MANUFACTURING – CHEMICAL PRODUCTS

1992

JANUARY — APRIL

Inquest into deaths of babies begins

183

LINDEN BIRNS ~~and ANDREW KRUMM~~

AT LEAST two of the babies who died after receiving contaminated intravenous drips could still be alive today if drip manufacturer Sabax had warned hospitals its products might have been infected, a medical expert said yesterday BIDay 14/1/92

Prof Alan Rothburg, deputy dean at Wits University's medical faculty and paediatrics head at the Johannesburg General Hospital, was testifying in the Johannesburg Magistrate's Court during the first day of the inquest into the deaths of at least 13 babies at two private hospitals in 1990

Rothburg was appointed by the inquest officers to investigate more than 40 infant deaths which occurred during those periods that might have been caused by infections in contaminated drips

Peter Soller, attorney for some of the families that lost babies, asked Rothburg if it was reasonable to presume that at least the last two infants who died, babies Webb and Hamel, would still be alive if Sabax had warned the Morningside and Park Lane clinics of possible contamination of admixture infusion drips

"Yes, if this was the case, and infusion (at the clinics) was infection-free, then the two babies would probably be alive today," replied Rothburg

Soller presented documents to the inquest which he said indicated that hospital staff were concerned about an apparent epidemic at their institutions According to an affidavit, Garden City Clinic manager Dr Andre Nel had telephoned Sabax to report his concern and ask that the company take infection-control measures in its manufacturing process, said Soller

He said Sabax quality control manager Keith Allen had reacted in a letter at the

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Inquest BIDay 14/1/92 (183)

☐ From Page 1

time saying that contamination "was not possible at the company's admixture unit - where K-Cocktails (which contain potassium), Non K Cocktails and Total Parental Nutrition packs were prepared

Newspaper reports from October 1990 showed that Sabax which is owned by Adcock Ingram was alerted to the possible implication one of its products was infected in an epidemic of infant deaths as early as April that year, but did not inform hospitals until September

Rothburg said newborn babies placed in intensive care and high care units were at high risk of picking up infections 'The sicker a baby is, the longer it stays in hospital and therefore is exposed to more risk he added

In his investigations Rothburg relied mainly on nurses notes and some test and X ray results, but was not privy to doctors detailed notes of individual cases

He classified cases as weak, moderate and strong, based on the presence of the infection in individual babies and that organism's presence in intravenous preparations administered to those babies Cases were strengthened if the same organism was detected in unopened drips from the same batch as those used on the babies

Ideally what I'd like to see if I was trying to incriminate a fluid I would need a baby that was doing well, and then a sudden deterioration occurring after the application of the fluid Baby Stapelberg is probably the case closest to these conditions, said Rothburg

Only three out of the 13 cases brought to the inquest were classified as "moderately strong' by Rothburg These were babies Stapelberg, Hamel and Webb In most cases Rothburg found the infants were already infected before being exposed to the K and non-K-Cocktail preparations

Soller told magistrate T J la Grange he had calculated the inquest proceedings would cost at least R200 000 a day and could last at least three weeks

At least 13 attorneys and advocates representing the families, the doctors, Clinic Holdings and Sabax are involved

Houghton's DP MP Tony Leon is part of the legal team representing Clinic Holdings which might face claims from parents whose babies died said the firm wanted to expand its Cape Town office in order to provide a better service

challenge the embargo program

The hearing continues

Pool cleaner chemical 'unsafe'

B/Day 16/1/92

GAVIN DU VENAGE

SWIMMING pool chemicals containing trichloroisacyanuric acid (TCICA) might not only be dangerous to humans, but also had the potential to do ecological damage, said Control Chemicals MD Peter Buchan at a news conference yesterday.

He was responding to a statement released by AECI on Tuesday saying products containing the chemical were safe to use

Buchan, whose company manufactures pool chemicals using a locally manufactured rival product called Calcium Hypochlorite, said TCICA was a static, or non-biodegradable, compound that would eventualy find its way into the water table where it had the potential to build up to harmful levels

He said the chemical was originally tested as a weedkiller, but was found to kill barley and radishes

He estimated that 4 000 tons a year would find their way into the water table The Agriculture Department released a report in November last year setting an approved concentration level of 100mg/l, but adding it had no chronic toxicity potential under normal use

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Buchan denied his company had a commercial interest in creating a dispute He said Control Chemicals operated in an open market, that had "plenty of space for everybody"

"My interest is purely to inform the public," he said

Meanwhile, AECI group communications manager Michael Blizzard called Buchan's statements "generalisations and gross exaggerations", and said he was trying to gain a bigger market share by using foul tactics He added a full chemical report disproving Buchan's statements would be made available today

Pledge to medics

B/Day 16/1/92

KATHRYN STRACHAN

HEALTH Minister Rina Venter has told young doctors that new contracts are being worked out for them

At a meeting earlier this week with the Young Doctors' Association of SA (Yudasa), Venter confirmed she was strongly opposed to the possible abuse of young doctors, and specifically interns, because of their status as employees-in-training

Venter also noted Yudasa's concern that unsatisfactory working conditions lead to high level manpower flowing out of SA

She agreed to discuss registration of foreign doctors with the SA Medical and Dental Council

Venter undertook to submit a draft contract which would be available within one month for comments by the Medical Association of SA of which Yudasa is an affiliate However, she warned against unrealistic expectations

Picture BRIAN HENDLER

Kaunda offered Tambo's house

LUSAKA — The ANC in Zambia had offered former president Kenneth Kaunda one of its Lusaka homes, the ANC in Lusaka said yesterday B/Day 16/1/92

The house was the residence of former ANC president Oliver Tambo, the ANC said. (580)

United National Independence Party fund mobilisation committee chairman Gen Malimba Masheke could not confirm the offer. He said he had heard of it and it was being considered, along with other offers.

ANC spokesmen in Johannesburg had not heard of the offer.

Meanwhile, the Lusaka City Council has evicted 45 ANC exiles from council houses, say ANC members.

South African Sam Ndhlovu said the council in a joint operation with paramilitary officers stormed into his house on Tuesday and ordered him out immediately.

Minister of Home Affairs Newstead Zimba said he was not aware of the evictions. Minister for Local Government and Housing Michael Sata was not immediately available for comment. — Sapa.

Back to school call by education groups

(325) (580) (580)

KATHRYN STRACHAN

B/Day 16/1/92

THE National Education Co-ordinating Committee (NECC) and the Congress of SA Students (Cosas) have appealed to students and teachers to "move their struggle out of the streets and back into the classroom"

NECC chairman Monde Tulwana yesterday predicted that the crisis in education would deepen this year as black school enrolment was expected to reach unprecedented levels.

Some schools had reported up to 120 pupils per classroom and many students were being turned away

Tulwana warned 1992 could be a repetition of the past He said there was a shortage of schools, teachers were underdeveloped and many schools had not received books and stationery

To address this the NECC said it would be campaigning for an "intensive learning" programme, by establishing 50 community-based learning centres and tuition programmes around the country

The campaign also intends looking at ways in which parent bodies can become more involved

While much of the blame for the crisis in education lay at the door of the Department of Education and Training (DET), Tulwana said that discipline among students and teachers and "gangsterism" had been major problems in the past

He said the NECC would not allow harassment of principals and teachers

Meanwhile, Cosas yesterday called on students to stop paying school fees as they believed many principals were not keeping proper accounts.

Cosas also accused teachers of being unprofessional and added that some had still not reported for work.

Sapa reports education authorities attributed an abundance of unemployed teachers in urban areas to a migration of newly qualified personnel from the homelands

DET spokesman Corrie Rademeyer said many teachers preferred jobs in specific areas and were reluctant to be placed elsewhere

According to reports this week, in at least one homeland no new posts existed More than 2 000 newly qualified candidates entered the market

Infant deaths inquest told of drip contamination

B/Day 16/1/92

ANDREW KRUMM

INDEPENDENT testing of a potassium-based intravenous drip solution, implicated in the deaths of 13 babies in April and September 1990, found the drips might have contained high levels of bacterial contamination and toxins, an inquest into the babies' deaths heard yesterday

The inquest, entering its third day in the Johannesburg Magistrate's Court, heard that the potassium-based drips, known as K-Cocktails, when stored in "ideal (low-temperature) conditions", became significantly contaminated within a short period when injected with minimal concentrations of klebsiella bacteria

Microbiologist Prof A Janse van Rensburg, cross-examined by Peter Soller, attorney for some of the families who lost babies, confirmed however, that three similar drip solutions tested under replicated conditions did not exhibit significant levels of contamination

Van Rensburg also confirmed that the proliferation of the klebsiella bacteria took place in the "cold-chain cycle", the cold storage of the drip during manufacture and distribution

He said a break in the cold-chain process, by exposing the drips to higher temperatures, would enhance bacterial growth (183)

Van Rensburg told advocate B Burman, appearing for the Morningside Clinic, that should the product, manufactured by Sabax, contain bacteria and be non-sterile after manufacture, these bacteria could grow while in cold storage, for at least 72 hours.

An independent probe by microbiologist Prof Margaretha Isaacson found procedures in the microbiological laboratory to be unsatisfactory. Also, an area close to the laboratory was found to be "highly contaminated"

'Bacteria found in Sabax plant'

STAR 16/1/92

By Philip Zoio

(183)

An eminent microbiologist told an inquest into the death of 13 babies in 1990 that sanitation in parts of Sabax's drip manufacturing plant had been below standard.

Pretoria University Professor Anton van Rensburg said he found it disturbing that bacteria had been found in seating and on the floor across the corridor from Sabax's admixture service unit, where drip solutions were compounded with chemical additives.

He was referring to a report by Institute of Medical Research Professor Margaretha Isaacson on the admixture unit of the company that supplied drips to Park Lane and Morningside clinics, where 13 babies died of bacterial infections between March and September 1990.

Professor Isaacson said in the report that two batches of K-cocktail contaminated with klebsiella pneumonia bacteria had been mixed by Sabax technician Alan Davies

She found that the technician had dirty uniform sleeves in 10 out of 28 performance validations. It was probably no coincidence that the contaminated batches had been prepared by him, she said. Mr Davies no longer works for Sabax

Professor Isaacson said the failure to detect the contamination had highlighted an important flaw in process validation quality control, an internationally acceptable system in which quality is assured by stringent application of procedure rather than regular microbiological testing.

The disposal of bacterial cultures at the plant was unsatisfactory, the professor said Samples had to be wheeled on a trolley past the admixture unit to an adjacent steriliser room.

The K-cocktail solutions were not sterilised after compounding since this was not considered practical by Sabax. Professor van Rensburg confirmed the report's finding that end-product testing was necessary

Professor van Rensburg also said it was possible that klebsiella bacteria could cause severe health deterioration within hours, if administered directly and in large quantities

He was referring to Dr Jack Kussel's evidence that three children under his care had developed acute symptoms of infection shortly after receiving intravenous fluids from Sabax drips

In a separate report handed to the court, Professor van Rensburg said that blood samples of baby Heinrich Hamel, who died on September 20 at Park Lane Clinic, showed that he could well have been infected by one of the contaminated solutions of K-cocktail.

Clive Cohen, SC, appearing for Sabax, told the court that there was no indication in the nurses' records that Heinrich had been fed on K-cocktail the day before he died.

"At about 6 am I saw K-cocktail going into baby Hamel's body," Dr Kussel replied.

R Levine, SC, representing Park Lane Clinic, said if necessary he would call Sister Ivy Moeketsi to testify that she drew an arrow in the nurses book, intending to indicate a change from another solution to K-cocktail feeding.

Mix of promissory notes to fund AECI cash needs

SHERIDAN CONNOLLY (183)

SA's first commercial paper issue, a R50m transaction for chemicals group AECI, has been placed in the market by Discount House of SA (DHSA)

The placing, to fund AECI's short-term cash requirements, took the form of a mixture of 31-day, fixed interest-bearing and prime overdraft rate-linked, floating interest-bearing promissory notes

DHSA said AECI intends to roll the paper on a 30-day basis according to its cash flow needs. The issue was well received in the market and a good spread of investors was achieved, DHSA added in a statement yesterday. B Day 17/1/92

A portion of the issue was also rolled in advance.

"Demand for the paper outstripped supply and we had bids in a ratio of 2 to 1 — some of which were declined, the bid rate being slightly above the rate at which AECI Limited were prepared to issue the paper," said Sarel Oberholster, head of DHSA Treasury operations

"We were very pleased with the strong demand which was achieved on a private placing basis, especially if it is considered that the placing went forward in a short space of time — an inherent requirement for trading short-term paper in the money market — and without any publicity."

He added that investors showed strong demand for the issue and some firm bids could not be processed due to the speed at which the paper was being taken up at rates the borrower found attractive

Investors who lost out on the maiden issue would be in a better position to take up paper on any rollovers or on any fresh issues that came to the market.

Commercial paper forms part of the disintermediation process whereby non-banks or corporates can bypass the banking sector and directly borrow from and lend to each other or the public

Regulations governing commercial paper placement were set out by the Reserve Bank in the Government Gazette at the beginning of this month

'No infections after drips halted'

STAR 18/1/92

PHILIP ZONO

A SENIOR sister at the Morningside Clinic told a Johannesburg inquest that since the clinic stopped using K-cocktail drips there had been no incidents of infection in the neo-natal unit similar to those that had killed four babies there in 1990

In vain

Sister Janet Steyn, testifying at the inquest into the deaths of 13 babies who were fatally infected at three private clinics between March and September 1990, said that her unit went in vain to great lengths to find a source of contamination

The extensive investigations included taking swabs from doctors and staff and even testing sterile solutions, said Sister Steyn

But neither her colleagues, nor the doctors or paediatricians, considered that the infection may have come from contaminated intravenous drips, the sister said

Carol Park, infection control co-ordinator of Park Lane Clinic parent firm Clinic Holdings, told the court they had begun an intensive investigation into possible sources of contamination from August 20

Although she had not considered Sabax drips a likely culprit, she asked a Sabax employee by telephone to collect an unopened bag of K-cocktail for testing The bag was fetched on August 21 and she was never told whether the test had revealed contamination of a solution

Mrs Park said she also ordered staff to record batch numbers of all K-cocktail solutions given to patients (183)

On this record, kept outside the refridgerator in the Park Lane Clinic neo-natal unit, a note was made that K-cocktail solutions with batch number 00817 AV13 were removed on September 19 for babies Jacqueline Webb and Heinrich Hamel

Both babies died of scepticaemic shock before noon on September 20 Examination of blood cultures found that baby Webb had been infected by pseudomonas origmosa and baby Hamel by klebsiella pnuemonia bacteria

Paediatrician Dr Martin Davis told the court that he was informed that Van Drimmelen and Partners had found an unopened bag from the AV13 batch contaminated with an klebsiella pneumonia and unspecified pseudomonas bacteria

R Levine, SC, appearing for Clinic Holdings, then produced a computer printout signed by Dr Selwyn Miller of Lancet Laboratories, which stated that profuse growth of bacteria, including pseudomonas originosa, had been found in two unopened bags from the AV13 batch

C Cohen, SC, representing Sabax, responded immediately by asking the court to call Lancet employee Judy Walsh, who testified after an adjournment of about an hour that psuedomonas originosa had only been found in one of the bags tested

She said that the mistake was a result of a error made in transcribing her hand-written test notes to computer

Under cross-examination by Mr Cohen Dr Davis earlier admitted that baby Webb whom he "strongly detected" had been infected by a contaminated K-cocktail drip, had shown since her birth numerous symptoms of possible infection

Forgot

He also admitted that he forgot to tell the court in his evidence-in-chief that Jaqueline suffered two apnea attacks (stopped breathing) on September 18 and another on September 19.

Dr Davis conceeded that, considering the symptoms, the baby may have been suffering from an undetected infection picked up before the K-cocktail feeding

The inquest continues on Monday

Inquest magistrate's decision challenged

B/Day 21/1/92

(183)

ANDREW KRUMM

A LAWYER representing the families of 10 babies, whose deaths were allegedly caused by contaminated drips, told a Johannesburg inquest yesterday that he would ask a judge to decide whether the presiding magistrate had prejudiced the proceedings

Attorney Peter Soller told the inquest into the 1990 deaths of 13 babies he would file for a notice of review on behalf of two of the parents to determine whether magistrate T J la Grange may have prejudiced inquest procedure

Soller claims it was irregular for the inquest to have started without La Grange having all statements taken by investigating police

He also claims that it was irregular for the magistrate not to have called paediatricians involved in the case to give oral evidence after he became aware, during the inquest, that they had material evidence other than that contained in the affidavits made to police

Advocate A Bruwer, appearing for the paediatricians, last week said his clients had informed him they had further evidence, but told the court he would not breach confidentiality by disclosing its nature Bruwer suggested the magistrate subpoena the paediatricians to testify

However, La Grange informed the court that any further evidence should be placed before the court in affidavits

Soller, requesting clarification on the issue, yesterday introduced two affidavits from parents appealing to La Grange to call the paediatricians to testify and submit to cross-examination

However, when the magistrate stood by his decision, Soller told the court he had no option but to file for a notice of review

Yesterday paediatrician Dr Errol Gottlich testified that after the rapid deterioration and death of his ostensibly healthy patient, baby Stapelberg, in August 1990, he had "looked at the (potassium drips) as a possible implicating factor"

He said he had drawn samples from two drips fed to the baby and contacted the manufacturers Sabax, asking them to test for possible contamination. Gottlich was informed the samples had been collected, but heard nothing more from Sabax.

Contacting Sabax again 10 days later, he said the company had told him they received only one sample from a saline drip which proved to be free of contamination

Saline drips are not implicated in the baby deaths

Proceedings are scheduled to continue today

Drip technician 'lackadaisical'

B/Day 22/1/92

ANDREW KRUMM

A TECHNICIAN could have contaminated drips which allegedly caused the deaths in 1990 of 13 babies, a Johannesburg inquest heard yesterday

The court was told that during routine quality control tests conducted by drip manufacturer Sabax, technician Allan Davies regularly failed (40% of the time) to exercise the "skills and procedures" required in terms of international norms

The skills and procedures required of Davies were integral to the company's quality control process, known as process validation, and necessary to maintain sterile conditions during drip production

Microbiologist Prof Margaretha Isaacson of the SA Institute of Medical Research, who yesterday offered evidence of her investigation into Sabax facilities, labelled Davies "inexperienced" and "lackadaisical" Isaacson said Davies was a potential source of infection

In her report, Isaacson said "although it was not shown there was a causal connection between Davies' skill and the contaminated products", he should be transferred to "less sensitive duties"

Reviewing quality control tests, attorney Peter Soller, representing 10 of the families which lost babies, said sterile conditions had been compromised on production equipment during testing

He said bacteria tests done in the cabinet in which the drips were produced showed contamination (183)

During cross-examination by advocate Clive Cohen SC, representing Sabax, Isaacson said technicians' skills and procedures were "most important" in guaranteeing the sterility of the end product

Isaacson criticised Sabax testing procedures, saying neither drip components certified sterile by suppliers nor the Sabax end product were tested for contamination However, a body of opinion regarded these tests as unnecessary

The inquest continues today

Azayo vows to continue its campaigns

B/Day 22/1/92

GAVIN DU VENAGE

THE Azanian Youth Organisation (Azayo) would continue to provide visiting artists with a "hot reception", president Thami Mcerwa said yesterday after his release from detention on Monday

Mcerwa was detained for more than a week in connection with the grenade attack on the offices of the Paul Simon tour management before Simon's first concert two weeks ago

Mcerwa said his detention under the Internal Security Act was an attempt to intimidate Azayo

"We will definitely continue to use any means possible to stop the tour," he said last night "And any other artists can expect not to get kidgloves treatment from us if they come here to make money " (KA)

Mcerwa added, however, that Azayo would leave alone artists who contributed to black culture, such as American director Spike Lee, who arrives tomorrow to begin filming Malcolm X

But US rap group Snap which is planning a visit in a few months, could expect "a hot reception", he said

Whites patrol squatter camp

B/Day 22/1/92

A COMMITTEE formed by white residents of Chartwell on the North Rand has started 24-hour patrols of entrances to the Zevenfontein squatter camp to prevent more people moving into the area

Chartwell Action Committee chairman Mike Findlay said the committee had been authorised by the owners of the land to exercise control over numbers

More than 100 truck and bakkie loads of building material had been prevented from entering the camp over the weekend he said

Findlay claimed the committee was in contact with squatter leaders and there had been no incidents between the two groups

Last night a police spokesman could not confirm that a committee had been formed to patrol the entrance, but said police were patrolling the area and all was quiet — Sapa

Police fired first shots, says AWB

B/Day 22/1/92

Professor 'uncomfortable' with Sabax control system

By Philip Zoib 183 (98) (280)

STAR 22/11/92

A microbiology professor told the inquest on the deaths of 13 babies in 1990 that she would have been uncomfortable relying solely on Sabax's system of quality control, unless it were accompanied by physical evidence that drips were sterile

Professor Margaretha Isaacson of the Institute of Medical Research said she believed that end-product sterility testing should have been conducted on the drips She also felt that the sterility of additives, supplied to Sabax by other manufacturers, should have been verified through spot-checking

But Professor Isaacson, who at Sabax's request presented a report on the company's admixture unit, said the firm's system of process validation was still the favoured method of quality control, despite the risk of human error

The professor said she had believed Sabax without question when told that end-product sterilisation was not feasible because heat would make the solution unstable She had found no evidence of wilful negligence by any Sabax employee, but one technician, Alan Davies, had been less painstaking than the others and had not improved his performance significantly with practice

Counsel for 10 of the parents, Peter Soller, read out results of employee performance validations which stated that Mr Davies and Cynthia Wilson had repeatedly failed in aspects of bacterial hygiene maintenance

Sabax counsel Clive Cohen cross-examined Sister Puck Velida, who on Monday testified that she was asked if she was crazy after suggesting to three Sabax employees that contaminated drips might have been responsible for infecting babies

The inquest continues

Johannesburg yesterday

Conscription 'a drain on economy'

JONATHON REES (184)

CONSCRIPTION costs the SA economy vastly more than would the maintenance of a volunteer professional army by draining it of skilled labour and contributing to the brain drain, End Conscription Campaign economist Andrew Whiteford said yesterday B/Day 23/1/92

He said the resultant decline in economic productivity was a counter to SADF and Defence Ministry claims that SA could not afford a well-paid volunteer army

While a conscripted army was cheaper to the state, the real measure of military costs was the cost to the economy, Whiteford said

The economic cost of a national serviceman was not what the army paid him, but the income he lost by serving the SADF

Whiteford said conscription of young white men had been a significant contributor to the brain drain, and for each emigrating graduate the country lost both the cost of educating him, and his future earnings

The brain drain was estimated to cost SA up to R1bn annually, he said

Meanwhile our Political Staff reports Defence Minister Roelf Meyer yesterday entered the fray over the prosecution of people who failed to turn up for military service, categorically stating that they would be liable for court action

This contradicted a statement by Deputy Defence Minister Wynand Breytenbach, who had said prosecutions were being "left in abeyance" while the Gleeson Committee report was being considered

Sabax ignored directive on medical drips, inquest told

B/Day 23/1/92

ANDREW KRUMM

MEDICAL equipment manufacturer Sabax did not comply with certain SABS sterility testing directives, a Johannesburg inquest into the deaths of 13 infants heard yesterday

The court was told Sabax had not observed an SABS directive requiring drip components be tested before being used in manufacture

Adcock Ingram corporate planner Arthur Barnett, testifying on behalf of subsidiary Sabax, said Sabax had subjected drip components to "visual inspection"

However, under cross-examination by Morningside Clinic advocate Bruce Burman he acknowledged that the company had "not tested suppliers' components nor had it inspected (supplier production) facilities"

Barnett said the company had "looked to the bona fides of suppliers" which certified the component products as sterile (183)

The inquest also heard that Sabax performed neither intermediate nor final-product sterility testing during production of the implicated drips

Sabax quality assurance manager Keith Allen confirmed the company had "never considered" final-product sterility testing

During cross-examination by attorney Peter Soller, who represents 10 families who lost babies allegedly infected by Sabax drips, Barnett conceded Sabax had not investigated the feasibility of heat sterilisation of final drip products

Burman then pointed out Sabax had led two microbiologists, who performed independent tests of Sabax facilities, to believe otherwise

The inquest continues

California bans lead wine wrappers

B/Day 23/1/92

CAPE TOWN — Lead wrappers on wines exported to California must be removed by March 31 following a court ruling aimed at protecting consumers against lead poisoning

The state outlawed lead foil wrapping on wine bottles on December 31 last year, the Cape Chamber of Industries reported in its latest bulletin

"The move was to protect consumers from drinking wine with unacceptably high levels of lead," it said

Under a related order to be issued by the state, lead wrappers on wines imported into California must be removed by March 31 (182)

Meanwhile, US red wine sales skyrocketed after a television report quoted scientists as saying cabernets could prevent coronaries

A market research organisation, Information Resources Inc, said in Washington on Monday sales of cabernet wines increased by 45% in the weeks following a television report in November about its apparent cholesterol-cutting properties

Scientists interviewed on the programme said red wine contained resveratrol which was believed to break up cholesterol — Sapa

TPA invites ideas on squatters

B/Day 24/11/92

A WORKING group of all parties interested in the controversial low-cost housing strategy for the area north of Johannesburg is to be instituted, the Department of Community Development announced yesterday

Deputy director-general of the department L Dekker said the working group, chaired by chief director of Physical Planning and Development of the Transvaal Provincial Administration P P C van der Hoven, would investigate and evaluate all proposals for a solution to homelessness in the area

It would report to the Executive Committee of the TPA by March 31.

About the immediate problem of relocating the Zevenfontein squatters, Dekker said the community would be moved within a week.

"The TPA is urgently negotiating with especially the Randburg Town Council and the Sandton Town Council to try to find land closer to work opportunities and where basic services could be provided

Dekker said more time was needed to evaluate proposals that had been received from interested groups up to yesterday morning.

"What is definite is that the community will be moved before the end of January If a suitable site cannot be found closer to Randburg or Sandton, they will temporarily be moved to Diepsloot, the original site chosen for them"

Arrangements would be made for basic sevices to be provided at this site until a permanent site could be found

"The present site at Zevenfontein is not suited It has an adverse impact on the environment and the living circumstances are poor," he said

Dekker said the issue of finding space for the influx of poor people was obviously sensitive and the working group had been introduced to hear proposals by all interested groups and individuals. — Sapa

PW tapes subject of official probe

Political Staff

CAPE TOWN — Ombudsman Mr Justice Piet van der Walt confirmed yesterday he was investigating a complaint by former President P W Botha about the destruction of the tape-recording of his conversation with ANC president Nelson Mandela

He could not say when the investigation would be completed

A spokesman for Botha said he had no comment

The complaint concerns a recording made in 1989 of a conversation between Botha and Mandela, who at that stage was serving a life sentence The recording was destroyed by the National Intelligence Service after notes had been made about the discussions B/Day 24/11/92

Last year, Botha strongly criticised the decision to destroy the recording and said this had been done without his permission

Inquest told of Sabax's delay in advising against drips

B/Day 24/11/92

ANDREW KRUMM

DRIP manufacturer Sabax had not "considered" advising client hospitals to change their baby drips until five months after it was told its products could be contaminated, a Johannesburg inquest into the deaths of 13 babies heard yesterday

Sabax was first informed by Garden City Clinic of possible drip contamination on 4 May 1990, but only stopped supplying the implicated products in late September 1990

However, Sabax quality assurance manager Keith Allen said bacterial tests on products removed from hospitals and performed by Sabax in June 1990 had found no contamination.

During cross-examination by Adv R Levine, representing Clinic Holdings — Garden City's holding company — Allen said a company representative had followed up incidents at Garden City Clinic and Johannesburg Hospital in May and June 1990

He confirmed the company had "not officially" considered advising hospitals to change to a heat sterilised product (183)

On Wednesday, corporate planner for Sabax's holding company Adcock Ingram, Arthur Barnett said Sabax stopped supplying the drips in late September after contamination was found in drips received by two babies who died at Morningside Clinic

The inquest continues

ted in sharply higher lease rates

Micro-testing was not firm's policy, Sabax inquest hears

STAR 24/1/92.

(183)

By Philip Zoio

The Sabax quality assurance manager yesterday told an inquest into the deaths of 13 babies in 1990 that it was not the firm's policy before August 1990 to conduct microbiological tests on samples from admixture unit drip solutions

Keith Allen told the court that after the first suggestions of possible contamination of the drips on May 2, Sabax increased the frequency of their employee validations from monthly to weekly

They also incubated 67 units of various batches, which later showed no contamination on visual inspection

But Mr Allen admitted under cross-examination that Sabax had not considered it necessary to warn any hospital or clinic that there had been suggestions of drip contamination by early June from three sources — the Garden City Clinic, Medunsa Hospital and the Johannesburg Hospital

He said that, at that stage, there had been no confirmation that the suggestions were well founded

Questioned by R Levin, SC, counsel for Park Lane and Garden City clinics, Mr Allen said that he could not comment on why a Sabax employee had given a false reason to hospitals for their decision to recall certain drip solutions for bacterial testing.

In his affidavit, Mr Allen had stated that on August 21, on instructions of senior Sabax employee Sonya Vogel, Ms R Marshall told 13 hospitals that Sabax wanted the products returned for chemical stability studies

Mr Allen told Mr Levin that he did not believe any Sabax employee would have reacted to a suggestion of drip contamination on May 2 1990 by Garden City Clinic's Sister Puck Velida, by saying that allegations "could never be proved in court" or by asking her if she was "crazy"

In his affidavit, Mr Allen said that strict adherence to standard procedures was sufficient to ensure that a final admixed product was sterile

He testified that Sabax's admixture unit quality control system was based on internationally acceptable standards laid down in a protocol of international pharmaceutical firm Baxter, Inc

Neither sterilisation nor sterility testing of end product admixed drips was required, he said

Counsel for Morningside Clinic, B Burman, SC, read from the Baxter protocol and said that the document required samples of the end product to be examined for microbiological contaminants

Mr Allen replied that Sabax and Baxter did not believe that this meant that sterility testing was necessary

Mr. Allen told Mr Burman that tests on the feasibility of heat sterilisation was never considered

He agreed that these studies would have been comparatively cheap

The inquest continues

Board unable to prove collusion

B/Day 28/1/92 (183)

LESLEY LAMBERT

THE Competition Board suspects that there is price collusion in the fertiliser industry but could not find sufficient evidence in an investigation to support the conviction of alleged wrongdoers

In its recent investigation into restrictive practices in the fertiliser industry, the Board found evidence of identical prices, but was unable to prove beyond reasonable doubt that the parties involved had agreed to collude

"None of the parties can be said to have contravened the prohibition if there is not an agreement, arrangement or understanding between them Identical prices are not necessarily sufficient evidence of horizontal price collusion," the Board said

It was also unable to find sufficient evidence to support allegations of collusion on conditions of supply

Part of the investigation was to determine whether an agreement between industry heavyweights, Indian Ocean Fertiliser, AECI, AECI Opencast Services (now Richards Bay Fertiliser), and Kynoch Fertiliser, resulted in an increase in concentration which was not in the public interest

In terms of the agreement, Richards Bay Fertiliser, which is jointly held by Indian Ocean Fertiliser (IOF) and AECI, hired Indian Ocean Fertiliser's granulation plant at Richards Bay at a cost equal to that of operating the plant

Each shareholder was obliged to purchase a minimum amount of fertiliser from RBF each year, while AECI and its wholly owned subsidiary Kynoch, was limited to selling fertiliser in the local market and IOF to foreign markets

The Board found that the agreement did not result in a considerable increase in concentration in the industry

"There is probably more opportunity for competition now that before price control was abolished on January 1 1984 In 1981 there were three large producers, Fedmis, Omnia and Triomf and in 1991, there were still three major participants, Kynoch, Omnia and Sasol," the Board said

The investigation followed a long history of allegations of collusion.

An argument in support of the industry — which for many years has been dogged by declining volumes, high input costs and the effects of drought — was that the agreement between its major participants made the industry more stable.

It prevented the withdrawal of one or more of the large producers — and a concommitant decline in competition — and ensured that the farming community did not have to import fertiliser at a time when storage and distribution facilities were inadequate.

Inquest court clears Sabax

Bday 29/1/92

(183)

ANDREW KHUMM

A JOHANNESBURG magistrate yesterday cleared pharmaceutical manufacturer Sabax of negligence or culpability in the death of 13 infants between February and September 1990

Reporting the findings of an inquest court which probed the baby deaths alleged to have been caused by contaminated drips, presiding magistrate T J la Grange said "we find no evidence of negligence or culpa" on the part of Sabax

"In respect of (11 of the babies) we find the deaths were not brought about by an offence on the part of someone," La Grange said.

He told the packed court that in the case of two babies, infants Hamel and Webb, the court could not "report a finding"

However, he said even though it had been shown that certain drips had been contaminated, "on a balance of probabilities, Sabax products could not be linked to the deaths of babies Hamel and Webb"

La Grange said he had looked for three criteria in implicating the drips in the baby deaths He said these were the presence of implicated bacteria in a specific baby's blood, in drips used to feed the baby and in unopened drips of the same batch fed to the baby Babies Hamel and Webb were closest to these criteria

La Grange said the court did not blame parents for their suspicions

He pointed out that on the face of it, all babies had either received the implicated

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Sabax

Bday 29/1/92

(183)

☐ From Page 1

drips and/or displayed the same symptoms prior to death, which he said indicated "clearly something was happening"

But he said the court could not exclude other evidence such as possible underlying infections and clinical problems the babies could have had

Absolving the hospitals (Park Lane, Garden City and Morningside clinics) and the paediatricians of negligence, La Grange said "we deal with omnipresent infections" which pose a risk

Complimenting the hospitals for their infection control measures, he said the risk of infection could only be reduced, not eliminated

La Grange said in the eyes of the reasonable man, the doctors and hospitals had exercised reasonable care

Responding to the findings, Sabax CEO Ian Strachan said in the light of considerable adverse publicity, the company was "very pleased" He believed the findings had vindicated Sabax's reputation as a pharmaceutical manufacturer

Park Lane Clinic GM Dr Gordon Cohen said although it was regrettable certain specific causes of death were never found, the findings had demonstrated the hospitals involved were in no way responsible for the baby deaths

Sapa reports that at least two couples are to take civil action following the court's finding Attorneys Rene Kruger Inc, representing Mr and Mrs Dudley Pritchard and Mr and Mrs Marco Fiocchi, said in a statement their clients were of the view the inquest should not have terminated before all available evidence had been placed before the court

The statement noted that there were two reviews to the Supreme Court contending that not all the available evidence was put before the court

● Picture· Page 3

Govt hints at non-racial local elections next year

B/Day 29/1/92

CAPE TOWN — It was unlikely that the 1993 municipal elections would be like those of 1988, which were racially based, Local Government Minister Leon Wessels said yesterday

The final negotiations for future structures of local government would be conducted nationally, though government still encouraged local talks, he told a news briefing

"We are negotiating structures for central goverment at national level, but at the same time putting together structures for local government at national level," Wessels said

"The final negotiations on future structures of local government will be national"

There had been more negotiations on local level than anywhere else

"That set of negotiations will continue without undermining the spirit of negotiations at a national level

"We are in favour of these negotiations, and are encouraging people to set up joint structures with mutual consent."

Negotiations at Codesa, however, would ultimately decide the law of the land and whether there ought to be one city, one tax base

Wessels said the dynamics of urbanisation in SA had simply overtaken the ideology of apartheid.

The country needed a vision on how to provide space and shelter for all South Africans, but government, faced by budgetary constraints, could not do this alone

Government was waiting for two reports to be released shortly which would deal with the formation of a comprehensive housing policy for the whole country

These were the President's Council report on urbanisation, and the SA Housing Commission investigation into all aspects of housing in this country

Wessels reiterated government's commitment to working in tandem with the public and private sectors, as well as with local communities

A task group of the SA Housing Commission had set out to establish the facts about housing needs, and these were awesome — Sapa

Black schools back to normal

PRETORIA — Normal schooling is proceeding in most black schools in the country despite isolated incidents in the Transvaal and Free State since the reopening of schools under the Department of Education and Training, according to a DET spokesman.

DET national spokesman Geoff Mkawakwa yesterday said some Transvaal and Free State schools were disrupted when pupils demanded full pass rates

National enrolment figures were not yet known.

Schools affected by the "pass one, pass all" campaign were Prudence Secondary in Naledi, Soweto, Tiyelelani in Soshanguve, Pretoria, and Dr Reginald Cingo Secondary in Kroonstad. The situation was normalised after meetings with parents.

However, disruptions still affected other schools

Meanwhile, the Duduza Education Co-ordinating Committee yesterday slammed the DET for allegedly failing to address problems at schools in the East Rand township — Sapa

Probe into cost of medicine

KARIN FRANKEN 183

THE high cost of medicine is being addressed by the introduction of a five-year SA National Drugs Action Programme (Sandap) B/Day 29/1/92

Commissioned by the Health and Population Development Department, Sandap was formed to stabilise drug prices and ensure that essential medicines were made affordable Cape Town University's pharmacology department headed the project

Prof Peter Folb, of UCT's Medical School, said Sandap was started last August, but during the prior period numerous groups concerned with health care had offered their support and input for the programme

A Health Department spokesman said five basic principles — affordability, accessability, equitability, cost effectiveness and acceptability — would be essential for better health care services Asked if the issue of cost effectiveness of medicines received enough attention from Sandap, the spokesman said. "There are no simplistic solutions to the high cost of medicines in SA, and all possible solutions have been investigated"

Another issue the UCT team intends resolving is that of traditional and herbal medicines.

Sabax: 'Cannot base findings on suspicions'

STAR 29/11/92

183

By Philip Zoio

Nobody could be held responsible for the deaths of 11 babies in private clinics in 1990, a Johannesburg inquest magistrate found yesterday.

Mr T J le Grange and his two assessors were unable to make a finding in respect of the other two babies, Jacqueline Webb and Heinrich Hamel, both earlier described as "strong cases for unnatural death" by Johannesburg Hospital chief paediatrician Professor Alan Rothberg.

Mr le Grange found there was no evidence that Sabax, the manufacturer of the drip solutions given to all the babies before their deaths, had attempted to deceive anyone or "cover up" investigations into their products or facilities

The court found that, rightly or wrongly, their admixture unit's system of quality control was in accordance with internationally accepted standards.

Expense

Mr le Grange said that a batch of admixture component calcium gluconate, which was used in all of the batches found contaminated after September, may have introduced the contamination

The court also found that the Park Lane, Garden City and Morningside Clinics had not been negligent

They had gone to great expense to find the source of infection and their system of infection control had been of a high standard.

Their paediatricians had all demonstrated a "high standard of professional conduct", Mr le Grange said

The court found that it could not be proven on a balance of probabilities that any of the fatal infections were contracted through contaminated drips made by Sabax

Mr le Grange said that he did not blame the parents for their suspicion that Sabax was culpable "But we cannot base our findings on their suspicions"

He said that all the babies had been ill when they entered neo-natal units and may have contracted infections from an environment in which a risk of infection was inevitable.

Although samples of the batch given to babies Hamel and Webb were found contaminated, the causal connection between the infusion of drip fluid and the fatal infections had not been established

Mr le Grange said that baby Hamel was showing "obvious signs of respiratory distress" before he allegedly received K-cocktail fluid, and may have been suffering from an underlying infection.

It could not be established clearly that he received K-cocktail on the night before his death on September 20

Baby Jacqueline Webb (died September 20) had suffered jaundice, poor circulation and three apnea attacks (arrested breathing) before and on September 19, Mr le Grange found

Dr Martin Davis conceded that she may also have had a continuing infection before she received K-cocktail that evening, Mr le Grange said

The three babies treated by Dr Richard Booth, Rudi Hoffman (died Aug 21), Ashley Pritchard (died August 8) and Roberto Fiocchi (died August 23), were infected almost simultaneously, Mr le Grange said

The court accepted the evidence of Professor Rothberg that there was no connection between their deaths and any Sabax product

Linda Dila (died August 8), one of the babies classified as a moderate case for unnatural death, collapsed shortly after birth Her clinical progression was consistent with infection before receiving from a Sabax drip

The magistrate justified his earlier decision not to call the doctors who treated four of the babies by saying that their oral evidence would not have taken the case further

Mr le Grange also said he did not hear testimony on 11 alleged deaths at Medunsa Hospital in Garankuwa because this evidence was irrelevant

FM 31/1/92 (183)

ROYAL CORP (183)

A handsome profile

Activities: *Holding company of Roychem and Royal Foods* FM 31/1/92

Control: *Royal Group Holdings 51,6%*

Chairman: *V S Imerman, MD D H B Johnston*

Capital structure: *67,8m ords Market capitalisation R325m*

Share market: *Price 480c Yields 2,9% on dividend, 7,8% on earnings, p e ratio, 12,9, cover, 2,7 12-month high, 500c, low, 270c Trading volume last quarter, 1,0m shares*

Year end Aug	Feb '90	Feb '91	Aug* '91	Aug† 91
ST debt (Rm)	5 1	n/a	9,3	9 3
LT debt (Rm)	10 7	n/a	1,2	1,2
Debt equity ratio	0 20	n/a	0,11	0,11
Shareholders interest	0 63	n/a	0,64	0,64
Int cover	5 1	3,6	5,3	4,4
Return on equity (%)	14 3	14,7	14 0	10,0
Turnover (Rm)	170 5	220 8	240 0	460 8
Pre-int profit (Rm)	17 8	22,3	28 1	50 4
Pre-int margin (%)	10 4	10 1	11 7	10 9
Earnings (c)	18 6	21 2	18,6	39,8
Dividends (c)	6 0	7,0	6,9	13,9
Net worth (c)	130	144	266	266

* 6 months † 18 months

Despite undergoing structural changes in the past year, Royal retains a little-changed profile for shareholders

It was a year of major acquisitions and listings for Royal Foods and Roychem, with significant minority interests being introduced into the previously wholly owned companies The new structure — including consolidation of the acquisitions — took effect during the last six months of the 18-month accounting period to August, so the period is not strictly comparable with previous happenings

Nevertheless, a breakdown of attributable earnings for this half-year indicates that Royal Foods contributed 65% and Roychem 35% This is almost the same as the 64 36 split estimated by the company for the full 18 months and compares with 64 36 for the 1990 financial year (to February)

The marginal reduction in Roychem's contribution can be attributed to the larger minority holding in this company — 42,2% against 34,8% for Royal Foods

But shareholders should be pleased that

Royal Corp's Imerman *growing tall*

the minor change in earnings profile indicates that the development of each division is receiving equal attention If this continues, it will preclude the development of a Cinderella syndrome that would ultimately rebound on Royal

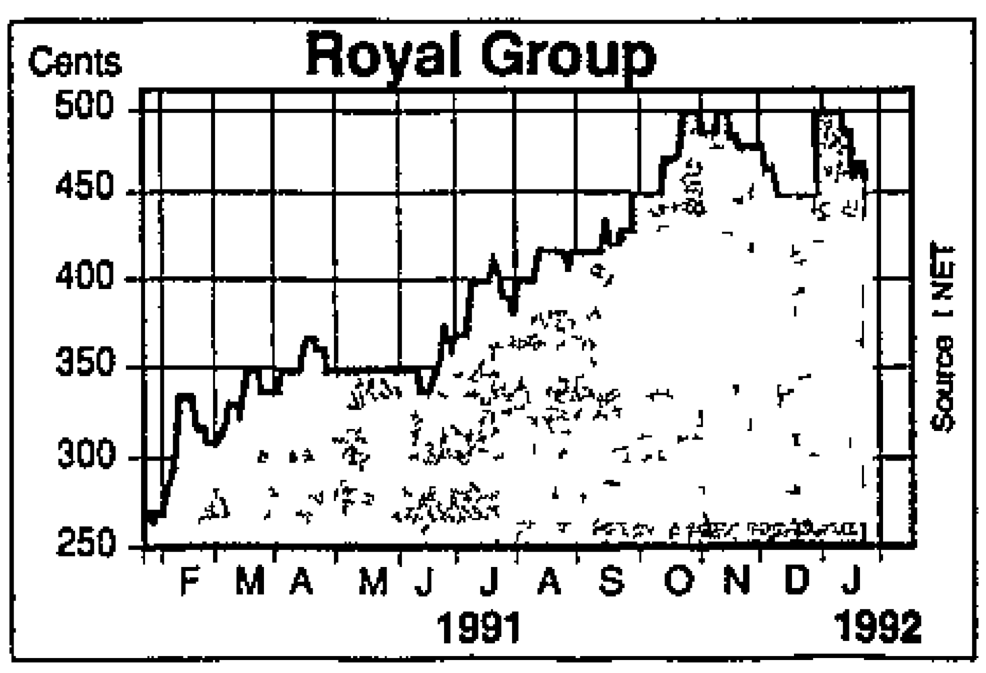
Because operations were wholly owned until March, there is no way of knowing if or how the structural changes affected the profile of net worth They did, however, yield a massive capital profit which boosted total net worth from 130c a share in February 1990 to 266c in August 1991

This figure is about 68% attributable to Royal Foods and 32% to Roychem The ratio highlights the glamorous image and, hence, market attraction of Royal Foods which boasts trademarks such as Beech-Nut and Del Monte, while Roychem is more profitable with an annualised ROE of 16% (Foods 13,6%)

Total attributable value of Royal Corp's holdings in Royal Foods and Roychem is R394,2m, of which 81% is in Foods and only 19% in Roychem This puts a hypothetical value of 581c on Royal Corp, 100c more than the current market price

If the two operating companies do no worse than hold their ratings, Royal's price could climb, even though it has trebled over the past two years

The same applies to pyramid **Royhold,** which has 35m shares in issue and holds a similar number of Royal Corp The two should, therefore, as is now the case, trade on



a par with one another, but it follows that if Royal Corp is underpriced relative to its holdings in the operating subsidiaries, so is Royhold

Brian Thompson

FOCUS: *Many questions remain unanswered in the drip deaths tragedy*

Why did the babies die?

183

W/Mail 31/1 - 6/2/92

CRITICAL CONSUMER

Pat Sidley's weekly advice on what to buy ... and what to avoid

NOBODY can be held responsible for the deaths of 11 babies in private clinics during 1990, a Johannesburg magistrate has ruled

To a lay person that means it just happened It was, if you will, an act of God or fate — a terrible co-incidence

Several of the 11 babies were in the same small set of top class clinics — it was not a phenomenon spread among a number of hospitals and clinics with a baby dead here and a baby dead there. There were unusual clusters of babies who just died

They all seemed to have the same bacterial infection. And they all had, for differing reasons, the same type of drip supplied by the same manufacturer

To top it all, they had some of the best-known doctors in Johannesburg attending to them for their short lives — and at least three of the babies had the same doctor.

It's not even that rare, in this country, to have problems with contaminated drip bags Some years ago, a factory which was manufacturing contaminated drips was closed

The magistrate, TJ le Grange, has found that Sabax, the manufacturer of the drip bags used in the tiny patients, was not to blame for the deaths While the bacteria was found in the mixture in the bag, it could have been introduced through the mixture. Sabax's standards were adequate.

Parents, longing for some way of putting their trauma to rest, think this was unjust

Le Grange also exonerated the behaviour of the doctors and the clinics There are several questions raised by the whole issue which have to be asked. Here, for instance, are some

●What are the rates of death from hospital acquired infections at each hospital in the country? This information is collected, but not normally available to the public If a prospective patient was to be admitted to a hospital that had more infections than others, he or she could decide not to go This information should be accessible to the public and perhaps be tabled in parliament.

●It may be usual practice for doctors to remain silent even when they "lose" an unusually high number of patients, but is it correct? Would the public not have more confidence in doctors who exhibited their concern when things go badly wrong and make it known that they expect something to be done so this cannot happen to their patients again Some members of the public may be wondering, however unjustifiably, if the doctors were incompentent

According to reports, at least one doctor would not even speak to the bereaved parent of one of the babies. When the story was broken in this column — in 1990 — doctors clammed up as tight as the hospitals did And it has not yet become clear what they did about the fact that they lost so many little lives

●The hospitals may have cleaned up the mess and called in investigators But it seemed at the time that efforts to investigate the problem were accelerated only after newspapers published tales of dying babies

●If there is a question in the public mind over who is to blame and whether their own newborn children will suffer the same fate — and there surely has to be one now — should the authorities not be clamouring to sort out the problem? Instead of announcing investigations which are then seen to take place, making statements to the press to allay fears and calling on the hospitals, medical suppliers and hospital staff to be accountable for their actions, the authorities have been strangely silent

Private hospitals are regulated by the Department of Health in the House of Assembly and have to comply with certain standards Have these hospitals in which the babies died been asked to revise procedures, prove that it cannot happen again or show their infection figures? If not, why not? And if they have, why is the public not told?

●The Medicines Control Council, which regulates the safety of medicines, has said it is not responsible for problems that may have existed at Sabax This was stated before any public inquiries The council said the problem was a "dispensing" one and implicated the Pharmacy Council which regulates the activities of pharmacists One scapegoat has been found (and exonerated in the judgment) — an assistant with dirty shirt sleeves

Should the MCC not now be asked to ensure that in future it will take responsibility when drip bags are contaminated?

●The magistrate would not hear evidence about babies who died in apparently similar circumstances at a hospital in GaRankuwa. Since there is now officially no answer to parents' question on how their babies died, should this avenue not be pursued?

●Finally, if this were to have happened in a country like the United States, the chances are that all the players in the tragedy would have acted in the same way, barring two

The legal system, with punitive fines and aggressive lawyers among other factors, would have enhanced a feeling among the public that its interests were being taken care of

The other factor would have been the public itself and its voluntary organisations. A sense of consumer rights, with the institutions to back this up, would have ensured that the players — hospitals, doctors, authorities, drug manufacturers and so on — behaved very differently, making it unlikely that the tragedy could happen again

Can the South African public, after this inquest, be sure of that?

Economy set for major boost

Chemical industry to spend R15bn

(183)

B/Day 6/1/92.

THE petrochemical industry is set to spend up to R15bn in capital expansion projects within the next five years

JABULANI SIKHAKHANE

The huge spend, analysts say, will provide a much needed boost, particularly to the engineering industry which is facing a tough period as activity on the Mossgas project winds down

It will also have a positive effect on the economy in general. Analysts add that with most engineering companies having scaled down their businesses in line with the scarcity of major projects in the past, these petrochemical projects might have to be spread longer than planned Some further investment by the engineering sector will also be unavoidable

Topping the list of the big spenders will be Sasol and Engen. A close third will be a joint venture between Sentrachem and Engen for the construction of a naphtha cracker plant close to Mossgas — if it gets off the ground

Over the next four years Sasol alone will require funding of about R6bn, which includes the repayment of the R2,2bn capitalised debt in respect of the acquisition of the remaining 50% stake in Sasol 3 from the state last year

Among Sasol's major investment projects are the R900m expansion of the wax and paraffin facilities and the ammonia synthesis plant at Sasol 1, the R370m upgrading of the Natref refinery, R333m for the anode coke and liquid fuels project, and the R320m acrylic fibre plant in a joint venture with the Industrial Development Corporation (IDC)

Sasol also has seven other projects under consideration, including the R400m fixed fluidised bed reactor system at Secunda It will also require additional funding for the upgrading of Natref, Sasol 1 and Sasol 2 to enable them to produce lead-free petrol

The group has enormous cash generating capacity Sasol's cash flow totalled R1,9bn in the past financial year

Expenditure by Engen could easily top R4bn within the next four years, depending on whether it follows its rights in Mossgas where it holds 30% Engen is currently engaged in a major expansion of its Durban refinery Genref at a total cost of R2,7bn Phase one, which will increase capacity by 30% at a cost of R670m, is under way and due for commissioning in July

Feasibility studies are well advanced for the second phase which is likely to add between 40% and 50% to capacity at the end of the first phase. The ultimate aim is to make Genref a 150 000-barrel-a-day refinery Engen may require an additional R1,3bn if it wants to maintain its 30% interest in Mossgas when the latter is recapitalised in 1993 or early 1994

Although funding for the expansion of Genref is in place after last year's R1,1bn rights issue and a combination of local and overseas borrowings, Engen may have another rights issue to pay for additional investment in Mossgas.

Another huge petrochemical project likely to come on stream is the ethylene cracker Sentrachem and Engen are engaged in discussions about a possible joint venture in this project Sentrachem investigations have identified several options

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Chemical

B/Day 6/1/92 (183)

☐ From Page 1

around the Mossgas hub ranging from single-product plants costing about R500m to a full-scale, mixed-feedstock combi-cracker which would cost about R6bn

J D Anderson's head of research Charles Booth says a naphtha cracker project is not likely to go ahead without government granting either tax concessions or export credits. But another analyst adds that the naphtha cracker project could easily be funded through equity, commercial loans and some government assistance

Other spenders in the petrochemical industry are AECI, which is investing R600m in its Modderfontein plant, Sapref refinery's R450m upgrading and Caltex's R240m investment at its refinery in Cape Town

The five oil refineries, Sapref, Genref, Caltex, Sasol 2 and Sasol 3, will also have to upgrade at a total cost of R3bn to be able to produce lead-free petrol.

One analyst says the petrochemical sector is one industry which has recently been characterised by big capital expenditure One reason is that oil refining margins worldwide have improved considerably after a volatile period following the oil price shocks of the '70s and early '80s Also industry players are becoming convinced that they have to be more export oriented

Baby on drip 'deteriorated in hours'

STAR 17/1/92

183

By Philip Zoio

A Johannesburg paediatrician returned to Park Lane Clinic to find one of his newborn patients "absolutely shocked and moribund" with infection only hours after she had been fed on a K-cocktail drip, he told an inquest on the deaths of 13 babies.

Dr Martin Davis said that when he left Jacqueline Webb at midday on September 19 1990 she was doing well

But when he returned after an anxious phone call from her father, Dr Adrian Webb, she had deteriorated so markedly that he "quite honestly couldn't believe it was the same baby" The infant died later that night

Dr Davis said he had put the baby on the K-cocktail drip — to his knowledge a Sabax product — to administer antibiotics as a precaution

He had found her legs a little mottled and her pulse had slowed briefly, and he was waiting for the results of blood tests for infection The tests later proved negative

During cross-examination by Peter Soller, who is appearing for parents of 10 of the infants, Dr Davis said he believed the K-cocktail drip, found to be contaminated, was responsible for the fatal infection

"In the light of results given later — that the K-cocktail tested came from the same batch given to this baby — I very strongly detect that the rapid deterioration of this baby was related to that," Dr Davis said

Morningside Clinic paediatrician Dr Mervyn Ossip earlier testified how the health of a baby in his care rapidly deteriorated, with symptoms of septicaemic shock, three days after he received fluids from a Sabax K-cocktail drip

Distress

But Dr Ossip said it was difficult to say whether Matthew Hamilton had been infected congenitally or through an infusion of K-cocktail

The baby was born prematurely at Morningside Clinic on April 12, after his mother had shown signs of foetal distress Soon after birth blood was taken and tested positive for klebsiella bacteria

Tests also found that Matthew's mother had suffered a ruptured uterine membrane during pregnancy, Dr Ossip said Johannesburg Hospital paediatric and neo-natal unit head Dr Alan Rothberg said on Monday the rupture could have caused the infection

Sabax's counsel Clive Cohen, SC, earlier read from two reports that defended the company's system of quality control in Sabax's drip admixture unit

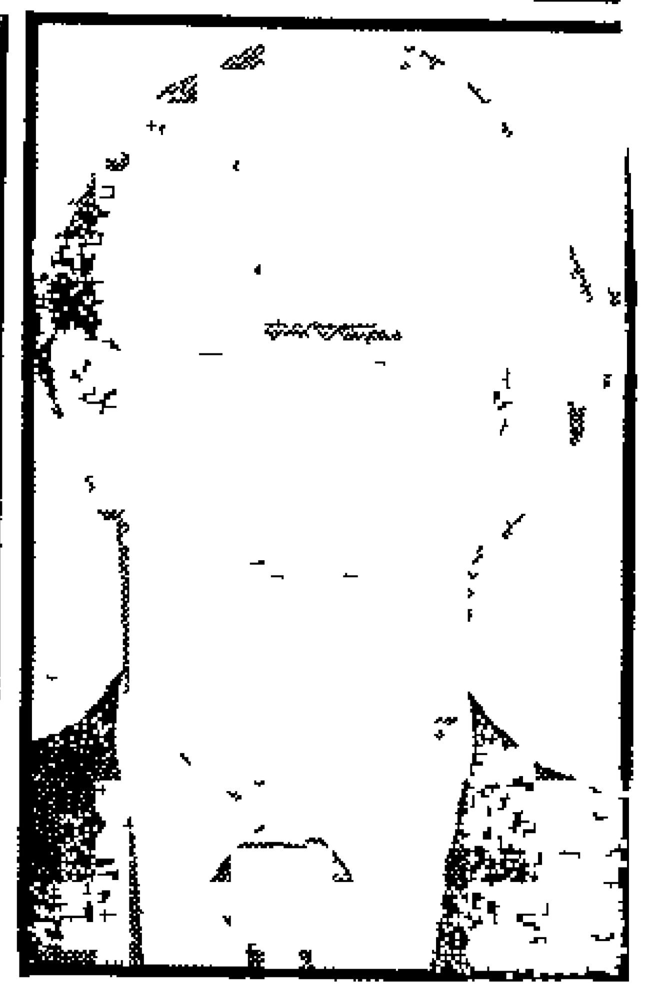
He also read from a report by A Bill, of British pharmaceutical firm Baxter, which stated there was a strong possibility that contamination of the drips was introduced through additives, and not through the admixture process

But the report also said the probability of contamination "was not as low as it could be"

The inquest continues today before magistrate T J le Grange, assisted by assessors Dr G Coetzee, Western Cape director of the Institute of Medical Research, and Dr Fanie Naude, lecturer in paediatrics at Pretoria University

Mystery buyer for former AECI factory

By IAN ROBINSON



BEN SCHOEMAN

AECI Chlor-Alkali and Plastics Limited (CAP) has sold a chemical plant at Ballengeich in Natal to Sentrachem's Karbochem division for R60-million.

But Karbochem has at the same time agreed to sell it to a mystery third party

Karbochem managing director Ben Schoeman declines to name the buyer, but it could be a ferroalloy producer.

If this is so, the plant built to produce mainly calcium carbide will have to be converted to make ferrochrome

Chinese

Earlier investigations by Karbochem about converting its Newcastle calcium carbide factory to ferrochrome production suggests that the Ballengeich furnaces could also be used for this purpose.

Karbochem's Newcastle furnace is being committed to carbide production The investigations into producing ferrochrome included discussions with a potential Chinese partner

Production of calcium carbide — the basic raw material in polyisoprene synthetic rubber — at Newcastle ceased about 18 months ago when natural rubber prices fell. Production of polyisoprene rubber was stopped.

Karbochem's synthetic rubber plant was established amid controversy in the mid-1980s at great cost as one of SA's last "strategic" industries STimes (B155)

The Ballengeich plant used to make calcium carbide, desulphurising carbide and acetylene carbon black Some of its output was sold to Karbochem's synthetic rubber plant 17/1/92.

AECI has for years produced calcium carbide at both Ballengeich and its Coalplex PVC plant at Sasolburg

But enhanced production at Coalplex has reduced AECI's need for support tonnages from Ballengeich

Managing director Ted Maybery says AECI is more interested in producing carbide as a primary feedstock for PVC than selling it as a commodity (183)

Although there will be some redundancies in the short term, AECI believes that the move is the best option for the long-term employment in the region

All agreements between AECI and its customers for the supply of carbide, acetylene carbon black and desulphuriser carbide will be transferrred to Karbochem, which will also acquire all the relevant technology and process know-how from AECI

Karbochem will provide a source of back-up carbide for Coalplex

Infants rapidly got worse after going on Sabax drip, says doctor

SEVEN months after the first death of a baby from klebsiella septi caemia, the manufacturer of the drips allegedly responsible for the infection told doctors the products were above suspicion

Testifying this week at the inquest into the deaths of 13 babies between February and September 1990, Johannesburg paediatrician Dr Jack Kussel said he had suspected Sabax drips used in neo-natal clinics could be contaminated after the death of David Braun, born on April 14 at the Garden City Clinic "I had no confirmation of my suspicions, and we continued using the drips because we were repeatedly assured by Sabax that they were clear

"But when Heinrich Hamel died, there was no more doubt in my mind His condition deteriorated rapidly after he was fed on K cocktail Sabax fluids in the Park Lane Clinic," said Dr Kussel, who has been dealing with neo-natal cases for 24 years.

Heinrich's symptoms became apparent on September 19. He was admitted to the intensive care unit.

183 98 288

Toxic

Blood cultures taken before treatment began were negative. He was put on a Sabax manufactured drip, and showed signs of improvement, but 24 hours later he became feverish and started bruising

"It looked again as if this was an acute type of toxic shock. In the next few hours, the baby's condition deteriorated rapidly, and I began to suspect without doubt that it was the drips.

"Deterioration at such a rate within 12 to 14 hours was not compatible with airborne infection," Dr Kussel said

He ordered seals placed around the bottles Samples were taken and sent to three laboratories

"That afternoon, I was in formed that a klebsiella had been grown from the fluid, indicating that it was contaminated

"I suggested that the Sabax manufactured bottles of intravenous fluid should be sealed and speci mens taken before the bottles were touched or han dled This was done"

Laboratory reports hand ed to the court indicated that contaminated fluid was found in the bottles

Two days later, Dr Kussel and other doctors were again assured the Sabax drips were not suspect

"I realised that we had an epidemic on our hands It just never happens that you have three or four or five babies dying on you — but we were unable to identify

DISTRAUGHT Cherryl Pritchard, who lo

Deaths continued despite assurances

SI Times 19/1/92

the source of the infection," Dr Kussel told the court

The inquest is being con ducted by regional magis trate TJ Le Grange, assisted by assessors Dr Gerrit Coetzee, regional director of the SA Institute of Medical Re search in the Western Cape, and Dr Fanie Naude, lectur er in paediatrics at Pretoria University

The parents of the 10 boys and three girls who died have waited nearly two years to find out what killed their babies

Much of the evidence presented in the packed court room this week came as a shock to parents, but what angered and upset them was the realisation that their children need not have died

Professor Alan Rothberg, head of the Johannesburg Hospital paediatric and neonatal units, testified on Tuesday that all 13 babies stood a good chance of sur viving at birth.

While there was strong evidence in only two of the cases that contaminated drips had been the cause of death, Professor Rothberg said that even if the prima ry source of infection in the other 11 babies had not been the drips, contamination from the intravenous fluid would "certainly" have low ered their survival chances

Mrs Yvonne Naismith, 31, whose first child, Christopher, died at the Morning side Clinic on March 19 1990, was despondent after hear ing the evidence of the doctors.

'The pain and suffering these babies endured after septicaemia set in was horrible

"As parents, many of us are still angry, and it is so painful to go through all of this again Even though I now have a six month-old daughter who is precious to me, she can t replace Chris topher," said Mrs Naismith.

Growths

Professor Rothberg said total sterility could not be achieved in hospital wards. A 10 percent "acceptable" rate was the norm

A report compiled by Sabax about conditions in the laboratory where the in travenous fluid was pre pared indicated that on a specific day toere had been "a wealth of bacterial growth" on the floor

Professor Anton Janse van Rensburg, head of Pretoria University s department of medical microbiology, testified that a laboratory technician, Mr Alan Davies had probably not complied with the strict quality-control standards of a medical laboratory

However, Mr C Cohen SC, for Sabax, pointed out that the most likely source of contamination had been base products which arrived at the laboratory in so called sterile containers

Farmer gets top IFP job

SI Times 19/1/92

BY ROY RUDDEN

INKATHA has appointed well-known Natal farmer, socialite and polo player Maurice Mackenzie as chief executive of its new national office to be established in central Durban.

The IFP is about to acquire 126 Umgeni Road from Argus Holdings using funds donated by the Unit ed States last year

It is understood that Mr Mackenzie, 55, was nominated for the position by IFP president Mangosuthu Buthelezi

MAURICE MACKENZIE

Mr Mackenzie a Midlands timber farmer, holds the sport and environment portfolios on the Inkatha Central Committee.

Mr Mackenzie, a former Natal polo layer, said he was looking forward to the challenge 'I spoke Zulu before I spoke English I have tried to serve the Zulu people, with whom I have had a deep affinity, all my life he said

FILM MAKER John Varty hugs fiancee Gillian van Houten at Jan Smuts airport after bringing home a top American film award this week.

Former newsreader Gillian said she was "thrilled and very proud" of Varty, who won the international documentary section of American Cable TV's annual ACE awards for his film *Swift and Silent*

Varty was up against 250 top international documentary makers in his section.

The adventure documentary on the world's great cats includes rare footage, captured in the Amazon, of the shy and elusive jaguar *Swift and Silent* took Varty three years to complete

But the "Leopard Man of Londolozi" and Gillian laughed off questions about when they were getting married.

The couple, who announced their engagement over a year ago, have apparently not yet set a date for their big day

Picture JAMES SOULLIER

DIAGONAL STREET by Robin Pegler

Wizard Ozz

S1 Times (Buss) 19/1/92

FOR the six months ended September 1991 Ozz increased income before tax by 28% and taxed profit by 33% Not many listed companies have been able to achieve such an improvement in present conditions. Turnover rose by only 2% and working profit by 5% The answer to how Ozz accomplished this lies in the fall in interest charges which were down by 44%

Debt equity ratio is now 19,4% with interest cover of six times This compares with gearing of no less than 139% in September 1989 immediately after the takeover of Lucem

Ozz chairman Gary Zulberg says the debt reduction came from favourable cash-flow and attentive asset management and cost control

Cost control is important in recession. The engineering division includes the mines among its customers and they have had to take radical steps to reduce costs.

Ozz has given attention to innovative products and to their longevity Price increases have been modest, but Ozz has increased profit margins to some extent.

Ozz was largely responsible for the development of Bruma and owns 50% of the Fisherman's Village there In spite of a general oversupply of shops and offices, letting at Bruma has held up exceptionally well, with a waiting list of tenants It has the advantage of novelty and variety with an unusual visual effect Bruma was developed at a low capital cost

In all its activities Ozz gives the impression of exploiting niche markets

It has the stamp of individuality, probably reflecting the thinking of Mr Zulberg.

Management forecasts that growth in the second half of the year to March 1992 will be slower

If profits for the second half are 20% higher, earnings for the year would be 58c and a dividend of 21,5c could be paid.

At the current price of 330c this would give a yield of 6,5% and a p e of 5,7

The share is well worth looking at.

A head start for Engen

ENGEN has an advantage over world oil producers because of lower transport costs to Africa south of the equator. S1 Times (Buss)

Margins for countries on the Indian Ocean are more stable than in North America.

It is partly for this reason that Engen is expanding its capacity 19/1/92

As a result of the establishment of Sasol 2 and 3 in the 1970s, SA oil producers mothballed their surplus capacity They are now bringing it back on stream and making plant more efficient. This will lead to increased output at a lower cost.

For Engen, this process is phase 1 of the expansion programme. The cost is estimated at R670-million. Output will rise by 30% The new production will supply the Trek service stations, which bought fuel from Sapref.

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Phase 1 is expected to be completed in about the last quarter of 1992.

Phase 2 will expand production capacity by 100% from present pre-phase 1 levels. It is due to be completed in 1995

To fund this Engen made a rights issue of 40 for 100 at 2 500c to raise R1,1-billion. The cash is earning interest and will be drawn on when required for the capital programme.

The new plant should be able to produce at a lower cost than the old.

South Korea, Japan and Singapore have also expanded refining capacity. However, this expansion, though cheaper in terms of capital cost, adds less value than what Engen is installing.

Because it takes three years to bring a refinery to production, Engen is well placed to take advantage of expanding markets

Growth in SA demand is more consistent than it is for many commodities When the economy is doing well, the increase in volume terms is about 6% a year But present growth is down to about 3% However, all surplus production can be exported.

For the year to August 1991, exports were only 4% of sales, but this was more than double the previous year

The partial lifting of sanctions has opened up African markets to Engen. The rand hedge element, although small, should increase.

High oil prices give virtually no advantage because any profits earned are paper profits on inventories. They will not be distributed or included in earnings.

In fact, high oil prices could be harmful because inventory profits are taxable and stocks must be replaced at higher prices.

Engen will be SA's first producer of unleaded petrol.

Engen should be one of the most consistent shares for growth in the next few years in spite of the risks attached to a commodity producer.

EXPORT BUSINESS

Karbochem to sell plant

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JONO WATERS

KARBOCHEM'S newly acquired Ballengeich chemical plant in Natal would be sold to a local buyer whose identity would be made known later this week, Karbochem MD Ben Schoeman said at the weekend

The plant is to be transformed into a producer of ferro-silicone

Karbochem, a division of Sentrachem, said it bought the Ballengeich factory for R50m from AECI Chlor-Alkali and Plastics Limited (CAP) However, AECI put the price at about R60m

The plant was to be closed down to rationalise carbide production by transfering production to its Newcastle factory.

Schoeman said Karbochem made the acquisition to extend its product range and convert some of the facilities at its Newcastle complex These facilities were mothballed when the group stopped isoprene rubber production in 1990 because of a fall in the price of natural rubber

BI Day 20/1/92

Enhanced carbide production at AECI's Coalplex PVC plant in Sasolburg had reduced the need for Ballengeich

Sabax told about drips, nurse testifies

(183)

STAR 21/1/92

By Philip Zoio

A sister at the Garden City Clinic told a Johannesburg inquest on the death of 13 babies in 1990 that she was asked whether she was "crazy" when she suggested to three Sabax employees that their drips may have been responsible for a series of infections.

She said she told the employees in early May, after four babies had been infected in the clinic's neo-natal unit, that she thought contaminants may have been introduced into Sabax drips during their manufacture

Earlier, Dr Errol Gottlich told the court how baby Brandon Stapelberg became suddenly ill and died a septicaemic death on August 20, only hours after receiving intravenous fluids on a K-cocktail drip.

He said that because he suspected the intravenous fluid could have caused the infection, he arranged for Sabax to collect the samples from bags attached to two drips feeding the baby

The samples, one of K-cocktail fluid and the other of part saline solution, were removed the following day

Dr Gottlich told the court that a Sabax employee, probably Ian Rosekilly, told him by telephone that Sabax had received only the saline sample, and that it had tested negative for bacterial growth

Clive Cohen, representing Sabax, said that because Dr Gottlich had not recorded the batch number of the K-cocktail solution, no further investigations took place

Dr Gottlich believed that the change of intravenous fluid to K-cocktail at noon on August 18 was the only possible explanation for the speed of development of baby Stapelberg's fatal klebsiella pneumonia infection

The infant was born on August 17 and transferred to the Garden City Clinic after collapsing with respiratory distress. The child was incubated, and "showed gradual but steady improvement", to the extent that he was to be taken off oxygen and started on oral feeds on the morning of August 20.

Questioned by Peter Soller, counsel for 10 of the parents, Dr Gottlich said he had expected the baby to survive.

Under cross-examination, he admitted that the child had shown symptoms that could indicate infection as one of a range of causes.

The inquest was adjourned from 10 15 am to 2 pm yesterday to allow Mr Soller to prepare a notice of review for the Rand Supreme Court, which is expected to be submitted today

Mr Soller wants the Supreme Court to determine whether all the paediatricians who treated the 13 babies should be called to testify.

Earlier, he submitted an affidavit by Cherryl Pritchard, the mother of one of the babies, who said she had the support of most of the parents in saying that each paediatrician should be called to testify.

The hearing continues.

Inquest told of risks

Sowetan 22/1/92

(183)

A PROFESSOR in microbiology told the inquest into the deaths of 13 babies at Johannesburg private clinics in 1990 that she would have felt uncomfortable to totally rely on Sabax's system of quality control

She would only be comfortable if the system was accompanied by physical evidence that their drips were sterile

Professor Margaretha Isaacson of the Institute of Medical Research said she believed that end product sterility testing should have been conducted on the drips

She also felt that the sterility of additives, supplied to Sabax by other manufacturers, should have been verified through spot-checking

Organisms were later found "still growing very happily" on one of the additives, Calcium Glucanate, during a test in January last year, she said

Isaacson, who at Sabax's request presented a report on the company's admixture unit, said the company's system of process validation was still the favoured method of quality control even though it contained an inevitable risk of human error

She had found no evidence of wilful negligence by any Sabax employee but a technician, Mr Alan Davies, had been less painstaking than the others and had not improved his performance significantly with practice

Mr Peter Soller, counsel for 10 of the parents, read out results of employee performance validations from May 1989 which stated that Davies and fellow technician Ms Cynthia Wilson had repeatedly failed in aspects of bacterial hygiene maintainance. - *Sowetan Correspondent*

NEWS IN BRIEF

Zenex Oil is fined

ZENEX Oil has become the first company to be found guilty of polluting an SA harbour under tougher new legislation and fined R5 000 (56) (183)

The company was recently found guilty in the Durban Regional Court of spilling diesel in March last year which found its way into the harbour, said a Water Affairs Department statement

Baby deaths: court asked to subpoena two Medunsa doctors

STAR 23/1/92

By Philip Zoio (183)

An attorney yesterday submitted an affidavit requesting a Johannesburg inquest court to subpoena two doctors from Medunsa Hospital, where at least 11 infants died of bacterial infections in two mini-epidemics in May/June and August/September 1990

Peter Soller has asked magistrate T J le Grange to call Dr Geoff Ellis and Dr Ian Haye to testify at the inquest of 13 babies who were fatally infected in three Johannesburg private clinics in 1990

Mr Soller, appearing for parents of 10 of the 13 babies, stated that blood cultures found the 11 infants who died at Medunsa Hospital in Ga-Rankuwa had been infected by klebsiella oxytoca

Laboratory tests indicated that Sabax drips may have been implicated in at least some of these deaths, Mr Soller stated

Sabax quality assurance manager Keith Allen said Sabax's tests in early June on 67 units of drip solution, taken from various batches, had shown no contamination

Satisfied

Arthur Barnett, corporate planner for Sabax's owner, Adcock-Ingram, said Sabax had never carried out tests to determine whether its K-cocktail drip solution could be sterilised after the admixing process

Mr Barnett said the studies had not been done because Sabax was satisfied their method of quality control complied with international standards

In his affidavit, Mr Barnett said certain admixed products could not be sterilised because the chemical make-up of the additives could be changed if they were exposed to heat

Mr Barnett denied that the statement referred specifically to the K-cocktail solution

Counsel for the Morningside Clinic, B Burman (SC), told Mr Barnett that Sabax had informed two professors that end sterilisation by heat would have adversely affected the final K-cocktail solution

The inquest continues

Pick me up for heavy topers

By IAN ROBINSON

THE opening of Madaus Pharmaceuticals' R6,5-million headquarters and packaging plant at Midrand is good news for hard drinkers

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Last year German-based Madaus introduced Legalon, the only registered anti-hepatoxic product in South Africa to help in the treatment of alcohol-induced liver disease

Madaus also promises relief to people suffering from age and stress through medicines developed from natural substances They can be taken for a long time without side effects

S Times (B455) 7/6/1/92

Rural

Madaus started its SA operation in April 1977 as a 50-50 venture with Premier Group. In spite of disinvestment pressure, Madaus bought out its SA partner in 1988

John-Werner Madaus, chairman of the supervisory board of Madaus AG in Cologne, says the high level of the medical profession is a major factor in the company's commitment to SA

Besides serving clinicians in private practice, Madaus supples medicines through the tender system to provincial hospitals

It sponsors black dental and medical students from rural areas and promotes liver and cancer research

Court challenge over ban on Sabax evidence

S/Times 26/1/92 (183)

By JOCELYN MAKER

DOCTORS who believe that 11 babies died after being fed by Sabax-made drips at the Garankuwa Hospital were prevented from testifying at the inquest this week into the deaths of 13 other infants.

Now, in an application made on Friday, the Rand Supreme Court is being asked to order Johannesburg regional magistrate TJ le Grange to allow the doctors from the Medical University of South Africa (Medunsa) in Pretoria to give evidence

In an affidavit handed in during the inquest at the Johannesburg magistrate's court on Friday, Mr Peter Soller, attorney for some of the 13 sets of parents, said it was his duty to present certain facts relating to tests done by the Medunsa doctors

Earlier he told the court that circumstances surrounding the deaths of the Garankuwa babies were similar to the deaths of the 13 babies who died in top Johannesburg clinics

He said it was necessary to call the three Medunsa doctors — Professor Heather Crewe-Brown, pathologist Dr Geoff Ellis and Dr Ian Haye — to give "highly relevant evidence" of the results of tests carried out on Sabax drips which proved to be contaminated.

Before Mr Le Grange could make a ruling on whether to allow the evidence, Mr Clive Cohen, SC, for Sabax, objected, saying the evidence was not relevant and could not take the inquest much further

Mr Le Grange later rejected the request to hear the three doctors

In his affidavit Mr Soller said that during May or June 1990 five babies died after an outbreak of infection at the Garankuwa Hospital north of Pretoria

An investigation by Professor Crewe-Brown found that in each case klebsiella oxytoca was present in the infants' blood cultures

Identical

The container of a nutritional fluid fed to the babies intravenously was also found to be contaminated with klebsiella oxytoca

Mr Soller said Professor Crewe-Brown informed Sabax that the drip containers were suspected, but the company replied that the source of the infection was not defined

In August and September another outbreak of infection occurred at the Garankuwa Hospital, where a further six babies died rapidly

Four out of five Sabax bags were tested and were confirmed positive for klebsiella oxytoca

In his affidavit Mr Soller said post mortems were carried out on the dead babies and blood-culture tests were done

In the Supreme Court application for the review of Mr Le Grange's ruling, Mrs Cherryl Pritchard, one of the parents, said that genetic typing of the bacteria implicated in the deaths of all the babies at the Garankuwa Hospital, Park Lane Clinic and the Morningside Clinic was so similar that the reasonable impression was that the source of contamination was in all cases identical

Mrs Pritchard said that Sabax had previously been made aware of the facts from the Garankuwa Hospital and from other clinics involved, but had "unconvincingly" rejected information without attributing valid reasons for this

Reliance

It was alleged in court this week that for five months Sabax was aware of the possibility that its drips were contaminated, but it chose to remain silent despite the deaths of eight babies and numerous warnings

It was only after nine months — and at least 13 infant deaths — that the company decided to shut down its drip-admixing unit and recall all its products

The court heard that this was only done when Sabax had been able to confirm that certain drips were contaminated with the deadly klebsiella bacteria

From May to October 1, 1990, it continued to sell its neo-natal drips — K cocktail and Non K Cocktail — and failed to advise medical institutions to change to a similar drip which it manufactured

Further complaints that the drips might be contaminated were made to Sabax by the Morningside Clinic, Johannesburg Hospital, Park Lane Clinic and Garden City Clinic

Recall

It was also heard this week that Sabax did not carry out end-sterilisation of its admixture products at any stage because it did not deem it necessary

Professor Margareita Isaacson of the SA Institute of Medical Research told the court that too much reliance was placed by Sabax on a painstaking process that did not allow for human error

Professor Isaacson had been asked by Sabax to carry out an independent investigation of its facilities after October 1990, when the admixture unit had been shut down

She said that, while she was generally impressed with with the high standards at Sabax, she found numerous problems that needed to be addressed

Sabax to blame - babies' lawyer

Sowetan Correspondent (183)

SABAX should be found culpable, on the circumstantial evidence, for the deaths of infants who contracted fatal infections in three private clinics in 1990, according to Mr Peter Soller, attorney for 10 of the parents

But Sabax counsel Mr Clive Cohen argued at the Johannesburg inquest into the deaths of 13 babies that Sabax had not been negligent and that it could not be found that their drips were the only possible cause of the infections

Sowetan 28/1/92

Soller said "Sabax was negligent in failing to react to the first suggestions on May 2 1990 of contamination of admixture unit drips

"Though they were the only people who knew their admixture solutions were not end-product sterilised, they did not alert clinics of the fears of contamination

"The clinics were not given the opportunity to decide whether to switch to compatible sterilised products".

Cohen said all the babies were very sick on admission where they could have contracted their infections

He said Sabax had produced their drips according to internationally acceptable standards and had not breached any legal rule in their preparation of admixtures

Baby-deaths inquest: finding due today

(183)

By Philip Zolo STAR 28/1/92

Sabax should be found culpable, on the totality of circumstantial evidence, for the deaths of infants who contracted fatal infections in three private clinics in 1990, according to the attorney for 10 of the parents, Peter Soller

But Sabax counsel Clive Cohen SC yesterday argued at the Johannesburg inquest into the deaths of 13 babies that there was sufficient evidence for a finding that Sabax was not negligent and that no act or omission of the firm was causally connected to any death under investigation.

A finding is expected today

'Sabax was negligent

Mr Soller addressed the court in respect of only one of the babies, Jacqueline Webb, who died in Johannesburg Hospital on September 20

He said Sabax was negligent and arrogant in failing to react to the first suggestions on May 2 1990 of contamination of admixture unit drips

Though they were the only people who knew their admixture solutions were not end-product sterilised, they did not alert clinics to the fears of contamination The clinics were not given the opportunity to decide whether to switch to compatible sterilised products

He intimated in his argument that Sabax deliberately misled the clinics for commercial reasons and because the firm did not want anyone to find out there were problems with their products

Sabax, he said, also wilfully led Professors Margaretha Isaacson and Anton van Rensburg to a false understanding that end sterilisation of K-cocktail (an admixed fluid) was not practical, knowing that no studies had been done to determine this

The professors compiled reports while believing that process validation was the only feasible method of quality control, he said

A finding that the drips were responsible for the infections was the most likely of a set of possible conclusions, he added

All but two of the paediatricians who testified said the infections were the most severe they had seen and were consistent with contamination [illegible] intravenous drips.

'Sabax went to great lengths'

Mr Cohen said.

In their preparation of admixture drips, Sabax had complied with internationally acceptable standards and had not breached any legal rule

He said the admixture unit's system of quality control, process validation, had been sanctioned by all the experts who examined procedures at the admixture unit "All of these experts exonerated Sabax from any hint of negligence in their admixture procedures," he said

Sabax had gone to great lengths to establish or to find the cause of contamination

He argued that contaminants were more likely to have been introduced by additives than by failure of aseptic technique This submission was supported by the evidence of reports of three experts, Mr Cohen said

Moreover, all the batches found contaminated after September contained Calcium Gluconate supplied from a single batch of the additive

It was very possible the babies had suffered continuing infections that they had each contracted before receiving the implicated drip solutions All the babies were very sick on admission to the neo-natal units, where the risk of infection always existed

He argued that Heinrich Hamel, who died in Park Lane Clinic on September 20, showed signs of possible infection before the night of September 19. He disputed evidence that the baby was given Sabax K-cocktail that night. Jacqueline Webb had shown more serious signs of infection — including apnea attacks, circulation problems and jaundice — before she was fed on K-cocktail on the day before her death.

The congruence in both cases, between the contaminants found in the drip solutions and the bacteria found in the blood cultures, was insufficient to indicate that infection was contracted from the Sabax drips

No one liable for deaths of 11 babies

(183)

SA Press Association

A JUDICIAL inquiry yesterday ruled that no one could be held responsible for the deaths through infection of 11 babies at three hospitals in Johannesburg in 1990

The presiding officer, Mr T le Grange, also found that contaminated intravenous drips supplied by Sabax company could not, on a balance of probabilities, be linked to the deaths of the babies

A finding could not be made on liability in the deaths of two other babies

Sowetan 29/1/92.

Precautions

Le Grange found there had been no negligence on the part of staff at the intensive care units of the hospitals and that he was satisfied that all reasonable precautions had been taken

He also found that Sabax had complied with international standards on the prevention of infection

The source of the infection which had killed the babies could not be determined beyond doubt, he said

ROYCHEM FM 31/1/92 (183)

Undemanding target

As with sister company Royal Foods, assessment of the first annual report as a listed company is complicated by significant structural changes and a change of year-end

Conclusions depend largely on the method used to deal with these distortions — straight annualisation of 18-month results suggests a patchy performance but, if (as the company has done) emphasis is placed on the past six months, incorporating the business of Ferro, a more favourable picture emerges

Fortunately, the latter seems the more accurate, not least because Ferro brought with it a greater value-added dimension, reflected in the fact that a trading margin of 9,8% in the past six months is significantly higher than 8,8% in the previous 12 months

There was a corresponding follow-through in materially better profit ratios For instance, annualised gross return on total assets based on the past six months, at 12%, is

Continue →

Activities: *Manufactures and distributes pharmaceutical and chemical products*
Control: *Royal Corp 57,8%*
Chairman: *V S Imerman, MD D H B Johnston*
Capital structure: *48,2m ords Market capitalisation R133m*
Share market: *Price 275c Yields 4,0%† on dividend, 11,8†% on earnings, p e ratio, 8,5†, cover, 2,9 12-month high, 300c, low, 220c Trading volume last quarter, 95 000 shares*

Year end August	Feb '91	Aug '91*	Aug '91
ST debt (Rm)	n/a	1,1	1,1
LT debt (Rm)	n/a	1,1	1,1
Debt equity ratio	n/a	0 21	0,21
Shareholders interest	n/a	0 54	0,54
Int & leasing cover	2 1	4 8	2,8
Return on cap (%)	11,7	16,0	8,5
Turnover (Rm)	102,3	109 8	212,2
Pre-int profit (Rm)	9,0	10 8	19,8
Pre-int margin (%)	8,8	9,8	9,3
Earnings (c)	16,6	16,2	25 8
Dividends (c)	3,5	5,5	9
Net worth (c)	142	203	203

* 6 months
† 18 months

almost double the 7,3% indicated by annualising the 18-month results Similarly, the respective ROEs were 16% based on the past six months and 8,5% for the full period

Given the distortions inherent in either method, one should not read too much into these numbers Even so, there still seems to be room for improvement which, in the normal course of events, should occur as the bits and pieces of the group bed down together

Meanwhile, on the most favourable calculation of an 18% gross return on capital employed (net of interest-free liabilities), management is probably wise to keep debt low At August 31 the only debt of consequence was R20m redeemable prefs issued by a subsidiary, costing about 15% a year

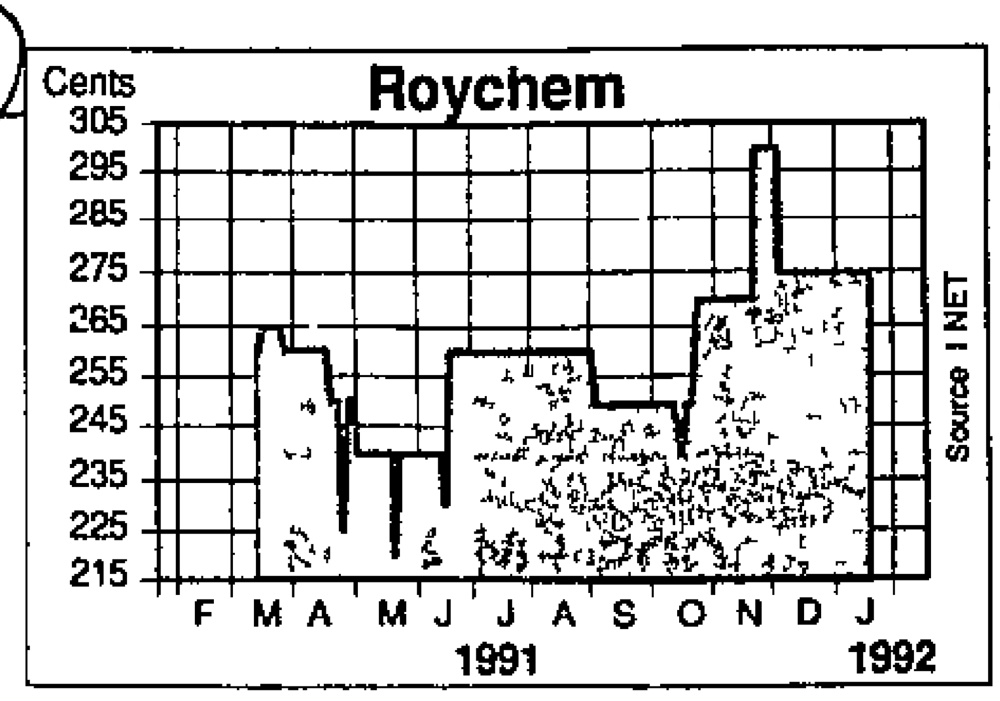
While the Royal group as a whole is often seen to be debt-averse, in this instance at least any such aversity is not just a quirk — it recognises that present profit ratios do not justify the additional risk inherent in gearing further than the existing 21%

Combined interest/leasing cover (including pref dividends) is only 4,8 times — comfortably above the benchmark of four for which analysts normally look, but low in relation to the very conservative balance sheet

As there is no apparent reason for gearing to rise, this is hardly a problem More important, earnings-wise, is that chairman Vivian Imerman seems satisfied with performance since the acquisition of Ferro, and is still confident that the group will earn the 34,4c forecast at the time of the listing for the 12 months to end-February

Given that Roychem already had 16,2c under its belt from March-August, the target does not look demanding, there should still be some upside left for the final six months of the 1992 financial year which could, therefore, see EPS of around 38c

If so, the dividend would probably be 13c, yielding 4,7% at the current 275c share price This is only 15c above the rights price on the listing a little under a year ago, but



the potential for capital gain could improve as a track record is established and investors can assess performance without the guesswork now required *Brian Thompson*

LEPPIN HOLDINGS (183)

Trial by fire FM 31/1/92

Activities: *Imports, makes, distributes and exports food supplements and vitamins*
Control: *Directors 75,5%.*
Executive chairman: *G Leppin, Joint MDs. N Hannemann, T Hannemann.*
Capital structure: *8,6m ords Market capitalisation R700 000*
Share market: *Price 8c Yield· 23,8% on earnings, p e ratio, 4,2 12-month high, 20c; low, 8c Trading volume last quarter, nil.*

Year to July 31	**'88**	**'89**	**'90**	**'91**
ST debt (Rm)	0 3	0,7	1,1	1,4
LT debt (Rm)	0 1	0,2	0,3	0,3
Debt equity ratio	0 33	0,91	1,11	1,26
Shareholders interest	0 44	0,27	0,26	0,31
Int & leasing cover	3 9	(0,5)	1,5	1,3
Return on cap (%)	10 2	—	13,1	13,7
Turnover (Rm)	4 4	6,1	8,5	8,4
Pre-int profit (Rm)	0 3	(0 1)	0,6	0,6
Pre-int margin (%)	6 9	—	7,3	7,2
Earnings (c)	2 7	2,9	2,3	1,5
Dividends (c)	1	—	—	—
Net worth (c)	15	12	14	16

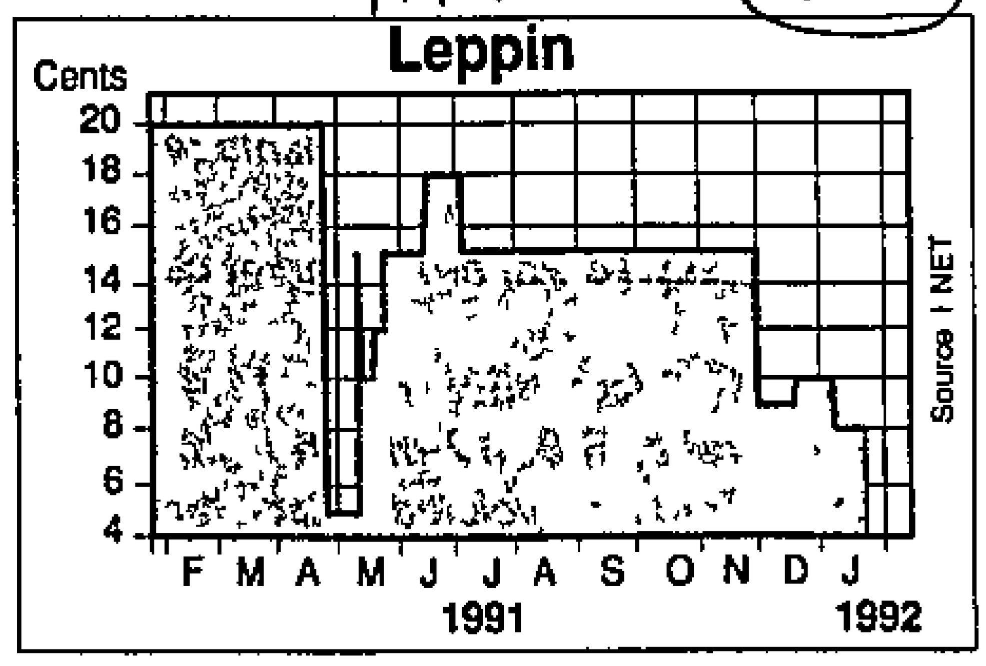
Despite starting the financial year without an accumulated loss for the first time in a couple of years, performance was below par

An explosion at the plant in November 1990 restricted production and saw turnover marginally down, a far cry from its 39% increase the previous year Damaged machines had to be replaced Computerised machinery was brought in, that may have led to improved control, but contributed to doubling the replacement of fixed assets

A R483 000 abnormal income item is the insurance claim for the loss of profits after the explosion Though this wiped out the pretax loss, management claims it did not fully cover the loss of goodwill arising from "out of stock" positions

Shareholders were denied dividends for the third year running, with the current asset ratio unchanged at a tight 1,3:1 Despite the policy of "improved control and increased selling efforts," debtors and creditors fell by R416 000 and R691 000 respectively

FM 31/1/92 (183)



Chairman Gerda Leppin claims growth would have been hampered by forcing increased production through the present rented premises So the major shareholders sold property they owned to Johannesburg Muncipal Pension Fund with a lease back to Leppin for an undisclosed amount

A new specialist plant is being built on this property and production, all being well, will begin early in calendar 1992

Leppin has taken on the national sponsorship of the 1992 run/walk for life programmes Its products will be stocked by organisers and recommended to members

Even with the share price at 8c, 12c down on its 12-month high, EPS of 1,5c seem to justify a down rating *Kate Rushton*

Thor to face world tribunal

wmail 31/1 - 6/2/92 (183)

Weekly Mail Reporter

EARTHLIFE AFRICA is taking Thor Chemicals to an international tribunal on charges of polluting one of the earth's most important renewable assets — water.

The case is set to be heard in February by the Second International Water Tribunal, meeting in Amsterdam to hear complaints of water pollution in Asia, Africa and Latin America Environmental organisations from 17 countries will present dossiers about water problems in their countries and enter into discussions with the companies and governments they have accused of contaminating the world's water

While the tribunal does not have the power to impose fines against companies found guilty of polluting water, part of its brief is to publicise the details of allegations. Thus, South Africa's legislation on pollution will also be on trial

The Natal plant of Thor Chemicals, which is a subsidiary of a British multi-national, has been accused by Earthlife of severely contaminating the Mngweni stream with mercury

In its indictment, Earthlife says this has created serious hazards for the immediate environment and for communities downstream. The company had refused to acknowledge publicly the extent of the pollution, the threat it posed to communities or its responsibility for the contamination

Earthlife also accuses Thor of importing mercury waste from Europe and the United States — a toxic product which those countries' environmental regulations have classified as too hazardous to reprocess

In July 1988, Thor denied importing toxic waste. "We supply American Cyanamid with mercury-based catalysts and take back the waste after they have used the product," the company said in a statement "Our plant is environmentally safe and all the local authorities are satisfied it is safe "

Thor's managing director, Stephen van der Vyver, said he had nothing to add to the 1988 statement, but he indicated that his company was sending a written response to the tribunal

One of the three Earthlife members who will be attending the tribunal, Chris Albertyn, is confident they will win the case "Thor tried to discredit us as a lunatic fringe A guilty verdict will vindicate our stand and warn other multi-nationals planning to invest in South Africa that they will not be able to cut costs by ignoring the environment," he said "We believe the resultant negative publicity will force corporations to review their operations "

The First International Water Tribunal, which dealt with water pollution in Europe, resulted in concrete measures being taken by governments and industries to address the problem

Other African countries due to appear before the second tribunal are Ghana, Nigeria and Tanzania

Paprika booster

(183)

S/Times(Bus)

Business Times Reporter

2/2/92

LOGICHEM Process has won a R5-million contract to design, erect and commission African Oil's first oleo resin extraction plant

The Thabazimbi-based plant will produce colouring for the South African and international food markets

It will add value to regional paprika crops which have mostly been exported for processing in Europe

After the plant is commissioned in the last week of April, 20 tons of raw paprika will be processed daily Projected turnover for the first year is R25-million

African Oil's major competitor in exports is market leader Spain But management believes the SA plant has competitive advantages.

These include its low building cost and its location in the centre of SA's paprika region, a factor which will eliminate the degeneration to which harvested paprika is prone

Negotiations for the construction of two similar plants in neighbouring countries are nearly complete

Drugs probe men quit over death threats

183

S/Times 2/2/92

THREE members of a task force investigating a lucrative black market in the pharmaceutical industry have resigned after receiving death threats.

And a fourth member of the group has employed a 24-hour armed guard to protect his family after receiving similar threats

He said "These people are not kidding around They are powerful with influence in high places I fear for the lives of my family"

The four men — who do not want to be named for fear of reprisals — are Pharmaceutical Manufacturers' Association officials, appointed last August to probe thefts of scheduled drugs valued at more than R750-million a year

Disaster

The drugs — stolen mainly from dispensaries at government and provincial hospitals and bulk storage depots — find their way into the retail market via what sources describe as a "well-connected syndicate"

This week, a senior executive in the pharmaceutical industry warned that South Africa was facing "a major disaster" if the drug theft ring was not cracked

"This is a health time bomb," he said

"Some of the drugs involved have to be stored at

By DE WET POTGIETER

a certain temperature to remain stable and to perform effectively. There is little chance that such precautions are taken by the thieves, who also tamper with expiry dates and place outdated products on the market

"This not only represents a serious health risk, but results in the death of patients to whom the products are dispensed"

Mr Johan van der Walt, chairman of the Medicine Control Council and executive chairman of one of the biggest wholesalers in the pharmaceutical industry, SA Druggists, confirmed the recovery of large quantities of stolen products which had been repacked before being channelled into the market-place

"In such cases, we have no idea of the stability of the products This could be extremely dangerous," he said

Mr Van der Walt said he was disappointed that plans to establish a special police investigation unit into pharmaceutical thefts had not materialised

Last August, representatives of the PMA, the Department of Health and the police decided that an SAP unit would tackle the problem

But an SAP spokesman said this week that plans had been shelved for "functional reasons"

"It was decided that all medicine-related cases would be investigated by the Narcotics Bureau," he said

He added that "a possible breakthrough" in the drugs theft case was expected by the end of March

The thefts have cost the pharmaceutical industry billions of rands

Urgent negotiations between PMA officials, the police and the Department of Health are expected to take place next week in an attempt to stem the flow of scheduled drugs on to the black market

PMA executive director John Toerien said although the thefts had occurred over a number of years, police had made little headway "In November, the PMA considered hiring private investigators," he said

"But we decided to wait and give the special police unit a chance, not knowing it would never materialise"

An executive source in the pharmaceutical industry said it was "a miracle" that no one had fallen seriously ill or died from stolen medicines

Drug wholesalers have tightened stock controls and increased security at warehouses to curb the losses, but millions of rands worth of medicines continue to disappear

The PMA is seeking special dispensation to transport scheduled drugs in unmarked vehicles to foil truck hijackers

By law, wholesalers must transport medical supplies in clearly marked vehicles

Industry sources believe the thefts are organised by "a well-connected syndicate with inside information" as only trucks carrying the most valuable consignments are targeted by hijackers

Last November, East Rand doctor Raymond Kobrin was murdered and dumped in the boot of his car while investigating claims of corruption in the medical and pharmaceutical industry

Shot

Dr Kobrin, 43, handed a six-page report on his investigation to the Sunday Times a month before he was shot

The report listed prominent members of the industry who, he claimed, had interests in, or were associated with, drug wholesalers

Dr Kobrin supported moves by pharmacists to be allowed to dispense generic drugs and believed the pharmaceutical industry was being controlled by a cartel with vested interests in restricting or preventing dispensing by doctors

Industry call for SAP drug theft unit

183

JONATHON REES

THE pharmaceutical industry is pressing the SAP to set up a promised special unit to combat the theft every month of millions of rands worth of drugs

Executives from pharmaceutical companies will meet senior police early this month to discuss the matter B|Day

SA Druggists executive chairman Johan van der Walt, who heads a five-man committee probing pharmaceutical theft, said an SAP special unit was the only way to effectively beat illicit dealing in legal drugs 3/2/92

But a source in the police's SA Narcotics and Alchohol Bureau said last week police were unlikely to accept that a special unit was necessary Personnel had already been appointed to investigate drug theft — in co-operation with the pharmaceutical industry.

Van der Walt said the industry had tightened security in recent months but shrinkage still occurred The weak point, he said, appeared to be state and provincial drug warehouses

Scheduled medicines destined for state hospitals continued to emerge in the general trade at discount prices, undermining the industry and posing a threat to consumers.

SA firms vie for gas field contracts

Fuel deal with Mozambique in the pipeline

183

BDay 6/2/92

SEAN VAN ZYL

THE Mozambican government is within weeks of agreement with one or more SA synthetic fuel and chemical firms on a multibillion-rand venture to exploit and market products from its large Pande gas fields, industry sources say

It is envisaged that Petronet, Transnet's pipeline subsidiary, will build a R1bn pipeline to carry gas to the Reef It is believed that a parallel line will be built to carry refined fuel from SA to Mozambique

Sasol, Engen and AECI are in the running to establish a plant to convert the gas into petrochemicals, with Sasol believed to have an edge over its rivals

Petronet MD Eric Crowley confirmed yesterday that his company had been involved in discussions with the Mozambican authorities and the World Bank, which was expected to participate in the funding

He added that the discussions had centred on the possibility of Petronet constructing and operating an approximately 900km gas pipeline between Mozambique's Inhambane province and the Reef About 80% of the line would be in Mozambique He said discussions were still at a tentative stage and that their outcome hinged on the decision of the Mozambican authorities and the World Bank Industry analysts say the outcome also hinges on Mozambique's security situation and Maputo's ability to guarantee that Renamo will not sabotage a pipeline as it has the power line linking SA and Cahora Bassa

Petronet operates SA's only commercial fuel pipeline network connecting major business centres with the oil refineries at the coast About 85% of the refineries' product is carried by Petronet's system

Sasol spokesman Jan Krynauw confirmed his company was involved in discussions with Mozambique but was reluctant to elaborate yesterday as talks were at a sensitive stage

The Pande gas fields have been explored sporadically over the past few decades, with most recent work being done by Soviet drillers They, however, failed to complete the job A feasibility study, which has been running on and off for 10 years, has been completed by Engineering Management Services (EMS), a local engineering project manager

EMS MD Steve Hrabar said yesterday World Bank financing would probably be forthcoming only if private companies invested in the project Mozambique itself does not have the resources to finance the project

Unofficial estimates quoted by Engineering Week put Pande's annual gas production potential at 1-billion m . This would make it significantly larger than SA's own offshore reserves off Mossel Bay

Chrome tanners defy world glut

STimes (Buss) 9/2/92 (183)

A SECOND PLANT to produce chrome tanning salts will be built in South Africa — in spite of a huge world glut of the material

Bay Chrome will build a R12-million plant at Richards Bay.

The project will be a venture between Advance Process Design (APD), the KwaZulu Finance & Investment Corporation and a third major shareholder

Managing director Andreas Ossko of current producer Chrome Chemicals — a subsidiary of the German-based Bayer group — does not believe there is room for another plant in South Africa

World annual capacity totals 450 000 tons compared with demand at 300 000 tons

However, APD managing director Dieter Roland says the overcapacity is mainly in Europe and America

There is an annual shortfall of about 12 500 tons in Africa and the

By IAN ROBINSON

Pacific Rim countries South Africa is in the best competitive position to supply these markets

APD's 9-000-ton-a-year plant — based on a new process developed by APD and a European research organisation — will come on stream about the end of 1992 and will be export oriented

Hides

APD is an SA company which supplies services related to plant design, engineering and project management

Production of chrome tanning salts is based on sodium dichromate In spite of the closure of its sodium dichromate facility in March last year, Chrome Chemicals continues to produce chrome tanning salts — based on imported supplies — at its Durban plant which has an annual capacity of about 6 000 tons

It supplies most of the domestic market of 4 800 tons and exports to neighbouring countries Imports account for about 20% of SA needs

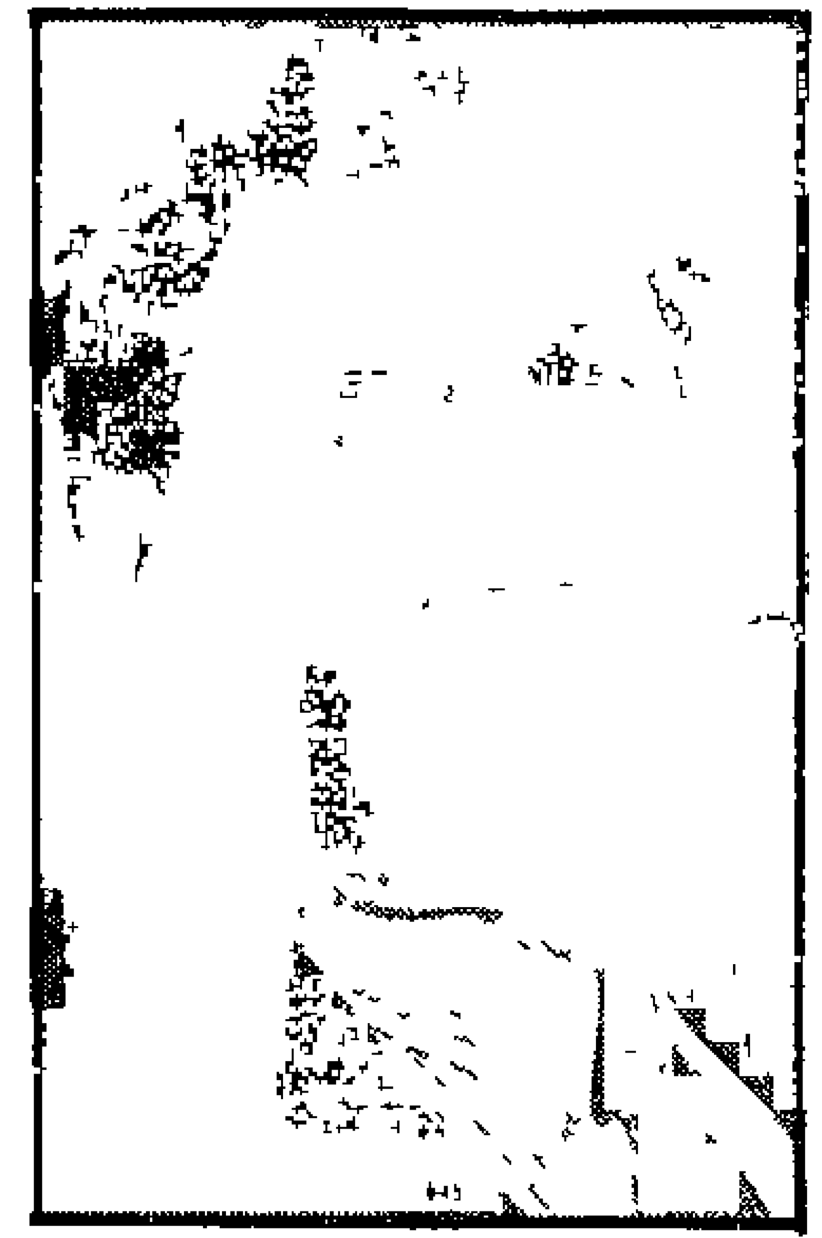
It is possible that sodium dichromate could again become available from a new domestic venture

An AECI spokesman confirms that it and Johannesburg Consolidated Investment looked at a joint venture some years ago, but decided it would not be profitable However, if conditions were favourable, the project could be re-evaluated

Demand is related to the production of cattle hides The supply of hides is growing at an annual rate of only about 1%

The world price of tanning salts is about $800 a ton compared with a domestic figure of more than R3 000 a ton (nearly $1 100)

There are 10 major tanneries in SA and about five in neighbouring countries



DIETER ROLAND Full of confidence

Sasol's candle wax too sticky

S/Times 15 BUSS 7

By JULIE WALKER

9/2/92

A STICKY wax problem has given rise to an even stickier problem for Sasol

South Africa — a huge market for candles — uses both domestic and imported candle wax

Sasol has supplied candle-makers for 35 years.

Last year it developed a wax aimed at preventing candles from bending and sticking together in hot weather

Buffalo Candles' Pietersburg factory bought the new medium wax, which had been commercialised on a small scale. Buffalo has tested it for six months, involving the use of thicker wicks

But some batches of the new wax have resulted in excess dripping and the wick's pulling and burning on one side only As a result, it burns too quickly

Shell

A major retailer returned the candles made from new wax to Buffalo Sasol has reverted to supplying the old wax to candle-makers until the problems have been ironed out

Sasol says the problem is receiving the attention of the group's wax technologists

Last August Sasol bought Price's Candles from Shell for R30-million

It intends to double wax production to 120 000 tons a year as part of a R850-million capital expansion programme to convert Sasol I from a fuels complex to a chemical facility

Chemserve improves margins

STAR 11/2/92

Finance Staff

Anglo American subsidiary Chemical Services (Chemserve) achieved real earnings growth of two percent in financial 1991 on the back of a restructuring at underperforming divisions

Attributable earnings improved by 17 percent to R26,7 million which translates to an equivalent rise in earnings per share to 430c

(183)

A final dividend of 87c a share was declared bringing the total for the year to 140c

Chemserve's turnover was up by seven percent to R478 million although the volume of manufactured goods sold decreased by about three percent

Medicine price 'out of control'

Sowetan 11/2/92

183

THE PRICE of medicines in South Africa has become more expensive than anywhere else in the world and is rocketing out of control.

The situation has become so serious that a forum on the high cost of medicines in the private sector will be held by the Department of National Health and Population Development in Pretoria on February 28

The president of the Natal Coastal Branch of the Medical Association of Natal, Dr Mark Schreiber, said yesterday:

"A large proportion of the population can simply no longer afford private health care or the cost of medicines."

Various aspects of and possible solutions to the problem will be discussed at the conference, which has been called by the Minister of Health, Dr Rina Venter

The executive director of the South African Association of Retail Pharmacists, Mr Dave Pleaner, confirmed that all the relevant bodies had been asked for their input.

"The Minister has invited comment on what steps can be taken to implement various factors which will help curtail the cost of medicine"

According to Pleaner, Venter had identified various points which would be discussed and which could - if implemented - contribute "a great deal to reducing the cost of medical services as well as medicine"

Among them:

The ability of a pharmacist to substitute medicine with cheaper generics,

A scheme whereby there was a maximum medical aid price for certain drugs,

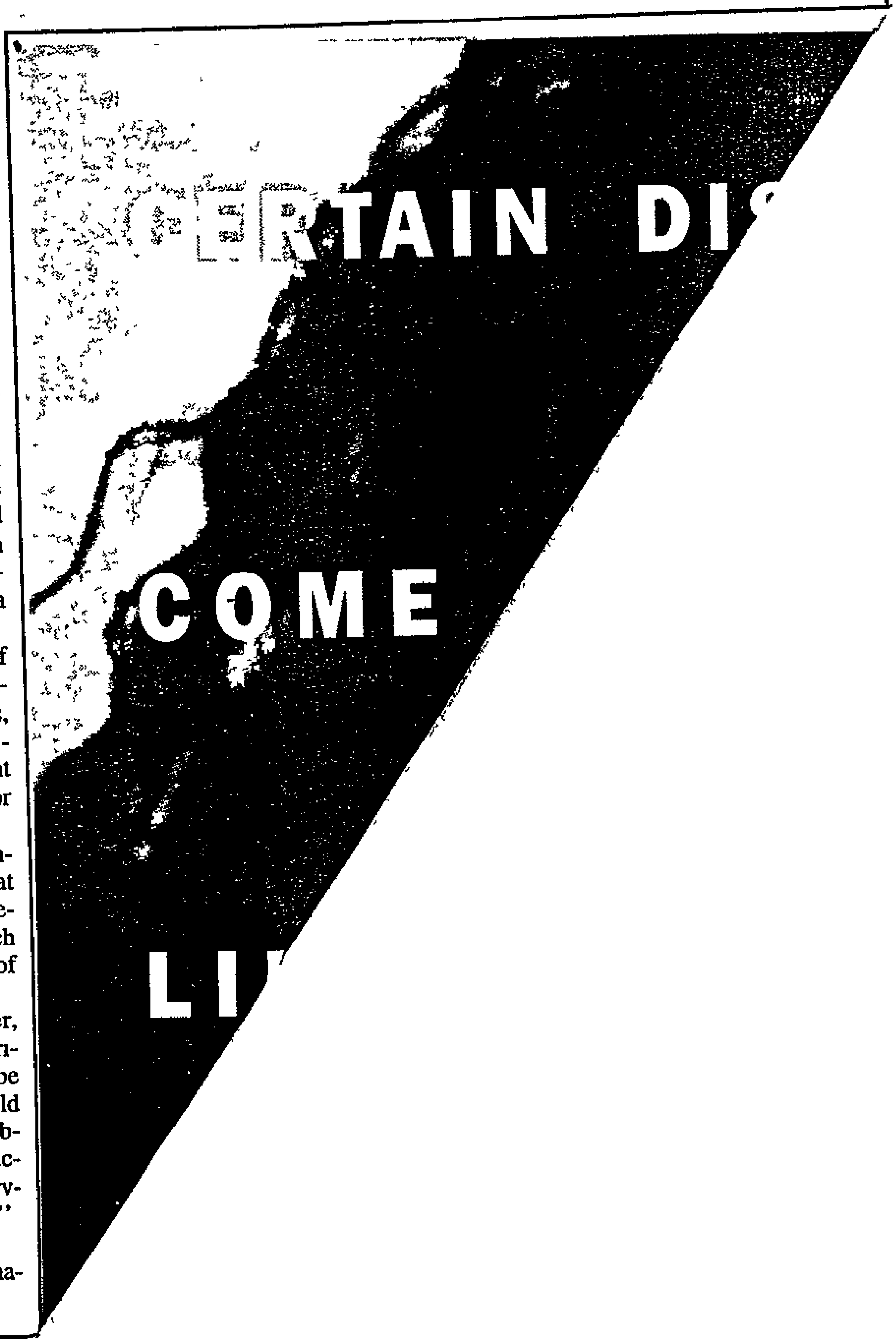
A levy by a member of a medical aid scheme to make the patient aware of the cost of medicine,

A single exit price from the manufacturers Pharmacists would then not have to buy drugs at a higher price and would not be forced to load the end price,

"Old-fashioned counter-prescribing," which meant that the pharmacist could prescribe for illnesses that should eventually clear up, such as influenza.

Medical aid schemes would pay the pharmacy bill instead of the full consultation, and

The whole question of why some multi-national drugs are more expensive in South Africa than the same drug in another country - *Sowetan Correspondent*



COMPANIES

Chemserve sees its fine-tuning succeed

B/Day 11/2/92

183

JABULANI SIKHAKHANE

RATIONALISATION benefits and fine-tuning of operations helped speciality chemicals group Chemical Services (Chemserve) increase its earnings by 17% to 430c for the year to December

Dividends rose by the same percentage to 140c a share

MD Peter Francois said the group could still squeeze out further internal growth by improving ratios This would help Chemserve show a real increase in earnings in financial 1992, even without an improvement in the economy

Certain group operations, although not making losses, were still not performing to expectations These could be fine-tuned

During the review period volumes in the manufacturing division fell 3%, indicating that the group managed to restrict the volume decline during the second half to only 2% from 4% at the interim.

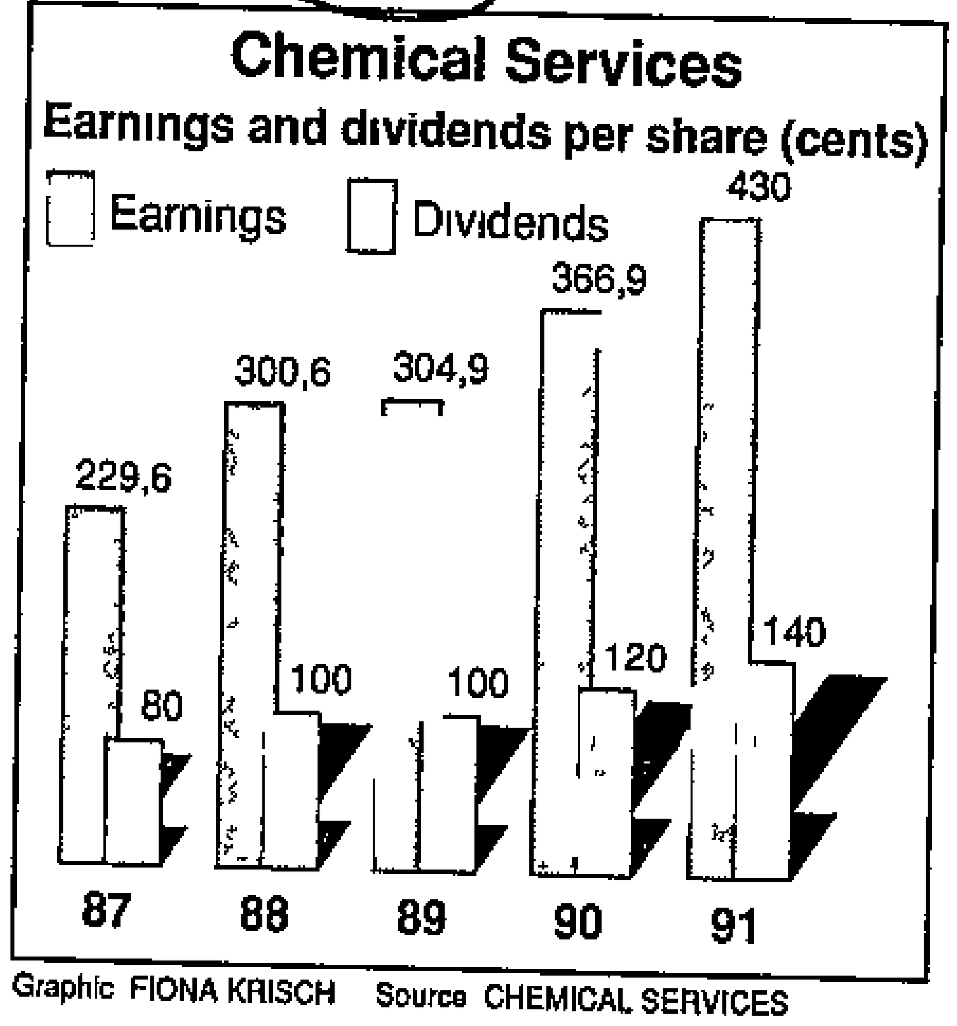
Sales volumes in the traded goods increased in all areas except the soda ash division This was attributed to changes in the structure of the division, which previously bought and sold soda ash from US-based Ansac The division now only earns commissions as the SA agent for Soda Ash Botswana

Although this had meant lower revenues for the soda ash division, Chemserve was taking a long-term view that Soda Ash Botswana would become the biggest local supplier of soda ash.

However, Francois said, Chemserve maintained a good relationship with Ansac Chemserve might still buy soda ash from Ansac to bridge shortfalls in the local market. Soda Ash Botswana would produce 180 000 tons this year. Local demand was expected to be 310 000 tons

Financial director Lex van Vught noted that trading in the second half was virtually identical to that of the first half, indicating tough economic conditions Chemserve's trade during the second half of the year was traditionally better than the first half's

Exports improved slightly to 4% (3% previously) of group turnover With changes in the political situation, Chemserve hoped for further improvements on this front On a turnover increase of 7% to R478m, net trading income rose 11% to R59,8m Operating margins were slightly higher at 12,5% (12,1%).



Graphic FIONA KRISCH Source CHEMICAL SERVICES

Van Vught attributed the improvement in margins partly to a turnaround in the Steinhall division, which was merged during the year with a competitive division of Henkel into 50 50 joint venture Trohall

In January Chemserve merged its metal treatment chemicals division with that of competitor Henkel

Improved cashflows in the second half saw interest bearing debt fall to R41,7m (R45,3m) Gearing dropped from 53% the previous year to 43% at end-December It stood at 57% at the interim stage

Van Vught said gearing measured on a monthly basis averaged between 40% and 60% in the second half, against 60% to 70% during the first half

Gearing could decline to 30% or less by end-June, he said The group had no plans for major capital expenditure, and further tightening of working capital management was expected

Financing costs, which jumped 37% at the interim stage, were down 8% in the second half This helped limit finance charges to R10m for the full year, an increase of 17% on the previous year's

The effective tax rate fell from 48,9% to 45,1% This was attributed mostly to a 2% reduction in the company's tax rate and a higher proportion of exempt income The tax charge was virtually unchanged at R22,5m (R22,4m) As a result, attributable income rose 17% to R26,7m

Engen to replace Mobil at the pumps

183

MATTHEW CURTIN

MOBIL is out, and Engen is in.

From April this year, fuel and energy group Engen will start to phase out the Mobil brand name from its service stations and petroleum products. It will be replaced by Engen. B/Day 12/2/92

Engen marketing CE John Roberts said yesterday the group, Gencor's energy arm, had to give up the Mobil name in terms of the 1989 deal when it took over Mobil SA, the local subsidiary of the US oil giant.

Engen had to replace the Mobil name by 1994 but a preliminary pilot scheme would begin in April to test the Engen name on a few service stations in SA's main cities

Roberts said depending on the success of the scheme a full campaign would be launched after six months.

He said adopting a new brand name would give Engen a chance to improve its share of the markets Mobil had served. Several other names had been discussed, but Engen had been the final choice

Althought there were risks associated with changing brand names, he believed customers would accept Engen.

CHEMICAL SERVICES FM 14/2/92

Still growing

(183)

The worthy results of Chemical Services are the first to come out of the AECI stable and could turn out to be the best news from the group for financial 1991 Though relatively small, Chemserve's bulk and speciality chemical activities have long been one of AECI's better performers

The balance sheet has been strengthened considerably, with short-term debt down 20% to R30m and gearing down 10 percentage points on the year to 43%. That is a significant drop considering gearing stood at 57% in June.

This puts Chemserve in a good position to seek further acquisitions, something MD Peter Francois says the group may well do in the coming year if it can find operations big enough to contribute to the bottom line

Its most recent deal was with Henkel SA,

FM 14/2/92 (183)

following the May merger between Chemserve Steinhall and a division of Henkel to form the 50 50 joint venture Trohall Last month, Chemserve Metal Sciences formed a similar joint venture with a Henkel division to exploit operations in the metal processing chemicals field, which Francois says will not have an immediate effect on business but will ultimately improve margins and offer access to Henkel technology

The group plans to increase its international activities, which at present do not make a meaningful contribution Francois says the long-term aim is to increase this sector to 20% of group earnings over the next 10 years

Comparisons are more meaningful this year than last In the 1990 year, results from Akulu-Marchon and SA Paper Chemicals were brought on to the income statement for the first time Francois says Akulu-Marchon has performed especially well during the year, with SA Paper Chemicals "holding its own"

With trading results from two subsidiaries now being brought to account for the second year, the rate of increase in the group margin is down on financial 1990 but remains comfortable, considering the economic climate. Chemserve's diversity and good management of working capital has again helped the group to increase its profit, indicating 1989's flat growth was only a temporary wobble.

The share has enjoyed a rerating. It is currently trading at R40,50, compared with R25 a year ago Unfortunately, Chemserve does not provide a divisional breakdown of results, making it difficult to fathom just where the group makes its money Despite this, the share is certainly worth following if scrip can be obtained *Shaun Harris*

You will still be No 1 — but with Engen not Mobil

Staff Reporter (183) ARG 14/2/92

A HOUSEHOLD name disappears from the South African roadside this year when Mobil petrol and oil becomes Engen in an R85 million change of identity

"With the acquisition of Mobil by Gencor in 1989, it is part of a natural progression that the Mobil name changes to suit the company's new circumstances, business environment and ownership," said an Engen marketing division spokesman

Engen spokesman Mr Kevin Kevany said the logo would be seen at selected service stations around the country from about June Motorists' response would be tested and their reaction considered before the final launch two months later

"Enough research has gone into this project for us to be confident that it will work But if it does not, we will start again," he said

Engen also owns the Trek and Sonap brands and operates the Genref refinery in Durban

'Mercury madness' at chemical plant

w/mail 14/2 - 20/2/92 (183)

Workers at a UK-owned firm which imports toxic waste are said to have "gone mad" from exposure to mercury fumes, reports **EDDIE KOCH**

SOME of the worst cases of "mercury madness" seen this century have emerged at the Natal Midlands plant of Thor Chemicals — and it is set to become the focus of the country's biggest environmental controversy this year

The entire workforce at the British based multi-national — which imports toxic waste — may be at risk, according to medical researchers Already at least 12 workers have had their health damaged after being subjected to levels of mercury contamination far in excess of international limits

At least three other victims have been examined by psychiatrists and neurologists who confirm that they display damage to the nervous system, a textbook symptom of mercury poisoning Mercury is a red-listed toxin that also causes congenital defects in unborn children as well as respiratory diseases and stomach ailments

The manufacture of mercury has been subjected to strict controls in most industrial countries since being identified as responsible for one of the world's worst environmental tragedies at Minamata in Japan some 35 years ago Its use in the felt industry during the 19th century led to the phrase "as mad as a hatter" being coined and occupational dangers of mercury have been known for more than a century

According to the workers, two who "went mad" from the exposure to deadly mercury fumes were forced to resign, and at least 10 others are facing a similar fate

Thor Chemicals, however, denies it "We have never sacked an employee suffering from any form of illness especially an employee who has supposedly 'gone mad' from mercury poisoning"

In a statement yesterday, Thor said the allegations were "the most vicious kind of mischief making" and were "totally unfounded"

But a company survey conducted in 1991 shows that 87 percent of the workforce had levels of mercury in their urine higher than the international safety standard and that the average level was four times the safety standard

Some of the workers have told Dr Mark Colvin, who heads the Industrial Health Unit in Durban, that tests conducted by the company revealed their blood samples at times contained up to 20 times the accepted international limits

The scandal has already led to calls for a full judicial inquiry into the recycling of imported toxic waste at the Thor plant in Cato Ridge near Pietermaritzburg

The shock findings, which emerged after Colvin managed to track down retrenched workers from the Thor plant, come hard on the heels of news that the firm has been taken to the Industrial Water Tribunal in the Netherlands for polluting a river in Natal with toxic material

Workers told Colvin that the level of mercury found in workers' urine at the time when Mkhize and his colleagues were contaminated had frequently been more than 20 times the World Health Organisation's safety limit

"It was clear that at least four of them had been affected to a greater or lesser extent by their exposure to mercury They have been seen by psychiatrists and neurologists. Two workers have expressed suicidal tendencies and one of them also expressed homocidal intentions," says Colvin

"There are apparently at least another eight former workers who were affected by mercury but these men live in different townships and will be difficult to trace without the co-operation of the company"

Among the retrenched workers is Eric Mkhize (25), who was allegedly made to resign after showing symptoms of chronic poisoning His is one of the worst cases of mercury contamination seen in this country

Mkhize is said to have been retrenched after he went "crazy" and began handing out money, playing with toys and doing other bizarre things in Thor's offices

"Management got him to sign a letter of resignation on the grounds that they would give good references for other employers. He still has both visual and auditory hallucinations that cause him great fear For a long time he had to have people watching him when he slept because he used to wake up with anxiety attacks and run into the veld," Colvin said

Thor said that Mkhize had worked there for only seven months, had resigned of his own accord and did not have mercury poisoning when he left three-and-a-half years ago

Mkhize, along with the other victims, has never been compensated for the damage caused to his health He shakes, has frequent mood swings and has twice told doctors he plans to commit suicide "His main worry is that he knows that he is unemployable with his body tremors, facial grimaces and emotional instability and yet he has received no compensation from the company," says Colvin

"This is a textbook case of mercury poisoning and such a severe case should never occur in modern industry I doubt if such a case has been seen in an industrialised country in 50 years"

Another victim is Siphiwe Sibiya (29) He worked at Thor between July 1988 and June last year when he was retrenched for unknown reasons "He is now excessively shy and has staccato-like speech — both typical symptoms of mercury," says Colvin

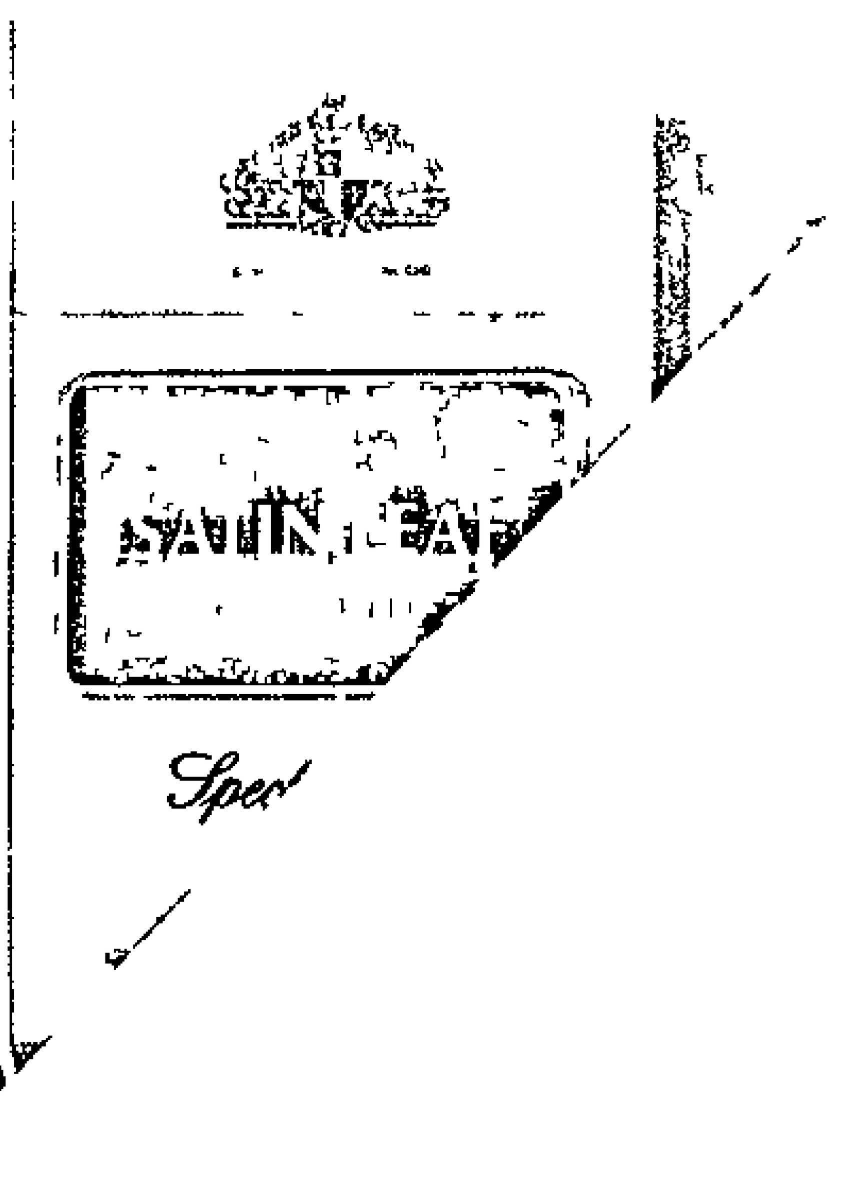
Both workers were in normal health when they began working at Thor

Thor said that Sibiya had worked in the gardens at the factory and later in the textile manufacturing facility "We find it extremely strange that someone without any exposure to mercury can be suffering from mercury poisoning."

The Natal branch of Earthlife Africa, which first alerted the public to pollution caused by Thor, has announced it will campaign for a full judicial inquiry into the shock disclosures

The Chemical Workers' Industrial Union (CWIU), which organises the workforce at Thor, agrees that the scandal shows the need for an investment code that will oblige foreign companies in South Africa to enforce environmental standards that apply in their home countries

The company has agreed to negotiate with the union around the health and safety problems faced by the workforce and Colvin is confident this will help to improve the situation there



Engen tackles a range of social programmes

B/Day 14/2/92 183

A MAJOR player in the local fuel and energy industry has committed itself to a wide-ranging social responsibility programme

Gencor subsidiary Engen is involved in programmes ranging from education to environmental care and conservation.

The group is the holding company for Mobil, the Genref refinery and Trek Petroleum It also has a 30% interest in and is manager of Mossgas and 85% of Sonap

It employs about 3 000 people and last year operating income before tax and interest was R379m — a 17,3% increase on the previous year.

Fulfil

The focus of its initiatives are to determine and fulfil its role in the process of transition in SA

It co-operates with groups such as the Consultative Business Movement, comprising companies aiming to influence economic and development policies and mediating in violence, and works with a partnership comprising the departments of Education & Culture, Education & Training and nine schools, and aims to improve school management.

It supports research — for example, into behavioral habits among residents of black townships and into the science of cognitive development

It also finances and manages numerous projects of its own

Project ReGenerate, a programme being run by Genref in Durban, aims to conserve and open up the six ecosystems surrounding the refinery.

These comprise wetlands, rocky shore, sandy beach, coastal forest, dune forest and one of the last remaining grasslands in Natal.

The project is being run in conjunction with the Natal Parks Board, the CSIR and the Wildlife Society, and costs just over R1m.

This action programme is supported by a pollution prevention policy at the refinery, which is being upgraded and expanded at a cost of R2bn

On completion of the first phase, its capacity will increase by 30%, while the air, water and noise pollution produced by the plant will be brought below existing levels

In another project, Engen last year financed the publication of the final volume of Street Law, which covered the field of family law

Widened

In the education field, the group embarked on a programme for pupils studying science and maths Initially, this was an employee programme, but it soon widened its scope to allow for community participation

The programme is complemented by a winter school for matriculants during the June holidays, which is attended by over 450 pupils annually

The Energos Foundation — formerly the Mobil Foundation — is involved in over 150 projects involving an annual R9m in the areas of education, community development and entrepreneurial activities

In the field of social health care, the group has financed several clinics in Natal and supports a scheme for producing health programmes which present the health authorities with medical models that could be replicated in other areas

The aim of this scheme is to empower communities to take responsibility alongside the health authorities for local projects, with an emphasis on primary health care

Development in sport is also not neglected

In 1990, the group launched the Mobil Power-Plus Summer Series, a series of athletics meetings

Part of this is the Mobil Link to a Star system, which links top athletes to national charities on a points system

The charities receive donations at the end of the series according to the points their athletes have won

Last year also saw the launch of the Development Squad, which sponsors 10 promising local athletes and gives them opportunities to compete against professionals during the Mobil Power Plus Summer Series

Sowetan 14/2/92

(183)

Statement by Sabax

The inquest proceedings into the deaths of 13 babies were concluded on Tuesday 28 January 1992 in the Johannesburg Magistrate's Court, when the findings were announced by the Regional Magistrate, Mr. T. Le Grange.

Prior to, during, and subsequent to the inquest proceedings, SABAX has been subjected to a damaging trial by the media.

The Magistrate recognised this fact in his summing up in stating that: "... the public is entitled to be informed, not of the opinion of people based on speculation, but of the true facts. Inaccurate, sensational and selective reporting is a disservice to the public."

The highly emotional nature of this inquest has lent itself to biased reporting, some of which has been defamatory to SABAX.

To protect the Company's good reputation and image, developed over 43 years of supplying critical care products to the medical profession in South Africa, we wish to place on record the following findings made by the Magistrate, assisted by two expert assessors – Dr. G. J. Coetzee, Regional Director of the S.A. Institute of Medical Research in the Western Cape, and Dr. S. P. E. Naude, a specialist paediatrician at the University of Pretoria and attached to the H.F. Verwoerd Hospital and the Kalafong Hospital.

1. In all cases no causal link was established between any SABAX product and the baby deaths.
2. The Magistrate stated: "As far as reports in the media may have suggested suspicion surrounding the deaths, a cover-up or an unnecessary delay in bringing the case to court, we wish to point out that there is no evidence of a cover-up. We were placed in possession of all the relevant documents by SABAX and the Clinics."
3. In all cases, the court found that the babies were seriously ill, either from birth or, in any event, prior to receiving the SABAX admixture. It was for this reason that all babies were being treated in intensive care units.
4. The court found that SABAX had adhered to internationally accepted standard operating procedures in the operation of its admixture unit.

We also wish to place on record the following:

1. Affidavits by the paediatricians who had attended these babies were submitted in evidence. Certain of the paediatricians were called by the court to give further evidence. During the course of the hearing, the magistrate invited anyone who had not appeared as a witness at the hearing and who had additional relevant information, to submit it to the court in affidavit form, but no-one did.
2. SABAX did not call any expert witnesses to testify on their behalf during the proceedings. The expert witnesses were called by the court and all were independent witnesses.
3. The inquest proceedings took place at an in-depth, detailed public hearing which lasted for over two weeks. More than 2 000 pages of documentary evidence were placed before the court and this evidence as well as all the witnesses who were called were subjected to examination by 5 legal teams, as well as the state, and the court, which included 2 highly qualified assessors.

SABAX expresses sincere sympathy to the parents whose babies were the subject of this inquest, especially for having to relive their anguish during these proceedings.

SABAX would like to assure healthcare professionals and the public of their ongoing commitment to product quality and patient safety.

SABAX

5141

Afrox untroubled by recessionary climate

STAR 17/12/92

(183)

Diagonal Street

LYNNE PEACH

A marked decline in industrial activity and intensified competition failed to inhibit Afrox's performance in the past year

In the annual report, chairman and MD Peter Joubert says the group is sustained by the great diversity of customers for gases and the ability to stimulate demand for gases by introducing new applications

Mr Joubert says the group will continue to give high priority to cost containment, productivity and industrial relations, while remaining flexible enough to react swiftly to any upturn

Afrox is a leading provider of over 120 industrial, specialist and medical gases, and a major manufacturer and supplier of electrical and gas-welding equipment and consumables

It is a major operator in the private healthcare field

Gases and welding contributed 70,8 percent to group profit after additional depreciation and before interest and tax

Healthcare (including associated companies) accounted for 19,5 percent and other businesses for the remaining 9,7 percent

Capital expenditure in the current year will be similar to 1991's R123 million

In the year to September, group turnover climbed 16 percent from R903,8 million to exceed R1 billion Operating profit swelled 20 percent from R180 million to R215,7 million

The increase is attributable to good performances in the gases and healthcare divisions

Cost control, productivity improvement and attention to value engineering also contributed

After investment income increased 29 percent from R4,4 million to R5,7 million and profits from associated companies grew 28 percent from R2,8 million to R3,6 million, profit before interest advanced 20 percent from R187,2 million to R225 million

A three percent rise in interest expense from R30,7 million to R31,7 million prompted a 25 percent rise in pre-tax profit from R156,5 million to R193,3 million.

A decline in the effective tax rate from 48,1 percent to 46,3 percent pushed taxed profit to R103,9 million (previous year R81,2 million)

After deducting additional depreciation to reflect the current cost of assets and outside shareholders' interest, attributable profit advanced 29 percent from R64,8 million to R83,4 million.

Earnings per share (before additional depreciation) increased 26 percent from 269c to 338c

The dividend for the year was 170c a share (135c)

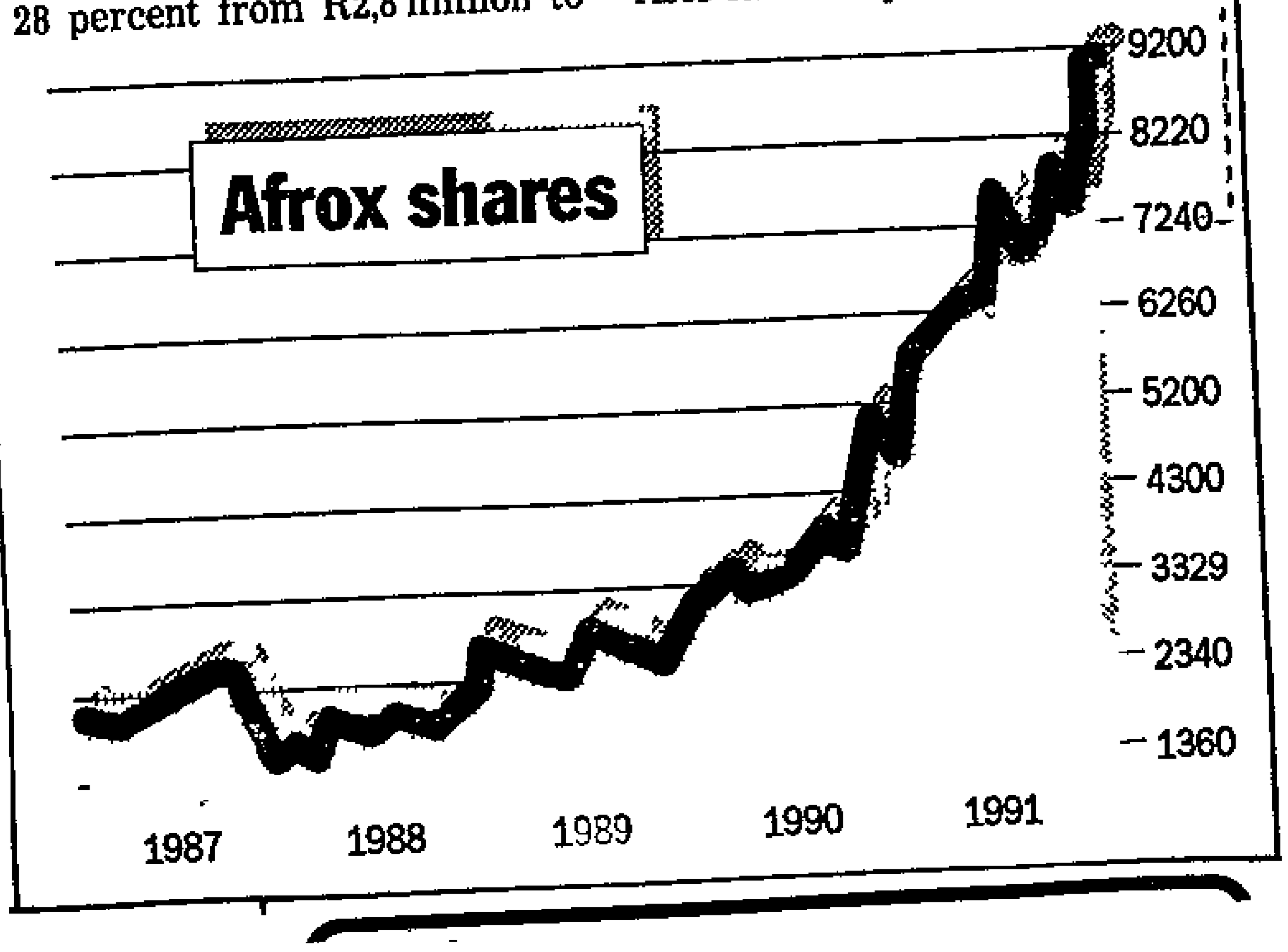
The balance sheet discloses a marked improvement in working capital, a decrease in interest-bearing debt from R217,3 million to R211,7 million and gearing down from 38,9 percent to 34,4 percent.

