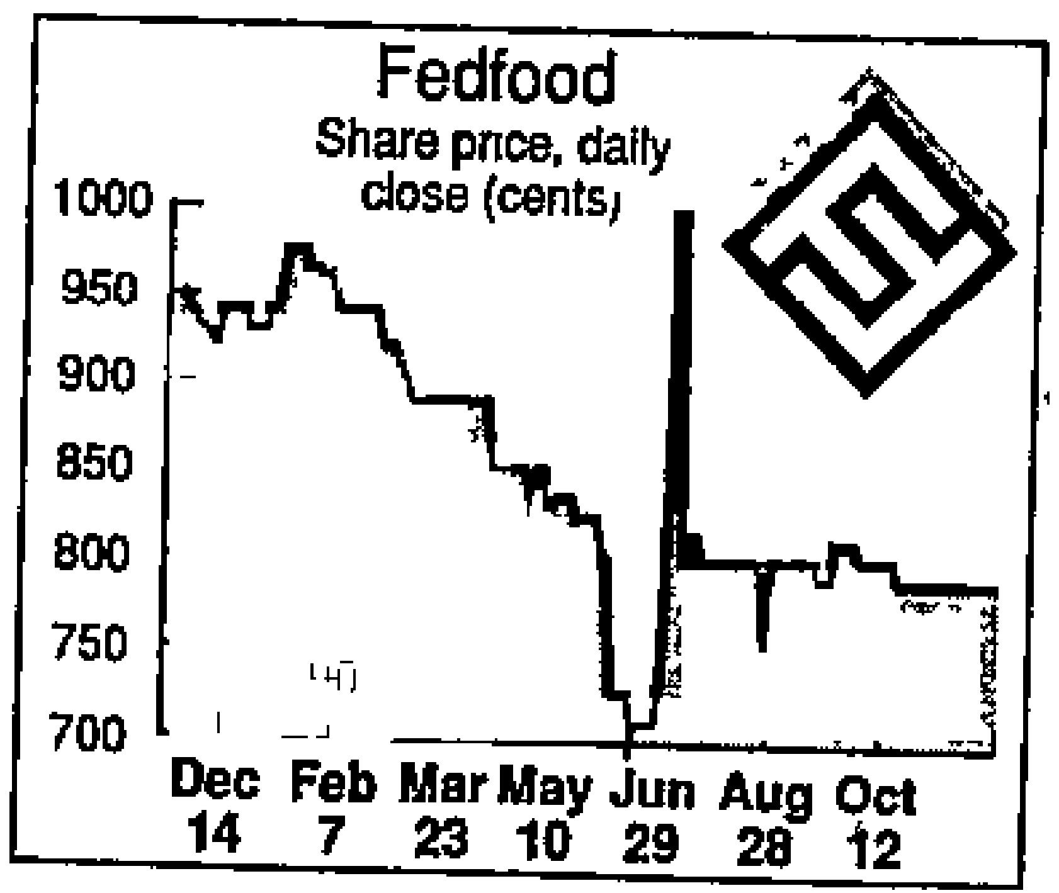
The group — whose subsidiaries include Simba, Nola, Ruto Mills, Table Top, Harvestime, Marine Products, Febisco, Patoma Foods and Sunbake Bakery — reported an 18% increase in operating income to R50,9m (R43,1m) and an 11% rise in attributable earnings to R24m (R21,6m)

An interim dividend of 19c was declared, 12% up on 17c a share for the six months to September 1989.

Group turnover rose by 16% to R687,7m (R592,8m) due to an "impressive increase in turnover by the snacks and frozen foods divisions" as well as the R14,25m acquisition of Sea Plant Products and the R9m acquisition of Patoma Foods

Du Toit said the group had performed in line with expectations a year ago, when he said Fedfood could contend with the difficult conditions ahead

Divisional contributions had stayed more or less in line with those in March — when the largest earnings contribution came from fishing followed by snacks and baking, milling and grain processing and frozen foods



Graphic: LEE EMERTON Source JSE

The frozen vegetable divisions had done much better and had grown percentage-wise, Du Toit said

The acquisition of Sea Plant Products, which harvests and exports perlemoen (abalone), broadened the base of the group's fishing activities while Patoma, which processes and exports tropical fruit and vegetables, held "great promise in the area of specialised exports"

Fedfood recently sold its total shareholding in Namib Visserye Beperk — the holding company for the group's fishing interests in Namibia — to a Namibian company (Namib Fisheries Holdings) as part of a rationalisation programme of Marine Products, which controls Fedfood's fishing interests.

The sale, for an undisclosed sum, will lead to at least R23,5m in capital profit on the deal. Earnings a share will not be significantly affected

Du Toit said the transaction would "generate a cash inflow which will strengthen balance sheet ratios".

Although gearing was up from 27% to 44%, Du Toit said this was temporary due to stock and debtors being more than normal, and gearing should be no more than 40% at year end

He said the bakeries were geared up for challenges in 1991, and the possibility of deregulation of the bread industry next year would lead to pressure from both competitor groups and customers

In this regard Sunbake's (previously Fedbake's) new R18,5m bread factory was already operational, producing 8 500 loaves hourly

Du Toit said he could not predict easier market conditions for the immediate future, but Fedfood's management "is ready and able to meet whatever lies ahead as challenges rather than problems"

Royal's products prove a successful mix

B Day 13/11/90 (186)

MARCIA KLEIN

A SUCCESSFUL mixture of food and pharmaceutical products contributed to Royal Corporation (Royal) posting a 20% hike in earnings to 6,5c (5,4c) a share in the six months to August.

The holding company of Royal Beech-Nut and Lovasz Chemicals reported a 37% rise in turnover to R102,8m (R75,2m) and a 43% hike in operating profit to R8,3m (R5,8m), chairman Vivian Imerman said yesterday

The group is listed in the Industrial Holdings sector of the JSE, however its interests are mainly in food, pharmaceutical and chemical products.

Group net income increased by 61% to R6,1m (R3,8m), while attributable income was up 20% to R4,4m (R3,7m) after associated company income and preference dividends were taken into account.

In line with Royal's policy, no interim dividend was declared.

Following the operational management merger of Holpro Pharmaceutical with Lovasz in March, the chemical side of the group had been re-focused, concentrating on manufacturing and supplying speciality pharmaceutical raw materials.

Holpro's purchase price — of which R10m had been paid — was being disputed and Imerman hoped to recover a "substantial portion" in acquisition warranty claims.

Sow 13/11/90

186

Acquisitions boost Fedfood's growth

By Magnus Heystek

Strategic acquisitions and solid performances from its snackfood and frozen foods divisions, boosted Fedfood's turnover and earnings growth in the six months to September

A group spokesman said yesterday further strategic acquisitions were in the pipeline.

Group turnover increased by 16 percent to R687,7 million, while operating income grew at a slightly higher rate of 18 percent from R43,1 million to R50,9 million

Earnings, however, were stunted by the effect of higher interest rates, which kept growth down to 11 percent from R21,6 million to R24 million

As a result of a slightly higher number of issued shares, EPS growth was kept down to 10 percent, rising from 72,5c to 80,1c per share.

The dividend has been increased by 12 percent from 17c to 19c per share

Referring to the acquisition of Sea Plant Products, a major exporter of abalone, and vegetable processor Patoma Foods, Jan du Toit, managing director of Fedfood, said these acquisitions held great promise for the future, particularly in the area of specialised food exports, in which both companies are active.

Fedfood has successfully concluded negotiations with a Namibian company to sell its entire shareholding in Namib Visserye Beperk.

"The transaction becomes effective on December 31 1990 and will lead to an increase of approximately eight percent in the group's net asset value, while the expected earnings per share will not be significantly affected," Mr du Toit said yesterday.

The sale of Namib Visserye will lessen the company's gearing, currently at 45 percent, to around 35 percent, according to the group's financial director.

Referring to prospects, Mr du Toit said that the SA economy would increasingly face major challenges.

"Enterprises should now very seriously consider their long-term strategies, while at the same time having to deal with the vagaries of fuel prices, interest rates, political uncertainties, distorted market patterns and manpower problems," he said

While Mr du Toit said he was pleased with the group's performance in the first half, he could not predict any easier markets in the months ahead.

Rainbow colours in future plans

B/Day 16/11/90

MARCIA KLEIN

RAINBOW Chicken has gained 3% of market share in the last six months, bringing its share to 35% of the chicken industry, MD John Geoghegan said yesterday

It was followed by Bonny Bird (18,6%), Festive (9%), County Fair (8,6%) and Early Bird (5%), he said

At an open day at Rainbow's Rustenburg plant, Geoghegan said Rainbow produced 2,45-million birds a week By 2000 — with an estimated 2,5% compound growth in population and a 3,8% rise in per capita consumption — 13,6-million broilers would have to be produced. double the current national consumption.

