

Government records

and information to assist in the investigation of the
activities and the manner in which the various activities of the
organization. In order to obtain this information, the
the case was referred to the (name of the court) and the
authorities of the (name of the court) to obtain a subpoena for the records.

W

MANUFACTURING - FOOD

1987

JAN - SEPT - DEC.

Premier holds aces as minorities threaten revolt over Ovenstone deal

By TOM HOOD

SMALL shareholders of Ovenstone Group are worried at the prospect of their shares shrinking in net asset value to 19c (120c five years ago) if a deal to sell non-fishing interests goes through

Many of these investors hold as many as 200 000 and 500 000 shares out of the 70-million in issue, with 45 percent held by Premier Group and Ovenstone interests

But the net worth will be only 19c a share if the proposed R35-million write off and the sale of the property and construction subsidiary Ovdeco to the management is approved at a special shareholders' meeting this month

Messages expressing concern at the buyout proposals were sent this week by many shareholders to Cape Town business economist and defender of minority rights, Mr Issy Goldberg

In an interview today, he said the meeting of shareholders that must be convened by the Ovenstone group early in the new year to ratify the disposal of the non-fishing interests to a consortium comprising in essence the former management and directorate of the group promised to be contentious and electrifying

Many shareholders of both Ovenstone Investments (Oil) and Ovenstone Group (Ovgroup) were seriously perturbed at the interim report published on December 19

"Apart from the sad trading results of the companies for

the six months, extraordinary write-offs of some R30-million came as a shock," he said

"These losses and provisions have apparently reduced the net asset value to 16c and 19c respectively a share of Oil and Ovgroup

"It is a far cry from the value that was reflected when Premier bought over control some time ago at more than 100c a share and the net asset value six months ago was over 70c a share"

Total borrowings of the group were disclosed at over R100-million, an amount clearly beyond the capacity of the group to finance, said Mr Goldberg

Obviously something had to be done and the meeting of shareholders would have to decide whether the divestment of the non-fishing interests, which would reduce borrowings by R38-million, was the only action to take

"The so-called minorities in Oil in fact constitute a majority, with 55 percent of the shares in the hands of thousands of investors

"Theoretically if shareholders were less apathetic and voted together, it would be possible to reject this proposed deal. But that would be a hollow victory. Even after the sale of the non-fishing interests to the consortium, the overall debt of the group would be about R70-million producing about R8-million to R10-million interest a year"

This divestment of the non-fishing interests (property, home-building and construction) for R23-million repre-

sented an effective discount of R14.3-million on net asset value and was a contributor to the sorry state of the net asset value following the implementation of such a deal, he claimed

"The Chilean fishing venture in which a vast amount of work and capital has been spent over the years has been written down by way of provisions and goodwill. It will be interesting to note whether this involvement in the Chilean fishing industry will eventually produce a reasonable return"

Most South African fishing groups involved in various Chilean fishing enterprises had already sold out their interests at considerable losses and were licking their wounds, he claimed

The proposed new board of both Ovgroup and Oil was essentially Premier Group nominees under the chairmanship of Mr Tony Bloom

"It is obvious that the new philosophy of Premier will be, after the proposed changes are implemented, concentrated only on the fishing and fishing-related enterprises

"I have pointed out at successive annual meetings that the main skills of the groups have historically been in fishing and the divergence into unrelated fields has ultimately been proved non-productive"

"The recent recession has obviously made inroads into profit projections of many of the divergent fields into which the group expanded"

It had been announced that



Mr Issy Goldberg: "Minorities make a majority."

following the implementation of the proposals, Oil would make an offer to purchase the shares in Ovgroup not already held and Mr Goldberg believed these would be exchanged on a one-for-one basis.

However, the capital base of the company needed to be broadened with most of the debt converted into equity. But a rights issue of shares was not practical because most shareholders would not commit new funds to the company

The most pragmatic suggestion would be for Premier to take out all minority shareholders on an exchange basis of Oil shares for Premier shares

"After all, Premier needs to protect its own vast investment in the group, add Mr Goldberg"

Unions at odds over row at Jabula

7/18/87
BUDDAY

ALAN FINE

186
THE Inkatha-linked United Workers Union of SA (Uwusa) has accused management at Jabula Foods in Springs of siding with the Food and Allied Workers' Union (Fawu) against it. This follows an altercation on Monday in which seven Uwusa members were injured.

The Jabula plant has been the focus of tension between the two unions since a Fawu member employed there was murdered last year. Workers accused five Uwusa members of being responsible for the killing, and the five were suspended from duty.

An arbitrator appointed in line with a Jabula/Uwusa arrangement ordered their reinstatement, and they returned to work on Monday. They and two other Uwusa members were then injured in a fight.

Uwusa general secretary Simon Conco said yesterday the decision to suspend the men "on hearsay evidence from Fawu", and management's failure to afford them protection on their return, showed management's bias.

The injured would return after they had recovered from their injuries, and Conco demanded protection from management for them.

Fawu's Springs branch secretary George Machacha said he understood the row occurred when the five insulted Fawu members after they had asked them to leave.

Management was reluctant to comment yesterday, saying the incident was being investigated.

Epping ice-cream workers' strike

to continue 20/1/87
Staff Reporter

ABOUT 220 workers at the Dairy Maid ice-cream factory in Epping went on strike last Friday after they were told that four retail depots would be closed and workers retrenched, and yesterday they decided the strike would continue.

According to Mr Willem Pieterse, chairman of the shop stewards committee of the Food and Allied Workers' Union (FAWU), 155 workers in all categories were served with retrenchment notices effective from January 31.

A wage dispute was declared in the middle of negotiations last year, when the union was informed that workers would be retrenched. In terms of a recognition agreement signed in November, the union said it had a right to declare a dispute, Mr Pieterse said.

In a late development yesterday, the union gave an undertaking, signed by the general secretary of the union, Mr Jan Theron, that its members at Epping, Bellville, Maitland or Diep River would desist from any act or threat of violence, intimidation, damage or destruction of Dairy Maid property or vehicles and those of its employees, customers, suppliers or their agents.

It also undertook not to prevent employees, customers, suppliers or any other person from entering or leaving Dairy Maid premises. The union would also not enter or remain on the Epping premises, including the parking area, except to carry out their duties.

The Dairy Maid industrial relations manager, Mr T Mercer, said the undertaking was given after the company had filed papers in the Supreme Court. Tyres had been slashed at the factory, people prevented from entering the premises, a truck carrying liquid nitrogen gas — essential for the freezing of certain ice-creams — was barred from entering, and a customer and his wife were harassed, Mr Mercer said.

The company informed the union on November 7 last year that the decision to retrench staff and close the depots had been taken.

However, the company was prepared to consult the union further on the retrenchment issue provided workers returned to work, Mr Mercer said.



Some of the striking workers at the Dairy Maid ice cream factory in Epping who picketed the factory yesterday. Picture RICHARD BELL

ARBUS 2/1/87

186

Retrenchment date extended

Labour Reporter

DAIRY MAID has extended to February 28 the date for retrenchment of about 150 ice-cream sellers — which has caused a four-day strike at their Epping factory.

The extension was announced yesterday by the acting manager, Mr J Loock.

The Food and Allied Workers' Union had called for the retrenchments to be postponed until the end of March.

Mr Loock said "The company has at all times been prepared to consult in terms of the agreed retrenchment procedure and by agreeing to an ex-

tension of the effective date of the retrenchments it is merely restating its previous position and allowing the union a renewed opportunity to consult where it failed to do so previously"

Mr Loock rejected a Fawu proposal that new mediators from both sides be appointed.

"Mediation on retrenchments is not contemplated at all by the retrenchment procedure agreed to with the union and any request by the union that the company submit to mediation is in breach of the agreed procedure and in the company's opinion entirely unreasonable," he said.

CARTMIS 22/1/87 (120A) (186)

Strike prospects bleak

PROSPECTS for an end to the Dairy Maid strike remained bleak yesterday as management refused to negotiate the retrenchment of 150 ice-cream vendors with the Food and Allied Workers' Union. Although the company agreed to extend the retrenchment date to the end of March, they said the issue of retrenchments was a "business decision".

APR 21 1986

Sugar price surges to seven-month high

LONDON — The price of sugar surged to a seven-month high yesterday on London's commodity exchange after a trade report which forecast sharply higher prices this year and lower world output.

Sugar for the May delivery hit a peak of \$165 a ton, the highest level for seven months, before falling back to end the session at \$163,60 — higher than the previous day's close of \$160,80.

London dealers said the weak dollar and a strong tone on the key New York sugar market were also factors in pushing the price of sugar up in London.

New York prices were boosted by a report that Cuba, one of the biggest producers, faced the lowest crop in a decade. World sugar prices fell last month after the US, influenced by a growing health fad, announced it was cutting imports by half — Sapa-
Reuter

120A 122 186

550 strike at Dairy Belle

Labour Reporter

HUNDREDS of workers at Dairy Belle went on strike yesterday in sympathy with the six-day-old strike by workers at their sister-company, Dairy Maid Ice Cream Corporation.

The sympathy strike by more than 550 members of the Food and Allied Workers' Union (Fawu) disrupted home milk deliveries in the Peninsula, but Dairy Belle management said yesterday that no other operations were affected.

According to the union, the strikers comprise more than 90% of the Dairy Belle workforce, and workers reported that production, home deliveries and the delivery of supplies to Dairy Maid had been halted.

Fawu members at Dairy Maid's other main suppliers, including the Tiger and Imperial Cold Storage groups, are also refusing to deliver goods to Dairy Maid in sympathy with

the strike and ICS workers in other centres have pledged to support the Dairy Maid workers.

The regional manager of Dairy Belle, Mr Martin Henning, said yesterday that the striking workers would be allowed to come back to work today if they gave assurances that they would be "reliable and disciplined" and would abide by the agreement between the company and the union.

But a Fawu spokesperson said Mr Henning had "torn up the agreement" at a meeting between union official and management yesterday and said he did not want the workers back today.

Meanwhile Dairy Maid management has asked the union to call off sympathy action at other plants before resuming talks over the retrenchment of 150 ice cream vendors.

Fawu said that it could not be expected to get Dairy Belle workers back to work if management staged a lock-out.

Dairy strikers back at work

CAPE TOWN 24/1/87
Labour Reporter

186

STRIKING dairy workers returned to work yesterday when Dairy Maid management agreed to consult the Food and Allied Workers' Union (Fawu) on the retrenchment of 150 ice-cream vendors, as it is required to do in terms of the company's agreement with the union

A Fawu spokesperson said yesterday that the union had certain concrete proposals which could avoid the need for the retrenchments and it would present these to management soon

Management also agreed to postpone the retrenchments to March 31

In a telexed statement yesterday, Dairy Maid's regional general manager, Mr. Bernie Maree, said the company agreed to the extension "purely as an endeavour to bring to an end the senseless industrial action and resultant loss of pay to those employees"

186

186

Ice-cream vendors end strikes after more talks

Labour Reporter

THE strikes at Dairy Maid and Dairy Belle, two Imperial Cold Storage companies at Epping, have ended after a fresh round of negotiations

ICS executives from Pretoria were involved in Friday's negotiations which ended the week-long strike at Dairy Maid and the strike at Dairy Belle which began on Thursday

The strikes at the two plants were sparked when Dairy Maid last week gave retrenchment notices to about 150 ice-cream vendors and announced that four depots would be closed from January 31

Mr P J Maree, manager of Dairy Maid, Western Cape, said the company had agreed to the request of the Food and Allied Workers' Union (Fawu) to extend the date of retrenchments to March 31

The parties would consult further in terms of the retrenchment procedure which is part of the recognition agreement between Dairy Maid and Fawu

"The company has agreed to the extension purely as an endeavour to bring to an end the senseless industrial action and resultant loss of pay to those employees involved in it," said Mr Maree

"We trust that Fawu, given this renewed opportunity to consult the company in terms of the agreed retrenchment procedure, will do so in good faith and in the spirit and terms of the procedure"

He denied union claims that production at Dairy Maid had been seriously affected

"Production during the strike has been normal and all deliveries, with the exception of retail vending, continued as normal during this period"

Squires in fast-food takeover

By Frank Jeans

The Squire's Loft restaurant group is moving into the Natal fast-food market through a reported R3,6 million takeover of an upmarket steakhouse chain in the Durban area.

Holdings company, Squires Foods has bought the RJ group from restaurateur Errol Kaplan whose operation covers four top outlets — two in Durban, one at Umhlanga Rocks and the other in Pinetown.

Mr. Kaplan remains as regional chief executive.

"The main object of the deal is that RJ will provide the ideal base for expansion in both the Natal restaurant and fast food business," says a Squires spokesman.

The group sees substantial growth prospects in the fast-food area in Natal and will be aiming at the market with its Captain Dorego and Longhorn brands.

RJ's bottom line profitability is said to be similar to that of other major competitors in the restaurant field.

The takeover now boosts Squires Loft outlets to 90 throughout the country.

tainee badly ated claim

SUSAN RUSSELL

describing the horrendous under which an emerald detainee is allegedly being held to the Rand Supreme yesterday.

Day is forbidden under (4) (a) (11) of the emergency from disclosing these allegations.

were made in support of an application by Harrison Zall the Minister of Law and the officer commanding Krugersdorp Prison and the Minister of to have his son Edward's declaration unlawful and set

has also asked the court to the prison authorities to show why they should not be inter- from assaulting or maltreating

OC of Krugersdorp Prison an undertaking in which he delegations against prison officials he regarded them in a light and undertook to ensure would be no common law of Zall's rights or any of prison regulations.

BUFFALO Holdings, a processor of salt and spices and packager of its own products, is to acquire control of Amalgamated Industrial Investment Corporation (AIIC) in a reverse takeover deal worth almost R20m.

Buffalo in R20m reverse takeover

186
BUSINESS
28/1/87

BRIAN ZLOTNICK

AIIC, formerly the listed pyramid of the deeply troubled Wilfred Robin group whose shares are currently suspended, is to buy 100% of the equity of Buffalo from the Krok twins, Abe and Solly.

According to Hill Samuel, merchant bankers to the transaction, the purchase will be financed mainly through the issue of about 12,8-million new ordinary shares and R8,7m in cash raised from a rights offer.

For the first stage of the deal, the Robin family has agreed to sell half of its 69% stake in AIIC, which has 1,6-million shares in issue, to the Kroks for an effective 97c a share.

Minorities are being offered 97c a share for half of their holdings.

The Robin family has undertaken to ensure that the Kroks get 50,1% of

AIIC by selling additional shares at 52c each.

AIIC shares are to be consolidated on the basis of one new share for every two held. After the acquisition of Buffalo, the net asset value of a AIIC share is estimated at 76c.

On the assumption the deal is successfully concluded, forecast earnings of 6,77c a share for the five months to March are equal to earnings of 16,5c on an annualised basis.

The directors intend applying to the JSE to have the listing transferred from the industrial holding sector to the food sector.

The deal is conditional upon the sale of AIIC's shares in Premier Industries.

Full details of the transaction are expected shortly.

CU confident it can meet R14m bill

HAMISH McINDOE

Union (SACU) MD Dr Ali said last night he was confident would find the extra R10m to the Australian rebel cricket

SACU had until September its books and that it would from sponsorships, gate television rights and promo-

"We are not looking for any additional support," he said.

The cost of the two tours is now three times as much as SACU budgeted for in 1982, when the cost was set at R4m.

The low rand, inflation and litigation with the Australian Cricket Union will have pushed up costs to R14m when the

present tour ends next month.

Bacher said he could not disclose the current state of union funds because audited receipts from member unions were outstanding.

One of the sponsors, National Panasonic, last night ruled out increasing its R2m commitment.

The other sponsor, Yellow Pages, was unavailable for comment.

ICE MOVES AT A GLANCE

NOTES

KEY MARKET MOVEMENTS — JANUARY 26 to JANUARY 27

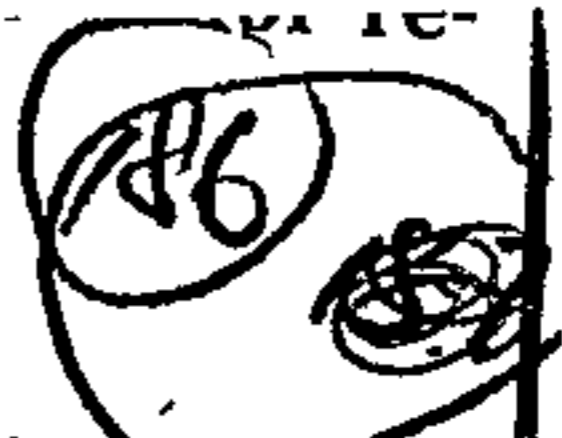
Gold		JSE		Previous		Latest		Johannesburg Stock Exchange		
\$/oz	R/oz	Krugersdorp	\$/R Comm	\$/R Fin	DM/\$	£/R	3 months BA	All Gold BD Index	BD Indust Index	JSE Ov'all Index
411,50	850,55	1170	0,4838	0,2325	1,8230	0,3158	9,20	1960,1	1618,4	2123,0
		NO MOVE					NO MOVE			
406,00	841,79	1170	0,4823	0,2238	1,8155	0,3154	9,20	1939,1	1609,7	2107,0

LONDON AFTERNOON FIX

FRANKFURT CLOSE

LONDON CLOSE

Cart trips 28/1/87



Dock strike still on

DURBAN. — The strike by more than 1 200 workers at the Unilever plant at Maydon Wharf here goes into its fifth day today with still no prospect of an end in sight. The workers are demanding a salary increase of 39%, according to a spokesman for the company.

W/E ARLO/PS 3/1/87
186

Ovenstone in mess, says new chairman

By TOM HOOD
Business Editor

AN OVENSTONE will no longer be at the helm when shareholders of the long-established Cape fishing and industrial group are called to a special meeting on February 20.

The new chairman will be Mr Tony Bloom, chief executive of the Premier Group, the controlling shareholder, and he can expect to face a stormy meeting before the shareholders are asked to vote on a deal to sell off Ovenstone's non-fishing interests to a consortium of former directors.

Mr Andrew Ovenstone resigned as chairman last month when heavy losses were reported by Ovenstone Investments (Oil) and Ovenstone Group (Ovgroup).

A revolt is threatened by minority shareholders, who see the sale of the property and construction subsidiary Ovdeco Holdings as a serious blow to the net asset value of their shares, which could be about 19c (they were worth 120c five years ago).

And Mr Bloom could be confronted with appeals to buy out the hundreds of minority shareholders — at around 100c a share, they hope, the price they say Premier paid for its controlling stake.

But Mr Bloom confirmed today that the only matter on the agenda will be the directors' recommendation to approve the Ovdeco sale, the proceeds from which will reduce Oil's borrowings by R38-million.

"Some people's dreams are going to be shattered if they imagine they will be offered 70c or 90c a share," he said.

"After all, I have the interests of Premier's shareholders to consider."

After a boardroom shake-up last month, five Premier directors replaced five former Ovenstone directors.

Mr Bloom disclosed today two of the new directors were overseas, looking after the group's offshore fishing interests and two other directors were at the Cape Town head office.

"We moved in only in December," he added "You can write off most of that month for holidays so that effectively we have been there only this month"

"From this short time it is clear the business is in a mess and we could be looking at a couple of years before things are straightened out"

Minority shareholders have said they were shocked by the extent of the group's borrowings, disclosed last month when borrowings were consolidated for the first time in the interim report

Total borrowings, including off-shore liabilities, were reported at more than R100-million — beyond the group's capacity to finance

These would be reduced by R38-million from the proposed Ovdeco sell-off.

But even if the sell-off is approved, some shareholders are worried that the group will still be lumbered with R70-million of debt which would consume at least R10-million a year in interest.

LIZ ROUSE

IRVIN & JOHNSON (I & J), the Anglovaal Group company known mainly for its frozen foods, has achieved a 38% rise in interim earnings and the outlook is bright.

Attributable profits for the six months to December 1986 rose to R10,3m from the previous comparable half-year's R7,5m

This was equal to earnings of 36,8c a share (26,7c).

The board is confident last year's attributable profit of R20,2m (earnings of 72,1c a share) will be surpassed this year

I & J will, therefore, keep its growth record intact and shareholders can expect an increase on last year's dividend of 26c

The board says the interim-earnings increase conforms with I & J's sustained growth record over the past 10 years.

There has been an improvement

I & J is cooking up increased dividend

in the economic environment, as well as in consumer and business confidence in recent months and the directors expect this positive trend will continue in the current year.

The good summer rainfall has enhanced prospects for agricultural products, which further supports the positive outlook for 1987.

I & J's turnover rose 21% to R349,1m (R289,2m)

Pre-tax profit was 40% higher at R18,4m (R13,1m)

The tax charge was 40% higher at R8m (R5,7m).

This left the after-tax figure at R10,5m (R7,4m)

I & J's share of associated companies' earnings decreased to

R15 000 (R20 000)

At the same time minority interests absorbed R176 000 (nil)

The food group's capital expenditure declined sharply

It therefore attracted higher tax Capex at the end of December totalled R6m (R19,8m), and at the end of the year it had commitments for a further R4,6m (R19,5m).

Finance lease commitments amounted to R978 000 (R816 000) and contingent liabilities totalled R1,3m (R1,4m).

I & J shares firmed 25c to 850c yesterday.

This means the price is nearing the year's high of 890c, which was achieved in March 1986

Icecream
firm to be
wound up

11/2/87
B/Oay
186

SUSAN RUSSEL
Court Reporter

NATIONAL ice-cream franchisers Carvel SA (Pty) were placed in provisional liquidation yesterday after an urgent application in the Rand Supreme Court.

In papers before the court supporting the application, it was submitted that all Carvel directors had resigned and all company-owned outlets had been closed.

Carvel also has franchised outlets in the country.

Mr Justice Gordon granted the provisional winding up after an application by Dengil Investment (Pty).

Dengil Investment, which trades as Gillian Gamsy International Public Relations, had a claim of R12 890 against Carvel for work done from March 1985 to April 1986.

A company director, Gillian Gamsy, said in an affidavit the company had been granted a default judgment for the money.

A writ of execution was issued but the deputy sheriff had been unable to make attachments.

She said she had read on January 26 about litigation pending, arising out of the dispute over the sale of Carvel shares.

Gamsy said the application was urgent because the company had closed its outlet containing valuable machinery and equipment.

She said it was reasonable to assume, in view of the dispute between the sellers and purchasers of the company, that adequate steps had not been taken to protect those assets.

LI
SU
R

AN IN
has ref
cause i
aged th
is being
Rand S
Sky I

berton
al Insur
of dama
The
claim o
pany is
der the
damage

The o
fraudul
indemn

The o
brothers
Mastrog
the cour
eral Insu
loss of p
age to t

The in
ter-claim
Unit Eng

They e
out to the
fire dest
the comp
sented t
R256 706
were in fi
R2 500 an

Sky Un
particular
ly prior to
its marke
its replac
Afterwa
vage valu

nced IQ today.

2 500 on strike in sweet factory

Labour Reporter

THE strike by about 2 500 workers of the Beacon Sweets factory in Mobebe entered its third day yesterday with no indication of an end in sight.

Mr Mike Masondo, a spokesman for the Sweet, Food and Allied Workers' Union, said the workers downed tools on Friday afternoon following the dismissal of a shop steward and the suspension of another.

'The union's position was that the shop stewards must be reinstated immediately and any inquiries of alleged misconduct can be heard later, but the company's position was that they will only pursue the matter if the situation returns to normal,' he added.

Unfair

Mr Arnold Zulman, managing director of Beacon Sweets, denied the union's allegations that the dismissal was unfair. He said the disciplinary action against the two shop stewards was taken after holding an inquiry.

'The chairman of the shop stewards' committee and secretary were present at the inquiry but neither had appealed against the decision. One shop steward was dismissed following the hearing, and the other was suspended pending an inquiry but because of the strike we were unable to proceed with the hearing,' he said.

Allegations of unfair labour practice levelled against the company were 'absolutely false,' he said.

'The average earnings level of the lowest category of workers is at the moment R697 a month to which the company incurs a cost of an additional R150 a month for other benefits for each worker.'

SA turning to fast-foods

4/2/87
186 WILLY STERN b/day

ADD together working women, a slowing economy and rising disposable incomes among blacks — the result is a boom in fast-foods.



Fedhasa figures show industry-wide turnover of R700m last year — up 20% over inflation on 1985.

Fedhasa operations director Fred Thermann says people are eating out just as often but are moving from up-market restaurants to fast-food outlets.

"We can't open enough," says Squires Food chairman Costa Tomazos, operator of Rakes, Squires and Captain Dorego.

The industry has gained from two new markets — blacks and the families of working women.

At Spur Steak Ranches, turnover jumped 40% last year over 1985. MD Allen Amber says family lifestyles have altered over many years: "The traditional family sitting at a table with the radio off eating a fine meal prepared by the wife is no longer relevant."

Wimpy Restaurants MD Vince Hays says youth, unencumbered by mortgages and other responsibilities, has played a role in the boom.

Climb expected to continue

I & J half-year profits up 38%

CAPE Times 10/2/87

JOHANNESBURG — The interim earnings of Irvin and Johnson — the Anglovaal Group company known mainly for its frozen foods — rose by 38% over the comparative period of 1985 and the board expects that earnings for the full year will exceed the 72,1c a share earned last year.

During the six months ended December 31, I & J's attributable earnings rose to R10,3m (R7,5m), equivalent to 36,8c (26,7c) a share — a 38% increase

Consolidated turnover in the first six months was 21% higher at R349,1m (R289,2m), while the pre-tax profit was 40% higher at R18,4m (R13,1m). The tax charge was also 40% higher at R8,0m (R5,7m) and left the after-tax figure at R10,5m (R7,4-million)

I & J's share of associated companies' earnings decreased to R15 000 (R20 000) while minority interests absorbed R176 000 (nil), thus leaving group earnings of R10,3m (R7,5m)

Commenting on the results, the

board states that the increase conforms with I & J's sustained growth record over the past ten years

There has been an improvement in the economic environment, as well as in consumer and business confidence in recent months and the directors expect that this positive trend will continue in the current year

The good summer rainfall has enhanced the prospects for agricultural products and this supports further the positive outlook for 1987

In the light of this, I & J expects that its full year's earnings will be better than those for the year-ended June 30 last when attributable taxed profit rose to R20,2m and the company declared a 26c (25c) dividend

During the half year, the company's capex totalled R6,0m (R19,8m) and on December 31 it had commitments for a further R4,6m (R19,5m). Finance lease commitments totalled R978 000 (R816 000), while contingent liabilities totalled R1,3m (R1,4m) — Sapa

Beacon factory strike enters fifth day

The strike by 2 500 workers at the Beacon Sweets factory in Mombasa, Durban, enters its fifth day today following a demand by workers that two shop stewards be reinstated. The managing director, Mr Arnold Zulman, denied the union's allegation that the dismissal was unfair. Disciplinary action had been taken against both men after an inquiry, he said.

Zimbabweans hit by shortage of foodstuffs

186
26
DO
16/4/87

Dispatch Correspondent HARARE — Zimbabweans are having a foretaste of economic hardships to come in a current wave of shortages.

Vanished items include potato crisps, toothpaste, shaving cream, cooking oil, rice, detergent, pork sausages and other staples.

Supermarkets fear that as a result of a 40 per cent cutback in foreign exchange allocations to distillers and wineries, brandy, gin, and locally made wine may be the next victims.

Insufficient brandy and essence is available for blending with local spirits and not enough cork is being imported.

The source of the problems is a sudden worsening of Zimbabwe's foreign currency situation which has hit imports of industrial raw materials and consumer items.

Resulting constraints on manufacturing output may result in staff retrenchments and a drop in the gross national product of up to three per cent in the year ahead.

The Prime Minister, Mr Robert Mugabe, told Zimbabweans in an optimistic new year message that the country was headed for a promising R317 million current account surplus in 1987 — the first since independence in 1980.

This raised hopes that foreign currency allocations to businessmen would remain substantially the same as in 1986.

The announcement early this month of 40 per cent cutbacks in allocations was therefore greeted with amazement and the cry: "Why?"

Mr Mugabe is not saying but businessmen fear the foreign exchange cost of deploying up to 8 000 men in Mozambique is now having a serious effect on Zimbabwe's balance of payments.

It is believed to cost more than R1 million a day.

HAMISH McINDOE

AMERICA'S Kentucky Fried Chicken Corporation (KFC) is pulling out of SA but the move is neither "total nor immediate", a company spokesman said at a franchisers and management meeting in Sun City yesterday.

The franchisers, which comprise two-third's of KFC's 180 outlets in SA, will be unaffected by the move.

About 60 company-owned restaurants will be sold into the ex-

Kentucky Fried move not 'total or immediate'

isting franchising system to complete KFC's divestment of its SA assets.

KFC's Johannesburg head office called the managers of these outlets to an emergency meeting yesterday afternoon.

They were told that any fran-

chiser could buy into company owned outlets.

The company will still trade under the KFC trademark in SA and will probably maintain its presence here under licensing agreements.

The franchisers and manage-

ment are in Sun City until Thursday to discuss KFC's future in SA.

The company is ranked as the world's second biggest restaurant chain on \$3.5bn sales, after McDonalds and Burger King.

LINDA ENSOR reports that, in a development affecting another company, negotiations are under way for a management buy-out of the local operations of Canadian business forms manufacturer Moore Corporation, which announced its withdrawal from SA two weeks ago.

BITTER SWEET DISPUTE

CP Correspondent

A BITTER dispute gripped a tiny chocolate firm in PE this week

On Friday, 25 workers at Beacon's PE depot staged a sit down strike in solidarity with two Food and Allied Workers, Union (Fawu) shop stewards dis-

missed from Beacon in Durban on February 6.

However, Ivan Epstein, Beacon's spokesman said the two unionists were reinstated. He also denied union claims that the PE workers were locked out. Bob Tharrat, PE branch manager, refused to com-

ment, but referred City Press to a report in which Epstein said "Workers are on our premises, but not inside the depot"

However, Epstein was also reported as saying workers were locked out to protect valuable stocks and vehicles.

Workers claim they were met by locked gates on arrival at the factory on Monday - an apparent breach of agreement reached last week.

But they said they were allowed back into the factory on Tuesday where they were handed slips demanding their resignations

They said they refused to sign

City Press has a slip which contains the single line "I am tendering my services in terms of my contract of employment"

In a Press statement, Regional Secretary of the Fawu, M Ndzulwana, called on factory manager Tharrat, not to involve the police

At this stage 2,500 Beacon workers are on strike in Durban and Cape Town - East Cape News Agency

Political comment and newsbills by ZB Molefe; headlines and subediting by Jon Swift, all of 204 Ellof Street Ext, Johannesburg

Not that Bjelke-Petersen espouses apartheid. He deplores the system, but says that while SA undoubtedly has severe racial problems to overcome, it must be allowed to solve them without

in the eyes of many expatriates at least, Bjelke-Petersen's march to Canberra and his ability to test Labour at the polls cannot come quickly enough. For SAA, it may just come in the nick of time.

such they war, Sow is re AN i passp edito Than yeste the Home Ma leave on W Inter ation meet Fina hom THE to b home popu "frig town SA F ing S said black town

Fast foods, faster profits

SC
N

THE potential of the R700m-a-year fast food, restaurant and catering franchising industry had hardly begun to be exploited, Federated Hotel, Liquor and Catering Association (Fedhasa) operations executive president Fred Thermann said.

NORMAN SHEPHERD

"Only a small percentage of total retail sales in SA are through franchises, compared with 35% in the US, which is said to be a roughly comparable market," he said.

succeed, compared with the 85% of failures among untried businesses lacking management skills and proven systems. "The big growth area in the market now is among black clientele generally, and among speciality groups such as weight-watchers and fitness enthusiasts.

Thermann said the industry had recession-proof 20% annual growth and interest in it had never been greater, with 1 372 franchises of all kinds and 79 franchisers in SA.

"A potential pitfall is that a popular concept today can become a spent fad tomorrow, while too rapid expansion without adequate management skills and systems can be fatal to a franchise business."

"SA franchises can expect a return of 35% a year and a break-even point within seven months," he said.

Thermann said Fedhasa was addressing the issue by organising a seminar on franchising trends, potential and pitfalls on Monday, February 23, at the Sandton Sun Hotel in Sandton.

"About 90% of franchised businesses

12345

AIRLINE MOVEMENTS

Milky Lane boosts Lucy

By Ruth Golemba

Juicy Lucy's new fast-food chain, Jackpot, which is aimed at the black consumer, will open its first outlet in the next few months.

JUICY Lucy's interim results show that the Milky Lane acquisitions are starting to bear fruit.

In the six months to November 1986, Juicy Lucy lifted taxed income by 85% to R264 000 and increased earnings a share by 40% from 2c to 2.8c.

Managing director Geoffrey Topol says the Milky Lane Franchise, taken over last August, has made a significant contribution to profits.

Since the 10 Milky Lane stores were taken over, four outlets have been opened and three more are in the pipeline, including one on the revamped Durban beachfront.

(86) S/T 2/2/87

1st section: Interpretation: ---

pg 4 (1) "abstract, separate: A underline

(2)

"Now the way things to understand... a struggle was a result"

(3)

In this epoch... that any talk...

(4)

Genuine talk... There are, on hand the counter...

all writing to be added

Premier to act on foreign creditors

Ovenstone's future hinges on Chile debt

THE FUTURE of the Ovenstone group hinges on whether the Premier group can prevent foreign creditors calling in a R60m debt incurred by its Chilean fishing operations.

Premier's financial director Gordon Utian said yesterday that Premier had interposed itself between the foreign banks, mainly in Chile and the UK, and Ovenstone.

Utian said that for all intents and purposes "Premier is guaranteeing that debt".