Net asset value appreciated 10 percent over the year from R18,66 a share to R20,56

Afrox, priced at R90, is trading on a P/E ratio of 26,6 and provides a dividend yield of 1,9 percent

COMMENT. The share price has been in an upward trend since early 1988

Although there could be some correction in the price in the immediate future, the favourable trend is intact and further price rises can be expected



Wayne's profits dip 10% (183)

The impact of reduced demand in the mining, motor and agricultural sectors hit Wayne Manufacturing profits for the six months to December

The group said yesterday that attributable profits were down by 10 per cent at R2,9 million compared with the previous period's R3,3 million STAR 18/2/92

Earnings per share were down by 9,2 per cent at 4,9c (5,4c) while an unchanged interim of 1,7c was declared

One of the main reasons for the drop in profits was the closure of a factory which led to relocation costs for employees — Sapa

Drug industry may get code

KATHRYN STRACHAN

THE National Wholesale Drug Association (NWDA) has proposed a code of conduct to monitor the industry in an effort to bring a halt to drug theft, estimated at R700m a year. (183) (86)

The code of conduct is also intended to monitor pharmaceutical wholesalers to stop mishandling of scheduled drugs.

The medicines, most of them prescription drugs of schedule 3 and upwards, are disappearing in massive numbers from within the pharmaceutical industry and from hospitals. The drugs are then sold on legitimate markets.

It has not been established how drugs re-enter the legal market

Earlier this month members of a task force investigating the black market reportedly received death threats B/Day 18/2/92

NWDA president Lex Tannebaum said wholesalers often did not store the medicines correctly and, when exposed to high temperatures and moisture, some became inactive or even poisonous.

With the sudden increase in pharmaceutical wholesalers, Tannenbaum said it was necessary to widen membership and introduce a code of practice to "bring order to an industry that has been rapidly spinning out of control"

PAC supports leader's stance on commission

B/Day 18/2/92 (86)

THE PAC yesterday came out in support of its president's refusal to appear before the Goldstone Commission, branding it a product of an illegitimate order because of its appointment by President F W de Klerk

The organisation's secretary-general, Benny Alexander, was responding to Mr Justice Goldstone's threat that if PAC president Clarence Makwetu did not appear before the commission to answer allegations of attacks on police by its military wing Apla, the judge would "enforce" him to appear

Attitude

The threat was contained in a letter from Mr Justice Goldstone delivered to PAC headquarters in Johannesburg on February 13

Makwetu was given 14 days in which to respond

On the day of the deadline, Alexander made it clear his organisation would not tolerate state interference with Makwetu's refusal to appear before the commission

Saying Apla's actions did not constitute public violence, Alexander defiantly said the PAC and Makwetu were not answerable to the commission

"The commission states that it wishes to probe Makwetu's attitude," said Alexander

"The commission is not entitled to probe attitudes The PAC and its president (Makwetu) are not answerable to the commission nor to any state structure for their attitude on matters of our liberation Moreover, the terms of reference of the commission do not allow it to probe attitudes"

Pointing to the widespread violence since the signing of the national peace accord in September last year, the PAC secretary-general charged that Apla activities did not constitute public violence or intimidation

"The actions of all PAC structures are related to the historical necessity to destroy white domination and replace it with justice and democracy"

An even more defiant publicity secretary Waters Toboti warned of chaos if the state took action against Makwetu

"A challenge to Makwetu is a challenge to all of us involved in the Azanian struggle

"There would be hell if he were to be arrested and jailed

"The people would surely free him with their bare hands," said Toboti — Sapa

Engen prepares a new face

13 IDay 18/2/92 (183)

THE change in brand name from Mobil to Engen will involve a massive advertising and marketing campaign spanning nearly three years

The "rebranding and reimaging" of the entire Mobil network, involving hundreds of service stations, follows last week's confirmation that fuel and energy group Engen will phase out the Mobil name from its service stations and petroleum products by 1994, in terms of a 1989 deal when Gencor took over Mobil SA

It is believed about 14 test sites will be completed by May — in the PWV, Cape Town and Durban areas

The reimaging follows similar name and identity changes by other companies because of disinvestment

General Motors successfully changed its name to Delta and IBM dropped its "B" to form ISM BP recently set about an image change in its entire international network, by means of a massive campaign to upgrade its service stations

The Mobil changeover could be seen as a combination of BP's change of image and the Delta and ISM name changes It will involve finding new strategies to promote a product which had built up a caring image over the years through its slogan, "with Mobil you are number one"

It is not clear if Mobil's agency, D'Arcy, Masius Benton & Bowles, will be handling the change

Mobil PR manager Gareth Griffiths said the changeover was still in its first stages What had been decided was that Pentagraph would handle the corporate identity aspect of the massive project

Griffiths said it was a difficult job to change a brand name and Engen had been studying the task ever since Mobil was sold to Gencor in 1989

The change would be phased in between now and 1994 after the plan had been tried and tested in the marketplace

Griffiths said it was premature to assess what the marketing and advertising budgets would be, and some of the money currently spent on Mobil would be allocated to the change It can be assumed that millions will be spent on signage alone.

AECI makes vigorous comeback

STAR 17/2/92

By Derek Tommey (183)

Chemical giant AECI should please its shareholders with the strong recovery in profits in the second half of last year

Although the recession intensified in this period, earnings in the six months to December at 89c a share were almost treble the first half's 32c a share

These earnings were also 8c better than the 81c earnings in the second half of 1990

This is a remarkable turnaround from the first half when net trading income was down 38 percent and earnings a share down 56 percent

However, this sharp improvement in results was not sufficient to bring the full year's earnings into line with those of 1990

At 121c a share, 1991 earnings were down 21,4 percent on 1990's 154c

But the recovery was sufficient to allow the company to restore part of the cut it made in the interim dividend, which had been reduced by 40 percent from 30c to 18c a share

The final dividend is 40c, which is a reduction of 30 percent on last year's 57c

Total dividends for 1991 are 58c, down 33 percent on the 87c paid in 1990.

The second-half recovery clearly presents AECI with a strong springboard for a further advance in profits in the current financial year

But chairman Mike Sander, in commenting on the expected 1992 results, says only that provided there is no further deterioration in the South African and world economies, AECI's profits will be better than those of 1991

But he does not have to point out that AECI's success in bad times should ensure a further marked improvement in performance in good times

Mr Sander says that the first effects of an improvement in the world economy would be a rise in the price of many of the commodities made by AECI

These prices are currently depressed and one of the group's problems is that these products are being dumped in South Africa

Recession takes its toll on AECI

B/Day 19/2/92 (183)

Business Day Reporter

TRADING conditions for chemical group AECI remained difficult during the second half of 1991, resulting in a 21,4% decline in bottom-line earnings to 121c a share from 154c the previous year

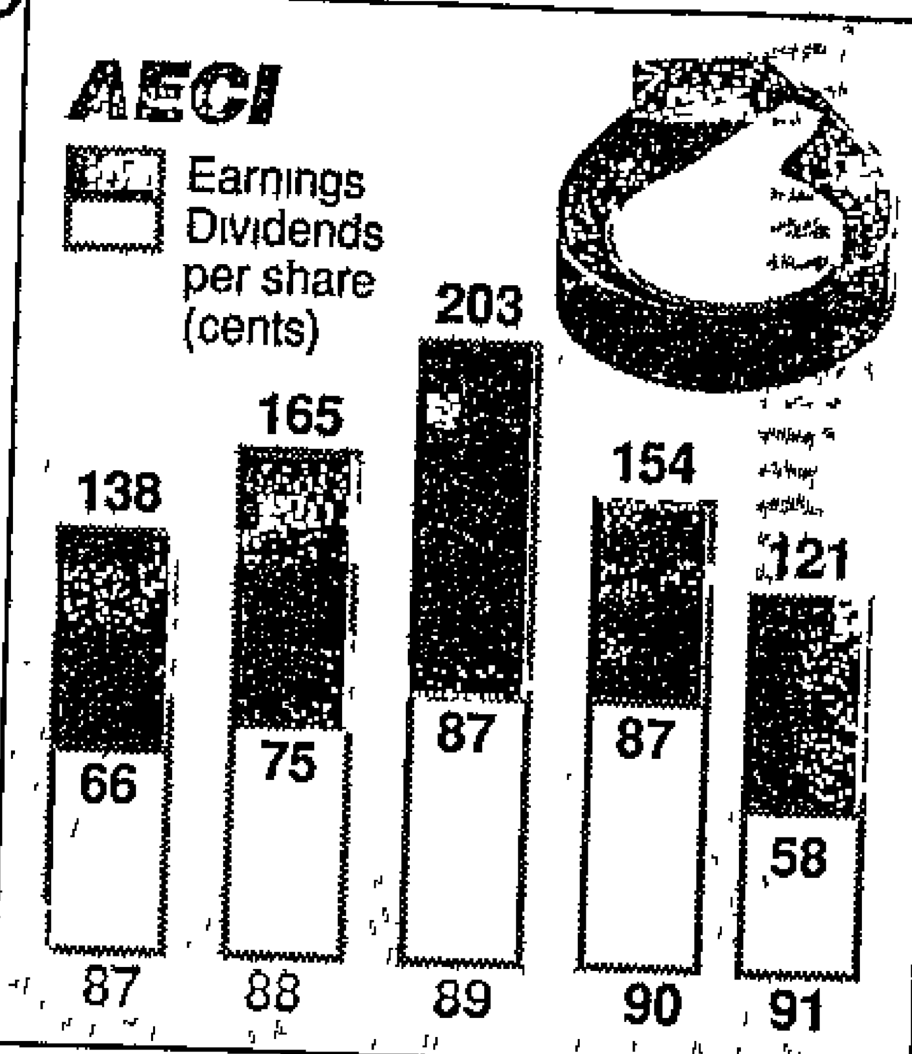
Net trading profit dropped 19% to R402m from R499m Net attributable income amounted to R187m, sharply lower than the previous year's R238m

Turnover increased only 5% on 1990 to R5,28bn The dividend was cut to 40c a share, leaving a 58c total for the year compared with the 87c paid in 1990

However, dividend cover was increased from 1,8 times to 2,1 times

Group MD Mike Sander said volume sales to the gold mining industry were substantially down, coal mining had held up reasonably but platinum mining was "wobbly". Construction was weak and the automotive industry softened towards the year-end.

The agricultural sector was marginally better, but this was reversed by the current drought, Sander said. He attributed a better second half to improved operational efficiencies and restriction of fixed cost



Graphic LEE EMERTON Source AECI

increases to below inflation, aided by productivity improvements

At interim, earnings dropped 56% These improved 10% during the second half.

He added that recurrent failures of compressors which had restricted production

☐ To Page 2

AECI

B/Day 18/2/92 (183)

☐ From Page 1

at the VCM plant at Coalplex in Sasolburg were resolved, while the ammonia plant at Modderfontein did well after its overhaul.

Local sales were up 3,9% and exports increased 16% to R502m

Sander said with the group now having a foothold in the overseas markets, export volumes were expected to improve further

With overseas customers now familiar with AECI products, prices received should improve without uptick in world commodity prices

Higher export prices would have a beneficial effect on AECI's trading margins

Because of a higher investment in working capital and capital expenditure, which totalled R330m during the year, net borrowings rose 20% to R945m

Financing costs were up R29m to R159m, resulting in pre-tax income dropping 34% to R243m (R369m)

However, this was slightly offset by a lower effective tax rate of 30%, resulting in the tax charge dropping from R146m to R72m

The drop in the effective tax rate is due to higher export allowances, the reduction in the company tax rate and lower profits

Sander said he was looking for improved performance in financial 1992

This would come internally, mainly from improved efficiencies Also, since AECI's profits for the first half of financial 1991 were sharply down, a slight improvement in the first half of 1992 would look dramatic

He said plant problems experienced in the first half of 1991 should not be repeated

During the year the group revalued land holdings which were in excess of group current or future needs, resulting in a revaluation amounting to R526m over book value. This amount was included in group assets After the revaluation, gearing dropped to 47% from 57% Before revaluation it stood at 64%

Financial director Neil Axelson said by revaluating these holdings AECI was attempting to put into the balance sheet land holdings which were surplus to group needs at the value which could be realised

Surplus land holdings would be sold over the next 10 years and were expected to net the group between R30m and R100m annually Axelson added that based on the revaluated cost of land, AECI's debt capacity was higher than on a historical cost.

Thor asked to end pollution

Bday 20/2/92 (183)

CAPE TOWN — Thor Chemicals SA had been asked to stop producing mercury effluent to end pollution of the Mngeweni River in the Natal Midlands, Water Affairs and Forestry Minister Gen Magnus Malan said yesterday

The company had complied with departmental instructions to end the pollution, he said in reply to a question by Mike Tarr (DP Maritzburg North)

Thor Chemicals SA (Pty) Ltd had also been asked to obtain the services of a recognised consultant to determine the cause of the pollution and advise on measures to prevent a recurrence, he said in reply to another question by Wessel Nel (DP Mooi River)

Trade and Industry Minister Derek Keys said two permits allowing the import of mercury bearing substances had been issued to the company

Replying to a question by Rob Haswell (DP Maritzburg South), Keys said the Department of Trade and Industry could not confirm if the permits had been used

Malan said it had been decided not to take legal steps against the company because of its positive response to departmental instructions "I wish to stress, however, that should the situation deteriorate in future, legal steps can still be taken"

It was being monitored constantly and, so far, the concentration of mercury downstream of the factory was well within the accepted standards for drinking water The water was "safe for human consumption and other domestic uses"

The request to end production of mercurial effluent had obviated the need for evaporation dams

Thor Chemicals SA had lined all evaporation dams for mercury effluent disposal, improved housekeeping to prevent ground and surface water contamination and closed off the leach pad, previously a major cause of pollution

Contaminated process wash and rain water held in the containment area were now being force-evaporated through a steam process, he said

The company had also been authorised to irrigate mercury effluent under strict conditions

These included pre-treatment to a mercury limit well within the general standard and control of the irrigation to prevent any more groundwater pollution — Sapa

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B/Day 20/2/92 (183)(86)

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Clean-up or whitewash?

W Mail 21/2 – 27/2/92

(183)

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to clean up the cloud over Modderfontein caused by the ammonium plant cost R7- million

"In the present economic climate," says Fogel, "the emphasis is on repairing rather than expanding, on living with what you have and continually monitoring existing plants"

At an international conference held in Prague last year, where the theme was "Clean production — its opportunities and challenges", delegates identified a far-ranging set of challenges

"Industrial enterprises face major challenges in re-orienting industrial practices away from waste incentive, environmentally damaging technologies and products, towards clean production"

The other challenge to industry was the aggressive development and marketing of environmentally friendly products

Industry also bears some responsibility for changing consumer trends from a replace to a repair tack Delegates at the conference said manufacturers could introduce leasing agreements for durable goods and upgrade their repair services

Any measures undertaken by industry have to be supported by innovative initiatives by government. The first priority would be regulations which set a timetable for industries to reduce their emission to standards set for all industries Laws to regulate the use of certain materials and the introduction of product liability, for example, taxing goods which produce non-recyclable waste

Another suggestion is for environmental departments to institute a pollution prevention inspectorate to police industries.

Other simple suggestions for government are

● Local recycling schemes

● Negotiate longer warranty periods for consumers and to establish the viability of re-manufacturing industry, especially with cars

Punitive taxes were also suggested by the conference. "Governments should introduce tax structures which penalise the use of non-renewable materials and resources, industrial emissions and products which result in a high level of post-consumer waste"

But delegates also felt fiscal measures need not only be punitive subsidies and low interest loans for industries and companies which develop proven clean methods of production were also mooted

Consumer activism is crucial for the success of clean production technologies They suggested the more conventional green activities like participating in recycling schemes, supporting environmentally friendly products with their buying power and demanding longer warranties on goods

The conference also challenged consumer organisations to demand waste minimisation audits as well as to carry out company assessments for consumers

South African industry has to come a long way before it emulates these stringent standards But there are signs that managers and directors are moving in this direction — and a major reason is clean production can be profitable

The steel industry is notorious for a high degree of waste and emissions, much of which has been in water pollution But according to Alex Holmes, the Iron and Steel Corporation's Environmental Affairs manager, the industry is well aware of the problem

A new iron-making process and the establishment of a multi-million rand waste recycling plant are among Iscor's plans.

Holmes says there are problems in the metallurgical processes of recycling but that these will be ironed out by the end of the year by a special working group The same group is looking for markets for the recycled material.

"Already, Iscor is benefitting from the money value of the waste," says Holmes The slag from the blast furnaces is sold to cement manufacturers to produce "slagment" used in the same way of cement. Slagment was used in the Mossgas project.

Bleaching processes during paper production release many dangerous effluents. But Sappi, one of the largest paper companies in southern Africa, claims a leadership position in the research and development of technology to reduce the use of chlorine in paper production, according to environmental manager Paul de Bruyn.

Most paper producers have also introduced oxygen bleaching and it "has become mandatory in view of its environmental friendliness"

Fruit farmers are also actively pursuing ways of reducing the use of pesticides. According to the Citrus Exchange, biological methods of pest control will replace chemical pesticides as the major method of pest management.

Good, clean and ... well, how fresh?

W Mail 21/2 – 27/2/92

Industry is trying to clean up its act. But has it done enough? By PAUL STOBER and FERIAL HAFFAJEE

IF any industry has earned the wrath of the green movement for environmental damage, it has been the chemical industry.

Thor chemicals for mercury poisoning, Chrome Chemicals for the chrome poisoning of workers and the community and vanadium plants in the eastern Transvaal have all hit the headlines recently.

But more and more of South Africa's biggest and dirtiest industries, especially in the chemical industry, are apparently switching to clean production technologies for an image that is good, clean and fresh.

Dr Bob Fogel, in charge of AECI's environmental affairs, says the chemical industry has spent R5-million on preventive clean technology in the past few years.

"Clean technology has come down the track," says Fogel. He points out that South Africa's chemical industries import technology and technical expertise and that these are built to "environmental standards higher than ours".

He says, for example, that amounts of sulphuric and nitric acid released into the atmosphere through chemical processes was five percent 30 years ago. With technological developments, that amount is now 0,1 percent.

But not everybody is convinced that local industry is doing enough to clean up its act.

David Cooper, of the Group for Environmental Monitoring (Gem), warns against leaving industry to do their own dirty washing. "By and large their efforts at pollution control, they are saying 'don't worry we have it under control' — but they don't," he says.

According to Cooper, a major problem is industry's environmental campaigns have, thus far, concentrated on producing green products for consumers and this does not necessarily include reduction of toxic effluents in the production process.

"Clean production goes beyond producing environmentally friendly goods," he says. "Industries are advertising green products without telling consumers about the complexities of the issues around reducing waste."

Green products can frequently involve the creation of dangerous effluents, he adds.

Fogel is aware of limitations that prevent industry from looking like it's just been washed with Omo.

He says recessionary times may retard the movement to clean technologies. There is no increase in the demand for chemicals at the moment and it would be too expensive to overhaul industries completely.

Fogel says installing a new chlorine plant, for instance, will cost in the region of R300-million. The new precipitators and scrubbers used

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Good, clean and ... well, how fresh?

183

W/Mail 21/2 - 27/2/92

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● To PAGE 20

AECI FM 21/2/92

Better second half

(183)

After three half-years in which AECI's earnings have declined, the second half of the year to end-December was a turning point. Second-half earnings were up by a tenth, to 89c, on the same period in 1990

In the first half of the year, there were recurring problems with compressors at Coalplex and the ammonia plant at Modderfontein was overhauled. In contrast, there were no significant shutdowns in the second half. The operating margin shot up from just 5,4% in the six months to June, to 9,6% in the second half

But, significantly, AECI is reluctant to say (as it did a year ago) that the chemical market has reached the bottom. MD Mike Sander attributes the improved margin to higher production rates, tighter control of fixed costs and better productivity — rather than to any recovery in the market. He says certain markets which remained strong in the recession, such as plastics for the packaging industry, took a tumble in the second half. And the recent dry weather does not augur well for AECI's fertiliser sales during this year

The pressure on the group is evident at trading level. Local turnover for the full year is well down, it rose only 3%, implying overall volumes were down by about a tenth even though prices were soft. The operating margin has fallen from 9,9% to 7,6%

But despite worldwide overcapacity in most chemicals, AECI has increased its export sales from R434m to R502m. Executive director Mike Smith, who heads up marketing, says exports have come from almost the whole spectrum of group products, especially synthetic fibres, PVC, polyethylene, speciality chemicals and fertilisers

These exports have made a cash contribution to operations, which have low variable

GETTING TOUGHER

Year to Dec 31	1990	1991
Turnover (Rbn)	5 03	5,28
Operating income (Rm)	499	402
Attributable (Rm)	238	187
Earnings (c)	154	121
Dividends (c)	87	58

costs, but they have provided slim margins. As a rule, AECI exports to countries which do not make the product on offer. That reduces the risk that an anti-dumping duty will be slapped on it. Its own pleas for anti-dumping duties, especially on PVC, have so far been met with deaf ears

Pre-tax profit was down by a third, to R243m, but thanks to a reduction in the effective tax rate from 40% to 30%, and a 12% increase in equity-accounted earnings and dividend income, attributable earnings fell by 21%. Financial director Neale Axelson attributes the reduced tax rate to export incentives, a lower deferred tax provision after the cut in the company tax rate as well as lower profit.

AECI was unable, and indeed unwilling, to maintain last year's dividend. The dividend was cut by a third, and the cover raised from 1,8 to 2,1. The market might react badly to this cut in the short term, but more serious analysts believe a capital-intensive

AECI's Sander *no market recovery yet*

group such as AECI should have a cover of at least three times, to build up capital needed for future replacement of plant

For the first time the preliminary report provides some balance sheet information. It is skimpy, presumably because the annual report is just a few weeks away. It does disclose that AECI's surplus properties have been revalued, adding R526m to the equity base. These properties have been transferred to a wholly owned property company with a view to disposal for commercial and industrial use. Sander adds wryly that AECI is not going into the (more glamorous and lucrative) property business, but is sticking to the difficult business of making chemicals

Axelson argues that the revaluation will help the market get a truer picture of the value of AECI's assets and of its borrowing capacity. After revaluation, gearing is 47% compared with 57% in December 1990, but 64% if the revaluation is excluded. On stated equity, NAV per share has increased from R8,87 to R12,87

At R9,30, which is close to its lowest for the year, AECI trades at a discount to NAV of more than a quarter. It sits on a p:e of 7,7 and a dividend yield of 6,2%. The results were ahead of market expectations, which predicted EPS of between 95c and 100c. Despite the dividend cut, the price should rebound

Stephen Cranston

CONSOL FM 21/2/92

Flattening out

Packaging held up well until the middle of 1991, because of the continued real growth in demand for fast-moving consumer goods and beverages in particular

But growth in beer sales, for example, has slowed from 10% to almost nothing since March 1991. This has had an immediate impact on Consol, the leading bottle maker, and contributed to its slower earnings growth of only 5%

Group MD Piet Neethling explains that if there is no real growth, the demand for returnable bottles dries up as the existing pool of bottles is sufficient. But demand has fallen across the range of Consol's glass, corrugated and tyre products. As turnover was up 4%, volume sales were down by about 10%. Plastic packaging, though, is still increasing volumes. The 1,5 *l* returnable plastic soft drink bottle was introduced and there was continued demand for in-mould labelled products

Operating profit from packaging was static at R88m, but the rubber division's profit was down by 17%, to R49m. Margins have been tight in tyre sales because of cheap imports from overseas. Neethling says he is sad to see how the market has degenerated. He argues that tyres which come on to the SA market should conform to quality standards comparable with those in the European Community. The tyre division's contribution should improve in the second half as government has agreed to reintroduce quantitative controls to ensure that imports do not exceed 1988 levels

Imports led to a severe fall in sales of glass tableware and operating losses resulted in this division. Consol was unable to get anti-dumping duties from government. It laid off 240 people in the Pretoria glass tableware operation and a further 180 across the group

Domestic rather than foreign competition cut the profitability of the corrugated division. A year before, Consol had gained market share from Nampak, which suffered from a prolonged strike. Not only is Nampak fighting to regain market share but former

continue -p

... message to the local business and industrial community — either it faces the reality of real economic reform or the economic slide will be irreversible

Arnold van Huyssteen

SYNTHETIC FIBRES FM 21/2/92

(183)

A new plant for Sasol

Last year, Sasol said it would build a plant at Secunda to make the chemicals for acrylic fibre This week, Sasol outlined the second

continued

(183)

part of its strategy to move boldly into the synthetic-fibres industry when it announced plans to build a R320m acrylic-fibre plant in Durban, in an equal partnership with the Industrial Development Corp

The project would provide the last piece for Sasol in a vertically integrated synthetic fibre operation that proceeds from the mining of coal to the finished product

Sasol has bought a redundant acrylic-fibre plant now operating at Calais, France, and will dismantle and re-erect it on a 10-hectare site in Durban, according to Sasol GM Jan Fourie The plant, purchased from Courtaulds UK, will be relocated by Genrec and Spie Batignoles of France — an effort that will require the transport of some 18 000 t of equipment

Sasol expects the plant to be completed in Durban by March 1993, with full production planned for July 1993 Courtaulds will license the Neochrome and Courtelle brand names to Sasol Fourie declines to say how many jobs the plant would create

Export potential

The choice of Durban was obvious Sasol intends to export a significant proportion of the output; the target markets include Pakistan and the Pacific Rim And 40% of the local demand market comes from the Durban area, with another 50% in the Port Elizabeth and East London areas

The project will be financed largely with equity, augmented by export credits and commercial loans by banks and the IDC Sasol says there will be no soft loans or subsidies

Fourie says the 20 000 t annual local market for acrylic fibre is supplied entirely by imports, so the initial annual output of 36 000 t would easily provide a surplus for export

Sasol plans to increase the output eventually to 50 000 t a year and believes its product will have several cost advantages over overseas competitors — allowing it to make money in an oversupplied world market where Courtaulds UK couldn't These include the savings in buying a second-hand plant and SA's low electricity rates and moderate labour costs

In two years, when Sasol completes its plant at Secunda to manufacture acrylonitrile, the chemical precursor of acrylic fibre, the company also will save money on the cost of inputs

Sasol estimates that in its first year of production, the Durban plant will reduce SA's import bill by R180m and earn R50m in exports There is now no tariff protection for acrylic fibre and Fourie says Sasol has no intention of asking for protection

Acrylic fibre is used for a variety of purposes, such as jerseys, blankets and low-cost carpeting and upholstery, including upholstery for low-priced cars SA Nylon Spinners MD Peter Boxall says there is little competition between nylon and acrylic fibre, so he does not expect the new plant to have a significant impact on his group's business ■

AECI sees upturn after lean years

183

S Times (Buss) 23/2/92

AECI chief executive Mike Sander is more optimistic about the group than he has been for the past two years.

"We always feel the front end of an economic downturn before other industries The first effect is lower sales because buyers use up stocks," he says.

Mr Sander does not expect 1992 to be a miracle turnaround year, but there are signs that supply pipelines are nearly empty The chemical group should be among the first to feel the benefits of an economic upturn

Two factors played important parts in its year to December 1991

One was the planned shutdown of the ammonia plant for maintenance The second was the Coalplex plant at Sasolburg

"In order to expand capacity at Coalplex we overhauled the plant in 1988-1989 and debottlenecked the production sequence.

"But this introduced a problem which was impossible to diagnose. Now, we have an early-warning system which anticipates problems and obviates rapid plant shutdowns"

The second problem at Coalplex last year stemmed from the gas compressors, without which the whole plant grinds to a standstill. This problem has also been ironed out

A combination of these meant sharply lower interim

MIKE SANDER. Optimistic again

earnings for AECI last year. But profit in the second six months was double that of the first because of improved efficiency and cost control.

The year's turnover was 5% up to R5,28-billion. Mr Sander says export sales rose by 27% to R502-million — about a tenth of sales — on top of real growth the previous year. Products from across the range were sold abroad, but explosives do not travel well.

AECI realised a few years ago that there would be opportunities to export as well as stiff competition from imports. Generally speaking, there is global overcapacity in almost every bulk chemical and commodity except caustic soda

AECI makes enough caustic soda for SA demand, but production also yields chlorine Chlorine derivatives, such as CFCs, are stuck with a bad-for-the-environment stigma at present.

Mr Sander is aware of the problems in arriving at an equitable import pricing structure

He says it is AECI's aim that every part of the business stands on its own and not require abnormal protection But it is a tough order

The reduction of operating costs has been high on Mr Sander's priority list in the past year There has been some success

AECI finds it necessary to continue to apply for protection to prevent imports of products at unfair prices as defined by Gatt.

Depreciation of the rand might be good for AECI in the near term, but Mr Sander is more concerned about the effect it has on the country as a whole

"The price of capital equipment would become unaffordable"

AECI has revalued property not required for its own use to the tune of R526-million above book value Some land is in desirable sites, such as Somerset West and Milnerton AECI intends to sell property to the benefit of shareholders

In spite of the 21% decline in earnings to 121c a share and a third off the dividend to 58c, AECI's share price was bid at 930c on Friday Management expects a small improvement this year and so does the stock market.

Wendy Orr Interdict: allegations against SAP members

67 Mr E W TRENT asked the Minister of Law and Order

(1) With reference to the affidavits submitted to the courts in the case following the Wendy Orr Interdict, (a)(i) what were the names of the policemen against whom criminal behaviour was alleged and (ii) how many allegations were submitted against each policeman and (b)(i) what was the rank of each of these policemen at the time of the allegations and (ii)(aa) how many of them were still in the Police Force, and (bb) what was the rank of each such policeman, as at 28 January 1992 or the latest specified date for which information is available,

(2) whether any of these policemen have been (a) suspended or (b) dismissed from the Force, if so, what are the relevant details,

(3) whether an internal inquiry was instituted into this matter by the South African Police, if not, why not, if so, what were the findings,

(4) whether the record of this inquiry is a public document?

B157E

The MINISTER OF LAW AND ORDER

(1)(a)(i) and (ii), (b)(i), (ii)(aa) and (bb)

NAMES	ALLEGATIONS	RANK 1985	SERVING MEMBER	RANK IN JAN 1992
George J Beeton	1	Capt	Yes	Capt
Izak P du Plessis	1	Capt	Yes	Lt-Col
Charl P Strydom	2	Lt	Yes	Capt
Gideon	3	Lt	Yes	Capt
Deon A Els	1	Lt	Yes	Capt
Eric A Taylor	1	Lt	Yes	Capt
Gerhard J Lotz	1	Sgt	Yes	Lt
Gert P Bezuidenhout	1	W/O	Yes	W/O
Francis V Coetzee	7	W/O	Retired	W/O
Neil Coetzee	1	W/O	Yes	W/O
Carel H Swart	5	W/O	Deceased	—
Freddie van Wyk	1	W/O	Yes	Capt
Thembinkosi A Faku	7	Sgt	Deceased	—
Templeto Luthi	2	Const	Yes	Const
Matthew M Mpokeli	2	Sgt	Yes	Sgt
Mzikoyise A Tungata	3	Sgt	Yes	Sgt
Phumzile H Jam	4	Sgt	Yes	W/O
Rodwell Ndiyane	5	W/O	Retired	W/O
Vukile M Nesi	16	Const	Yes	Const
Wilbeforce M Sikwebu	1	Const	Yes	W/O

(2) (a) No

(b) No

(3) A departmental investigation is still pending at present together with certain civil actions which were lodged in the case in question Departmental steps will be considered after finalization of the civil actions and the relevant investigation

(4) Falls away

National servicemen. 1992 intake

72 Mr A GERBER asked the Minister of Defence †

(a) How many national servicemen were called up for compulsory military service for the January 1992 intake, (b) how many of these national servicemen reported for such service and (c)(i) how many of them were sent back to their homes and (ii) why were they so sent back?

B164E

Continue ...

The MINISTER OF DEFENCE

(a), (b) and (c)

Figures are not supplied as it creates the opportunity for certain individuals and/or organisations to use them for political gain and this is not in the national interest or in the interest of the SA Defence Force

Official population figures

78 Mr M J ELLIS asked the Minister of Home Affairs

(a) What are the official population figures for the (i) Republic of South Africa and (ii) Natal/KwaZulu region and (b) in respect of what date are these figures furnished?

B223E

The MINISTER OF HOME AFFAIRS

The preliminary results of the 1991 population census are furnished The information is as enumerated and has not yet been adjusted for undercount

Certain mixture: complaints

80 Mr M J ELLIS asked the Minister of National Health (183)

(1) Whether she or her Department has received any complaints, enquiries and/or representations regarding a certain mixture, the name of which has been furnished to the Minister's Department for the purpose of her reply, which is available in certain retail pharmacies in the Republic of South Africa, if so, what (a) is the name and (b) are the ingredients of this mixture,

(2) whether any of these ingredients or the mixture as a whole contains any habit-forming or addictive substances or has such qualities, if so, what are the relevant details,

(3) whether she or her Department intends taking any action (a) against the manufacturer, and (b) in respect of the sale, of this mixture, if not, why not, if so, what action?

B225E

The MINISTER OF NATIONAL HEALTH

(1) Yes, (a) "Eazislim" It consists of three separate products supplied in the form of a kit, that must be mixed beforehand by the pharmacist before the mixture is sold to the public and (b) d-nor-pseudoephedrine powder a tonic called Liviton a mixture containing senna, (183)

(2) the constituent of the mixture, d-nor-pseudoephedrine can be abused and may be habit-forming The substance is currently sheduled in Schedule 2 which means that it may only be prescribed by doctors and pharmacists and that the particulars of each sale must be recorded in a prescription book The Medicines Control Council has on numerous occasions considered the rescheduling of the substance, but has decided that the risks involved with the controlled use of the substance is not so large that the substance should be placed under more stringent control,

(3) (a) steps have already been taken against the distributor of the mixture The mixture is no longer sold as "Eazislim", and the distributor now sells the individual components to pharmacists and

(b) the sale of the mixture took place as a result of a loophole in the regulations which were promulgated in terms of the Medicines and Related Substances Control Act, 1965 (Act 101 of 1965) Steps have already been taken to amend the regulations to curb this sort of activity

Free settlement areas

98 Mr P G SOAL asked the Minister of Local Government and National Housing

(a) How many free settlement areas have been proclaimed since the promulgation of the Free Settlement Areas Act, No 102 of 1988, (b) where are these areas situated, (c) what is the size of each, (d) how many persons are living in each of these areas and (e) in respect of what date is this information furnished?

B247E

The MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING

(a) 13

Cont....

Tribunal calls for probe into Thor Chemicals

B/Day 24/4/92

183

IAN HOBBS

AMSTERDAM — The Second International Water Tribunal in Amsterdam on Friday called for an independent investigation into the British-owned Thor Chemicals mercury reprocessing plant at Cato Ridge in Natal.

The scientific jury of world experts said Thor Chemicals had been "misleading and evasive" in response to charges that it had caused severe mercury contamination that endangered the local environment and population

The jury, whose verdict has no legal power but carries worldwide moral influence, said mercury was a particularly dangerous substance and double-standards had to stop Thor should apply the same standards in SA that it did in Britain

The signed verdict, which will be submitted to the UN's Earth Summit in Brazil in June, said Thor Chemicals had been given timely notice of the Amsterdam hearing

But Thor had declined to attend to reply to the charges, brought by Earthlife Africa even though it had submitted a lengthy written denial of the charges

The jury said it recognised the possibility that Thor had caused water pollution that impaired the health of the local population but Earthlife Africa had not been able to adequately substantiate its allegations.

It said it was vital that populations who thought they were at risk should have the right to information, especially given the limited access to information in SA and because of the hazardous nature of the substance

The Earthlife Africa delegation of Chris Albertyn, Tim Houghton and Brendan Wolff-Piggott, all from Maritzburg, said the emphasis of their case had been that secrecy by Thor and government had prevented them from obtaining detailed information.

They said they were delighted with the verdict.

Noristan (183) feels pinch

Noristan and its 79 percent-owned subsidiary, Norimed, faced severe pressure on margins and a sharp decline in health spending in the public sector in the 18 months to December 1991

Group turnover for Noristan Holdings rose 15,2 percent on an annualised basis, but income attributable to ordinary shareholders fell to R6,2 million and earnings per share to 11,6c a share annualised A final dividend of 1,5c has been declared STAR 25/2/92

Norimed's turnover, which relates only to Crest Healthcare Technology, rose 10 percent on an annualised basis, while Crest's operating income remained unchanged

Norimed had annualised earnings of 98c per share A final dividend of 18c has been declared. — Sapa policy of the Department on the release of people is a well-tried one which has been in position for a very long time, and it is being applied strictly

†Adv C H PIENAAR Mr Speaker, further arising out of the hon the Minister's reply I want to know whether his predecessor, when he released the prisoners, acted in accordance with that well tried policy

†The MINISTER Mr Speaker, I arrived there six months ago, and I am applying that policy strictly I want to give the hon member the assurance that as far as I know my predecessor applied the policy of the Department in respect of the release of prisoners with due regard to all the circumstances that prevailed in the country and in the Department

†Adv C H PIENAAR Mr Speaker, further arising out of the hon the Minister's reply, may I just ask him why the Attorneys-General protested against the releases if his predecessor applied that policy?

†The MINISTER Mr Speaker, I am really not aware of the Attorneys-General having protested against the policy [Interjections] There is dissatisfaction, but

†An HON MEMBER That's a bull's-eye

†The MINISTER The hon member should just keep calm and not fight the referendum now already We shall fight it later

I repeat, my predecessor applied the policy with due regard to all the circumstances prevailing in the country At the moment there is much anxiety about crime That is a factor that is being taken into account That is why we are again looking at the whole policy regarding release It is a well-tried policy that has been in force for many years and has worked very well

Business interrupted in accordance with Rule 180C(3) of the Standing Rules of Parliament

Certain person who left the RSA

*11 Mr L FUCHS asked the Minister of Foreign Affairs

(1) Whether a certain person, whose name has been furnished to the Minister's Department for the purpose of his reply, has left the Republic of South Africa, if so, (a) for what period of time did he stay in the Republic and (b) what was the total cost to the State of keeping him in the Republic,

(2) what is the name of this person?

B255E

The MINISTER OF FOREIGN AFFAIRS

(1) (a) The person and his spouse resided in Pretoria from 10 March 1990 until 8 November 1991 Since the latter date he has been residing in his own home in the Bisho/King William's Town area

(b) The person and his spouse were accommodated in an available house in Pretoria where they paid their own living expenses

(2) Mr L L W Sebe

Health of certain prisoner

*12 Mr L FUCHS asked the Minister of Correctional Services

(1) Whether he will make a statement on the state of health of a certain prisoner, whose name has been furnished to the Minister's Department for the purpose of his reply, if not, why not, if so, (a) what is this prisoner's name and (b) what are the relevant details,

(2) whether the State intends releasing this prisoner on humanitarian or other grounds, if not, why not, if so, (a) when and (b) on what grounds?

B256E

The MINISTER OF CORRECTIONAL SERVICES

(1) No

The privacy of prisoners as well as the professional independence of the medical practitioners who are responsible for their health care, is respected It is therefore policy not to make details available or to comment on the state of health of individual prisoners However, it can be confirmed that he has access to adequate medical and psychiatric treatment

(a) and (b) Fall away

(2) The release of a patient of the State is addressed statutorily in the Mental Health Act, 1973 (Act No 18 of 1973) and

continue

takes place according to the mechanisms and qualifications as stipulated by the above-mentioned Act My department has no decision-making powers regarding the release of this category of persons

(a) and (b) Fall away

Medicines and Related Substances Control Act

*13 Mr M J ELLIS asked the Minister of National Health

183

(1) Whether the Appellate Division has ruled that the provisions of the Medicines and Related Substances Control Act, No 101 of 1965, are not applicable to the State,

(2) whether she has received representations that steps be taken to make the Act applicable to the State, if so, (a) from whom and (b) what has been her response to these representations?

B257E

The MINISTER OF NATIONAL HEALTH

(1) Yes,

(2) yes,

(a) the Chief Directorate of Procurement Administration of the Department of State Expenditure, the Medicines Control Council as well as the Pharmaceutical Manufacturing Association, and

(b) I accept the decision of the Appellate Division but wish to add that it is the policy of the Government that the State must observe the laws on medicine Medicine provision by the Government must be orderly and good dispense practice must be maintained The proper way to ensure and organise this is by means of the National Policy for Health Act, 1990 (Act 116 of 1990)

Report by Dr Wim de Villiers

*14 Mr M J ELLIS asked the Minister of National Health

(1) Whether she has any intention of releasing the full text of the report by the late Dr Wim de Villiers on medicine, if not, why not, if so, when will the contents of this report be made available,

(2) whether she will make a statement on the matter?

B258E

The MINISTER OF NATIONAL HEALTH

(1) No, as Dr Wim de Villiers passed away before the report had been completed, the Cabinet decided not to make the contents of the report available,

(2) no

Office of the Surveyor-General price increases

*15 Mr K M ANDREW asked the Minister of Regional and Land Affairs

Whether there have been any increases since 1 January 1988 in prices charged by the Surveyor-General's Office for (a) prints of micro-filmed diagrams and (b) copies of township film, if so, (i) what increases and (ii)(aa) when and (bb) why were the prices increased?

B259E

The MINISTER OF REGIONAL AND LAND AFFAIRS

Yes, the fees that the office of the Surveyor-General charges for

(a) prints of "micro-filmed diagrams" and

(b) "copies of township film"

increased since 1 January 1988

The order of the increases was as follows

(i) The fees for prints of diagrams on micro-film were increased from R1,00 in 1987 (GST excluded) to R2,00 (GST excluded) in 1990 and finally to R3,50 in 1991

The fees for paper prints of plans on film were increased from R2,00 (GST excluded) in 1987 to R3,00 (GST excluded) in 1990 and finally to R5,50 in 1991

(ii) (aa) The increases came into operation on 1 September 1990 (Government Gazette No 12715 of 31 August 1990) and on 1 October 1991 (Government Gazette No 13482 of 30 August 1991)

(bb) The reasons for the increases are the following

In view of the accepted principle to evaluate the functions of all Govern-

Coates in the black

B Day 26/2/92

WILLIAM GILFILLAN

STRINGENT cost controls at Coates Brothers, the SA subsidiary of the UK-owned printing ink group, helped it offset the recession (183)(60)

Turnover grew to R156m in 1991 (1990 R145m) which converted into a rise in operating income of R17,7m (R15,4m) The directors said the widened trading margin, up to 11,1% from 10,6%, resulted from "stringent controls on costs"

Pre-tax income rose to R17,6m (R15,6m) and attributable income was R9,4m (R7,9m)

The directors would not comment on the results yesterday. However, analysts believe the turnover increase was achieved through higher prices rather than any improvement in volumes. This, they say, added to the improvement achieved through cost cutting.

A dividend of 72c a share was declared on earnings a share of 276,5c In 1990 the group paid a dividend of 61c a share on earnings of 232,6c a share.

STAR 2/7/12/92

AECI given A 1 rating

Finance Staff (183)

Republic Ratings, which which assesses the ability of major companies to meet their financial commitments, has turned its attention to AECI's recent R50 million commercial paper issue — the first of its kind in SA

Director Dave King says he has given thc issue an A 1 rating, the second highest available and equal to that on AECI's general unsecured short-term issues

He considers AECI's capacity to repay the princi pal and interest over the short-term is strong, primarily due to its long track record and the benefits arising from economies of scale in the chemical industry, as well as its powerful parentage

It does not, however, receive the highest rating of A 1+ owing to difficult trading conditions and the depressed state of its key customer industries

AECI's debt burden and repayment periods are also rising, while the asset base is ageing and the climate for investment in large capital projects is poor

Mr King says the corporate paper market is likely to take off strongly now that it has been freed from the restraints of the Deposit-Taking Institutions Act (DTI)

AECI earns A1 rating

SHARON WOOD (183)

CHEMICAL giant AECI yesterday received an A1 rating for its recent R50m commercial paper issue.

Difficult trading conditions in the industry and the depressed state of key customer industries weighed against the rating, which was not the highest, a statement released yesterday by Republic Ratings said.

Other factors working against a higher rating were rising debt burdens and repayment periods, an ageing asset base and a poor climate for investment in large capital projects. B/Day 2/12/92

However, AECI's capacity to repay the principal and interest over the short-term was considered to be very strong, mainly because of its long track record, economies of scale benefits and strong parentage.

Republic Ratings director Dave King said the agency would rate each corporate paper issue when it came to the market. He expected the corporate paper market to take off strongly following the legislated requirements for exemption from the Deposit Taking Institutions Act.

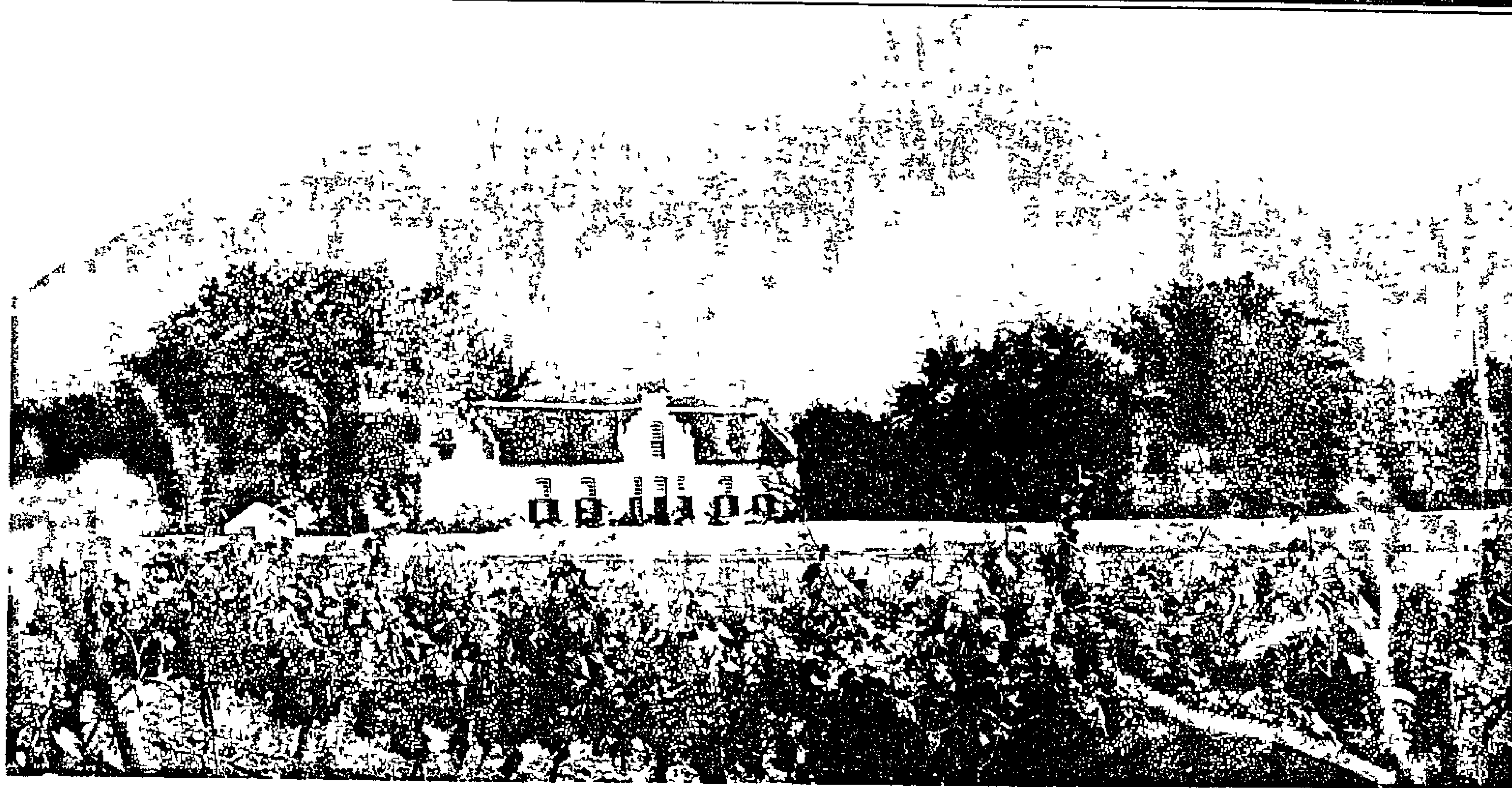
Corporate paper had to be endorsed by a deposit taking institution but this was likely to be relaxed allowing borrowers to reduce the cost of their funds and diversify their funding bases, he said.

Pressure on SA wine exports

183

Afr 29/4/92

The South African wine industry is looking to new markets opening up overseas to bolster a flagging local market In the first of this two-part series Weekend Argus Reporter **LINDA GALLOWAY** spoke to the people who market the fruit of the vine here and abroad.



SOUTH Africa is not behind the rest of the world in producing quality wines, but will have to put everything into getting back into very competitive overseas markets

With the local market looking grim — attributed to the recession and price increases, the industry is focusing on building its image in existing markets overseas and opening up new avenues

"We have the varieties, the know-how and the innovators" says Stellenbosch Farmers Winery's group production manager Mr Francis 'Duimpie' Bayly

"We've been held back through circumstances It's been difficult — like boxing with one hand tied behind your back

"The industry is on the threshold of major expansion There are a lot of markets opening up and it's a challenge

"Also, there's a lot of curiosity about South African wines There is great interest in 'New World wines' like those from California, Australia, Chile and New Zealand They have been very innovative with things like Chardonnay, Sauvignon and Cabernet

"Now the overseas markets are looking to South Africa Their memory of South African wine is very good and it is known to be good value for money"

He rejected a contention by the British Wine Association that South African wines were overpriced on overseas markets

"There might be some at the top end of the market which are over priced but traditionally South African wines are known for value"

Mr Bayly said it was important that the industry work as one to maintain the image and quality of South African wine abroad

"One can't just export anything There are fly-by-night operators who could ruin our reputation If someone buys a bad bottle they won't say 'I won't buy from that estate again' They'll say 'I won't buy South African wine again'"

Mr Bayly said there were rumblings in the industry about working together

"The fruit industry does it so well On the local markets it's a free-for all but for overseas they all work together on quality control and a unified marketing strategy

South Africa's wine industry had grown and diversified to the point where there was something "for all palates and pockets"

"We will have to spend money to establish trademarks and sell products overseas It's a tremendous challenge to get into a very competitive market

On the local front things don't look so good

A proliferation of labels and varieties has consumers and retailers confused

Beer — with six major brands — holds 85 percent of liquor sales in South Africa and wine marketing agents are nervous about putting vast amounts of money into promoting individual wine brands in an overtraded market

"The local market is fairly stagnant and this has to do with recent price increases" said Mr Bayly

"We haven't made the breakthrough into the black market that we hoped for

"Things are changing, though, and I believe we can make a 'product of the vine' which will be acceptable on the black market We do it with apples (cider) Why not grapes?"

The tremendous proliferation of labels was enough to scare off potential wine-drinkers and retailers could not hope to stock all available wines

"There are too many labels Everyone wants to do their own thing It's the shotgun approach," he said

"I believe smaller estates should go for one or two labels and make them synonymous with the estate

"The market needs rationalisation, but not through legislation"

"I don't foresee a crisis but I do see hard times ahead because of the state of the economy"

Mr Chris Weedon, marketing director of Bertrams said the higher-priced local industry was stagnant because wine-lovers buying in that category tended to downgrade in times of economic hardship

The bottom had all but fallen out of cheaper, boxed wine sales as consumers turned to still cheaper alternatives, like beer

The top end of the wine market had seen a dramatic increase in competition, with "significant leaps of style and quality" in both red and white wines

"This makes it very difficult to make headway with individual brands," he said

Mr Rory McMillan marketing manager of Rene Santhagen, said consumers had become more adventurous, experimenting with a greater variety of wines, which caused problems in marketing specific labels and trademarks

Companies were spending less on advertising because returns were minimal

There was concensus that, as wine drinkers become more discerning, market forces would weed out brands of lesser quality

Mr Weedon said the wine industry would have to focus on good quality products for the overseas market if it was to compete in a much more sophisticated and competitive arena

Gilbeys' parent company, International Distillers and Vintners, had existing distribution and marketing networks which could be tapped, and the company was involved in an exciting exchange programme with French and Californian wine makers

Mr Weedon and Mr McMillan said they believed the industry should focus on a narrow selection of wines which were exclusively South African in nature to market overseas

Dr Jannie Retief, chief marketing executive at the KWV and chairman of the Cape wine exporters' association, said there had been a surge of interest overseas

The KWV had given the association R1 million to market South African wines in Britain, where sales have always been highest

"The KWV is obviously the largest wine exporter and, by helping independent producers to export, it would seem we are helping the opposition But every wine producer in the country is a shareholder in the KWV, so every bottle exported is to the benefit of everyone," he said

With a greater variety of wine being exported, he expected the KWV's market share to drop

Dr Retief said the "novelty factor" would ensure interest in South African wines for at least two to three years as people familiarised themselves with the product

"There is phenomenal interest now I think it will peak and settle down in time We had a tasting of 19 wines in London for the liquor trade and Press and had an exceptional turnout."

The United States, Finland, Canada, Australia, New Zealand and Scandinavian countries still had embargoes on South African products and breaking into these markets would be tough

The KWV's export volumes for natural wines went up 49 percent last year and he saw no reason why independent producers could not see the same results

He saw white wines as being the natural spearhead into the overseas market, because red vintages were "a bit young still"

"We tend to be compared with Australia and New Zealand and they have got very good white wines," he said

"We have work to do, because of our isolation We must look critically at some areas and particularly at making sure we give consumers what they want, not what we want to make"

The exporters' association was launching a generic campaign to promote South African wines with a stand at the London Wine Trade Fair in May, where there would be tutored tastings and a printed guide to South African wine

The grocers' market in Britain had the largest share of wine sales and 20 to 30 South African wines were now listed with them

Dr Retief said new horizons overseas were "a blessing" for the industry, while the local market was under extreme pressure

"There is light at the end of the tunnel"

NEXT WEEK: HOW THE PRODUCERS COPE

Senchem defies chrome chemical glut

By IAN ROBINSON

SENTRACHEM plans to build a chrome chemicals plant at its Karbochem division at Newcastle.

An undisclosed foreign partner will be associated with the R100-million project. About 60% of production will be exported.

S/Times Buss 1/3/92

The use of existing infrastructure at Newcastle will enable Karbochem to reduce the project's capital cost.

Sentrachem's purchase of AECI's Ballengeich (Newcastle) plant, assets and stock in January enabled Karbochem to restart its mothballed calcium carbide furnace at Newcastle.

Chairman of Karbochem division Glen Carter says a combination of technologies will be introduced to ensure competitiveness in oversupplied world markets.

Stringent

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It will allow soda ash — a key ingredient — to be recycled and reduce the production of sodium sulphate by-product.

Easy access to chrome ore and soda ash (from Sua Pan, Botswana) will contribute to the plant's competitiveness.

The plant will have an initial capacity of 35 000 tons of sodium dichromate which will be expanded to 70 000 in five years.

Chromic acid and chrome tanning salts will also be produced.

The plant will meet stringent international environmental standards.

World demand for sodium dichromate — the basic chemical of chrome — is about 500 000 tons a year.

Chrome chemicals are used for pigments, wood preservation, tanning, plating and many other applications. South Africa's only chrome chemicals plant at Merebank, Durban, was closed by Chrome Chemicals in April last year.

Chrome Chemicals' parent, Germany's Bayer, is the world's largest producer of chrome chemicals.

Sentrachem lifts chrome operations

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STAR 2/3/92

Derek Tommey

Sentrachem, one of SA's leading chemical manufacturers, is planning to build a R100 million chrome chemicals plant at its Karbochem works at Newcastle and become the world's lowest-cost producer of these chemicals.

The plant will produce sodium dichromate, chromic acid and chrome tanning salts for the export market, using local raw materials.

The production of the chemicals will be carried out in association with a yet-to-be-named overseas partner.

Technologies used at the plant will ensure that Sentrachem is the world's leading low-cost producer and able to meet the most stringent international environmental standards.

"By using the facilities and the extensive existing infrastructure at Newcastle, the capital cost of the venture has been kept at about R100 million," says Glen Carter, chairman of Sentrachem's Karbochem division.

The plant will initially produce 35 000 tons of sodium dichromate a year, but this figure will be raised to 70 000 tons over the next five years.

The availability of cheap chromite and energy and the novel technology to be employed will reduce other chemical inputs and give the plant an extremely competitive advantage.

About 60 percent of the production will be exported, says Mr Carter.

"The project will increase the profitability of Sentrachem's Newcastle site

"It is also in line with the group's plans to expand its operations in the field of local raw material beneficiation," he says.

Macmed bids to join main board

(183) LINDA ENSOR

CAPE TOWN — DCM-listed medical products supplier, Macmed Health Care, is to apply soon for a transfer of its listing to the pharmaceutical and medical sector of the JSE's main board BIDay 3/3/92

Group secretary Alan Hiscock said yesterday the move would improve the perception of Macmed and assist it in its attempts to win more agencies from foreign pharmaceutical companies.

During the 17 months to end-December Macmed increased its after-tax profit and earnings a share to R1,5m and 5,1c respectively A final dividend of 0,5c was declared, for a total of 2c

Macmed's financial year was changed last year from end-July to end-December so there are no figures with which to compare the extended period's results

Overdraft

Hiscock said the results were good, though admittedly they came off an extremely low base He expected a 20-25% earnings increase this year.

The performance reflected the benefits of the rationalisation and the emphasis on Macmed's core business, about 60% of which is derived from the sole agency with US pharmaceutical firm Kendall

The product range was extended and tender and private hospital contracts were pursued aggressively.

Hiscock said strict emphasis was given to cash management which enabled Macmed to move out of its overdraft and saw gearing plunge to 10,2% (1990 57,8%)

An extraordinary profit of R379 000 was realised from the rationalisations and a special 0,5c dividend declared One million new shares at 20c a share were issued

Call for public mercury probe

B/Day 6/3/92

Own Correspondent

DURBAN — The bitter war of words between the environmental watchdog body Earthlife Africa and the Thor chemical company ended with a brief truce yesterday — with both organisations demanding government set up a full judicial commission of inquiry into the Cato Ridge mercury pollution row

At a news conference in Maritzburg, Earthlife said there was still too little information available about the issue — and this could be solved only by having a public inquiry

The organisation also accused the Water Affairs Department of withholding the results of continuing tests on the water quality of the Mngweweni Stream

Challenging the department to release the test results, Earthlife said "We can only assume the evidence is too damning of both their and Thor's activities"

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Thor MD Steve van der Vyver and a spokesman for the Water Affairs Department in Pretoria could not be reached for comment yesterday Van der Vyver has already called for a judicial commission of inquiry into the row

□ The Thor Chemicals case heard recently in Amsterdam brings sharply into focus the need for urgent legislation giving South Africans the right to information

Earthlife said its Right to Know campaign launched last year has already won the support of a number of organisations, including the Chemical Workers' Industrial Union, the SA Rivers Association, the Merewent Ratepayers' Association and the recently formed Environmental Lawyers Association

"Environmental activists throughout the country have come up against the impenetrable walls of officialdom whenever they seek to investigate cases of illegal dumping, air pollution, water pollution, herbicides and pesticides damage and animal abuse," the spokesman said

"We need legislation not to prevent us from knowing what's going on but legislation like the US's Freedom of Information Act that will give us the right to know

"In SA for political reasons we have an overall attitude of government in secrecy which has spun off into all sorts of government departments"

Court's power is disputed

B/Day 6/3/92 WILSON ZWANE

SA's magistrates' courts were not empowered to try cases involving offences committed abroad, the Johannesburg Regional Court heard yesterday.

Arguing in a case involving billions of rands in fake promissory notes, Advocate Johan Rousseau said the Magistrate's Court Act did not confer any powers on magistrates to try cases involving offences committed abroad.

Rousseau was appearing for Ben Armstrong, who together with Gordon Webb, is charged with fraud involving R3,7bn in fake promissory notes. The notes, which gave the United Bank of SA and the SA Reserve Bank as debtors, were allegedly cashed at the Union Bank of Switzerland

Ruling on whether the court has jurisdiction to try the case will be given today.

Price-cutter enters fertiliser market

S Times (BUSS) 8/3/92 (183)

By DON ROBERTSON

THE fertiliser war is hotting up again with the establishment of a company in Richards Bay to import raw materials for blending

Zulfert enters the market at a bad time Sales last year were only 1,8-million tons worth about R12-billion. Production capacity is about twice this amount and sales this year are expected to fall further

Zulfert believes it can cut prices by about 2,5% and still be profitable This could spark another price war in the industry

Zulfert will operate from a R9-million storage and blending plant at Richards Bay harbour

It plans to sell about 150 000 tons of fertiliser this year worth R120-million, building up to about 250 000 tons worth R200-million next year

Adriaan Potgieter, co-founder of Zulfert with Nic Liebenberg, says the first shipment of raw materials has arrived from America

The company is negotiating with suppliers in Europe

Raw materials are bought through Pintra Trading in the Netherlands Pintra has invested R3,2-million in the storage and blending facility

By the end of April, the factory will be linked to bulk carriers through the Portnet conveyor system

Zulfert's entry to the market is similar to Agriland's in May 1990 Agriland took over the lease of the granulating plant at Richards Bay

Agriland offered "abnormal discounts" The three other major producers — AECI's Kynoch, Sasol Fertilizer and Omnia — were forced to follow suit

Agriland managing director Rhynie Greeff, who planned to sell 400 000 tons of fertiliser a year, said at the time that farmers would benefit to the extent of about R42-million that year

Two months later, Agriland was forced to close, largely because of a lack of finance

The granulating plant was eventually taken over from Indian Ocean Fertilizer by AECI and its subsidiaries, AECI Opencast Services and Kynoch

This prompted the Competition Board to investigate the deal, allegedly because it would increase AECI's concentration in the industry The board found there was no evidence of this

Urea

It did, however, "suspect" that price collusion took place in the industry, although it could not find evidence to prove the charge

Zulfert will import urea, mono-ammonia phosphate, di-ammonium phosphate, limestone ammonium nitrate and muriate of potash

The fertiliser will be marketed through Sentraal-Wes, Noord-Wes and Natalse Landbou co-operatives It will be supplied as raw material or in blends

Mr Potgieter says his company hopes to take 10% of the market.

The factory is fully automated and operates with a staff of 22 a shift The plant can handle any form of bulk chemicals and this could provide a means for expansion.

The company is also investigating exports to other sub-Saharan countries and the Indian Ocean islands

COUNCIL APPROVES PLAN CRITICS CALL AN ECOLOGICAL NIGHTMARE

Undersea pipeline for toxic chemicals

S Times [CM] 8/3/92 (183)

By CHIARA CARTER

THE Cape Town City Council has given the go-ahead to a chemical company to build an undersea pipeline to convey highly toxic chemicals from Table Bay to Paarden Eiland — despite objections that the scheme could become an ecological nightmare.

The council gave notice last year that it intended entering into a contract with Witney Chemicals, a Durban-based company which wants to convey the chemicals styrene monomer and vinyl acetate to the Total storage tanks in Paarden Eiland

City Council spokesman Mr Ted Doman said the council had now agreed to the contract and would sign once Portnet and Caltex, both of whom were also affected by the proposal, gave the go-ahead

Mr Doman acknowledged that several objections to the scheme had been lodged with the council and that the council's cleansing department had expressed concern at the toxic nature of the two chemicals involved

Styrene, which can ignite spontaneously, is given the highest possible hazard rating by several international authorities

At least part of the objections lodged with the council are based on environmental concerns that the chemicals involved are highly hazardous, the pipe could break resulting in spillage into the sea and vapours could be emitted at the storage tanks

According to sources, the council's Waste Department has expressed concern about several aspects of the scheme, including the toxicity of the chemicals and the need for planning in the eventuality of a fire at the storage depot or a need to evacuate people from the surrounding area

One party objecting to the scheme is the chemical company, Sentrachem

Sentrachem wrote to the council saying the proposal was a threat to public safety, arguing that it was unsafe to transport hazardous chemicals via a lengthy pipeline under the sea to a tank site close to residential areas

Sentrachem's managing director, Mr Glen Carter, said the company did not want to debate the matter in public since it was involved in the industry However, the company felt the scheme should be evaluated by an independent body

"The Cape is not known as the Cape of Storms for nothing If a pipe bursts, 60 tons of styrene could be pumped into the seas We think the scheme is an ecological hazard," Mr Carter said

Rivalry

Mr Mark Witney, managing director of Witney Chemicals, disputed this, saying the public had nothing to fear as the pipeline would have inbuilt safety measures and once above ground, the chemicals would not emit "significant vapours"

"A spill would mean a bad smell but you would have to ingest the chemicals to be badly affected," he said

Mr Witney said a similar line was operating in Durban and claimed objections were based less on environmental concern than trade rivalry A rival group wanted to build a storage depot in the docks, he said

"This would be as much of an environmental threat We are providing a less expensive, more viable option which will keep our customers able to compete"

Cape Town's port captain, Mr W G Shewell, said modern pipelines were built to safeguard against disaster and while vapour discharge did occur in the docks it was "minimal"

However, he felt chemicals and fuel should be stored within the docks, not in areas where there was dense population or likely to be residential development, as was the case with Paarden Eiland

"We need to think of the future when we site storage facilities," Mr Shewell said

Standards

Dr Bob McDaniel, a spokesman for the environmental group, Earthlife Africa, said the organisation needed to investigate the proposal before providing a detailed response but they would like to be assured that adequate measures were being taken to safeguard the public and the workers involved

The proximity of the harbour to the city centre made this vital

"Present handling in the harbour leaves much to be desired The creation of a potentially explosive situation in the harbour or elsewhere needs careful investigation and comprehensive safeguards including compliance with international standards," Mr McDaniel said

Chemical Services sees prospects for growth

Bday 9/3/92 (183)

SEAN VAN ZYL

CHEMICAL manufacturer Chemical Services has projected a real growth in earnings for the current trading year although trading conditions were expected to remain tight, chairman Mike Sander said in his 1991 annual review

Sander's prediction of real growth in earnings follows the 17% rise in attributable income to R26,7m posted for the 1991 financial year to end-December.

Although Chemical Services achieved modest real growth in earnings for financial 1991, Sander said sales volumes were 3% down on the previous year He added that the 7% increase in sales revenue was achieved by strengthening the operating margin which rose to 12,5% compared with the previous year's 12,1%.

Chemical Services, through its various operating subsidiaries, manufactures and supplies a broad range of chemical products for local industry

Despite the widely expected recovery in the economy this year, Sander felt 1992 would prove to be another difficult year, shadowed by the uncertainty of developments in eastern Europe and the performance of many OECD economies. "The company has nevertheless budgeted for a further advance in earnings in real terms. It also remains well positioned for acquisitions and will continue to evaluate appropriate opportunities"

Sander also welcomed the lifting of most trade sanctions against SA, and therefore greater access to technology, but noted that the short-term benefits would nevertheless be modest

Commenting on Chemical Services' past performance, Sander said 1991 had been a year of consolidation for the group He added that a number of operations had been rationalised or merged in joint ventures to focus business efficiency and therefore group profitability

As a result, Sanders said that the Guar product division of Chemserve Steinhall was merged with a division of Henkel SA in a joint venture now trading as Trohall Chemserve Metal Sciences also formed a joint operation in the speciality chemicals field with a division of Henkel SA, while the starch derivative business of Chemserve Steinhall was transferred to group subsidiary SA Paper Chemicals

Overall, Sander felt the group was well positioned to benefit from an improved trading environment and added that he was particularly pleased with the group's 32% return on shareholders' funds achieved in financial 1991.

Western Cape development

B/Day 11/3/92

THE AECI Pension Fund and RMS Syfrets believe the development of a R150m shopping centre at the intersection of the N2 and the main road linking The Strand, Somerset West and Stellenbosch will be successful

However, property industry spokesmen have expressed concern at the large number of retail developments coming on line, though they acknowledge the opportunities in niche markets.

The pension fund announced recently it would develop the centre RMS Syfrets will act as development managers and leasing co-ordinators for the first phase of 36 000m² lettable space.

The centre will be anchored by a major food chain and two fashion stores, and will offer a 1 000-seat cinema complex and 90 shops, with trading expected to begin in September 1993

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AECI Pension Fund recently bought the site from AECI in a deal that includes an option to buy more land for expansion Development rights were approved by the Western Cape Regional Services Council in December

"The centre will be successful as it will be designed with the tenants' needs in mind, and the catchment area includes The Strand, Somerset West, Stellenbosch, Gordon's Bay and the coastal region as far as Hermanus," said RMS Syfrets MD Patrick Flanagan

Environmental impact studies had been undertaken by Parker and Associates.

Chemico process gives new life to old oil

MARCIA KLEIN

B/Day 11/3/92 (183) 11/3/92

ENGEN subsidiary Chemico has developed a process to re-refine used oil feed stock into a clean, raw material

Yesterday the company announced what it claims to be a breakthrough in the technology of recovering petroleum products

Engen CE and MD Rob Angel said that the new process, developed by Chemico in co-operation with international experts, "has wide implications regarding environmental conservation and air pollution"

Through the new process, used oil feed-stock is re-refined into a clean, corrosion-free and contaminant-free product which is sent for final distillation in the refinery

This means that air pollution and the need for approved waste disposal units are eliminated, and the product can be safely used as a raw materials in other manufacturing industries

A Chemico spokesman said used oil was not environment-friendly and had to be disposed of through various waste disposal agencies

Now, about 60% of the used tonnage a day would be re-refinable, while the remainder would be burnt or disposed of — both causing little environmental impact

He said to the best of his knowledge, Chemico was the first processing plant to re-refine used oil, which is then blended with other products for re-use

ALTERNATIVE TO PIPELINE IS ALSO UNDER FIRE

Plan to store hazardous chemicals in harbour

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S/Times (CM) 15/3/92.

By CHIARA CARTER

A PLAN to store hazardous chemicals in Cape Town Harbour — an alternative to a scheme to convey them to Paarden Eiland by pipeline — has also come under fire from critics this week.

The pipeline plan, by Witney Chemicals — reported in Cape Metro last week — involves building a pipeline to convey styrene monomer and vinyl acetate

It has been described as "environmentally hazardous" although the company's managing director, Mr Mark Witney, this week denied critics' claims that part of the pipeline would run underwater

He said it would run along the coast about 100 metres from the sea and asked the Sunday Times to clarify that when he said a section would run "below sea level" he meant on land below sea level

The alternative plan, to build a tank farm on reclaimed land in Cape Town Harbour, has been proposed by Portnet and Richards Bay Bulk Storage (RBBS), who have formed a joint company to develop the tank farm, which they say is "perfectly safe"

Earthlife spokesman Dr Bob McDaniel, who criticised the pipeline scheme last week, said this week that there was also "potential for major problems" with the harbour scheme

"Storing corrosive, explosive or inflamatory substances close to the harbour is pushing one's luck," he said

"While Cape Town harbour is a working port it is also right next to the city centre and contains the new Waterfront entertainment complex"

He questioned whether it was advisable to convey and store a toxic chemical like styrene in Cape Town at all

Mr McDaniel said there was a risk of spillage in both plans when chemicals were offloaded in the harbour

"At least with the present system of trucking styrene, an accident would mean a truckload, not tons, spilt"

He said the pipeline was "probably the lesser of two evils" since it was better to risk an accident in Paarden Eiland, an industrial area, than the docks, which were next to the city centre

Portnet and RBBS this week confirmed their plans to build the tank farm

Safe

Mr John Vogt, managing director of RBBS, said the company had been chosen as a partner by Portnet after Portnet had called for submissions to develop the site last year A joint company had been formed.

"Our primary concern is to provide a safe and effective tank farm to serve the needs of Western Cape industries This company is not a user or producer of chemicals, but a professional tank farm operator"

He said the site was isolated from high-activity areas, had access from both the land and the sea and had unlimited water for tank cooling and firefighting

"In the unlikely event of a problem, the terminal is so remote as to ensure that no effect could be felt in the city or tourist areas"

The design would be done by a company of international repute and would follow standards set by Portnet, the SABS and American codes

Cape Town's port manager, Mr Rudie Basson, said it could be built this year

Rival

The storage site, the tanks and piping procedures would comply with accepted safety standards, he said

Although styrene — which can ignite spontaneously — is given the highest possible hazard rating by several international authorities, he said Portnet constantly handled chemicals and did not anticipate any problems

He said Portnet was not opposed in principle to conveying chemicals by pipeline and was awaiting details of the rival scheme by Witney Chemicals

According to Mr Witney, styrene would be pumped through hoses from ships in the docks to the wharf where it would enter the pipeline, which would run through the harbour before following the Caltex pipeline between the seafront and Marine Drive in Paarden Eiland

It would then cross under the road to the Total storage farms

AECI gears up to take on foreign competition

(183) B/Day 16/3/92

EDWARD WEST

HIGH capital costs, manpower productivity and the tax regime will limit the number of new AECI projects in the next year or two because the chemical corporation has focused its operations on becoming internationally competitive, said AECI chairman Gavin Relly in his annual review

Relly said the group was focusing on bringing unit cost of production down to that of leading international producers even though the cost of competitive technology would place a heavy burden on current income.

In spite of efforts spanning a decade, achievement of internationally competitive unit costs of production remained problematic in businesses where process technology was inappropriate, he said.

Relly said AECI had been insulated from the variability of world market and international prices until about 1980 by import controls and contractual supplier agreements in the domestic market, due to government's concern about self-sufficiency at the time

Once tax laws were appropriately amended, AECI's focus on international competitiveness and technology would prove rewarding, he said

AECI forecast a moderate improvement in earnings this year provided that economic recovery was not forestalled by adverse political conditions or the drought

Reduced

Earnings a share fell to 121c from 154c in the financial year to December 1991

Relly described the performance as disappointing in view of the expectation last year that earnings would at least be maintained

He attributed losses to the recession "Seldom have so many markets for the chemical industry been so weak at the same time"

Dividends were reduced from 87c a share in 1990 to 58c in 1991 AECI planned to continue increasing dividend cover for capital investment

Earnings a share in the second half of 1991 was almost three times that achieved in the first half

Relly attributed this to production difficulties and maintenance costs in the first six months, when seasonal markets were lower, and to good production performance, cost containment and export penetration in the second six months when domestic markets showed further declines.

AECI's exports increased from R434m in 1990 to R502m in 1991

AECI hoping for better

STAR 16/3/92

(183)

By Derek Tommey

Chemical giant AECI expects a modest improvement in profits this year, provided the local recovery is not unduly forestalled by political developments and the drought, says chairman Gavin Relly.

More encouragingly, he expects profits to rise strongly when the worldwide economic recovery begins.

Mr Relly says the intensity and pervasive breadth of the recession in primary manufacturing industry worldwide had a major and unexpected influence on the group in 1991.

"Seldom have so many markets for the chemical industry been so weak at the same time."

But the encouraging performance in the second half of 1991, when earnings were 10 percent higher than a year earlier, holds promise of better times

He says it gives rise to optimism that the scale of recovery in earnings will be substantial when a sustained improvement in conditions takes hold abroad and at home.

Earnings a share in the second half of last year were almost three times those of the first half.

However, earnings for the full year at 121c were down from 1990's 154c. The dividend was reduced from 87c to 58c.

Mr Relly says the group had become more internationally competitive in recent years

Whether any social pensions payable to members of the Black population group were cancelled recently owing to concern relating to information contained in their identity documents, if so, what are the relevant details?
B285E

The MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING

Yes In the Transvaal 3 383 and in Natal 2 131 pension allowances were suspended No suspensions occurred in the Orange Free State and Cape Province

Previously pensioners qualified for the payment of a pension on the strength of their age which they provided on their application for the old identity documents (passbooks) After the new identity documents, in which the date of birth is reflected in the identity number were issued to the Black population group, it was established that the dates of birth of the beneficiaries in the old passbooks and the new identity documents differ and consequently payment of pension benefits had to be suspended due to the fact that some pensioners have not reached the age to qualify for a pension However, those affected were referred to the Department of Home Affairs for reassessment of their ages and if it should appear that these persons qualify for a pension payment thereof will be reinstated immediately

Mr R V CARLISLE Mr Chairman, arising from the reply of the hon the Minister, is he aware that there have been—and I cannot say whether the pension payments in question have been held over or not—similar investigations in the Queenstown area and possibly elsewhere too? If not, could he look into this and see why it is happening because people are suffering as a result of it?

The MINISTER Mr Chairman, if the cases referred to by the hon member were not dealt with and catered for in the answers that I have given, we shall certainly look into the matter

Mr R M BURROWS Mr Chairman, further arising from the reply of the hon the Minister, may I ask whether all 20 000 cases in the Transvaal and 3 000 in Natal—or whatever the numbers were—were automatically referred to the Department of Home Affairs to reassess the age of the applicants or whether each applicant has to apply individually

The MINISTER Mr Chairman, may I just point out that the hon member has his figures completely wrong However, the fact of the matter is that I am not sure whether it was dealt with automatically or not If it is a matter of concern to the hon member, however, we shall gladly attend to it

Medicines and Related Substances Control Amendment Act

*3 Mr M J ELLIS asked the Minister of National Health (183)

(1) Whether the Medicines and Related Substances Control Amendment Act, No 94 of 1991, has come into effect, if so, when, if not, (a) why not and (b) when is it anticipated that it will come into effect,

(2) whether the regulations emanating from this amending legislation have as yet been drawn up, if not, why not,

(3) whether these regulations will be published for comment before they are put into operation, if not, why not?
B286E

†The MINISTER OF NATIONAL HEALTH

(1) Yes, on 12 July 1991 with the exception of the provisions of sections 1(c), 1(f), 9, 19, 21, 23, 24 and 25,

(a) the above sections have to do with the manner in which scheduled substances are handled and the relevant regulations must first be written and promulgated before these sections can become operative according to section 28 of the Amendment Act and

(b) it is estimated that the regulations will be promulgated in the course of this year,

(2) the regulations have not been finalized There have been extensive consultation, investigations and research and the regulations are currently being written The Medicines Control Council is also involved in these actions as the Medicines and Related Substances Control Act, 1965 (Act 101 of 1965), stipulated that regulations are promulgated on the recommendation of the Council,

(3) yes (183

Certain group of holiday touring companies

*4 Mr A J LEON asked the Minister for Administration and Tourism

(1) Whether, with reference to recent incidents in which groups of South African tourists were allegedly left stranded in Egypt and Greece, he intends investigating the affairs of a certain group of holiday touring companies, the name of which has been furnished to the Minister's Department for the purposes of his reply, if not, why not, if so, (a) what form will the investigation take and (b) what is the name of the group in question,

(2) whether he will make a statement on the matter?
B287E

The MINISTER FOR ADMINISTRATION AND TOURISM

(1) The reason for South Africans being stranded in Egypt and Greece is as a result of financial difficulties experienced by a South African Tour Operator As this Tour Operater has been placed into Provincial Liquidation an investigation into their affairs will automatically be done

(a) The form of investigation will be done by the duly appointed liquidators who will issue a full report upon completion of an audit

(b) The group in question is Needwood Holdings who took over TFC Group Holdings—Trading as TFC Tours and TFC Southern Africa (Needwood Holdings and TFC Cruise Line have not been placed into liquidation)

(2) A statement is not considered necessary

Necklacing Pinetown

*5 Mr P H P GASTROW asked the Minister of Law and Order

(1) Whether any members of the South African Police Force have been charged with criminal offences in connection with the alleged necklacing near Pinetown on or about 13 January 1992 of a certain person, whose name has been furnished to the Police for the purpose of the Minister's reply, if not, why not, if so, (a) what were the charges, (b) how many members of the Police Force were charged, (c) on what dates did these members appear in court and (d) ~~what is the name of the person in question~~,

(2) whether any of these members have been suspended from the Police Force, if not, why not, if so, what are the relevant details?
B289E

†The MINISTER OF LAW AND ORDER

(1) No members of the South African Police have been charged with criminal offences The case docket has been referred to the Attorney-General for his decision His decision is not yet known

(a), (b) and (c) Fall away

(d) Mr Vusi Phiri

(2) While awaiting the Attorney-General's decision, no members of the South African Police have been suspended in this regard

Person assaulted: Elandsfontein

*6 Mr P H P GASTROW asked the Minister of Law and Order

(1) Whether, with reference to a person whose name has been furnished to the South African Police for the purpose of the Minister's reply, the identity of the suspects who allegedly assaulted this person before his death near Elandsfontein on or about 25 December 1991 is known to the Police, if so, what is the name of the deceased,

(2) whether the above suspects have been arrested and charged with criminal offences, if not, why not, if so, (a) when were they arrested and charged, (b) what were they charged with and (c) when did they appear in court?
B290E

The MINISTER OF LAW AND ORDER

(1) Yes the names of the suspects are known to the South African Police The name of

PHARMACEUTICAL INDUSTRY

Upjohn's philosophy

(183)

FM 20/3/92

The battle to contain health care costs is not unique to SA, nor is the realisation that deregulation offers the most workable solution

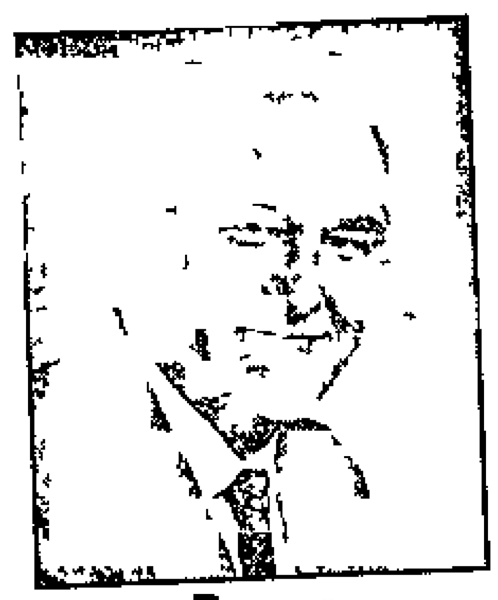
Geoffrey Rogers, Upjohn Pharmaceutical's corporate vice-president for Europe, says countries around the world are trying desperately to contain soaring health care costs, but to date, no regulatory system has worked Rogers was in SA last week on a brief visit to inspect Upjohn's Isando plant, which is being renovated but, for now, not expanded FM 20/3/92

Says London-based Rogers "Methods geared at regulating the supply and demand of health care in Europe and parts of North America — for example closing hospitals and having long waiting lists for minor surgery — have been particularly unsuccessful"

Expressing support for many of the recent proposals made by Health Minister Rina Venter to deregulate the medical and pharmaceutical industries, Rogers says there is an international trend towards having patients in the private sector accept a greater responsibility for their medical bills This trend is likely to see the advent in SA of health maintenance organisations, which have cut medical costs by as much as 40% in some countries

In this regard, Venter's proposed amendments to the Medical Schemes Act pave the way for medical schemes to provide health services — run hospitals and employ doctors and other practitioners With this move, doctors' absolute discretion in providing health care would end

The high cost of medicine locally has come under the spotlight in recent weeks Government says medicine prices are higher here than in most Western countries and that medicines make up 26% of the benefits paid out to members of medical schemes Rogers, whose company is the 10th largest pharmaceutical firm in the US, with more than US$3bn in sales last year, says that internationally, this figure is around 10%



Rogers

He is of the opinion that many things could be done to reduce the cost of medicine in SA "Government could reschedule certain drugs from prescription medicines to pharmacy-only medicines, provided they are safe for public use and can be safely used for long periods without referring back to doctors regularly" He says this was successfully done in the US with the pain-killer Ibuprophen

Pharmaceutical companies have long opposed the widespread use of generic-substitute medicines — unsuccessfully in the US and, so far, more successfully here — but Rogers says generic substitutes should be allowed, provided they meet the same standards as their branded and more expensive equivalents He, nevertheless, stresses the importance of strict controls in the manufacturing and distribution process to guard against counterfeit medicine He stresses that doctors should have the final say in

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prescribing branded or generic medicines

It's long been argued that deregulating the pharmaceutical industry in SA is meaningless without allowing pharmacists to work for non-pharmacists The idea is that retail stores, such as Pick 'n Pay and Clicks, could open their own pharmacies and use their buying power to discount medicines

This happened in the US in the Seventies and prices came down drastically. Once again, Rogers says he's not opposed to this in SA, as long as controls can keep counterfeit medicine off the market and ensure the wide availability of medicine ■

Govt slammed on medicines

183

KATHRYN STRACHAN

THE Pharmaceutical Manufacturers' Association accused government last week of stage-managing the forum held in February on the high cost of medicines to press home a perception that the cost of medicine in SA was the highest in the world

"We reject this manipulation outright and also challenge the government to provide information proving its claim about the cost of medicine," said John Toerien, executive director of the association

And the Department of Health has hit back, saying the pharmaceutical companies represented by the association are motivated by self interest, rather than by a need to control soaring costs

BDay 23/3/92

"The forum is said, in a Press release from the Department of National Health, to have accepted substitution as a viable option to curtail the cost of medicine but to our knowledge, and we were present, there was nothing like that," said Toerien

"In any event, the report-back from the working groups was insufficient to have had the evidence to come to this conclusion during the meeting"

According to Gerhardus Oberholster, acting deputy director-general of Health Planning, there are many medicines still covered by patent rights — which lead to higher prices

And if these expensive brand-name medicines could be substituted by locally made generic equivalents it would go a long way to controlling the rocketing costs of medicines

Oberholster said the department would provide sources to back its claims about costly medicine, but that health officials were first writing a draft report on the forum

SADF reinstates 60-day service

BDay 23/3/92

STEPHANE BOTHMA

DEFENCE Minister Roelf Meyer said at the weekend that 60-day military camps would be reintroduced as a result of escalating unrest, and warned that Citizen Force members ignoring such call-ups would be prosecuted.

An SADF spokesman said yesterday that the announcement two years ago that camps would be reduced to 30 days from 60 had been "a conditional concession" and that the 60-day system had never been scrapped from the Defence Act

Sapa reports that Meyer, speaking at a medal parade of the Hillcrest Regiment at Ellisras, also rejected claims by the End Conscription Campaign (ECC) that the prosecution of "draft dodgers" was taking place under an invalid law

He said military service was still compulsory and would be enforced as such, despite "outright lies, distorted facts and rumours spread by anti-Defence Force organisations and people"

He said that once stability was sufficiently established in SA, he would not hesitate to reduce Citizen Force commitments

Last week, 50 Citizen Force members of the Hillcrest Regiment were court martialled for failing to report for camps and were fined between R100 and R400

The prosecution of the Hillcrest members led to criticism from ECC spokesman Chris de Villiers, who claimed the sudden spate of prosecutions by court martial was a devious and underhand attempt to harass and intimidate people liable for Citizen Force service

"The resumption of prosecutions in this manner is a direct contradiction of the assurance given by Deputy Defence Minister Wynand Breytenbach that such prosecutions were being held in abeyance, pending changes to the Defence Act," De Villiers said.

He added that the issue of military call-up was sub judice in view of the ECC's application to the Supreme Court to have the whites-only call-up declared invalid

He said that, according to ECC information, charges had been dropped in military courts against individuals who argued the sub judice rule, while other prosecutions continued before the same court

De Villiers quoted Breytenbach as having said that prosecutions would be unfair under the present circumstances

"Either Breytenbach misled the public in making his original statement or he is being made a fool of by the SADF, which scarcely conceals its contempt for Defence Minister Roelf Meyer and his non-military officials," De Villiers said

In his address at Ellisras, Meyer said the system of compulsory military service would change in the future but it would be wrong to run any risk while the SADF was responsible for ensuring stability in co-operation with the police

"It is so that inequalities will have to be adressed in the future However, the system can only be revised once the consitution has been revised," Meyer said

Future emphasis lies on products with added value

(183)

B/Day 24/3/92

INDUSTRIAL gas company Liquid Air opened in Johannesburg in 1948 with a staff of four.

Today it employs over 300 people from SA, France, the UK, Switzerland, Canada and the Netherlands

Liquid Air is involved in producing and selling gases Operating a network of three plants, 12 filling stations, 13 agencies and nearly 100 distributors, it covers a substantial geographic area, and is well represented in the PWV region, says MD Jacques Parente

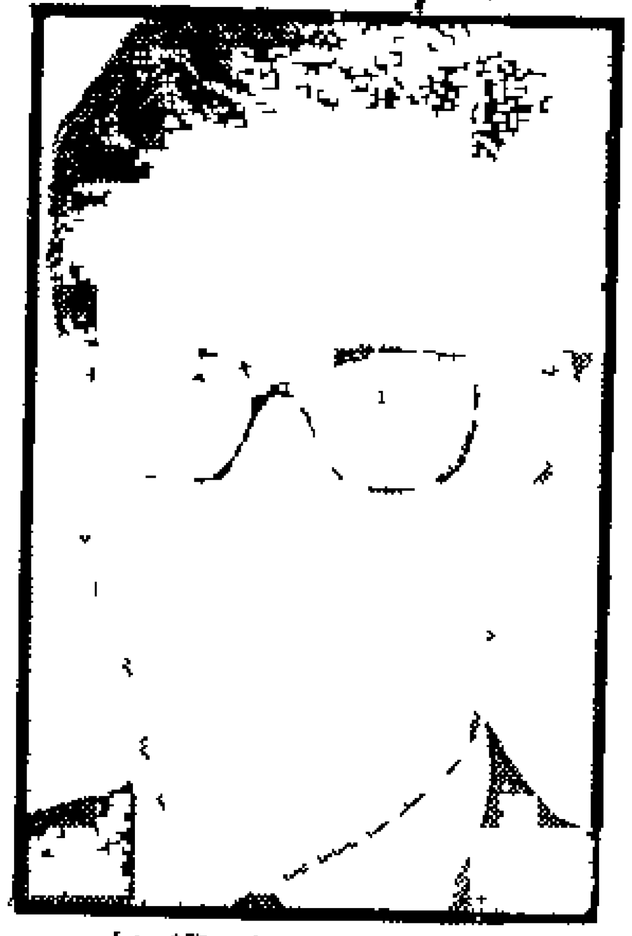
Its gases are sold in either bulk form — tonnage or in cylinders — to the chemical industries, the healthcare sector, food and agriculture and metal processing industries

Increase

Parente says the company has "shown a steady increase in the annual volumes of gases sold since 1983, whether we're talking nitrogen, oxygen, argon or carbon dioxide"

Although the SA company is small in comparison to its French parent L'Air Liquid, it has been in the forefront of some significant new developments

Parente says Liquid Air has developed a method of using oxygen to process ore in a gold leaching process "This is an advance on the previously used methods, resulting in lower operat-



JACQUES PARENTE

ing costs and achieving a significant reduction in pollution", he says

Liquid Air has also developed a full approach for cooldown of reactors in refineries, and contracts have been signed with the major mines and oil producers

Parente says one of the company's goals is to develop advanced applications, based on the group's advanced technology

Towards this end, the company recently launched its new "Crystal" product range, which represents a new high quality product and service, Parente says

He says Liquid Air's policy for the future is to be very selective in developing the volume of its business and to improve profitability by placing strong emphasis on the sale of products and processes which have a high added value

In line with its policy, the company has identified certain priorities for its future

These include the development of service, quality and safety Parente says this will involve "service from every point of view, including method and reliability of supply, flexibility in meeting customer demands, technical assistance and complete safety in the use of our products"

Internally, the emphasis will be placed on two projects

Firstly, Liquid Air will focus on the introduction of a "zero defect" quality standard programme coupled with the intensive training of personnel

Emphasis

Secondly, it will strive for excellence by lightening the company's structure and placing more emphasis on independence and initiative, Parente says

Another priority is to continue to concentrate on Liquid Air's core business, which is industrial gases "In contrast to heavy industry, the beverage and medical sectors have both been demanding and growing industries", he says

This spread of interests has seen the company grow steadily over the years, he says, with growth coming from the demand for Liquid Air's products, its innovation and its new applications

However, to Liquid Air, having a spread of interests does not mean uncontrolled diversification Parente says on the contrary, the company keeps both feet firmly on the ground

Direct

National production and customer services manager Rodney Michley says "We direct our resources, expertise and manpower towards industrial gases and we do not diversify into other fields In other words, we concentrate on what we do best"

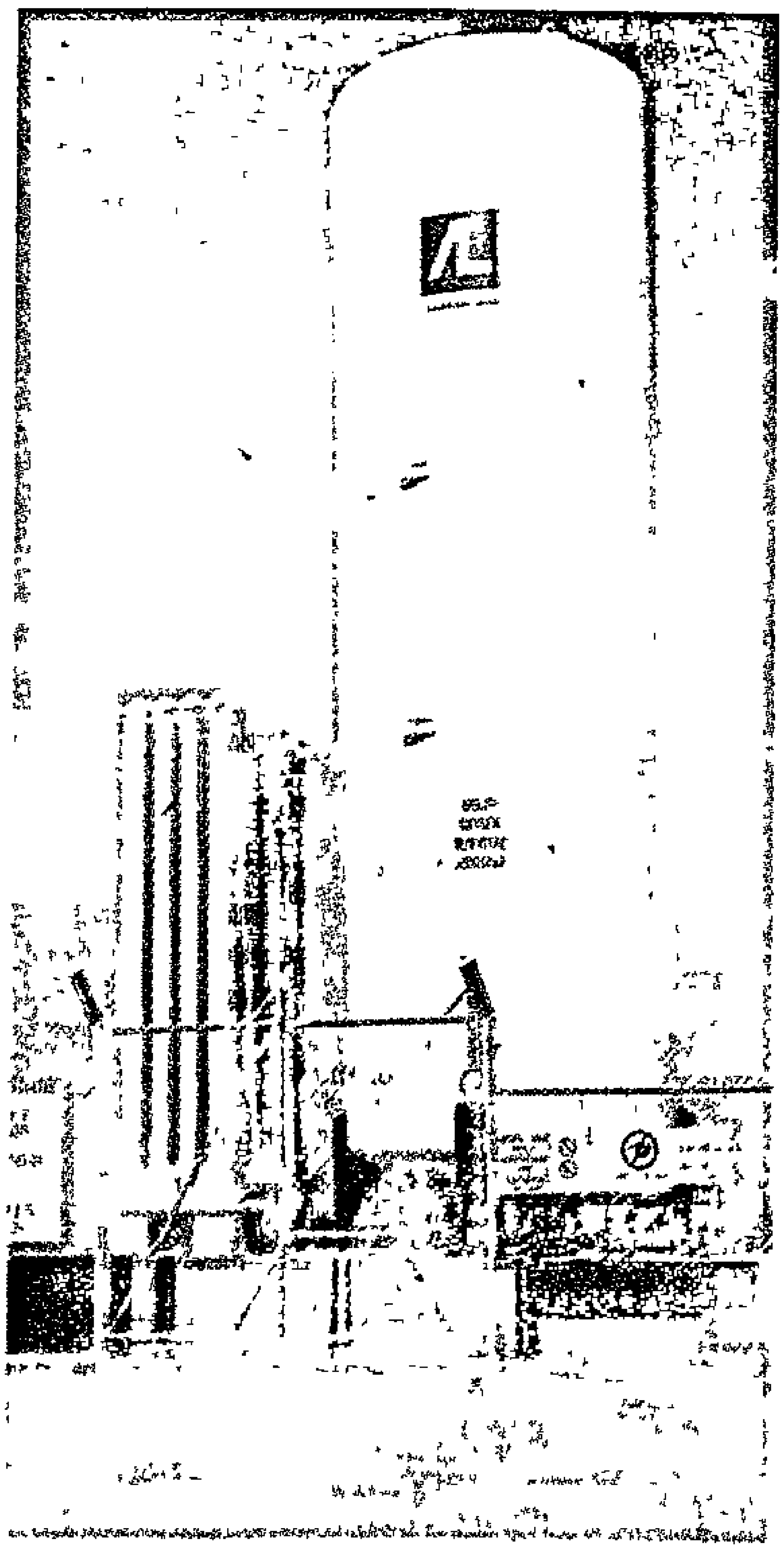
A further priority is to develop growth sectors by looking for promising activities for the future — and not by diversification — in order to remain leaders in the field of gas technology, Parente says

Although Liquid Air is a company selling an old product — gases — there are many new applications which could be introduced without losing sight of the core business

"The answer lies in building a long-term relationship with the customer so that, together, we can be cost-effective"

Process boosts gold recovery

BDay 24/3/92



A liquid oxygen tank for gold leaching, where Liquid Air uses oxygen to process ore.

AS the cost of gold extraction becomes higher and higher, process efficiency has become a key factor in profit maintenance.

The more gold that is dissolved, the better the recovery, says Liquid Air market development manager Christian Muller.

The company's AuLoxal gold leaching product provides a technique for increased gold dissolution by boosting the dissolved oxygen concentration in leach solutions. 183

Muller says the AuLoxal process depends on far more than simply pumping oxygen into a cyanide pulp and it gets the best possible contact between oxygen and gold. This results in higher gold recoveries, lower cyanide consumption, shorter leach times, less plant maintenance and slower carbon contamination.

He says Anglovaal, Rand Mines and Southgo have already made use of Liquid air's service and AuLoxal technology and a number of permanent AuLoxal installations are in profitable operation.

Providing back-up is part of the package

(183)

B/Day 24/3/92

LIQUID Air is not only a gas company but a gas service company, says conventional markets manager Philippe van der Have.

The company sees itself as offering both its service and its technological know-how, sharing technology, acting as a consultant and adding value through its new developments.

In this light, it is not surprising that one of its two major divisions, known as conventional markets, is aimed at ensuring existing clients and markets are served well

The division is involved in the provision of gas in cylinder (gas) or in bulk (liquid) form to the medical and the welding and cutting sectors either directly or through its distributor network

The division is also in charge of cylinder strategy and is heading the launch of a new cylinder concept called Crystal

The gases are transported via Liquid Air's strong distribution network, which covers most of SA and includes plants, filling stations and many distributors

Distributors are provided with back-up and are trained in any new technology and applications

The oxy-combustion rotary furnace, which is used to melt cast iron, was developed as a result of a partnership between L'Air Liquide and Italian manufacturer Sogemi. The furnace requires minimal maintenance, has low dust emissions and lower noise levels and is cheaper than its rival furnaces.

Special role for medical services

BDay 24/3/92 (183)

THE supply of gases to the medical sector is a special part of Liquid Air's business

"We have a special service for our medical customers," says conventional markets manager Philippe van der Have, as the prompt supply of quality gas could be a matter of life and death

The company supplies hospitals with gases in liquid and cylinder form The gases are mainly medical oxygen, medical carbon dioxide, nitrous oxide, medical air and Nitronox.

This is a significant part of the company's business, supplying both private and state hospitals

The supply of gases to this sector is seen as an important growth area in line with the call for increased health care in SA, the rapid growth in the medical sector and the many new hospitals which are opening up

Because of the growth in this sector and the subsequent increase in demand for gas products, Liquid Air has built a new 50 kg an hour nitrous oxide plant in Germiston, which will be used largely for medical applications

National marketing manager Bruce Beaton says the new facility will make Liquid Air self-sufficient in the production of the gas and enable it to meet demand in this growing market

Liquid Air

Mapping the future of convenience foods

BDay 24/3/92 (183)

A range of gas packaging mixtures, introduced to the market by Liquid Air, not only boost shelf life and eye appeal but also the quality of value added foods.

Food market development engineer Dipak Madhav says that following international trends, Liquid Air decided the time was right to introduce modified atmosphere packaging (Map) to the local market, where value added and convenience foods have taken off over the past few years

Map is the term used for packaging food in atmospheres other than air, to protect and preserve products and to extend their shelf life Control of the atmosphere in which the food is packaged is achieved by using hygienic mixtures of mainly nitrogen and carbon dioxide

Liquid Air's method ensures that oxidation of foodstuffs is prevented and the growth of micro-organisms inhibited Unlike generic gases, each cylinder is dedicated to gas packaging with chrome valves for additional hygiene assurances

Madhav says demand for this type of packaging is on the increase due to changing trends in food manufacturing and in customer preference, and longer shelf life and less spoilage leads to more convenience for the producer, retailer and consumer

Optimise

He says suppliers using Map's Aligal range can optimise production and distribution, and can manage stock more efficiently Cost will be reduced through larger and less frequent deliveries

"On the one hand, there is rapid growth in convenience foods and on the other, consumers are demanding products with less additives, some of which are now banned," he says

One of the target markets for gas packaging is "the sophisticated consumer who expects not only high quality food but also enhanced appearance", he says, and Map can meet both those demands

In many cases, Map reduces or eradicates the need for preservatives and gas packaging also allows optimisation of presentation "Unlike the traditional and sometimes messy vacuum packs, cold meats and other delicatessen items can be loosely packed in attractive yet practical units," Madhav says

But Map is not restricted to the top end of the market, and it can be used together with the "mother bag" concept instead of traditional portion packaging techniques

He says the need for overwrapping or backroom packing at local supermarkets can be eliminated as foodstuffs are packed at a central point Pre-wrapped portioned products, like meat cuts or chicken pieces, can be packaged in overwrapped trays and placed in a large "mother bag" with gas and vapour barrier properties

A vacuum will remove the air from inside the bag, and a gas mixture will be introduced Madhav says that traditionally coffee, milk powder and peanuts have been packed under gas, but the Aligal range "is at a point where there is a mixture for every application"

Modified

Madhav says it is now possible to place fish, vegetables, dairy and delicatessen products, wine, beer, fruit juice, bakery products, potato chips, pizzas, pre-cooked foods and even oil in a modified atmosphere pack

The fresh biltong packs which have recently become available in some supermarkets are also packed under gas

Benefits of links with strong parent company

BDay 24/3/92 (183)

LIQUID Air is a subsidiary of the international group L'Air Liquide, which has a large share of the world's gas market

The group has 21% of the $19bn a year international industry, compared with BOC's 17%, and Union Carbide's 13%

Liquid Air MD Jacques Parente says the benefits of being a subsidiary of the world's major gas company, employing about 30 000 people in 60 countries, are considerable

The parent company, which was established in 1902 by Paul Delorme, is listed on the Paris stock exchange and in other major countries

It has a subsidiary in Botswana and is represented throughout Africa

Apart from the production and supply of the more popular industrial and medical gases, L'Air Liquide has been involved in space projects for 15 years, and is strong in the electronic industry, where it supplies the electronic high quality gases through its facilities in France and Japan

Its strategy is to constantly develop service and quality, to concentrate on its core business (industrial gases), to develop new applications in growing sectors and to make people its top priority

With major research centres worldwide spending over R1m each day on research and development, new concepts and technology are passed on to the subsidiaries around the world

Between 1976 and 1981, L'Air Liquide installed the world's largest oxygen plant, comprising 13 units, on Sasol sites

Together with Sappi, L'Air Liquide developed the Sapoxal pulp bleaching process, "and now occupies a leading position in the field of paper pulp delignification through the use of oxygen or ozone", says Parente

It recently concluded an agreement with Sasol for a Krypton/Xenon project, a crude product of rare gases to be purified in Europe

In SA, Liquid Air operates in the food, steel, engineering, construction and beverage industries It also operates in the medical sector and is involved in environmental applications

Local

Parente says all of these areas of its business have had and continue to enjoy a strong international backup in terms of new technological applications

Although its links with France have always been strong and will remain so, Parente says it is the group's policy to try and have more local people managing subsidiaries

The aim is to promote local people and to give them the opportunity of training overseas, in order to equip them to handle high level positions

The mix of local and expatriate employees contributes to the transfer of new ideas as well as a good exchange of information

A major thrust of the group is its philosophy of being fully integrated in those countries in which it operated

Parente says the group is considering increasing its presence in SA through new projects and new investment possibilities The scale of such a new investment will be largely dependent on the number and size of new projects in SA

Although the SA part of the global organisation is small in relation to the total group, it is performing well in terms of sales, profitability and return on assets and the company has, up to now, managed to develop the resources necessary to carry out its innovative policies

Liquid Air is one of the major gas companies in SA

"Compared with BOC subsidiary Afrox, we look like the challengers But being in this position means the company has to be flexible, mobile, aggressive and creative," says Parente

"As the challenger, we have to be differentiated, and we achieve this by being close to the customer and through our reliability and the high quality of our product"

"In SA we are well positioned in terms of customer perception This has encouraged us to further improve our quality of service through a 'zero defect' quality training programme for all the employees" from R113m at the end of December

ings a share did not reflect this year's performance

Manro falls far short of forecast

MARCIA KLEIN (183)

DESPITE forecasts of substantial profit growth in 1991, chemicals manufacturer Manro Chemical Holdings has reported an 18% drop in attributable earnings from R4,7m to R3,9m in the year to end-December

Directors said the anticipated profit growth was not achieved mainly because of a significant profit downturn in the Bevaloid division and an initial trading loss at Aquasol, a joint venture started in April

Turnover grew 3% from R86,3m to R89,1m, reflecting a marginal rise in domestic sales and a 15% increase in export sales Directors said "the continuing depression in the textile, paint and paper industries and a marked downturn in mining activity resulted in lower volume sales to these sectors"

Operating income dropped 24% to R7,2m from R9,5m, interest charges rose 45% to R3m, resulting in a 43% drop in net income before tax to R4,2m

BDay 26/3/92

A substantial reduction in taxation, due to utilisation of tax losses and tax-exempt export incentives, contained the earnings decline to 18% — from 11,62c to 9,53c a share.

A 13% lower dividend of 3,25c (3,75c) a share was declared.

Directors said operating profit would improve during 1992

CMC's Nigel goes the way of gold mining's independents

BDay 26/3/92

MATTHEW CURTIN

THIS week's decision by Consolidated Mining Corporation (CMC) to close its Nigel gold mine marks the latest in a long series of setbacks for the independent mining sector

Mining at Nigel, one of SA's oldest gold mines, first started in 1888 It was closed in the 1956 and reopened in 1981, and then taken over by mining entrepreneurs Roy Flowerday and Glenn Laing

Nigel's demise follows that of independent producers Osprey, Eersteling, Rand Leases, Wit Nigel and Sub Nigel, all in the past 18 months

Analysts said yesterday that Nigel was typical of mines worked out by old mining companies but revived by entrepreneurs in the '80s.

They raised money on the JSE in the mid-'80s boom with ease, but the mines proved be no more than holes in the ground, workable only at high cost and with rising gold prices

CMC finance director Hennie Buitendag said yesterday that under CMC's control, Nigel had always been a marginal operation Rising working costs and weak gold prices had made the mine's future as a large operation untenable

Buitendag said CMC now had no option but to liquidate the company, but he was confident that a compromise would be worked out between the company, its creditors and shareholders through which gold mining could continue

Although production at the Nigel mine was suspended last year and the company had only three months of surface reserves left, he said mining on the Droogebult section could be economic on its own in the future

In the '80s Nigel became the foundation for Laing's South East Rand Gold Holding (Southgo) which later formed the gold division of CMC

Flexibility

The company's longer term future was apparently secured in 1990 when it acquired mining title and virgin ore reserves from Gold Fields' Vlakfontein mine

Laing, who resigned as Southgo MD last year, said as recently as July 1990 that Nigel had enough ore reserves "to keep our mills full for the next 15 years and plenty of flexibility to mine underground"

Problems at Nigel, which broke even at the end of last year after falling R1,3m into the red in 1991, were highlighted by its auditors' qualified report of its 1991 financial statements

CHEMICAL SERVICES
FM 27/3/92

Liberating cash

(183)

Activities: *Makes and trades in speciality and raw chemicals*
Control: *AECI (64,6%)*
Chairman: *Mike Sander, MD Peter Francois*
Capital structure: *6,2m ords Market capitalisation R267m*
Share market: *Price R43 Yields 3,3% on dividend, 10,2% on earnings, p e ratio, 9,8, cover, 3,1 12-month high, R43, low, R26 Trading volume last quarter, 21 317 shares*

Year to Dec 31	'88	'89	'90	'91
ST debt (Rm)	13,9	23,1	37,8	29,7
LT debt (Rm)	10,7	10,1	13,1	15,8
Debt equity ratio	0,26	0,27	0,51	0,41
Shareholders interest	0 46	0,51	0,39	0,42
Int & leasing cover	8,7	5,4	6,3	6
Return on cap (%)	20,5	19,7	23,5	25
Turnover (Rm)*	283	336	446	478
Pre-int profit (Rm)	34,3	36,9	53,9	59,8
Pre-int margin (%)	12,1	11	12,1	12,5
Earnings (c)	301	305	367	430
Dividends (c)	100	100	120	140
Net worth (c)	1 237	1 489	1 404	1 609

Chemical Services' diversity in the speciality chemical and raw materials fields is showing that, if not exactly recession-proof, the group is better able to ride the economic storm than most in the industry

With earnings up 17% to R26,7m and interest-bearing debt down 11% to R45,5m, Chemserve's mix of activities seems to be paying off in most of its business sectors The exception in the 1991 year's results is the distribution and agency side, which saw operating margins down from 8,7% in financial 1990 to 6,3% last year; it contributed 30% (1990. 34%) of turnover but only 16% (24,5%) of net income.

Other sectors performed well Formulated chemicals increased its net trading income by 30,8% to R21,7m, while that of the process chemicals division rose by 20% to R28,9m

Executive director Lex van Vught says the slowdown on the distribution/agency side is temporary and brought about mainly by the transition from being the local soda ash distributor for US-based Ansac — which meant holding stock — to the agency for parent AECI's Soda Ash Botswana, with sales on commission only

"The change has liberated cash considerably," Van Vught says It may be starting to show already, with gross cash flow up 14% to R35m after dipping in the 1988-1989 financial years — the only bump in performance Chemserve has shown since the early Eighties

That was caused largely by setbacks in Steinhall, a subsidiary which depends on the mining industry and which was badly affected when gold and platinum mining activities were cut back Steinhall was merged in a joint venture last year with a division of Henkel SA to form Trohall This hampered turnover but, Van Vught says, the business is back on track

Two other structural changes were made to the group These, chairman Mike Sander says, were designed to improve performance or to adapt to market conditions Chemserve Trading merged with AECI's Spectrum Chemicals to form Crest Chemicals and, at the beginning of 1992, Chemserve Metal Sciences formed a joint venture with another division of Henkel SA

While most of the group is well buffered against recession, the soda ash business is most exposed to local and international markets and is suffering from a glut on world markets. In an upturn, however, it could quickly become a larger contributor while the steadier earners, coming off an already high base, are not expected to show such strong increases

Chemical Services' Sander
adapting to the market

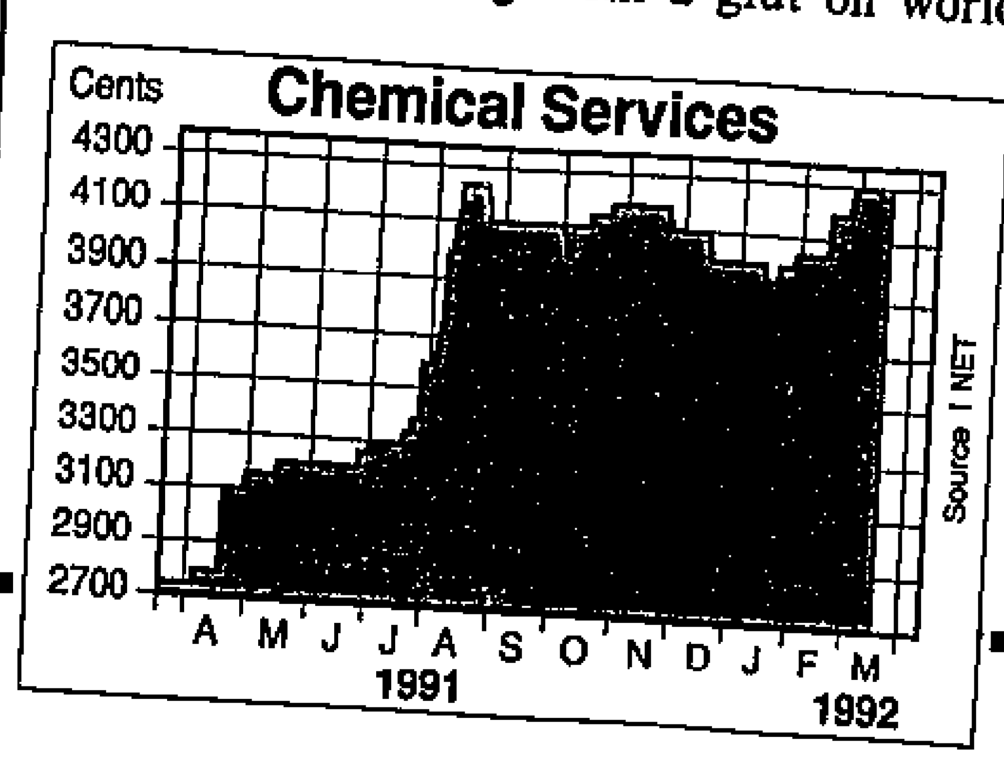
Van Vught says, however, that Chemserve wants to continue growing rapidly and one way is to keep on the acquisition trail The purchase of Akulu-Marchon and SA Paper Chemicals in 1990 for R24m — a year when Chemserve's debt doubled to R50,7m and gearing reached 65% — is showing pleasing results. Van Vught says cash generated by these operations has been used to reduce short-term debt from R38m in 1990 to last year's R30m At year-end, debt equity stood at a manageable 41%

There may be further acquisitions this year, but Van Vught says there is nothing definite Another way of expanding the business when the upturn comes is by increasing exports Van Vught says more effort and resources are being focused on overseas markets, though exports are not expected to rise sharply in the short term

At R43, Chemserve still looks a little underpriced, despite a 60% increase in the price over the past year Part of the problem is limited tradeability One way to improve marketability would be to issue shares for an acquisition and offer them to a broader investment public Van Vught says Chemserve would consider this if it could find the right acquisition

The share is worth following if scrip can be found

Shaun Harris



PLASTALL

Sounder footing

Activities: *Makes plastic products, including bags, sheeting and furniture*
Control: *Danglo 86%*
Chairman: *W A R Wenteler*
Capital structure: *14,4m ords Market capitalisation R7,2m*
Share market: *Price 50c Yields 8,4% on dividend, 21,8% on earnings, p e ratio, 4,6, cover, 2,6 12-month high, 50c, low, 30c Trading volume last quarter, 5 000 shares.*

Year to Sept 30	'88	'89	'90	'91
ST debt (Rm)	1,0	1,4	6,2	5,2
LT debt (Rm)	1,8	1,3	1,6	1,3
Debt equity ratio	0,35	0,17	0,65	0,44
Shareholders' interest	0,37	0,45	0,38	0,42
Int & leasing cover	2,6	4,3	—	1,9
Return on cap (%)	13,9	16,8	—	11,1
Turnover (Rm)	46	52	65	64
Pre-int profit (Rm)	3,0	4,3	—	3,3
Pre-int margin (%)	6,7	8,3	—	5,2
Earnings (c)	13,6	22,0	(9,3)	10,9
Dividends (c)	—	—	—	4,2
Net worth (c)	56	80	81	87

After a bleak 1990 financial year, when the company slipped into the red, Plastall appears to be back on a sounder footing It bounced back from last year's attributable loss of R1,3m, with earnings of R1,5m or 10,9c a share.

An earnings turnaround began in late 1990, driven by benefits from mergers, the Gundle acquisition and product improvements These benefits became more marked in 1991, as shown by the fact that management was able to squeeze a profit out of a static asset base and lower sales. Improved efficiencies were reflected in the 5,7% drop in operating costs over the year

The tax charge last year was R85 000, and will remain low for the next year or two, as there was a tax loss at year-end of R5,8m

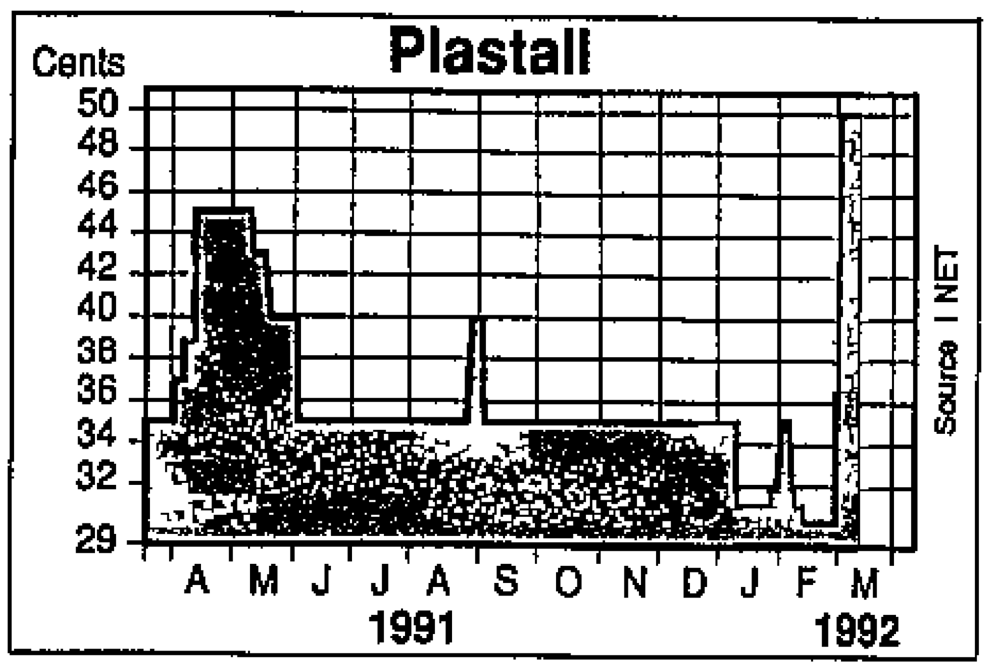
While the balance sheet is looking healthier, the interest and leasing cover remains uncomfortably low On the other hand, borrowings are primarily short-term and, provided present trends are maintained, an easing of rates should help earnings

It's hoped that gains from the capital programme carried out over the past two years are only starting to unfold Further improvements are expected now that the automation of its branch network has been completed

The annual report is exceptionally uninformative about developments in the operating subsidiaries. Chairman Bob Wenteler does say that each of the operating units is now financially accountable and subject to tighter management

He adds that the full potential of the group has yet to be realised, as short-term factors such as destructive competition in certain markets, labour unrest in the Plastall Gundle operation and continuing high interest rates have severely affected attributable earnings He is confident that real earnings growth will be achieved in future but there seems little point in expecting a rosy performance this year

At 50c, on a 4,6 earnings multiple, the share is already well above from the 12-month low It is worth watching *Basil Barber*



T & N doubles taxed profit

By Derek Tommey (183)

T&N Holdings, which manufactures chemicals and plastics, automotive components and industrial products, doubled its taxed profit in the year ended December from R8,1 million to R16,2 million STAR 27/3/92

Earnings a share also doubled, rising from 35c to 70c, and the final dividend has been increased by 65 percent from 10c to 16,5c a share, making a total payment of 24c for the year, an increase of 73,9 percent on last year's 13,8c

Turnover rose 3,0 percent to R425,7 while trading profit increased 21,1 percent to R39,6 million.

Earnings were helped by a pension contribution holiday for the second year running which added R4,8 million (R4,5 million) to earnings and an effective 12,9 percent (15,6 percent) rate of taxation

The chairman, Mr CFN Hope, says that trading in 1992 is expected to remain difficult

COMMERCIAL PAPER

Starting off slowly

183

Only AECI and Iscor have raised money via commercial paper since issuers of these instruments were exempted from the requirements of the Deposit-Taking Institutions Act in January The slow start is not unexpected because FM 27/3/92

- ☐ Paper markets are traditionally sluggish before a Budget,
- ☐ The referendum made prospective issuers more cautious, says Sarel Oberholster, head of treasury operations at Discount House of SA, which handled the AECI issue, and
- ☐ Commercial paper markets are usually slow to start, says Tom Makinson, of the

FM 27/3/92 (183)

Association of Corporate Treasurers, who notes that the present situation is not unlike that in the UK when commercial paper was introduced There were onerous restrictions that later fell away FM 27/3/92

In SA, the market will continue to be inhibited, as long as commercial paper requires a bank endorsement The requirement, a concession to banks, is intended to be a temporary measure

Meanwhile, Makinson says, the endorsement requirement removes the incentive to choose commercial paper above other sources of funds "The cost of the endorsement is warranted only where credit-enhancement is needed "

As it stands, corporate paper is little different from a nonliquid BA, says Robin Marsden, of Deloitte Pim Goldby's financial services team. "So commercial paper will be in demand only to the extent that there is a demand for nonliquid BAs."

But AECI group treasurer Chris Sinclaire says commercial paper issues have some advantages over BAs: they are less costly — 0,25% commission is charged by banks for endorsement on each commercial paper issue as opposed to 0,5% on nonliquid BAs — and interest rates may float "It is a cost-effective means of diversifying our sources of finance "

The new securitisation market is also facing impediments Securitisation — the sale of parcels of assets as negotiable securities — was also given the go-ahead in January But securitisation issues can be effected only by deposit-takers

Another problem is that credit risk cover is difficult to obtain locally Says Marsden "UK insurers recently experienced losses in the securitised and general mortgage markets, and their local affiliates are now avoiding this type of business "

A further problem is the complexity of securitisation issues and lack of knowledge about them ■

Poisoned men face slow death

S/Times 29/3/92

THOR CHEMICALS says it is "mystified" by the outbreak of mercury poisoning among its workers

But Dr Mark Colvin, of Natal University's Industrial Health Unit, firmly believes the company is to blame

Mercury poisoning — for which there is no cure — can lead to a lingering death This is the fate that faces two of three employees at Thor's Cato Ridge plant who are being treated for mercury poisoning in Durban hospitals.

Mr Peter Cele is in a semi-comatose state. His hands have been tied to the bed in Wentworth Hospital and he reacts only to painful stimuli He has no control over normal bodily functions He lies on his back in the bed, his eyes staring wildly and his legs splayed, hooked up to intravenous tubes through which flow the sustenance and medication he needs.

A few kilometres away, at King Edward VIII Hospital, Mr Engelbert Ngcobo lies close to death, according to Dr Colvin The condition of both men has deteriorated rapidly since they were admitted to hospital three weeks ago

CLOSE TO COMA ... Peter Cele

The third victim, Mr Albert Dlamini, was admitted to St Augustine's Hospital when he developed problems with his legs After heavy treatment involving many painful injections he seems to have stabilised.

Dr Colvin said: "Mr Ngcobo is probably going to die soon There is very little chance of workers suffering from mercury poisoning recovering. The damage is irreversible."

The first symptoms the men experienced were feelings of numbness in their hands and feet

"Mr Dlamini, who is still lucid, said

(1833)

he was working ~~at the~~ plant until a week ago. He said he complained that he was having difficulty walking but was told to carry on working."

These men are not the first victims of mercury poisoning at the plant Last December, Dr Colvin's unit traced nine former employees and found that five of them had suffered ill effects from exposure to mercury, a potent brain toxin.

Dr Colvin claimed that Thor did not take proper health precautions But Thor managing director Steve van der Vyver says his company is "mystified" because the men's condition is not consistent with levels of mercury in their urine, tested weekly by Thor in accordance with recommended international standards

But according to Dr Colvin, Thor's 1991 company records show that more than 87 percent of the current workforce exceeded the test limits "The average level was four times the World Health Organisation's limit of 50 parts of mercury per billion in urine," he said

Mr Van der Vyver said his plant used a scale of 200 ppb and claimed "many other" factories did the same.

Government gave nod to toxic waste imports

S/Times 29/3/92 (183)

REPORTS by RYAN CRESSWELL

MILLIONS of tons of toxic waste have been imported by Thor Chemicals to South Africa since 1986 — with the government's approval.

Thor's plant at Cato Ridge — which includes the world's largest mercury reclamation facility — was shut down last week pending an investigation into the cause of mercury poisoning among workers

Thor, owned by a British company, has consistently denied that it could be a dumping ground for the world's toxic waste

But, in July 1989, the company was listed by the international environmental protest group Greenpeace as a major importer of toxic mercury waste

Between 1986 and 1989, an estimated three-million tons of toxic waste were shipped to the plant from US Cyanamid, based in New Jersey Most of the toxic waste was in sludge form.

Ordered

The waste is a by-product of catalysts made in Natal and exported to Thor's clients abroad As a service to its clients, Thor repurchases materials containing mercury after the compounds have been used, and extracts the mercury by means of a condensation process.

Since 1989, the operation has been approved by the Department of Environmental Affairs, which says the products imported by Thor do not fall within the government's definition of toxic waste

However, in April 1990, the Department of Water Affairs ordered Thor to suspend the part of its operation that produced mercury effluent

This followed tests on water from the Umgeni River — used by residents of Kwazulu for bathing and drinking — which showed mercury levels of 1 000 parts per million — hundreds of times above the World Health Organisation's maximum drinking levels

A month later, Thor denied an independent medical team access to its plant to carry out health tests on workers

Managing director Steve van der Vyver said the decision had been taken by the parent company in Britain

Secrecy

This prompted Earthlife Africa to issue a statement saying countries such as Britain, the US, Italy, Germany, France and Australia were taking advantage of South Africa's "poor" environmental legislation and exporting massive amounts of toxic waste to South Africa

South Africa is not a signatory to a December 1989 agreement by 68 countries banning trade in toxic waste, and as a non-member, is not bound by Organisation of African Unity resolutions in May 1988 and July 1989 which supported a ban on the import of toxic waste to Africa

Last month, the Amsterdam Water Tribunal — which meets only once every four years — was told by members of Earthlife that the South African government had allowed Thor to cloak its operations in secrecy, and that all attempts to obtain and publish details of alleged pollution and human contamination had been obstructed

The company was acquitted, although the international jury of scientists found that the plant could well be polluting the Umgeni River However, the environmentalists had failed to provide sufficient proof

On March 11, representatives of the Department of Water Affairs and Thor met to discuss the company's progress in improving its mercury effluent disposal, since 1988

Ten days later, the mercury acetate plant was shut down pending a full investigation into the mercury poisoning cases by the Department of Manpower

It will be conducted by Professor Tony Davies, head of the National Centre for Occupational Health, and paid for by Thor

Thor Chemicals is an international chemical manufacturing company with seven branches around the world The parent body is Thor Holdings, based in Kent, England

Last November, the company's Transvaal manager, Mr Alan Kidger, was murdered, dismembered and put in his car boot on the Reef He was covered with a black substance which was thought to contain mercury Police are still investigating his bizarre death

Royal group subsidiaries fare better than expected

B/Day 31/3/92 (183)

MARCIA KLEIN

OPERATING subsidiaries in the Royal group of companies performed well in the six months to end-February, enabling the food and chemical group to boost its earnings

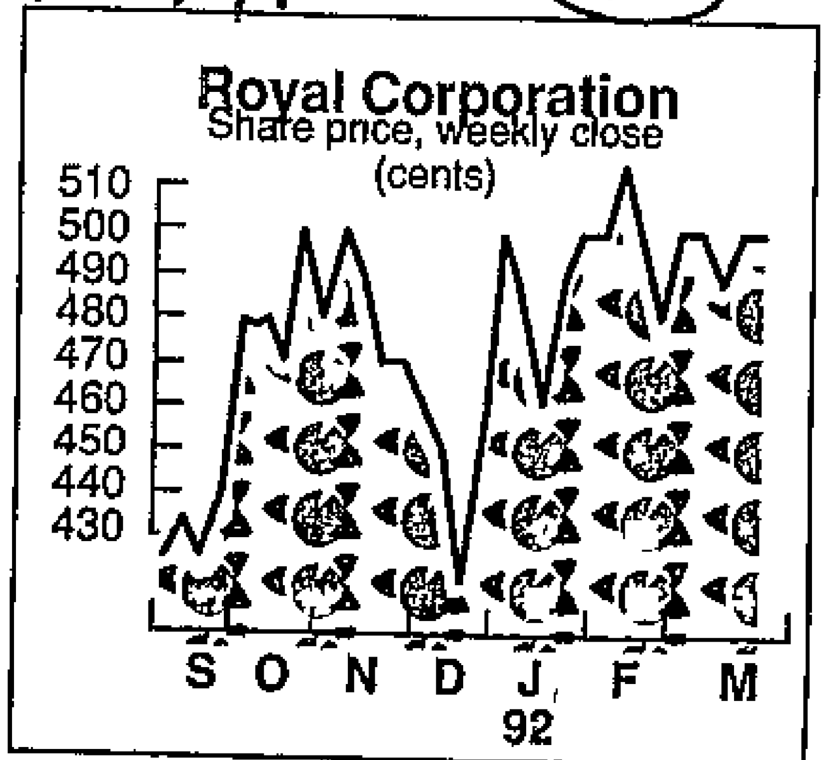
Royal Corporation (Roycorp), Royhold, recently listed Royal Foods (Royfood) and Roychem reported results marginally higher than expected All matched their dividend forecasts made in March 1991 on the listing of Roychem and Royfood

Comparisons with the previous period are "largely futile", executive chairman Vivian Imerman said, as the financial year-end was changed from February to end-August, and the group's acquisitions of Sapco and Ferro saw it restructure into operating divisions Royfood and Roychem, which were separately listed Also, seasonal factors affect most of Royfood's operations.

Nevertheless, Roycorp increased its earnings by 64,3% from to 25,3c a share compared with 15,4c in the same period last year before Sapco and Ferro were acquired

Attributable earnings grew by 62,9% from R10,5m to R17,1m, and turnover increased from R118,0m to R220,7m

The reported earnings represent an annual average compound growth rate of 43,2% a year over the past five years Earnings calculated for the 12 months to end-February were 43,9c, marginally above the 43,4c a share predicted in the group's annual report A dividend of 7,6c (7,0c) a share was declared



Graphic LEE EMERTON Source I NET

The 65%-held Royfood had performed well, Imerman said, and earnings of 18,9c a share for the six months brought earnings for the year to 32,0c a share, exceeding the 31,2c a share forecast at listing Turnover for the six months was R127,5m, attributable earnings were R18,4m, and an interim dividend of 5,5c a share was declared

Imerman said the Lecol acquisition would not have a material effect on earnings in the current year But the completion of Royal Beechnut's new distribution centre, together with factory alterations for the Manhattan sweets and Lecol divisions and progress at the biscuit manufacturing plant, placed it well for an upturn At Sapco, the season's pack was almost complete and it would slightly exceed forecasts Planned shipments would be achieved despite the economic slowdown in Europe

Roychem, which is 58% held, reported earnings of 18,4c a share for the six months to end-February, and 34,6c a share for the 12 months to end-February, after forecasting earnings at a marginally lower 34,5c a share

Turnover was R93,3m and attributable earnings R8,9m, and Roychem declared an interim dividend of 6c a share

Roychem division Holpro had held market share in tough conditions, while Ferro was gaining market share some of its divisions, Imerman said The plastic division was experiencing pressure on margins, but Laser was performing well

Imerman said margins in all the companies had improved, especially at Royfood where the introduction of Sapco has had a marked effect

He said the balance sheet of all four companies was strong, especially in view of the fact that borrowings reflect seasonal factors

There could be a modest improvement in the economy in the second half of the year, Imerman said, and both the food and the chemical divisions were in a position to take advantage of a return to more normal inventory levels and consumer offtake levels in their markets

ANC welcomes shutdown of Thor Chemicals

182

THE ANC yesterday welcomed the closing down of Thor Chemicals, the Cato Ridge chemical waste import company, pending a public investigation of health and safety standards at the plant.

Three workers at the Natal plant — Peter. Cele, Engelbert Ngcobo and Albert Dlamini — are being treated in Durban hospitals for what appears to be organic mercury poisoning.

Their conditions continued to worsen yesterday, according to Dr Mark Colvin of the University of Natal's industrial health unit.

Colvin said the three men were receiving the best possible treatment and were receiving drugs which removed mercury from the body.

B/Day 1/4/92

In a statement the ANC said the investigation should include expertise from the World Health Organisation and the trade union movement.

All workers, past and present, should be given a thorough medical examination, the ANC said.

Colvin said Prof A C Davies from the National Council of Occupational Health would arrive in Durban today to begin an independent investigation into Thor Chemicals and apparent mercury poisoning of the three workers.

A Thor Chemicals spokesman said the outcome of the investigation would be passed on to the Department of Manpower, which is conducting a separate investigation. — Sapa.

Expansion at SA refineries

BiDay 1/4/92

SA OIL refineries were expected to spend more than R4bn on expansion projects by the end of 1995, said CE of Engen's Genref refining arm Errol Martin

He told a conference on capital expenditure prospects that petroleum companies were operating close to maximum capacity in SA despite an underperforming economy (183)

"The imposition of sanctions during the 1980s inhibited the multi-nationals from increasing capacity"

Instead, the industry resorted to enhancement programmes, like better process control, which were now at or near completion.

Engen is SA's first integrated energy company, with activities ranging from oil and gas drilling to petrol pump sales. As part of Gencor, it incorporates Mobil's former SA operations.

Faced with a gradual return in domestic demand for liquid fuel from 2% now to at least the 6% annual growth averaged in the 1980s, oil companies' only alternative to expansion was the costly importation of refined products. Martin said Engen believed that relaxed sanctions would allow SA to replace more distant sources as the preferred supplier of oil products to countries in its region. — Sapa-Reuter.

ANC seeks ban on toxic waste import

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STAR 1/4/92

The ANC has called for a ban on the importation of toxic waste following the hospitalisation of three Durban workers

Peter Cele, Engelbert Ngcobo and Albert Dlamini, workers at Thor Chemicals in Cato Ridge in Natal, are being treated in Durban hospitals They are thought to be suffering from mercury poisoning

Their condition continued to worsen yesterday, according to Dr Mark Colvin of the University of Natal's industrial health unit.

Dr Colvin said Mr Ngcobo was still in intensive care at Durban's King Edward VIII Hospital Mr Cele's condition remained bad and Mr Dlamini's speech was deteriorating and he was experiencing increased difficulty standing or walking

The Department of Manpower has announced a public inquiry into the alleged poisoning

In a statement issued in Johannesburg yesterday, the ANC said "tons of toxic waste, too dangerous to process abroad, has been imported by Thor Chemicals with Government approval" — Staff Reporter

'Yes' vote 'paves the way for Engen in Africa'

B/Day 3/4/92 (183)

MATTHEW CURTIN

LAST month's "yes" vote in the referendum had paved the way for oil and fuel producer Engen to become the dominant player in the sub-Saharan region, said MD Rob Angel.

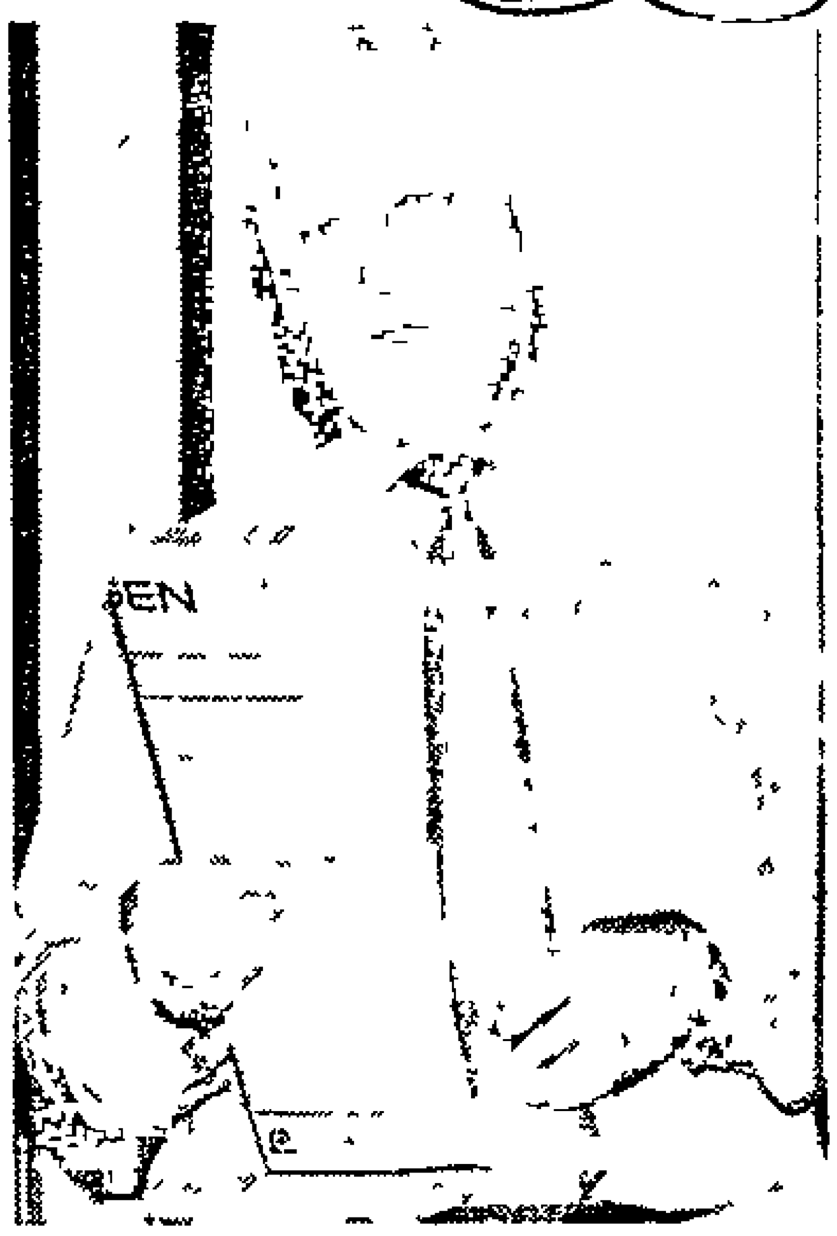
Angel said the vote would enable Engen, the Gencor group's energy arm, to achieve its potential in Africa, and had improved chances that the UN oil embargo on SA would be lifted by the end of the year

Speaking at a news conference in Johannesburg yesterday, he said Engen had necessarily been secretive about its activities in Africa, but this was decreasingly the case today

Engen had a formal presence in 15 African countries outside of southern Africa (SA, Botswana, Lesotho, Namibia and Swaziland) Angel said the group was selling a wide range of its products — from fuel to lubricants — in these countries.