This meant Rainbow's output would also have to double, he said It was fully committed to an expansion programme

186

Feedmills

Geoghegan said chicken price volatility was a "worrying aspect" which would only affect the group's margins in the future For this reason the company decided to build its own mills for feedmeal — presently purchased from Tiger Oats subsidiary Meadow Feeds — which represented 85% of total live bird production costs and 50% of total costs

Rainbow's three new feedmills — to be operational in 1992, 1993 and 1994 — would involve R236m in capital expenditure, with the first mill in Rustenberg contributing R75m

Geoghegan said borrowings would peak at R213m in 1994 including working capital, and gearing would rise initially to 28% and come down to about 20% by 1994

Capital expenditure would be funded from borrowings and Rainbow would not raise additional equity, he said

The group's earnings a share and return on assets and equity would be enhanced by the feedmills, he said, and the full benefits of the mills would be felt in 1993 and 1994

Geoghegan said Rainbow was expanding regardless of the economic downswing

494 to lose jobs as Langeberg closes plant

Argus
19/4/90

By BLAISE HOPKINSON
Business Staff

186

LANGEBERG, the Bellville-based canner, is to close its Northern Cape dehydration unit in March with the loss of 494 jobs.

The Hartswater operation turns over less than R12 million a year and has accumulated a considerable net loss since it was opened in 1981.

Managing director Mr Ray Brown said the plant was not significant to the group's total operations as it represented only two percent of turnover and three percent of assets.

A total of 111 permanent staff members and 383 seasonal workers will lose their jobs.

Market dip leaves bitter taste at Tongaat-Hulett

B Day 22/11/90

186

MARC HASENFUSS

DECLINING sugar, aluminium, textile and building markets have pushed Tongaat-Hulett's earnings down by 29% in the past six months.

Only the group's food, starch and sweetener division pulled through, but not enough to help the bottom line.

Dividend

Tongaat's interim earnings decreased to R61,6m (R88,8m) or 82,3c (115,7c) a share under difficult trading conditions for its many group subsidiaries

Group turnover rose a meagre 3% to R1,9bn (R1,86bn), with operating profit sliding by 24% to R146m (R192m)

The board declared a reduced interim dividend of 23c (26c)

Group borrowings were R628m (R580m) for the six months ending September but directors, accounting for the seasonal nature of Tongaat's agricultural activity, expect to reduce the bill to R350m

Chairman Chris Saunders said in the profit announcement Hulett Aluminium, a significant exporter, saw an easing of demand earlier this year when world metal prices plummeted and eroded profits

The deliberate slowing down of the economy by government, coupled with political uncertainty, township unrest and high interest rates, continued to adversely affect sales in the building materials division

A reduction in demand for locally produced fabrics, compounded by largescale imports of fabric and yarn, the cotton price hike and an unrest-affected labour situation, all caused severe problems for the textile division, Saunders said.

The sugar division produced satisfactory results despite lower export prices and a smaller crop resulting from the drought

Tongaat's foods, starch and sweetener divisions performed well, improving their contributions to group profits compared with last year but failing to offset reduced earnings in other areas.

Saunders said the uncertain sociopolitical climate, the depressed domestic economy and deteriorating international situation made it difficult to predict group results for the full year

The normal trading pattern favoured earnings growth in the second half and the directors expected profits for the next financial period to show an improvement, resulting in earnings declining 25% for the full year compared with last year

Ahead of the results, Tongaat's share price fell 45c yesterday to R13,25. The share is trading well below its February high of R20

Hulett earnings slump by 29%

GM: Trib 22/11/90

(186)

Financial Editor

EXTREMELY difficult trading conditions in many aspects of their business saw the Tongaat-Hulett Group earnings for the six months to end-September drop by 29% to R61,6m from R86,6m

This is equal to an earnings per share of 82,3c (115,7c). The interim dividend has been lowered from 26c to 23c a share.

Turnover rose by a modest 3% to R1,92bn but operating profit fell from R191,6m to R146,1m Group borrowings rose to R628m (R580m) but taking into account the seasonal nature of the group's agricultural operations, borrowings are expected to decrease to about R350m by March 31, 1991.

The aluminium division suffered from the collapse of world metal prices and its contribution to group profits fell significantly.

"Lower export prices and a reduced crop due to a prolonged winter drought are affecting the results of the sugar division," the directors said.

Demand for building materials and textiles was down and the contributions from these two divisions fell.

However, two divisions, Foods and Starch & Sweeteners, improved their contributions to group profits.

A reduction in demand, bumper imports of fabric and the high cotton price caused severe problems for the textile division.

The directors said results for the full year would be difficult to predict in such depressed and uncertain circumstances.

Unilever: R9,5m focus on speciality cheeses

CAPE TIMES 22/11/90 186

THE Unilever group has invested R9,5m in a new Simonsberg cheese factory at Stellenbosch, where exotic varieties are made to continental recipes

In Stellenbosch for the official opening yesterday, Rick Griffiths — MD of Vandenbergh, the margarine and cheese manufacturing company in the Unilever (SA) stable — said it had acquired Simonsberg two years ago

"Unilever internationally has an increased focus on food This purchase was in line with others in the UK, France, Belgium, Germany, Italy and Brazil."

These acquisitions had led to an interchange of ideas and technology between countries which would result in new products from the Stellenbosch factory

Griffiths said the total market for cheese in SA was worth between R500m and R600m a year Only a small proportion of this was for speciality cheeses, which were bought mostly by the upper income group

But there was scope for this market to grow since even in this income group SA people were still relatively unsophisticated about both cheese and wine

He said the investment in the new factory had been decided on in 1988 "We saw difficulties ahead for the economy, but we did not think it would be as bad as this "

However, the company was "very happy with the factory We are looking ahead to a more encouraging (business) climate "

Griffiths said the view of the Unilever group was that "in mid-1991 we shall begin to see things turn a little By 1993 we should experience market growth ahead of the population."

TONGAAT-HULETT (186) FM 30/11/90

THE EGGS IN THE BASKET

DIVERSIFICATION FROM SUGAR HAS NOT DELIVERED HOPED-FOR RETURNS

As with most agricultural products, sugar markets can be highly cyclical. More than 30 years ago Tongaat started diversifying into other businesses and today some of its other divisions rival the sugar interests

But profit has remained brittle Earnings crumbled during the mid-Eighties when the group was saddled with high borrowings Now the board is forecasting a drop of about 25% at bottom line for the 1991 year With these swings the diversification has hardly been a great success

It was after Chris Saunders visited Hawaii in the Fifties that Tongaat Sugar Co first began to diversify from pure sugar interests The Tongaat-Hulett chairman learnt how the Hawaiians used the by-products of sugar — molasses and bagasse — to produce animal feeds. This led to an animal feeds plant and a maize mill Then, in 1968, Tongaat moved into chickens and mushrooms

This was the beginning of what is now the foods division — which also produces edible oils, eggs and dehydrated foods as well as owning cotton gins, a warehousing and distribution operation and an industrial and commercial catering set-up

Tongaat Foods is one of two divisions still performing well. The other is starch and sweeteners. The four remaining divisions are reporting reduced profits Sugar has suffered from marginally lower international prices and a winter drought, aluminium from significantly lower world prices and a fall in demand, textiles from a change in import duty structures, political unrest and the downturn in the economy; and building materials from high interest rates, violence in the townships and a general lack of building activity

Tongaat's figures for the half-year to September reflect the poor performance from most of its divisions though contributions are not released at the interim stage Overall profit after tax fell 30%, compared with the first six months of last year, to R62,3m and EPS dropped 29% to 82,3c

The outlook for the full year is not good despite the group usually performing better in the second half Group financial director Ted Garner expects earnings to fall 25% overall This will result in full-year earnings of 177,5c — still better than the poor years in the recession of 1984-1986

Garner says the group came out of that a lot leaner as it had to "cut everything back to manageable proportions," including staff Even the company jet was sold Return on shareholders' funds dwindled to just 6% in 1985 and 2,4% in 1986 At the end of the 1985 financial year EPS had fallen 48% to 60,3c and in 1986 dropped 60% to just 24,4c

During that period, Tongaat also had the problem of soaring debt as borrowings for the newly built Felixton sugar mill came on balance-sheet The debt equity ratio rose to an uncomfortable 60,6%

The group was criticised for not having a rights issue and letting return on assets fall to just 10% in 1986 "We made our assets sweat," Garner says He believes that with the leaner structure and better debt position — debt equity ratio is around 25% — the group is better able to cope with the current recession Though its half-year borrowings amounted to R620m, this will fall to R350m at financial year-end in line with the seasonal nature of the group's agricultural operations

Though it is unfair to judge a company only on its performance during recessions, the purpose of a conglomerate is to spread its risks to ensure diversified interests are as contracyclical as possible The question must be asked whether Tongaat has spread its risks sufficiently to produce steadily rising profits over a period The six divisions are, however, 100% owned and mutually supportive in terms of cash flow

EPS over the past 10 years have been volatile (see graph) The bad years were offset by some extremely good ones — in 1987 EPS rose 250% off a low base to 85,3c; in 1988 90% to 162,3c, and in 1989 32% to 214,3c Garner points out that before 1985, the group had 11 consecutive years of good profits