This was despite the fact that Premier had no moral or legal obligation to do so, "but it has our handwriting on it. Some of these banks are not very sympathetic".

Utian said if the loans were called up, Ovenstone's assets in Chile — including vessels, buildings and plant — could be liquidated to cover a major portion of the debt. The balance, however, would have

GERALD PROSALENDIS
Economics Editor

to be paid from SA in financial rands, which would have the effect of doubling the remaining debt in rand terms.

Meanwhile, Premier has remained tight-lipped about its plans for Ovenstone in which it holds a 43% share.

Utian said, "We have to consider carefully all the options open to us. However, it is unlikely we will leave the company as it is."

Besides walking away from the problem, at a cost of about R16m to Premier from its investment in Ovenstone, Premier has few other options. This course of action is unlikely because of the potential damage to Premier's standing.

The first, and least painful, option would be if Premier could restore the

● To Page 2 →

Ovenstone debt is R101m

Chilean enterprise to profitability to enable it to service the R60m foreign portion of Ovenstone's debt.

Utian said: "We hope to earn our way out of the problems in Chile. The company has a fine facility, competent management, but is sitting on a mountain of debt."

"With the acquisition of Southern Seas Fishing Enterprises comes further good local management and an excellent factory in Saldanha Bay. This, together with the existing SA and SWA fishing operations, should substantially improve the group's prospects."

A rights issue would seem out of the question given that Premier would be forced to underwrite the issue — there would be no other takers — and it would then be left holding the baby. This would mean Premier ending up with an even bigger holding in Ovenstone, diluting its capital with non-earning assets.

Another option would be for Premier to take out the minority shareholders

either by means of a cash underpin or by swapping Ovenstone shares for Premier shares. This, however, would be a quixotic gesture.

It is estimated that Ovenstone shares will have a 6c to 7c net asset value at the end of March. This compares with a net worth of 69,8c a share a year ago.

At a shareholders' meeting last Friday the new chairman, Tony Bloom, said it took him 12 months to unravel the structure of the Chilean company and the extent of its debt exposure.

Ovenstone's total debt now stands at about R101m after Friday's meeting at which disgruntled minority shareholders ratified a scheme whereby Ovdeco, Ovenstone's property interests, was sold for R23m to Ovbel, a new company headed by the former chairman Andrew Ovenstone, at a price 17% below gross book value.

← ● From Page 1

MINING/COMPANIES

Optimistic view for gold in 1987

26/2/87 B/Day

MIKE ROBERTSON

LONDON — The 1987 gold market will be more indecisive than last year.

But the gold price should average \$425, metal brokers Shearson Lehman Brothers say in their annual review of the gold industry.

The review was conducted by the metals research unit of Shearson Lehman and the mining team of L Messel. It predicts a deterioration in the fundamental supply/demand balance with an increase in mine production for the seventh consecutive year and a fall in consumption, reflecting a reduction in Japanese offtake.

But the strength of the dollar, the rate of inflation, the level of unease in world politics and the attractiveness of alternative investments are factors which can easily outweigh the bearish fundamentals, it says.

Predicting further dollar weakness, the review says if the dollar fell to DM1.60 or 135 yen, the outlook for gold should be constructive, suggesting a testing of the \$450- and possibly \$500-level during the year.

However, the most bullish argument is based on hopes of a flow of funds from alternative investments.

The review says: "Should the US stock markets start to top out, then we would expect to see large scale diversification of assets as investment managers attempt to preserve the value of their funds."

"Gold would be the beneficiary of at least a portion of these funds. To put the relative sizes of the two markets into perspective, a shift of only 0.45% of the capitalization of the world stock markets (basis mid-year 1986) would have been enough to soak up the entire investment purchases of gold by the private sector between 1975 and 1985."

Although investment managers are content to stay with Wall Street and other stock markets, the higher these markets went, the greater the desire to diversify into gold.

Citing the limited potential of further cuts in US interest rates and high inflation in the industrialised world as reasons, the review predicts an end to the

rally in bond prices.

As world bond markets are bigger than stock markets, the review says it would take a shift of only 0.3% of global fixed interest funds into gold to soak up the entire 1975/85 surplus, estimated at 1 800 tons.

Sounding a negative note, the review says there is no doubt that any rise in 1987 gold prices will have to be demand-pull- rather than cost-push-generated. Investment buying, or lack of it, will determine price levels rather than the shortage of supplies.

"On balance then, it is more likely to be the 'uncertainty factor' rather than the 'inflationary factor' which will determine gold prices in 1987," it says.

While gold recently slipped through the \$400 level, there was no reason why bursts of dollar strength should not see prices dip towards the \$360-\$375 band.

"However as the year unfolds we expect the market to spend most of its time between \$400 and \$450."

"It would need substantial investment buying or a sharply weaker dollar for prices, even temporarily, to approach or exceed \$500 and, on balance, we would discount the likelihood of any sustained period at these higher levels."

"We do, though, look to some switching of funds from other sectors and predict an average price for the year of \$425/oz," it adds.

The review predicts a surplus of 249 tons for the year. Supply should rise to 1 676 tons (1 607 tons last year) while demand will drop to 1 427 tons (1 553 tons last year).

Official coins will show the largest drop in demand — down to 250 tons from 350 tons last year.

Main reason for this is the decision by the Japanese authorities to postpone the second minting of Hirohito coins.

The review predicts that net official purchases will fall in 1987, but remain positive with South Africans rebuilding their stocks as the rand strengthens and Latin American producers building reserves for strategic reasons when possible.

Sparkling year for Cadbury Schweppes

MERVYN HARRIS

SIGNIFICANT strategic changes helped Cadbury Schweppes lift taxed profit 79% from R5,5m to R9,9m for the year ending January 3, 1987.

The final dividend of 60c (49c) boosts the total payout for the year from 64c to 75c a share.

Earnings a share based on the weighted average number of shares in issue increased from 107,2c to 172,2c. This takes into account the 1,115-million shares issued in settlement of the R22,3m purchase of Bromor Foods Without Bromor, earnings would have been 144,4c a share.

The directors say the group ended the year on a strong note with improved trading results in its main operating divisions. Successful new product introductions and tight control of costs and working capital contributed to improved earnings by Cadbury's confectionery and Schweppes's carbonated soft drinks operations.

The directors expect further improvements in these core divisions.

T
says
of t
dan

pac
leve
are
Met
cabi

Troubled waters

F/M 27/2/87
186

The different reports which appeared in the press following the Ovenstone Investments (Oil) shareholders' meeting last Friday must leave investors who were not present thoroughly confused. How did the company get into this mess and could it have been prevented? What is Oil worth, what is its debt and what is the impact on Premier?

To recap key facts, a resolution was passed overwhelmingly in favour of selling the property interests of Oil to Ovbel, as announced in December. Total borrowings of Oil, whose shareholders' funds were R38m at end-March 1986, were R121m before the sale of the properties and after the sale amounted to



Ovbel's Owenstone ... accepting responsibility

R88m, of which R60m is foreign debt. Former Oil chairman, Andrew Owenstone, is running Ovbel, in which Oil has no interest and whose only assets are the property, homebuilding and construction interests.

Premier chairman and present Oil chairman, Tony Bloom, pulls no punches. "Oil cannot possibly survive without Premier's support." He points out that banks do not find a combination of South African and Chilean debtors very satisfactory, but Premier has seen the banks and they will not call in their debts.

Bloom says the full extent of the borrowings only became known last December. A crucial point was that the borrowings of the offshore structure had not been consolidated in the Oil accounts. This is because there was a 50% shareholder of the foreign interests in Jersey, wholly owned by a party in England, though Oil had an option to purchase the shares at a nominal price.

What changed the picture was the discovery that there was also a "put" option (for a nominal amount), which meant that the individual in England could force Oil to take the shares in the Jersey company at any time. Neither Oil's board nor its local or overseas auditors knew of this put, which was not recorded in writing; when its existence be-

came known, Bloom insisted that the accounts of the foreign holdings be consolidated, as "the company which technically exercises control is in substance a nominee for Oil."

At the December board meeting where it was decided to consolidate overseas companies, Bloom and the two other Premier representatives on the Oil board also insisted that a write-off totalling R29,1m be made. This included a barge, "pre-incorporation expenses," goodwill and a reduction in the book value of Chilean investment, Pesquera Iquique, to underlying tangible asset value. This write-off, combined with the sale of the property interests, is expected to reduce net asset value from 69,8c a share at end-March to less than 10c by the year-end.

Ovenstone contends, and Bloom agrees, that the fall in the rand substantially aggravated the borrowings position, as the foreign loans were raised mainly in the early Eighties. But this is a problem that many South African companies have had to face — it begs the question of how the board could be kept in the dark, even if the accounts were not consolidated. Had the accounts been consolidated, forex losses could have been provided. The loans were apparently raised on Ovenstone's authority and serviced from the earnings of Pesquera Playa Blanca (PPB).

Ovenstone admits that "as chairman, I must be responsible for the position in which the company finds itself," but he disagrees about the put option. He states that "there was no legal or written agreement against the company," but he also states that "I had given an undertaking to find another investor to invest in the company should that investor want out;" and it was made clear to the board that Oil could not abandon the Jersey company.

This raises the question should Oil be held liable for a verbal undertaking given by its chairman, even if in his personal capacity? Most of the parties involved seem to think so.

For Ovenstone, failure to consolidate the overseas loans is a technical point. "The degree of responsibility for the loans and the way in which they were financed might indicate they should be consolidated," he agrees, but argues that "we did not do so because of SA's international position and because we felt the company should stand on its own two feet."

Another intriguing question is why the group had as many as 25 overseas companies. Ovenstone maintains some are boat-owning, some are dormant, some were established for tax reasons, and two are holding companies in Bermuda. This seems a large structure even for a multinational

Premier has been condemned for not taking action sooner. But it must have cost Premier heavily, taking a year of investigation, including considerable time spent by Bloom himself, who had to visit Chile, the UK and Europe to unearth the facts. As he points out "Premier is a minority shareholder and could have walked away." Its investigations revealed the depth of the problems and, as Bloom says, if approval for the disposal of the property interests had not been obtained at last week's shareholders' meeting, "I believe we could be faced with a creditors meeting."

Bloom considers PPB an excellent trading



Premier's Bloom ... revealing the problems

company. Assets amount to \$30m and the loans should be reduced in five or six years. In SA, the management of recently acquired Southern Seas Fishing Enterprises (SSFE) has been installed in Oil. Says Bloom: "SSFE has always been profitable and a cash generator. The Oil fishing interests will also be profitable, as the trading operations are quite healthy."

As far as Premier is concerned, the Oil debt will probably lift Premier's borrowings by R35m or 6,7% of the September 30 figure, but Bloom points out that Premier's debt always falls at year end. "Premier's 1987 earnings are looking very good and should be a record," he adds. *Pat Kenney*



• TOPOI

Expanding Juicy Lucy posts 68% boost in income

MERVYN HARRIS helped ACQUISITIONS help Juicy Lucy boost taxed income 68% from R142 000 to R240 000 in the six months to November 1986.

And the first store in a chain of outlets aimed at the black market opens in Johannesburg next month.

Earnings were up 40% from 2c to 2,8c a share and, because income is traditionally higher in the second half, MD Geoffrey Topol expects an even sharper rise in earnings.

"An improved business climate will further contribute to a steady growth in our business," he says. Effective controls and increased marketing activities have been positive factors in difficult trading conditions.

Since the acquisition last July, and August of the Milky Lane franchise chain and nine Juicy Lucy outlets in Pretoria, four more outlets have come on stream.

Another development is the chain of outlets aimed mainly at the black market. The first store in the chain, sited in the Johannesburg CBD, is scheduled to open next month.

"The concept is the culmination of a well-planned strategy aimed at meeting the specific needs of all sectors of the market. Menu changes throughout the Juicy Lucy group, including new products, are designed to attract a broader customer base," says Topol.

Plans to introduce certain ranges of Juicy Lucy products at supermarkets are well under way. Initial consumer reaction has been positive.

"This will increase our brand exposure and provide an additional source of royalties for the group," says Topol.

Juicy Lucy shares eased 5c to 105c ahead of the results. The dividend yield of 1,5% reflects the market's high rating of the share.

Newly listed Milly's taxed profits up more than 100%

Business Day Reporter

MILLY'S, the newly listed Cape-based fast foods and convenience store chain, more than doubled taxed profits to R202 000 from R94 000 in the six months to December.

Earnings were up at 3,44c against the previous year's 1,75c, with the number of shares in issue at December 31, 1985 restated to allow proper evaluation of the results.

A dividend of 1,5c a share was declared. On prospects, the directors say they believe even though previous experience indicates the results for the first half of the year are generally better than those for the second half, additional income from the Carousel as well as from the Claremont store — until October last year a franchise outlet — would offset this trend.

They thus expected similar earnings for the remainder of the financial year.

Handwritten: 186 / 1/16/3/87

Taking a croc by the tail



Whatever Andrew Ovenstone might say, the floundering of his family company — and the hardships that some minority shareholders might feel as a result — is hardly to his credit. His observation that he himself has the skin of a crocodile is perhaps a rare insight after the mess he's made of the family business.

For years to come, we guess, the rise and fall of Ovenstone Investments Limited (Oil) will feature as a case study at business schools.



Ovenstone

A family company, founded at the turn of the century, has in the hands of the younger generation seen profits dwindle and debt increase. After two periods of brief good fortune, the new owner realises something is amiss and its chairman jets abroad to discover the truth, finally stepping in to protect the minority shareholder — and what little is left of its original investment.

These are essentially the facts of the Premier/Ovenstone saga. Premier made a business decision to invest in Oil, a decision which proved unwise. It was to protect this investment that Premier chairman Tony Bloom recently spent much of his own time and that of his top management. Other truths are that:

- The Ovenstone family sold their shares to Premier when profits started fading,
- The way former Oil chairman Andrew Ovenstone handled the foreign investments leaves questions unanswered, even after Bloom's investigation, and
- The amount actually lost by the Ovenstone family, after their management of Oil axed net worth a share from a high of 86,9c to less than an anticipated 10c in two years, was minimal.

Oil is based on an operation started in 1901 by John Ovenstone, a pioneer of SA's rock lobster and pelagic fishing industry. Earnings reached a peak of 31,7c per share in 1974, but collapsed to 9,4c by 1979, during which time issued shares increased only 1,3m (9,6%).

Part of the reason for the slide was

Premier's stake in Ovenstone seems to have been taken for strategic reasons involving competition with rival Tiger. But the sorry tale of mounting debt was only uncovered much later by Tony Bloom. The intricacies of what occurred have yet to be finally sorted out — and many questions remain.

the state of the South African and Namibian fishing industries. Fishmeal factory ships were introduced in 1968 in Namibia and by 1972 had to be withdrawn since the fish resource had "collapsed," as stockbrokers Mathison and Hollidge put it in a report on the fishing industry. "Exploitation pressure was intense during the years 1974-1977 pilchard quotas were curtailed substantially in 1978 and 1979 but by the close of the 1980 season it was clear that the SWA pilchard stock was under extreme threat." From 1982 until 1985 catches of pilchards were subject to strict control. The pattern in South African waters was similar, but with an inexplicable record catch in 1976.

In an effort to reduce vulnerability to the vagaries of the local fishing catch, a number of fishing companies invested in Chile. With international fishmeal prices peaking at US\$800/t and falling to \$280/t, profits earned on these investments declined and almost all South African companies pulled out of Chile, but Oil, which had invested in 1979, remained.

Oil's attempts to diversify continued with investments in property and construction, and by 1981 these non-fishing interests con-

tributed more than half group profit. Income from property and construction operations peaked in 1984, in 1985 taxed profit fell from R5,6m to R1,2m and, for the first half of 1986, amounted to only R238 000.

The market did go against Oil — but other listed fishing companies succeeded in coping with difficult periods. What is interesting is the timing of the Ovenstone family's sellout to Premier. Soon after the 56% collapse of earnings in 1979, Premier acquired 50% of Oil's unlisted holding company, Ovenstone Consolidated Investments (OCI). EPS improved between 1981 and 1984, when they reached 12,3c, and the Ovenstones then sold the remaining 50% of OCI to Premier before EPS dropped in 1985 to 9,7c. In return for relinquishing their stake, the Ovenstones were paid R8,2m, or an effective 73c an Oil share. This week the market price stood at 27c.

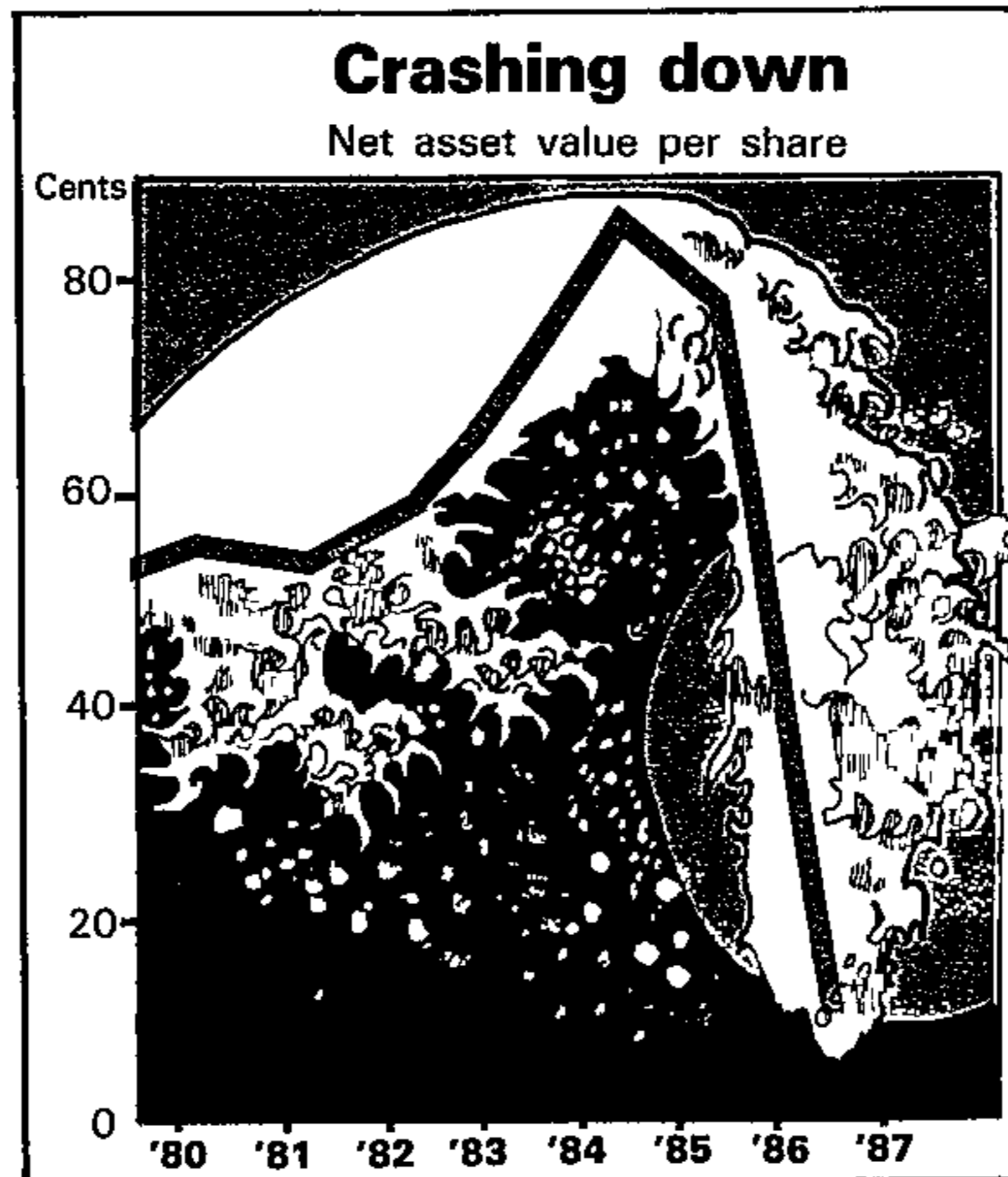


Bloom

Throughout this period the Ovenstones continued to manage Oil. According to Premier financial director Gordon Utian "It was their business originally and one we were not completely au fait with. There was obviously an element of trust there, as we bought the remaining half of the holding company. SA was in a very bad period and most companies were having a difficult time."

Bloom did start querying the level of debt and insisted that assets be sold to reduce borrowings. In 1975 debt:equity had reached 107%, but had only fallen below 70% once since then — to 68% in 1980 — after R9m was raised via a rights issue. This increased issued shares 3,3 times and was supposed to finance the Chilean operation. Yet the debt shown in the Oil balance sheet mounted from R26m in 1979 to R53m in 1986, when debt:equity hit 90%. What is more frightening was that this did not include the total overseas debt — we now know that inclusion of this figure would have raised borrowings to R121,3m.

According to Bloom, when it was suggested that loans be raised overseas to finance the Chilean interests, the board insisted that assets be sold in SA to offset the loans, but this was not done. The fact that foreign interests were not consolidated meant that shareholders did not know the full



extent of the company's borrowings

Meanwhile, the South African operation was having its own problems. Another non-fishing subsidiary, Premier Wire, which contributed R1,1m before interest in 1985, in March 1986 had to write off R600 000 from its previous year's stock figure. By August, its contribution before interest was reportedly down to R600 000. After further investigation, an amount of R3,8m had to be written off relating to the previous year.

Small wonder that Bloom became worried. He states that from 1984 (when Premier became controlling shareholder), various assets, including several properties, were sold to alleviate debt. Budgeted borrowings were forecast to be reduced to R27m by February 1986, instead they reached R52m.

This was not all — there were also the offshore loans. Says Bloom "I had been distinctly unhappy with the fact that the overseas interests were not consolidated." As the *FM* noted last week, the issue revolved around a verbal put on Andrew Ovenstone. The foreign assets were held 50% by Oil and 50% by a company in Jersey. The company was owned by an individual in England and Oil had an option to buy his shares. This was not considered sufficient to make the company a subsidiary; but the existence of a put, which meant that the owner could at any time force Oil to buy all the shares of the Jersey company, changed the picture. If Premier bought the Jersey shares it would wholly own all the foreign assets. The put meant — in Premier's view — that the ostensible owner was only a nominee and the company was indeed an effective subsidiary, whose accounts should be consolidated.

Ovenstone contests this. "There was no written or legal put option against the company. I had given an undertaking to find another investor to invest in the company should that investor want out." But Ovenstone, despite his assumption of personal responsibility, was surely acting as chairman of Oil, which had financed the overseas interests. As the Jersey company has only nominal capital, it was Oil's funds which were on the line. In these circumstances, it is a moot point whether or not a chairman of a company can exercise such a put option in his own name and not be caught in a conflict of interests.

Why did Ovenstone not reveal the existence of the put until late last year, if it were of no importance? It seems, to say the least, a complicated way of doing things. For that matter, the Ovenstone method frequently seems complicated. The group has no less than 25 overseas companies, which Utian says will be reduced to 10. Some of the boats operating in Chile are owned by separate companies, each of which has a holding company, and there are also two holding companies in Bermuda. Even given SA's present international problems, were 25 com-

OVENSTONE ANSWERS

Former Oil chairman, Andrew Ovenstone, replied to our article in the following terms:

"As I am no longer chairman of Oil, I have no intention of responding to yet another provocative article on that company. Were I to respond to the bias and correct certain facts it would, in my opinion, damage its international business, and as one of the largest non-institutional shareholders in Oil/Ovgroup (Ovenstone owns 450 200 Ovgroup shares, or 0,6%), I look forward to its recovery.

"For the record, I made the following points at the meeting on February 20.

- My sincere regret at the course of events,
- My emphatic belief that management had acted in good faith, and in the perceived best interests of the company,
- My summary of events beyond management's control: the collapse in the fish meal and fish oil prices, the new plant and

the debt moratorium, the declining rand, a high percentage of the writedowns and the effect in rands of US\$ writeoffs, the state of the domestic property market in 1985-1986,

□ That as chairman I refused to blame anyone else,

□ That, in my opinion, no written or verbal put existed against the company;

□ That all line management in the residual Oil Group remained in place, and that I consider the fishing companies to be well run, and

□ That I was initially opposed to the sale of property, homebuilding and construction interests — a position which I changed when the Southern Sea Fishing Enterprises investment opportunity arose.

"The above statement, together with your not tainting Ovbel with what has happened, just may bring a little balance to the article."

panies necessary — and why?

Ovenstone maintains that there is no question of "wilful non-disclosure" and says that "I had drawn attention to the loans many times, but the international division is in two compartments so the loans were in different compartments of the accounts. The directors did not add the compartments up. In the annual accounts our policy was to disclose the liabilities guaranteed in SA. The figure was low because the foreign assets would have covered the balance of the loans."

Deducting assets from loans is certainly an unusual accounting procedure, and gives no indication of the overseas gearing. It seems to us that total liabilities must exceed assets if there were still liabilities to bring into the Oil accounts after assets had been deducted.

But why did it take Premier's representa-

tives so long to rouse? Premier became the controlling shareholder in 1984, but the investigation was only launched in 1986. Utian says that "it is not easy to get a company chairman to leave." But there was no strict management contract which made the Ovenstones' removal impossible. Quite simply, it seems that Premier's top management just took a long time to wake up.

One must also wonder why Premier saddled itself with Oil in the first place. According to Utian, it seemed at the time that a major portion of the local fishing resources would be tied up by arch-rival Tiger Oats. The Oil acquisition was seen as a strategic investment. "Then the resource decreased sharply and all the fishing companies went overseas," says Utian.

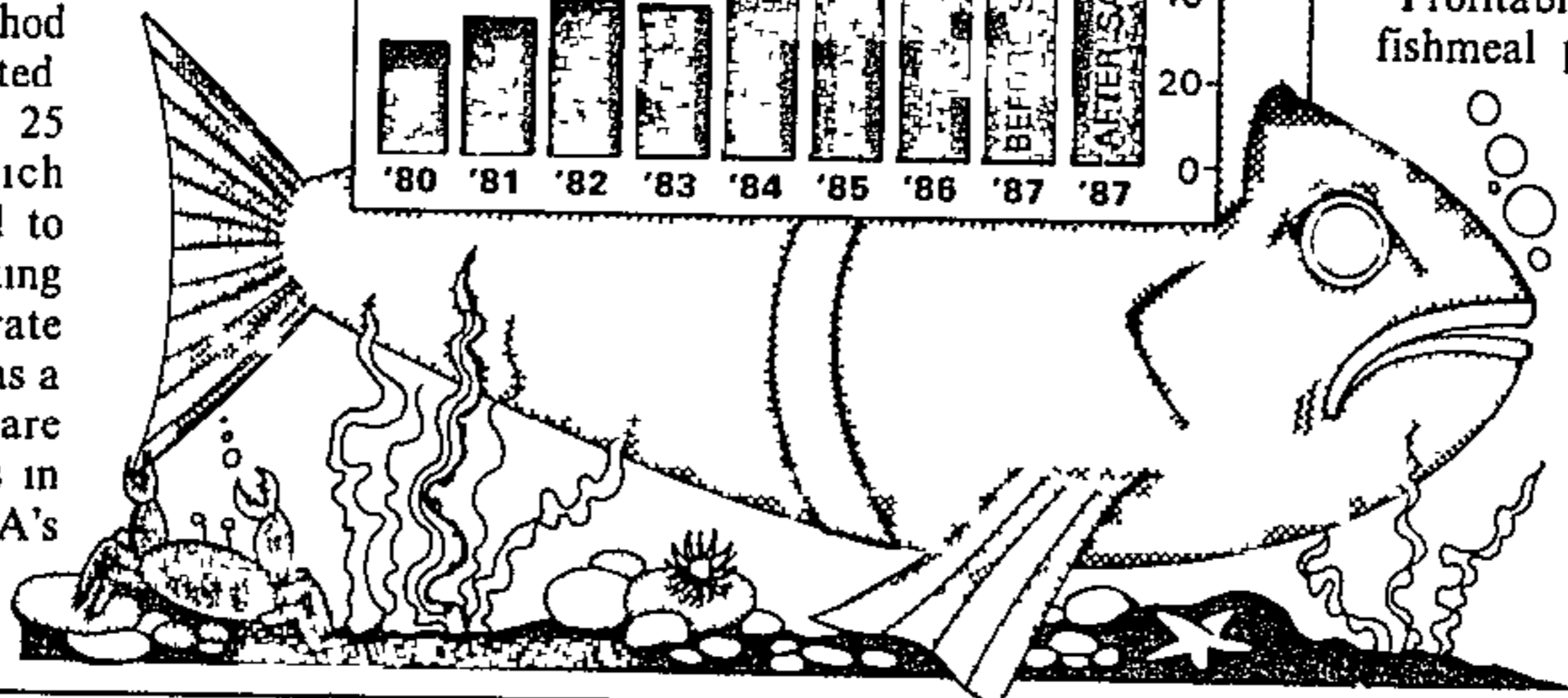
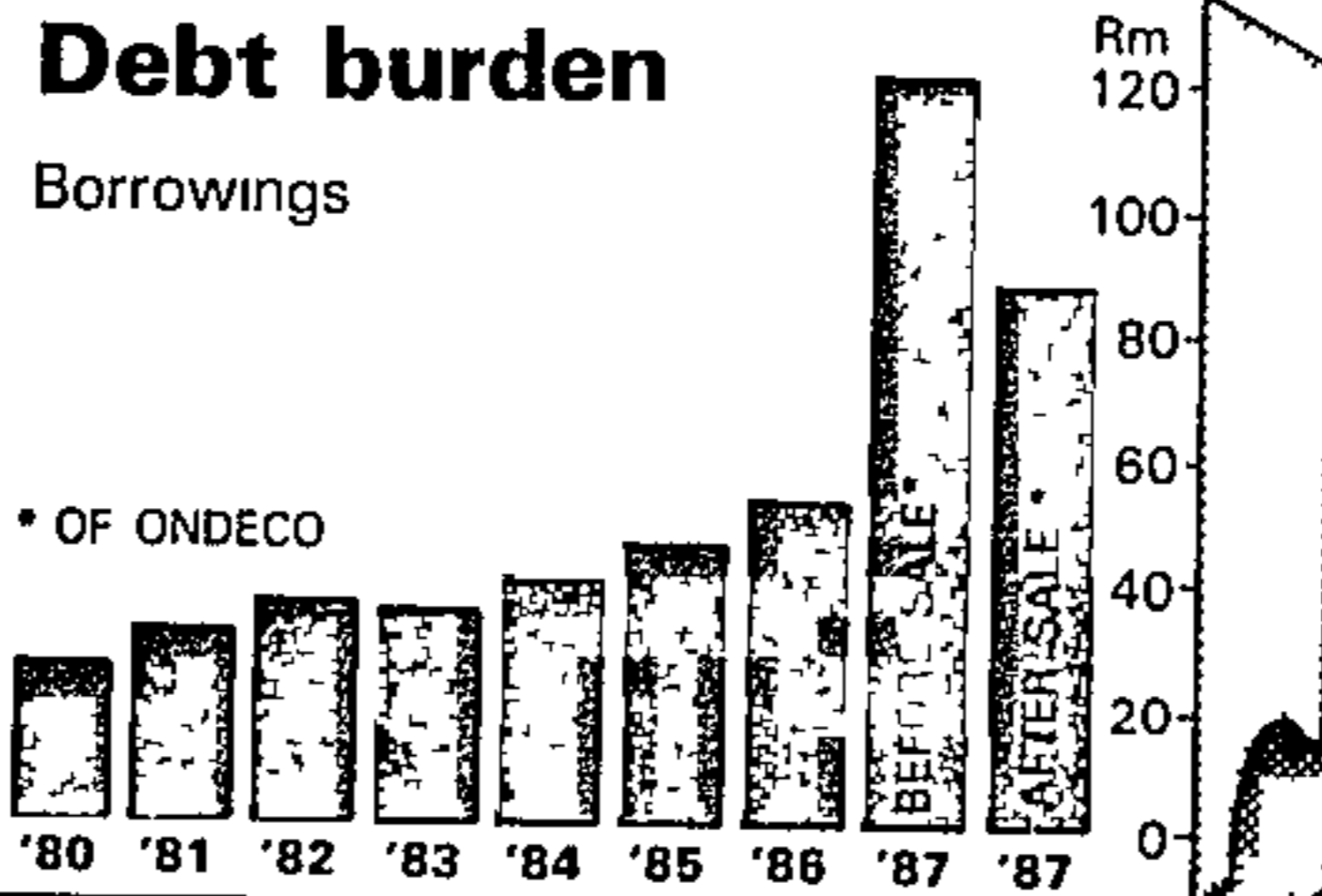
Premier has probably stayed with Oil for strategic reasons, so as to keep an investment in the fishing industry. Doubtless it could eventually find a use for some overseas companies, especially with \$31m in foreign assets. The Chilean debt should be halved within five years and will be financed by the overseas operations, so it will not act as a drag on Oil. Says Bloom: "Profitability will depend upon world fishmeal prices, but dividends from

Chile will probably not flow for five or six years."