The limit on exports to the sub-continent and Indian Ocean islands was not the size of the market but Engen's refining capacity

The 30% increase in Engen's refining capacity, which would come on stream in late July with the completion of the phase 1 Genref expansion programme, would immediately be taken up by refining for subsidiary Trek and meeting export demand



● ANGEL

In the six months to end-February, the group had sold more fuel and oil products on the continent than it had in the whole of financial 1991, when exports stood at 300-million litres, 5% of total sales volumes

Exports now accounted for about 10% of sales, which in the interim stood at R3,2bn

Angel said Engen officials returned last week from a visit to the Congo, where the country's oil industry authorities had invited the group to explore for oil and restructure its downstream infrastructure Engen was involved in a joint drilling programme with BP in the Congo

He said Engen had started drilling a second oil exploration well in Gabon, six weeks after the completion of a first well, from which results had been encouraging

Engen was bidding with other overseas partners, including Chevron, for two offshore oil exploration licences in Namibia Exploration off the SA coast in the Bredasdorp Basin was continuing at a slower pace

There were no likely large oilfields in the basin and Engen was waiting for new technology to become available to maximise the potential exploitation of small pockets of oil which could be drilled economically

He said West Africa was the area of greatest potential for oil discoveries. Engen was involved in three countries in the region, and in another five in East and Central Africa

Engen headed for record earnings

183 85

B/Day 3/4/92

MATTHEW CURTIN

OIL and fuel producer Engen is heading towards a year of record earnings growth after attributable profit surged nearly 70% in the six months ended February 1992

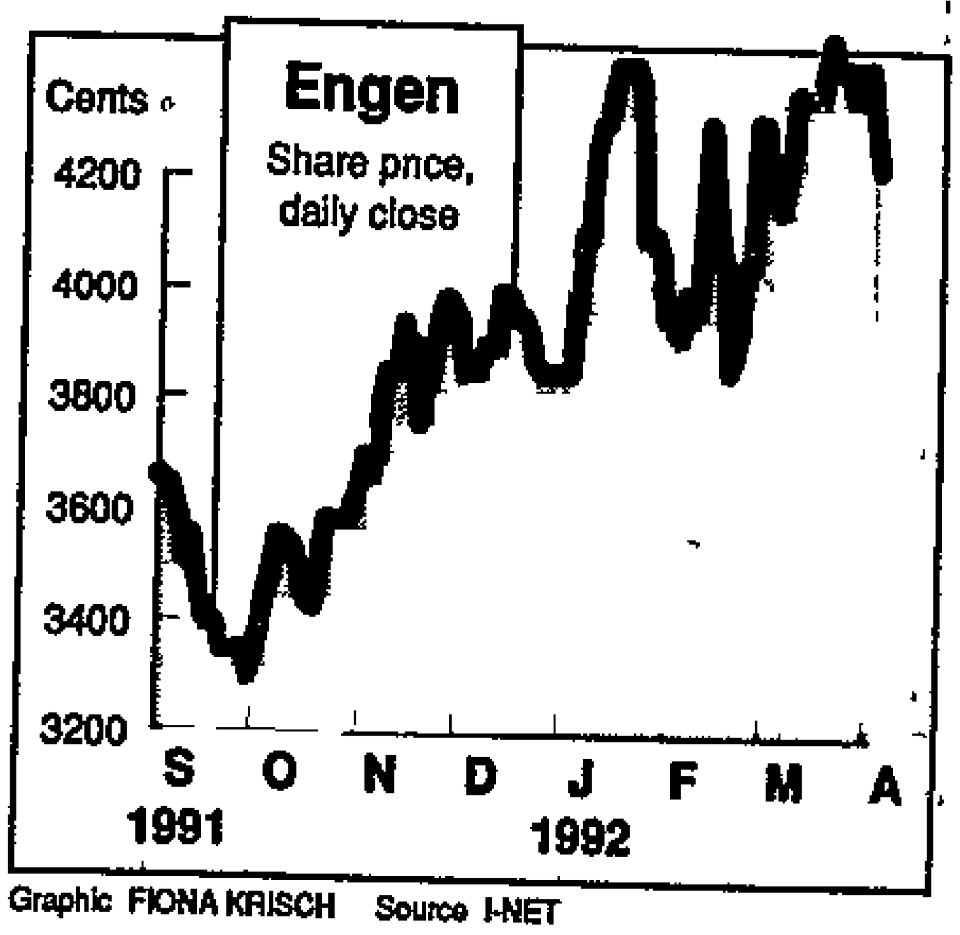
Engen, the Gencor group's energy arm, declared a 19% higher interim dividend of 50c, against 42c a share in 1991.

Attributable earnings rose 68,9% to R206m from R122m in 1991 This translated into a 21% jump in earnings a share, to 134c from 111c given the greater number of shares in issue after Engen's 1991 rights issue

MD Rob Angel said yesterday although refining margins were lower so far this year than last, they were unlikely to fall further and Engen's "second half-year's results should match those of the first".

At a news conference in Johannesburg, Angel said interim earnings included R20m injected from the group's inventory reserve, set up to counter the vicissitudes of the commodities cycle on Engen's earnings The reserve stood at R84m at year-end 1991, containing much of the windfall profits the group earned on good refining margins during the Gulf war.

In the interim, a R67m boost from interest earnings on its R1,1bn rights issue last year, on top of better wholesale margins



Graphic FIONA KRISCH Source I-NET

and fuel prices, dramatically improved the effect of only modest sales growth on the group's bottom line. Turnover rose only 4% to R3,2bn from R3bn in 1991, but operating income increased more than 15% to R190m from R165m

Engen paid only R2m more tax in the period — R50m against R48m in the interim 1991 — despite its improved profits because of its large capital spending programme and the investment of surplus rights issue cash mostly in preference shares. The group's effective tax rate fell

☐ To Page 2

Engen

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☐ From Page 1

to 19,5% from 28,2%, and Angel said the group would probably add R40m to its R96m tax reserve by year-end.

Angel said sales were far from "sparkling" in the period with a 3% increase in the amount of fuel products sold and a greater share of the petrol market, which rose 5% in total Diesel sales fell, reflecting the slump in industry and agriculture

Export sales soared more than 300% albeit off a low base, and now made up 10% of total sales

Angel said by running 15% more crude oil through Engen's refinery the group offset lower refining margins

Engen spent R248m in the interim mostly on the phase 1 expansion programme of the Genref refinery, which was on schedule and ready to boost refining capacity by 30% when it came on stream in late July The upgrading of Genref would also improve yields of higher value oil products, reduce working costs and provide better environmental controls He said the feasibility study for the phase 2 expansion, which would lift capacity by another 40%, was at an advanced stage

Angel added that Engen had created a new chemicals division, including Mobil's specialised products division, but would not comment on speculation that the group had bought chemical company Aktol, formerly owned by US oil-giant Exxon

● See Page 9

Engen foresees swift end to the oil embargo

STAR 3/4/92

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By Derek Tommey

The Yes vote in last month's referendum could result in cheaper petrol, says Robert Angel, MD of Engen, South Africa's major oil company

He believes the Yes vote will lead to a speedy lifing of the UN embargo on oil sales and so to lower import prices for crude oil.

He was speaking at a presentation yesterday of Engen's profits for the six months to February

Although Engen did not have an easy time, operating income increased

Helped by a steep rise in investment income from last year's rights issue, Engen has been able to report a 69 percent rise in attributable earnings

However, a 40 percent rise in the number of shares in issue restricted the increase a share to 20,6 percent.

The interim dividend has been raised by 19,1 percent

The interim profit statement shows that turnover for the six months rose rose only 4,4 percent to R3,2 billion

But, helped by two petrol price increases of 2c a litre in wholesale margins last year, operating income rose 15,2 percent to R190 million

Net financing income from the cash raised by the rights issue brought in another R67 million (year ago, R5 million) and contributed to pre-tax earnings rising R87 million to R257 million

Because the investment income was tax-free, tax took only R50 million — an increase of only R2 million on last year

This resulted in taxed income of R207 million (R122 million last year)

Earnings were 134c (111c) a share. The interim dividend has been raised from 42c to 50c a share.

Domestic sales showed only a marginal increase, but exports to other African countries rose threefold, though off a low base

Mr Angel said exports were beginning to assume considerable importance, but that margins were low

He said Engen was forging ahead with its expansion programme aimed at increasing revenue and profit

The rebuild of the lube oil blend plant at Island View in Durban and the new grease plant at Chamdor were completed in February and both projects were within budget

Phase 1 of the refinery expansion aimed at increasing production by 30 percent was progressing well and remained on budget, he said

The refinery at Durban would be shut for several weeks from mid-June and production should resume in late July

Mr Angel said the 30 percent increase in production would be absorbed the day it came on stream

A feasibility study for the Phase 2 expansion of the refinery, providing for a further 30 percent increase in production, was at an advanced stage.

Some R70 million had been provided for detailed engineering studies and for placing orders for long-delivery equipment items

Mr Angel said the £665 million (R3,3 billion) Alba oil development in the North Sea, in which Engen had a two percent stake, was on schedule and on budget, with the first oil expected towards the end of 1993

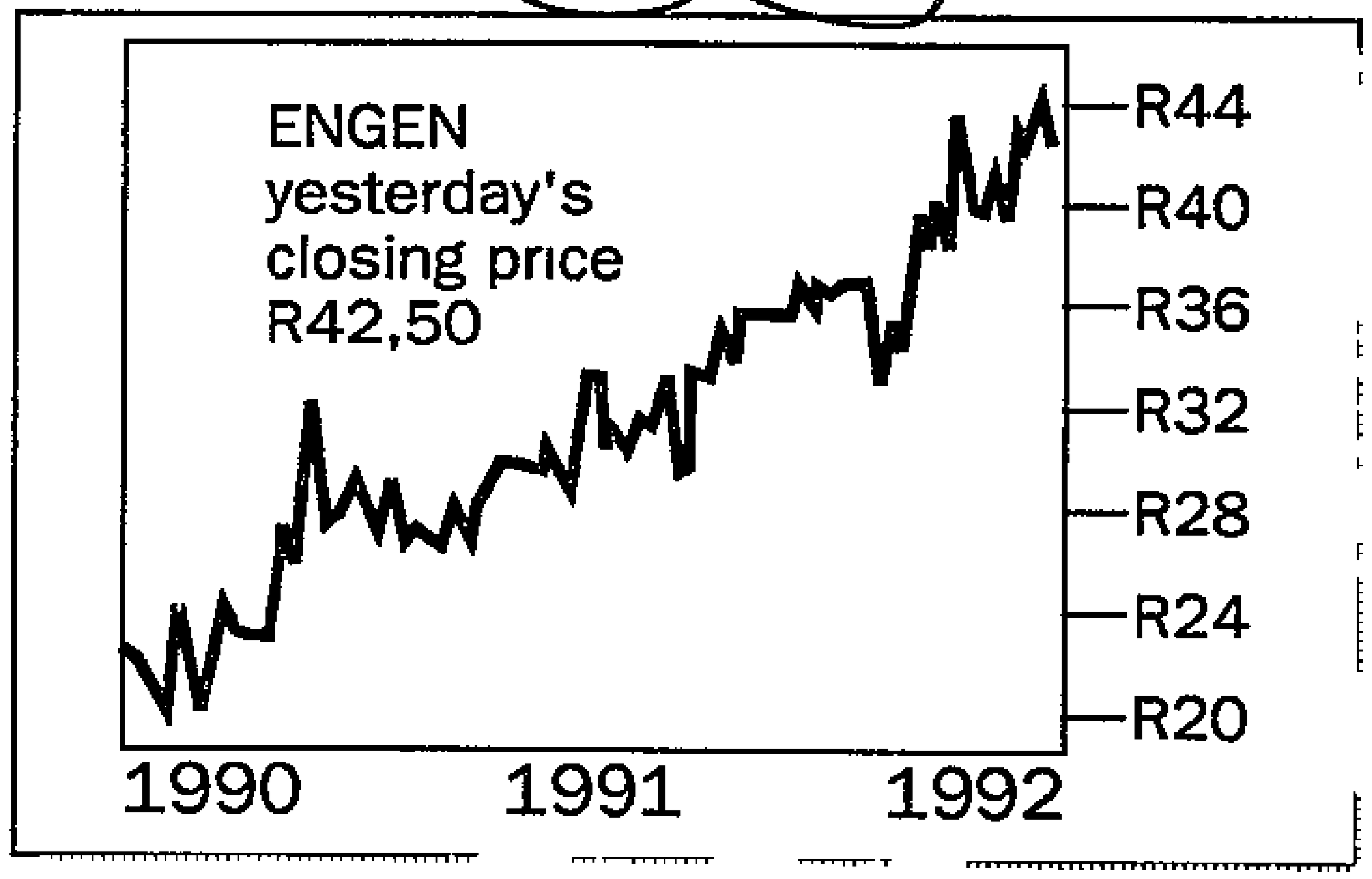
Pre-development studies and appraisal drilling were in progress on the Britannia (formerly Kilda) gas condensate field, also in the North Sea

He said the programme schedule had been accelerated and should start production in 1997

Exploration continued in the Bredasdorp Basin in the southern Cape with two exploration and two appraisal wells, and in Gabon with two exploration wells

● The Mobil name would ssoon disappear from the South African motoring scene to be replaced by the Engen name.

Mr Angel said this was being done in terms of the agreement made when Engen acquired Mobil's South African activities



ROYAL CORP FM 3/4/92

On target (183)

Growth by acquisition is certainly not without risk, but the Royal group still shows no signs of faltering in its rapid expansion

Though latest interim results for Royal Corp and its operating companies Royal Foods and Roychem are not strictly comparable with the year-ago figures, the earnings forecasts have been comfortably met

Share prices of Royal Corp and 65%-held Royal Foods have climbed steeply since late 1990 Early this week, the holding company was up from about 150c to R5 It gained another 50c after release of the figures Royal Foods rose from about 350c in mid-1991, shortly after the group was restructured, to 560c ahead of the figures, when it gained 20c

The market seems less convinced at this stage about the merits of Roychem, held 58% by Royal Corp. After trading at 260c last April, it stands at 240c, having dropped to 200c earlier this month

With EPS for the six months to end-February at 18,9c, Royal Foods' 12-month EPS rise to 32c, place the share on an earnings multiple of 18 — a demanding rating but not notably out of line with the sector average In contrast, Roychem, with 12-month EPS of 34,6c after the interim figure of 18,4c, offers an earnings multiple of 6,9 on the historical results

Tougher markets

Royal Corp has produced interim EPS of 25,3c, giving a 12-month figure of 43,9c and an earnings multiple of 12,5 — still below the industrial holding sector average of 14,2

The chemical activities appear to be facing tougher markets, with pressures on margins Emphasis appears to be on at least maintaining market share Directors note that the Holpro-Lovasz division has held its market in difficult trading, but prospects will depend on how soon economic recovery enhances demand for chemicals In the plastics division, competition is "fierce" and markets thin

Even allowing for seasonal effects, Royal Foods continues to enjoy substantially better

FM 3/4/92 (183)

margins than Roychem The foods produced a trading profit for the six months of just over R25m on turnover of R127m, the chemicals show trading profit of R11,7m on turnover of R93,2m

Royal Corp financial director Jacques Fragis notes that trading conditions over the past year were generally more difficult than was expected when the group was restructured and the earnings forecasts were set However, the forecasts were conservative

He says management believes the group will again have a "fairly good" six months and he notes that demand for fruit exports by Royal Foods has remained firm The fruit exporter Sapco has nearly completed the season's pack, which will slightly exceed forecasts

Andrew McNulty

T&N HOLDINGS FM 3/4/92

Leaner shape

(183)

Activities: *Developing, manufacturing and trading in chemicals and plastics, automotive components, and industrial products*
Control: *T & N Plc 51%*
Chairman: *C F N Hope, CE W W Cooper*
Capital structure: *23 1m ords Market capitalisation R84m*
Share market: *Price 365c Yields 6,6% on dividend, 19,2% on earnings, p e ratio, 5,2, cover, 2,9 12-month high, 400c, low, 150c Trading volume last quarter, 118 000 shares*

Year to Dec 31	'88	'89	'90	'91
ST debt (Rm)	30,4	60,7	73,3	48,6
LT debt (Rm)	16,0	35,0	31,5	46,4
Debt equity ratio	0,38	0,76	0,60	0,34
Shareholders' interest	0,53	0,40	0,39	0,40
Int & leasing cover	4,5	2,5	1,6	1,9
Return on cap (%)	13,9	15,3	11,2	12,3
Turnover (Rm)	235	392	413	426
Pre-int profit (Rm)	26,2	39,5	32,7	39,6
Pre-int margin (%)	11 2	10,1	7 9	9 3
Earnings (c)	87,7	69,3	35	70
Dividends (c)	44	31	13,8	24
Net worth (c)	433	389	408	492

The acquisition of the minority shareholdings in the automotive components company Associated Engineering (Asseng) at the end of last year, and the termination of that company's listing on the JSE, coincided with a sharp improvement in Asseng's operating profit

With T&N Holdings' accounts drawn up on the basis that the company was a wholly owned subsidiary at year-end, Asseng's profit was equivalent to the total amount generated by the trading divisions (see table)

continue ->

FM 3/4/92 (183)

Trading margins in the automotive division widened from 8,4% to 10,2%, but in the industrial and mining division the margin buckled from 15,2% to 11,5%, while the loss in the chemicals and plastics division mounted to R5,2m

In addition to the income from these divisions, there was dividend income of R3,2m (1990 nil) from associates, and R4,8m (1990 R4,5m), credited as an abnormal item, because of a pension holiday resulting from a surplus on revaluation Included in dividend income was R2,2m received from the property owning associate company Distro Dee (Pty), which was sold after receipt of the dividend

Three-quarters of group sales last year were from the automotive components activities Of the remainder, 8,5% was from industrial and mining and 16% from chemicals and plastics

Export sales have continued to grow from the small base of R3,4m set in 1987 Last year saw an increase from R29,1m to R42,7m, about a tenth of group sales

Chairman Colin Hope contends an opportunity has been created for the company by T&N Plc's decision to reorganise into worldwide product groupings He reckons T&N Holdings will benefit from participation in the group's global technology and marketing network and says local divisions are seeing evidence of successful implementation of the policy

PROFIT SOURCES

	Turnover		Operating profit	
	Rm			
	1990	1991	1990	1991
Automotive components	306	322	25,7	32,7
Industrial & mining	38	36	5,7	4,2
Chemicals & plastics	70	68	(0,2)	(5,2)
Total	414	426	31 2	31,7

Even so, more difficult conditions have been encountered in local and export sectors In AE Bearings, for example, the downturn in export demand from group after-market companies in Europe — due to the deep recession in their markets and the consequent stock adjustment — led to a reduction in the ordering levels in the second half of 1991 This resulted in an "unavoidable programme of retrenchment and cost elimination"

Attention was paid in general to asset management and efficiencies in the group The payroll has been cut by 285, bringing total employees down to 3 683 from the 1989 peak of 4 117 About R19,2m was generated through a reduction in working capital and a greater proportion of borrowings were moved into long-term loans

Hope notes that two long-term facility agreements concluded late in 1991 will reduce finance costs in future years After being excessively geared in the previous two years, T&N ended last year with a much leaner balance sheet Short-term deposits, bank balances and cash rose to R51,5m (R36,8m), bringing the net debt equity ratio down to 0,34

Interest and leasing cover was still thin at 1,9 times, but this evidently does not fully reflect the year-end debt position If present trends are maintained, the net finance charge should continue to fall

It is not clear when a turnaround will be achieved in the loss-making chemicals and plastics division, which is suffering from weaker demand, tight competition, low-cost imports and labour problems

The tax charge was minimal at R594 000 This will presumably rise over the next few years, though it will probably remain low due to exports and tax losses estimated at R12,4m (R16,2m)

Earnings have doubled and Hope expects benefits from the drive to remain competitive in local and export markets and from T&N Plc's policy on worldwide product groupings Based on present yields, the share looks worth following But EPS, which have been erratic over recent years, are still below the 1988 level — and Hope warns that trading in 1992 is expected to remain difficult

Andrew McNulty

Omnia group commissions two new plants

STAR 3/4/92

Finance Staff (183)

The Omnia group has commissioned two new plants at a cost of R17 million to widen its range of explosives for the mining industry

The company's subsidiary, Bulk Mining Explosives (BME), is already a major supplier of explosives to the surface mining sector, and this production expansion will now give it access to the underground market as well

One of the new plants produces porous prilled ammonium nitrate (PPAN), on a site adjacent to Omnia's fertiliser complex at Sasolburg, from where it draws ammonium nitrate as its basic feedstock

PPAN, an essential intermediate in the production of commercial explosives, was previously imported or purchased from competitors

The other is an ammonium nitrate fuel oil (ANFO) mixing and packaging plant, which has been sited at Phokeng in the heart of the platinum mining area This plant will manufacture a range of explosive products based on the PPAN produced at Sasolburg

The technology for the PPAN production process has been licensed from Kaltenbach Turing of France A worldwide investigation by Omnia identified this process as the latest and most advanced of its kind

"We are confident that this technology, and in particular the version we are using, will give us a high-quality product which will be on a par with the best available internationally," says managing director Neville Crosse

● Omnia overcame the initial phasing in of tax and tough trading conditions to lift earnings per share 12 percent to 82c in the year to December 1991

Pre-tax earnings rose 24 percent to R34,7 million on a turnover which grew by 15 percent to R438 million

The dividend has been increased by 17 percent to 35c per share

While this reduces dividend cover marginally from 2,50 to 2,34 times, it is in line with the group's policy of raising the dividend at least by the inflation rate.

Scaw gets oxygen

5/4/92 183 45(1)

AFROX has commissioned a R40-million air separation plant in Germiston to meet the increased needs of Scaw Metals and other industries.

The 200-ton-a-day plant will provide Scaw with oxygen for new steel-making technology

The company will also draw nitrogen and argon for other industries ST Times [BUSS]

Rand firm in poison probe

S/Times (BUSS) 5/4/92 (183)

By CURT VON KEYSERLINCK

THE Department of Water Affairs is investigating allegations that waste-disposal company Wadechem handled toxic material "irresponsibly and dangerously".

It is said to have pumped a highly toxic phenol and leachate mixture on to farmlands from its disposal facilities at Holfontein near Springs. It is also accused of using cyanide waste containers in a way that could have produced poisonous cyanide residue gases.

The allegations are made in an affidavit by waste-disposal expert Steven Elliot, a former Wadechem employee.

A source in the department says tests are being done to determine whether the Environment Conservation Act has been contravened So far the tests have been negative, but they are not complete

He says a difficulty is that the alleged contraventions occurred some months ago and dumped toxic material could have since leached away

Wadechem competitor Waste-tech — a subsidiary of JSE-quoted company Fraser Alexander — obtained an order from the Rand Supreme Court last month

It resulted in the sheriff's searching offices in Benoni.

This action stemmed from the affidavit by Mr Elliot

Prices

He says that while he was working at Waste-tech last year he supplied Wadechem with copies of confidential documents from Waste-tech's files

The documents contained contract prices and other information about Waste-tech's major customers

Mr Elliot says he was paid R2 000 for the information by Alistair Gillespie who worked at Wadechem

Mr Gillespie previously worked at Waste-tech, but left shortly after being demoted

Mr Elliot says Mr Gillespie undertook to get him a job at Wadechem Wadechem subsequently offered him a job at a salary of R5 500 a month and a company car But he told Wadechem that he wanted R7 000 a month Waste-tech had in the meantime raised his salary to R6 000

Mr Elliot says "I realised that if I refused the position offered, Gillespie was in a position to advise Waste-tech of my doings which would endanger my position with Waste-tech and leave me unemployed

"I accepted the position as offered as I felt I had no other choice and resigned from Waste-tech"

In his new position Mr Elliot and Mr Gillespie had several meetings with Waste-tech customers

Mr Elliot says "At each of these meetings Gillespie was in a position to quote competitive disposal prices He had access to the disposal prices quoted by Waste-tech as I had furnished them to him"

Shortly after this, several Waste-tech customers moved their business to Wadechem They included Reckitt Household Products, Fry's Metals, NCP, Renown Foods, Carlton Paper, SA Cyanamid and Gypsum Industries

Their combined business with Waste-tech was worth R3,3-million a year

Copies of Waste-tech's documents relating to these customers were found during the sheriff's search of the Benoni offices.

Mr Elliot says that on February 6 this year he noticed that a pump had been installed at the Wadechem site It was connected to an underground pipe leading to farmlands 500m away The pipe was connected to a farm irrigation system

He says highly toxic liquid was being sprayed on the farmlands by this system When he complained, he was told to mind his own business

Mr Elliot then spoke to another waste-disposal company about setting up a company, but this apparently became known to Wadechem

He was taken from his work to a farmhouse where he was met by several people, including senior executives He was told to leave the country and that he would be bought an airline ticket to the UK and given some money

Warning

He was warned that a senior Wadechem executive had connections in Soweto and would have him killed if he returned to SA and involved himself in Wadechem's business

Mr Elliot later signed an undertaking that he would not return to SA It is believed that he is now in the UK

A spokesman for Wade Refuse, a company associated with Wadechem, says the company's attorneys have been instructed to oppose the court application by Waste-tech

He denies the allegations in Waste-tech's founding application He is not prepared to debate the matter in the media because the matter is due to come before a court

Engen eyes on ethylene

S/Times [Buss] 5/4/92 (183)

By ZILLA EFRAT

ENGEN is looking at another expansion phase for its Genref refinery in Durban

It would follow the R2,7-billion two-phase capacity expansion project already announced and could be expanded to include an ethylene cracker.

Engen chief executive Rob Angel says the R670-million Phase 1 project will come on stream in August and increase capacity by 30%

Phase 2, which could cost R2-billion and improve capacity by another 30%, is expected to be operational by mid-1995

Engen may require extra capacity by 1997 to meet its growing markets. So it is looking at Phase 3 which could cost R1,5-billion in today's money

Mr Angel says "An important factor will be to reduce the refinery's fuel-oil production and increase its output of high-value products."

Engen has commissioned a London consultancy firm to help with the feasibility study for Phase 3

Part of this study will examine the economics of a joint-venture ethylene cracker in Durban

The feasibility study for Phase 2 is at an advanced stage and the Engen board has approved R70-million for detailed engineering studies Orders for long term deliveries have already been placed

Mr Angel says Engen has been redirecting its exploration expenditure to West Africa at the expense of the Bredasdorp Basin because these areas offer higher potential

In the current year, Engen's budget for exploration in the Bredasdorp Basin will be half of last year's

Upstream

Development of the Alba and Britannia oil and gas fields in the North Sea is making good progress Engen continues to look at other opportunities in the area

Engen executives returned from the Congo this week where both upstream and downstream operations were discussed

Engen is drilling in Gabon and Congo and exploring opportunities in West and Central Africa

ENGEN FM 10/4/92 (183)

Foreign prospects and exports add spice

A week ago Engen CE Rob Angel, noting the importance of the referendum result for the group and the oil industry at large, predicted the UN embargo on crude oil would be lifted by the end of the year This week's announcement by the EC that its oil restrictions against SA will go (see *Business*) must lend weight to that prediction

The upshot, said Angel, of UN sanctions being lifted (affecting supplies from the Middle East and more important than the EC restrictions), could lower import prices for crude oil and *should* result in cheaper prices at the pump. The latter would be up to government but the optimistic view is that with sanctions gone the industry might be deregulated to some extent, possibly leading to a short-term price war as oil companies offer competing prices to service stations

Angel says Engen has been gearing up for the end of UN oil sanctions The importance for the group would be the possibility of negotiating with a direct supplier. Angel says Engen has already held discussions on this and lobbied government to let it buy crude directly. If successful, that should take at least a few cents off the price of a barrel, now about US$16,50

Engen performed strongly in the first half, economically much tougher than the same time last year, when the Gulf War boosted refining margins, but the main reason was profitable use of the proceeds of the rights issue With turnover growth slackening to 4,4% from the previous year's 22,8% (and hence falling in real terms), operating profit grew by a creditable 15,2% (1991: 17%).

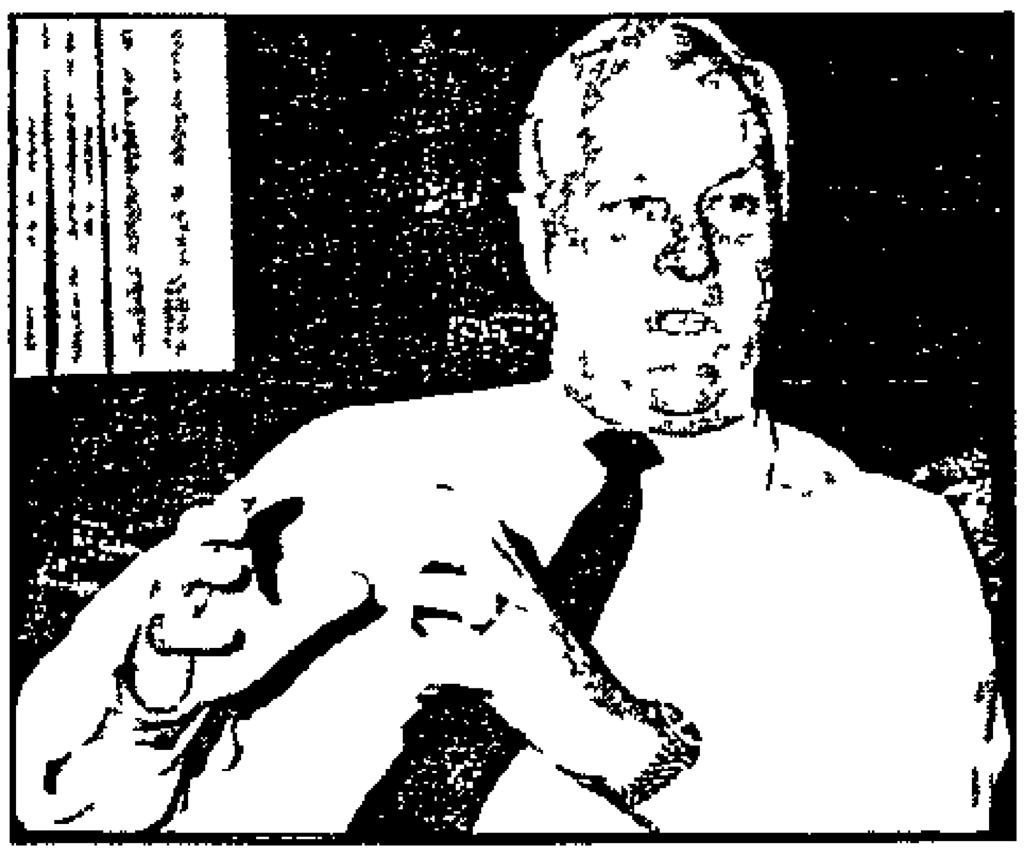
Improved operating margins were aided by two price increases from government Angel says overall product sales advanced by about 3%, while industry petrol sales grew some 5%, which according to Angel saw Engen increase market share slightly

Refining margins, however, were down, not unexpected after inflated war prices but still lower than expected At an estimated $6-$7 a barrel, the margin is about $2 lower than the first-half last year and could drop another $1 in the second-half, though Angel believes it is close to bottoming

The impact was offset by a 15% hike in crude oil running through the Genref refinery in Durban, and earnings were smoothed by a R24m injection from the inventory equalisation reserve, set up largely from the war profits to counter commodity price swings Falling oil prices eroded another R20m of the fund and if a similar amount is transferred to profits in the second half the fund should reach about R30m by year-end

But the real boost to pre-tax profit came from interest earned on last year's R1,1bn rights issue, pushing financing income up by a hefty R62m on last year's R5m. An investment of R500m, nearly half the sum raised, in tax-free preference shares slashed the effective tax rate by 31% to 19,5%, resulting in an increase of only R2m on last year to bring the tax line to R50m

For the full year R40m is earmarked for the tax equalisation reserve, now R97m, but Engen is considering changing the policy of putting aside the difference between its effective and actual tax rate, about 15% The feeling seems to be that, instead of locking up funds in the reserve, more should be distributed to shareholders The policy could be reappraised by year-end



Engen's Angel . *helped by finance income*

Still, shareholders can't be unhappy with the increased interim dividend. EPS rose 21%, dilution from the additional 44m shares in issue being offset by the high return on short-term investment of the rights proceeds

As well as the financial specifics, the growing foreign interests are what is really exciting the market Angel has made no secret of his ambition to make Engen a genuine international company, and it is making good progress Export sales more than trebled, though off a low base, and are now 10% of the total

The first oil should flow from the Alba field in the North Sea towards the end of 1993, and development of the Britannia (formerly Kilda) gas condensate field has been accelerated, with 1997 the new target date for production Exploration continues in several locations off the south and west African coasts, and new opportunities are being assessed in West Africa and the North Sea

The share price continues to climb steadily and is only 150c off its recent high of R44,50 With continuing expansion, promising exploration activities, and second-half results expected to match the first half, it remains a highly valued growth stock. The lifting of sanctions and easing of government regulations could make 1993 an exciting year for Engen

The only activity not worth talking about is Mossgas Engen has until mid-1994 to decide whether to walk away from its 30% equity investment in the project, and that looks a distinct possibility *Shaun Harris*

REFINING PROFITS

Six months to	Feb '91	Aug '91	Feb '92
Turnover (Rbn)	3,09	3,01	3,23
Operating inc (Rm)	165	214	190
Attributable (Rm)	122	164	206
Earnings (c)	111	122	134
Dividends (c)	42	74	50

EERSTELING FM 10/4/92

Expropriation

Minority shareholders should reject the 1c share offer from Esor Establishment SA but face a tough choice between electing to stay in the company in its new form or trying to block the scheme of arrangement in hope of getting a better offer

As it stands, the offer is yet another example of minorities being left whistling in the wind while creditors are paid out almost in full and the assets go to new owners at a knock-down price

The proposal is to consolidate the existing capital from 80m to 800 000 shares and then issue 7,2m new shares to Esor in payment for Esor settling Eersteling's concurrent claims of about R6,5m If minorities approve the scheme but elect to reject the 1c offer and stay in the company their interest will be diluted to 10% of the new equity

An "expropriation" clause in the circular to members states that at least 10% of shareholders, or holders of at least 25% of the equity, must elect to remain invested or all shares will be forcibly redeemed There are some 9 000 shareholders

The circular contains errors concerning compliance with Securities Regulation Panel (SRP) and JSE rules It states "Neither the offeror, nor any director of the offeror has any direct or indirect registered or beneficial shareholding in Eersteling," and "there are no arrangements with, undertakings by or agreements between the offeror and Eersteling and persons acting in concert with either of them in relation to Eersteling shares "

Those undertakings are not valid Clause 1.7 spells out that major creditor Standard Merchant Bank (SMB) has offered its R5,1m claims to Esor for 80c in the rand as well as its 26,8% shareholding for a nominal R1, and Esor intends voting those shares in favour of the proposals SMB is the major creditor and largest shareholder, having tak-

cont →

Poisoned men weaken

THE condition of three former Thor employees admitted to hospital last month with mercury poisoning — which is incurable — has deteriorated rapidly. 183 183

Mr Engelbert Ngcobo, 40, is in a coma and has been hooked up to a life-support system. Mr Peter Cele, 21, is also comatose and Mr Albert Dlamini, 23, is finding it difficult to walk or recognise friends

A preliminary report on the situation at Thor, released last Friday, recommended that all workers in the company's employ be screened for mercury poisoning as soon as possible. S/Times 12/4/92

Thor has appealed to all former employees to contact the company so they can be screened for symptoms.

State defies own ban on importing toxic waste

S/Time 12/4/92

By RYAN CRESSWELL

THE government allowed thousands of tons of toxic waste — believed to be responsible for poisoning the Umgeni River in Natal — to be imported to South Africa "as an act of conservation".

But environmentalists claim the government circumvented its own ban on the import of hazardous waste to allow Thor Chemicals to process toxic waste — which the government classified as "raw materials" — at its Cato Ridge mercury reclamation plant, the world's largest

A spokesman for the Department of Environment Affairs said this week that Thor had been given permits to import the waste "so that it could recover mercury for re-use, thereby keeping it within the "production cycle" and out of the "waste stream""

"This procedure in fact satisfies the very sound environmental conservation principle of optimising the use of the resource," he said

He denied that the decision circumvented the government's policy decision on toxic waste

But Earthlife Africa claims the toxic waste imported by Thor has a 30 to 40 percent volume of hazardous compounds

Hole

Mr Brendon Wolff-Piggot, spokesman for Earthlife in Maritzburg, said "We believe the whole thing is deceitful We were told there was a ban on toxic waste imports but then a definition was used to circumvent it

"There is now a gaping hole in the ban which actually means there is no control for South Africa as far as toxic waste goes"

In February, Environment Minister Gene Louw told Democratic Party MP for Maritzburg South, Mr Rob Haswell, that the material imported by Thor was classified as "raw materials".

This week, his department blamed Thor's "apparent bad management, bad housekeeping practices, inferior pollution control measures or negligence" for "pollution incidents" in the area around the plant

"Current policy prohibiting the importation of waste for disposal in the RSA does not affect the approval — in principle under certain conditions — given to Thor Chemicals to carry on with the recycling of spent mercury catalyst," said a spokesman

"Thor's problems will not be resolved by the prohibition of the imported waste"

Thor's managing director in Natal, Mr Steve van der Vyver, denied that his company was importing toxic waste

"We receive only spent mercury products from our clients," he said

However, New Jersey-based American Cyanamid has confirmed that between 1986 and 1989, it shipped 70 tons of toxic waste to Thor for recycling and recovery Undisclosed amounts of toxic waste are also believed to have been imported from other areas, including Manchester and Ramsgate in Britain

Thor admits it received more than 700 tons of spent mercury catalyst from abroad between 1986 and 1989, and processed another 2 000 tons collected from South African sources during the same period.

In response to questions in Parliament from Mr Haswell, Mr Louw said "Raw materials are not waste materials The definition of raw materials does not depend on the origin or the physical or chemical state thereof

"Whether it is imported or manufactured locally is also irrelevant The phrase 'raw material' is defined in acknowledged dictionaries as a substance from which something is or will be manufactured"

Decision

Asked whether the government still considered mercury-containing wastes collected by Thor to be raw materials, Mr Louw responded "Yes Mercury is extracted from the substances concerned for the manufacture of a product and thus, per definition, those substances are raw materials"

A spokesman for Mr Louw's department said yesterday the decision to classify the compounds as "raw materials" was made by "several government departments", which felt the waste did not infringe the Hazardous Substances Act of 1973, administered by the Department of National Health

US supplier is a major polluter, says Greenpeace

AMERICAN CYANAMID, which admits sending 70 tons of toxic waste to Thor for recycling, is considered by Greenpeace to be a major polluter, discharging thousands of tons of hazardous waste throughout North America

The multinational corporation, with headquarters in Wayne, New Jersey, manufactures a range of products, including pharmaceuticals, pigments and pesticides It is a public-owned company and is one of the largest chemical firms in America

In 1988 Cyanamid agreed to spend a record $84-million (R244-million) to exhume waste from a Superfund toxic waste dump at its Bridgewater, New Jersey, plant

From 1929 to the 70s the corporation dumped a cocktail of poisons — including mercury wastes — directly into 27 pits that surround the Bridgewater site

Environmentalists also claim Cyanamid's Louisiana plant is one of the four largest hazardous waste generators in the US

Cyanamid purchases Thor's mercury catalyst for use in the production of synthetic rubber at Bridgewater It ships the resulting mercury wastes from Global Marine Terminal in Jersey City back to Durban The waste is then trucked to Thor in Cato Ridge for disposal, as part of a catalyst purchase agreement

Names of ships carrying the waste include the Gina S and the Michele

President George Bush's administration has not proposed any new laws that would prohibit US waste shipments to South Africa or anywhere else

AECI planning a R200m lysine plant

Bday 13/4/92

EDWARD WEST (183)

AECI is investigating the establishment of a R200m lysine manufacturing plant Lysine is an amino-acid used in animal feed formulations

Company spokesman Robbie Vermont said a decision to invest the money over two years would be taken towards the end of the year More than half the production would be for export

The plant would produce forex savings of between R12m and R15m a year, according to Customs and Excise

SA imported 2,9-million kilograms of lysine from January to September 1991 to the value of R15,8m, and 2-million kilograms for R12m over the same period in 1990, Customs and Excise said on Friday

In AECI's 1992 annual report released last week, MD Mike Sander said process technology for the conversion of feedstock to lysine was well advanced

Sander said consideration was also being given to steam cracking of feedstocks from the Mossel Bay synthetic fuels plant to produce chemical feedstocks However,

☐ To Page 2

AECI

Bday 13/4/92

(183)

☐ From Page 1

while Mossgas had been identified as a potential source of feedstocks, there was as yet no specific intention to exploit this potential

Further research and development (R & D) within AECI would be focused on lowering the costs of existing businesses to internationally competitive levels through innovative technology, and to provide new fields of business through development of technology capable of yielding internationally competitive advantages from SA's resources, said Sander

AECI expanded its R & D facilities at Modderfontein in 1991 The expansion would enhance AECI's capabilities in technology areas such as electrochemical techniques, coal conversion and the synthesis of various organic chemicals, said Sander

In the 12 months to December 1991, AECI spent R291m on developing its assets Major items included R54m for increased capacity at SA Nylon Spinners, R22m for new production capacity at Dulux scheduled for completion in mid-1992, and R14m to bring production facilities at its Midland factory in line with the ozone friendly requirements of the Montreal Protocol It spent R10m on additional R & D laboratories

AECI also invested R31m in Soda Ash Botswana to fund larger than projected negative cash flows during start up phase

8 I pay 14/4/92

Noristan seeks to diversify

183

MICK ELLINGHAM

HEALTH care group Noristan should not remain too dependent on pharmaceutical activities but must maximise complementary investment areas, says group MD Hugo Snyckers

A consumer products business unit had been established, said Snyckers in the group annual report, and a modern cosmetic manufacturing plant was nearing completion

Norimed reported earnings of R4,4m on turnover of R31,8m for the 18 months to December Noristan's financial year-end was changed to end-December from end-June to coincide with the year-end of W & A Investments, which holds 21% of Noristan

Earnings totalled 147c a share and a final dividend of 18c was declared, making 48c for the 18 months

Noristan had established a pharmaceutical marketing and distribution company in the UK

Snyckers said "progress has been made in resolving problems preventing the final commissioning of the salicylic acid plant to full production"

AECI

FM 17/4/92 (183)

Still no clear sense of direction

Activities: *Supplies explosives, chemicals and plastics to a wide range of industries.*
Control: *Afex Holdings 55,4%, Amic and ICI Plc have joint control*
Chairman: *G W H Relly, MD M A Sander.*
Capital structure: *154,7m ords Market capitalisation R1,48bn*
Share market: *Price· 955c. Yields 6,1% on dividend, 12,7% on earnings; p e ratio, 7,9; cover, 2,1 12-month high, 1 500c; low, 875c Trading volume last quarter, 943 000 shares.*

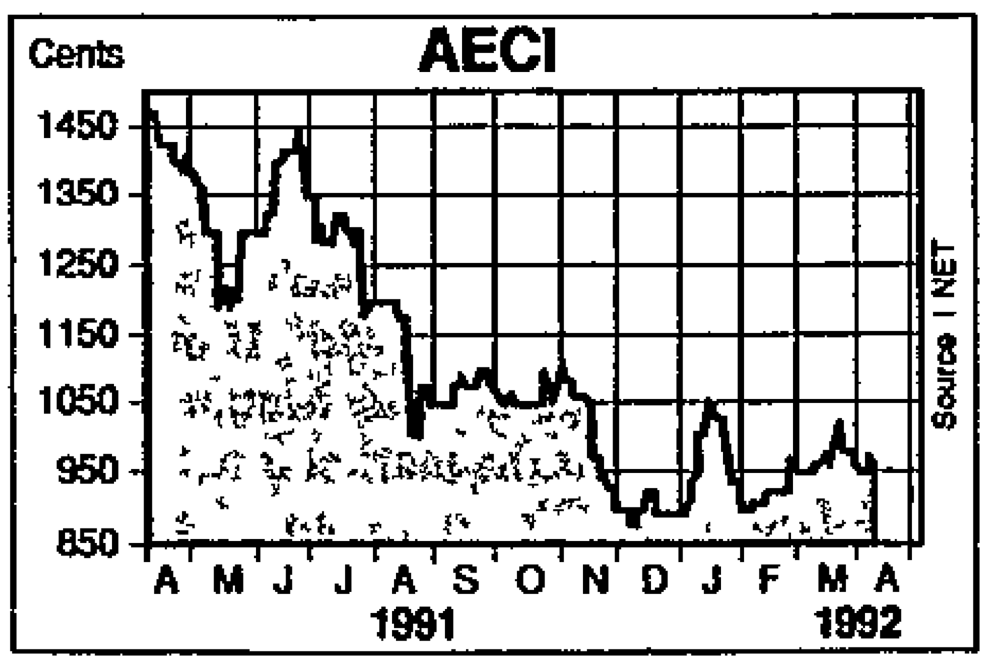
Year to	**'88**	**'89**	**'90**	**'91**
ST debt (Rm)	337	289	460	477
LT debt (Rm)	336	334	331	470
Debt equity ratio	0,57	0,42	0,57	0,47
Shareholders' interest	0,42	0,44	0,43	0,50
Int & leasing cover	5,4	4,9	3,4	2,3
Return on cap (%)	16,6	19,2	15,3	9,8
Turnover (Rbn)	4,08	4,76	5,03	5,28
Pre-int profit (Rm)	473	604	499	402
Pre-int margin (%)	11,6	12,7	9,9	7,6
Earnings (c)	165	203	154	121
Dividends (c)	75	87	87	58
Net worth (c)	733	847	861	1 255

AECI continues to flounder, with little clear sense of direction It is a capital-intensive business that needs to renew its fixed asset base and product range on a regular basis Instead, it has concentrated on what chairman Gavin Relly calls "carefully managed investment in well-selected areas"

These are fairly piecemeal, though spending on fixed assets increased from R255m to R291m The major item was R54m on increased texturising capacity at SA Nylon Spinners' plant at Hammarsdale and R22m on new production capacity for Dulux at Umbogintwini Though these are hardly bold investments, Relly says that even at present levels, upgrading capacity is putting a heavy burden on current income

AECI is waiting for appropriate amendments to tax policy to proceed with larger projects, but many of the business units operate with outmoded technology to compensate for the disadvantages it suffers in capital costs, productivity and tax

Finance costs increased by 22% to R159m, thanks to an increased investment in both fixed and working capital The effective rate of tax fell from 39,5% to 29,8%, thanks to higher export allowances.



AECI's Relly *waiting for tax changes*

The two core divisions, Explosives & Chemicals and Chlor-Alkali & Plastics (Caps), both had a difficult year because of overcapacity in world markets. The operating margin at explosives and chemicals fell from 9% to 6% and at Caps from 13% to 9%.

Explosives demand, at least for mining use, continued to fall. There was a depressed gold price, labour disruption and a weaker platinum price It is spearheading the introduction of a range of mining products worldwide within the greater ICI group

Demand for polyvinyl chloride in the pipe and cable sectors was depressed, with increased competition from imports as "revised tariff protection introduced in 1991 proved ineffective in countering disruptive low-priced imports," but then tariffs are not designed to fatten AECI's income statement.

Relly has a point when he says that the major businesses were largely insulated from the variability of world markets and international prices by import controls and administered prices He says that because of government's concern for self-sufficiency, the chemical industry developed around coal feedstocks, that during the Eighties lost whatever competitive advantage it might previously have enjoyed over oil.

AECI notes that consideration is being given to steam cracking of feedstocks from the Mossel Bay synfuel plant but no decision has been taken

The most robust part of the business has proved to be the speciality products and services division, that includes Chemical Services, Acrylic Products, Dulux, Swimline and SA Nylon Spinners (Sans).

Sans felt some increase in demand, though there is no evidence of a general recovery, especially from the mining and motor sectors Just over a quarter of its sales went into export markets

Sales of fertiliser, in which subsidiary Kynoch has the largest market share, rose slightly AECI MD Mike Sander warns that significant price increases are overdue

The balance sheet has been strengthened by a revaluation of land, that has led to a R526m increase over book value Sander notes that the group does not intend to go into property development, but will release tracts of land to independent developers over the next 10 years AECI expects to realise R30m in cash in the 1992 financial year

Net borrowings rose from R789m to R945m Without the property revaluation, gearing would have increased from 57% at the end of 1990 to 64%, but after revaluation gearing fell to 47%

The share price has run down, but profitability at least recovered in the second half of the year. An earnings yield of 12,7% and dividend yield of 6,1% compare with 8,7% and 2,9% for Sentrachem, the second largest non-fuel chemical company, and 9,4% and 3,9% for the chemical and oil index

AECI has some recovery potential but should be bought tactically on further weakness

Stephen Cranston

TOYOTA FM 17/4/92

Keeps going right

Activities: *Motor vehicle manufacturer*
Control: *Wesco 50%*
CE: *A J J Wessels*
Capital structure: *40,7m ords Market capitalisation R987m*
Share market: *Price R24,25 Yields 2,0% on dividend, 12,2% on earnings, p e ratio, 8,2, cover, 6,3 12-month high, R35, low, R11,50 Trading volume last quarter, 183 0000 shares*

Year to December	**'88**	**'89**	**'90**	**'91**
ST debt (Rm)	24,0	105,6	29,5	34,4
LT debt (Rm)	108 8	32 4	49 7	204 8
Debt.equity ratio	0,24	0,22	0,05	0,25
Shareholders interest	0,60	0,54	0,61	0,56
Int & leasing cover	3,8	6,6	n/a	n/a
Return on cap (%)	23,0	18,2	18,6	14,1
Turnover (Rbn)	2,51	2,92	3,12	3,47
Pre-int profit (Rm)	206,5	206,0	251,1	233,3
Pre-int margin (%)	8,0	6,9	7,8	6,7
Earnings (c)	219	215	276	297
Dividends (c)	86	41	47,5	47,5
Net worth (c)	1 314	1 501	2 013	2 258

Relative to conditions elsewhere in the motor industry, Toyota's "everything keeps going right" motto could be said to apply as much to the company as to its product range — at least to the extent that earnings stayed tilted

cont →

FM 17/4/92 (183)

COATES BROTHERS FM 17/4/92

Underlying strength (183)

Activities: *Makes and markets printing inks, resins and industrial surface coatings*
Control: *Coates Bros Plc 68,4%*
Chairman: *W F Beck, MD E F Williams*
Capital structure: *3,4m ords Market capitalisation R96,3m*
Share market: *Price R27,50 Yields 2,6% on dividend, 10% on earnings, p e ratio, 10, cover, 3,8 12-month high, R28, low, R14,50 Trading volume last quarter, 13 000 shares.*

Year to Dec 31	'88	'89	'90	'91
ST debt (Rm)	5,7	4,3	4,2	7,7
LT debt (Rm)	1 0	0,7	0,5	0,3
Debt equity ratio	0,31	0,20	0,08	0 17
Shareholders interest	0,43	0,50	0,58	0,63
Int & leasing cover	105	11,5	n/a	n/a
Return on cap (%)	20	22	22	24
Turnover (Rm)	94	122	145	159
Pre-int profit (Rm)	10,1	11,1	15,3	17,8
Pre-int margin (%)	10,7	9,1	10,6	11,3
Earnings (c)	148	171	233	277
Dividends (c)	42	49	61	72
Net worth (c)	608	730	1 171	1 378

In this tough economy, Coates' underlying strength shows up in an 18,8% increase in EPS in spite of a mediocre turnover rise of 9,2% Coates has become synonymous with printing inks, still the largest component of the business It thus depends on consumers' financial health because they generate the demand for packaging of the products they buy.

The decline in volume offtake and turnover growth is, says MD Fred Williams, a direct result of the recession However, the manufacture of resins is now contributing materially to profits

Williams claims that Coates gained market share as a result of the recently commissioned resin plant, which continues to be enlarged and upgraded During 1991, the value of plant and machinery rose from R8,7m to R12m because of what Williams calls significant investment in plant

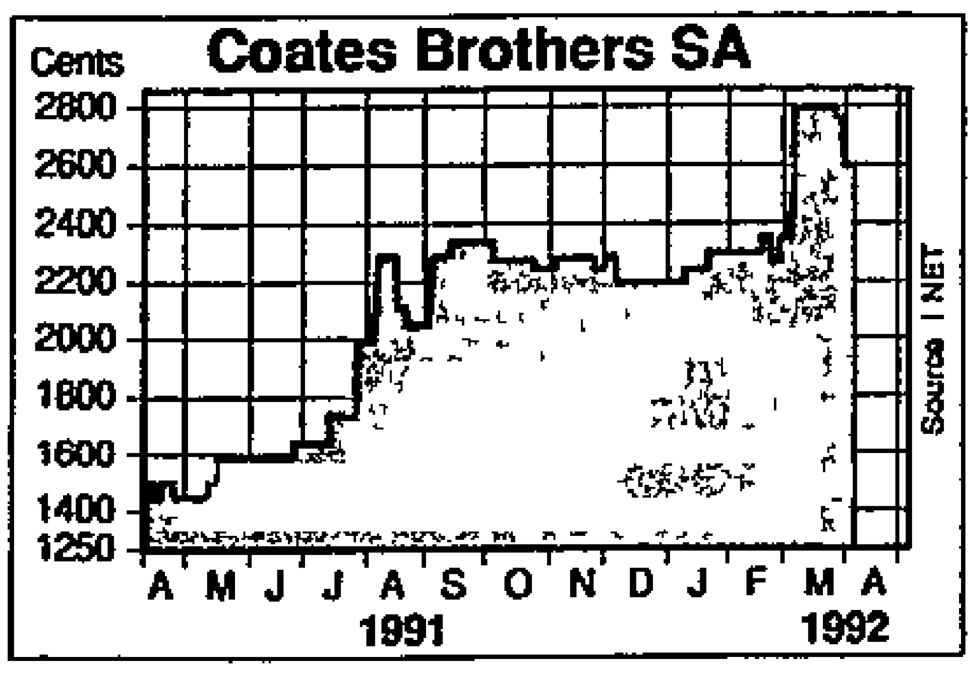
He says resin sales volumes have been satisfying but adds that profit growth could be influenced by large resin raw material cost increases in the past four months Cash inflow from operations rose 15% to R19,6m, indicating tight managerial controls at operating level Two factors nevertheless accounted for a heavy draw-down

First, the high tax payment of R12,1m (R5,5m) included a previous year's liability of R5m Secondly, expenditure on plant, especially in the resin division, jumped to R3,4m, from R900 000 in 1990

These cash demands, together with increased working capital, were funded from additional bank borrowings and cash on hand Though additional interest-bearing debt meant an increase in interest paid, it was not of great consequence A 2,7% decline in the tax rate allowed the 18,8% gain in taxed income and attributable earnings.

Williams' forecast for this year is coloured by optimism but tainted by uncertainty While the economy may be bottoming out, he doubts the benefits of a turnaround will be seen much before year-end In his chairman's statement, Bill Beck is cautiously optimistic that the company will achieve real growth, but it is likely to be lower than in recent years

A year ago, Coates' share price was R10 It has more than doubled Over the past four years, EPS have grown at 26% compound. A p e of 10 is not high for growth like this and



Coates can manifestly control its destiny in difficult times But it has one drawback.

There are only 3,4m shares in issue and, for good reason, the share is tightly held and does not trade often Nevertheless, it is a sound stock and should be accumulated for the long term *Gerald Hirshon*

Toxic-waste firms lock horns

STAR 18/4/92 (183)

BRENDAN TEMPLETON

A BITTER fight between rival waste-disposal companies might end up with the consumer and the environment as winners

East Rand waste-disposal company Wadechem is adamant that it has not illegally dumped toxic waste, despite test results this week which showed evidence of phenols in a field near its disposal plant.

The tests were done after former Wadechem employee Steve Elliot — who had previously worked for rival Waste-Tech — alleged that he had been threatened with death if he made the company's "illegal" activities public.

Legal battle

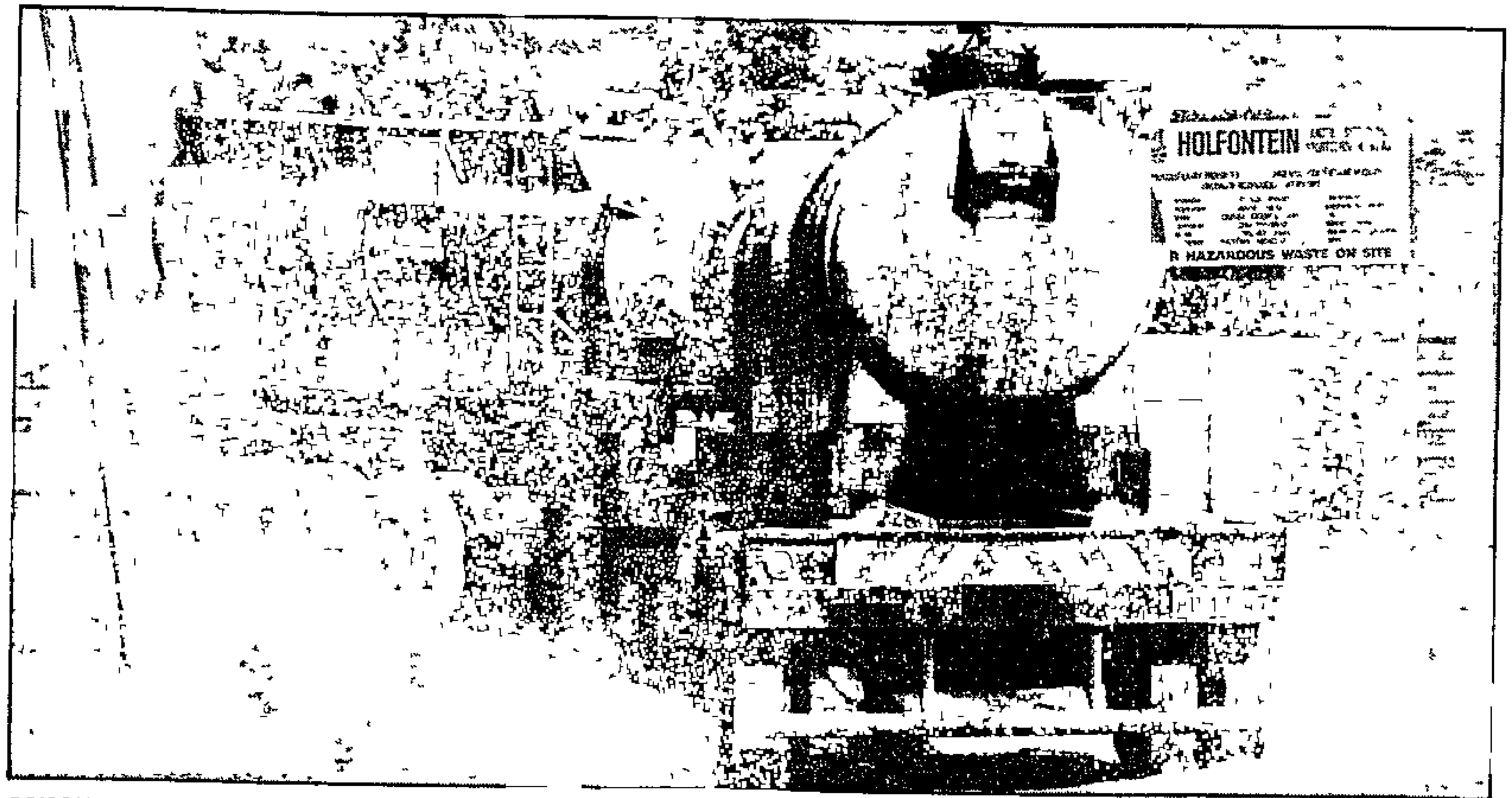
He alleged that Wadechem was not running its Holfontein site properly and had resorted to dumping 1 million litres of waste when its plant could no longer cope with its leachate.

Elliot's claims have sparked a legal battle between Wadechem and Waste-Tech — and calls from conservationists to toughen up environmental laws to restrict both companies

The Department of Water Affairs entered the fray this week Spokesman Wouter van der Merwe said the department would refer the matter of Wadechem's alleged pollution practises to the Attorney-General for possible prosecution

Department assistant director Leon Bredenham said the decision to proceed with prosecution was the culmination of a series of "problems" the department had encountered with Wadechem over a number of months

SMEAR CAMPAIGN Wadechem the target, says boss Alexander McLean



POISON A Wadechem toxic-waste truck enters the Holfontein site, where dumping is allegedly continuing An investigation by the Attorney-General is expected soon ● Photograph ETIENNE ROTHBART

Man who set rivals against each other flees SA for fear of his life

However, he said that Wadechem had been "very co-operative" with the department in trying to solve those problems

Elliot also claimed he had passed on confidential information to Wadechem while working for Waste-Tech which resulted in a legal battle between the two companies

He said he had disclosed details of Waste-Tech's prices to Wadechem which was then able to undercut its rival s tenders to prospective customers

However Wadechem managing director Alexander McLean was adamant this week that his company was being smeared by Waste-Tech in an attempt to push his company out of the industrial waste market

"Waste-Tech traditionally had a monopoly in this field, and the opening of our landfill site has made inroads into their business on a legitimate basis ' he said

He dismissed the Water Affairs Department s tests, saying soil in its natural state contained phenols in certain instances

He also claimed it was impossible to dump 1 million litres of leachate on to 64 sq m of ground

Wadechem attorney H C Reeders said the site had been constructed to absorb heavy thunderstorms It was "preposterous ' to suggest that the company might need to dump excess liquids

Waste-Tech was deliberately leaking information to the media in an attempt to hound his company out of the market, he added

Waste-Tech has denied this

Technical director Dr Dave Baldwin said 'It isn't that we are trying to take out the competition — we are simply trying to get the competition to act in a professional manner

"Our managemen team believes competition is good for us '

McLean denied tha Elliot had been threatened with death anc asked why the formei employee had not laid complaint with police

Elliot, who is now ir England, said Wadechem was so desperate to get him out of South Africa that it had bought him an air ticket

Paltry sum

However he returnec it

Wadechem faces a R10 000 fine if founa guilty under environmental laws, which environmentalists believe to be a paltry sum and no deterrent to pollution

Earthlife Africa spokesman Peter Lazarus said South Africa s weak laws needed toughening up if businesses were to be prevented from harming the environment

Van der Merwe said it was also possible for a court to order a company to pay up any savings it might have made through illegal dumping

Courts could also order companies to bear the costs of clean up operations, he said

Lazarus expressed scepticism on this point claiming that most magistrates in South Africa were not well-enough acquainted with environmental issues and infrequently took such steps

(183) STAR 23/4/92

Emphasis must be on reality and the economy

PMA president Hugo Snyckers called for a lowering of taxation, inflation, interest rates and a reduction in the level of unrest and crime in order to create economic growth.

Speaking at the PMA's seminar on options for health last November, Dr Snyckers said it was useless to isolate a health-care delivery system from the country's economy

He said businessmen needed reassurance that they would in future be operating in an economy based on private enterprise This would increase local investment and attract investment from overseas.

"Unless there is economic growth, there will not be sufficient profits or income to tax for State-supplied health care or contribute to medical aid for health care provided within the private sector.

"And let me please remind everybody that out of profit, tax is paid on income and nothing could function unless there is profit," he said.

"It would indeed be wonderful if we could provide free or almost free and limitless, high quality health care to all, but this of course is totally unrealistic and even wealthy countries that have tried to move in that direction have failed "

Speaking about constitutional negotiations he said "When negotiations begin, the emphasis should be on the requirements of sound economic and political systems for the future South Africa We should take what is best from constitutional and economic models around the world and adapt those to our circumstances.

"However, one must recognise that expectations have escalated against the background of what remains a relatively poor economic performance

"The immense challenge of the mobilisation of resources and the delicate matching of priorities and available inputs can only be achieved successfully in a predictable political framework

"If we allow the constitutional negotiations to be bedeviled by redistribution issues, the risk of failure is likely to be very high. It is better to address the questions of socio-economic upliftment in their own right.

"What I am trying to say is that when we talk about a future cost-effective and obviously equitable and durable health care system, we should not be blinded by the immediate need to do something about current inequities.

"We should first agree on an economically sound system, which must fit into the overall economic scene, and then, separately from that, negotiate on how to overcome the worst inequities in the shorter term

"If we opt for the alternative we can only be talking of a National Health Scheme, and if we do that we would seem to want to defy international experience stretching over more than 40 years and undergo what at best could be described as a bad experience."

Dr Snyckers said that in some countries, particularly the East Bloc countries, as well as in developing countries, including Africa, the nationalised health care delivery systems had lowered the standard of such services to an unacceptable, indeed an appalling standard

Health-care costs come under worldwide scrutiny

STAR 23/4/92 (183)

No government, whether rich first world or poor third world, can accept sole responsibility for the health care delivery system in its country

A World Bank report states "The conclusions argue that present policies need to be substantially re-orientated in many countries. The conventional and still growing faith that health care should be totally paid for and administered by governments needs to be vigorously challenged."

The subject of an ever-increasing health care bill and how to fund such costs is receiving the highest priority internationally

Eugene L Step, chairman of the board of the American Pharmaceutical Manufacturers Association (PMA), summed it up at the 14th IFPMA Assembly held in Washington in 1988

"In the more than a century since Otto von Bismarck first established the German social security programme, we have seen not only a revolution in the science of health care, but a revolution in the politics of health care The simple and primitive care that was once considered the privilege of the few has become the sophisticated, expensive care considered to be the right of all."

For decades governments have been making health care promises without realistically calculating the costs Historically, rapidly growing economies have permitted governments to fund these promises.

With the slowing of economic growth, health care costs have come under increasing scrutiny

"The confluence of a rising tide of health care expectations, expensive new technologies, longer life expectancies, and an ageing population have brought a world-wide focus on health care costs"

The position in South Africa is therefore no different to that in the rest of the world

Strategy

This is the conclusion of the PMA (South Africa) who have written a strategy document entitled "A cost-effective, equitable and durable health care delivery system for South Africa", outlining its attitudes towards health care.

The PMA supports a health care scenario of economic growth coupled with a free enterprise economy within which privatisation and deregulation play a decisive role. This is essentially what the Government has committed itself to

It does not support the idea of a national health system because this puts the onus of funding such a scheme on the fiscus with little or no responsibility on the individual.

The Government's own declared philosophy of a free enterprise economy and the long-term economic needs of South Africa would make such a national health scheme unaffordable.

The PMA acknowledges that currently the economic growth rate in South Africa is unacceptably low, thus limiting the creation of job opportunities and consequently there is an increase in the unemployed and underemployed.

This places additional and unnecessary burdens on the fiscus at a time when pressure is being exerted on the Government to reduce expenditure.

South Africa cannot afford for health care costs to increase in an uncontrollable manner and the PMA feels there is a need to adopt an equitable, cost-effective and durable health care delivery system

The PMA outlines the following major problems facing South Africa's health care delivery system.

- Lower econonomic growth rates
- Population explosion (with minor exceptions) mainly in what is internationally termed the third world population
- Higher employment and underemployment
- A greater percentage of the total population moving into the category of the aged
- The overtaxation of the working population with such negative results as reducing personal private expenditure, eliminating entrepreneurial initiatives;
- Misuse and overuse of health care delivery services both in the public and private sectors
- Inhabitants who are loathe to accept greater responsibility for health care including preventative and curative health care services in that the perception has been cultivated since World War 2 that health care is a right and not a privilege
- Modern but more cost-effective techniques in treating patients
- More "expensive" but more cost-effective medicines

The PMA warns that unless an orderly structure is designed to define the role and responsibility of the Government, the employer and the individual, a credibility gap will develop between Governments and the private sector health care delivery system, the Government and the patient, the private sector health care delivery team and the patient and even between members of the health care delivery team.

Furthermore, unless such structures are designed within the broad economic scenario defined, the demand on the fiscus will ultimately become unbearable because of other priorities.

One of the most important factors affecting the future of health care in South Africa is population growth.

This will effectively determine the quantity, quality and distribution of health care services.

A study by the University of South Africa's Bureau of Market Research found that the total population in South Africa would increase to more than 47 million by the end of this century and would double in the next 28 years.

Several factors should help to limit population growth.

These include education, promotive and preventive health education, improved housing and the securing of a stable job opportunity

The PMA document quotes parts of the report by the Science Committee of the President's Council on Demographic Trends in South Africa of 1983

On the subject of health care the report recommends that no elderly person should have to forego reasonable treatment because of an inability to pay but that in future every individual would have to become more responsible for the financing of his/her own medical and health care.

"This means the State will provide reasonable medical treatment for those who need it, while those who demand more, will have to be prepared to finance it themselves", the President's Council report concludes.

The report also recommends that the "greatest possible encouragement must be given to the private sector by means of public education programmes and tax incentives to ensure that adequate medical aid and/or insurance schemes are available and are utilised in South Africa"

The PMA points out that the growth of the population will lead to increased competition for scarce financial resources in the fields of economic investments such as job creation, the raising of per capita income (through training people), capital formation (in plant and infrastructure) and of demographic investments (education, health services, housing, energy, water supplies and social infrastructure) in addition to the requirements of the army and police.

According to the Earthscan Institute, 80 percent of the world's diseases are linked to inadequate water and sanitation in the form of waterborne diseases, water-based diseases and infections because of defective sanitation.

Globally, over 1 000 million people are affected.

Inadequate shelter and poor education all contribute to general morbidity (There is a direct correlation between education and general wellness)

Other factors such as social and physical security and inadequate policing also contribute to South Africa's health problems.

The PMA feels that it is important that the Government expenditure is reduced (with consequential tax relief), as it has "been shown internationally that the greater the share of the Government in a national economy, the less chance there is to induce growth in that economy"

In conclusion the PMA argues that the principles of a cost-effective, equitable and durable health care system are

- The individual is responsible for his/her own health
- Health care is a privilege and not a right, but the indigent and aged must be cared for
- There must be one health care system
- The individual should be funded rather than institutions (There is widespread consensus that the direction for a solution for the indigent, the disabled, the chronically ill, the terminally ill and the social pensioner must be sought in the subsidisation of the needy individual. The underlying assumption is that this is more cost-effective than creating a subsidised delivery structure for these target populations.)
- The real costs of public sector facilities must be calculated so that the costs of public and private facilities can be compared realistically; the same rules regarding conditions, codes of practice, cost calculation, standards, controls etc will have to be applied to both public and private institutions.
- Principle of co-payment (the patient being charged in relation to his income)
- Promotion of self-medication
- Restructuring of medical aid/insurance schemes
- Using the free market concept to supply medicines and professional services

The PMA believes the adoption of these principles is essential for a health care delivery system, which will be cost effective, equitable and durable and which will offer sustained implementation in future

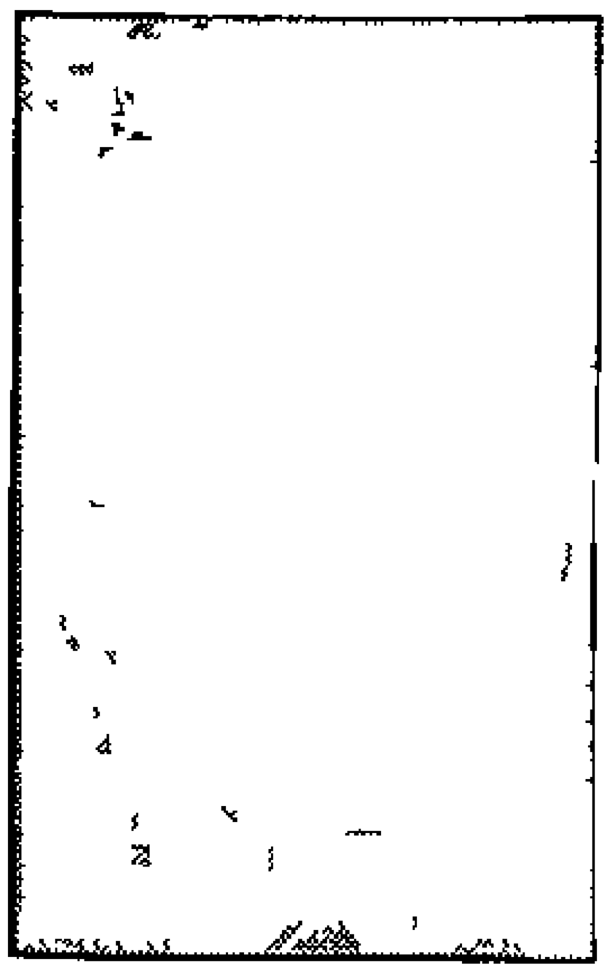
Package

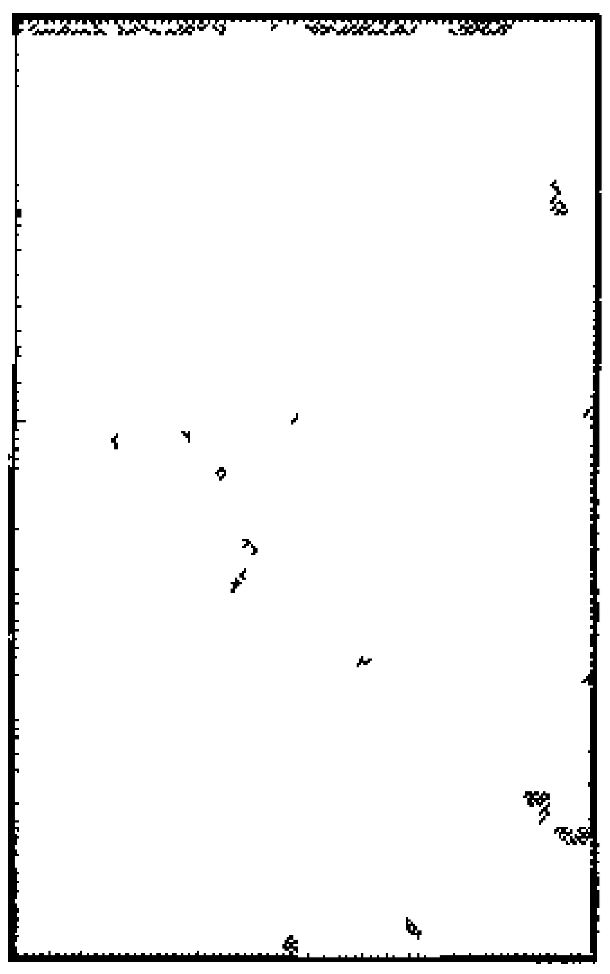
The philosophy expressed must be seen as a package

Unless this principle is adopted, a situation can once again be reached that loopholes will be promoted to misuse and abuse both the private and public health care delivery systems.

The adoption of these principles, will be cardinal in developing a strategy for privatisation of the health care delivery system.

The PMA also recommends appropriate deregulation in order to facilitate privatisation.





As key players in the health care field, the Pharmaceutical Manufacturers' Association organised a symposium to discuss future health care options for the country There was a wide representation of opinion from political organisations such as the ANC and the PAC to business Hungary's Permanent Secretary in the Ministry of Health and Welfare, Dr András Jávor (left) spoke on health care in the rapidly changing Eastern Bloc

Dr Selva Saman (bottom left), the Pan-Africanist Congress secretary for health, and PMA president Dr Hugo Snyckers (bottom right), were also among the speakers at the symposium.

Acceptance of overseas papers has pros and cons

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In 1989 the PMA first recommended to the Medicines Control Council (MCC) that the possibility of the acceptance of overseas registrations be investigated with a view to preventing unnecessary duplication of registration submissions and to obtain cost benefits and savings which would eventually be to the advantage of the patient

This proposal led to some lively discussions of the advantages and possible disadvantages of acceptance by the MCC of the registration certificates issued in certain overseas countries

On the one hand there would be cost savings

On the other it was felt that South Africa should not lose its expertise in the evaluation of applications for the registration of medicines by allowing the MCC to grant registration automatically on the strength of a registration certificate issued by some overseas authority

It was pointed out, however, that at least some applications would have to be evaluated *ab initio* by the MCC because these medicines would not be registered in any overseas country

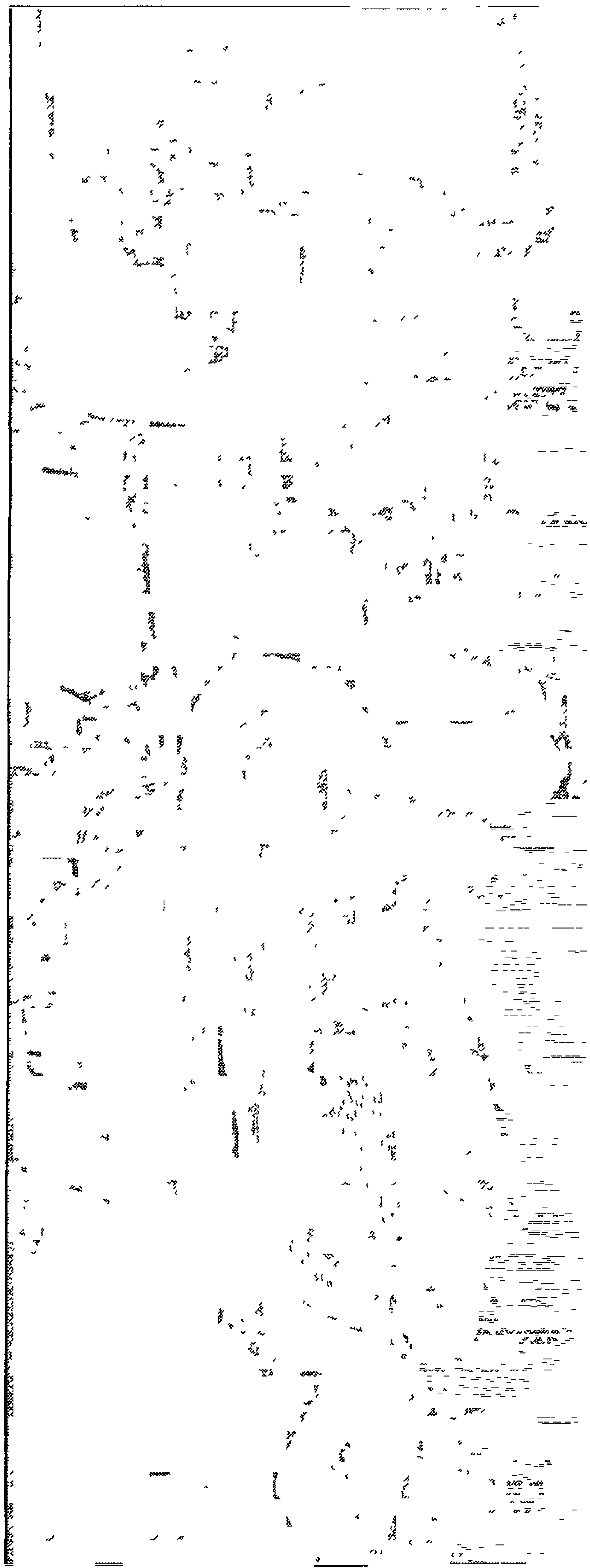
In 1991 it was disclosed that the MCC would be prepared to review applications for registration presented in the format required in the European Community as interpreted by the MCA in the United Kingdom

This would obviate the need to reformulate an application already submitted in the UK, for submission in South Africa

This was, the PMA says, a major step towards the rationalisation of registration procedures It does, however, not entail the automatic acceptance of a registration certificate issued in the United Kingdom

The PMA believes the globalisation of registration of medicines and the international harmonisation of registration procedures will have distinct advantages

Adherence to standards agreed upon internationally would ensure that the registration of medicines would be maintained at a high standard



Health care for all . that's the aim, but the role of t have to be very carefully considered.

Bold step at AGM tomorrow

STAR 23/4/92 (183)

Tomorrow marks the 25th anniversary of the founding of the Pharmaceutical Manufacturers' Association of South Africa.

A merger of the Ethical Drug Association and the SA Pharmaceutical Manufacturers' Association unified all the interests in pharmaceutical manufacturing in South Africa.

It was necessary in view of the provisions contained within the Medicines and Related Substances Control Act (Act 101 of 1965) and to "promote at all times the highest standards of manufacturing and marketing for the pharmaceutical industry to ensure that products of the highest quality are readily available"

Apart from a short period during which the PMA changed its name to embrace the chemical industry — the name chosen was "Pharmaceutical and Chemical Manufacturers' Association of South Africa" — the PMA has served 85 percent in value turnover of the industry as industry spokesman and industry watchdog.

The Executive Council is representative of manufacturers connected with multinationals and of locally financed organisations The council meets on a regular basis in Pretoria, with one meeting a year taking place during the parliamentary session in Cape Town

To assist the Executive Council, there are a number of Expert Committees, responsible for studying policy issues and making recommendations.

The committees also study issues of an administrative nature affecting the daily operations of the ethical prescription industry

It is appropriate that, in its 25th year, the PMA is embarking on another bold step which will entrench the organisation as the industry leader in every respect

At the Annual General Meeting tomorrow motions are being put forward to merge the PMA interest with a number of other groups The changing of the PMA's constitution is important because, in international terms, the association needs to present a strong and unified face as an industry

The PMA will be divided into various divisions including

- Pharmaceutical
- Non-prescription medicines and Cosmetics
- Diagnostics
- Medical Devices, and
- Veterinary Medicines

Provision has been made in terms of the new constitution for Associate, Subscribing and Honorary members.

The fee structure of the restructured Association will be based on a sliding scale, according to turnover, to enable both small and large companies to join

It is hoped that this provision will enable smaller companies to participate in organised industry

It is believed that companies involved in all the divisions will make use of this facility

A feature of the proposed change over tomorrow is that Dr Hugo Snyckers, the PMA president, and John Toerien, the executive director, were also present at the Constitutional meeting which established the Association on May 12, 1967.

Dr Snyckers, who is the PMA's longest-serving president, was representing his company and Mr Toerien was there in his capacity as executive director of the former South African Pharmaceutical Manufacturers' Association

Mr Toerien's unbroken service with both the SAPMA and the PMASA began on June 1, 1962 — almost 30 years' service to the pharmaceutical manufacturing industry

All the members – from A to W

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The following companies are members of the Pharmaceutical Manufacturers' Association (PMA)

Abbott Laboratories
Adcock Ingram Ltd
Akromed Products
Alcon Laboratories
Bayer-Miles
Berlimed
Boehringer Ingelheim
Boehringer Mannheim
Bristol-Myers Squibb
Byk Gulden Pharmaceuticals
Ciba-Geigy
Eli Lilly
Fisons Pharmaceuticals
Glaxo
Hoechst SA
ICI South Africa
IEPSA
Janssen Pharmaceuticals
Lederle Laboratory Division
Logos Pharmaceuticals
Madaus Pharmaceuticals
Merck
Noristan Ltd
Novo Industrials (Pharmaceuticals)
Parke-Davis division of Warner Lambert
Pfizer Laboratories
Permark International
R & C Pharmaceuticals
Riker Laboratories Africa
Roche Products
Roussel Laboratories
SA Druggists
Sandoz Products
Saphar-Med
Scherag
G D Searle (SA)
Servier Laboratories
SmithKline Beecham Pharmaceuticals
Swisspharm
Boots Pharmaceuticals
Upjohn
Knoll SA
Rhone-Paulene Rorer SA
Wellcome

PMA aims to serve public and members

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The Pharmaceutical Manufacturers Association (PMA) was formed in 1967 It aims

- To promote the highest standards of manufacturing and marketing as a service to the medical, dental, pharmaceutical and veterinary professions and the public, and to this end, among other things
- To prepare and maintain codes of ethics to ensure that the manufacturing and marketing practices of the pharmaceutical industry would best serve the public and the medical and allied professions
- To promote and encourage the interchange of knowledge and ideas for the betterment of the industry and its services
- To foster and safeguard mutually constructive and satisfactory relations and to promote and protect the business and/or economic interests, privileges and rights of its members provided that it shall not concern itself with the domestic affairs of the individual trading policies of its members
- To co-operate with legislative committees, governmental departments and agencies, medical, dental, veterinary and pharmaceutical organisations and other bodies in respect of matters affecting the industry and to represent and speak for the industry whenever required
- To promote among its members a spirit of co-operation

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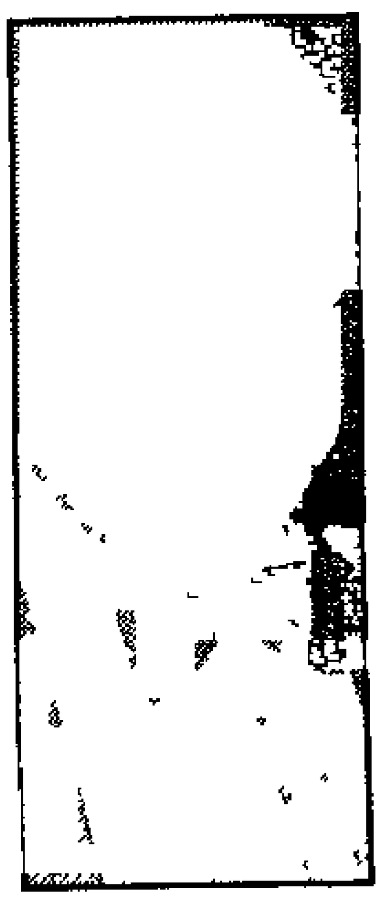
Pharmaceutical Manufacturers Association

A Star corporate profile

This survey was written and compiled in consulation with leading figures in the pharmaceutical industry.

Compani



John Toerien . . . executive director of the PMA

How new drug

STAR 23/4/92 (183)

As the global move to cut health care bills gains momentum, medicine manufacturers are coming under heavy fire.

In South Africa they have been accused of profiteering and selling the most expensive medicine in the world

South Africa's health care bill is R19 billion a year, half of which is spent on the private sector (representing only 20 percent of the population). In addition the medical aid scheme system, which services about 80 percent of the private sector's health care needs, is in a state of collapse because of overuse and misuse.

Everybody and everything is being blamed — from the Government's outdated fragmentation of services to doctors who over-supply services to patients who over-use medical services, to the over-use of technology and to expensive medicines

John Toerien is executive director of the Pharmaceutical Manufacturers' Association (PMA), whose members provide the medicines for 85 percent of all prescriptions written in South Africa. He says the accusations are unfair and untrue.

Forum

PMA is trying to provide a forum to sort out an efficient solution to distortions and a threatened collapse of the health care system

"We believe the only way to devise a health care policy is to make it as cost-effective as possible. That means proper diagnosis the first time round, and treatment of the ailment with efficient modern medicines

"Quite simply we have to keep people out of doctor's waiting rooms, out of hospital beds and return them to the economy as fast as possible.

"That means we should concentrate our spending on cost-effective modern medicines. We should avoid substituting with generic drugs and we should encourage self-medication

"Without modern medicine our health care system would collapse

"In 1920 average life expectancy was 54 years Today people can expect to live to 75 The pioneering drugs of the 20th century have to take the lion's share of the credit.

"Spending on modern medicine saves lives and reduces costs of the overall health system"

In an American health magazine figures were quoted to show how today's products reduce the need for surgery, physician visits and hospitalisation

The article quotes a report compiled by the Battelle Medical Technology and Policy Research Centre for the Schering Plough Corp It contains the following statistics

Over the past 50 years, it is estimated that medicines have helped American society avoid as many as 90 000 tuberculosis deaths. Vaccines have helped society avoid close to a million cases of polio

In the case of coronary heart disease, it is estimated that with the assistance of new medicinal therapies, more than 600 000 lives have been saved

Pharmaceuticals have helped to prevent nearly 500 000 stroke deaths and as many as six million non-fatal strokes

Antibiotics now control most infectious diseases — once the number-one killer of Americans For example, in 1953, 19 707 died from TB By 1984 the number of fatalities had declined to only 1 729.

Ulcer drugs have reduced both the pain of ulcers and the need for expensive surgery. In 1976, the year before the introduction of the first H2 antagonist drug, medical experts in America reported 155 000 surgical procedures to save the lives of patients with bleeding ulcers.

By 1984 there was a tenfold reduction in cases requiring surgery.

The study also found that over the past half century, American society had, by dramatically curbing TB with the

...es can be 'found guilty'

(183)

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...embers of the Pharmaceuti-...' Manufacturers' Association ...MA) produce more than ... percent of all the medicines ...itten in prescriptions in ...th Africa

"It is a very representative ...ation," said PMA execu-...ve director John Toerien

The PMA was established on ...y 12 in 1967 as an amalga-...tion of two associations ...erating at that time, the ...h African Pharmaceutical ...nufacturer's Association ...APMA) and the Ethical Drug ...ssociation (EDA.

SAPMA represented those companies with local manufacturing operations whereas EDA represented companies importing finished medicines

The PMA came into being as a result of the introduction of Act 101 of 1965 of the Medicines and Related Substances Control Act, which stipulated that both local and imported medicines would undergo the same registration procedures

Speaking about the structure of the PMA, Mr Toerien said

"We are well aware of our obligations to the population of South Africa in providing cost-effective, safe, quality medicine, and in our current set-up, we have various specialist committees to facilitate this

"For example we have legislative, marketing, diagnostics, medical and scientific sub-committees Our legislative sub-committee is made up of senior specialists and is under the chairmanship of second vice-president Chris van der Westhuizen Its members are all chairmen of the various other sub-committees

"These committees play an important role For example the medical sub-committee would look at members' methods of doing clinical trials, they would have discussions with the Medicines Control Council on requirements of clinical trials and they try to standardise the clinical trial applications between various provinces.

"The scientific sub-committee involves itself in details of the activities of the pharmaceutical industry in respect of the pharmaceutical committee of the Medicines Control Council

"On the marketing side, one of the jobs of our marketing sub-committee is to look at the code of marketing practices and our code is no different to that of the International Federation of Pharmaceutical Manufacturers Associations (IFPMA) which is headquartered in Geneva, Switzerland and of which we are a member

"If the PMA receives complaints about a company's marketing practices, then we appoint an ad hoc committee to examine the details of the complaint If they feel there is a contravention of the code of marketing practices, then the 'accused' is given the opportunity to submit comment

"If there is a case against the company then we refer the matter via the executive council to an adjudicating committee which is chaired by an advocate of the Supreme Court

"If the company is 'guilty', the PMA will address the firm. They may inform the chief executive and if it is a multinational company, they may inform the chief executive of that company at his overseas base. The matter will be referred to the Department of Health "

Mr Toerien said the PMA monitored its own members as well as the marketing activities of non-member companies

"The idea is self-regulation in the industry, rather than being dictated to by the Government."

Manufacturers are acutely aware of actions normally taken by the Government to reduce or limit the price of medicine through various means including substitution, price freezes and interfering in the marketing operations of manufacturers

This is not unique to South Africa but is applicable worldwide It is for this reason that the PMA in South Africa is also a member of the IFPMA.

Negative actions against the pharmaceutical manufacturing industry is not only introduced in national economies but it is also being motivated in international forums such as, for example, the World Health Organisation (WHO)

There are also organisations which have been established to attack the industry internationally One of these is the Health Action International (HAI), headquartered in Moscow Their objectives include abolition of patents for pharmaceutical products, elimination of the industry's medical representatives, protectionist legislation for local producers and prohibition of the use of samples in pharmaceutical marketing

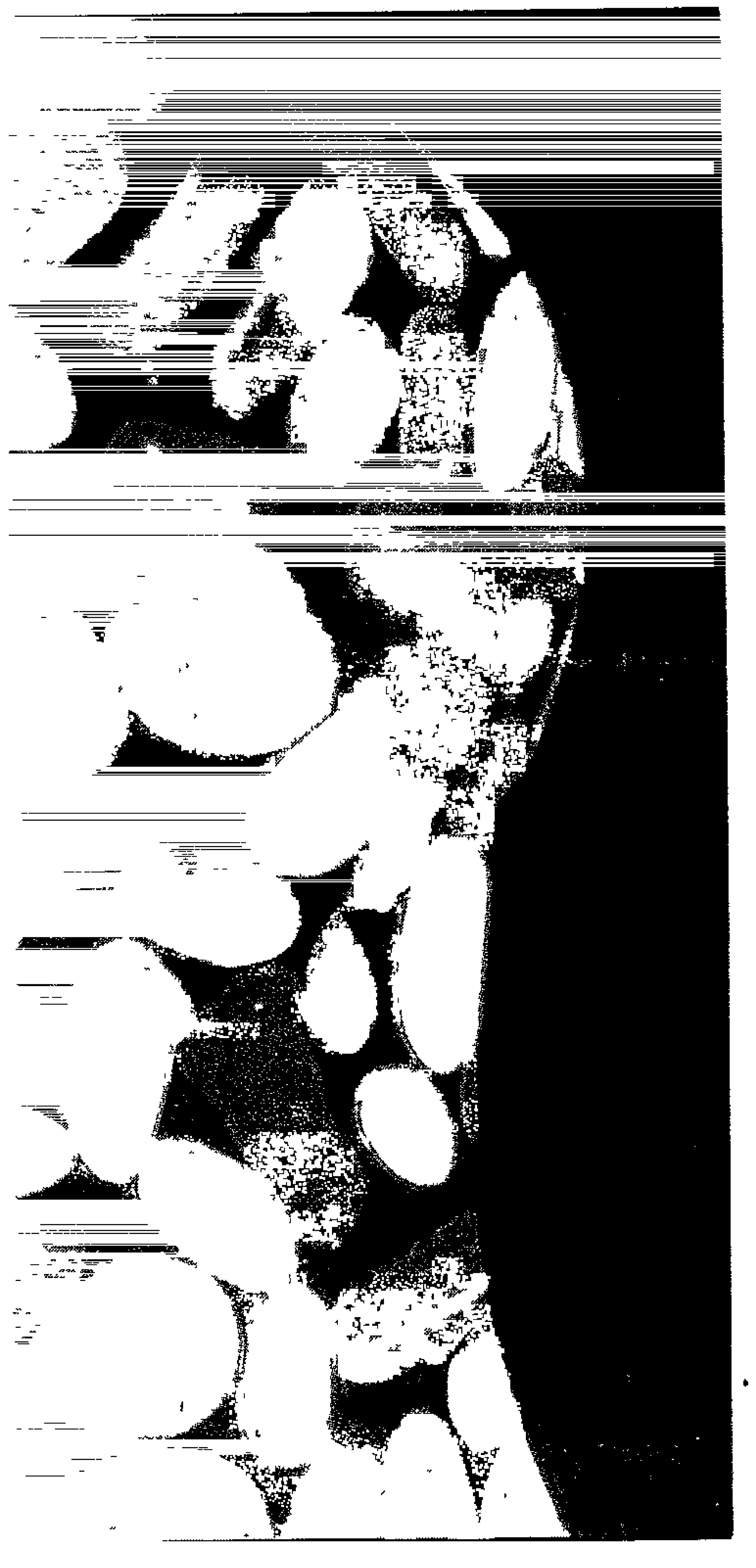
'Emotional'

Criticism of the multinational pharmaceutical industry includes the high cost of medicines, the high cost of research without major breakthroughs, and the dumping of medicine in the third world

The PMA says criticism against the multinationals is highly emotional and the negative points are exaggerated

The PMA's membership of the IFPMA serves as a very useful information source indicating developments around the world

... save billions



...p of new medicine, saved as ...h as $11 billion

"It is the pharmaceutical ...nufacturers of ethical drugs ...o are providing the billions ...quired for research When you ... in mind that there are still ... known cures for 75 percent ... all illnesses, it is clearly vital ...at this work continue," said ... Toerien

"Yet the so-called modern ...nd is to encourage medicine ...stitution This is said to be ...re cost effective, which is ...rly a fallacy"

(The PMA is not against ge-...ric products *per se* but ...ainst the principle of substi-...tion where a third party, nor-...ally without permission from ... dispenser, without consultation with the doctor, substitutes the prescribed product with a generic)

The argument against the move towards generic substitution is lent weight in a report by D R Scott and W D Reekie (entitled "Savings from Generic Drug Substitutions in the RSA")

"The thrust towards generic substitution is possibly misplaced in that potential savings in hospitalisation costs from the discovery of new drugs are so large that they justify the encouragement of innovative drug manufacturers "

Speaking about the fact that medicines constitute 26 percent of the total health care bill, Mr Toerien said

"South Africa is a developing country with both first and third world elements International research has shown that expenditure on medicines in such countries is higher than in developed countries

"The accusation that we have the most expensive medicine in the world was made by a doctor on the Natal South Coast We think it was an irresponsible statement, without a factual basis which has been repeated over and over in the media

"Eighty percent of medicines by volume in South Africa are sold to the Government on tender They are sold at one of the most competitive prices in the world "

Mr Toerien said the latest attack on the PMA comes from publication of the supposedly confidential report by the late Wim de Villiers, former Minister of Economic Co-ordination

The report alleged "alarming" price distortions which Mr de Villiers put down to the way the medicine market was "regulated by the Medicines Control Council"

In their report on the findings, Finance Week said "Product regulation, he (De Villiers) found, is just about as favourable as can be expected in that the MCC bases its pricing decisions solely on scientific, not economic justifications "

Risky

PMA replies "The point is that the MCC has no part in pricing decisions If Mr de Villiers was under this misapprehension, one must question what other misjudgements there are in the report It is significant that this report has never been published and that Minister of Health Dr Rina Venter has refused to make it available to key players in the health care delivery system

"We as key players had no input into the report We don't believe it has any credibility

"It is a risky thing to judge the pharmaceutical industry on one unpublished report Over the past 25 years, the industry in SA has been subject to several reviews including the Snyman Commission (1961), Board of Trade and Industry, Price Controller, Steenkamp Commission, Competition Board and the Browne Commission "

These have found that the industry price structure is not aimed at exorbitant profits and therefore are in the public interest, that the price structure is in line with international trends and a competitive market situation exists at manufacturing level The health care system is clearly in crisis and the PMA warns against hasty judgments

R348m SAB crate order on line

BDay 24/4/92 (183)

EDWARD WEST

SENTRACHEM'S seven-year contract to supply SA Breweries with plastic crates worth R348m is on stream with 23 000 new crates being manufactured daily

Sentrachem MD John Job said yesterday the first phase of the contract required its plastic products manufacturing division, Megapak, to manufacture 610 000 crates capable of holding 12 750ml beer bottles every month for 42 months

The second phase involved the manufacture of 204 000 crates a month or a total of 8,56-million crates over 42 months

Job said two technological developments had allowed Sentrachem to proceed profitably with what he considered to be the world's largest conversion from corrugated cardboard to plastic

A weight saving to 1,89kg from 2,2kg had been achieved on each crate when compared with previous plastic crates of similar dimension while the crates were being manufactured at twice the speed of previous production processes

Sentrachem had invested R32m for nine new injection moulding machines specifically for the contract and it now took Megapak 30 seconds to manufacture one crate, said Job

Sentrachem's plastics division was looking towards low cost housing, returnable packaging, automotive parts and new piping systems for future growth prospects, Job added

In Europe, recyclable packaging and refillable packaging was gaining market share at the expense of throw away packaging due to environmental pressure, he said

Furthermore, motor manufacturers were increasingly replacing steel with plastic on components such as bumpers and other body parts, said Job

N4

Growing proof of Thor plant contamination

S|Times 26/4/92 (183)

AN inquiry into Thor Chemicals at Cato Ridge in Natal has uncovered ample evidence of widespread contamination of the plant and the surrounding area by mercury and its compounds.

A report on the chemical plant — where two former employees were so severely poisoned by mercury that they are now in comas — has been released by Professor Tony Davies of the Johannesburg-based National Centre for Occupational Health.

"Thor Chemicals must accept full responsibility for the transfer of hazardous processes to the plant over the past decade, both in terms of the environmental impact of the plant and the health consequences for men employed at the plant," he said

Professor Davies also said that, as a result of an inadequate number of inspectors, the Department of Manpower had been unable to ensure self-regulation processes at Thor implicit in the relevant legislation.

Records showed that levels of mercury in the air at the plant had been consistently over the maximum allowed, he said.

By RYAN CRESSWELL

"Absorption (by workers) has been mainly via the respiratory tract, but skin and alimentary absorption should not be discounted," Professor Davies said.

"There is evidence that skin contamination, including burns, are frequent and that contamination of work clothes is common."

Casual labourers had been recruited and placed in a "hazardous situation" without adequate formal training.

Exposure to mercury and its compounds was likely to have been high and available personal protective measures had failed to prevent the accumulation of a large "body burden of mercury" in some workers at Thor

Much of the respiratory protection equipment used until recently had been disposed of

The report said the fact that no personal sampling had been done by Thor was also a "serious omission", because it made it impossible to estimate the exposure of a worker to mercury anywhere in the plant

In his summary Professor Davies said "It must be clearly stated that the systematic transfer of a hazardous process from one country to another, the subsequent diversification of process and products, inadequate workplace and biological monitoring, and the lack of an occupational health service have led to an inherently predictable situation in which the health of workers has suffered."

He has called for a new commission of inquiry into occupational health, with special attention to the current imbalance in the legislative provisions.

He outlined nine safety moves that Thor should take up before reopening the mercury section of the plant

Thor chairman Des Cowley said "Thor accepts that some of Professor Davies's recommendations will be of undoubted advantage. Thor is immediately implementing, for example, simultaneous monitoring of blood and urine, medical examinations at the commencement of employment and use of personal dosometers."

One of the two Thor employees in hospital, Mr Engelbert Ngcobo, 40, is in a coma and hooked up to a life-support system The other, Mr Peter Cele, 21, is comatose and is not reacting to any stimuli.

T&N's set to prosper after stable cleaning

S/Times (Buss) 26/4/92

T&N Holdings is poised to do well in what is expected to be a tough year

A year ago, management was faced with a major challenge to profitability

It responded in fine style, earnings a share doubling to 70c and the dividend rising from 13,8 to 24c in the year to December 1991 The company's performance in the previous year was poor

Group financial director Christopher Good says 1990 was particularly difficult because customers destocked and there was a serious strike. As a result management looked at its strategy from top to bottom. Everything was covered. production, labour relations, asset management, marketing and distribution and other factors which affected efficiency

There were no sacred cows.

It was important that management was able to take a flexible and self-critical attitude. In particular, managers were able to react to lower as well as higher demand.

All too often, management and labour fight for a bigger share of the cake. It does not occur to them to get together and bake a bigger cake, but this is what happened at T&N's Ferodo division.

After a fairly lengthy strike, management insisted on improved productivity as part of the deal to increase wages. As a result, profitability was higher than ever

Ferodo also gained greater market share.

Mr Good says it is best for every country to specialise in what it can produce most cheaply

T&N plc, the UK parent, has adopted a policy which has helped exports considerably There are certain niche market products which T&N SA can produce more cheaply than others in the T&N international group

The SA company will produce them and export for the entire group Exports now make up more than 10% of turnover and are expected to increase at competitive prices.

With its recently discovered flexibility, management has learned to cope with increased imports.

Although debt is too high and interest charges are not well covered, better asset management and favourable cash flow from operations are steadily remedying the situation.

A total of 64% of the automotive division's turnover supplies the replacement market and only 22% original equipment. The average age of the national car park has increased from five to eight years and can be expected to lengthen further This must benefit T&N

Mr Good is cautious about prospects for 1992 because motor-vehicle sales are well down and trading conditions are expected to remain difficult.

However customer destocking, which has continued longer than expected, appears to be more or less over

Loss areas are being tackled and are expected to benefit from changes implemented in 1991

The astute way to 30% returns

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In my reviews of T&N and Scharrighuisen I continue this policy

However, because many brokers have expressed doubts about the market, at least in the short term, I canvassed some opinions.

Tim May joint editor of the new City News, is one whose views I respect.

Mr May says the market comprises four categories blue-chip industrials; the rest of the industrial market; gold shares and other mining.

He knows of hardly anybody who has made profits on gold shares and sees no reason to hold investments where the price of the product is uncertain.

Mr May believes investors can achieve returns of 30% from companies whose profits are not too difficult to forecast.

So why hold golds and miss these opportunities?

Even if the gold price rises, the cost-cutting process on the mines has more or less done its work. From now on costs must be expected to resume their steady rise.

It is doubtful if exchange control will be relaxed to allow institutions to invest abroad. So in view of the weight of funds, demand for blue chips should remain strong in the longer term.

Rights issues will absorb some institutional cash, but not enough to relieve the market.

Mr May says blue chips often look expensive, but good quality is worth paying for

He sees no reason for this to change.

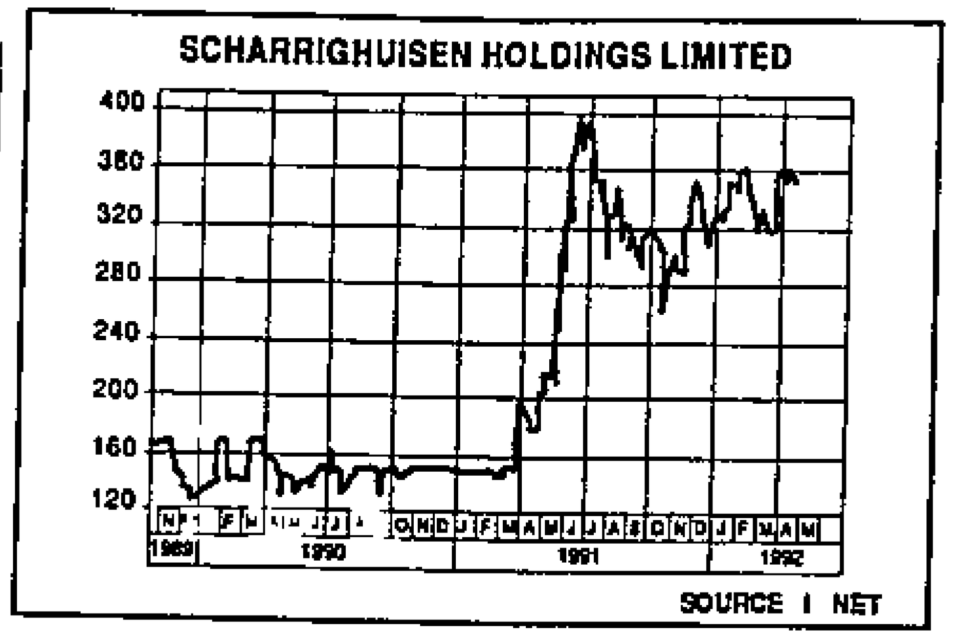
However there is a broad industrial market where excellent value can be found because institutions can deal only in highly marketable shares. Astute private investors are realising that they can turn this to advantage and achieve returns of about double the market average.

Mr May says lower interest rates are needed urgently because too many people are being driven out of jobs or into bankruptcy When interest rates eventually fall, the economy should improve and profits and dividends rise.

The time is right to seek value in the market and be ahead of events. Investors who are not in the market should be returning to being fully invested.

The essential ingredients of successful investment are sound research and advice. With the economy perhaps approaching an upturn at the same time as most blue chips are in high ground, this is now particularly true.

It should be stresed that Mr May is taking a longer-term view than many market commentators, including chartists, who are cautious about the immediate future.



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Scharig key to success

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Because Scharig operates for third parties, it avoids the risk of trading for its own account. Asset management is simpler It consists of the judicious buying of plant for expansion without running up too much debt. This is an important advantage, particularly in a recession.

The lifting of sanctions has reopened France and Denmark to SA collieries, so that even if domestic demand is static, exports should grow SA coal exports are concentrated on Europe, where ageing collieries are becoming more expensive to run and are thus reducing output.

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Because Scharig last year bought two subsidiaries of Frigate, and not Frigate itself, it is free of the controversy surrounding that company However, it enjoys a substantial tax loss from its acquisitions.

Scharig has issued a warning In spite of the purchase of the Frigate subsidiaries last year the company is in a position to make additional takeovers. The warning suggests that such a deal will be announced shortly

Scharig announced its results at a time of market weakness and was not given full credit for them and its shares did not rise. At the current level, they look cheap

Fast food is the spur

S/Times (Buss) 26/4/92

SPUR Steak Ranches has an enviable profit record.

Earnings rose by 43% and the dividend 31% in the six months to August 1991

It appears that customers who seek the convenience of eating out are trading down instead of having a meal at home.

Spur's core activity is franchising of sit-down, fast food restaurants. It earns its profits from royalties paid by franchisees. The source of income is important, particularly at a time of high interest rates.

Spur does not bear the risk of carrying large stocks, financed by overdrafts. The opening of franchises should be limited only by the ability of franchisees, essentially small operators, to find the capital to open a steakhouse.

This means that Spur can maintain a strong balance sheet. In addition, dividend cover can be much lower than for a company trading for its own account.

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In February 1991, there were more than 100 retail outlets, of which most were steakhouses. Spur has diversified into franchised pizza houses and this experiment appears to have been successful.

Assuming slower growth in the second half-year to February 1992, Spur could earn 30c and pay 23c share. The low dividend cover means that Spur can be rated on dividend yield rather than PE. At the current price, the shares look interesting

DIAGONAL STREET

by Robin Pegler

Engen as a rand hedge

(183)

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ALTHOUGH I wrote about Engen in January, the good news since then makes it worth a second look.

The European Economic Community has lifted its oil embargo on SA and it is hoped that the UN will follow soon. This could result in Engen's being able to buy crude oil more cheaply

In addition, the interim report for the six months to February 1992 is much better than expected. Earnings a share rose 20 6% from 111c to 134c and the dividend 19,1% from 42c to 50c.

This is at a time when many companies are battling to improve profits and also in a year when Engen s earnings a share looked like falling after the 40-for 100 rights issue diluted the share capital.

In fact, the cash raised at that time has been profitably invested until it is needed for expansion and actually contributed nearly a third of total earnings.

Financing income will fall as spending on plant gathers pace, but from next financial year Engen will have 30% greater capacity That should more than offset investment income.

Although the second phase of expansion will be completed only in 1995 Engen will then have doubled its present capacity

Contrary to expectations, profit margins improved in the six months to February 1992 Turnover was up 4,4%, mainly because of higher exports.

Tax took 19,5% of profits. The capex programme means that tax should be lower still for some years.

The first oil from the Alba project in the North Sea is due to start production late in 1993. Looking further ahead, the Britannia gas field in the same area is targeted to begin production in 1997

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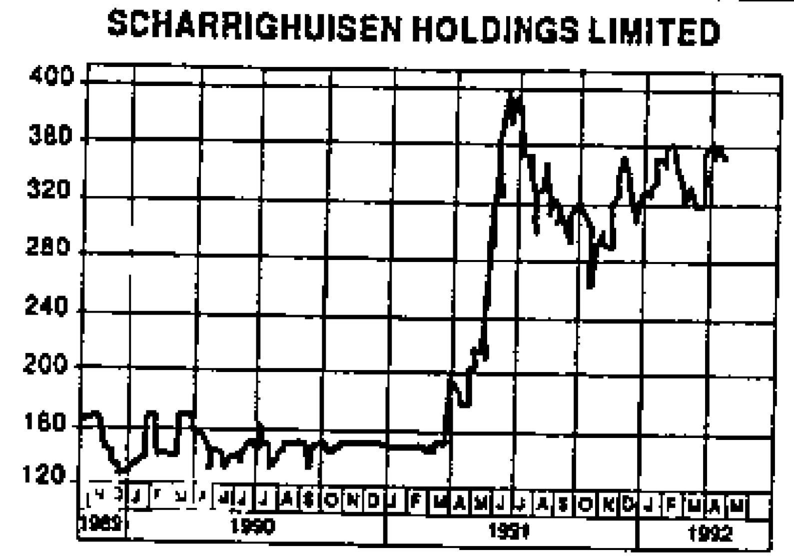
SCHARRIGHUISEN HOLDINGS LIMITED



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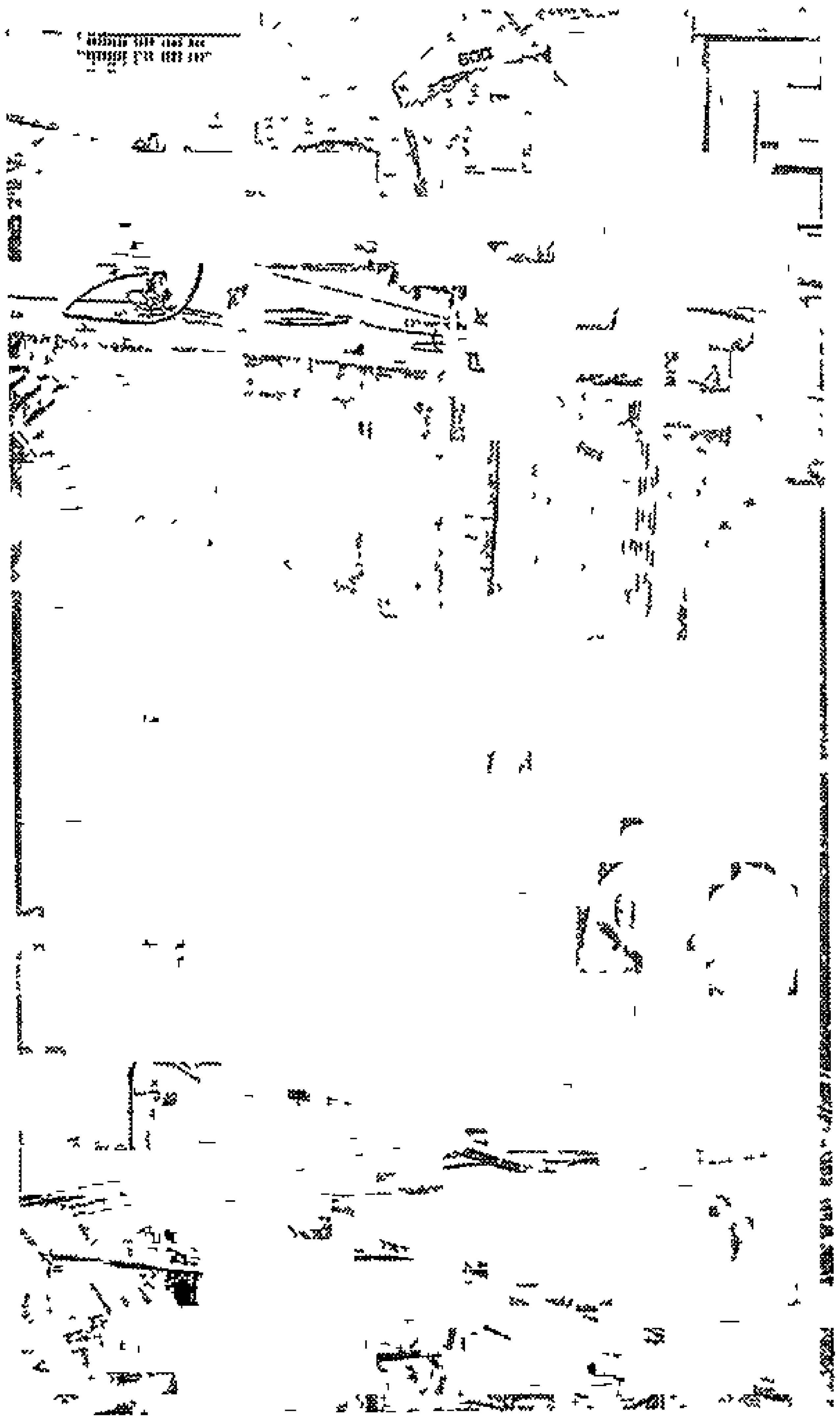
Pipe broken — oil spill in harbour

S Times (Cape Metro) (183)



OIL SPILL . workmen battle to vacuum thick oil after a broken pipe leaked into Cape Town harbour on Friday night Picture JACK LESTRADE

Rapid action averts damage

26/4/92

By DIANA STREAK

RAPID action by an oil company and harbour authorities averted major enviromental damage in Cape Town harbour after a broken pipeline leaked 90 000 litres of oil on Friday night

The clean-up continued through the weekend

A spokesman for Caltex oil company said that although they were still investigating the extent of the enviromental damage it appeared that it would be limited

Yesterday thick black oil covered a corner of E berth where scores of workers were battling to suck the oil into tankers using special pumps

At the site of the leak — just inside the main entrance to the V &A Waterfront development — a two-metre deep hole was the centre of activity as workers dredged oil-soaked soil from a large area into skips for removal

Fortunate

The accident occurred after a construction company badly damaged the oil pipe which they though was "dead" — unused — and then covered it again during excavation and levelling work several weeks ago

The pipe, which is not used regularly, was put into operation for a transfer on Friday night, resulting in a "bit of a gusher", said Caltex spokesman Ivan Banorkhis

"The port authorities called us, we stopped pumping and managed to contain the oil Fortunately a strong wind kept the oil in a corner and we used a big floating boom to contain it"

He said less than 50 percent of the 600 barrels of black fuel oil leaked into the water through a sewer and covered about 25 square metres

"We went into the manholes to block the sewers with sandbags where it was still coming in," Mr Banorkhis said

Biggest

Recovery equipment was used to pump the oil into mobile tanks for removal but this process was "a bit slow" A more effective vacuum skimmer was brought from Saldanha to remove the oil from the water

Mr Andre Swanepoel, managing director of Wasteman, said his company was called in at midnight on Friday after a Portnet Action Patrol had spotted the spill of heavy furnace fuel oil He said the clean-up in the harbour could take up to a week and that it was the biggest oil spill his company had been involved with.

"The soil at the construction site is full of gooey fuel oil but this will be carted off and replaced with clean soil," Mr Banarkhis said

"Since the spill occurred in a construction area it does not create a nuisance to the public"

He said Caltex would have to investigate what action to take against the contractor

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...third quarter of 1992 was expected, and results should increase at least in line with inflation in financial 1992.

Macmed eyes main board

BD 28/4/92 LINDA ENSOR 183

CAPE TOWN — DCM-listed Macmed Health Care Ltd had applied to the JSE for a main board listing in the pharmaceutical and medical sector, CE Donald McArthur said in its annual report.

"Although the current uncertainty in the health care market, coupled with the prolonged economic recession and changing political climate make forecasting difficult, the company's reorganisation has been completed and we look forward to a year of steady organic growth," McArthur said.

He said the government health care sector continued to suffer from significant cash constraints and Macmed was looking for business in the private health care sector and export markets.

In the 17-month financial period to end-December — Macmed changed its year end — the company achieved earnings of 5,1c a share on a pre-tax and pre-interest income of R2,9m.

W/Mail 30/4 - 7/5/92

Pay system at heart of Genref strike

(183)

By FERIAL HAFFAJEE

THE Genref refinery's refusal to bargain centrally in the petroleum industry and bear the costs of a conversion to a rate-for-the-job wage system fuelled a strike at the Durban plant and its national depots.

When Mobil disinvested in 1989 Gencor bought over the company, renaming the Mobil depots the South African Energy Company (Saeco).

All of the refinery's 300 workers are out on strike and have been joined by 100 workers at a lube oil blend plant and a major distribution depot. Major depots nationally have balloted in favour of strike action. There are about 40 more Saeco depots around the country where ballots are still being taken.

In the meantime, pensioners, engineers, managers and technicians at the plant have rolled up their sleeves and dug in. Although production is down from 1 600 to 600 barrels a day and the company's expansion project has come to a standstill, the company says "the temporary teams will be able to meet normal customer demands for the foreseeable future".

But the Chemical Workers' Industrial Union (CWIU) believes that the temporary teams are inexperienced and this poses a danger to the community because of the intricate processes involved in refining crude oil to fuel.

"Operators who have been working at the plant for 15 years say the machines throw up surprises daily. It's a timebomb," says CWIU national co-ordinator for the petroleum sector Mohamed Motala.

The company denies that inexperienced replacement workers endanger the community. Genref representative Mark Rodgers points out that the plant has won a top safety award for the past 19 years.

The union is demanding a 14 percent increase plus the conversion to rate for the job which the company says amounts to a 21 percent demand. Genref is offering a 15,7 percent increase.

The company's refusal to pay for conversion from merit-based increases to a rate-for-the-job system is more contentious. This conversion would cost Genref seven percent of its wage bill and the company says this amount is written into its offer.

The company is also refusing to negotiate centrally with other petroleum houses despite "the high degree of co-operation between petroleum bosses", says Motala.

Sentrachem beats poor conditions

B/Day 30/4/92. (183)

EDWARD WEST

SENTRACHEM held up well against deteriorating market conditions in the six months to end-February.

It succeeded in marginally improving earnings and strengthening its balance sheet

Earnings increased to 25,7c a share compared with 24,2c a share in the previous interim period.

In spite of a small increase in sales to R1,17bn from R1,14bn, pre-tax earnings rose by 38,9% to R75,4m (R54,3m) This was as a result of a 14% saving in finance costs to R41,1m (R48,1m)

The chemical group's falling profitability in its 1991 financial year had bottomed out and a number of investments reflecting an export oriented vision of manufacturing were on the drawing boards, MD John Job said yesterday

Job said demand from the automotive industry, a significant market for several of the group's operations, continued to decline, as did demand for a number of other products, including potable alcohol, plasticisers, solvents and resins

Sentrachem's agricultural products division performed well and the effects of the drought were offset by a substantial volume of exports through Sanachem

Exports accounted for less than 10% of turnover, but were expected to increase in future, said Job

The group's carbide business had been relocated to the Karbochem Newcastle complex, where the carbide furnace, mothballed when isoprene rubber production was halted in 1990, had been restarted and the plant operated at a profit for the first time since its start-up in the early '80s

Job expected only slightly better results for the remainder of the year because he saw little prospect for real growth in the current economy

The 40-month, R830m expansion and expenditure programme was completed last year and with its production base in good shape, the group could afford to limit capex, he said As a result, capex declined to R51,3m from R107,6m

Reflecting the group's strategy to improve the utilisation of its asset base and increase productivity, operating income climbed 14,1% to R116,8m from R102,4m

Increased tax to R36,9m from R16,2m and greater distribution of income to outside shareholders to R10,4m from R4,2m diluted attributable earnings which increased 6,5% to R29,7m from R27,9m. An unchanged interim dividend of 6c a share was declared

During the period gearing improved to 0,57 from 0,73

Job said Sentrachem planned to further improve gearing by year-end, even after paying the unbudgeted R25m for AECI's carbide business during this period

MANUFACTURING — CHEMICALS & PRODUCTS

1992

MAY — DEC.

Macmed's main board listing could bring new opportunities

B/Day 4/5/92 (183)

LINDA ENSOR

CAPE TOWN — Macmed Health Care's move into the pharmaceutical and medical sector of the main board from today has opened up the possibility of it gaining the distribution rights from a major multinational medical supplies company

MD Don McArthur said at the weekend negotiations with the company were conditional on Macmed obtaining a main board listing.

"The range of products will complement Macmed's existing consumable product range and strengthen its position in the market place," McArthur said.

He believed the enhanced status offered by a main board listing would also secure other opportunities.

The company manufactures and distributes medical products to private and provincial hospitals and can achieve earnings per share growth of between 20-25% this year. This would follow several years of decline

"The share price reflects the exciting prospects that lie ahead for the group, and at a current price of 40c the share stands at a historic price earnings of 11,1 against the average for the pharmaceutical and medical sector of 15,6%," Hiscock said

The listing follows a year of consolidation. In June it will move to Johannesburg.

Macmed had identified three growth areas. Emphasis would be given to expanding the market for high margin, high-tech products for private health care The state sector had cash constraints, but Macmed would continue to distribute primary health care products.

Another growth area was exports Macmed's major licensor, Kendall Products, is considering using Macmed products to supply its other marketing subsidiaries abroad

Macmed is also discussing the acquisition of distribution rights of pharmaceutical products.

About 40% of Macmed's products are locally produced under contract. McArthur said the company would not repeat previous unsuccessful attempts at manufacturing.

Thor to halt all production involving mercury compounds

B Day 6/5/92 (183)

Own Correspondent

DURBAN — Thor Chemicals in Cato Ridge will permanently shut down all chemical production involving hazardous mercury-based compounds, the company announced last night.

A number of workers will be retrenched, but the company will continue to produce non-mercuric chemicals.

The surprise decision by the company follows the recent poisoning of at least four Thor employees who were involved in the production of mercury-based products and an independent report criticising the company's "inadequate" monitoring of workplace safety.

A doctor monitoring the condition of the four employees said last night that at least one worker, Engelbert Ngcobo, 53, was likely to remain in a permanent "cabbage" condition.

Thor was thrust into the international spotlight recently as a result of pressure from Greenpeace and the local environmental watchdog body, Earthlife Africa.

The company's decision will also bring an end to the re-importation of spent mercury products from overseas customers

Thor MD Steve van der Vyver said the decision to close mercury operations was made jointly by its SA directors and the board of its British holding company,"in the light of certain evidence which was discovered during intensive internal investigations".

The company said it could not comment further until the Manpower Department had completed its probe.

The company voluntarily suspended production of mercury products nearly two months ago after three former employees were hospitalised with suspected mercury poisoning.

Earthlife spokesman Chris Albertyn has welcomed Thor's decision.

"We hope the authorities will follow the Organisation of African Unity's lead in closely monitoring the increasing movement of unwanted, dirty and toxic European industries to Africa in order to increase profits at the expense of people and the environment."

Dr Rajen Naidoo of the Industrial Health Unit of the University of Natal said last night that Ngcobo was still comatose in King Edward VIII Hospital and his condition was unlikely to improve.

A second worker, Peter Cele, was in a semi-comatose state in Wentworth Hospital while Albert Dhlamini's condition had improved although he still had an unsteady gait.

Company halts mercury production after probe

STAR 6/5/92. (183)

Own Correspondent

DURBAN — Thor Chemicals in Cato Ridge will permanently shut down all chemical production involving hazardous mercury-based compounds, the company announced last night

The surprise decision by the company follows the recent poisoning of at least four Thor employees who were involved in the production of mercury-based products, and an independent report criticising the company's "inadequate" monitoring of workplace safety

A doctor monitoring the conditions of the four employees said last night that at least one worker, 53-year-old Engelbert Ngcobo, now in a coma, was likely to remain in a permanent "cabbage" condition

Thor was thrust into the international spotlight recently as a result of pressure from Greenpeace and local environmental watchdog Earthlife Africa

The company's decision will also bring to an end the re-importation of spent mercury products from overseas customers.

Thor managing director Steve van der Vyver said the decision to close mercury operations was made jointly by local directors and the board of its British holding company

The company said it could not comment further until the Department of Manpower had completed a separate investigation

Earthlife spokesman Chris Albertyn has welcomed Thor's decision, saying "This was always a highly dubious operation, where the cost to human health and the environment outweighed any possible benfits We hope the authorities will follow the Organisation of African Unity's lead in closely monitoring the increasing movement of unwanted, dirty and toxic European industries to Africa in order to increase profits at the expense of people and the environment"

Professor Tony Davies of the National Centre for Occupational Health, who recently prepared a 15-page report on the causes of the poisoning, found that Thor Chemicals had to accept full responsibility for the consequences of transferring hazardous chemical processes from its United Kingdom factory to the plant at Cato Ridge

High rate of success

STAR 7/5/92 (183)

The Technikon Witwatersrand has been training analytical chemists since 1957

Students of the School of Applied Science's Department of Chemistry are trained in the required skills which will meet the demands of industry and which will allow diploma-holders to be immediately useful to the employer on qualification

To achieve these aims, the training programme consists of two parts training at the Technikon and in-service training in industry

The course is structured to ensure a high motivational level

There is a continuous demand for analytical chemists in the pharmaceutical industry, the field of cosmetics, the food and allied industries, mining and the chemical research laboratories, municipalities and institutions controlled by the state

Higher qualifications such as the National High Diploma in Technology, the Masters Diploma in Technology and the Laureatus in Chemistry are also offered

Thor may opt for imports

Own Correspondent

DURBAN — Thor Chemicals was likely to import finished mercury-based chemicals following its decision to stop producing them locally, a company spokesman said yesterday

The spokesman was reacting to queries about the consequences of the company's decision to stop producing chemicals containing mercury compounds

BDay 7/5/92

Asked whether Thor's British parent company would relocate mercury operations to another country, the spokesman said "It all depends on our customers They may want us to import and store these products on their behalf"

Mercury-based products accounted for about 20% of chemicals produced at Cato Ridge, but the decision to stop making them would not affect the company's overall viability

The company was unable to estimate how many of the 100 workers would lose their jobs

"Negotiations with the union on severence and redundancy packages are continuing," he said

Genref inspection

W/mail 8/5-14/5/92

DEPUTY Director of Manpower Tim Curtis this week inspected the Genref refinery in Durban at the request of the CWIU. The union alleges that a two-week strike at the company is forcing management to use unqualified labour to operate the intricate refining machines and that this poses a danger to the workers and the community.

Curtis investigated the alleged injury of unqualified workers at the factory, 12-hour shifts being worked without a break for the past two weeks; the dumping of sludge; and the presence of a sulphur cloud over the residential area of Merebank for half an hour this week. (183) (185)

Reports by Weekly Mail staff, Sapa

W/Mail 8/5-14/5/93 LABOU[R]

Thor acts on mercury

THOR Chemicals, the British-owned company which has been under pressure from environmental groups and the Chemical Workers' Industrial Union (CWIU) following the suspected mercury poisoning of four workers at its plant in Cato Ridge, Natal, on Wednesday confirmed it would shut down all chemical production involving mercury-based compounds. (183) (~~131~~)

A spokesman said about 15 to 20 percent of the plant would be affected by the closure. The company is negotiating with the CWIU on retrenchments.

Afrox results shrug off the recession

(183)

EDWARD WEST

AFROX has defied the recession by raising inflation-adjusted earnings 13% to 148c a share in the six months to March 1992, from 131c a share in the corresponding period last year. B/Day 8/5/92.

The interim dividend was increased to 71c from 63c a share covered 2,11 times by the inflation-adjusted attributable profit.

Attributable profit for Afrox — one of the few groups to compile current cost accounts — climbed 14% to R44,8m from R39,2m on an 8% increase in turnover to R556,3m (R514,5m).

Chairman and MD Peter Joubert said the performance was the result of cost control, reduced capital expenditure because of the recession and the emphasis on finding new applications and markets.

Long-term contracts and revenue flowing from fixed facility charges enabled the gases business to remain resilient.

Tax paid rose to R45,6m from R43,3m, while interest paid fell to R17m (R18,9m)

Joubert said the weak economy affected the engineering sector, and thus the welding business, but he hoped Afrox's recent export successes would compensate for the fall-off in local demand Health-care operations suffered with the lower use of services, largely because of the generally high costs of health care He forecast increased second half earnings.

Afrox's share price was untraded at R88 yesterday, off its high of R94 a share on February 18

Sabta cuts taxi fares in support of train boycott

BDay 8/5/92

GAVIN DU VENAGE

MINIBUS taxi fares would be cut by 20% today in support of the week-long train boycott, Sabta said yesterday,

Boycott steering committee spokesman Ronnie Mamoepa said he "applauded the move" taken by Sabta and nine affiliates operating in the Soweto region Sabta also agreed to relax demarcation agreements and "encourage" people with their own vehicles to transport workers.

Commuters will pay between 20c and 50c less a trip

Mamoepa said Spoornet had complained that the boycott, called in protest against violence on trains, "was hurting" and had asked the committee to call it off

Spoornet reports that Soweto trains were virtually empty yesterday, with other lines having lost from a quarter to half their normal number of passengers.

Police said two people were injured when they were thrown from moving trains at Booysens in Johannesburg and Kutalo Station, on the East Rand

Police also reported that an extensive anti-crime operation was launched in Phola Park squatter camp yesterday afternoon They were searching for weapons and stolen vehicles, a spokesman said

Sapa reports that in a raid on the Klipspruit squatter camp yesterday morning police arrested a man they believe to be involved in the killing of narcotics detective Sgt Raymond Maritz last weekend

Nine people, including two youths who were necklaced, died in political violence on Wednesday, police reported.

Three people were killed in Soweto on Wednesday and in another incident, five men wielding knives attacked a Meadowlands woman, injuring her.

Unknown attackers opened fire on a home at Zindingini in the Table Mountain area of Natal and killed four people

The necklaced youths were found dead at Mangwangeni location in Bulwer, Natal

Meanwhile, the ANC yesterday welcomed news of the OAU violence monitoring group's visit to SA next week

Inkatha Freedom Party president Mangosuthu Buthelezi has appealed to his party and the KwaZulu legislature to do everything to assist the delegation

The CP has strongly objected to the visit saying it was "an assault on the sovereign integrity" of SA

Waste disposal rivals in court

BDay 8/5/92 (183)

SUSAN RUSSELL

ALLEGATIONS of industrial espionage and the unlawful use of confidential information were made in a dispute between two rival waste and toxic effluent disposal companies which came before the Rand Supreme Court yesterday

Waste-Tech (Pty) Ltd is seeking a series of interim orders against its rival Wade Refuse which it claims is using confidential analytical data and customer information supplied by a former Waste-Tech employee

Wade Refuse denies it is using confidential information and claims Waste-Tech is attempting to crush competition in what had been a monopoly

The matter, which resumed for argument before Judge L Serrurier yesterday, began in March when Waste-Tech obtained a court order in camera against its rival

In terms of the order granted by Judge L Lazarus, the deputy sheriff was authorised to seize documentation from Wade Refuse which Waste-Tech claimed was confidential information The court also granted temporary interdicts preventing Wade Refuse from using the information

The case resumed for argument yesterday with Waste-Tech seeking further relief pending the outcome of a court action for final orders and the institution of action for damages

Waste-Tech counsel B Nugent SC told the court that former employee Alistair Gillespie resigned in April last year and went to work for Wade Refuse

Gillespie subsequently approached chemist Steven Elliot, who was in charge of Waste Tech's laboratory, and asked him for certain documentation and information relating to waste disposal, its analysis as well as customer information

Elliot did this over a number of months, Nugent said, and received money before resigning in December and going to work for Wade Refuse In February Elliot fell out with his new employers and was dismissed

He then went back to his former employers and told them what had happened, Nugent said

Elliot, a British citizen, alleged that after he was dismissed by Wade Refuse he had to sign a restraint agreement, undertaking to leave SA and not return for three years

Nugent submitted yesterday there was prima facie evidence that Wade Refuse was using information and analytical data belonging to Waste Tech to compete unlawfully with its rival

Argument continues today

FM 8/5/92 (183)

FOX

SENTRACHEM

Bringing a new urgency

The contribution from joint ventures Sanachem and Safripol brought about the 14% rise in operating income But when this is pared by eliminating outside shareholders' interest, growth in aggregate attributable income was confined to 6,5%

With capital employed of over R1,3bn, it would be extraordinary if attributable earnings growth were to exceed, by any large extent, the economy as a whole Its complex, capital-intensive enterprises are too interwoven with, and dependent on, the economy to generate results that diverge materially In a sense, therefore, since both industry and agriculture have been hammered by recession and environmental factors, 6,2% EPS growth is not too bad But from an investment perspective, it's not good either

A number of encouraging aspects bode well for prospects when the economy does improve They stem from what appears to be the more targeted approach of new group MD John Job, appointed last year

Job is intent on reducing borrowings to more manageable proportions Debt equity, though still too high, has been brought down to 0,83 from 1,0 at this time last year This has not yet had a significant impact on interest paid But if debt can be cut further and interest rates fall, it could boost pre-tax earnings

The three-year R830m capital expenditure programme was completed in 1991 and, apart from normal updating and refurbishment of plant, will not be extended for some time Inherent in this is a cash flow benefit as depreciation follows earlier expenditure

So fresh funds will not be required for some time Moreover, efficiencies created by the capex programme are only beginning to flow into the system and push up margins

It is unlikely that either the agricultural or industrial sectors will contribute higher profits this year But exports to Africa and abroad, in competition with other global participants, are encouraging As Job says, Sentrachem is not just competitive on price because of the weak rand, it also competes with the world's best in terms of quality

At 565c, the share is a little ahead of end-February NAV of 511c The patchy, unimpressive EPS record over the past 10 years does not imbue an analyst with confidence But Job and his team could bring a new urgency to produce returns that will justify the strict arm's length criteria most investors apply

Gerald Hirshon

EXPORTING QUALITY

Six months to	Feb 28 '91	Aug 31 '91	Feb 29 '92
Turnover (Rm)	1 141	1 101	1 175
Operating inc (Rm)	102,4	111,5	116,8
Pre-tax income (Rm)	54,3	53,5	75,4
Attributable (Rm)	27,9	34,2	29,7
EPS (c)	24,2	29,6	25,7
Dividend (c)	6	12	6

Afrox surging ahead

AFROX continues to show outstanding growth. (183)

The industrial engineering, gases and health-care group raised profit after tax, but before additional depreciation to reflect the current cost of assets, by 17% to R57-million in the six months to March. Turnover rose by only 8% to R556-million S/Times (Bus) 10/5/92.

Earnings a share were 13% higher at 148c and the dividend was lifted by the same level to 71c

Chairman Peter Joubert says the company controlled costs and reduced capital expenditure, but sought new applications and markets in all business.

Afrox's share price has risen from R60 to R88 in a year, giving a historic price earnings ratio of 25.

abuses, and if so is any action being contemplated?

The DEPUTY MINISTER This has not been brought to my notice but if it is the case, I ask the hon the Leader of the Official Opposition to provide me with the necessary facts

Chemical plant in Cato Ridge mercury poisoning

*4 Mr T PALAN asked the Minister of Water Affairs and Forestry

(1) Whether, with reference to a certain chemical plant in Cato Ridge and instances of mercury pollution of a nearby stream, particulars of which have been furnished to the Minister's Department for the purpose of his reply, an investigation is to be instituted to determine the environmental impact of the chemical plant in question, if not, why not, if so, (a) (i) when and (ii) by whom will the investigation be conducted, (b) what is the name of this chemical plant and (c) what are the details of the case,

(2) whether he will make a statement on the matter?

D146E

The DEPUTY MINISTER OF WATER AFFAIRS AND FORESTRY

(1) Yes A comprehensive geohydrological investigation and impact assessment of the plant on groundwater and on the surface water and sediments of the Umgeni River and its tributaries has been instituted

(a) (i) Studies commenced towards the end of 1990

(ii) Constultants appointed by the Company concerned and the Department of Water Affairs and Forestry

(b) The name is the one provided by the hon member

(c) Elevated mercury levels were limited to a relatively small area in the soil in the direct vicinity of the plant Action taken by the Department resulted in the termination, on 19 April 1990, of the production of any effluent containing mercury This, together with further remedial actions resulted in a marked improvement in the surface and groundwater quality

(2) Yes No effluent containing mercury is presently produced at the plant Effluent containing mercury which has been generated in the past is contained in double lined dams This effluent is currently treated to remove mercury to a level below the General Standard in terms of the Water Act, 1956 (Act 54 of 1956) The treated effluent is used, under strict control, for intermittent irrigation and the environment is not adversely affected by this practice

133

INTERPELLATIONS

The sign * indicates a translation The sign †, used subsequently in the same interpellation, indicates the original language

Own Affairs

Court actions to defend Department

1 The LEADER OF THE OFFICIAL OPPOSITION asked the Minister of Education and Culture

(1) What total amount was paid in legal costs to defend his Department in court actions during the period 1 January 1990 up to the latest specified date for which figures are available,

(2) whether he has taken a decision in regard to the engagement of any member of the legal fraternity to represent the Administration House of Delegates, if not, why not, if so, what did he decide?

D163E INT

Mr Y M MAKDA Mr Chairman as I informed the House yesterday, unfortunately the hon the Minister of Education and Culture has been hospitalised As he is still in hospital, I wish to suggest that this interpellation be withdrawn While I am on my feet I also wish to suggest that Questions No 1 and No 2 for oral reply under own affairs, which the hon the Minister of Education and Culture was to reply to, also stand over

Allocation of business/industrial plots Transvaal

2 Mrs R EBRAHIM asked the Minister of Housing and Agriculture

(1) What procedure is adopted by his Department in allocating business and industrial plots in the Transvaal,

(2) whether this procedure has been adhered to in all such allocations, if not, what exceptions are made?

D155E INT

The MINISTER OF HOUSING AND AGRICULTURE Mr Chairman, hon members will know that when a business person requires a piece of land for the purposes of conducting business, it is required of him to apply to the Department of Local Government, Housing and Agriculture where such an application will be scrutinised and processed provided the applicant is a displaced person in terms of the Group Areas Act or other legislation

Whilst it is the policy of the Administration to sell off commercial and industrial stands, in order to generate funds which in turn are used for our low-cost housing delivery programme, such actions are governed by the aspect of proclamation and registration of townships Where the latter has not been finalised, sales cannot be concluded, since transfer of the property into the name of the purchaser cannot be done in such circumstances

Where the situation of non-proclamation and non-registration pertains, sites can only be leased to successful applicants who are willing to opt for this alternative Over the years sites have been allocated to individual entrepreneurs on the basis of applications submitted and often also taking cognisance of the support given by local public representatives such as local affairs committees In non-proclaimed areas sites were leased to individuals, whilst in proclaimed areas sales by private treaty could be and have been concluded

Furthermore, in view of the limited number of such sites available, the large number of applicants of more or less equal standing, and the keen interest evident among applicants to acquire sites, certain available sites have been advertised for sale by tender where the highest tenderer is allocated the site tendered for

In this way the needs of those entrepreneurs who are not displaced persons are also satisfied Another method of allocation is sale by public auction, where a site is auctioned and allocated to the highest bidder

To summarise, there are basically four alternatives for disposing of land which implies the allocation of sites The first is leasing to individual applicants for a specific period at a specified rental [Time expired]

Mrs R EBRAHIM Mr Chairman, newspaper articles and both direct and indirect intimidation of Mr Sayed, the towing operator who was allocated stand No 10058 in Lenasia, prompted me to place this interpellation on the Question Paper I want to add that I had ascertained many facts before arriving at a decision regarding this interpellation

The Ministry of Housing confirmed in a letter to me—I have the letter here—that business sites are sold exclusively by tender However, there have been exceptions where land has been sold by private treaty During the course of last year representations were made to me as a member of Parliament by three businessmen to assist them in their endeavours to purchase land At that stage two of them had been negotiating through Mr T C Chetty and a third through Rev Reddy, the Ministerial Representative in the Transvaal Two persons have already entered into deeds of sale with the House of Delegates

Mr O Sayed of Omar's Towing Services has taken occupation of the erf allocated to him on lease pending sale and transfer In terms of a letter addressed to Mr Sayed by Mr Meiring the regional representative of the department, the erf would be leased to Mr Sayed with effect from 1 April 1992 at a monthly rental of R350 until such time as the area is proclaimed and a sales agreement entered into

Notwithstanding the written commitment given to Mr Sayed the Department refuses to honour its undertaking and enter into this lease agreement Mr Sayed is occupying the land has effected improvements and has established his business on these premises What is the reason for not honouring the written undertaking given by the regional representative?

The hon the Chairman of the Ministers' Council, who was the Minister of Housing, is personally aware of the situation He chaired the meeting at

Cont →

Cost-effective does not always mean cheap

STAR 14/5/92

The Pharmaceutical Manufacturer's Association of South Africa (PMA), under attack for providing medicine which is allegedly more expensive than anywhere else in the world, says the use of cost-effective modern medicine in South Africa can help contain costs

PMA Executive Director John Toerien denies allegations that SA has the most expensive medicine in the world.