But Garner also says the business cycles of the various divisions have changed over time When the group entered the building materials market it was because bricks and sugar were believed to be contracyclical

Sugar has the potential to produce the steadiest profits — mostly because output is tightly controlled by government and major growers are restricted to annual quotas Recent deregulation, which allows small farmers to grow without quotas, is expected to add small amounts to Tongaat's output But the SA Sugar Association (Sasa) expansion programme, which will allow 300 000 t more annual production, will benefit mostly a proposed new competitor mill in the eastern Transvaal

The only surprise could come from bad weather and international sugar prices, which did fall marginally this season though Sasa managed to sell most of the crop forward at a better price

Just under half the sugar crop is exported and demand is almost static With Reserve Bank Governor Chris Stals's pledge to keep the rand stable, it is less likely the industry will be able to rely on a depreciating rand for an added boost to profits Demand from the local market, which receives about 1,3 Mt a year is, however, growing — especially from consumers as opposed to industrial demand But Tongaat obviously cannot rely on this division for exciting growth

Hulett Aluminium, which at one stage overtook sugar as the largest contributor to profits, was the major cause for poor interim results as profits dropped considerably; 36% of Tongaat's aluminium production is exported, so the fall in the world price has hurt Local fall-off in demand for building materials such as aluminium door and window frames has also taken its toll Obviously lower volumes hurt margins Garner would say only that though the contribution from Hulett Aluminium is still substantial, it's not as it used to be

The brick division, which falls under Toncorco, is operating at 65% capacity Garner says because of the decline in building activity the division's brick stockpile is about 25m

There is no telling when the building industry will turn around, nor when the enormous funds earmarked for black housing will be used, but Garner believes the building materials division is "the business of the future" and "is positioned for the upturn "

Tongaat Textiles, as a highly cyclical business, has always had its ups and downs But unrest in the Mpumalanga township caused work force disruptions and a decline in local demand has hurt profits According to Garner the introduction of low-priced fabric and yarn imports, because of a reduction in import duty, has increased competition and the hike in the price of cotton has pushed up operating costs. Whiteheads, which designs and manufactures furniture and clothing fabric, has tried to offset poor local demand with its export market — which is said to be large

Starch and sweeteners division, African Products, continues to perform well despite competition from Tiger Oats, which has the benefit of its Beacon link. So far the Tongaat division has been successful and, according to Garner, paid for itself in three years — after tax Afprod was bought from Amic in 1983 for 9,5m Tongaat shares and R3,1m cash

Tongaat-Hulett is in the business of food, clothing and shelter Everyone needs these but the strategy hasn't worked quite as expected Instead of producing the steady growth one might expect from basic needs, profits have been erratic over the past decade Investors are wary of the conglomerate, which has kept a low profile — probably something which has helped keep the share price well below the Industrial index.

The group still has to prove to investors that it can provide steady returns. Its 17,5% return on assets — after the revaluation of all group properties — is not as good as investors would like compared to the 21% interest they could be earning It is an improvement, however, on 1986's 10% and only just below the 1988 high of 18,5%

The interim dividend has been reduced to 23c from 26c and, as the half-year dividend is usually one-third of the total, shareholders can expect a final of 75c Dividend cover will be reduced to 2,8

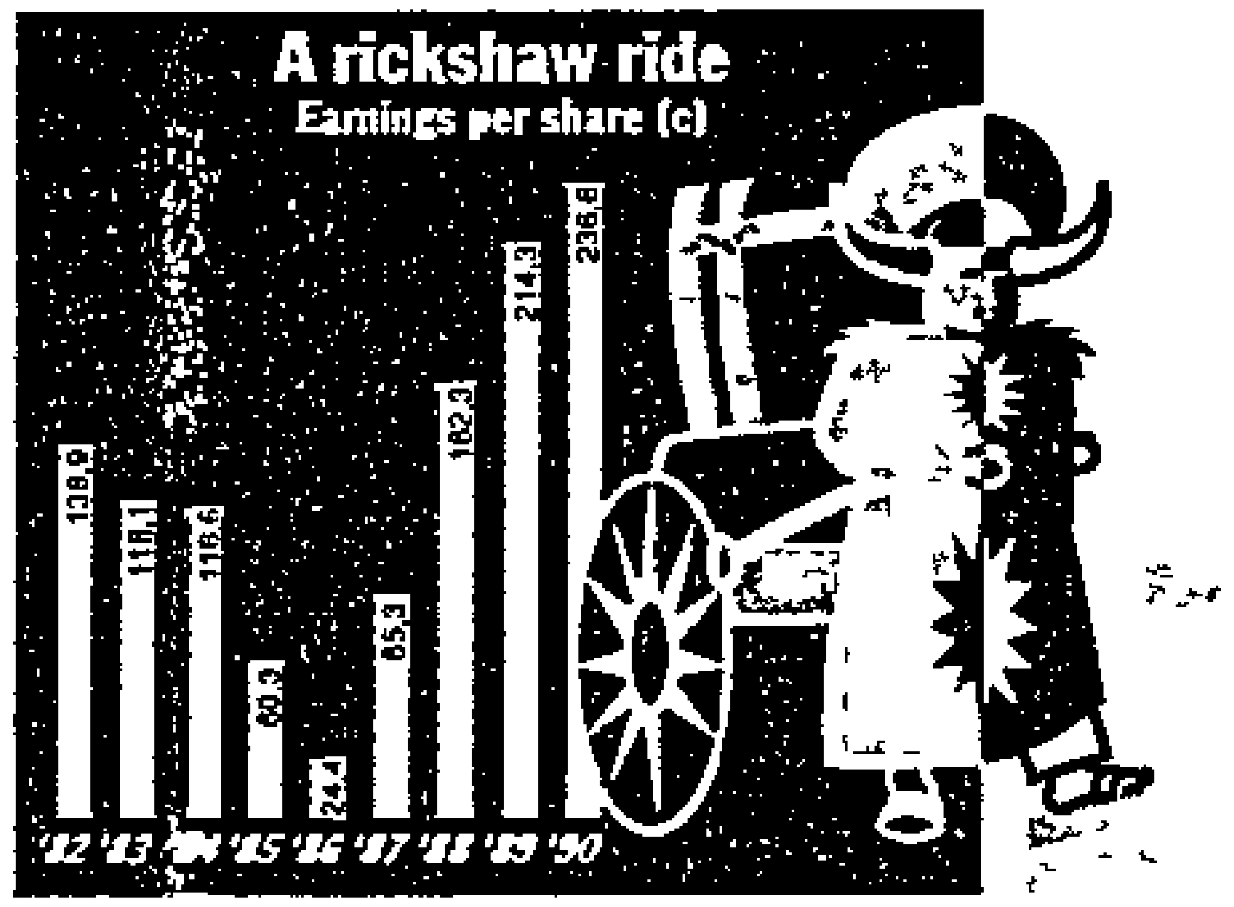
The group is "sensitive to new business opportunities" which could come cheap in these times.