With the local operations, there is a problem of funding. Oil has taken tremendous write-offs and the building and construction interests have been sold to Ovbel for R23m, but this only reduces debt. After writedowns and property sales,

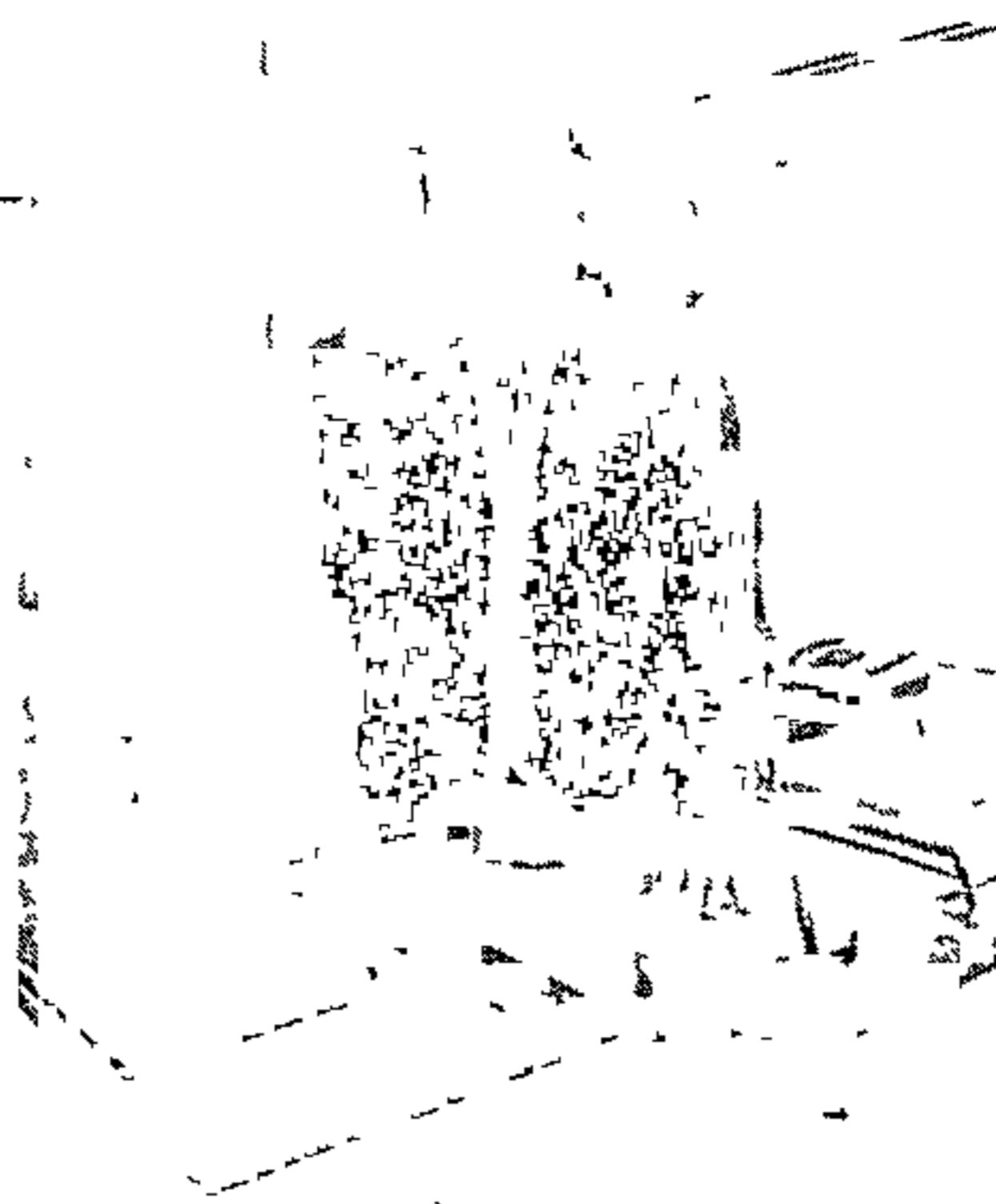
Debt burden

Borrowings



shareholders' funds had shrunk to R18,8m against total borrowings of R88,2m, of which R60m (\$26m now consolidated) relates to foreign companies and therefore must be sensitive to currency fluctuations. Declines in the rand could be ominous as far as borrowings are concerned, even though these loans are covered by stocks and debtors to the tune of \$5m. And there is still the recent acquisition of Southern Sea Fishing Enterprises (SSFE) to be financed.

Premier's acquisition of SSFE last year was partly to buy management described by Bloom as "very experienced" in the fishing industry and, as may have been intended from the start, SSFE management has been installed in Oil. It is highly probable that Oil's other non-fishing interests will be sold and other financing packages are being investigated. A rights issue is not expected, as Premier would effectively be converting loans owed to it or its bankers into equity, as virtually no one would take up their rights



**Premier's Utian ...
'an element of trust'**

In addition the funds are really needed overseas. Prospects are gloomy for at least two years, according to Bloom. "A significant loss will be posted for the current financial

year. Next year is more promising from an earnings viewpoint, but a significant portion of anticipated earnings (in Chile) are not available for dividend purposes," he says.

The fact remains that Premier had to speak to Oil's bankers to stop them calling in their loans and, as Bloom put it, "Oil cannot possibly survive without Premier's support."

As for the Ovenstones, they sold out to Premier for R8,2m. Ovbel, to be managed by the Ovenstones (see *Property*) has been formed and has bought Oil's property interests for R23m.

The public supplied 70% of the capital and management (the Ovenstones and managers of the subsidiary companies) supplied only the other 30%. The net worth of Oil, meanwhile, has collapsed from R38,4m a year ago to an anticipated level of less than R4,9m, with borrowings of R88m. Ovenstone plans to list Ovbel in 1988, when shareholders will have another opportunity to enjoy the benefit of his management. **P.T.O.** Pat Kenney

extent of the company's borrowings.

Meanwhile, the South African operation was having its own problems. Another non-fishing subsidiary, Premier Wire, which contributed R1,1m before interest in 1985, in March 1986 had to write off R600 000 from its previous year's stock figure. By August, its contribution before interest was reportedly down to R600 000. After further investigation, an amount of R3,8m had to be written off relating to the previous year.

Small wonder that Bloom became worried. He states that from 1984 (when Premier became controlling shareholder), various assets, including several properties, were sold to alleviate debt. Budgeted borrowings were forecast to be reduced to R27m by February 1986, instead they reached R52m.

This was not all — there were also the offshore loans. Says Bloom, "I had been distinctly unhappy with the fact that the overseas interests were not consolidated." As the *FM* noted last week, the issue revolved

OVENSTONE ANSWERS

Former Oil chairman, Andrew Ovenstone, replied to our article in the following terms:

"As I am no longer chairman of Oil, I have no intention of responding to yet another provocative article on that company. Were I to respond to the bias and correct certain facts it would, in my opinion, damage its international business, and as one of the largest non-institutional shareholders in Oil/Ovgroup (Ovenstone owns 450 200 Ovgroup shares, or 0,6%), I look forward to its recovery.

"For the record, I made the following points at the meeting on February 20.

- My sincere regret at the course of events;
- My emphatic belief that management had acted in good faith, and in the perceived best interests of the company;
- My belief that the company's management

the debt moratorium; the declining rand; a high percentage of the writedowns and the effect in rands of US\$ writeoffs; the state of the domestic property market in 1985-1986;

- That as chairman I refused to blame anyone else,
- That, in my opinion, no written or verbal put existed against the company,
- That all line management in the residual Oil Group remained in place, and that I consider the fishing companies to be well run; and
- That I was initially opposed to the sale of property, homebuilding and construction interests — a position which I changed when the Southern Sea Fishing Enterprises investment opportunity arose.

"The above statement, together with

Soap opera cliff hanger ^{Capit Times 9/3/87} as . . .

Starke gets Ovgroup/Oil, Walsh an offer deadline

By AUDREY D'ANGELO
Financial Editor

A SHAREHOLDERS meeting in a city hotel yesterday left everyone still waiting for the final chapter of the Ovenstone group (Ovgroup) story, which has taken on some of the characteristics of a soap opera

The end will be known in seven working days. Minority shareholders led by Jack Walsh, chairman of sea diamond company Mervest and a former Ovgroup skipper, have until then to put together a R125m package which will include paying R28m in cash for the Ovgroup fishing companies

They will have to release the Premier group from all liabilities in respect of the fishing companies by convincing creditor banks overseas that they can guarantee multi-million dollar debts which might have to be paid in financial rands

And they will have to repay a loan of R34m which Premier has made to the fishing companies

Meanwhile, the meeting agreed to an offer which has given civil engineering firm Basil Starke control of Ovgroup and Ovenstone Investments (Oil) from April 1 for a consideration of R17,8m

The names of the companies will be changed to Basil Starke group and Basil Starke Investments and shareholders can

either retain their shares, sell them or accept Premier shares — or choose a combination of all three

If Premier, which has bought the fishing companies back from Basil Starke for R21,5m, sells them to Walsh and his associates the difference in price — about 10c a share — will be distributed to all shareholders including itself

This compromise was reached after a lively and lengthy meeting in which Walsh pointed out that Premier was in "a dual-hatted position" in asking shareholders to dispose of Ovgroup's main assets to itself at a price described by its financial director, Gordon Utian, as "hypothetical"

Premier chairman Tony Bloom warned that it was not easy to deal with overseas banks who regarded Chilean debts guaranteed by an SA company as "the worst possible combination"

Bloom said Ovgroup's Chilean operation owed \$15,5m in short-term loans from different banks in Chile who were "extremely nervous about it and particularly about guarantees from SA in view of the debt standstill" and could "pull the rug out at any minute"

He and Premier financial director Gordon Utian had found negotiations with these banks "difficult and torrid"

In addition to this, Ovgroup owed \$9,5m to other overseas

creditors

Bloom said he thought it unlikely that the Chilean operation would catch the 160 000 tons of fish budgeted for this season, and any profits made would have to be used to pay off creditors

Walsh said he considered the Chilean operation "the joker in the pack"

Fish meal prices had risen and he thought that if 150 000 tons of fish were caught it would finance the interest burden and allow certain debts to be paid

In answer to questions from Walsh, Bloom said a decision to replace the factory ship in Chile with a land-based factory had been taken before the introduction of a two-tier financial system making overseas debts payable in financial rands. And the factory had cost \$8,5m more than expected

In addition to this, a further \$1,5m or \$2m would have to be spent on making the factory more efficient

He said some of the fish meal produced at the factory was sold to Premier

Early in the meeting, Walsh said his offer was subject to the consent of Mercabank — mentioned in a Supreme Court hearing as providing bridging finance

But after an adjournment he said he was "confident" that a firm offer could be made within seven working days

Clover workers fight on

By S'BU MNGADI

NINE months have passed since 168 Maritzburg Clover workers went on strike against the summary dismissal of two shop stewards for allegedly threatening a "scab", but they are still united - in trying to get their jobs back

Their dismissal saw a national campaign for their reinstatement being launched by the Food and Allied Workers' Union

Fawu and other Congress of SA Trade Unions members vowed to bring pressure on Clover management

Commercial, Catering and Allied Workers' Union members refused to handle

186
Clover products in several stores countrywide. Some Natal factories went on strike - demanding the removal of Clover products in their canteens

But still Clover management would not budge

Instead, it started a long court battle against Fawu, Cosatu and support committees to prevent support of a national boycott of Clover/National Co-operative Dairies products (Clover controls 174 000 shares in NCD)

The company lost the case

Fawu charged that the company relied on the state of emergency to smash their campaigns

Last month, the Clover Workers' Support Committee in Durban placed advertisements in several newspapers to highlight the dismissed workers' plight

In the ads, five old men whose experience with Clover exceeded 30 years each, told of their struggle to get their jobs back. They also claimed that with a meagre R300 wage they supported 10 people each

This had an apparent ef-

fect on the company's image - because it came out with a "final offer"

It would reinstate the five old men in Maritzburg, reinstate 48 workers with 10 years' experience in Durban plants and the remaining 115 would get four months' wages - but no jobs

In a major attempt to compromise, Fawu proposed that eight workers with 17 years' experience be reinstated in Maritzburg, 71 workers with over five years' service be reinstated in Durban and the remaining 89 be given eight months' pay and be guaranteed jobs as they arise

"Though this proposal showed workers were prepared to compromise to reach a settlement, the bosses rejected an offer not far from their own offer," said Fawu organiser Reve Roux

So the dispute continues

The union claimed that at the height of the dispute it managed to organise 10 new plants - apart from 23 it had organised before - but the company still refused to formally recognise it

Mike's Kitchen sold to Satbel in a R4m deal

B. Day

KAY TURVEY

SATBEL has purchased Mike's Kitchen steakhouse chain for R4m, in a cash deal announced last night.

In the deal effective from January 1 this year, Satbel paid 62c a share for 65% of Mike's Kitchen Franchising Limited. Former Mike's Kitchen chairman David Lewis retains a 5% shareholding. The 62c per share offer will also be made to minority shareholders.

Mike's Kitchen shares, which trade on the JSE Development Capital Board, were suspended at 75c a share earlier this week.

Kersaf Investments deputy MD Ian Heron said the deal would provide diversification for Satbel in a "good growth sector" and provide impetus for a thrust into the restaurant business.

Heron described Mike's Kitchen as an "ideal vehicle" to put into the company to make for "one stop entertainment centres". Satbel has investments in cinema chains and fast food outlets.

Mike's Kitchen, with 47 outlets throughout the country, has expanded rapidly over the past four years — a growth Satbel intends to maintain, with seven new units opening this year.

Satbel is held jointly by Sol Kerzner's Kersaf and Fed. Le Volksbeleggings Bpk.

The acquisition is not expected to make an impact on Kersaf's earnings per share for the year ending June 1987.

Vulnerable at Bokomo

A TWO-HOUR strike at the Bokomo Weetbix plant in Atlantis in February highlighted how vulnerable casual workers are

Thirty six casual workers were threatened with retrenchment and told they would be replaced by workers from the company's Epping plant

A spokesperson for the Food and Allied Workers Union (FAWU) said the Atlantis workers were employed as casual labour, and every two months had to sign contracts with the company renewing their employment.

It appeared that their continued employment was conditional on their agreeing to sign the two-monthly contracts, the union organiser said

"Some have been signing these contracts for up to a year and even longer. Between 50 and 60 workers out of a total of 86 have been told that they are casual workers, though they work a full working day and a six-day week."

He described employment practices at Atlantis Bokomo as "a complete farce".

"These are not casual workers. They should have the full rights of permanent workers."

According to the FAWU organiser, any person who works for more than three days in a week cannot be employed as a casual labourer in terms of Department of Manpower regulations

"This is an unfair labour practice," he said

The chairman of the Bokomo shop stewards, Mr Abe Hare, said management had agreed to employ the 34 facing retrenchment on "short time" after the entire shift went on strike

He said 26 workers had been offered permanent jobs "We see this as an attempt by management to divide the workers."

Mr Hare claimed that the two workers who did not participate in the strike were also given permanent posts

The general manager of Bokomo, Mr F Fouche, said he did not want to comment while negotiations with the union were under way.

~~Handwritten~~ ~~Handwritten~~ SOUTH 28/4/87 186 ~~Handwritten~~

MICK COLLINS

THE Competition Board says it cannot object to the £100m merger between SA's two television rental giants, Teljoy and Visionhire, as it will benefit consumers.

A weekend statement said its chairman Sef Naude had stated that Visionhire and Teljoy consulted the board in July.

It added: "On the evidence supplied, there is reason to believe that substantial cost savings can be achieved by the merger, particularly in respect of maintenance of the appliances, and that such savings will, in the circumstances, benefit the consumer."

Fresh information indicated that, since the middle of 1986, almost no growth took place in Visionhire and Teljoy's rental business.

"In the light of the information available to it, the board is not aware of circumstances which do not justify the merger of the companies concerned in the public interest."

Competition Board happy with TV merger

B Day 7/4/87 189



Answering questions raised about the validity of the merger, the statement said of a total of 2,200 million television sets and 400,000 video recorders supplied to the market, 210,000 were on rental. "There is reason to believe that rental has achieved a mere 8% of the total market.

● NAUDE

Competition for the merging companies, it said, was provided by 10 groups who had from 15 to 200 outlets and an estimated 800 independent stores — more than 2,000 outlets altogether. "Various forms of financing are available and many businesses carry out rentals. The merging companies do not represent a significant portion of the market properly defined.

businesses engaged in a variety of activities." Regarding the markets concerned, the board said it was significant that the supply of television sets and video cassette recorders took place in several ways. Retail through discount outlets for cash or hire purchase or credit card. Lease terms from a finance company. Retail through furniture stores, appliance dealers and departmental stores for cash or on hire purchase or credit card. Mail order. The direct supply by manufacturers to the business sector, for instance hotels, by sale, rental or lease; and Rental companies such as Visionhire, Teljoy and numerous other small dealers carrying out rental all over the country.

"Of the total number, less than 5% (125,000) is supplied by Visionhire and Teljoy." The statement said that, according to another source, the total number of units supplied up to 1985 was 3,86 million. "Out of that total, those supplied by the merging companies would be approximately 3%."

Censorship 'may affect fair trading'

17/4/07

86

88

JOHANNESBURG — South Africa's censorship regulations could hamper fair trading on the country's stock exchange, businessmen said yesterday following a widespread strike at major companies that went unreported by local media.

On Tuesday, several thousand workers staged a one-day strike at food companies in the Transvaal to protest against the detention of eight union officials, according to Mr Peter Wrighton, deputy chairman of Premier Group Holdings Ltd.

But the strike, which was organized by the Food and Allied Workers' Union, was not announced by the companies and news of it leaked out only yesterday

Vital interest

Business Day did not report the strike, saying instead in a front-page article that it had been "prevented by government censorship from publishing information of vital interest to investors and shareholders"

Officials of the Johannesburg Stock Exchange (JSE) said yesterday that they were worried at delays in reporting such incidents as Tuesday's strike, because it meant that some people were privy to information that could move the price of shares, and others were not

"I am very concerned," Mr David Ferguson, vice-chairman of the JSE, told Reuters "It means that certain people know and some do not."

Business Day said it had been advised by its lawyers that reporting the strike would violate censorship rules

Other lawyers, however, said the regulations do not prevent reporting

the strike, but it is not permitted to say how successful the strike was

Censorship has prevented full reporting of a five-week-old strike by some 15 000 public-sector transport workers which has been linked by police to a wave of firebomb attacks on trains in and around Johannesburg this week

Mr Ferguson said there had been other occasions when potentially market-moving information had not been reported, but he did not know how often

"It could become more and more serious," he said, adding that while he did not believe that censorship had hampered stock market trading so far, it could do so

He added "It actually encourages insider trading"

Premier group's Mr Wrighton said "A lot more of this sort of thing (industrial action) takes place all the time than is reported in the press"

Critics' concern

The JSE, which includes listings of a handful of foreign companies, has been booming in recent weeks, mainly due to a surge in the price of gold

Critics of the censorship regulations have expressed concern that reporting restrictions could erode confidence in the exchange at a time when the country desperately needs new investment, particularly from abroad

Legal experts were divided on whether the strike could be reported, highlighting the uncertainty and confusion that prevails over the censorship regulations

On several occasions, Sapa has retracted reports it has issued on the strike, saying it had been told it was not lawful to publish them — Reuter

Sacked 700 'locked out'

MORE than 700 workers have been dismissed from a major fruit canning factory in East London following a wage dispute

Workers at Langeberg fruit canning factory were

locked out and dismissed on April 7 and the company has been accused of using "coloured" labour to replace them

The general secretary of the National Union of

Food Workers (NUFW), Mr Lulamile Mati, said wage negotiations between NUFW and management broke down on March 28.

NUFW is a breakaway union from the South

African Allied Workers Union (SAAWU) and not affiliated to Cosatu

Mati said workers were not satisfied with the wage they were offered by the company, which was R69 for 46 hours.

"The workers were demanding a living wage plus a shift allowance of 16 percent from the company. The workers' demand was for R73 for 45 hours," he said

On April 7 the management imposed a "lock out" and dismissed the workers

On April 9, the NUFW gave management 24 hours to reconsider its decision. However, there was no response from management

"As the workers were 'locked out', the remaining workers demanded that the dismissed workers be reinstated and for the wage negotiations to proceed," Mati said

He said the management "lock out" action was contrary to the provisions of the Labour Relations Act

— ELNEWS

HOT SPICE Chilli Bite

CHILLI BITE RECIPE

Vegetables favoured for Hot Spice Chilli Bite Mixture
Thinly sliced Potatoes Onions
Sweet Potatoes Pumpkin, Egg Plant (Brimol)
Chopped Fine Green Chillies,
Green Peppers Lettuce Spinach

Recipe for Chilli Bite Mixture
Use one full cup Chilli Bite Mix
Add sufficient water to obtain stiff batter. Use batter separately with above vegetables. Heat oil in deep frying pan. Drop 1 teaspoon batter into pan. Leave to fry until golden brown and crisp. Batter can also be used for frying fish chops and chicken

CHILLI BITES ARE FULL OF FLAVOUR!

CURRY IN A HURRY

COR REEN AND CARRICK AVE, ATHLONE IND 1
TELEPHONE 638 3132

(aso90490)

Factory 'cans' 700 workers

CP Correspondent

MORE than 700 workers have been dismissed from a major fruit canning factory in East London following a wage dispute.

The workers, who were locked out of Langeberg factory and dismissed on April 7, have accused the company of using scabbers to replace them.

Langeberg management said certain differences had arisen between themselves and the National Union of Food Workers over wages and conditions of employment, but accused workers of disrupting production.

"Although considerable progress was being made towards an amicable settlement, the workforce repeatedly disturbed production by various means, including go-slow action and intentional neglect of duty.

Management on a number of occasions pointed out to the NUFW and the workforce that such actions were illegal.

"Unfortunately, management's efforts in this direction were largely ignored - particularly by the day shift. This resulted in the dismissal of this shift on April 7," the statement said.

The NUFW has accused the Western Cape branch of the Food and Allied Workers' Union, a rival union - of sending scab labour to replace the dismissed workers.

Fawu general secretary Jan Theron said these allegations were "completely untrue".

"Our union is completely against workers scabbing against others," he said.

~~1/4/87~~
8/4/87
26/4/87

Business Report

MONDAY, APRIL 27, 1987

Moves to restore profitability

Basil Starke to control Oil

CME Times 27/4/87

186

of a
10
inch
be
10
tax
ises
ncy
ash
eir
t a
the

Financial Staff

OVENSTONE GROUP (Ovgroup) is selling its fishing interests to Premier Group and acquiring the construction and engineering interests of the Cape Town-based civil engineering firm, Basil Starke, in a major move to restore the troubled group to profitability.

Premier's Tony Bloom has already taken concerted action to satisfy Oil and Ovenstone Group (Ovgroup) shareholders.

Faced with debt in excess of R100m — reduced to about R70m after the sale of Ovdeco's property and construction interest to a consortium of former Ovenstone directors — the burden was too heavy for a group that size.

Interest on the reduced debt will amount to R10m alone and the group is operating at heavy losses and will continue to do so.

Today's announcement says Bloom's solution is for Premier to buy Ovgroup's fishing interests as Premier has the size, financial strength and diversity of operations to provide the necessary time needed to restructure the fishing interests, reduce the debt and restore them to profitability, without having to take short-term pressures into consideration.

Ovgroup will acquire the construc-

tion and general engineering interests from Basil Starke, which will acquire Premier's shareholding in Oil Control of Oil will therefore pass to Basil Starke.

Oil and Ovgroup shareholders have a choice of three alternatives, with Rand Merchant Bank being retained to act as advisers on the fairness and reasonableness of the entire transaction.

Ordinary shareholders can either remain invested in Oil and/or Ovgroup, which are proposed to change their names to Basil Starke Investments and Basil Starke Group to reflect the new activities, exchange all or any of their shares for shares in Premier or accept a cash offer for all or any of their shares.

Oil preference shareholders will receive a cash offer for their shares.

The notice reminds shareholders that the board of directors of Oil and Ovgroup had advised that there would be significant losses for the year ended March 31, 1987, results of which are to be published on or about May 22, and this should influence shareholders on the course of action to be followed.

Oil shares, suspended at 30c, and of Ovgroup, suspended at 38c, will be reinstated in the industrial holding sector today.

I
t
J
6
L
m
u
v
v
f
k
p
g
a
s
c
s

(BASIL STARKE)

air
con- stuck in the sand. That truck was finally res

Heated fray over ice-cream

Own Correspondent

DURBAN. — A Clover ice-cream boycott has erupted into a cold war between some black and Indian students at the University of Durban-Westville where slogans, including death threats against students, were found on residence walls.

On Friday after Clover ice-cream was served to students at lunchtime, black students boycotting the company because of the alleged unfair dismissal of workers in Maritzburg last year refused to eat it but some Indian students tucked in.

One student said black students then "went on a mini-riot", taking ice-cream from those who were eating it.

No one was injured, but late on Saturday slogans, including some threatening ones, appeared on the walls of a men's residence.

Professor Mike Smout, UDW's acting rector, said yesterday he could not comment as he would only be able to look into the matter today.

Mr Nefan Naidoo, chairman of the house committee of the residence involved, said the conflict was not a racial one.

In response to the Clover boycott, students had decided unanimously at a house committee meeting also to boycott the products, he said.

"But this weekend a handful of students who were less informed than others accepted the Clover ice-cream. That's when the incident occurred.

"I must emphasize that the problems were not racial. There were Indian and African students who ate the ice-cream and Indian and African students who opposed the eating of the ice-cream."

He said most of the students' insults were hurled at the house committee.

Cape Town
PHONE 21 2421

Kenilworth
PHONE 71 5701

88 St George's St
PHONE 24 1979

lery
mark
the
lens.
ding
aster
eter
voes
gnal
radi-
which
eille.
lery
were
ries,
gani-

1867
Cape Times 4/5/87

Chicken workers all get the axe

Post Reporter

SIX women workers — the entire staff of Mr. Rooster's Crispy Chicken in Wright Road, Sidwell — were fired on Sunday

The workers, who have asked the Black Allied Workers' Union of SA (Bawusa) to take up the matter, claim they were unfairly dismissed.

The owner of the shop, Mr S A Petrou, confirmed he had fired the workers and decided to replace them with coloured staff

"They left at 12 30pm on Sunday of their own after they refused to work and tried to be funny I had not yet fired them The shop was full at the time

"I expected them to come back on Monday, but they did not," he said He was not prepared to re-hire them.

Mr Mbulelo Nzwana, general secretary for

Bawusa, said the women's troubles started last Thursday — pay day They wanted to know from Mr Petrou, who recently took over the business, about promises of pay increases

Mr Petrou told them the increases would be effective from May 1

Mr Nzwana said Mr Petrou employed two new workers at the weekend and made changes which his old staff did not welcome.

Shifts were altered and the new time-table was not clear on lunch times, days-off and the next day's work schedule

Mr Nzwana said Mr Petrou was asked to explain the new time-table and became angry

"They claim he immediately ordered all six off his premises, saying he had a new work-force."

Bawusa is to follow up the matter.

Divisions performed well

Tiger lifts div and earnings

CMC Times 7/5/87 186

J O H A N N E S - B U R G . — Acceptable results saw both earnings and dividends a share from the Tiger Oats group a shade more than 18% up for the six months to end March 1987 compared with the same period last year.



Earnings rose from 371c a share to 439c and dividends from 105c to 124c. The main contributors to attributable earnings were Tiger Foods with R50,3m (previous year R43,2m), Adcock Ingram with R5,4m (R3,2m) and the Oceana Fishing Group with R5,1m (R4,9m).

The directors said. "Group turnover rose by 13,9% to R2,1 billion and operating profit by 20,2% to R105,3m. "Attributable earnings climbed 18,5% to R60,8m."

Discussing the subsidiaries, the board said. "Although the increase in sales of basic food commodities remained below the level of inflation,

Tiger Foods produced a further satisfactory improvement in results

"Margins have been improved while close attention continued to be directed to asset management

"All divisions in the Adcock-Ingram have performed strongly and the acquisition of the remaining 40% in Sabax Limited has had a beneficial impact on the results

"Improved pelagic fishing conditions enabled the Oceana Group to achieve creditable results in spite of trade sanctions

"The group has maintained its strong balance sheet and the recent announcements covering the price of commercial maize will help the group contain increases in working-capital requirements"

Looking at prospects "It is anticipated that the rate of increase in earnings for the full year will at least be maintained at the level achieved in the first six months"

Capex was cut by more than 50% from R74,8m to R34,5m and capital commitments from R39,1m to R18,7m.

— Sapa

Kerzner engineers new Squires food giant

186 J. Aug 8/58

Business Day Reporters

SQUIRES Foods will become a R300m giant, with estimated attributable earnings of R15.4m a year, in the wake of a reverse takeover of Satbel Investment Holdings by Kersaf Investments MD Sol Kerzner last night announced terms of an agreement between Satbel — held equally by Kersaf and Federale Volksbelegings — Squires Foods and Mike's Kitchen to amalgamate the companies from July 1.

The deal will be consummated by the issue of 135 086 100 new Squires shares. Of these, 127 286 100 will be issued at a value of R210m for Satbel, excluding its interests in Mike's Kitchen. The balance of 7.8-million

Squires shares will be issued for Satbel's 65% in Mike's.

The minority shareholders in Mike's will be offered 120 new Squires shares for every 100 Mike's shares held. The acquisition of Satbel will not be conditional on the implementation of the proposal to Mike's minorities.

After the transaction, the issued share capital of Squires will increase to 166-million shares from the current 26 713 900 shares.

The new company will have three major

divisions operating in film and TV production and distribution, cinemas and video distribution and restaurants.

"The company will have a new name. But we do not have it yet. The name will be one suitable for a broad-based SA leisure group," Kerzner said.

The deal will have only a minor effect on the earnings of Squires, which, it is estimated, will increase from 9c a share to 9.3c. Their net asset value a share, however, should rise sharply by 71% to 36c from 21c.

For the minorities in Mike's, the deal is beneficial, with earnings rising 23% to 11.1c a share from 9c and with net asset value 79%

higher at 43c a share.

Kerzner said that in the medium term there should be significant benefits from the growth opportunities resulting from the amalgamation.

The various businesses will continue to operate under their current names: Squires Loff, Mike's Kitchen, Longhorn, R.J's. and Captain Dorego.

Satbel controls the Ster Kinekor group and Toron International, which owns TV studios, Irene Film Laboratories and Cornputicket.

The listings of Squires and Mike's shares on the JSE will resume today.



CME Times 12/5/87

~~1987~~ 1986
**ICS profits
rise 102%**

JOHANNESBURG. — Better margins and a lower effective tax rate resulted in Imperial Cold Storage (ICS) increasing profit after tax by 102% on a 12% better turnover for the six months ended March 31 compared with the same period last year.

The interim report shows after tax profit of R16,6m (R8,2m) on turnover of R788,4m (R702,1m).

Profits from associated companies were also higher and attributable earnings improved by 122% to R17,8m (R8,0m).

Earnings per share were 66,2c (29,8c). The interim div was increased by 30% to 13c (10c). — Sapa

Who owns the company?

AR 645 13/5/87
By DICK USHER,
Labour Reporter

TRADE unions are concerned about the lengthy delay in announcing the new owners of Robertsons.

The sale, which was "quite precipitate" according to a management spokesman, has also left the company in a difficult position because it is under pressure from two unions for information it either does not have or cannot divulge until the new owners are disclosed.

The company was South African-owned until bought by the US multinational Corn Products Corporation (CPC) in 1964.

Its sale to unnamed South African buyers, acting through Rand Merchant Bank, was announced from the US on April 1.

Robertsons has two plants, one in Alrode, Transvaal, organised by the Chemical Workers' Industrial Union (CWIU) and the other in Durban is organised by the Food and Allied Workers' Union (Fawu).

Workers at Alrode stopped work the day after the announcement.

They went back the following day when management agreed to a joint meeting with the unions, to give a written undertaking that pension monies were safe, to give each worker a statement of monies being held on their behalf plus interest, and to report back as soon as possible on if and how pension monies could be withdrawn.

These were followed by a further list of demands relating to the sale, including one that CPC pay all workers a bonus of one month's pay for every completed year of service.

At a joint meeting company responses to the demands were tabled. The unions found these unacceptable.

A press release from the Congress of South African Trade Unions, to which CWIU and Fawu are affiliated, said "From the meeting it was clear that company representatives either did not know who the new owners are or were for some reason refusing to divulge this information.

"We can only speculate that there is a conspiracy involved.

"We get the impression the sell out was a case of 'take the money and run'."

Mr Charles Henzi, human resources manager for Robertsons, said they were not able to divulge most of the information requested by the unions because this was the prerogative of the buyers.

"All we know is that a group of buyers acting through Rand Merchant Bank has bought 100 percent of CPC's South African holdings," he said.

"But the basic position is that the legal persona of Robertsons has not been changed by the sale, therefore nothing else has changed and all agreements and contracts entered into by Robertsons are still valid and binding.

"This covers all aspects of our operation from pensions to union recognition.

"Nothing will be changed without negotiation with the unions."

ed it would do well (see *Current affairs*)

There is little doubt that white parliamentary politics will be a whole new ball game when MPs get back to work on May 18. It is unlikely that the swing to the right will slow down whatever new "reform" plans government may have had in mind before the election.

Apart from the 15 Transvaal seats the CP won from the NP, there are another 20 seats where the NP majorities over the CP or the combined CP-HNP total was less than 1 000, and seven seats where the NP's winning total was actually less than the combined total of the two rightwing parties. This effectively means that the majority of white voters in those seven seats are to the right of the NP.

Among the NP losses to the CP were the seats of Agriculture Minister Greyling Wentzel (Bethal), Deputy Land Affairs Minister Ben Wilkens (Ventersdorp), and Deputy Development Aid Minister Hendrik

Tempel (Ermelo). Wentzel is the first Cabinet minister to lose his seat since the NP won power in 1948. Deputy Foreign Minister Ron Miller lost his seat to the PFP, but it was a seat he won as a member of the NRP before crossing the floor and was never regarded as a safe NP seat.

It was hardly consoling for the NP that it regained 10 seats from the CP. The seats were all held by NP members before the CP split from the NP in 1982 and were regarded as fairly solid NP constituencies.