"The public sector — which accepts responsibility for the indigent and the aged — buys 70 percent of the volume of medicines consumed.

"It buys them on a tender system in terms of code lists and, in all probability, the State is acquiring its medicine at the most competitive price in the Western world.

"We believe that in designing a health-care policy, it is better to spend money on cost-effective modern medicine, rather than on the more downstream elements Overseas experience, no doubt also applicable to South Africa, is that the use of modern cost-effective medicine avoids hospitalisation, possibly helps avoid surgery, reduces hospital day-stays and ensures a better quality of life

"An example is TB In years gone by, contracting the disease meant a long period of hospitalisation with attendant time off work, loss of income and drain on the economy

(183)

Collapse

"Now the disease is treated quickly and efficiently with modern medicine and the patient is returned to be a productive member of the economy within weeks

"In Eastern Europe, traditionally the seat of health care systems which relied on nationalisation, state subsidies and generic substitution, the collapse of communism has seen a dramatic move to cost effective modern medicine as one of the primary planks of the health care policy"

He believes the benefits of generic drug substitution have been over-estimated

"Generic substitution does not necessarily work in favour of the patient and while the medicines may be cost effective, it does take longer for symptoms of illness to be treated, resulting in a loss of manhours We have to find cost-effective medicines which are to the benefit of the patient, not medicines which are substitutions for what we already have and which take longer to cure the patient

"We are not opposed to generics, per se, but the PMA is totally opposed to the principle of substitution," he says

There are no known cures for 75 percent of all known illnesses and PMA — which represents all major international and local manufacturers in South Africa — says there is an urgent need for research funds

"It is the ethical drug companies which fund the vast bulk of this research both in South Africa and abroad," he says

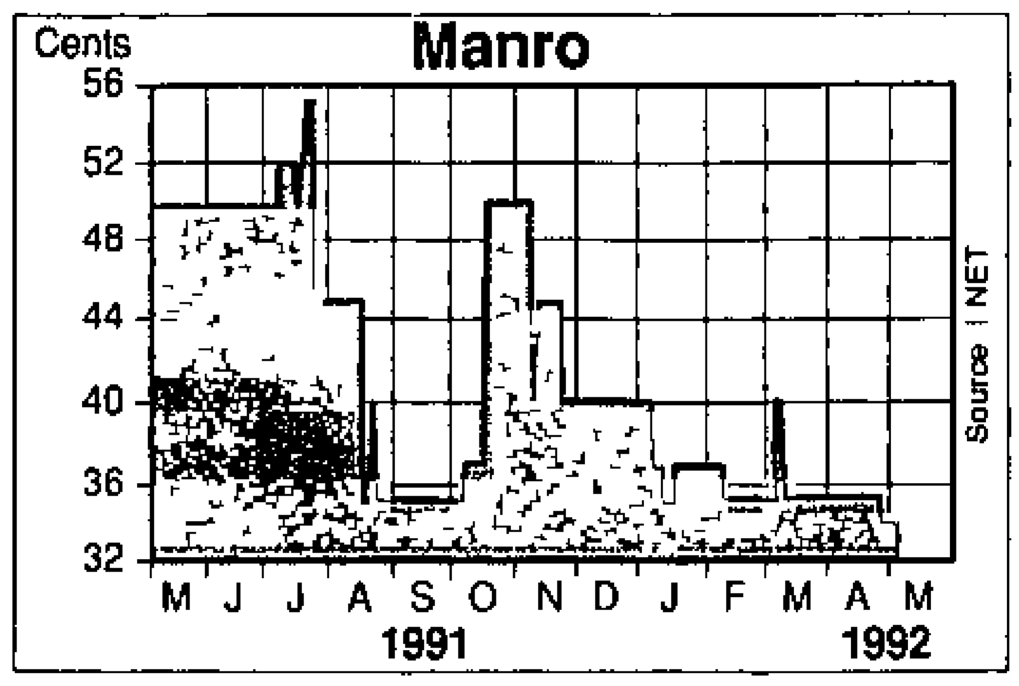
MANRO CHEMICAL FM 15/5/92

Dashed expectations (183)

Activities: *Manufactures performance chemicals*
Control: *Manro Holdings 66,5% Controlled by Hickson International Plc*
Chairman: *D J G Kerrison, MD B W Murray*
Capital structure: *40,8m ords Market capitalisation R13,9m*
Share market: *Price 34c Yields 9,6% on dividend, 27,9% on earnings, p e ratio, 3,6, cover, 2,9 12-month high, 55c, low, 34c Trading volume last quarter, 9 600 shares*

Year to Dec 31	*'89	'90	'91
ST debt (Rm)	5,0	5,1	16,2
LT debt (Rm)	5,3	1,1	0,4
Debt equity ratio	0,48	0,26	0,61
Shareholders' interest	0,46	0,42	0,42
Int & leasing cover	—	4,3	2,3
Return on cap (%)	16,1	16,4	11,2
Turnover (Rm)	87,2	86,3	89,1
Pre-int profit (Rm)	7,5	9,5	7,2
Pre-int margin (%)	8,6	11,1	8,1
Earnings (c)	7,9	11,6	9,5
Dividends (c)	—	3,75	3,25
Net worth (c)	52	60	66,8

* Pro-forma



New chairman Dennis Kerrison strikes a far more conservative note than his predecessor In place of the forecast "substantial profit growth," he reports sobering losses in the Bevaloid division, in part as a result of the downturn in the paint, textile and mining industries EPS fell by 18% in the face of recession, mismanagement and bad debt

Bevaloid, which supplies emulsion polymers, resins and speciality chemicals to the paint, paper and general chemical industries, was hit as well by the collapse of Vadek Paints This cost it roughly R500 000, says group MD Bruce Murray, who adds that Bevaloid also suffered stock losses because of inadequate production management

In all, he says, the division lost over R2m It was this that pulled group results down

In the Inorganic division, which makes timber preservation chemicals and copper oxychloride dusting powder for vines and

cont →

citrus, sales were marginally up However, government export incentives helped boost its profit following increased export turnover Reduced platinum and gold mining activity and the concomitant fall-off in demand for timber hit sales and minimised the contribution from this source

The Organic division, which makes diverse chemicals (additives for lubricating oils, polymerisation emulsifiers, concrete additives and active surfactants for the detergent and toiletries industries), is fairly recession-proof and performed satisfactorily but with little excitement "Very encouraging results" followed considerable efforts to expand exports into previously unavailable markets in Africa

Three significant changes took place in the financial structure

Accounts receivable jumped by 25% to R21,7m because of export-related sales, which, says Murray, are now 15% of the business, accounts payable fell to R13m from R20,4m, largely because of the payment of a R6,3m dividend obligation to the holding company following the utilisation of the Pricefurn Holdings cash shell to obtain a listing, and bank borrowings leapt to R15,6m from R4,3m as a result of financing these requirements and capital expenditure

With Lesley Thornton's appointment as Bevaloid MD in October, the division has turned around and is already in profits The inorganic division is not trading well because mining remains in the grip of recession but the organic division is ahead of budget and doing well, says Murray He adds that the group is below budget but profitability is higher than at this time in 1991

If management problems have been sorted out, Manro is in a position to do well out of supplying necessary chemicals to industry in the new SA Having been listed only since late 1990, it does not have much track record But it qualifies as a small company with promising growth potential and is a share to watch *Gerald Hirshon*

performance in calendar 1991 is laudable

If cash is king, then at Omnia it became an emperor The balance sheet shows that cash at year-end was R40,3m, a colossal increase of R35,2m over 1990 This was achieved by a small reduction in stock levels and a significant increase in creditors Expressed against turnover, creditors rose from 87 days in 1990 to 106 days

Recently appointed executive deputy chairman Mike Fearfield says Omnia found during 1991 that the lifting of sanctions enabled group companies to import more readily on better terms This is encouraging evidence of the effects of SA's return to the real world

Fertilisers remain the core business, providing about 70% of turnover However, management has repeated its determination to lessen dependence on sales to the farming industry by doubling efforts in areas such as chemicals and explosives

Fearfield is especially enthusiastic about the success of Bulk Mining Explosives in taking on the giants in this field, AECI and Sasol "Our penetration into this market reflects great dedication by our people " He has cause to be ecstatic, since BME won an exclusive contract to supply SA's largest open-cast coal mining operation

Other activities reflect mixed fortunes Omnia Farming is to be restructured Fearfield says the group's policy has changed it now wants to divorce itself from farming in SA — shareholders are not likely to quibble with that — and, instead, concentrate on developing farming activities in, of all places, Zambia and Zimbabwe

Carnia Seed, to which Omnia has devoted considerable capital, continues to improve its market position Omica, the trading arm, is well-placed as agent for the international trader Cargill to handle what Fearfield describes as "a significant portion of SA's maize imports "

Overall, chairman R K J Winkler expects earnings to rise this year even though the tax rate will rise from 1991's 9% to an expected effective 25%

Omnia's share price has risen 28% in the past year But, despite all the good news, it remains inextricably tied to the vagaries of the climate The share is now at a p e of 5,6, against the sector's 8,5 It deserves to be rerated but probably won't be, so it looks fully priced at its present level *David Gleason*

...ark yesterday which was transmitted live to major centres around the country The new Engen logo, pictured immediately left, has been designed specifically to reflect Africa's changing business environment, according to the company Picture ROBERT BOTHA

Engen to promote new logo

EDWARD WEST

(183)

BDay 15/7/92

ENGEN will invest R130m over the next two years to phase out the familiar Mobil emblem and replace it with the new Engen logo

Former Mobil marketing MD Barry Jordan said yesterday that 14 new Engen test sites would be introduced initially to test consumer reaction to the new design at service stations The Trek and Sonap names would be retained

Engen products such as lubricants, gas, solvents, aviation, maritime and other industrial fuels would also be introduced to the agricultural, industrial and commercial markets, he said

Engen MD Rob Angel said the eventual change of the Mobil brand name was inevitable because Mobil Corporation had specified a name change by July 1994, as a result of its disinvestment from SA in 1989.

Engen had achieved earnings growth in excess of 20% a year since its listing in May 1990, said Angel Exports to 11 African countries doubled in 1990 and had doubled again in the past eight months of the current year compared with the previous 12 months, said Angel The only limit to further growth was refining capacity.

Engen blocks early Mobil return to SA

S[Times [Buss] 17/5/92 (183)

By CIARAN RYAN

THE door is effectively closed on any possibility of Mobil returning to SA before the end of the century

Although it was reported that Mobil was keen to buy its way back into SA, a restraint of trade agreement prevents it from doing so until the latter part of the decade

Engen said this week that Mobil's name would be changed to Engen

Mobil came under pressure in the US to disinvest in 1989 — only a few months before President De Klerk took over from PW Botha

It has been said that Mobil was keen to return in the light of favourable political changes

Engen chief executive Rob Angel says "The only ways Mobil could come back are either by starting to build up a marketing and distribution network from scratch — inconceivable because all good service station sites have been taken up — or by buying an existing one, which also seems unlikely"

Gencor paid $150-million (R650-million in financial rands) for Mobil and inherited about R350-million in liabilities Its market capitalisation is now about R5-billion

The cost of the name change is about R130-million, a third of Engen's net income last year Most of the money will be spent on changing corporate livery and imaging The investment in fixed assets is deductible for tax

Phase 1 of Engen's R670-million Genref refinery comes into production in September It will run at full capacity from day one because it takes over the refining of crude oil on behalf of Trek, currently handled by Shell-BP

In addition to meeting increased demand from Africa, it will have an immediate effect on Engen's bottom line Refining margin is about $4 a barrel compared with an average price for crude of $16,50

Phase 2 of Engen's refinery expansion, costing about R2-billion, should come on stream in 1995, although no decision on the project has yet been made

By using world-class technology, Phase 2 will improve refining margins

Mr Angel says Engen is prepared for any deregulation in the oil industry

Oil exploration is taking place in Gabon, Congo and the Bredasdorp Basin

Engen has an effective 3% of the Alba and Brittania oil and gas fields in the North Sea Engen will have to pay its share of the £500-million to exploit North Sea oil and gas deposits, but the company is cash flush after its R1,1-billion rights issue Should it decide to take up its 30% option in Mossgas, it will have to come to the market for some of the R1,4 billion required

"Gas is one of the major future energy sources and these fields are far larger than Mossgas"

Mr Angel says Engen will have to have a major standalone exploration and production business capable of supporting exploration expenditure on oil and gas ventures

Seeff in Masterbond bid

LINDA ENSOR

CAPE TOWN — Seeff Trust is bidding for the management contract for the 11 property participation companies in the Masterbond group A rival contender is the Johannesburg financing company, Citygate Corporate Finance

Rumours that Realty Durr had also made a formal bid were denied yesterday by chairman Storm Durr, though he expressed interest in finding ways to assist investors who had only a few days left to send in their proxy votes before next Monday's meeting BDay 19/5/92

In a letter to about 1 200 investors in the companies owning properties valued at more than R60m, Seeff Trust MD Michael Flax said concerned investors had approached Seeff to take over the management of the companies.

Flax said if chosen as manager, Seeff Trust would manage the properties professionally and economically, maximise returns, and assist investors in trading their units on the secondary market A property management fee of 5% and secretarial fees of 2% of the buildings' monthly rentals would be charged

Flax said the properties had not been managed properly The properties were burdened with a lot of bad debts and needed new tenants

The letter recommended that investors vote onto the board of directors of the participation companies Flax, Seeff Organisation chairman Lawrence Seeff, Seeff Trust director Ryan Broomberg, Seeff Commercial Properties MD Theodore Yach, Seeff Trust national marketing manager Robert Knight and Seeff Residential Properties MD Samuel Seeff

Citygate director Michael Addison said in terms of the Citygate offer J H Isaacs would be retained as property administrators and the possible amalgamation of the companies would be investigated with a view to a JSE listing to enhance the tradeability of the units

Medicine price rises 'outstrip CPI'

BDay 19/5/92

KATHRYN STRACHAN

MEDICINE prices had risen 10 times during the past 15 years compared with a rise in the consumer price index of eight times, Medical Association of SA (Masa) director Reg Magennis told the Pharmaceutical Society's national conference in Somerset West yesterday

Magennis said medical aid schemes were facing a crisis precipitated by the increase in the cost of medicines (183)

The average annual increase in payouts for medicines since 1975 was 26%, while payouts for general benefits rose 25%

The volume of medicine consumed per person rose 16% between 1975 and 1982, but had dropped back to below 1975 levels by 1991, which indicated a growing resistance to price increases, Magennis said

Wholesaler warns of 'grey' drugs

S Day 20/5/92 (183)

KATHRYN STRACHAN

A MASSIVE "grey network" supplying medicines to groups other than pharmacists had exposed the public to unsafe products, CE of ACA and PDC Trading pharmaceutical wholesaler Len Keating said yesterday

Addressing a national conference of the Pharmaceutical Society of SA in Somerset West, Keating said much of the stock supplied to dispensing doctors, industrial clinics and private hospitals was stolen

The grey network was a conduit for stock stolen from manufacturers, wholesalers and from public hospitals and for similar channeling of expired stock or simple placebos to the public

Keating said up to one in five medications dispensed in the R2,5bn market came from the grey network and almost half that stock was stolen

He questioned whether any guarantee could be given to the public regarding the safety or efficacy of the products that were presently being dispersed

The abuse stemmed from the fact that there was no code of practice in the pharmaceutical wholesaling industry

It was a sad reflection that an illegal business could not only threaten the viability of the professional ethical operators, but also presented a serious threat to public health, he said

The corruptive strength of this operation was such that three of the nine-man task force working with police on uncovering the grey market had received death threats, Keating said.

Engen pulls off deal in Botswana

EDWARD WEST 183

IN A reverse takeover, Engen is injecting its Botswana business Oil Botswana into BGI and will emerge with 70% of an enlarged company, Engen Botswana.

BGI is a Botswana fuel distributor and retailer listed on the Botswana stock exchange For the transaction, Oil Botswana was valued at 14-million pula, Engen said in a cautionary announcement today.

Engen CE Rob Angel said in a statement yesterday that a substantial portion of BGI's business lay in fuel distribution and retailing The acquisition was part of a drive to enhance Engen's share of the Botswana fuel supply market

Angel said Engen currently operated through Oil Botswana under the Mobil trade name

The acquisition of control of BGI would provide it with the opportunity to manage and develop business in Botswana more aggressively

He said it was Engen's intention to rationalise BGI's businesses

"Shareholders of BGI will benefit from being invested in a larger operation, which is expected to benefit considerably from more focused management and access to expanded markets" BIDay 20/5/92

BGI's name would change to Engen Botswana, and the company would remain on the Botswanan stock exchange

Because Engen was not issuing any shares, the transaction would have no material effect on its earnings and dividends, nor on the net asset value per Engen share

First aid for skin harmed by bleaching

STAR 20/5/92

(183)

THE "Black is Beautiful" message appears to be falling on deaf ears If black women were hearing it, they wouldn't still be using skin-lightener creams, and be in desperate need of help to repair the damage caused by the creams' bleaching chemical

Most skin lighteners contain hydroquinone — an active colouring chemical that bleaches skin Local skin specialists say the damage caused by the cumulative use of hydroquinone is irreparable, but Dr Danne Montague-King, an American biochemist who visited South Africa recently, is confident that there is a treatment that can remove those blemishes, ugly spots and dark patches of damaged skin

He claims that his treatment, which is available over the counter in South Africa, will "give you back the skin you had when you were born"

For many years, black women have eroded, damaged, and burnt their skin with products that were not meant for them, says Dr Montague-King, who claims to have pioneered the first effective treatment for black skin in the United States

He says facial creams with more than two percent of hydroquinone are banned in the US In South Africa, skin lighteners that contain hydroquinone used to be sold over the counter, but are now available only on prescription, says a local dermatologist

Dr Montague-King's research in this country has led to a a "botanical breakthrough of natural enzymes and acids" which he claims can help repair damage caused by hydroquinone Through a three-stage treatment, products can "bring life back to a dead skin"

The treatment involves a cleanser which removes ashy, dead dark skin cells and excess oils It also controls acne, blackheads, whiteheads and prepares skin for the next product that fades dark spots and uneven colouring naturally, he says. A sun block is used to protect the skin against the harmful rays of the sun

Black skin has certain advantages, says Dr Montague-King black people have more epidermal (outer) layers of the skin, and larger oil and sweat glands that moisturise the skin, also, black skin has the ability to reproduce new skin cells faster and therefore does not visibly age as fast But these "pluses become minuses if the wrong chemistry is used", he says

Sceptical

However, two prominent dermatologists — who cannot be named for ethical reasons — are sceptical of Dr Montague-King's claims

A Bedfordview dermatologist says there are a number of products derived from natural acids that are currently available in South Africa These superficial peeling agents, he says, can heal acne, blemishes and other pigmentation problems.

But the damage caused by hydroquinone is deep within the skin Treatment applied on the outside of the skin cannot penetrate deeply enough to repair damage Says one dermatologist "There is no cream that can shift the permanent pigmentation damage from the use of hydroquinone"

Odorous assault has Reef in its clutches

STAR 20/5/92 (183)

Winter is upon us. With it comes the low inversion layer over the highveld, trapping smoke and making people feel sick. The onslaught of smells has already begun, writes JULIENNE DU TOIT.

IT USED to plague the east Now the west of Johannesburg is also suffering from bad smells, watering eyes, biliousness, wheezing and generally assaulted senses.

On Tuesday last week Hilton Hamann of Greenhills in Randfontein called The Star There was a ghastly smell of gas that was burning his lungs and throat and making his eyes water.

His wife Joy was suffering the same symptoms and later in the day started vomiting.

A local creche had smelt the odour, but it had passed by mid-morning and the Randfontein health department, while concerned, could not trace the smell.

Industries in the area, which include mines, a petrol refinery and a milling company, denied they were the culprits

On Friday, Dawn Hollander called from Florida. There was a disgusting smell in the area, she said Her entire family felt bilious and their throats were tight.

"You can't tell me this is healthy," she said

Roodepoort health department said that that particular rotten-egg smell which had plagued Florida, Weltevreden Park and Delarey before, was thought to come from Secunda or Sasol

And the smells in the east are continuing.

At a meeting in Germiston on Thursday about 20 people, fed up with suffering from asthma and shutting their windows tightly to block out smells, evinced blank disbelief on being told that tests had shown no high concentrations of anything toxic in the air.

The company Eco-Tox carried out tests in the rather posh area of Klippoortje, where the smells seem worse than most places It found nothing untoward in the summer months of December 1990 to March 1991 or the winter months of May to July last year

Germiston department of health head Joe Harmse stressed, however, that this was a pilot study and an in-depth one would follow.

Lionel Rowley of Klippoortje said he had suffered severe allergic reactions ever since he moved to Germiston about 10 years ago

Germiston's town clerk said at the meeting he had been approached by people who, having moved to Germiston, suddenly developed asthmatic symptoms

And former Germiston mayor Kelly Morris said· "Germiston has always had a smell But I am sometimes woken up by smells of plastic and varnish These are new smells We live in expensive houses, on large grounds, and we have to close all our windows to stop the smell seeping in. We appeal to industries to stop this."

Dr Petro Terblanche of the CSIR, who is involved in the Airchem study on the East Rand, said particulate matter was often the culprit

It overloaded the body's defence system, making people susceptible to infection Particulate matter was associated with chronic bronchitis, wheezing, asthma, increased phlegm production and respiratory tract irritation

The sulphur dioxide emitted by power stations and in townships from coal-burning turned into acid rain in the wet season But in winter the dry acid remained airborne and was inhaled. It ate away at steel fences, but not much was known of its effects on humans, said Dr Terblanche. □

R10m foundation set up

WILSON ZWANE

183

COLGATE-Palmolive yesterday launched a R10m foundation to control and direct its investments in SA's socio-economic projects.

Speaking at the launch of the Colgate-Palmolive Foundation in Sandton last night, Colgate-Palmolive SA vice-president Gerry Nocker said his company was committed to supporting socio-economic projects, especially those which promoted nonracialism, equality of opportunity, and freedom of speech and association.

B Day 20/5/92

"It is my pleasure to commit R10m to the foundation, and we expect that sum to increase substantially over the years to come," Nocker said.

The foundation would control and direct Colgate-Palmolive's investments in the country's socio-economic projects.

US ambassador William Swing said the Colgate-Palmolive Foundation was further testimony to the company's commitment to the principle of fair labour standards and corporate social responsibility.

AECI sets up R18,7m plant

SA's only chlorofluorocarbon (CFC) producer AECI yesterday commissioned an R18,7m plant to produce Freezone 22, a new product which will gradually replace the use of CFCs in most applications

AECI Chlor Alkali Plastics chairman Mike Smith said in terms of the Montreal Protocol the use of CFCs Arcton 11 and 12 had to be phased out by the year 2000 Signatories to the protocol, including SA, would meet in Copenhagen later this year and he expected the phasing out period to be brought forward to 1997

The new Freezone 22 plant, with a production capacity of 5 000 tons a year, would gradually replace AECI's production of Arcton 11 and 12 as the deadline for the Protocol drew nearer It would offer to SA's refrigeration, aerosol, polyurethane and polyethylene industries the only locally produced alternative to CFCs, he said

EDWARD WEST (183)

He said CFC sales to the aerosol industry, except the pharmaceutical sector where a CFC alternative was not yet available, would cease in July 1992 AECI would also supply other imported CFC alternatives as they became available commercially, Smith said BIDay 21/5/92

Health and Environment Deputy Minister Fanus Schoeman said SA users of CFCs were ahead of the current time schedule for the phasing out of CFCs in terms of the protocol Production and consumption figures last year were 60% lower than in 1986, compared with the protocol's stipulation of a 50% reduction by 1995, he said

Smith said the new plant was an interim measure and would probably be decommissioned around 2010 when stricter ozone protection measures would be enforced

BUSINESS DAY, Thursday, May 21 1992 3

Low fertiliser sales expected

B Day 21/5/92 (183)

GERALD REILLY

THE fertiliser industry is expecting a large drop in sales this year because of the drought and financially stressed farmers' inability to buy its products

Declining sales over the past few years have compelled the industry's main players to rationalise

In a statement yesterday Sasol Fertilisers said its marketing division was being restructured "to conform with changing needs of clients"

A spokesman declined to say whether this would involve retrenchments and a significant decline in production He said a detailed statement would be issued at the end of next week

Omnia Fertiliser chairman Neville Crosse said that over the past few years several hundred workers had been laid off as the industry adjusted to changing conditions Last year's sales were marginally up on the year before but this year there could be a significant decline

Production, he said, had been scaled down in the industry to match demand

Modest price increases had been necessary at the beginning of the year but further price hikes this year were seen to be unlikely

A spokesman for the Fertiliser Society of SA said sales in the first three months of the current year were down by between 18% and 20%.

The projection was that total sales would fall below 2-million tons. Last year's sales amounted to just more than 2-million tons and were worth about R1,2bn

Government's aid package for the agricultural industry could help stimulate demand for fertilisers marginally, the spokesman said

However, many farmers were forced to economise on fertilisers, giving spending priority to seed, fuel, pesticides, weed control and measures to counter the drought, he said.

NORISTAN FM 22|5|92

Tough environment 183

Activities: *Makes pharmaceuticals and toiletries*
Control: *Brota Investments 49% Snyckers family has ultimate control*
Chairman: *P Kloppers, MD H Snyckers*
Capital structure: *53,4m ords Market capitalisation R33,6m*
Share market: *Price 63c Yields* 5,9% on dividend, 19,2% on earnings, p e ratio, 5,0, cover, 3,3 12-month high, 100c, low, 60c Trading volume last quarter, 404 000 shares*
**Annualised*

Year to	'90*	'91‡
ST debt (Rm)	3,5	24,9
LT debt (Rm)	4,2	6,5
Debt equity ratio	—	0,15
Shareholders interest	0,60	0,49
Int & leasing cover	13,9	4 1
Return on capital (%)	16,9	17,2
Turnover (Rm)	97	168
Pre-int profit (Rm)	14,3	18,0
Pre-int margin (%)	14,7	10,7
Earnings (c)	19,6	17,5
Dividends (c)	6,0	5,5
Net worth (c)	109	86

*Year to June 30 ‡18 months to Dec 31

Noristan, in which W&A has a 21% strategic interest, had a tough year The bottom line was slashed by almost 40% For most fund managers the pharmaceutical sector is just one share — Tiger Oats subsidiary Adcock Ingram, which is an outstanding business, but hardly undervalued at a 1,5% dividend yield and p.e of 24,5

Noristan does not have Adcock's track

FM 22|5|92 (183)

Noristan's Snyckers *back to hands-on management*

record It was founded as a family-controlled business by the present MD's father, Hans Snyckers — a German immigrant — in 1953 and has been listed for just four years

Hugo Snyckers enjoyed a far higher profile than his company during the Eighties as the second-last president of the Federated Chamber of Industries, a post he handed over to present Amic chairman Les Boyd But, since the listing, Snyckers has again turned to hands-on management

In line with the W&A group, Noristan's year-end has changed from June to December So the results are for 18 months and include two Decembers

Financial director Graham Jones says the squeezed operating margin, which fell from 14,7% to 10,7%, reflects the difficult environment Margins are likely to remain under pressure as the mix of business moves away from ethical (prescription) drugs towards over-the-counter medicines and toiletries

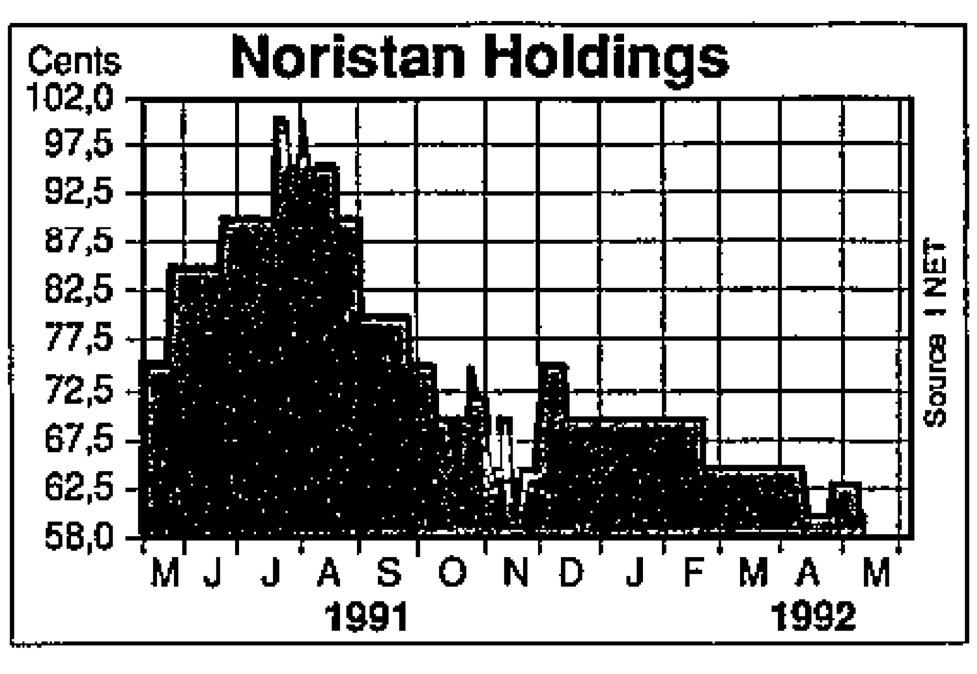
The pharmaceutical unit continues to launch new products, including a cancer drug from France, an insect repellent from Germany and a Swiss asthma pill Noristan has added the manufacture of Hoechst's bulk pharmaceuticals to its existing contract business Biotechnology division Bionix, was, however, discontinued

Consumer businesses were moved into a separate consumer products unit, which includes 75% of direct marketing business Martinique Beauty Products and the Japanese cosmetics business Kanebo Noristan also acquired OTC brands from Glaxo The contract division has started making beauty and skin care products for Woolworths

Jones argues that, apart from people, brands are the most important long-term assets in the business Certainly, nonprescription products are less vulnerable to changes in legislation than prescription medicines If pharmacists are allowed to substitute generics for branded products, there will be some erosion of business

Earnings per share fell 38% annualised, which is not rare in a cyclical business Results were not up to those achieved by other listed groups such as Adcock Ingram and Twins, though they could outperform the more pedestrian SA Druggists this year

Until the question of generic substitution is resolved, pharmaceutical shares are speculative But the relatively long history of the group and quality of management should give it staying power *Stephen Cranston*



MACMED HEALTH CARE

FM 22/5/92

In remission

(183)

Recovery of the proceeds of the sale of Glove Manufacturing Venture so changed the financial structure that comparison with previous figures is spurious Moreover, trading figures are skewed by the extension of the financial year to a 17-month period

The recovery added materially to the value of the company At one time, there was doubt that the selling price could be collected This, according to company secretary Alan Hiscock, was probably the main reason for the fall in the shares last year

With the proceeds, Macmed could eliminate most short-term bank borrowings and

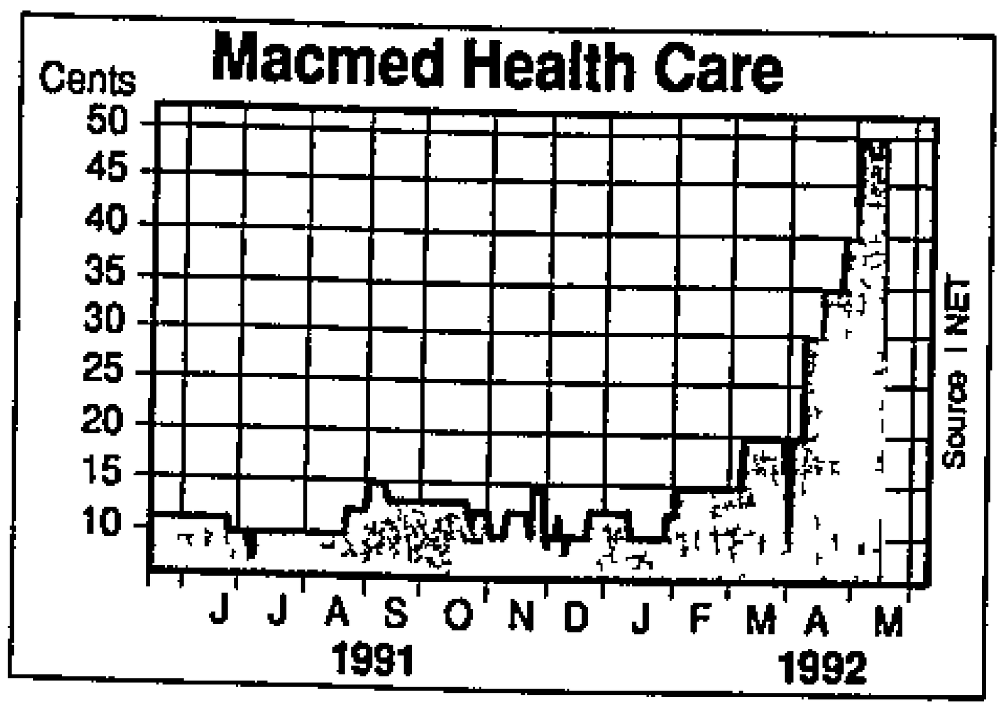
Cont - D

FM 22/5/92

(183)

Activities: *Makes and distributes medical products*
Control: *Directors 33%*
CE: *D I McArthur*
Capital structure: *30,5m ords Market capitalisation R15,2m*
Share market: *Price 50c Yields 4,0% on dividend, 10,2% on earnings, p e ratio, 9,8, cover, 2,6 12-month high, 50c, low, 7c Trading volume last quarter, 222 000 shares*

17 months to Dec 31	'91
ST debt (Rm)	0,2
LT debt (Rm)	0,3
Debt equity ratio	0,12
Shareholders interest	0,43
Int & leasing cover	10,2
Return on cap (%)	30
Pre-int profit (Rm)	2,9
Earnings (c)	5,1
Dividends (c)	2
Net worth (c)	14



retain cash of just over R1m at year-end. In the income statement, interest paid on loan finance was confined to R286 000 and, by the end of the period, R28 000 interest had been received Barring special situations, improved liquidity in financial 1992 should see this situation reversed with interest received outweighing interest paid

Though hospitals under the control of government are ailing because of reduced financial resources and Macmed, like all other medical suppliers, is feeling that pinch, it is concentrating, with some success, on supplying private institutions and doctors' practices via a select dealer network Contributions from export activities are also growing

In spite of the difficulties that the prolonged recession presents for forecasting, Hiscock is optimistic of good organic growth in EPS He says an increase of about 25% over 1991's annualised 3,6c is attainable That will take EPS to about 4,5c, which gives a prospective p e of just over 11, well under the 15,5 average of the Pharmaceutical & Medical sector

If that sort of growth is sustainable, the share could be a good speculative buy

Gerald Hirshon

ENGEN

An oil giant stirs FM 22/5/92

(183)

CEO Rob Angel is building on success to make Engen a world player

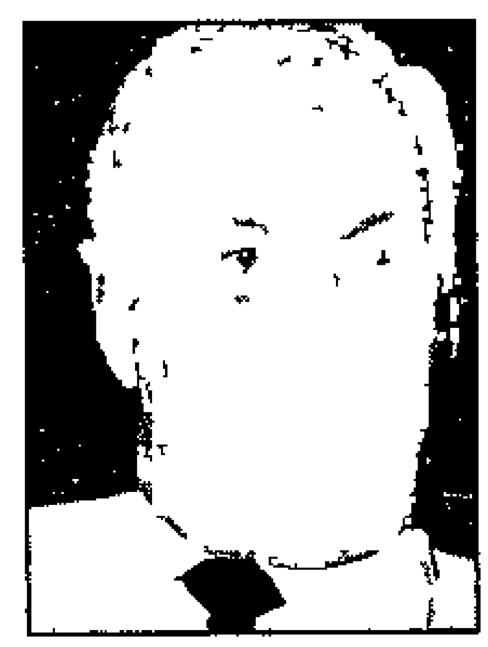
After years of neglect under the name of Trek Petroleum, Gencor's oil retailing arm rocketed into orbit when Mobil panicked out of SA in 1989 Mobil's loss was Gencor's gain It acquired ownership of the refining and marketing operations of Mobil SA at a fire-sale price Today, with the imposing name of Engen, this company is a market leader, with a capitalisation of about R6bn and shares that have earned firm institutional support

Moreover, Engen has advanced towards being an integrated energy group, with overseas interests in North Sea oil and further oil prospects in West Africa It also musters the marketing potency of the combined interests of Mobil, Trek and Sonap With limited financial risk, it acquired management of the dubious Mossgas project, with an option to participate at a later stage (not likely to be exercised, unless the State writes off Mossgas's huge debt)

Last week Engen announced that it would change the name of its Mobil-branded petrol to "Engen" before the end of its licensed entitlement to the Mobil emblem ran out

The change of brand name is a major marketing exercise, even though it will not affect either the Trek or Sonap names It will cost about R130m and be done on the basis of cross-branding What this means is that Engen pumps will be introduced at Mobil stations and Mobil pumps phased out over two years

Mobil has a strong brand image among black motorists But any loss of goodwill caused by the name change, and the cost of carrying it out, must be weighed against the bargain price at which Mobil's local assets were acquired — R650m at 1989 prices But much more has been happening at Engen than changing the name of a major brand The group is engaged in a thrust that will give it increased capacity, greater efficiency, a substantial intercontinental reach and a petrochemical dimension



Angel

Engen has all but completed Phase One of improvements and extensions to its Genref refinery in Durban — within the stated budget of R670m Engen chairman Bernard Smith says this initial enlargement of capacity was intended to meet the requirements of Trek (previously supplied by the Shell-BP refinery in Durban) and to cater for increased export demand Phase One will increase capacity by 30% — especially of the main products, petrol and diesel, with full production scheduled for early August

Phase Two, for which studies are under way, is intended in particular to provide refined products for export, using the latest technology Phase Two would also add significantly to output of high-value products — petrol, diesel and jet fuel — from each barrel of crude oil

With SA's political rehabilitation in Africa proceeding, Durban is a good location for export sales as far north as the equator on the east of the continent But all countries in sub-Saharan Africa, and the Indian Ocean islands, are export targets, says Engen CEO Rob Angel

Other aims for Phase Two, according to the latest annual report, are to improve energy consumption at the refinery itself, and to make it possible to produce unleaded petrol and low-sulphur diesel Angel adds that the objectives of Phase Two also include the provision of greater flexibility in the selection of the type of crude oil (Capacity to process heavier crudes can carry a cost advantage, because they are often much cheaper than light crudes, which offsets the extra cost of refining heavier crude)

Phase Two is scheduled for completion in early 1995 The immediate goal, says Smith, is a capacity of 120 000 barrels per day, with an eventual goal in a Phase Three expansion of 150 000 barrels The refinery extensions make good economic sense, as the return on debottlenecking operations is far higher than it would be from a greenfields refinery

Smith

A further project, recently completed, is the reconstruction of the lubricating oil blend plant and the grease plant, both completed in February at a cost of R110m

The extensions of the Genref refinery also open up interesting prospects in petrochemicals Engen is weak in petrochemicals but well placed to be a player in developments Engen is the only local producer of aromatic solvents — benzene, toluene and xylene Apart from their uses as end-products, these aromatics are also essential intermediates for making further important products such as polystyrene Engen also produces a full range of "aliphatic" (non-aromatic) solvents

Phase Two and Phase Three may also make it possible to build an ethylene cracker to produce further local supplies of this valuable intermediate chemical as well as downstream derivatives

One of the several factors directing Engen's attention to ethylene is an imbalance in demand for refinery output The ending of the war in Angola and poor agricultural conditions have sharply reduced demand for diesel The establishment of an internal source of ethylene would make it possible to establish a more extensive petrochemicals division, but only through alliances with other chemical companies

But an ethylene cracker is not likely to be justified until the mid-Nineties There is also a prospect of establishing an ethylene cracker at Mossgas, in alliance with other companies, if circumstances are right

Engen's management of the Mossgas project should not be confused with the prospects for the project itself, which are doubtful But Engen can't lose It took up 30% of the modest share capital of the project, at a cost of R30m, and manages it for a fee — based on turnover when production commences — without further financial exposure It has acquired an option to maintain its participation at 30%, when the project is recapitalised after reaching full production

Cont →

INTERIM INCOME STATEMENT

	Unaudited Six months to 29/2/92 Rm	28/2/91 Rm	% Growth	Audited 12 months 31/8/91 Rm
Turnover	3 228	3 093	4,4	6 098
Operating income	190	165	15,2	379
Net financing income	67	5	—	42
Income before taxation	257	170	51,2	421
Taxation	50	48	—	134
Income after taxation	207	122	69,7	287
Attrib to outside shareholders	1	—	—	1
Net income	206	122	68,9	286
Shares in issue — weighted average (000)	154 057	110 041	40,0	122 824
Earnings per share (c)	134	111	20,6	233
Dividend per share (c)	50	42	19,1	116
Dividend cover (times)	2,7	2,6	—	2
Effective tax rate %	19,5	28,2	—	32

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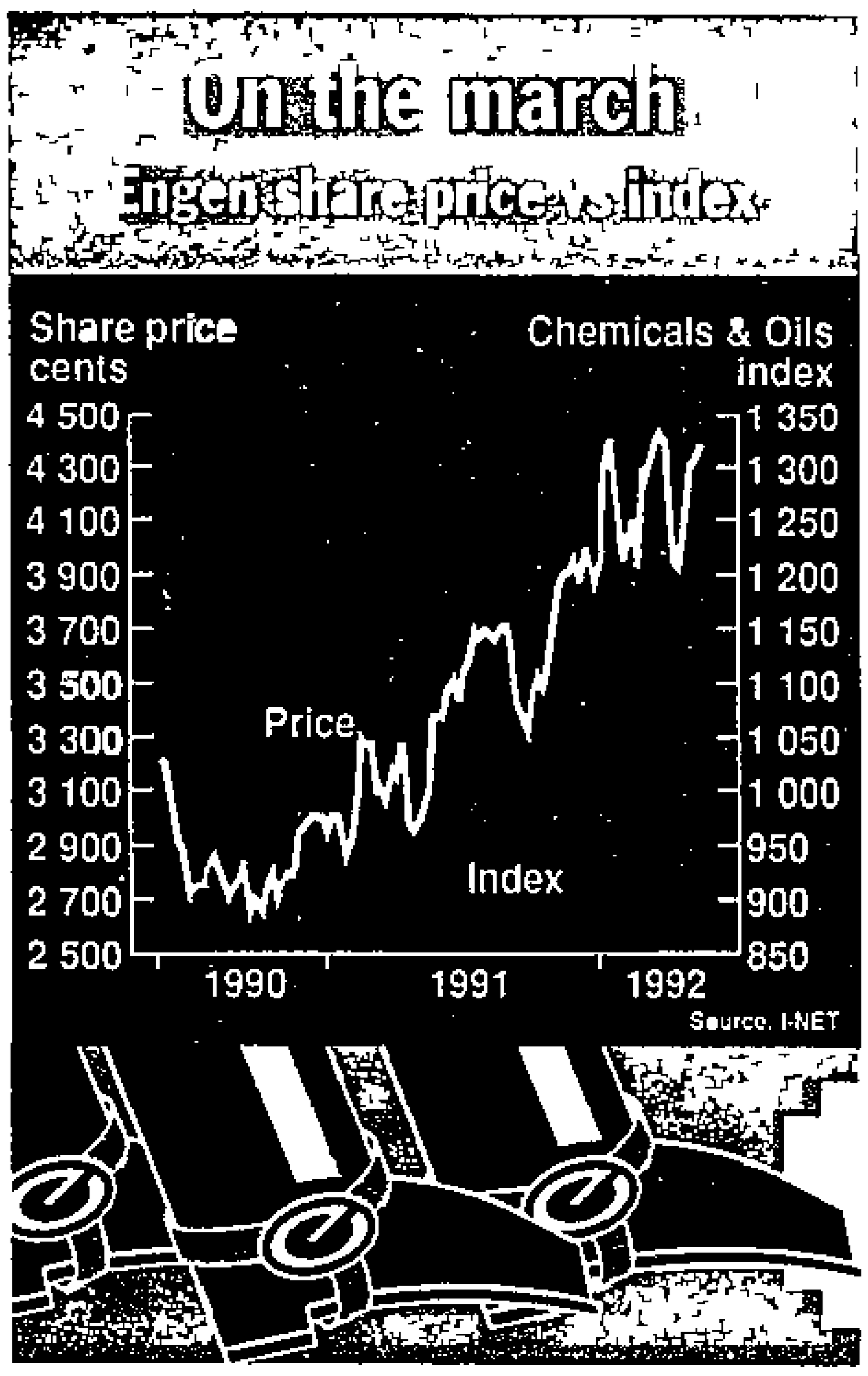


This option has to be exercised within six months of attaining full production — which deadline is likely to be reached at the end of 1993

Whether the option will be exercised depends primarily on whether the State will write off the bulk or all of the R12bn in loans with which Mossgas has mostly been funded Secondarily, the decision will depend on the oil price (in rand terms) and on the protection mechanism to be agreed for Mossgas's output of refined products

This is a grave matter of public policy what would be best for Engen might be bad for the fiscus An associated danger is that the country could be saddled with a further element of protection for synthetic fuel production that will circumscribe economic efficiency

Angel says Engen will follow its rights in Mossgas only if the project shows a real sustainable return for the group He adds that any decision by Engen to proceed will be discussed fully with its major shareholders, as this would have to be funded by an additional rights issue

Whatever happens at Mossgas or to plans for a petrochemicals division, Engen, in the short term, is likely to remain primarily a group drawing its profits from the refining and marketing of a full range of petroleum products, principally petrol and diesel

During the financial year ending on August 31 no less than 94% of operating income was derived from refining and marketing, while 88% of assets were devoted to this side of the business Trading produced nearly 6% of operating income, chemicals 5,4%, while exploration produced a loss equivalent to 5,5% of operating income

But Engen has plans to develop an upstream exploration and oil production business, says Angel This should be capable of making a contribution to the balancing of the spread of earnings It would provide, for strategic reasons, a measure of self-sufficiency in crude oil supplies, and make Engen more international

During 1991, Engen acquired 27% of Gencor's interests in North Sea hydrocarbons — 8% of the potentially valuable Alba oilfield and of Gencor's interest in the Britannia (formerly Kilda) gas condensate field

The first oil is expected from Alba towards the end of 1993 and the first gas and condensate from Britannia in 1997 Alba will meet its expectations, says Smith, at a real price of US$18 a barrel

Engen is drilling with international partners in the Congo and Gabon (in a promising oil basin on the west coast of Africa) and is also discussing further opportunities in several other west coast countries And, though prospects are modest, Engen retains rights to oil found off the south Cape coast

Angel foresees steady to possibly declining real oil prices — which is not encouraging even for the development of a prolific oilfield such as Alba, still less for Mossgas Of course, low prices are beneficial for refining and marketing operations

Engen's aim is eventual 50% self-sufficiency in crude oil, says Smith This degree of independence would provide an adequate hedge against higher oil prices or difficulties in obtaining supplies On the other hand, at present the greater fear is of a fall in the real oil price — because this would reduce the value of Engen's crude oil inventory It has prudently established a special reserve against this

Until recently, the supply and pricing of refined products has been constrained by tight regulation in SA The first breach has been the abolition of the link of refining margins to the formula for product pricing The profitability of refining, says Angel, is now effectively determined by world refining margins This is achieved through the in-bond landed cost method of pricing petrol, which effectively sets the price of imported oil

International margins peaked around the end of 1990 and early 1991, but fell back sharply later in 1991 Margins have since recovered to more sustainable levels There is still a shortage of sophisticated refining capacity worldwide and, therefore, good opportunities for up-to-date refineries to enjoy higher margins

What are the chances of full deregulation, and what would be the effect on Engen's profitability? Smith suggests that the political factors may inhibit any further major steps at present For one thing, the sensitive issue of protection for both Sasol and Mossgas is at stake For another, perhaps 30 000 jobs are potentially at stake on retailers' forecourts Deregulation, says Angel, would certainly entail a major switch to self-service for motorists This might be politically unacceptable

In any event, says Angel, about 50% of sales of refined product are in bulk — to the private sector, agriculture and government An end to the controlled price in this sector would have little impact on what is already a competitive market And Engen's large market share and strong management would look after the future, at least after an initial period of turbulence had subsided after deregulation Initially, deregulation would cause "some scouring" of the pump price, but margins are already low, and the market would soon settle

But deregulation cannot happen, at the earliest, before an end to UN oil sanctions Secondly, the delicate and important issue of the protection packages for Sasol and Mossgas must also be resolved Angel says Engen would support a deregulated market and would be prepared for it

As for finances, the balance sheet is strong for the present At the time of the latest interim report (to February 29 1992), total capital employed was R3,01bn, with cash on hand at R430m, and a small surplus of current assets over current liabilities The cash surplus would soon be drained, however, by demand for funds from large projects Smith says Engen might use its own paper to acquire some of its participations Otherwise, one assumes more equity will be needed

Engen is a subsidiary of Gencor, which holds nearly two-thirds of equity A large proportion of the balance is held institutionally Evidently, the institutions have been buying on the JSE, if the rise in the share price is a guide However, Frankel Max Pollak analyst Mike Haworth believes the share is fully priced at its present p e of 17,1 and dividend yield of 2,8%

The effective tax rate, according to the last annual report, was 23,3%, and there is an estimated tax loss carried forward of about R20m There is a tax equalisation reserve and Engen has provided for the risk of a fall in oil prices through establishing an inventory equalisation reserve — amounting to R83m appropriated for this purpose in 1991

For the six months ended February 29 there was a decline in inventory unit costs, says Angel, which was absorbed by the inventory reserve — to the tune of about R24m, leaving a balance of nearly R59m In the comparative period of 1991, there was a draw

INTERIM BALANCE SHEET

	29 Feb 1992 Rm	31 Aug 1991 Rm	28 Feb 1991 Rm
Total shareholders interest	2 540	2 411	1 179
Minority shareholders interest	4	3	2
Net borrowings (cash)	(430)	(810)	170
Current liabilities	896	1 072	1 130
Total capital employed	3 010	2 676	2 481
Fixed assets	1 386	1 160	966
Investments and advances	449	380	198
Current assets	1 175	1 136	1 317
Total assets	3 010	2 676	2 481

of R19m, says Richard Price, investment analyst at Fergusson Brothers, Hall, Stewart So a profit comparison is not seriously distorted by the latest draw-down

If the reserve were to be exhausted by further declines in crude oil prices, the effects on profits could be serious However, oil prices would need to collapse to around $12 a barrel for this to happen, and this is considered unlikely One problem over the latest accounting period is that Engen had projected a decline in the rand against the dollar, which did not happen

Prospects for the longer term must remain good, on any reasonable expectations for the oil price and political factors. There are still profits to come from rationalisation of retail networks, even though the Trek and Sonap brands will remain Exports are promising, especially if Phase Two is followed up And Smith says it is clear there will be no more Sasols So any increase in local demand gears entirely on imports, once Mossgas's output has been absorbed

Angel says that Engen's aim is to become a boring company — in the sense of achieving a 6%-7% real return year after year With inflation at around 15%, this would imply a gain in EPS of about 21% per year The biggest threat to this goal (though there are others) remains a major fall in the oil price, which would have a severe impact on the value of the crude oil inventory Angel points to a rather shaky position in world oil markets earlier this year, when supply exceeded demand, but stability has been restored for the present after a successful Opec meeting

However, Angel notes an overhang of potential supply from Kuwait and Iraq Russia and other CIS states have limited exports available in the short run but could eventually come back strongly The US is in decline as a supplier, while output from the North Sea will be maintained So international oil markets need to be watched carefully

Price and Haworth agree that the long term looks good But the period 1992-1994 will be transitional because of the brand name change Haworth is optimistic, even though the p e of 17,1 is well above that for the sector In contrast with management's caution, he feels the oil price could be higher in the mid-Nineties *Robin Friedland*

COMPANIES

Health care move for SA Druggists

Bday 25/5/92

MEREDITH JENSEN

IN A move to consolidate its health care holdings, SA Druggists Limited (SAD) has announced it will acquire parent company Malbak's pharmaceutical interests with effect from June 12

(783)

Malbak's health care division currently includes Akromed, the former Wyeth Ayerst, which had a turnover of R400m last year Akromed manufactures and distributes a wide range of pharmaceuticals, over-the-counter medicines and infant nutritional products Malbak's other interests include medical supplies and equipment as well as health and beauty-care products

SAD CEO Peter Beningfield confirms the acquisition of Malbak's health care division, but says SAD will not be expanding into new areas as a result of the deal

He says the deal will put all SAD's health care interests into one company, "resulting in the enhancement of an area in which SAD is already involved"

Malbak's purchase of SAD last year made it the largest manufacturer of health care products in SA Although SAD could not confirm how the deal would be structured, a leading industrial analyst predicted SAD would issue new shares to Malbak to pay for the division 25/5/92

"Malbak likes to play the portfolio game," he said "It will be able to increase its holdings in SAD and then may choose to sell the shares on the open market."

Analysts predicted the transaction would not have a significant impact on the health-care industry "Malbak's holdings are relatively small," one analyst said "Malbak likes to pigeonhole its interests"

Analysts said the move could eliminate the uncertainty surrounding the value of Malbak's health care division "We have never really known what Malbak's health-care holdings are Now, they will have to itemise their holdings under SAD"

Molyslip posts best results in 32 years

BDay 26/5/92

EDWARD WEST

COMMERCIAL lubricants manufacturer and distributor Molyslip posted its best results in 32 years with earnings almost trebled to 12,3c (4,6c) a share in the year to February 1992

(183)

Results published today showed sales down to R14,9m from R15,7m, but operating profits were 52% higher at R1,1m (R733 000) Reduced finance costs of R409 000 (R470 000) and interest payments of R472 000 (R499 000) helped taxed profits soar by 267% to R702 000 from R263 000

The DCM-listed company declared a dividend of 6c a share Net asset value rose to 68,5c (62,1c)

Executive chairman Robert Spanjaard said discontinuing the distribution of low margin metal powder products resulted in the 5% drop in turnover, but other product sales more than made up for the loss

He predicted another profitable year

Fertiliser prices down

EDWARD WEST 183

SASOL fertiliser prices have dropped 20% as a result of the closure of the group's fertiliser marketing division B/Day

The price reduction, which would benefit drought-ravaged farmers, was subject to the co-operatives and Sasol reaching a satisfactory agreement to market its products, Sasol said yesterday. 27/5/92

The price reduction came after Sasol realised that the cost of marketing its fertilisers was greater than the value added to the wholesale price

Co-operatives were the most cost-effective way of distributing fertiliser, Sasol said Spokesman Lee-Anne Goodman said the market share of the fertiliser division was confidential However, sources said the market was dominated by AECI's Kynoch and Sasol.

Goodman said about 160 people would be affected by the closure.

Buoyant sales help Shell to offset recessionary conditions

BDay 27/5/92 (183)

LINDA ENSOR

CAPE TOWN — Shell SA's petrol sales, kept buoyant by continuing urbanisation, helped offset the effects of drought and the recession on its chemical division last year.

Shell's oil, coal and metals operations performed well, but the chemicals division suffered from lowerthan expected volume sales, the 1991 business report said yesterday

Total group turnover increased 3% to about R5,5bn, but turnover from the group's oil division increased 9%. Cost control kept the rise in operating expenses at 5%. The report said Shell focused on the core oil, minerals and chemicals businesses

A number of under-performing assets were sold last year

Inland fuel sales increased 1,3% in spite of the recession Shell claimed its retail growth rate exceeded the industry's average performer and that it was the top seller of petrol.

It said the real impact of the recession was felt in consumer markets. The agricultural market continued to be affected by drought and other factors Other market sectors such as construction, mining and manufacture also showed declines

Shell has embarked on a R450m expansion of its Sapref refinery to increase capacity by 30%.

The report said the recession's impact on the chemicals sector was particularly severe

Because of the effects of drought and recession on the agro-chemicals industry, Shell chemicals had reorganised its agriculture business portfolio for sustained profitability

The minerals division produces and markets zinc and lead concentrates at the Pering mine in the northern Cape, and exports steam coal produced at the Rietspruit mine in the Eastern Transvaal, a joint venture with Rand Mines Zinc and lead concentrate production volumes fell last year, while coal production, hampered by adverse weather and mining conditions, remained almost static at 5,1-million tons

The report said Shell had approved a project to expand underground production at Rietspruit. This would begin in the last quarter of this year The feasability of a joint venture with Rhombus Exploration to develop a heavy minerals project in Natal was still being investigated

Twins' income up 51% on 'excellent' showings

BDay 27/5/92

(183)

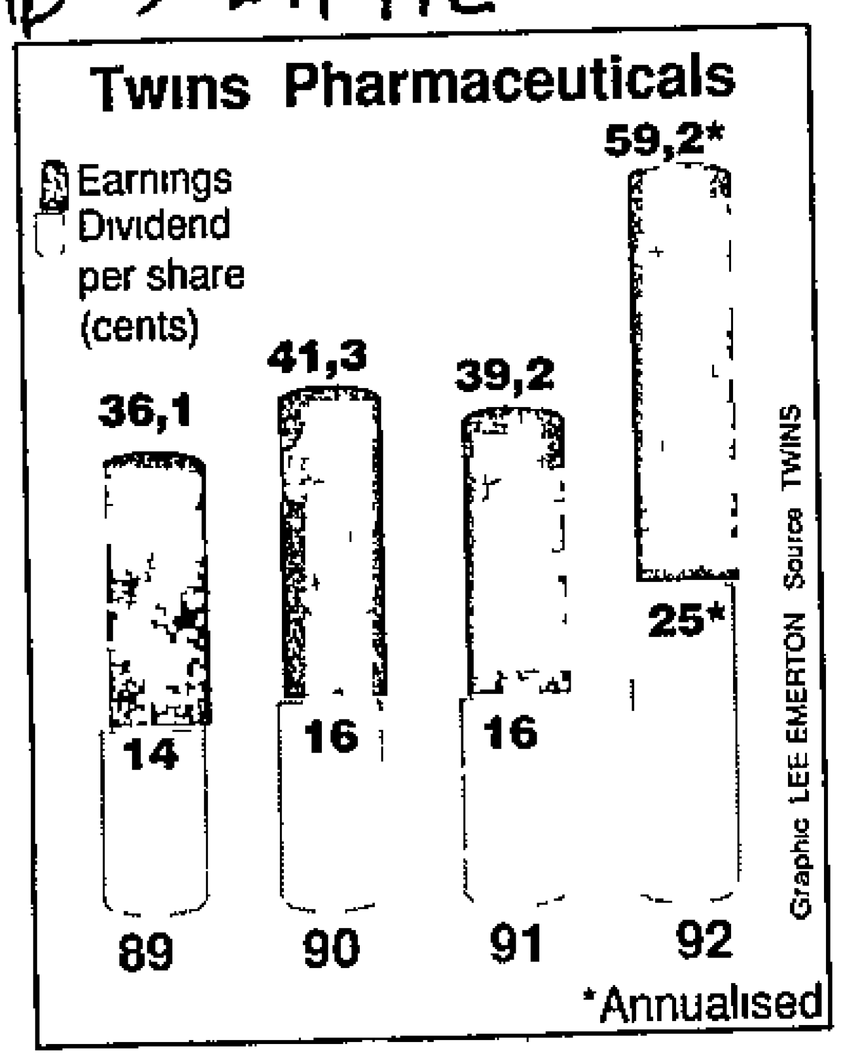
MARCIA KLEIN

TWINS Pharmaceuticals' attributable income was given a healthy 51% boost to R58,1m (R38,4m) in the year to end-April on the back of excellent performances by its pharmaceutical and consumer divisions.

The results reflected a marked reversal in its financial 1991 fortunes when earnings dropped 14% following restructuring and discontinuation of skin lighteners. CE Phil Nortier expects the buoyant trend to continue, and anticipates real earnings growth in financial 1993.

The company, which manufactures pharmaceutical, consumer, visioncare and animal healthcare products, has changed its year-end from March to April in line with that of holding company the Premier Group Results have been given for the 13-month trading period

On an annualised basis, turnover to end-April decreased 10,8% to R440,2m from R493,4m Nortier said this included rationalisation of certain ranges, but turnover of continuing operations saw "real growth".



Operating income grew 30,1% to R106,3m (R81,7m), and borrowing costs were further reduced to R4,8m (R16,1m) Nortier said this resulted from improved profitability and focus on asset management Debt of about R70m and a high gearing level had been successfully reduced

Earnings grew 51% to 59,2c (39,2c) a share A final dividend of 15c a share was declared This, together with the 10c a share interim dividend and the 2c a share adjustment dividend brought the full year dividend up 56% to 27c (16c) a share, or 25c a share on an annualised basis

A R3,8m extraordinary item refers to the write down of two properties which were disposed of

Nortier said the pharmaceutical division had performed extremely well, showing significant real increases in turnover and profitability

Although the consumer division was affected by the loss of the skin lighteners and difficult conditions, it showed a significant profit increase

The visioncare division continued to operate profitably But the animal health division experienced declining sales due to poor agricultural conditions Nortier said a rationalisation programme in this division placed it well for an upswing

He said the tight control of operating expenditure and improved efficiencies would be sustained Cash resources would be used for investment in new products and capex to upgrade manufacturing facilities

Lower margins, higher tax a blow to Sondor

(183)

LINDA ENSOR

CAPE TOWN — Rubber and plastics converter Sondor Industries generated a 29% rise in turnover in the year to end-March BDay 29/5/92

However, lower margins and interest received plus a higher tax rate affected bottom-line performance

Earnings slid 17% to 10,69c (12,86c).

A final debenture distribution of 15c a debenture or 3c a share brought total distribution to 30c a debenture or 6c a share

Turnover increased to R24,6m (R19m) but margins slipped to 19,3% (24,3%) as the recession took its toll on Sondor's main markets — the building, construction, automotive and original equipment sectors Pre-tax operating profit was marginally higher at R4,7m (R4,66m) while after-tax income suffered from a rise in the tax rate to 48% (40%)

Sondor chairman Sonny Goldman said the slight decline in pre-tax income could be attributed largely to the high cost of bedding down the newly acquired Fife Tape Converters, to be renamed Sondor Tape Converters However, this division should show a profit turnaround this year

Sondor was budgeting for a modest improvement in earnings this year

"The company holds a major share of its targeted domestic markets and it has made progress in installing in-house manufacturing capability" to reduce its dependence on certain imported raw materials It was strategically placed to take advantage of any upturn, Goldman said

Companies under fire for high cost of medicine

B/Day 29/5/92 (183)

WHEN it comes to laying blame for spiralling medical costs in SA — currently at about R19bn a year — pharmaceutical companies, medical practitioners, the private health sector and government all come under fire

Pharmaceutical companies are seen as the main culprits because of the astronomical and rapidly increasing cost of drugs

The two main pharmaceutical associations in SA — the Pharmaceutical Manufacturers Association (PMA) and the National Association of Pharmaceutical Manufacturers (NAPM) — differ markedly from each other on potential solutions

The PMA, which represents mainly multinational drug companies, argues that drug spending must be concentrated on "efficient modern medicines" after proper first-time diagnosis

Such an approach, according to the PMA, will mean a cost-effective health care policy because patients will be kept out of doctors rooms and hospitals Modern drugs will enable patients to return to the economy as soon as possible

The PMA supports the idea of self-medication and is opposed to generic substitution, especially without doctors being consulted The NAPM believes that reducing the cost of medical care cannot be addressed without taking generic medicine into consideration

SA Druggists MD Lou Morris says generic substitution means the pharmacist can supply a less expensive generic medicine to the original branded product prescribed by the doctor

The generic medicine is equal in terms of active chemical ingredients, strength and dosage form to the original prescribed product

"The widespread use of generic medicine throughout the world attests to its success in achieving significant savings to the benefit of the patient It is especially vital in the SA context where the less privileged cannot afford medicine," says Morris

The higher price of branded medicines is a result of producers recovering the cost of initial research and development into the medicine

The innovator of the medicine has 20 years to do this and once the patent has lapsed, the original product can be manufactured and sold at prices which are, in some cases, up to 70% less than the original

Approved

Morris says that before the product can be sold to the public it has to be approved by the Medicine Control Council (MCC)

The MCC sets down strict requirements to ensure the levels of the medicine comply with standards — as well as a number of controls designed to protect the health of the patient

Morris says SA Druggists has over 90 generic products already registered and more in development.

He says medical aid companies are interested in generic medicine and many are introducing a maximum medical aid price to their members This means the schemes will only recognise prices based on the generic medicine price.

FM 29/5/92
RHOMBUS VANADIUM (183)

Taking the plunge

Rhombus Vanadium (Rhovan) looks set to take the plunge and go ahead with a vanadium pentoxide plant in the teeth of predictions of failure from Leslie Boyd, chairman of industry leader Highveld Boyd is incensed by the possibility that Rhovan may have secured financial backing from the Industrial Development Corp (IDC) to pay for the plant at Rhovan's mine near Brits

IDC senior GM Jan de Bruyn referred queries to Rhovan, whose MD Rob Still won't comment

Says Boyd "If the IDC finances Rhovan's operations I would regard that as a gross waste of resources The IDC is not a private-sector enterprise and does not have the right

FM 29/5/92. (183)

to squander the country's money on projects it must know will never be viable"

Last week's cautionary announcement from Rhovan stated the project is commercially viable and negotiations are under way with potential partners and contractors

Rhovan has been considering its future since the financial collapse last year of joint venture partner Usko Rhovan acquired Usko's failed vanadium pentoxide plant at Vereeniging for no cost and emerged from the debacle debt-free with R10m in the bank and its vanadium mine at Brits paid for

Its options were to go all the way and build its own beneficiation plant at Brits or sell ore to competitors like Vametco or Highveld A new plant is required as Rhovan has decided the Usko plant is not worth rehabilitating

If Rhovan decides to build a new plant, then it must have tied up sales contracts for the bulk of expected production and Still must be sure working costs will let it make money at current depressed prices around US$2,05/lb

Boyd reckons Rhovan and John Vorster's Vantech, like Usko and Vansa Vanadium before them, fail to recognise economic realities "There is no way anybody can produce vanadium at lower cost than Highveld — our capital is sunk, our depreciation is low and our production volumes are high

"The world does not need fresh vanadium capacity Highveld has enough capacity standing idle to produce more vanadium than Rhovan and Vantech combined"

Boyd denies that Highveld manipulates vanadium prices to try to keep competition out of the market "This would hurt our own shareholders in forgone earnings However, you have to be market driven We set the price to sell the product"

Vantech has started production following last year's takeover of Vansa Vanadium by ChromeCorp Technology (CCT) MD John Vorster with backing from metal trader Marc Rich. Vorster three years ago successfully established CCT from scratch as SA's third-largest producer of ferrochrome

He is confident Vantech is profitable at current prices following plant modifications which have dropped working costs and greatly improved recovery rates "In the commodity business, costs have to be among the lowest 5% of producers or you'll get slaughtered"

Brendan Ryan

Castrol poised to venture into Africa

KARIN FRANKEN (183)

CASTROL SA subsidiary Castrol Africa was to commence trading with English-speaking west African and east African countries without waiting for Preferential Trade Agreement (PTA) approval, a spokesman for the company said yesterday.

Castrol Africa manager Rob Cornish said that despite the lifting of the embargo against Castrol SA in June last year, Castrol was still waiting for acceptance as a full trading partner in terms of the PTA.

"Regardless of the PTA, we will look at areas where the PTA exercises less power," he said. BDay 2/6/92

Renewed trade and export opportunities existed for Castrol SA after it established a new division, Castrol Africa, to harvest sub-Saharan market potential, Cornish said.

Castrol Africa's objectives were to move the industry from Third World technology to cost-effective, modern technology and co-ordinate the marketing and selling of the company's products. It intended trading in markets other than the traditional ones.

Cornish estimated the company would experience 10% to 15% growth in a market he believed to have significant growth potential.

It's lethal living down on the fa

-IQUID DANGER
Chemicals are used extensively in agriculture in South Africa and throughout the world, and may present serious but preventable health hazards. MARIKA SBOROS reports.

STAR 5/6/92

VISIT a farm regularly and the sight of labourers slopping hazardous chemicals around as if they were cool drinks will probably be familiar

Many of these farm labourers unwittingly poison themselves with these substances, and expose themselves and their families to possible later illness through carcinogenic or teratogenic

farms, through environmental contamination and pesticide residues on foodstuffs, says Dr Lee in an editorial in the SAMJ

Agrichemicals are used extensively in South Africa and throughout the world, and may present serious health hazards, says Dr Lesley London of the University of Cape Town's community health department in an article in the

agricultural use is vast, more than 700 agents are registered with the Department of Agriculture as pesticides and fungicides, says Dr London

Legislation controlling registration of agrichemicals in South Africa is based on a toxicity classification by the World Health Organisation and Food and Agricultural Organisation However, this assessment of toxicity

[redacted] 183

worker has left ~~the land~~

Estimates of death or illness internationally from agrichemicals are difficult to obtain because of poor data collection systems Data on agrichemical poisoning in South Africa are equally sketchy

However, a western Cape study has shown gross undernotification of between 50 and 500 percent, says Dr Lon-

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STAR — 18/6/92 [redacted] 183 [redacted]

VISIT a farm regularly and the sight of labourers slopping hazardous chemicals around as if they were cool drinks will probably be familiar.

Many of these farm labourers unwittingly poison themselves with these substances, and expose themselves and their families to possible later illness through carcinogenic or teratogenic (foetal abnormalities) effects, says Dr Nic Lee, editor of the South African Medical Journal (SAMJ)

Dr Lee has devoted the journal's latest edition to environmental health in the 1990s

And before saying "Ag, shame" about the plight of farm workers, reflect for a moment that the use of agrichemicals can have much wider effects on populations far removed from farms, through environmental contamination and pesticide residues on foodstuffs, says Dr Lee in an editorial in the SAMJ

Agrichemicals are used extensively in South Africa and throughout the world, and may present serious health hazards, says Dr Lesley London of the University of Cape Town's community health department in an article in the SAMJ

The agricultural sector is one of the largest employers in South Africa, employing 1,18 million people on 62 050 farms in 1990 — 15 percent of the economically active workforce As well, a large informal sector exists in agriculture and is likely to grow as the economy enters a transitional phase in the future

The range of chemicals available for agricultural use is vast; more than 700 agents are registered with the Department of Agriculture as pesticides and fungicides, says Dr London

Legislation controlling registration of agrichemicals in South Africa is based on a toxicity classification by the World Health Organisation and Food and Agricultural Organisation However, this assessment of toxicity does not take into account many crucial factors such as the presence of impurities from the production process and frequent or repeated exposure, says Dr London.

The assessment takes no account of chronic health effects from long-term low-grade exposure, and it does not reflect acute (non-fatal) morbidity

Many health effects of agrichemicals may manifest long after the farmworker has left the land

Estimates of death or illness internationally from agrichemicals are difficult to obtain because of poor data collection systems Data on agrichemical poisoning in South Africa are equally sketchy

However, a western Cape study has shown gross undernotification of between 50 and 500 percent, says Dr London

Other than notifications, it is clear that pesticide poisoning remains an important cause of admission to intensive care units at the major referral hospitals, and constitutes a large proportion of poisonings dealt with by poisons centres at university teaching hospitals

Safety measures in agriculture in South Africa have been poorly addressed to date, he says A west
Cape study found that low levels
safety training were practised and t
re-use and improper disposal of em
containers were preventable hazard

Problems of agrichemical haza
in the farming sector must be seer
the context of the wider health ne
of farmworkers, both occupational
non-occupational, says Dr London

As important discussions over fut
health services are unfolding in
farmworkers' health must not rem
the neglected stepchild of a future
mary health care service

"Agrichemical safety should be
tegrated in a comprehensive hea
service aimed at health promotion
disease prevention for all South A
cans," he says

Rise in by-product silver output set to hit prices

(182)

B/Day 8/6/92

MATTHEW CURTIN

THE increase in silver production as a by-product of gold and base metal mines is outpacing primary silver production and is likely to subdue prices in 1992, says German metals group Degussa, in its 1991 precious metals review

Silver prices have tottered just above the $4/oz mark in the past 18 months after a steady decline from a 1987 high of nearly $11 In January last year silver fell to a 17-year low of $3,806 in London

Although the overall supply/demand balance narrowed as total silver production dropped by 360 tons to 15 360 tons in 1991, the report said "it must be remembered (however) that current stocks constitute a multiple of the annual demand figure"

Stocks at New York's Commodities Exchange (Comex) alone amounted to 8 420 tons at the end of 1991 Total industrial demand stood at 14 790 tons, representing a market surplus of 980 tons in the year

Western world mine production fell 3% to 11 560 tons and was matched by a similar fall in the former Soviet Union to about 2 750 tons

Closures

Mexico maintained its position as the world's largest producer, although low prices forced the closure of 40 small- and medium-sized mines in the year There were large scale closures in the US

In contrast, by-product production rose sharply, especially from gold mines in Chile and Papua New Guinea

SA is a relatively small silver producer, with output mostly a by-product of gold mining and a co-product at the Black Mountain base metal mine

Overall silver consumption rose 3,9% in 1991, with the biggest jump in demand coming from the jewellery and silverware industries

Degussa said the major factor in the 13% increase in this sector's consumption was growing European demand in the cutlery, silverware and other decorative industries.

The film and photographic industries remained the largest consumers, with 43% of the market

Silver nitrate is used for the manufacture of light-sensitive emulsions for film and photographic paper, and Degussa said demand in this area was likely to remain strong Efficient substitutes for silver had not yet been developed

The recession knocked demand for the metal in the electrical engineering and electronics industries, but low prices pegged back attempts to find substitutes for silver

HOUSE OF ASSEMBLY

QUESTIONS

†Indicates translated version

For written reply

General Affairs

183

Amounts paid in *ad valorem* excise duty

285 Mr M J ELLIS asked the Minister of Finance

What amounts were paid in each of the latest specified five years for which information is available in *ad valorem* excise duty on (a) locally manufactured and (b) imported (i) cosmetics and (ii) toiletries?

B712E

The MINISTER OF FINANCE

Ad valorem duty on cosmetics and toiletries

	(a) Locally manufactured goods	*(b) Imported goods*
1986/04/01-1987/03/31		
(i) and (ii) Cosmetics and toiletries*	89 114 520	7 750 664
1987/04/01-1988/03/31		
(i) and (ii) Cosmetics and toiletries*	105 474 742	12 059 550
1988/04/01 1989/03/31		
(i) Cosmetics	30 418 261	8 647 014
(ii) Toiletries	88 095 154	6 533 740
1989/04/01-1990/03/31		
(i) Cosmetics	43 093 302	3 635 184
(ii) Toiletries	96 797 029	2 734 572
1990/04/01-1991/03/31		
(i) Cosmetics	57 734 932	3 753 803
(ii) Toiletries	59 720 064	1 341 866
1991/04/01-1991/12/31		
(i) Cosmetics	50 278 693	3 194 317
(ii) Toiletries	70 336 606	2 468 605

*For the financial years 86/87 and 87/88 separate figures for cosmetics and toiletries are not available

Department of Development Aid: officials transferred

288 Mr W U NEL asked the Minister of Regional and Land Affairs

(1) How many officials of the former Department of Development Aid were transferred to the service of the Natal Provincial Administration subsequent to the announcement of the intended abolition of that Department,

(2) with reference to the persons so transferred, how many had received promotion during the period (a) 1 April to 15 October 1991 and (b) 16 October 1991 to 31 March 1992?

B715E

The MINISTER OF REGIONAL AND LAND AFFAIRS

(1) 703 officials plus 1 414 workers from the South African Development Trust, in total 2 117

(2) This information is not readily available as the records concerned are currently in the process of being transferred to the Natal Provincial Administration

HOUSE OF ASSEMBLY

INTERPELLATION

The sign * indicates a translation The sign †, used subsequently in the same interpellation, indicates the original language

General Affairs

St Lucia/Ramsar Convention: legislation

*1 Mr J CHIOLÉ asked the Minister of Environment Affairs

Whether he will take steps to initiate legislation in terms of which prospecting and/or mining activities on the eastern shores of St Lucia will be prohibited if the delegation of the Ramsar Convention which recently visited the area finds that mining activities in that area are not desirable, regardless of the possible findings of the environmental impact study being undertaken at present?

B764E INT

*The MINISTER OF ENVIRONMENT AFFAIRS Mr Chairman, the hon member for Pretoria West wanted to know whether I would take steps to initiate legislation that would prohibit any prospecting and/or mining activities in the eastern dunes area of St Lucia if the delegation of the Ramsar Convention, that recently visited the area, should find that mining activities are not desirable in that area, regardless of the possible findings of the environmental impact study being undertaken at present

In terms of section 3 2 of the Ramsar Convention, member countries are expected to notify the Bureau of the Convention if the ecological nature of any registered wetlands may be in danger of being harmed as a result of development or human behaviour As a result of the proposed mining activities the goverment gave such notification in respect of the St Lucia wetlands, and serious concern was expressed at the triennial Ramsar Convention of 1990 about the possible effect thereof on the wetlands area

In order to be of assistance to member countries, the Convention created a so-called monitoring mechanism The delegation to which the hon member referred was invited, in terms of the monitoring procedure, to acquaint itself, on behalf of the Bureau of the Ramsar Convention, with the area as well as the procedures that are being followed at present in order to obtain a thorough environmental impact study

Hon members will be aware that the Cabinet issued instructions on 13 September 1989 for a comprehensive environmental impact study to be carried out before a final decision was made The thoroughness of the study is generally and also internationally acknowledged A draft report should be available later this year

For the sake of fairness all interested parties should refrain from making statements on whether or not mining activities at St Lucia will be permitted before the results of the environmental study are known

The same applies to the Ramsar Bureau Any finding such as the hon member mentioned would be inappropriate, the more so because the Ramsar Bureau or Conference in terms of article 6 2(d) only acts in an advisory capacity and only makes recommendations It does not have any prescriptive authority

It goes without saying that the Ramsar monitoring process creates an opportunity to determine international reaction to the mining proposals The Government will take this into consideration as well when making the final decision

If the environmental impact study should indicate that the proposed mining activities will cause irreparable damage to the ecology of the wetlands, the Department of Environment Affairs and I will do everything in our power to prevent mining being proceeded with

*Mr J CHIOLÉ Mr Chairman the reply of the hon the Minister that anyone should refrain from commenting until the impact study has been completed just does not make sense Only on Sunday night the hon the Minister said on the TV programme *Agenda* that South Africa was so serious about environment conservation that we were signatories to various international conventions

If there is one thing that the Government should understand, it is the fact that if a country is a signatory to an international convention this by its very nature also entails international respon-

cont →

Appeal for change in pharmaceutical industry

B/Day 11/6/92

(183)

MICK ELLINGHAM

RESTRICTIVE practices in the pharmaceutical industry could not be allowed to continue, Premier Group deputy CE Gordon Utian said yesterday

In an interview he called for the speedy publication of the Competition Board's investigation into the industry

Many SA pharmaceutical manufacturers — mainly multinational conglomerates — had a great advantage from a taxation, foreign exchange and pricing point of view, he said.

"Although these manufacturers constantly develop their products through costly research and development, the prices which they charge for these products are exceptionally high"

He said doctors — influenced by expensive marketing campaigns — prescribed these well-branded products which consumers used unaware that there were often equally effective medicines available at a fraction of the price.

However, the role of pharmacists had become blurred by the increasing competition, he said

"Pharmacists are being propelled by medical aid societies into the role of discounters, which is not only ill-suited to their profession and training, but which is commercially suicidal and for which they are ill-equipped," Utian said

"Meanwhile, the wholesaler is expected to maintain the same high level of service in the face of increasing expenditure"

Wholesalers need sophisticated computer networks to cope with expediting the large volume of orders, he said

Utian said,"full-service wholesalers are the victims of a grey market which is growing as a result of manufacturing groups supplying goods more favourably to short-line wholesalers, dispensing doctors, trading doctors and private clinics"

Some of the issues raised by Utian are expected to be dealt with in the Competition Board report on the pharmaceutical industry, to be published later this month

Board chairman Pierre Brooks said earlier this week the main concern of the report was to address the high cost of medicine in SA

Brooks said a draft report had already been considered by the board, but that "minor adjustments" still had to be made whole page.

(183)

...ing technology a spin-off of isolation

...lerable experience in ...s concerning corrosion, ...ity, hazard protection ...her related aspects ...ne of the factors needed ...ccessful installation are ...adily apparent at the in... stage, and the more ex... ce a company has the ...t is that all eventualities ...ve to be addressed prior ...allation"

...Experience

...has developed this ex... ...ce in several specialised

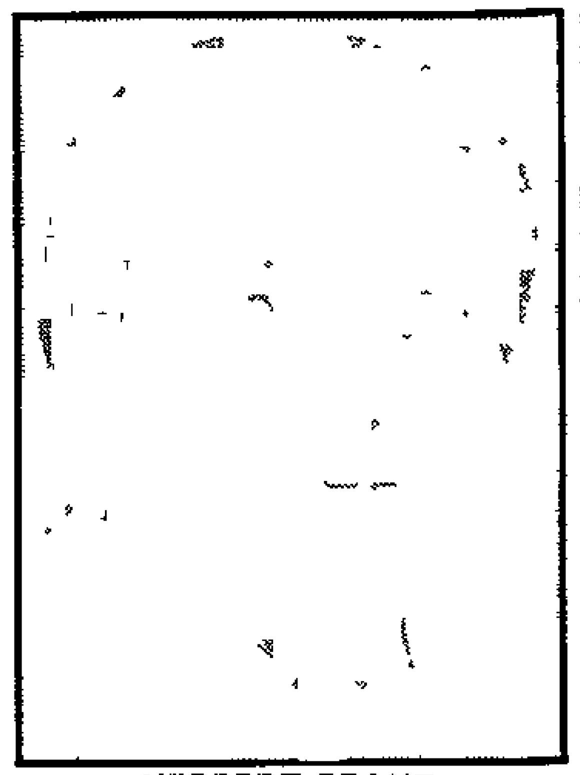
...vailing exchange rates ...e minimal effect of tar... ...tection on raw materials ...to manufacture some ...cals handling equipment ...nake it easier to pene... international markets ...the manufacture of pumps, for example, the percentage of raw material affected by import tariff protection is relatively small

"We are fortunate to be one of the sectors enjoying reasonable input costs Products can compete with European, Asian and US equivalents in terms of quality and price

"This represents an opportunity for SA to apply some of the technology we were forced to develop while isolated"

Peake says local customers are also set to benefit from the opening up of international markets

In the case of chemical dosing pumps, large capacity high-pressure progressing cavity pumps and other equipment not yet manufactured locally, major suppliers are developing links with companies abroad to meet the requirements of local markets



HERBERT PEAKE

"Open and direct trade means that these products are now available to the SA market at the best possible prices"

...sible care' necessary

...nvironment ...s also a commitment to ...sponsible management of ...ical industry products ...cradle to grave, from the ...disposal or destruction ...says an unjustified nega... ...erception of the chemical ...ry has developed ...though the industry's en... ...s and scientists have at... ...ed to explain away these ...ptions by using facts, this ...ach has not really been ...ive"

...ponsible care is a model ...tive industry response to ...ing public perceptions ...ith responsible care the ...ical industry can open its ...to a sceptical public and ...Don't trust us, track us' — ...ng codes of management ...ice and actual perform... data as evidence"

...t says the concept of re... ...ible care originated with... Canadian Chemical Pro... Association in the mid... ...in response to mounting ...ure from environment ...s and the public ...umber of leading chemical and other organisations have already implemented pace-setting measures to combat pollution at plant level

Stressing that it complies with existing legislation, AECI carries out environment audits and measurements of its chemical waste materials production and disposal

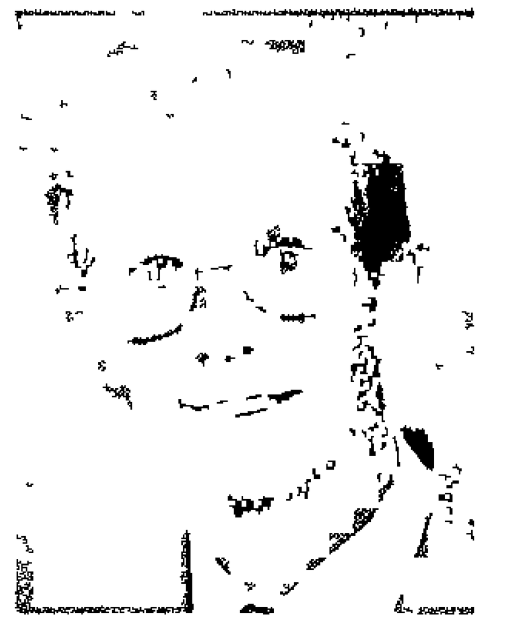
Local "clean technology" fore-runner Sentrachem introduced its policy to control pollution and protect the environment several years ago

Awareness

SA Chamber of Business (Sacob) environmental committee findings confirm a change in attitude which extends beyond input and increasing awareness of environmental protection shown at business conferences

Sacob reports that attitude changes are being emphasised in company reports and policy announcements from leading chemical producers

Among them are Sentrachem, Sasol, the AECI group and Hoechst



PETER HART

Their initiatives have been assisted, encouraged and influenced by what has been learned from foreign chemical manufacturers, says Sentrachem group environmental consultant Daan Malan

Many manufacturers abroad have developed modern "clean technology" advancements that have been internationally acclaimed

Such progress has influenced local manufacturers to look harder at environment-friendly chemical plants, he says

Users need to apply more stringent risk-control measures

MAJOR risk lies more with companies that use chemicals in their production processes than with chemical manufacturers, says Frank Butler, MD of specialist chemical risk management company CRM — a member of the PFV Insurance Broking group

"Chemical-using companies should start implementing more stringent safety, health and environment risk control measures now — if US legislation is any indication of future changes here"

Butler says chemical manufacturers usually employ specialists who know how to handle chemicals and arrange regular assessments of chemical risk

"But the users of these chemicals are not always aware of their potential dangers The carrying out of risk analysis for certain companies shows that their knowledge of the correct handling and storage procedures for the chemicals they use is very often insufficient, and has the potential for disaster"

A particularly weak area in industry overall is the screening process carried out when new chemicals are introduced at a factory or plant

"This process is nonexistent in many operations in SA Users must ensure that they obtain the necessary information to assess the compatibility of new chemicals with their existing stock

"Without regular chemical risk assessment this information is not always available"

He says chemical risk control includes

- ☐ Identifying chemical hazard potential,
- ☐ Drawing up clearly defined procedures,
- ☐ Ensuring the procedures are auditable and performance measures can be made, and
- ☐ Applying a continuous measurement system as an element of risk control programmes

Butler attended the recent annual Risk Insurance Managers' Society conference in California

"Risk management helps to reduce insurance premiums, improving the bottom line as well as occupational and environmental safety," he says

Chemical disasters have resulted in substantial financial losses and deaths in SA

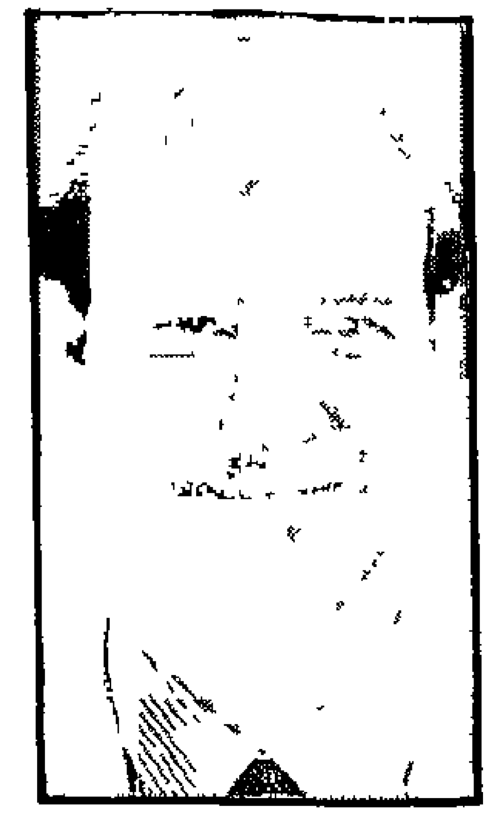
He says promulgation of stringent Occupational Safety and Health (OSHA) regulations by the US government for chemical processing companies is a central issue in the US.

The Clean Air and Clean Water Acts particularly will affect chemical manufacturing companies and their effect on the environment

OSHA regulations will soon be strictly enforced by all US state legislatures

SA's equivalents are the Environmental Conservation Act and the Machinery and Occupational Safety Act of 1983

"However, in terms of enforcement and stringency we are not in the same ballpark," he says.



FRANK BUTLER

Karbochem takes up some new challenges

ONCE known for producing SA's synthetic rubber needs, a venture mothballed two years ago, Karbochem has taken on new challenges in the manufacture of chemicals

Recent moves are into fine chemicals at Karbochem's Sasolburg plant and the restarting of its world-scale carbide furnace at Newcastle

Karbochem, a Sentrachem company, has invested R7m in refurbishing its laboratory at Sasolburg and has erected a R3,5m pilot plant for fine chemical manufacture, in line with Sentrachem's policy of moving away from heavy commodity chemicals to the lighter, more specialised end of the spectrum

Nucleus

Karbochem new business development director Hendrik Potgieter says the pilot plant is being commissioned "It will form the nucleus of Karbochem's new high-value speciality chemicals unit, aimed exclusively at exports"

Research and development is the key to new markets, and the R & D facility at Sasolburg has been extensively renovated

Products under development in the laboratory include two types of speciality liquid rubbers

"We are one of approximately three producers worldwide which have the these spec fic products, says Potgieter

Intermediary

Two other products being developed include one for use as an intermediary in the synthesis of analgesics and another to serve as an intermediary in synthesis of photographic chemicals

Karbochem Sasolburg and Newcastle have developed a neodemium catalysed polybutadiene rubber A plant trial is scheduled for September

The Newcastle division has acquired AECI Chlor-Alkali & Plastics' carbide business at Ballengeich, near Newcastle, for R50m

To rationalise carbide production, Karbochem will close down the Ballengeich factory and transfer production to Newcastle, says MD Ben Schoeman

"The acquisition will significantly extend our product range and is a major step in our drive to convert some of the mothballed facilities at Newcastle to alternative uses"

WORLD

NEWS IN BRIEF

Shelling continues

BELGRADE — Sarajevo shuddered under intense shelling yesterday as seven people died in the latest violence to convulse the Bosnian capital

A 30-member UN observer team left Belgrade for Sarajevo early yesterday to arrange a ceasefire around the airport that may allow planes to bring emergency food and medicine for trapped civilians

Maastricht opposed

LONDON — Opposition to the Maastricht treaty on European unity is growing in Ireland as the country prepares for a June 18 referendum on the issue A poll published in the Irish Times yesterday said as many as 23% of the people would vote against the treaty and 47% for it

Czech-Slovak snub

BRATISLAVA — Slovak leader Vladimir Meciar yesterday snubbed President Vaclav Havel, refusing to meet him and further hardening attitudes before a second round of tense Czech-Slovak talks

Havel, consulting the parties that won last weekend's general election and trying to find ways to keep Czechoslovakia together, will meet Meciar's party today

REPORTS AP-DJ Sapa-Reuter

Opec strikes back over carbon tax

RIO DE JANEIRO — Oil producers delivered a counterblast to the West at the Earth Summit on Tuesday, attacking EC proposals for a carbon tax to cut fossil fuel consumption and threatening retaliation if it went ahead

Opec Secretary-General Subroto urged delegates to wait for proper scientific evidence before taking decisions that could hurt crude exporters and said all environmental measures should be compatible with economic growth

"The focusing of international attention — and suspicion — on fossil fuels in general, and carbon dioxide emissions in particular, naturally has us worried," Subroto said

A carbon tax would hurt oil exporters and fail to achieve its objectives because companies would transfer energy-intensive activities to the Third World, he added

Were Western nations to press ahead with the tax, he said, Opec would not stand by idly

"In this instance we would have no option but to defend ourselves"

Subroto called on the oil industry to make a greater effort to inform the public about what he called "genuine" environmental problems

EC ministers agreed on Tuesday that the global warming treaty committed signatories to stabilise greenhouse gas emissions by 2000

The EC decision amounts to a challenge to the US to do likewise

President George Bush has steadfastly refused to make any binding commitment to cap greenhouse emissions, although a US spokesman repeated that the US aimed to achieve stabilisation by 2000

Officials said the EC's interpretation was unlikely to be shared by Washington, which agreed to back the UN treaty only when a binding stabilisation commitment sought by the EC was taken out

Environmental groups hailed the EC statement "This is throwing down the gauntlet to George Bush 48 hours before he arrives in Rio," said World Wide Fund for Nature climate specialist Adam Markham

Bush, facing a tough campaign for re-election in November, has argued that tough action to cap greenhouse emissions could cost jobs — a risk he is not prepared to take

Bush arrives for a two-day visit to the Earth Summit today

The US has been widely criticised for watering down the global warming treaty and is at odds with industrialised countries over its refusal to sign a convention to protect the world's biodiversity — Sapa-Reuter

US move on import tariffs angers EC

WASHINGTON — The US moved forward on its threat to raise tariffs on $1bn of farm goods and other EC products, despite an EC offer of concessions in a long-running agricultural trade dispute, the Wall Street Journal reported yesterday

The European Commission yesterday said the US move was "totally without justification since it lacks any legal basis" under international trade rules

The US action comes as part of a fight over EC subsidies to its producers of soybeans and other oil seeds The US apparently wants to use this dispute as a lever in stalled GATT talks

On April 30 the US issued its threat to impose higher tariffs On Tuesday, the US trade representative's office said the US would choose $1bn of imports for "prohibitive" levies unless the fight was settled.

"The door is still open to EC proposals that would improve market access for US soybean exporters, but time is running short," said the US's Carla Hills — AP-DJ

LYDENBURG EXPLORATION LIMITED

(Registration number 88/01853/06)
("Lydex")
(Incorporated in the Republic of South Africa)

Directors E P H Bieber, C I von Christierson R A Chute, R A Hambro, R B Shead, K C Whyte

Interim report for the six months ended 31 March 1992

The directors announce the following unaudited results for the group:

	Six months ended 31 March 1992 R000	Six months ended 31 March 1991 R000
Revenue	**6 596**	1 332
Expenditure	**1 267**	3 202
Exploration	**2**	1 298
Administration	**1 265**	1 904
Profit/(Loss) for the period	**5 329**	(1 870)
In-specie dividend declared*	**(6 461)**	–
Profit/(Loss) at end of period	**(1 132)**	(1 870)
Issued shares (000)	**124 270**	124 270

Group balance sheet

	31 March 1992 R000	Audited 30 September 1992 R000
Funds employed	**91 515**	92 647
Share capital	**36 275**	36 275
Share premium	**66 416**	66 416
Accumulated loss	**(11 176)**	(10 044)
Employment of funds	**91 515**	92 647
Fixed assets	**501**	501
Investments	**8 216**	8 102
Mineral, subscription, participation rights and slimes dams	**65 022**	66 399
Net current assets	**17 776**	17 645

*The in-specie dividend declared was in respect of shares in Knights Gold Mining Company Limited ("Knights") which Lydex acquired from the disposal of the Cason Sand Dump to Knights announced in the press on 7 November 1991

Review of operations

The directors report on 30 September 1991 stated that the company had entered into an agreement with East Rand Gold and Uranium Company Limited (Ergo) in June 1991 whereby Ergo has undertaken to treat 26,5 million tonnes of high grade slimes material acquired from ERPM through the Ergo Plant It is estimated that treatment of this material will commence in July 1992 The treatment of this slimes material should result in substantial cash flows to the Lydex Group over the next four years

On 16 April 1992 Anglo American Corporation of SA Limited announced that it was proceeding with the development of the Moab project in conjunction with Vaal Reefs as an extension to the Vaal Reefs lease area Shareholders should note that through its 9,375% subscription right interest in the farm Cyferfontein No 163, Lydex has acquired an approximate 1% interest in the exploitation of the Moab project Shareholders will be kept informed of any decisions taken with regard to the possible distribution of rights or shares acquired by Lydex in the project

On behalf of the board

E P H Bieber *Chairman*
C I von Christierson
Directors

11 June 1992

Registered office
7th Floor
Marshall Place
66 Marshall Street
Johannesburg, 2001

Transfer secretaries
Mercantile Registrars Limited
6th Floor
94 President Street
Johannesburg, 2001

Penrose Financial A15822a

Malbak 'sweats' the bugs out of SA Druggists

(183)

STAR 12/6/92

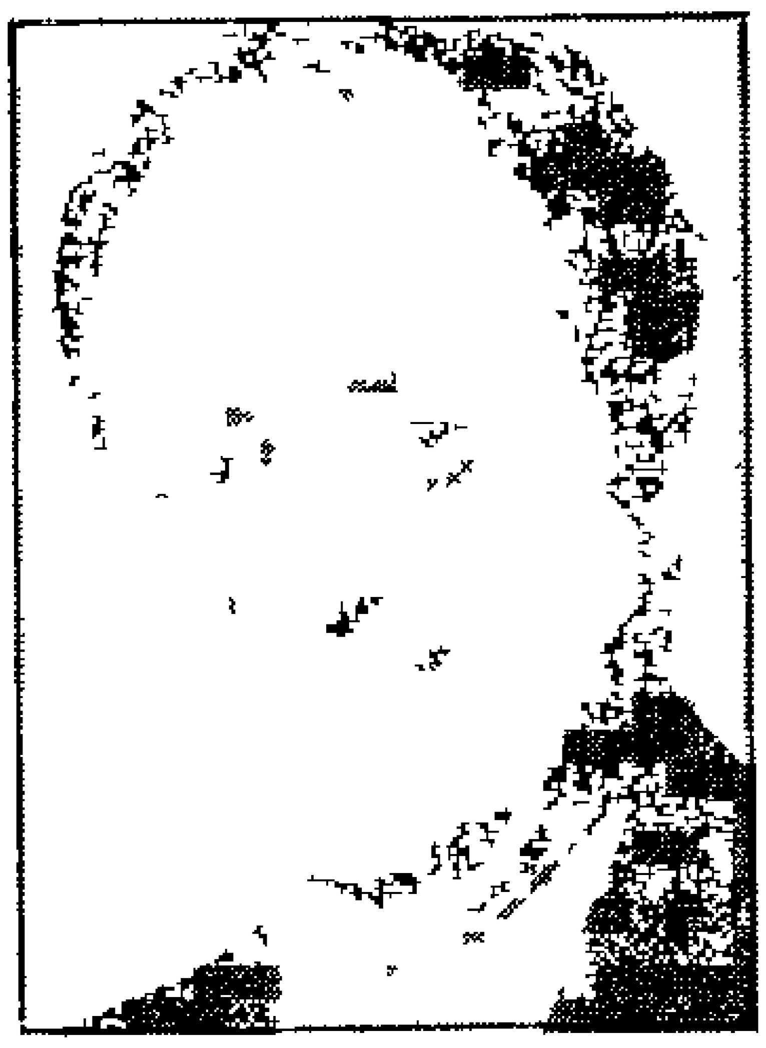
By Stephen Cranston

SA Druggists, which is now controlled by Malbak, reported a 27,7 percent reduction in earnings a share to 18,3c for the 12 months to end March.

Peter Beningfield, who recently took over as CE from Johan van der Walt, said that the difficult trading conditions experienced during the first six months had continued

Mr Beningfield has applied to the group the traditional "asset sweating" approach for which Malbak is now legendary There was an abnormal write-off of R70 million resulting from the stricter application of the company's accounting practice It included a R32 million reduction in current assets

The group's accounting practices have been tightened up Mr Beningfield said that trading conditions were difficult and there was increased competition in the generic market.



Peter Beningfield "strong clean balance sheet"

But he added that there was a strong and clean balance sheet under Malbak

SA Druggists will offer 113 million shares for the purchase of Protea Chemicals and Protea Chemical Properties At current market prices, the purchase consideration is about R339 million

Although turnover was up marginally to R1,1 billion, operating margins slipped by 2 percent to 5,8 percent

The acquisition of Protea Medical and Chemicals would enable SA Druggists to optimise production, marketing and distribution

"It will create opportunities to extend its current range of manufactured and imported speciality chemicals," he said

The jewel in the Protea crown is Akromed, formerly the local subsidiary of the American drug manufacturer Wyeth It is a leading manufacturer of contraceptive pills and feminine care medicines The toiletry and over-the-counter manufacturer Promardis and Promex, the country's leading manufacturer of disposable hypodermic syringes and needles are also included in the deal

FM 12/6/92 183

NORIMED FM 12/6/92

A deal in prospect 183

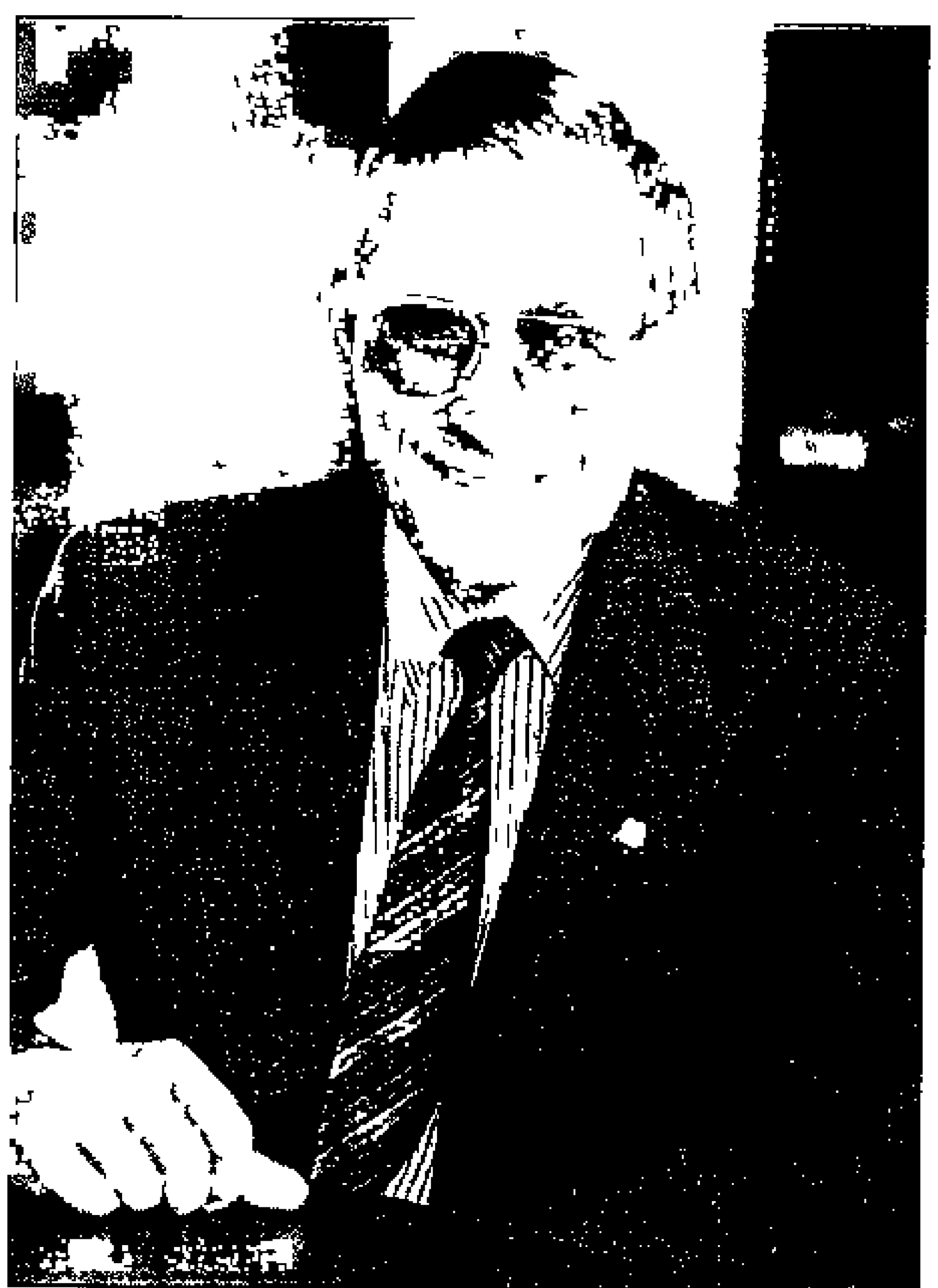
Activities: *Imports, makes and distributes medical equipment*
Control: *Noristan 84%*
CE: *H Snyckers*
Capital structure: *3m ords Market capitalisation R21,4m*
Share market: *Price 712c Yields 7,6% on dividend, 23,3% on earnings, p e ratio, 4,3, cover, 3,1 12-month high, 712c, low, 400c Trading volume last quarter, 183 992 shares*

Year to Dec 31	†'88	‡'90	*'91
ST debt (Rm)	—	0,6	0,3
LT debt (Rm)	7,2	0,4	0,4
Debt equity ratio	0,5	—	—
Shareholders' interest	0,6	0,7	0,7
Int & leasing cover	1,7	57,3	28,5
Return on cap (%)	18,0	12,8▲	19,9▲
Turnover (Rm)	5,1	14,7	31,8
Pre-int profit (Rm)	4,2	3,4▲	5,8▲
Pre-int margin (%)	83,9	34,6	27,5
Earnings (c)	56,7	98,5▲	97,7▲
Dividends (c)	42	60,7▲	32▲
Net worth (c)	553	610	694

† Year to December ‡ 18 months to June
* 18 months to December ▲ Annualised

Having acquired 100% of medical equipment supplier Crest Healthcare from October 1989, Norimed sold its property investments in June 1990 and now has R15m net cash Turnover in the latest report, relating only to Crest, rose 10% Operating income was unchanged and margin pressure severe

An almost fourfold increase in the tax bill, from R990 000 to R3,9m, follows restructuring that saw dividend income replaced by taxable interest and trading income This



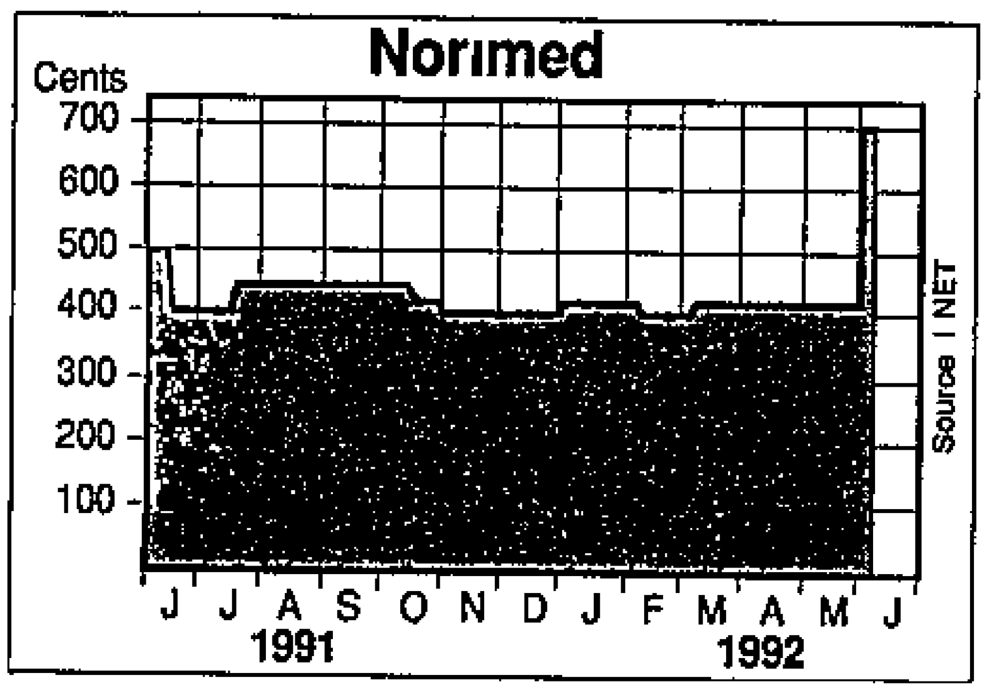
Norimed's Snyckers *property invesments sold*

contributed to a dip in 18-month EPS from 147,7c to 146,6c

Financial director Graham Jones says Norimed will be used as a "vehicle for further expansion" and for holding money and investments Norimed last year used about R265 000 to investigate expansion opportunities that did not materialise

The State is still one of Crest's biggest customers and spending on health care in the public sector is set to remain under pressure Hospital development has slowed down in the private sector but Crest should share in a number of projects expected to come to fruition during 1992

Business units include pharmaceutical,



chemical and consumer products The recent issue of a cautionary notice suggests either a buy-in of minorities or another acquisition

Norimed featured on the JSE on Monday last week The share climbed 292c, or 69,5%, to 712c on a bookover of almost 177 000 shares for R1,2m, which resulted in Noristan raising its holding from 79% to 85%

Kate Rushton

1992

South Africa to check mercury risks at Thor

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Guardian W (in W/Mail) 12/6 - 18/6/92

By David Beresford in Johannesburg

THE uglier face of British capitalism is about to be exposed in South Africa once again

Government officials have confirmed that a public inquiry will be held in Natal at the end of this month which could result in prosecutions against Thor Chemicals — a subsidiary of Kent-based Thor Holdings — over mercury poisoning suffered by its black staff

Thor reclaims mercury from toxic waste brought in from the northern hemisphere South Africa is not a signatory to international treaties banning trade in toxic waste The company has routinely denied dumping toxic waste

Simultaneously, South Africa's longest industrial dispute involving BTR (British Tyre and Rubber), the South African subsidiary of BTR plc, is set to enter yet another bitter round, after a court victory for the union involved

Dunlop is meanwhile lobbying the European Commission to scrap the EC code of conduct governing European companies in South Africa

The public inquiry into Thor Chemicals is being set up by occupational safety officials following the poisoning by mercury of at least three employees, who are lying semi-comatose in hospital with little hope of recovery

The Umgeni River near the Thor plant at Cato Ridge — used for drinking water and bathing by local people — is alleged to be dangerously polluted with mercury

The mercury reclamation plant at Thor — reputed to be the biggest such plant in the world — has been shut down by the government pending investigations

A recent report by an expert on occupational health, Professor Tony Davies, found that levels of mercury in the air were consistently above the maximum allowed, there was evidence "that skin contamination, including burns, are frequent and that contamination of work clothes is frequent", casual workers were given hazardous jobs without proper training and respirator equipment had had to be dumped after being found to be inadequate

Thor has issued assurances that it will "immediately" implement the recommendations made by Prof Davies

Meanwhile the seven-year dispute at BTR, which began when 1,000 workers were sacked at a rubber plant in Howick, also in Natal, has entered a new phase with an Appeal Court decision in favour of the Metal and Allied Workers Union (Mawu)

A full bench of five judges confirmed an earlier judgment quashing an industrial court ruling in favour of BTR — which started the legal process — on the grounds that the court's deputy president had opened himself to charges of bias

The dispute has had substantial and bloody repercussions over the years

R70m write-off hits SA Druggists

B/Day 12/6/92

(183)

MARCIA KLEIN

EARNINGS of SA Druggists (SAD) dipped 27,7% to 18,3c (25,3c) a share in the year to end-March on the back of a R70m abnormal write-off and poor trading conditions

Trading conditions were exacerbated by increased competition in the generic pharmaceuticals market.

SA Druggists, which was bought by Malbak from Federale Volksbeleggings in September, also announced details of its acquisition of the pharmaceutical and allied interests of Malbak — including Protea Medical & Laboratory and a division of Protea Chemicals — for shares in SA Druggists at a market value of R339m

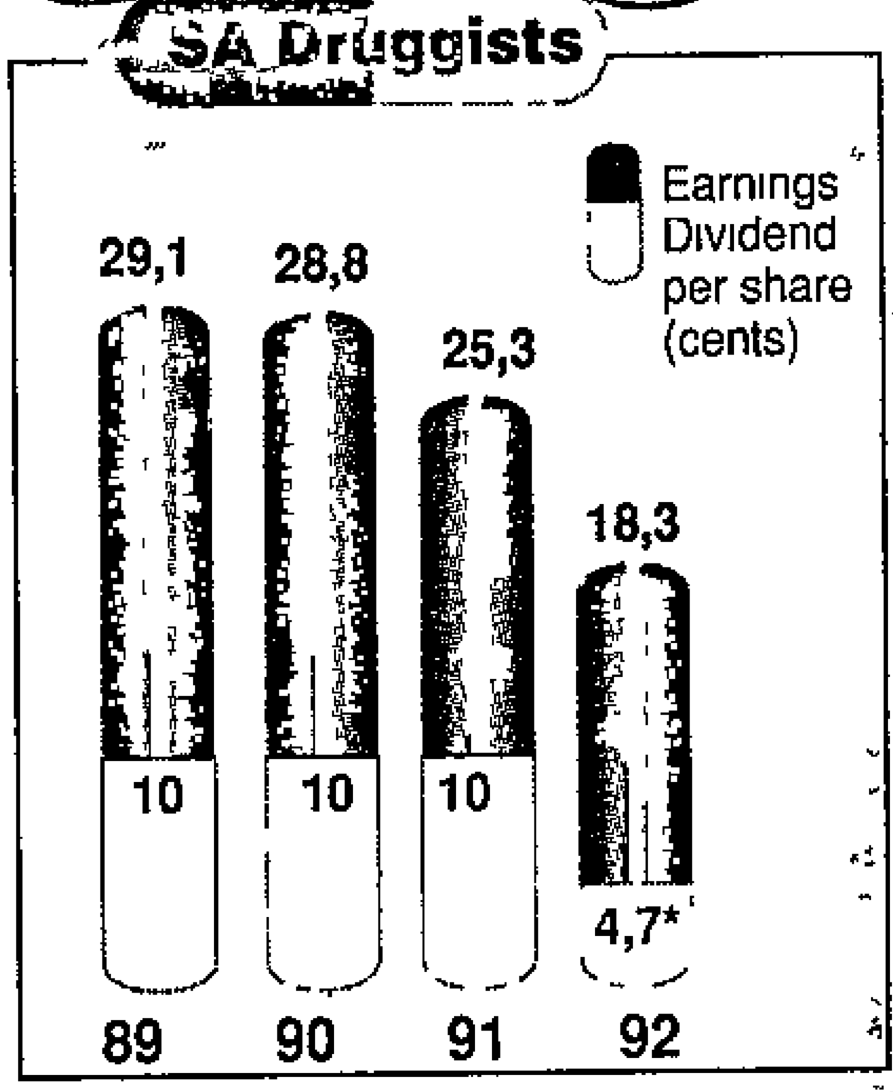
The group has changed its year-end to August in line with that of Malbak Results are for the 12 months to end-March, and final results covering 17 months will be released after end-August, CE Peter Beningfield said yesterday

Attributable earnings of R25,8m were 27,7% down on the previous year's R35,7m No dividend was declared because of the change in year-end

Turnover of R1,1bn was 6,9% up on the previous year after increasing only marginally in the second half

Turnover was affected by losses in certain export orders in the fine chemicals division, and the fact that the market for the group's products did not grow in line with the rest of the market, "bearing in mind that SAD products are mainly generic", Beningfield said

Operating margins, which dropped to 5,8% from 7,8%, were affected by the loss of the high margin export turnover, in-



☐ To Page 2

SA Druggists

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☐ From Page 1

creased costs in certain divisions and tighter margins in the increasingly competitive generic market.

Beningfield said that stricter application of existing accounting policies resulted in a R32m reduction in current assets, other adjustments of R18m and rationalisation costs of R20m The after-tax effect of the R70m adjustments was a R40m abnormal write-off

B/Day 12/6/92

The balance sheet has changed materially Outstanding cheques have been included in borrowings, finance leases have been capitalised and loans to pharmacies have been included under investments and interest-bearing debt. Interest bearing debt jumped 195,7% to R173,8m because of changes in certain accounting policies.

Beningfield said that SA Druggists had been centrally run, and now Malbak had focused on fully accountable independent business units. He said the acquisition of Protea Medical and the speciality chemical trading activities of Protea Chemicals would enable the group to optimise production, marketing and distribution, and to strengthen its management structures

He said it had a good parcel of assets, but needed a better balance of original formulation products and generic products It would also concentrate on exports, which currently accounted for about 20% of turnover, excluding distribution

Results for the five months to the new year-end would be in line with the current performance. But SAD was in a position to grow and to generate cash, and it would show an improved performance in 1993

Although finance costs were reduced through improved control of working capital, the changes in accounting policies and the abnormal write-offs resulted in a jump in gearing to 90,2% compared with last year's reported 27,5% Last year's gearing would have been 72,2% if these practices were in operation

Medicine makers reply

(183)

PRETORIA — The Pharmaceutical Manufacturers' Association said on Friday claims by the Premier Group against the pharmaceutical industry were exaggerated and incorrect in several respects. B/Day

Reacting to comments made by Premier deputy chief executive Gordon Utian, PMA president Dr Hugo Snyckers said: "The Competition Board is currently investigating alleged discriminatory pricing practices in the pharmaceutical industry. 15/6/92

"The PMA and its members look forward to the release of the board's report."

The alleged high price of medicines was continuously under review with the industry's full co-operation.

This should, however, form part of the development of an overall strategy for rendering health care in a manner which was cost effective, equitable and sustainable. — Sapa.

SA DRUGGISTS FM 19|6|92 (183)

Taking the medicine

Under its old guise, SA Druggists (SAD) was looking like a pretty sick patient Results for the 12 months to end-March (the year-end has been changed to August) show a trying second half, with tough trading resulting in a nominal increase in turnover and attributable earnings down 28%

However, a new doctor has been called in with Malbak's acquisition of Fedvolks' 68% holding in SAD last year Malbak has started by carving up the accounts to get them in line with accounting practices, and leave a clean balance sheet from which to start expanding what has effectively become a new business But there will have to be some pain before the patient starts to get better.

For a start, the accounting clean-up has resulted in a R40m abnormal write-off (after-tax) CE Peter Beningfield says this includes a R32m reduction in current assets

Malbak's pharmaceutical interests have been injected into SAD for a consideration of about R339m, at current market value, to be settled by issue of 113m SAD renounceable shares Beningfield says, had the acquisition been effective for the 12-month period, EPS would have increased by 2%, gearing would have been 40% instead of its current 90,2%

"We believe we now have a completely clean balance sheet," he says "This, with the new business, should give us a base from which we can grow and generate cash"

The acquisition will not have an effect on Malbak's shares

Cont →

FOX FM 19|6|92 (183)

Results until the new year-end in August are not expected to show much improvement Beningfield ascribes the reduced operating margin — down from 7,8% to 5,8% — to a loss in exports, reduced turnover in the face of tough competition, and deliberate withdrawal from low-margin tender business

At 280c, the price is just off the R3 peak of recent weeks, and up 50% from a year ago With Malbak posting good interims — attributable earnings were up 29% — investors might draw comfort from the change in control But it might be better to wait for the year-end to judge whether SAD is doing well enough

Shaun Harris

Molyslip in export drive

(183)

EDWARD WEST

THE removal of export tax benefits would dramatically increase the cost of maintaining and developing exports, Molyslip MD Robert Spanjaard said yesterday

Molyslip is a specialised lubricant and industrial aerosol manufacturer BID ay 19/6/92

In the annual review Spanjaard said Molyslip was engaged in a major export drive

In the year to February 1992, goods worth R3,2m (R4,6m), or 21,5% of turnover, were sold to foreign registered companies owned by Molyslip directors at a 31,9% profit margin These companies exploited international markets for Molyslip The company reported its best results in 32 years

Company puts big money to good use

STAR 22/6/92 (183)

ROCHE South Africa, wholly owned subsidiary of the giant Swiss pharmaceutical company, a world leader, is sponsoring the Drug Wise Counsellor campaign to the tune of R250 000

The campaign is the brainchild of the South African Association of Retail Pharmacists (SAARP)

Behind the Roche sponsorship, a swift company decision, are the figures A 117 percent increase in arrests for possession or dealing in cocaine in Johannesburg in one year alone

US-based Hoffman-La Roche's "corporate initiatives for a drug-free workplace" cautioned big business two years ago that cocaine users in the workplace "are more likely to create interpersonal dissension and the addict's long-term prospects are compromised cocaine provides a good example of how substance abuse can gradually destroy a career" And possibly a life

Says Roche chief executive Dr Tobias K Kiechle

"We're involved in two social responsibility programmes

"One is the Drug Wise Counsellor programme which is a small step in the direction of primary health care which we believe this country needs

"The second is our new health care information centre in Tembisa. These are two things we feel good about"

He believes, firstly, that SAARP has come up with a good programme that offers wide-ranging information on substance abuse and that the pharmacist is the best-trained person to disseminate it

Secondly, Dr Kiechle says, as a pharmaceutical company, Roche obviously has a long-standing, amicable relationship with pharmacists

The pharmacist plays a crucial role in the dispensing of ethical drugs

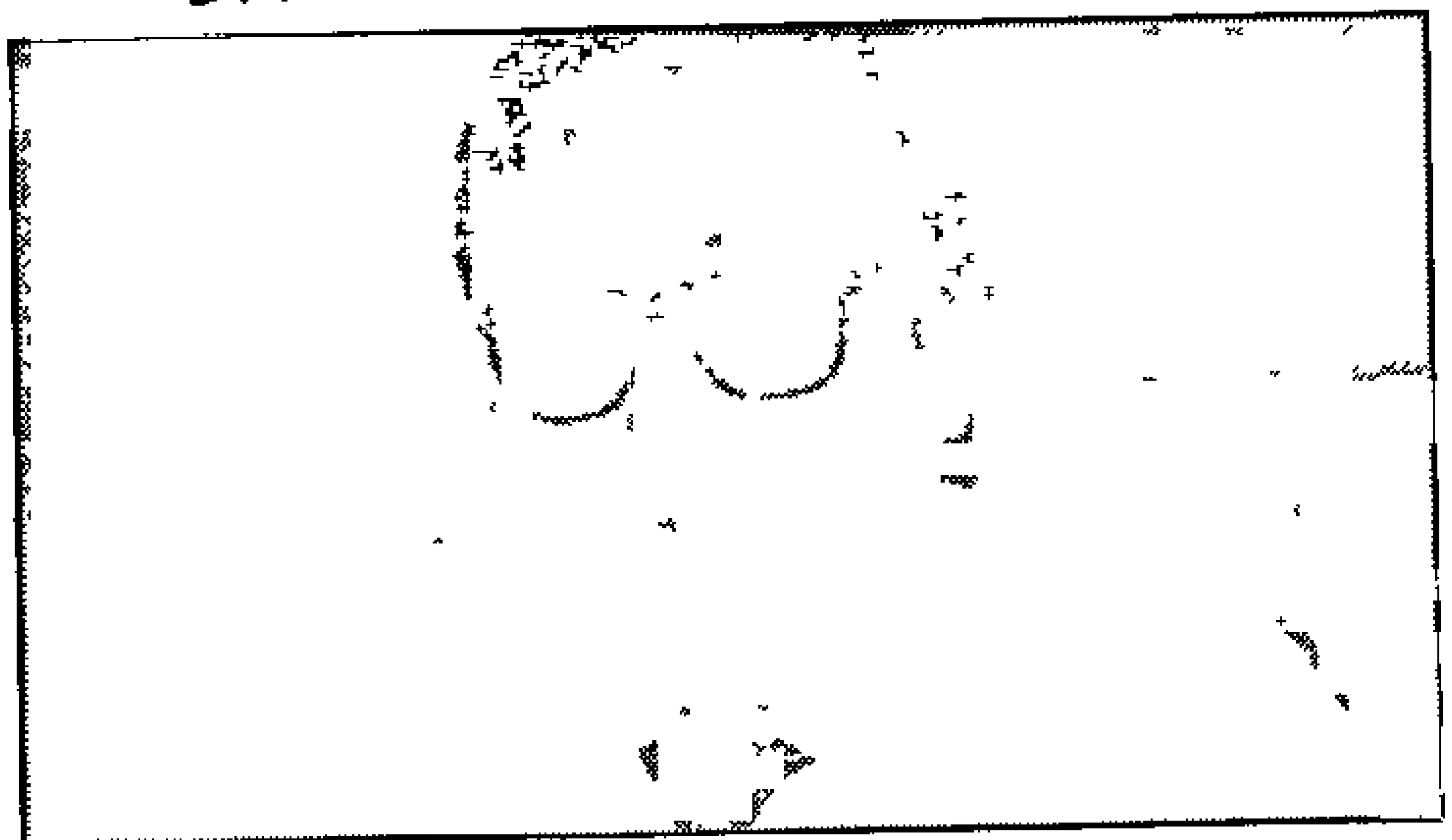
He sees the prescriptions and may spot a possible incompatibility with other medication the patient is taking because he forgot to mention it to his doctor

Pharmacists have gained greater expertise too In fact, says Dr Kiechle, an academic study has shown that there are about 100 ailments that could possibly be treated by a pharmacist

Roche spends $230 million (about R640 million) a year on research and of every 10 products formulated in an eight to 12-year period, one only makes it to the marketplace

Says Kelvyn Henry, head of public affairs at Roche

"Abuse of substances, from dagga to the misuse of prescription medicines, is one of South Africa's biggest social problems



Roche chief executive Dr Tobias K Kiechle . . . long-standing relationship with pharmacists.

Noristan hopes for a slice of the aid pie

BDay 23/6/92 (183)

PHARMACEUTICALS group Noristan is keen to become involved with aid bodies such as the Red Cross and World Health Organisation, says export development manager Darryl Moss.

But until SA is accepted as a full UN member, local companies like JSE-listed Noristan will be boycotted by health aid bodies which spend billions of dollars a year on medical assistance and products in Africa

Their aid is the major part of many countries' health budgets

In some cases, such as Mozambique, it is the only medical spending.

"This obviously represents a tremendous opportunity for us," says Moss

Source

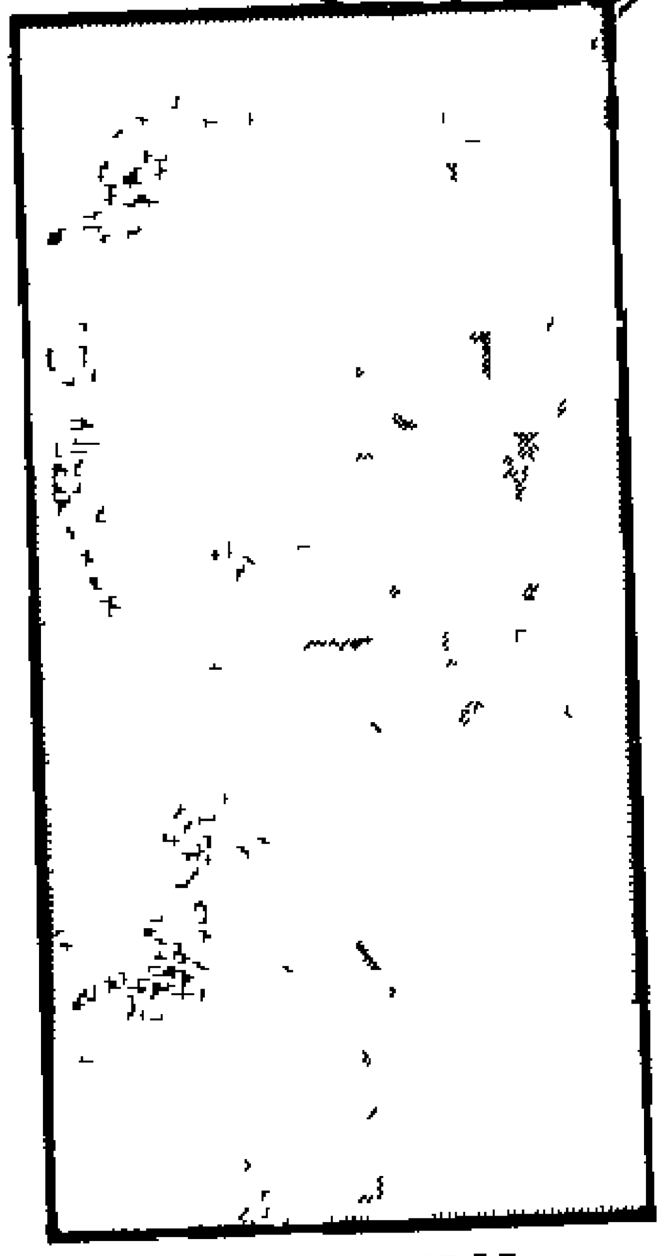
He is optimistic that the aid agencies are eyeing SA companies to source products in the near future

Noristan already exports 51 pharmaceutical products to other African countries and about another 100 are in the registration process The company has been exporting to Malawi and Zimbabwe for many years It now also exports to Mauritius and Angola

In the past two or three years Noristan has started expanding into other African countries It has been identifying marketing partners, started registering products and setting up distribution channels in various countries, including Zambia, Congo, Zaire, Madagascar, Tanzania, Kenya and Burundi

Moss says that within 10 to 15 years sub-Saharan Africa will be one common market of some kind

"It makes sense to concentrate our African export efforts on countries likely to be part of that market"



DARRYL MOSS

Already Noristan is the only manufacturer of the raw material aprir													in in Africa Its other fine chemicals are also successful exports to Africa and Europe

"But dealing with finished pharmaceuticals is a totally different kettle of fish," says Moss

Approved

For starters all products have to be approved by each country's specific health ministry and the registration process usually takes at least two years

Besides Africa, Noristan has identified Europe and the Indian Ocean area as strategic export markets.

A self-confessed "Africa fanatic", Moss believes that Africa holds the most potential for success Trade in sub-Saharan Africa could rescue the continent, he says There are enormous opportunities for those who want them

The main areas for pharmaceuticals are medicines suited to the third world, such as antibiotics, analgesics, diarhoea medicines and malaria pills

Noristan's main export markets are Malawi and Zimbabwe In the past 18 months, Kenya has grown to become the third largest

Moss says the world is one pharmaceutical arena, so Noristan finds the same competitors everywhere, namely large multinationals like Glaxo and Smithkline Beecham and local pharmaceutical firms like Adcock and SA Druggists

French companies like Roussel have a huge presence in former African colonies, he says

Competing with them is difficult but SA companies are used to high competition levels from local market where there are many competing for a relatively small market SA is also a very sophisticated medical market.

Advantage

Moss says SA has a strategic competitive advantage in sub-Saharan Africa but it is difficult to convince other SA businessmen of this

"Africa is seen as poverty-stricken, AIDS-ridden, and marginalised continent with no money I suppose there's an element of truth in this but it is also a market of more than 453-million people with a 1989 GDP of $223bn

"And they can pay if they want something badly enough"

To be successful it is important to try build long-term trust and good relationships

"Africa is different," he says "Business works very much on contacts, while Europe works more on the economic motive In Africa there are few decision makers in business South Africans need to know them and understand their country's politics, economics and social structure"

Cape Lime denies union's claim

CAPE LIME has denied claims by the SA Chemical Workers' Union that 150 workers are on a go-slow strike at its plants

A union spokesman said last week the decision to go-slow followed a strike ballot and union demands for a R400 across-the-board increase. Cape Lime claims only 74 workers embarked on the strike — Sapa

(183) CT 24/6/92

Zimbabwe to introduce land tax

CT 24/6/92

HARARE. — The Zimbabwean government is to introduce a land tax to discourage people from holding under-utilised land.

Opening the third session of Parliament yesterday, President Robert Mugabe said the government would also speed up its land distribution programme.

"In the 1992/93 financial year a land tax will be introduced to discourage people from holding under-utilised land," he said.

Land legislation gazetted last month empowers the government to acquire rural land for resettlement through a process of designation and compulsory purchase.

Accepting his government's partial responsibility for a severe national food shortage, Mr Mugabe said: "More emphasis will be placed on a sound domestic food stock management policy than has been the case hitherto." The government was working to rebuild strategic maize reserves.

Zimbabwe needs to import up to 1,5 million tons of maize in the next year to avert mass starvation.

Mr Mugabe said new incentives would be introduced to boost exports and agricultural production while the government would loosen its controls on the economy to promote private enterprise. — Sapa-Reuter

Non-striker's house bombed

DURBAN — The house of a freelance radio announcer here who is not taking part in the Media Workers of South Africa SABC strike has been burnt down after being petrol-bombed.

Miss Lindiwe Ntuli, who is announcing on the SABC's Radio Zulu station, was not at home when the petrol bomb was thrown through a window just after 8pm on Monday. The house was completely gutted.

The strike has entered its sixth week without any hope of a settlement in sight. — Sapa

CT 24/6/92

Workers occupy company's head office

BIDay 25/6/92.

183 DIRK HARTFORD

MORE than 600 National Bolts workers occupied the company's head office at its Benoni plant yesterday until the company agreed to stop 200 retrenchments scheduled for tomorrow

Chairman Alan Schlesinger, speaking from the occupied offices last night, said he and MD Dennis Dedwith expected to spend the night there

He said there were still about 70 workers inside the offices and about 200 outside

Besides "minor damage" to property, the occupation had been peaceful

Schlesinger said the occupation was unlawful and unprocedural

Numsa regional secretary Bethuel Maserumule confirmed that the company had brought an urgent interdict against the union to stop the occupation but workers had decided to ignore any interdict

Maserumule said there were two other factory occupations yesterday, but this could not be confirmed He said US subsidiary Tim-Chem was occupied after workers were dismissed for taking part in Monday's march through Johannesburg

Maseremule said the companies' refusal to negotiate alternatives — like short-time and no overtime — was "characteristic of the intransigence of the ruling class"

Schlesinger said there had been negotiations on the issue for a month The alternatives posed were not viable as the company was fighting for its survival

Mixed success for Darmag

BDay 26/6/92 KARIN FRANKEN (183)

RUBBER and plastics producer Darmag announced a final dividend of 2,25c a share for the year to end-March 1992 Dividends will be paid on August 7

And in its annual review it forecast a slight earnings improvement in the year to March 1993 with a marginal increase in lead acid battery casing volumes and new plastic product lines, chairman Donald Buchanan said

The discontinuation of the group's tyre division would relieve the group of an burden, he said

New product lines such as plastic crates would allow Darmag to continue growing in spite of a weak economy

A large proportion of the R2,5m capital expenditure programme was invested in a specialised injection moulder which made industrial battery cases This plant had provided an additional manufacturing facility

Darmag's results reflected mixed success due to recessionary markets, Buchanan said Turnover dropped 5,8% to R24,7m (R26,2m) while earnings a share climbed by 17% to 10,3c from 8,8c

Concern as Govt puts out tender for banned DDT

STAR 27/6/92

183

JULIENNE DU TOIT

THE Government has put out a tender for 213 tons of DDT insecticide, a banned substance in South Africa and most other countries

Although it is banned, the banning notice makes provision for its use in malaria control, as long as it is not used outdoors where it can harm the environment.

But according to a recent thesis done through the University of Potchefstroom, it has been detected in the environment, and in the breast milk of mothers living in the areas sprayed.

Since the 1950s the insecticide, which stays in the food chain almost indefinitely and causes cancer and deaths in certain animals, has been used against malaria-carrying mosquitoes in South Africa.

It is sprayed in the mud huts of people living in northern Natal and KwaZulu and northern Natal by authorities linked to the Department of National Health. "DDT has never killed a single person," said Dr Edmund Hartwig, specialist scientist at the Department of National Health.

He said it was essential to use DDT because it was the best alternative and, if it was not used, the incidence of malaria would shoot up

High levels in breast milk

But Dr Henk Bouwman at the University of Potchefstroom has just done research on DDT levels in humans and nature in KwaZulu, and has found very high levels in breast milk and babies' blood serum, and lower levels in the region's fish.

He acknowledged that no human had ever died of DDT poisoning since no one could ingest enough of it. And it did not cause cancer in humans.

But it does cause liver damage in children and adults very similar to that caused by alcohol. And the effects on babies, whose neurological functions are not fully developed, has not been studied.

DDT is used because it is cheap and because it breaks down extremely slowly. This is bad news for the environment, because it persists in the food chain and becomes more and more concentrated as it passes through the different animals, until there is a lethal dosage and predators start dying.

According to Hartwig, DDT is the only substance effective in mud huts, because all other insecticides soak in, while DDT eventually crystallises out of the mud.

But new research, being done overseas and in Natal by the Medical Research Council, is showing that synthetic pyrethroids could be the answer.

Wade in the clear

Business Times Reporter

THE long-simmering dispute between toxic-waste management rivals Waste Tech and Wade Refuse Group has been resolved in the Witwatersrand Surpeme Court.

Mr Justice Serrurier discharged with costs the interim order obtained by Waste Tech against Wade Refuse and an application by Steven Alan Elliott, formerly employed by both companies

The case arose after allegations that Wade-Chem had handled toxic waste in an "irresponsible" manner at its plant at Holfontein near Springs (183) [redacted]

It was ~~also alleged~~ that Mr Elliott had been threatened with death and that he had provided Wade-Chem, with whom he was then employed, with confidential documents that allowed it to compete with Waste Tech.

These allegations were reported in Business Times on April 5 51 Times [64SS]

Salt 28/6/92

Mr Justice Serrurier also found that the interim order obtained by Waste Tech was served on Wade Refuse, whereas the company competing with Waste Tech was Wade-Chem, a member of Wade Refuse Group

He found that that Waste Tech had not established that the information allegedly given to Wade-Chem was confidential

As far as Mr Elliott's allegations were concerned, Mr Justice Serrurier remarked that his allegations ought to be taken with a "pinch of salt"

An application by Mr Elliott against certain Wade Refuse directors and officials restraining them from threatening him or otherwise harassing him and heard simultaneously with Waste Tech's application, was dismissed with costs.