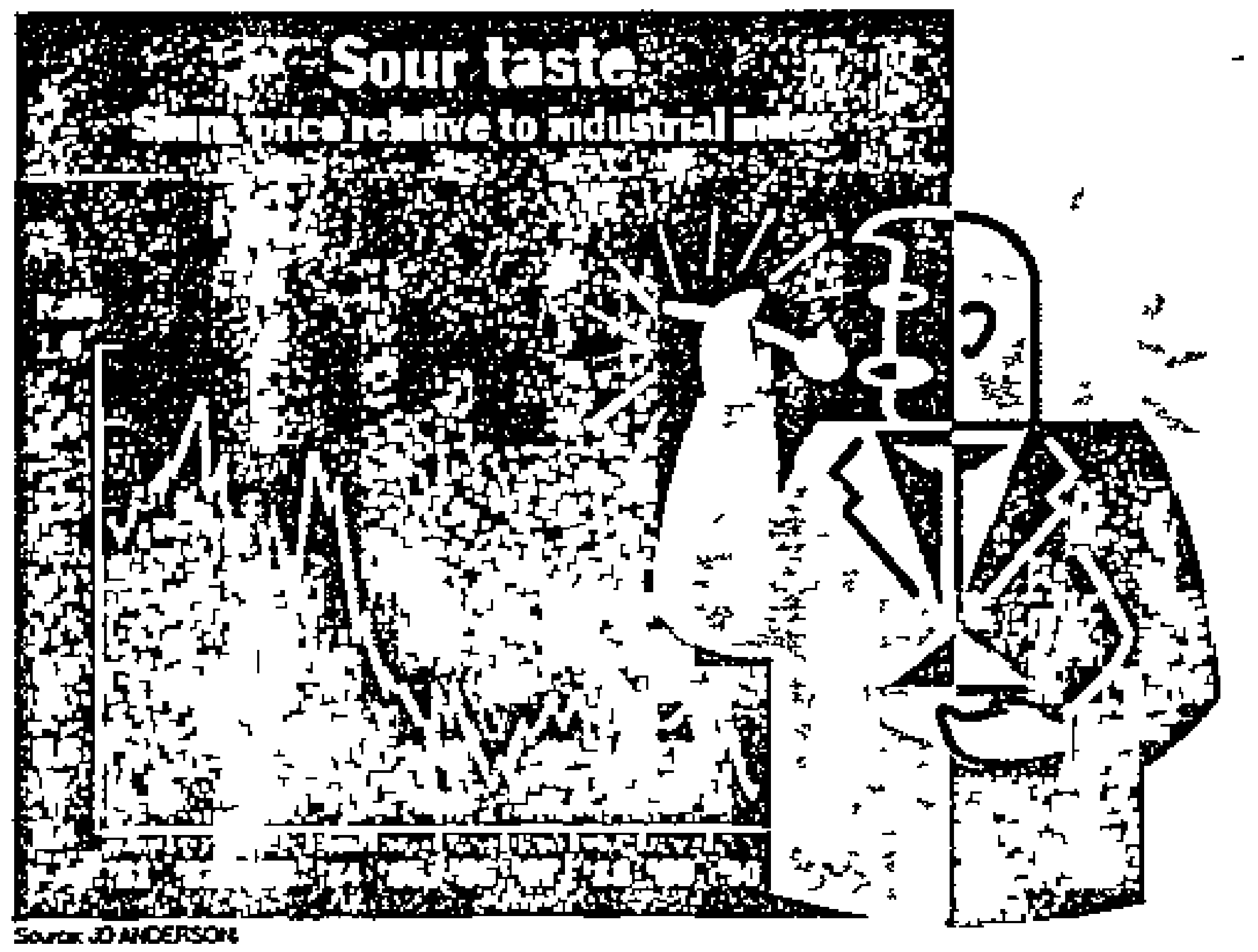
Tongaat has the resources to go shopping and Garner says debt would usually be used for this purpose but in some cases equity could be the form of payment. He says Anglo and Amic, which control 44% of the shares, have been supportive about Tongaat's purchase of assets So there should be no problem from this quarter

The problem lies in buying the *right* assets It is no good opening textile factories to create employment, the business has to make money However, demand for its present products could also surge in a renewed SA If the promised houses and schools are built building materials would be in strong supply Houses would have to be furnished and fabric required. The question is when this will happen

Tongaat-Hulett's share performance has long been disappointing The price has reacted to the recent negative results by sliding to 1 250c from 1 900c in February Perhaps Tongaat should look at other less cyclical businesses which will ensure shareholders their long-awaited return It could also look at developing some of the land it owns

Heather Formby





Source: JD ANDERSON

(186) FM 30/11/90 (186)

(186) Star 30/11/90

Boycott will be last straw, say retailers

By Louise Burgers

A festive season consumer boycott would have a devastating effect on retailers and could lead to the closure of some small businesses, The Star found in a snap survey of small stores and large retailers in Johannesburg.

Small retailers said the economic recession had already affected sales before the Christmas rush had even begun. A consumer boycott would be the last straw for some of them.

ANC publicity chief Dr Pallo Jordan told The Star earlier this week that the organisation was under intense pressure from members and supporters to declare a "black Christmas" in the townships

Backlash

As in the past, this would involve consumer boycotts

Some retailers interviewed wished to remain anonymous for fear of a backlash if their shops were identified

A children's clothing store owner said. "We have not had such bad business since the 1985 Christmas boycott. A consumer boycott now would be disastrous I would be forced to close shop in January"

Pick 'n Pay southern Transvaal general manager Mike van de Merwe believes the group's inland stores could benefit from the poor tourist season expected in coastal areas, leading to a positive Christmas for the group This would change drastically in the face of a consumer boycott

"A consumer boycott would have a devastating effect on our business as black consumer spending power is becoming greater every day"

Mr van de Merwe said Pick 'n Pay experienced a 10 percent decline in sales during the 1985 Christmas consumer boycott

A sign of hard times, one trader said, was the lack of lavish Christmas decorations in store windows this year.

The manager of a men's clothing store said his group would be hard hit by a consumer boycott and that "we would feel it desperately".

Another trader said a boycott similar to the one in 1985 would be very harsh for shopkeepers.

OK Bazaars managing director Gordon Hood said his prognosis for Christmas business was reasonable, as the economy was not positioned for a great season. He said it was dangerous to speculate on the effects of a possible consumer boycott

Three weeks ago the SA Chamber of Business (Sacob) predicted in a survey on Christmas sales that South Africans would spend a record R15 billion during Christmas this year but that sales on most goods would be down. The cash squeeze caused by the recession would also result in gifts being smaller

Sacob senior economist Bill Lacey said the chamber's predictions would change for the worse if a consumer boycott were implemented.

Mr Lacey said respondents to Sacob's earlier survey were concerned about the effects of a boycott on Christmas sales, especially in the Free State, where there was much racial conflict Similar types of conflict were emerging in Louis Trichardt, now in the grip of a full consumer boycott.

186

S/Times 2/12/90

Cherry for Royal

Business Times Reporter

CHEMICAL and confectionery group Royal Corporation has picked a cherry with its latest acquisition.

It has bought the entire shareholding in the South African Preserving Co (Sapco) for an undisclosed amount from its international parent, Del Monte Foods International.

Sources in the industry believe the price is high — R50-million to R100-million.

Sapco is a byword in the Tulbagh area of the Western Cape and the world's preserved-fruit industry. It is the primary supplier of canned fruit to Del Monte and the deal is believed to guarantee the long-term continuation of the agreement.

The Del Monte label will also appear on SA supermarket shelves.

The deal is subject to certain formalities and approval by Royal shareholders. Details will be announced soon.

Rationalisation a new focus for ICS

B/Day 4/12/90

186

MARCIA KLEIN

A rationalisation programme and a strategy of moving towards branded, value-added products were the major areas of focus in financial 1991 for food group Imperial Cold Storage (ICS), chairman Robbie Williams said in the annual report.

The group — whose subsidiaries include Sea Harvest, Fedics, Chandling International, Renown, DairyMaid, Festive and Bull Brand — posted a 35% decline in attributable profits to R36,6m on a 10% increase in turnover to R2,07bn in the year to end-September, due to pressure on margins and dampened consumer demand.

Williams said financial 1990 was difficult for ICS with oversupplies of poultry, meat and dairy products.

Merged

These would persist for some time and continue to depress margins

The strategy of moving to value-added products would result in less dependence on commodity-type products, which were constantly being affected by surpluses or shortages, and although it would take some time to implement the strategy, Williams said certain benefits would be felt in 1991.

Since year-end ICS's commercial cold store operations were merged with those of Oceana Fishing Group, with ICS holding a 40% interest in the new merged company, which "should feel the benefits of rationalisation"

ICS supported the principle of deregulation — which has already taken place in the dairy industry — and the expected deregulation of the meat industry would facilitate "the free flow of product and allow greater utilisation of the group's facilities".

MD Nick Dennis said major objectives in the short to medium term were "to manage down the losses in the poultry division, manage the surpluses in the meat and dairying divisions and rationalise the meat division"

He said in view of industry surpluses in major divisions, the state of the economy and ICS' bias towards commodity products, "the outlook for the coming year points to a modest improvement in attributable earnings".

In the long term the strategy would be to move towards value-added products, to build established brands and to create new brands

More than R120m was invested in capital projects for the long term benefit of the group in the six months to September Projects include the establishment of the Clayville dairy, a programme to expand broiler production, increased capacity at Festive Farms and the upgrading of the Cold Chain facilities.

As part of ICS's strategy, a certain amount of restructuring was already taking place focusing on achieving higher returns and cash management.

Certain activities had been rationalised, a number of product ranges reviewed and unprofitable lines discontinued, Dennis said.

Oceana group moves to overcome problems

B Day 4/12/90

LESLEY LAMBERT

CAPE TOWN — The Oceana Fishing Group is diversifying to offset disappointing fishing conditions, says executive chairman Walter Lewis in the annual report.

New moves, he says, will also provide a base for future growth and profitability.

During the year under review, reduced landings of anchovy in SA and rock lobster in Namibia and SA contributed substantially to a 42% decline in the group's attributable earnings.

A decision to hive off the Namibian interests, which had become a financial burden, and to diversify into other areas which were more profitable and, significantly, not quota-bound, has been implemented.

Oceana's interest in Namibian Sea Products was sold in September and the proceeds used to acquire the abalone business of Tuna Marine. This gives the group a 29% stake in the high-export abalone industry.

Shortly after this transaction, agreement was reached with Imperial Cold Storage to merge its commercial cold stores with those of Oceana, an arrangement which gives Oceana a 60% share in, and responsibility for the management of, the merged business.

186

R40m plans

In another recent development, Oceana subsidiary SA Sea Products joined Masterbond subsidiary Masterprop in a consortium to redevelop Hout Bay harbour.