It is also no consolation that the NP regained Sasolburg, the only HNP seat. The total vote for the HNP and the CP there was 264 more than the NP candidate's winning total.

It seems certain, therefore, that if the CP and HNP had been able to patch up their policy feud before the election the rightwing groups could have won more than 30 seats and possibly as many as 40.

Cape leader Chris Heunis, a shaken man

after being humiliated by Worrall, must now have little hope of taking over from Botha. Transvaal Nat leader F W de Klerk, in spite of his own tough fight in Vereeniging (majority down from 4 202 in 1981 to 1 524) and the party's setbacks in his province, takes over as the only leading contender for the NP throne.

On the left of the government, the PFP seems set to take a back seat. It lost at least 15 seats it was sure of winning and has effectively been told by white voters for the second time that they are not interested in its anti-apartheid policies unless it has a convincing alternative to offer.

One way for Botha to show he is serious about reform would be to approach Worrall and Wynand Malan to join the Cabinet. It would also be an intelligent way of protecting his left flank.

But we don't believe he is up to it. That is why he should go now before triumph once again turns to inertia.

FEDFOOD

Asking for more

Among the changes that have been sweeping through the Federale Volksbeleggings group is a shake-up in the R1 billion food subsidiary Fedfood. The share price cracked sharply after the sudden departure of top management last October (see graph), but has been recovering steadily ahead of improved earnings expected to be announced in a few weeks.

When MD Johan Louw and senior executive director Francois Rossouw left, Louw was replaced by the lower profile Sias du Toit, formerly chairman of subsidiary Nola Industries, who was appointed executive vice-chairman of the group. There have so far been few really overt signs of the effects of the management changes. Nor have results released recently given shareholders much cause for excitement. Interim figures for the six months to end-September showed earnings a share down by 3% to 34c and the dividend cut by 17% to 10c.

There are, however, indications of better prospects for the second half, given developments in the group and in the market. These include improved levels of profitability in the group's companies, better consumer demand in some market sectors and, of course, lower interest rates.

"For the past two quarters all Fedfood companies have been making profits," says Du Toit. "That includes even our fishing operation in South America. Twelve and

Fedfood's share price plunged after senior management suddenly left last October. It is recovering ahead of expected improved 1987 results — but management is focusing attention on the long-term.

six months ago we had several loss-makers. Riviera was a big drain, Fedbisco was losing money, and six months ago Table Top was too."

Food markets are showing a more positive undertone, particularly in areas that are directly responsive to retail food demand, although demand has only recently started to improve. Most of the manufacturing operations are still well below capacity.

Important as sales volumes are in the capital-intensive food industry, thin trading margins have become probably the biggest

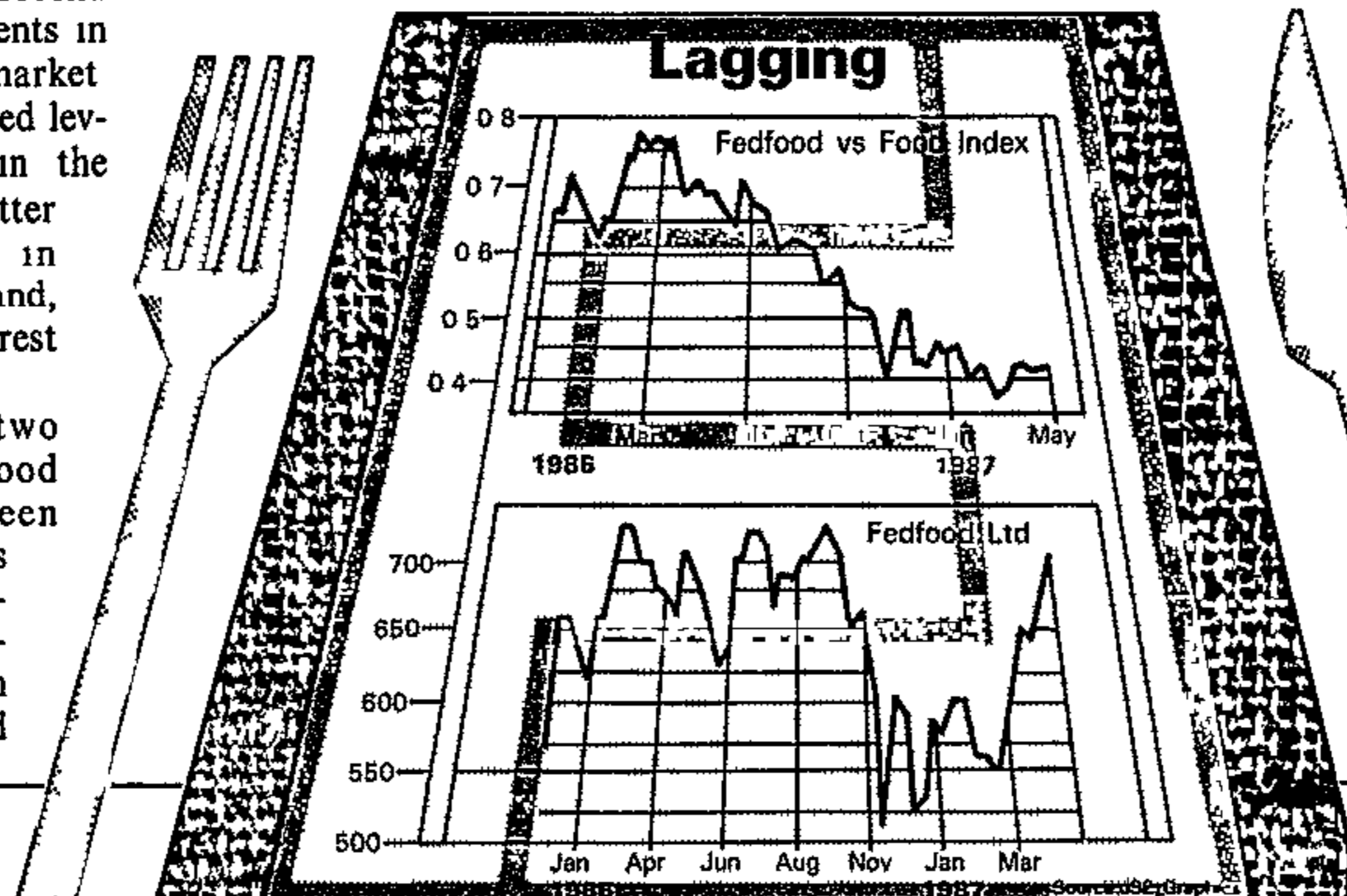
single profit depressant for any food manufacturer. Administered prices help to restrain margins of some high-volume and capital-intensive products, particularly in the milling operations. And a wide range of the food groups' products are under pressure from powerful chains in the wholesale and retail sectors.

Until there is a sustained rise in consumer demand, the best prospect for food groups for boosting profits is to concentrate on margins. That largely means getting efficiencies and productivity up, carefully assessing product ranges, and avoiding destructive competition in food manufacturing and distribution operations.

Du Toit, an accountant by training, has focused attention on these problems. More emphasis has been placed on systems in the group, and he believes this has enabled more decentralisation of management responsibility and more scope for motivation and initiative at divisional level.

Despite pressure from inflation, stocks and debtors have been reduced. This should help the results for the current six months, but may not be visible for too long in the accounts, as Du Toit notes that demand for working capital is rising. The fishing operation, for example, has had good catches.

Moves to rationalise operations and improve margins in Fedfood — and elsewhere in the industry — occurred several months ago in the frozen foods divi-



P.T.O. 15/1/87

...iliated it serves

Juicy Lucy hits the jackpot in fast foods

LINDA ENSOR

(186)
B Day

JUICY LUCY has launched a chain of eating houses called Jackpot Fast Foods to cater for the working class

Its entrance into this market, traditionally monopolised by the corner cafe owner, began a few weeks ago with the opening of the first store in Johannesburg

Two more stores in the PWV will be opened this year and MD Geoffrey Topol says the long-term goal is to develop Jackpot into a large chain, possibly even bigger than Juicy Lucy itself

"This is the emerging dominant market of the future and if the Jackpot concept works in the first three pilot stores, we will open at least 12 stores a year"

Topol says he is looking to a break-even turnover of R300 000 a year for each store. Black managers will run them and will participate in profits as shareholders

PI KS

21 1/2

C G Smith shares at new peak

Earnings climb 43% to 174,4c

Call Trans 20/5/77
186

From MERVYN HARRIS

C G SMITH shares advanced 75c to a new peak of R41 yesterday, ahead of glowing results for the half-year to March

Earnings a share climbed 43% from 121,8c to 174,4c and shareholders are to get a 25% rise in interim dividends to 62,5c (50c).

The results are significantly better than expectations at the beginning of the year when chairman Warren Clewlow forecast a reasonable improvement in earnings

He cautions, however, that while trading is expected to continue at current levels, earnings were on a higher base in last year's second-half and that growth in the same period this year will therefore not match the 43% first-half improvement.

Tiger Oats

The fine interim performance came in the wake of a sharp increase in the contribution to earnings by all major subsidiaries, improved operating margins and a lower interest bill

The 48% growth to R45,4m (30,7m) in the contribution from its 82%-owned C G Smith Foods reflected good performances from ICS and C G Smith Sugar. Tiger Oats and its subsidiaries,

Adcock Ingram and Oceana Fishing, again turned in creditable results

Nampak increased its contribution to earnings by 34% to R30,5m (R22,8m), while Romatex boosted its contribution by 167% to R5,6m (R2,1m)

The improvement in margins enabled operating profit to rise 33% to R306,6m (R230,3m) on a 15% increase in turnover to R4,16 billion from R3,6 billion in the same period last year

R290,9m profit

The 27% reduction in the interest bill to R45,9m (R63,1m) reflected lower borrowings and interest rates. But the gain was partly offset by a 14% decline in investment income to R30,2m (R35,3m)

This left pre-tax profit 44% higher at R290,9m (R202,5m). This was partly diluted by an increase in the average rate of tax from 40,3% to 44%. Taxed profit was consequently 34% up to R161,5m (R120,9m)

A relatively lower slice to outside shareholders improved growth to 43% at the attributable level from R57,1m to R81,7m

The balance sheet was further strengthened with gearing down and current ratios stronger

The performance augurs well for Barlows when it reports on Monday

Quiet day

Cold, needs

FEDFOOD has bounced back from interim constipation with earnings a share up 12% to 103c from 92c for the year to March

However, the earnings recovery, which falls short of real growth by 6%, may fail to satisfy investors who have bid the share up 58% to 780c from 495c in the last six months

Despite 12% earnings growth, the total dividend has been maintained at 32c a share, with the final dividend up 2c at 22c a share. Dividend cover is up 3.2 times from 2.9. Fedfood CEO Sias du Toit says he would like to see cover increased to 4 times within the next two years.

Du Toit says although some companies did not contribute towards group profits

Fedfood

does better

\$1 Day
2/15/87

DAVID COHEN

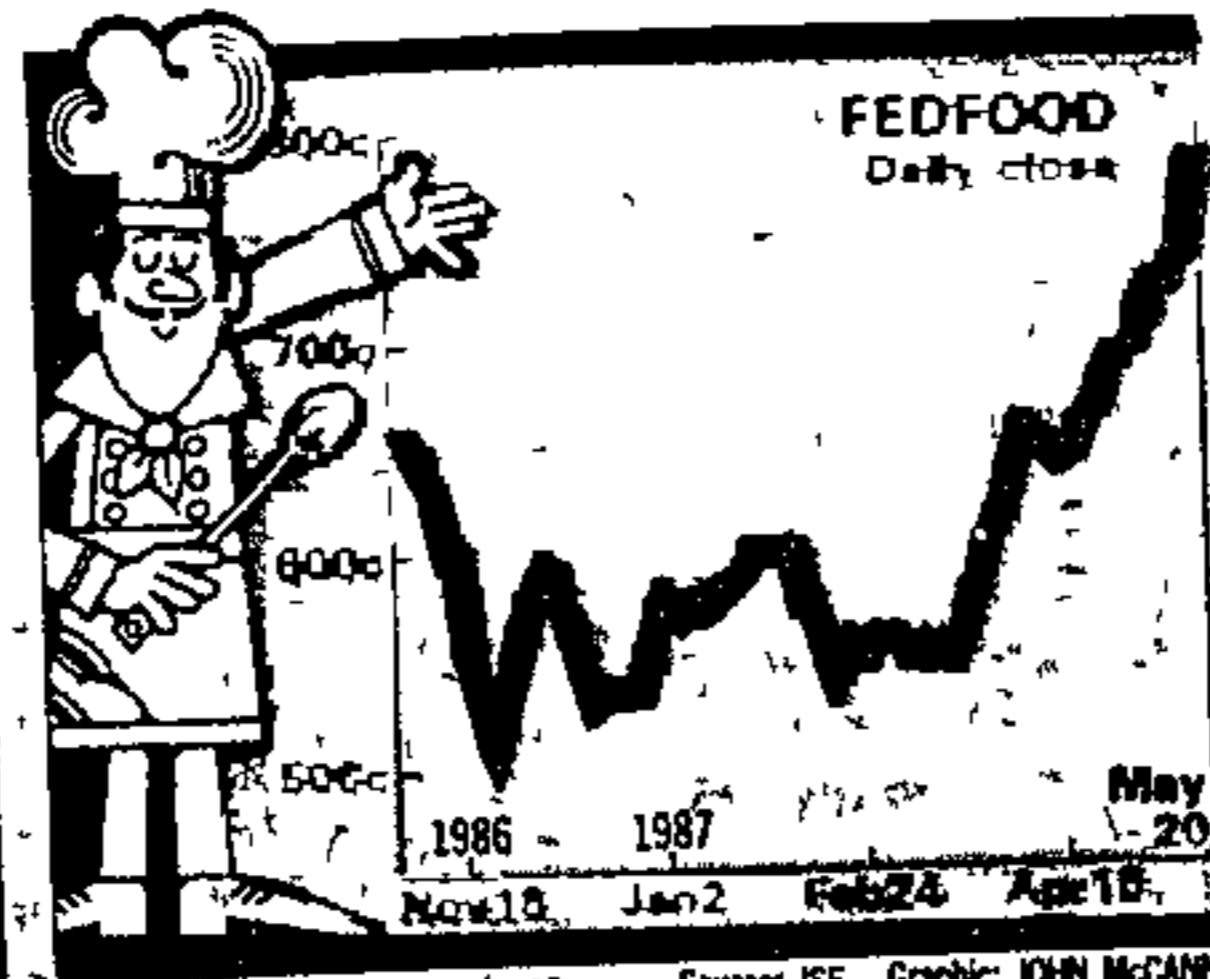
for the year, all subsidiaries, including a rationalised Table Top, had traded profitably in the last six months

The group's balance sheet remains sound, with gearing down 4% to 28% from 32% and current ratios maintained at 2.1 times

A change in accounting policy for the treatment of foreign exchange gains and losses — whereby gains and losses are included in the income statement in the year incurred — reduced the net worth of the group by R4.4m, but had no effect on current earnings. Exchange differences were previously amortised over the term of the loan.

The 8% increase in turnover to R973m (R902m) was achieved despite the disposal of two subsidiaries in the latter half of 1986, as well as strong competition and low prices in the frozen food sector.

Looking ahead, Du Toit says group profitability depend to a large extent on the fortunes of Table Top and economic recovery



CME Times 21/5/87
Earnings a share up 12% *86*

Fedfood recovers, but no real growth

Own Correspondent

JOHANNESBURG — Fedfood have bounced back with earnings a share up 12% to 103c from 92c for the year to March

However, the earnings recovery, which falls short of real growth by 6%, may fail to satisfy investors who have bid the share up 58% to 780c from 495c in the last six months

In spite of the 12% earnings growth, total dividend distribution was maintained at 32c a share, with final dividends up 2c to 22c a share. Accordingly, dividend cover rose to 3,2 times from 2,9 times. Fedfood CE Sias du Toit said he would like to see cover increased to four times within the next two years

Table Top

Du Toit said that although some companies did not contribute towards group profits for the year, all subsidiaries, including a rationalized Table Top, had traded profitably in the last six months

A change in the group's accounting policy regarding the treatment of foreign exchange gains and losses — whereby gains and losses are included in the income statement in the year incurred — reduced the net worth of the group by R4,4m but had no effect on current earnings. Exchange differences were previously amortized over the term of the loan

R973m turnover

The 8% increase in turnover to R973m (R902m) was achieved in spite of the disposal of two subsidiaries in the latter half of 1986, as well as strong competition and low prices in the frozen food sector

Looking ahead, Du Toit said group profitability depended to a large extent on the fortunes of Table Top and the recovery of the economy. Fedfood, last year ranked 46th on the JSE in terms of total assets, and which employs 14 600 people, created few employment opportunities in the last year

News 21/5/87 R6 252

COMPANIES

Ovenstone 'decimated' by losses, Bloom says

By TOM HOOD, Business Editor

THE full extent of losses by the two Ovenstone companies are disclosed today by the chairman, Mr Tony Bloom, in the preliminary report for the year to March 31

They amounted to R46-million for Ovenstone Group, the main company, including R37,7-million write-offs and R40-million for the holding company, Ovenstone Investments, including R32,7-million written off.

Net asset value of shares have been "decimated," in the chairman's words, to less than a cent (0,6c) from 77,8c for Oil and 8,2c from 69,8c for Ovgroup

These figures are even worse than shareholders expected. Ovgroup's net asset value was put at 19c six months ago, plunging from 120c five years ago

Premier is to take over Ovgroup's fishing interests but the preliminary report still gives no clue to what Premier will pay

Shareholders will have to wait until after Premier publishes its results before they learn how much they will be offered for their shares

The more than 8 000 shareholders have been told they may elect to either hold on to their shares, swap them for Premier shares or accept a cash offer

The year was undoubtedly the worst in the group's history, says Mr Bloom, who blames losses by overseas fishing companies and Premier Wire and high interest charges

Borrowings, a major cause of

Ovenstone's losses, peaked at R133-million during the year and have been trimmed from this "dangerously high figure" to R88-million — "still unacceptably high", says Mr Bloom

Interest absorbed more than R8-million of each company's profits, though this was about R1,5-million less than in 1986

Earnings included only six months' profits from the hived-off construction, property and home-building companies which made profits of R10,5-million before tax in the 1986 year.

After allowing for this, Ovgroup's earnings a share plunged from 6,4c to a loss of 11,8c, while Oil's earnings fell from 7,1c to a 15,1c loss.

Record payout for shareholders

CAP TINKS 22/5/77
22/5/77
22/5/77

Premier Group profits bloom

186

JOHANNESBURG — Premier Group chairman Tony Bloom said yesterday at a press conference that "by any standards Premier has enjoyed an excellent year in the 12 months to end-March"

Profits before tax increased by 74%, and profits after tax attributable to ordinary shareholders by 55% to R148m Both were record figures

Earnings per share rose a little less by 43%, because of the dilution effected by the preferred ordinary shares which were in issue for a full 12 months In the previous financial year, only 3½ months were taken into account.

The increase in sales was 17% on a strictly comparable basis after eliminating the turnover of operations disposed of or closed down This is roughly in line with inflation

Volume drops were experienced in maize (6%) and vegetable oil (4%), which Bloom found worrying as they are both basic staples and indicate that SA still has serious unemployment, poverty and malnutrition.

Competitors' results show that this can be taken as an industry trend

With one exception (Ovenstones) every division and every investment improved its performance.

Premier Food Industries was the star, turning in profits way in excess of last year In its portfolio, all the major divisions did well to better previous figures

Said Bloom "I am delighted with Premier Food Industries' performance It vindicates the statement I have often made that we have excel-

lent management, in most cases the best in the industries concerned"

Working capital increased by only R2,6m, some R42m ahead of budget. Also, capital expenditure was well within budget

Premier's major investment in SA Breweries (SAB) again proved its worth. SAB itself posted a 36% increase in earnings per share, and increased the dividend from 37c to 50c.

Edgars group, Amrel and OK Bazaars were ahead of expectations

Southern Suns is still struggling — but some light is appearing as occupancy rates are higher

CNA Gallo had an excellent year Earnings increased by 62% and the company is poised for further growth Doug Band has been appointed group managing director in succession to James Mackness, who will retire at the annual general meeting Mackness, however, will remain on as a non-executive director

Gresham, the group's listed wholesaling arm, also performed ahead of expectations.

"From a company heading towards liquidation, we have transformed it into a healthy group of companies producing a profit of R6,2m after tax," says Bloom

"Prospects for the group for next year are encouraging

"The group is budgeting for further satisfactory earnings income, but this will depend to a great extent on relative political stability and reasonable industrial relations" — Sapa

6 Day 27/5/87 186

Squires-Spur discussions dropped

SQUIRES Foods and Spur Steak Ranches have walked away from discussions over a possible rationalisation of interests in the wake of the Spur decision to proceed as planned with the listing of Spur Holdings on June 4.

However, Spur directors have advised shareholders to continue to exercise caution because the group is still involved in other discussions which could affect the share price.

Kersaf, prompted by the recent Mike's Kitchen deal, hoped to absorb

DAVID COHEN

Spur and the four Spurhold restaurants (Spur and Hardrock) into its leisure giant by acquiring it through Squires on similarly favourable terms.

Spur MD Allen Ambor said yesterday: "The main stumbling block was that they wanted to proceed with the acquisition of the Spur group right away, whereas we could only proceed after Spurhold's listing on June 4."

Kersaf deputy MD Ian Heron said: "Talks were very amiable, but the Spurhold listing proved too much of a complicating factor."

Spur's share price, which had risen sharply from 160c on the back of rumour, yesterday fell 15%, shedding 30c to 170c to record the day's second-biggest fall ahead of the announcement. Brokers attributed the drop to market sentiment that the deal would not be as favourable to Spur as originally predicted.

Black bakery to seek JSE listing

CP Reporter

LEBAKA Bakeries, a wholly black-owned bakery group servicing the whole of Lebowa and surrounding Northern Transvaal, is to seek a listing on the Johannesburg Stock Exchange, the company's chairman, Prof Pothinus Mokgokong, has announced.

Hill Samuel, merchant bankers to the issue, said the listing would be by public and preferential offers for the sale of

shares in Lebaka, the turnover of which had reached a record R32-million in the year ended March 1987.

Subject to approval by the JSE, the public offer is expected to open in mid-June and the listing to be in mid-July.

Mokgokong said Lebaka used up-to-date baking equipment and that two of its bakeries were equipped with large silos for flour storage.

The combined output amounted to some 200 000 loaves daily, requiring 120 tons of flour.

Lebaka serves the whole of Lebowa from five bakeries strategically situated at Lebokwagoma, Moko-pane, Seshego, Sekhukhume and Bushbuckridge.

A sixth bakery is currently under construction at Bochum and a seventh is being planned for Tubatse.

When these two bakeries are completed, total capacity is expected to increase by about 15 percent.

The history of Lebaka goes back to November 1975 when the company was founded as Gurdara Investments. In November 1978 it was converted into a public company, under a new name - Seshego Bakeries.

This name, in turn, was changed to Lebowa Bakeries in October 1979.

As at March 31, more than 600 Lebowa nationals held about 44 percent of the issued share capital of the company.

Lebaka's products are distributed by its fleet of 107 trucks, which make daily deliveries on a cash basis to rural areas of Lebowa.

Further information will be available once the prospectus is published, but Mokgokong said that attributable earnings had risen about 92 percent over the past five years to R2,4-million.

Mokgokong said "Because we cater for the staple food needs of the entire population of Lebowa, our profits have shown a high degree of resilience to adverse economic conditions."

7/6/87

UPres

186

186
~~2/18~~
12/6/87
3/10 Day

Workers fired for singing

ABOUT 400 workers had been fired from Delmas Chickens in the Eastern Transvaal after workers began "singing, dancing and shouting" last week instead of doing their work, Food and Allied Workers' Union spokesman George Nene said yesterday.

But Delmas Chickens MD Tommy Bosman said 91 workers were fired from the evisceration section of the factory and the remaining members of the 400-strong workforce were fired after walking out in protest.

Bosman said "My birds must be processed under hygienic conditions and you cannot have behaviour like that".

He said the company had agreed yesterday to take the workers back on condition disruptive behaviour stopped.

Sapa

than a share. 6/1 Day 86

Bakoven rationalises interests



BAKOVEN has consolidated and tidied up its interests by buying Bakoven (Transvaal) from Desmond Fisher Family Holdings with effect from

May 1

The new addition to the company consists of a few odd stores which were not included in the original flotation of Bakoven. These stores have now been rationalised with those of La Baguette.

Bakoven and La Baguette shops

MERVYN HARRIS

have been put into a joint venture following the purchase of La Baguette by Metro Bakeries from Premier Milling

Metro Bakeries was purchased by Southern Venture Capital, a subsidiary of Southern Life Insurance, and will hold 34% of the joint venture while Bakoven will have a 66% controlling interest in the venture

The acquisition will increase Bakoven's forecast earnings a share for the year to February 29,

1988, from 3,5c to 3,7c and will increase net assets from 4,7c to 5,5c a share.

The acquisition will be settled by the issue of 485 000 new Bakoven shares at 45c a share. This represents a multiple of about four times projected earnings and is about equal to net asset value.

Bakoven chairman Desmond Fisher said yesterday "We are pleased with the acquisition and expect to expand La Baguette and Bakoven operations".

Bakoven shares closed unchanged yesterday at 46c after rising to a peak of 60c in May.

CPA 7/15 3/7/87

186
187
188

1 000 Cadbury workers strike

Own Correspondent

JOHANNESBURG — About 1 000 Cadbury workers in three provinces went on strike yesterday, protesting against the company's decision to sell its fleet to outside cartage contractors as a cost-cutting measure

A statement released by the Food and Allied Workers' Union (Fawu) yesterday said the sale of the vehicles would render 52 drivers and van assistants redundant from July 10

Cadbury's general manager, Mr John Perrot, said from Port Elizabeth "We had negotiated that no people would lose jobs as the cartage companies would take over the workers"

"The problem was that Cadbury was paying a higher rate."

Juicy Lucy to buy Cape Town property

JUICY LUCY SA is to acquire The Carousel, situated on the Sea Point Pavilion in Cape Town, for R1,4m.

The transaction will be settled in cash and by means of Juicy Lucy shares, in a proportion to be agreed

The acquisition will add at least 2c to earnings in the current year and in-

crease net asset value by about 13c a share. Future contributions to profits should be significant, according to Jonathan Bader & Associates

Negotiations, announced on June 4, are still in progress and shareholders should continue to exercise caution in trading of their shares

186

6/7/87

6/7/87

Sale to propel expansion

CHH Links 6/7/87 186

Milly's Carousel sold to Juicy Lucy

MILLY'S STORES LTD, the Cape-based bakery and convenience-foods store chain, has sold the Carousel complex in Sea Point to Juicy Lucy for approximately R1,4m.

The company has also disclosed that it is to open two new stores within the next six months.

Commenting on the new developments, Milly's MD Michael Bruchhausen said the disposal of the Carousel, subject to certain conditions, would enable the company to focus on its traditional business of food manufacturing and food retailing through its convenience-store chain.

"This is in line with our overall operating strategy, which has now been focused on organic growth through the opening and acquisition of new stores," he said.

"The funds raised from the sale of the Carousel will not only enable us to accelerate our planned expansion programme, but will also enable us to boost production to meet the demands of the new stores and of our rapidly

expanding wholesale division."

Bruchhausen said trading from the company's existing stores in Claremont, Mill Street, Sea Point and Clifton continued to be highly satisfactory and more than justified the board's decision to concentrate on developing the branch network.

"Our immediate plans include the opening, on August 3, of a new store on the Foreshore, with a further store trading in the northern suburbs by October. Both outlets should make a material contribution to profits during the current financial year," he said.

Bruchhausen said he was extremely confident of the group's prospects.

"Further, the acquisition earlier this year of the Deli's food factory gave us the additional manufacturing capacity to eliminate the need to buy out during peak periods.

"This, coupled with the cash injection from the Carousel sale, means we are now ideally positioned to achieve our target of 10 stores in the group within the next 12 months," he said.

Bid to halt Overstone sale

Supreme Court Reporter

THE Supreme Court will rule this morning on whether shareholders' meetings called today to approve a Premier Group offer of a possible R153 million for the Overstone Group fishing interests may go ahead.

An urgent application for an order adjourning meetings called for shareholders of Overstone Investments (OIL) and Overstone Group (Ovgroup) was brought yesterday by minority shareholders in both companies.

The applicants also seek an order interdicting the Premier Group, OIL and Ovgroup from voting on resolutions approving the deal — which includes the acquisition by Basil Starke Holdings of Premier's shareholding in OIL (for purposes of entry to a stock exchange listing) and the acquisition by Premier of Basil Starke's construction and general engineering assets.

An order is also sought declaring invalid and insufficient a circular about the deal sent to shareholders, and compelling Ovgroup to supply to the applicants full details about their fishing interests within a week.

The applicants — Mr Jack Walsh and Mr Pieter van Rhyen of Somerset West, and Rabbel Investments Closed Corporation — argue that, as counsel put it, "there is

skulduggery" in Premier's reluctance to disclose what motivates it to expose itself to an enormous level of debt and at the same time pay R17.5-million in cash for something with a negative value of R5.8-million on the latest available figures.

They argue that a mooted offer that bests the Premier offer by R5-million can't be made firm because Premier won't supply the necessary information. This is "highly suspicious", the applicants say, and the inference is that Premier is not offering a fair price.

Still solvent

In a nutshell, they say, minority shareholders will be asked today to approve a price for the Ovgroup fishing interests without any idea of how the price was determined.

Premier, OIL and Ovgroup argue on the other hand that OIL and Ovgroup are still solvent only because Premier mounted a rescue operation of which the sale of the Ovgroup fishing interests is an essential element.

They say hesitation and reservation has and continues to surround the "better

offer" mooted by a company "whose creditworthiness and capitalization are a matter of total obscurity".

The applicants' mooted offer was "brought in a cloud of dust at the last moment" and backed only by an undertaking for bridging finance up to R40-million conditionally given by "a flirtatiously-minded merchant bank".

They argue that the circular sent to shareholders, particularly when read with "a complex set of reports" also sent to shareholders, is sufficient to enable shareholders to exercise their votes on an informed basis.

They cite "a formidable array of men of the first repute" — including the executive president of the Johannesburg Stock Exchange and the general manager of Hill Samuel merchant bank — as sharing this view.

The issue has been posed by counsel for the applicants during argument as "Is Premier stealing a bargain?" and by the presiding judge, Mr Justice R Marais, as "How far must a company go in indicating to shareholders what it sees in the crystal ball?"

Mr G D van Schalkwyk SC, with Mr L S Kuschke and instructed by Sonnenberg Hoffmann and Galombik appeared for the applicants. Mr M D Kuper SC, with Mr J J Gauntlett and Mr B Doctor and instructed by Roulledge-MacCallum, appeared for the respondents.

906 Trunk
9/7/87

186

Ovgroup: Bid to stall meeting fails

Supreme Court Reporter

AN ATTEMPT by minority shareholders to delay shareholders' meetings called to approve a Premier Group offer of a possible R153 million for the Ovenstone Group's fishing interests failed in the Supreme Court yesterday.

Mr Justice R Marais ruled that Mr Jack Walsh and Mr Gert van Rhyn of Somerset West and Rabbel Investments Closed Corporation had failed to make out a case of either minority oppression or failure to furnish necessary information.

The judge said he could not agree with the applicant's suggestion that they were entitled to information sufficient to enable them to make a counter-offer for the Ovgroup fishing interests.

"Applicants have rights as shareholders. They have no rights as potential purchasers," he said, adding that the information supplied to shareholders about the position and prospects

of the company concerned was "extensive".

Mr Justice Marais also said there was no real evidence to suggest that the Premier offer was inadequate or unfair.

One was dealing not with tangible assets but with expectations and "the refusal of the parties concerned to say precisely how they foresaw the future and quantified it in terms of profitability does not seem to me to be sinister", the judge said.

Nor did there seem to be anything sinister in the lack of enthusiasm shown towards Mr Walsh's somewhat tentative overtures.

"Lest what I have said be misunderstood, I should add this," Mr Justice Marais said. "I have not found that Premier's offer for the fishing interests is indeed a fair offer. What I have found is that it has not been shown to be unfair."

"I should also perhaps add what may be obvious. The fact that Premier has given comfort to these troubled companies and their creditors in the past does

not, of course, give Premier any pre-emptive right to acquire the Ovgroup fishing interests for a consideration which is less than fair.

"I'm sure that Premier and the companies concerned appreciate this. But because of Premier's dominant position in the companies concerned it would be wise to deal with questions in a way which will enable possibly cynical and suspicious shareholders to see that they are being treated fairly."

Mr Justice Marais ordered Mr Walsh and his fellow applicants to pay the costs of the suit, but said it was not a case that warranted three counsel. Although it was conducted in circumstances of urgency the "factual ambit of the case was not extensive and neither was the documentation".

Premier, Ovgroup and OIL will thus have to foot the bill for one of their three counsel.

Mr G D van Schalkwyk SC, with Mr L S Kuschke and instructed by Sonnenberg Hoffmann and Galombik, appeared for the applicants. Mr M D Kuper SC, with Mr J J Gauntlett and Mr B Doctor and instructed by Routledge MacCallums, appeared for the respondents.

CAPE TIMES 9/7/87

Mystery party may aid Ovgroup deal

Financial Editor

A MYSTERY backer — believed to be a major Afrikaans institution — may provide the finance for minority shareholders in the Ovenstone group (Ovgroup) to buy back the fishing interests from Premier group, which has acquired them for R21,5 million.

In a unique agreement, city businessman Mr Jack Walsh has been given seven working days to put together a financial package totalling R125 million.