Recession stifles Transpaco recovery

BDay 30/6/92

EDWARD WEST

THE forecast improvement in Transpaco's results did not materialise due to the deepening recession, and earnings dropped 43% to 5,42c (9,52c) a share in the year to March 31 1992

A final dividend of 1,5c a share was declared, bringing total dividends for the year to 2,5c (4c) a share

Turnover, which was stated to reflect the comparable results of continuing operations after the stationery division had been sold to Macro and the builders' sheeting section of the Consumer Plastics division was closed, improved to R50,5m (R40,6m)

However, operating profit of continuing operations fell to R1,9m (R2,5m)

Joint MD Mike Abelheim said operating profit fell as a result of reduced margins

Administration cost increases were contained within inflation, but the cost of maintaining market share increased substantially

Customers were destocking in the recessionary climate and Transpaco was having to make more deliveries in a month for the same sales volumes, thereby increasing costs

Finance costs dropped to R718 000 (R1,5m) Pre-tax profits were 33,9% lower at R1,2m (R1,8m)

Attributable profits fell to R596 000 (R1,05m) Gearing improved to 61% (87%) (183)

Abelheim said the aim was to reduce gearing to 35%

An extraordinary item of R56 000 related to the winding down costs of the Consumer Plastics division, profits on the disposal of plant and provision for future expenditure

The acquisition of a former competitor, East Rand Packaging, would have a favourable impact on future turnover profitability, he said

The group had budgeted for an improvement in earnings this year, but this would to a large extent depend on future economic and political conditions, said Abelheim

BOWLER METCALF FM · 3/7/92

Unconventional tactics

Activities: *Makes plastics and plastic mouldings*
Control: *Directors 77%* (183)
Chairman: *G F Spalding, MD H W Sass*
Capital structure: *25m ords Market capitalisation R12,5m*
Share market: *Price 50c Yields 7% on dividend, 14,6% on earnings, p e ratio, 6,8, cover, 2,1 12-month high, 60c, low, 48c Trading volume last quarter, 237 000 shares*

Year to Dec 31	**'88**	**'89**	**'90**	**'91**
ST debt (Rm)	0,6	0,5	0,9	0,6
LT debt (Rm)	0,8	1,6	1,5	0,5
Debt:equity ratio	0,38	0,35	0,1	0,18
Shareholders interest	0,53	0,52	0,49	0,38
Int & leasing cover	4,0	3,5	4,9	7,4
Return on cap (%)	12,6	21,1	25,8	33,1
Turnover (Rm)	10,7	12,3	14,5	17,5
Pre-int profit (Rm)	1,33	1,85	2,86	3,87
Pre-int margin (%)	12 4	15,0	19,7	22,1
Earnings (c)	4,4	5,6	6,8	7,3
Dividends (c)	2,0	2,25	2,75	3,5
Net worth (c)	15,3	18,1	21,7	17,9

To put it kindly, only a bold and confident management would have chosen to finance long-term growth with short-term funds in a recession But for Bowler Metcalf (Bowmet), this strategy has worked well

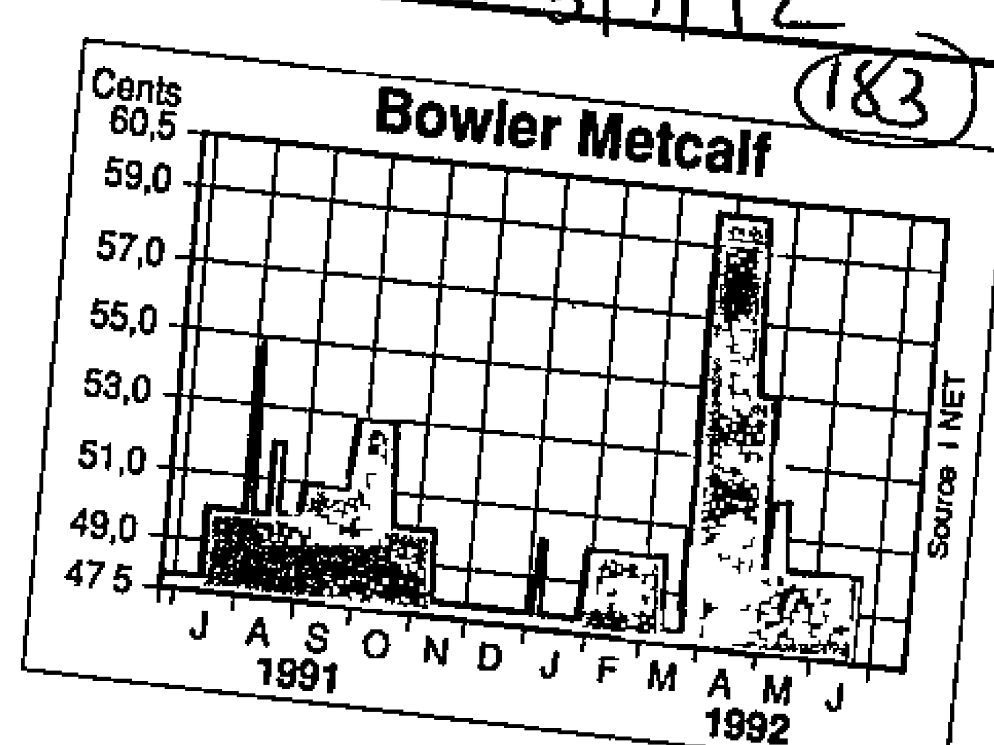
Chairman Geoffrey Spalding says in his review "The share price has responded encouragingly during the past 12 months but our ratings remain curiously well down on our market sector"

This reaction could have been expected in the light of such an unconventional practice and, more especially, because of the negative current ratio that has resulted However, the 1991 accounts indicate the worst is over Net current liabilities have been reduced to R20 000 from R379 000, and net interest paid was marginally less than the previous year It is one of the reasons why pre-tax income leapt by 44,7%, to R3,35m, after turnover rose 20,6%

MD Horst Sass points out the turnover increase represented a real increase in market share More significantly, the increase in pre-interest margin, and the rise in the stock-turn from 10 to 12,9, are evidence of tight

continued

COMPANIES FM 3/7/92 (183)



management controls and efficiencies

In another unusual financial step, management has provided for deferred tax by reducing distributable reserves The consequent reduction in shareholders' funds is the only reason for a diminished NAV The accounts now provide for tax at the maximum rate

Sass, though confident of producing EPS growth in 1992, cautions that a similar growth rate may not be repeated Since 1987 turnover has shown a compound annual growth of 25% and EPS of 31% At a dividend yield of 7% and a p e of 6,8, the company's potential appears more attractive than the market rating indicates *Gerald Hirshon*

NORISTAN FM 3/7/92

Strategic alliance (183)

Noristan MD Hugo Snyckers says the group is currently in negotiations with a view to "possibly forming a strategic alliance with another company " This follows cautionary announcements issued by the pharmaceutical company and its 84%-held subsidiary Norimed, saying negotiations are in progress which could affect their share prices

The local group has strong links with German groups through manufacturing their products under licence Noristan has high-technology equipment, capable of making complex pharmaceuticals

Market talk is that the third party will probably acquire W&A's 21% interest in Noristan As the Noristan interest is peripheral to W&A and as W&A is embarking on a disposal programme to reduce gearing, one analyst rationalises W&A will sell its hold-

FM 3/7/92 (183) FOX

Noristan's Snyckers *in negotiations*

ing, valued at roughly R9m on the present share price W&A chairman Jeff Liebesman declines to comment

W&A acquired its Noristan stake in early 1990, when Noristan needed a big brother to fund disinvestment opportunities, while W&A wanted to get into the healthcare arena

The analyst adds the W&A/Noristan marriage has not been a great success as W&A, not having much expertise in the pharmaceutical industry, brought little to the party Noristan has recently underperformed other pharmaceutical groups The share trades at 80c, well off the peak of 120c at the time of the deal with W&A

But Snyckers says the group missed the boat as international businesses had already disinvested by the time the two came together In fact, no significant acquisition has taken place since then *William Gilfillan*

Candle-makers go gunning for Sasol

STimes (Buss) 5/7/92 (183)

By DON ROBERTSON

CANDLE-MAKERS accuse Sasol of supplying them with poor-quality wax and of manipulating the R130-million-a-year market

They say that since the company announced plans last year to increase production from 64 000 to 120 000 tons at its Sasol One plant, wax specifications have varied considerably

Sasol is SA's wax producer Most of the raw material was previously imported, mainly from China and Germany Candle production was about 900-million a year

Burns

Manufacturers say that since Sasol acquired Price's Candles from Shell for R30-million last September, it has had a monopoly in the supply of raw material Some candle-makers wish to take the matter to the Competition Board

Most candle manufacturers approached by Business Times prefer to remain anonymous for fear of losing supplies

They allege that specifications of wax supplied by Sasol vary widely and that they are unable to use a normal wick The wax's melting point is said to be too high and could cause third-degree burns

Manufacturers say the oil content is too high and makes the drawing of candles difficult The burning life of a candle has been reduced

Many manufacturers have been asked to sign a form absolving Sasol from responsibility if deliveries are not up to specification

The five candle factories operated by Price have about 55% of the market, they say

Sasol replies that it has been supplying waxes to the candle industry for 35 years

A wax was developed last year to prevent candles from bending and sticking together in hot conditions After extensive tests, this product was commercialised on a limited scale

A spokesman says "Market evaluation indicated that certain properties of the candle and the wax needed to be further optimised"

Sasol has been supplying only its conventional candle wax to the market for the past six months It is unaware of quality problems

One independent manufacturer says that only a few months ago, Sasol admitted that its specifications varied

Sasol says that although its products differ in their physical properties from foreign waxes, they have been marketed for the past three years and have gained wide acceptance Demand exceeds production

One manufacturer says that Sasol's control of the candle industry is "possibly the most vertical monopoly in SA"

"Sasol could change the quality supplied to me and offer other manufacturers a better quality For instance, it could reduce the price of wax sold to its own company, Price, but raise it for the rest of us"

Cheaper

Wax imported from China can be landed at about R1 680 a ton compared with the Sasol price of R1 750, Sasol has lifted the price twice this year

Sasol denies that Price's Candles has a monopoly It says there are at least 20 other major producers

The expansion project at Sasol One is in an advanced stage and will be commissioned in the middle of next year It will be able to supply most of the domestic market

Confusion over toxic chemicals

S/Times [Cape Metro] 5/7/92 (183)

CONFUSION surrounds two rival schemes to store hazardous chemicals in Cape Town.

Witney Chemicals, a Durban-based company, wants to build a pipeline to convey the chemicals Styrene Monomer and Vinyl Acetate to storage tanks in Paarden Eiland.

Cape Town Bulk Storage, a partnership between Portnet and Richards Bay Bulk Storage, wants to build a tank-farm for several chemicals on reclaimed land in the harbour

The Cape Town City Council first agreed to the pipeline, then decided in favour of the Portnet scheme and this week decided to wait for an environmental assessment report before making further recommendations

By CHIARA CARTER

However the council seems unaware that the report will cover only the Portnet plan and not the pipeline

Earlier this year, the Cape Metro reported that the council had agreed to the Witney plan but had received objections that it could be environmentally unsafe

The Metro reported later that a rival group, Cape Town Bulk Storage, planned to build storage tanks for hazardous chemicals in the harbour and that this was also being criticised as ecologically unsound

Refuse

Meanwhile Portnet informed the council that it had refused to give Witney permission to convey toxic chemicals in the pipeline which would run through Portnet property

The Department of Environment Affairs then wrote to the council expressing concern over the safety of the pipeline

Following another council investigation, the city engineer recommended that the council change its mind and refuse permission for the pipeline in favour of the Portnet scheme

This week the council decided to await the findings of a report commissioned by Cape Town Bulk Storage from the Enviromental Evaluation Unit at UCT

But the report does not look at the pipeline at all

Ms Heather Campbell from the Environmental Unit said the unit had been commissioned by Cape Town Bulk Storage to do a risk and site assessment analysis of the company's proposed sites in Cape Town and Saldanha Bay

She said the unit was examining the transport and storage of five chemicals including Styrene Monomer and Vinyl Acetate

She said the unit had so far identified "visual and risk factors that could be problematic" and were investigating further

The council appears to be under the impression that the unit's report will also cover the pipeline

When told the report only examined the Cape Town Bulk Storage plans, the city engineer, Mr Arthur Clayton, said he could not comment further

Council spokesperson Ms Yolanda Marsh said the council was waiting for the report, which she claimed did cover the pipeline She said the council's decision depended on Portnet

"Most of the land involved belongs to Portnet We are only minimally involved," Ms Marsh said

Mr Mark Witney, MD of Witney Chemicals, said the company could not make further decisions because of Portnet's opposition

He said he was convinced the pipeline was environmentally sound and he would be happy to have the plan scrutinised by environmentalists

Interest

Objections to the pipeline applied equally to Portnet's scheme, he said, since Portnet intended storing chemicals in the harbour where there was a risk of pollution of the city and bay

"The council can't decide on the basis of Portnet's recommendation as Portnet is an interested party"

Portnet's financial manager, Mr Martin Swanepoel, said the company was not motivated by self-interest but by the "long-term needs of Cape Town"

"We need to take the chemical industry as a whole into account," he said "Witney's plan is for two products We are looking at storing a range of chemicals without a lengthy pipeline"

Pick 'n Pay could drop price by 8c a litre

Secret fuel deal outcry

S.Times [Buss] 5/7/92 (183)

PICK 'N PAY's Raymond Ackerman has fired a broadside at the Government and the oil industry over a secret agreement about to be signed to regulate fuel distribution for another four years.

The agreement, known in the industry as the Ratplan, is a three-way deal among the oil companies, service station operators and the Government. Mr Ackerman says. "Regulation has made oil companies extremely wealthy and consumers poor. Protection is there to benefit the big companies"

If the Government allowed it, Pick 'n Pay would drop petrol prices "tomorrow" by between 6c and 8c a litre.

The Government raised retail and wholesale margins this week by 2,1c/l and 4c/l respectively

They bring the retail margin of 93 octane to 15,1c/l and the wholesale one to 13,5/l.

The National Energy Council's Lourens van den Berg confirms that the new version of the agreement, which dates back 30 years, will extend it by another four years. He says the agreement awaits the consideration of Mineral and Energy Affairs Minister George Bartlett.

Mr Van den Berg declined to make a copy available, saying it was a contract between the three parties.

Mr Ackerman says he was led to believe that deregulation of SA's highly controlled fuel industry would come in February He appeals to Mr Bartlett not to sign the new agreement. He will take up the matter with President De Klerk

Wrong

"It would be completely wrong for the country We need deregulation because high petrol prices increase all others"

Mr Ackerman's criticism of the profits made by the large oil companies is supported by the Automobile Association

AA public affairs manager Robin Scholtz says "an increase of 42% in the wholesale margin once again emphasises the previous call by the AA for the multinational oil companies to declare their trading accounts in SA"

Mr Ackerman says Pick 'n Pay is prepared to wait until February to lower its petrol prices, but if regulation is to be extended, then "judgment will have to be reserved on what we do next"

Oil major Engen is preparing for deregulation of the industry, according to the latest issue of The Executive magazine

Twelve garages converted from the Mobil to the Engen brand name already feature "prime signs" which advertise the price of fuel at the station. Industry sources suggest that in a deregulated market these prices could change daily with lower offers to attract motorists in off peak periods

Engen group marketing chief John Roberts has told The Executive that his company is behaving as if deregulation is already a reality

It is using the prime signs to gauge public reaction, says Mr Roberts. Its competitors can test their signs abroad,

By KEVIN DAVIE

but SA-based Engen has to do so here

Mr Roberts says "We know there's a 'threat' of deregulation hanging over us If we're ready, it won't have a major impact

"But if one of the other players is not ready, the others will become vultures, they will see an opportunity to steal market share, so it's crucial to be prepared"

Mr Roberts plays down the possibility of a price war bloodbath, but believes Engen will emerge as the dominant player with nearly 50% more market share than its main rivals

The Executive says Engen-Mobil, Shell, Caltex and BP each controls between 16% and 18% of the market. But add in Trek and Sonap — Engen's other brands — and the group's share jumps to between 26% and 30%

The article says "It is an advantage that Roberts can't let slip as he heads for what well may be a cut-throat free market."

Mr Roberts says where there are two or three competitors with equal market share, there is generally a bloodbath because nobody leads, everybody follows and it becomes a street fight.

"An undisputed market leader can prevent that, and it's therefore crucial that we use the full power of our market share"

The Executive says Engen would probably hold its own in a showdown with the most powerful of the foreign based companies (presumably a reference to Shell) and win against the others

The NEC 1989-90 report says the service station

● To Page 3

Keys ponders VAT of 16%

(Buss Times)

By CIARAN RYAN

FINANCE Minister Derek Keys is considering raising VAT to 16%, says the VAT Co-ordinating Committee. S.Times (B)

Committee chairman Bernie Fanaroff told Business Times. "The minister indicated that the present rate of VAT at 10% was insufficient to counter the effects of dissaving in the economy 5/7/92

"He said he might have to raise VAT to 16%"

A spokesman for Mr Keys says "The minister was referring to the increasing worldwide shift from direct to indirect taxation

"As the economy moves to a more indirect form of tax, this could require an increase in VAT rates.

"The minister indicated that VAT rates in most European countries were of the order of 16%"

Board of Executors economist Rob Lee says the correct way to deal with government dissaving is to cut its spending, not raise taxes

Dissaving refers to the excess of government spending over revenue This year the Government deficit, or dissaving, is budgeted to be about 4,5% of gross domestic product

Control

Mr Fanaroff says the VAT Co-ordinating Committee met Mr Keys to discuss the plight of the poor in SA under VAT

Mr Fanaroff says. "We are one of the few countries in the world to charge VAT on basics, such as food, medicine and electricity

"The minister said there was insufficient money for zero-rating food We asked him what about the money being wasted in corrupt government departments.

"He replied that these were not under his control We cannot accept this argument."

Tax partner with attorneys Hoymeyr Van der Merwe Henry Vorster says "any increase in the VAT rate would normally be accompanied by a decrease in income-tax rates in accordance with the principle of broadening the tax burden"

"But one must always consider whether such an approach is appropriate for a country such as SA."

Food sales lo[west] in 30 y[ears]

S.Times (Buss)

By TERRY BI[...]

FOOD sales in the past two months have shown the worst real decline in 30 years, says Checkers Shoprite operations director Sergio Martinengo

Mr Martinengo says "Sales fell by between 5% and 8% in May and June as the recession's stranglehold on the economy tightened"

All retailers are showing similar reductions in volume a square metre, says IBIS marketing joint managing director Gordon Pasley

Retailers started feeling the recession 13 to 15 months ago But the last two months have been disastrous.

"It is as though somebody has just turned off the tap," one retailer lamented

Pick 'n Pay financial director Chris Hurst says May and June sales dropped in real terms on last year's.

"We did not expect it to be this bad"

Econometrix economist Tony Twine says it is unusual for the volume of food sales to drop

"Food sales should keep pace with the population growth, which at 2,5% a year, is higher than economic growth of less than 1% annually for the past 12 years"

Food sales tend to grow positive even in recessions He suggests people are buying cheaper and poorer quality foods

Mr Martinengo says the middle class has been worst

hit ... ma ... sur ... cut ... A ... tha ... cou ... nes ... D ... Mar ... situ ... pro ... and ... the ... A ... Bru ... cast ... mor ... chai ... C ... cre ... Hou ... crea ... the ... hau ... N ... Cap ... tive ... dev ... cor ... ope ... nitu ... R ... ster ... dle- ... hav ... Bla ... sive ... sent ... W ... dire ... last ... reta ... kind

Sasol, Engen in line for deal with Kenya

By ZILLA EFRAT: Nairobi

SASOL and Engen are about to form a joint venture with a project cost of $10-million with a Kenyan company called Oil Tanking.

A source says the project involves lubricating oils and blending facilities. A plant is being built in an export processing zone in Mombasa, the largest port in East Africa. It should be in operation by the end of the year

Once in full swing, the project is expected to generate between $25-million and $100-million a year in exports from SA.

The plant will supply Central and East African markets. Oil Tanking would not comment when approached this week.

W&A Investment corporation has formed a joint venture with two Kenyan finance and trade companies — Abbey Investments and Marathon Corporation Called Kensa, it will facilitate trade between SA and East Africa, particularly Kenya, Uganda and Tanzania

● See page four

Fuel deal

S.Times (Buss) 5/7/92 (183)

● From Page 1

rationalisation plan was implemented in 1960 The number of petrol stations has since increased by less than 10% while volumes sold have risen by 300%

It says "The plan was introduced by all interest groups in collaboration with Government and with retention of the free market principle, to regulate the industry"

Lenco to bid for Metcor's H & H

LINDA ENSOR 183

CAPE TOWN — Lenco Holdings had decided to bid for 100% of Metkor Industries plastics subsidiary, Hendler & Hart (H & H), executive chairman Doug de Jager said in the group's latest annual report

This comment is believed to relate to the cautionary announcement issued by the group a few weeks ago

Industry sources believed Lenco would achieve considerable rationalisation benefits by merging its packaging division, Compak, with H & H

De Jager said Lenco had become more focused on its three core industries, clothing, footwear and packaging The group's market capitalisation had increased to R200m from R20m at the time of its listing

The group would not chase turnover in a recession, Lenco would try to conserve cash to exploit opportunities once the upturn materialised

B/Day 7/7/92

De Jager said Lenco's UK acquisition of Capital Fashions had not been as successful as had been hoped, but it had opened up export opportunities for House of Monatic, which now exported over 10% of its turnover

Last year Lenco achieved a 14% increase in earnings to 49,3c a share (43,2c) The operating margin increased to 12,8% (12,3%), return on capital employed, however, slipped to 33,4% (38,4%) and debt equity improved to 23,8% (46,4%)

Turnaround puts Karos in the red

B/Day 7/7/92

MARCIA KLEIN

KAROS Hotels, suffering from low occupancies and the higher cost burden of operating leases and interest, today reported a R3,9m attributable loss in the year to end-March, compared with a R4,1m profit in the previous year

Chairman Selwin Hurwitz said occupancies of 57% were slightly ahead of the industry and of the previous year, but were down on budget.

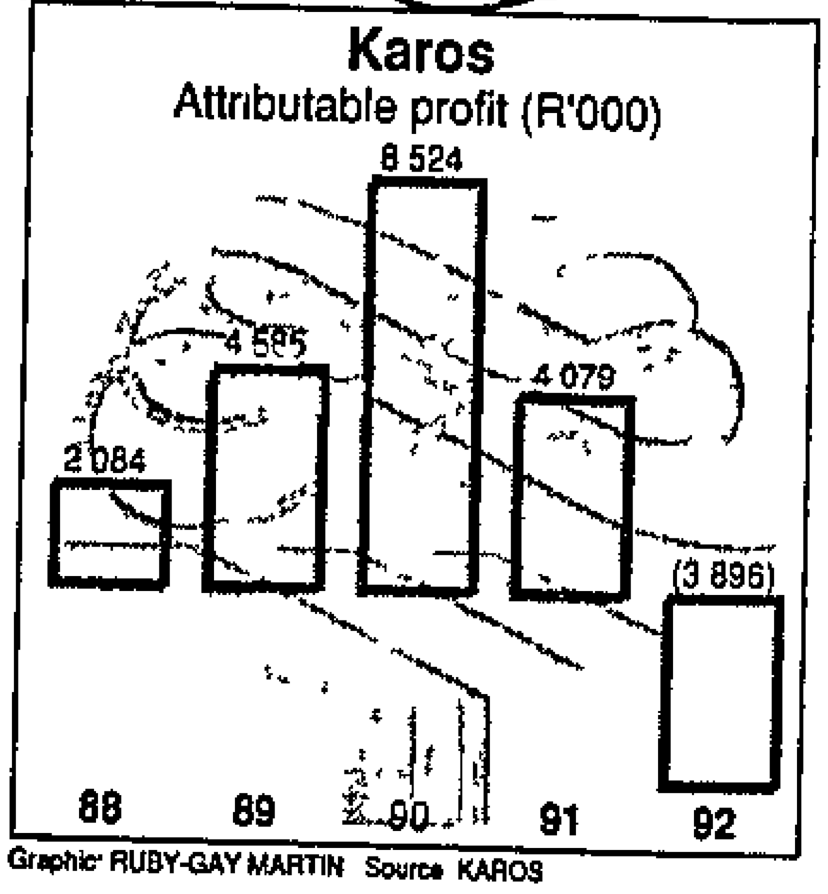
This was due partly to a fair number of cancellations by foreign tourists, which were particularly noticeable in January and February

Turnover for the year increased by 25% to R88,6m, and operating profit was 15% higher at R20,5m (R17,8m)

But the cost of operating leases rose to R7m from R3,6m, and the interest bill of R9,2m (R5,4m) was higher than budgeted for This resulted in a R166 000 loss before preference dividends compared with profit of R6,8m in the previous year

Karos showed a loss of 13,9c a share compared with earnings of 14,5c a share in financial 1991 No ordinary dividend was declared

Hurwitz said the group had been affected by the recession and by the non-availability of rooms and facilities during its refurbishment programme, now nearly complete



Graphic: RUBY-GAY MARTIN Source KAROS

Forward bookings from overseas were well up on last year, and prospects for 1993 "most encouraging"

Hurwitz hoped there would be a change to the Gambling Act Karos believed gambling rights should be extended to four- and five-star hotels with a minimum of 100 rooms, and "where the environment was conducive to gambling" Gambling should be strictly controlled and confined to those who could afford it

Business Times Feature

R100m for gas plants

ST Times (Buss) 12/7/92

LIQUID Air, the SA subsidiary of L'Air Liquide, the French industrial and medical gas group, plans to invest more than R100-million in new ventures, more than doubling the size of its assets here

This will be one the largest investments by a French group in SA in recent years

Managing director Jacques Parent says the money, most of which will come from the Paris-based parent, will be used to expand the company's activities

Liquid Air has factories in Germiston, Cape Town and Richards Bay They make medical gases, such as nitrous oxide and oxygen, and industrial gases, such as acetylene, carbon dioxide and nitrogen

The company has been in SA since 1948 It employs 320 people and controls assets of R70-million Liquid Air's main competitors in SA are Afrox, Fedgas and Air Products

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Long

Improving relations between SA and Africa have enabled the group to start exporting high value-added gases to its companies in West Africa.

"Gases are costly to export over long distances," says Mr Parent

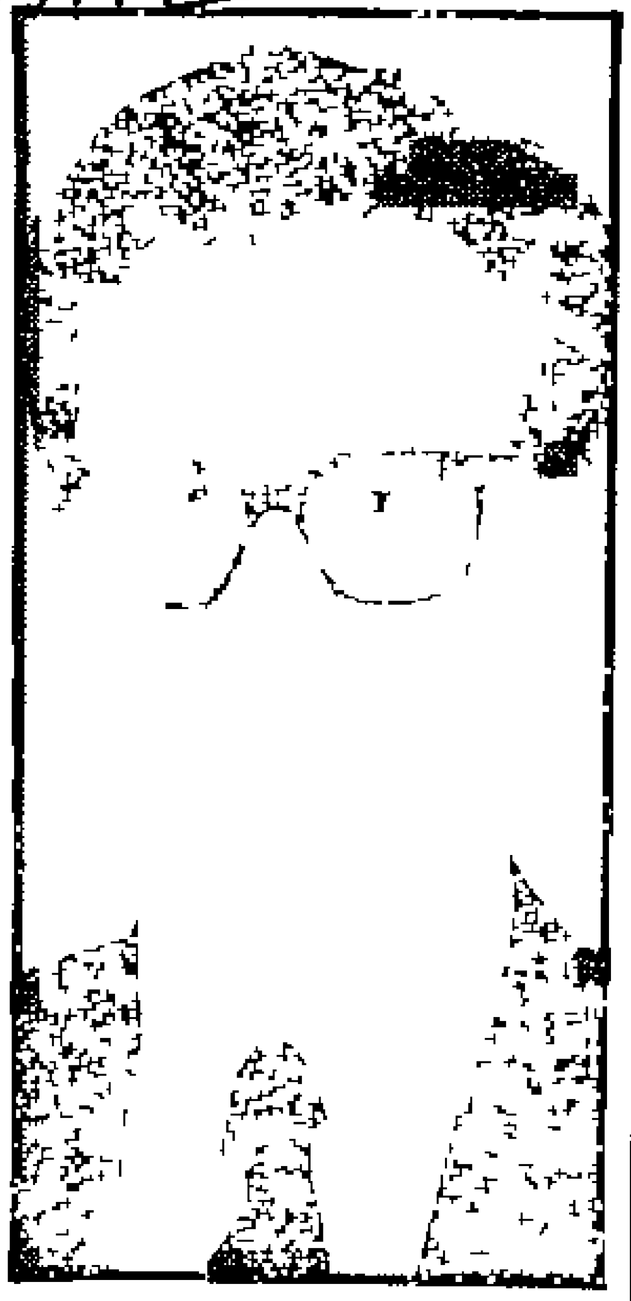
"It takes a 10kg container to hold a kilogram of gas. Long-distance transport only becomes feasible where the gas has a high value"

L'Air Liquide is represented in 60 countries, 25 of them in Africa The group had international sales of R16-billion in 1991

Because the production of gases is capital intensive, the group has large investments in plant, buildings and equipment In 1991, these were valued at about R10-billion

"Our job is not only to sell gases," says Mr Parent

"We spend much of our time consulting businesses on improving their manufacturing processes using gas For example, we can use gas to cool a reactor in only seven hours as opposed to the usual 24 to 48 hours A plant that is idle for this length of time costs the company money"



JACQUES PARENT. Liquid Air to double its assets

The group has developed the use of gases in a variety of food and manufacturing processes It is both cheaper and more effective than conventional electrical methods Liquid Air therefore has an unlikely competitor in the form of Eskom, which markets the energy and cost-saving benefits of switching to electrically powered processes

Cyanide

Environmental consciousness in Europe has been a fillip for the industrial gas business L'Air Liquide has developed environmentally sound gases for use in laser welding and oxygen-based processes for the paper and iron-foundry industries

The company pioneered the use of oxygen in gold leaching, a process which reduces the need for chemical additives, such as cyanide

Oil company margin up 143% in only 14 months

SI Times | Buss | 12/7/92

By KEVIN DAVIE

(183)

THE margin paid to SA's oil companies has jumped 143% in 14 months from an estimated R935-million a year to R2,3-billion

Until April last year, SA's refiners were paid 5,5c a litre for petrol and diesel. Last week the Government announced the new wholesale margin would be 13,5c/l.

Fuel consumption figures are classified, but industry experts estimate annual use at 17 000-million litres

The new margin will cost motorists about R2,3-billion annually compared with R935-million at April last year.

"No other industry can boast such an increase especially in the recessionary times the country is experiencing," says AA communications manager Robin Scholtz

Until May last year the wholesale margin was determined by calculating an average return of 15% on oil company assets used in refining and marketing

Then Mineral and Energy Affairs Minister George Bartlett announced that this formula would apply only to marketing This includes fuel depots, delivery tankers, some service stations and other costs, such as a share of head-office space

Lourens van den Berg of the energy branch of the Department of Mineral and Energy Affairs says the wholesale margin was increased because the oil companies had been subsidising losses in their marketing operations from their refining activities.

"The industry on average incurred a loss on marketing in 1990 It realised a meagre return in 1991 With the present margin increase only becoming effective on July 1, it is estimated that the oil industry will not nearly reach an average return of 15% in 1992"

Mr Van den Berg says a firm of chartered accountants studied "the possible effects of the deregulation of refining activities"

This showed that "4c/l for a full year would be necessary to earn a return of 15% (taking into account the investments in refinery expansions)"

"Should refining be deregulated and only marketing regulated an increase of 4c/l would also be required," Mr Van den Berg says

The wholesale margin was increased by 2c/l in April last year and 2c/l in October. Last week it was increased by another 4c/l.

All the increases have been funded from the equalisation fund, which is built up from a charge of 7c/l to the buyer

Mr Van den Berg says "It is more appropriate to build up funds in the equalisation fund to subsidise fuel prices when increases become necessary in terms of the formula"

He declines to comment on SA's fuel consumption figures

Mr Van den Berg says both the asset base and cost increases of the oil industry were well below inflation in 1991 In spite of the recession, petrol sales went up in 1991

Democratic Party energy spokesman Roger Hulley says the consumer is paying the price of outdated over-regulation.

"The more we can lift the veil of secrecy and encourage open competition, the more likely we are to get lower prices"

Cabinet

Mr Van den Berg says the deregulation of refining last May followed close collaboration by the Government, the crude-oil industry, the synthetic fuel industry, the Competition Board and private-sector and consumer organisations

Competition Board chairman Pierre Brooks confirms he supplied a confidential preliminiary report to the Government

Dr Brooks says he will investigate the oil industry only if instructed to do so by the Cabinet

"I will look for guidance in this regard Cabinet recently decided to extend regulation"

He says the oil industry is complex "You can't touch one part without touching the whole structure Ad hoc tinkering would be difficult."

The UN oil embargo is still in place, but after sanctions "we will perhaps move back to a free-market situation"

A leader in medical science

183

ST Times (Buss) 12/7/92

LOUIS Pasteur discovered the germ theory of infection

Scottish scientist Joseph Lister applied this knowledge to surgery and reduced post-operative mortality from 43% to 15%.

Antoine Henri Becquerel discovered radioactivity in 1896, a scientific event which led Marie Curie to isolate the element radium, later used in the treatment of cancer.

These three events established France as a world leader in medical science, spawning a vast pharmaceuticals industry. This tradition of pioneering medical research continues

Medical science in SA has been advanced through the presence of two French research-based pharmaceutical and chemical manufacturers, Roussel Laboratories and Rhone Poulenc. Both have been represented here for more than 20 years.

They are world leaders in combating cardiovascular and immunological disorders

Rhone Poulenc owns 35% of Roussel, although both compete in several markets.

They produce a wide range of antibiotics and cardiovascular medicines, insecticides and chemicals.

Rhone Poulenc, the world's seventh-largest chemical group, has some impressive achievements.

One of its group companies, Merieux, owns the Pasteur Institute in Paris which is credited with the discovery of the human immuno-deficiency virus (HIV), which is thought to lead to AIDS.

The discoverer of the virus, Luc Montagnier, is now questioning his earlier hypothesis that HIV alone causes AIDS — stirring disagreement in the AIDS establishment. Last month the institute began clinical trials of the first AIDS virus.

Rhone Poulenc subsidiary Maybaker began operating in SA in 1932. Today the group has three factories — in Port Elizabeth, Pretoria and Midrand — with annual sales of more than R200-million. Rhone Poulenc has worldwide sales of R42-billion a year.

Like many of the leading French corporations, Rhone Poulenc is controlled by the French Government.

Its three core businesses are bio-science, advanced materials and applied speciality chemicals and chemical intermediates.

"Our strategic objective is to be in the top five companies in each of our three core businesses," says Rhone Poulenc SA managing director Michel Chretien "We want to strengthen our presence in the higher value-added markets.

"Our objective of globalising our operations has largely been achieved and 25% of our sales now come from the US"

Rhone Poulenc is digesting a spate of international acquisitions, the largest of which was US pharmaceuticals group Rorer Earlier, it took over Canadian company Connaught and Germany's Nattermann.

The group is a major player in the crop protection industry in SA, making many pesticides at its Pretoria plant. The pharmaceuticals factory in Port Elizabeth makes drugs to treat cardiovascular illness, vaccines and antibiotics, among others

Animal health products are made at Midrand. The group is also known for its flavours and scents

As official sponsor of the French Grand Prix, it has helped France's Formula One drivers to achieve better performances through the development of special diets to reduce dehydration and suits to reduce G-forces

It is one of the leading sponsors of environmental programmes in France and sponsored the design and building of a high-performance sail-free yacht

Rhone Poulenc has branches in 140 countries and employs 85 000 people worldwide.

Roussel's core businesses are in research-based pharmaceuticals, fine chemicals and insecticides. Group turnover is more than R9-billion a year It is represented in most countries and employs 16 000 people

SA is one of only seven countries where Roussel carries out medical research. It recently introduced an innovative range of cost-effective antibiotics to combat infection.

Chief executive Philippe Robert-Gorsse says: "The excellent level of academic medicine in SA has allowed Roussel South Africa to make a substantial contribution to the international research and development programmes of our group."

Roussel recently acquired UK pharmaceutical group Wellcome's environmental health business worldwide, including interests in Zambia, SA and Zimbabwe.

B/DAY 14/7/92

Trouble at Thor probe

A UNION delegation investigating mercury poisoning at Thor Chemicals in Natal has threatened to pull out of the inquiry into the incident after being refused permission to freely cross-question witnesses (183)

Chemical Workers' Industrial Union spokesman Richard Spoor told the Camperdown Magistrate's Court it would be pointless going ahead with the inquiry unless the ruling was set aside

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Holomisa alleges assassination plot

LONDON — SA agents were working "around the clock" to assassinate senior Transkei government members, the homeland's ruler Maj-Gen Bantu Holomisa told the Anti-Apartheid Movement's conference on violence in SA yesterday.

Holomisa said Transkei's intelligence gathering efforts had found that the SA Police, the SADF's Military Intelligence unit and the National Intelligence Service were trying to establish the addresses of returned exiles in Transkei, particularly Umkhonto we Sizwe and Azanian People's Liberation Army cadres.

Holomisa said SA agents had approached members of the public, as well as members of the Transkei Police and Transkei Intelligence Service with a view to "sowing the seeds of discord" in order to influence the political direction of Transkei.

While money had been paid for the information, security force members had passed on the names of the agents and other details, he said. [redacted]

Holomisa said the data gathered by the SA agents about Umkhonto and Apla clearly pointed to the determination of President F W de Klerk's regime to launch pre-emptive strikes against Transkei.

Holomisa said it would serve no purpose for the international community to insist on the resumption of Codesa negotiations in the present circumstances.

He added, however, that his government intended writing to De Klerk outlining the activities of his agents provocateurs.

CHRIS BATEMAN reports that SA Council of Churches secretary-general Frank Chikane told the conference vigilance was essential to prevent government from gaining international credibility because it was destabilising the very organisations with which it was negotiating.

Chikane said nobody outside government could stop the violence as only it had the legal force.

Thor official refuses to give information

B/DAY 15/7/92

Own Correspondent

A SENIOR Thor Chemicals official told a Manpower Department investigation yesterday that he would refuse to answer any questions from the Chemical Workers Industrial Union.

But production manager Bill Smith was warned that he could be jailed for a year and fined R10 000 if he refused to answer. [redacted]

The union's earlier decision to withdraw from the inquiry was only defused late yesterday when inquiry chairman Theo Gregersen received an urgent message from the Manpower Department directing him to exercise discretion in allowing the union to cross-examine witnesses.

The inquiry heard evidence from former Thor casual worker John Hittler that he spent 10 days in hospital last year after being burned, apparently from spilled mercury products.

Smith said he did not see any burn on Hittler's arm at the time and probably told him to go home until the next day. [redacted]

He admitted he did not know who was trained as a first-aider in the factory, and that there was no set procedure to determine whether protective clothing and safety equipment was regularly inspected.

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Market rates

B/DAY 17/7/92 [redacted]

From Page 1

Mum's the word

W Mail 17/7-23/7/92

(183)

By TOM ROBBINS

TWO Thor Chemicals managers refused this week at an inquiry into mercury poisoning of two Thor workers to answer questions on the grounds they would incriminate themselves

The enquiry was prompted by the mercury poisoning of Engelbert Ngcobo and Peter Cele They are comotose in hospital and have little chance of recovery

Thor production manager Bill Smith admitted management did not ensure workers followed informal personal safety hygiene procedures at the end of shifts.

Factory manager Gavin Daniels said Thor had no written safety training programme and no formal record of training.

Daniel was charged with worker safety The danger level laid down by the Manpower Department is 200 parts mercury to one billion parts urine.

Asked why he had allowed supervisor Jim Mbanjwa to continue working in the mercury plant with mercury levels above the 200 per billion level, Daniel refused to answer on the grounds he would incriminate himself On the same grounds, Smith refused to say why he had allowed Cele to continue working with mercury levels above 300 parts per billion. The inquiry continues.

Castrol chief hits at huge oil margins

S/Times (Buss) 19/7/92 (183)

By KEVIN DAVIE

CASTROL, SA's leading supplier of lubricant oils, has attacked the 143% increase in margins the Government has granted the oil industry.

Castrol chief executive officer Deryck Spence says "recommendations for a lubricant price increase were turned down as inflationary, yet a leap of 143% in fuel margins is justifiable"

"Specialist lubricant companies are prevented from increasing their margins by the oil industry fat cats"

Mr Spence says the increased margins given to the petrol companies have been funded out of the equalisation fund, resulting in no price increase at the moment, but this will only be in the short term

"In the long term, it will have obvious inflationary results"

Mr Spence says that although Castrol is the leading lubricant supplier, "we are not even allowed to sit on the pricing committee as agreed to by the Competition Board"

Formula

This committee, which comprises representatives of the oil majors, effectively decides on price increases which are later rubber-stamped by the Department of Mineral and Energy Affairs, says Mr Spence

Because the oil companies derive 73% of their revenue from fuel operations they can cross-subsidise their lubricant business Less than 10% of their revenue comes from lubricating oils

"We disagree utterly with the formula that allows the oil companies to profit from their fuel sales and are therefore able to subsidise lubricant costs

DERYCK SPENCE Fat cats keep our profits low

"Castrol in no way benefits from margins paid to the oil industry We are being squeezed from all sides by self-interested parties"

Mr Spence says the "exorbitant" margin increases are funded from the equalisation fund which nets 10c from each litre of oil sold

The squeeze on independent lubricant oil suppliers has meant that they have been "allowed" an 8% increase since November 1990 to cover costs, but no rise in margins

Mr Spence has raised the issue with Mineral and Energy Affairs Minister George Bartlett Another meeting is planned

One issue which concerns Mr Spence is that the unions are pushing for industry-wide bargaining "which is a further reason to dissociate ourselves from the major fuel suppliers and their extravagant margin increases"

Mr Spence says there has been talk that he may be allowed to join the pricing committee, but only in his Castrol capacity and not as chairman of ILMA, a body which represents independent manufacturers.

He says Castrol's customers have been asking how the margin increase can be justified

"This is why we want to dissociate ourselves from these increases"

Landed

A spokesman for the Department of Mineral and Energy Affairs says the Government takes cognizance of the prices recommended by the committee He says that although Mr Spence "wants to sit on the pricing committee" it has not agreed to this because he "is not part and parcel of the oil industry"

The spokesman says lubricating oils prices — like those of fuel — are set on the basis of the in-bond landed cost (IBLC) But lubrication oil prices are not regulated Castrol can sell at any price it pleases

The spokesman says there were margin increases of 6c each on lubricating oils in July last year and July this year

The wholesale margin paid to the oil companies has increased by 143% from 5,5c/l in April last year to the present 13,5c/l The Government says the increase was necessary after the decision to separate the refining and marketing activities of oil companies

Before April last year these companies were paid a 15% return on assets used in refining and marketing After April the return applied to marketing assets only

Viruses beware: Protect-U is here

STAR 21/7/92

(183)

Medical Reporter

A South African chemist has made an international breakthrough with the development of a new product — for medical and household use — which is said to kill all known bacteria, fungi and viruses including HIV and hepatitis B

The product, which has been tested by various institutions including the SA Bureau of Standards, was developed by chemist researcher Toni Martin

"As far as I know, no one else in the world has achieved this," said Miss Martin at the launch yesterday. "I am not making any claims of having created a 'miracle' product All I have done is to take an existing ingredient, proven to be effective, and developed it into a safe, user-friendly product"

Protect-U will be available on supermarket shelves and chemists by the middle of next month, and indications are that it will sell for about R5,40 for 750 ml It is a cleaner and sanitiser which is non-corrosive, non-acidic and bio-degradable For external use only, it can be used to prevent the spread of infectious diseases.

The product contains an active ingredient called Glutaraldehyde (Glut) which has been extensively tested worldwide and recognised as the sterilising chemical and disinfectant for infection control in medical institutions

Glut, however, has to be chemically activated before use and then remains stable for a maximum of 14 to 28 days

According to Stanford University head of anaesthetics Professor John Brock-Utne, Protect-U does not require an activator, is active and effective up to one year, has a neutral pH and is not a skin irritant.

Protect-U was also tested by Dr Michael Becker of the department of virology at Stellenbosch University.

Chemserve suffers its first setback in a decade

B/DAY 21/7/92 (183)

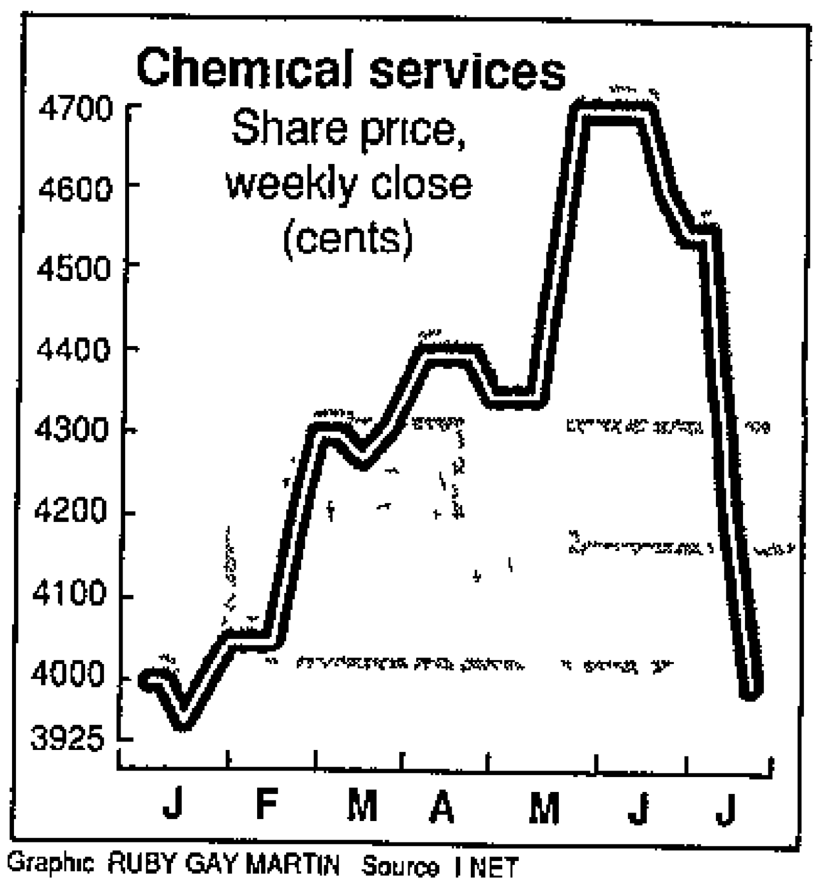
EDWARD WEST

THE earnings of speciality and raw chemicals supplier Chemical Services (Chemserve) have dipped, for the first time in nearly a decade, by 23% to 132c (172c) a share in the interim period to June 1992.

However, shareholders should be pleased to know the dividend was maintained at 53c a share covered 2,5 (3,2) times, because earnings fell off a high base, said Chemserve MD Peter Francois AECI holds 65% of Chemserve

Turnover fell 16% to R204,8m (R240,1m) Francois said sales were distorted by a structural change in the soda ash division of Chemserve Technical Products which, if eliminated, would have resulted in sales increasing slightly

The division previously bought and sold soda ash from the US, but was now representing Soda Ash Botswana The soda ash plant was operating at about 40% capacity due to its three-year start-up programme, the glut in international markets and the shrinking of domestic demand for soda ash, said Francois



Graphic RUBY GAY MARTIN Source I NET

Trading income was 24% lower at R19,4m (R25,7m) A number of subsidiaries' profit margins were eroded by the difficulty in passing on cost increases because of the recession-induced, 6% decline in the volume of manufactured goods sold

The debt equity remained unchanged at 42% at end-June, compared with the year to end-December 1991, and was down from 57% at the end of the same six-month period in 1991 Financing costs fell to R3m (R5,2m)

Tax fell to R7,6m (R9,5m) Attributable income was down 23% to R8,2m (R10,7m) Capital expenditure of R3,1m represented mainly maintenance costs

From July 1 1992 the group's joint venture in metal processing chemicals with Henkel SA acquired the automotive division of Darex Africa for R4,5m Although the acquisition was not initially expected to affect earnings or net asset value, the product range and technolgy acquired would strenghthen the joint venture operating base, said Francois

He said Chemserve's short-term outlook was not favourable because of political uncertainty and economic recession, and it would be difficult to reverse the reported rate of decrease in earnings for the remainder of the year Longer-term prospects were brighter, he said

Chemserve earnings dip

Own Correspondent

JOHANNESBURG — The earnings of speciality and raw chemicals supplier Chemical Services (Chemserve) have dipped, for the first time in nearly a decade, by 23% to 132c (172c) a share in the interim period to June 1992

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(183) 21/7/92

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SA chemist develops breakthrough product

ARG 21/7/92

183

Cleaner kills known bacteria and viruses

The Argus Correspondent

JOHANNESBURG — A South African chemist has made an international breakthrough with the development of a new product — for medical and household use — which effectively kills all known bacteria, fungi and viruses including the HIV virus and Hepatitus B.

The product, which has been tested by various institutions including the South African Bureau of Standards, Onderstepoort and Roodeplaat, was developed by chemist researcher Ms Toni Martin during the past three years.

"As far as I know, no one else in the world has achieved this," said Ms Martin at the launch yesterday. "I am not making any claims of having created a "miracle" product All I have done is to take an existing ingredient that has been proven to be effective, and developed it into a safe, user-friendly product, freely available for the protection of all."

Protect-U will be available on supermarket shelves and chemists by mid-August and indications are that it will sell for about R5,40/750ml. It is a cleaner and sanitiser which is non-corrosive, non-acidic and is biodegradable For external use only, it can be used to prevent the spread of infectious diseases

The product contains an active ingredient called Glutaraldehyde (Glut) which has been extensively tested worldwide and recognised as the sterilising chemical and disinfectant for infection control in medical institutions.

Glut, however, has to be chemically activated before use and then remains stable for a maximum of 14 to 28 days.

According to Stanford University head of Anaesthetics, Professor John Brock-Utne, Protect-U does not require an activator, is still active and effective up to one year has a neutral Ph and is not a skin irritant

"This means that the powerful disinfectant properties of Glutaraldehyde, which is the active ingredient in Protect-U, will be available everywhere as an all-purpose cleaner and sanitiser," said Professor Brock-Utne

It was also tested by Dr Michael Becker of the Department of Virology, Stellenbosch University, where it proved effective in killing the HIV virus in the presence of organic matter.

Ms Martin said it was not her intention to climb on the Aids sensationalism bandwagon "In fact, Protect-U has been tested and proven effective in killing bacteria, fungi and viruses related to most common diseases in South Africa However, I want to make people aware of the dangers of underestimating any virus, including HIV."

FM 24/7/92

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DARMAG

Retreating from tyres

FM 24/7/92

Plastic and rubber manufacturer Darmag, a company in the Anglo fold, closed its tyre business at the end of March in the face of a surge in imports after tariff protection was reduced

The business, being sold piecemeal, is not expected to go for more than a modest price because the machinery is old The division that made forklift and underground mining vehicle tyres reported a small trading loss last year The core business, battery case manufacture, which accounts for 65%-75% of group trading profit, increased volumes but on narrower margins

Despite being the largest battery case manufacturer in SA, holding roughly 55% of the market, tough trading conditions made it necessary to shave margins to retain market share There are three other large players in this field

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Activities: *Makes rubber and plastic products for industrial applications*
Control: *Zimco 51%, controlled by Anglo American Corp*
Chairman: *D A Buchanan*
Capital structure: *22,2m ords Market capitalisation R6,6m*
Share market: *Price 30c Yields 6,7% on dividend, 34% on earnings, p e ratio, 3,2, cover, 4,5 12-month high, 35c, low, 30c Trading volume last quarter, 566 000 shares*

Year to Mar 31	'89	'90	'91	'92
ST debt (Rm)	0,6	3,8	1,2	—
LT debt (Rm)	2,3	2,7	1,7	1,1
Debt equity ratio	0 33	0,69	0,26	—
Shareholders interest	0,5	0,5	0 60	0,67
Int & leasing cover	7,0	1,3	2,9	6,5
Return on cap (%)	21,8	7,5	0,17	0,15
Turnover (Rm)	23,8	26,4	26,2	24,7
Pre-int profit (Rm)	4 0	1,5	3,2	2,7
Pre-int margin (%)	16,8	5,6	0,12	0,11
Earnings (c)	11,1	3,0	8,8	10,2
Dividends (c)	5,3	—	2	2,25
Net worth (c)	39,1	42,4	49,3	55,1

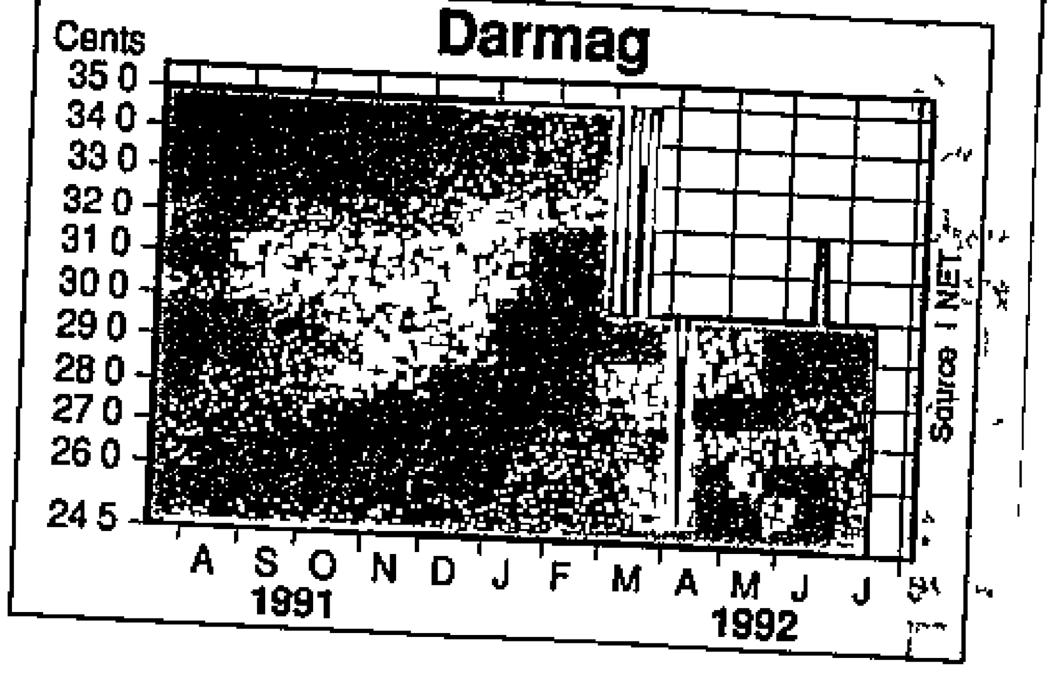
The group margin narrowed slightly from 12% to to 11% Prices must have plunged as group turnover fell from R26,2m to R24,7m despite the higher volumes

Chairman Donald "Buck" Buchanan, noting that activity in the first three months of this year did not meet expectations, says the prediction, in Darmag's annual report, of marginal earnings growth in 1993 is optimistic He now expects earnings to be maintained.

On a brighter note, the balance sheet strengthened even though capital expenditure increased from R417 000 to R2,53m This was due to tight working capital management, which saw the year-end figure reduced from R5,3m to R1,9m Close attention to working capital must have been initiated early last year, given the sharp drop in interest charges from R980 000 to R290 000 EPS increased as a result

The group has been looking for investment opportunities for some time (now, especially, to replace the tyre operations), but Buchanan says these are limited, as most opportunities have been exploited where there are low barriers to entry He adds that there are opportunities in areas requiring large capex

Much of last year's capex was invested in a specialised injection moulder, to replace an old machine used for making industrial battery cases The consumer market here is larger than the industrial one The new machine also makes other large plastic products so Darmag is set to supply the market with a new line of plastic crates this year Buchanan



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says it is too early to predict its earnings contribution

Batteries have a life of three to four years and must be replaced This helps to buffer the industry against recessions

Despite the strong balance sheet, dividend cover is a high 3,6 times — well above the stated cover policy of about two Buchanan explains the company is holding back funds for an acquisition when an attractive opportunity is found Though a lower cover might lead to a firmer share price, so would an astute acquisition

William Gilfillan

FM 24/7/92 (183)

CHEMSERVE FM 24/7/92

Succumbing at last (183)

Chemical Services' disappointing 23% drop in earnings is bad news for 65%-shareholder AECI, which on recent results needed all the help it could get from this subsidiary It shows the speciality chemicals industry is not as resilient against dips in the economy as was thought

Since its bump in 1989, when earnings dropped in real terms mainly through a subsidiary taking the brunt of cutbacks in the mining industry, Chemserve has shown itself to be a well-run company with a favourable business mix

Results for the first half contain no indication that quality of management should be reassessed They show that while speciality chemicals have proved to be less sensitive to economic cycles than other industries, they are not immune to a long recession

Businesses serving a number of industries — mining, paper, automotive, cable and coatings — have seen reduced trading margins MD Peter Francois says apart from trying to contain costs further and squeeze more from working capital and market share, the major culprit has been the shrinking economy "It isn't that we've lost market share, the market is just getting smaller," he says

Chemserve's 15% drop in turnover is misleading It is largely because the company no longer distributes soda ash for US-based Ansac, but instead acts purely as an agent for AECI's Soda Ash Botswana That means former stock holdings are no longer coming through the books, with soda ash sales now taking place on commission only That is already liberating cash

Interim results could have looked a lot worse were it not for financing costs being reduced 42% to R3m, a combination of Chemserve maintaining its good cash flow and the drop in interest rates The balance sheet remains strong, with gearing kept at the year-end's 42%

Interest is covered six times by net profits, and the dividend has been maintained, with cover dropping from last year's 3,2 to 2,5 times Francois says there is no reason why the final dividend should not be maintained at year-end

But with the company not expecting to improve earnings in the second half, Chemserve might still have to resort to some painful measures The work force has remained at a stable 1 250 for the past five years That could change if margins fall further

At R40, the share price has come off its high of R47 and could fall further on the latest results But there seems no reason to make any fundamental revaluation of what has been considered an undervalued share

With Chemserve still in good shape, and likely to continue expanding through acquisitions, a fall in the share price might be a good time to consider buying, though there is some risk

Shaun Harris

DRUG PRICES

Fingering the culprits

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FM 24/7/92

Everybody knows that medicine in SA costs too much but nobody is sure whom to blame Pharmacies say drug manufacturers are the culprits Manufacturers say their prices are in line with prices overseas and accuse pharmacies of excessive markups

The truth lies somewhere in the middle If blame must be assigned, the pharmacies appear to be more at fault even though all parties are culpable

Over the years, a practice has developed that allows the wholesaler — who buys in bulk from the manufacturer and carries the storage costs — to charge pharmacies and other retailers a 21,3% markup

Pharmacies mark up their medicine by a further 50% before adding — for prescriptions — a dispensing charge and a fee for breaking open a package So the price of a drug can nearly double from the time it leaves the manufacturer to the purchase from the neighbourhood pharmacist

The system fares poorly compared with other countries Martin Jennings of US-based pharmaceutical manufacturer Glaxo says "A prescription drug leaving the factory in the US arrives at the consumer level with a total delivery chain markup of only 20% "

A comparison of the SA and US retail prices of three popular drugs — Prozac, Zantac and Nurofen — showed that SA prices were on average 120% higher (*Leading Articles* June 17)

But reforms are on the way In recent months, the professional bodies and government have moved to cut back on the myriad rules that prop up prices, paving the way for more competition Wolf Furst, executive director of the National Association of Pharmaceutical Wholesalers, says wholesalers and retailers are now involved in a discount war that often cuts the markup in the distribution chain down to 45%.

Says Fürst "Pressure from medical aid societies on dispensers to lower prices has resulted in retail discounts of no less than 15% To enable retailers to afford this discount, wholesalers are discounting to their customers by at least 10% The result is that prices to the patient are reduced by at least 20% "

He points out that even where pharmacies are franchised to a particular wholesaler, the pharmacies shop around for the best discount "To get a net profit before tax of a mere 2%, wholesalers distribute around 6 000 products to more than 8 000 distribution outlets a day," he adds, defending the wholesalers

He says the SA Pharmacy Council's decision last year to lift the ban on advertising prescription medicine prices has introduced

The example used is 28 Prozac anti-depressant capsules The prices include the maximum markups and VAT, and do not include discounts The same drug in the US retails for R152

more competition among pharmacies

Dropping the ban on pharmacists working for large retailers such as Pick 'n Pay and Clicks — which, because of their size and buying power, would be better equipped to bargain with drug manufacturers — could mean steep discounts to the public

The Competition Board this month recommended that government scrap the professional bars on pharmacists working for stores, medical schemes and doctors Health Minister Rina Venter is keen to go along

Wits Commerce dean Duncan Reekie, a medical economist, says "A bulk buyer can obviously get prices cheaper Professional codes have kept retail pharmacists small, operating on low turnovers and high profit margins " He suggests that, ideally, pharmacists should operate the same way as Boots, the giant UK manufacturer and retailer Boots, with a 70% share, dominates the retail market there

Many people in the pharmaceutical industry are questioning the continued role of the small independent pharmacist Critics say that with the advent of large manufacturers, retail pharmacists have become little more than pill counters and poor businessmen The pharmacists acknowledge the problem and recently proposed that government allow them a greater clinical role

Retailers and wholesalers have their own axe to grind with the system Not surprisingly, they apportion much of the blame to manufacturers and the State They note that manufacturers remain opposed to legalising the generic equivalents of many drugs and imports of drugs made locally — though both steps would cut prices

But their main criticism is that the entire drug supply system is distorted by the immense buying power of the State

Pharmaceutical Society of SA chief Pieter van der Merwe says "About 70% of all medicine is sold on tender to the State for, at most, a third of the price paid by the private sector for the same product " He suggests that manufacturers make up the difference by boosting the charges to the private sector

Fürst says manufacturers have little choice but to take part in the State tender system "Private-sector volumes alone are insufficient to justify manufacturing capacities, compelling manufacturers to participate in State tenders at almost any cost "

Reekie says the blame for high drug prices should not be shifted to the State tender system He says manufacturers in the US, for example, face a similar problem, they must provide huge discounts to large State organisations, health maintenance organisations and medical schemes

"The fact that the private-sector base price is higher than the State base price is not the major reason for high drug prices in SA Added on to this admittedly high base price is a substantial distribution margin at the wholesale and retail levels There can be very few fast-selling commodities that have almost a 100% markup " *Mirryena Deeb*

FM 24/7/92

AIRCRAFT MANUFACTURE

Flying start

A R500m order by the SA Air Force for 75 trainer aircraft is poised to make or break the embryonic aircraft industry Tenders for the closely contested contract close on August 7 and it is expected to be awarded this year

Local hopes are pinned on a consortium that includes Atlas Aircraft Corp, Denel, the four-month-old commercialised State company that took over Armscor's manufacturing activities, Aerotek, the CSIR's aeronautical engineering division, Aerodyne, a Somerset West composite materials manufacturer, Somchem, a Denel subsidiary; Midrand's Advanced Technologies & Engineering, and Fields Aviation

Consortium members say winning the contract could mean the start of a lucrative aircraft industry They add that previous efforts to build fighter aircraft were pie in the sky by comparison The military trainer and a commercial derivative could put SA on the world map as a serious aircraft manufacturer

Bidding is fierce There are believed to be at least three formidable foreign contenders·

continue

'Suspend cops' (183)

By BAFANA KHUMALO

WORKERS at AECI's Modderfontein plant are demanding the suspension of two policemen allegedly involved in the death of a colleague in custody. A group of workers marched to the local police station last Friday to lodge their demands.

And in a joint statement issued this week, AECI and the South African Chemicals Workers' Union said "a high-level delegation will meet with the South African Police to express its concern regarding the safety of employees at Modderfontein".

A police spokesman has confirmed that a police reservist is a suspect in the investigation of the murder case arising from the death of Mpebela Salukazana. W|Mail 24/7-30/7/92.

Salukazana (46) was arrested on July 11 while walking to work with a colleague. It is alleged that during the arrest he was beaten by the reservist, who says Salukazana resisted arrest and "compelled him to use force to overcome the resistance". Salukazana later died in the Hillbrow Hospital.

His companion, Bransby Nkohlo, this week described the incident: "We were walking around the area of Illiondale and a car drove up behind us. We just ignored it and kept on walking." The car followed the men and then stopped on the pavement, he said. "The man questioned us, but did not tell us that he was policeman. He ordered us to get into his car. We refused and walked away. He then got out of the car and we ran."

Nkohlo said the man chased them and tackled Salukazana, "kicking and punching him, and shouting 'bloody maXhosa'". Nkohlo ran back to help his colleague, but was himself assaulted and fled when their assailant pulled out a gun.

East Rand police liaison officer Captain JA van Zweel said Salukazana was suspected of earlier attempting to break into the Illiondale home of the reservist, who was accompanied by a Constable LR Naicker at the time of the arrest.

"It has not been established whether he died as a result of the injuries sustained during the arrest.

"Suspension of the member/s involved will depend on the outcome of the investigation of the case," Van Zweel said.

Noristan ready

(183)

S Times (Buss) 26/7/92

JSE-LISTED Noristan Holdings is preparing to supply the International Red Cross and the World Health Organisation with pharmaceuticals once SA is readmitted as a full member of the United Nations.

Noristan export development manager Darryl Moss says aid organisations spend billions of dollars every year on medical help for Africa Noristan has a competitive advantage because of its links in Africa.

Poor results expected from AECI

Star 28/7/92

By Stephen Cranston (183)

The market is expecting a further decline in AECI's earnings when its interim results to June are announced tomorrow.

An indicator of the state of the chemical market is that Chemserve, AECI's strong speciality chemicals division, last week reported a 23 percent earnings slide.

Chemserve MD Peter Francois blames the results on a shrinking economy, which must hit AECI's commodity explosives, polyethylene, PVC and fertiliser businesses just as much, if not more

Mike Haworth, a chemical analyst at Frankel Max Pollak expects AECI's earnings per share to fall a further 10 to 15 percent "AECI's bottom line is driven by world commodity prices and by volumes. Unfortunately, commodity prices have gone through the floor and sales to most industries are bound to have continued falling."

Rand value

The rand has not come to AECI's rescue. It has not weakened against the dollar, which would have boosted the value of commodity chemical sales.

The performance of AECI's main customers has also been far from encouraging.

Gold mining production — and therefore demand for explosives — has continued to decline. Fertiliser sales have been devastated by farm debt and drought.

But can AECI's results be any worse than those in the first half of 1991? That period was exceptionally poor because of recurrent failures of compressors at Coalplex and a major overhaul of the ammonia plant at Modderfontein.

Earnings per share were 32c (73c in the previous year).

There was considerable improvement in the second half from higher production rates, tighter control of fixed costs and better productivity.

But the market is not optimistic, AECI's price has fallen sharply over the last two months from 965c in June to 725c today

Exports boost performance and AECI holds dividend

(183) ARG 29/7/92

Business staff

AECI managed a better than expected performance in the six months to June, thanks to a surge in exports

The group held its its earnings a share at 32c and dividends at 18c

Managing director Mike Sanders said revenue from exports increased by 46 percent to R296 million

He said that while most exports made a marginal contribution, there were significantly increased exports of PVC, polyethylene, explosives, fertiliser and synthetic fibres

But political turbulence, acute drought, strict monetary policy and a persistently weak national economic performance, caused further declines in demand in all the group's domestic markets

Local sales had fallen 3 percent in rand terms and by almost 8 percent in volume terms, compared with the six months to June, 1991

Financial director Neale Axelson said that there was an improved trading profit from the two main divisions, which were starting from a low base

AECI Chlor-Alkali and Plastics was affected by shutdowns at Coalplex in the first half of last year, and the overhauling of the ammonia operation at Modderfontein hit explosives profits last year

The paint business, Dulux, was badly hit by the disruption in the motor industry Fertiliser sales were affected by the failure of the maize crop in much of the country and the lack of rain in the wheat-producing areas

Soda Ash Botswana, an associate company, was now fully operational, but demand from glass manufacturers and vanadium producers — the two key customers — was substantially reduced

Mr Axelson said sales of PVC continued to be hit by the the disruptive pricing of imports

"Although we have anti-dumping mechanisms in place, the issue has not been resolved Dumping might not have got worse, but the situation is not much better"

Group turnover increased by 2 percent to R2,524 billion and trading income by 9 percent to R148 million

Mr Axelson said AECI's fixed-cost base had been trimmed, increasing at well below the rate of inflation

Some facilities had been closed and jobs had been cut, mainly by natural attrition, but also through retrenchments

Finance costs increased from R68 million to R80 million. Gearing fell from 73 percent to 50 percent

AECI's balance sheet was boosted at the December year-end by a revaluation of properties, which added R526 million to shareholders' funds

Mr Sander said there was as yet no indication of any imminent improvement in local activity

AECI may be hard-pressed in the second half of the year to attain the level of earnings achieved in the second half of 1991, he said

● **Cadbury Schweppes (Cadswep)** put in a sparkling interim performance — lifting earnings 28 percent to R21,5 million or 61,2c a share in the six months to 13 June 13

Directors attributed the strong performance to "dramatically increased" sales of squashes and soft drink concentrates as a result of the extended hot summer and improved marketing support

Conversely, the confectionary division was adversely affected by the warm weather and volumes declined in the chocolate market

● **Umdoni Property Fund** has declared an interim dividend of 4,65c a unit for the quarter ended June 30, 1992

This is 8,1 percent up on the 4,3c declared for the same quarter last year and is the seventeenth consecutive increased dividend declared by Umdoni

AECI stays static despite export rise

BDAY 29/7/92 (183)

EDWARD WEST

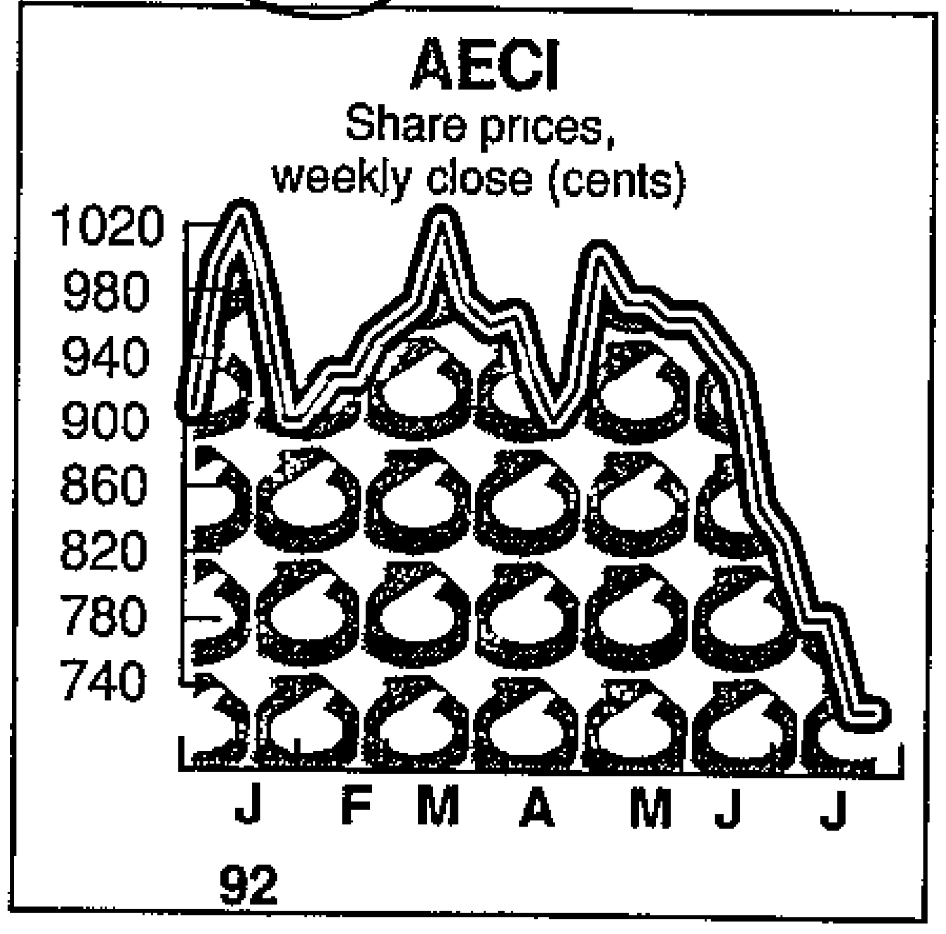
AECI showed no growth in bottom-line profit in the first half of 1992 despite untroubled operations, a sharp increase in exports and an 11,7% rise in turnover

The explosives, fertiliser, polyethylene and PVC supplier reported static earnings of 32c a share for the six months. The interim dividend was also unchanged at 18c a share

The directors warn that 1991's second-half earnings of 121c a share will be difficult to repeat as there appears to be no indication of any imminent improvement in local economic activity beyond normal seasonal variations

Export volumes increased substantially despite difficult international trading conditions Revenues from this source increased 46% from R203m to R296m

AECI finance director Neil Axelson said a small but growing proportion of export activity achieved fully acceptable returns. Because of difficult international trading conditions, some export products were sold at margins insufficient to fully justify the investment required to produce the



Graphic LEE EMERTON Source I NET

products, he said

Improved foreign sales also highlighted the extent of the deterioration in local sales which, together with exports, increased only 1% to R2,524bn (R2,499bn)

Trading income improved 9% to R148m (R136m) Directors said trading margins were maintained, albeit at low levels and despite the sharp decline in domestic vol-

☐ To Page 2

AECI

BDAY 29/7/92 (183)

☐ From Page 1

umes, due to tight cost controls and a good production performance

Axelson said the continuing restructuring and rationalisation process also helped improve margins.

Some relatively small businesses were disposed of, such as in the sale of its carbide business to Sentrachem, while some internal production facilities were rationalised or reorganised Staff numbers also fell due to attrition

Finance costs of R80m (R68m) reflected higher average borrowing levels over the period which offset lower interest rate levels on foreign and local loans

The reduction in net borrowings to R1,008bn, relative to June 1991's R1,021bn, resulted from a cash surplus after dividend payments over the past 12 months

As a result gearing was down to 50% from 73% at June last year But, taking into account the re-evaluation of land in the second half of last year, gearing was slightly up from the 47% at year-end to December 1991, said Axelson

Net income was slightly lower at R55m (R56m) and attributable income was unchanged at R50m

Net asset value was 1 268c (875c) AECI was untraded yesterday at 725c, down from 965c two months ago.

AECI performs rather better than expected

STAR 29/7/92

By Stephen Cranston (183)

AECI performed somewhat better than the market expected by holding its earnings per shares (EPS) at 32c in the six months to June.

The dividend is an unchanged 18c.

MD Mike Sander says because of political turbulence, acute drought, strict monetary policy and a persistently weak national economic performance, there were further declines in demand in all the group's domestic markets

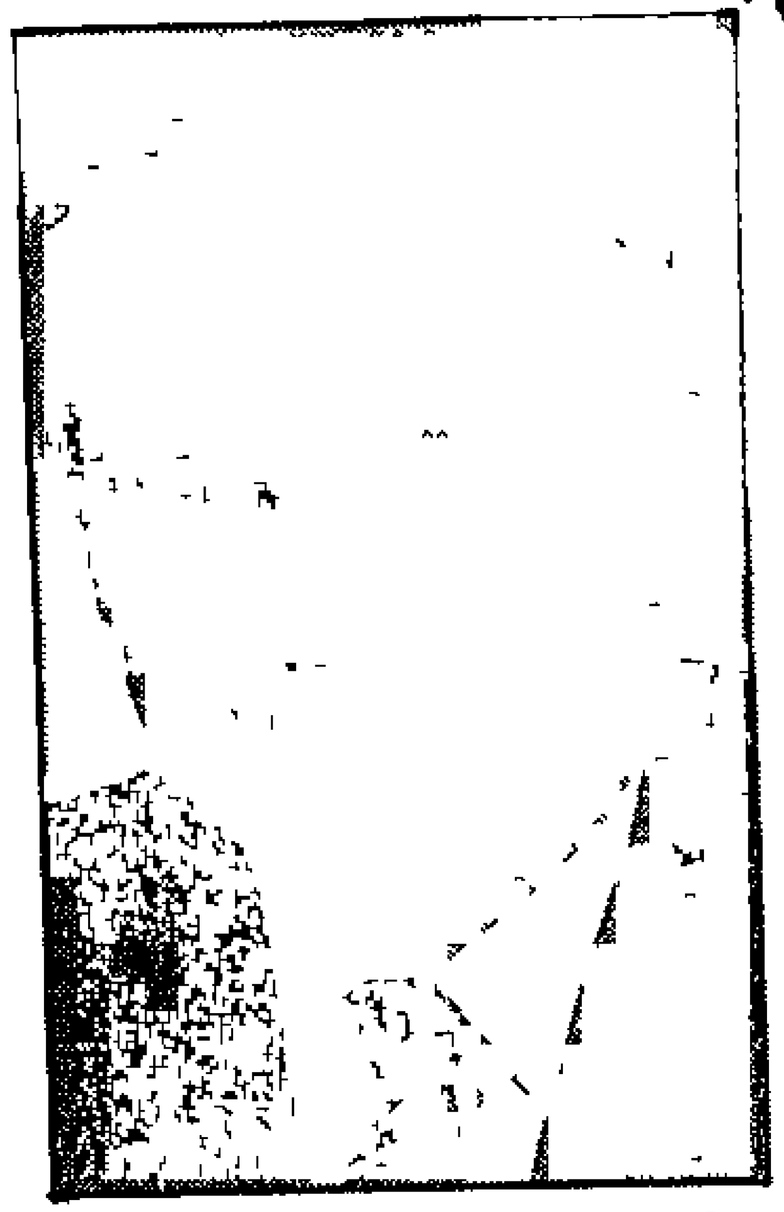
Local sales have fallen by three percent in rand terms and by almost eight percent in volume terms compared with the six months to June 1991

But revenue from exports increased by 46 percent to R296 million.

Mr Sander says that while most exports made a marginal contribution, a small but growing proportion of export activity achieved fully acceptable returns.

There were significantly increased exports of PVC, polyethylene, explosives, fertiliser and synthetic fibres.

Financial director Neale Axelson says that there was an improved trading profit from the two main divisions, which were



Mike Sander . local sales have fallen by three percent in rand terms

starting from a low base

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Other businesses, however, turned in weaker performances

The paint business Dulux, for example, was badly hit by the disruption in the motor industry

Fertiliser sales were affected by the failure of the maize crop in much of the country and the lack of rain in the wheat-producing areas

Soda Ash Botswana, an associate company, is now fully operational, but demand from glass manufacturers and vanadium producers — the two key customers — is substantially reduced.

Mr Axelson says sales of PVC continue to be hit by the the disruptive pricing of imports

"Although we have anti-dumping mechanisms in place, the issue has not been resolved

"Dumping might not have got worse, but the situation is not much better," he says

Group turnover increased by just two percent to R2,524 billion and trading income by nine percent to R148 million

Mr Axelson says AECI's fixed-cost base has been trimmed, increasing at well below the rate of inflation

Certain facilities have been closed and jobs have been cut, mainly by natural attrition, but also through retrenchments

Finance costs increased from R68 million to R80 million Gearing fell from 73 percent to 50 percent

AECI's balance sheet was boosted at the December year-end by a revaluation of properties which added R526 million to shareholders' funds

Mr Sander says that there is as yet no indication of any imminent improvement in local activity

He says that the most regrettable setbacks encountered in the political negotiating process threaten — if not resolved with urgency by all parties — to undermine confidence further and exacerbate already extremely difficult trading conditions

AECI may be hard-pressed in the second half of the year to attain the level of earnings achieved in the second half of 1991, he says

Factors

Mr Axelson says that AECI's results will largely be determined by factors outside its control, in particular the extent to which the US economy can recover and lead to an upward pressure on commodity prices

Nor is he over-enthusiastic about the role of a naptha cracker, which could be built at Mossel Bay, in the salvation of the chemical industry

"We have a degree of scepticism about the cracker, which would not be economically viable in the absence of sustained support from the Government," he says.

Agent for US polymers

US SPECIALITY chemicals company Rohm & Haas yesterday said it had appointed SA's Lewis & Everitt to market its polymers and resins in SA (183)

Rohm & Haas disinvested from SA in 1986 After a management buyout, the company manufacturing and marketing Rohm & Haas products was called Supacryl

When Supacryl was purchased in January 1991 by Rohm & Haas competitor Huls of Germany, the company was limited to manufacturing Rohm & Haas acrylic emulsions Supacryl imported and marketed other Rohm & Haas products BDAY 29/7/92

Because of the agreement with Lewis & Everitt, effective in October, Supacryl will no longer be able to market certain Rohm & Haas products in SA

Supacryl finance director Tim Blankley says Rohm & Haas signed the exclusive agreement because it did not want its competitor marketing its products

Lewis & Everitt is a division of Anglo Alpha — AP-DJ

Sasol seeks broader chemical interests

BDay 29/7/92. (183)

SASOL, best known for its ability to turn coal into oil, is broadening its diversification into the petrochemicals industry

Having already sunk more than R500m into ethylene and polypropylene production, the company is investing R1bn in four new petrochemical projects, scheduled to reach full production in the mid-1990s

The plants comprise a R300m alpha olefins purification facility; a R320m acrylic fibre project, a R330m coke project and an R860m wax, ammonia and paraffins plant

Analysts say it's making a risky bet, given poor world petrochemical prices and inexperience in a tough, crowded market

They agree, though, that the group must branch out from its core synthetic fuel business

In the year ended June 1991, petrochemicals comprised only 25% to 30% of Sasol's operating profit of R1,05bn. While results for the year ended June 1992 have not been released, Sasol executive director Andre du Toit said they would disclose a similar percentage

About 40% of its petrochemicals output currently goes to the US, Europe, Africa and the Far East, and it hopes to sell 50% to 70% of its new products abroad

To help reach that target, it intends to open a Hong Kong marketing office Its eventual target is to export a third of its overall output within Africa because of low transport costs

It says it can produce polypropylene and ethylene cheaply by using by-products from its synthetic fuel process to produce petrochemicals instead of more fuel

It claims a similar advantage in its purification facility Sasol plans to purify 170 000 tons a year of grade 1-hexane and 250 000 tons of grade 1-pentane by 1993 It hopes to export 95% of the output, making it a major world player in the market

Sasol believes its capital costs in this area will be lower than that of others because product streams from its coal-based synthetic fuel plants already include a wide range of alpha olefin products

Analysts doubt Sasol has cost advantages in any of its new projects that will enable it to override the market's difficult conditions

Sasol's Du Toit defends the expansion, arguing that the bottom of the cycle is the best time to invest

Analysts also question whether Sasol has sufficient expertise to match ambitions

While Sasol has been privatised, it still benefits from tariff protection and a marketing agreement with major oil refiners

If full deregulation occurs, leaving oil companies free to buy oil on the open market, government, there's a good chance the companies' agreement with Sasol would be modified, analysts say

They predict that, should this occur, Sasol would be stuck with a product requiring a high capital cost, and would be forced to build up a service station network

In the first place, says Du Toit, deregulation won't happen in a hurry because of industry resistance "No one really wants a price war," he says

Secondly, he says, Sasol has government's agreement that tariff protection would be kept in place until 1995 He contends the oil companies are happy buying Sasol's oil given growing demand for fuel. — AP-DJ

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B/DAY 29/7/92 (183)

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Analysts also question whether Sasol has sufficient expertise to match ambitions

While Sasol has been privatised, it still benefits from tariff protection and a marketing agreement with major oil refiners

If full deregulation occurs, leaving oil companies free to buy oil on the open market, government, there's a good chance the companies' agreement with Sasol would be modified, analysts say

They predict that, should this occur, Sasol would be stuck with a product requiring a high capital cost, and would be forced to build up a service station network

In the first place, says Du Toit, deregulation won't happen in a hurry because of industry resistance "No one really wants a price war," he says

Secondly, he says, Sasol has government's agreement that tariff protection would be kept in place until 1995 He contends the oil companies are happy buying Sasol's oil given growing demand for fuel — AP-DJ

AECI

FM 31/7/92 183

Stemming the earnings decline

There is a certain ambivalence in AECI's first-half results, but these figures could suggest the group, and by extention the local economy, which AECI supplies through a number of key industries, might be getting close to the bottom of the downturn

The 1% increase in turnover, to R2,5bn, is a disappointing sign that international and domestic demand are still declining in real terms MD Mike Sander attributes the minimal growth in sales to continued depression of the world economy, which he does not think will improve this year, the drought, which has a serious effect on AECI's business, and the results of shutdowns and lockouts, which, combined with the current political instability and general strike planned for next week, could hamper sales this year

Included in the turnover figure is R296m from exports, only 11,7% of total sales but 46% up on export revenue for the same period last year While exports have in effect been forced on AECI with local demand down, Sander says a small but growing proportion of export activity is at improving profit margins

Despite a tight clamp on capital spending, AECI has spent about R90m over the past 15 months on export-orientated businesses Sander says the policy remains to invest only in businesses which are internationally competitive

Crumbling sanctions meant better returns on some exported products and while AECI's attempts to position itself towards internationally competitive business are just beginning, they could prove increasingly significant

Operating performance has improved The directors seem to be understating the case when they say the trading margin has been maintained While down on the year-end operating margin of 7,6%, this is an improvement from last year's 5,4% to 5,9%, and on considerably reduced turnover

The 9% improvement in trading income, despite an 18% increase in finance costs, enabled AECI to hold earnings and its dividend to last year's level, contrary to market expectations

Continued reductions of costs helped Sander notes that after cutting costs for the past three to four years and bearing the one-off costs of retrenchments, the cost base is comparatively low

The balance sheet is in fairly good shape, with gearing up three percentage points on the year-end's 47%, but down nearly a third on last year's 73%, though this comes largely from a revaluation of AECI's property holdings The gearing trend is downwards

Local demand remains slack and far off 1989's 10% volume growth After volumes began falling by about 5% in 1990, accelerating to about 10% through 1991, the rate of decline eased to around 7% "With sales up by only 1% the economy is not bottoming out," Sander says "But the slowdown in the decline might suggest the bottom is not too far away"

He believes AECI is still a good barometer of the economy, being one of the first to experience the downturn early in 1989 "and with the likelihood we will be the first to see the upturn"

That could be some way off The directors see little light in local conditions apart from seasonal variations and fear political setbacks could further dampen trading conditions They say the group may be hard pressed to maintain full-year earnings

The second-half will be important for AECI The first half of 1991 was particularly bad, when earnings plunged by 56% and volumes were restricted by production problems at its Coalplex plant This somewhat distorts year-on-year comparisons

AECI's share price underperformed the JSE Industrial index for the past three-and-a-half years Sander says the group continues to invest in research and the development of niche technologies This, with its better export performance, could presage change for the better

However, AECI is much leaner and better focused than a few years ago At 725c, the share price has nearly halved in 12 months These results should help stem the slide, though it might be prudent to wait for the year-end before seeing the share as a recovery stock *Shaun Harris*

TWINS PHARMACEUTICALS

FM 31/7/92 (183)

Taking the medicine

The successful transition that Twins underwent in financial 1992 is clear in its results to end-April The pharmaceutical and consumer divisions responded well to rationalisation

continue

FINANCIAL MAIL • JULY • 31 • 1992 • 83

Activities: *Manufactures, markets and distributes pharmaceuticals, animal health, visioncare and consumer products*
Control: *Premier group 50,1%*
Chairman: *P G A Wrighton, CE P S Nortier*
Capital structure: *98,1m ords Market capitalisation R687m*
Share market: *Price 700c Yields 3,6% on dividend, 8,5% on earnings p e ratio, 11,8, cover, 2,4 12-month high, 825c, low, 280c Trading volume last quarter, 95 204 shares*

Year to April 30	'89	'90	'91	'92
ST debt (Rm)	54,5	79,0	60,5	25,0
LT debt (Rm)	17,4	16,0	15,9	17,5
Debt equity ratio	2,02	1,04	0,65	0,18
Shareholders' interest	0,24	0,32	0,43	0,61
Int & leasing cover	4,1	4,0	5,1	22,0
Return on cap (%)	31	28	33	45*
Turnover (Rm)	426	492	493	477
Pre-int profit (Rm)	76	83	82	115
Pre-int margin (%)	17,8	16,9	16,6	24,2
Earnings (c)	36,1	41,3	39,2	59,3*
Dividends (c)	14,0	16,0	16,0	25,0*
Net worth (c)	65	104	109	149

* Annualised

and change, with attributable income climbing 51% to R58,1m

Twins has changed its year-end from March to April, in line with the rest of the Premier Group.

CE Phil Nortier says strict asset management and focus on minimising working capital in all divisions were behind the 67% reduction in borrowing costs to R5,2m (R16,1m) Debt, which peaked at R95m in 1990, was substantially reduced

Turnover was down an annualised 10,8% but this resulted from rationalising specific ranges rather than a decline in real growth of operations Operating income rose 30% to R106,3m Margins increased from 17% to 24% EPS grew 51% and the total dividend of 27,1c was up by 69% — or 56% on an annualised basis

The pharmaceutical division achieved a 15% increase in sales With turnover at R185m, it accounts for 39% of the group total The division remains the dominant player in the self-medication sector, with Restan Laboratories and Mer-National lifting turnover by well over 20%

The consumer division contributed 35% to turnover, with profit rising dramatically after rationalisation in the division and despite the loss of skin lighteners Exports are being explored, with the opening up of trade links to other African countries, though management says this will remain a relatively small contribution to total sales

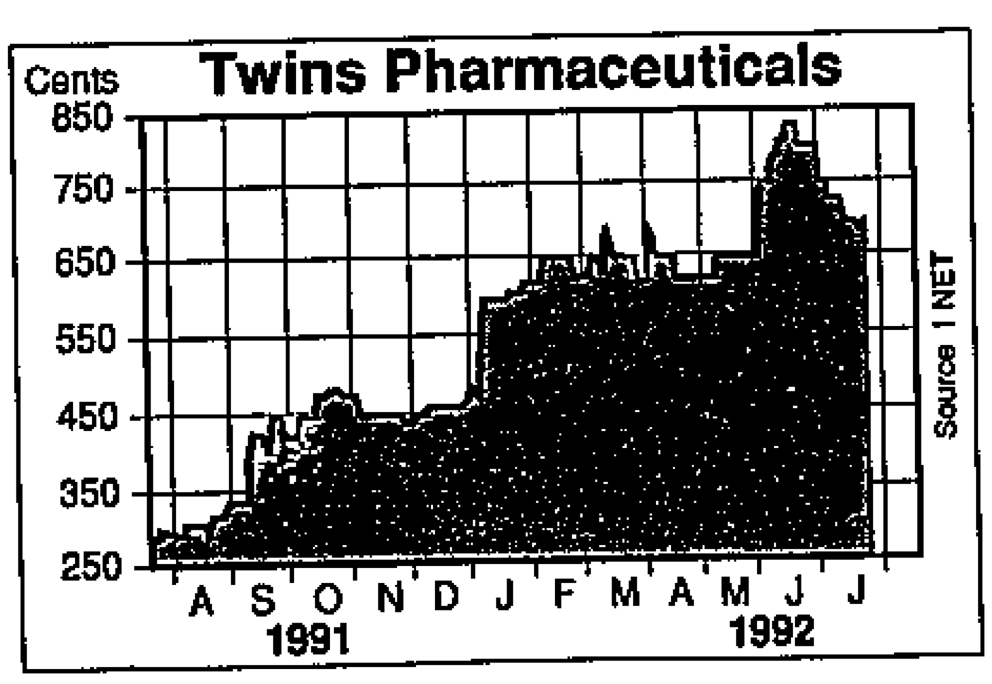
Increased competition in the vision care industry and the depressed agricultural sector have had a negative effect on these divisions' results Steps have been taken to maintain leadership in the vision care industry, through purchases of advanced equipment, while new and existing animal health products have been marketed aggressively

Capex of R12m will be undertaken over the next two years with the focus on improving pharmaceutical facilities, mainly plant and buildings

Nortier believes the key to future earnings growth lies in research and development, which will be funded from cash resources He says that, in view of the rationalising, the group is well positioned to take advantage of an upswing

At R7, Twins offers an earnings yield of 8,5% and a dividend yield of 3,6%, just above the Pharmaceutical index yields of 6,6% and 3,1% Adcock Ingram, main component of the index, offers multiples half that of Twins While Twins has at least a comparable portfolio of over-the-counter and consumer brand names, it has less exposure to the high-value ethical market Twins is moving in the right direction but it has yet to be shown whether profitability can be maintained at these levels

Marylou Greig



COMPANIES

Ruhold on acquisition path

6104-1

EDWARD WEST 31/7/92

FLEXIBLE plastics and finance group Rubenstein Holdings (Ruhold) was looking for export growth and acquisitions to bolster future earnings, chairman Jeff Rubenstein said in his annual review to February 1992

Rubenstein was optimistic about future prospects and said the group would continue seeking export opportunities after its successful venture into plastics exports in the last financial year He expected exports to grow in the current year 31/7/92

A number of acquisition opportunities were also being pursued However, the group would concentrate on its core business types and would not consider an acquisition unless it possessed stable management which would remain in that company's employ if bought out

The group also anticipated satisfactory returns from its finance operation

During the year Ruhold acquired an interest in Plastech The associated company, previously a manufacturer of blast barricades for the mining industry, purchased Ruhold's recycling division from October 1 1991 Efforts were being made to reverse its lossmaking situation (183)

Fedlife recently acquired a ~~minority~~ stake in Ruhold, a move which would strengthen the shareholder base

Working capital management and cost cutting measures proved successful in the last financial year enabling the group to increase earnings by 11% to 17,2c (15,5c) a share and dividends to 7c (6c) a share

Growth at Solchem

B|DAY 31|7|92 (183)

KARIN FRANKEN

PRINTING ink manufacturer Solchem Investment Holdings reported a 9,3% increase in turnover to R53,76m from R49,2m in the year to end-June, following a steady three-year growth pattern

Chairman Edwin Jankelwitz said the increase in turnover was matched by a decrease in short- and long-term borrowings and reduced stock levels

Dividends were doubled to 2c a share with earnings a share rising 29% to 6,2c from 4,8c

AECI profits static (183)

DESPITE an 11,7 percent rise in turnover to R2 524-million, bottom-line profits of chemical company AECI stayed stuck at R50-million in the six months to end-June of this year. Net income was slightly lower at R55-million (previous year R56-million) — **Weekly Mail staff, Sapa**

W/Mail 31/7 - 6/8/92

SA a world leader in recycled plastic

STAR 4/8/92

By Frank Jeans (183)

The South African plastics industry should no longer shrink from the fact that it is a world leader in the recycling of plastic

Bill Naude, executive director of the Plastics Federation, says "Overseas countries items carry the line 'Made from Recycled Material' almost as a badge of honour

"In South Africa, however, such a claim is more like a kiss of death and a quick way almost to kill a product"

Pointing out that South Africans, for some reason, regard the recycled product as inferior, Mr Naude claims that almost 20 percent of all plastic produced in this country is recovered for further use

This figure compares with about three percent in the US and Britain and six percent in Germany

"South Africa uses about 500 000 tons of raw material a year, while plastic converters use about 100 000 tons of recycled plastic," he says

"The recycled range is enormous and includes gum boots, garden hoses, wash basins and fridge containers."

Macmed in perfect shape

8/DA 4/8/92 183

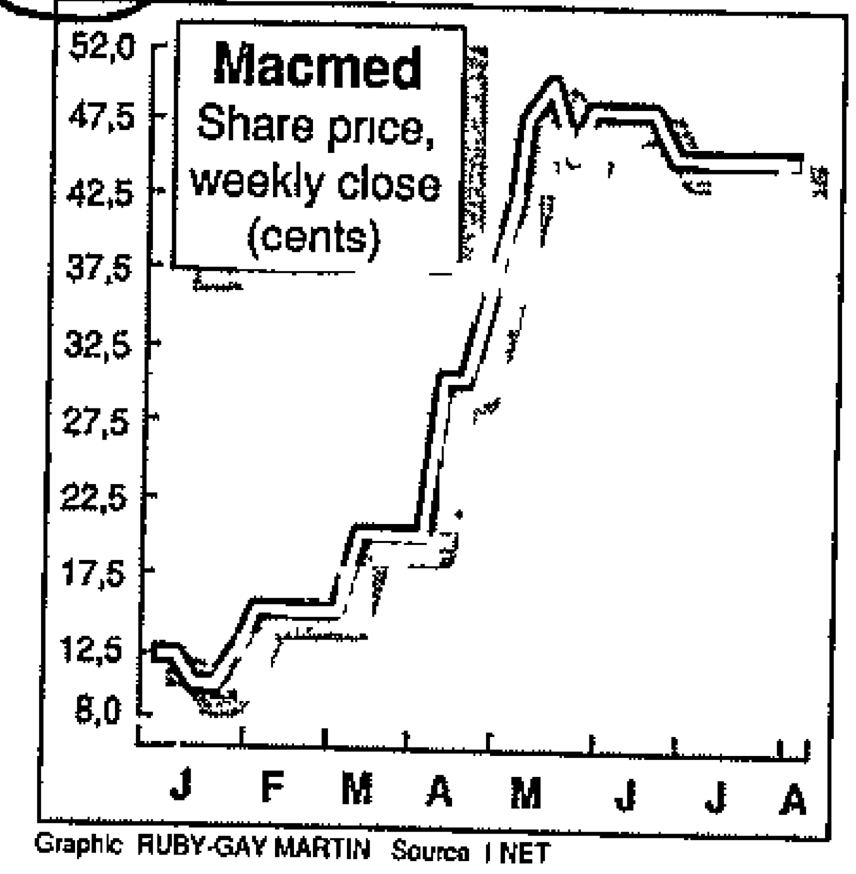
ANDREW KRUMM

A STRONG cash flow and good earnings growth contributed to Macmed Health Care's improved profitability in the six months to end-June, MD Don McArthur said yesterday

McArthur said turnover — which was not disclosed in the interim results — had risen 14% over the comparative period last year

"Tight control of overheads, strict cash management and the benefits of bulk purchasing" had pushed operating income up 26% from R1,1m for the six months ended July 1991, to R1,4m in June 1992 Since no interest was paid in the six months to June, pre-tax profit increased 38% from R1m to R1,4m Attributable earnings rose 46% to R719 000 from R492 000 in July 1991

Earnings a share rose from 1,7c in 1991 to 2,3c, while a further 800 000 shares were issued during the period However, the company cut its interim dividend to 75c from 100c in 1991



Graphic RUBY-GAY MARTIN Source I NET

McArthur said Macmed expected to achieve a forecast R2,8m in pre-tax income for the year, and earnings per share of 4,6c

COMPANIES

Coates defies hard conditions

EDWARD WEST 183

COATES Brothers has maintained profitability and dividend growth in the six months to end-June 1992 in spite of difficult trading conditions in its printing ink, synthetic resins and can coatings markets

Although slightly lower in real terms, sales improved 11% to R86,5m, compared with R78,1m in the first half last year Sales for the year to end-December 1991 was R158,5m B|DAY 7|8|92

Operating profit was 18% higher at R9,3m from R7,9m

And operating margins increased to 10,7% from 10,1%, but were slightly lower than the 11,2% achieved for the whole of 1991

Interest received fell to R27 000 from R94 000, leaving pre-tax income 16% higher at R9,3m from R7,9m

Taxation increased to R4,5m from R3,8m, resulting in taxed profits rising 17% to R4,8m from R4,1m

Earnings were 17% up at 141,8c from 120,7c a share, while dividends increased to 21c from 19c a share

MD Fred Williams said if the recession continued to impact on industries serviced by the company, Williams did not expect the same earnings growth to be achieved in the second half as in the first

AECI

Catching a cold in Botswana

FM 7/8/92 (183)

It looks as though AECI, the chemical combine jointly controlled by Anglo American and UK conglomerate ICI, has caught a cold over its investment in the Sua Pan soda ash project in Botswana

The problems, which arise principally from the desolate state of the southern African economy, are being worsened by predatory pricing tactics adopted by international competitors These have forced AECI to apply to the SA government for relief in the form of "anti-dumping tariff protection," says AECI financial director Neale Axelson

Soda Ash Botswana, a Botswana-registered private company, was established to exploit the soda ash reserves at Sua Pan Its shareholders are the Botswana government, with 48% of the equity, AECI, which holds 26,5%, and Anglo American and De Beers with 12,25% each

Development of the project has been funded largely by way of equity of R400m and loans of R600m These have been secured by the company's shareholders, and Axelson confirms AECI's portion is 42%

However, AECI's latest annual report is remarkably coy about the underlying facts The MD is silent on the extent of AECI's exposure and the notes to the balance sheet at the end of 1991 disclose only a globular amount for contingent liabilities and guarantees of R425m, without mentioning Soda Ash Botswana This project takes up about R360m of AECI's total provision for contingent liabilities and guarantees

Axelson says the extent of the shareholder guarantees will fall dramatically once the company's plant is proven capable of producing on a regular basis 90% of the projected annual volume of 300 000 t and chemical analyses confirm the product quality is at acceptable levels

Metallurgical plants as complex and as large as the installation at Sua Pan normally require as long as three years before they achieve full capacity, Axelson says the unit at Soda Ash Botswana was in operation for only nine months before it achieved its high-rate trial recently.

Production levels exceeded the required volume and shareholders are awaiting the results of the detailed chemical analyses Once these are available, Soda Ash Botswana will apply to the lenders for the reduction in shareholders' guarantees to be triggered

However, the company faces immediate difficulties which relate to economic conditions Soda ash is applied in various industrial activities such as glass making, pulp and paper, detergents, a variety of bleaching agents and in vanadium extraction and processing The state of the southern African economy is such that demand for soda ash has fallen significantly below the projections applied in the Sua Pan feasibility exercises This has unfavourably affected sales by Soda Ash Botswana

At the same time, previous international suppliers of soda ash to SA, faced with deterioration in world economic conditions and with a new southern African competitor, have responded aggressively by dropping prices and increasing quantities Soda Ash Botswana is now trading at a loss and shareholders are being required to subsidise the company, both to the extent of its trading losses and the carrying cost of the loans which have been advanced

Axelson says sales volumes are improving on a monthly basis and it's impossible to quantify the numbers on an annualised basis He concedes, however, that the extent of subsidisation for calendar 1992 could be as much as R80m unless government acts to stop "unfair trade practices and dumping," which would neutralise the impact The company could then move volume into the market and that would make all the difference, says AECI MD Mike Sander

Provided a long view is taken of the Sua Pan project, it will probably prove successful But not without an interest burden which wasn't anticipated when the project was initiated Meanwhile, AECI will sit with substantial contingent liabilities in its balance sheet which, even if the lenders (including three SA and two Botswana banks) agree to their reduction in terms of the guarantee agreements, will stand at around R100m Shareholders should take note *David Gleason*

MOLYSLIP FM 7/8/92

Smooth recovery

(183)

Activities: *Makes lubricants and allied chemical products for industrial and consumer application*

Control: *Directors 89,6%*

CE: *R Spanjaard*

Capital structure: *5,7m ords Market capitalisation R4,9m*

Share market: *Price· 85c Yields 7,1% on dividend, 14,5% on earnings, p e ratio, 6,9, cover, 2,1 12-month high, 85c, low, 30c Trading volume last quarter, 7 000 shares*

Year to Feb 29	'89	'90	'91	'92
ST debt (Rm)	0,2	0,4	2,1	1,1
LT debt (Rm)	0,5	0,5	0,4	0,4
Debt equity ratio	0,28	0,34	0,72	0,39
Shareholders' interest	0,47	0,47	0,44	0,49
Int & leasing cover	7,5	2,4	1,6	2,7
Return on cap (%)	15,1	15,2	9,1	13,9
Turnover (Rm)	11	13	16	15
Pre-int profit (Rm)	0,7	0,9	0,7	1,1
Pre-int margin (%)	6,8	6,5	4,7	7,5
Earnings (c)	11,4	8,8	2,2	12,3
Dividends (c)	3	3	—	6
Net worth (c)	41	48	62	69

DCM-listed Molyslip has produced a good recovery after the 1991 setback, when earnings almost fell into the red and the dividend was passed A 5% drop in turnover but an 82% increase in attributable income, though off a low base, allowed a 6c dividend to be declared with cover maintained at 2

Turnover fell in fiscal 1992 because the high-volume, low-margin metal powder operations were merely breaking even These activities were disposed of in September Related goodwill, arising from the purchase of the business, was written off

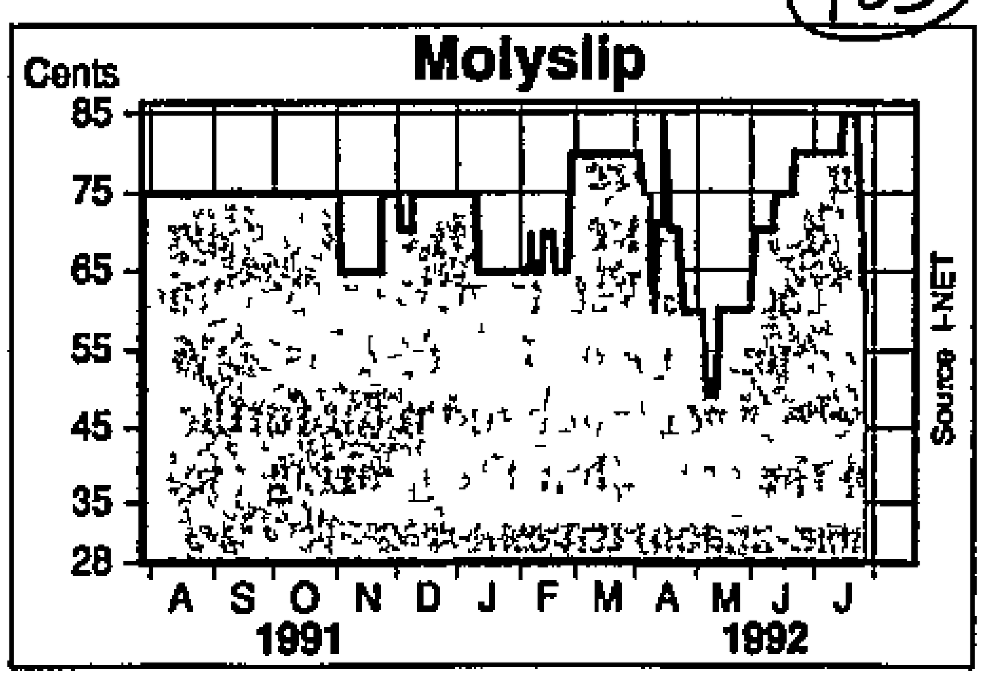
Though short-term borrowings were brought down by R1m, interest payments remained high and dragged profit below R1m If Molyslip is to move to the main board, its pre-tax profit will have to exceed R1m Chairman Robert Spanjaard notes that after-tax profit was R700 000. He says "it is a pity the JSE committee could not take this into account" when considering a listing on the main board Maybe, but taxed profit was R647 000 in 1989 So progress towards R1m has been slow

Local acquisition possibilities are limited because Molyslip has such specialised products As part of an export drive, Molyslip participated in the Hanover Fair and will exhibit at another two international fairs this year However, Spanjaard says "If no new benefit is introduced to replace the removal of export tax benefits, the real costs of main-

Continue →

COMPANIES FM 7/8/92

(183)



taining existing and developing new export markets will rise dramatically"

He attributes the positive results to tight cost control and innovative marketing He hopes this will continue but warns that to increase productivity, Molyslip needs to invest in more automated plant

Spanjaard goes as far as to say prospects look rosy But, given the bumpy record of recent years, it is not clear how long the satisfactory results will last The share, at 85c, is at a 12-month high It is fairly priced.

Kate Rushton

Energy giant is not tardy about small business

183

SOUTH 8/8 – 12/8/92

THE South African economy of the nineties demands that affirmative action should take place not only inside companies, but in their relationship with suppliers and sub-contractors as well

If, for example, their policy is to find suitable small to medium-sized black-owned businesses to provide certain goods and services, they will promote the development of black business skills — and the ability of black business to employ more people at a time of growing unemployment.

A company that has adopted this policy is the energy and chemicals giant, Engen, which recently appointed Mr Tsepo Mohapi as projects co-ordinator in its corporate strategic affairs division to build links with small businesses country-wide

Mohapi is devising a two-stage programme in which Engen depots will first be asked to buy all their discretionary purchases from small businesses

These purchases could include protective clothing, transport services or maintenance work Suppliers will be identified with the help of small business development agencies such as the Small Business Development Corporation and Wits University's Centre for the Development of Business

"This is already happening in some depots around the country, but we would like to see it taking place in a more sustained way," says Mohapi.

The small business development agencies could help small businessmen acquire the skills needed to deal with a corporation such as Engen, which has very specific buying procedures requiring quotes and invoices

In turn Engen could offer contracts which could be used by small businesses to acquire credit to buy materials

"It may have been easier for us just to sponsor a few businesses to buy machinery and set up shop But that would not have helped them to get the business they need to operate or help them, or us, to develop strategies that could contribute to economic growth," says Mohapi

Once small businesses have been established as suppliers of basic goods and services, Engen plans to examine ways in which some of them may be developed to supply the more sophisticated and specialised goods and services the group needs

Engen also supports the Black Management Forum, which aims to develop black managerial skills through training and counselling, and recently helped BMF open an office in the Western Cape

Oil companies back to importing crude

S/Times 9/8/92 (BUSS) (183)

By KEVIN DAVIE

SOUTH African oil companies are importing their own crude for the first time since 1981.

The Central Energy Fund (CEF) confirms that "in anticipation of the lifting of oil and shipping sanctions all industry members are allowed more freedom"

CEF general manager Kobus van Zyl says "This is a phasing-in programme that will lead to complete freedom once all sanctions on oil and shipping have been lifted"

Because of remaining UN sanctions, middle men are still used in the oil trade

Engen's John Roberts confirms that his company has landed crude oil

He says Engen has procured crude in the past for the manufacture of refined products for export.

"The State was not obliged to find oil for re-export," says Mr Roberts, explaining that before the Engen takeover of Mobil, there were limited exports from SA

Mr Roberts says Engen is importing crude as an exercise in "getting its feet wet" Unlike the other oil majors which have foreign links, SA-based Engen needs to develop expertise before sanctions are lifted

Engen owns two tankers They are used to export refined products, mainly to Africa They do not carry imported crude oil

Mr Roberts declines to provide details of Engen's procurement activities, saying "there is still an embargo in place"

One source says the oil companies would prefer to deal directly with suppliers rather than through the Strategic Fuel Fund (SFF) because it charges a fee for its services Mr Roberts declines to comment on whether Engen can import more cheaply than the SFF

Mr Van Zyl says "The SFF is buying at prevailing world prices We expect the industry to do the same once they have acquired the necessary know-how"

Direct imports will not reduce petrol prices, he says

"Because of the application of the IBLC formula for calculating finished product prices, the crude oil price has no effect on the consumer"

Names

Mineral and Energy Affairs Minister George Bartlett told Parliament this year that most regulation of the oil industry pre-dated sanctions

"I have to emphasise that the only regulatory measures implemented as a result of the oil boycott are the commercial acquisition of crude oil by SFF and the collection of that portion of the equalisation fund levy used for meeting the additional cost incurred in acquiring crude in a covert manner," he said

Richard Hengeveld, of the Amsterdam-based Shipping Research Bureau (SRB) which has tracked about 50% of oil exported to SA, says some new names have become involved in this trade since late last year

In particular, the SRB has tracked two UK-based Greek companies which have only recently re-entered this market They are Coulouthros and Papachristidis

Coulouthros delivered oil from Egypt to Durban in the 230 000-ton tanker Sailor last November

Papachristidis made two deliveries from the Persian Gulf to Durban and/or Saldanha Bay in February and March In both cases the 315 000-ton Hellespont Orpheum was used

Mr Hengeveld says most tankers which offload oil in SA still cover up all or part of their names although some do "not bother too much"

Primary countries of origin are still the United Arab Emirates, Egypt and Iran

Premiums

Mr Hengeveld does not expect the UN oil embargo to be lifted before the end of the year He says it is voluntary and could be lifted by the countries involved

The future of the SFF has not been determined Mr Van Zyl says its "future role will only be finalised when the present uncertainties on sanctions have been cleared up"

Mr Hengeveld says there have been rumours for some years that oil companies have been involved in direct crude imports

The last direct imports of crude by SA-based oil companies were made in 1980-81 The best-known case is Shell, which brought in several tanker loads in 1980

But SA-based oil companies feared that they would be subject to international boycotts In spite of the premiums of $8 to $20 a barrel which the SFF paid between 1979 and 1984, oil companies have not imported crude since 1981

These companies have imported refined or finished product in the past few years since fires at Sasol 2 and 3 increased the need for refined product

But as noted by Mr Roberts, "finished product is not subject to the embargo"

R10bn booster for forex from six projects

183

S/Times (B455) 9/8/92

By ZILLA EFRAT

SOUTH Africa could boost foreign-currency earnings by more than R10-billion when six industrial projects come on stream in the next five years.

They are under scrutiny by the Industrial Development Corporation (IDC) which will partly finance the R29-billion cost of the projects

Their potential foreign earnings are equivalent to 50% of SA's gold production and they will have a knock-on effect for the economy

The projects are largely export-oriented and are aimed at adding value to SA's natural resources

They focus on the production of steel, stainless steel, aluminium, minerals and petro-chemicals One aims to boost eco-tourism

IDC senior general manager Malcolm Macdonald says the size of the projects makes it difficult for individual companies to undertake them without help

They will receive help in the form of an IDC equity stake or loan finance To fund them, the IDC will have to realise some of its investments in mature projects

Until final decisions are made, Mr Macdonald is reluctant to detail how this will be done

He is optimistic that most of the projects will get off the ground — good news at a time when industrialists say SA's foreign investment prospects look bleak.

Construction of some could start this year

Smelter

The projects are

- The Columbus Stainless Steel venture between Highveld Steel and Samancor — expected to be the first to be given the green light

It will expand a stainless-steel mill at Middelburg into a world-scale plant with a capacity of 300 000 tons a year

It could cost well over R2,5-billion and be completed by 1996

- Increasing capacity at Alusaf's Richards Bay smelter from 170 000 tons a year to 600 000 The project is backed by Gencor, the IDC and Eskom

It is expected to cost R5,6-billion and generate exports of R2,8-billion annually

- The Flogopite project at Phalaborwa, based on a process developed by the IDC to recover alumina, magnesia and potash out of waste ore from Foskor's mining of phosphate rock

A demonstration plant is being built at a cost of more than R100-million

If it is successful, a R4-billion plant will be built to make SA self-sufficient in these minerals and a large exporter of magnesia and later of magnesium metal

The venture could come on stream in 1997 and boost SA's foreign trade account by R1,5-billion a year

- A R600-million IDC loan to expand the infrastructure and accommodation in and around SA's national parks

The IDC's investment is expected to be at least doubled by that of the private sector and parks boards

Corex

The IDC has received 11 applications for R167-million and inquiries involving R356-million A total of R25-million has been approved

- A project which could make SA one of the world's lowest-cost steel producers

It is based on the new Corex iron-making process developed by Iscor in partnership with Voest Alpine of Austria

It will enable low-cost iron ore to be economically converted to steel The mill will cost R3-billion and the venture could generate exports of R1-billion a year

A feasibility study is expected to be completed by the first quarter of next year

- A petro-chemical complex based on down-stream processing of gas from Mossgas

A preliminary feasibility study has been completed and studies are being done by Sentrachem and the IDC A detailed proposal could become final by the middle of next year

Cost could be about R11-billion Most of the output would be used for further processing domestically, with 30% being exported initially Improvement of SA's foreign trade balance is estimated at R2,4-billion a year

The IDC is also investigating a host of smaller mineral beneficiation projects Some could involve foreign licence agreements

Mr Macdonald says the IDC is spending R16-million on its investigation of these projects this year

Its aim is to assist projects which can stimulate the economy in the long term, provide jobs and earn money for social spending

Killings: Sasol 'yes' to inquiry

CT 12/10/92

(183)

Own Correspondent

JOHANNESBURG — Sasol has agreed to the establishment of an independent commission of inquiry — which could be the Goldstone Commission — to investigate allegations by the Chemical Workers' Industrial Union (CWIU) of CCB and Inkatha hitsquad involvement in the deaths of its members at Sasol

Sasol executive director Mr Dirk Mostert said yesterday he rejected "with utter contempt the untruthful, vicious, malicious and unfounded allegations" of the CWIU that Sasol management was behind attacks and killings

Two CWIU members were killed and and one was seriously injured in an attack last Friday night, allegedly by Inkatha supporters who worked during a week-long strike at Sasol's Secunda Colliery last week.

Mr Mostert said Sasol was prepared to have an independent commission of inquiry to get to the truth of the matter

SA aerosols guaranteed CFC-free

RAY HARTLEY 183

CONSUMERS can buy any domestic aerosol manufactured in SA knowing that it is 100% free of ozone-damaging Chlorofluorocarbons (CFCs), Aerosol Manufacturers' Association executive director Mike Naude said yesterday.

"The view that if you used aerosols you didn't care about the environment is now completely obsolete. The aerosol industry has got its house in order," he said.

More than 96% of SA aerosols are now propelled by chemicals such as hydrocarbons which have been found to have no negative effect on the ozone layer and a negligible effect on global warming, Naude said.

Of the aerosols produced in SA — those used in industrial and pharmaceutical applications — 3,22% still contained CFCs, but he was confident appropriate substitutes would be found "in the near future".

About 150 tons of CFCs were still used each year in medical applications such as asthma pumps because this remained the only safe way to propel medicines that were inhaled he said

CFCs were still used in the mining industry because substitutes had proved more flammable in testing and this was considered unsafe in the confined underground spaces in which they were used, Naude said.

He said SA would be completely free of aerosol CFCs by the year 2000 — the deadline set by 75 countries in the Montreal Protocol in 1987.

23/8/94

Soweto candles blaze the trail

(183)

Sowetan 20/8/92

LIGHTING UP A man whose burning desire is to capture entire market in Africa:

MANAGING DIRECTOR of Ekukhanya Soweto Candles Mr Kenny Hatta's ambition is to light the whole of Africa

The company is the first black-owned candle manufacturing concern and already exports different kinds to the Netherlands, Germany and Australia

"Now I want to expand the trade from Cape to Cairo by lighting the whole of Africa," he said in his opulent Soweto office this week.

Hatta said with changes "in our country at the moment, the chances are my dream will come true"

The company also manufactures candles for restaurants, hotels, funerals, personal use, festivals and spaza shops

He has produced for institutions like the Orlando Home and donated about 600 candles to the bereaved families of the Boipatong massacre

The charismatic Hatta said. "Any kind of candle, big or small, we can make it."

Soweto uprising

As a youngster in the township, Hatta never stayed out of trouble. He was detained under the Internal Security Act for his involvement in the 1976 Soweto uprisings

Despite harassment at the time, he continued his education and matriculated at Naledi High in 1980. He holds several diplomas in business management and administration

He worked for numerous companies, but quit each time because "a white person was placed in charge, despite the fact that I taught them the trade"

He then decided to join his wife, Kelefang, who was running the small candle manufacturing company in 1989. The business previously belonged to Bishop David Nkwe, his father-in-law

Hatta said his business was booming regardless of the fact that many blacks were now using electricity to light their homes

His focus was mainly in the urban and rural areas He will open a new factory in Welkom in the Orange Free State soon

The candle factory got welcome publicity when he exhibited during the Matchmaker Trade Fair at Nasrec last year He was thankful to the fair because "my business got more exposure"

He will participate in this year's Matchmaker scheduled for Nasrec

This article will qualify Hatta for the *Sowetan*/Sanlam Entrepreneur of the Month Competition which is part of our Nation Building campaign

Wax facts

Profile: Kenny Hatta (33)
Marital Status: Married to Kelefang -the couple have a child,
Company: Ekukhanya Soweto Candles that employs 27 people.
Education: Matric and studying management with two colleges,
Business site: Rooms 61/2 Orlando West Industrial Park, Soweto. Telephone 936-1103/1550; Fax 936-1524.

Norimed offer to minorities

183

GAVIN DU VENAGE

PHARMACEUTICAL and medical company Norimed would make an offer of R7,45 to minorities, and ordinary shares would be delisted, Chairman Hugo Snyckers announced today

The offer was to consolidate and rationalise the company which would face difficult trading in the next six months.

Snyckers said the offer was higher than net tangible asset value, and should be favourable to minorities. BDAY 21/8/92.

Interim results released today showed turnover for the six months increased to R13,5m, compared with R11,4m at the same time last year, but operating income dropped to R1,4m from R1,8m because of severe pressure on margins.

Income before tax remained virtually unchanged at R2,9m, resulting in attributable income of R1,5m against the previous R1,6m This translated into earnings a share of 50,9c compared with 53,8c.

The share was untraded at its ruling price of R6,50 yesterday, off its June 1 high of R7,12.

Performance would continue to be hampered by severely reduced public health spending and a slowdown in private sector hospital development, as well as the current labour dispute which would dampen short-term sales, Snyckers said.

Income from investments related to interest earned on cash holdings, which amounted to R16,5m, but this was expected to decline in line with the softening of interest rates

Norimed would revert to its normal dividend policy of paying an annual dividend from this year.

Norimed redeems minorities

Announcing its last results before delisting, Noristan Holdings' subsidiary Norimed reported an increase in turnover of 19 percent for the six months ended June 30, 1992 to R13,5 million (R11,3 million)

(183) STAR 21/8/92

Earnings per share dropped from 53,8c to 50,9c a share, with operating income down 21,9 percent at R1,37 million (R1,75 million) due to severe pressures on margins under difficult trading conditions

Norimed ch[illegible] an Dr Hugo Snyckers said [illegible] ating costs were containe[illegible] w the inflation rate

The compan[illegible] posed a redemption of the [illegible] nority shareholding in Nori[illegible] ed at 745c a share — equivalent to the net tangible asset value — and the delisting of its ordinary shares on the JSE — Sapa

Large capex projects sidestep recession

183

EDWARD WEST

THE recession has not affected the multibillion-rand capital expenditure (capex) programmes of the major listed petro-chemical companies, but smaller chemicals groups have not been so lucky

The petro-chemical giant Engen's capex programme — which was based on forecast volumetric growth over the next two to three years — had not been affected by recession, Engen spokesmen said yesterday

The group had recently completed an approximate R700m expansion at its Genref refinery while another possible R1,7bn could be spent on the second phase of the expansion over the next three years Other capex this year included R130m to change the Mobil brand name to Engen

Sasol media manager Lee-Anne Goodman said planned capex had not been delayed in spite of low economic activity The group planned to invest more than R2,6bn over the next two years on 10 projects

These included krypton and xenon extraction, an anode-coking project, an alpha-olefins purification facility, an amonia plant, an acrylic plant in partnership with the IDC, upgrading of the Natref refinery, a shortpath-distillation unit, a catalyst plant, wax production expansion and expansion of the Sigma opencast mine

A stock exchange analyst said the extent to which the recession affected capex in the petro-chemical sector depended on when the go-ahead was given for a new project Capex for Sasol and Engen was probably planned and budgeted for before the full extent of the recession was known They also benefited from a virtually recession-proof source of cash from fuel sales, he said

Meanwhile, Manro's divisional MD Bruce Murray said capex would be much lower than the budgeted R13m this year It would be at about R9,5m because of the poor economy

Most would be spent completing the two-year R7m sulphonation plant started early last year

Chemicals, plastics, foodstuffs and rubber producer Sentrachem last year completed a four-year R830m expansion and refurbishment programme The financial effects of the programme combined with the dowturn affected group profits in 1991 MD John Job said a recession nearly alway affected on capex which was currently at a reduced rate

Chemical, explosive, fertiliser and seed producer Omnia Holdings also reached the end of a three-year R50m investment cycle at the beginning of 1992, culminating in the commissioning of a R12m explosives factory in January, said its deputy-chairman Michael Fearfield

AECI spokesman Robbie Vermont said the group's planned capex in 1992 would be virtually unchanged over last year's R219m, but would be lower next year AECI had plenty of surplus capacity in some areas due to the recession, much of which was being exported, he said

SONDOR FM 28/8/92 (183)

No relief in sight

Sondor joint MD Robin Marx reckons Sondor mirrors the condition of secondary industry in SA Demand for the closed cell plastic and rubber products it produces as a basic commodity for industrial uses, waxes and wanes according to the state of the economy, he says

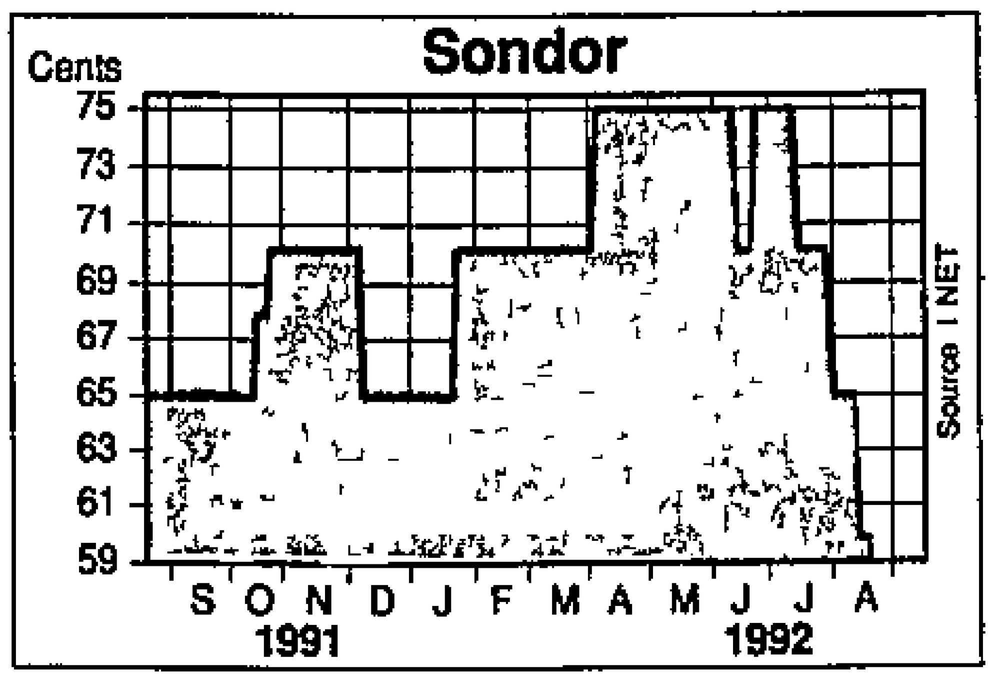
continue-P

Activities: *Converter of rubber and plastic*
Control: *Directors 54%, Zimco 37%*
Chairman: *S Goldman, Joint MDs R Marx, B D Tilney*
Capital structure: *24m ords Market capitalisation R13,2m*
Share market: *Price 55c Yields 10,9% on dividend, 19,5% on earnings, p e ratio, 5,1, cover, 1,8 12-month high, 75c, low, 55c Trading volume last quarter, 48 000 shares*

Year to Mar 31	'89	'90	'91	'92
ST debt (Rm)	0,86	0,28	0,7	0,8
LT debt (Rm)	—	—	1,9	1,3
Debt equity ratio	0,1	n/a	0,17	0,2
Shareholders interest	0,75	0,82	0,7	0,66
Return on cap (%)	51,0	45,6*	30,0	26,3
Turnover (Rm)	17,7	18,9*	19,2	25,6
Pre-int profit (Rm)	5,6	5,9*	5,3	5,2
Pre-int margin (%)	32,0	31,0	27,4	20,3
Earnings (c)	16,6	18,3*	12,9	10,7
Dividends (c)	5,5	5,0*	5,5	6,0
Net worth (c)	33,9	43,8	55,3	54,1

* Annualised

On that basis, Sondor did reasonably well in fiscal 1992, when industry earnings generally were collapsing Though EPS fell 17%, they include a substantial, undisclosed, but



expected amount related to relocating newly acquired Fife Tape Converter's operations to Sondor's branch premises around the country This included modifying production, marketing and accounting procedures to marry with those of the group Without these costs, says Marx, EPS would have at least equalled those of 1991

Three other points of interest arise from Sondor's 1992 annual report Firstly, the balance sheet shows a substantial increase in shareholders' debenture account This arose out of a scheme of arrangement in July last year to issue debentures that would replace existing distributable reserves of the company

Secondly, should the Receiver of Revenue rule that tax allowances on film investment partnerships are to be retrospectively disallowed, it could hit Sondor hard The company has raised a contingent liability for R7,8m Marx expresses guarded optimism that the investment will qualify for the tax relief claimed

Third, as only 8,8% of the ordinary shares are held by non-executive directors and the public and are seldom traded, this information is little more than academic to the stock market

Marx reckons Sondor's trade in the past two months has slumped Judging by the sentiments expressed to the *FM* in recent weeks, that is an accurate reflection of the current state of secondary industry throughout the country

Since there does not appear to be any short-term relief on the horizon, the position does not bode well for Sondor's performance in its 1993 fiscal year

Gerald Hirshon

Bavarian firm wins R370m Sasol contract

CT 1/9/92 (183)

JOHANNESBURG. — Sasol Ltd said yesterday it had awarded the first phase of its Alpha Olefins contract for the engineering and contract management to a Bavarian firm, Linde AG.

The first phase would be responsible for the production capacity of 100 000 tons per annum at a cost of R370m.

It will come on-stream by mid-1994 at which stage the timing and size of phase two will be considered.

The eventual total capacity of 450 000t per annum of the Alpha Olefins 1-pentene and 1-hexene will make Sasol the dominant player in the market.

The Alpha Olefins purification facilities will be constructed at Secunda from where most of the final product will be exported. — Reuter

AECI to close R30m-a-year CFC plant

MEREDITH JENSEN (183)

IN A move that could cost the gold mining industry R300m over the next decade, AECI said yesterday it would close its chlorofluorocarbon (CFC) production plant by the end of 1995 to comply with the Montreal Protocol.

The protocol, signed by CFC producers worldwide, concerns the phasing out of CFCs. BDAY 2/9/92

AECI has been the sole manufacturer of CFCs R11 and R12 in SA, realising R30m a year in revenue from sales.

The mining industry, which accounts for 10% of SA's annual CFC consumption, would need to convert its exisiting refrigeration units to use R134a, the new ozone-friendly replacement gas.

Anglo American confirmed yesterday it had successfully converted one of its above ground refrigeration units at Vaal Reefs, the first such modification to be done in SA.

Anglo environmental engineer Dick Stroh said the conversion was a trial run.

Stroh said the necessary technical expertise had been developed in-house, funded by the group's gold division.

He said plans for an underground conversion were under way at Western Deep Levels.

Frank McGuinness, AECI manager for fluorocarbon development, said present CFC users would be forced to pay a premium for the replacement gas. The R60-a-kilogram cost of R134a was five times the cost of R11 and R12.

He said AECI would import R134a from ICI in the UK in order to replace its CFC industry. "As larger quantities are imported, the price is sure to come down."

Stroh said "It is a cost which the gold mining industry cannot afford, but which is unavoidable in order to comply with the Montreal Protocol." He estimated the cost of conversion for Anglo's gold mines alone could be as much as R80m.

Because CFCs were named as the major

☐ To Page 2

AECI BDAY 2/9/92

(183) ☐ From Page 1

culprit in ozone depletion, their removal from the marketplace seemed likely to be pushed back from 2000 to 1995, industry sources said.

The automobile industry posed the biggest problem worldwide, demanding coolant for use in air conditioning.

International Mobile Air Conditioning Association president Allan Berman said cars in SA consumed 30% of annual CFC production.

"The estimated cost of conversion is R1 500 per car. When you compare this to the average price of R3 000 for a car air conditioner, it is a lot." New units designed to use R134a would cost R3 600 each.

"In addition, the industry will be required by law to install recycling machines for CFCs at air-conditioning service centres throughout the country at a cost of R500 000."

Quality remains the key to taking on world markets

S Times [Cape Metro] (183) 6/9/92.

By FRED ROFFEY

SEVERAL Western Cape companies have been strenuously adapting and improving their quality control systems so they can obtain the SABS/ISO 9002 listing to enable them to compete more effectively on local and international markets

One of the latest is Atlantis-based Eversteel, the only company of its kind to secure the South African Bureau of Standards stamp of approval

The company repairs and tests liquid petroleum gas (LPG) and other gas cylinders

Its owner, Willy Everett, said working towards the listing was a demanding exercise, requiring an ongoing effort from management and staff, but it was already paying dividends

"Turnover has doubled, as our production has become more efficient.

"The listing is also a valuable marketing tool — obviously companies prefer suppliers who guarantee them a commitment to quality management and excellent service"

AWARD . at the presentation of the SABS/ISO 9002 certificate to Atlantis-based Eversteel are, from left, Elias Basson, Eversteel production manager; John Parmee, director of the mechanical engineering department of the South African Bureau of Standards; and Willy Everett, Eversteel managing director

Eversteel has been operating for 22 years, and all the major gas companies such as Engen, Easigas, Trek, Afrox and BP are among its customers

It recently secured a big contract to repaint some 180 000 Mobil LPG cylinders with the new Engen colours and logos

The first paint company in the Western Cape to qualify for the SABS/ISO 9002 listing is Plascon Paints

Paul Kretzel, managing director of Plascon (Cape), based in Epping, said the listing guaranteed quality management and control throughout the production and delivery processes Reassessment would be ongoing

"The award will make it possible for Plascon to compete internationally because it works off internationally recognised criteria," he said

Many of Plascon's clients were now trading in international markets and it had been from them as much as anyone that pressure to meet stringent world standards had come

Mr Kretzel added this specially applied to avoiding the use of any materials or products which in Europe or the USA were now regarded as unacceptable

"Everyone has to understand they carry the responsibilities for their particular work — and they must report back at once if standards are not being met

"This improves their job satisfaction and status and gives them a clearer idea of the vital part they play in the production process," said Mr Kretzel

Nederburg of Paarl has also received the listing for its quality assurance and management system

This involves a fully documented job description for every person and process, which not only ensures that specified standards are adhered to but makes sure that excellent training manuals for every aspect of the operation are always available

This thoroughness is maintained, as the SABS continues to monitor performance

The SABS grading has little influence on the wines produced at Nederburg as this remains in the hands of the winemaker

"However, all the backup systems enhance our productivity and in the end the product has benefitted," said managing director Ernst le Roux

Eskom gives union voice

(183) CT 11/9/92

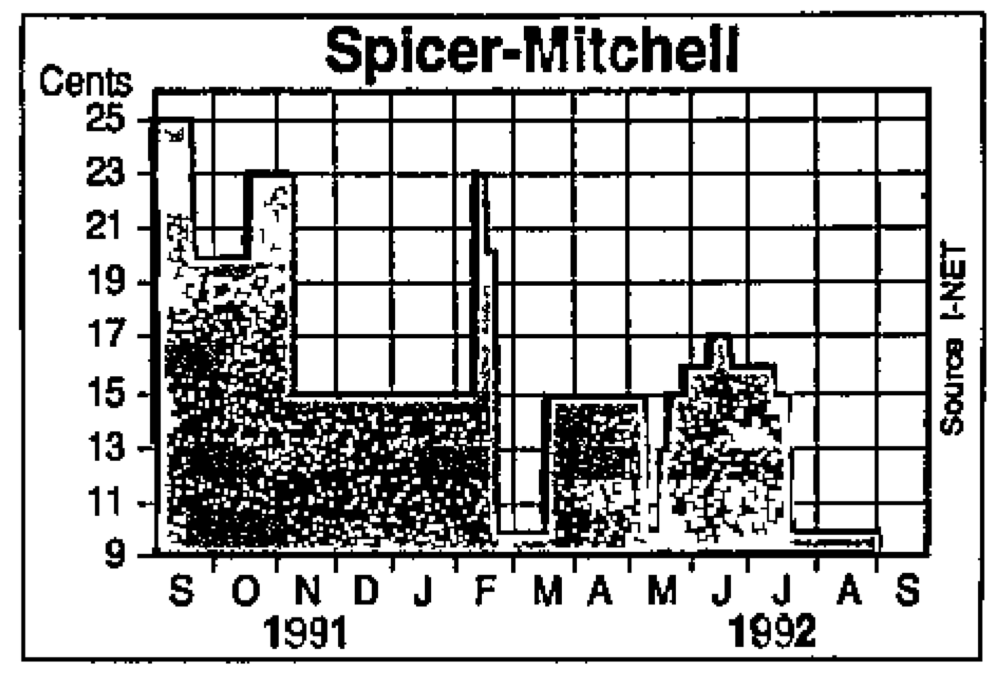
JOHANNESBURG — Trade unions will effectively be given a say in decision-making through a mechanism now under negotiation with South Africa's giant electricity supplier Eskom

Reports by Staff Reporter, Own Correspondent, Sapa-Reuter AP and UPI

FM 11/9/92 (183)

Activities: *Manufactures chemical compositions and effluent treatment plants Provides cleaning and pollution control facilities to power stations and heavy industry*
Control: *Directors 74%*
Chairman and MD: *R S Prince*
Capital structure: *10m ords Market capitalisation R1m*
Share market: *Price 10c 12-month high, 23c, low, 10c Trading volume last quarter, 56 000 shares*

Year to Feb 28	'89	'90	'91	'92
ST debt (Rm)	0,33	2,3	2,7	2,3
LT debt (Rm)	0,27	0,72	0,41	0,41
Debt equity ratio	—	2,81	1,82	2,02
Shareholders' interest	0,48	0,15	0 23	0,21
Int & leasing cover	—	—	3,5	0,08
Return on cap (%)	19,3	—	17,7	1,1
Turnover (Rm)	9,5	15,5	16,1	13,8
Pre-int profit (Rm)	1,0	(1,1)	1,3	0,07
Pre-int margin (%)	10,9	—	8,0	0,5
Earnings (c)	5,2	(15,2)	4,9	(6,6)
Dividends (c)	2	—	3	—
Net worth (c)	25,9	10,7	16,7	12,3



SPICER-MITCHELL FM 11/9/92

Shrinking down (183)

In recording its second bottom-line loss in three years, Spicer-Mitchell demonstrated what happens to a company when it does not reduce fixed costs in line with rapidly declining revenue And, with gearing at an extraordinarily high 202%, it is not surprising that chairman and MD Richard Prince admits the group requires rationalisation

Unprofitable Spicer-Mitchell Construction closed its doors last year and offered its capital assets for sale Its labour force, initially redeployed into other group companies, was retrenched After the closure of the wholly owned subsidiary, Spicer's turnover dropped by 15% and operating income tumbled 95% The delay in disposing of the construction company's major capital assets from the discontinued operations is inhibiting liquidity

Theoretically, once the assets are sold, the interest bill should come down and the company should return to profitability However, much depends on flagship Rohr Rein Chemie, which generated the bulk of group revenue It also experienced difficulties last year A large contract delayed in the initial stages had to be completed at an accelerated rate to meet schedules

Though compensation was received, the additional finance costs and operating expenditure incurred far outweighed provisions The chemical cleaning subsidiary has completed its work on the Mossel Bay contract, new contracts include those at Sasol 2 and 3

Another problem area is SSS Engineering Though it was restructured during the year, financial director Peter Wheeler says this company has "virtually come to an end" and its future "looks bleak " He says significant retrenchments have been made and more jobs will be lost.

This year, Wheeler says, will be a question of survival Spicer-Mitchell needs new business and costs can only be cut so far The share price is at a 12-month low and Spicer's track record is too unstable for most investors — but a takeover should not be ruled out, a bid fell through in July *Kate Rushton*

R100m hand-out for oil refineries

STimes 13/9/92 (B455) 183

By KEVIN DAVIE

THE Government will pay R100-million this year to the oil companies for doing nothing.

Known as synthetic element payments, they began in 1984 when the commissioning of Sasol Two and Three caused the oil refineries to cut production by an estimated 40%.

Growth in fuel demand has since caused oil companies to produce at near capacity — all SA refiners have announced plant extensions and upgradings But the synthetic element payments continue.

A Mineral and Energy Affairs spokesman says the refineries mothballed plant when Sasol Two and Three came on stream. They began de-mothballing last year. Some products are produced at capacity, others are not.

Formula

The Government is negotiating to increase the synthetic element payments by an estimated R30-million because the oil companies will soon distribute Mossgas fuel.

The Department of Mineral and Energy Affairs confirms that the synthetic element payment, funded by the motorist through the equalisation fund, will amount to R85-million this year. Another R15-million will be paid because last year's payment should have been R106-million. But only R91,3-million was paid.

The payments began in 1984 when R97-million was paid in the second six months. Since 1985 payments have amounted to R940-million, according to the Auditor-General's latest report.

The Department of Mineral and Energy Affairs says the payments were reduced to present levels "when natural market demand increased"

Spokesman Lourens van den Berg says growth in the total local market is still not equal to production from Sasol Two and Three.

"The synthetic element is still payable in terms of this formula."

Mossgas managing director Bernard Smith says an agreement has been concluded whereby the oil industry will act as marketers of his company's products. The agreement — which he declines to disclose — will be signed soon.

Mr Smith says the oil companies are discussing with the Government the possibility of receiving the same payments "they have historically received with respect to offtake of Sasol synthetic production".

The formula used for the synthetic element payment is secret, but one industry source estimates that Mossgas will produce about 30% of Sasol's synfuel production. This means that the oil companies will receive about R30-million annually for production losses because of Mossgas

A confidential document by the petro-chemical and oil industries estimates that the average penalty to the oil refineries of taking Mossgas product would be 6c a litre of Mossgas fuel

The Central Energy Fund's Danie Vorster says agreement has been reached in principle that Mossgas will receive the in-bond landed cost (IBLC) for its product at the port of delivery. The IBLC is calculated by taking Bahrain and Singapore refined prices and adding the estimated cost of shipping refined products to SA (about 11% of the IBLC)

It is reliably reported that this "in principle" agreement was reached after more than a year The oil companies refused to discuss the issue with Mossgas because Mossgas would benefit one of the oil companies (Engen) while causing cutbacks at other refineries.

Mr Vorster says the issue of the oil companies receiving the synthetic element payment has not been resolved "Discussions are continuing"

Tanks

Mr Smith expects Mossgas to be in full production by mid-1993. It will reach 50% of production by the yearend Some diesel has been produced, but it is from condensate and not gas

The condensate is converted into diesel through a single process But gas has to go through 25 processes to be converted into fuel.

Mr Smith says the diesel in Mossgas storage tanks should be delivered to the market in the fourth quarter of 1992

The oil companies will take Mossgas products in relation to their national market share.

R3,3bn SPENDING BRINGS IN R521m

Nuke fuel wastage

183

S/Times (BUSS) 13/9/92.

SOUTH Africa's nuclear fuels industry is a multi-million noose around the taxpayer's neck. The Government is budgeting to dole out R570-million this year for the Atomic Energy Corporation (AEC) to produce sales of a mere R134-million.

13/9/92

As with Mossgas, the nuclear fuel industry was developed for strategic reasons Since 1987 it has cost the taxpayer more than R3,3-billion to make sales of only R521-million

By CIARAN RYAN

Another R1,5-billion will be spent in the next five years to produce nuclear fuel which could be imported at a fraction of that cost.

Johan Kruger, of the Bernard Price Institute at the University of the Witwatersrand, says "This is an enormous amount of expenditure for very little return."

The money subsidises nuclear fuel production at Pelindaba, west of Pretoria Annual sales of R90-million are made to Eskom's Koeberg power station Koeberg pays international market prices for the fuel plus a small premium

SA developed the uranium enrichment facility while Koeberg continued to obtain fuel from a foreign supplier — thought to be France — throughout sanctions

Koeberg generates less than 6% of Eskom's output. AEC started to supply Koeberg in 1989 when sanctions were ending

Prospects

AEC does not disclose the cost of developing the enrichment facility, but it is estimated at more than R1-billion

Nearly 70% of the Department of Mineral and Energy Affairs 1991 budget of R1,07-billion was spent on nuclear energy

SA's strategic industries have been identified by Reserve Bank Governor Chris Stals as a key reason for SA's economic woes Finance Director-General Gerhard Croeser has indicated that there will have to be reduced support for these industries

Export prospects in a market glutted by production from the former Soviet Union look dismal AEC exports a small amount of enriched uranium

Uranium spot prices touched a post-war low of $7 a pound in 1991, but firmed this year

AEC is negotiating with the Government as to who is responsible for repaying more than R450-million in loan stock issued more than a decade ago for the development of the nuclear industry

SA signed the Nuclear Non-Proliferation Treaty in 1991 and can in theory buy nuclear fuel from any one of the signatory nations The AEC says there may be difficulties in practice.

SA was able to obtain nuclear fuel even before it signed the treaty

AEC says a smaller than expected deficit will reduce its reliance on State assistance this year to about R413-million The money will be used for operational expenditure. More than R200-million will go to offset the costs of producing nuclear fuel for Eskom, R88-million to technology development, R28-million to commercialised businesses and the balance of more than R100-million to run head office.