Rights for the redevelopment were granted by the Cape Provincial Administration. Development proposals involving an investment of up to R40m have been agreed in principle.

All of these developments were expected to impact positively on Oceana's future financial performance, Lewis said.

On the fishing side, he thought overall prospects were marginally better than last year.

While pilchard resources appeared stable, and possibly even expanding, there was still uncertainty about the state of anchovy resources. Lewis warned that if the total allowable anchovy catch did not exceed last year's, reduction plans would result in an operational loss

Lobster and other fishing operations, on the other hand, were budgeted to show an improved operational and financial performance in the year ahead, he said.

ICS, Oceana merge cold storage interests

By Tom Hood

186

The cold storage interests of Imperial Cold Storage are to be merged with those of Blue Continent, a subsidiary of Oceana Fishing Group, to form the country's largest commercial cold storage business Star 5/12/90

A holding company, Afcol Holdings Ltd, has been formed with Oceana owning 60 percent of the shares and ICS the other 40 percent, said Mr Walter Lewis, chairman of Oceana

The companies are in the Barlows stable and, as Mr Lewis says: "ICS was competing with Blue Continent and was virtually in the same camp

"They wanted a 50-50 partnership as ICS is an old-established business," said Mr Lewis "But we have never taken over anything without having control"

ICS has cold stores at City Deep, Philippi and C Berth at Cape Town Docks

The deal is not expected to have a material effect on profits in the short term but but Mr Lewis is confident the cold storage division will continue to show meaningful growth in profitability in the medium to long term"

CG Smith set for growth in '91

BDay 7/12/90

186

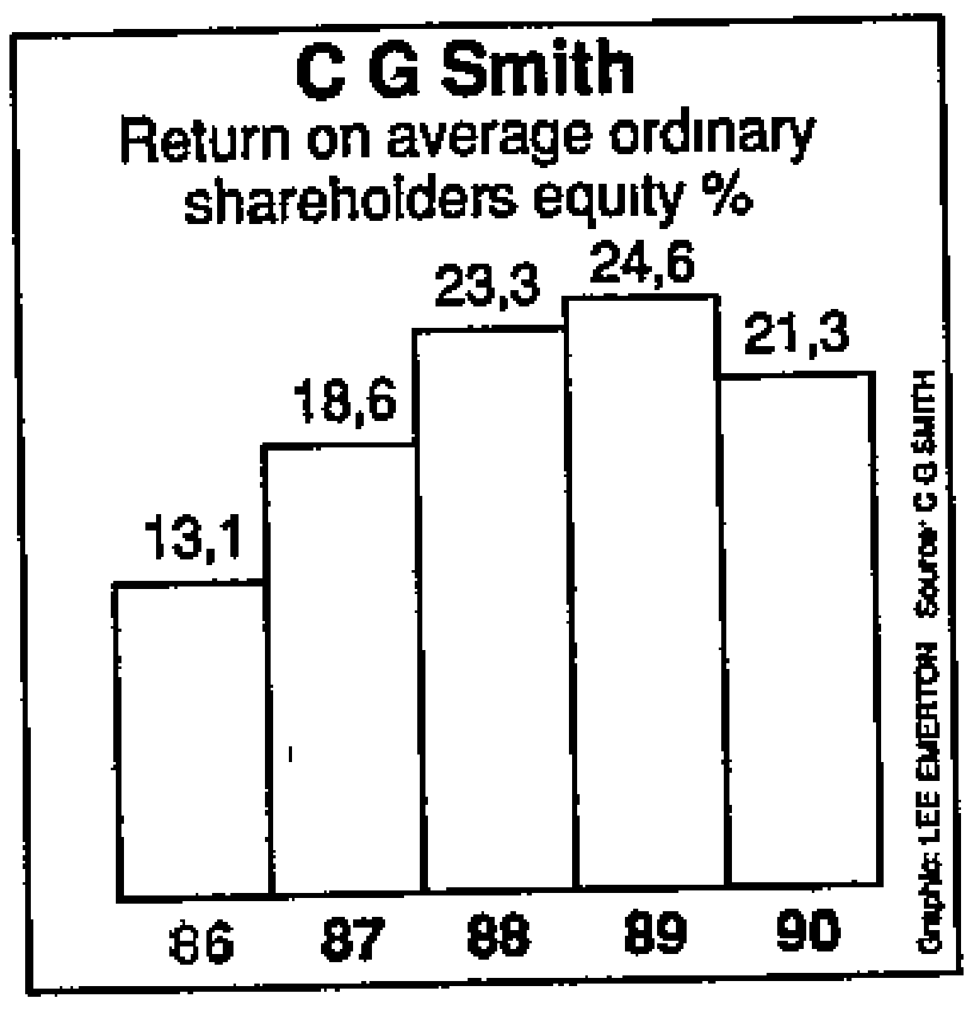
MARCIA KLEIN

INVESTMENTS, rationalisation and acquisitions together with a strong balance sheet and sound gearing ratios should ensure growth in financial 1991 for Barlow Rand subsidiary C G Smith, chairman Robbie Williams says.

C G Smith — which posted a 1% increase in attributable profits to R352,4m in the year to September — is an investment holding company with interests in the food, pharmaceutical, packaging and carpet and textile industries

Williams said in the annual report the group expected further growth despite continued restrictive monetary measures, inflationary pressure from higher oil prices and an unsettled socio-political environment.

C G Smith's major subsidiary C G Smith Foods would show "a reasonable improvement in earnings" in financial 1991 even though its growth had slowed with the economy.



Graphic: LEE EMERTON Source: C G SMITH

C G Smith Foods's wide portfolio made possible a 12% increase in attributable earnings to R249m in the year to September, and saw turnover reach a new high of R9,9bn

Strong performances achieved by Adcock Ingram, Logos Pharmaceuticals, C G Smith Sugar and Tiger Foods were offset to some extent by disappointing results from Imperial Cold Storage and Oceana Fishing Group.

Williams expected a lower rate of growth in financial 1991 from C G Smith Sugar — which posted a 20% increase in profits in the year to September — as there would be a drop in production and a reduced world price, which would be only partially offset by higher sales volumes in the domestic market

C G Smith Sugar was "especially interested in a new mill in the eastern Transvaal" as part of its expansion programme.

ICS — which reported a 35% decline in attributable profits to R37m in the year to September — expected only a "modest improvement" in earnings due to the effect of the economic downturn and surpluses in its major markets

Tiger Oats achieved a 17% increase in attributable income to R255m in the year to September

It would improve earnings in financial 1991 as results would reflect the Beacon Sweets acquisition and stronger results from subsidiary Langeberg, the annual report said.

Pharmaceutical company Adcock Ingram expected a satisfactory earnings increase in 1991 after producing a 29% increase in attributable profit to R49,4m in the year to September

However, expectations for Oceana Fishing were not as optimistic, and Oceana, which posted a 43% decrease in attributable profit to R13,6m, expected the inshore pelagic fishing industry to remain a problem in 1991. Earnings were nevertheless expected to exceed those of financial 1990.

Its packaging and paper division — Nanpak — reported a 7% decline in attributable profit to R199m. However, Williams said there would be some earnings growth if there was a mild recovery in the economy by mid-1991.

In the carpet and textile division, a capital expenditure programme would be the key focal point of 1991, and would result in higher interest charges, Williams said

Tiger calls on govt to clarify plans for VAT

B/Day 11/12/90

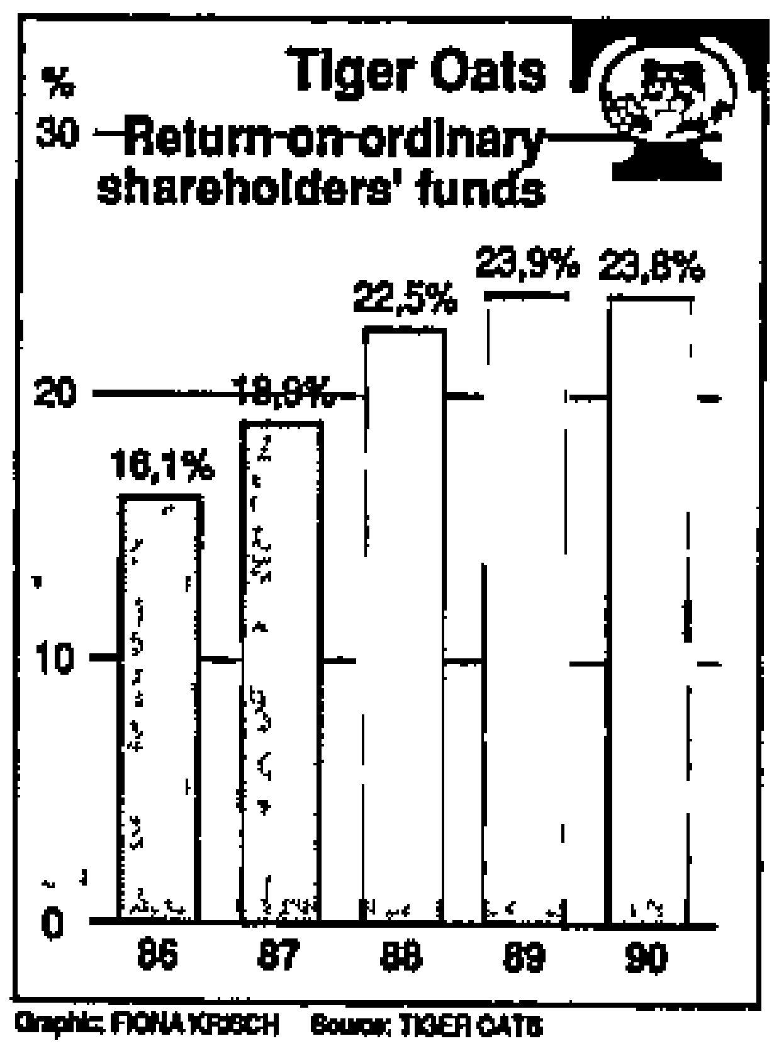
186

MARCIA KLEIN

FOOD giant Tiger Oats (Tiger) chairman Robbie Williams has called on government to clarify its intentions on the application of VAT to food products.