He told a shareholders' meeting at the Cape Sun yesterday that he was confident he and his associates could not only pay R28 million for the fishing companies in South Africa and Chile and repay a R34-million loan to them from Premier, but also provide guarantees which would satisfy creditor banks overseas.

Premier group chairman Mr Tony Bloom, who is also chairman of Ovgroup and of Ovenstone Investments

(Oil), gave an assurance that if Mr Walsh and his associates could do this within seven working days, Premier would accept his offer and distribute the extra R6,5 million paid for the fishing interests between all shareholders, including itself.

Meanwhile, the shareholders have agreed to accept an offer which will give civil engineers Basil Starke control of the company.

Under the offer, Basil Starke, which wants Ovgroup only as a vehicle for a listing on the Johannesburg Stock Exchange and for its subsidiary Premier Wire, will sell the fishing companies to Premier for R21,5 million.

The meeting at the Cape Sun was held immediately after a dramatic 11th-hour application to the Supreme Court by Mr Walsh and his associates to have it postponed had been dismissed with costs.

- Starke gets Ovgroup/Oil — Page 5
- Bid, to stall meeting fails — Page 9

Cheaper milk: Big Four dairies to wait and see

Staff Reporter

PENINSULA milk producers are adopting a "wait and see" attitude towards the price war promised by new competitors, Homestead Independent Dairy

The new dairy was publicly launched yesterday with promises of a competitive price policy in a free market

Mr Jan Kotze, general manager of Dairybelle in the Western Cape, said his company was not really worried by the emergence of Homestead

"We are a big company, have been established for a long time and have survived competition in the past," he said

"If they come into the market at a significantly lower price than us we might have to react. But I honestly believe that a steep drop in prices is not really possible and would be to the detriment of the industry

"HERE TO STAY"

"We know at what prices you must operate to survive and are not going to act on every threat

"We are here to stay and don't do things on the spur of the moment

"Also, we don't serve just the high-volume outlets, but consumers such as hospitals and old people to whom we deliver"

The general manager of another large producer, Mr L S du Plessis of Kaap-Suiwel (formerly Van Riebeeck), said there was always room for another producer

"We will wait and see what happens, but cannot do anything until they are on the market," he said

"It is a free world and everyone can do what they want"

"HARASSMENT"

The four Western Cape dairy farmers behind the new dairy claim they have been harassed and threatened following their breakaway from the "Big Four" — Dairybelle, Kaap-Suiwel, Union Dairies and Joyce's Dairy

They are Mr J P Melck, Mr Chris Starcke, Mr Andrew Melish and Mr Pieter Nelson, who farm in Durbanville, Milnerton and Malmesbury. Their partners are three former executives from Kaap-Suiwel.

Mr Jacobs said that Homestead milk would be cheaper than other milk but declined to give the price

The company expects to distribute almost 10 percent of the daily dairy product requirements of the Peninsula. It intends to process 40 000 litres a day from a new plant in Parow Industria

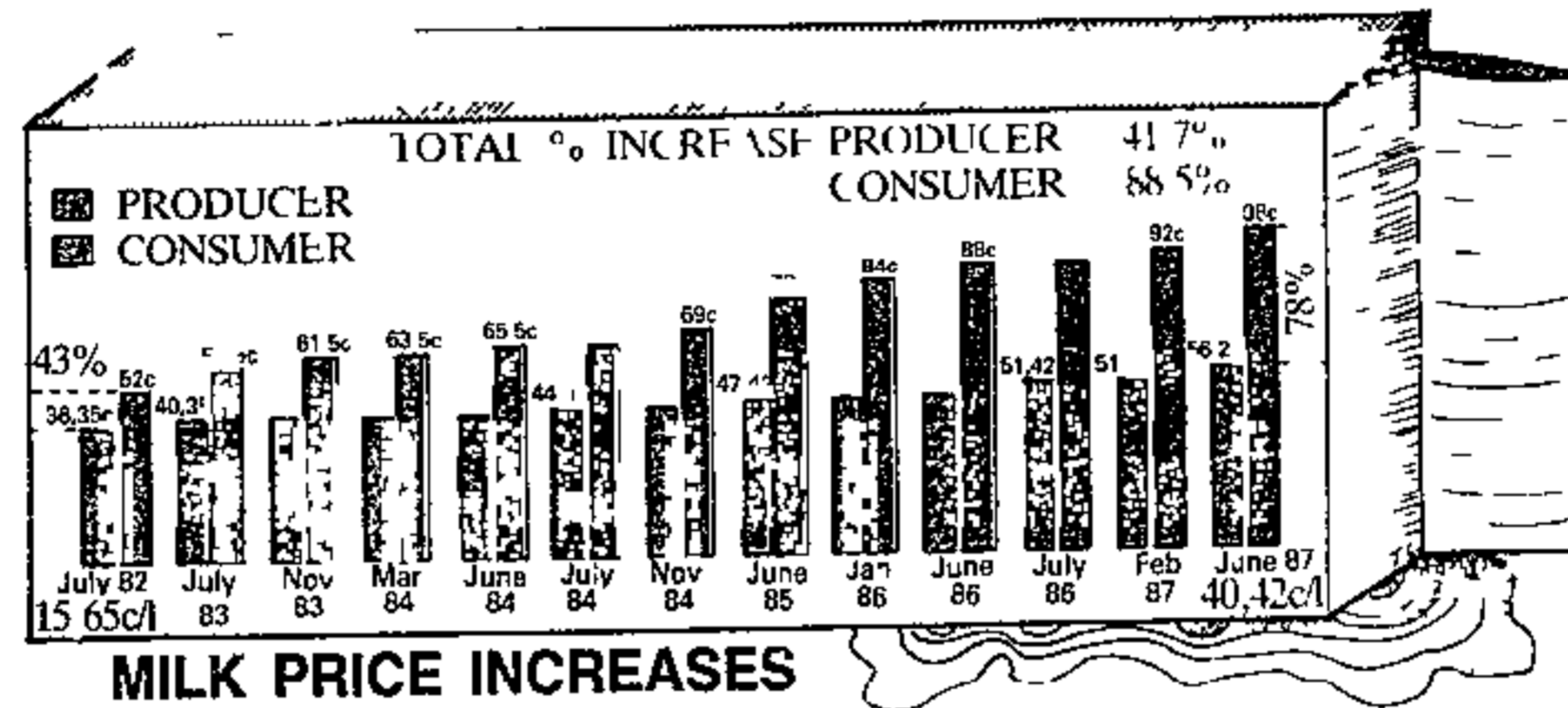
Milk price set to fall

CAPE Times
24/7/87
Milk 186
Dairy

By JANE ARBOUS
AMID threats of legal action and allegations of intimidation, a group of seven local milk farmers and former executives of the big producers yesterday broke the Western Cape's dairy stranglehold to form the **Homestead Independent Dairy**.

This is good news for consumers, who will have more product choice at lower prices. Managing director Mr John Jacobs, who declined to give any more details of marketing strategy at this stage because of security, said at a press conference yesterday "We have been working to maintain our suppliers' anonymity because of the attempts to block our entry into the market."

The new venture is the first real chunk in the local processing-distribution monopoly which has quartered the Peninsula into one-brand areas for



PRICE RISES . . The graph, of milk-price increases over the past few years, shows the disparity between payments to farmers (green) and the price paid by consumers (red)

the past 20 years and held consumers to ransom with restricted choices and repeated price rises totalling 88.5% in the past five years

Over the same period, farmers received only 41.9% more for their milk — in real terms, 10 cents a litre less than five years ago

In July 1982 the difference between the consumer and producer price was 43%. In February this year the difference rose to 78%

The group also believes that the consumer price rises — up to three a year — have led to an alarming drop in milk consumption in the Peninsula

sumption in the Peninsula

One of the farmers, Homestead chairman Mr J P Melck, said "For us farmers, this is one of the biggest days in our lives. We're going to turn the bad image of milk marketing into a royal one. We want to make the consumer our best partner."

On the allegations of harassment, Mr Jacobs said that though the response from retailers had been "quite phenomenal", some of the suppliers were being pressurized not to enter into any agreements with Homestead.

Security had to be increased

week by week, particularly to safeguard the farmers who would have suffered severe financial losses if the established milk buyers closed their doors, as Mr Jacobs alleged they threatened to do after news of the new company leaked.

Describing the reports of intimidation as "nonsense", Mr Louis du Plessis, chief general manager for Kaap Suivel — known commercially as Bonita (formerly Van Riebeeck), told the Cape Times that he believed the market was big enough for an independent

However, he confirmed that there was a possibility of legal action against the farmers in terms of the supply agreement he said they had with the cooperative.

The move was welcomed by the Housewives' League and the Consumer Council, which have been concerned about the lack of competition.

The new products — to hit cafe and supermarket shelves by mid-August — range from several types of milk to cheeses, fruit juices and a variety of yoghurts.

□ Dairy's aims are quality, low cost, see page 4

Cape Times 25/1/87

Appeal to Cape dairies on fight

Staff Reporter

THE executive director of the South African Dairy Foundation made an appeal last night to Cape Town's existing dairy processors and the newly-formed Homestead Independent Dairy not to fight issues on the basis of personality clashes.

Responding to yesterday's Cape Times report of threats of legal action and allegations of intimidation surrounding the formation of Homestead, Mr Marius Kritzinger — who welcomed the new development — said from Pretoria: "If we are talking free enterprise, the proof of the pudding is in the eating."

At Thursday's press conference announcing the formation of the new dairy managing director Mr John Jacobs said the names of suppliers were not being released because of attempts to block the new dairy's entry into the market.

Mr Kritzinger said he hoped Homestead would service the home delivery market and the coloured and black markets.

□ Milk: Challenge to cartels, page 15

Milk at 88c from cartel-busting independent dairy

Staff Reporter

THE cartel-busting independent Homestead Dairy will offer milk at 88c a litre — a 10 percent cut on the ruling price — for its launch on Western Cape supermarket shelves tomorrow.

Pick 'n Pay has exclusive local supermarket rights for the first month, after which other chains will be able to stock Homestead products

But cafés and other small suppliers will be able to stock Homestead products from the start

Prices include R1,15 for 250ml of fresh cream (normally R1,56 to R1,62) and 38c for a 175ml fruit yoghurt (normally from 54c to 56c)

Price promise

The cream price has been cut by 30 percent and yoghurt by about 25 percent

Prices are expected to rise after the launch but the dairy has promised they will stay well below present opposition prices

Pick 'n Pay chief Mr Raymond Ackerman yesterday predicted "a hell of a price war"

In opposition to the independent are the established producers — Kaap Suwel (formerly Van Riebeeck), Union Dairy, Joyce's, and Dairybelle

Broke away

The new company was formed by four Western Cape farmers who broke away from the existing supply chain

"We want to do away with the middleman system," said founder Mr J P Melck

A major competitor, Kaap Suwel, is not taking this lying down

General manager Mr Louis du Plessis said "It is understandable that if we have lost market share we must get it back

"Without knowing what Homestead's cost structure is I can't really comment on their pricing

"Our own organisation views price as just one part of our overall strategy

"We also have to consider the quality of the product, service and availability

"We will have to wait and see if the new company meets the necessary requirements in these other areas"

Mr du Plessis said Kaap Suwel was itself a fairly new company — having been established in October 1986 and not 20 years ago as had been reported

"We are restructuring, but of course I cannot reveal at this stage what our plans are"

New dairy cuts price by 10%

CAPE Times 29/7/81

2/2/81

186

2/2/81

By JANE ARBOUS
THE next shot in the challenge to the great milk cartel will be fired tomorrow when new Homestead Independent Dairy products land on Pick 'n Pay supermarket shelves — at prices about 10% less than those of the "Big Four" local producers.

After securing an agreement to supply the group, the breakaway dairy brought forward its launch date by several weeks in an attempt to catch the opposition dairies off-balance in any planned counter-attack.

For "strategic" marketing reasons, however, details of the cost differences on the range of products — from cheese to yoghurts and fruit juices — are only expected to be released today. The Cape Times understands that they will average about 10% cheaper.

The agreement means that Homestead products will get equal facing on the shelves and will continue to be sold by Pick 'n Pay even if the long-established producers react by undercutting the new entry into the market.

'Red-letter day'

Pick 'n Pay chairman Mr Raymond Ackerman predicted "a hell of a price war", adding that it was "a red-letter day" in consumer history.



Preparing to move off-shelf milk on to the supermarket shelves are (left) Mr Ray Murray, a senior buyer for Pick 'n Pay, and Homestead's managing director, Mr John Jacobs (middle), with two of the new dairy's deliverymen, Mr Livingstone Tshambu and Mr Stanford Dadlana.

His company, he said, had always believed in, and fought for, freedom of choice in its stores.

"Until now, this has been impossible." The Homestead is the first independent dairy in 20 years to offer supplies to the entire Western Cape market, effectively breaking the dairy industry stranglehold in the area.

According to Homestead managing director Mr John Jacobs, production at the new factory in Parow was going well "after having our fair share of problems".

Mr Ackerman said the refusal of certain of the opposition dairies to supply all his stores had always been a problem.

Fighting monopolies

The agreement with Homestead was reached "because of our continued fight for the consumer against cartels and monopolies".

Homestead will supply most Pick 'n Pay stores as far away as Stellenbosch, Strand and Somerset West.

Commenting on the recent milk price rise at these stores, national perishables buyer for Pick 'n Pay Mr Ray Murray said: "Why, we ask? Homestead Dairies are charging one price throughout the whole region."

"Most of the dairies approached by Pick 'n Pay to supply all their stores stated that if they supplied dairy products to the whole region, costs would go up and therefore the price of milk would go up. Why can Homestead supply the whole region and actually sell their products considerably cheaper than the existing dairies?"

"We will continue to carry our existing dairy suppliers in all our stores and ask our customers to make their decision."

Mr Ackerman added "By offering different products from all our dairies, we will be in a free competitive marketing system which will create a bigger awareness of dairy products and an increase in consumption of this basic nutritious product."

The big drop in local milk consumption was attributed to bad marketing and "unrestrained" consumer price increases of up to three a year.

Rush for 'illegal' milk

*Cape Town
30/7/82*

186

By JANE ARBOUS

CONSUMERS yesterday snapped up heavily discounted dairy products released in the city by an independent dairy challenging the milk cartel, but the Dairy Board maintains distribution is illegal

The new development came after a frantic day of sales, and the Homestead Independent Dairy says it is unable to meet the huge demand

Meanwhile, small-store owners are complaining that their requirements are taking a back seat to those of Pick 'n Pay

A Dairy Board spokeswoman said from Pretoria that it would only consider an application by the new dairy for a licence — submitted on June 24 — at its next meeting in the last week of August

But according to the Homestead chairman, Mr J P Melck, late yesterday, the company has been informed by the area representative that it can carry on trading till the board meets and that no action will be taken

In terms of the board's control measures, it can take Homestead to court which in turn could fine the company for marketing its products without a licence. Industry sources believe that is unlikely

Meanwhile, the new dairy products — up to 30% cheaper than ruling prices — are already selling at an "unbelievable" rate

Pick 'n Pay's national perishables buyer, Mr Ray Murray, said stocks in most stores were 50% sold out within the first two hours of delivery and that he had had to organize more deliveries later in the day

"Homestead's entire daily milk production of 40 000 litres has had to be diverted entirely to Pick 'n Pay from the cafes and smaller retailers who were supposed to sell from today"

Homestead has secured an agreement with Pick 'n Pay for exclusive supermarket rights to the products for the first month, whereafter they will be sold by other chains as well

The new dairy is the first large-scale independent venture in the Western Cape in 20 years. It was formed by four local farmers and three top producer executives in the industry because of unhappiness over prices, lack of product choice and a poor marketing strategy

PRODUCT	HOMESTEAD PRICES	OTHER
MILK (Litre)	88c	98c
CREAM (250ml)	R1.15	R1.47 - R1.62
YOGHURT (175ml)	38c	49c - 56c
COTTAGE CHEESE (250g)	99c	R1.35 - R1.45
FRUIT JUICES (Litre)		R1.05 - R1.09

AR6AS 30/7/87 (186)

NATIONAL/INTERNATIONAL

Major dairies keeping a watch on newcomer

Staff Reporter

MAJOR milk companies today vowed to get back their share of the dairy market after the new independent Homestead Dairy's cut-price products were snapped up "as soon as they hit the shelves" in supermarkets yesterday.

Dairybelle general manager Mr Jan Kotze said his company would react if Homestead's prices were "significantly lower".

Kaap Suwel spokesman Mr Louis du Plessis said that if his company lost its share of the market it would have to try to regain it.

The response to Homestead's products was "absolutely unbelievable", said Pick'n Pay buyer Mr Raymond Murray.

Sold quickly

The chain has exclusive local supermarket rights to the milk until next month, but cafés will also be stocking the dairy's produce.

The milk was grabbed as soon as it hit the shelves, Mr Murray said. He reported "a definite slight fall-off" in sales of opposition milk.

The new company was formed by four Western Cape dairy farmers who pulled out of the major milk-distribution network controlled by Dairybelle, Kaap Suwel, Union and Joyce's Dairies.

The farmers said this "monopoly" had artificially forced up prices while not benefiting farmers.

Mr Kotze said Dairybelle was watching the situation, "but I believe these are introductory prices".

He added that his company did not serve only "high-volume supermarkets".

If the new company's prices remained low, however, he would have to consider reacting.

The Dairy Board has given the new dairy its blessing — but says it is breaking the law by operating without a licence.

Dairy Board general manager Mr Edu Roux said from

Pretoria today that efforts were being made to reach a decision on Homestead's application.

"Homestead put in its application only a week ago," he said, and added that there was "no question" that the board was trying to delay matters.

"In fact, it is our policy to encourage new dairies. We have certain regulations and Homestead has complied with them.

"Unfortunately, it is an offence to operate without a licence and we will have to act if we receive a complaint."

Said Homestead managing director Mr John Jacobs: "In terms of the rules and regulations we have been approved."

PREMIER GROUP

More to come

Activities: Diversified group in broad spectrum of consumer industries — food, fishing, pharmaceuticals and leisure Investments include 36% of SA Breweries and 18.9% of Hi-Score Holdings

Capital structure: 56,8m ords of 50c each, 6,8m pref ords of 50c, 184 220 "A" share purchase prefs of 50c, and 25 400 "B" share purchase prefs of 50c. Market capitalisation: R2,6 billion

Share market: Price R40,24 Yields 2,7% on dividend, 5,8% on earnings, PE ratio, 17,3, cover, 2,2 12-month high, 4 325c, low, 2 235c Trading volume last quarter, 244 000 shares

Financial. Year to March 31

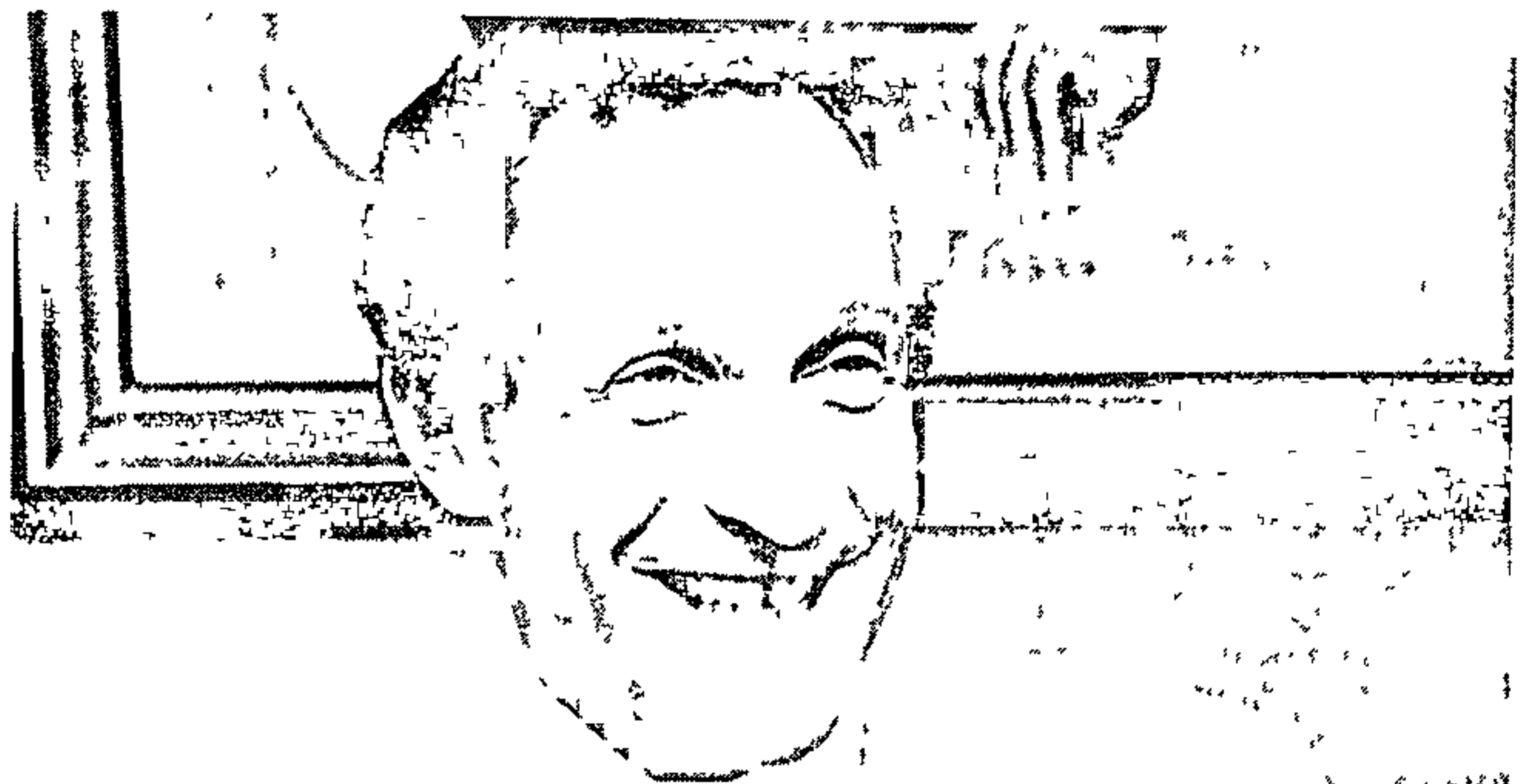
	'84	'85	'86	'87
Debt				
Short-term (Rm)	77,8	118,6	67,1	105,4
Long-term (Rm)	275,9	300,2	309,5	295,4
Debt equity ratio	0,28	0,29	0,24	0,18
Shareholders' interest	0,66	0,66	0,69	0,74
Int & leasing cover	2,6	1,7	1,8	2,3
Debt cover	0,38	0,24	0,31	0,41

Performance:

	'84	'85	'86	'87
Return on cap (%)	9,3	8,0	7,7	6,7
Turnover (Rm)	2 049	2 311	2 445	2 690
Pre-int profit (Rm)	177,2	174,7	175,9	209,8
Pre-int margin (%)	6,7	5,8	5,5	5,8
Earnings (c)	214,4	146,2	162,2	232,5
Dividends (c)	86	86	86	105
Net worth (c)	2 082	2 217	2 219	3 406

As chairman Tony Bloom notes in his review, the Premier Group's turnover correlates closely with personal consumption expenditure (PCE) Continued real growth in PCE of more than, say, 2%, this year must bode well for further earnings growth As was the case in the 1987 year, indications are that the substantial boost that would be derived from growth in consumer spending should again be accompanied by favourable internal developments in Premier's trading divisions

Premier's share price strengthened in the weeks before the release of the preliminary year-end results, as investors took heart from



Premier's Bloom ...upturn in food

booming profits announced by companies in the SA Breweries group, held 35,6% by Premier In fact, while SAB's EPS rose by 36%, Premier's EPS were a record 233c and, at 43,8%, the rate of increase was the best the group has achieved for many years

Reasons for the faster pace set by Premier lay in the group's balance sheet and in strong trading performances Notable improvements were achieved in Premier Food industries (PFI), with some operations rising off a very low base Group trading profit (excluding discontinued operations) rose 21,6% to R152,8m Of this, PFI accounted for 66,3% (60,8%) With all the PFI divisions performing better, the food operations' total trading profit jumped by 32,6% to R101,3m (R76,4m)

Interest-bearing debt stood at some R377m at end-March 1986, so the bottom line was bound to be sensitive to falling interest rates A stringent working capital programme instituted two years ago enabled a 2% dip in net working capital, despite 17% turnover growth Even with the first-time

inclusion of the offshore liabilities of Ovenstone (47m), previously off the balance sheet, group borrowings rose only R24m to R401m Cash and bank balances rose to R24,6m (R14,5m), and net interest paid dropped by R19,4m to R55,7m

A further boost was derived from the decision at the previous year end to write off all remaining foreign exchange losses, which in 1986 totalled R11,8m All told, net financing costs declined by R31,2m, with a bottom line impact of some 35c per ordinary share and accounting for nearly half of the EPS advance The bottom line was restrained by an increase in the effective tax rate, which rose to 29,4% (18,4%) Financial director Gordon Utian expects the tax rate will remain roughly at current levels this year

Unless significant debt is repaid, earnings will be more reliant on trading profits this year And, market conditions aside, there are encouraging indications of recovery in the group's main problem division agribusiness, animal feeds, farming and processing The division's trading profit jumped to R13,9m from the nadir of only R2m in the 1986 year. But this still represents a poor return from turnover of R593m, so there must be considerable potential for further improvement

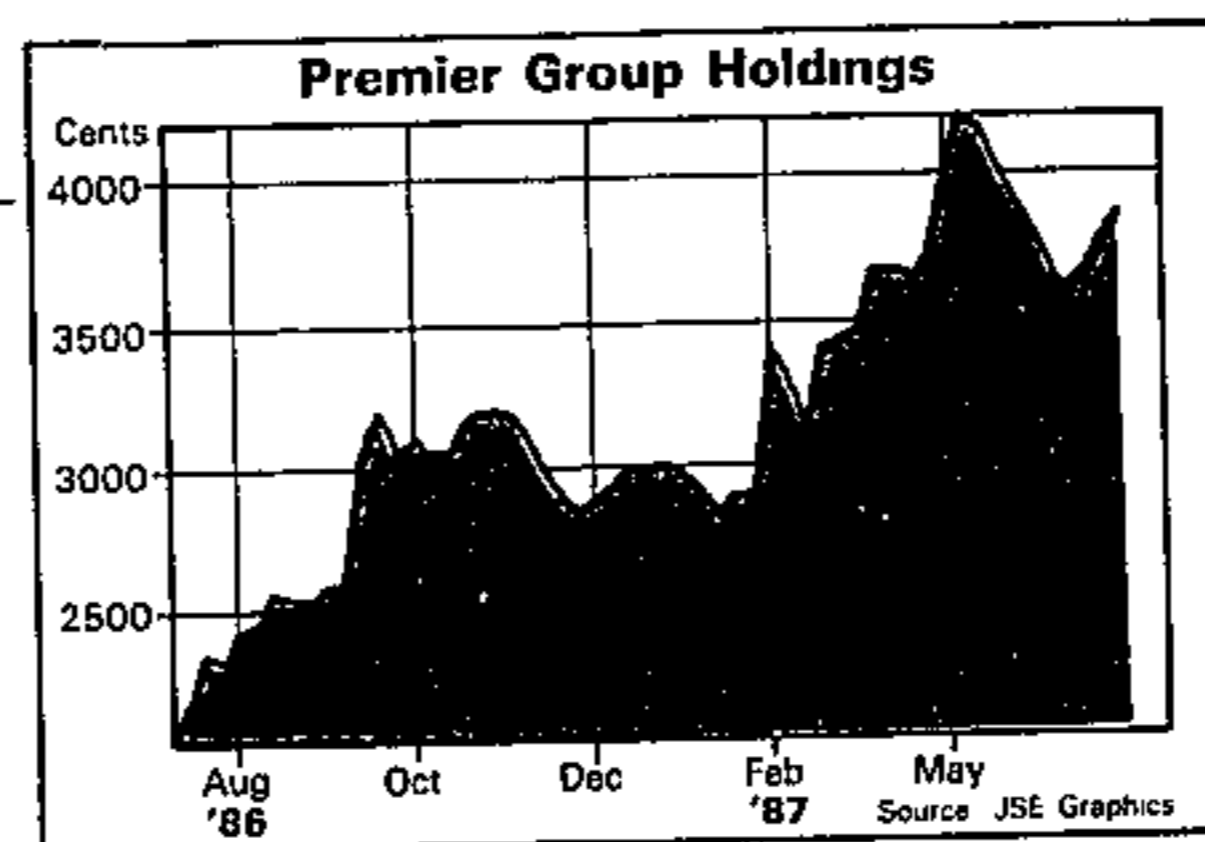
Utian says management is firmly against closing the troublesome broiler operations To ensure that the problems are resolved, Premier deputy chairman Peter Wrighton is currently running the broilers on a virtual full-time basis, and only the Transvaal branch is now performing below standard Utian says the division's profits should rise by about 22%-25% this year

In the milling division, major improvements in margins are not expected, but there is some prospect of better volumes, thanks partly to the maintained maize price Also,

PREMIER'S DIVISIONS

	1986 Turnover	(Rm) Trading profit	1987 Turnover	(Rm) Trading profit
Milling, baking, distribution and industrial feeding	932,3	61,5	1 066,1	73,2
Agribusiness, animal feeds, farming and processing	512,7	2,0	592,7	13,9
Edible oils and derivatives	178,0	12,9	222,9	14,2
Misc, books and consumer goods	309,2	19,2	352,7	23,8
Pharmaceuticals and wholesaling	170,4	12,2	*268,7	21,0
Fishing and manufacturing	52,8	3,3	63,4	(0,5)
Other activities including the company	80,7	14,6	56,1	7,2
	2 236,1	125,7	2 622,6	152,8
Discontinued operations	208,5	9,4	67,6	3,7
	2 444,6	135,1	2 690,2	156,5

* Includes results of Gresham Industries for a nine month period



the industry was required last year to contribute R6m to the bread subsidy, this may not happen this year. Competitive pressures have depressed margins in the edible oils and derivatives divisions, but here, too, there is hope of volume growth

Among consolidated, non-food interests, CNA Gallo is doing well, and the pharmaceutical interests, Utian says, are "going like a train" Group profits should also be helped by the remaining Ovenstone interests Last year these lost R8m, if they merely break even — and Bloom expects they will do better — that means an additional R8m for group trading profits All of the downside of Ovenstone is through Premier's accounts

Talk in the market is that a restructuring may soon be announced for Premier's pharmaceutical interests, which are held with a partner New wholesaling vehicle Gresham, with its strengthened balance sheet, is well placed to make new investments Premier now has a substantial investment in consumer electronics via 50%-held Teltron, which is budgeting for sales of more than R100m in the 1988 year Teltron must be a candidate for a listing later

Both Premier and SA Brews have lots of potential to substantially boost profits. But much depends on the pace and sustainability of growth in consumer spending Utian says that spending so far appears patchy, and the outlook uncertain Unless the economy does lift off, profits could lose steam sooner than was expected a couple of months ago However, I understand that the group exceeded its budgets in the first quarter of the current year

At R40,50, the share has retreated from the peak of R42,45 but still offers a thin dividend yield of only 2,7% The stock market is clearly anticipating powerful future earnings growth Notably, SA Brews, at its price of R21,75, currently has a market capitalisation of some R5,7 billion Premier's 35,59% stake is therefore worth over R2 billion, or about R32 per Premier share That leaves the remainder of Premier's share price — no more than R8 — to cover all the rest of the group's investments. If one accepts SA Brews' price is realistic, that implies Premier's share is undervalued

Andrew McNulty



186

Workers to return, others retrenched

Dispatch Reporter

EAST LONDON — A total of 847 black workers were expected to return to the Langeberg Co-operative here on Monday, a National Union of Food Workers' (NUFW) spokesman, Mr L Mati, said yesterday.

The workers were dismissed from the co-operative in April following a dispute.

Some 700 coloured workers were hired on a temporary basis to fill the vacancies, the manager of the co-op, Mr Andre Esterhuysen, said.

The dispute with the NUFW had now been resolved and the dismissed black workers would be reinstated on Monday.

A total of 350 coloured workers would be retrenched today. Further retrenchments could occur depending on how many black workers employees returned to work, he said.

He said about 250 workers had already left the factory at 3.30 pm yesterday afternoon, and he did not expect them to return today.

"We doubt whether they will be coming back, but those that stayed indicated they would be at work on Friday."

The factory is expected to run at half capacity today as it did yesterday from 3.30 pm.

The coloured workers, who formed the South African General Workers' Union on Wednesday, have disputed that they were hired on a temporary basis.

At a meeting this week the coloured workers decided to reassess the situation on Monday, a spokesman, Mr Vendnor Fortuin, said.

A coloured supervisor at the co-operative, Mr Johannes Doyne, said he had understood when he recruited the coloured labour that they would be hired on a permanent basis. Only last week when the retrenchments were announced did he discover that their employment was temporary.



Distressed workers are restrained after being told they no longer have the jobs they took in order to keep production going when an East London concern suffered a labour dispute

FM 31/7/87 186

FOOD IMPORTS

Health authorities in the dock

More than 1 000 t of irradiated French meat has been allowed by the Department of Health to become an untraceable and inextricable part of the local food chain.

The meat is Mechanically Deboned Poultry (MDP), which is finely ground chicken and turkey meat mechanically separated from the bone and widely used as an "extender" by the local food industry in the preparation of processed meat products like polony. It is also extensively used in hamburgers and sausages, including frankfurters.

The South African food industry annually uses more than 12 000 t of MDP valued in excess of R20m. Most of this is imported because of the country's quantity requirements and because the bulk of European MDP is turkey rather than chicken.