The R413-million in State funding — excluding loan repayments which are not disclosed — will generate sales of R160-million in the current financial year

AEC says nuclear fuel sales will fall by 25% from R90-million in 1992 to R66,8-million in 1997

The book value of AEC's assets is R600-million The cost of the plant is unknown But the assets are heavily marked down because the nuclear plant has a low resale value

AEC employs about 3 400 people — down from 8 000 in 1986 It has embarked on a rationalisation and commercialisation drive to reduce State funding to R250-million by 1997, all of which will be spent on making nuclear fuel

AEC's public relations manager Nic Ligthelm says the uranium enrichment process will require continual State funding But a cost-effective laser enrichment process is being developed

"In 1995 we will have to decide whether we switch to uranium enrichment using the laser process This will be much cheaper We will only go ahead with uranium enrichment on a commercial basis"

Mr Ligthelm cannot say how much the laser process will cost to install

"The nuclear business demands a long-term approach — 10 to 15 years Given a short-term approach of five years and the over-supply in the market, one should get out of the business

"In the longer term there are indications of an upturn in nuclear power, in which case the returns will be lucrative

"Once the industry is closed down in SA, it can never be started up again"

Mr Ligthelm says AEC has the capacity to supply two nuclear power stations with fuel. Pelindaba has a capacity of 300 tons of "separative work" a year Mr Ligthelm says a minimum of 3 000 tons a year is required for a commercial return

Overheads

AEC is reducing its dependence on State aid By 1997 the nuclear division and general overheads will require R250-million a year Non-nuclear fuel sales are projected to quadruple from R44-million in 1992 to R157-million in 1997 as AEC's 10 commercial businesses start to yield a return

The group's industrial businesses, all focusing on high-tech markets, will be profitable within two years, generating sales of R100-million by 1994

Mr Ligthelm says there will be no cross-subsidisation of nuclear fuel by the business division Indirect costs will be recovered by individual businesses and capital expansion will be funded through open-market transactions

Dr Kruger says the money "could be have been spent in developing other energy forms For example, the gas at Mossel Bay could have been used to fire an Eskom power station at very low environmental costs, rather than try to produce extremely expensive liquid fuel which will not be economic

"The country has surplus generating capacity, but Koeberg alleviates pressure on coal-burning power stations in the Eastern Transvaal This reduces pollution, but the costs are high"

AECI restructures operations

BDAY 15/9/92 (183)

EDWARD WEST

AECI was restructuring its fertiliser, explosives and plastics operations to counter the effects of the recession, public affairs spokesman Mike Blizzard said yesterday

The ammonia-based chemicals division, which contributed 34% of AECI's R5,3bn turnover in the 1991 financial year, had been restructured into separate business entities, he said

The explosives business had been set up as a separate entity and the ammonia-based chemicals had been aligned with agricultural products, the largest user of ammonia feedstock

The chlor-alkali division, which in 1991 contributed 27% of AECI's turnover, was being divided into four operations to make it more focused and closer to its PVC polyethylene, chemical and mining reagent customers

The restructuring had resulted in many jobs being realigned although a small number of employees had been retrenched, Blizzard said

Yesterday the group's shares remained untraded and held firm at an annual low of R6,40 from a high of R11 last October

A stock exchange analyst attributed the poor share price to the group's vulnerability to depressed markets and its poor earnings track record

In the year to end-December 1991 earnings a share dipped to 121c from 154c in 1990 and from 203c in 1989

The analyst said the group's explosives business was affected by poor economic conditions in the mining industry, its fertiliser business by the continuing drought, and its plastics operations by low world plastic prices

FORIM HOLDINGS (183)

Changing business

FM 18/9/92

Activities: *Property investment and the manufacture of pharmaceuticals and similar products*

Control: *Forman/Gelbart family*

Chairman: *H R Levin, MD M Gelbart*

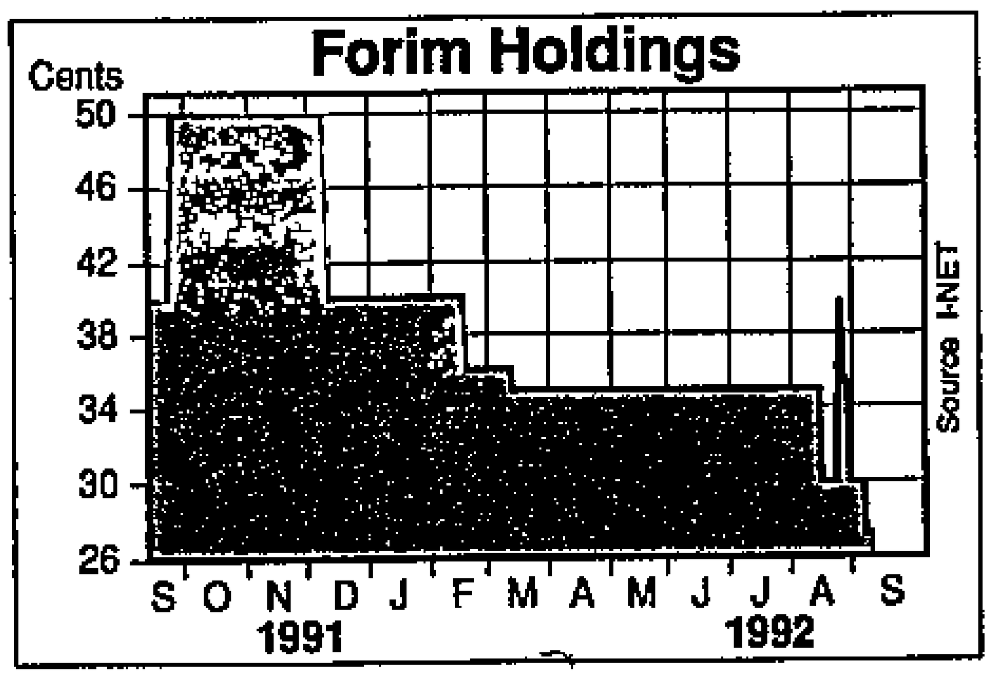
Capital structure: *35,55m ords Market capitalisation R10,7m*

Share market: *Price 30c Yields 6,7% on dividend, 11,0% on earnings, p e ratio, 9,1, cover, 1,7 12-month high, 50c, low, 30c Trading volume last quarter, nil*

Year to February	'89*	'90*	'91	'92
ST debt (Rm)	n/a	n/a	5,2	7,3
LT debt (Rm)	n/a	n/a	n/a	1,0
Debt equity ratio	n/a	n/a	0,25	0,49
Shareholders' interest	n/a	n/a	0,73	0,53
Int & leasing cover	n/a	n/a	n/a	11,8
Return on cap (%)	n/a	n/a	7,2	6,7
Turnover (Rm)	2,3	2,6	2,4	21,8
Pre-int profit (Rm)	1,5	1,6	1,2	2,3
Pre-int margin (%)	n/a	n/a	50	10,4
Earnings (c)	2,0	2,1	2,5	3,3
Dividends (c)	0,95	1,1	1,5	2
Net worth (c)	n/a	n/a	43	45

*Pro forma from transmuted listing statement

The problems of rating second-line, thinly traded stocks are well illustrated by Forim, whose share price is 40% lower than when the *FM* reviewed the 1991 report, in spite of useful advances in both earnings and dividends and an apparently successful diversification And, unusually in this ever-more deeply biting recession, these improvements come after a marginal decline at half-time



Chairman H R Levin says the historic property division remained fully let As there is only one bond, of R120 000, it was not hit by high interest rates Little is said about the newly acquired pharmaceutical and allied interests, other than that — though some are apparently still loss-making — overall they made an immediate contribution to profit

The expansion and change in composition of the business led to higher borrowings and tighter ratios, but the financial position still looks reasonably comfortable

BROADER BASE

	Property 1992	Property 1991	Manuf 1992
Turnover (Rm)	2,65	2,41	19,2
Taxed profit (R'000)	811	878	556
Net assets (Rm)	12,8	14,9	5,8

Forim is to buy in the 35% minority interests in the chemical interests, as well as companies owned by the controlling families that provide administration services to subsidiaries This will be met by the issue of up to 6,35m shares (depending on the fulfilment of profit warranties) at 40c The documentation says that, had the transactions been effective throughout last year, EPS would have been 3,7c, this year, on the warranted profits, these would become 4,1c

Note also that, on figures provided last year, revaluing the properties at replacement cost would add 45c a share to reported NAV

Levin is optimistic that earnings should improve this year MD Meyer Gelbart confirms that there's considerable scope for enhancing profitability of the new interests

On any intrinsic yardstick, the share looks undervalued, but if you can't deal (only 27 000 shares have traded all year and, because of the low price, the company has still not implemented undertakings to broaden the spread of share ownership given on the reconstruction, almost two years ago), intrinsic value is irrelevant *Michael Coulson*

Foskor holds mystery stake in fertiliser firm

183

S Times (Buss) 20/9/92

By DON ROBERTSON

THE mystery surrounding control of Indian Ocean Fertilizer (IOF), a major exporter of phosphate products which bought the defunct Triomf Fertilizer plant in Richards Bay in 1987, has been solved

Foskor, which provides phosphate rock to the three major fertiliser suppliers in SA, has a 50% stake in Indian Ocean Fertilizer Holdings (IOFH), which controls the operating company IOF

Office Togolaise Phosphate (OTP) holds the rest OTP, in turn, is controlled by the Government of the West African country of Togo

OTP is a major competitor in the international phosphate market with Foskor.

Rights

IOF is perhaps the only fertiliser manufacturer with large-scale export ability

Last year, IOF exported 130 000 tons of dry fertiliser and 180 000 tons of phosphoric acid, adding about 30% to the raw-material value Much of this went to countries in Africa

When IOFH bought the Richards Bay plant from Triomf it was a member of the UK-based IOF group. The purchase price was believed to be R105-million, but was not disclosed

Being foreign owned, it was prevented from selling fertiliser products to SA market

Foskor subsequently acquired a 30% interest in IOFH and increased it to 50% after a rights issue Foskor is reluctant to discuss the interest held by OTP.

In May 1990, SA-registered Agriland entered the domestic market after having leased the granulation plant from IOFH It had intended to take a market share of about 10%, or 200 000 tons This sparked a price war in the industry.

Two months later, Agriland announced it was to close because of lack of funds Sales already concluded through co-operatives, would be met by AECI's Kynoch Fertiliser

IOF has retained this agreement and according to Rubin da Silva, marketing manager of IOF, it sells between 40 000 and 50 000 tons a year to the domestic market through Kynoch

At the time, some fertiliser companies complained that Foskor, a supplier of raw materials, was tackling them head on by supplying the SA market with processed fertilisers They objected to a raw-material supplier entering the retail market

Foskor is reluctant to discuss its involvement in the export market or manufacture of fertiliser products, saying it would affect its international standing

Although the international fertiliser market is in the doldrums, IOF has taken the first step to more than double its international export earnings and to increase production capacity.

All that is needed is an interim government in SA That would open markets in Pakistan, Thailand, Indonesia and India," says Mr Da Silva

Belt

IOF exports to Australia and the Far East and is investigating destinations in South America and the east and west coasts of Africa

In its first move to increase its export capability, IOF has installed a R1,2-million conveyor-belt system at its Richards Bay plant It will load bulk phosphate fertiliser directly into ships

In the past, rail trucks were used to move the product from the plant to the harbour This restricted the use of large ships It was also more expensive

IOF chief executive officer Avi Milstein says "The belt means an expansion of IOF's granular fertiliser export capacity, using bigger ships to reach remote markets"

It is expected that shipments of diammonia phosphate (DAP), monoammonia phosphate (MAP) and triple super-phosphate (TSP) will be increased by about 70% from 70 000 tons a year to about 120 000 The value of sales will rise by about R56-million The level of current sales is unknown

Fall

Foskor says in its preliminary report for the year to June that the progressive lifting of sanctions will underpin a renewed export drive by the industry.

"The company has proven its capability and expertise to compete successfully"

Foskor increased sales of phosphate rock by 23% in the year Sales to domestic converters for the manufacture of phosphate products rose by 42%

Mr Da Silva says that once new markets are opened, production will be increased from 200 000 to 400 000 tons a year

The international market, however, is extremely weak and prices of major phosphate products have fallen sharply since 1991

Foskor says world sales have plunged from 47-million in 1988 to 31,5-million tons in 1991

Pharmaceutical firms outstrip industrial shares on the JSE

BDM 22/9/92 (183)

DUMA GQUBULE

PHARMACEUTICAL companies' shares have performed better than industrials since the start of the year, the sector index having gained 12% in a declining market

The thinly traded index shares, Adcock Ingram, SA Druggists and Premier Pharmaceuticals (formerly Twins), are trading on an average dividend yield of only 2,2% — one of the lowest on the JSE

Industry heavyweight Adcock Ingram was recovering from negative publicity incurred last year by subsidiary Sabax Restructured Premier Pharmaceuticals' share price trebled in the past year after better results following restructuring

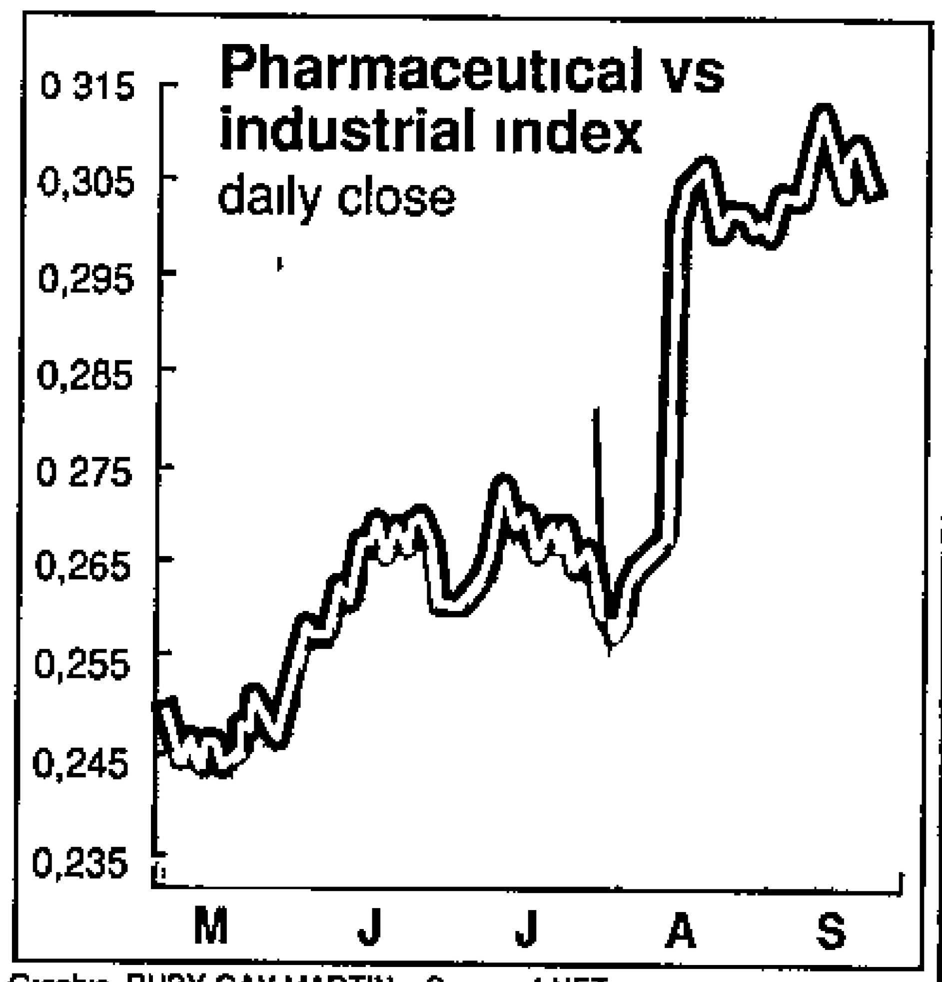
SA Druggists' (SAD's) share price was relatively stable in the past year, but a recent upward movement suggested a rerating could be on the way SAD was bought by Malbak a year ago, but most of the changes were over, said CE Peter Benningfield

Analysts say Adcock Ingram, which has increased earnings by more than 30% a year since 1985, is set for a period of modest growth in the next few years

Results for the half-year to March showed earnings a share up 18%. An analyst said full-year profit should show a similar increase. Looking ahead, he said the squeeze on consumer spending and the opening up of the local market to foreign competitors would produce less spectacular results The outlook for the Adcock share — already on a 1,5% dividend yield — was less exciting than that expected for SAD and Premier Pharmaceuticals

SAD, another analyst says, is where Premier Pharmaceuticals was two years ago in terms of restructuring If this bore fruit, its share prospects could be exciting

Premier Pharmaceuticals, he says, may see higher earnings in the medium term. Although the share has soared, the company is not at the end of re-organising



Graphic RUBY-GAY MARTIN Source I-NET

Medhold keeps position

BDM 23/9/92 ANDREW KRUMM (183)

AS STATE hospitals cut spending, medical supplies group Medhold saw turnover drop marginally to R16,5m for the year to end-June 1992 from R16,6m in the previous year

Although earnings a share came in on forecast, rising slightly to 5,6c from 5,4c in 1991, dividends a share remained unchanged at 3c.

Financial director Jasper Simon said the group offset the effect of this lower public spending on turnover by actively seeking new markets and improving its margins

"Medhold is also more broadly based as a result of four acquisitions in 1991, which reduced our reliance on the medical sector," he said Income before tax rose 16% to R1,7m from R1,47m last year as the group cut staff costs and derived post-acquisition economies.

"We are leaner in terms of people and have completed rationalisation"

However, a higher tax bill eroded most of the pre-tax gains After-tax earnings increased only 6,8% to R951 000, compared with R890 000 in 1991

"Medhold has used up the majority of previous assessable losses"

"Provided the political scene sees steady progress, earnings a share in 1993 should be no less than 6c — with good growth coming from the manufacturing division," Simon said

COMPANIES

Govt probes fuel price deregulation

BIDAY 23/9/92. (183)

NANCY KEATES

GOVERNMENT has begun investigating whether it should relinquish control over fuel prices and end a cushioned life for oil companies

If deregulation occurs, oil companies stand to lose a market free of price competition, a guaranteed refining incentive, a limit on the number of new service stations and a fixed return on assets

But the multinationals operating in SA, which include the wholly owned subsidiaries Shell SA, BP SA and Caltex SA, say government is unlikely to deregulate fully because there's no strong argument for it

And government says it is in no hurry to relinquish control because it will necessitate the restructuring of tariff protection for the synthetic fuel industry

But Engen, the one oil company operating in SA without a multinational parent, has already begun preparing for unchecked fuel prices, believing it can win in an industry shakeout

"It's just a question of timing," says Engen investment relations manager Abbas Ghani "No matter what government you have, the rest of industry will start lobbying for deregulation"

Whatever the future may hold, the multinationals have no intention of leaving SA as can be seen in the millions of rands spent increasing refining capacity in the last 12 months

The obvious benefit oil companies now receive is the lack of price competition

A less obvious benefit comes from the way government determines the price at the pump The fuel price is based on the import cost, but because the imported oil is crude, which has lower transportation costs than refined oil, the set price is higher than the actual import costs

"Since it's cheaper for the oil companies to refine the crude locally than to import petrol, there's an incentive to maintain and even expand local refineries," says National Energy Council energy division chief director Lourens van den Berg

Oil companies in SA also benefit from an agreement between themselves, service stations and government which limits the number of new retail outlets and forbids the sale of fuel below government-approved prices That ensures the profitability of retail sales, though the companies will not discuss wholesale fuel prices or detail operating costs

Government also pays the oil companies for restricting their refining output and buying synthetic fuel from Sasol

SA's oil industry has been regulated since 1946 In the 1970s, the fear that sanctions could continue to limit the supply of crude led government to invest billions of rands in synthetic fuel ventures

Deregulation now would mean the restructuring the tariff protection for Sasol and oil-from-gas producer Mossgas, both of which would probably not survive without tariff protection

Oil companies argue deregulation will be harmful to the country in other ways They say SA's inland cost of petrol at R1,52 ($0,555) a liter now is more than competitive with those of its trading partners, including Britain at $0,968 Germany at $0,90 and the US at $0,308

SA petrol now costs R0,55 a liter in 1985 prices, compared to R1,11 in 1980

Unemployment

The oil companies say government is aware that price competition will force service stations to install self-service pumps, putting the jobs of an estimated 60 000 attendants at risk •

While the current government is in no particular hurry to deregulate, all eyes are on what view will be taken by the ANC

The ANC has no stance on deregulation of fuel prices However, analysts say the ANC is likely to oppose it because of the job losses SA's unemployment rate is already above 40%

Analysts say the ANC is likely to maintain protection for Sasol, the country's most profitable listed company

All the oil companies are worried that deregulation will allow supermarkets to use petrol as a loss leader to lure customers and making up for the lost income by raising food prices

Pick 'n Pay chairman Raymond Ackerman, the country's most vocal opponent of controlled petrol prices, says his stores will not have to cross-subsidise fuel price cuts with food price increases because of the larger volume of fuel sold

But Engen, which controls an estimated 30% of the retail market through its three retail brands Engen, Trek and Sonap, says there will not be a price war because it, as the dominant player in the market, will stabilise prices

Engen, which was created when mining house Gencor bought Mobil's operation in 1989, installed price mechanisms at its service stations and restructured its marketing in preparation for deregulation

Oil companies readily admit the incentive to refine crude locally stems from regulated prices However, whatever the outcome of the deregulation debate, they say SA will remain an attractive market

Rapid urbanisation has caused the country's fuel consumption to increase an estimated 3-4% a year through the current decade, prompting all four refiners to expand capacity in the past year — AP-DJ

Loss-making Omnia to pay dividend

S Tim 23/9/92

By Stephen Cranston (183)

Despite a R4,5 million loss in the interim period to June, Omnia will be paying a dividend to be announced after the December 1 board meeting

Deputy chairman Mike Fearfield says two-thirds of fertiliser sales take place in the second half to supply the maize season

Inventories have been running high, with more than 40 000 t of fertiliser in stock. Finance costs for the period were R12,2 million (R10,8 million in the first six months of 1991)

Turnover was virtually unchanged at R167 million

Selling prices were under pressure because Sasol reduced list prices by 20 percent when it withdrew from direct selling of fertiliser, but there was a reduction in the input cost from imported raw materials, so the gross margin was constant.

Omnia has no plans to increase fertiliser capacity and plans to lift profits in the future by diversifying further into industrial chemicals and speciality explosives — it already has the licence for explosives best suited to open-cast mining

Opportunities for fertiliser sales will be available, however, if Zimbabwe and Zambia close their uneconomic capacity

Mr Fearfield says that information from the weather satellite of the international grain trader Cargill indicates that climatic conditions have begun to mormalise

An end to the drought, in combination with a government aid package to farmers, should result in a good maize-planting season, which in turn should generate strong demand for fertiliser and seeds in the second half, he says

FARM-AG FM 25/9/92

Surge of optimism

(183)

When Farm-ag last reported results, it was over-borrowed and making losses Yet the share has been the JSE's fourth best performer this year, the price has more than doubled in the past nine months and is trading at a 12-month high of 650c Because of a change in year-end, preliminary results due within a fortnight will cover the 18-months to end-August Significant changes have occurred during the period

Interests in Bearing Man, Union Drug and Pumptrade have been sold and financial director Richard McElligott says two of the three remaining investments, Hacks and Harvest Chemicals, will be sold too All that remains is 50%-held Sanachem, which was sold two years ago to Sentrachem with the effective date of sale February 1995 At that point Farm-ag will become a cash shell

Assets sales have enabled substantial reduction in gearing, which was 174% in 1991 Financing costs were further reduced by conversion of R14m debt into preference shares Interest-bearing debt now totals R20m, against R139m in November 1989

Export sales growing

Sanachem's after tax profit for the year to February totalled R20,8m (1991 R5,2m) and exports sales reached R88m McElligott says the aim is to double the export figure in fiscal 1993 Half the profit and a minimum dividend income of 17,5% of Sanachem's taxed profit will accrue to Farm-ag

The last published results, interims for the six months to end-August 1991, showed a loss of 28,1c a share The price was then 180c Since then, it has climbed steadily, mostly on low-volume sales Rale Holdings, which has 67% of Farm-ag, has performed similarly

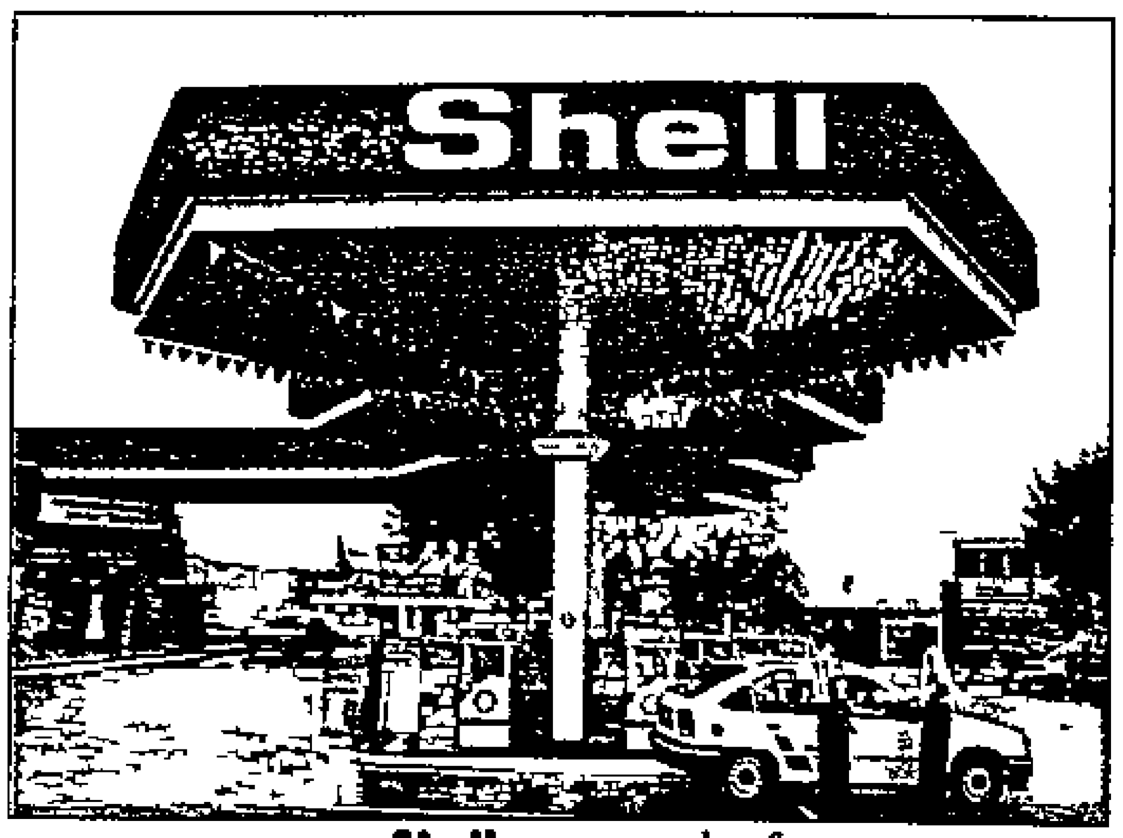
Some investors have been taking an increasingly bullish view, apparently on the anticipated 1995 payout, though results were last published in December 1991 *Kate Rushton*

Foreseeing a disaster, or a new government

During the Seventies, when oil was selling for US$27 a barrel, Arie de Geus asked his line managers at Royal Dutch Shell to play along with a little game What would you do, he asked, if the price fell to $15 a barrel? The idea seemed preposterous After all, they were planning for the days of $35 a barrel But to humour De Geus, they discussed the unlikely scenario

Needless to say, when the oil price crashed to $9, Shell was prepared

Rather than relying on a forecast, which is as good as relying on a crystal ball, scenario planning attempts to outline all the likely social, economic and political outcomes And with SA's volatile environment on those scores, it's no wonder that scenario planning and its sibling, business continuity planning, have caught on here



Shell, *ready for any scenario*

Paul Aucamp, business strategy practice leader at the Business Futures Group, explains the difference between forecasts and scenarios "Forecasts are extrapolations of the past Scenarios remove the tendency to attempt to walk backwards into the future "

The biggest drawback to using scenarios is that designing them and estimating their probability is time consuming Also, scenarios tend to reflect their designers' wishful thinking or subjectivity

But the big advantage of scenario planning is that it makes people consider possibilities that they would otherwise shrug off "If the unexpected happens, you're better off than your competitor who never even discussed the scenario," says First National Bank's Andrew Lumsden

Business Futures Group's Michael Olivier believes there are three pillars on which any scenario in SA depends the political process, violence and the state of the economy Though each factor exerts its own influence, the interplay between them exerts an equally powerful force

Olivier has developed a range of scenarios based on various combinations of the three factors For instance, he matches up a democratic outcome of political negotiations and decreased violence against the effects of a market-driven, a mixed or a socialist economy By changing one of the variables, other scenarios emerge And, for each one, businesses can plan accordingly

Yet the point of the exercise is not the scenario itself but the broadening of top management's vision Scenarios are better used "to highlight critical issues and to identify the environment's driving forces than to forecast the future," says Absa strategist Clive Brummer

While scenario planners are trying to figure out how to grow the business whatever the future brings, business continuity planners are suggesting ways to keep the business up and running when disaster strikes Though business continuity planning also uses scenarios, the chief difference between the two disciplines is that one plans for new and expanded business opportunities while the other safeguards against losing existing ones There is, however, some overlap

"In the mining industry, for instance," says Nigel Hendrikz, of Business Continuity Management, "we recognise the value to a company of R&D at a time when money is tight The point is that part of its survival strategy is to be ready and positioned for action when the upturn comes "

Trade & Industry and Finance Minister Derek Keys told a similar story recently When he set up his own part-time financial consultancy in 1965, his first client — a manufacturer of agricultural machinery and equipment — had been hard hit by the worst drought in more than 30 years "I have based a 27-year career on the fact that as a financial consultant, I gave my client the courage to plan for the upturn " The company rationalised and restructured — in time to reap the benefits when the rain came

When it comes to continuity planning, run-of-the-mill disasters such as floods and fire come to mind immediately, planning for less obvious ones is harder Therefore, an important part of any investigation begins with a study of an enterprise's most vulnerable spots

Nevertheless, "identifying the cause of a potential problem is not enough, you have to look at its effects," adds Hendrikz, whose company works with a methodology relied upon by many UK- and US-based multinationals

The process involves looking at a business's entire product line, identifying which is the most important — and therefore the most vulnerable — and formulating a "Plan B" in the event of a disaster The art is to anticipate not only what might go wrong, but also where, when and how

Hendrikz stresses that business continuity planning concentrates not on short-term losses of profits, but on the longer view of providing for contingencies when an enterprise's continued existence is threatened

In the motor industry, for example, he explains that at a typical plant that produces, say, 10 models, it is most probable that three or four of these are responsible for about 70% of income These lines are therefore the ones that should receive special attention

Another area of vulnerability might be the spraying of vehicle bodies because it represents a critical phase in the production process — no further work can take place until a painted body is delivered to the production line The sprayers are thus in a position of power One way to make the rest of the plant less vulnerable might be to make paint spraying an autonomous division, which could then contractually bind itself to production quotas The failure to meet quotas would be reflected in workers' pay packets

"Disasters are not always government's problem," he says, "and it cannot be held responsible for an individual business's ability to remain in business when disaster strikes The current recession is an example, so are the widespread strikes of the past few months — businessmen have to take the initiative to see that they remain in business across the stoppages "

Fedgas acts on demand for nitrogen

S Times (Cape Metro) 27/9/92 (183)

MOBILE nitrogen gas generators have been introduced to the Western Cape by the Fedgas gas applications customer services department.

This is in response to one-off demands for nitrogen in applications such as silo fire-fighting, pressure testing and inert blanketing

One of the first applications for the mobile gas generator was providing nitrogen for the controlled atmosphere packing and storage of apples for export at Elfcor in Elgin.

"The mobile plant is specially designed to provide cost-effective solutions to problems where short-term gas supplies are required at short notice or in response to emergency situations," said Fedgas gas applications department manager Mike Bee

"This particular unit represents an investment of more than R1-million and it is providing solutions to difficult gas supply logistics problems, particularly in situations where there is urgency."

The gas generator plant, which has a nominal capacity of five tons a day, can also be used in a host of applications where nitrogen in purities ranging between 93 and 99 percent is required over the short term

Other services provided by the customer services department include consultancy on installations and equipment from concept and design to commissioning, and the supply of locally manufactured gas control systems and ancillary equipment.

The equipment includes liquid nitrogen tunnel freezers, batch freezers and in-transit refrigeration units, oxy-fuel burner and control systems, and gas mixing panels for heat treatment and welding

"In providing equipment and know-how for the solving of one-off problems, the mobile gas generator has considerably boosted our capabilities and flexibility in this important customer services area," said Mr Bee

Fedgas is also offering Western Cape industry a nitrogen testing and purging service to companies which either commission new chemical and process plant or performing shutdown maintenance work.

In similar contracts it has supplied and installed liquid nitrogen tanks and vaporisers for AECI and SA Breweries in other parts of the country

Both companies carried out plant extensions and required high purity nitrogen for pressure testing and purging programmes

Fedgas is able to supply temporary installations and tanks with storage capacities ranging from 110 to 22 000 cubic metres of nitrogen

Depressed economy not expected to floor Safren

Bloomy 28/9/92 183

LINDA ENSOR

CAPE TOWN — The economy would probably remain depressed throughout the next 12 months but Safren expected to achieve "acceptable" earnings in the year to end-June 1993, deputy chairman and CE Buddy Hawton said in the group's annual report.

He noted that uncertainty over the political future, violence and disruption were creating severe difficulties for business

Chairman Alistair MacMillan said "It will be extremely difficult to achieve a satisfactory growth rate until such time as an acceptable political and economic framework is in place"

The slowdown in negotiations had exacerbated the recessionary conditions and MacMillan emphasised the importance of all parties realising that without wealth creation there would be no wealth to distribute

Safmarine's shipping activities were expected to experience difficult trading conditions as a result of the continuing recession in SA and the lack of growth in world economies

The company was nevertheless well placed to take advantage of increased cargo volumes when local and international economies entered their next growth phase, he said

Safmarine's interest in airfreight through Safair was expected to grow and take advantage of the opportunities arising in sub-Saharan Africa

Regarding Kersaf, Hawton said the initial months of the new financial year had shown no respite from difficult trading conditions

However, if trading conditions did not deteriorate further, acceptable earnings should be achieved this year, especially as Kersaf's major new developments would be completed by December

Hawton hit out at "the seeming inability of the authorities to counter effectively the many casino establishments now operating throughout SA" and said the expansion of unregulated gaming was seriously undermining the casino industry

Rennies would benefit this year from the imports of food for drought-stricken southern Africa

Hawton said improved efficiencies, further rationalisation and an emphasis on cost management would contribute to the results

"Rennies Group's strong balance sheet provides it with a basis for further investment opportunities," Hawton said

The Safren group as a whole had cash resources of R418m

Safren had authorised capital expenditure of R44m for the next few years, in addition to the R1,2bn spent last year Safmarine would spend R323m this year on ships, containers and aircraft, while hotel resorts would be refurbished

Last year Safmarine spent R326m on a container ship, the Oranje, and expected to take delivery of three more ships in the coming year Kersaf spent R320m on The Carousel and R830m on The Palace and Lost City last year

Hawton said Safren's balance sheet remained sound with total shareholders' funds increasing by about 31% to R665,8m

The debt to equity ratio of 26% was in line with expectations, though higher than last year

Fixed assets had increased by R1 077m, financed by a combination of fresh capital, retention of earnings, and increased borrowings

Returns on operating assets slipped to 27,2% (34,2%), on total shareholders' funds to 26,4% (31%) and on ordinary shareholders' funds to 26,5% (29,2%)

Household name for 100 years

STAR 29/9/92

Coating is the name of the game for Plascon, from beer cans to bodies of vehicles. (183)

There cannot be too many South Africans who are unfamiliar with the name Plascon But, then again, not too many are aware that this company, whose products are literally a household name, is more than a century old and today is one of the large international players in the coatings market in a national sense

Plascon is involved in virtually every coating activity While its international competitors tend to specialise, it is highly diversified, in keeping with the needs of the SA market

Take beer can coating for example That's a Plascon product Also bottle-top coatings, furniture, leather, cars, aircraft and ships coatings

Then there are paper coatings, powdered coatings for household appliances, industrial finishes for everything from wheelbarrows to Sasol's hi-tech petro chemical plants

The job these coatings are called upon to do is tremendously demanding Consider the coating on a car body for example That 150 microns of coating is expected to protect the car's body against all weather conditions for up to 30 years!

In the public eye, however, Plascon is synonymous with decorative coatings – products like Double Velvet, Wall and All, Micatex, and Velvaglo

Plascon dominates this market, with about 60 percent of sales

But Plascon is not sitting on its proverbial laurels Plascon's managing director Neville Peterson describes with enthusiasm the fact that the company's factories are being modernised

Last year this involved capital expenditure of about R20 million and this year there will be another R12 million investment As part of this programme the Johannesburg Decorative factory has been expanded to produce 3 million litres a month of decorative coatings

Moreover an export strategy has been implemented and exports grew exponentially by about 200 percentat the last count

Neville Petersen, Plascon Paints' managing director.

Plascon believes its "natural" market is Africa and is already involved in countries such as Zaire, Zimbabwe, Mauritius and Angola

One thing to emerge from these forays into the export market is the fact that technology and quality wise, Plascon can compare very well with its international counterparts

"South Africans tend to have an inferiority complex about themselves but the fact is that we have the technology and the expertise in this part of the world to accomplish some amazing things," Mr Peterson says.

The technology the company deploys is a mix of homegrown and international – Plascon holds licences from some of the world's major chemical giants, thelikes of Du Pont, Hoechst, BASF, Vaspar, Dexters, Courtaulds of the UK – and a Japanse licence

As for local R&D, Plascon employs a staggering 267 technologists and as a result the company has a very strong technology base

One of the latest examples of Plascon's commitment to development is the new Dampseal by Polyfilla, (yes that too is a Plascon product) which removes damp problems

The company is also getting involved in the social responsibility area An exciting new development by Plason and the CSIR is a cardboard house coated with weather resistant insulating resins, which is ideal for squatter communities

Even on the ecological front Plascon is demonstrating social awareness with a new range of water-based paints (as opposed to ecologically damaging solvent based one) for can and car coatings These are due to become a reality shortly and water-based enamels are also due to make their appearance

Many will no doubt recall that the company was the first to introduce totally lead and toxin free paint for nurseries – remember the scare there was once about babies eating lead coated paints on their cots?

Then there was the introduction of non-drip Velvaglo and Wall and All, the first paint in SA to contain Teflon to which no dirt will stick (just like your Teflon frying pan)

Over the years the company has proved it can meet the expectations of the market but its success has also been due to its support for its retail distributors

"We give our distributors every encouragement and support and we don't compete with them They are our interface with the buying public and they get the back-up they deserve," says Mr Peterson

And so the Plascon saga continues to unfold It's a story of a company with its roots deep in Africa and equally deeply rooted in the psyche of South Africans themselves Indeed the kind of characteristics that will ensure that Plascon is around for the next 100 years

For further information, please contact Plascon at (011) 616 1850

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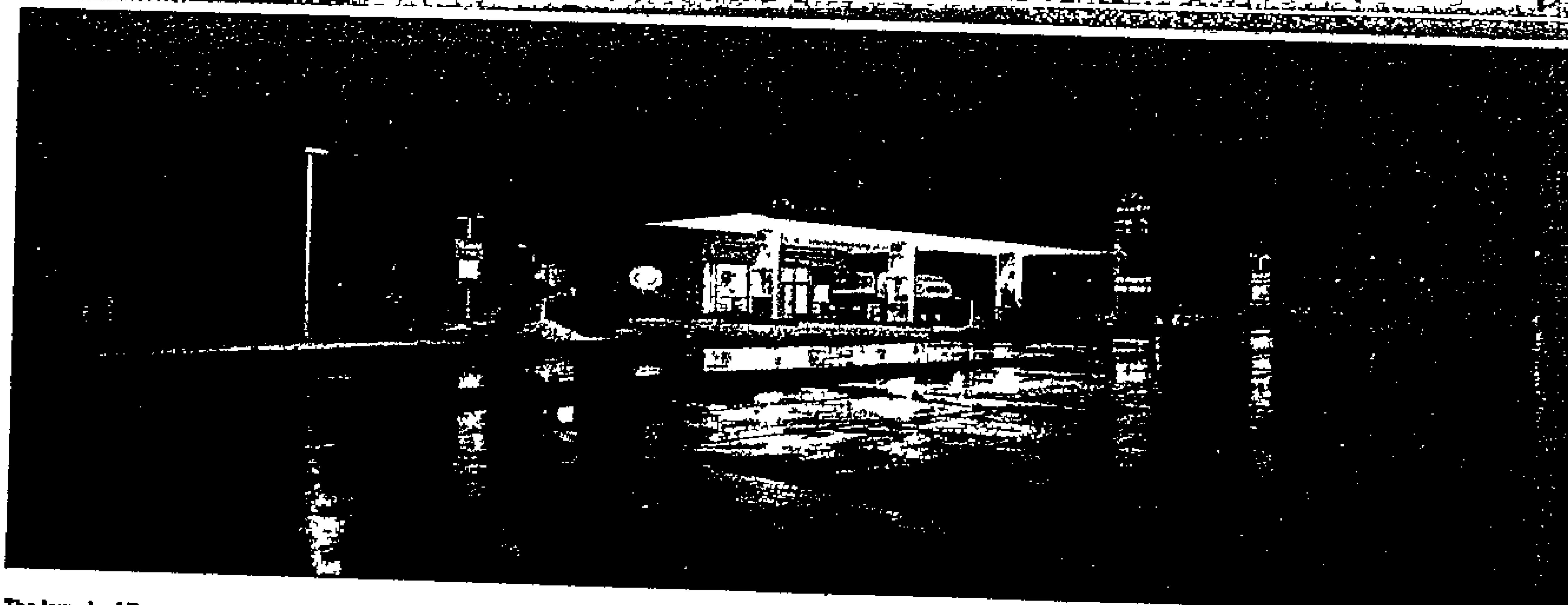


The launch of Engen – the brand replacing Mobil in 1 000 service stations countrywide – has already made its mark in the competitive petro-chemical market in southern Africa

Voting with their vehicles

Punitive measures in the US forced Mobil Corporation to pull out of SA But a deal reached with Gencor in 1989 paved the way for the creation of southern Africa's first, and only, locally owned energy giant, Engen.

183

STAR 29/9/92.

The new Engen test service stations are earning overwhelming consumer approval Recently released results of an independent survey show that consumers have been attracted by the 16 sites erected to test public opinion, and this support has been translated into growing sales volumes at southern Africa's newest fuel outlets

The launch of Engen – the brand developed to replace Mobil in 1 000 service stations countrywide – has already made its mark in the competitive petro-chemical market in southern Africa.

The formation of Engen, and the introduction of its new brand, was made possible by the decision in 1988/9 of Mobil Corporation – pressured by double taxation penalties and other punitive measures in the US – to cease operations in SA and seek a buyer for its local subsidiary

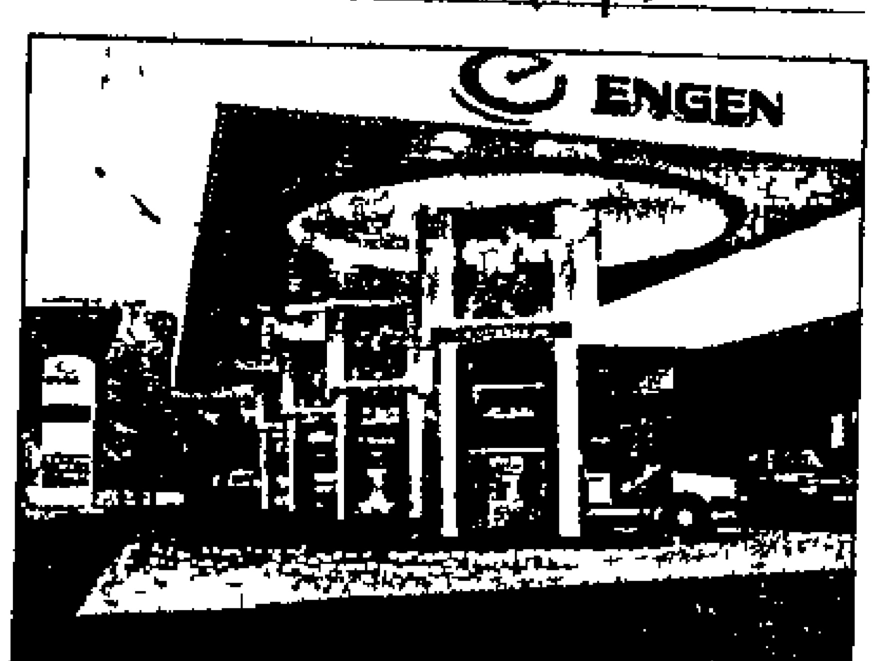
The former parent company decided to pull out just months before President F W de Klerk unveiled his new thinking from which came the dramatic political changes of 1990 A deal was reached with mining finance house Gencor in 1989, which paved the way for the creation of southern Africa's first, and only, locally owned energy giant

Listed on the JSE in May 1990, Engen Limited has performed consistently above expectations, and in 1991 returned an operating income of R379 million, up 17,3 percent on the previous year Net income showed a 34 percent increase over the 1990 proforma figures Also in 1991, the group and its chairman, Bernard Smith, were awarded "Business Day's" prestigious 1991 "Business Achievement Award" Engen was named top performer in the Sankorp stable in the same year

"Local management has sharply accelerated the company's performance In terms of the political and economic climate, it is absolutely the right time now for the introduction of an exciting, forward-looking new player in the market place, before the end of our licensed entitlement to the Mobil brand expires in 1994," according to MD Barry Jordan

The main conversion programme will shortly be under way by which time all the necessary planning at each site will have been completed, enabling work teams to undertake the full transformation of each site at about a week per site A number of dedicated teams will work throughout the country and complete the conversion of all service stations to the new image by June 1994

"The new brand will enjoy significant advantages over its competitors Being a key part of a locally driven, but transnational, group with extensive interests across the full spectrum of the energy industry, we can now draw on technology, investment capital, and expertise from anywhere in the world, and are not limited, as we once were in the Mobil family, to a single source in these vital aspects of our business



News of Mobil's growth into the new Engen identity has been well received by customers

"This flexibility, combined with our African pedigree and international standing, means that the new brand enjoys the best of both worlds."

He said "Free of restrictive foreign ownership, Engen has repaid consumer loyalty by confidently undertaking major investments in SA. Phase One of our refinery expansion – at a cost of R670 million – is complete, and we have spent R100 million to upgrade our lube oil blend plant to be the most sophisticated in Africa.

"Established in southern Africa in 1897 as Vacuum Oil, Engen, through its Mobil origins is the oldest energy company in the sub-continent. Over that period, our corporate and retail identities have changed a number of times to take advantage of new developments in Africa's dynamic and growing industrial and commercial markets

"Engen's new brand identity recalls this history We have retained our traditional red, white and blue colours, but in a totally fresh concept, combined with the most modern technology, processes and products on offer anywhere in the world The new brand will be the vanguard of our marketing drive into and beyond the year 2000," said Mr Jordan

Engen identifies powerfully with the ethos of the New SA, and, aided by prompt local decision-taking, sees itself succeeding strongly with exports to countries in our region.

Mr Jordan said that the new brand would aim for "nothing less than market eminence", consistent with the group's objective of developing a "robust and resilient, fully integrated oil and energy business through the achievement of real growth"

He said that the company would aggressively position itself at the profitable end of the retail market, and would continue to stream new service stations, with an emphasis on its prestige outlets ("1-Stops") on major routes Existing "1-Stops" will be re-imaged over the coming months

"In terms of quality, service, people, and business ethics, we will proudly uphold the standards our company has achieved over nearly 100 years

"We will extend our long-standing commitment to "total quality" in every facet of the business chain manufacturing distribution, consumer care and service We will also maintain our pro-active and well known involvement in broader community affairs, such as our multimillion-rand support of the Energos Foundation (formerly the Mobil Foundation)," he said

Already, the news of Mobil's growth into the new Engen identity has been well received by customers the company's principal business stakeholders, and a cross section of opinion formers It is felt widely that this development is a natural progression in a trading environment undergoing considerable transformation

Bulk consumers, mainly industry and transport, are already well acquainted with the name-change through Engen's continuing programme of low-key but widely informative announcements through the trade press Corporate advertising, aimed at the wider fuel and lubes market has also started, focusing initially on the attributes of the Engen group

The industrialcampaign placed great emphasis on Engen's capacity for innovation, quality control, attention to local problems, and access to foreign technology, regardless of source – a strong asset not possible while the company was confined within the US-based Mobil organisation

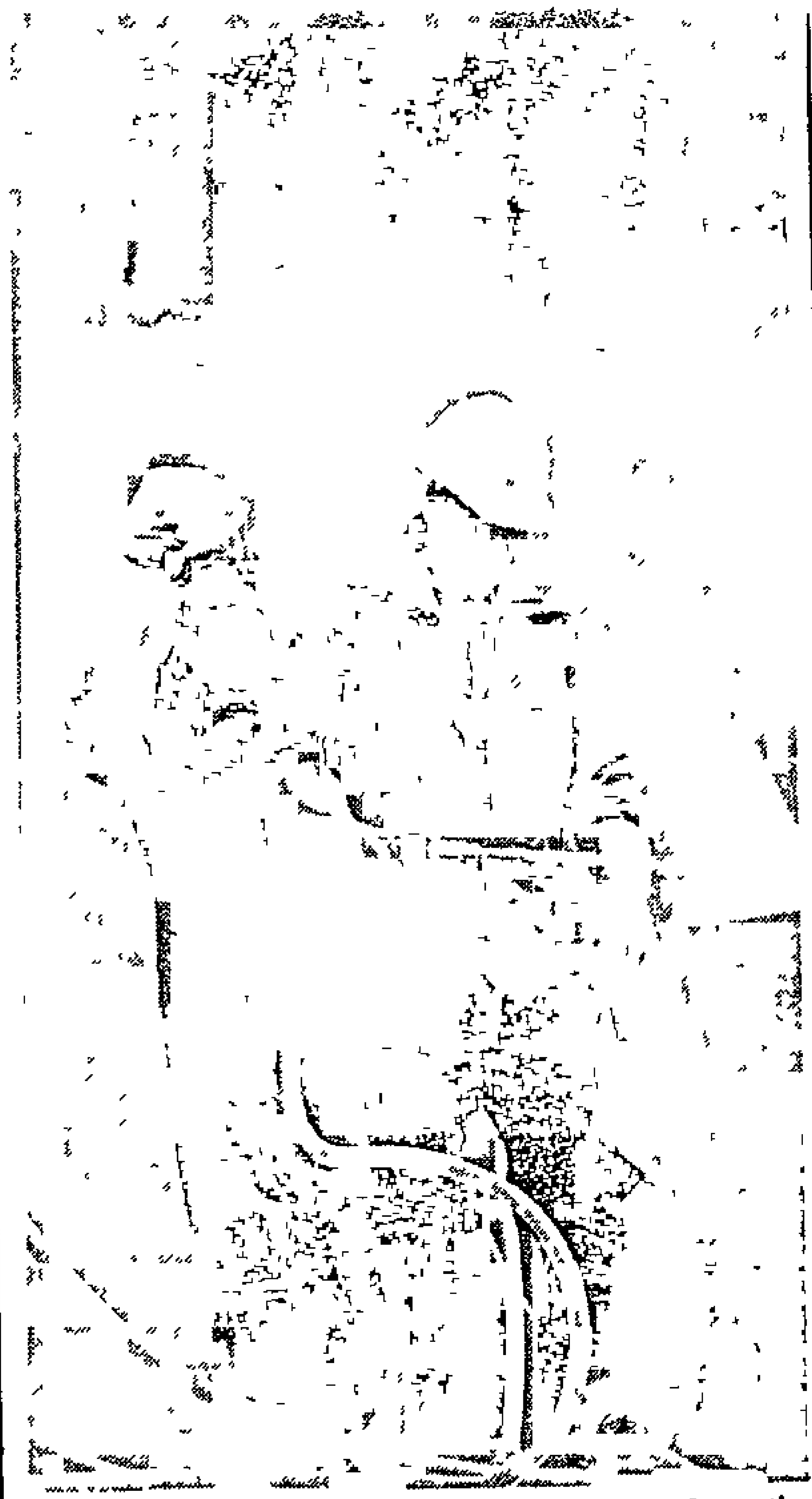
"For the Engen people – staff and dealers – the new brand is symbolic of our confidence, optimism, and timely preparedness for a new future," said Mr Jordan

Commissioned to ascertain public reaction to its test site programme, Research Survey's analysis demonstrates that the company's innovative new service stations have captured public attention

"Consumers are in favour of the new Engen retail image

"The overall look of the new service stations in the survey achieved a mean score rating of 8,8, which is well above Research Survey's norm for a successful launch," says PR manager Gareth Griffiths, adding that 800 interviews were conducted."

For further information please telephone KERRY CAPSTICK-DALE (021)26 1233



Workers in protective gear yesterday cleaned up the Midrand chemical storage facility where toxic substances spilled when a fire gutted it 10 days ago. Picture ROBERT BOTHA

Council says Midrand site should be avoided

30/9/92

STEPHANE BOTHMA

AIR toxicity tests were being carried out every hour at the Midrand site where a fire destroyed a chemicals storage facility 10 days ago, following a warning by the town council that the area should be avoided

About 72 chemical substances — including sulphur dioxide, cyanides and petro-hydrocarbons — had leaked from ruptured or melted containers during the fire at the warehouse, Rhone-Poulenc Animal Health and Chemical company spokesman Simon Grimbeek said yesterday

However, all tests, including those of water in the area had been negative, he said Extensive tests of employees had also proved negative

Several companies in the adjacent Constantia Park complex had evacuated the area while specialist industrial and toxic waste disposal company Waste-Tech was cleaning up the site

Constantia Park occupants had started complaining about nausea, headaches, dizziness, bloody urine and bleeding gums last week

The Midrand Town Council yesterday advised that the area next to the Rhone-Poulenc site should be avoided until tomorrow

The council told occupants of adjacent buildings that air conditioning systems should be thoroughly cleared by qualified contractors

Remains of the buildings on the property — also severly contaminated — would be completely demolished

The chemicals and the rubble were being transported in specialised vehicles and disposed of at Waste-Tech's landfill designed for hazardous wastes at Rietfontien

"Some chemicals, because of their high levels of toxicity, will be encapsulated in concrete and buried," Waste-Tech MD Ken Bromfield said

Waste-Tech employees on the site were being checked at regular intervals, he said.

Isotec probe shows drip contamination

(183) KATHRYN STRACHAN

ISOTEC Nutrition yesterday admitted its investigations had found bacterial contamination in drips which allegedly caused the deaths of seven babies last week.

Isotec MD Iain Rosekilly said the results of independent laboratory testing, commissioned by the company, were released yesterday. Three intravenous solutions were contaminated, he said. BIDAY 30/9/92.

Investigations are being conducted by the SA Institute of Medical Research and the Medicines Control Council, as well as researchers abroad, to find the exact cause of the contamination. The preliminary results of these tests will be available today.

Isotec buys some of the ingredients for the solutions from Sabax, the company which supplied drips given to 13 babies who died in 1990.

Rosekilly said that due to the highly complex nature of the solutions, a sterilisation process of the final product could not be performed.

The components therefore had to be mixed in a totally isolated sterile environment and sealed prior to distribution, he said.

"This is not a generally prescribed intravenous solution," said Rosekilly. "They are in fact highly specialised solutions which are usually only prescribed and administered to patients who are already critically ill."

Meanwhile, two babies who were given intravenous feeding last week are still in intensive care. A Johannesburg General Hospital spokesman said 19-day-old Louise Bender was still in a critical condition, but the condition of the baby at Park Lane Clinic had improved.

35 hurt as police open fire on Ratanda march

BIDAY 30/9/92

RAY HARTLEY

AT LEAST 35 residents of Ratanda township near Heidelberg were injured — two seriously — when police opened fire on protesters at Ratanda police station yesterday, ANC PWV spokesman Ronnie Mamoepa said.

The residents marched to the police station to demand demolition of the Ratanda Hostel from which a grenade attack, in which one person was killed and others were injured, was allegedly launched on Monday.

Ten protesters were arrested during the demonstration, he said.

Ratanda Hostel is believed to be among 15 hostels targeted by government and ANC negotiators for fencing by mid-November.

The ANC called for urgent security measures to be implemented at the hostel "to prevent further flare-ups in the area".

But the call to fence hostels has elicited furious protests from Transvaal hostel residents, with one threatening "bloodshed" if such a move is attempted, reports THEO RAWANA.

President F W de Klerk and ANC president Nelson Mandela agreed at their meeting on violence that hostels would be "adequately fenced" and that there would be security patrols and a police presence outside the hostels.

But East Rand Hostel Residents' Association chairman Zakhele Mlambo said De Klerk and Mandela should first explain why hostels should be fenced.

"It is not acceptable, because governmen[t] took a decision without the hostels' leadership. It is not going to happen — there will only be bloodshed if it is attempted," said Mlambo.

While Mandela said hostels were sources o[f] violence, hostel dwellers saw Umkhonto we Sizwe at its root, he said.

Transvaal Hostel Residents' Association chairman Joe Kubheka said his organisation was surprised at the agreement on hostels. It would meet today to decide what to do.

"We are going to react strongly," he said. "Even National Housing Minister Leon Wessels recommended to the Goldstone commission that hostels should not be fenced."

Meanwhile, Sapa reports that four people were killed on Monday night at Chicken Farm squatter camp near Kliptown, Soweto.

Khabisi Mosunkuthu of the Soweto Civic Association said yesterday the four were shot and hacked in separate attacks.

"Residents managed to apprehend seven of the attackers, but three escaped later," he said. The suspects were handed over to police.

In Umlazi's G section, Durban, Gabriella Dlamini was found shot in the head late on Monday night. The body of an unidentified man was found in Umlazi's T section yesterday.

Hospital staff alarmed by murder of doctor

BIDAY 30/9/92

KATHRYN STRACHAN

STAFF at Baragwanath Hospital in Soweto were deeply shocked and upset at the killing of a German doctor on his way home from the hospital, sources at the hospital said.

Dr Stephan Walter, 29, was shot by unknown gunmen after leaving work on Monday evening. He was found unconscious at the turnoff on the M1 North, close to Baragwanath, and was taken to hospital. He died without regaining consciousness.

Walter came to SA from Munich in January to work at Baragwanath.

Baragwanath Hospital spokesman Annette Clear said the killing had not only shocked those close to Walter, but had left a feeling of fear and uncertainty that could be sensed throughout the hospital.

It was also possible that the attack would turn away doctors and nurses who might otherwise have applied for jobs at the hospital, she said.

"All staff members fear for their safety wherever they go," said Clear, adding that the attack had intensified that fear.

"This hospital has been through a trying time in the past few months with the strike and the violence, and this has only made it worse," she said.

Clear said Walter was shot on a road which many of the staff used as a short-cut through the township.

Hospital superintendent Chris van den Heever appealed to staff members yesterday not to go into areas about which they had any doubts.

Train boycott looms in PWV

BIDAY 30/9/92

RAY HARTLEY

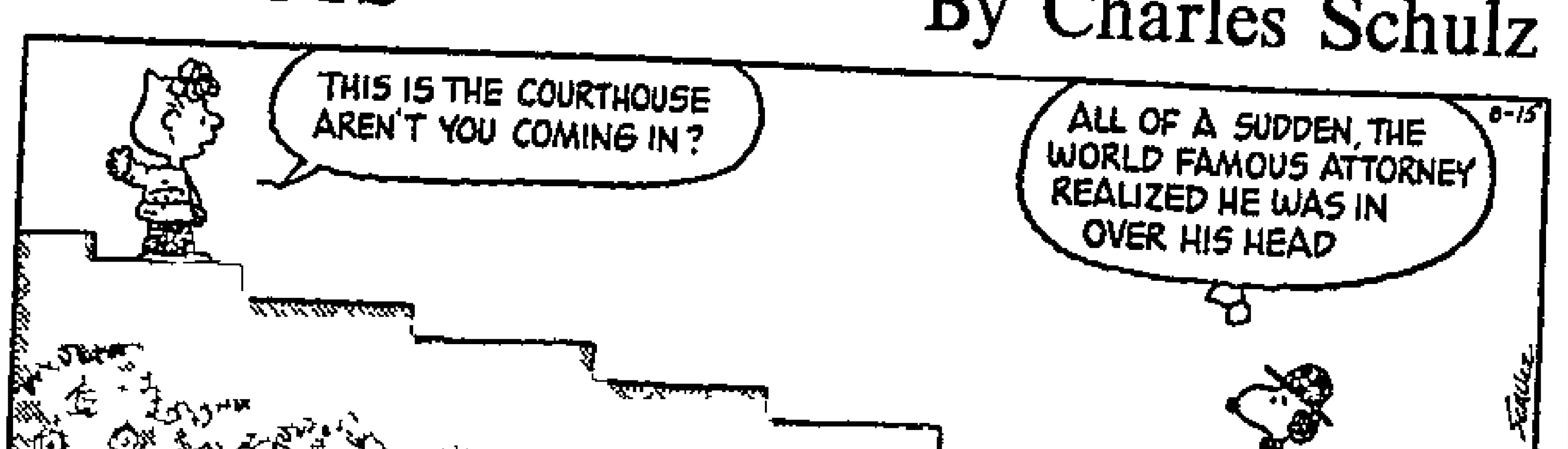
ANC-aligned organisations in the PWV have agreed in principle to boycott commuter trains because of the failure of police and SA Rail and Commuter Corporation to implement agreements.

The decision was taken at a PWV Action Council meeting which included representatives of Cosatu, the SACP and the ANC, but would have to be vetted by individual organisations before it was implemented, ANC PWV spokesman Ronnie Mamoepa said.

He said it was unacceptable that a new rail guard would only come into operation in April 1993 instead of the end of the year.

PEANUTS

By Charles Schulz



Toxic factory a no-go area

STAR 30/9/92. (183)

By Charmeela Bhagowat and Julienne du Toit

The Midrand Town Council has advised residents to avoid the area around the Rhone-Poulenc chemical factory — which burnt down 10 days ago — until tomorrow, when toxic debris from the site would be completely removed.

The decision was made at an urgent meeting between the Midrand Town Council, Rhone-Poulenc and Waste-Tech — the disposal company hired to remove the toxic rubble — after a second inspection of the site

The town council said occupants of air-conditioned buildings next to the factory should have their systems and ducts cleaned by qualified contractors to ensure removal of all trace of chemicals.

The council said 70 percent of the toxic waste had been removed by midday yesterday and the operation would be complete by late tomorrow

"Tests have been conducted at regular intervals since Thursday last week for sulphur dioxide, halogenated hydrocarbons and cyanides The council is aware that organophosphates are on site," said the council

Waste-Tech said the clean-up operation of the 50 chemicals which "pose a health hazard to residents and offices in the area" would take up to two weeks.

In a statement, the company said the rubble at the factory was "severely contaminated" and because of the "high level of danger, all staff working on the site had been supplied with protective clothing and gas masks"

Meanwhile, three companies from Midrand's Constantia Park complex, next to Rhone-Poulenc, have moved their staff to other premises after some employees displayed disturbing symptoms.

Constantia Park owner Felix Meyburgh has hired a private research company to conduct tests in the area.

Mr Meyburgh engaged Protechnik on Friday after a number of employees in the complex began complaining of itchy skin, blocked noses, severe headaches, nausea, diarrhoea and burning eyes.

Protechnik research and development manager Dr Phillip Coleman said organophosphates were used in pesticides and could be lethal in large enough quantities

Businessmen who moved their staff said repeated requests to the Midrand Town Council for more information about the polluting chemicals were unfruitful

The owner of Stream Computer Service and Cablecom, Bob Sugrue, said the attitude of the council — which has hired a public relations company to deal with the crisis — had been "cavalier"

"They refuse to tell us what is happening. They are risking our lives because of their ignorance," said Mr Sugrue, who has moved his staff into his home

Movie World producer Paul Raleigh and Panorama Sound manager Sandra Bezuidenhout said they would both be sending their staff home.

Death drips were infected, tests show

Star 30/9/92. (183)

By Monica Oosterbroek

Tests have proved that the intravenous drips given to the seven babies who died in Johannesburg last week were contaminated

Four babies died of septicaemia at J G Strijdom Hospital, two at Johannesburg Hospital and one at Park Lane Clinic after they were put on drips supplied by Isotec Nutrition

A baby girl is still critically ill in Johannesburg Hospital

Isotec managing director Iain Rosekilly confirmed yesterday that the results of intensive microbiological tests had shown the drips had been contaminated by bacteria

These initial results were only the first phase of a thorough and intensive investigation being conducted by Isotec, Lancet Laboratories, the South African Institute of Medical Research and Sabax — the company which supplied all the drip components, according to Mr Rosekilly.

Each component in the drip would now be tested to find out exactly how the drips were infected, he added

Mr Rosekilly said there was no reason for pregnant women to panic because the highly specialised solution, Total Parenteral Nutrition, was prescribed. and administered only to newborn babies who were already critically ill

The solution provided life-sustaining nutrients vital for premature babies who would otherwise die, Mr Rosekilly said.

Any baby put on the drip was first closely examined by a paediatrician before a doctor issued a prescription

"Due to the highly complex nature of these solutions, a terminal sterilisation process cannot be performed on these products. Therefore, the components are mixed in a totally isolated, sterile environment and sealed prior to distribution to the patient," he said

Since November last year more than 10 000 units have been supplied by Isotec Nutrition based on doctors' prescriptions.

Blazing chemicals poison 19 firemen

B/DAY 1/10/92 (183)

NINETEEN firemen of the Midrand and Sandton fire departments were admitted to hospital with chemical poisoning last week after fighting a fire that destroyed the Rhone-Poulenc chemical factory in Midrand.

Boksburg fire chief Nick Swanepoel confirmed yesterday the firemen were being monitored after symptoms of vomiting and headaches re-occurred after an average three-day hospital treatment for organo-phosphate poisoning New blood tests were being done.

The firemen had been poisoned despite wearing full protective clothing, he said.

Swanepoel investigated the factory premises yesterday with the Johannesburg and Roodepoort fire chiefs, brothers Ronnie and Allan Cloete They were instructed to do so in terms of the Fire Services Act by TPA community development deputy director-general Len Dekker A report will be issued next week

Swanepoel claimed Rhone-Poulenc supplied insufficient information to the fire departments about the presence of dangerous chemicals and their likely effect on the environment when fire fighters arrived at the scene

Two officials from the Department of National Health and Population Development were appointed to probe the incident, and attended yesterday's investigation

Other government departments, including Water Affairs and Environment, had visited the site "and the situation there now seems to be under control", Swanepoel added.

Rhone-Poulenc MD Simon Grimbeek yesterday denied allegations he had withheld information on the chemicals present in the factory, saying he had personally supplied a list of products to the Midrand deputy fire chief at a meeting on Tuesday

B/DAY 1/10/92

He said Midrand residents would be invited to inspect the site, from where all chemical debris had been cleared by yesterday afternoon — Sapa

ANC blamed for release of Malaza

B/DAY 1/10/92

RAY HARTLEY

CORRECTIONAL Services yesterday accused the ANC of putting gangster Lucky Malaza's name on a list of political prisoners whose release was agreed at the weekend summit

Malaza, who was jailed after killing a policeman in a bank robbery, was released at the weekend after posing as a necklace killer.

A Correctional Services spokesman said the ANC had originally submitted a list of 1 292 names, including that of Malaza, for consideration for release as political prisoners

The spokesman was unable to say what checks had been made of the ANC list after meetings between the Human Rights Commission and the department, to "audit" claims to political prisoner status, were broken off last year An announcement by senior government officials on the release of political prisoners is expected today.

Correctional Services spent yesterday in discussions with legal advisers on how to resolve the crisis, which has soured the goodwill generated by the weekend summit

ANC spokesman Gill Marcus said a final list of about 500 names was drawn up jointly by the HRC, ANC regions and the prisons service.

It has been established that 21 of the 148 prisoners released at the weekend were placed on the list by the ANC and Correctional Services, while the remaining 127 were supplied by the HRC.

Marcus said she did not have time to comment on allegations made by Correctional Services that Malaza had been placed on the list by the ANC.

Sapa reports that a Correctional Services spokesman said Malaza could not be summarily re-arrested as he had been released unconditionally

Meanwhile, ANC spokesman Carl Niehaus yesterday retracted a statement he made earlier in a Radio 702 interview that the SA Police had manipulated a "Mr Lagordier" into targeting Magoo's Bar for the 1986 bombing for which recently released Robert McBride was jailed.

A brief ANC statement said Niehaus regretted "the incorrect statement made regarding Mr Lagordier, colleague of Robert McBride, and apologises for any inconvenience, embarrassment or misunderstanding caused"

Police spokesman Maj-Gen Leon Mellet earlier rejected Niehaus's suggestion that security police were linked to the bombing, describing it as "a calculated effort to vilify the SA police

"I question Mr Niehaus's motives in making such slanderous allegations, especially in the light of the contradictory statements made by himself regarding the existence of arms caches in Angola," he said.

Meanwhile, a row has erupted between Unisa journalism professor Koos Roelofse and Rapport editor Kobus van Rooyen over the newspaper's decision to pay released "Wit Wolf" Barend Strydom for an exclusive story.

"Rapport will boost Strydom's image and give him a celebrity status. Extremists may become unhinged when they think they will be rewarded rather than punished for their actions," Roelofse said

But Van Rooyen defended his newpaper's decision He said murderers had been paid for their stories in the past and would be paid for them in the future

Chemicals removed from Midrand factory

(183) STAR 1/10/92

By Julienne du Toit

All chemicals and potentially harmful substances have been removed from the Rhone-Poulenc animal pharmaceutical factory and warehouse in Midrand that burnt down on September 19, according to toxic waste disposal company Waste-Tech.

The walls had been washed down and there was no longer any danger of inhaling poisonous substances

David Baldwin of Waste-Tech said berms, or play-lined trenches, had been built to intercept liquid waste, and this would be safely disposed of.

When demolition of the structure was started last Thursday, workers and businessmen in a 1 km radius of the factory began to complain of nausea, vomiting, headaches, skin irritation and tight chests.

Waste-Tech was then called in to complete the demolition and remove the hazardous waste to the Class I toxic waste site at Rietfontein near Germiston.

The walls of the structure will be levelled in a week, according to Rhone-Poulenc spokesman Blake Wilkens.

The loss suffered by the pharmaceutical company will be assessed next week, but managing director Simon Grimbeek said stock of chemicals in the warehouse amounted to about R6,2 million. This excluded machinery, equipment and the structure.

Midrand town clerk Henry Lubbe said there were no immediate plans to rezone the many chemical and pharmaceutical factories at Midrand, even though, in one instance, the only buffer between factories and residential areas was the four-lane Old Pretoria Road.

At least one resident told The Star he was no longer happy to live over the road from Rhone-Poulenc.

Mayor Alan Dawson said that as a local authority, Midrand Town Council could not impose stricter safety regulations than the Government, but was encouraging factories to investigate contingency measures in case of disaster.

Rhone-Poulenc has indicated that its insurance company would consider "on merit" medical claims from those who suffered from organophosphate poisoning. Anyone with medical or other inquiries can telephone (011) 315-2427.

Our correspondent reports from [Ca]pe Town that the Correctional Ser[vi]ces Department confirmed that 431 [Po]llsmoor inmates were on a hunger [str]ike in protest against the release [of] political prisoners

Chemical fire death probed

6/0/My 2/10/92

STEPHANE BOTHMA

POLICE opened an inquest docket yesterday into the death of a Midrand worker whose body was found near the site of a gutted chemical warehouse

The fire occurred on September 19 at the Rhone-Poulenc warehouse and consumed about 74 chemical substances — five of which were considered potentially harmful (183)

Firigas Ngoma, 35, died on Wednesday night

A Rhone-Poulenc spokesman said yesterday they would receive the post-mortem report today But he added that at the time of the fire and afterwards, several employees had been at the site without protection or gas masks without showing ill effects

Meanwhile, the company has offered to pay the costs of tests for residents affected by gas from the fire

Picture BRIAN HENDLER

Army chief accuses MK of sabotage plans

6/0/My 2/10/92

STEPHANE BOTHMA

THE ANC's military wing Umkhonto we Sizwe plans to undertake acts of sabotage against government installations and infrastructures during the fourth phase of its mass action programme, says SA Army chief Lt-Gen Georg Meiring

Available information made it clear MK members would be deployed among mass action participants during "exitgate" to provoke the security forces of SA and the TBVC states, Meiring told a military parade in Voortrekkerhoogte on Wednesday Meiring's speech was released to the media yesterday

ANC spokesman Carl Niehaus last night rejected Meiring's claims as "utterly untrue" and said the ANC was committed to a peaceful campaign of mass action which would be conducted within the parameters laid down by the Goldstone commission and the national peace accord

Meiring said "In the event of counter-action by the security forces, it is planned that MK will be used to create the impression among the broad population that MK is a people's army protecting the people against so-called aggressors"

In addition, plans existed to use so-called "special operations teams" from the PWV area during mass action to sabotage government installations and infrastructures in certain TBVC states and black residential areas, he said

"Not only will the use of members of special teams ensure good security during these operations, but also hamper attempts to trace these actions back to ANC members It rather seems then that these so-called 'special operation teams' are just another term for the notorious self-defence units," Meiring told the parade

He said acts of violence had already been committed against government buildings in the Ciskei, which indicated members of these teams would most probably be deployed in future

Apparently these actions would be extended to SA as well

Similarly, "pseudo operations" were obviously being used to place the blame for murders on the shoulders of the SADF, SAP or the government

According to Meiring, only two alternatives existed in SA's future

"We can attempt to negotiate for a joint future with built-in protection of minority groups, or we can settle our differences by using violence — in other words get involved in a civil war or a bloody battle"

However, the Defence Minister had given an undertaking that government would not rest until a new and just democracy was in place, and that government would continue to negotiate to achieve this goal, Meiring said.

Hoechst, Noristan merger

B DAY 2/10/92.

EDWARD WEST and GAVIN DU VENAGE

(183)

HOECHST SA is to merge its pharmaceutical and diagnostic business with Noristan, one of the largest locally controlled companies in the health care industry, Hoechst MD Reinhard Traub said yesterday

The R50m merger will see Hoechst SA, subsidiary of Hoechst AG of Germany, acquire a 60% stake in the new Noristan, while the remaining 40% will be held by the Snyckers family

Traub said part of the investment would be covered by Hoechst AG. He declined to disclose the amount of foreign investment

The transaction — expected to generate a yearly turnover of about R200m — was made possible by W & A agreeing to convert its 21% holding in Noristan from ordinary to preference shares to be redeemed at R1,10c a share before the end of 1992

Based on Noristan's last traded share price prior to September 30 1992, of 70c a share, the offer represented a 57,1% premium over the market price

The share price shot up to 82c from 70c yesterday, ahead of today's announcement

More than 583 000 shares were traded yesterday, compared with the annual average of 209 000 shares a month

The disposal of W & A's investment, which chairman Jeff Liebesman described as part of a process of degearing by selling non-core assets, would realise about R15m for W & A, including a cancellation payment regarding certain pre-emptive rights held by the group.

□ To Page 2

Hoechst

B/DAY 2/10/92.

(183)

□ From Page 1

Noristan, the holding company of Normed, would be delisted on or about November 27 and 110c would be paid to shareholders for each Noristan preference share

Hoechst recently acquired Coopers Animal Health and subsequent to the merger with Hoechst veterinary division, formed a new agro-veterinary organisation, Hoechst Ag-Vet. Other recent investments include a R100m joint expansion at Safripol and a R60m expansion of its film production facility in Chamdor

In its half year to end-June 1992, Normed reported reduced earnings, which MD Hugo Snyckers ascribed to pressure on margins, higher finance costs and tax

While turnover rose 17% to R67m (R57m), income before finance charges was up only 1,7% to R7m (R6,9m)

Increased finance charges and tax rate saw earnings a share drop 17% to 5,2c (6,3c)

However, reduced working capital and capital expenditure was expected to stabilise gearing and financing costs in the short term, said Snyckers

Investments in operational efficiencies and manufacturing facilities would benefit the group in the medium and longer term, he added

SOLCHEM (183) FM 2/10/92.

Looking for stability

The question on investors' lips will be whether Solchem can maintain its good 1992 profit performance The 27% rise in earnings was coupled with an improvement in the balance sheet and management of cash flow But this follows an erratic profit perform-

Activities: *Makes printing inks*
Control: *CTP 76,75%*
Chairman: *E M Jankelowitz*
Capital structure: *40,2m ords Market capitalisation R14m*
Share market: *Price 35c Yields 5,7% on dividend, 17,4% on earnings, p e ratio, 5,7, cover, 3,0 12-month high, 40c, low, 20c Trading volume last quarter, 113 900 shares*

Year to March 31	'89	'90	'91	'92
ST debt (Rm)	10,0	5,9	5,3	3,5
LT debt (Rm)	0,6	0,5	0,4	0,2
Debt equity ratio	0 99	0 52	0 41	0 21
Shareholders interest	0,37	0,47	0,42	0,45
Int & leasing cover	2,7	3,2	3,8	4,9
Return on cap (%)	9,9	19,5	15,4	17,4
Turnover (Rm)	42,0	47,7	49,2	53,8
Pre-int profit (Rm)	2,8	5,1	5,1	5,9
Pre-int margin (%)	6,7	10,7	10,4	11,0
Earnings (c)	3,1	5,1	4,8	6,2
Dividends (c)	1	1	1	2
Net worth (c)	26	30,5	34,3	37,9

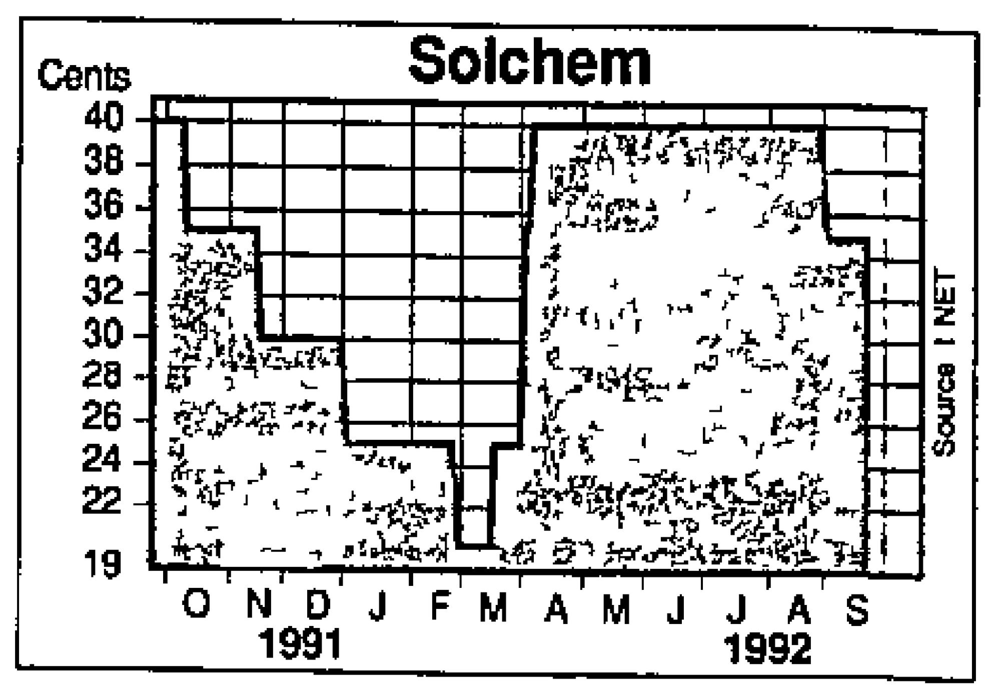
ance and high working capital levels

Turnover and operating profit reflected an improvement in sales volumes, derived mainly from the web offset inks market Chairman Edwin Jankelowitz says this sector is resilient to the recession and that "we dominate the web offset market"

During the year Solchem maintained its overall market share at about 28%

Deteriorating asset management was tackled successfully, with working capital management brought back under control Stock levels and debtors remained static Creditors grew 34,7%

Jankelowitz stresses the emphasis placed on cash flow, which is watched on a "daily basis" During 1992, gross cash flow increased by nearly a third to R3,2m, and was used to reduce interest-bearing debt Borrowings fell by a third to R3,8m, reducing



the debt equity ratio to 21%

While the 1992 results are encouraging, the share price is still languishing at 35c Even with the low p e ratio of 5,7, there is little reason to expect much upward movement in the share price, given current market conditions and low trading volumes

Louise Pandell

AECI provides land for staff housing

8/Day 2/10/92

PETER GALLI

AECI would make about 2 000 sites north of Modderfontein available for affordable housing, property manager Pat Stirling said yesterday

(183)

Many AECI employees ~~were~~ housed in hostels and the move would enable them to buy property, but if employees wished, they could remain in the hostels

"We will soon go out to tender on this scheme, which is mainly meant to offer employees the opportunity to acquire their own property," he said

The township would be known as Klipton View and a town planning application had been submitted, which would probably be approved before the end of the year

The 130ha site would be able to accommodate about 2 000 stands AECI would service the sites and install the infrastructure while vacant sites would be sold to individuals or private developers, he said

Staff and shop stewards had been consulted about the development

W Mail 7/10-8/10/92 (183)

Chemical clean-up botched

By CAROL GALES

A GROUP of doctors claims company and town officials bungled their response to the chemical inferno at the Rhone-Poulenc animal feed plant in Midrand a fortnight ago

As a result 18 firefighters were hospitalised and clean-up workers still risk injury, frightened area residents are clamouring for information and complaining of symptoms, and litres of chemicals were allowed to soak into the ground before clean-up began a week after the fire

Two weeks after the fire, officials are still trying to explain their response to angry people who live and work in the area

"We don't know what's in the air," said Richard Loring, whose theatre is next to the plant "At the moment, what's in the air is fear"

Dr Murray Coombs, spokesman for the South African Society of Occupational Medicine, blamed officials of both Midrand and Rhone-Poulenc for injury to the firefighters

Rhone-Poulenc officials didn't say there were chemicals in the building until after firefighters who had battled the blaze for three hours complained of burning sensations

Coombs said that workers for Waste-Tech, the firm hired by Rhone-Poulenc to demolish the building and dispose of the rubble, had not worn protective clothing.

Coombs' group faulted the Midrand Town Council for not immediately forming an action committee of residents, company and town officials to arrange evacutation and monitor possible chemical contamination

Rhone-Poulenc finally released a list last week of 140 chemicals and compounds that were stored in the building. Experts will not know until at least next week how the chemicals interacted with each other, fire and water, nor whether they linger in the air or groundwater Testing done by Waste-Tech has found no contamination on the plant grounds

US firm to test drip ingredients

By PAT SIDLEY (183)

W/Mail 2/10-8/10/92

SOME of the basic components of the intravenous drips suspected of being implicated in the deaths of several newborn babies, were imported from the United States from the company which supplies Sabax with its technical know-how.

And Sabax has asked the US company, Baxter Health Care, to re-check for bacterial contamination the batches from which the components were exported to South Africa.

This raises the possibility that Baxter could become liable if the drips are found to be the cause of the deaths.

In the past two weeks eight newborn babies have died mysteriously. All were on drips, the contents of which had been mixed at a firm called Isotec with the components supplied by Sabax.

Two years ago several babies died under similar circumstances but an inquest court found that "nobody was to blame" for the deaths. At that stage a scapegoat was found in a worker at the pharmaceutical factory said to have had dirty cuffs on his sleeves.

A Baxter spokesman told *The Weekly Mail* his company had a "technology swapping" agreement with Sabax — not a licensing agreement — and that the company also supplied certain basic ingredients to Sabax. Asked whether any of these products were used in the batches of drips implicated two years ago and in the present batch of baby deaths, the spokesmans said "This goes to liability, and the question should be asked of the South African company."

Sabax said "certain sterile empty bags and transfer sets" which emanated from Baxter were used in the batches of drips suspected of causing the problems two years ago and had also been supplied to Isotec, the company which mixed the "cocktails" in the present drip bags implicated in the recent deaths.

Sabax added: "Regular tests conducted on these products revealed no contamination."

However, responding to questions on why Baxter had been approached, Sabax said: "We have approached the Baxter plant supplying these components to re-check product from the same batches as those supplied to Isotec and used in the preparation of the admixtures under investigation."

If any of these batches were found to be contaminat ed, it would raise the possibility that the US company may have to shoulder some blame for the deaths.

This week the Transvaal Provincial Administratior announced that it was inquiring into the deaths in it own hospitals. However, the Department of Health ir the House of Assembly, which is the governmen department responsible for regulating the behaviour o private clinics (like the Park Lane) where babies have died, has not yet launched an inquiry.

Tycoon twins face Reserve Bank pro

S|Times. 4|10|92

Decision on charges to be made soon

183

TWIN tycoons Solly and Abe Krok are being investigated for possible contraventions of exchange control regulations.

The probe, initiated at the request of the Reserve Bank, is being conducted by the Office for Serious Economic Offences

The investigators are looking into the possibility that the 63-year-old twins did not get Reserve Bank approval for guarantees apparently given to a UK shipping house

By CATHY STAGG

The probe was sparked when the Kroks approached the exchange control authorities for permission to settle offshore liabilities in rands, payable in South Africa

This led to questions about the transactions — and to the investigation A preliminary report was completed this week and will be sent to Justice Minister Kobie Coetsee

Advocates from the Witwatersrand Attorney-General's office will also be studying the report next week A decision on whether the twins will be prosecuted is expected soon

The socialite brothers founded Twins Pharmaceuticals, run the Millionex charity fundraising scheme and have links with US companies, one of which produces the Epilady hair-removing device

This product was at the centre of an American financial wrangle which had its sequel in South African courts this year

American businesswoman Patricia Elizabeth Jones, who successfully sued Solly Krok and his two daughters for $25,6-million (about R71,7-million) in the US, was told last week she could not appeal against a South African Supreme Court decision that the foreign judgment could not be enforced here

The case centred on Miss Jones's claim that she had entered into a joint venture with Mr Krok and his daughters, Arlene Krok and Sharon Feuer, which entitled her to 20 percent of the profits in Epilady USA Inc

Flaw

The company "had generated enormous profits", she said in papers

In the US court judgment on July 31 last year, Mr Krok and his daughters were ordered to pay Miss Jones $13,67-million (about R38,3-million) as "compensatory damages"

In addition, Mr Krok was ordered to pay "punitive or exemplary" damages of $12-million (about R33,6-million) — bringing the total to $25,6-million (about R71,7-million)

While leave to appeal against the US decision was still pending, Miss Jones then launched a claim for the money in South Africa

Transvaal judge Mr Justice Roux ruled that the South African claim was based on an incomplete hearing, which meant her case had a fatal flaw He also questioned how the amount of damages had been arrived at

"It would appear as if the jury enjoyed the luxury of fixing a sum without being obliged to justify its award," he said in his written judgment

"Whether this was akin to a lottery or whether there were guidelines, I do not know

"Punitive damages are certainly not part of our law I find the concept wholly repulsive"

Leave to appeal against Judge Roux's decision was refused last Thursday

The brothers, who are identical twins, started in business in 1953 Their pharmacy in Noord Street, Johannesburg, grew into the pharmaceutical company Twins, which merged in 1980 with the Premier Group's Propan

The brothers resigned from the board of Twins Pharmaceuticals in October 1990, denying speculation that their departure was linked to a legal dispute between a consortium of US banks and members of the Krok family over alleged misuse of funds

Twins Pharmaceuticals, which accounted for R35-million of the R70-million annual sales of skin-lightening cosmetics, went to court over Health Minister Rina Venter's ban on the products

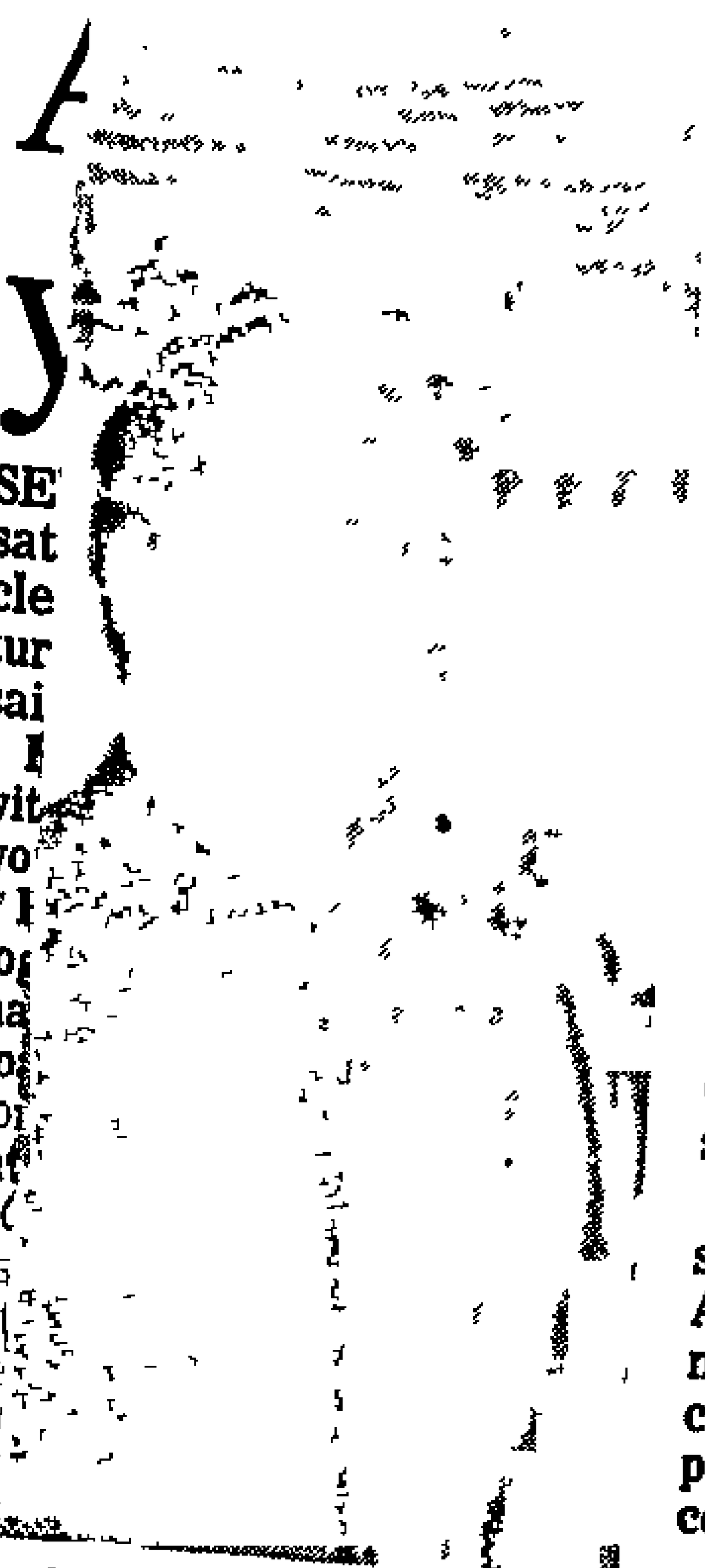
The controversy had dragged on for more than a decade, with manufacturers fighting to keep the products on supermarket shelves

Banned

The government had originally planned to ban the creams in June 1989, then postponed the move until early 1991

The products were eventually banned on August 10, and Twins said it was stuck with goods worth R13-million The company approached the Transvaal Supreme Court in a last-ditch attempt to stop the ban, but lost

In 1987, the twins launched Millionex to raise funds for charity by asking the public to invest in "shares" and stand a chance of winning big prizes



a Snabad at the weekend during a

Picture AP

Mandela hailed as 'hero' on his first visit to China

6/0AM 5/10/92

BEIJING — Nelson Mandela arrived on his first visit to China yesterday for talks with Chinese leaders.

"In China you are regarded as a hero," Chinese President Yang Shangkun told Mandela when he welcomed him at Beijing's Great Hall of the People. "We all know of your suffering and your long fight against apartheid," he said.

Mandela will meet Premier Li Peng and Chinese Communist Party general secretary Jiang Zemin.

Mandela said in Pakistan on Saturday that the ANC and government had made progress towards combating violence and preparing for full-scale constitutional talks.

"The foundation for further talks has been laid. We are facing the future with confidence," Mandela said.

Mandela said that among the major issues still to be resolved was the release of about 500 political prisoners.

But earlier, in a lecture to government officials and diplomats at the Institute of Strategic Studies in Islamabad, Mandela said "we have made very solid progress" in the latest talks.

Earlier, Acting President Wasim Sajjad awarded Mandela Pakistan's highest civilian award.

Pakistan does not have diplomatic relations with SA. However, Pakistani government officials have said privately that the country's policy on SA is under review. — Sapa-Reuter-AP

Hospitals battle to make own drips

KATHRYN STRACHAN

SINCE Isotec drip solutions were withdrawn from all hospitals after the deaths of eight babies, allegedly due to contaminated drips, hospitals had been forced to prepare their own solutions, often in very unsuitable conditions, hospital sources said on Friday.

(183)

Johannesburg Hospital paediatrics department head Prof Alan Rothberg said the hospital had contracted Isotec to supply the drip solution because its own pharmacy could not maintain the necessary level of sterility. But with the withdrawal of all Isotec paediatric intravenous products, hospitals were again having to mix their own solutions.

Rothberg said Isotec had developed procedures, which were more stringent than the international standards followed by Sabax, when it took over the manufacture of the product, and it was impossible for the hospital to meet the same levels. Sabax stopped producing the solution after 13 babies died in 1990, and Isotec is the only company producing the solution locally.

Rothberg said that in 1990 and in the present cases, the babies were over the critical stage, but he emphasised that hospitals in these cases were dealing with patients with a very high mortality rate.

Meanwhile, allegations that witnesses were forbidden to give evidence at the inquest after the Sabax drip deaths, have been described as "strange" by the TPA's communication services, reports Sapa.

It was alleged that prominent witnesses, including professors, pathologists and micro-biologists, were forbidden by the TPA Hospital Services director to make any public statements or give evidence in court.

6/0AM 5/10/92

In a statement issued in Pretoria on Saturday, the TPA said allegations that an offical had banned prominent witnesses from making public statements or giving evidence in court, "sounds strange".

"It is common knowledge that when a person is subpoenaed by a court of law to give evidence, then nobody else can prevent him or her (from doing) so.

"Furthermore, it is common practice that when a case is sub judice, nobody is entitled to comment on that case."

FOCUS

Aspirin sales soar during hard times

KATHRYN STRACHAN (183)

THE recession may have caused ~~headaches~~ headaches for most companies, but not for aspirin manufacturers. BIDAY

Aspirin sales rose by 10% after years of decline and were expected to continue increasing, SA's largest aspirin manufacturer Noriscel divisional director Wolf Snyckers said recently.

Representatives of other major aspirin manufacturers Reckitt & Coleman and Roche attributed the growth in sales to the increase in political and economic turmoil. 7/10/92

"In these stressful times you sometimes need one to get through the day," Roche product manager for analgesics Rosanne Dold said.

The increase was also due to the fact that aspirin was cheaper than other competing medicines, Reckitt & Coleman assistant product manager for aspirin Amanda Reekie said.

She said that much of the bad publicity concerning some side effects of the drug had subsided.

Prof Harry Seftel, president of the recently formed Southern African Aspirin Foundation, said that aspirin had become an important medicine in a variety of disorders, including diseases of the heart and blood vessels.

Several studies published recently in the medical journal Lancet have shown a whole new spectrum of potential uses for the age-old remedy, leading some to hail aspirin as the "new miracle drug".

Rhone-Poulenc faces police probe

FRENCH pharmaceuticals giant Rhone-Poulenc, already under threat of possible civil suits following a blaze at its warehouse north of Johannesburg, now faces a police probe, the Midrand Town Council announced on Wednesday.

In a letter to residents, the council said it would ask police to investigate the fire on September 19 in conjunction with the National Health Department, which issued the licence for Rhone-Poulenc to store chemicals

Midrand town secretary Tom Pieters said the police and the department should make sure any party involved in the "disaster" had complied with the regulations

The council has complained that Rhone-Poulenc did not warn its fire brigade about the chemicals on site until about two-and-a-half hours after fire crews arrived, and did not make a full disclosure until six days later

Eighteen firemen were taken to hospital suffering from nausea, vomiting, skin irritation and diarrhoea, and six were found to have non-lethal amounts of organo-phosphates in their blood

On Monday, Rhone-Poulenc appointed the Atomic Energy Corporation to conduct soil and air tests and put together a dispersion model to see where a cloud formed during the fire might have deposited toxins The scientists were looking for dioxins, which may have been formed when phenol-related products in the warehouse burned, said warehouse general manager Simon Grimbeek.

Grimbeek said the samples may be sent to the US for analysis. Results would take at least three weeks to come back An independent search for dioxins by a Pretoria company, based on samples around the site, is expected to yield results earlier

Tests for organo-phosphate, benzene and other chemical poisoning carried out on Rhone-Poulenc's 49 workers and some 27 people in neighbouring offices, have come back negative

The council has advised the nearby offices to have their air conditioning systems cleaned out. — Sapa-AFP

Code of conduct approved for the timeshare industry

ANDREW KRUMM

THE Harmful Business Practices Committee had approved a code of conduct for the timeshare industry, said committee chairman Prof Louise Tager

The code of conduct had been drawn up by the Timeshare Institute of SA and would allow the industry to regulate itself.

Tager added that a newly established industry watchdog, the Timeshare Standards Council would administer the code of conduct, and could turn to the committee for enforcement against unscrupulous timeshare operators.

Retired Judge Cecil Margo would act as industry ombudsman and head the council The code would apply to all timeshare companies and developers to ensure that consumers were protected

Resort Condominiums International MD Steve Griessel said the formation of the council was only part of a broad initiative by the institute to clean up the industry's image, and boost slowing sales.

Speaking at the launch of the Timeshare 2000 initiative yesterday, Griessel said the customer would benefit directly from a range of innovative programmes which would come into effect on November 1 this year.

One innovation was the introduction of a mandatory five-day "cooling-off" guarantee, which did away with pressure-selling tactics by salesmen

"The cooling-off period gives purchasers the option of cancelling agreements within five days, should they feel they have been pressured into buying

"This is one of the most significant changes as salesmen are going to have to become far more creative in their selling methods," he said

Among other things the institute would offer a 15-year warranty to provide holidays to timeshare buyers whose resort had been liquidated, or who had lost their occupation rights, Griessel said.

Satour director Kobus Roux endorsed Timeshare 2000

"The far-reaching changes will ensure the continued growth of this vital part of the tourism infrastructure, while at the same time eliminating undesirable practices "

Tests on Sabax products find no contamination

BDAY 8/10/92 (183).(88)

NO EVIDENCE of contamination has been found in tests conducted on Sabax component products, used as ingredients in Isotec intravenous drips which are believed to have caused the death of at least eight Johannesburg babies recently.

This was confirmed in a statement yesterday by the SABS and the SA Institute of Medical Research (SAIMR), which conducted the tests

The tests, commissioned by Sabax, were conducted on component products taken from the same batches as those supplied to Isotec Nutrition for the preparation of drip admixtures, the statement said

H van Rensburg of the SABS confirmed there was no contamination of Sabax component products tested He stated the testing had been done according to internationally recognised British pharmacopeia methods

Prof H Koornof of the SAIMR said "No evidence of contamination was found on the testing of batches representing Sabax component products used as ingredients in the Isotec admixtures, which were supplied to us by Sabax."

Reacting to the results, Sabax CE Ian Strachan said· "The results of these tests indicate that the Sabax component products are free from contamination and do not appear to be the cause of contamination of the admixtures."

He said all Sabax products were manufactured in accordance with exacting Medicines Control Council registration requirements

The tests were called for after reports suggested the eight babies' deaths could have been caused by contaminated drips.

Earlier yesterday, Transvaal Provincial Administration director-general Andre Cornelissen appealed to people with information on babies who had died after impure intravenous feeding at hospitals to come forward.

Cornelissen said he urgently needed information so that a full investigation could be made

He said all cases had been reported to the police for investigation and the findings could not be anticipated

He said those with information should send it to the Director-General, Private Bag X64, 0001 Pretoria — Sapa

Drug price mark-ups criticised

B DAY 8/10/92

DUMA GQUBULE

THE Competition Board has criticised high mark-ups in the pharmaceutical industry. (183)

Board chairman Pierre Brooks yesterday said established nominal margins in the industry had become so entrenched that prices determined in this way for products had become the benchmark.

Wholesalers automatically put a mark-up of 21% on prices charged by manufacturers, while retailers added another 50%.

This meant a R10 increase at the manufacturing level led to a cost of R18,30 at retail level

As a result, the medicine component of total medical expenses in the private sector was greater than similar conditions abroad, he said.

Dispensers in many instances ignored actual acquisition costs of prescription medicines, relying rather on retail prices as their pricing guide. Most contracts between pharmacies and medical schemes were based on discounts from retail prices, he said.

The board had told the pharmaceutical industry to "get their house in order".The board's current investigation into the pharmaceutical industry had concentrated on allegations of price discrimination between purchasers in respect of equivalent transactions

A price structure based on manufacturers' prices with no equivalent transaction discrimination would comply with competition policy, he said

NORISTAN FM 9/10/92

Delisting plan

(183)

On the face of it, Noristan minorities might appear to be getting the raw end of the Hoechst deal After all, they have not been given the same options as Noristan's controlling shareholders, the Pretoria-based Snyckers family

Hoechst SA is to take out the Noristan minorities as well as a small part of the Snyckers' family holding, at 110c a share The share will then be delisted, with Hoechst's pharmaceutical business then being injected into Noristan

From Hoechst's viewpoint, the deal provides it with access to more consumer-orientated products such as over-the-counter medicines, toiletries and cosmetics Noristan gains direct access to products requiring substantial R & D Significant backing is important when developing new drugs

But the merger benefits do not help Noristan minorities, who do not have the option of retaining a stake in the enlarged operation, as it is Hoechst AG's policy that all subsidiaries remain unlisted The Snyckers family will retain a 40% interest.

However, the deal has to be ratified by at least 75% of Noristan's minorities, as the Securities Regulation Panel insists in these circumstances that majority shareholders may not vote

W&A, which holds a 21% stake in Noristan, has indicated it will support the transaction But, as W&A needs to reduce its debt, its management was unlikely to spend too much time haggling over the exit price

The 110c/share exit price is lower than the 121c/share NAV but higher than the 105c net tangible asset value

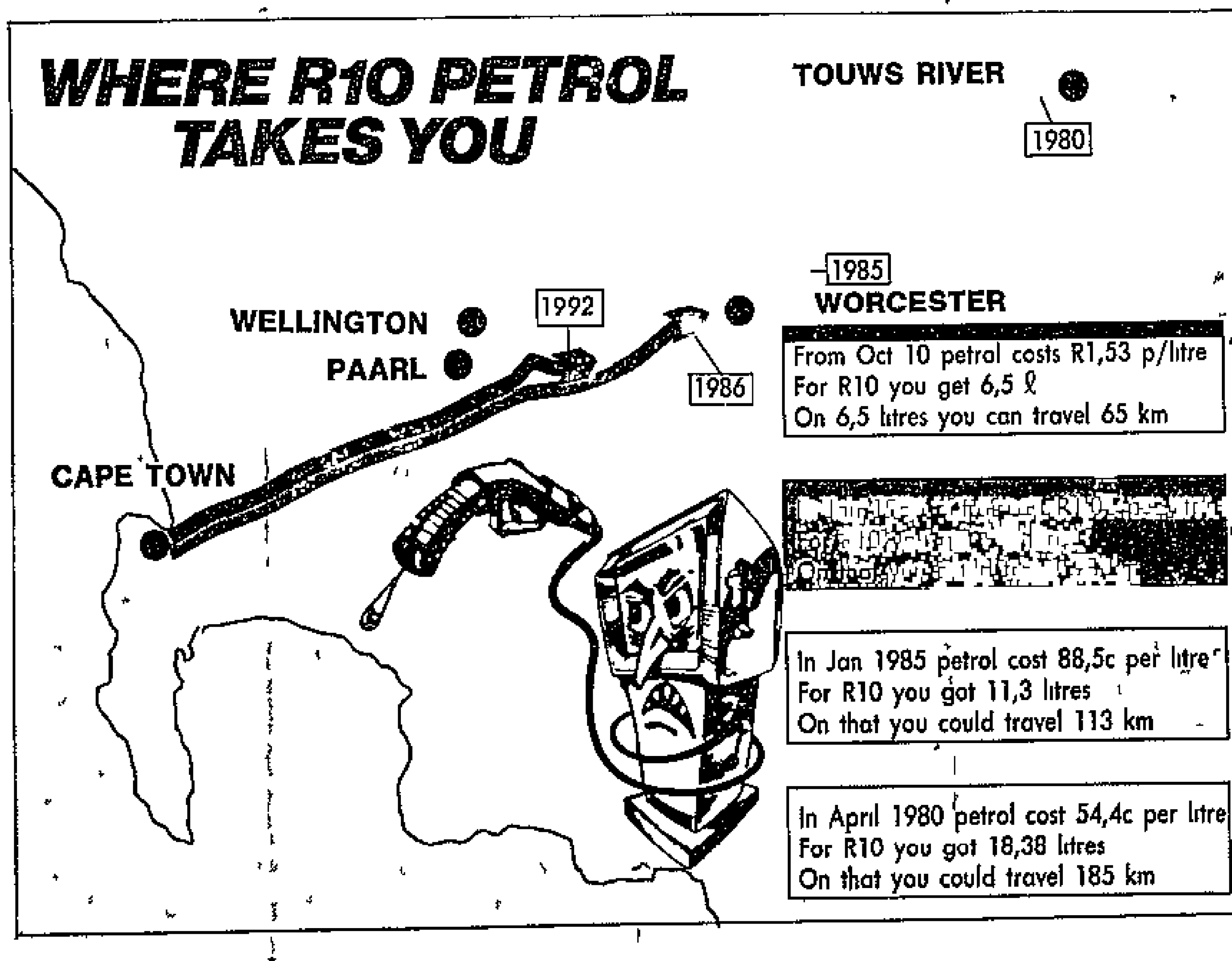
In taking a view, minorities need decide how far ahead they want to look Noristan management is optimistic some time down the road, as shown by comments with the interim report. "In the longer term and as the economy improves, real growth in sales and improved operating margins are expected, and investments into new areas should begin to contribute towards group results"

From a short-term standpoint, though, the

FM 9/10/92 (183)

offer looks reasonable The offer price is significantly above Noristan's last traded price of 70c before the deal was struck Noristan finance director Graham Jones reckons 1992 EPS will be about 13c, 1993 EPS 17c, and 1994 EPS closer to 20c, excluding Hoechst's contribution This gives a forward p e of roughly 8,5 on 1992 earnings, which seems fair considering the outlook appears bleak even two years forward

William Gilfillan



HOW FAR YOU CAN GO . . . This graphic shows how far you could have driven on R10 worth of petrol over the years in a medium-sized car, and how far you can go now with the latest increase.

183

Far away and long ago

CT 10/10/92

Staff Reporter

THE distance one can travel by car on R10 worth of petrol has declined dramatically in the past quarter-century

According to calculations based on the petrol consumption of a medium-sized car, one could have travelled from Cape Town to Bloemfontein on R10 worth of petrol in 1970

Yet from today, R10 of petrol in an equivalent car will be consumed by the time you get to the Huguenot tunnel.

Calculations were made by the Cape Times on the basis of a car using 10 litres of petrol to travel 100km.

In 1970, petrol cost 9,9 cents a litre For R10, one would therefore get 101 litres of petrol This would take you beyond Bloemfontein, which is just over 1 000km away

In 1980, the same R10 would get the motorist as far as Touws River, 185km away. In 1985 you would get just past the Worcester turn-off

And from today, with 97-octane petrol costing R1,53 a litre, you get 6½ litres for your R10, which takes you as far as the tunnel

Angry Midrand residents demand answers

183 STAR 12/10/92

Staff Reporter

Irate Midrand residents, concerned about the possible effects a fire at a chemical factory last month might have on the environment and their health, have called for answers from the Midrand Town Council and some business organisations in the area.

At a meeting convened by the Glen Austen Ratepayers' Association and the Make Midrand Green Association in Halfway House on Thursday, residents wanted to know:

- Why the company, Rhone Poulenc, did not reveal what chemicals were on the property when fire broke out on September 19.
- Why experts were not called in to clean up once it was established that highly toxic chemicals were present.
- Why the Midrand Town Council did not act decisively during the crisis.

Representatives from Rhone Poulenc, Waste-Tech, the Midrand Town Council and chamber of commerce as well as specialists faced a barrage of accusations from members of the public afraid of damage to their health.

Responding to questions, Rhone Poulenc general manager Simon Grimbeek said his company had not tried to hide anything. It had been unable to give the Midrand authorities a comprehensive list of chemicals immediately because it was unable to retrieve the information on the computer as the fire had cut off the electricity.

The company has employed a team from the Atomic Energy Corporation to make a comprehensive environmental impact study. Grimbeek promised to give regular report-backs on the findings.

He said anyone who needed medical attention for chemical poisoning should forward accounts to the factory.

Midrand task group chemical fire probe

BIDM 14/10/92

KATHRYN STRACHAN

THE Midrand Town Council on Monday night initiated a task group in response to inadequacies in dealing with the Rhone-Poulenc chemical fire last month.

A council spokesman said the fire showed a number of gaps in dealing with the disaster, and steps had to be taken to ensure the situation was not repeated.

Representatives from chemical companies, residents' associations, pressure groups and various experts came together to work out a strategy so that any situation such as the Rhone-Poulenc fire might be averted, or, at least, that its impact be reduced.

183

The task group's primary function is to identify deficiencies in legislation concerning chemical companies and to put together an initiative which would ensure that residents and businesses in the area are better protected.

Midrand mayor Alan Dawson said the main problem his council faced in dealing with the crisis was the lack of information as to what chemicals were stored on the property.

Competition BIDM (245)

Engen earnings up 18% despite tough trading

B/DAY 15/10/92

(183)

MATTHEW CURTIN

ENGEN, the Gencor group's energy arm, reported a 18% jump in earnings a share in spite of a year of difficult operating conditions, MD Rob Angel said yesterday

Engen, which sells a wide range of oil products from petrol to specialist lubricants and jet fuel, turned in sales of R6,6bn in the year ended August 1992, 7,6% higher than R6,1bn in 1991

Angel said the group had expected no area of real growth, given the domestic recession and slow economic growth internationally, so Engen's 3,7% increase in operating income at R393m (R379m) was "gratifying" It included a R44m transfer from the group's inventory reserve

Total petrol sales grew 4% in SA in the year — Engen's market share was static — which was a sign of the resilience of the fuel sector considering SA was in the middle of a deep recession

Inland sales rose 2,6%, with demand for liquified petroleum gas up more than 7% and jet fuel 10% higher, due to the increase in international flights to southern Africa

However, cutbacks in local industry and the drought hit diesel sales, which fell for the third year in a row Farming sector diesel sales were 3% down year-on-year and 14% down in the past three years In contrast, Engen's exports had leapt five times in the same period, and rose 80% in 1991/92

Engen's Genref refinery operated at full capacity, but refining yields and saleable yields were flat, and the plant was knocked by erratic power supplies, which the group was investigating with Eskom and the Durban municipality

Refining margins, the key to Engen's profitability, fell $2 to $2,50 a barrel in the year because of slow economic growth worldwide

Engen's increase in margins on local petrol sales rose by an average of 2c a litre

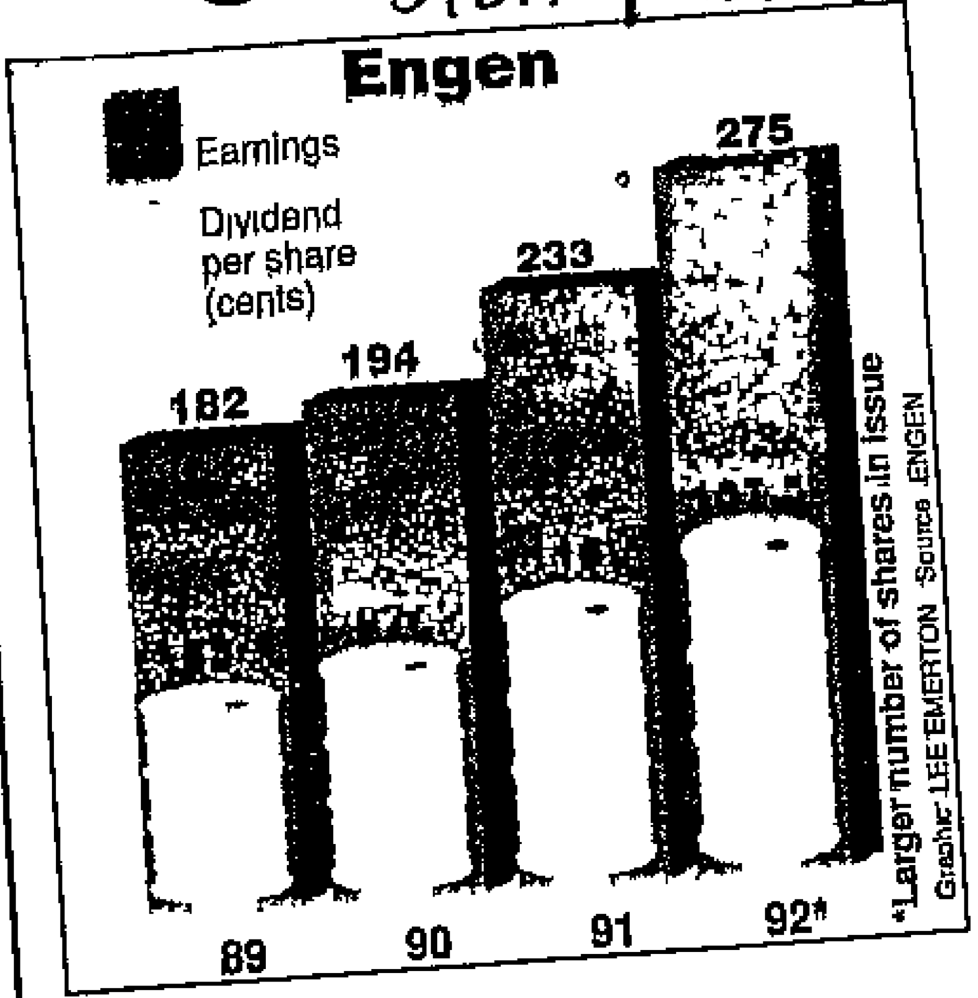
Angel said the group was battling to contain costs, rising consistently above the CPI, in addition to the R150m change in the livery necessitated by the group's links to Mobil, whose brand name it could not longer use

Finance income jumped to R140m from R42, after Engen's 1991 rights issue Pre-tax income rose to R533m (R421m), while tax paid fell to R107m (R134m), reflecting a lower tax rate of 20% (32%) After-tax profit rose 48% to R424m (R286m), on top of which Engen earned R5m from share sales

Engen's earnings jump 50%

BIDAY 16/10/92

MATTHEW CURTIN (183)



MODEST increases in local fuel sales, sharply higher exports, interest on its R1,1bn rights issue and a lower tax bill drove Engen's attributable earnings 50% higher in the year ended August 1992

Engen, the Gencor group's manufacturer and distributor of fuel products, reported attributable income of R429m compared with R286m in 1991

That was equivalent to an 18% increase in earnings a share to 275c (233c), diluted by the large number of shares in issue Engen declared a total dividend of 137,5c, 18,5% higher than the previous year's 116c

CE and MD Rob Angel said at a news

□ To Page 2

Engen

BIDAY 15/10/92.

(183)

□ From Page 1

conference yesterday that growth in the local fuel market depended on SA pulling out of recession. The year's highlight was the completion of the R670m phase one of the Genref refinery expansion, which came in under budget and on schedule. But the plant was taken out of commission for six weeks to upgrade, knocking revenue.

Chairman Bernard Smith said that the Genref expansion placed Engen in a good position for the current year. Genref's refining capacity had grown 30%, its refining yields and access to high-quality oil products were better, and there would be no enforced stoppages this year

However, there was the prospect of sharply lower finance income as the group's cash reserves had fallen to R180m from R810m in 1991, when they were bolstered by the rights issue.

Angel said the group increased its exploration spending to R36m (R20m).

Engen would welcome deregulation in the industry. However, this was unlikely before an interim government was in place Engen's stations were ready for conversion to self-service operations as the company would be forced to cut costs.

● See Page 6

Sentrachem keeps it tight and right

183

S/Times (Buss) 18/10/92

By JULIE WALKER

SENTRACHEM'S adherence to its core business and tight operational control helped the chemicals giant to a 15% rise in earnings a share in the year to August

Managing director John Job is pleased that exports are growing, but says that the amount of R268-million — 11% of turnover — would need to double before becoming a significant factor

"Parts of Sentrachem were built for reasons of strategic importance or import replacements. Although we are looking to export it must be profitable, and we are not always competitive

"For example, there is no chance of selling rubber overseas at a profit, so we have concentrated on value-added products, such as automotive components, certain plastics and agricultural products," says Dr Job

Hardly helped by the weak economy, turnover edged up 7% to R2,4-billion, operating income by 6% to R226-million and finance costs were down by almost a quarter to R81-million Pre-tax income was up a third at R145-million, but tax jumped even more to R48-million

Sentrachem's two joint ventures — Sanachem and Safripol — both excelled, but this did mean a larger slice of the net income passing to outside shareholders Farm-ag and Sasol respectively

Disposals and write-offs meant R15-million in extraordinary losses Sentrachem paid 20c of the 62c a share earned as dividend The share price of 560c is nine times earnings

Capital

Dr Job says that the opportunity to buy AECI's carbide business came early in the financial year but had not been budgeted for It cost R25-million, and required R50-million of working capital So it is an extra feather in the cap to have brought gearing down from 63% to 44%

On prospects, Dr Job says that Sentrachem should grow at twice the rate of gross domestic product, but does not foresee a near-term improvement of recessionary conditions Provided things get no worse, Sentrachem will tread water in the current year

Engen opens Dubai office

183

SOUTH AFRICAN energy company Engen is to set up an office in Dubai within six months CEO Rob Angel says the main aim is to source crude oil for Engen's refineries and source downstream products which would fit in with the group's export markets to sub-Saharan Africa.

ST Times (Buss) 18/10/92

Exports boost Sentrachem

BIDAY 19/10/92 (183)

EDWARD WEST

SENTRACHEM increased attributable earnings by 15,3% in the year to end-August in spite of experiencing the worst trading conditions in the group's 25-year history, MD John Job said in a statement at the weekend

Reflecting the poor state of the domestic market, turnover was 6,5% higher at R2,4bn from R2,3bn in 1991, with operating income 5,9% higher at R226,5m from R214m

Reduced capital expenditure because of previous years' upgrading and cash and asset management had resulted in finance charges falling by more than a fifth to R81,8m from R106,1m, said Job.

Pre-tax income had improved by more than a third to R145,1m from R107,8m, but increased profit attributable to outside shareholders and an increase in tax paid to R48,3m from R30,2m previously had whittled away the effect of the improved interest bill at attributable level

Attributable profit increased to R71,6m from R62,1m and the dividend was lifted by just over a tenth to 20c a share from 18c a share previously. An extraordinary item of R15,1m for the closure and sale of non-core businesses was declared.

Job attributed the group's performance to the focusing of its core businesses, the disposal of peripheral activities, export successes and tight control over operations

He expected the group to be able to maintain earnings in the year ahead, although there was no sign of a recovery of the domestic recession and low international chemical prices.

Engen prepares to set up Dubai office

Biom 19/10/92

ENGEN is to set up an office in Dubai within the next six months in an effort to source raw materials and downstream products

Engen CEO Rob Angel said last week he was impressed with Dubai and the facilities offered by the Gulf state when he visited it earlier this year.

He said the Middle East was an area of great interest to Engen particularly for acquisitions, exploration and joint ventures

Sourcing crude oil for Engen's refineries and sourcing downstream products, which would fit in with the group's export markets to sub-Saharan Africa, would be the main aim of setting up the office in Dubai, he said

Angel added that during his visit to Dubai he made contact with a number of people with a view to setting up some kind of business link (183)

If Engen ~~should~~ set up in Dubai, it would require a local partner with a majority shareholding to conform to Dubai regulations, he said

But, ~~if~~ it were to set up in Dubai's free trade zone, Jebel Ali, it could retain 100% ownership and enjoy total autonomy — Sapa

B10M 12/10/92

Thor orders CSIR study

THOR Chemicals has commissioned the CSIR's Graham Noble to conduct a comprehensive environmental impact study of the company's Cato Ridge site and surrounding neighbourhood, spokesman John Macdonald said at the weekend (183)

Thor became the centre of a controversy last year when three employees were hospitalised with severe mercury poisoning, two of whom have remained comatose

Business Report

SA Druggists writes off R64,9 million

183

CT 20/10/92

By AUDREY D'ANGELO
Business Editor

SA DRUGGISTS (SADrug) — now in the Malbak stable — wrote off R64,9m in the 17 months to August 31.

Disclosing this yesterday the directors explain that the write-off was due to the costs of rationalisation following integration with Malbak's pharmaceutical interests, and because of "the stricter application of the group's existing accounting policies."

They say the serious shrinkage problems experienced in 1991 "have been curtailed through stricter discipline and controls"

SADrug lifted turnover by 42,1% in the 17 months to August, to R1 508 627 000, compared with R1 061 880 000 in the 12 months to March 1991.

But operating profit rose by only 21% to R101,6m (R84m). And attributable earnings rose by only 7% — lagging inflation — to R35,4m (R33m).

Earnings at share level were 19,8% lower at 94c (117,2c), with 33,4% more shares in issue But the final dividend will be maintained at 26,25c following an interim dividend already paid of 23,75c, making an unchanged pay-out of 50c for the year.

The interest bill rose by 78% to R38,9m (R21,8m) But the proportion of interest bearing debt to permanent capital had fallen by August to 38,6% from 67,7%, and the net asset value per share had risen to 726,5c (718,9c).

The directors say the group has been reconstructed and refocused completely since its acquisition by Malbak with effect from September 1 last year

"The balance sheet has undergone material changes with the issue of 22,6m new shares for the acquisition, and the exclusion of all debt on the balance sheet"

They say all the pharmaceutical factories improved productivity and output over the last four months "This trend is continuing and is matched by market off-take."

But "the chemical division suffered from lower volumes in the export market due to actions taken by the US Food and Drug Administration against certain major customers New customers have now been obtained

"The medical equipment divisions have also suffered from reduced volumes due to public sector expense cutbacks and the hospital labour dispute"

CE Peter Beningfield said the extensive restructuring and refocusing of the group had positioned it strongly for future growth.

It would achieve real growth in earnings during the current financial year.

Streamlining improves results at SA Druggists

B|Day 20/10/92. 183

MARCIA KLEIN

SA DRUGGISTS (SAD), acquired by the Malbak group in September last year, has started to feel the benefits of a massive restructuring programme

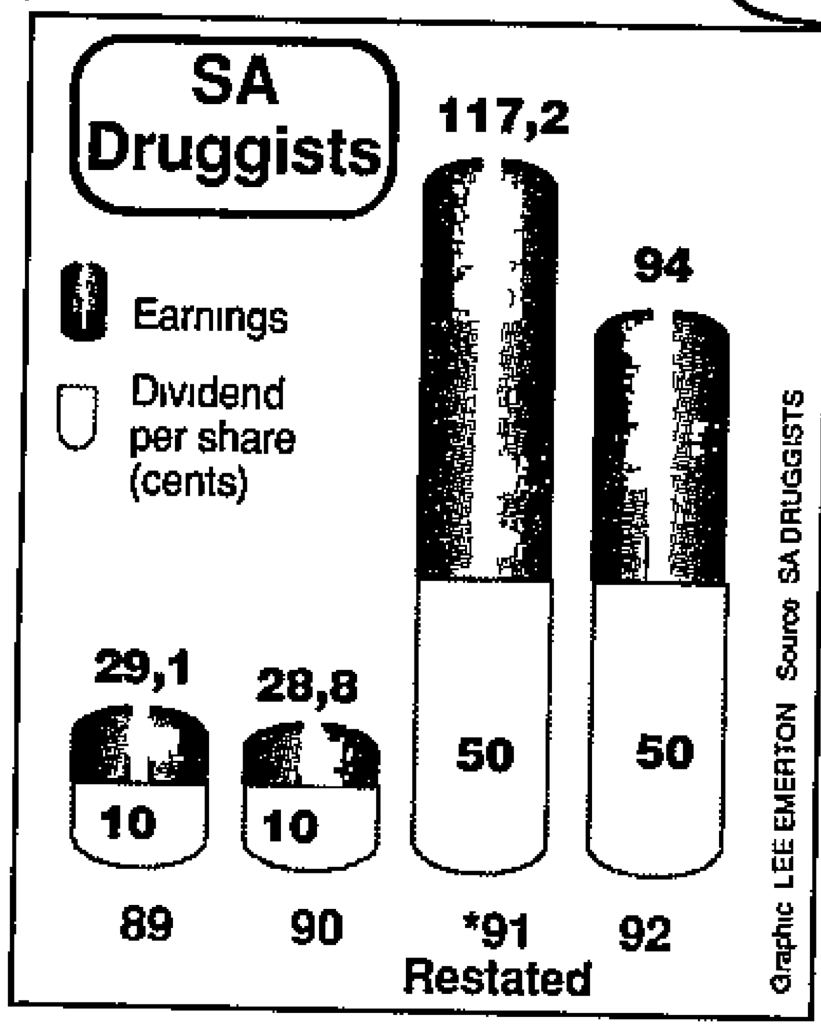
Since the Malbak acquisition, the group reorganised, significantly downsized its staff, bought Malbak's pharmaceutical and related interests, changed its year-end and strengthened its balance sheet

The group wrote off R61,7m in an extraordinary item, largely due to rationalisation costs and a stricter application of accounting policies

Results reflected all of these changes, making comparisons with the previous year meaningless, CE Peter Beningfield said

In the 17 months to end-August, turnover was R1,97bn, operating income R127,6m and attributable earnings R45,8m

Results comparing the 12 months to end-August with the year to end-March 1991 showed a 7% rise in attributable earnings to R35,4m from R33,1m Earnings were reduced by 19,8% to 94c (117,2c) a share on a 22,6-million increase in shares in issue The new shares were issued for the acquisition of the Malbak interests and the inclusion of all debt on the balance sheet



Turnover increased 42,1% to R1,5bn (R1,1bn) while operating income, which included some major ratonalisation costs, rose 21% to R101,6m from R84m

Beningfield said results were distorted by once-off rationalisation costs The results reflected "the extent and expense of the necessary surgery performed, as well as the rigours of the trading environment"

A 78,1% higher interest bill of R39m included a significant increase in working capital in the first part of the year and the higher level of interest bearing debt from the acquisition

But gearing was reduced to 38,6% from 67,7% through the share issue and strict control of working capital in the past few months

A final dividend of 26,25c was declared to bring the full year dividend to last year's level of 50c Beningfield said this was evidence that the group was confident of an improved performance in the next year

He said all of the group's activities had been converted into self-financing business units, and it now comprised three core divisions, pharmaceutical, distribution, and chemical and medical equipment

The vast product range was rationalised and refocused, pharmaceutical factories had improved productivity and increased output, and manufacturing capacity was being expanded and upgraded Beningfield said productivity had increased by more than 30% in the last four months Serious shrinkage problems in the distribution division had been curtailed

Capex of R135m related mainly to a new Intramed plant and Akromed infant nutritional products facility

Trading conditions in the pharmaceutical industry were unlikely to improve in the next year, but Beningfield said the group would achieve real growth in earnings

Business Report

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It would achieve real growth in

COMPANIES

Engen teams up with Chevron

WINDHOEK — Chevron of the US and Engen yesterday signed an agreement with the Namibian government to begin offshore petroleum exploration

This is the fourth oil exploration licence Namibia has granted this year

The consortium, 60% Chevron Overseas (Namibia) and 40% Engen through its subsidiary Eagle Energy (Namibia), is to spend about R55m and drill two test wells during the first four-year period

Chevron Corporation vice-president Richard Matzke, who signed the agreement on behalf of his company, said seismic work was to begin within the next few weeks and Chevron would open a Windhoek office before the end of the year

The 10 850km² exploration area, block 2 815, is off the southern Namibian coast adjacent to the Kudu gasfield Chevron discovered in 1974 B(DAM) 28/10/92

The consortium is also to spend about R550 000 on training Namibians each year of the contract

Matzke paid tribute to the agreement negotiators in the Namibian government

"What you have done is sent an unmistakable message to the whole world that Namibia is a good place in which to invest," he said 183 [redacted]

Chairman Bernard Smith signed the agreement for Engen [redacted]

Namibian Mines and Energy Minister Andimba Toivo ya Toivo said his government attached great importance to the presence of Chevron and Engen in Namibia because of the long-standing historical bond between the parties and with Africa in general [redacted]

"Now, more than ever, it is vital that we maintain and develop these links to our mutual benefit," he said

Chevron also has interests in Nigeria, Congo, Zaire and Angola

Namibia has granted exploration licences to a Norwegian consortium, a Canadian-British consortium, and Sasol — Sapa

Professor Hennie Snyman, principal of the Port Elizabeth Technikon

METROPOLITAN DIGEST (Johannesburg)

(a) Vol 9 no 3 1991

(b) Food Gardens Unlimited

(c) People are encouraged to plant their own food

(a) February and April 1992

(b) South African Fashion Designers' Association

(c) The organisation and its founder president Ms Esther Mohlabi

VISION (Durban)

(a) February 1992

(b) ASSIST (Association Supporting Survivors of Incest and Sexual Trauma)

(c) The work that this organisation does

(a) March 1992

(b) Advice Desk for Abused Women

(c) Where abused women can obtain advice

KARET (Cape Town)

(a) 14 February

(b) Women's Bureau

(c) Report on seminar 'Taking charge of your life'

(a) 13 March

(b) Kontak

(c) Women must build on peaceful future

(a) 13 March

(b) Women for South Africa
Women's Bureau
National Council of African women
Orange Free State Women's Association

(c) Group photograph

(a) 1 September

(b) Women for South Africa

(c) Organisations co-operate to establish a training centre for women in Stellenbosch

(a) 1 October

(b) Women for South Africa

(c) National president, Ms Jenny Malan, talks about human rights

(a) 1 November

(b) Kontak

(c) Ms Pauline Mkalipe, chairperson, speaks about the aims and objectives of the organisation

LIGHT/KHANYA (Pretoria)

(a) January 1992

(b) Pretoria Friendship Forum

(c) Function held by this organisation

(a) April 1992

(b) Tholuwazi Women's League

(c) Activities of the group

(a) May 1992

(b) Tekset

(c) Negotiation seminar held by this group

(a) September 1992

(b) Itsoseng Women's Club

(c) Club receives financial aid from private sector

LUX FEMINA, women's magazine, Pretoria Regional Office

(a) December 1991

(b) Atteridgeville Ladies' Club

(c) Founding of the organisation

(a) December 1991

(b) SA Vroue Federasie

(c) Interview with the president

(a) March 1992

(b) Kontak

(c) Kontak emphasises nation-building

(a) June 1992

(b) Women's prayer day

(c) A function in Mamelodi

(a) June 1992

(b) Tekset

(c) Negotiation seminar for members of the organisation

(a) September 1992

(b) Sidingulwazi Women's League

(c) The activities of the group

PUISANO (Bloemfontein)

(a) October 1991

(b) Women for South Africa

(c) Profile of Dr Elsie de Beer

(a) October 1992

(b) Women for South Africa

(c) Women in various communities must learn to understand one another

RSA POLICY REVIEW
RSA-BELEIDSOORSIG published the following

(a) September 1991 p 56

(b) The South African Nursing Association

(c) Nursing Centenary An interview with the president of the Association, Dr Anna-Marie Bruwer

(a) September 1991 p 67

(b) The sections Vocational Matters and Community Health Care of the Department of National Health and Population Development, and the South African Nursing Council

(c) Nursing geared for challenges An article based on interviews with Ms Odelia Muller, Deputy Director Vocational Matters, and Ms Iris Roscher, Director Community Health Care of the department, and representatives of the South African Nursing Council

(a) October 1992, p 94

(b) Natal women's congress of the National Party

(c) An announcement by the State President in Amanzimtoti (Natal) stating that the Government will sign international conventions relating to women and women's rights

Forum on curtailment of cost of medicine

403 Mr M J ELLIS asked the Minister of National Health

(1) Whether, with reference to her reply to Question No 348 on 19 June 1992, all interested parties have commented on the record of the proceedings of the forum held on 28 Feburary 1992, if not, when is it anticipated that this will ~~be the~~ case, if so, what parties,

(2) whether she is in a position to commission any investigations as recomended at this forum, if not, why not, if so, what are the relevant details,

(3) whether any such investigations have been commissioned to date, if not, why not, if so, (a) by whom and (b) on which recommendations,

(4) whether she will make a statement on the matter? B906E

The MINISTER OF NATIONAL HEALTH

(1) Only 8 (eight) interested groups submitted comments on the report of the forum The groups are

The South African Pharmacy Council
The Medical Association of South Africa
The Pharmaceutical Manufacturers Association of South Africa
National Association of Pharmaceutical Wholesalers
The South African Nursing Association
Noristan Group
Patients Rights Organisation of South Africa
Pfizer South Africa,

(2) yes, no investigation excepting those by the working groups have until now been commissioned,

(3) no, a working group has been appointed to investigate the recommendations of the forum and to report back,

(4) no

Importation of parallel medicines

404 Mr M J ELLIS asked the Minister of National Health (183)

(1) Whether the Medicines Control Council has considered, is considering or intends considering regulations to allow the im-

cont -d

portation of parallel medicines, if not, why not, if so, when,

(2) whether the proposed regulations have been or are to be (a) made known to and/or (b) discussed with interested parties, if not, why not, if so, what are the relevant particulars,

(3) whether she will make a statement on the matter? 183 B907E

The MINISTER OF NATIONAL HEALTH

(1) Yes, the Medicines Control Council is at present investigating the desirability of requesting the amendment of certain regulations made in terms of the Medicines and Related Substances Control Act, 1965 (Act 101 of 1965),

(2) yes, any proposed amendment of regulations must be published for comment unless the Minister is of the opinion that the public interest requires the regulation to be made without delay,

(3) no

Discussions on health services

305 Mr M J ELLIS asked the Minister of National Health

(1) Whether, subsequent to discussions held on 28 September 1992, a paper entitled "Announcement of a strategy to manage health services in the present economic climate was published, if so what are the names of the main participants and professional groups involved in these discussions,

(2) whether one of the aims discussed was to stimulate discussions on how health services could be made more affordable, if so, what items were discussed in this connection,

(3) whether the points debated at the forum held on 28 February1992 have been reviewed, if not, why not, if so, which points,

(4) whether any decisions have been taken on any of these points, if so, what decisions,

(5) whether she will make a statement on the matter? B908E

The MINISTER OF NATIONAL HEALTH

(1) Following the discussion held on the 28 September 1992 with certain roleplayers on financial questions in the field of health I released a press statement entitled "Announcement of a strategy to manage health services in the present economic climate"

The main participants and professional groups involved in these discussions were

Dr E H Venter MP
Minister of National Health and of Health Services House of Assembly

Rev A A Julies MP
Minister of Health Services and Welfare House of Representatives

Dr A S Jacobs
Department of Finance

Mr J W H Meiring
Administrator of the Cape of Good Hope

Mr D E T le Roux
Member of the Executive Committee Cape

Mr J H A Beukes
Director-General Provincial Administration of the Cape of Good Hope

Dr G S Watermeyer
CPA Branch Hospital and Health Services

Mr C J van R Botha
Administrator of Natal

Mr P M Miller
Member of the Executive Committee Natal

Dr N E Howes
Director-General Provincial Administration of Natal

Dr L van der Watt
Administrator of the Orange Free State

Dr P J C Nel
Member of the Executive Committee Orange Free State

Dr J H Kotzé
PAO Branch Health Services

Mr S E S Ferreira
Member of the Executive Committee Transvaal

Mr A Cornelissen
Director-General Provincial Administration of the Transvaal

Dr H van Wyk
TPA Branch Health Services

Mr P D McEnery
Director-General Administration House of Representatives

Dr L J Nel
Ministerial Representative

Mr R Dercksen
Ministerial Representative

Dr M H Veldman
Ministerial Representative

Mr H J Smith
Ministerial Representative

Mr R E Redinger
Ministerial Representative
Dr J H Kruger
Supervisory Board, Bloemfontein

Mr B B Humphris
Supervisory Board, Witwatersrand

Prof G Everingham
Supervisory Board, Cape Town

Prof J V Leatt
University of Natal

Prof J R van Dellen
University of Natal

Prof G J de Korte
Medunsa

Prof J Terblanche
University of Cape Town

Prof C W I Pistorius
University of Pretoria

Prof J V van der Merwe
University of Pretoria

Prof H P Wasserman
University of Stellenbosch

Prof C J C Nel
University of Orange Free State

Prof A D Rothberg
University of the Witwatersrand

Dr P S Maharaj
Administration House of Delegates

Dr J E Pieterse
Administration House of Assembly

Dr C F Slabber
Director-General National Health and Population Development

Professional Groups

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Medical Association of South Africa

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Nursing Council of South Africa

Dr A M Bruwer
Nursing Council of South Africa

Prof M E Muller
Nursing Council of South Africa

P R de Kock
Environmental Health Officers Association of South Africa

R D Kennedy
Medunsa

Mrs L Munro
Society of Radiographers

Ms M Horak
Society of Radiographers

Ms A Hugo
Society of Radiographers

Dr M Adam
Society of Dispensing Family Practitioners

Cmdt H C Grobler
SA Association of Biochinetics

Mr M Tepper
Society of Medical Laboratory Technologists of South Africa

Prof B van Os
Dental Association of South Africa

Mr W Kriel
Pharmaceutical Society of South Africa

G N Lyne
Pharmaceutical Society of South Africa

E D Smith
South African Society of Physiotherapy

M W Cheyne
Orthotic and Prosthetic Association of South Africa

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Orthotic and Prosthetic Association of South Africa

ENGEN FM 23|10|92 (183)

Poised to benefit from economic revival

That the world oil market is feeling the effect of recession in the major industrialised nations is clear from the low refining margins (estimated at about US$5 a barrel, compared to about $7 in April) Engen is getting

Similarly, a meagre 7,6% rise in turnover shows a deteriorating local economy Yet the group, which will be converting its remaining 1 100 Mobil service stations to the new Engen livery over the next 20 months, managed to produce solid results, mainly through astute financial management

CE Rob Angel says there was little doubt that financial 1992 would be difficult, and is gratified with the 3,7% gain in operating income to R393m This was smoothed by a R44m transfer from the inventory reserve set up two years ago, but shareholders won't complain about the 18% hike in dividend

What stands out in the income statement is the 50% increase in net income to R429m, boosted by R140m (1991. R42m) received in financing income as the group gained the full 12-month benefit of last year's rights issue

The result would have been even better, but Engen transferred R57m to the tax equalisation reserve created in 1990

Obviously, Engen cannot count on always using reserves and investment interest to help get through tough times, but Angel does see a glimmer of hope in the fact that petrol sales grew 4% during the financial year "Down the track we see that as a positive sign, indicative, with our present negative GDP, of what petrol sales can do when the economy takes off."