In the group's annual report he said that about 35% of lower income group expenditure was on food and with about 70% of food turnover exempt from GST, the extension of VAT to these products and the removal of the bread subsidy in March next year "will be a considerable burden to an already over-extended sector of our population".

Tiger operates in the food, pharmaceutical, fishing, confectionery and food canning industries and is a subsidiary of CG Smith Foods, which in turn is a member of the Barlow Rand Group



Graphic: FIONA KRISCH Source: TIGER OATS

Tiger posted a 16% growth in earnings to 184c (158c) a share for the year to end-September on a 19% increase in turnover to R6,78bn

Williams said while most of the core business activities held up well, the broiler and bakery divisions, the pineapple divisions in Langeberg and the pelagic fishing operations in the Oceana Fishing Group had reported disappointing results.

He said the mixing of businesses making up the Tiger group had altered over the past five years, in line with a shift in the group's portfolio aimed at broadening its range of activities, strengthening brand names and adding value

Williams said Tiger generated sufficient cash to fund its own expansion and keep gearing in line with levels in the food industry Gearing rose from 35% in 1989 to 39% in 1990.

Total assets increased by 20% to R3,1bn in the year to September and the group spent R109m on replacement of assets, R125m on expanding operations and R106m on acquisitions in financial 1990

There was major investment in the broiler chicken and egg operations, the bakery division and Langeberg canning operation

In Maritzburg a major focus of investment was the erection of a wheat and maize mill and a bakery plant.

The group's target was to become globally competitive wherever feasible, Williams said.

Tiger is listed on the International Stock Exchange in London and has been involved in international markets for many years The group hopes to increase the level of high value exports

Tiger chief against VAT on basic food

Star 11/1/90

(186)

By Derek Tommey

Major food producer Tiger Oats is concerned about the Government's intention to impose value-added-tax (VAT) on all foodstuffs when it is introduced next October and its consequent effect on lower-income groups.

Writing in the group's annual report, chairman Robbie Williams says the Government appears determined to have hardly any exemptions from VAT in order to close tax loopholes that have resulted in under-recovery of GST.

Unfortunately this means all foodstuffs will be subject to VAT.

About 70 pecent of food turnover is now exempt from GST The introduction of VAT means consumers will pay tax on the present exempt portion

A 10 percent VAT rate, for example, could push up everybody's food bill by about seven percent

"The effect of extending tax to basic foods with the replacement of GST by VAT is still not entirely clear," he says

He asks. "What plans has the Government for helping the lower-income groups, who are already spending as much as 35 percent of their income on food?"

A simple calculation shows that the introduction of VAT could push the figure up to almost 38 percent.

Robbie Williams . . . still not entirely clear

The Government has hinted it has plans to help the lower-income groups But Mr Williams points out that little is known about their extent and timing

He says three developments — the removal of bread subsidies, the probable increase in food prices and the apparent lack of assistance for lower—income groups — are inextricably linked

The extension of VAT to food and the removal of the bread subsidy "will be a considerable burden to an already over-extended sector of our population", he says

He cites the United Kingdom as an example of a country where foodstuffs are exempt from VAT

Figures in the annual report go a long way to refuting claims that food manufacturers are responsible for much of the current inflation by forcing up margins.

Although Tiger Oats' turnover rose 18 percent to R6,8 billion, operating profits rose only 14 percent because of a decline in operating margins on all sales from 7,6 percent to 7,3 percent

An analysis of divisional earnings shows that margins on foodstuffs sold dropped from 6,5 percent to 6,15 percent.

Reflecting the increased emphasis on exports, Mr Williams says the efficiency of Tiger's businesses are no longer assessed against the best of the local competition, but against overseas firms.

"Our target must be to become globally competitive," he says.

Tiger Oats has been involved in international markets for many years and has developed both the skills and the external infrastructural network.

"We will seek to build on these capabilities, particularly in increasing the level of high-value exports "

He sees a difficult year ahead.

But the acquisition of the sweet manufacturer Beacon, and stronger results from fruit canner Langeberg should produce a satisfactory increase in earnings, he says

Royal building up investor confidence

[illegible] 186

Star 12/12/90

Diagonal Street

Jabulani Sikhakhane

Investor doubts about the wisdom of Royal Corporation's (formerly Lovasz Chemicals) acquisitions of Royal Beech Nut last year and the price paid appear to have been dispelled.

Royal's latest acquisition of fruit canner, SA Preserving Company (Sapco) and certain SA trademarks from Del Monte Foods International has raised no such doubts. Analysts believe the price paid to be around R100 million.

Royal's share price has been rerated strongly, surging 46 percent from 160c at the end of November to the current price of 235c. At this price level Royal is trading on an earnings multiple of 12 and a dividend yield of 2,6, compared with the industrial holdings average of 8,1 and 4,9.

Management maintains that while Royal is listed in the industrial holdings, its activities are more comparable with those in the food sector which has an average P/E of 12,8 and dividend yield of 3,4.

Investor interest in Royal is also being spurred by speculation of another acquisition and the fact that Royal will probably soon announce a separate listing of its food and chemical interests.

Analysts believe that Royal will probably go for a rights issue through the separate listing of Royal Beech—Nut, which houses the group's food and confectionery, in order to fund the acquisition of Sapco.

Managing director, Doug Johnston said recently that RBN will list when it makes an acquisition or when the market is right for a listing.

Analysts say that Royal's rerating is also justified in line with the group's perfomance. In the six months to ending August, Royal showed a 20,4 percent increase in earnings, at a time when most companies were reporting falling earnings.

Sapco cans fruit for export under long-term contracts (said to be over 25 years) to Del Monte Foods International, which is one of the biggest canners in the world.

Sapco's canning plant operates from November to end-April, leaving six months of spare capacity for Royal to use

One analyst notes that although the purchase price might appear high, Sapco could double Royal's profitability.

All the current Sapco production is for export. Export allowances should lower Royal's already-low effective tax rate. In financial 1990, Royal's effective tax rate was 11,5 percent.

Royal, previously Lovasz Chemicals, was reconstituted in March 1989 to incorporate the acquisition of Royal Beech-Nut from its disinvesting US parent Nabisco for R45 million.

Although Lovasz was critisised for offering more than other bidders were willing to pay, RBN now contributes about 67 percent of the group attributable profits and has justified the price paid.

Other acquisitions included Manhattan Confectionery for R4,5 million and two brands from the Kellogs Corporation.

After a R60,5 milliom rights issue, Lovasz changed its name to Royal Corporation and moved from the chemical and oils sector to the industrial holdings board of the JSE.

It had RBN as its food and confectionery arm and Lovasz housing the group's chemical and pharmaceutical business.

The successful integration of all these acquisitions and their subsequent good performances is sufficient vindicationof Vivian Immerman (executive chairman of Royal Corporation) aim to build a solid and focussed industrial group.

Overall, Frankel, Marx Pollak, Vinderine analyst, Teigue Payne says the market has gained confidence that Vivian Immerman can achieve his ambition to build Royal into a major, dynamic group.

He adds that Mr Immerman generally acquires businesses with which he is thoroughly familiar.