The saga of the French MDP, some of which might be fit only for use as pet food rather than for human consumption, began at the end of 1986 when large quantities of the product were rejected by South African veterinary authorities on arrival here.

All imported fresh meat has to conform with standards set by the Directorate of Veterinary Services and incorporated in import permits required for every consignment. Each permit includes a Veterinary Health Certificate signed by an authorised veterinary surgeon in the country of origin and stating that the product conforms to stipulated age, bacteriological, packaging and refrigeration standards.

Early this year, an international commodity broker noted that the rejection rate of French MDP had been dramatically re-

versed. Investigation showed that consignments tested on arrival in SA produced bacteriological results that were almost sterile. Enquiry in France turned up the fact that the MDP had been irradiated.

Commercial irradiation of food by cobalt or caesium gamma rays, X-rays or electron beams is a controversial process under investigation in several countries, including the US and UK, and by several international organisations including the European Parliament.

Proponents maintain it is completely safe, kills potentially harmful bacteria in foods, and is an effective way of prolonging the shelf life of fresh food such as meat and fruit. Opponents say its innocuousness has not been established beyond doubt, it affects the nutritional content of food, it destroys bacteria that signal food deterioration while not destroying bacterial toxins, and it can be used to pass off bad food as good.

The UK currently bans the import of irradiated food as does Scandinavia, the US, Japan and several Third World countries including the Philippines.

The Director-General of health confirmed to the *FM* that his department became aware of the importation of irradiated MDP from France in March. On March 23, all available French MDP imported since January — 58 full containerloads (FCLs) — was detained.

Of that total, 16 FCLs became the subject of a court case when commodity broker Harlington Investments took importer Saint International CC and the Director-General of Health to the Supreme Court in an attempt to prevent release of the MDP.

Harlington lost the case. Judge Kriegler found that health officials had acted correctly and that the irradiated MDP was not harmful to health. In consequence 57 containers of irradiated MDP were released for sale. Kriegler did, however, grant leave to appeal.

The Director-General of Health refused to give details of the French companies of origin of the 57 containers of irradiated MDP, the importers who had imported the product, or the local companies that bought it. He also refused to state where the MDP had been irradiated.

The department maintains that such "matters and facts are covered by Section 16 of Act 54 of 1972 (The Foodstuffs, Cosmetics and Disinfectants Act) which forbids disclosures of this nature."

The only action so far taken on the import of irradiated MDP has been the amendment by the Directorate of Veterinary Services of South African import permits. When the

issue was brought to its notice, it consulted the director (Foodstuffs, Cosmetics, Disinfectants and Hazardous Substances) of the Department of National Health and Population Development and then added two new clauses requiring certification that

"The meat was not subjected to ionising irradiation", and

"The meat was containerised and sealed under (an authorised veterinary surgeon's) direct supervision."

These two clauses now effectively represent SA's national policy on the import of irradiated MDP. They will only be lifted or amended by the Directorate of Veterinary Services in conjunction with the Department of Health.

A new set of regulations governing irradiation is currently in draft form and should be published in the *Government Gazette* within a few months. In view of the widespread reservations abroad, the matter should have been expedited and opened to public debate.

But in the meantime, that irradiated MDP is being consumed by South Africans of all ages and races.

It would not have been permitted into most First World and many Third World countries. Yet it was allowed into SA.

The risk might be slight, but it exists. The Department of Health should have considered the issue of national public health more carefully, and certainly in a broader context than a single favourable judgment in a civil action — and have done so sooner. ■

CAR HIRE MERGER?

There now seems little doubt that negotiations are taking place between Hertz Car Hire and Imperial Car Hire with a view to a merger. Neither party will confirm whom they are negotiating with, though Hertz MD Noel de Villiers admits that negotiations are taking place.

The SA car hire market is expected to grow to about R100m this year against last year's R75m. Last year Avis claimed it had 49,7% of the market with Hertz and Imperial at 18% each and the balance spread over a host of smaller operators.

Industry sources generally agree that, should the merger come off, it would achieve a degree of rationalisation of locations, manpower, administration costs and the customer base, as well as make for better utilisation of existing fleets.

RATTRAY RESERVES

Botswana venture

The recent purchase of a 50% interest in the massive 40 468 ha Mashatu Game Reserve in Botswana's north-eastern Tuli enclave has made Mike Rattray pre-eminent in southern Africa's private game reserve business.

Rattray refuses to disclose the financial details of his deal with Rennie's, nor the venture's projected profitability. But it is clear that long-term capital appreciation on the huge investment, owned jointly with the Botswana Development Corporation and managed by Rattray Reserves (RR), was a factor in his decision.

His company already owns the world-famous, 23 067 ha Mala Mala game reserve adjoining the Kruger National Park, as well as the 3 237 ha Malachite game reserve near Mkuzi in northern Zululand. Along with the National Parks Board, Botswana

Cape Times 11/2/87

Factory workers back on the job

Labour Reporter

BETWEEN 150 and 200 employees at the Cape Oil Products factory in Maitland ended a three-day work stoppage this week when management agreed to suspend from duty an artisan who allegedly assaulted a labourer earlier this month.

A union spokesman said yesterday that employees downed tools on Monday over the artisan's reappearance at the plant, three weeks after the alleged assault. They had demanded that the artisan be dismissed.

The spokesman said the workers agreed to go back to work on Wednesday when the company agreed that the fitter would leave the premises till the dispute was resolved.

Arbitration

The factory's management has agreed to put the man "on leave" pending a resolution of the dispute over the appropriate disciplinary action.

FAWU said the union had agreed that the dispute should be referred to arbitration.

A spokesman for Cape Oil said yesterday that an artisan had been "sufficiently provoked by a worker and shoved him".

He said management felt that dismissal was "way out of proportion to the offence", but they had agreed to go to arbitration.

Tins dumped at workers' homes

Dispatch Reporter

EAST LONDON — A truckload of discarded tinned fruit juice was dumped in front of the Buffalo Flats houses of two Langeberg Co-operative coloured employees yesterday, an employee, Mr Johannes Doyne, said

The co-operative's manager, Mr Andre Esterhuyse, said last night the report was "news" to him. The incident is the latest development in the dispute between Langeberg's management and re-trenched coloured employees

Mr Doyne, who together with some 350 employees, was retrenched from the factory this week, said that residents in Nederburg Street, in Buffalo Flats, reported that a Langeberg truck, loaded with damaged tins which should have been dumped at the tip, dropped the load on the pavement in front of the homes of two employees at about noon yesterday

Children had carted some of the tins, which were not fit for human consumption, into houses, Mr Doyne said

He did not know who drove the vehicle or the names of the employees living in the houses

Mr Esterhuyse said if the reports of the incident were true he would have it investigated today

"The contents of any tins leaving our factory in open trucks are not fit for human consumption. Holes are knocked in them and they are taken to the city dumps

"If these allegations are true, I am not aware of them and will have them investigated first thing tomorrow," Mr Esterhuyse said

Some 350 coloured employees were retrenched from the co-operative this week after management settled a dispute with the National Union of Food Workers' (NUFW), which led to over 700 black workers being dismissed in April this year

Mr Esterhuyse said on Thursday that the coloured labour had been hired on a temporary basis, pending the dispute with NFWU being settled

The coloured workers maintain they were hired on a permanent basis

The balance of the coloured employees could be retrenched depending on how many blacks returned to the factory on Monday, Mr Esterhuyse said

The co-operative was expected to continue to run at 50 percent capacity yesterday

A NFWU spokesman said a statement would be made on Monday, when some 847 black workers were expected to report for work



Children at Buffalo Flats picked up discarded tins of pineapple chunks which were dumped on the streets yesterday

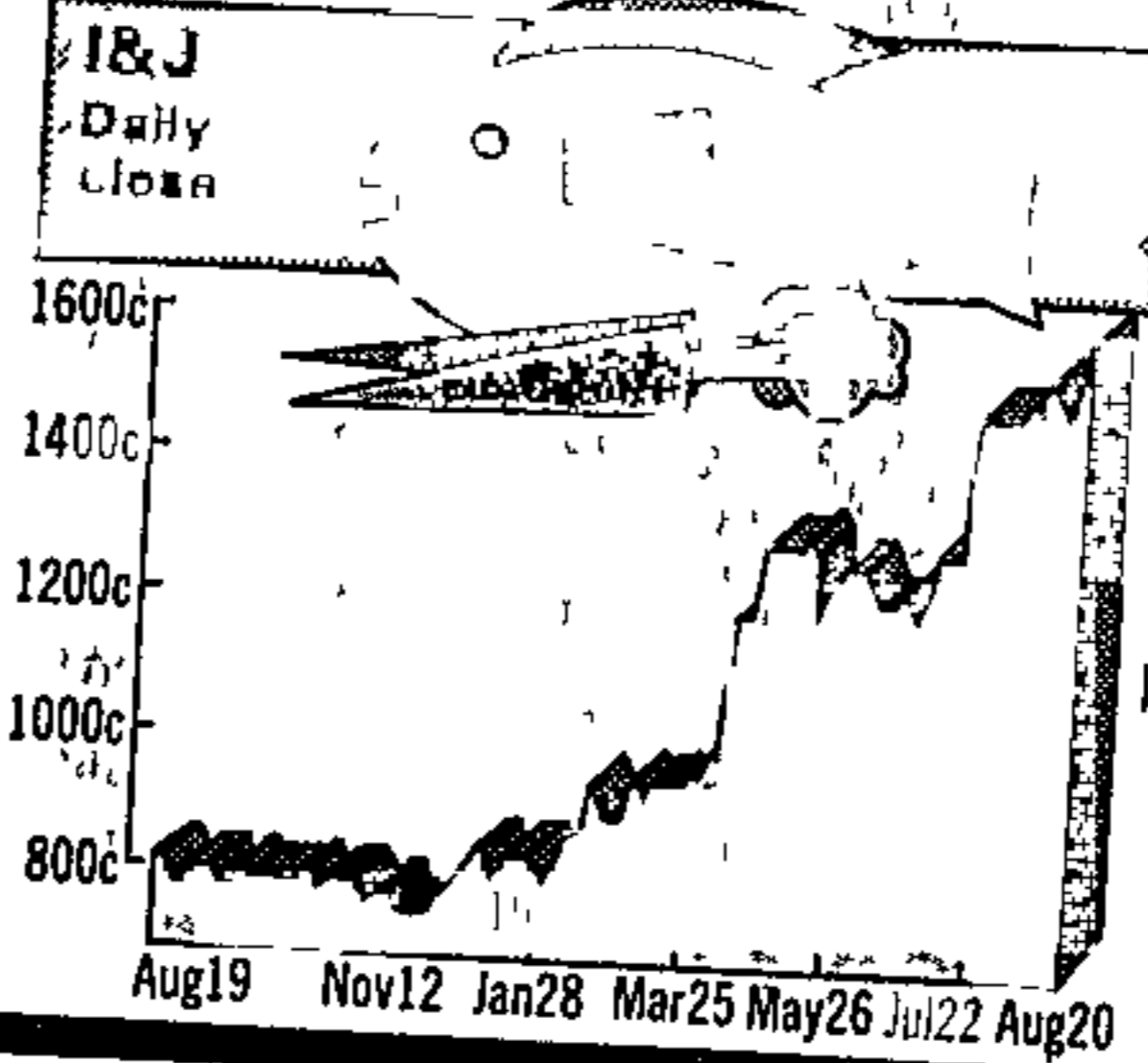
DD. 11/8/87
180
1950

I & J nets 10th record catch

MICK COLLINS

IRVIN AND JOHNSON (I & J) has netted shareholders a record catch for the 10th consecutive year.

This year's profits are 70% up and the company has declared a dividend 46%



Source JSE Graphic JOHN McCANN

higher at 38c a share for the year-end to June 30.

Turnover rose by 20% to R736,9m (R612,1m) as a result of improved business conditions as the economy resumed tentative growth and confidence firmed. A partial recovery in margins flowing

● To Page 2

I & J nets 10th record catch for shareholders

from firmer selling prices resulted in net operating profit rising to R58,4m (R37,2m).

Investment income rose, but this was largely offset by higher interest paid of R4,6m (R3,6m), leaving a pre-tax profit of R55,2m (R34,3m)

Taxation absorbed R21m (R14,1m) and minority interests R50 000 (nil) With share of associated companies' earnings rising by R10 000 to R67 000, consolidated earnings increased by 70% to R34,2m (R20,2m), equivalent to earnings of 122c (72c) a share

The dividend was raised by 46% to 38c (26c) a share, which was covered 3,1 times (2,8 times)

The only cloud on the horizon could be the high cost of asset replacement which led the board to adopt the higher-cover

strategy

"With the current high level of inflation, such costs are expected to be substantial," the board said

Capital expenditure during the year was reduced to R10,9m (R43,2m), while commitments at the year-end for future capital expenditure totalled R5,2m (R3,5m)

Net current assets at June 30 totalled R72,8m (R56,5m), while net asset value amounted to 460c (387c) a share

The continuing improvement in the economy will benefit the group and, providing the current relatively stable business, political and exchange rate conditions are maintained, further profit growth is expected in this financial year

5/10ay
2/18/87
From Page 1
186

Picture: REUTERS

500 meat plant
workers strike

Staff Reporter

ABOUT 500 workers at the Spekenam meat-processing factory in Stikland, Bellville, downed tools yesterday over a long-standing dispute concerning wage negotiations

An office-bearer of the Cosatu-affiliated Food and Allied Workers Union (FAWU) said yesterday that workers were upset with management's view that wage negotiations would not take place with union officials, but only with a worker committee

The unionist said the current minimum wage at the factory was R70 a week.

POTHINUS MOKGOKONG

True grit (186) FM 18/15

Professor Pothinus Mokgokong is chairman of newly listed Lebowa Bakeries, which bakes and distributes bread to the entire territory of Lebowa. The fact that he is an academic and an expert on the Sotho language might seem rather incongruous. But a closer look reveals a well-travelled, quiet but nevertheless determined man. Above all, he is respected by a large proportion of the Sotho populace.

His longstanding interest in the upliftment of the Sotho goes back to his schooldays in Pietersburg, where his father was a Lutheran pastor. But, after graduating from the University of Fort Hare in 1944 with a BA in English and Northern Sotho, he embarked on a career in education at Madibane near Johannesburg. He eventually became vice-principal at Madibane and spent 13 years there. This was followed by a spell at Meadowlands, also near Johannesburg, where he was founder principal. Subsequently he lectured at Unisa, and gained his MA with

distinction for research on Northern Sotho dialects.

But Mokgokong's yearning to return to his roots proved overwhelming. The offer in 1975 of a professorship at the University of the North, as head of the Department of Northern Sotho, provided the opportunity for him to get back among his people.

This influential position, and his determination to help the less fortunate and less gifted, led in 1977 to his appointment to the board of Lebowa Development Corporation (LDC).

"Our people must be taught to be self-reliant and to feed themselves. We cannot have a nation of beggars and paupers," he maintains. Mokgokong's knowledge of the Sotho, his balanced approach and enormous reservoir of energy proved ideally suited to the LDC's objectives.

He has also been something of a traveller, visiting Europe and the US and frequently addressing student meetings. "I have been astonished over the general lack of knowledge about SA, and try to give a fair picture of the situation here," he says.

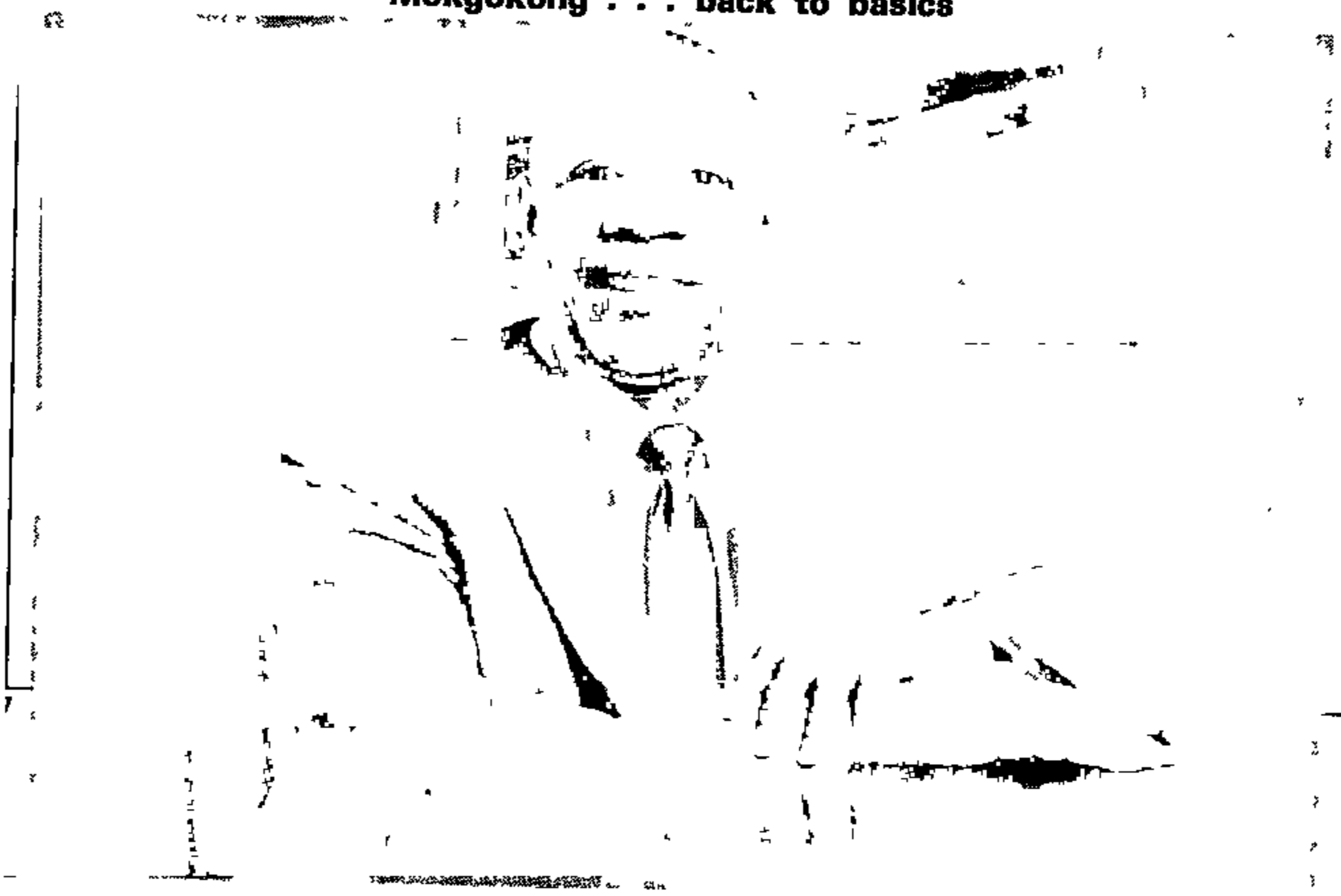
Travelling has not deterred him from staying involved in religious affairs. He is active on the synod of the Lutheran church. Once a soccer player, he keeps up an interest in the game. "I was one of the founders of the SA Football Association, the forerunner of present professional football," he says with evident pride.

In 1985, Mokgokong (a diabetic) developed congestion of the veins in his legs and had both amputated. Following five months hospitalisation and nearly a year on crutches, he now uses only a walking stick and even plays a little golf "to keep in shape." This measures the determination of the quietly spoken man.

He says he has another year to go as rector, and will then continue in community service and the LDC — "from that I can't retire."

Mokgokong's determination to succeed has generated a deep respect among his friends and colleagues. His invaluable knowledge and experience, and his enormous popularity among his people, should ensure an active future. ■

Mokgokong . . . back to basics



FOUR farmers, and a group of dairy industry folk, have recently formed the Homestead Independent Dairy. The price of a carton litre of their pasteurised full cream milk is 88 cents — a 10 per cent cut on the ruling price. They will soon

have the full range of dairy products to offer to consumers eager to pay their lower prices. Chairman J P MELCK and managing director JOHN JACOBS take coffee with Gorry Bowes-Taylor. There is the Homestead's rich, (cheap) cream in that coffee.

IT COULD BE THE CREAM IN YOUR COFFEE

THERE are butter yellow and white flowers along the centre of the N7 on the way to Malmesbury, and when you take the right hand turn-off to the Melcks' farm, you're riding on the banks of a shallow Diep River.

No, J P Melck says, his farm isn't called the Homestead as you might think, it's Vissershok. The great white pillar at the gate was built in 1683, the gabled farmhouse is dated 1768.

In those days, when the river was deep, fishermen came to the jetty which is now the farmyard, their long boats loaded with fish and slaves to barter with the farmers for meat and skins and some wheat.

Vissershok was the first wheat farm in South Africa, it's also the farm to which Mr Myburgh retreated in the early thirties with his brindled cows as they were bundled from a growing Green Point.

THERE is of course, on an early spring day, an air of rural calm. The contented Frieslands

"To break us," JP roars, "they said they wouldn't take our milk. We produce 40 000 litres of milk a day, and they would leave it lying rotten here."

All is not necessarily country tranquillity. JP is a big man. He is also an angry man. He rages against the monopolistic middleman system and the Dairy Board's support of that system. It has artificially forced up dairy prices. "Out of which the farmer got nothing" and caused consumption to drop.

"This, in short and sweet, is what has been going on for the past 20 years" (Thump, thump.)

Four Western Cape dairy farmers form the Homestead Independent Dairy. They and their dairy animals are nicely blood-jinked through thoughtful forefathers. There's JP, born to dairy farming in Hopefield, Andrew Mellish, of Welbehold in Milnerton, Chris Starke, Oatlands,

MELCK'S MILK



JP Melck, Chairman of the Homestead Independent Dairy, his wife Nettie Melck, Managing and Marketing Director, John Jacobs and Vissershok, the Melck's eighteenth century farm house on the banks of the shallow Diep River.

Durbanville, and Peter Nelson, Bordeaux, Malmesbury.

The Mellishes were the first to import Friesland cows to South Africa. In 1895 the Starkes bought their breeding stock from them, the Nelsons followed suit two years later, JP's father bought his Friesland bulls from the Starkes in 1928.

"That's why we stick together, do things together," says JP with pride.

THE four farmers's first bid for independence was as early as November 2, 1983, when they applied to the Dairy Board for an operating licence. Their application was not successful.

"It was the story it had been for the past 20 years, that there was no place for anybody else. We realised that if the Dairy Board spun this yarn for the next 20 years, virtually no-one would be able to afford milk."

"I can tell you that with the price increases consumption of fresh milk has dropped, from an average in our area in 1983 of 339 000 litres a day to 322 000 on July 29, 1987, our launching day."

"In that period the population, the potential milk drinkers — everybody who's born is enti-

WJG AMG 25

8/8/87

186

[Handwritten signature]

three smaller distributors, squeezed out all the opposition. They did it in the guise of improving the quality of milk and by and large it was welcomed by the consumer. It got rid of a lot of purveyors and hawkers. The two dairies set up new factories and they have operated very closely ever since.

"They have made a pretence at being independent of each other, but when one looks at what is happening even right now, everything that happens in the dairy industry other than what we're doing, is done in unison."

"Their response to our launch has been predictable. They lowered the price of milk in plastic sachets! We expected that's what they would do and that they would do it in unison."

JP says, and he will talk at length now and with pan and anger, "The Dairy Board, as from July 1, 1983, and you must write this down, lady, the Dairy Board gave the existing dairies the right to adjust their own prices out of Dairy Board control."

"From then on every time there was a little gap in the market, two or three times a year, the dairies put their prices up, just two or three cents and in times of inflation who is going to notice two or three cents, but it went into the dairy's pocket, none of it went to the farmer."

"We immediately went to all the Ministers who said that as far as the Dairy Board was concerned we're living in a world of free enterprise. Meanwhile we farmers were taking the risks, our production costs were going up and we could do nothing."

"The suffering that we had to endure still to have our cows running around on the farm has been terrifying to the mind, to the living of your family. You must remember all I've done in life is worked my heart out for an animal. But when you get home and your mood is not good and you've served the market and at the end of the day a milk cheque comes and you can't even meet your production costs, what do you do?"

"You go to pieces and your whole farm and family suffers."

"Let me tell you that from 1970 to 1983 I used to handle cows here in double shifts. That meant for those 13 years I worked 21 hours a day non-stop. My people who worked for me worked nine hour shifts. In those years I never had the honour of going away for one weekend, I'm not even talking about holidays."

"I did it only because I always had it in mind that one day things will come to justice and this is now the day."

led to drink milk — increased by roughly half a million.

"So we've taken the thing into our own hands to serve the market in the way we feel is best for the consumer who has a right to drink the absolute top quality milk at a reasonable price. This way we feel is best for our future."

"This is what it's all about." (Thump)

CONSUMERS have lapped it up. Supermarket shelves are soon emptied. "A great future lies in front of us," JP says. "It is the breakthrough we've always dreamed of."

John Jacobs says the Homestead will, within the next week or two, expand their plant capacity so as to produce their full range of lower price products — the milks, yoghurts, cream and cottage cheeses, fruit juices, dairy blend fruit juices as well as the more traditional buttermilk and maas — the brew Africans fermented traditionally in a calabash. With the overwhelming response at the launch, he says they simply have not been able to cope with the demand.

With a future as flavourful as that you might wonder why there's been no cartel-bustn' before.

"Over the past 20 years," John says, "the two major dairies in town, together with two or

IMPERIAL Cold Storage (ICS) will appoint Russell Chambers chief executive when current incumbent Owen Dinsdale heads north later this year

The two have worked together in the Barlows group for more than 15 years and this will be the second time Mr Chambers has succeeded Mr Dinsdale, the first being at Telerama-Rediffusion in 1979

The ICS share price was languishing when Mr Dinsdale was appointed managing director in May last year — it was trading at a discount to net asset value of almost 50%

Mr Dinsdale says "Our objective was to get the market to re-rate the share and the only way to do that was to improve earnings"

Shares could be picked up for 500c then, but by January this year they had reached 900c. More recently, they have traded at 1350c

Mr Dinsdale has been appointed managing director of Gerber Food Holdings, a private British company

He says "I did not actively seek an overseas position, but once I had decided to leave South Africa the Gerber Foods opportunity looked attractive"

Gerber sought looked a managing director in England for six months before looking farther afield

The turnaround at ICS

ICS comes in from the cold

186

could be attributed to three things, according to Mr Dinsdale — a change in management approach, a few key acquisitions and disposals, and an improved stock market. In the first six months of the year to September 1986 turnover increased by 12%, but profitability zipped up by 125%

ICS has a long history — Cecil Rhodes was a founding member in 1902. Its business is in meat, poultry and dairy products. Its brand names are Renown, Festive and Dairybelle and Dairymaid. It also distributes on behalf of

other food companies

Earnings have improved enormously in percentage terms after a three-year decline. The head office will become "smaller and leaner" when it moves from Pretoria to Sandton. Managements of three divisions will be at the site of operations at Clayville, Midrand

The remaining two divisions do not have a natural base and will stay under the same roof as head office

Mr Chambers does not foresee major upheavals at ICS when he takes over. The intention is to turn the ailing dairy operations to account

Cape Times

10/18/87

Support pledged for ~~workers~~ 186 strikers

Staff Reporter

SUPPORT for the striking Spekenam workers was pledged at a meeting yesterday morning, according to a group of the workers

On Thursday evening, over 500 workers, mainly women, were driven from the grounds of the meat factory in La Belle Avenue, Stikland, by police using teargas and batons. On Wednesday, the workers had all downed tools in a dispute over wage negotiations.

A group of the striking workers spoke to the Cape Times yesterday afternoon at the United Women's Congress rally in Athlone which they also attended.

The workers said they were still on strike and would not acknowledge their "dismissal" as they had not been formally informed of it.

"Everyone fetched their normal weekly pay, but that's all. They have not been paid off formally," a unionist from the Food and Allied Worker Union (FAWU) said.

Community organizations, "mainly from the United Democratic Front", represented at the support meeting yesterday morning were "going to give support in terms of not seeking work at the factory", the workers said.

Workers from other factories who belonged to unions affiliated to the Congress of South African Trade Unions (Cosatu) had also pledged to support the strike by publicizing it, they added.

The managing director of the factory, Mr F de Klerk, could not be reached for comment last night.

Cape Times 11/12/77
**Bid to settle
Spekenam strike**

Labour Reporter

REPRESENTATIVES of the Food and Allied Workers' Union (FAWU) met with the management of Spekenam meat factory in La Belle Avenue, Stikland, yesterday in an attempt to settle the six-day strike.

About 500 workers struck on Wednesday last week over a dispute concerning whether union officials, who had not concluded a recognition agreement, could take part in wage negotiations.

A FAWU spokeswoman said yesterday the union put forward various proposals to management, which they agreed to respond to by today.

ARGUS 12/18/86

Veg market workers strike for more pay

Labour Reporter

186 (186) (186)

FOUR hundred workers at the Epping fresh-produce market stopped work today, demanding higher wages

They are employees of the 10 market agents and members of the Food and Allied Workers' Union (Fawu)

The market is the chief source of fruit and vegetables for Cape Town

Mr Dick Neethling, chairman of the Association of Market Agents, said produce was still moving in and out

Most buyers had their own labour to load produce this

morning and he thought it probable that suppliers would do the same when they brought produce to the market later today.

The workers, who are employed mainly for loading and off-loading produce, gathered in one of the market halls after it opened this morning

Mr Neethling said that a further round of negotiations between agents and the union would take place today

He said agents paid most of their employees well above the prescribed minimum

THE Food and Allied Workers Union and 10 shop stewards at Albany Bakery in Germiston have been temporarily interdicted from encouraging, organising or participating in a strike or overtime ban by employees at the bakery's premises.

Tiger Bakeries Ltd, trading as Albany Bakery, obtained the interim interdict after making an urgent application in the Rand Supreme Court late yesterday.

The union and shop stewards have been stopped from inciting, organising and instigating any unlawful or illegal industrial action, in particular calling for or preventing employees at the bakery from working overtime pending the return date of the application on August 25.

Bakery granted order on striking

~~153~~ ~~186~~ 186
2/8/87 SUSAN RUSSELL 8/Day

In terms of the rule nisi issued the union and stewards must show cause on that day why an order should not be made restraining them from breaching the terms of the recognition agreement concluded between the bakery and the union last year.

The union must also show cause why they should not be ordered to take reasonable steps to ensure that their members at the bakery comply with their obligations in terms of the recognition agreement.

Mkus 13/8/87

186

600 sacked: Protests planned

Labour Reporter

DEMONSTRATIONS to protest about the dismissal of about 600 workers from the meat processing plant Spekenam are planned at about 60 factories in the Cape Town and Bellville areas today

The workers were dismissed last week after they had been on strike for two days over wage negotiations and a delay in signing a recognition agreement with the union

On Thursday evening, the Spekenam management called in the police, who drove workers from the Bellville factory with sjamboks and tearsmoke

The incident has angered unions and the Food and Allied Workers' Union, of which the strikers are members, claimed that management had provoked the strike to get rid of the union

NRSGS 13/8/82

CITY/NATIONAL

186

Mill strike looms as pay talks flounder

By DICK USHER, Labour Reporter

A NATIONAL strike affecting two major producers in the milling industry is due to start next week following a breakdown in wage negotiations

The planned industrial action, the first on such a large scale in the industry, could be accompanied by a national baking strike

Bakery workers are due to meet this weekend to discuss their response to deadlocked negotiations

The milling strike will affect two major producers of staple foods — Premier Milling and Sasko, which have been negotiating nationally with the Food and Allied Workers' Union.

Negotiations "satisfactory"

They operate about 30 mills nationwide and produce the full range of wheat and maize products. Premier also produces animal feeds at its Epol plants and vegetable oil products through Epic.

A spokesman for the third major producer in the industry, Tiger-Oats, said all the company's operations — both baking and milling — were involved in plant-level wage negotiations

"However, at this stage all negotiations are proceeding satisfactorily and we do not suspect there will be strikes," he said.

Wage talks with Premier and Sasko reached deadlock about two weeks ago and attempts at mediation failed last week. The union introduced overtime bans at all Premier and Sasko mills after talks deadlocked

Rejected offer

A union spokesman said the union's national council had rejected the employers' latest offer made at mediation

Industry sources said the offer was a R33 a week increase on the minimum, plus R1 a week for all employees with more than a year's service, while the union had come down to R39 a week at mediation

The union says companies are "clearly in a position to meet workers' demands"

Sasko profits rose 31 percent to more than R30-million last year and Premier profits rose 22 percent to R152-million

"These huge profits have been accompanied by spiralling food prices," said the union

An employer spokesman said "Our offer represents a 28 percent increase on the minimum which is well above average"

is
or
3,
n-
in

~~186~~ ~~186~~ 186
2 Cape Times, Friday, August 14, 1987 ★

Employees of market agents continue strike

Staff Reporter

ABOUT 400 employees of the Institute of Market Agents at the Epping Market yesterday entered their second day of a strike in support of a minimum wage of R90 a week.

A Food and Allied Workers Union, Fawu,

spokesman said talks had deadlocked at a R10 a week increase (from the present R60 minimum) with managements' outside negotiator expressing the opinion that mediation would "not be useful".

Mr Ludwig van Deventer, National President of the Institute of Market Agents said yesterday the percentage commission for agents remaining unchanged since legislation set it between 5% and 7½% in 1944.