When that happens, Engen will be well-placed to take advantage It has completed

REVVED UP

Year to Aug 31	1991	1992
Turnover (Rm)	6 098	6 560
Operating income (Rm)	379	393
Net income (Rm)	286	429
Earnings (c)	233	275
Dividends (c)	116,0	137,5

the first phase of its R670m expansion of the Durban refinery, which will raise capacity by about 30% and boost production of high value white oil products by more than 50%

Upstream activities also hold promise Production at the North Sea Alba oil field — of which Engen holds 2,2% — is projected to start at the end of next year and reach full production of about 70 000 barrels a day the following year

Exploration spending increased to R36m (R20m) as Engen continued the search in the North Sea, West Africa and the Middle East Civil unrest in a neighbouring country

Engen's Angel *interested in the Middle East*

put a last-minute hold on what could still be a lucrative contract Engen is showing keen interest in the Middle East, possibly trying to negotiate with a direct supplier

So prospects look encouraging, though a lot will depend on some recovery in the local economy The share, off last month's high of R47 to R43,25, is nonetheless following the upward trend of the past year

The 3,2% yield is demanding, but may be worth paying for what is increasingly considered a valuable growth stock *Shaun Harris*

INVESTEC FM 23|10|92

Creditable performance

In present economic conditions, first-half results are creditable in the context of the strongly performing banking sector and good compared to the market generally Year-on-year comparisons show attributable income up a healthy 71% EPS growth has been depressed, as expected, by the additional shares issued in the Fedsure share-swap Even so, EPS rose a satisfactory 25,3%

Concentration on niche markets and diversification helped Investec gain on the swings what it lost on the roundabout

The property division, which made a small loss last year, is still lagging Executive chairman Bas Kardol says it was on target, "but then Boipatong and Bisho dampened

DILUTED EARNINGS

Six months to	Sep 30 '91	Mar 31 '92	Sep 30 '92
Net income (Rm)	18,2	27,5	35,2
Attributable (Rm)	13,0	20,2	22,3
Earnings (c)	62,8	82,6	77,5
Dividends (c)	28	42	35

FM 23|10|92

the appetite for property syndications " He believes, however, that property business will recover in the second half

Also hit were trade finance activities, partly through being more cautious in a tough climate and through slack demand

But in line with the wider margins banks are enjoying, Investec netted R54m interest income, reported for the first time as the group moves, slowly, towards fuller disclosure Provision for bad debts, on the other hand, widened by 28,2% to R9m

Kardol is satisfied with the results and says providing there is no further deterioration of the economy, year-end earnings should be in line with historic growth trends, which have averaged an annual compound 25% over the past 10 years

The recent R185m acquisition of London-based Allied Trust Bank is not reflected in the interim and Kardol says it should not have much effect on full-year results Next year, it should start to have an impact on the bottom line, providing further diversification

The price, at R22,75, has not moved much in the past six months But these results should underpin what has in recent years been a strong performer *Shaun Harris*

LENCO HOLDINGS FM 23|10|92

Beating forecast

Lenco has beaten the earnings forecast made at the time of the acquisition of Hendler & Hart in September It was then looking for EPS of 24,3c in the six months to August 31, this has turned out conservative, with actual first-half EPS of 25,8c

Turnover for the six months was 16,6% higher than for the same period in 1991 As with earnings, this includes Hendler & Hart However, while growth in turnover is gratifying, its lack in pre-interest profit indicates either that Hendler & Hart made no contribution or that Lenco as a whole suffered a drop in productivity

A rise in pre-tax profit reflects reduced finance payments, possibly because of higher liquidity until the Hendler & Hart takeover absorbed most of it Post-acquisition debt equity has risen from just over 0,19 to 0,37, but financial director Stanley Stubbs expects it to be below 0,25 by year-end

Considering that Lenco trades in shoes, clothing and plastics (much of which is used for the consumer market as components in shoes and packaging), it would not have been surprising if, in the current economy, earnings had turned down No divisional breakdown is given at half-time but Stubbs says all operations remain profitable Cont —>

Change of control in offing at Roychem

BDM 23/10/92 MARCIA KLEIN (183)

CONTROL of the Royal group's chemical arm Roychem could change as a result of Royal's acquisition of European food group Del Monte International.

Speculation in the market is that this would probably take the form of a management buyout at NAV, at present about 100c above the market price of 150c. The share rose to 300c in November last year, and dropped to 140c last week. The share was bid at 155c yesterday.

It is believed Chemserve has shown some interest in acquring the company.

Roychem's businesses include pharmaceutical and industrial chemical company Holpro-Lovasz, high-performance materials company Ferro Industrial Products and Laser Pharmaceuticals.

Market sources said Roychem could be delisted before or after it was sold.

The Royal group announced today that the JSE had agreed to extend the suspension of shares of Royal Corporation, the Royal Group Holdings and Royal Foods until the close of trade today

The shares have been suspended since Monday. Royal said a further annoucement would be made on Monday, when the shares would be relisted.

The announcement would include details of the Del Monte acqusition which involved funding of around R2,8bn About R2,4bn of this amount would be equity funded

SENTRACHEM FM 23|10|92

Twin weaknesses

183

The chemical industry is facing the double disadvantage of a weak international market and depressed local economy This, according to Sentrachem, made trading conditions last year the worst in its 25-year history

Yet Sentrachem, despite meagre increases of 6,9% in turnover and 5,9% in operating profit, managed to boost earnings 15,3% and dividends 11,1% Biggest help was reduced finance charges, down 23,3% to R81,4m, from what MD John Job calls a sound cash flow, tight control of working capital and lower capital spending

With little sign of any improvement in trading conditions this year, Job says Sentrachem will try to improve results through management actions "If markets pick up, though, we are well placed to take advantage," he says

BACK TO BASICS

Year to August 31	1991	1992
Turnover (Rm)	2 275,4	2 433,2
Operating income (Rm)	213,9	226,5
Attributable (Rm)	62,1	71,6
Earning [illegible]	53,8	62,0
Dividend (c)	18	20

Earlier spending should help The asset base has been expanded to R1,1bn, and the balance sheet is further strengthened by a 28% reduction in interest-bearing debt to R390,3m This has brought gearing down to 44% from 63%, and it seems likely the target of 40% will be reached this year

All divisions raised their exports, which now comprise 11% of turnover and helped to compensate for poor domestic markets Job says while margins are lower for exports,

FOX FM 23|10|92 183

they remain attractive and useful

Solid results and what seems a clearer focus should stop the decline in the share price, down from a mid-year high of 675c to 550c The yield of 3,3% is demanding compared to other big groups in the sector, but growth prospects seem fair *Shaun Harris*

FM 23/10/92 (183)

SA DRUGGISTS FM 23/10/92

Healthy clean-up (183)

In the 13 months since Malbak bought SA Druggists (SAD) from Fedvolks, the pharmaceutical and medical group has, in effect, become a new business Old elements, like principal manufacturer Lennon, are still there, but a restructuring and rationalisation facelift has changed the group's appearance

New pharmaceutical and related parts have been added from 84%-parent Malbak, settled by the issue of 22,6m consolidated shares, which in turn has changed the structure of the balance sheet, mainly by reducing gearing from an uncomfortable 68% to 39% New CE Peter Beningfield also began intensive surgery to get the balance sheet in line with Malbak's accounting practices

No more writeoffs

The clean-up, plus rationalisation costs, knocked R64,9m (R51,5m after tax) off the bottom line, but Beningfield says there is now no off-balance-sheet accounting and all write-offs have gone through

So where is the group heading? Structural changes and different year-ends make historical comparisons of little value Annualised earnings have fallen about 20%, and the operating margin, while up to 6,5% from the March low of 5,8%, is still off the pre-acquisition margin of about 7,9%

Beningfield is aiming at an operating margin of 8%, and cites the maintained dividend as confidence of improved performance

He says all pharmaceutical factories have improved productivity and increased output, by as much as 30% in the past four months A R135m capex programme has expanded manufacturing capacity through the commissioning of the Intramed parenterals plant and a new Akromed baby food facility

NEW MEDICINE

Year to	Mar 31 '91	Aug 31* '92
Turnover (Rbn)	1,1	2,0
Operating income (Rm)	84,0	127,6
Attributable (Rm)	33,1	45,8
Earnings (c)	117,2	131,4
Dividends (c)	50	50

* 17 months to Aug 31

The marketing focus has also shifted SAD has become increasingly selective towards the tender market, and is moving towards what Beningfield says will be a better balance between the generic and higher-margin patented drug market

But, certainly short-term, manufacturing will primarily be weighted towards generic products, which offer good growth opportunities

In rand values, about 25% of the SA market is generic products, compared to about 45% in the UK and 60% in the US

Beningfield says conditions this year will be difficult, but predicts real growth in EPS

SAD's share price has been stagnant over the past year At R15 it seems to be on an upward trend but at twice NAV could be fully priced Prospects are good but a cautious investor will probably wait for the interim to see evidence of this *Shaun Harris*

Engen: investing in education for change

183

South 24/10-28/10/92.

ENGEN places a high priority on investing in education to promote change and development in South Africa According to its social investment co-ordinator, Dr Des Roberts, this investment takes several forms and is aimed at both supporting education and encouraging other companies to become involved in this form of social investment

This is particularly noticeable in the Engen Education Programme, which aims to provide extra tuition in maths, science and English to pupils from Std 6 to 10 for 20 Saturdays a year

Of the more than 500 pupils who attend these extra classes, about 13 percent are children of employees at the Engen head office in Cape Town and refinery in Durban The rest have been selected from local community schools such as Stembele Matiso in New Crossroads in Cape Town, or come from other companies who pay for children of their employees to attend the Engen classes

"In Cape Town, there are now 167 students from 20 different schools and 20 different companies attending these classes," said Roberts

"It makes sense for other companies to piggy-back on the basic courses and tutors we provide, making use of University of Cape Town facilities, rather than trying to start their own programmes "

Engen has also started a programme in Worcester and has advised companies in other parts of the country on how to set up similar programmes

Students at an Engen Education Programme at Worcester

The main rationale for the programme was the fact that research by Roberts had shown while there was an over-supply of black, coloured and Indian matriculants, few had studied maths or science and many had trouble with spoken and written English Those who did study maths or science were hampered by a lack of laboratory equipment with which to conduct experiments and basics such as textbooks

The three subjects were seen as being vital to enabling black students to secure training and employment opportunities at a time of rapidly changing technologies — and to meet South Africa's future labour needs

During their Saturday sessions, which last from 9am to 1pm, students are given intensive tutoring, provided with study notes to make up for the lack of textbooks at their schools and can use laboratory equipment at UCT or the University of Natal to carry out experiments

"From next year, we hope to take the programme to areas such as Crossroads as well, where we could provide a resource centre with all the necessary equipment and cater for more students," said Roberts

Des Roberts

Not surprisingly, there is a great demand for the classes and Engen cannot take on all the students selected by communities As a result, any student who fails to attend classes for three weeks in a row is automatically disqualified and another is taken on

A winter school is also organised for the matriculants in the programme This lasts a week and issues covered include career guidance and study skills

Engen's other investments in education include

EDUCATIONAL ASSISTANCE FOR EMPLOYEES

This takes place at two levels

- Grants to help employees educate children
- Grants to help employees themselves to study part-time

Engen pays its employees up to R6 000 a child a year at university or technikon, R550 a year for each child in secondary schools, R300 a year for each child in primary school and R150 a year for each child in pre-primary school

"Our motivation is that we want all of our employees to be aware of the importance of education and to make it easier for them to educate their children," said Roberts

Engen is supporting the education of more than 1 000 children of employees in this way in Cape Town alone this year

Employees are also encouraged to do part-time studies related to their work, with Engen paying all their fees If they pass their courses, the fees are written off as grants — but if they fail, they have to pay the money back

BURSARIES

The Engen bursary scheme was started in 1986 and this year supports nearly 80 students country-wide at a cost of about R16 000 each (depending on where they are studying)

The bursaries are granted for either commerce/computer science-related degrees by the Engen marketing division, or for chemical, mechanical and electrical engineering degrees by the Engen refinery

Students supported by Engen are expected to work for the company once they graduate, but are not tied down for any set period This is because they have so far been quite happy to stay on with Engen. If a students wants to study further in another discipline once the degree supported by Engen has been completed, the bursary can be written off as a grant In the few cases where Engen cannot place graduates, the disciplines they have studied enable them to easily find jobs

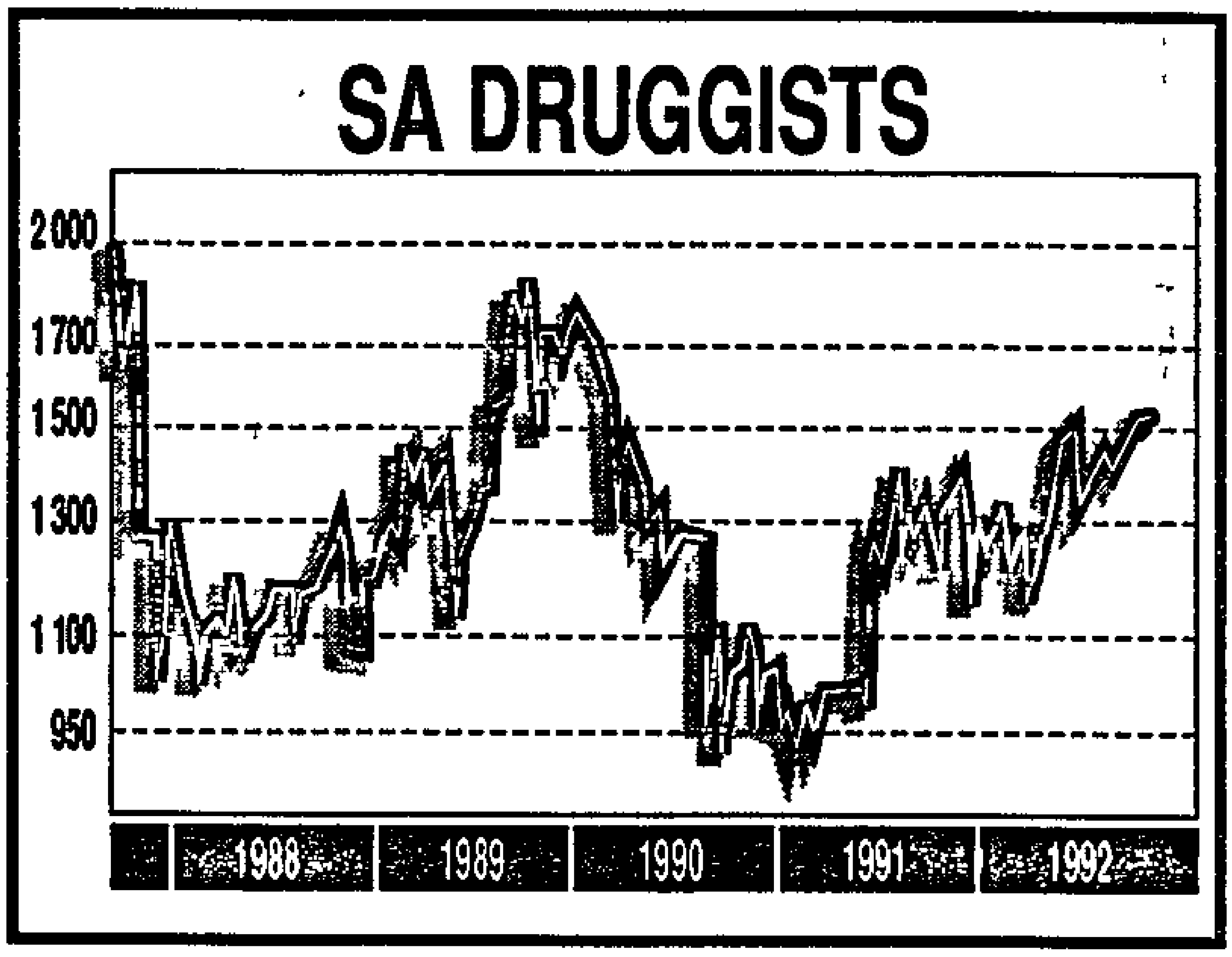
A mentoring programme was introduced last year to help students develop time management, study methods and objective setting skills This has improved the pass rate of the bursary holders

ENERGOS FOUNDATION

With a budget of more than R10-million a year, this foundation is funded by Engen but operates independently under its own board About 50 percent of its annual budget is spent on education projects around the country, with the rest going to community and entrepreneurial development programmes

This makes the foundation one of the biggest funders in the education field and projects supported include the South African Association for Early Childhood Educare, Learn and Teach, READ, Teacher Opportunity Programmes, Careers Research and Information Centre and a wide range of community-based education projects

The foundation believes that transformation in South Africa will be best achieved through an holistic approach to development It therefore aims to integrate the activities of its education, entrepreneurial development and community development units, and will encourage a similar approach in communities with which it co-operates All projects and programmes are undertaken in close consultation with communities



Druggists looking at sweeter future

S/Times (B4SS) 25/10/92 183

SA DRUGGISTS' shares moved up 50c to R15,50 this week, not so much on results but on perceived potential

The group, one of the largest distributors and manufacturers of drugs and medical equipment in the country, has been rerated since joining the Malbak stable a year ago.

Malbak's Peter Beningfield was appointed chief executive of SA Druggists and he gave a presentation to the Investment Analysts' Society on the group's results and prospects in Johannesburg this week.

A maiden year of restructuring and refocusing inevitably hurts somewhere Although turnover grew by 42% to R1,5-billion in the year to August as a result of taking Malbak's pharmaceutical interests on board, and operating income was up a fifth to R101-million, a much higher interest bill wiped out most of the advantage.

Working capital peaked at R173-million in March Beningfield's team has acted to bring interest-bearing debt down to R143-million, which with further improvements should lead to a R18-million reduction in the financing costs.

Borrowings to permanent capital fell from 68% to 39% and return on funds employed was 24%. "Less than we expect; we would like it to be nearer to 30%," says Beningfield. Distribution makes up half the group's turnover, pharmaceuticals 28% and chemical and medical equipment 20%. By far the best returns come from pharmaceuticals.

Every day its factories make more than 1,5-million capsules, 10-million tablets, thousands of litres of medicine, kilograms of nutritional stuff, suppositories and aerosols SA Druggists is investing heavily in a plant for intravenous products as well as in other areas.

The chemical and medical equipment division makes fine chemicals for use in the drugs. Tons of paracetamol, artificial sweetener, anti-oxidants, analgesics and others are made daily, as are hundreds of thousands of needles and syringes.

The distribution arm generates nearly 13 000 invoices a day. Beningfield estimates the group has a quarter of the wholesale market, and is a major in deliveries to pharmacies, notably the Link chain. The problem of shrinkage is now under control — well down from a high of 1% of turnover to about a quarter-percent.

SA Druggists stands to benefit from the growth in generic medicines. Here, the generic market share is less than 25% — about R1-billion — whereas in the United Kingdom it is 50% and booming.

The advantage is price — and SA desperately needs cheaper medicine. If we follow the path trodden by manufacturers in the UK, SA Druggists will be in the pound seats

Its brands are household names enjoying prominent market positions, from antacids to enzymes "We cater for everything. What we miss out on Durex sales, we pick up in infant-care products," jokes Beningfield

He does not expect trading conditions in the pharmaceutical industry to improve in the current financial year but does expect that SA Druggists' improved positioning and performance will lead to real growth in earnings a share.

He warns that dividend cover of 1,8 is about half the level he would like to see.

SA Druggists listed in 1987, just before the equity-market collapse, and reached a dizzy R20 — a price it might hit again, conditional on a buoyant JSE and a management that delivers

14 NOV 1992

COMPANIES

Adcock earnings ahead of inflation

B DAY 28/10/92.

(183)

DUMA GQUBULE

EARNINGS growth at Adcock Ingram (Adcock) slowed in the year ended September, but the pharmaceutical group in the Barlow Rand stable beat inflation with a 19% increase in attributable earnings to R76,5m.

CE Don Bodley said the performance could be attributed to improved focus on customers and markets as a result of the group's restructuring process, effective strategies which resulted in sound organic growth, the successful introduction of new products and sound human resources management.

He said the group's pharmaceutical and critical care (Sabax) business units — which accounted for 40% of turnover at the interim stage — had shown real growth. The much smaller generic division also achieved real growth.

The consumer and self-medication businesses had been affected by the recession and reduced consumer spending, but market shares for these branded products had been maintained or increased.

The group's largest business — the wholesale division — had achieved satisfactory growth in a highly competitive market.

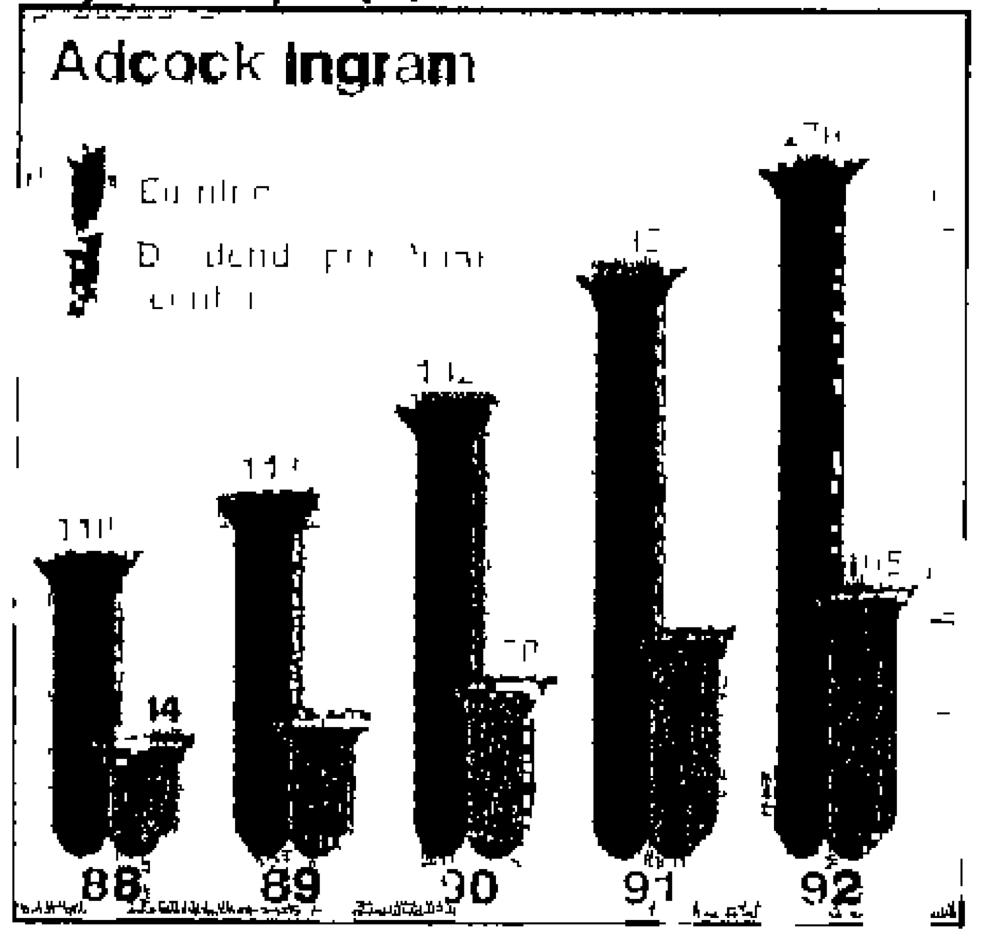
The six business units' contributions to turnover and profit were not disclosed in the preliminary profit statement.

Turnover was up 18% to R915m (R773,6m) and operating income 19% to R140,9m (R118,4m). Bodley said operating margins had improved slightly because of attention given to manufacturing and operating cost control.

Interest payments eased to R5,8m (R6m) and income from investments rose to R4,1m (R3,1m). Pre-tax profit improved by 21% to R139,2m (R115,4m).

The tax rate increased slightly and attributable income came to R76,5m (R64,2m), equivalent to 279c (235c) a share.

A final dividend of 72c a share was declared, which together with the interim payout of 33c a share brought the total for



the year to 105c — 19% up on the previous year's 88c a share.

Cash generated from operations increased by 28% to R154,3m from R120,9m.

Finance director Wally Holmes said Adcock had shown sound growth since 1985 — earnings a share had grown at a compound annual rate of 29% over the period.

He said the previous rates of growth had been influenced by acquisitions and, more recently, by a spate of new products introduced by the company.

It was not realistic to expect similar rates of growth in the near future although the company expected to show real growth in financial 1993, he said.

Bodley said growth in the pharmaceutical industry was not at the same rate as in previous years because of the recession, attempts by government to reduce spending and increased pressures on prices.

However, Adcock was well placed to capitalise on opportunities that would emerge in the changing health care environment. Real growth would continue, although at a lower rate than in the past, he said.

Bodley said the group had continued to invest in plant, facilities and information systems.

Major projects during the year included the completion of a new pharmaceutical tablet facility which provided increased capacity and flexibility while meeting international manufacturing practice guidelines.

New installations at the critical care business unit included an automated plastic blending process, a large capacity steam steriliser and computer integrated manufacturing systems.

A new production site for manufacturing effervescent tablets was now fully operational at the group's Durban-based self-medication business unit.

Research and development remained a key priority. Considerable success had been achieved in local development work and the group planned to maintain its investment in local facilities.

Entrance to the security block.

Afrox secures gases contract

B/DAY 29/10/92 (183)

AFROX technology played a major role in finalising the company's latest supply agreement with the SA Mint

Its success results from its gases applications technology and its access via BOC Group affiliates in Europe, US and Japan to the latest developments in furnace atmospheres

A 10-year contract covers the supply of the Mint's entire gas requirements

Afrox will supply bulk propane, bulk extra high purity argon, bulk technical and electronic grade nitrogen, as well as intrument grade gases and mixtures

Mint GM Neels Dannhauser says. "After studying various mints overseas, the design team for the new Mint called in Afrox at the planning stage to advise on placing gas lines and reticulation systems"

Controlled

Afrox will essentially provide the Mint with controlled atmospheres for bright annealing of its coin range

Northern Transvaal GM Patrick Dunseith says Afrox has been assisting the Mint to improve the production quality of coinage since 1982 when it modified three heat treatment furnaces at the old premises in Pretoria

Two rotary scroll furnaces and a mesh belt furnace were modified to develop a less expensive and more reliable atmosphere system for the consistent production of coins with a bright finish The modifications provided a 15-20% financial saving compared with the Mint's old exothermic gas generator system

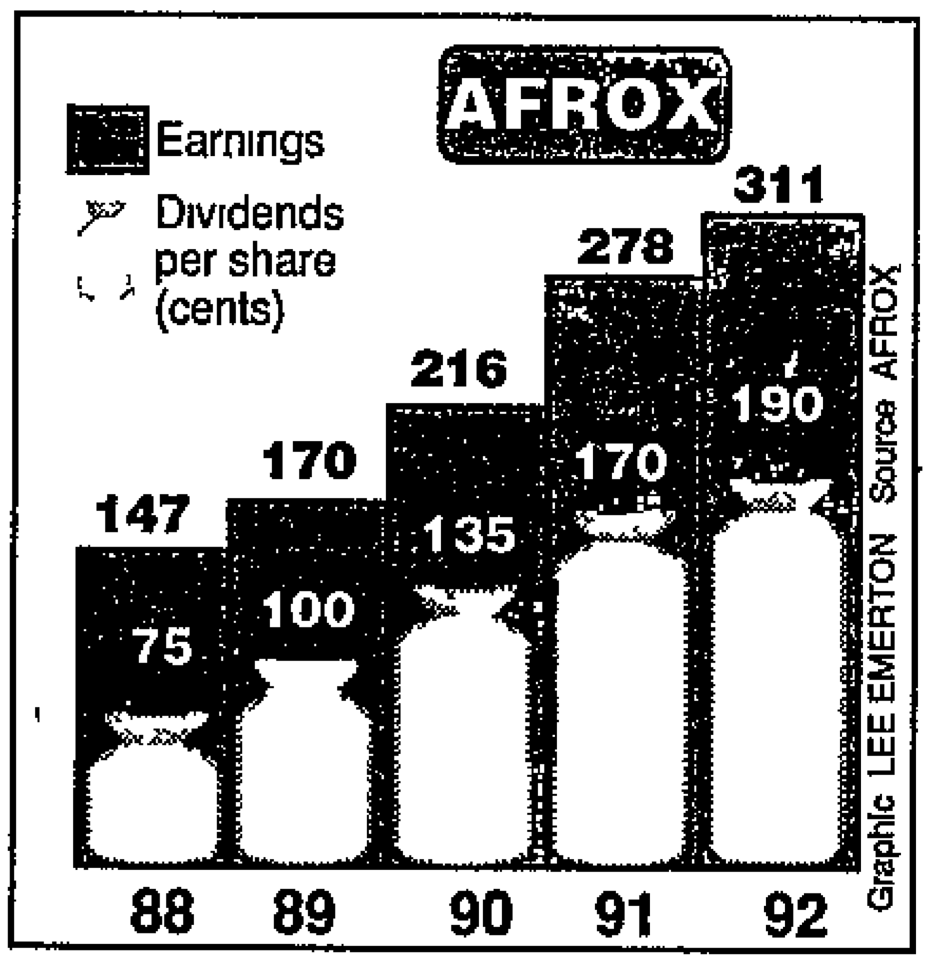
Pioneering

The mesh belt furnace was installed in the Gateway complex in August 1991 and Afrox was on hand to recommission a protective nitrogen-based atmosphere system for the annealing of Krugerrand gold blanks to ensure the finish required for proof coins This pioneering work began in 1982 and has since been developed further by Afrox for other industry uses

The technique, now widely know as Afrox nitrazone, enables the furnace atmosphere composition to be optimised in different furnace temperature zones by use of a special Afrox atmosphere injection technique, thereby saving its users money

Afrox was the first gas company in SA to obtain the SABS ISO 9002 quality systems listing for its bulk air separation products (argon, nitrogen and oxygen) and special gases work

Diversity pays off for Afrox



EDWARD WEST (183)

DIVERSITY paid off once again for gases, welding and health care group Afrox and inflation adjusted earnings and dividends increased 12% in the year to end-September 1992 compared with the previous year

Turnover increased 6,6% to R1,11bn (1991 R1,04bn) BDAY 30/10/92

Profit before interest increased to R217m (R206m) after charging an additional R17,1m depreciation to reflect current asset costs

Interest paid rose 12,4% to R35,2m (R31,3m) leaving pre-tax profit only 4,1% higher at R181,9m (R174,7m) Tax was lower at R84,7m (R88m)

☐ To Page 2

Afrox BDAY 30/10/92. (183)

☐ From Page 1

Attributable profit was 11,7% higher at R94,3m (R84,5m)

Earnings a share amounted to 311c (278c) and a final dividend of 119c (107c) was declared which brought the total dividend payout for the year to 190c (170c)

Chairman and MD Peter Joubert said the performance was due to the diverse nature of the company's businesses

The gases division was particularly resilient in recession due to long-term supply contracts and good revenue flows from fixed facility charges, he said

However, the welding business had been hit hard because of the lack of major infrastructural projects

The drop in demand was exacerbated by stayaways and strike action, particularly in August when a large number of the group's customers were virtually at a standstill because of the Numsa strike

However, the division partly compensated by improving export sales and using existing facilities to diversify divisional activities and develop new products

Among these new products was a rescue pack for miners — to enable the breathing of uncontaminated air — which was to become mandatory equipment in terms of newly-proposed legislation, said Joubert

A portable solar lighting kit for rural markets was also developed

The health care division, which owned and operated 10 private hospitals, improved profit in spite of a downturn in bed occupancies toward the end of the year

The division had embarked on the provision of managed care services through joint venture company Medimo which was expected to contribute to profit in the next financial year

Several hospitals were refurbished or expanded, Joubert added

He predicted earnings would be maintained in real terms in the current financial year

SAFREN FM 30/10/92 (183)

Embarking on new adventures

Activities: *Ship owning and operating, air transport, ships agencies, freight movement, bulk and containers handling Warehousing, transport and travel, casino and hotel resort operations and general leisure activities*
Control: *SA Mutual 40%*
Chairman: *G A Macmillan, MD D A Hawton*
Capital structure: *54,2m ords Market capitalisation R4,5bn*
Share market: *Price R83 Yields 3,1% on dividend, 7,4% on earnings, p e ratio, 13,5, cover, 2,4 12-month high, R101, low, R79 Trading volume last quarter, 646 000 shares*

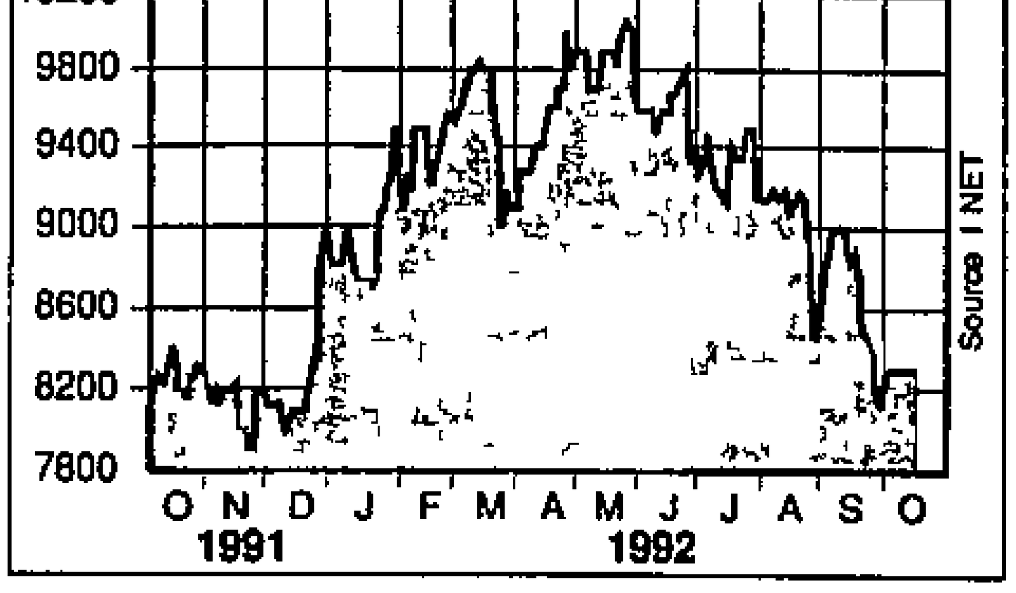
Year to June 30	'89	'90	'91	'92
ST debt (Rm)	(20,6)	(499,6)	(329,4)	40,1
LT debt (Rm)	690	733	822	1 066
Debt equity ratio	0,40	0,14	n/a	0,23
Shareholders' interest	0,40	0,41	0,45	0,48
Int & leasing cover	n/a	38,5	n/a	25,9
Return on cap (%)	17,8	18,0	14,5	12,7
Turnover (Rbn)	3,66	4,00	4,37	4,70
Pre-int profit (Rm)	614	740	683	743
Pre-int margin (%)	16,7	18,5	15,4	15,7
Earnings (c)	411	487	565,5	617
Dividends (c)	180	210	237,5	255
Net worth (R)	13,9	17,4	21,2	25,1

Ships, and the men who go down to the sea to sail in them, have always been infused with a sense of mystery and romance And ships, cargoes, far-off destinations and stormy seas are what Safren used to be about and how the company is most often perceived

No longer — or at least not significantly so The photograph in this year's annual report of the board of directors illustrates the point this fine body of men is shown assembled in the shadow of the life-size statue of famous Kruger Park elephant Shawu, set in the cloister of The Palace, the Lost City hotel which Sol Kerzner says will become the world's finest

They are there because Kersaf, which effectively owns Sun International, is the most important contributor to Safren's turnover and profits and the smiling directors, by their presence, emphasise it Fully 60% of Safren's operating profit — R459m — comes from its investment in the entertainment and leisure giant

However, it's interesting to note that the preponderance of outside shareholders in Kersaf's operations have the effect of reducing its contribution to Safren's attributable



Safren's Hawton *aware of problems*

earnings to 41% of the total R331,5m It is on the bottom line where Safmarine's traditional predominance continues to prevail — the shipping operator's contribution of R147,7m was 45% of Safren's total

The year's bad news is in note 9 to the accounts, which provide for extraordinary items of a net R62m, the bulk of which (gross R72m) is unexplained by the curious description "sale and write down of investments " By burrowing through the rest of the report, shareholders discover, tucked away in deputy chairman Buddy Hawton's review, that Safren has written off its R78,5m, 49%, investment in CMB Transport of Belgium (CMBT), made only last year

Hawton says when Safmarine made the investment "it was known that CMBT was incurring substantial losses" and it was going to take three to four years to turn it into profit That is a startling admission It certainly was not disclosed in last year's annual report On the contrary, chairman Alistair Macmillan's statement that "there is no doubt it (the acquisition) will provide additional scope for the expansion of its international operations" was full of confidence How things have changed in a year! Shareholders will wonder if this is about to turn into another of SA's famous — and ill-fated — international financial excursions

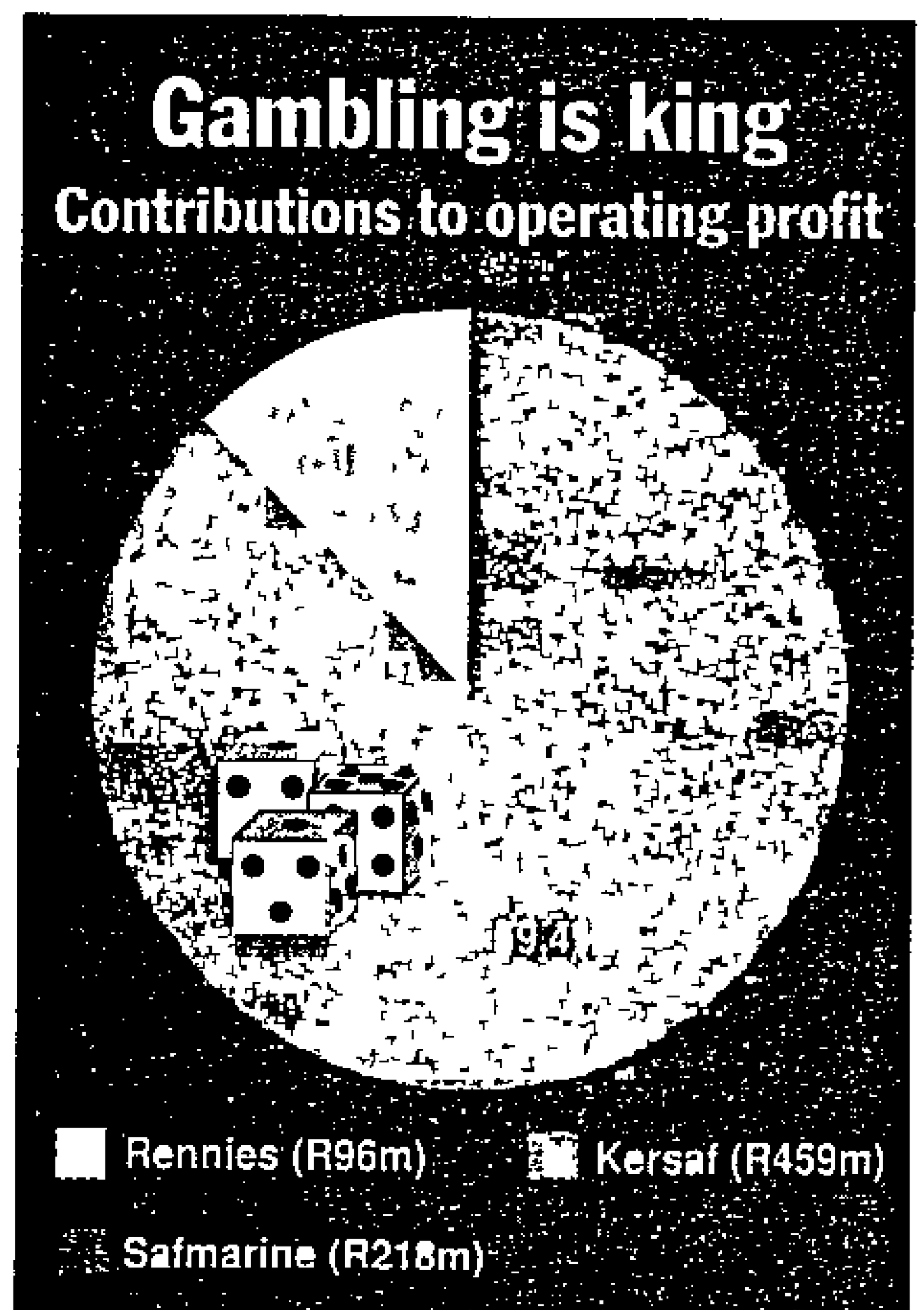
When asked about the matter, Hawton's response was that Safmarine was able to buy a 49% stake of a major European operation for only US$25m "This isn't the kind of opportunity which presents itself if the operation is highly profitable Of course we were aware of problems, and we know that a great deal of management time will be necessary to pull it right But we're quite satisfied we can do it

"Another consideration is strategic," adds Hawton "We decided it was necessary to secure for Safmarine a significant European base There are good reasons for this, not least positioning the company in respect to its shipping business, and we believe we've achieved this at very low opportunity cost "

The best part of Safren's business is Safmarine The company gets good tax allowances for its investments in its ships, the operation is largely written in hard currency so it has a most useful rand hedge element and, since the demise of sanctions, new geographical areas have opened up But the card Safmarine has played with such conspicuous success over the years has been its ability to balance its fleet portfolio with demand This has been no easy achievement in a worldwide industry characterised by boom and bust cycles

Kersaf, of course, is the apparently glamour end of Safren's business, but even it has found the going appreciably tougher over the last year The rash of casino operations across the country, spawned by loopholes in the controlling legislation, had Kersaf's management worried, until government drove through appropriate amendments to the Act

It has committed itself to huge capital expenditures, most of it devoted to the Lost City adventure which is consuming around R850m So Kersaf's ability to continue its remarkable record of achievement now hinges on the extent to which it succeeds with Lost City in a time of deepening recession, miserable international tourism traffic, with grinding violence and political uncer-



* continued →

PTO.

Sites owned by the companies are leased to individual operators for their own risk and reward.

The industry contends that even a partial liberation of the retail market would benefit hypermarkets at the expense of small operators International experience, goes the argument, has shown that it is difficult to retain restrictions on self-service once retail price maintenance is removed.

The industry argues that Ratplan has demonstrated unit cost advantages by maintaining turnover, which helps to hold down margins

The publication of statistics about petroleum is still heavily restricted The scales of consumption and imports are generally believed to be in the region of 450 000 bpd (barrels per day) of crude oil consumption and 300 000 bpd of imports. The first figure is notional, because Sasol does not produce crude oil as such but makes refined fuels from gasified coal For comparative purposes, Sasol may be considered to have an output of refined fuels equivalent to a refinery processing around 150 000 bpd of crude oil Mossgas will produce liquid fuels with a crude oil equivalent of around 45 000 bpd

Sasol at present enjoys a significant measure of price support in the form of a guaranteed floor price at US$23 a barrel, based on Dubai crude, but it has to turn over to government 25% of revenue attributable to oil prices over $28,70 a barrel

Oil majors

The cost of Sasol's support at the present oil price of $20 a barrel for Brent crude is around 3c/litre spread over the entire volume of consumption of petrol and diesel

At a delivered oil price of, say, $21,50 a barrel, SA's oil imports cost around $2,35bn or R6,6bn/year. The savings in foreign currency from Sasol's output are around R3,3bn a year and from Mossgas around R1bn The cost-saving through local refining is around R1,5bn/year, compared with the cost of importing refined products But savings in foreign exchange must be balanced against the cost of price support and other overt and covert protective measures.

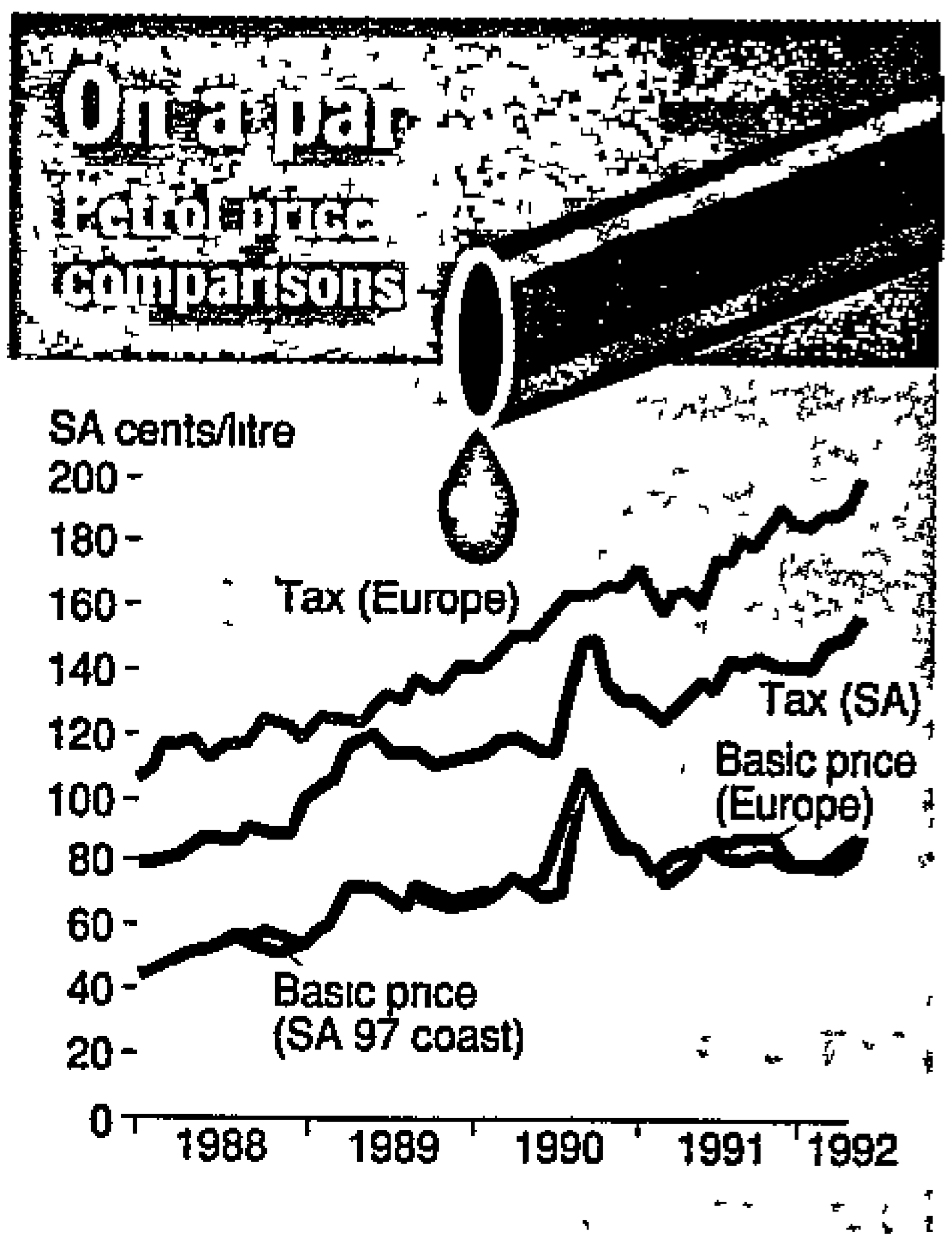
Crude oil is processed at the three coastal refineries (two at Durban and one at Cape Town), which are owned and operated by international oil majors Shell and BP in partnership, Engen (as successor in title to Mobil SA) and Caltex Sasol operates an inland refinery at Sasolburg as the major partner along with Total SA

Though oil refineries can be run below capacity at higher than optimal unit costs, it is far more important for the economics of Sasol's synthetic fuel operation that its facilities remain fully loaded This has been ensured through a marketing agreement with the oil companies in their capacities as wholesalers of petrol and diesel This obliges the oil companies to purchase all of Sasol's synthetic output so that variations in consumption are absorbed by variations in refinery throughput Mossgas's output will be marketed the same way

Petrol and diesel are sold through the large network of filling stations, affiliated to and traditionally often financed by an oil company They now operate on the one-brand system (though Sasol broadly exercises its right to have one pump at one-brand stations throughout its area of supply)

SA has already halved the lead content of its petrol, in line with international trends. Fully unleaded petrol will be introduced in 1995 The reduction in lead content from 0,8 g to 0,4 g of lead per litre of petrol has already added more than 1c/*l* to the cost To take the process to completion could cost another 5c/*l* in today's money

The pricing of petrol and diesel is done according to a formula which fixes retail and wholesale margins and builds in the range of taxes imposed The price at the pump is based on a notional value for refined product imports — the in-bond landed cost (IBLC) It is notional because SA imports crude oil and not petrol and diesel This vital parameter is derived through a net-back process



from the price of refined products at four reference refineries around the Indian Ocean, including three at Singapore and one in the Gulf

The IBLC formula has, over many years, delivered liquid fuel to the SA market at prices broadly competitive with those in Europe The formula, incidentally, is not peculiar to SA It is used in a few countries around the Indian Ocean, including Thailand

The formula's effect is to include the refining margin for the local refiners in the IBLC It follows that greater operating efficiency than is achieved at the four reference refineries will allow the local refiners to achieve a greater profit margin The formula does not function on a cost-plus basis

Before 1991, the oil industry's profit was monitored on marketing and refining Refining is now deregulated and profit is monitored on marketing only against a return on assets of 15% before tax and before the payment of interest The return is calculated on historical depreciated book values of assets with some additional depreciation allowed to compensate partially for inflation in the cost of capital goods Total depreciated assets still in use are, therefore, not included in the asset base — and additional depreciation is not allowed on them

After Sasol's Secunda output came on stream, the refineries were forced to operate well below capacity for some years The refineries are now fully loaded for petrol production and have embarked on expansion programmes which include developing capacity, not merely overcoming bottlenecks Investments are being planned to allow for the production of unleaded petrol The additions to capacity will be considerable In contrast, Sasol says it will not even contemplate building new synfuel plants at current or even significantly higher oil prices

The industry expects demand for liquid fuels to increase at a rate slightly higher than GDP — say 1,2% for every 1% increase in real GDP Of course, this elasticity of demand can be influenced by movements in the real, taxed retail price of petrol and diesel The taxes on petrol are determined in cents per litre, not ad valorem, so they need to be adjusted periodically to allow for the inflation rate if the real tax take is to be maintained

In the current environment of regulated retail prices, the oil companies compete at the retail level through skilled advertising, location and the ancillary services offered Shell says it has recently regained its position as market leader in branded petrol (with Caltex second) This is due in part to the enthusiastic way Shell has provided backing for black causes, including the taxi industry, a major consumer grouping

In terms of all oil products traded locally, Engen (encompassing Mobil, Sonap and Trek) is the leading brand, followed by Shell Caltex and BP (despite its problems at head office) remain major players BP is relaunching the image of its service stations and has its half share in the Sapref refinery expansion

The outcome is that SA motorists have ready access to high-quality fuel at a wide variety of locations and at a price (including tax) below the pump price in Europe The US, which remains an oil-producing country, barely taxes its petrol, so the price at the pump is lower there But this could change in the near future, very largely for fiscal reasons

The costs of the present pricing structure are transparent So the savings from early deregulation are easy to work out and can be weighed against the risks That suggests deregulation, aimed at a more productive allocation of resources, could be phased in with the minimum of disruption, provided it is planned, co-ordinated and consistent

There is no need for a Big Bang to bring prolonged and unfortunate dislocation But that, in turn, means work on deregulation should begin sooner rather than later ■

THE OIL MARKET FM 30/10/92

Ready to rock and roll

(183)

The benefits of deregulation would outweigh short-term job concerns

In the new climate of world freedom, economics in theory, principle and practice dictates deregulation of the retail petrol and diesel markets The recent 7c increase in the petrol price (*Economy* October 16) was needed to meet various increases in administered prices, notably the retail margin, but it too suggests that deregulation, as supermarkets have been urging, needs swift consideration

The accumulation of inefficiencies resulting from tariff or other forms of protection, or from administered prices, adds up to an Argentinian economy Consensus is emerging that to achieve a rapidly growing export-orientated structure, these destructive elements must be worked out of our system

SA's oil industry makes much of the argument that deregulation could cause the loss of up to 50 000 forecourt jobs Even Pick 'n Pay chairman Raymond Ackerman has been reported as saying that forecourt jobs should be protected by outlawing self-service

One possible approach to rebutting this argument would be to test deregulation in a self-contained urban area some distance from a main metropolis We might well find the results differ from those claimed by the industry

Lourens van den Bergh of the Department of Mineral & Energy Affairs says the former National Energy Council investigated deregulating the oil industry during 1990-1991 Apart from freeing the refining margin, other policy steps initiated were.

- Scaling down minimum requirements regarding repair services which service stations must render, and
- Implementing international market-related adjustments of fuel prices at ministerial and departmental level without reference to Cabinet

In addition, government has applied a strategy to deregulate crude oil acquisition

Deregulation of retail pricing and marketing has been accomplished in a few countries — with varying consequences In a large country such as SA, price regulation has ensured that rural areas do not have to pay more for petrol than cities But the cost of misallocated resources has been severe

Recently there have been attacks on the so-called Ratplan or Service Station Rationalisation Plan According to industry sources, this arrangement has existed since 1960 and predates any oil embargo It aimed to provide a national network of sites, ensure essential services for motorists, encourage higher turnover per site and prevent proliferation of service stations

Ratplan does not serve as a mechanism for retail price maintenance That is done through the Petroleum Products Act of 1977 But price maintenance dates back to around 1937

The industry disputes the idea that Ratplan achieves market sharing All oil companies received the same number of quotas for the development of service stations, irrespective of their size and market share The companies do not operate service stations, though they own 22% of the total number

Continued →

SENTRACHEM FM 30|10|92

Talks in Oz

(183)

Sentrachem will make its biggest offshore acquisition if negotiations and a due diligence investigation into Australian styrene producer Chemplex Holdings prove favourable The SA chemical group published a cautionary statement on Monday to advise shareholders of the potential deal

FM 30|10|92 (183)

Sentrachem is providing no further details, though the statement does say Chemplex is Australia's largest styrene producer and "significant synergies" exist between the groups

Sentrachem used to have investments in Australia and the UK which were sold in the sanctions era It still has small interests in several African companies Should the deal, understood to have been initiated from Australia, go through, it will represent Sentrachem's first major international acquisition

Styrene, the major raw material in production of several Sentrachem product groups (polystyrene, latex, rubber and polyesters), was made by Sasol until about 10 years ago Stopping production affected Sentrachem's business and all styrene has since been imported

The high-impact polystyrene facility was closed last year and Sentrachem spent R4m on a plant to produce thin-walled expandable polystyrene

It makes sense for the group to gain an interest in a large styrene producer like Chemplex While no details of the price Sentrachem might pay are available, last week's preliminary results (*Fox* October 23) show the group with cash resources of R77,5m and borrowings down 22% to R390m

Shaun Harris

... better control should be exercised over e... cesses of beds and facilities in private institutions...

News in Brief

140 to be laid off

(183)

EAST LONDON - Johnson and Johnson announced yesterday that it would retrench 140 members of its staff here, starting from December until March next year. CT 31/10/92

No new policemen

Chore...

LONDON. ... lan, one of ... eographers ... the Royal O... the revival ... Royal Ballet ... day

Japan's refiners under the whip

By KEVIN DAVIE

WHILE the Government and the oil industry cling to regulation, Japan is aggressively deregulating, bringing fuel prices down in some areas by 25% S/Times (Buss)

Like SA, Japan had a decades-old system of regulation whereby the Government allowed the oil companies to operate as a cartel

The companies liked the price-fixing so much that they fought to maintain it, The Economist reports

But now the Ministry of Trade and Industry (MITI) has decided the opposite it wants competition to force the creation of a Japanese oil giant capable of competing against the world's biggest

"As a result Japanese motorists look like getting some relief from the artificially high petrol prices for the first time in decades," The Economist says

The Japanese pay four times — some, but not all, in taxes — what Americans do for their fuel 1/11/92

"MITI's moves have already pushed prices in parts of the country down by 25% "

The Economist says that although the Japanese oil industry has operated with slim refining margins, it "has been allowed to sting the motorist with margins four times larger"

Sting 183

"Japan's oil companies liked the price-fixing formula so much they tried to maintain it "

But, says The Economist, MITI has not only abandoned its support for the practice, it is investigating pricing with the zeal of a veteran price buster and publicising its findings

'Now that such price fixing has been pointed out to them, Japanese motorists are no longer willing to tolerate even modest rises at the pump, legitimate or otherwise.

"With the recession beginning to bite, they are on the prowl for discounts

"Japan's hapless oil companies, obedient to MITI's commands for so long, may be forgiven for wondering what they have done to deserve this fate"

Squeeze is on polymers

BDAY 5/11/92 (183)

EDWARD WEST

LOW international polymer prices were squeezing local polymer suppliers' profits, but lower product prices were forcing market share gains from traditional materials, Plastomark MD Wolfgang Raffalsky said

Plastomark, a Hoechst SA subsidiary, has a 50% joint venture stake with Sentrachem in Safripol, a high density polyethylene, polypropylene and compounded polypropylene plant

Raffalsky said worldwide capacity utilisation of high density polyethylene and polypropylene was 80%, a sure indication of low prices and oversupplied markets

Worldwide international demand for polypropylene slumped due to recession and production increased to more than 17-million tons compared with demand of less than 14-million tons, Sasol said in its 1992 annual report

The world polypropylene market increased only 6% in the year to end-June 1992 and the growth rate was expected to remain low until 1995, Sasol said.

An AECI public affairs spokesman said local plastic polymer prices had fallen significantly over the past two years in line with world trends PVC prices had fallen more than 10% and polyethylene about 10%

Plastomark said the low prices would lead to rationalisation within the polymer industry worldwide with extended maintenance shutdowns, closure of older units and other deliberate steps to reduce oversupplies

Raffalsky added that many international producers were already making losses Tight margins had forced plastics companies to increase volumes and keep prices low to remain competitive

The result was that plastic material packaging product price indices, using 1980 as a base, was substantially lower than producer inflation and lower than products made from traditional materials such as steel or paper board, Raffalsky said

He said SA was protected to a degree from the world oversupply of polymers by anti-dumping legislation, neccessitated in no small degree by the fact that a third of all high density propylene suppliers were state owned

However, AECI pointed out that there had been an increase in polymer imports during the past two years, some of which had been at abnormally low prices due to the ineffectiveness of past anti-dumping mechanisms

AECI said an SA economic recovery would lead to an increase in the demand for plastics and the group would continue investing in its PVC and polyethylene businesses

PREMPHARM

Dispute over price

There appears to be tension between Premier Group and the Krok brothers over the purchase price of pharmaceutical businesses of Gresham Industries and PDC Holdings, being acquired by Premier Pharmaceuticals (Prempharm), formerly Twins Pharmaceuticals

Prempharm, controlled by Premier, is negotiating to acquire wholesaling operations from Gresham and PDC, also controlled by Premier It's understood the Krok brothers — who recently sold 5m Prempharm shares but remain significant shareholders in the pharmaceutical group — claim Prempharm is overpaying for the assets

Premier Group chairman and CE Peter Wrighton admits "There is a dispute in progress" Solly Krok says "We are trying to determine the correct price for the wholesaling assets, based on a due diligence test"

FM 6/11/92 (183)

It seems the "based on due diligence" clause is material The Kroks had originally agreed on the price Prempharm would pay for the wholesaling assets, subject to a due diligence study

Presumably, following this, they have decided the price is excessive Wrighton says there is provision for a dispute mechanism should the due diligence produce a different figure

But there is more to this fray than meets the eye It is being asked whether the Kroks' sale of 5m shares to Premier is related to the wholesaling activities deal — significant because Premier took control of Prempharm through this deal Before this, Premier and the Kroks shared control

William Gilfillan

AFROX FM 6/11/92

Gaseous glories

(183)

Afrox's latest results are the kind that cause shareholders to order the bubbly This transparently well-managed company, which reports its results after accounting for inflation, has turned in a performance that fully justifies its rating as a deep blue-chip stock

Afrox's 1992 audited results are a stream of undiluted happiness turnover increased nearly 7%, profit before interest but after inflation accounting rose 5,4% to R217m, the after-tax profit rose 12,1% to R97,2m and the total dividend rose 12% Afrox's managers made the assets work to the extent they produced a bottom-line return, in nominal terms, of roughly 27% — an extraordinary achievement

It is, of course, inappropriate that we should find nothing about which to complain. The interest bill rose nearly R4m because of an increase of R23,1m in borrowings These now stand at R244,5m and, on an otherwise impeccable balance sheet, cause a slight flickering of the eye

On the other hand, the investment in long-term assets rose R26,4m Financial manager Keith Bonynge says an investment of about R20m was made in the Afrox Unit Trust scheme, this scheme has enabled 1 300 Afrox employees to become shareholders and the new infusion will confer shareholder benefits on another 1 000 employees, each with service exceeding 10 years This is part of Afrox's plan to ensure shareholder democracy extends to employees, since it is so clearly successful, investors should be pleased

Afrox's business is concentrated in three areas. gases, welding and health care Emphasising the imperturbable nature of the gases division, chairman and CE Peter Joubert says "It is particularly resilient in a recession due to the long-term supply contracts and substantial revenue flow from fixed facility charges."

CHAMPAGNE RESULTS

Year to Sep 30	1990	1991	1992
Turnover (Rbn)	0,904	1,04	1,11
Operating income (Rm)	180	206	217
Attributable (Rm)	67	84	94
Earnings (c)	216	278	311
Dividends (c)	135	170	190

Welding took a knock, however, recession resulted in a lack of major infrastructural projects and strikes hampered demand for welding products and associated consumables But even this division had its bright spot Export opportunities in Europe, South America and African countries were exploited to some effect Rather cheekily, Afrox is now exporting to the UK, a market previously held significantly by Swedish supplier Esab which bought Afrox parent BOC's welding business five years ago Now that the restraint-of-trade provision has expired, Afrox is challenging Esab's dominance

A significant new market for this division may be in the production and marketing of a home-designed rescue pack to enable miners trapped underground to breath uncontaminated air through a closed circuit The Afrox-Pac has recently been given the approval of the Government Mining Engineer

Health care is an area of considerable investment by Afrox It owns and operates 10 private hospitals and returned improved financial results despite a downturn in bed occupancies

At R95, the share trades just under its 12-month high of R97 It is on a p e of 27 against an engineering sector average of 8,7 — hardly surprising considering the quality of its performance and earnings There aren't many companies on the JSE's boards as good as this one

David Gleason

ADCOCK INGRAM FM 6/11/92

In a dilemma

183

Adcock Ingram seems to be caught in a dilemma — earnings should not increase too rapidly as this could be politically sensitive. Health care groups in the US are coming under severe pressure after recent surges in costs. Back home blue-chip Adcock is probably also feeling the pressure regarding in-

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creases in selling prices.

Pharmaceutical groups contend high margins are necessary to finance hefty R&D to manufacture better drugs. Though this is true, one has to question how pertinent the argument is in SA where, in the main, local groups manufacture foreign-developed pro-

PRICING PRESSURE

Year to Sep 30	1991	1992
Turnover (Rm)	774	915
Operating income (Rm)	118,4	140,9
Attributable (Rm)	64,2	76,5
Earnings (c)	235	279
Dividends (c)	88	105

ducts under licence. In Adcock's case about 40% of its pharmaceutical products are made under licence.

As a result of this pressure, 1992's price increases were generally kept below the inflation rate, partially explaining why 1992 EPS growth was "only" 19%, against last year's 29% and 1990's 27%.

Finance director Wally Holmes says, compared with the past, fewer new products were launched, also contributing to the lower EPS growth.

But demand for Adcock's products has increased, as turnover jumped 18% despite the real drop in prices. The critical care (Sabax) and pharmaceutical divisions "enjoyed particularly good growth," while self-medication and consumer products came under pressure.

Though declining to give a divisional breakdown at trading level, Holmes says low-margin wholesale activities accounted for 39% of group turnover, critical care 23%, pharmaceuticals 17%, self-medication 12%, and consumer products 9%.

CE Don Bodley reckons pressure felt in the self-medication division reflects the economic climate. Given the way medical aids are structured, sick people are more inclined to use medical aid schemes through visiting their doctors rather than going the nonprescribed self-medication route.

Bodley also notes that wholesalers and chain stores destocked, with the effect the whole market contracted significantly, but he adds Adcock maintained market share.

Results at the consumer products division would have been worse but for the introduction of new hair care products.

In the past SA Druggists (SAD) concentrated on lower-margin generics, while Adcock's expertise lay in higher-margin branded and patented products. This is changing in a curious way, as SAD is increasing its exposure to branded and patented drugs and Adcock is moving into generics.

Presumably, both are aiming to have their product ranges reflect more or less the industry structure. In the past Bodley has said generics comprised 25%-30% of the total prescribed market in the US.

As long as local groups supply relatively cheap generics in the new SA, they will

Adcock Ingram's Bodley ... *good growth in generics business*

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probably be given free rein regarding pricing policies on branded and patented products. Thus, both SAD's and Adcock's strategies seem astute.

Bodley says Adcock's generics business has shown good growth, albeit off a low base, from both the institutional and private sectors. In the past the institutional sector, such as State hospitals, accounted for much of the generic business.

The group has moved from 15,8% gearing at interim stage to having surplus cash at year-end, reflecting strong cash flow.

Though the pace in earnings growth has eased, the share has outperformed the JSE Industrial index since mid-year. *William Gilfillan*

Engen to upgrade its Durban refinery

JONO WATERS

183

ENGEN is to upgrade its Genref refinery in Durban at a cost of R800m, CE Rob Angel announced at the weekend

He said the project would be financed by a combination of foreign supplier credits, favourable foreign and local financing structures, and from the proceeds of a rights issue in April last year It was expected that the project would be completed by the end of 1994

The first phase of the Genref expansion programme was completed earlier this year within the R670m budget

Angel said the second phase's main objectives would be to improve substantially the yield and product quality of high value transport fuels, enhance environmental protection, particularly through air pollution abatement, and improve refinery reliability About 3 000 jobs would be created in the engineering industry during the 26-month construction schedule

The upgrading project would significantly increase Genref's production of unleaded petrol and low sulphur diesel fuel.

Angel said 40% of the project cost would be devoted to facilities for environmental protection and product quality improvements

BDay 29/11/92

SENTRACHEM FM 13/11/92 183

Preparing to go to the market

Activities: *Makes industrial and mining chemicals, plastics, agricultural products, foodstuffs and rubber*
Control: *Sankorp 33,8%*
Chairman: *D N A Hunt-Davis MD J L Job*
Capital structure: *115m ords Market capitalisation R635m*
Share market: *Price 550c Yields 3,6% on dividend, 11,3% on earnings, p e ratio, 8,9, cover, 3,1 12-month high, 675c, low, 515c Trading volume last quarter, 303 000 shares*

Year to Aug 31	'89	'90	'91	'92
ST debt (Rm)	154	114	135	102
LT debt (Rm)	305	497	475	366
Debt equity ratio	0 51	0 71	0 63	0,44
Shareholders' interest	0 40	0,34	0 33	0,35
Int & leasing cover	3,0	2,1	1,6	2,3
Return on cap (%)	13,7	12,3	11,7	12,8
Turnover (Rbn)	1,45	2,16	2,28	2,43
Pre-int profit (Rm)	222	245	235	256
Pre-int margin (%)	15,4	11 4	10,3	10,5
Earnings (c)	81 1	66 1	53 8	62,0
Dividends (c)	25	24	18	20
Net worth (c)	557	480	499	521

It's encouraging to watch a large, complex group like Sentrachem succesfully change its corporate culture and profitability at the same time Though never afforded the level of government backing that competitors such as Sasol enjoyed, Sentrachem was encouraged to enter what was the strategic import-replacement industry during the sanctions years

For a while it worked well, especially during the energy crises of the early and late Seventies But, fundamentally, the import-replacement market was a false market Consequently, Sentrachem has been moving from an import-replacement producer to

Sentrachem's Job *benefits from capex programme*

what chairman Derek Hunt-Davis calls "a business which is increasingly looking outward for its markets"

Year-end results show what MD John Job says is the first stage of a long-term performance improvement strategy Two years of declining earnings have ended, with EPS up 15% After dividend cuts in 1990 and 1991, the past financial year's dividend is up 11%

What's important about the improved results is that they come during one of the worst trading years the group has experienced, with the international chemical market and the local economy at record lows Better earnings have come from internal pruning and focusing on core businesses, as well as tight control of assets and working capital

A newfound confidence is apparent, with Job predicting a further improvement in results this year, provided the economy does not deteriorate further He says though Sentrachem is well-positioned for an upturn, "we are not dependent on it"

Cutting unprofitable activities cost Sentrachem R15m, recorded as an extraordinary item, and saw the workforce fall by about 230 to 8 089 employees Pre-tax profit was lifted 35% to R145m thanks to a 23% reduction in interest, the result of the earlier R830m capex programme coming to an end and reduced working capital Capex for the 1993 year, mainly base capital expenditure, will be held at about R145m, Job says He adds that the benefits of the earlier capex programme are now being felt

Most dramatic has been the turnaround of the Karbochem plant at Newcastle, not only profitable for the first time since being commissioned but now the second-largest contributor to earnings Karbochem, established mainly as a producer of rubber, is now focusing on elastomers, carbide products (after acquiring AECI's carbide business at the beginning of the year), industrial and inorganic chemicals In the past year, rubber accounted for only 51% of divisional sales (1990 65%) Job expects this to fall to about 34% this year

Sentrachem's business mix has not changed much since last year (see chart), with the biggest percentage increase in contribution to profit coming from Agrihold This was largely from the joint venture Sanachem, which increased exports to compensate for the drought

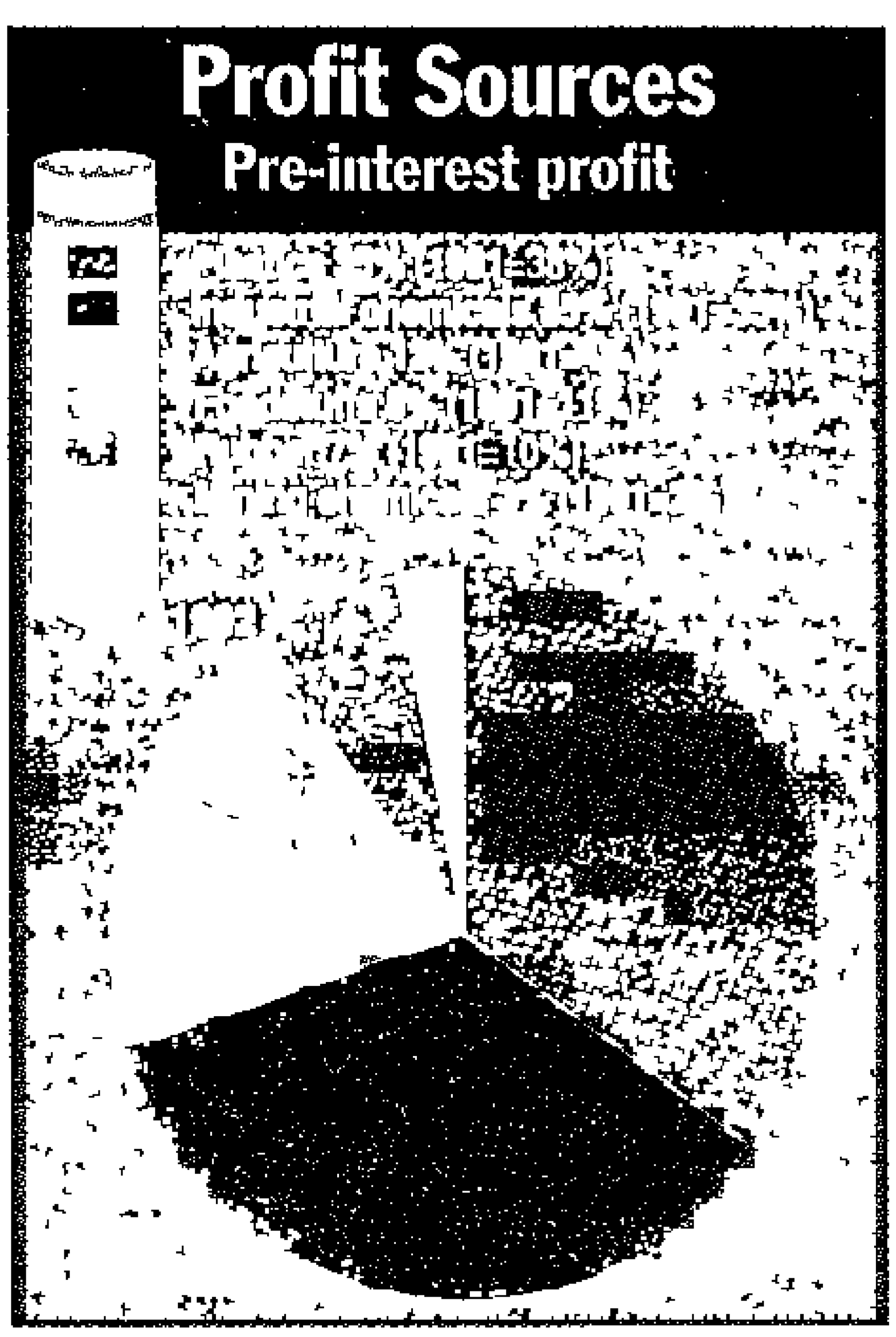
All other divisions also raised exports, which now account for 11% of Sentrachem's turnover

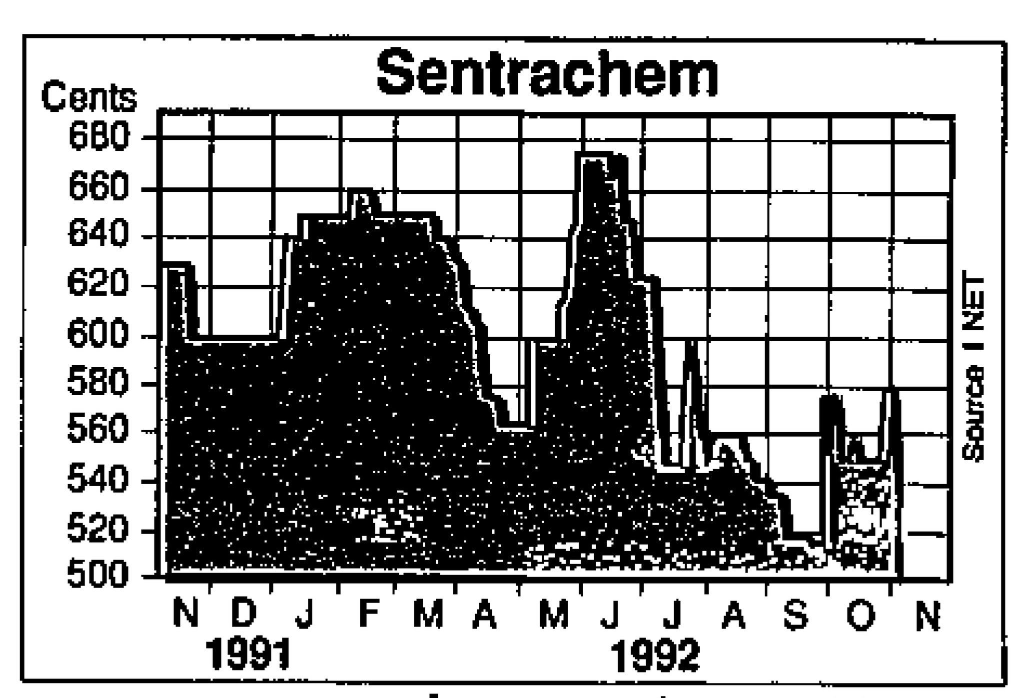
The balance sheet was strengthened by a 28% reduction in debt, bringing gearing down from 63% to 44% Hunt-Davis says management will continue to concentrate on lowering debt, but post year-end developments show Sentrachem is not going to retreat into its shell to ride out the recession

Talks and a due diligence investigation are under way into acquiring Australian styrene producer Chemplex (*Fox* October 30) Job will not reveal the price but it's certainly much more than the R77,5m cash on hand If shareholders approve the transaction, Sentrachem will go to the market to raise equity funding for the acquisition, probably early next year The rights issue is likely to be a big one, around R250m Apart from raising capital for the Australian acquisition, Sentrachem will probably want additional funds to further reduce borrowings

Latest results have reversed the decline of the share price, down from a mid-year high of 675c to a low of 515c at end-September and now at 550c The 3,6% yield is below the sector average and those of competitors such as Sasol and Chemical Services After these results, it seems unlikely to fall further, at least not more than any further decline in the market Sentrachem's profits are sensitive to economic conditions and it could be one of the first chemical groups to climb out of the trough

Shaun Harris





Disasters make for a new chemistry

W/Mail 13/11 - 19/11/92.

(183)

The fire which spilled a cocktail of chemicals into the air, soil and water near Johannesburg marks a milestone in the creation of an environmental movement in South Africa, reports **EDDIE KOCH**

THE chemical fire in Midrand, near Johannesburg, has jogged a variety of environmental organisations — from the government's Department of Environment Affairs to Earthlife Africa members — into action

Last month's fire at the Rhone-Poulenc chemical plant has been greeted with a political reaction almost as heated as the blaze which burnt down the factory and left the air, soil and residents' lungs contaminated with a cocktail of toxic poisons.

Midrand residents report they are still suffering the after-effects of the fire at the Rhone-Poulenc warehouse, where more than 140 toxic chemicals were stored, which caused respiratory problems for scores of people and lasting pollution in the soil and water.

A spate of other chemical spills and accidents followed the Midrand disaster.

Early last month five employees were killed in an explosion at the Karbochem factory in Newcastle. Days later two labourers died and another 28 were left with lung damage when toxic materials blew up at a waste dump in Springs And throughout the month two employees were lying in a coma after being exposed to mercury poisons at the Thor Chemicals plant in Natal.

"The Midrand fire attracted a lot of attention mainly because there was someone at hand who could recognise the symptoms of toxic poisoning," says Earthlife Africa representative Peter Lukey

"But it has also become clear that workers are exposed every day to chemical dangers These don't receive as much attention because black workers don't have much power and frequently don't know the dangers of the chemicals they are working with"

An informal network of trade unions, environmental protest groups and medical researchers has been activated in Johannesburg to monitor the diet of spills, accidents and fires that appear to have become commonplace in this country's chemical industry

The network will also co-ordinate protests by local communities, worker organisations and environmental groups as crises arise

It is managed by the Group for Environmental Monitoring and represents activists from Earthlife Africa, the Biotox Foundation, the Congress of South African Trade Unions (Cosatu), the National Council of Trade Unions (Nactu) and the National Centre for Occupational Health

The spate of fires and spills has also resulted in the launch of two new branches of Earthlife — one at Midrand and another in Springs where, according to Lukey, farmers were demanding "mass action of the type run by the ANC" to block plans for the building of a toxic waste dump in the area

The government has not left itself out of the act In a strongly worded statement the Department of Environment Affairs acknowledged bluntly that the country has a woefully inadequate system for the management of toxic waste

Under the heading "Polluters must get their act together", the statement announced that the department was launching a concerted drive to create a "national holistic policy on integrated pollution control" over the next two years

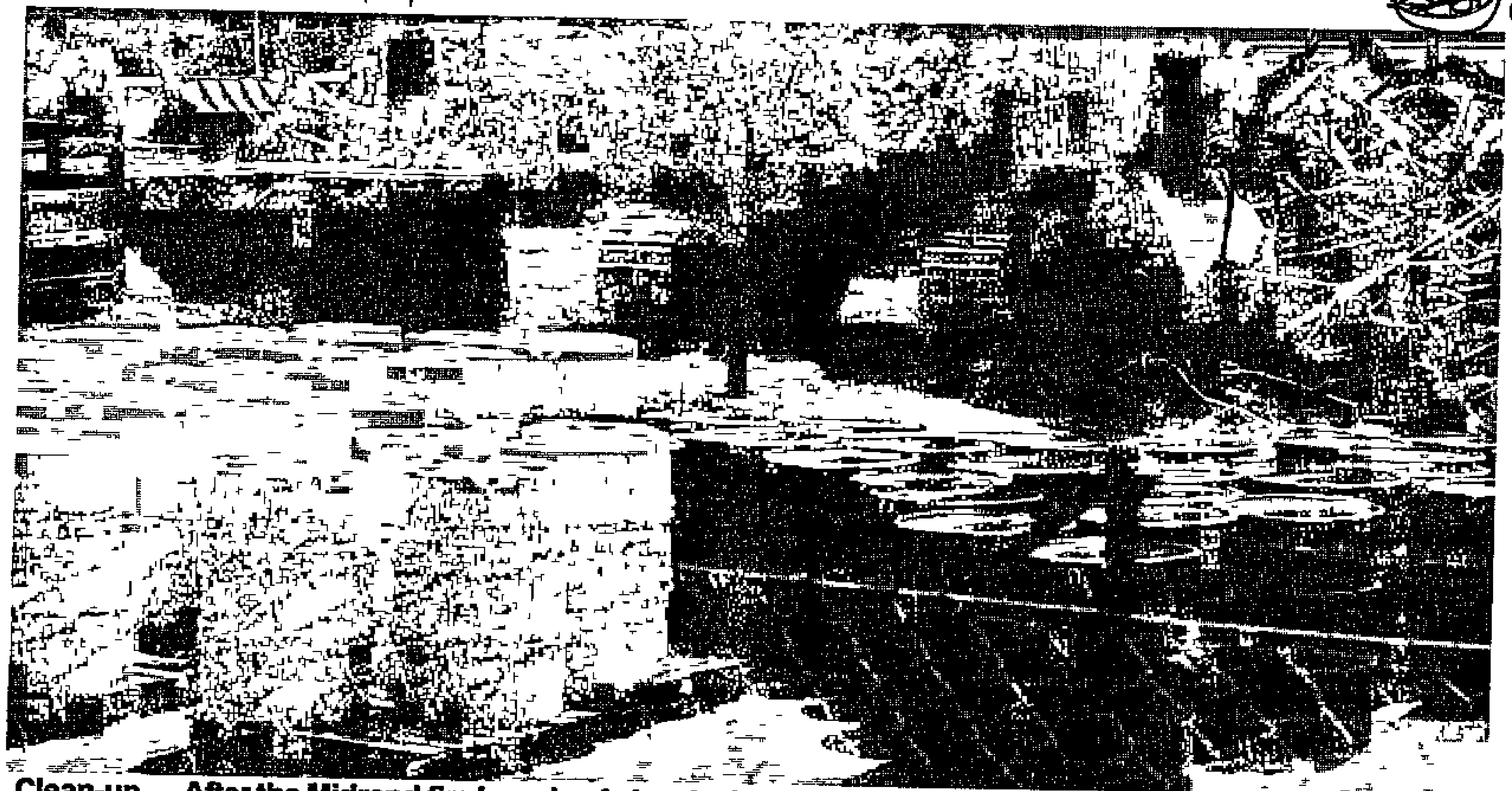
Environment Affairs official J Stander, replying to criticisms that this response was too cumbersome and slow to deal with an emerging crisis in the chemical industry, said his department wanted time for a thorough process of consultation with public bodies in order to give legitimacy and effectiveness to new legislation.

Big business has been active to ensure that its image is not tarnished by the disasters.

"The big boys have got their act together They just can't afford to have accidents like the one at Midrand," said one consultant. "Large corporations are doing their best to ensure effective management and control of their products given the almost total weakness on the part of the Department of Environment Affairs"

Included in their thinking is a novel concept called "product stewardship". Companies recognise that their products can be hazardous long after they leave the warehouse and are beginning to insist that customers demonstrate a capacity to handle these carefully before selling them

"That's okay," says Lukey "There's an interesting process taking place. The government and businesses are beginning to take the issue seriously But we believe that the best way to ensure effective legislation and preventative action is for public pressure groups to keep them on their toes Laws must be driven by the public Otherwise they will simply remain on paper."



Clean-up ... After the Midrand fire barrels of chemicals are moved to another plant **Photo: SARAH PRALL**

Tariff protection 'unacceptable'

Engen faces tough choice on Mossgas

(183)

BIDAY 16/11/92.

LINDA ENSOR

CAPE TOWN — The likelihood that Mossgas would need substantial tariff protection would make it difficult for Engen to follow its rights in the giant project, Engen CE and MD Rob Angel said last week

Engen has a 30% stake in the equity of the project, and has an option to follow this participation up to six months after the start of commercial production, probably towards the end of next year

It has said that it would not invest in Mossgas unless it was a commercially sensible thing to do

"Engen has always said it would require a real return of the order of 8% to follow its rights Our achieving this on the back of substantial tariff protection may make it unacceptable for Engen," Angel said at a presentation to the Investment Analysts' Society on Friday

"However, should we not follow our rights we believe it would be in the best interests of all stakeholders for Engen to continue to manage Mossgas"

It is understood that discussions point to Mossgas becoming a public utility owned by the Central Energy Fund and operating under Engen management.

Angel said negotiations were far advanced regarding the development of West African exploration opportunities

A number of options to acquire oil production in West Africa, the Middle East and the North Sea were being pursued with the aim of developing a substantial, stand-alone exploration and production business

He said Engen was seeking opportunities to develop and acquire a distribution infrastructure to support its growing export business in sub-Saharan Africa and the Indian Ocean islands.

"It is the group's firm intention to secure distribution outlets and capture marketing niches, and to utilise coastal and inland tankage as springboards for further marketing initiatives," Angel said in Engen's annual report released at the weekend

The development of an offshore logistics organisation to optimise product sourcing and transportation of products, and subsequently crude oil, would be an integral part of these plans

Last year Engen exported oil and oil products to 16 African countries and Indian Ocean islands and has been pursuing an aggressive drive to increase these exports In 1992 exports increased 80% to 539-million litres (303-million), representing more than 10% of domestic sales

Acquisition opportunities would arise as a result of the restructuring of major international oil companies, which might shed smaller operations and relegate Africa to a low priority status

Angel said new exploration activities in Namibia and Gabon would get under way this year, but exploration in the Bredasdorp Basin was being scaled down

"West Africa will be a core area for Engen upstream and it was rewarding to be able to enter into new exploration acreage opportunities with Chevron in Namibia and Total and OMV in Gabon Discussions with other partners and countries are well advanced," Angel said

He told the investment analysts that

☐ To Page 2

Engen

BIDAY 16/11/92 (183)

☐ From Page 1

Engen was targeting real growth in earnings It would derive the full benefits of the Phase I completion of its Durban refinery which had increased capacity by 30%

Also, results would be boosted by a full year of the marketing margin increase and firmer refining margins However, with prospects of an economic recovery remaining uncertain, the outlook for a growth in volumes was cloudy Last year earnings rose 18% to 275c

The 1993 capital budget was R1,4bn, R800m of which was committed to Phase II of the refinery expansion project R40m had been allocated for exploration

Angel said the importance of healthy cash resources within Engen had led the board to look into the possibility of declaring scrip dividends A medium- to long-term aim would be to secure the listing of Engen on international stock exchanges. To achieve this an international marketing campaign to institutions and potential investors would be undertaken

Changing the Mobil brand name to Engen was a three-year project costing R120m to R150m

Angel called for the lifting of secrecy provisions governing the oil industry Only information on the sourcing and transportation of crude oil needed to be restricted, he said

DELEGATION MEANS NEVER HAVING TO WORRY ON THE GOLF COURSE

ONE of the strengths of Maizey Plastics is its management's ability to delegate to the extent that MD John Maizey can play golf without worrying.

He says news of the firm making the Non-Listed Company Award finals reached him on the golf course and he reacted as if he had scored a hole-in-one.

But unlike achieving a hole-in-one, "to achieve success in business requires a unified effort by Maizey's directors and staff"

He says in spite of sanctionsand and a depressed economy, the team has managed to consistently increase turnover.

The company is a major distributor of plastics to 2 440 account customers in the engineering, signage, mining, construction, transportation, chemical and food and beverage industries Its major clients include Sasol, Atomic Energy Corporation, Eskom, Samcor and Transnet.

Fabrication

To maintain turnover and profits in a shrinking market, the company has added value to its plastics materials through engineering and fabrication.

It has provided replacements for some expensive imported finished plastic products, and has opened in new geographical areas which has expanded its base and increased its market.

But an important survival tactic was building up personal relationships

JOHN MAIZEY

with local and overseas suppliers.

In 1947, Richard Maizey set up a one-man engraving business in Pretoria. In 1953, his son Richard, now chairman of Maizey, joined his father as an apprentice.

The business was importing perspex from ICI in England, and soon became ICI's perspex agent in Pretoria The Atomic Energy Board, which was using the company's perspex, assumed Maizey supplied all plastic material Not wishing the business to go elsewhere, it began to source other material. Plastics expanded fast, and 10 years later became its core business.

Today, the company is national, with branches in Pretoria, Johannesburg, Wadeville, Welkom, Middleburg, Cape Town and Durban, and agents in other areas

It distributes mainly to wholesalers and distributors of semi-finished plastics, sheets, rods and tubes.

Its three main areas of operation are commercial, industrial and engineering plastics.

The company sources half of its 2 000 items locally and imports the other half. While it buys wherever possible from local manufacturers, Maizey says many plastics products were not available in SA.

A large amount of its materials are sourced from all over Europe, but they are containerised in Antwerp, reducing shipment costs and resulting in a streamlined purchasing system, where goods are ordered just four months ahead of requirements.

The company's flagship centre is in Wadeville, where it also has an engineering company, where it machines from its own materials

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Value

Maizey Engineering, which machines the company's own gears, sleeves and bearings adds value to the company's engineering plastics. Apart from the financial benefits, the main reason was so that the company could control the quality of the finished product.

Directors believe firmly in empowering employees. Chairman Richard Maizey says he has withdrawn from the day to day management in favour of the younger directors, managers and staff, whose average age is 35.

DV0003

Surgery at SA Druggists produces healthy result

BDAY 17/11/92 (183)

MARCIA KLEIN

SA DRUGGISTS (SAD) forecasts real earnings growth in financial 1993

CE Peter Beningfield said in the 1992 review trading conditions were unlikely to improve in the short term, but achievements in the past few months took the group well on the way to reaching its potential

Since it was acquired by Malbak in October 1991, and acquired Malbak's pharmaceutical and related interests, SAD was restructured and refocused

Results to end-August were not comparable with the previous year due to the reorganisation of the group and to a change in the year-end. Turnover in the 12 months to end-August was R1,5bn and attributable earnings stood at R35,4m.

Beningfield said results reflected the extent and expense of the surgery performed and the rigours of the trading environment

Group operations had been structured into autonomous business units in three core divisions pharmaceutical, distribution and chemical and medical equipment.

The research and development function was focused on being market, rather than production driven, and the product range had been rationalised. SAD had also cut its workforce by 20%

Productivity was significantly improved, particularly at its Lennon factory in Port Elizabeth

Shrinkage had been brought under control, the manufacturing capacity was being expanded, and the distribution division was being resized and reshaped, Beningfield said

Drive to promote generic medicines

BDAY 17/11/92

KATHRYN STRACHAN

LOCAL pharmaceutical manufacturers are launching an education drive to encourage people to ask their doctors or pharmacists for more affordable local generic medicines, rather than accepting expensive foreign products

Lennon Generics CE Dave Stubbins said SA health care costs would be reduced significantly through the wider use of generic medicines — and this trend would be accelerated by the expected deregulation of the health care system

He said deregulation was likely to see the reintroduction of generic substitution — the pharmacist's right to supply a generic equivalent to the branded original prescribed by the doctor, should the patient want it.

A commonplace practice elsewhere in the world, Stubbins said substitution was permitted in SA briefly in 1985 until pressure from the multinational manufacturers forced the Pharmacy Council to ban it again

While generic medicines — typically up to 60% less expensive than the branded products — were widely used in SA's public health care sector, there was considerable scope for their increased application in the private sector, he said.

Generics accounted for almost 25% of all medicines dispensed in SA, while the comparable figure in the US was 60%

"Since 1983, the annual increase in medical scheme contributions has been 10% ahead of the inflation rate, primarily due to the rise in medicine prices

"Earlier this year National Health director-general Coen Slabber noted that SA medicine prices were now higher than in virtually all Western countries The burden of the cost of medicine has become severe," said Stubbins

Meanwhile Health Minister Rina Venter last night told members of the Pharmaceutical Association of SA that substitution would play an ever increasing role

As the patents of branded medicines expired, more alternatives would become available and the cost saving to the consumer was likely to be significant, she said

Venter said the Medicines Control Council was satisfied that all registered medicines complied with standards in terms of quality and efficacy. She added that post-registration monitoring was carried out continually by the council

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ABI sitting pretty with big, big Coke

S/Times (BUSS) 22/11/92.

EVERY man, woman and child drinks the equivalent of two carbonated soft drinks (CSD) a day in America

This is more than a third of world consumption of soft drinks That America is No 1 is no surprise, but relatively small South Africa is among the top 10 largest Coke markets in the world, according to figures given at a presentation to the Investment Analysts Society by Amalgamated Beverage Industries (ABI) in Johannesburg this week

ABI is by far the largest of seven SA bottlers and distributors of Coca-Cola and other soft drinks, such as Fanta Sprite and Schweppes.

Chairman Pete Lloyd says that SA consumption of soft drinks is 45 litres a person a year In Zimbabwe it is 21l and Namibia 19l

But in places such as the former Soviet Union, Arab nations and India, Coca-Cola sales are negligible

ABI managing director Alex Reid hammers home the point. if he were main competitor Pepsi, would he be interested in trying to re-enter the Southern African market where Coke is so firmly entrenched or would he look at potentially much larger, greenfields markets where no competitor has a foothold?

Coke has experienced management, excellent distribution, a variety of sizes and packaging, good advertising and a high profile among consumers.

It's a daunting target for any challenger

Although they are tied to the Coke franchisor, distributors have sole rights within an area.

ABI has the most wealthy Pretoria, Witwatersrand and Durban regions

Coca-Cola and its bottlers are partners in development costs and market protection.

SA's non-alcoholic beverage market of 75-million hectolitres a year is dominated by tea and coffee. They have 72%, CSD 23%, and fruit juices and cordials share the rest.

But by value CSDs account for two-thirds of the R4,7-billion a-year business and tea and coffee only 17%

SA's CSD market has grown by a whopping 9% a year for 30 years and only twice has there been a contraction in 1967 when excise duty was imposed and in 1986 when violence prevented adequate distribution

Several factors influence Coke sales urbanisation disposable income among rural populations and availability Even the weather is important sales can vary by 30% between a cold, wet weekend and a hot, dry one

Only 40% of annual sales are made in the six months April to September

ABI marketing director Mike Bind refers to the growth of the informal sector and the challenges of making available soft drinks

"A year ago, we found that the stores in the townships were often out of stock and there was a poor market infrastructure — few fridges and inexperienced traders," says Mr Bind

"Since then, we have won 2 000 more customers by installing 283 strategic supply distributors — manned containers at central spots to help out vendors who have run out of stock — and putting in 1 250 coolers at shops

"The containers have been turned into tuckshops and more than 80 have been launched Ice plants have been installed at 26 wholesalers

"In addition, 7 000 bits of signage have been placed to promote Coke's multibillion-dollar trademark."

Mr Reid describes some of ABI's production plans, which include development of four mega-plants and separate distribution facilities Excess capacity, currently 30%, will be used up by the end of 1996

ABI's staff are well looked after Minimum wage is R1 600 a month and 60% live in their own homes

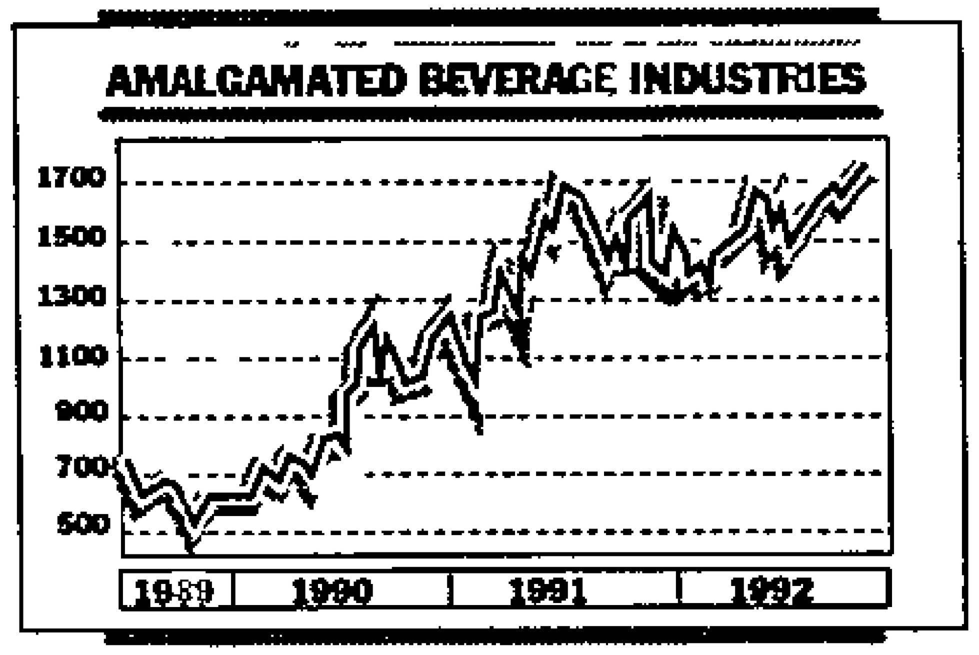
In the past five years, ABI has gone from strength to strength on sound cashflow management. Compound annual growth in profits is 30% a year (it chips in 6% to SA Breweries' profits) and return on equity tops 22%

When it was listed in June 1989, ABI's price-earnings ratio was eight, now it is more than 20

Mr Lloyd is not alarmed by this ABI makes additional provision for depreciation and on a cash-equivalent basis the PE is more like 14 — "not overvalued, perhaps even slightly undervalued", says Mr Lloyd.

In the short term, ABI's prospects look fair in spite of the recession. In the longer run, Mr Lloyd says ABI should continue to provide steady consistent and real growth in earnings and dividends.

That is the real thing. The analysts left the presentation ruing the fact that lines of ABI shares are hard to come by Those that have them, including thousands of storekeepers who sell Coke are firm holders even though paper profits are huge at a share price of R17,75



PETE LLOYD ABI pays a minimum wage of R1 600 a month

DIAGONAL STREET
by Julie Walker

VAT, underused plants lift prices

(BUSS) S/Times 22/11/92.

BARLOWS managing director Derek Cooper volunteers two possible solutions to one of the great mysteries of our time — every company reports squeezed profit margins, but prices continue to rise

At a presentation of group results for the year to September, Mr Cooper suggested that VAT had been applied to food in particular over the past year which had had a knock-on effect on prices

Perhaps more pertinent was the underuse of capacity He estimated that many of Barlows' plants were running at only 60% of capacity

Clearly, unit costs are higher and so margins are squeezed from both ends.

In the year, SA's largest group showed a 10% rise in turnover to R35,1-billion. Operating profit before interest edged up 5% to R2,7-billion However, proceeds from the sale of Middelburg Steel & Alloys allowed for a lower interest bill.

"The money we received was not used simply to repay debt or kept at the centre of the group It was deployed throughout the group in the places where it could do the best work," says Mr Cooper

Investment income was up a quarter at R369-million. But fewer assessed losses were available against which to save tax. The Receiver's cut grew by a quarter to R800-million

Barlows' earnings a share were 2% higher at 437,5c on a higher number of shares in issue. At the current R42,75, Barlows shares are close to double net asset value and on a historic price-earnings ratio of 9,8 The dividend was also 2% up at 173c, yielding 4%

The second half of the year was particularly tough because both the domestic and the international economies failed to rally

Working capital days moved out from 42 to 46 on several counts drought necessitated big stocks at CG Smith Sugar at the end of September, Tiger Foods bought Colmans Langeberg increased production and British subsidiary Bibby deliberately bought an overstocked, debtor-rich Finanzauto

Other deals that took place in the year included the Elmosa and Siemens Cables restructuring, the division of TSI into ISG and Persetech and a major restructure at Rand Mines.

Mr Cooper scotches talk of a cloud over Rand Coal's prospects

(It has had to cancel a large project with Eskom's Majuba power station because the coal body was faulted. Worse, some analysts believe coal will be sold at only $24/ton instead of $32)

Mr Cooper says supplying Eskom provides a comfortable buffer against adverse movements in the coal price and the rand's decline will compensate for dollar receipts, which he does not expect to fall that far

Food and pharmaceuticals fared best among the group's interests Reunert performed strongly and the electronics pair did all right. Romatex recovered and Nampak grew well, Minerals Resources eased again contributing perhaps to the demise of Rand Mines as a mining house

Minerals nevertheless chipped in a quarter of attributable profit of R849-million

Mr Cooper says Barlows is ready to go, but he cannot foresee an improvement in the economy in 1993. He hopes that earnings will be maintained, but acknowledges the difficulty At the very least, the dividend will be held.

I hope only that he is wrong about the economy

DEREK COOPER Eskom buffer

Sentrachem plays it safe

S/Times (BUSS) 22/11/92 (183)

SENTRACHEM chief executive John Job is taking care not to follow the poor example set by many SA companies that have expanded abroad

Heads of agreement have been signed for Sentrachem's purchase of Australia's styrene and other chemicals producer Chemplex.

Controlled by Kerry Packer of cricket-promotion and media fame, the two Chemplex plants near Melbourne had sales of A$200 million (about R425-million) last year

Dr Job says that unless Sentrachem is satisfied by the findings of a due-diligence team of international accountants and its own technical experts, the deal will not go ahead.

If it does, Dr Job says that less than half of the purchase price — not yet disclosed — will be paid through financial rands The rest will be funded from borrowings

"There are two hurdles to an SA company investing abroad. the financial rand and the higher price-earnings ratios For us, the offset will be synergy between Sentrachem and the Australian company," he says

In support of the decision to look abroad, Dr Job says Sentrachem needs to diversify

Buying opportunities are limited because most chemical plants are owned by multinationals

The third reason is affordability — Chemplex is also debt-free, profitable and near the booming Pacific Rim. Its product range and technology are akin to Sentrachem's

Sentrachem buys Chemplex for R420m offshore

(183)

CT 23/11/92

From MARCIA KLEIN

JOHANNESBURG — In a multimillion-rand deal Sentrachem has signed heads of agreement to acquire media tycoon Kerry Packer's Australian petrochemical company Chemplex.

Although the price of the acquisition has not been released, indications are that the negotiations are based on a purchase price of between A$100m and A$150m (R330m to R490m at the finrand exchange rate) This compares with Chemplex's current annual turnover of A$200m (R400m at the commercial rand exchange rate).

The Sentrachem move follows overseas acquisitions by Sappi, which took control of German paper company Hannover Papier; Standard Bank which took over the African operations of Australian/New Zealand banking group ANZ Grindlay; FNB which bought control of UK banking group Ansbacher; and the Royal/Del Monte deal

Based on the turnover figure, local chemical industry analysts believe that a purchase price of more than A$50m would be appropriate if the Australian firm were to be valued on a comparative basis to Sentrachem itself

Sentrachem CE John Job said yesterday that less than half the purchase price would be settled in finrands, and the rest would be funded by loans

He said Chemplex was equivalent to any one of Sentrachem's divisions in terms of size, placing an acquisition "well within Sentrachem's financial reach".

He said Sentrachem expected the deal to be completed by mid-December "if all goes well".

International foothold

Job said that as SA opened up to international competition, Sentrachem needed to diversify internationally rather than simply concentrate on defending its high market share

Chemplex, which is controlled by Packer, has two plants in the Melbourne area. It had no debt and was profitable, Job said It was also within reach of the Pacific Rim markets.

Its technology and product range were the same as those of a significant part of Sentrachem. Chemplex made styrene, and Sentrachem was the largest user of styrene in SA.

Job said the deal would proceed only once Sentrachem's "due diligence" team was completely satisfied. The team, which included an international firm of accountants and Sentrachem's own technical and environmental specialists, would look at the financial aspects of the deal as well as technological, engineering, environmental, health, safety, statutory and legal aspects

Job said SA companies investing abroad faced the hurdles of the financial rand and higher price to earnings ratios offshore.

"For us, the offset will be synergy between Sentrachem and the Australian company," he said.

He said Chemplex had sound management, and only a few key appointments would be made from SA

Exports accounted for 11% of Sentrachem's turnover at the August year-end At that time, the group had cash resources of R77,5m

It was reported recently that Sentrachem could come to the market soon to raise up to R250m in a rights issue for the acquisition and to reduce borrowings.

Kerry Packer company for sale

Another SA firm goes for offshore deal

BIDAY 23/11/92 (183)

MARCIA KLEIN

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Sowetan 23/11/92

Workers press ahead

ABOUT 200 South African Chemical Workers' Union members marched on the AECI Midland plant in Sasolburg on Friday to press for a resolution to labour disputes at the factory. (183)

The workers protested against management's delay in implementing an agreement reached on the administration of the Provident Fund, SACWU shop steward Joseph Maqhekeni said - *Sapa*

ENGEN FM 27/11/92

(183)

Dealing with volatile conditions

Activities: *Exploration, production, marketing and distribution of petroleum products*
Control: *Gencor*
Chairman: *B A Smith, MD R J Angel*
Capital structure: *154m ords Market capitalisation R6,7bn*
Share market: *Price 4 350c Yields 3,2% on dividend, 6,3%† on earnings, p e ratio, 15,8†, cover, 2,0† 12-month high, 4 800c, low, 3 700c Trading volume last quarter, 1,36m shares*

Year to Aug 31	'89	'90	'91	'92
ST debt (Rm)	3	293	47	100
LT debt (Rm)	—	265	253	615
Debt equity ratio	n/a	0,12	n/a	n/a
Shareholders' interest	0,47	0,45	0,64	0 58
Int & leasing cover	n/a	4,7	n/a	n/a
Return on cap (%)	18 7	10 0	12 3	7 5
Turnover (Rm)	1 018	3 168	6 098	6 560
Pre-int profit (Rm)	62	245	463	349
Pre-int margin (%)	5,6	7,3	7,6	4,4
Earnings (c)	182	320*	314*	283*
Dividends (c)	83	97	116	137,5
Net worth (c)	760	1 003	1 565	1 720

* Before transfer to reserves
† EPS after transfers to reserves

Engen's large capital spending programme, its exploration ventures for oil and gas, and its enterprising and successful surge in exports — particularly to African countries — all contribute to an exciting, international image But when the gloss is removed, Engen remains a potentially volatile investment medium Its 1992 results bear this out

MD Rob Angel talks in his review of "an improvement in operating income to R393m, or an increase of 3,7%" Yet the income statement lists operating income as R349m, 24,6% lower than in 1991 Not that there was any intention to mislead The report makes it clear that the figure to which Angel was referring was calculated after drawing on the equalisation reserve created specifically to smooth earnings because the industry is so volatile

Two factors restrained the profit decline Proceeds of the R1,1bn rights issue last year, much of it invested in preference shares, generated net income of R140m — an increase of R98m on the previous year, and the effective tax rate fell to 10,2% from 23,4% But for these two items, attributable income before reserve transfers would have fallen As it was, R44m was drawn from the stock equalisation reserve and R57m credited to the tax equalisation reserve

Refining income fell 35% partly because of local factors such as electricity failures at the plant, a two-week strike and the planned six-week shutdown when the refinery Phase 1 expansion was brought on stream But the reduction arose also because refining margins weakened Refining's contribution to operating profit fell to 45% from 73%

Engen's Smith *costly expansion programme*

Offsetting this was a 204% increase in income from marketing activities Participants in the SA petroleum market, in collaboration with government, were given an increase in the wholesale margin After standing at 9c/*l* for 10 months of Engen's financial year, the margin rose to 13,5c/*l* for the last two months Marketing's contribution to operating profit rose to 36% from 12% in 1991

The decline in operating income hampered cash flow Cash generated by operations fell 22% to R405m However, net investment income and lower working capital of R106m (R85m) meant cash generated by operating activities rose a marginal 4% Because of the high capital spending of R811m on expansion in addition to normal replacement expenditure, there was a cash deficit of R634m at year-end

The Phase 1 expansion of the Durban refinery was completed on time and within budget It lifted capacity by 30% and should result in a yield increase of petrol and diesel of about 50% This absorbed R670m, which was funded by borrowings whose after-tax costs were lower than the returns on investments made from the proceeds of the rights issue However, net investment income for financial 1993 will be much lower The new lubricating oil blend plant and grease plant were also completed on time and within budget

Conversion of Mobil service stations to the new Engen livery — at a cost of about R160m — has started

Progress was also made towards the objective of developing a stand-alone exploration and production business Engen owns 2,2%, and manages Gencor's 5,8% share, of the Alba oil development in the UK sector of the North Sea First oil production is expected late next year

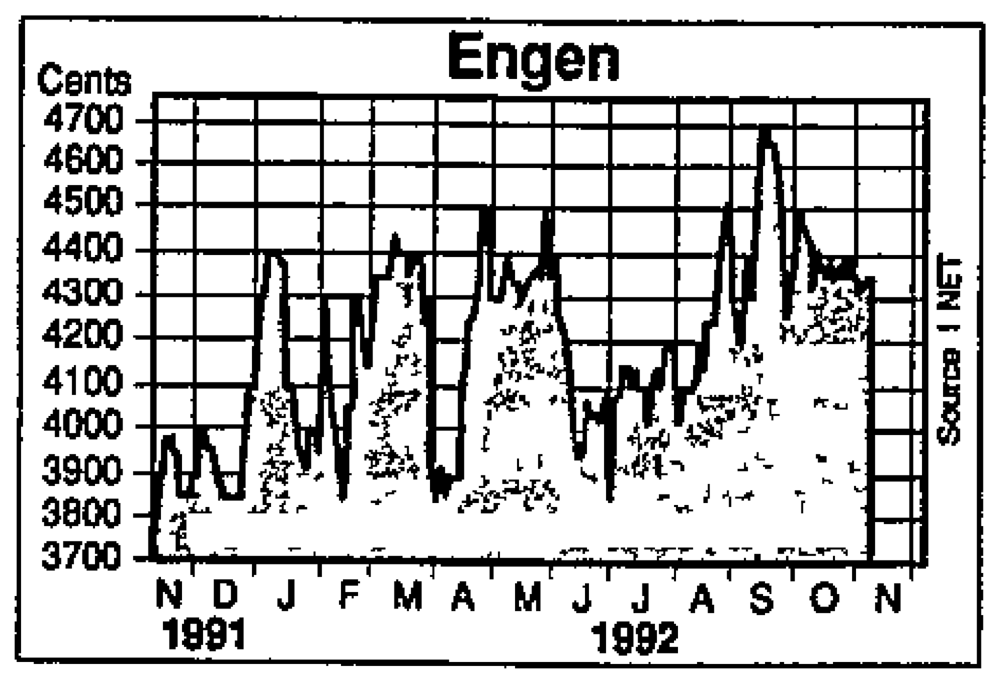
Exploration opportunities were surveyed in the Congo and Gabon, working with major international oil companies as partners and operators Angel sees West Africa as a core area for Engen's upstream activities It has become associated with Chevron in Namibia, and Total and OMV in Gabon But its involvement in exploration of the Bredasdorp basin with Soekor has slowed, as more attractive potential opportunities have presented themselves

The Mossgas project has advanced well First product from condensate was manufactured at the end of the financial year, but viability of the project remains in doubt Engen's 30% of Mossgas was bought for R30m and it manages it for a fee When production starts, the fee is to be based on turnover

It holds an option to maintain its participation at 30% which must be exercised within six months of full production being reached — estimated at late next year

Angel says an earnings decline this year is unlikely Refining volumes could be 30% higher this year Assuming the refinery margin is maintained, and particularly if electricity cuts and strike action can be avoided, operating income from this source should rise substantially

Moreover, benefits of the increased wholesale margin will be felt for the full year, so operating income from marketing should also be higher One source is calling for EPS growth of about 15% for financial year 1993, after reserve transfers That would be close



to the range Angel was referring to when he said he would like Engen to become known for producing EPS growth of about 20% a year But that was before the full severity of the recession and the drought had become obvious

Even so, some analysts feel the share is fully discounting any forecast growth in EPS Moreover, there is always the possibility that Engen could again come to the market for additional funds In any event, investors have welcomed the 14% increase in the dividend *Gerald Hirshon*

ENGEN FM 27/11/92

(183)

Dealing with volatile conditions

Engen's Smith *costly expansion programme*

Offsetting this was a 204% increase in income from marketing activities Participants in the SA petroleum market, in collaboration with government, were given an increase in the wholesale margin After standing at 9c/*l* for 10 months of Engen's financial year, the margin rose to 13,5c/*l* for the last two months Marketing's contribution to operating profit rose to 36% from 12% in 1991

The decline in operating income hampered cash flow Cash generated by operations fell 22% to R405m However, net investment income and lower working capital of R106m (R85m) meant cash generated by operating activities rose a marginal 4% Because of the high capital spending of R811m on expansion in addition to normal replacement expenditure, there was a cash deficit of R634m at year-end

The Phase 1 expansion of the Durban refinery was completed on time and within budget It lifted capacity by 30% and should result in a yield increase of petrol and diesel of about 50% This absorbed R670m, which was funded by borrowings whose after-tax costs were lower than the returns on investments made from the proceeds of the rights issue However, net investment income for financial 1993 will be much lower The new lubricating oil blend plant and grease plant were also completed on time and within budget

Conversion of Mobil service stations to the new Engen livery — at a cost of about R160m — has started

Progress was also made towards the objective of developing a stand-alone exploration and production business Engen owns 2,2%, and manages Gencor's 5,8% share, of the Alba oil development in the UK sector of the North Sea First oil production is expected late next year

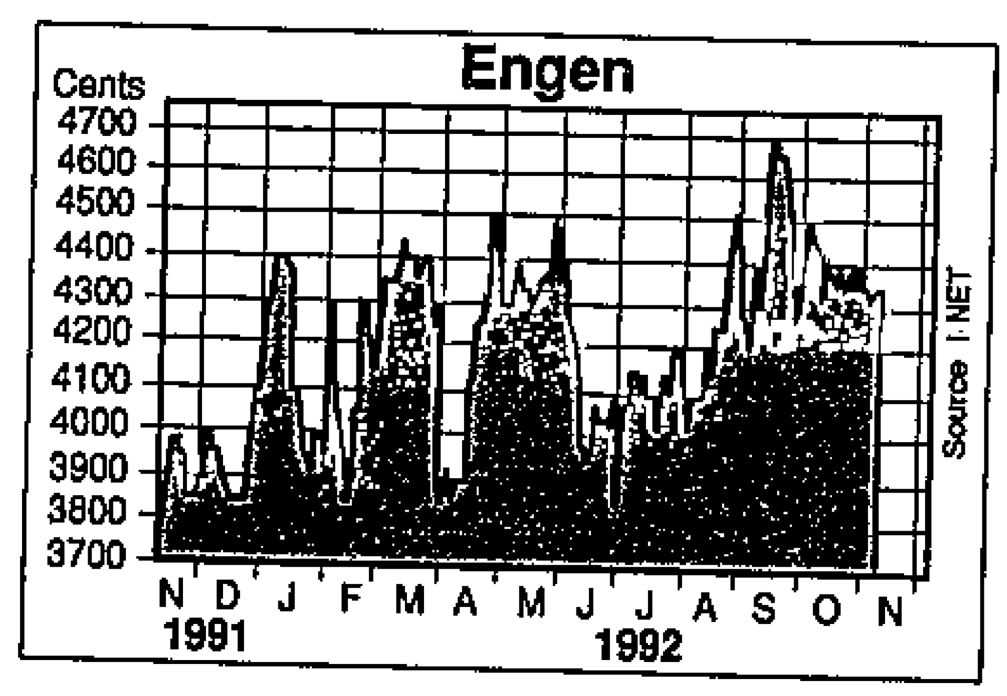
Exploration opportunities were surveyed in the Congo and Gabon, working with major international oil companies as partners and operators Angel sees West Africa as a core area for Engen's upstream activities It has become associated with Chevron in Namibia, and Total and OMV in Gabon But its involvement in exploration of the Bredasdorp basin with Soekor has slowed, as more attractive potential opportunities have presented themselves

The Mossgas project has advanced well First product from condensate was manufactured at the end of the financial year, but viability of the project remains in doubt Engen's 30% of Mossgas was bought for R30m and it manages it for a fee When production starts, the fee is to be based on turnover

It holds an option to maintain its participation at 30% which must be exercised within six months of full production being reached — estimated at late next year

Angel says an earnings decline this year is unlikely Refining volumes could be 30% higher this year Assuming the refinery margin is maintained, and particularly if electricity cuts and strike action can be avoided, operating income from this source should rise substantially

Moreover, benefits of the increased wholesale margin will be felt for the full year, so operating income from marketing should also be higher One source is calling for EPS growth of about 15% for financial year 1993, after reserve transfers That would be close



to the range Angel was referring to when he said he would like Engen to become known for producing EPS growth of about 20% a year But that was before the full severity of the recession and the drought had become obvious

Even so, some analysts feel the share is fully discounting any forecast growth in EPS Moreover, there is always the possibility that Engen could again come to the market for additional funds In any event, investors have welcomed the 14% increase in the dividend *Gerald Hirshon*

Poor stock market impacts on Anglo

By Derek Tommey

STAR 27/11/92

Attributable earnings of Anglo American fell by R74 million (11 percent) to R581 million in the six months to September.

Earnings a share fell from 282c to 251c, but the interim dividend has been maintained at 90c a share

Anglo American worked hard to maintain its earnings at a time when, says chairman Julian Ogilvie Thompson, the economy continued to suffer under the impact of a prolonged local recession and the delay in the expected upturn of the international economy

Figures show that Anglo would have increased its attributable earnings but for a slump in profits from the realisation of investments.

Income from this source dropped from R120 million to R11 million — reflecting the sorry state of the JSE and the lack of investment activity.

More encouraging, investment income rose from R630 million to R641 million.

And although trading income slipped from R250 million to R229 million, this was offset by a jump in "other" income to R47 million from a loss of R5 million last year.

Net attributable income before tax was R67 million lower at R928 million and after tax was R74 million lower at R778 million.

Julian Ogilvie Thompson ... impact of prolonged recession

Hitting Anglo American hard was the drop in earnings of associates

Their retained earnings attributable to Anglo dropped R88 million to R523 million.

This meant Anglo's total (equity-accounted) earnings fell by R162 million to R1,1 billion.

The maintained dividend was covered 2,79 times by attributable earnings and 5,29 times by equity-accounted earnings, which is a healthy situation

However, it would seem that unless there is a major improvement in Anglo's earnings in the next six months, the company could find it hard to maintain its final dividend at 255c and a satisfactory dividend cover as well

The balance sheet shows that Anglo's total assets rose from R22,8 billion to R23,9 billion in the six months, with deposits and cash increasing from R2,02 billion to R2,39 billion — indicating considerable liquid funds are available for any new projects.

Ogilvie Thompson draws attention to the group's continuing commitment to major new projects in South Africa, despite the downturn overseas and turbulence at home

The projects include the Venetia diamond mine, the start of shaft-sinking in October at Moab, a large investment in Chilean copper mines, the R1 billion Namakwa Sands project and the expansion of the Columbus stainless steel business, which remains profitable despite the record low prices for stainless steel

However, he regrets the violence in SA, saying that the leaders of all major political groupings have failed to rise sufficiently above party concerns to confront the problems bedevilling both economic and political progress

Royden Vice

Afrox names new MD

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By Derek Tommey

STAR 27/11/92

Afrox has appointed Royden Vice, a former senior executive, as its new managing director

He succeeds Peter Joubert, who retains his position as chairman

South African-born Vice was a general manager at Afrox until his appointment in 1986 as vice-president, finance at Airco, a North American subsidiary of BOC, which holds a majority interest in Afrox

He rose to become president of Airco Industrial Gases, which produces and distributes liquid (bulk) atmospheric gases and helium and hydrogen.

"Royden brings back to Afrox a wealth of international experience," says Joubert. "I believe he is well equipped to manage the company in the present challenging times."

ENGEN ADVERTORIAL

A medium to regenerate society

SOUTH 26/11-2/12/92

THERE is no way that a petroleum and chemical manufacturing company can be beneficial for the environment

This is according to Dr Derek Burns, head of the Health, Safety and Environmental Protection (HSEP) division of energy corporation Engen

"However, development cannot take place without energy There has to be a trade-off between the benefits and negative impact on the environment," Burns says

In Engen's mission statement, the corporation recognises its responsibility to safeguard and protect the environment and to comply with all environmental laws and regulations

"Engen has committed itself to satisfying the people's needs for development, but at minimum risk to the environment," Burns says

The company's policy manual on HSEP lists the use of the codes of practice — the compliance with health, safety and environmental laws and auditing, product safety and environmental protection

"The implementation of these codes are the most difficult. At the moment, the company is running educational and training programmes within Engen's subsidiaries, so that the workers might be aware of the precautions they have to take in their specific areas," Burns says

Engen is trying to overcome these difficulties by producing on-site videos where workers can see examples of safe conditions to work in

After the implementation of codes, the auditing process starts

Dr Derek Burns, head of the Health, Safety and Environmental Protection division of energy corporation Engen

This process will be conducted annually, unless special circumstances arise The process includes completing questionaires, interviews with staff and inspecting equipment, facilities and on-site performance

Engen's environmental protection policy includes the following

- to conduct their activities with full concern for safeguarding public health and for the protection of the physical environment,
- to maintain good communications with the communities around them, and to give appropriate education on environmental issues,
- to motivate employees towards environmentally aware behaviour

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Burns says these points could help change the attitude towards the environment, especially if every part of the corporation participates

Engen is currently involved in a project at an oil refinery, called "Regenerate", which has seven eco-systems around it

The eco-systems are used as a buffer between the community and the refinery

"The environment should be used as a medium to heal society, it should be there for the benefit of the people - as opposed to putting a fence around it for conservation," Burns says

He says there is a need to protect the environment now, when South Africa is at the "interface of development"

Burns says more attention should be given to the black communities, so that the legacy of apartheid can be addressed

Engen has been trying to address the effect that paraffin has on children in the townships, where it is the most common cause of poisoning

"We have been testing child-proof bottles, but we found these difficult to market because it would be too expensive "

Engen has been funding numerous projects, but the funding has to be more focused

"We can't cure all the problems with limited resources Funding has to be focused in certain parameters of what can be achieved We can fund environmental projects but the long-term development of the communities has to be the first choice," Burns says

Boost for foreign confidence — Stals

Finrand curbs jeopardise offshore deals

183

B/DAY 30/11/92

GRETA STEYN

SA companies' plans to invest abroad — including Sentrachem's purchase of Australian petrochemical group Chemplex — have been thrown into disarray by the announcement at the weekend of strict curbs on foreign investment.

Reserve Bank Governor Chris Stals said "quite a few" companies waiting for responses from exchange control authorities would have their requests turned down However, deals already in the pipeline would not be affected

Sentrachem declined to confirm that its deal was in the balance in terms of the new rules on foreign investment announced by Finance Minister Derek Keys

EDWARD WEST reports Sentrachem spokesman George Broekhuisen said yesterday "sensitive" negotiations were in progress for the group's multimillion-rand acquisition of Kerry Packer's company Chemplex, and he preferred not to comment on Keys's announcement

Stals welcomed the new measure, saying he hoped it would restore foreign investor confidence in SA. "Foreign investors were worried that such large amounts were leaving the country via the finrand"

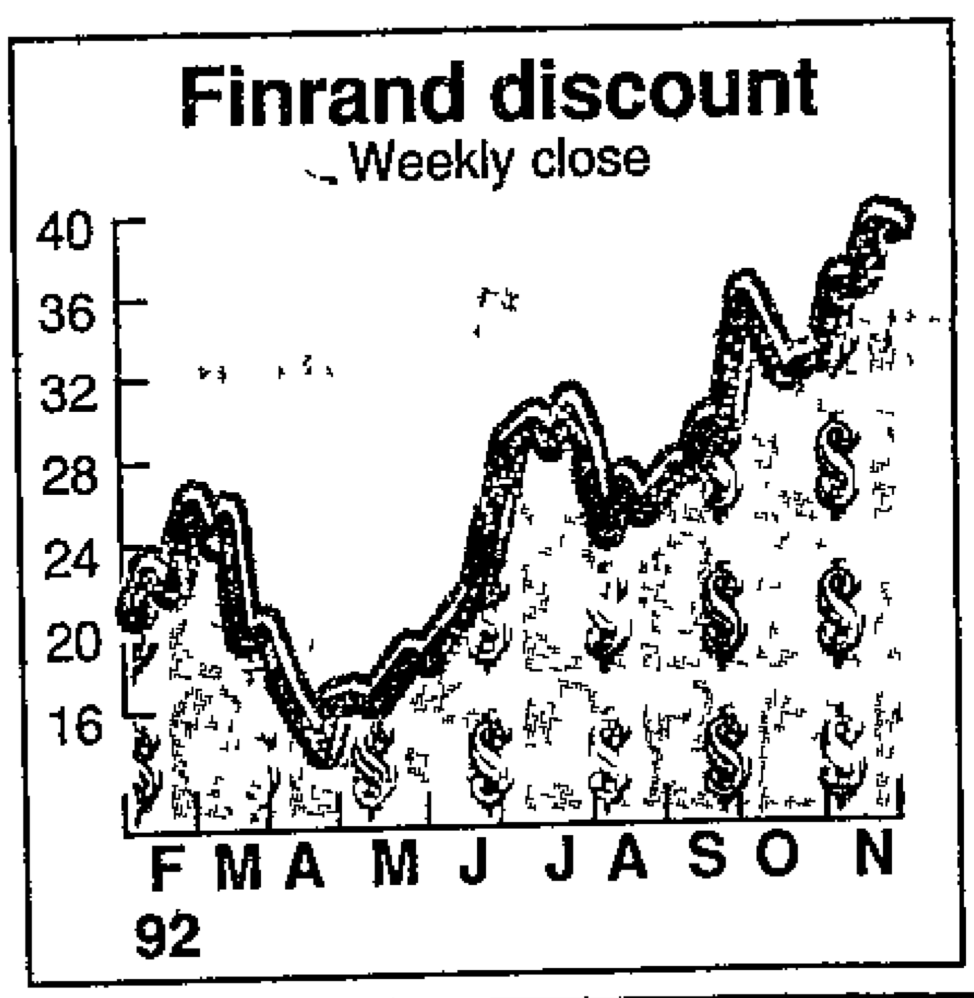
According to Keys's statement, companies requesting approval to invest overseas would have to prove the investment would yield an "immediate benefit" to the country Financing of new investments would be funded mainly by loans raised abroad, with the payment met from income generated by the new investment Deals already approved would have to be financed with foreign loans, with arrangements to stagger the repayment over a period of time

Stals said even companies that could prove a short-term benefit would find it difficult to invest overseas because of problems in obtaining foreign finance

Asked whether the Reserve Bank would continue its policy of intervening in the finrand market from time to time, Stals emphasised that intervention depended on whether the level of foreign exchange reserves was rising rapidly When there were large foreign exchange inflows, intervention in the finrand market achieved the dual objective of appreciating the currency and reducing liquidity in the money market He pointed out, however, that the current account surplus was falling

The finrand surged by 3,7% in early trade on Friday on rumours that a statement was to be released, but eased from its day's high of R4,7350 to finish at R4,8550 With the commercial rand at a record low

☐ To Page 2



Finrand curbs

B/DAY 30/11/92 183

☐ From Page 1

against the dollar, the firmer investment unit yielded a discount of well below 40% It was at 40% at the beginning of the week when the Sentrachem announcement put pressure on the currency

The discount between the two currencies reached a low of 7% on positive sentiment towards SA in 1991. It widened again to nearly 30% on fears that government wanted to tax non-resident interest earnings This was followed by the Reserve Bank's announcement this year that it could intervene in the finrand market, which pushed the gap down to 15% But a spate of foreign investments, notably Royal's purchase of a stake in UK-based Del Monte foods, pushed the discount to a high of 46%

Royal has not yet disclosed the financing arrangements for its deal, and there was speculation last week that it would have to reduce its stake This would mean its partner in the deal, Anglo American, would take a bigger share than its initial R400m An announcement on the Royal/Del Monte deal is expected this week

Speculation is that the Bank, anxious to see the discount narrow to a level where SA could have only one currency, requested the exchange control changes announced on Friday The Bank did not have the power to make the changes itself, as exchange control is Keys's domain It was further speculated Keys was reluctant to tighten controls

● Comment. Page 8

Anglo, Afrox in deal to exploit helium source

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BDM 30/11/92

EDWARD WEST

AFROX's gas division had signed an agreement with Anglo American to exploit a significant source of natural helium in the Free State gold fields, said Afrox public affairs spokesman Kevin MacGregor

The gas field would enable Afrox to satisfy local demand from the balloon leisure and welding shielding gases markets and high-tech medical applications, and also provide significant forex savings

Available reserves were enough to replace helium imports — all helium is imported Afrox, refused, however, to divulge the value of the deal or the extent of the available reserves — not yet fully known — for competitive reasons.

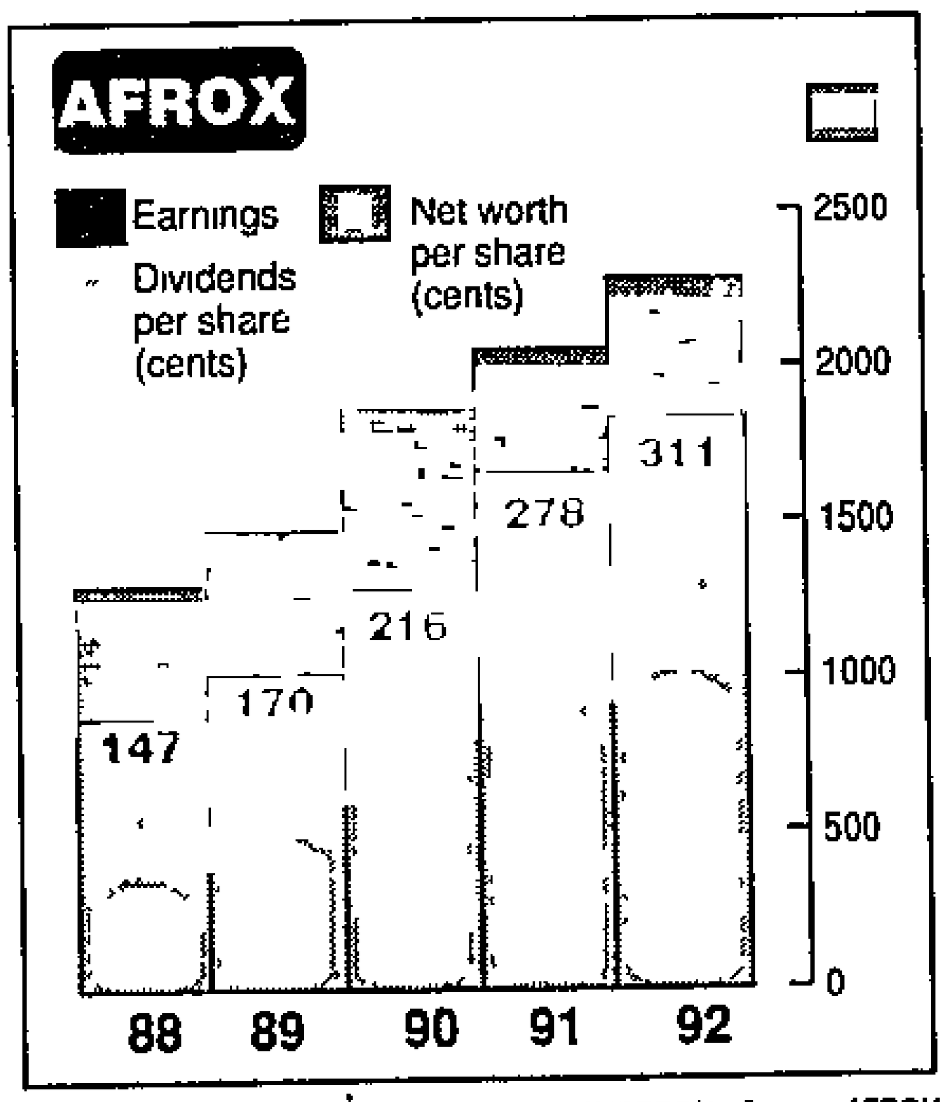
MacGregor said the field — 50km north of Kroonstad with a lifespan of between 10 and 20 years — did not require significant infrastructure as the gas was pumped directly from the ground into tanks.

Anglo American spokesmen said the agreement with Afrox was relatively small Gas would be extracted from farms Afrox's share price moved up to a new annual high of R98 on Friday as 800 shares traded hands in three deals Its annual low of R75 was recorded on December 23 1991. The earnings yield was low at 3,83

Afrox's gas division was hit by low demand from some of its major customers, particularly in the mining and engineering sectors, in its past financial year ended September 30 1992

However, chairman Peter Joubert noted in his latest annual report, released at the weekend, the division had still managed to perform well because of the diverse nature of the operation

However, he pointed out that a return to earnings levels experienced in 1991 could only be expected when stability returned to SA In the 1992 financial year Afrox's inflation adjusted earnings climbed 12% over 1991.



Graphic LEE EMERTON Source AFROX

During the past year, R130,4m was invested in plant and equipment, mainly for the gases and healthcare businesses Subsidiary Industrial and Petroleum Valves was sold immediately after year-end as part of the company's policy of focusing on primary business interests.

The welding products division suffered most from recession in the past year, and management concentrated on the introduction of new markets, such as Africa, to compensate for dwindling local demand

The health care division experienced a downturn in demand for beds at some of its hospitals This was particularly significant in Hillbrow, where the nature of the adjacent high-density flatland had led to a decline in the number of patients making use of private hospital facilities

To compensate for this, the division took advantage of the new dispensation allowing doctors in the public service to open limited private practises

Engen contributes largest single part of Gencor's assets

30/11/92

JONO WATERS

ENGEN remained the largest single contributor to Gencor's assets and Sappi replaced Samancor as the group's second largest investment, the latest annual report showed

Gencor's stake in Engen had a market value of R4,05bn, followed by Sappi at R2,64bn and Samancor on R2,15bn

(183)

Malbak moved into Gencor's top five investments due to increased investment in the company and the improvement in its share price over the year

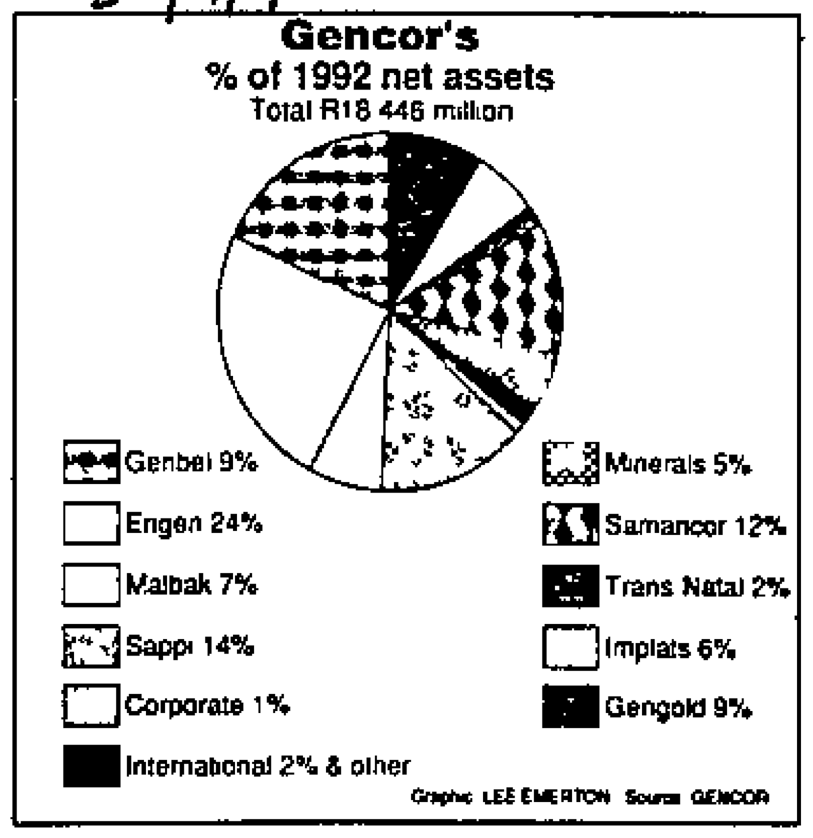
Gencor's stakes in Genbel and Impala Platinum amounted to R1,13bn or 6,1% of the group's investments

Oryx remained Gencor's most important gold investment, in spite of the decline in the share price over the year, as a result of an increase in the shareholder loan to the company

Gencor's financial and investment review for the year ended August 31 1992 showed the group to have total assets worth R18,4bn, making it one of the largest resource-based groups in the world

Its 10 largest individual investments, which had not changed since 1991, constituted 77% of total assets and contributed 81% of total earnings in the 1992 financial year

As a result of its R2bn rights issue, Gencor's total surplus funds at the year end were valued at R2,39bn compared to R1,90bn in the comparable period last year



News in brief

Sowetan 1/12/92

Apla behind club killings

A MAN claiming to be an Azanian People's Liberation Army cadre telephoned the SAP radio control room in East London yesterday to claim responsibility for the machinegun and handgrenade attack on a Border golf club at the weekend.

Police spokesman Colonel Christo Louw said the man phoned at 8 21am to say Apla, the armed wing of the Pan Africanist Congress, had launched the attack in which four people died and 17 were wounded.

Workers picket AECI

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Sowetan 1/12/92

MEMBERS of the SA Chemical Workers Union employed by AECI held a lunch hour picket at the company's premises in Modderfontein yesterday to press for demands in wage negotiations

The union is demanding a R250 - or 14 percent, whichever is the greater - across-the-board increase. Workers are also seeking assurances on job security as well as a reduction in working hours from 45 hours a week to 40 without loss of pay.

DP presses for elections

A CONSTITUTION making body should be elected as soon as possible and the present Parliament be allowed temporarily to discharge the legislative function, the leader of the Democratic Party, Dr Zach de Beer, said yesterday. Sowetan 1/12/92

He said the DP further strongly supported the idea, recently revived, of a multiparty government of national unity to run South Africa for some years

Premier should still outperform market

STAR 1/12/92

By Stephen Cranston

Earnings from the Premier Group will increase by 21,3 percent in the year to April 1993 and by a further 26,4 percent in the following year, Davis Borkum Hare analyst Manny Pohl forecasts

Pohl says the demand for Premier's mass market food products lends assurance to long-term growth and profitability

Earnings will be boosted by the increased contribution expected from Metro Cash 'n Carry, which has a market edge in its strategic distribution channels and dominant market share.

Premier Food is no longer encumbered by unperforming poultry and animal feeds businesses, and benefited substantially from the lower interest burden resulting from these disposals

Over the longer term, the bread market is expected to grow at a rate approximately equal to the population growth

At present, significant price escalation which deregulation created at the retail level, together with a depressed economy and unrest and violence has given rise to a static bread market And because of the surplus of baking capacity there has been intense competition and pressure on margins.

Premier reversed the losses it had made in its edible oils division as sales volumes of its products, principally Blossom and Kraft margarines, increased substantially

Consumers buy down as disposable income reduces, which has benefited Premier, and opportunities exist for the sale of basic foods into countries to the north.

Much of Premier's growth prospects in milling and baking depends on government fiscal policy

The drought has necessitated the import of massive quantities of maize and wheat, on which the government exacts a tariff giving it a R30 to R40 a ton profit margin

This will give the government a R150 million profit which could be passed on to consumers or primary producers

In the longer term any future government will initially be less enthusiastic to raise floor prices or to resist price controls Accordingly, there is a reasonable chance of lower input prices for Premier

There is also pressure for the reintroduction of subsidies on bread and maize and for the zero rating for VAT of basic foodstuffs, which will stimulate volume growth and enhance divisional profits

Premier's pharmaceutical interests will be stimulated by group strategy to provide cheaper products as the country becomes more cost-conscious

State expenditure levels on health care are expected to rise significantly

Pohl says that if Premier's wholesaling interests can return to the profit margins of the mid-1980s, in which there was a pre-tax margin of 3,5 percent, pre-tax profits will surge from R50 million to R143 million.

Since earnings and dividend growth should exceed that for the industrial companies in general it should continue to outperform the market.

BIDAY 1/12/92.

UK firm ups Manro stake

EDWARD WEST

HICKSON International, a Yorkshire-based speciality chemicals multinational, has increased its shareholding in JSE-listed Manro Chemical Holdings to 80% from 67%, a statement said yesterday (183)

Manro was ~~un~~traded yesterday at 50c, off its high of 67c on October 16 when the share price shot up 37c after 5,71m shares, or about 12% of the company's issued share capital worth R3,7m, changed hands in three deals

The increased shareholding preceded a rights offer on November 18 to raise R11,5m — details of which were published on November 27 — primarily for the installation of new technology at the company's Wynberg plant

Manro chairman and Hickson performance product MD Bruce Murray said Manro was installing a sulphonation reactor at Wynberg to produce raw materials for the detergent and personal care markets

The money would also be raised to provide a firm base for further expansion of local subsidiaries, all of which supplied speciality chemicals for local and export markets, said Murray

AECI undertakes major restructure

By Stephen Cranston 183

AECI Explosives and Chemicals is to be restructured from January 1 STAR

A stand-alone explosives company, AECI Explosives, has been created as an independent operating company within AECI 2/12/92

The chemical interests of E & C will be taken over by Kynoch Fertiliser, also an AECI company

AECI Explosives will then be focused entirely on the mining industry

The new company will be headed by MD Vernon Liddiard, sales and marketing by Mike Lancaster and production by Rod Prior Dave Bromley will be commercial director.