Kanhym prepares for an 'extremely difficult 1991'

186

B Day 13/12/90

MARCIA KLEIN

FOOD group Kanhym, a major supplier of prepared and fresh meat products, expected to report similar profits in financial 1991 to those posted in the year to end-August, chairman Dirk Jacobs said in the annual report

Kanhym reported a decrease in attributable earnings to R30m (R31,7m) in the year to August, while earnings a share dropped from 58c to 55c on a 14% increase in turnover to R979m

Jacobs expected 1991 to be "an extremely difficult year", and while there was no indication of an improvement in either the red meat price or consumer spending — two factors "which have a decisive effect on Kanhym's performance" — the group would maintain earnings

While results for the full year would be maintained, figures for the six months to February 1991 were expected to be down on the same period in financial 1990, when the group posted a 32% rise in earnings to 36,7c a share

The group's substantial improvement in performance sustained since the mid-1980's levelled out in financial 1990 in the face of the severe collapse of the abattoir auction price for red meat, the flagging economy and reduced consumer demand, Jacobs said

However Kanhym was "weathering the storm" more successfully than in 1984/85, and the expansion of value-added commodities was removing the volatility of its performance

Jacobs said the last quarter of financial 1990 cost Kanhym about R8m in loss of contribution to earnings, and the group's results would have been "devastating" due to the red meat price collapse were it not for the compensating effect of the increased contribution of value-added items

The group's acquisition in April of poultry producer Mielie-Kip marked Kanhym's first diversication beyond its traditional red meat base A plan was being prepared to implement a new strategy to develop value-added operations, and it would soon produce an extra 25 000 chickens per week. Another recent acquisition, Hanni, which is a major supplier of leather car upholstery, reported a significant improvement in earnings However, Jacobs said a depressed international market in hides and skins would restrict earnings in financial 1991.

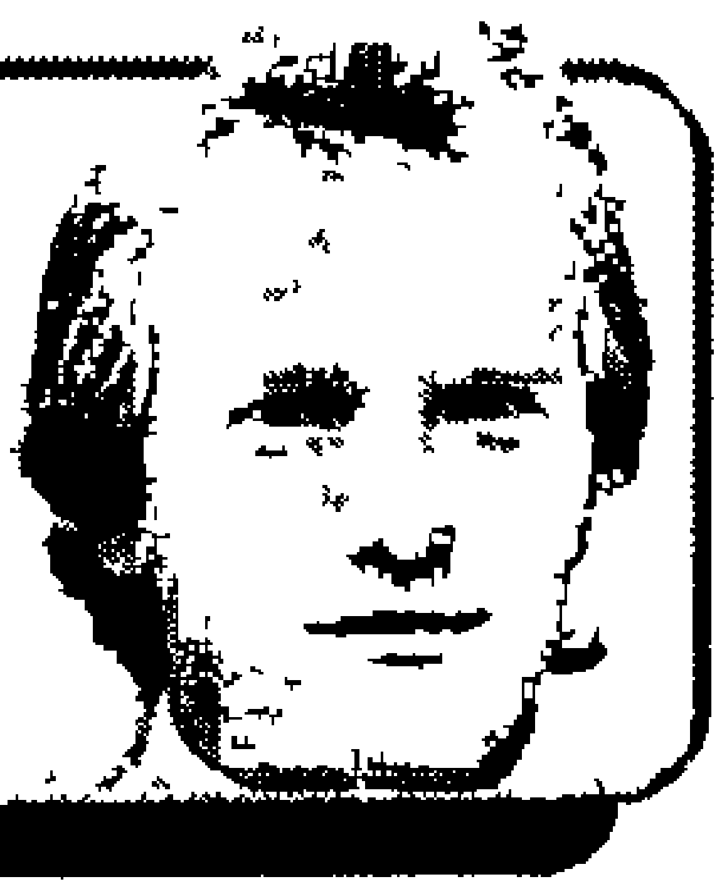
Jacobs said there was no real growth in the prepared meat products market in which Enterprise operated, but he expected it to maintain its leadership position with a market share of more than 40%

Front-runners in CG Smith stable

ST Times 16/12/90

DIAGONAL STREET

By CIARAN RYAN



186

CG SMITH'S paltry 1% improvement in earnings for the year to September 1990 reflects poor performances by subsidiaries Nampak and Romatex.

The results would have been worse had it not been for a strong showing by the food and pharmaceutical divisions.

CG Smith is traditionally considered a defensive stock, but on a PE of 9,95 its rating falls well behind some of its component parts.

CGS Food, for example, is on a PE of 13,3 and 53% subsidiary Tiger Oats is on 16. Tiger subsidiary Adcock Ingram is on a PE of 17,6 and Nampak, after a 7% drop in attributable profit, is on a PE of 10, almost on a par with the top company. Worst rated of the lot is textile manufacturer Romatex at 4,7.

Analyst Teigue Payne of Frankel Max Pollack Vinderine argues that under the present circumstances, it would be better to invest in the operating companies, particularly in the food and pharmaceutical arms.

"Adcock Ingram is a particularly well-run company and it is riding two waves at the moment. Firstly, more people are attending State hospitals as a result of urbanisation and they need medicines. Secondly, more people are coming on medical-aid schemes."

The annual report comments dryly that the admixture pharmacy unit of Sabax, part of Adock Ingram, was closed "pending the outcome of detailed investigations into certain contaminated batches of an admixture prescription medicine which may or may not be implicated in the death of two babies".

Notwithstanding the poor publicity surrounding the baby deaths, the wholesaling arm of the pharmaceutical group continues to gain market share. Membership of its Family Circle retail pharmacies exceeds 200.

Nampak supplies about 40% of SA's packaging needs, but volume sales were 1% down over 1989, although the group still recorded a 14% increase in turnover to R3,5-billion.

Nampak has been hammered by union problems, but appears to have brought some control into the situation. In spite of this, it managed to hold its market share, and operating profit improved 5% to R410-million, but a 19% rise in interest charges and an increase in the effective tax rate knocked attributable profit down by 7% to R199-million (R215-million).

Mr Payne forecasts a 10% growth in earnings for Nampak in the year to September 1991 because of a small recovery in the packaging sector and improved operating conditions for the company.

CGS Food's contribution to CG Smith's total attributable profit increased from 51,7% in 1989 to 57,5% in 1990 on a 5% gain in profit attributable to CG Smith shareholders to R202,7-million (R180,8-million), proving that food is relatively recession-proof.

The exception to prove the rule however is ICS, which experienced a downturn in demand for its dairy and red-meat products, which are in oversupply.

CG Smith Sugar enjoyed its sixth consecutive year of profit growth thanks to higher export revenue which prevailed for most of the financial year.

The world price of sugar touched $357 a ton in March, but fell to $230 in July because the world's major producers enjoyed excellent harvests.

Nampak's share of CG Smith's attributable profit dropped from 39,3% to 36%.

The big disappointment was Romatex which accounted for 8,8% of CG Smith's attributable profit in 1989, but only 6,4% in 1990.

Romatex suffered from price discounting in the tufted-carpet market in already difficult trading conditions while incurring expenses as a result of rationalisation and restructuring.

ICS, 67,5% held by CGS Foods, suffered a decline in demand for perishable food items, exacerbated by boycotts and strikes. The red-meat and dairy-product markets are in oversupply and Fresh Farm recorded a loss for the year.

Oceana, 70% held by Tiger, was knocked by a poor pelagic catch and an anchovy quota which was set at an all-time low. Oceana disposed of its 54,4% interest in Namsea in the year because returns "were no longer meeting the requisite criteria and long-term objectives".

The question remains whether CG Smith can still be considered a defensive stock in the light of last year's performance.

Mr Payne forecasts 9% growth in earnings for CG Smith in 1991. Food will continue to provide most of the earnings and a recovery at Nampak will add momentum to the recovery.

He expects a 13% improvement in earnings at Tiger and 25% at Adcock Ingram. Romatex's earnings slide is likely to slow in the current year, but it cannot be considered a recovery share yet.

Financial director of CG Smith, Brian Steele, says gearing is 40%, but will fall in 1991.

"Margins have been tight this year, but we expect some improvement next year. Our food division is holding up well — as it tends to do in recession."

CG Smith's capital expenditure for 1990 was about R400-million with a further R400m for replacement.

Rainbow Chickens' cautionary has an intrigued industry cheeping

B Day 20/12/90

(186)

MARCIA KLEIN

● GEOGHEGAN

RAINBOW Chickens could be acquiring a mill for feed meal, or another poultry producer, industry sources said yesterday.

Chicken producer Rainbow issued a cautionary announcement to its shareholders on Monday that negotiations were taking place.

At an open day at Rainbow's Rustenburg plant recently, MD John Geoghegan said Rainbow had made an offer to purchase a mill in Worcester from Tiger Oats' Meadow Feeds. This would have to be modified for Rainbow's requirements.

He said Rainbow was fully committed to an expansion programme. This included building its own mills for feed meal, "which could make a big difference to profitability" as feedmeal costs represented 85% of total live bird production costs and 50% of total costs.

Rainbow had budgeted to spend R236m in the next three years on feed mills in Rustenburg, Hammarsdale and Worcester — the Worcester plant was expected to be commissioned in 1993.

Capex for financial 1991, exclusive of the Rustenburg mill, would be between R100m and R150m. All capex would be funded from borrowings, which would see Rainbow move from having net cash to a geared position.

Geoghegan said borrowings would peak at R213m in 1994.

The mills would make Rainbow the second biggest miller in SA after Tiger's Meadow Feeds, which had been supplying Rainbow with feed up to now.

An industry analyst said that as distribution costs were fundamentally important, it might be expensive to produce in one area and transport down to the Cape. It might make sense, therefore, for Rainbow to buy the mill in Worcester.