W/L Nelson 5/8/87 (186) (186) (186)

LABOUR
AFFAIRS
DICK
USHER



Management actions at Spekenam 'spark wide-spread anger'

IT'S difficult to underestimate the extent of union and community anger over events at Spekenam over the past 10 days

Briefly, management dismissed about 500 workers last Thursday after they had been on strike at the Bellville factory for two days

Police then arrived, called in by management according to a police spokesman, and drove workers out of the factory using sjamboks and teargas

KNEE-JERK RESPONSE

This is seen as the unacceptable face of industrial relations, a reversion to the 1970s when managements' knee-jerk response to worker action was to yelp for help from the Department of Labour (as it was then) and the police

Bewildered by displays of worker power, blinkered by the tunnel vision created by too many years of arbitrary power over workers and blamed by inadequate (mostly non-existent) industrial relations they simply lacked the equipment to respond with understanding

Since then, many managements have left the dark ages behind and the police view is that industrial relations are a matter between employers and employees

So the events of last Thursday sparked deep anger among workers

Support from community organisations has been pledged at a series of meetings — in line with their acknowledgement of the leadership of the working class

A Cosatu spokesman called management's actions "provocative". "We call on management to face the real issues — workers' right to freedom of association and to negotiate wages and conditions of employment through their elected representatives and their chosen union," he said

"Are the bosses serious about negotiating in good faith or are they just out to attack the union? We see the events of last Thursday as part of the national attack on Cosatu and the denial of the workers' most democratic right to negotiate a living wage"

Lunchtime demonstrations of support have been held by, among others, the Food and Allied Workers' Union (Fawu) plants round Cape Town and the Congress of South African Trade Unions affiliates in Bellville

Meanwhile, it is understood that casual workers who have been hired have been told they have temporary jobs for two weeks

SOMEONE AVAILABLE

It's difficult to give management's side of the story because no contact has yet been made, managing director Frikkie de Klerk has been attending a lot of meetings. So not only do they have an IR problem, they've got a PR problem too

One can't emphasise strongly enough that where there's a dispute management should have someone available at all times, not only to hand out statements but with the authority to clarify unclear points and answer questions

Too many company statements are so unclear, or fail to address the issues, that they simply fog things up

All IR issues are delicate, but if the unions can mandate people in the organisation — a shop steward or an organiser — to talk to the Press it's often difficult to understand why managing directors of companies are so jealous of their status that someone else with a clear grasp of the situation can't be delegated to talk to the Press

CAPT TINKS 17/8/87

Deadlock in Epping Market workers' strike

Labour Reporter 186

TALKS between the Institute of Market Agents and the Food and Allied Workers' Union, representing 400 striking Epping Market workers, deadlocked on Friday with the union turning down a R15 pay increase offer for those earning the R60 minimum weekly wage

A Fawu spokesperson said the union rejected the offer, which was made on condition that all other outstanding demands were dropped, because it would mean that anyone earning over R75 would not get an increase

For other workers the union asked for an across-the-board increase of R15, to be paid on May 1, and an additional across-the-board increase of R5 in November

Epping Market employees at present earn between R60 and R100 weekly

The spokesperson said Fawu had agreed to drop demands on five outstanding issues in an attempt to settle

Management spokesmen were not available for comment last night

ONE WAS 17/8/87
Spekenham
rejects
settlement

Labour Reporter

THE Vleissentraal group has rejected a Food and Allied Workers' Union (Fawu) proposal to settle Stikland's Spekenam meat factory strike, the union said last night.

Despite numerous attempts by the Cape Times, Vleissentraal spokesmen could not be reached for comment last night.

Fawu general secretary Mr. Jan Theron said management informed the union on Friday that "it would not be in the long-term interest of the company to reinstate the dismissed workers".

Almost 600 workers have been sacked from the factory following a strike on August 5 over a dispute on whether union officials, who had not concluded a recognition agreement with management, could negotiate higher wages.

Mr Theron said many Spekenham workers earned only R70 a week.

ARGUS 18/8/82

Thousands of food workers on strike

By DICK USHER
Labour Reporter

THOUSANDS of food workers today started a countrywide strike in the milling industry affecting all major producers of staple foods

The strike is for higher pay

The situation was uncertain early today as managements and the union assessed reports on the extent of the strike, but it could affect at least 30 factories which produce staple foods, oil products and animal feeds

The companies mainly concerned are Sasko and Premier Milling

Tiger Oats, the third major producer, said last week that it "did not suspect there would be strikes" but workers at one of the group's factories, Fattis and Monis in Bellville, stopped work today

The strike has been threatening since national wage talks between the Food and Allied Workers' Union (Fawu) and the two groups deadlocked about three weeks ago and attempts at mediation failed

A Fawu spokesman said most of Premier Milling's plants were out but the effect on Sasko was more limited

In the Western Cape workers at Epic Oil's Matland plant, part of the Premier group, said

they were on strike

Sasko mills in Port Elizabeth and Durban are also out

Mr Theo Hefer, a Premier spokesman, said it was too early for a complete picture

It is understood that Sasko, in an attempt to avert the strike, raised its wage offer from R33 to R36 at the weekend. The union is demanding a R39-a-week increase on the minimum wage

Tiger Oats said last week that plant-level wage negotiations were proceeding satisfactorily

It is the first large-scale strike in the industry

CAM-TIMS 18/8/7

186
486 meat factory
workers replaced

Labour Reporter

THE Vleissentraal group yesterday confirmed that 486 workers had been dismissed from the Spekenam meat factory in Stikland and that a new workforce had been employed on a temporary basis.

A spokesman for the group, Mr A Lombard, confirmed that Vleissentraal told the Food and Allied Workers' Union on Friday that it would "not be in the company's interests to reinstate the dismissed workers". He declined to comment further.

Epping union makes new proposals

AK 605 19/882

1801

182

186

Labour Reporter

SETTLEMENT of the week-long strike by 400 workers at Epping market edged closer today following fresh proposals from the union.

Market agents who employ the workers were in a meeting and unavailable for comment, but it is understood they were discussing the proposals.

DISMISSAL THREAT

A spokesman for the Food and Allied Workers' Union said the new proposals followed the agents' rejection of an offer last week and threats to dismiss strikers this morning if they did not return to work.

She said workers had agreed to go back if they got a written undertaking from the agents that they were willing to negotiate their "unacceptably low wage offer", an across-the-board component and outstanding demands on conditions of service and stop-orders for workers' union dues.

ARGUS 1987
180 52/11247

Employers hopeful mill strike will end

By DICK USHER, Labour Reporter

EMPLOYERS were optimistic today that the national milling strike could end after workers discussed fresh wage proposals put to the union at the weekend.

About 5 000 workers went on strike yesterday at mills and factories in the Premier and Sasko groups, two of the main producers of staple foods, oil products and animal feeds.

Industry sources said they had been told by the Food and Allied Workers' Union (Fawu) that shop stewards, who met in Port Elizabeth at the weekend, had not been able to get back to their members with the offer in time to discuss them and possibly forestall the strike.

TOO LATE

"They have been building towards this for several weeks and Fawu says it was simply too late to halt this momentum," said one source.

The new offer, which workers will consider at meetings today, is a R36-a-week increase, up R3 from the employers' previous offer but R3 lower than the union's latest demand.

Wage talks deadlocked about three

weeks ago and attempts at mediation failed

The strike affected mainly Premier and Sasko, although workers at Fattis and Monis in Bellville also came out.

A Sasko spokesman said mills in Durban and Port Elizabeth were still out today, but the Pretoria mill was working again after a short stoppage yesterday

Milling strike

off after offers

By CLARE HARPER
Labour Reporter

A TWO-DAY national milling strike by about 5 000 workers was last night called off after workers discussed new proposals put to the Food and Allied Workers' Union (Fawu) at the weekend.

Fawu national organizer Mr Mandla Gxanyana said workers held regional gatherings yesterday to discuss the proposals and subsequently called off the strike. He said Tuesday's and yesterday's action "was just a warning".

Industry sources said meetings between Premier and Sasko and the union would continue this week and most likely at the weekend.

Large-scale

In the industry's first large-scale strike, workers struck at mills and factories in the Premier and Sasko groups, two of the main producers of staple foods, oil products and animal feeds.

All Premier plants, except Epol in Vryburg, were out on strike, including 10 Epol plants, four Epic factories and seven Premier mills.

Premier group human resources director Mr Theo Heffer said yesterday that about 4 000 workers at about 20 Premier plants had struck across the country.

Sasko group manpower manager Mr Tom Duff said its Durban and Port Elizabeth mills were involved in the strike, but the Rondebsoch mill was unaffected. In Pretoria workers limited their industrial action to a one-hour stoppage.

rt

A BMW FROM PORTER

Porter

SEAN GARSTIN OAK ST SOMERSET WEST TEL(024)51 2535

10th consecutive year of growth

I & J nets record profits

Call Times 2/8/87 *86*

By AUDREY D'ANGELO
Financial Editor

IRVIN & JOHNSON, the Cape Town-based frozen food and fishing company in the Anglovaal group, has achieved record profits for the tenth consecutive year.

This well-managed company appeared to shrug off the recession and the 70% rise in attributable

profit for the year to June 30 was not from a low base, as many of the spectacular improvements reported recently

But MD J J Williams admitted in the worst of the downturn profit margins were squeezed

Now the directors say that growing demand has made "a partial recovery in margins possible", and this is shown by a rise in net operating profit to R58,4m (R37,2m)

Consolidated earnings have soared



J J Williams

to R34,2m (R20,2m), equivalent to 122c (72c) a share and the dividend is 46% higher at 38c (26c) a share

Turnover rose by 20% to R736,9m (R612,1m) and pre-tax profit to R55,2m (R34,3m)

The interest bill was higher at R4,6m (R3,6m), and tax rose to R21m (R14,1m). But I & J's share of associated companies' earnings rose by R10 000 to R67 000

The dividend cover has risen to 3,1 times (2,8 times) The directors explain that this is to ensure that I & J can meet the high cost of future asset replacement.

This, they say, is "a source of concern for, with the current high level of inflation, such costs are expected to be substantial".

Capital expenditure in the year fell to R10,9m (R43,2m) Commitments at the year-end for future capital expenditure totalled R5,2,

Net current assets on June 30 had risen to R72,8m (R56,5m), and net asset value to 460c (387c) a share

The directors say that the continuing improvement in the economy will benefit the group and, "providing the current relatively stable business, political and exchange rate conditions are maintained, further profit growth is expected in the current financial year."

27
Rm
186
ber
ted

186 1870

Man tells of axe attack at Newlands brewery

Court Reporter

A MAN who worked for Ohlsson's Brewery as a casual labourer told the Wynberg Regional Court he was threatened with death if he did not stay away from work

Mr Michael Tete was giving evidence in the trial of Mr Wennington Nwezo, 43, of Khayelitsha, who has denied intimidating three men, alternatively threatening them, alternatively assaulting two of them, outside the brewery on June 30

Mr Tete said he had been employed as a casual labourer since 1982 and on June 29 he was told by "some people" that if he did not want to die he should stop work

"I told them they were permanent (employees) but I was not and if I did not go to work I would lose my job"

THIGH SLASHED

The next morning Mr Tete arrived at the small gate near Newlands railway station at the usual time, 6am, and a Mr Taljaard, a brewery driver, told him to go to the main gate

On his way there he was attacked by a man with an axe and his right thigh and wrist were slashed

He was "very confused" and was walking back to ask Mr Taljaard to take him to a doctor when Mr Nwezo approached him and told him it was dangerous for him at work and "indicated" that he should go home

"I just wanted to work because I was very hungry," Mr Tete said

SHOP STEWARD

He said the man who attacked him was a shop steward at the brewery.

Mr Welcome Jubiswa told the court that on June 30 he was unemployed and went to the gate of Ohlsson's with a friend to seek work. There a group of men threatened to assault them and told them to go home

Mr Jubiswa said he was assaulted

The hearing was postponed to August 24

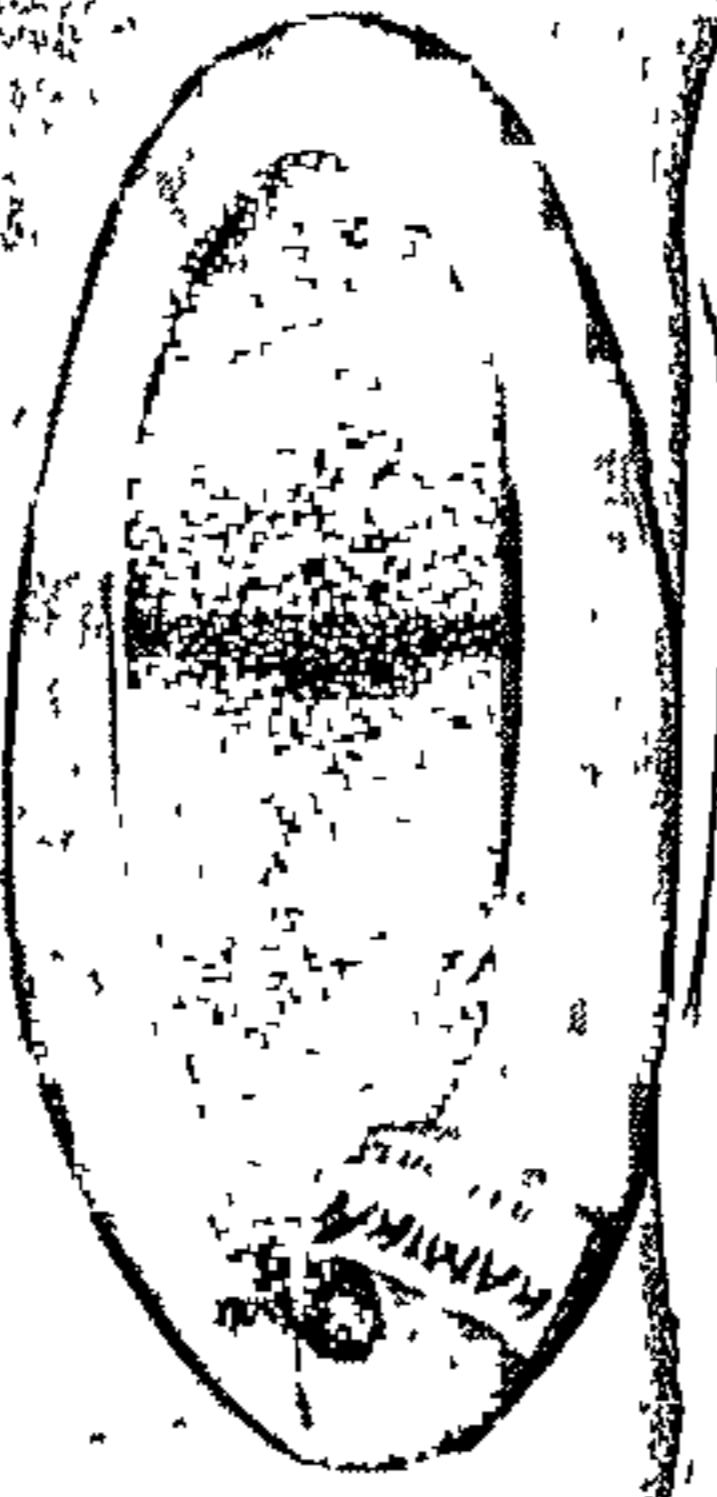
Mr A S McCarthy was on the Bench, Mr P J Mostert appeared for the State and Mr A Chiat for Mr Nwezo

PH 477 390

NOW R 6
Was R8,20
(54,43 kg)

NOW R 4
Was R6,40
(45,35 kg)

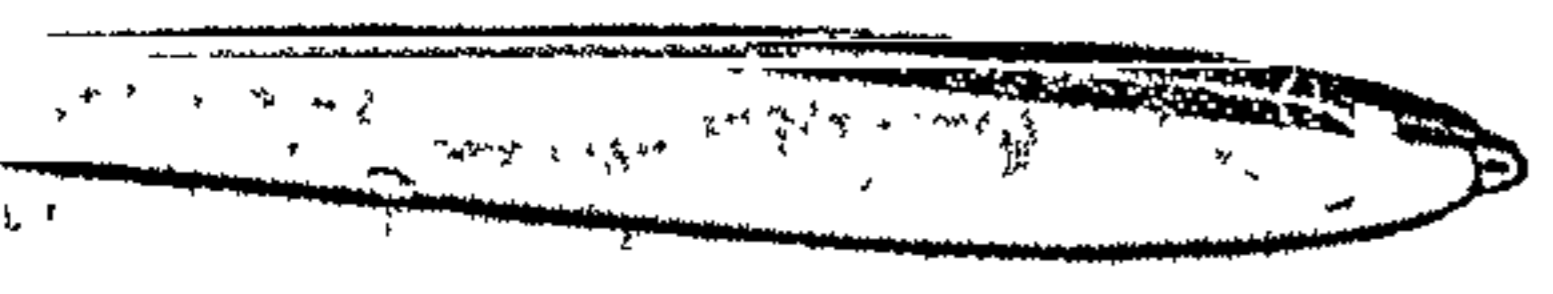
45 kg KAMAK.



NOW R 4
WERE 55c
SNOEK SK



NOW R
WERE R3,25
SPINNERS AND



Spinnars

CAPE TIMES 21/8/85

Fawu lodges urgent interdict

Labour Reporter

THE Food and Allied Worker's Union will lodge an urgent interdict with the industrial court today to prevent the Saldanha Sea Harvest factory management from committing alleged unfair labour practices

Fawu general-secretary Mr Jan Theron said yesterday that workers were presently in dispute with Sea Harvest over demands for pay parity with the company's competitor, Irvin and Johnson (I & J)

Mr Theron said that while talks had deadlocked, Sea Harvest had offered to pay certain non-union members and individuals who were unionized "through the back door"

The general manager of Sea Harvest, Mr L. Penzhorn, confirmed yes-

terday that an offer rejected by the union had been put to those non-union members and other unionized individuals

He said Sea Harvest had offered an across the board increase of 35c per hour, from July 1 and another cent from January 1

He said Sea Harvest and the union were presently engaged in "informal mediation"

Mr Theron said that the workers were demanding R2,27 an hour, which would give them a weekly wage of R104,42, which was the same as I & J.

He said the workers felt Sea Harvest was not negotiating in good faith

Mr Penzhorn said there were about 2 000 employees, of which about half were Fawu members

186

Fawu/Premier wage talks

Labour Reporter

WAGE talks between the Food and Allied Workers' Union (Fawu) and the Premier group will continue in Port Elizabeth today, a spokesman said yesterday.

Thousands of workers from the Premier, Sasko and Tiger Oats groups streamed back to work yesterday after calling off their national two-day strike

Sasko group human resources director Mr Tom Duff said yesterday the Sasko group would hold talks with the union on Saturday

H & H
SALE
LADIES FASHION WINTER BLOUSES
R9.99
WASHABLE JEANS JACKETS
R37.99
ANLAM CENTRE GOLDEN ACRE
RETREAT, SOMERSET WEST
TON, HYPERMARKET SEA POINT
ALSO AT MITCHELLS PLAIN
(TO CLICKS)

Market employees end strike

Staff Reporter

A WEEK-LONG strike by about 400 employees at the Epping vegetable market ended on Wednesday afternoon after the Cape Town Market Agents' Association issued an ultimatum to the strikers.

The association said in a press release yesterday that the costly strike had been "illegal".

Mr D M Neethling, chairman of the association, declined to elaborate

A spokesman for the Food and Allied Workers Union confirmed last night that the workers had "suspended their strike" while negotiations were in progress. The ultimatum deadline was Wednesday morning, she added

X

(18306)

in second place in the list as a share.

Another record year for Irvin and Johnson

186 Star 2/18/87

Finance Staff

A slight improvement in retail sales and better profit margins saw Anglovaal subsidiary Irvin and Johnson (I & J) net a record profit for the tenth year in succession.

Attributable income for the financial year to end-June improved by 70 percent to R34,23 million, resulting in earnings per share of 122c.

The directors said that, with the return of business confidence, turnover rose by 20 percent to R736,9 million.

"Pressure on margins eased slightly during the past year and rising selling prices recovered some of the erosion in margins of the past five years, net result being a R21,2 million rise in operating profit to R58,4 million.

I & J's investment income rose slightly to R1,4 million, but this was largely offset by higher interest payments of R4,6 million, leaving a pre-tax profit of R55,2 million, compared to R34,3 million in the 1985/86 fi-

nancial year.

Taxation absorbed R21 million, R7 million more than recorded previously.

Capital expenditure was reduced substantially from the previous year's R43,25 million — I & J spent R10,95 million during 1986/87 with further commitments amounting to R5,2 million at the end of June.

Dividend payments were boosted by 46 percent to 38c a share. According to the directors the dividend cover was increased this year in order to ensure that the company could meet the high cost of asset replacement, which, with the present high inflation level, has been projected as substantial.

Looking further ahead, they said the group would benefit from the improving economy and, subject to the continuation of the stable business, political and exchange rate conditions, profit growth should again be achieved in the current financial year.

KERSAF'S new force in the entertainment and leisure industry takes off today when Squires Foods becomes quoted as Interleisure

This is more than a name change as the enlarged Interleisure now also incorporates Mike's Kitchen which was de-listed from the JSE at the close of business on Friday

In anticipation of the changes, Squires raced to 410c on Friday — around 300c up on its price when listed in October last year. However, without the back-up of any earnings projections, analysts and management agree the share is overvalued at these levels.

New Kersaf chief and Interleisure chairman Ian Heron attributes the inflated price to a shortage of scrip as a result of the hype that has surrounded the formation of group.

Nonetheless the group's two main divisions appear to offer excellent medium term growth potential.

Satbel — which will probably account for more than 50% of Interleisure's earnings — is looking to boost profits through growth in its main operational division, Ster Kinekor

The cinema arm's expansion plan involves the development — in conjunction with Squires — of several multi-cinema and entertainment complexes. The first of these is earmarked

Kersaf's new listing makes debut today

24/8/89 5 Day 186

CHERYLYN IRETON

for the Kine Centre in Johannesburg and should be completed in May 1988.

Satbel is also investigating the possibility of setting up entertainment centres in black areas and is hoping for a relaxation of regulations to allow the opening of cinemas on Sundays.

Meanwhile Squires has already made a string of acquisitions — including Mike's Kitchen, the Porter House chain and Pizza Inn franchise — which should boost earnings in the current year.

Future plans for Squires are domination and expansion, says Interleisure joint MD Costa Tomazos.

Joking at a function to launch Interleisure on Friday, Tomazos said it was a bit of culture shock being part of a big organisation "But I've had lots of fun Before I would have had to go and beg my bank manager for funds before I could do anything Now I just go out and buy up all the restaurants I want"

o
e
d
s
a
r-
l,
i-
h
xt
ny
an-
ion

AK645 25/8/82

City's new dairy to push up some prices

Staff Reporter

HOMESTEAD, the new independent dairy, will increase the price of some of its products this month.

A litre of full-cream milk will cost about 4c more, managing director Mr John Jacobs said today.

Prices of only five of the dairy's 40 products would rise because these items — including litre cartons of milk — were sold at special introductory prices for a month after the dairy entered the market.

He said Homestead products would on average remain about 6c to 7c cheaper than opposition products.

PRODUCTION COSTS

"We made it clear from the start that some of our products were on introductory offer. All we have done now is bring the prices of the five special products in line with our production costs.

"I do not foresee a further increase as long as nothing happens to influence the dairy industry."

Mr Raymond Murray, senior Pick'n Pay buyer, said litre cartons of full-cream milk, some yoghurts, cottage cheese and drinking yoghurt were offered at special introductory prices.

Products not affected included skimmed milk, 500ml yoghurt and full-cream milk in two-litre and 500ml packs.

DD 25/8/87
Bakery

dumps

bread

JOHANNESBURG

The owners of a Germiston bakery yesterday dumped 120 000 loaves of bread on an open site where a welfare agency and pig farmers went to collect it

The loaves were dumped as the bakery was unable to deliver them because of a strike

A statement issued by the Albany Bakery said the loaves were moved to a site after they were baked on Thursday

"Logistics and no drivers made it impossible to deliver the bread to charities. Some charities were contacted and collections made. Pig farmers are collecting the balance" — Sapa

120 000 loaves are dumped

~~186~~
186

24/5
7/8/87

The owners of Albany Bakery, Germiston, yesterday dumped 120 000 loaves of bread on an open site where a welfare agency and pig farmers went to collect them.

The bakery had been unable to deliver the bread because of a drivers' strike.

On Thursday an illegal strike had been started by 350 Food and Allied Workers' Union (Fawu) members, a bakery spokesman said.

They would be dismissed unless they resumed duties.

ment | -dps 101 dnp Caves
terday said Britain will join the

Shop steward in court for assault

CAP Times 25/10/77 186

Court Reporter

A BREWERIES employee charged with assaulting colleagues and forcing them to stay away from work, yesterday told Wynberg Regional Court he was not at work at the time the alleged assaults took place.

Mr Wennington Nwezo, 43, of Khayelitsha, is charged with intimidating Mr Michael Tete, Ms Noheza Nembile and Mr Welcome Jubisa at Ohlsson's Breweries on June 30

The state alleges that he assaulted and injured them by hitting them with an axe or sharp instruments, punching and kicking them. He is alternatively charged with assault with aggravating circumstances and threatening to kill, assault and injure them

At a previous hearing, the three complainants told the court they were assaulted about 6am

Yesterday, Mr Nwezo said he arrived at work about 6 30am and saw policemen on the premises. He was told by fellow workers that there was a "problem with casuals and they had

been chased away"
Mr Nwezo, who was elected to be a shop steward, said his duty in this regard was to take workers' complaints to the management. He went in search of the vice-chairman of the shop stewards and while walking around the premises he came across the three complainants

"Mr Tete, who is a casual, asked why we were quarrelling with them. I said the workers were not quarrelling with them, we were trying to solve a problem with the managers

"Mr Jubisa pointed his finger in my face and said I had attacked him"
He said a policeman had arrived, told them to go to the main gate and arrested the three when Mr Tete had refused. He himself had been arrested soon afterwards as he was walking away

"The policeman said I was one of those who wanted more money from the brewery," he said

Mr Nwezo denied assaulting or threatening the men

The hearing continues today
Mr A S McCarthy was the magistrate. Mr P Mosert prosecuted. Mr A Chiat appeared for Mr Nwezo

Deformities caused by virus?

24,
23
pa
Mi
Mi
Ku
Mi
we
1
M
col
fac
fri
ch
ve
1
JOI
M
tra
ses
C
O
TI
te
te
co
a
re
ke
M
Lt
Al
va
th
er
R
co
to
in
wi

Shop steward in court for assault

Court Reporter

A BREWERIES employee charged with assaulting colleagues and forcing them to stay away from work, yesterday told Wynberg Regional Court he was not at work at the time the alleged assaults took place.

Mr Wennington Nwezo, 43, of Khayelitsha, is charged with intimidating Mr Michael Tete, Ms Noheza Nembile and Mr Welcome Jubisa at Ohlsson's Breweries on June 30.

The state alleges that he assaulted and injured them by hitting them with an axe or sharp instruments, punching and kicking them. He is alternatively charged with assault with aggravating circumstances and threatening to kill, assault and injure them.

At a previous hearing, the three complainants told the court they were assaulted about 6am.

Yesterday, Mr Nwezo said he arrived at work about 6:30am and saw policemen on the premises. He was told by fellow workers that there was a "problem with casuals and they had

been chased away"

Mr Nwezo, who was elected to be a shop steward, said his duty in this regard was to take workers' complaints to the management. He went in search of the vice-chairman of the shop stewards and while walking around the premises he came across the three complainants.

"Mr Tete, who is a casual, asked why we were quarrelling with them. I said the workers were not quarrelling with them, we were trying to solve a problem with the managers.

"Mr Jubisa pointed his finger in my face and said I had attacked him."

He said a policeman had arrived, told them to go to the main gate and arrested the three when Mr Tete had refused. He himself had been arrested soon afterwards as he was walking away.

"The policeman said I was one of those who wanted more money from the brewery," he said.

Mr Nwezo denied assaulting or threatening the men.

The hearing continues today.

Mr A S McCarthy was the magistrate. Mr P Mostert prosecuted. Mr A Chiat appeared for Mr Nwezo.

Eating maketh man?

Strange things are happening to the South African ethos this year — if the latest available manufacturing statistics for food, beverage and tobacco products from the central statistical office are anything to go by.

Production to end May of boerewors and biltong is down by 23,5% and 21,9% respectively over 1986, while more Russian sausages were made than in the same period over the past two years. Vodka figures are up, too — which obviously tells you something.

The image of the *ware Suid Afrikaner* as a red meat man has definitely taken a knock. Beef production has declined steadily since 1985 while poultry, at 44 329 t for the five

28/8/87
FM

(186)

months, is 10% up on the 1986 figure and 12,4% up on 1985. It is obviously taking the place of sausages, too, since all types — viennas, pork, beef, frankfurters and boerewors — show steady decreases from 1985. Only Russians are on the increase, to 1 925 t (8,2% better than 1986).

Perhaps the answer lies in the fish figures. Canned fish production at 31 052 t to end May is 36,9% higher than 1986 and 74% better than 1985. Smoked and cured fish is also up to 1 596 t (13,5% better than 1986 and 36% higher than 1985), but frozen fish is down 6,3% from last year to 30 230 t. Crayfish, however, is up by 6,2% over 1986 to 533 t.

Pickles and chutney are also falling victim of the malaise, with production figures slipping steadily since 1985. Mayonnaise and Worcester sauce, too, are down on last year's production. Only tomato sauce rises above the toppings for a 5,2% improvement on the 1986 period to 9 281 kl, faithfully following the trend of meat pies and sausage rolls which show a 9,9% rise on 1986 with a production total of 56,03m.

Biscuits look better. Plain biscuit manufacture is 27,8% up on the first five months of 1986 to 11 646 t, while production of chocolate-covered biscuits is 23,5% up to 887 t. Buns and rolls are obviously too proletarian — down 9,9% on 1986 to 109m, while pasta droops 4,9% to 8 775 t.

With chocolate biscuits so healthy, what

about chocolates themselves? Alas, no Solid chocolate slabs, bars and novelties as well as assortments are on the decline. Only filled bars and lines with hard, soft or cereal centres show any improvement, 17,2% better than 1986 to 8 054 t.

Even roasted peanuts are down on both the 1986 and 1985 figures.

Tradition reasserts itself in the beverage sector, however. While pure coffee, mixed coffee, instant coffee and tea all show progressive decreases, Rooibos tea comes up trumps with a 41% improvement over 1985 to 1 084 t.

Wine production remains relatively steady, but spirit production is soaring. Brandy is up by 16,7% on the first five months of 1986 to 10 298 kl, while gin is up 25% to 1 375 kl and vodka 100,5% to 2 807 kl. Beer, ale and stout show a comparatively meagre 39,4% rise to 415 261 000 kl.

Pipe and cigarette tobacco production is up, but, surprisingly, cigarette manufacture is down 3,9% to 12,8m.

So there it is. The new, improved South African male chews Russians while he sips vodka, dines out on chicken or canned fish and finishes off with plain or chocolate biscuits.

Not custard. Not even a pre-election endorsement from State President P W Botha could salvage the custard figures, which fell an ignominious 22,9% to 929 t. Such is life ■

28/8/87
FM

186
29/8/88
W/E News

Stuttafords seeks a listing on JSE

THE Stuttaford chain of department stores, emulating the phoenix, is to seek a share market listing, possibly within the next six months

Stuttafords is part of the Tradegro group. This has owned the Greatermans and Stuttafords stores in Johannesburg for some time, and recently bought the Stuttafords store in Cavendish Square at Claremont, Cape Town

Mr Mervyn King, head of Tradegro, said today he was confident that the specialised

department store had a future

In the past the department stores tried to be all things to all people and had failed. But he believed they still had an important role to play, especially as fashion merchandisers

Many shoppers were tired of the ordinariness of current shopping. They wanted an account at Stuttafords, they wanted the pleasure of shopping in the department store surroundings

Mr King said it was possible

that Stuttafords could acquire further department stores in the future

Figures in Tradegro's preliminary profit statement issued yesterday reinforce Mr King's confidence in the future of the department store

In the 12 months ended June, the department stores in the Tradegro group increased their turnover by 23,8 percent to R34,9-million and their profit before tax by 60,5 percent to R2,9-million. — **DEREK TOMMEY**

TO: FT

BUSINESS SMALL BUS

Opportunity in the kitchen

S.T. Times
M
S
S
THE formation of the giant Interleisure group has opened opportunities for entrepreneurs to go into restaurants and fast-food franchising.

The restaurant and beverages division of Interleisure Squires Foods — has under its wing some of South Africa's leading food names

Interleisure's expansion programme has been across the spectrum of Squires brand-name range. Steakhouses include Squires Loft, Longhorn, Mike's Kitchen, Porterhouse and RJ's. Fast-food brand names include Captain Dorego, Grillos and Longhorn Fast Foods, and specialist names include Pizza Inn and Theme Pubs

Ambition

Squires Foods marketing director Eric Parker says "We need ambitious entrepreneurs who are prepared to work and build up an infrastructure that could develop into a chain of four or five outlets"

Mr Parker says franchising offers ambitious people an opportunity to establish

their own business, but with built-in advantages at little cost

"We offer a tried and tested brand name that is a success. This obviously limits the downside risk for someone starting on their own"

Bulk buying

The group offers a variety of services, including

- Franchisees are taught how to manage their stores and how to implement operating, controlling and accounting procedures. Techniques offered range from cash management to implementing daily control sheets
- Squires helps to develop the franchisee's construction plan and equipment and menu packages
- The franchisee and staff are trained
- The franchisee is helped to fulfil legal requirements — from obtaining approval to open the business, to complying with health regulations
- A range of bulk-buying possibilities is made available to franchisees
- Squires field service provides continuing assistance to franchisees

Sea Harvest fires 280 workers

Cap & Times 9/9/87 Labour Reporter

THE Saldanha Sea Harvest factory management confirmed yesterday that 280 workers were dismissed this week after they refused to leave the factory's canteen and return to work.