Bromley says the new structure will allow better control over costs and a more rapid response to customer needs

Research and development will be more closely linked to marketing

This will enable the full weight of AECI and ICI resources to be applied to product issues

Restructuring gears Malbak for growth

183

BDay 2/12/92

EDWARD WEST

MALBAK's restructuring provided a sound platform for future growth and, with social and political stability, strong profit growth could be expected in the longer term, said executive chairman Grant Thomas

Commenting on the short-term outlook in the 1992 annual report, he said Malbak had budgeted for improved pre-tax profit, and a significantly increased tax rate Given economic uncertainties, Malbak forecast earnings would be maintained

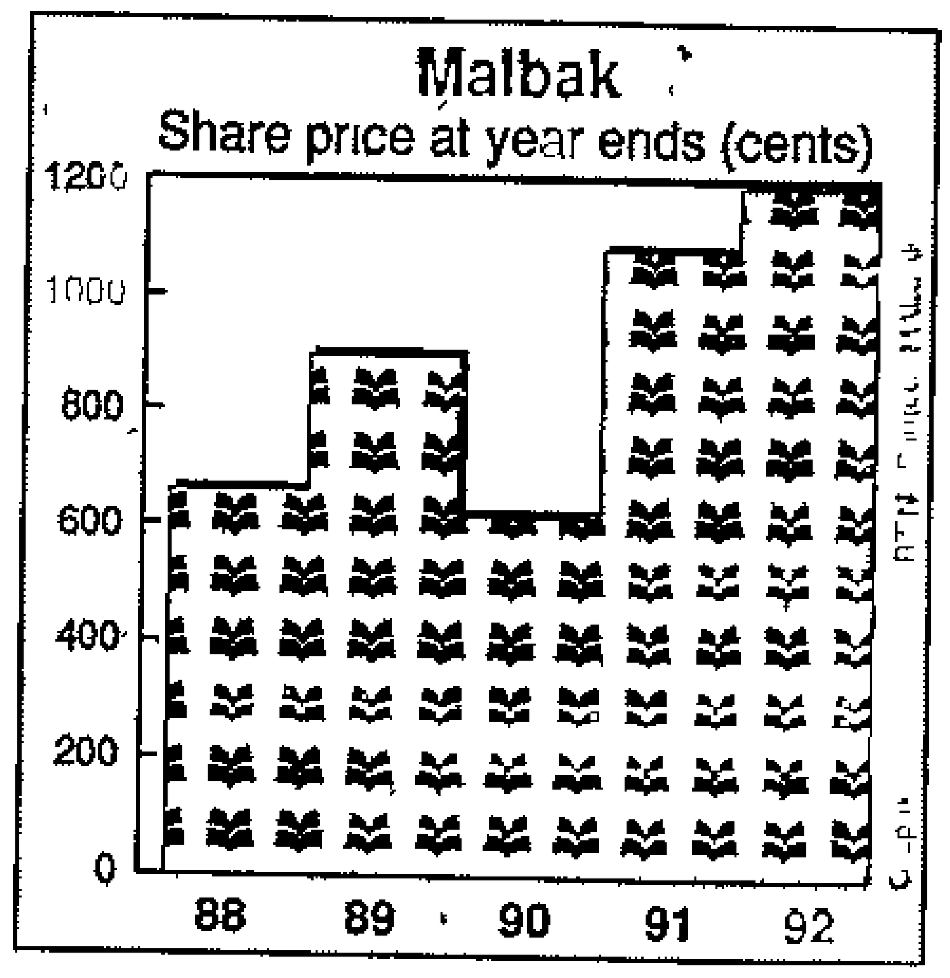
Malbak had been restructured over the past two years Business focus had been sharpened and the thrust was in clearly delineated areas

In spite of the short-term effect of the depressed economy, Thomas said medium to long term prospects for each of the group's operations were excellent.

Thomas was pleased with Malbak's results for the year to end-August 31 and earnings were slightly better than the revised forecast at 113,5c a share The dividend was increased to 33,5c a share

Proceeds from the sale of non-strategic holdings coupled with the results of the rights issue resulted in the group holding more than R700m cash Gearing, excluding cash on hand, had fallen to 29% from the adjusted 40% at the start of the year

At 54 and 56 days, debtors and stock were well controlled The past year saw interests in Kanhym consolidated with those of Fedfood to form Foodcorp



Foodcorp's diversification and focus on value added products shielded earnings and the group had embarked on a major expansion project to capitalise on international market potential

The acquisition of SA Druggists and the merger of Malbak's healthcare interests in SA Druggists had transformed the company into the largest pharmaceutical group in SA

Packaging and paper company Holdains also had a successful year The partnership agreement with Crown Cork & Seal of the US was signed after year-end This move would give Holdains a meaningful entry into the beverage packaging market

State-owned Foskor to retrench 900

(183) CT 2/12/92

Own Correspondents

STATE-owned phosphate rock producer Foskor would retrench 900 employees in a rationalisation programme, MD John Stanbury said yesterday

Foskor's beneficiation plant had the capacity to process 30-million tons of phosphate ore a year at a grade of 8,7% phosphorus pentoxide (P2O5) to produce a 4-million tons of 36% P2O5 concentrate for the domestic market and 40% P2O5 for export

But annual concentrate production would be less than 3-million tons by February because of weak local and international phosphate markets.

Stanbury said current stocks of 1,5-million tons or 6 months supply were "unacceptably high"

"Foskor has changed its production plans to allow for greater flexibility to meet changing market conditions"

International trade in phosphate rock declined by 33% between 1988 and 1991 and no improvement was expected before 1994 World consumption would reach 1988 levels again only in 1996, Stanbury said

Local phosphate fertilizer consumption had been falling for the past decade and had decreased by 22% in the six months to June 1992, from the comparable period last year.

This was as a result of periods of drought, the end of fertilizer price control in 1984 and farmers' worsening financial position

Rationalisation

"The result of the rationalisation will be to ensure that the company can operate from a position in which it is internationally competitive to the long-term benefit of the SA agricultural sector."

Phosphate pentoxide was sold to the Fedmis plant at Phalaborwa, which was owned jointly by AECI's Kynoch and Sasol, the Omnia plant near Rustenburg and other Kynoch factories

The privatisation of Foskor, which was first talked about four years ago, was "not in the offing"

● Meanwhile, about 5 000 members of the SA Chemical Workers' Union (Sacwu) plan to march on Sasol 1's offices in Sasolburg on Friday to protest against retrenchments at the petroleum company

Joseph Maqhekeni, vice-president of Nactu, to which Sacwu is affiliated, said yesterday retrenchments at Sasol 1 had resulted in evictions of workers who could no longer pay their bonds. A further 1 000 jobs were threatened, he said

He said the march by workers from AECI, Omnia Fertilizer, Kharbochem, Satripol, Sasol 1 and Sigma was intended to protest against retrenchments at Sasol 1 and the engagement of contractors to take over jobs of dismissed workers

The workers would also demand the reinstatement of workers dismissed from Sasol 1 in 1977 during a "legal" strike

No comment could be obtained from Sasol at the time of going to press

AECI to restructure in 1993

EDWARD WEST /183

AECI Explosives and Chemicals (E & C) would be restructured next year and its explosives operations hived-off into a stand-alone company

The new company, AECI Explosives, had been created as an independent company within the group The chemical interests of E & C would be taken over by Kynoch Fertilizers, a statement said

AECI's six main operating companies were AECI Chlo-Alkali and Plastics, E & C, Chemical Services, Dulux, Kynoch Fertilizer and SA Nylon Spinners The Chlor-Alkali division was being divided into four

The statement said E & C's reorganisation would force closer integration of key functions and allow better cost control

"Restructuring will enable particularly clearly defined businesses like explosives to be more customer focused without being involved in the group's other nitrogen-based chemicals businesses," a spokesman said

Research and development activities would be closely linked to marketing and smaller business units would facilitate easier management

The mining industry could look forward to further innovation at AECI Explosives, the statement said Mutual benefits through "partnering" would become a strategic necessity in the difficult times being experienced in the mining industry.

A spokesman said the "partnering" concept would mean the development of shaft-head deliveries to reduce handling and stockholding of explosives at mines.

could have satisfied themselves in terms of after our mid-1993 results" elsewhere in recent weeks organisers know he would not be coming

Johnson Matthey extends Rustenburg deal

LONDON — Johnson Matthey had signed an extension of its platinum market agreement with Rustenburg Platinum Mines, Johnson Matthey said in a statement accompanying its first half financial results

"This secures the future of this vital contract into the next century," Chairman David Davies said

Davies gave no other details of the deal, which extends the relationship between the two companies dating from the 1920s

Johnson Matthey sees strong post-recession growth

Davies said the company had shown it could generate profit growth even in depressed markets

The company reported a £1m rise in half year pre-tax profit to £33,2m and raised its interim dividend to 3,2p from 3,0p BDM 4/12/92

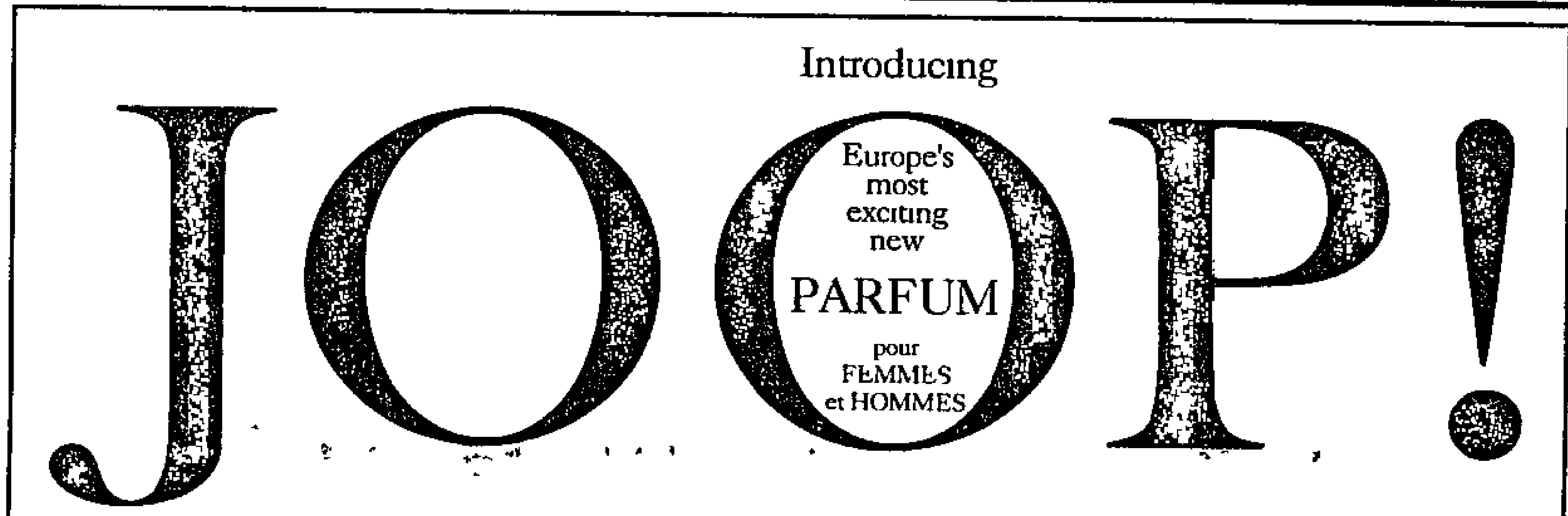
Davies said its catalytic systems division was the star performer, benefiting from new laws controlling vehicle emissions

Divisional operating profit rose to £12,9m from £10,6m

Johnson Matthey supplies more than a third of total world demand for autocatalysts

The company said results in both its materials technology division and its colour and print division were close to last year's despite depressed markets

But profit in the precious metals division fell to £10,5m from £11,9m, largely because of drops in the sterling price of platinum and rhodium by 11% and 36% respectively, the company said — Reuter



Loss of tyre operations deflates Darmag results

DUMA GQUBULE 183

RUBBER and plastics producer Darmag, hit by a loss of sales from discontinued tyre operations, reported a 22% decline in earnings to R882 000 for the half year ending September BDM 4/12/92

Chairman Donald Buchanan said the results showed the consequences of a period of trading tarnished by the deepening recession and industrial dispute

Turnover declined by 18% to R11,3m (R13,8m) and operating profit by 26% to R1,1m (R1,4m) Interest payments dropped sharply — due to better asset management, Buchanan said

Attributable earnings came to R882 000 (R1,1m), equivalent to 4c (5,1c) a share

Buchanan said Darmag, with its high market share in the business of supplying the battery industry, remained closely linked to the fortunes of this sector and, indirectly, to that of the car industry

Although some improvement in demand was expected, the market was still very competitive and opportunities to recover rising costs remained limited

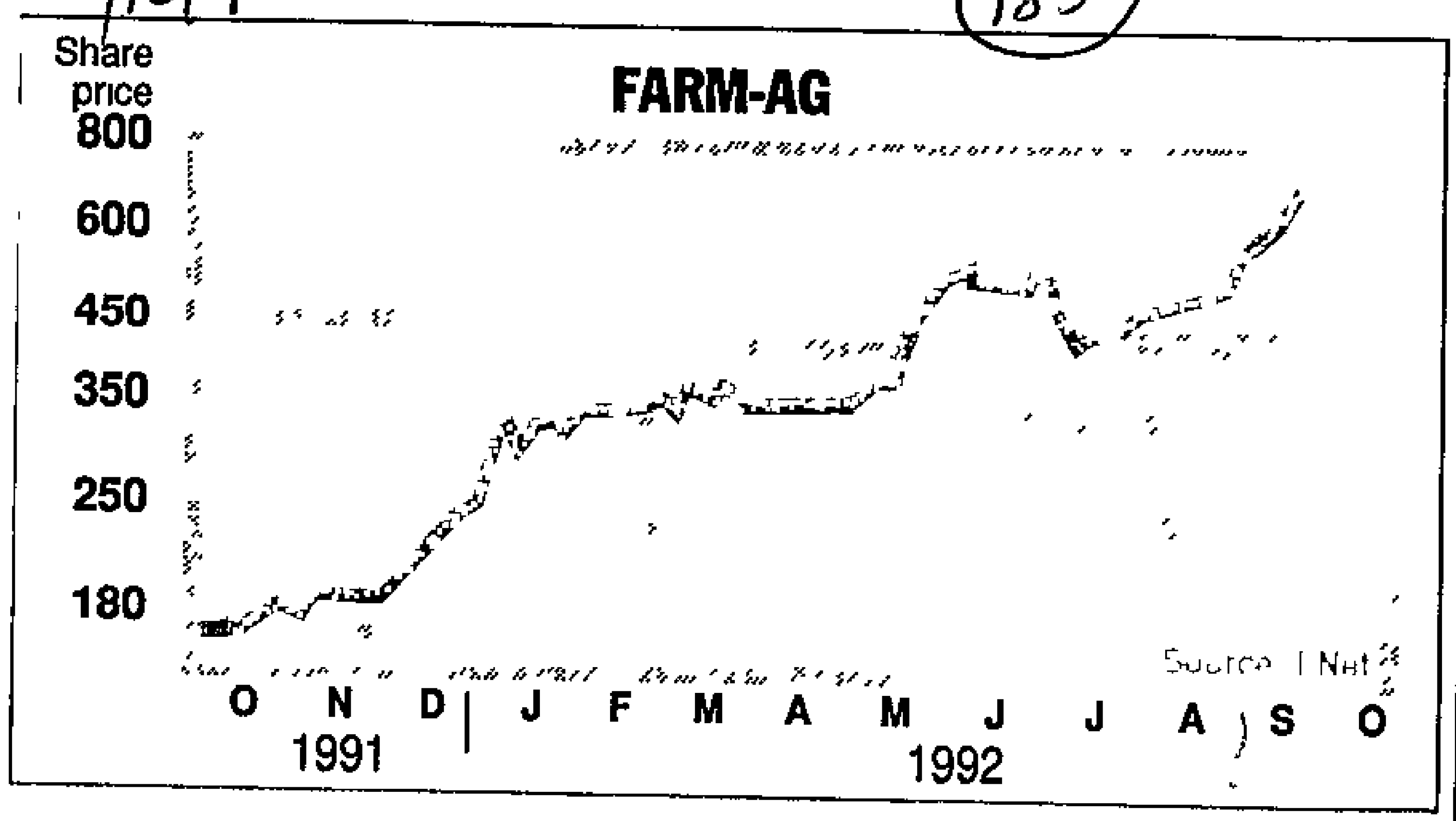
Entry into new markets would not make a meaningful contribution during the current financial year

Forecast earnings would, at best, be marginally below the previous year

Hanson's profit falls

The toad that became a prince

S/Times (BUSS) 6/12/92. (183)



By JULIE WALKER

IT IS uncommon for the share price of a company that reports a loss of R5-million after extraordinary items to show the greatest appreciation over 12 months But that is what Natal agricultural chemicals company Farm-ag did in the year to September 1992.

Furthermore, Farm-ag had net current liabilities of R22-million and was 200% geared in August 1991. In the 18 months to August 1992, Farm-ag sold all but two of its investments outside the core holding of Sanachem in an effort to reduce debt. In so doing, it wrote off R8-million against debtors, losses on disposals and discontinued businesses

OILS

But its share price has climbed from an all-time low of 180c last October to a peak of 825c

There is a fundamental reason for the rapid appreciation — the terms by which it will sell its 50% stake in Sanachem to the other shareholder, Sentrachem, in 1995

The price Farm-ag receives will be the higher of either 50% of Sanachem's net asset value at February 28, 1995, adjusted for any loan account Farm-ag might have with it, or 50% of Sanachem's average annual adjusted earnings for the three years to February 1995 multiplied by 80% of the average monthly price-earnings ratios of the industrial holdings and the chemicals and oils sectors of the JSE in that period

After a below-par start to business, Sanachem started to improve under under the management of Farm-ag founder and current managing director Robert Maingard and alternate director Richard McElligott

In the 18 months to August, it made R32-million, attributable largely to growth in exports

In the 18 months to August, Farm-ag sold its 23% stake in Bearing Man and the 50% holding in Union Drug as well as the pumps business Still on the market are the investments in Harvest Chemicals and Glenmore — previously Hacks — SA's biggest sock-maker

This will leave Farm-ag with a single investment in Sanachem, which is also pre-sold In 1995 the group will become a cash shell and the guessing game for investors is to decide what its worth will be The idea behind the deferred sale was to allow the business to reach maturity and so command a better price As Mr Maingard says, being in cash in 1995 will give a wide range of options to suit the circumstances of the day

Sanachem was formed in 1990 when Sentrachem and Farm-ag each sold about R50-million of assets into the joint venture, which took aboard R30-million of debt

FOCUS

Mr Maingard came under some scrutiny because Farm-ag paid him a restraint of trade payment of R3-million in respect of Sentrachem's requirements

Perhaps Farm-ag's shareholders will now believe he deserved the money because their investments have risen rapidly in value after a torrid few years

Founded as a backyard business by Mr Maingard in 1956, Farm-ag's plant is now up to date The business thrived on copying products on which the multinationals' patents expired

Sanachem is succeeding — in diversifying the business by exporting more than 50% of production in the current year

The policy was heavily defended at the time by Mr Maingard in response to critics who accused the group of losing focus

Among the investments were forays into lawnmowers, packaging, heaters, air-conditioners, gas accessories, patent medicines, toiletries, hosiery and yarns, bearings, sprockets and seals All have been sold or are due for disposal Almost all went after incurring operating and disposal losses

SHARPLY

Its venture with Staalchem was most costly Staalchem was a 1987 JSE listing, dealing in steel sheet, and agricultural chemicals In April 1989, Farm-ag sold its agricultural chemical wholesaling division and 50% of Agroserve for R10-million — R5,8-million cash and the balance in Staalchem shares to give Farm-ag 35% of the company

Farm-ag underwrote a rights offer in Staalchem and was obliged to take up almost all the shares, ending with 78% of the company

So when Sentrachem and Farm-ag got together to form Sanachem, it also bought the retail agricultural business of Staalchem for R8-million

Farm-ag's gearing has fallen sharply in the past three years Interest-bearing debt dropped from 289% of shareholders' funds in 1989 to about 80% at August 1992. Debt is now R20-million — and falling

The share price has been through a deep depression — from more than R9 in 1987 to 150c in mid-1991 But it is now 825c — and climbing That of holding company Rale has mirrored its movements — Rale is now 820c

IDC sells Sentrachem stock

S Times [8455] 6/12/92

By JULIE WALKER

THE Industrial Development Corporation's 13,5% stake in Sentrachem has been placed with 14 financial managers committed to following a 40-for-100 rights issue if the chemical company's offshore acquisition goes ahead

IDC senior general manager Gerard Morse says its development role in backing Sentrachem has been fulfilled and it was appropriate that Sentrachem be sold to release money for other developments

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The IDC's two listed investment trusts, Industrial Selections and National Selections, also announced this week that plans to unlock their value were under way

IDC funds are being called on by several capital projects, including Alusaf, Namakwa Sands and Columbus

Sentrachem announced two weeks ago that heads of agreement had been signed to acquire Chemplex Australia Sentrachem chief executive John Job is due to fly Down Under this week to complete the deal

The price of the Chemplex deal has not yet been announced Sentrachem's market capitalisation is R664-million and a 40-for-100 issue at current prices would raise about R250-million

Pro-business slant to ANC anti-trust policy

By Sven Lunsche

STAR 7/12/92

Anti-trust legislation by the ANC is likely to have a "pro-business" bias and is to be separated from policies aimed at addressing the concentration of economic ownership, says ANC economist Tito Mboweni.

He was speaking at the conclusion yesterday of a three day workshop on anti-trust, monopoly and merger policy.

The workshop was attended by ANC economists, private sector managers and a range of international experts on anti-trust laws.

The ANC's strong focus on anti-trust legislation is an indication that it will take the place of large-scale nationalisation as the major tool to redefine the largely white-controlled patterns of ownership.

Mboweni said the ANC had identified a set of key issues in dealing with anti-trust legislation, including setting-up an investigative arm similar to the UK's Monopolies and Mergers Commission.

Legal powers to take action on such findings should rest with the Department of Trade and Industry, he added.

"We are certainly not convinced that the SA Competitions Board, which has a very weak profile, can serve as a basis to investigate monopolies and mergers which impede competition in the economy."

Mboweni said anti-trust legislation could not be seen in isolation from "the power of the conglomerates and a long-term industrial strategy".

Yet, he added, the overriding tone of the workshop suggested that anti-trust policies should be "pro-business" and the ANC identified with this sentiment.

He said the organisation would use the input from the participants in the workshop to draw up a comprehensive anti-trust document, possibly by the end of February next year.

It also seems that the ANC will heed the advice of the senior economist of the UK's Monopolies and Mergers Commission, Geoffrey Sumner, who told the workshop that the confluence of economic power in the economy should not be redressed by retroactive competition policy.

Sumner said investigatory and tribunal agencies should be set up which "as far as possible should not have political bias".

The ANC was also warned that anti-trust policies alone could not achieve a radical change in the patterns of ownership and control.

JSE president Roy Andersen said the inward-looking policies of exchange controls, import tariff protection, import substitution and self-sufficiency during the apartheid years had played a critical role in the development of this concentration.

"These are the underlying causes of concentration which need to be dealt with," he said.

Despite the focus on anti-trust policies, the ANC has not ruled out partial nationalisation of mining groups.

In a paper to the workshop, ANC minerals economist Dr Paul Jordan said the state had a right to equity participation in private mining companies because of its ownership of the natural resources of a land.

Strategies proposed by Jordan included nationalising cross share ownerships between mining groups, particularly De Beers and Anglo American, and giving the state a minority equity holding of about 20 percent.

He said joint control of a mining group was working well in the case of De Beers and the Botswana government through the jointly contolled Debswana operation.

Furthermore, white control could be diminished by "a meaningful employee share holding scheme, which is not based on income".

Mboweni said the proposals addressed the problem of inter-locking directorships, but added that it remained to be seen whether this should be dealt with through nationalisation or anti-trust policies.

Palladium rises to 18-month high

By Neil Behrmann

LONDON — Palladium prices surged to their highest levels in 18 months last week in response to lower Russian supplies and a sharp increase in orders from Japan.

At $103 an ounce, palladium, the main by-product of platinum, is 25 percent higher than levels in August. Its trading range was $80 to $85 for most of this year.

Palladium, by far, has been the best-performing precious metal. Its appreciation since August compares with a four percent increase in the price of platinum, a constant silver price and a four percent decline in gold.

The rise in palladium prices is a welcome boost to SA platinum companies.

SA palladium production is forecast at 1,28 million ounces this year, compared with 2,82 million ounces of platinum, according to Johnson Matthey.

For each $10 increase in the palladium price, revenue for Rustenburg, Impala, Western and others rises by $12,8 million — not an insignificant sum.

Platinum's price increased by about $13 in the same period.

Since the rand has fallen against the dollar, platinum companies which were under pressure earlier in the year, should be on a better footing.

Yet actual revenue gains will depend on contract prices.

A palladium futures contract was introduced in August on Tokom, Tokyo's commodity exchange. Dealers say that on Wednesday volume reached a quarter of a million ounces and on Thursday 650 000 ounces.

Thursday's trade alone equalled activity for the whole of last month, say dealers.

London dealers are perplexed about the sudden burst of buying on the Tokyo futures exchange.

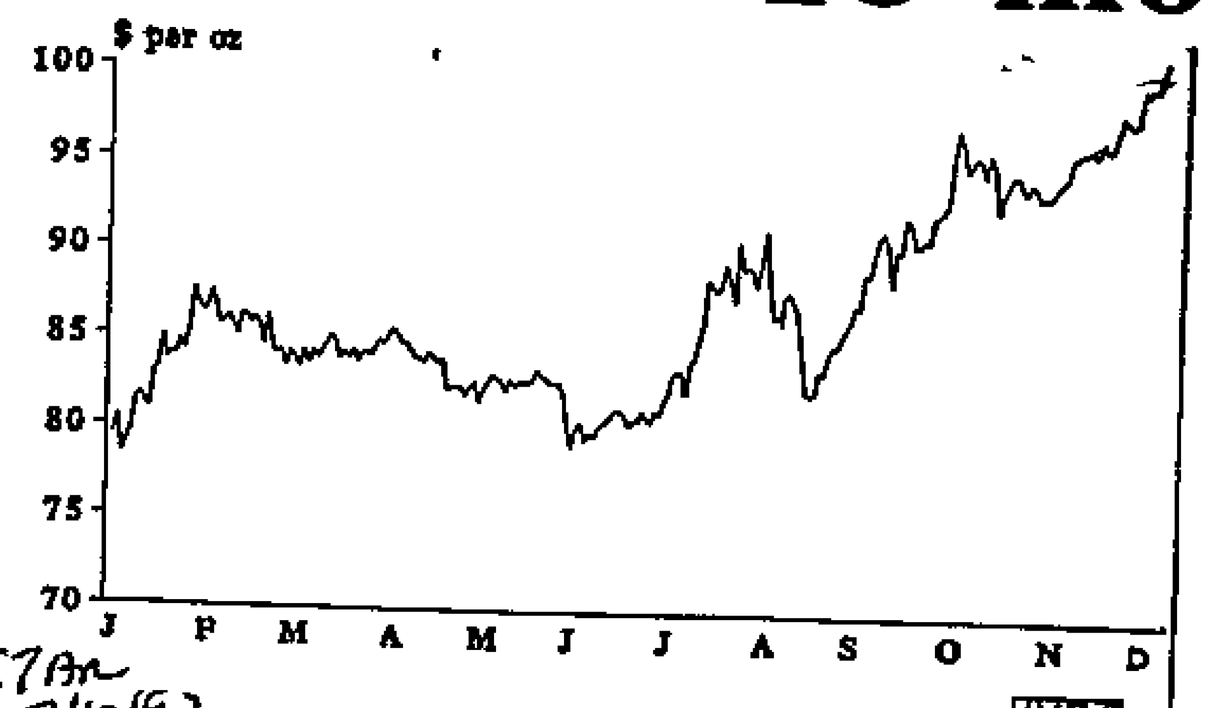
Some believe that Japanese motor companies intend using more palladium in anti-pollution auto catalysts.

Others say that "cold fusion" energy experiments are keeping the palladium pot boiling.

Cold fusion requires palladium to generate energy, but so far there is no scientific proof on whether the process will work.

According to some scientists, energy is produced when an electric current is sent through palladium electrodes that are immersed in a jar of heavy water enriched by a heavy form of hydrogen known as deuterium.

Japan, totally dependent on oil imports, is anxious to develop alternative energy sources.



STAR 7/12/92.

The price of palladium this year

Robbie Williams taxing food is untenable

Williams favours export incentives

By Stephen Cranston

STAR 7/12/92

Tiger Oats chairman Robbie Williams has urged the Government to retain export incentives and not to succumb to pressure them.

In the annual report for the year to September, Williams says group exports and international sales now exceed R1,2 billion.

But it would be most unwise to expect SA to be able to compete effectively without such incentives when export subsidies in one form or another are commonplace worldwide.

"As a group we are acutely aware of the need to be internationally involved and competitive."

While Tiger Oats supports VAT as a better method of indirect tax than GST, the company feels strongly that for food, zero-rating should be applied across as broad a front as possible.

"The argument that this would allow the rich to eat tax-free is more than outweighed by the crying need to feed people as cost-effectively as possible.

"Unless adequate arrangements are made through food aid schemes to provide basic sustenance for the poor, we believe taxing food is untenable."

IDC disposes of Senchem shares

STAR 7/12/92

Finance Staff (183)

The Industrial Development Corporation (IDC) has placed its R90 million shareholding in chemical group Sentrachem with 14 fund management groups.

IDC senior general manager Gerard Morse said at the weekend the IDC had sold its 13,5 percent stake as part of its policy of realising mature investments to fund new industrial projects.

Morse said the IDC had had a long, happy and productive association with Sentrachem, but that its development role had now been fulfilled and it was appropriate that it should realise its investment for other projects.

He said Alusaf, the Columbus stainless steel project and Namakwa Sands were some of the projects requiring IDC support.

The IDC is currently investigating the unbundling of Industrial Selections and National Selections, its two listed investment trusts.

All 14 institutions accepting the shares have committed themselves to supporting Sentrachem's proposed 40-for-100 rights issue.

The rights issue will go ahead only if the purchase of Chemplex Australia is successfully completed.

While the transaction has been delayed as a result of the Government's move to limit the use of the finrand for off-shore acquisitions, Sentrachem chief executive Dr John Job is said to be leaving for Australia soon to finalise the deal.

Job said the IDC's disposal provided an ideal opportunity to broaden shareholder participation in Sentrachem.

Seven of the institutions, which accepted the shares at 575c each, are new holders.

Tiger Oats should narrow its focus

STAR 7/12/92

By Stephen Cranston

Earnings growth at Tiger Oats has been consistent over the last three years.

After two years of increases in earnings per share of about 13 percent, the group turned in an 11 percent increase in the year to end-September.

This is not the kind of performance that would normally lead to Tiger's demanding rating of a 20,1 P/E ratio and a 1,7 percent dividend yield.

But investors like Tiger because it has taken a long-term view of its food basket. Market share, rather than short-term profitability, is king.

The group seems to tolerate a mediocre performance in some divisions — returns in the edible oil business have been poor for some years — but it has been able to acquire a formidable portfolio of companies and brands which have compensated for this.

Unlike arch-rival Premier, Tiger has held on to its interests in poultry and eggs, even though they have undoubtedly been a drain on margins and profitability.

The exact contribution of these interests cannot be determined from the annual report.

But margins for County Fair and Golden Lay were poor and under pressure and Tiger is waiting for rationalisation in these industries. It has the financial muscle to ride out such attrition.

It is surviving a price war in the animal feed area, for example. The group says a number of rival animal feed mills have closed down because of over-capacity in the market, but Tiger can afford to live with negligible margins.

But is it in the interests of Tiger shareholders to persist with a group with such an inconsistent profit mix?

In the agri-business and food processing division, for example, Langeberg, with a third of the turnover contributed, two-thirds of the profits.

Tiger is counting on improvements and can point to edible oils, margarine and peanut butter, which lifted operating profit by 48 percent, though off a very low base and which still have a negligible opeating margin of less than three percent.

Tiger can still rely on certain divisions ensuring that its growth at least exceeds 10 percent.

Pharmaceuticals now contribute a quarter of operating profit.

Forefront

Adcock Ingram continues to be at the forefront of new product development and has the country's best portfolio of pharmaceutical brands.

Spar continues to show good growth. Perhaps the best opportunities will arise from its international shipping and trading operations.

It is well-placed to meet new opportunities after the R21 million expansion of its Durban bulk shipping facilities.

Tiger's advantage over other food suppliers is that it is represented in all the staple categories — and in the case of rice is the only producer, so if there is swapping in consumption between maize, bread, rice and pasta Tiger will be represented.

But is such breadth always an advantage? Tiger might be advised to take a look at its portfolio and concentrate its resources and efforts on areas providing the best returns.

IDC plans to keep remaining interests

(183)

BDAY 7/12/92

EDWARD WEST
and PETER DELMAR

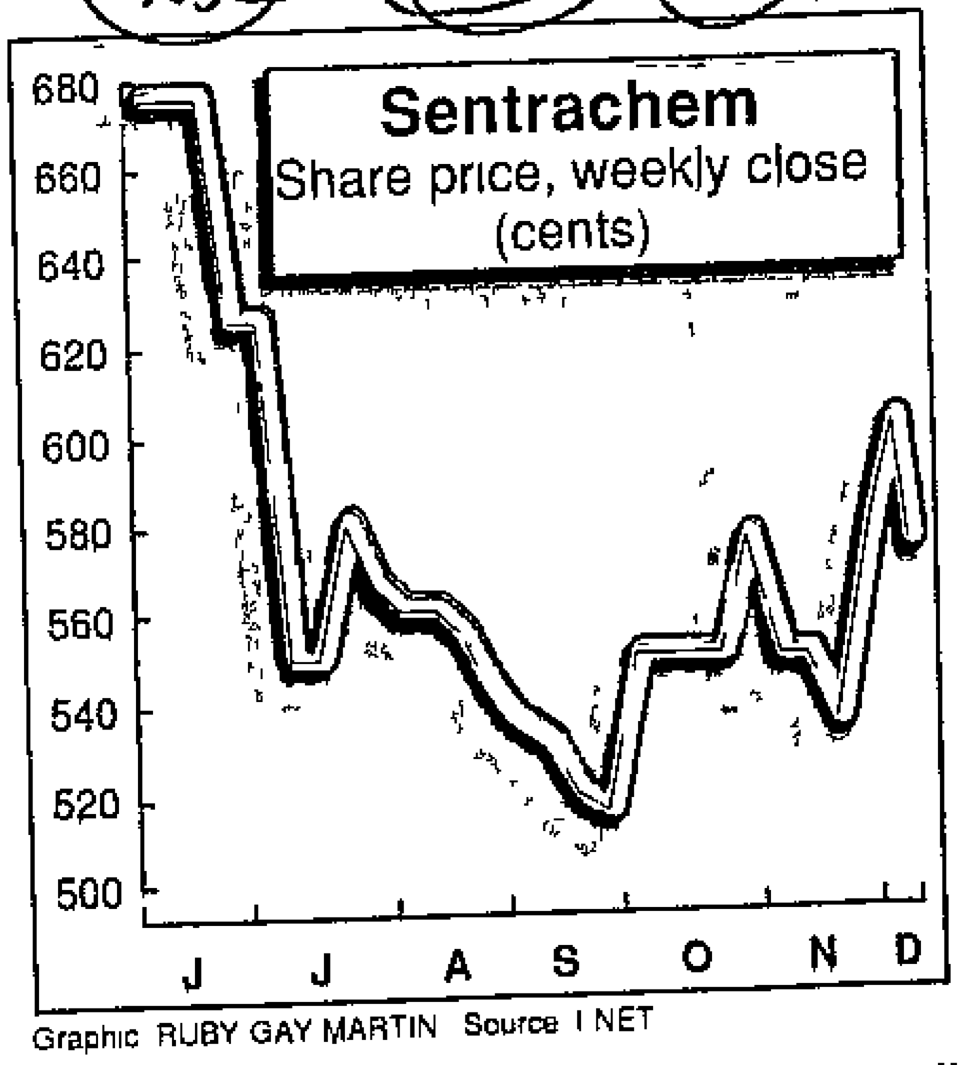
THE Industrial Development Corporation (IDC) had no immediate plans to sell its remaining interests in other companies despite selling its 12,2% stake in Sentrachem on Friday, a spokesman said

More than 14-million of Sentrachem's 115-million shares in issue traded on Friday in 15 deals valued at R80,9m. The shares changed hands at 575c, 100c lower than 1992's annual high of 675c, and 25c lower than Friday's opening price of 600c

The IDC's decision to sell its Sentrachem stake came days after it announced that it planned to unbundle its two investment trusts, Industrial Selections (Indsel) and National Selections (Natsel).

A spokesman confirmed yesterday that the two moves were aimed at raising finance for the Alusaf expansion and other projects in which the IDC is involved, but ruled out the possibility that the corporation would soon sell other interests.

Sentrachem financial director Robert Morris said the IDC sold its JSE-listed shares in the group to various institutions because the parastatal, which had industrial development and promotion as its main aim, regarded Sentrachem as a "mature" investment Sentrachem also wanted to "spread" more of its shares with private institutions, he said



Graphic RUBY GAY MARTIN Source I NET

The IDC also planned to sell approximately 1,5-million additional shares held in Sentrachem's holding company, Central Chemical Investments, to Sankorp, Morris said.

☐ To Page 2

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☐ From Page 1

IDC

BDAY 7/12/92

The IDC announced last week that it intended unbundling Indsel and Natsel in a move which will free up more than R600m for investment in a number of projects The parastatal holds 52% of Indsel and 50% of Natsel

IDC financial markets GM Louis Kingma said yesterday the IDC sold the Sentrachem shares to raise money for Alusaf and other projects The Indsel and Natsel announcement represented "a move in the same way"

He said, however, that there was "no urgency to raise further funding at the moment"

Kingma said the IDC did not plan to sell its remaining 20% stake in Sasol or its small shareholding in Sappi Selling its 16% share in Iscor was out of the question because of the share's low price

Rationalisation boosts Prempharm

STM 8/12/92

By Sven Lunsche (183)

Premier Pharmaceuticals (Prempharm) benefited from the succesful completion of its rationalisation programme, lifting interim earnings 22 percent to 36c (29,6c) a share

The interim dividend for the six months to end-October has been raised to 13c (10c)

Turnover grew only five percent to R234,7 million (R224,7 million) but substantial cost savings boosted operating profits by 12 percent to R60,4 million (R54 million)

Growth at the attributable level was improved by a turnaround from interest payments of R4,2 million to interest receipts of R3,3 million

Gresham Pharmaceuticals' results were not consolidated as its acquisition into Prempharm is still the subject of a dispute between the major shareholders, Premier Group and the Krok brothers.

The directors say prospects for the rest of the year remain uncertain

Tight control boosts Premier

BDAY 8/12/92

(183)

ANDREW KRUMM

PREMIER pharmaceuticals — formerly Twins Pharmaceuticals — posted a 22% increase in earnings to R35,3m (R29,1m) on the back of low growth in turnover for the six months to end October 1992.

The interim dividend was up 30% to 13c a share compared to 10c for the six months to October 1991, Prempharm CE Phil Nortier said yesterday

Due to a change in accounting period last year, figures for the seven months to October 1991 have been restated

Turnover increased by 5% to R234,7m (R224,7m) after an "exceptional" performance in the pharmaceuticals division was diluted by weaker performances in the three other divisions

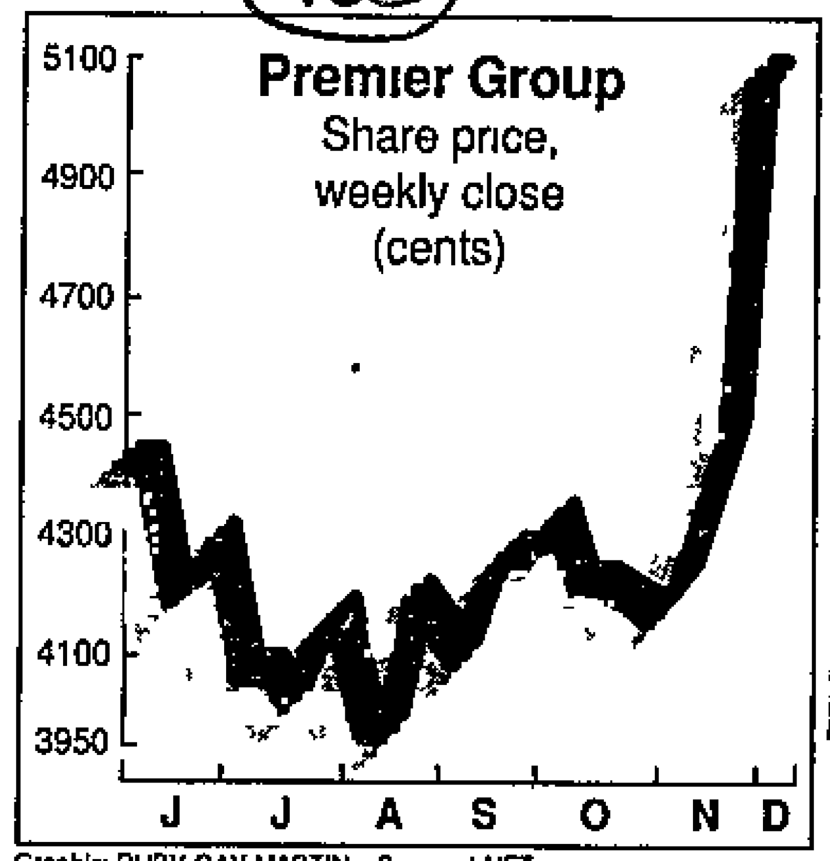
"Sales in the pharmaceuticals division in the past six months grew by over 25% This division is now by far the biggest contributor to both profit and sales — compared to its position as number two in sales 18 months ago

"However, the other three divisions struggled a bit, with both the consumer products and visioncare divisions slightly down on last year's performance"

The animal health care arm was currently running at a slight loss due to depressed conditions in the agricultural sector

"However, once the conditions in agriculture improve we will turn the loss around"

Despite the low increase in turnover, operating income had risen by 12% to R60,4m from R54m (restated) for the comparable period in 1991



Graphic RUBY-GAY MARTIN Source I NET

"This was largely a result of the successful completion of a rationalisation programme which commenced during the previous financial period and saw a reduction in costs," he said

Unlike last year, the group paid no interest in the period to October 1992

Nortier said in the past 18 months management had reduced an "inherited" R70m debt burden to a single R17m long-term loan

He added that cash reserves now stood at R41,7m

"Good asset management, and tight control of working capital in line with management's objective of reducing reliance on borrowings saw Prempharm receive R3,3m in interest income, compared to paying out R3,6m in the previous period"

Nortier said besides planning to spend "a lot" on new product developments over the next year, Prempharm was on the lookout for new products or companies to acquire The pharmaceutical division would launch six new products in the near future

ICI foresees radical changes in its industry

BDAY 9/12/92

(183)

LONDON — The chief operating officer of British pharmaceutical giant Imperial Chemical Industries (ICI) said yesterday that further radical changes were needed in the industry at a time of poor profitability, excess capacity and too many players

Ronnie Hempel told a conference that essential changes would lead to a chemical industry that would be very different but much healthier by the end of the decade

ICI is Britain's largest manufacturing company

"Many of the changes involve difficult and painful decisions but they cannot be ducked if we are to stay the course and be in a position to overcome the threats and take advantage of the undoubted opportunities in international markets," Hempel said

At early afternoon on the London Stock Exchange yesterday, ICI shares were down 13p at £10,12 on slim turnover of 679 000 shares

Hempel said only a small start had been made in the restructuring and rationalisation that was required of all parts of the chemical industry, with the achievement of competitive advantage more critical than ever

"A much greater focus on a smaller number of business areas must, I believe, replace the '80s strategies of diversification," he said

"We are putting our heads in the sand if we don't recognise that in all branches of the industry there are too many players"

Without restructuring and rationalisation, which would reduce both the number of producers and overcapacity, Hempel said most areas of petrochemicals, plastics and specialties would be adversely affected for many years

Successful chemical companies of the '90s would have strategies that focused on a small number of businesses, he said

"These are businesses in which companies have the strongest competitive advantage and which will deliver the greatest shareholder value," he said

In the future, Hempel said swaps of businesses among companies would likely be more popular as a way of restructuring operations, not least of all because they did not incur huge costs in the way acquisitions did

Earlier this year, ICI swapped its nylon interests for rival Dupont's acrylics business

Hempel also said the depth and length of the recession had "masked" the effect of the changes ICI had made in its strategic direction and cost cutting in the past two years — AP-DJ

Gresham earnings sharply down

STAR 9/12/92.

By Sven Lunsche 183

Premier subsidiary Gresham Industries was hard hit by a continued deterioration in trading conditions with attributable earnings falling sharply to R1,4 million (R3,7 million) in the six months to end-October.

This translated to a fall in earnings a share to 2,6c (7c) No interim dividend is being paid

Turnover was slightly higher at R492 million (R468,5 million) but operating profits dropped to R6,5 million (R11,7 million) as small retailers, the group's major customers, were plagued by the effects of high interest rates and difficult social and economic conditions

Margins at Gresham Pharmaceuticals came under pressure as a result of "the inequitable restrictive practices prevailing in the pharmaceutical industry," the directors say

Gresham also provided R20 million to cover possible doubtful accounts at its pharmaceutical subsidiary PDC

PDC's interim earnings fell to 1,5c (6,5c) a share on turnover of R264,6 million (R289,2 million)

Premier graph

BIDAY 9/12/92

BUSINESS Day yesterday inadvertently published a graph of the Premier Group's share price with a report on Premier Pharmaceutical's interim results The error is regretted

(183)

Engen roars ahead

Business Editor 183 ARC 10/12/92

ENGEN, the energy giant that grew from Gencor's $150 million acquisition of Mobil from its American parent company, is now worth more than R7 billion

This success story emerged from the group's annual meeting in Cape Town

Assets total about R2 billion and the company's market capitalisation is R7,1 billion, a figure based on yesterday's share price

Chairman Bernard Smith agreed the net asset value was about R16 a share and that more than R30 a share represented goodwill

Engen also owned about 30 percent of Mossgas, which cost R30 million, he said in reply to questions by Mr Issy Goldberg, chairman of the SA Shareholders Association.

Gencor owned 62 percent of Engen's shares and 95 percent of the rest was held by financial institutions.

The group was now heavily involved in sea exploration off the west coast from the Bredasdorp Basin to two blocks off Angola. The Angolan field looked the most promising.

Premier turns in solid performance

STAR 10/12/92

183

By Stephen Cranston

The Premier group increased earnings per share by 14 percent to 113c in the six months to October, compared with the first half of last year

An interim dividend of 36c has been declared — a rise of 13 percent.

Attributable earnings increased by 23 percent to R89,5 million.

Turnover increased by 21 percent to R5,42 billion, but operating income increased by just nine percent to R212,7 million

Chairman Peter Wrighton says margins were down in most divisions

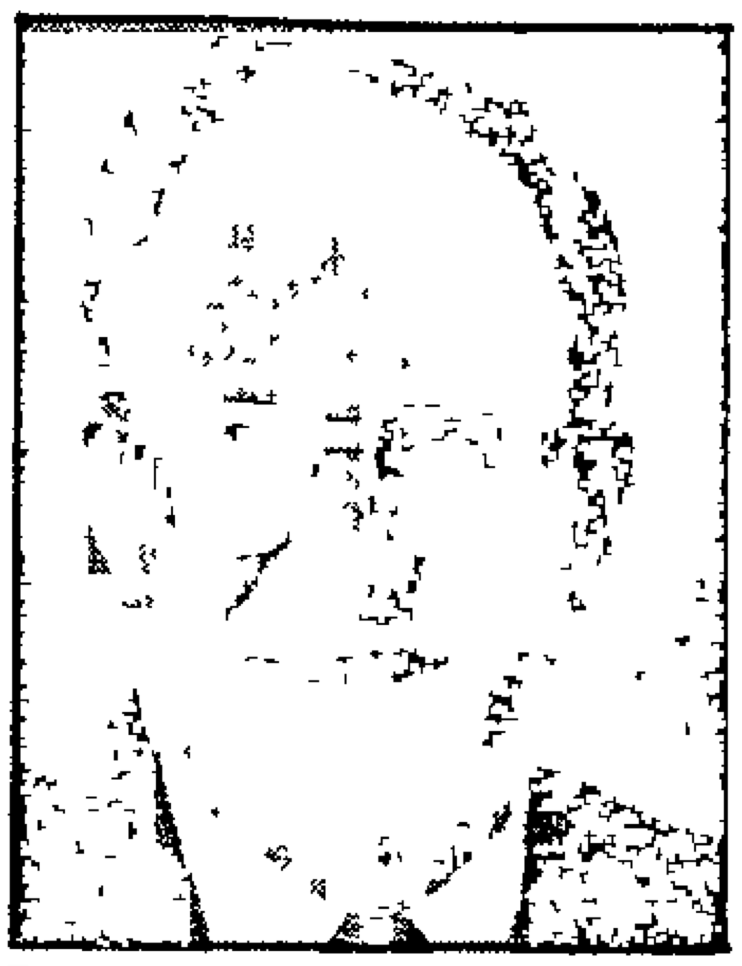
The bakery division was affected by violence, with some parts of the country being turned into no-go areas

Oils and fats were hit by the drought. Defatted germ meal produced from the maize currently being imported from the US does not meet European Community standards and has to be sold locally, rather than exported

Highest turnover growth came from Metro and Clicks, which operate on lower margins than the food and pharmaceutical businesses.

Metro now accounts for 49 percent of group turnover and for 15 percent of operating profit.

Interest paid halved from R39,4 million to R17,7 million, thanks to tighter asset management, the proceeds of the rights issue to fund the Metro acquisition, and the cash generated by Metro.



Peter Wrighton . . pleasing results

Gearing fell from 47 percent to 18 percent.

Results of Score Supermarkets have not been included because Premier disposed of its controlling investment in May for R15 million.

But the group has retained a 10 percent interest in the ownership consortium controlled by Score's executive management.

The transaction will have no material effect on Premier's earnings.

Wrighton says the results are pleasing and that Premier has kept its earnings growth two or three points ahead of its competitors — its growth of 14 percent compares with 11 percent for Tiger Oats

But he says trading since year-end has been tough and that prospects for Christmas and Easter trading, both vital for Premier, are not bright.

Economists are predicting Christmas retail sales will drop 2,5 percent in real terms Wrighton says it would be unrealistic to expect profits to improve in the second half at the same rate as the first

Turning to divisional performances, he says Premier Food performed satisfactorily and that Metro surpassed expectations

Premier Pharmaceuticals did not achieve real growth in turnover as it is rationalising its product range, but a reduction in costs and good asset management resulted in a creditable increase in earnings.

The results of Gresham Industries and PDC Holdings, which could soon be taken over by Prempharm, were poor because of trading conditions and persistent pressure on margins

Premier remains in dispute with the Krok brothers over the proposed takeover, but is proceeding with its offer of R10 a share to Prempharm minorities

Wrighton says the deal will bring about rationalisation and cohesion to the benefit of the respective operations.

Of Premier's retail interests, Click Stores performed well, despite an aggressive new store opening programme and the absorption of the Musica chain, which had been making losses

CNA Gallo was affected by reduced discretionary spending and showed slightly lower profits.

MALBAK 183 FM 11/12/92.

Still a strong generator of cash

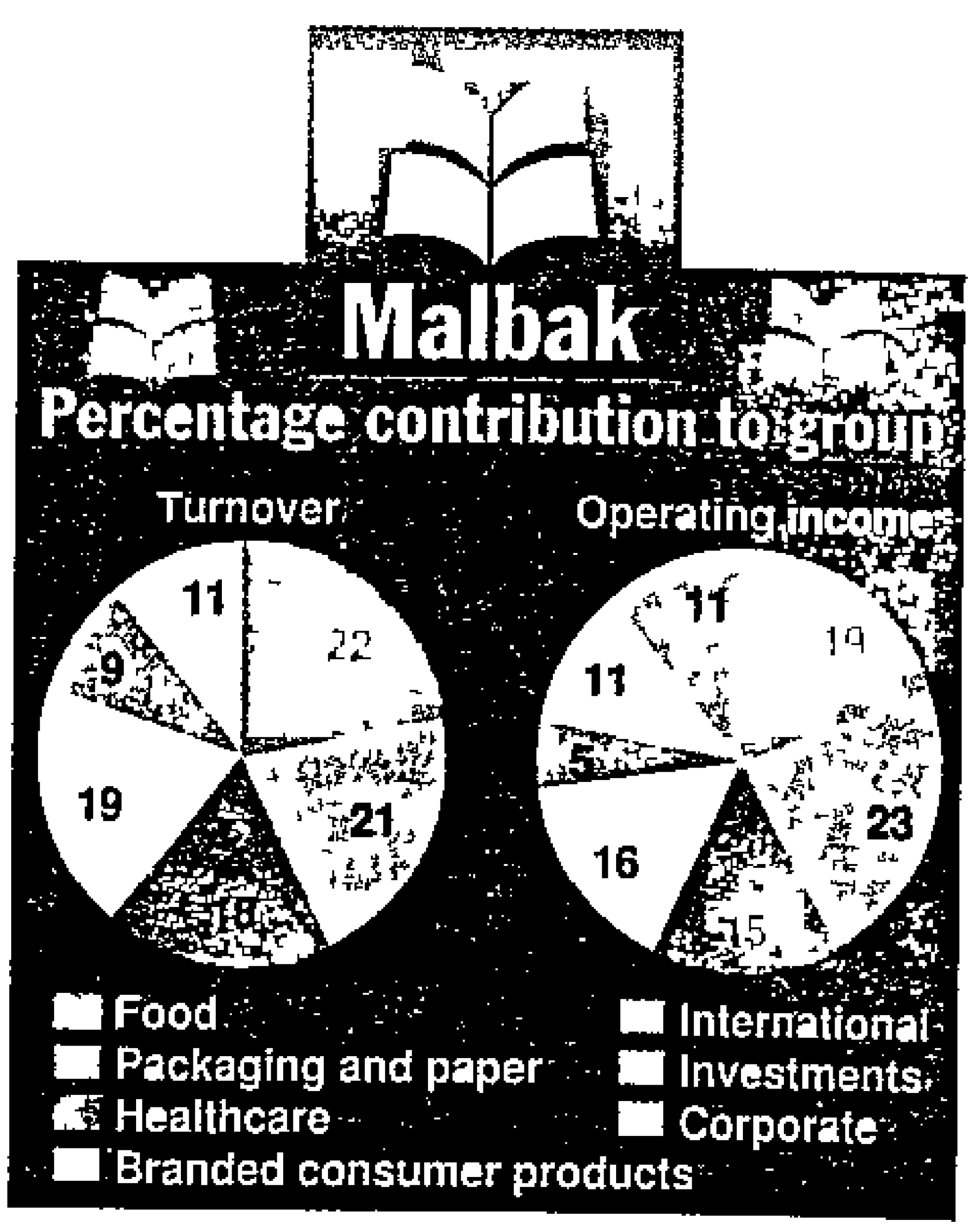
Activities: *Diversified conglomerate with main interests*
Control: *Gencor through Malhold (effective holding 59,79%)*
Executive chairman: *G S Thomas*
Capital structure: *303,3m ords Market capitalisation R4,17bn*
Share market: *Price R13,75 Yields 2 4% on dividend, 8,3% on earnings, p e ratio, 12,1, cover, 3,4 12-month high, R15,15, low, R10 Trading volume last quarter, 2,26m shares*

Year to Aug	'89	'90	'91	'92
ST debt (Rm)	539	656	550	713
LT debt (Rm)	216	171	189	161
Debt equity ratio	0,41	0 38	0 24	0 03
Shareholders interest	0,46	0 46	0 51	0 52
Int & leasing cover	5,0	3,6	4 8	7,2
Return on cap (%)	17,4	17,2	15,4	13,1
Turnover (Rm)	7 329	8 374	8 441	10 992
Pre-int profit (Rm)	639	698	686	757
Pre-int margin (%)	8,7	8,3	8,1	6 9
Earnings (c)	136	119	124	114
Dividends (c)	30,5	30 5	32 5	33,5
Net worth (c)	691	707	776	781

Given the economic environment, in particular the accelerated decline in activity during calendar 1992, executive chairman Grant Thomas has reason to be satisfied with Malbak's performance, notwithstanding the further 8,5% decline in EPS

Regardless of the economy, the year was going to be difficult because of earnings dilutions inherent in Sankor's asset shuffle, in which Malbak acquired Fedfood and SA Druggists, and simultaneously sold D&H and half its stake in Standard Engineering, as well as last December's rights issue

At the time of the asset shuffle Malbak calculated a 7c-a-share decline based on 1991 results of the companies involved, while the *FM* calculated that if the funds raised through the rights issue (R431m net) were to



Malbak's Thomas *elusive benefits to shareholders*

lie fallow — as turned out to be the case — the effect would be to reduce EPS by a further 3c, bringing the total potential dilution to 13c This, within a fraction of a cent, is exactly what happened

In effect, through restructurings and other cost savings, Malbak offset the further decline in the economy and drop in interest rates (which must have hurt investment income on the rights funds), thereby maintaining earnings after adjustment for the above "nontrading" factors

A second point which Thomas takes obvious pleasure in recording is the strengthened balance sheet Net borrowings fell from R555m in 1991 (before the asset shuffle and rights issue) to a mere R105m, or 3% of the permanent capital base

Three observations are relevant

Firstly, the R450m decline in net borrowings exceeds the amount raised through the rights issue by R19m, underlining the strong cash-generating ability

Secondly, as an extension of that, the net effect of the asset shuffle was to take on net extra borrowings of R312m, mainly from the overgeared Fedfood and SA Druggists That lifted the year's opening debt balance (gross) by 42% from R739m to R1,05bn, but by year-end this had been reduced to R874m for a net rise of only R135m

This was achieved without seriously denting the overall cash pile The asset shuffle brought in R400m (Malbak paid for acquisitions with shares but received cash for disposals) which, together with the rights issue, brought total cash raised to R831m — of which R769m was still intact at year-end

Thirdly, net interest paid of R105m exactly matched year-end net borrowings If borrowings are kept down, this will lead to a big interest saving, and may be one reason why Thomas forecasts with some certainty that 1993 pre-tax profit will grow But this will be offset by a higher tax rate, so the bottom-line forecast is for unchanged EPS

As the *FM* pointed out a year ago, full benefits from the strong balance sheet will come only when cash is put to productive use Cash may be a good asset, particularly in the current environment But, especially now when interest rates are dropping, it is also an expensive luxury — a point reinforced by finance director Dave Kennealy, who notes that Malbak's gross return on average funds employed would have been two percentage points higher than the 21,5% achieved if cash is excluded from the calculation

This, indirectly, leads to another point though Malbak has shown massive growth in size in recent years, benefits to shareholders have been elusive

The group once had a reputation for creating substantial added value for shareholders from, in particular, acquisitions, but this record is in danger of becoming tarnished EPS performance since 1989 (when earnings peaked at 136c) shows a distinct lack of sparkle even taking into account the recession

This is underscored by the fact that even had the group earned its target minimum 25% gross on total average funds employed, this would probably have added no more than 18c to EPS, with the resulting 131,5c

DIVISIONAL CONTRIBUTIONS

Attributable earnings

	1991 Rm	1991 %	1992 Rm	1992 %
Food	27	11	63	19
Packaging	59	23	56	17
Healthcare	19	7	42	13
Consumer Products	70	27	23	7
International	12	5	33	10
Investments	100	39	50	15
Corporate	(31)	(12)	62	19
Total	256	100	329	100

still off the high even in nominal terms

And as regards NAV, according to the *FM's* calculation, only 90c has been added to underlying value between 1989 and 1992, again a significant decline in real terms

The market does not seem unduly worried Since the *FM* reviewed the 1991 report the share price has added a net 120c to R13,75 (after topping R15 in June), reducing the historic dividend yield from 2,6% to 2,4%

But there may be a warning in that pyramid Malhold has lagged With no change in

Continued

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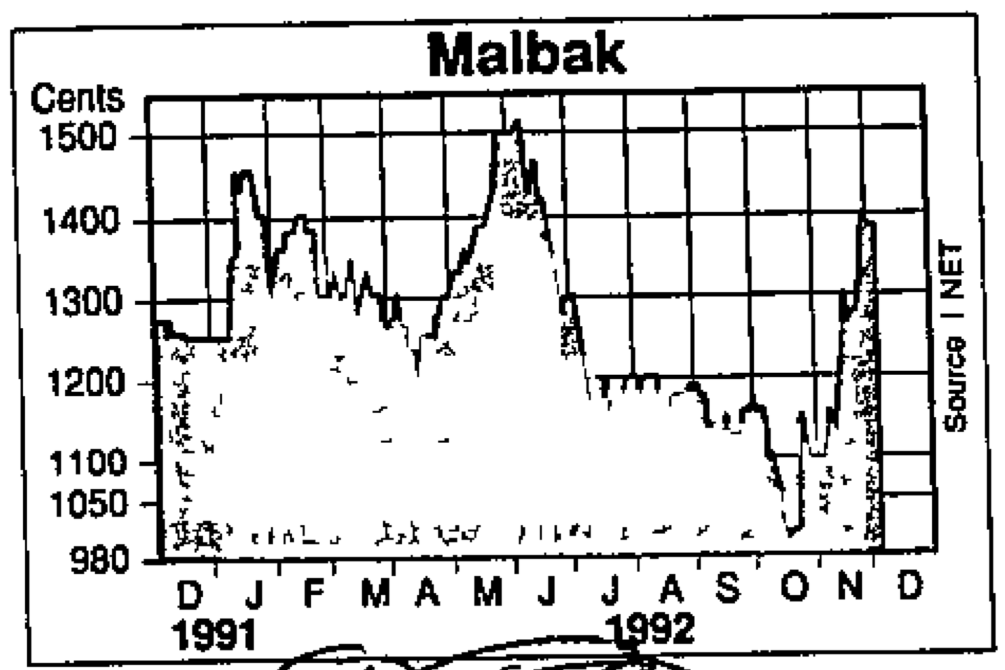


(183) (186)

the underlying relationship between the two (Malhold is backed by 2,8 Malbak), its R34 share price is 12% below the equivalent Malbak price, which means either Malhold is a bargain, or the Malbak price has overreached itself

Brian Thompson

FM 11/12/92

GENERIC DRUGS (183)

Siding with consumers

Consumers hit by the high cost of drugs got a break from the courts recently The Appellate Division ruled against a pharmaceutical manufacturer trying to block software that makes it easier for pharmacists to sell generic — and usually cheaper — equivalents of prescribed drugs

The saga began when the UK-based Beecham pharmaceutical group discovered that Superscripts, a software program that helps pharmacists in dispensing medicines, showed that the seven Beecham drugs listed were in most cases more expensive than their generic equivalents Beecham tried to stop Superscripts' sales effort by claiming that the software firm was infringing its trademarks by listing its branded drugs for the purpose of price comparisons

The court's rejection of the application was unanimous Chief Justice Michael Corbett described Beecham's argument as leading to results that would border on the absurd In the landmark decision for trademark law, the judge suggested that to include the information about Beecham's products in an index of this sort was not the same thing at all as trading in those products and did not infringe the trademarks

Says David Boyce, chairman of Medikredit and Superscripts, which are both wholly owned subsidiaries of the Pharmaceutical Society of SA or its branches "The decision is a resounding victory for consumers Had Beecham succeeded with its application, pharmacists, doctors or in fact anyone,

Cont →

 FM 11/12/92 (183)

would have been prohibited by law from informing consumers about the availability of any alternative product or providing price comparisons to the public "

Superscripts was designed 10 years ago but didn't take off until 1985 with the advent of Medikredit's Maximum Medical Aid Pricing system The system, to which medical schemes belong voluntarily, sets a maximum price that schemes will pay for an active ingredient — whether this is contained in a branded drug or a generic equivalent Beneficiaries can accordingly request their practitioner or pharmacist to prescribe or dispense the cheaper equivalent Today, Superscripts operates nationally with about 500 pharmacists using the program

Subscribers to the system have also boomed Says Boyce "In 1990, 250 000 members belonged Membership (including people in medical aid schemes) has now reached 1m "

Propelling the software and the pricing system has been the growth of generics as more generic equivalents become available and the public becomes more aware of them Boyce points out that in 1988 generic sales accounted for 2,6% of all private-sector drug sales This figure now stands at around 12%

Clearly, this doesn't go down well with the major drug manufacturers Says Johan Moorcroft, a legal adviser to the Pharmaceutical Manufacturers' Association, who attended the proceedings "I believe Superscripts is objectionable because it portrays two different products as being equivalent — something that has never been scientifically validated What wasn't discussed in the case was that the non-active ingredients in drugs are often absorbed by the body differently and, accordingly, react differently, irrespective of the active ingredient common to both the patented drug and the generic "

But, with a 30-year unblemished record in SA's public sector, generics are clearly here to stay and the manufacturers will have to learn to live with them ■

Heavyweights square up

(183)
FM 11/12/92

A boardroom punch-up has developed at Premier Pharmaceuticals (Prempharm), pitting Krok twins Abe and Solly against Premier's Peter Wrighton and Gordon Utian *Casus belli* is the acquisition by Prempharm of certain assets from Gresham Industries

Solly Krok says Premier is making "simply outrageous" proposals "The price they're asking is out of this world " Premier wants to arrange the purchase by Prempharm of Pharmaceutical Distribution (PDC), Salters and Amalgamated Chemists' Association (ACA), all owned substantially by Gresham "They (Wrighton and Utian) told us (the Kroks) the businesses were worth, collectively, R154m, the loan book was about R72m which left a net worth, they said, of about R82m "

Krok says bond debtors funding, effectively loans to chemists, of about R90m was excluded from the deal, significantly reducing the net worth of the Gresham businesses

Wrighton says the matter has to be viewed in the context of a much wider deal with the Kroks During August, agreement was reached for Premier to secure control of Twins Pharmaceuticals (later re-named Prempharm) through the purchase from the Kroks of 5m shares at R10/share

The market price was R6,30, but Wrighton says the principle of control was important enough to warrant the premium Premier made an offer to minorities on the same terms and conditions, even though not obliged to At the same time, Premier agreed to accept put options from the Kroks on two further tranches each of 5m shares at R9

Wrighton says there was a signed composite deal which included the purchase by Prempharm of the disputed Gresham assets That's where the problems appear to begin Krok denies the existence of a composite deal Even more to the point, he angrily disputes the validity of the proposed transaction between Gresham and Prempharm

"Premier's pharmaceutical wholesale distributing business (held through Gresham) is an albatross and a millstone around its (Premier's) neck," claims Krok "It's a cash trap, it is badly managed, a can of worms and it's not worth feeding Premier has so far pumped in nearly R250m and received no return to speak of "

The Krok position is that the assets Wrighton seeks to inject into Prempharm are of little value to it Even if they were, the price asked is excessive related to their past and potential performance

By contrast, Wrighton says Premier wishes to consolidate pharmaceutical operations under one umbrella "While there are definite synergistic and rationalisation benefits available from this consolidation, Premier, nevertheless, warranted the Gresham subsidiary companies' profits "

Wrighton says every effort was made to accommodate the Kroks' concerns These included granting a special low-interest loan

Wrighton *will leave it to the courts*

to compensate Prempharm for the low margins which Wrighton acknowledges are inherent in the Gresham subsidiaries' operations and a substantial provision against debtors' books "to ensure that Prempharm was never put at risk in any way "

So far as Premier is concerned, the deal was negotiated and concluded "But not according to the Kroks," complains Wrighton "After innumerable meetings they declared that the agreement was severable and are attempting to resile from the second half of the deal Premier rejects this The dispute remains unresolved and will have to be settled by legal action "

Krok doesn't agree "I sincerely hope common sense will prevail We'll do the deal immediately, provided they (Premier) agree to reasonable terms " These include protection against defaults on the debtors' books of the businesses to be absorbed, a guarantee from Premier relating to any possible future liquidations and payment by Prempharm for its purchases by way of cash coupled with a convertible instrument linked to the performance of those companies

"The problem," says Krok, "is that Wrighton and Utian have a serious conflict of interest They are directors of Premier, Gresham and Prempharm It's iniquitous They should recuse themselves We are content to resolve the issue with Premier's board in their absence "

Wrighton's position is that he's gone about as far as he can to meet the Kroks' sensitivities "There is no conflict of interest," he says "Minorities were looked after generously and the Kroks themselves are party to a signed agreement It's difficult to pin them down," he adds, "as they have the most extraordinary negotiating style — the more concessions you make in an endeavour to reach an amicable settlement, the more their demands escalate They've used every tactic, legal and otherwise, to delay the implementation of the agreement to embarrass Premier and its executives "

Krok denies this "All we're trying to do," he says, "is to protect Prempharm and its minority shareholders, ourselves included "

Perceiving the deal wasn't progressing, Premier offered to undo it and return to "the *status quo ante* But that didn't suit their book either," says Wrighton And, in a telling throwaway line, Wrighton says "For Solly Krok to talk about Premier's bad management of Gresham is really a laugh, given his record of disastrous deals in the past, both here and abroad "

Krok is adamant that while his family acknowledges a long history of excellent relations with Premier over 12 years, the latest episode leaves a bad taste "We don't want to be held to ransom, ever again," he says

Wrighton's final comment is that he's sure the truth will emerge in due course "We'll leave it to the courts to have the final say "

David Gleason & Marylou Greig

FM 11/12/92 (183)

AFROX FM 11/12/92

Remarkable real growth

Activities: *Manufactures and markets gases, welding products, fluid-handling systems and other industrial products, also operates 10 hospitals and a day-care clinic*

Control: *BOC Group Plc 57,7%* (183).

Chairman: *P G Joubert*

Capital structure: *R29,9m ords Market capitalisation R2,99bn*

Share market: *Price R100 Yields 1,9% on dividend, 3,7% on earnings, p e ratio, 27,2, cover, 1,95 12-month high, R100, low, R75 Trading volume last quarter, 145 000 shares*

Year to Sep 30	'89	'90	'91	'92
ST debt (Rm)	88,3	81,2	16,1	110,4
LT debt (Rm)	100,3	137	195,6	139,4
Debt equity ratio	0,39	0,35	0 32	0,34
Shareholders' interest	0,52	0,54	0,55	0,55
Int & leasing cover	8,9	6,1	7,1	6,7
Return on cap (%)	17	17	19	18
Turnover (Rm)	728	904	1 044	1 113
Pre-int profit (Rm)	149	187	226	234
Pre-int margin (%)	20,5	20,7	21,5	21,0
Earnings (c)	170	216	278	311
Dividends (c)	100	135	170	190
Net worth (c)	1 478	1 872	2 061	2 306

Afrox's blue-chip status is reinforced by its 1992 performance, even though the tempo slowed Turnover was up only 7% (1991 16%) but operating margins were maintained at 20% and trading profit rose 5%

Chairman Peter Joubert says this was the direct result of strict cost and financial control, identification of several new market niches and diversification into exports

Afrox remains one of the few groups which compile current cost accounts On this basis, EPS increased a real 11,9% and the dividend by the same amount In a time of deepening gloom, this is an astonishing performance Dividend cover stands at 1,95 times and the payout is covered by earnings of particularly high quality

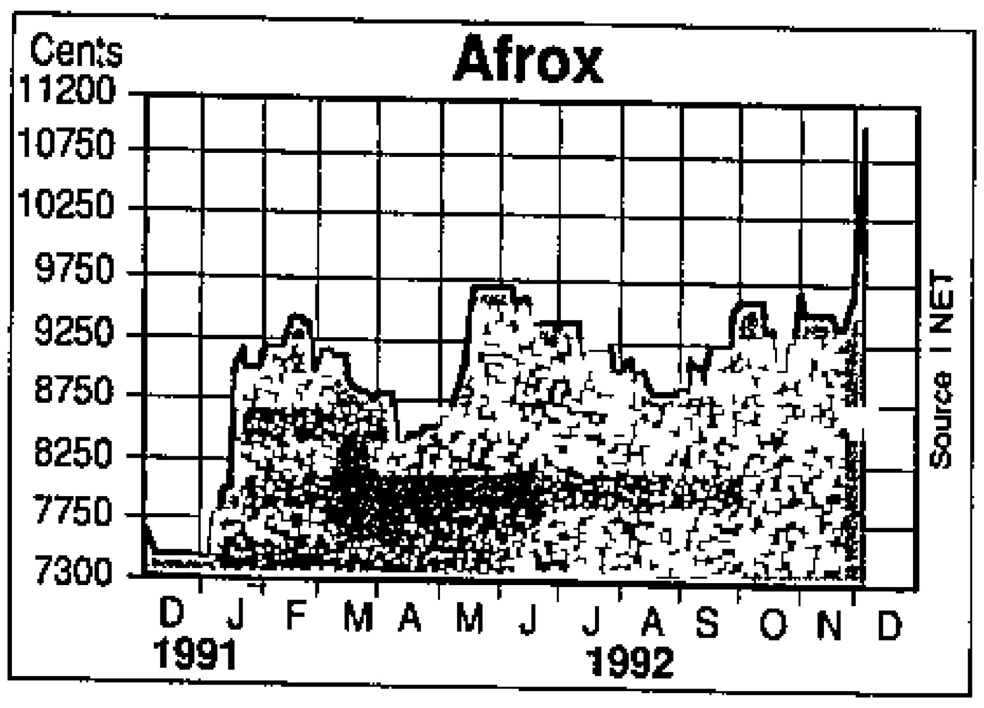
The balance sheet remains strong, though the interest bill rose nearly R4m due to a R23,1m increase in borrowings to R244,5m Investment in long-term assets rose R26,4m, with R130,4m invested in plant and equipment predominantly for gases and healthcare businesses This is about R7,6m above the 1991 capex and should be similar this year, says financial manager Keith Bonynge, with most of the funds directed at expanding existing infrastructure and facilities

Afrox's business is concentrated on three areas welding, gases and healthcare

Welding was pedestrian, in line with declining volumes as a result of weak local spending on construction and infrastructure Joubert says notable successes were achieved in the export market, in Africa and further afield

The gases division was also affected by low demand but its diverse operations ensured it did well overall The division was helped by the commissioning of storage tanks for liquid oxygen and nitrogen at the Mossgas refinery

Afrox has invested considerable sums in healthcare, owning and operating 10 private hospitals It recently expanded into occupational health Despite a downturn in bed occupancies, the division's results improved Minority interests were acquired in Mercantile Hospital, Port Elizabeth, and Crompton Hospital in Pinetown A contract was signed to manage Lesedi Clinic in Soweto



Joubert does not hold out much prospect for imminent recovery in trading, rather seeing a further contraction in the economy But he predicts continued growth in earnings, thanks to the diversity of products and services, though he feels earnings growth on the scale prior to 1991 will be hard to repeat until stability returns to SA

The share, at R100, is at a new high, well above the annual low recorded in late December 1991 Though it isn't cheap, it should continue to show capital appreciation The main problem, at least for institutions, is limited tradeability *Marylou Greig*

Afrox's Joubert *need for stability*

AECI demos hand in list of demands

Star 11/2/92

(183)

By Abel Mabelane

More than 1 000 employees of the African Explosives and Chemical Industries (AECI) at Modderfontein, near Edenvale, held a demonstration yesterday to demand better working conditions.

The employees, all members of the SA Chemical Workers Union (Sacwu), later handed a memorandum containing a list of demands to AECI production director Boet Coetzee.

The workers demanded a R250 across-the-board salary increase and called on management to stop forced retrenchments.

They also demanded that the working hours be reduced from 45 to 40 a week without a salary cut, payment for all public holidays, including March 21, and the implementation of a provident fund before January next year.

Workers' representative Sipho Ngozi said management had been informed that the demands must be met before Friday.

AECI confirmed the protest action.

They declined to comment on the wage demands which they said were under negotiation in the National Bargaining Forum.

ADCOCK INGRAM FM 11/12/92

Healthy mission

(183)

Adcock Ingram's mission, as recorded in its annual report, is as simple as it is to the point to provide added value for stakeholders through real growth Even accepting that the pharmaceutical/healthcare industry has been less affected than most by the recession, this philosophy has probably contributed materially to continued prosperity during a period of steady economic decline

Any company that produces real growth in these conditions must be doing something right Part of Adcock's success lies in increased emphasis on marketing which, coupled with selective new product releases, again enabled it to keep turnover growing ahead of the inflation rate

This is not to say that recession has had no effect For one thing, last year's 18,3% gain in sales was over 10 percentage points down on the six-year compound average For another, 1992 was one of the few years that Adcock failed to improve its asset turn ratio, again pointing to tighter market conditions

Interestingly, these pressures did not seem to affect the ability to keep costs under control The trading margin remained stable and earnings, therefore, were able to keep pace with sales, as they have for many years

Another aspect of the group's success is that recession has not led to cutbacks in expansion This is illustrated by last year's record net expenditure on fixed assets of R45,8m, up 23,5% on 1991's R37,1m, which brought the four-year total to R153m — not far off double 1988's total fixed asset base

Not that this additional expenditure put the Adcock group under any strain On the contrary, it ended the year with net cash of R38,3m, a R49,9m turnaround from 1991 net borrowings of R11,6m While this was strongly influenced by non-trading factors — a profit of R15,7m was realised on the sale of investments by the share trust and there was also a net reduction of R10m in loans outstanding — even if these are deducted it is clear that normal operating cash flow would itself have been sufficient to complete the degearing of the balance sheet

Here again, tight asset management contributed One example is that net working capital (year-end balances of stock, debtors and creditors) was cut to 13,1% of turnover from 1991's 14,2% While this did not in itself produce a cash inflow, it does represent a saving in terms of funding requirements of around R10m, contributing to cash balances

Having entered the new financial year in prime condition, chairman Robbie Williams forecasts with some conviction that 1993 will see another "satisfactory" increase in earnings which, given the group philosophy, can only mean another year of real growth But this is already discounted in a share price that has risen by 18% in a year, from R58,50 when the *FM* reviewed the 1991 report to the current high of R69

This matches last year's earnings/dividend increases, so that the historic dividend yield of 1,5% and 25 p e ratio remain basically unchanged These are demanding ratings, but justified while the group continues delivering the goods

Brian Thompson

DIVISIONAL TURNOVER

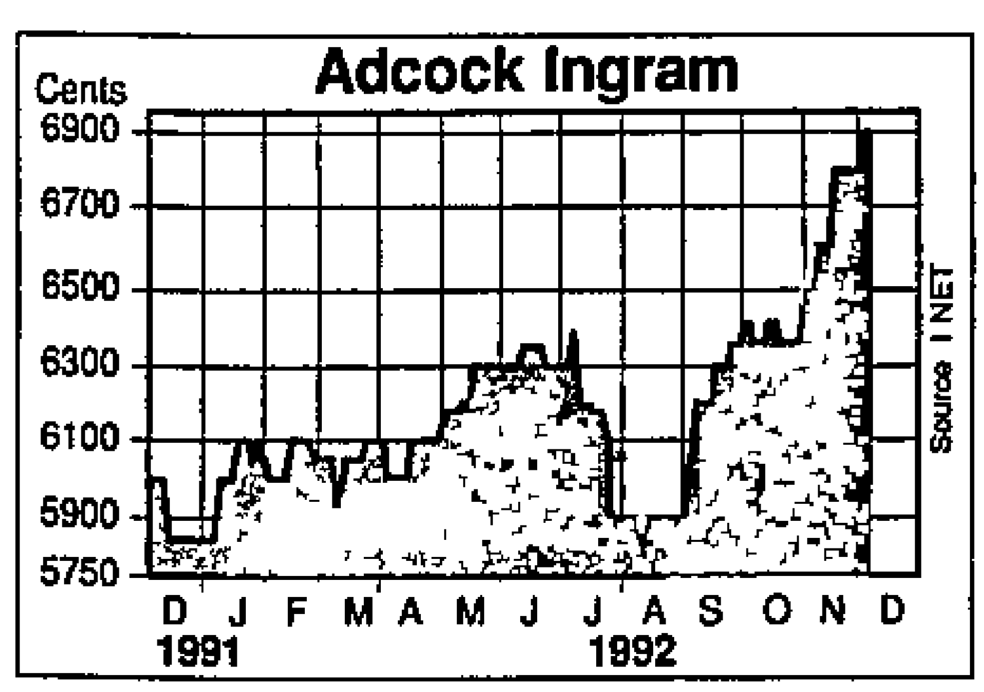
Including inter-group sales

	1991		1992	
Critical Care	167,0	21	205,0	22
Pharmaceuticals	120,1	15	152,6	16
Generics	12,0	2	17,7	2
Self Medication	103,0	13	108,1	12
Wholesale	315,3	40	366,2	39
Consumer Products	67,9	9	79,7	9

Adcock-Ingram's Bodley *delivering the goods*

Activities: *Manufactures, markets and distributes pharmaceutical and healthcare products*
Control: *Barlows through Tiger Oats 74,1%*
Chairman: *R A Williams, CE D C Bodley*
Capital structure: *27,4m ords Market capitalisation R1,891bn*
Share market: *Price R69 Yields 1,5% on dividend, 4,0% on earnings, p e ratio, 24,7, cover, 2,7 12-month high, R69, low, R58 Trading volume last quarter, 1,1m shares*

Year to Sep	'89	'90	'91	'92
ST debt (Rm)	26,1	21,1	12,0	—
Debt equity ratio	0,12	0,12	0,05	(0,14)
Shareholders interest	0,50	0,49	0,51	(0,55)
Int & leasing cover	13,5	14,5	28,1	52,0
Return on cap (%)	24,3	27,0	28,9	28,3
Turnover (Rm)	471	616	774	915
Pre-int profit (Rm)	67 8	94,3	119,7	142,0
Pre-int margin (%)	14,4	15,3	15 4	15,5
Earnings (c)	143	182	235	279
Dividends (c)	53	68	88	105
Net worth (c)	515	630	772	1 004



IDC to back lysine plant

(183)

PETER DELMAR

THE Industrial Development Corporation ~~(IDC)~~ is set to commit more than a third to the cost of a R280m lysine plant expected to be approved as soon as next month

An IDC spokesman confirmed the corporation had given its go-ahead for the project which would be managed by AECI BDAY 11/12/92

AECI had yet to take a formal decision on the project, but a spokesman said the company remained positive about it

A decision on the plant, which would probably be located in Natal, was expected early next year

Lysine is an amino acid used in the production of animal feeds, particularly for pigs and chickens

SA is a major lysine importer and it is envisaged that most of the production will be destined for export

The IDC recently invested more than R2bn in a number of export-oriented projects in co-operation with the private sector

It committed R970m to the Columbus stainless steel venture and R800m to the Alusaf expansion, and made a R370m loan for the Namakwa Sands heavy minerals project

IDC senior GM Malcolm Macdonald said the IDC had given the lysine project its go-ahead, but that formal approval would be made by AECI, its managing partner

He said the project would use new home-grown technology and had exciting downstream potential

The IDC could put up more than a third of the financing, but was unlikely to provide as much as half, Macdonald said

Engen set to open company in Kenya

(183)

Argus Africa News Service

NAIROBI — Engen has applied for official approval in Nairobi to set up an oil products company, Oil Tanking, in Kenya. ARG 12/12/92

The joint venture would be in the newly established export processing zone in Mombasa.

According to the announcement made here, it would process bulk bitumen to make export products, beginning early next year The identity of Engen's Kenyan partner in the joint enterprise was not disclosed.

Another South African company looking north is Lintas advertising, linking with Scanad, one of Kenya's top advertising agencies

Lintas South African managing director Lew Slade was in Nairobi last week to tie up the deal with Scanad MD Bharat Thakrar.

The two say they would target the Preferential Trade Area (PTA), as well as South Africa

■ Synthetic black gold has started to flow from the Mossgas fuel plant near Mossel Bay and could save many billions of rands in foreign exchange

183

STAR

WILLEM STEENKAMP
Weekend Argus Reporter

THERE is a massive bonanza awaiting South Africa in the new year: The multimillion rand Mossgas plant near Mossel Bay comes on stream at full capacity for the first time, producing about 30 000 barrels of oil a day.

And over the next 30 years — the expected lifespan of the project — it is conservatively estimated that synthetic fuel produced at the plant will save South Africa more than R120 billion in foreign exchange, a saving that could be used to meet the burgeoning cost of housing, education and other pressing welfare needs in South Africa.

Further spin-offs from the project include the savings in transport costs which will run to about R30 million a year.

About 15 percent of Mossgas production will be distributed in the Southern Cape and the rest will be shipped to Port Elizabeth and East London from where it will be distributed elsewhere

The first shipment of synthetic fuels is expected to be loaded at Mossel Bay within the next few days, bound for the Eastern Cape

Another spin-off set to earn Mossgas about R55 million a year is the production of heavy and light alcohols for the export market Mossgas is currently stockpiling alcohols and the first shipment is expected to leave for overseas in March

Mr Harry Hill, public affairs manager at Mossgas, said other products that could earn Mosgass millions of rands include liquid oxygen, nitrogen, and carbon dioxide

He said Mossgas management was pleased with current progress Production was ahead of schedule and all the systems had been tested and were functioning well.

While Mossgas is now also producing byproducts from its natural gas, it has been manufacturing some quantities of diesel and petrol from condensate, found in the gas fields, since the middle of this year

But, during the first week of January, it is expected that the plant will run for the first time at full capacity, up from the 70 percent capacity at present

There are 1 800 people employed at Mossgass, of whom 1 100 are permanent employees

Mr Hill said the yield and quality of the synthetic oil produced from the synthol process was much better than expected

The Mossgas project cost about R12 billion to complete and there has been some criticism about the price and the need for the project at all

But, if the expected savings materialise, the project could be a major financial benefit for the region and the country as a whole

■ If newly discovered gas fields off the Southern Cape coast are incorporated into the scheme, the lifespan of the project could be extended by many years and the saving in foreign exchange expenditure could be much higher.

Drilling on the sixth well in the existing FA field off Mossel Bay has reached its final depth of 5,3km and production from this well is expected to start early in the new year.

NEWS Chemical plant deaths being investigated • Govt lying about talks - PAC

Lawyers seeking poison victims

(183)

Sowetan 17/12/92

Sowetan Correspondent

INDUSTRIAL BATTLE German pharmaceutical company could be sued:

LAWYERS from Medico International, an international human rights group, are in South Africa gathering information from sick employees who worked at a Durban chemical plant and families of those who have died

The investigations follow an industrial battle between Chrome Chemicals SA and the Chemical Workers Industrial Union and could result in one of the world's biggest pharmaceutical companies, Bayer AG, being sued in the German courts for millions of rands' damages for deaths and the poor health of workers at its Merebank plant

The charges against Bayer, which took over the plant in 1974, include alleged responsibility for eight deaths

Bayer is to be charged with negligent homicide and manslaughter

A spokesman for Medico International said that the criminal charges were pressed in Germany because South African law did not allow for employees to file a civil suit for damages

German law, however, allows private citizens and organisations to sue local companies for malpractices committed in other countries.

The sodium dichromate processing which was used in the Merebank plant was long banned in First World countries In Germany it was banned in 1935. Last year the company denied its sodium dichromate plant in Merebank, south of Durban, was closed because of the horrendous health status of its 216 work force

TIGER OATS FM 18/12/92 (183)

Facing stiffer competition

Activities: *Makes and distributes food and pharmaceuticals, has fishing subsidiary*
Control: *C G Smith Foods 52,8% Barlow Rand has ultimate control*
Chairman: *R A Williams, MD C Wolpert*
Capital structure: *150m ords Market capitalisation R7,06bn*
Share market: *Price R47 Yields 1,7% on dividend, 4,9% on earnings, p e ratio, 20,4, cover, 2,9 12-month high, R48, low, R37 Trading volume last quarter, 1,7m shares*

Year to Sep 30	'89	'90	'91	'92
ST debt (Rm)	366	479	524	304
LT debt (Rm)	98	128	153	498
Debt equity ratio	0,35	0,39	0,38	0,25
Shareholders interest	0,43	0,43	0 44	0,48
Int & leasing cover	9,8	7,6	6,7	9,1
Return on cap (%)	17,4	16,3	17,2	14 9
Turnover (Rbn)	5,74	6,78	7,98	9,21
Pre-int profit (Rm)	452	504	605	685
Pre-int margin (%)	7,6	7,3	7,5	7,4
Earnings (c)	158	184	207	230
Dividends (c)	54,5	63	71	79
Net worth (c)	689	796	930	1 249

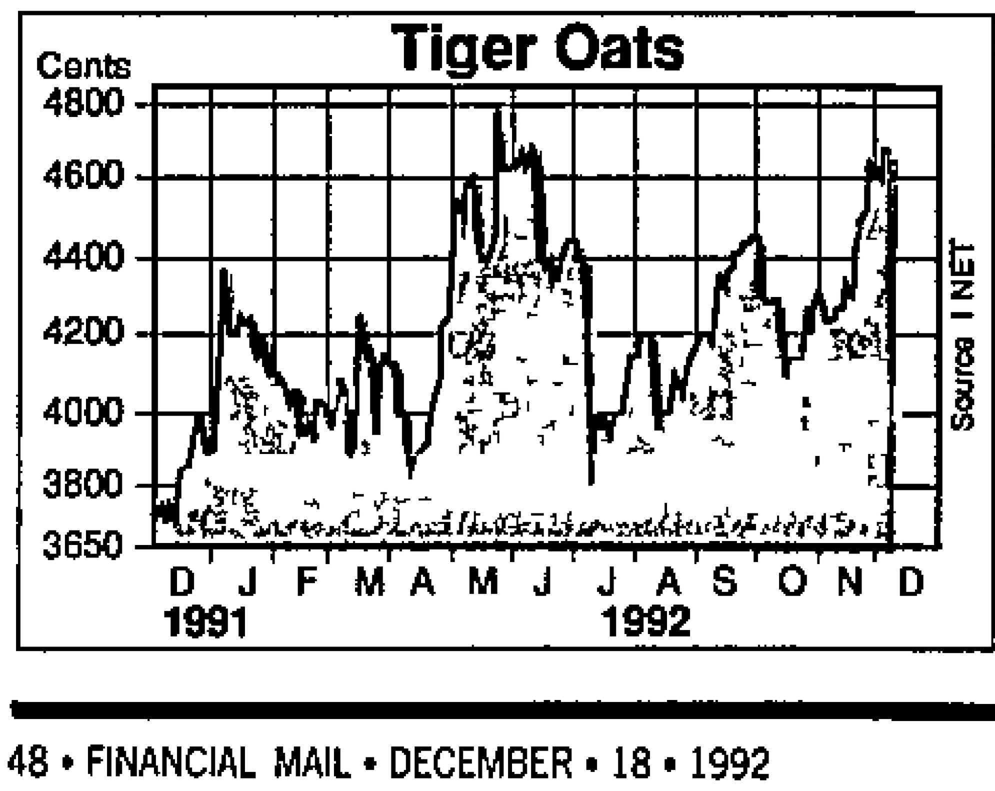
Tiger Oats has long been the benchmark share among the integrated food groups, generally enjoying a rating second only to speciality shares like Cadbury Schweppes

It must, therefore, be with some humiliation that it has recently had to watch rival Premier surpass first its p e rating and then its share price (see graph) Premier's price was probably discounting the good interim results published this week — EPS up 14%, compared with Tiger's 11% — and comparisons are not strictly fair between interims and finals

Still, Premier is finally looking like a comparable investment But that may be only in the shorter term, with Premier benefiting now from its large exposure to basic commodities

Tiger seems committed to taking a long view of its investments in food, and with increasing focus on value-added products latest results may be more a symptom of the depressed economy and shrinking consumer spending than any intrinsic weakness in the group

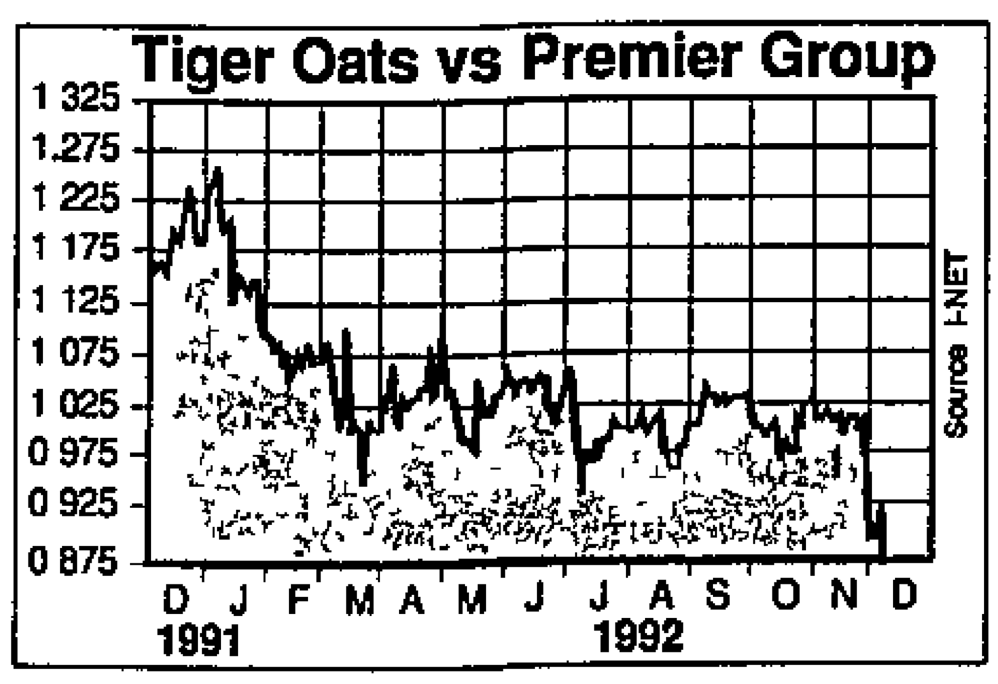
Executive chairman Robbie Williams sees Tiger's product mix of established brands as the main source of resilience He believes Tiger has balanced its acquisitions of recent years into higher-margin brands with contin-



Tiger Oats' Williams *resilience in the brands*

ued investment in staple commodities

That means having to carry poor performers at times, and this is apparent in the latest report Markets for eggs and broilers remain depressed, with an oversupply depressing prices Yet Tiger remains committed to these industries Williams says despite losses in the broiler business Tiger remains confident in the future of white meat and that long-term growth will return to the broiler market

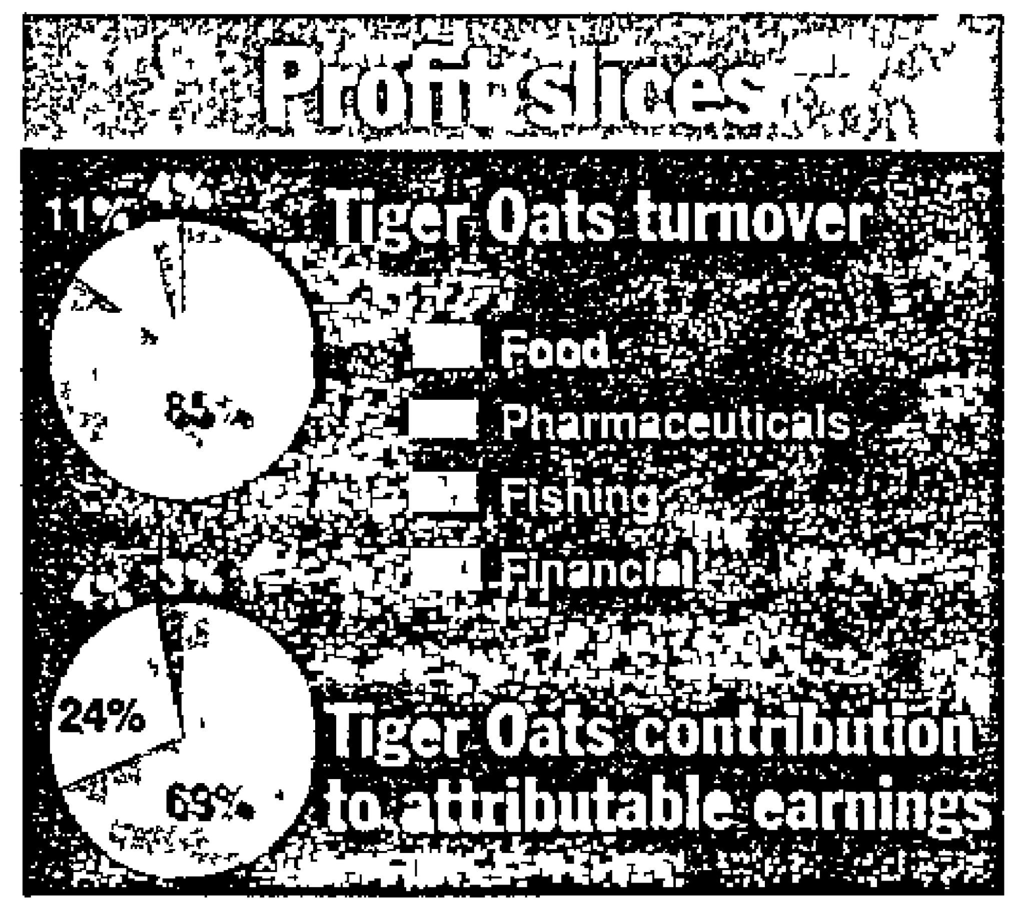


Additional capital has been spent on the broiler business, mainly refurbishment and upgrading programmes to improve quality and efficiencies Upgrading programmes have also been carried out in egg processing and packaging plants, and Tiger has increased its shareholding in one of its poultry businesses

This type of commitment has attracted criticism Some analysts feel Tiger should get out of poor performing areas to where it can get better returns But clearly it has taken a position on core investments, and is prepared to invest in them

Overall food interests, which through Tiger Foods contribute 67% to operating profits, increased year-on-year sales in line with the holding company's 15% increase in turnover Staple products generally performed well, boosted by strong performances from recently listed Langeberg and the offshore vegetable oil processing operations

Unfortunately, little is revealed about the latter A note to the financial statements says approval has been granted under the Companies Act not to disclose certain foreign subsidiaries They are obviously doing well, with MD Clive Wolpert saying the investment is yielding a good return and, taking "full advantage of existing investment assistance programmes," a second oil processing plant is being built and expected to come on stream next month



In addition, he says good quality oilseed crops near both offshore plants (wherever they are) have led to the recent acquisition of a confectionery sunflower seed business While edible oils and derivatives account for only 3% of operating profit, shareholders are entitled to know more about these investments and how much money is being spent on them — and what their liabilities may be

The pharmaceuticals businesses, comprising 74%-held Adcock Ingram and wholly owned Logos, continue to perform well, increasing contributions to earnings by 20% to R79,1m Adcock Ingram, which benefited from a R14m upgrade to its tablet making facility, increased market share, mainly through five new products

Potential for branded products to earn better returns in an improved economic climate is backed by Tiger's healthy balance sheet A big jump in long-term debt pushed up total debt 19% to R802m, but strong cash reserves of R257m, mainly from the well-timed, R370m rights issue in June, reduce net borrowings Gearing has fallen to a comfortable 25%

Tiger remains cautious about the year ahead, though Williams says he is budgeting for some improvement in results, probably towards the second half of the year A feeling remains, however, that Tiger could be getting more out of some of its businesses — for

P. T. O.

FM 18/12/92 (183)

example the Spar franchise chain, so successful in predominantly white areas, might be more aggressively marketed in black areas

Still, Tiger is a long-term investment and, as such, deserves its blue-chip status, though the share seems fully priced *Shaun Harris*

Sentrachem backs out of Aussie deal

(183)

STAR 18/12/92

By Stephen Cranston and Sapa

Sentrachem will not proceed with its proposed acquisition of Chemplex of Australia

Chief executive John Job said yesterday Sentrachem could not agree on price and several other important aspects of the deal with the vendors, Kerry Packer's Consolidated Press Holdings

Speaking from Sydney, Dr Job explained "We stressed from the beginning that we would do a deal only if it would clearly benefit Sentrachem

"We are demanding buyers and were not prepared to accept any risk merely to be represented off-shore

"Chemplex looked like an ideal fit and we were enthusiastic about it It was the right size, produced the right products, used the right technology and is nicely situated geographically — but in the end no deal was possible"

Sentrachem executive director Ralph Oxenham said the recent depreciation of the financial rand had not impacted on the decision

"The bulk of the funding was to be sourced offshore on its own merits The proportion which would have had to go through the financial rand was not that significant"

Sentrachem's predictions for styrene, Chemplex's main product, are bearish It expects prices to recover from their current lows, but not to reach the price peaks of 1987 and 1988

Dr Job said Sentrachem would not proceed with its proposed 40-for-100 rights issue to raise R240 million at this time

A fortnight ago, the IDC sold its 13,5 percent stake in Sentrachem to 14 institutions That transaction enhanced the quality of the Sentrachem share register and made its shares vastly more marketable

PREMIER GROUP FM 18/12/92 (183)

Changing profit profile

After recently growing earnings at a faster rate than competitors, mainly Tiger Oats, Premier Group's share price is finally showing the benefit Premier's 14% increase in interim EPS to September, compared with Tiger's 11% for the full year (see *Companies*), now has the rival shares on almost the same rating

FM 18/12/92 (183)

At the same time, profit profiles of the respective groups are growing apart Once the obvious comparison in the JSE's food sector, Premier and Tiger are starting to look more like apples and pears

For one, Premier received a strong boost from six months' inclusion of Metro Cash & Carry Year-on-year comparisons are not strictly comparable as Metro was only included for four months in the last interims, still, the effect on earnings is quite dramatic

Metro increased its contribution to Premier's earnings over the year from about R2,9m (on figures restated to six months) to R16,1m, which means it now accounts for about 18% of earnings compared to about 4% a year ago The strong cash flow generated by Metro has helped Premier reduce borrowings and bring gearing down to a comfortable 18%, against 1991's 47%

At the same time, the food division has reduced its contribution to earnings from about 58% a year ago (R42m) to 51% (R45,8m)

Premier's deliberate policy of focusing on branded staple foods, while competitors like Tiger followed the value-added route is paying off in the current recession, despite problems in the bakery business, which executive chairman Peter Wrighton says stem from a drop in bread consumption, aggravated by distribution problems to troubled black areas

But when the economy turns up, will Premier's focus on staples leave it behind competitors who have moved into higher-margin products? Wrighton argues not, saying growth will be in the mass market for some time to come "We don't believe the A- and B-income sectors will ever grow as fast as the C and D sectors, which we have targeted, even when there is an upturn," he says

The food division was also boosted indirectly by the disposal of a large part of Premier's poultry and animal feeds interests, which has helped cut the interest bill by more than half to R17,7m

Wrighton says contributions from Premier Pharmaceuticals are creditable, with earnings from this division up 22%, and now accounting for about 19% of earnings

But, while the dispute with the Krok brothers over the acquisition of pharmaceutical businesses controlled by Gresham industries continues, and will probably be settled only in court, contributions from this sector dropped by a disappointing 66% to

FM 18/12/92 (183)

about R1,1m That's a small portion of Premier's earnings, but it remains hard to fathom why the group is so keen to add what appear to be underperforming assets to its pharmaceutical business

Certainly, there is little apparent reason why the acquisition should benefit Premier Pharmaceuticals

The share, now seemingly on the rating it deserves, is not cheap at R52,50 Still, Premier seems to be offering more long-term value than it did a year ago *Shaun Harris*

CASH BOOST

Six months to	†Oct 31 '91	Apr 30 '92	Oct 31 '92
Turnover (Rbn)	4,47	5,35	5,42
Operating inc (Rm)	194,6	225,5	212,7
Attributable (Rm)	72,8	117,2	89,5
Earnings (c)	99	145	113
Dividends (c)	32	49	36

† Seven month period restated as six months

Changes 'opening new doors' for SA

BIDAY 18/12/92

ROBERT WICKS

POSITIVE political changes in SA and increasing regional economic interdependence are opening new doors throughout Africa, says Engen CE Rob Angel.

Angel said in the new group magazine Energos that a key aim would be the creation of an integrated petro-chemical company able to serve the specialised needs of sub-Saharan Africa

He believed the potential for major expansion was in exploration, production and chemicals

"Progress upstream, in exploration and production, and downstream, in chemicals, are vital to the group's long-term survival

"Opportunities will be pursued whenever considered feasible and strategically important to long-term goals"

Downstream expansion would focus on the development of a strong and viable chemicals division

"The timings of the expansion of the chemicals division will depend on demand for chemicals There is no sense in challenging international players unless market share is available"

Chemicals currently contributed 5,5% to group revenue

Angel wanted Engen to aim for 50% self-sufficiency in crude oil supplies — the percentage major oil companies generally had

"It is important, however, to keep the group manageable and maintain the growth of the core business," he said

This would be achieved partly by concentrating expansion in exploration and production opportunities in existing development areas rather than undeveloped areas where the cost of entry was considerably higher

"By the year 2000 Engen will have achieved an average earnings spread of 50-35-15 between marketing and refining, exploration and production and chemicals," Angel said

65 183

Drain

The R670m first phase expansion of the Generef refinery in Durban positioned Engen favourably for two further expansion phases necessary to create the capacity to serve local demand and new markets in Africa

Although exploration and production were exerting a 5% drain on group income, Angel said these activities would become financially self-supporting in a reasonably short time

In May this year Mobil announced its name would be changed to Engen Engen paid R650m for Mobil and inherited about R350m in liabilities, and an estimated R130m was spent on changing corporate livery and imaging

Sentrachem aborts Australian venture

BIDAY 18/12/92. (183)

PETER DELMAR

A PROPOSED multimillion-rand bid by Sentrachem for Kerry Packer's Australian petrochemical company Chemplex has fallen through at the 11th hour.

Sentrachem CE John Job said yesterday the group would no longer proceed with its proposed rights issue to raise R240m.

Sentrachem was a "demanding" buyer and was not prepared "to accept any risk merely to be represented offshore", he said. "We stressed from the beginning that we would do a deal only if it would clearly benefit Sentrachem. Chemplex looked an ideal fit and we were enthusiastic about it. It was the right size, produced the right product, used the right technology and is nicely situated geographically. But in the end, no deal was possible."

Sentrachem executive director Ralph Oxenham said yesterday the asking price was about A$140m.

Sentrachem had not made an offer, but would have offered "a lot less than that", he said. The two parties signed a heads of agreement for the sale last month.

Job travelled to Sydney last week, expecting to sign a deal with Packer's Consolidated Press Holdings, but the deal stalled over the selling price and the Australians' apparent refusal to give Sentrachem certain guarantees.

Oxenham denied the recent announcement of curbs on foreign investment by SA companies had played a role, saying approval in principle had been granted by the Reserve Bank.

He added that the finrand's weakness had not been a significant factor. The deal would have been heavily funded offshore.

Chemplex has two plants near Melbourne and an annual turnover of A$200m. It is a major producer of styrene, of which Sentrachem is SA's largest consumer.

Sentrachem sources said yesterday they were unsure of the precise details of why the bid failed. Oxenham described it as "a mix of eight or nine factors".

Earlier, the company said the sale would go through only once Sentrachem had completed a due diligence survey.

Oxenham estimated that less than half the proceeds from the proposed rights issue would have been used for the Chemplex acquisition. Sentrachem could still proceed with a rights issue at any time, he said "Our strategy still remains that we need to internationalise Whether there are any other hot prospects at the moment, the answer is no."

Sentrachem passes on bid for Chemplex

183

CT 18/12/92

From PETER DELMAR

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Aussie deal is off

(183) ARCr 19/12/92

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Sentrachem's predictions for styrene, Chemplex's main product, are bearish. It expects prices to recover from their current lows, but not to reach the price peaks of 1987 and 1988

AECI to split explosives and chemicals divisions

(183)

B/DAY 21/12/92.

ROBERT WICKS

AECI Explosives and Chemicals (E & C) is being restructured into separate operating companies to meet the challenges facing the mining and agricultural sectors of the economy

E & C MD Vernon Liddiard said in the latest edition of the AECI journal Prospect that tough times called for a new, dynamic approach whereby E & C would be split, allowing each division to focus independently on its own markets

Chemicals had been affected by a sharp deterioration in fertiliser sales and explosives by depressed mining activity

"By unbundling the company into two separate entities both business units will become more transparent and costs will be more fairly allocated and easier to control It will also have the effect of keeping the businesses more keenly focused on their key objectives," Liddiard said

In 1991, E & C posted R1,8bn turnover and R110m net trading income

Liddiard outlined extensive plans for expansion in newly formed AECI Explosives Ltd which would come into operation in January

In line with the restructuring, a site service organisation is to be established which will deliver engineering, accounting, personnel, security, catering and other services on a mutually agreed or negotiated basis

One area being targeted is electronic detonators which allow for computer-controlled phased explosions

"There is a worldwide niche market for the product and it is expected to become an important cash generator within three years," he said

In another development, AECI Explosives is progressing with implementing the findings of comprehensive blasting surveys carried out recently

Liddiard said customers would also benefit from the restructuring as access to ICI patents and technology would still exist ICI is one of the world's leading explosives and accessories manufacturers

He said new foreign markets were being targeted as part of an overall strategy for continued growth

"I am confident that our production sites will pursue ruthless attention to costs and management ability in order to survive the economic downturn"

In 1991 E & C contributed 34,1% to group turnover and 27,4% to net trading income

Petrol prices 'still too low'

CT 22/12/92

183

JOHANNESBURG — The rate of under-recovery on petrol and diesel continued to grow in November, putting fuel prices under further pressure The Mineral and Energy Affairs Department said yesterday PWV motorists paid an average 9,905c/ℓ too little for petrol

The Afrikaanse Handelsinstituut warned that prices could increase by 10c/ℓ

95

Board rules to ban bias in drug prices

BDay 23/12/92 (183)

PETER DELMAR

THE Competition Board has ruled that drug manufacturers may not discriminate in favour of dispensing doctors — a finding likely to be welcomed by retail pharmacists and wholesalers

A report being circulated by the board recommends that it be illegal for a manufacturer of prescription medicines to discriminate, except under certain circumstances, and that the manufacturer not discriminate between its buyers

The report found that whereas in 1984 pharmacies were responsible for 90% of private sector prescription sales, doctors now had a 30% share of the R1,1bn market There were 6 999 dispensing doctors, 2 800 pharmacists and 75 to 80 wholesalers

During its investigation, the board heard that wholesalers received the worst prices, despite usually buying the largest quantity of medicines over the widest ranges

Manufacturers encouraged doctors to register as dispensing doctors, particularly after pharmacists were allowed to substitute cheaper generic medicines for prescribed patent drugs in 1984

Despite invariably buying smaller volumes, doctors paid prices up to 25% lower than those paid by the wholesalers, through a variety of discounts These savings were generally not passed on to the patient

Wholesalers told the board price discrimination threatened their livelihood

The board found that dispensing by doctors represented a restrictive practice Because of their relationships with patients, dispensing doctors enjoyed an advantage over retail pharmacists "The undeniable advantage which the doctor enjoys in dispensing poses a direct restriction on competition When a doctor dispenses, com-

☐ To Page 2

Drug prices

BDay 23/12/92 (183)

☐ From Page 1

petition between him and a pharmacist can in fact be completely eliminated"

The board found that the doctor also enjoyed an advantage in that he was not obliged to keep a full inventory of drugs as was the pharmacist It did not accept that doctors were unable to prevent generic substitution by pharmacists

Existing price discrimination favoured manufacturers who applied such discrimination, the dispensing doctor and dispensing doctors' patients who could not afford high prices It prejudiced manufacturers who did not discriminate, wholesalers who were cut out of the distribution chain, certain retail pharmacies and the public

The board also decided that continuing restrictions on advertising by pharmacists was not in the public interest

The report is with Public Enterprises Minister Dawie de Villiers for his decision

Training needed at plastics firms

183 JONO WATERS

SA's plastic companies had the equipment to manufacture quality products, but lacked adequately trained people to run the machinery efficiently, Plastics Industry Training Board chairman Ralph Oxenham said yesterday BIDAY

Companies were spending millions on high-tech equipment but giving little thought to maximising the potential of that investment 24/12/92.

Thorough training was imperative if companies were to get their money's worth from staff and equipment, he said

"For an industry which employs 40 000 people there has been an inadequate level of training"

Quality was also the criterion international buyers judged products on, Oxenham said, adding that the industry had to get rid of any delusions that cheap was a selling point

"SA has always exported raw materials and imported value-added products at considerably greater cost"

The plastics industry was one of the few which had the technological sophistication and size to compete internationally, he said

"Next year must be the year in which the SA plastics industry develops the human resources it will need to take on, and conquer, international markets"

Agreement changes Sanachem sale terms

BIDAY 24/12/92. (183)

JONO WATERS

FARM-AG and its subsidiary Peskor have concluded an agreement with Sentrachem to change terms of the sale of the remaining 50% of SA National Agricultural Chemicals (Sanachem) held by Peskor.

Farm-AG chairman Reg Sherrell said the new agreement would eliminate the uncertainty and risk attached to a price-earnings ratio dependent on the performance of the JSE by substituting it with a fixed price-earnings ratio.

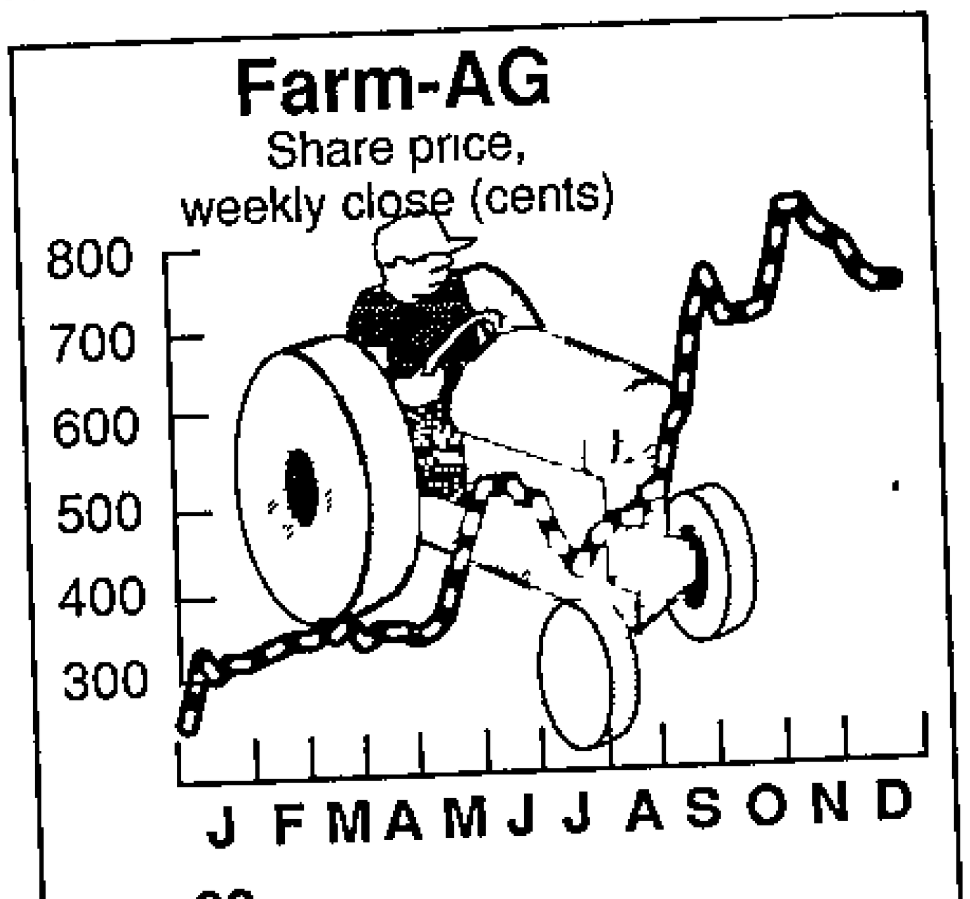
Both agreements provided for a two-tier purchase price, depending on which figure was higher at the date of purchase

The original agreement provided for the purchase price on February 28 1995 to be based on its earnings for the three-year period to purchase date, adjusted for inflation and multiplied by a price-earnings ratio linked to the performance of certain sectors of the JSE, or 50% of the net asset value of Sanachem on the purchase date

The price based on net asset value of 50% of Sanachem on February 28 1995 still applied to the new agreement, but the revised alternative price would be determined on a price computed as the average of the valuations of Sanachem at February 28 1993, 1994 and 1995, based on Sanachem's taxed profit for the three year periods, multiplied by a price earnings ratio of 10

The Sanachem valuations on February 28 1993 and 1994 would be adjusted according to the interest rate on the Eskom 168 bond to take account of inflation.

The total valuation would be increased by 10% in the event of the valuation exceeding R80m.



Graphic LEE EMERTON Source I-NET

DRUG SALES 183 FM 25/12/92

Ending doctors' profit bonanza

Back in 1984, in an effort to contain escalating drug prices, pharmacists were allowed for the first time to substitute patented drugs with cheaper generic equivalents

Drug manufacturers, incensed by the reform, began encouraging doctors to buy drugs from them and then sell directly to the public For many, the offer, sweetened by huge price cuts, was irresistible — doctors could obtain discounts that undercut wholesalers by as much as 50% For the manufacturer, the doctor often became a valuable marketing tool, pushing drug lines via the prescription pen

The party, however, could soon be over Last week the Competition Board released proposals that if accepted by Public Enterprises Minister Dawie de Villiers, would force manufacturers to charge the same price to all buyers of prescription medicine

The board's recommendations are far-reaching Describing the special pricing relationship between manufacturers and doctors as uncompetitive, the board proposes that manufacturers should be prohibited from selling or disposing of medicine in any way that discriminates between buyers or recipients of the medicine

The proposals are certain to become controversial as copies of the report circulate among the industry's players So far, the organisations whose members would have the most to lose, representing the pharmaceutical manufacturers and doctors, have been muted in their response Also sure to raise objections are critics of more government intervention in the economy They'll argue that telling companies how to charge for products is none of government's business, that if manufacturers want to give enormous discounts to doctors, that's their right

Says Wouter Meyer, of the board's investigations directorate "The principle underlying the board's thinking is that there should be no discrimination for an equivalent transaction Put differently, if a buyer purchases 1 000 pills, he should pay less per unit than the person who buys only 100 pills "

He explains that wholesalers have been particularly aggrieved that doctors, who buy relatively small quantities of medicine from manufacturers, obtain larger discounts than wholesalers, who buy the same medicine in bulk They argue that little or none of these discounts is passed on to the consumer

Of course, the nub of the issue is an ethical one Can a doctor who dispenses for profit be objective?

Medical schemes report having processed claims by doctors who have dispensed more than R800 000 in medicines in a single year Comparative statistics are also telling Five years ago, only 10% of all private-sector prescriptions were dispensed by doctors Today, this figure stands at around 30%

A major bone of contention is that many doctors have become little more than traders, using their discounts to bypass the formal wholesale and retail distribution chain

They can sell drugs to wholesalers and retailers at less than the manufacturers' prices

Welcoming the board's recommendations, Wolf Furst, of the National Association of Pharmaceutical Wholesalers, explains that this practice merely inflates the price of medicine to the consumer "If these sales to dispensing doctors continue — lower volumes at lower prices — the consumer price will have to increase "

Meyer says the board noted that the Medical Act prohibits doctors from trading The board, however, suggests that the Medical & Dental Council should enforce its own laws in this instance

Responding to the recommendations, Medical Association of SA health policy director Reg Magennis says dispensing doctors have been somewhat of a mixed blessing While they have introduced competition to the traditional distribution chain, there are dangers to fragmenting this rigid chain

He suggests that a less formal distribution chain could threaten quality and standards He adds "The association fully supports the values associated with free-market competition, and will therefore continue to support dispensing by doctors, provided it complies with the norms associated with high-quality clinical practice "

Coupled to this thinking is the board's insistence that pharmacies be allowed to advertise fully Now, they can advertise only prices of specific drugs While this enables consumers to shop around for repeat prescriptions, it does little to inform them about general discounts available on all medicines

Meyer doesn't foresee that the dispensing doctor will cease to operate, should the Minister accept the board's recommendations He says that most doctors — particularly those practising in remote areas and townships — buy from wholesalers and will continue to offer a valuable service to patients "The doctor who dispenses and trades as a mini-wholesaler, however, could find that his side-dealings become less lucrative "

Of course, the difficulty of policing a single exit price could render the board's recommendations useless But Meyer disagrees "We can't expect to catch everyone, but we could make an example of a few people Wholesalers are especially likely to monitor deals and could report them to the police " A conviction under the Maintenance & Promotion of Competition Act could result in a five-year prison term or a fine of up to R100 000, or both

On this score the Pharmaceutical Manufacturers' Association makes a valuable point

It suggests that a deregulated market, in which group practices and medical aid-run health maintenance organisations operate their own cost-effective dispensaries, could well eliminate the need for the board's recommendations and the problem of trying to police it *Mirryena Deeb*

TELECOMMUNICATIONS

Hello, America

FM 25/12/92

Telkom's monopoly on international calls will take a beating in the new year when several private companies switch on WorldPhone, the local subsidiary of US telecommunications company Viatel, has been operating for about four months

WorldPhone CE Jerome Swersky won't say how many subscribers he's signed up but he plans to boost the size of his staff early next year "Our volumes are picking up nicely and more corporates are coming in "

Other long-distance services due to start in the new year include US telephone giant MCI and New York-based International Discount Telecommunications (IDT) AT&T says it won't come in until the ANC calls for an end to sanctions

WorldPhone and IDT offer cut-rate international services by giving subscribers access to the US telephone network Subscribers to either company dial assigned numbers at switchboards in the US and then hang up

(183)

MEDHOLD FM 25/12/92 (183)

Stumbling over interest

MD Jack Marcelino predicted turnover would top R17m and earnings would increase by a quarter in financial 1992 Too optimistic? Unfortunately, yes Though pre-tax profit gained 16%, attributable earnings improved only fractionally on the back of almost unchanged turnover, as a higher tax bill and increased interest payments eroded profits

Marcelino says a change in accounting methods was behind the unusually high interest bill, which more than doubled EPS were diluted by the expanded share capital

Following a name change in 1991 and acquisition of four subsidiaries, namely Furnquip, Medex, SA Medical Supplies and Transkei Medical Supplies, management chose to move into a geared position Last year, Medhold negotiated new borrowing facilities with its bankers This was intended to remove the reliance on often extremely expensive financing and, it was hoped, would stimulate trading profits — but it failed to prevent a steep rise in financing costs

The effective tax rate increased from 39% to 44%, being affected by changes in exporters' allowances and available assessed losses Next year's rate should remain at 44%

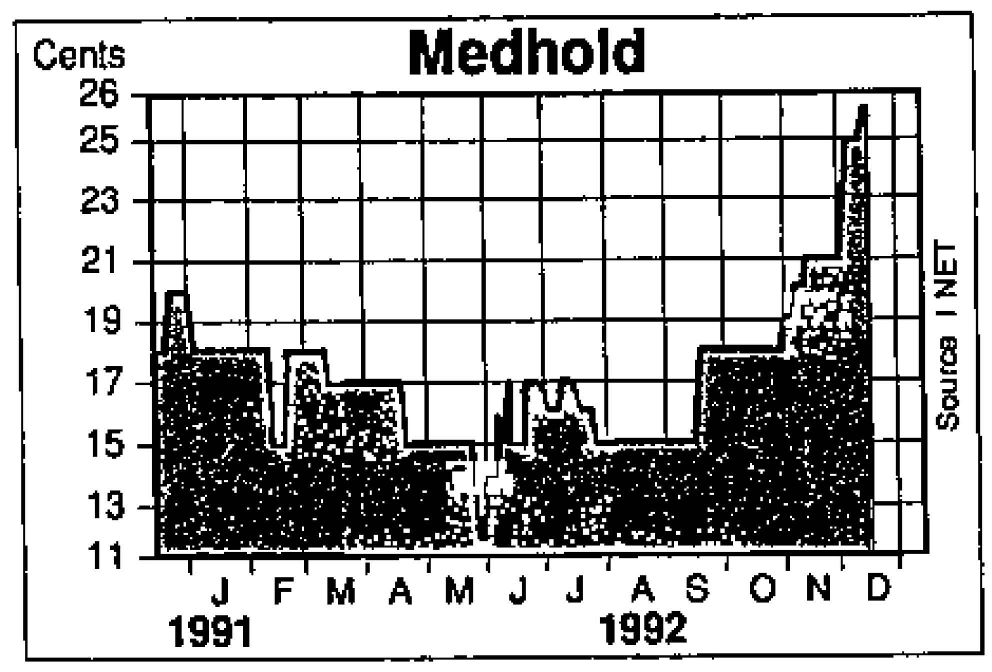
Financial director Jasper Simon is rightly concentrating on debtors this year They increased by just under R1m, to a steep R4,3m at year-end, the plan is to reduce collection periods Chairman Rodney Dacomb adds that inventories are under close scrutiny

There is a R653 000 contingent liability relating to tax on a film venture embarked on in 1988 Directors are confident expenditure and tax will be granted, so no provision has been made Until the final decision of the courts is known, payment will be financed by borrowings on a deferred basis

Most divisions performed "satisfactorily," with manufacturing contributing 56% of net income Dacomb is confident EPS will be at least 6c this year and the dividend will be reviewed at the halfway stage

The market has shown little confidence in the stock, with the p e at 5,4 It offers potential for investors interested in a high dividend yield

Kate Rushton



Activities: *Makes and supplies disposable medical and surgical products and injection moulded products Wholesales and retails emergency care and life-support electro-medical equipment*
Control: *Directors 59%*
Chairman: *R B Dacomb, MD J G Marcelino*
Capital structure: *17,25m ords Market capitalisation R5,2m*
Share market: *Price 30c Yields 10,0% on dividend, 18,7% on earnings p e ratio, 5,4 cover, 1,9 12-month high, 30c, low, 12c Trading volume last quarter, 234 000 shares*

Year to Jun 30	'90	'91	'92
ST debt (Rm)	0,17	0,93	2,01
LT debt (Rm)	0,14	0,07	0,11
Debt equity ratio	—	0,16	0,62
Shareholders' interest	0,69	0,40	0 42
Int & leasing cover	—	19,4	14,1
Return on cap (%)	25,6	20,7	23,5
Turnover (Rm)	†(0 8)	16 5	16,5
Pre-int profit (Rm)	0,69	1,55	1,84
Pre-int margin (%)	—	9,4	11,2
Earnings (c)	3,7	5,4	5,6
Dividends (c)	3	3	3
Net worth (c)	11	18	19

† Percentage decrease over previous year

New petrol to cost less

183

ARG 26/12/92

■ Unleaded petrol will start flowing from South African pumps by mid-1995, but there are fears the change to unleaded fuel is unnecessary, and the cost of introducing unleaded petrol locally could devastate the hard-pressed economy.

WILLEM STEENKAMP
Weekend Argus Reporter

THE introduction of unleaded petrol on the South African market will cost billions of rands, but little of this will be borne by motorists, initally at least

Unleaded petrol will, as has happened abroad, probably be sold at a lower price than leaded petrol to promote the sale of this so-called environmentally friendly fuel

There has been criticism that the impact of leaded petrol on the environment is so small it poses no health risk This issue is being used as a lever to ensure the introduction of unleaded petrol locally, to the benefit of the motor and energy industries

This was denied by a Department of Mineral and Energy Affairs spokesman "Although environmental issues played a role in the government's decision to introduce unleaded petrol, this was not the main reason

"Unleaded petrol has been introduced in nearly all the countries of Europe, as well as in Japan America, Germany and other countries are soon to follow Should South Africa not follow suit, we will be left behind in the technological advances made throughout the motor manufacturing world will pass us by

"And the important point is that the introduction of unleaded petrol will not mean that leaded petrol will sumarily be withdrawn from the market People will still have the choice of buying either leaded or unleaded petrol at service stations"

He said that unleaded petrol would probably initially be sold cheaper than leaded petrol in order to market the fuel successfully The impact on the economy and the consumer will be lessened because the change-over is being phased in over a number of years He declined to give figures on the financial implications of the changeover

The lead content in South African petrol has already been decreased from a high of 0,8 grams a litre in 1989 to 0,4gm/l and studies done then indicated no measurable impact on the blood lead levels in children High blood lead levels have been found to cause intellectual and development delays, anaemia and even death

Mr Johan van Vreden, head of the Vehicle Technology Division of the Automobile Association of South Africa (AA) said the effect of petrol fumes on air pollution in this country was not significant, except in some densely populated areas

While there was no doubt that the introduction of unleaded petrol was necessary in the long run, he said, it should have been delayed until the year 2000 because of the current difficult economic situation

"To keep in line with the rest of the developed world, unleaded petrol must eventually be introduced in South Africa But our traffic density is not nearly as severe as in European countries and a more gradual phasing in would have been more appropriate

"With unleaded fuel further refining is necessary to remove the lead from petrol, raising production costs People who want to run existing cars on unleaded fuel will have to have fuel intake systems and cylinder heads modified and new engines will have to be purpose built," said Mr Van Vreden

Not so, said Mr Roy Davies, national chairman of the Motor Traders' Association of South Africa "Our impression is that unleaded petrol will be sold more cheaply than leaded, and also many of cars produced for the South African market in the past few years can run on unleaded petrol

"But if a catalyctic converter has been fitted to convert an older car to allow it to run on unleaded petrol, putting leaded petrol in by mistake will seriously damage the electronic equipment, and repairs could run into thousands of rands

"Unleaded pump nozzles are likely to be made a different size, and the opening of unleaded car's petrol tanks will probably be made smaller, to ensure the wrong petrol is not used by mistake"

Mr Davies said the change-over to leaded petrol would have a major financial impact on refineries, the motor manufacturing industry and to a lesser extent the car owner

"But South Africa can ill aford to be left behind the rest of the world in the development of new high tech fuel technology This together with the impact unleaded petrol has on the environment, makes the decision to sell unleaded petrol the right one," he said

Mr Albert Schuitmaker, assistant director of the Cape Town Chamber of Commerce, said the Chamber welcomed the introduction of unleaded petrol, but it would have major financial implications

"If South Africa wants to be seen as environmentally concious and wants to keep abreast of technological developments, this is the right step especially if we want to remain a major player in southern Africa and want to export cars to other countries"

Anger at PVC price

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S Times (BUSS)

By CIARAN RYAN

27/12/92.

PVC consumers complain that they are forced to pay double the international price for PVC because of import protection for SA's sole producer, AECI

PVC is obtainable at R1 350/ton on world markets compared with AECI's R2 700/t. Ad valorem duties are only 10%, but with anti-dumping duties effective protection is closer to 40%, says one AECI customer

"And that is after freight charges of R350/t. What it means is that, even though we can buy PVC overseas for half what AECI charges, we end up paying the same as if we bought the local PVC because of the freight charges and duties"

This has led to charges of import parity pricing.

Also questioned is the extent to which monopoly protection benefits local consumers.

An AECI spokesman said "Every nation protects its industries against disruptive dumping These prices tend to set the lower price level in a market and local producers have to meet them. This is often mistaken for import parity pricing"

Colin Legum looks at Africa, politics and oil

Opportunities for new investment

STAR 28/12/92.

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THE possibility of new investment by multinational oil companies in African countries was envisaged by M A van den Bergh, a group managing director of the Royal Dutch/Shell Companies in an address he delivered to the Oil and Monetary Conference in London. He said that although progress on the economic front remained patchy, an increasing number of African countries had embarked on reforms which offered some hope for an economic reawakening

The presence of oil in the Blue Nile province of Southern Sudan continues to prove to be one of the major stumbling blocks to ending the country's bitter civil war. The Khartoum regime has insisted in confidential talks with would-be mediators that it would resist any idea of losing control over the rich oilfields in the Blue Nile province, which falls within the Southern Sudan, in negotiations for either a federal or confederal constitution.

Strapped for oil — and indeed for most other urgently required imports — the Khartoum regime has entered into extensive agreements with Iran In exchange for regular shipments of oil, as well as for military supplies, exclusive rights have been granted to an Iranian syndicate to take over the management of Port Sudan. Radio Cairo has carried reports suggesting that this concession is only a small part of a wider agreement giving the Iranian navy permanent access to Sudan's Red Sea ports

Iran's expanding involvement in Sudan is causing serious concern to Egypt and Saudi Arabia, as well as to the country's other neighbours, Ethiopia and Eritrea The former two suspect that Iran is exploiting Sudan's economic and military weakness to secure a foothold in the African continent from which to promote their Islamic revolutionary ideas

Despite Tehran's denials, there is strong evidence to support allegations that Iran is supplying not only arms but also military instructors and possibly also some fighting cadres to assist the Sudan army in its war against the rebel forces in the South

Zaire, which has its own limited oil resources, and more that could be exploited once the country achieves a measure of political stability, has entered into an agreement with Kuwait for a 12 months' supply of oil

The Belli oilfield in Tunisia's Nabeul Province has come on stream The oil was first discovered by the US Marathon company in June 1991 Its recoverable deposits over seven years are estimated at 3 million tons, and its present output capacity is reckoned to be 10 000 barrels a day

Tunisia is keen to interest other multinational companies to carry out further explorations It recently granted a drilling licence for hydrocarbons over 3 932 square kilometres in the Medinine Province

Eritrea, which is due to become independent after a referendum next April, is giving a high priority to oil exploration along its Red Sea coast where earlier findings have proved promising □

BP plan to cut another 9 000 jobs will affect SA operation

(183)

BIDAY 30/12/92

ROBERT WICKS

BRITISH Petroleum CE David Simon recently announced a cutback in staff of about 9 000 by 1995 in a move that could have serious repercussions for BP SA

This increases an earlier figure for expected job losses to a total of 20 500 or 20% of the global BP workforce, according to the London Financial Times

BP SA would be affected mainly by marketing and refining cutbacks, industry sources said yesterday.

The cuts come at a time when BP faces a likely loss of £500m this year on a replacement cost basis, caused by increasing debts and a huge net cash outflow used to fund its ambitious oil exploration project.

The company said it had set a target of 5 000 direct job cuts over the next three years with a further 4 000 cuts through divestment of peripheral businesses

"Roughly 4 000 will be in business interests that we plan to divest to third parties. The remaining 5 000 represent the balancing number of future job reductions that will occur over a three-year period," Simon said

Commenting in a notice to staff in London, Simon said the staff cuts would not be concentrated in any one country but would take place gradually worldwide

The reductions form part of a cost-cutting drive initiated by Simon to reduce operating costs by $1bn in order to add $600m to annual profits by 1995.

He said the 4 000 jobs would be cut mainly through normal and accelerated retirement, the voluntary redundancy programme and non-replacement of employees who quit

Simon said he hoped to cut $400m from marketing and refining costs, $300m from the corporate centre, $200m from exploration and production and $100m from chemicals

He said the company was not planning any further large, one-off cuts

The cuts are in addition to plans announced in August to cut 11 500 jobs by early 1993 Those cuts will come mainly from the downstream part of the business such as refining operations and petrol stations.

In these areas competition and low oil products prices have squeezed margins while demand remains affected by the recession

Macmed leads field

STAR 31/12/92

By Stephen Cranston (183)

Pharmaceutical and medical company Macmed was the largest-gaining share of 1992, adding 85c or 566 percent to its price to close yesterday at 100c

The biggest drop of the year was recorded by transport company Presto, which lost 98 percent of its value

Engineering counter Inmins was the second-largest percentage gainer of the year, rising from 1c to 5c

Five of the top 15 gainers for the year were electronics companies

Multi increased from 70c to 260c, TMX from 175c to 600c, Datakor from 115c to 300c, SPL from 135c to 350c and Dimension Data from 400c to 990c

Farm-Ag, which holds half of agricultural chemicals group Sanachem, increased by 238 percent from 235c to 760c

Its holding company Rale rose from 200c to 725c

The best-known of the companies to show the largest declines were Rusfurn, which lost 95,4 percent of its value to close at 15c, and recently liquidated TGH, which lost 92,7 percent of its value to close at 40c

Mossgas getting off to an uncertain start

(183) STAR 31/12/92.

By Stephen Cranston

Mossgas will operate at full capacity from next week, although the oil-from-gas project is still not a commercial proposition

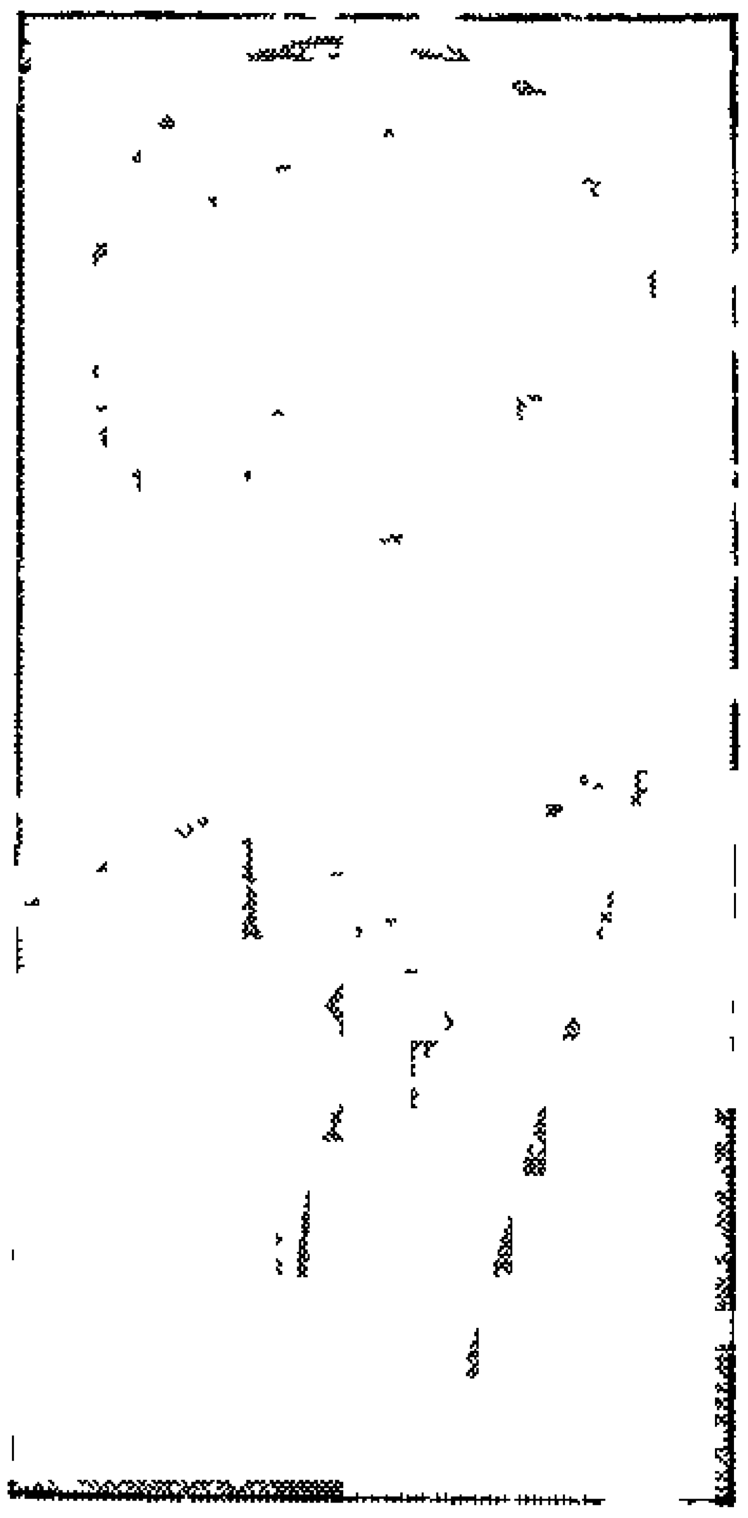
In the present circumstances Engen will not take up its option to maintain its 30 percent equity in the project at an expected cost of R1 billion

An Engen spokesman confirmed yesterday that the group's position had not changed, despite a bullish statement from Mossgas that the project would save R120 billion in foreign exchange over 30 years

An industry observer said the figures assumed that the rand value of oil products would increase by 10 percent a year "This may or may not be a reasonable assumption, but it does not mean anything If the oil price were to increase yearly, so would the yearly operating cost of the plant"

Almost certainly more oil would be received by buying dollars at the offical rate and using them to buy oil products

At current oil prices and an estimated production of 30 0000 barrels a day, the project would save about R26 billion in foreign exchange over thirty years — not much considering the R12 billion capital cost of the project



Engen chairman Bernard Smith

Moreover, these foreign exchange savings would be swallowed up by estimated running costs for operations and the servicing of commercial loans of R540 million a year

If all the project costs carried commercial finance charges, then interest payments alone would be R1,8 billion, more than double the production value

Engen chairman Bernard Smith said last year that no protection would be needed if the oil price remained at $19 a barrel in 1989 terms, which is equivalent to at least $23 today

Brent crude oil prices are currently quoted at $18,53 a barrel

In order to achieve a real return on total capital employed, the oil price would need to be $37, according to Smith, but as high as $50 a barrel according to independent analysts

Production costs for new wells in Arab countries are often as low as $7 a barrel

And oil companies will have to be compensated for the loss of margin from their own refineries if they are compelled to take Mossgas product instead

The chances are that Mossgas will be a public utility managed by Engen, but it will continue to be controlled by the Central Energy Fund

There is the prospect that the life of the project could be lengthened by further gas field discoveries

Production from the sixth well is expected to start early in the new year

With Mossgas and Sasol, 40 percent of SA's petrol needs are generated internally, which provides a cushion against any future disruption of world fuel supplies

Mossgas expects to earn R55 million a year from heavy and light alcohols It also expects to earn foreign exchange from liquid oxygen, nitrogen and carbon dioxide

Chemical companies continue to express interest in a cracker at Mossel Bay, which will provide aromatic chemicals such as benzene, toluene and styrene

Expertise was gained in the manufacture of equipment for the offshore oil and gas industry through Dorbyl's and Babcock's joint ventures with Press Offshore

Savings in transport costs are expected to run to R30 million a year

About 15 percent of production will be consumed in the Southern Cape area around Mossel Bay and the rest shipped to Port Elizabeth and East London

Mossgas did something to fill the vacuum in fixed investment It represented 55 percent of total new fixed investments in 1989/90

Its record in terms of new jobs has been poor

At the peak of its activity it created 46 000 jobs, but it now employs just 1 100 permanent staff, at a cost of R10 million per job

For the same outlay as the Mossgas project, at least 300 000 houses could have been built