Another analyst said the cautionary might involve Tiger Oats "or any other company" becoming a shareholder with Rainbow in all its proposed milling operations.

However, other sources said Rainbow might be negotiating to acquire another chicken producer.

An analyst said there was strategic value in Rainbow acquiring a medium to big business, as it would then be in a position to control prices.

However, he said, this would mean Rainbow might have to come to the market for more money, as it had already budgeted for a large amount of capex.

Another analyst disagreed, saying Rainbow would not buy a chicken producer "as it operated better broiler operations than anyone else".

Rainbow might be wanting to acquire a smaller, specialist operation, he said.

Rainfall may be too late to help farmers supply the food industry

MARCIA KLEIN

RAIN has partly eased the drought in the summer rainfall areas, but might have come too late for some farmers who produce raw materials for the food industry.

SA Agricultural Union manager Rudi Malan said yesterday the biggest problem was a smaller than usual crop being planted by maize and wheat producers.

Many farmers were planting other crops such as soya and sorghum to save themselves from the effects of the drought.

Fedfood MD Jan du Toit said yesterday he did not foresee any serious shortage in supply after the drought. He said the raw materials used by Fedfood which could be affected included potatoes, vegetables, sorghum, maize and wheat. (186)

However, Fedfood contracted for the bulk of its potato requirements at predetermined prices, and the areas which provided its vegetable requirements were not experiencing drought conditions.

He said the drought had given Fedfood cause for concern with regard to the sorghum market and the group was looking to contract for sorghum on the same basis as it did for potatoes

Rain had improved the situation as regards maize, and negotiations with Zimbabwe for the importation of maize had also progressed. If there was not enough white maize, white and yellow maize might have to be mixed — which was not very popular with the consumer.

Du Toit said the wheat situation was serious, and while 600 000 tons of wheat were to be imported initially, more than a million tons were needed.

If wheat imports were made available at a cheaper rate than SA wheat, as had happened in the past, he said government should pass the benefits on to the millers and bakers to keep the bread price down.

A Premier Group spokesman said the drought did not usually affect food companies, as replacement of various raw materials on the world market was often at a lower price than local prices.

However, he said the food industry might have a problem if there was not sufficient white maize.

Royals in purple

186

S Times 23/12/90

By JULIE WALKER

ROYAL companies reigned this week on speculation that the chemical and food interests might be listed separately.

Large bookovers by the same broking firm in Royal began a week ago, the share price adding 10c with each deal The price climbed from 250c to a year's high of 280c The March low was 110c Holding company Royhold picked up 30c to 270c on Friday afternoon

The week was quiet, absorbing the effects of a finrand which rose from 350c to the dollar to 338c, drifting back 2c on Friday

Gold bucked up a little on Middle Eastern warmongering, but the dollar's midweek gains reduced the net rise to about $10 for $383

But institutions were not interested, many having gone fishin' A rise in gold the size of a tidal wave, not a ripple, will be required to bring the earnings potential of the mines in line with their current share prices

Liberty Life added 50c to R25 on big volume at the lower price FIT gave up 20c to 1 265c, but Richemont was hurt by the finrand, shedding 140c to 2 110c De Beers was up and down, closing 100c off at R68,25 after touching R67

Rainbow brightened on announcing negotiations It added 40c to 340c on speculation of a deal with ICS, possibly involving Festive Chickens ICS added 50c to 1 050c

Heavy trade was evident in Iscor about 188c. It lost 3c to 187c A total of 750 000 Da Gama shares changed hands at R7 and nearly 2,4-million McCarthy at R3 Caxton added R50 to R150

Gilt rates eased and gold futures firmed

ICS foils Mugabe land grab

(186)

S/Times 23/12/90

By DON ROBERTSON

BARLOW RAND company Imperial Cold Storage (ICS) has beaten the threat of a land grab in Zimbabwe

It has sold its huge ranch land holdings in southern Zimbabwe for R6,7-million

Other major foreign landowners, including Anglo American, Lonrho, Unilever and US-based mining giant Union Carbide, are waiting for clarification of a "leaked" report which said Agriculture Minister Witness Mangwende told the ruling Zanu (PF) party that other legislation was being prepared to enable the Government to take over foreign-owned land

Developed

The report follows an amendment to the constitution which allows the Government to set the price for land acquisitions. It also prevents the figure from being contested in court

Anglo has big estates, but they are highly developed Mazoe Citrus Estates and the Hippo Valley sugar producer are in the group Both are big contributors to export earnings

An Anglo spokesman in Johannesburg refuses to comment because the Zimbabwe report is unsubstantiated

The ICS annual report lists the sale as an abnormal item in the profit-and-loss account

But it is a major item in the accounts Operating profit was only R6,4-million, with another R7,6-million from investments

Financial director Jan Liebenburg says the land was sold "at an acceptable price" because it did not fit in with the group's core business

Talk abounds on Rainbow's path

MARCIA KLEIN (186)

SPECULATION abounded last week as to why Rainbow Chickens had issued a cautionary announcement. But a Rainbow spokesman said Rainbow shareholders would have to wait until January for the results of negotiations. BDay 24/12/90

On Friday an industry source said that Rainbow might be out to buy John Fourie's Chubbie Chix, which has about 2,7% market share in the SA chicken industry.

He also said the cautionary could refer to the Rembrandt Group taking a bigger stake in the chicken producer, or to possible significant management changes.

On Thursday industry sources speculated that Rainbow was going to acquire Premier's broiler interests and a mill from Bokomo, indicating it was out to buy Bonny Bird, in which Premier has a 50% share.

Bonny Bird has an 18,6% market share. It produces about 1,3-million chickens a week and is the second largest broiler operation after Rainbow, which has 35% market share and produces about 2,45-million chickens a week.

Other speculation last week was that Rainbow was to buy a mill in Worcester from Tiger Oats's Meadow Feeds, or that it was to buy another chicken producer.

Hard-hit Elangeni now poised for profit growth

BDay 28/12/90

MARCIA KLEIN

186

DURBAN-based Elangeni Holdings, which reported a 64% decrease in earnings a share in the 14 months to end June, is in a favourable position for a significant growth in profits, the annual report says

Directors said in the report that Elangeni's major operating subsidiary, Elangeni Oil & Cake Mills, had had a satisfactory year The rapid growth in turnover and the completion of the expansion of a plant and soap manufacturing facilities enabled satisfactory profits

However, results at end June saw net income for the year down from R1,5m to R529 000, and while turnover grew to 477 on an index from 316 (turnover figures were undisclosed), operating profit increased marginally from R3,1m to R3,3m

This profit was diluted by a huge interest bill, which surged from R1,7m to R2,8m

Directors said in the report that while interest rates were not likely to ease in financial 1991, market conditions were expected to improve

Despite an assurance at the interim stage that the payment of four times-covered dividends would commence in financial 1990 (Elangeni has not paid dividends since its listing in August 1988), the company waived dividend payments in 1990 and in the forthcoming year.

At the June year-end directors anticipated a rights issue in financial 1991

Directors said consistent demand and expansions of plant and machinery would greatly reduce capex

Lonrho Sugar reports 11% growth in turnover

BDay 28/12/90

186

CHARLOTTE MATHEWS

LONRHO Sugar Corporation, which is 99% held by Lonrho International, has reported turnover has grown 11% to 190-million emalangeni in the six months to September 1990 compared to 171,5-million emalangeni in 1989.

Lonrho Sugar grows and mills sugar at estates in Swaziland, Mauritius, Malawi and SA.

The figures are quoted in emalangeni as the company is incorporated in Swaziland.

Thomas Cook figures showed one emalangeni was equivalent to R1 for sellers and to R1,05 for buyers yesterday.

Because of the seasonal nature of its operations, the group's interim results are calculated by adding half the previous year's actual profits and half the estimated profits for the current year. The directors say actual figures would be misleading.

Estimated attributable profits at interim stage are 24,2-million emalangeni (23,3-million emalangeni) which translates into earnings of 215c (207c) a share on an unchanged number of shares in issue.

● ROWLAND

An interim dividend of 100c (75c) a share has been proposed.

Directors expect profits will be maintained at last year's level.

Although the world price of sugar has fallen, Lonrho has increased production significantly this season.

A trader at Holcom Futures said yesterday the world price of sugar had fallen from a high of $16,37c a pound earlier this year to $9,9c a pound for March delivery.

"This year supply and demand are almost in balance but the price came off because crop estimates were changed from a deficit to a slight surplus," he said.

"World stocks are still at a historically low level and for that reason the price can find support at levels of $9,9c a pound."

Recent speculation has linked holding company Lonrho International (which has interests in mining, precious metals, farming and industry) with Gencor, in a possible merger.

Lonrho MD and CE Tiny Rowland said if there was a merger, Lonrho would take over Gencor.

Gencor chairman Derek Keys subsequently denied a merger was being considered but said there were occasional discussions at divisional level "aimed at possible synergies between businesses in the two groups".