"Workers are in dispute with management over demands for pay parity with the company's competitor, Irvin and Johnson (I&J).

The general-secretary of the Food and Allied Workers' Union (FAWU), Mr Jan Theron, said that during negotiations with management on Monday, workers became "agitated" and refused to leave the canteen and go back to work until they had had an answer from management.

The general manager of Sea Harvest, Mr Louis Penzhorn, said most of the workers were working as normal.

9/9/87

250 fired at Sea Harvest after stoppage

Labour Reporter

ABOUT 250 workers have been dismissed from Sea Harvest at Saldanha following a work stoppage, according to a union spokesman

The spokesman said that since last month members of the Food and Allied Workers' Union had been in dispute with the company over wage increases due to have been introduced in July.

They were demanding pay parity with employees of the company's major competitor

"Last week we told management we wanted to hold a report-back meeting with members last-

ing one to two hours," he said

"They won't allow us facilities at the factory, so it was due to be off the premises. But they threatened to take action against the union if the meeting went ahead"

He said that while negotiations were taking place on Monday the workers heard about the company's attitude towards the meeting and refused to return to work after lunch.

"Management, without going through the shop stewards, gave the workers an ultimatum to return at work in 10 minutes. When they refused to accept this about 250 were fired," he said

Then the night-shift refused to work and the bulk of the factory has been on strike since

According to Mr L Penzhorn, a director of Sea Harvest, the workers were dismissed when they refused to return to work after their lunch break on Monday

"The workers were clearly in breach of their contract and we dismissed them"

Mr Penzhorn said the 250 posts would not be filled immediately

"At the moment it is not necessary because the factory is running well without them," he said

"We might have to fill some of the vacancies at a later stage"

FAST FOODS

Finger-lickin' profits



Junk food, fast food, takeaway food, convenience food, food to go — call it what you will. Excluding crime, they collectively represent the fastest-growing sector in the South African economy right now. And they are doing so at the pace of a swiftly grilled hamburger — a rate that has been estimated at anything from 15% to 20% a year.

The outlets are everywhere — around the corner, down the street, dotted along main roads and side roads and questionable alleyways, in the biggest cities and the tiniest country dorps and the greyest mining towns. They cut across all race groups and language barriers. And they come in the most amazing variety, from the sparkling art deco establishment with a couple of chichi chairs and tables to the jazzy American-style franchise with bright colours and neon lights, to the dingy little hole-in-the-corner joint sporting a solitary counter spattered with grease and years of grime.

Statistics on the so-called fast food industry are as difficult to obtain as the perfect hamburger. Only one thing is generally agreed. Fast food appeals most to — and has its greatest success with — the 16 to 30-year-old segment of the population.

The most comprehensive recent market research figures available say there are more than 8 000 outlets around SA with a total annual turnover in excess of R1 080 m. They

The worldwide explosion in convenience foods is making itself felt in SA, where many at least have long been accustomed to the concept. But it's now tapping into wealthier and expanding markets, with the proliferation of franchises.

serve more than 630m meals annually, spending over R420m a year on food purchase and over R15m on packaging.

Something like 800 of those busy outlets belong to chains or franchises, with the remaining 7 400 being independents — a wonderful designation that embraces the full gamut of enterprise from *pap en wors* to curry and samoosas to ethnic specialties offered by everything from simple family operations to sophisticated partnerships with shops that are almost restaurants.

It is these independents that actually account for the biggest slice of the industry around

R750m annual turnover, food purchases of about R310m a year and production of 482m meals a

year. That stacks up pretty well against the glitzy burger, chicken

and pizza franchises that everybody equates with the term "fast food". They might have a higher profile and they might spend millions on advertising, but their combined annual turnover is in the region of R330m from R110m worth of food made into 150m meals. They are, however, household names that are at the heart of the industry. Wimpy with its

190-odd outlets around the country, Kentucky Fried Chicken with about 180, Juicy Lucy with 85 or so.

There is also Chicken Licken with 38 outlets, Longhorn with 20, Bimbos with 19, Steers with 14, Something Fishy with 18, Mr Rooster with 25 and others who guard their figures as if they were a secret recipe.

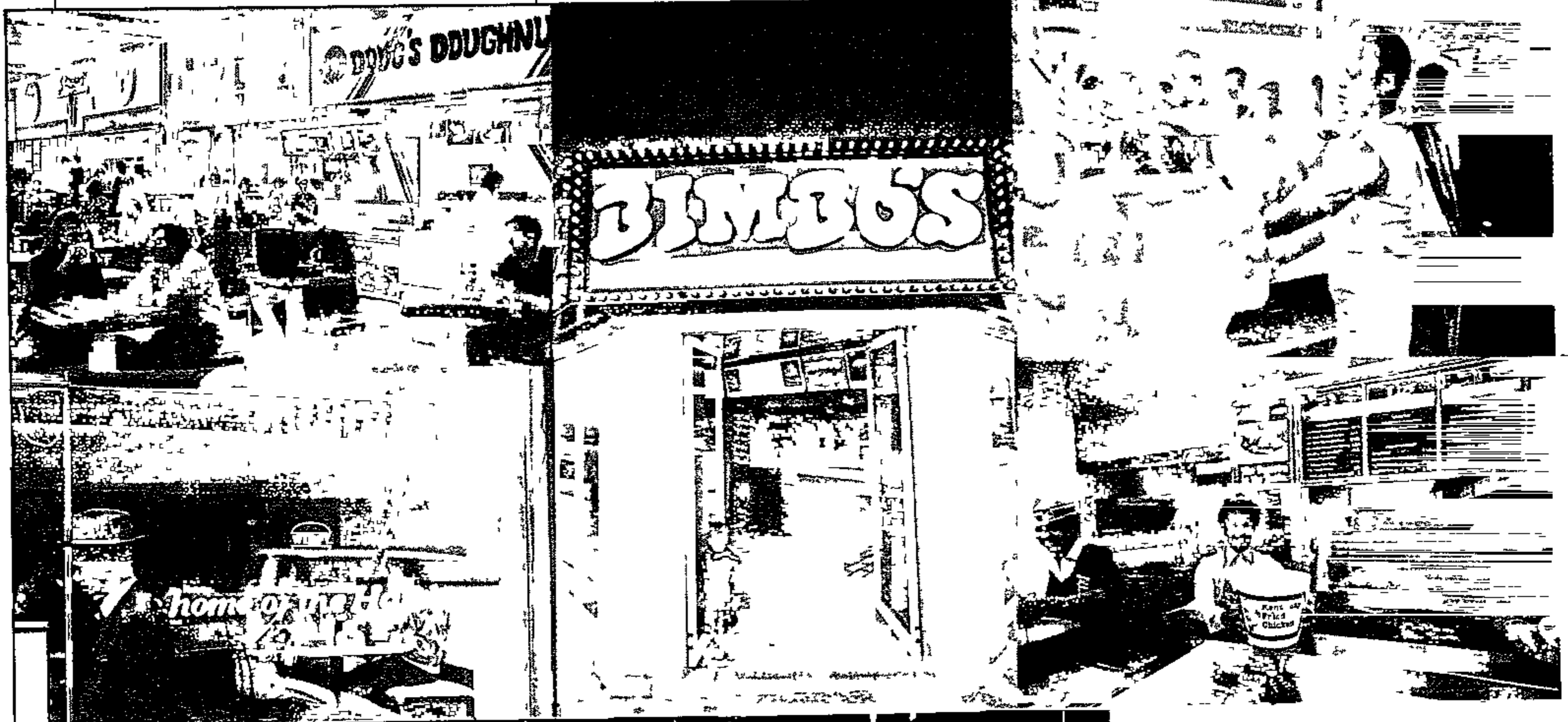
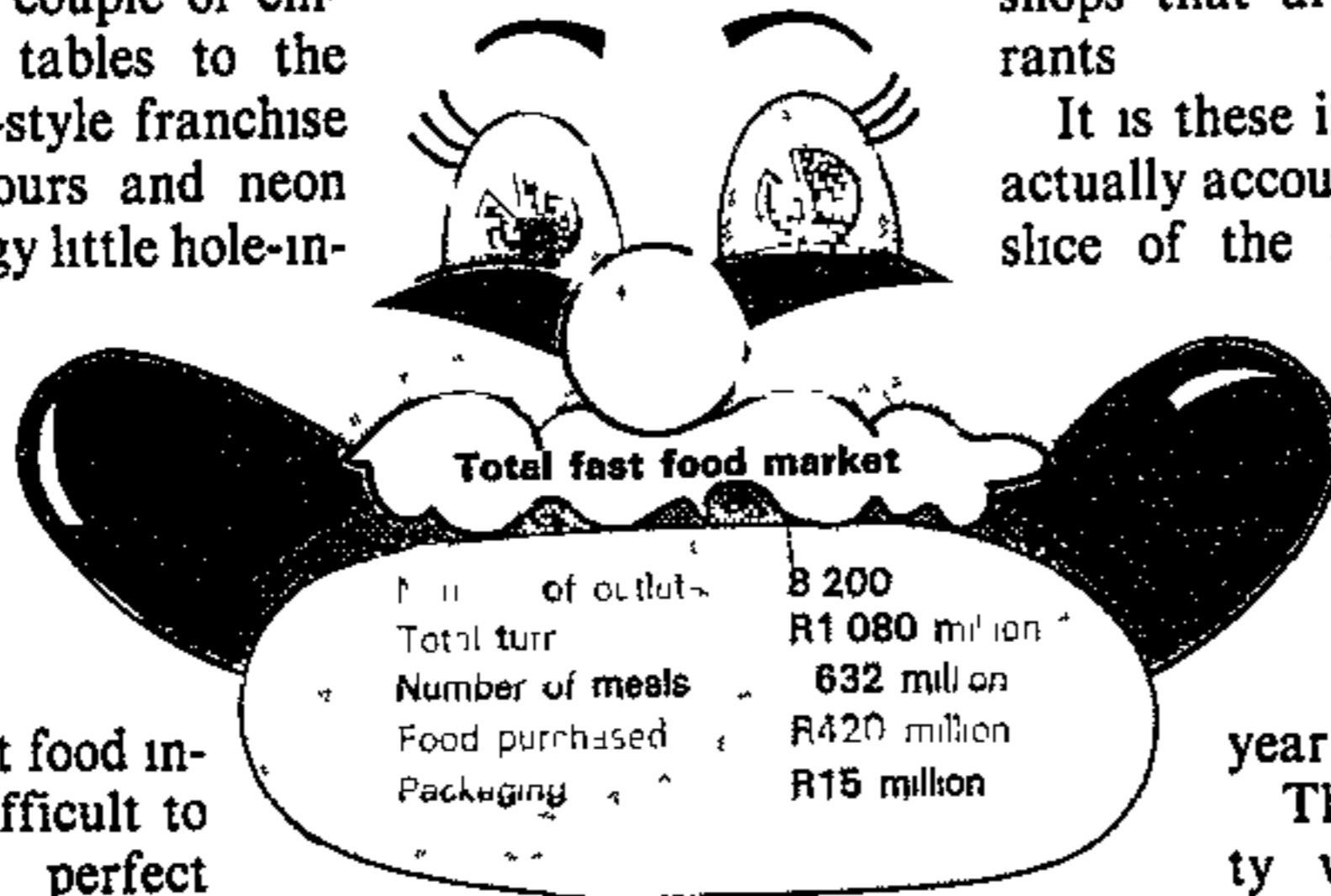
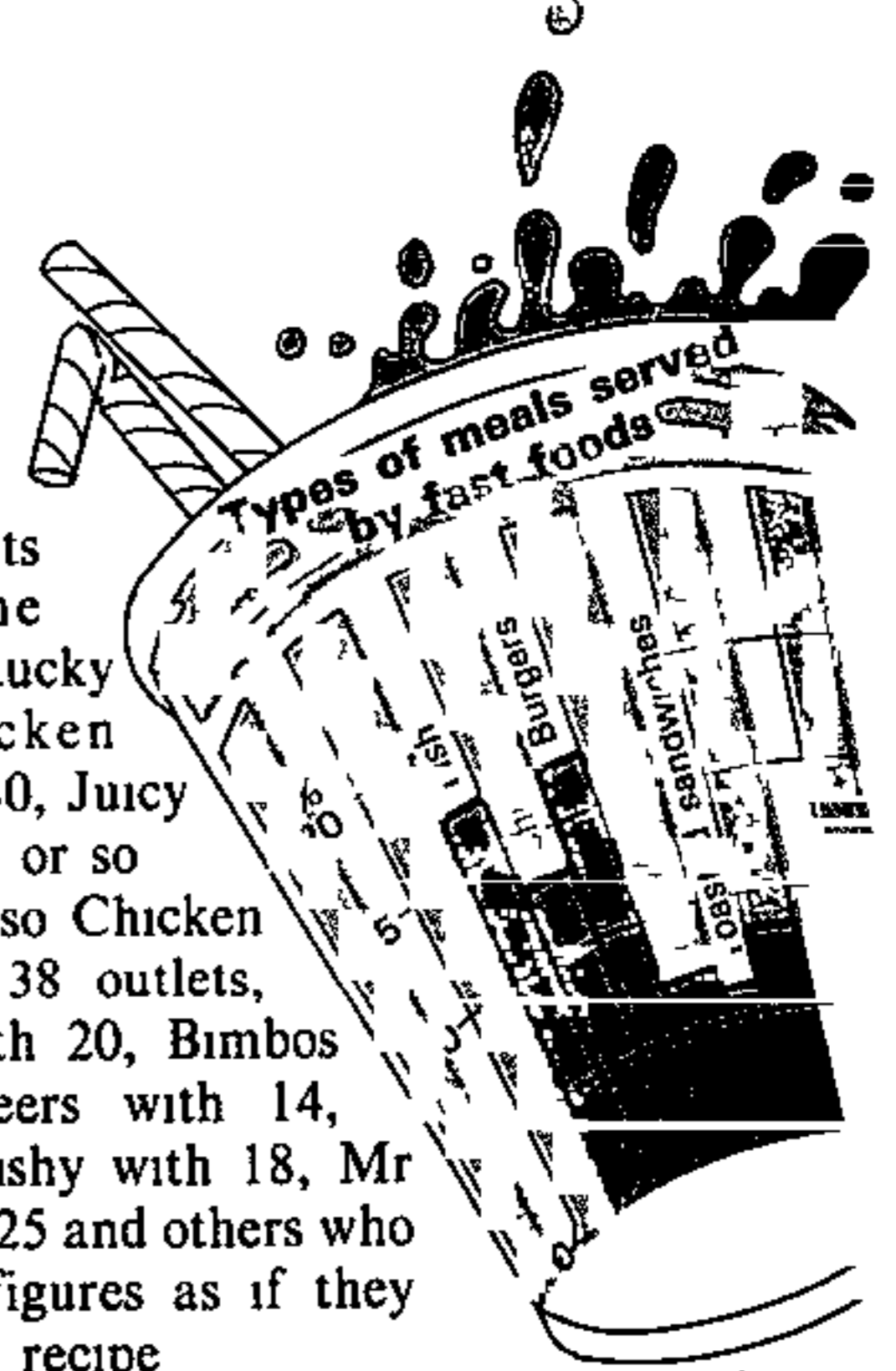
The type of meals served by these hundreds of entrepreneurs casts a fascinating sidelight on the eating habits of a diverse population. As could have been expected, something like 17% of all the business is burgers. But occupying an identical slot of 17% is fish.

Chicken is third favourite on 13%, while the others lag quite some way behind — hot dogs account for 7%, pies 8% and the ubiquitous toasted sandwich for only 6%. Pizzas come in even lower.

What this ratatouille of statistics illustrates, other than the remarkable appeal and diversity of fast foods, is the extent to which the whole ethos of ready-made meals has become part of South African life.

The concept was imported across the Atlantic from the US, of course, where an estimated 50% of all retail sales under franchise involves food operations. Since 1961, only 5% of all franchises have failed — a truly remarkable success story. And this year, the number of fast food franchises on offer coast to coast in the US is staggering. 21 doughnut shop chains, 58 parlours offering ice cream and yoghurt products, seven pancake, waffle and pretzel chains, and 316 drive-ins and carry-outs offering sandwiches, salads, pizzas, tacos and burgers.

The American fast food industry has



spawned an entire new sub-industry — franchise consultants and franchise services who not only seek out franchises for willing businessmen, but also give advice on how to set them up and manage them. And those consultants and services franchise themselves, if all this is not becoming too confusing.

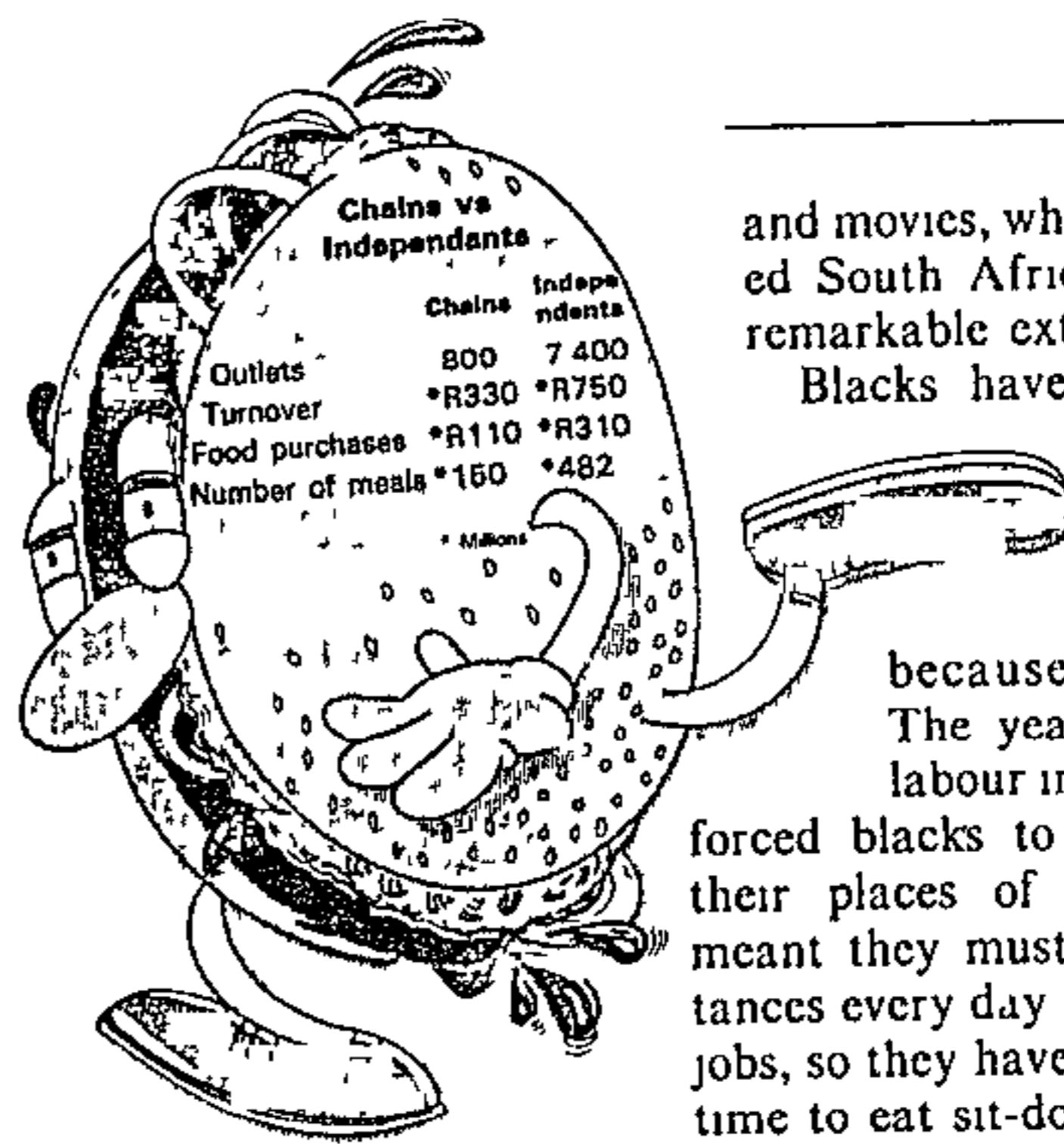
Here in the land of boerewors and biltong, the trend looks set to follow the same road. The Federated Hotel, Liquor and Catering Association (Fedhasa) says local interest in food franchising has never been higher.

Already, stars and stripes fast food technology is up and running here. Juicy Lucy, for instance, has imported a top "food designer" from California to formulate new and better food products.

Talking to the fast food merchants turns up a surprising degree of consensus on the future of the industry in SA. They all say it is in its infancy, that it is only really starting to

penetrate the vast black market and that it is going to continue growing regardless of inflation or burgeoning tax burdens. As Interleisure's food and beverage MD Costa Tomazos puts it "Everybody has to eat, and more and more people are eating convenient fast foods."

He, and others in the game, make the same telling point — that this is a country where people have been brought up to accept fast foods. Whites have been educated into the ethos through the vast American propaganda machine of television programmes



and movies, which has permeated South African society to a remarkable extent.

Blacks have been educated into it by circumstance and, ironically, because of apartheid. The years-old system of labour in this country has forced blacks to live far outside their places of work. This has meant they must travel long distances every day to and from their jobs, so they have never really had time to eat sit-down breakfasts or suppers, and have grown used to the concept of grabbing a sandwich or a pie from the sidewalk vendors or little shops near the bus or train terminals.

THE SECRET'S IN THE GROWTH

With its successful listing in 1985, Juicy Lucy tested the water for all food chains. So enthusiastic was the share received — more than doubling its issue price on the first day of trading — that a string of other food listings soon followed, the main ones being Mike's Kitchen, Spur Steak Ranches and Squires Loft.

These shares have been rated on p/e multiples that place them in a league with high-flying electronics stocks. One need only look at Spurs and Juicy Lucy, trading on p/e multiples of 39 times and 32 times respectively. And although Squires and Mike's Kitchen have disappeared from the market, to be absorbed by Kersaf's new leisure group Interleisure, the very high premium on Interleisure shares (42 times p/e) partly reflects the market's strong regard for its food interests.

The market's enthusiasm is easy to understand. Successful food chains are both high profile, and easily identified with. As an investment, they can be readily monitored — nothing is easier to detect than a restaurant, or indeed an entire chain, that has begun to slip. The franchise concept is seen by many as a licence to print money, you can expand literally as fast as it takes to find new franchise managers and premises for them to set up in.

But the industry is far more difficult to crack than many realise. To expand quickly is easy; but to do so while maintaining a level quality is very difficult. And it takes just a few tainted outlets to bring down an entire

group. Does anyone remember Turn 'n Tender? In its heyday a few years back, this chain had 17 branches in the Johannesburg area. No more than four remain.

The good chains seem to have two things in common. Their management exerts an autocratic quality control over individual outlets; and financial involvement is demanded from franchise managers.

Self-financing branches are a particularly important concept, allowing the group to minimise its own financial risk, and ensuring that branch managers remain motivated.

There was a time when Mike's Kitchen, in particular, poured a lot of finance into its branches (some R2.4m was owed by branches at end-1986). This was good for growth, but resulted in rising debtor exposure and some hefty write-offs. Mike's policy resulted in its shares receiving a somewhat higher risk profile than the others, and a lower rating — but that's before Interleisure got involved, and they were sharply re-rated.

Squires — which also incorporates Longhorn, Captain Dorego, and Porterhouse — is the largest chain, and very

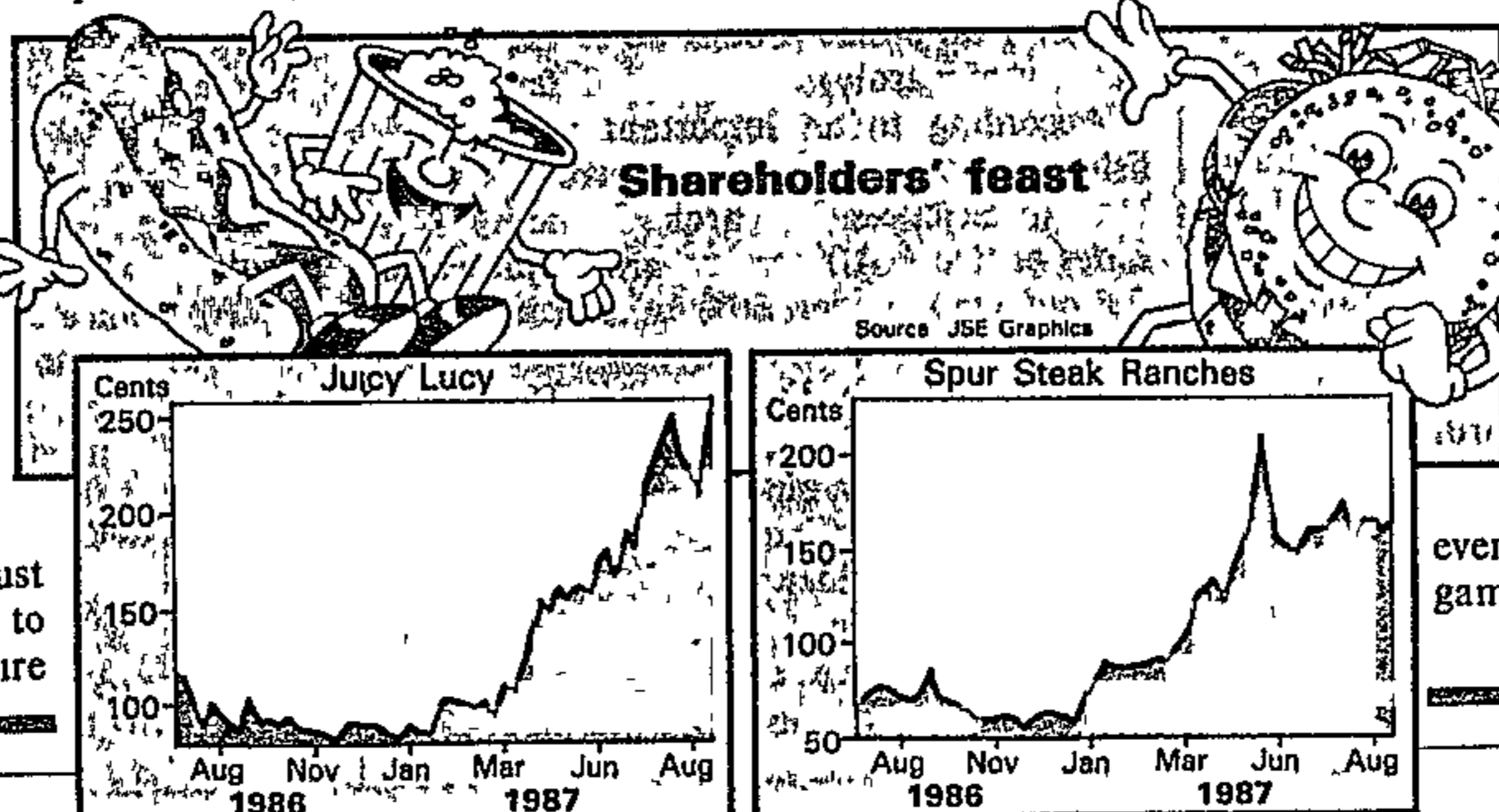
cleverly segmented. Its founder, Costa Tomazos, has a wonderful feel for the South African market, having covered the entire spectrum of its eating habits with Squires Loft (for the executive diner), Longhorn (family fare), Porterhouse (budget eating) and Captain Dorego (largely black market).

Being Cape-based, Spur Steak Ranches has little presence as yet in the Transvaal, but it is well run and expanding by leaps and bounds. Spur's founder, Allan Ambor, does not believe in throwing money at franchise outlets, and for that reason the group has evolved without gearing.

Juicy Lucy is probably the tightest operation of all, based on an ambience of clinical cleanliness, and a limited range of high-quality foods. One is likely to experience far less quality fluctuation from a Juicy Lucy, as the chain employs a "brainless" franchise policy, where most of the foods are prepared in a central kitchen, and delivered daily to branches. The main drawback is its very small range of foods, which management now appears to be expanding.

The chains that have made it to the market are among the best in the country, all providing attractive investment potential. They represent an industry still in its infancy, with the black market served only by takeaways. As these consumers come into the sit-down restaurant market, as they eventually must, the food game will take off.

Neville Glaser



11/9/87

86

FM

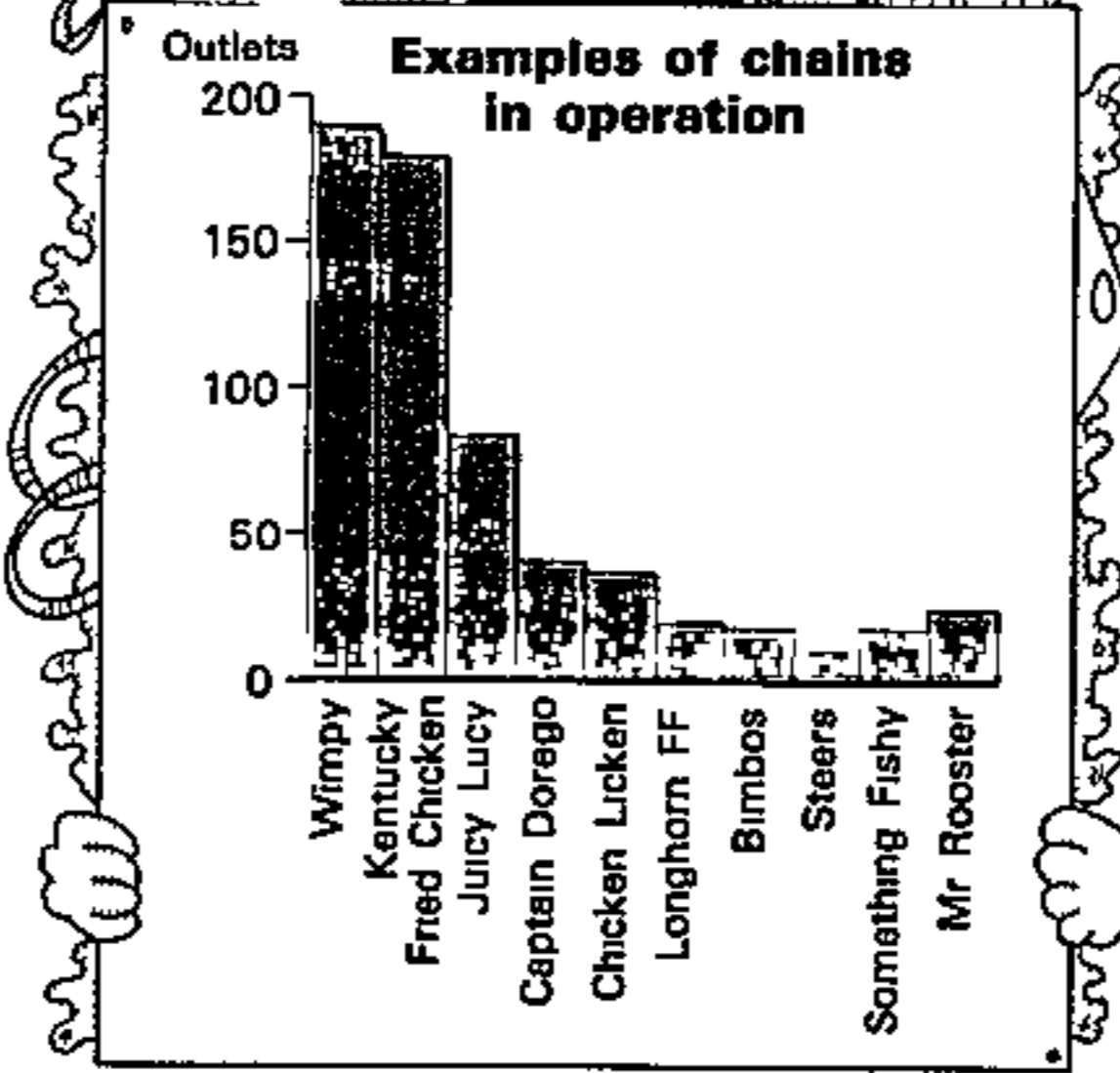
In other words, they have been using fast foods for years

What all this adds up to is a market in which black/white expenditure on food is closing slowly but steadily. a giant market which has only begun to be tapped

Being productive

Another factor in favour of the fast food industry is the increasing number of South African women going out to work. They therefore have less time to cook in the home, and are more prone to purchasing convenience foods, ready-cooked or otherwise, to help them out

The fast food industry in SA is booming, and will continue to do so for the foreseeable future. With a population exceeding 30m (more than 20m black), those 8 000 outlets that at first sight seemed to represent such a vast number fall into perspective.



Groups such as Sol Kerzner's Interleisure are looking seriously at the black market, and there will soon be big-name fast food

franchises in the black centres in major cities, where everything from videos and movies to takeaways and restaurants will be under one huge roof

Three-way war

On the other side of the table, Anglovaal Industries (owner of Wimpy) is also trying to load its plate with as many fast food chains as it can swallow. Few independents have escaped the attentions of these two giants in recent months, and the word in the industry now is that the remaining small chains might just get together to form a third force

Fast food is a phenomenon that has swept the Western world, and here in SA we have so far seen only the tip of what is destined to be one of the biggest industries in tomorrow's economy

And why not? After all, all the world loves a burger

ARGUS 14/9/87

Shotguns, tear smoke used after stoning at Saldanha

Staff Reporter

TEARSMOKE and shotgun fire were used to disperse a group of people at Diazville, Saldanha, after a woman and three security force members were struck by stones and slightly injured, according to the police unrest report.

Security force members, their vehicles and a private home were stoned "by a group of coloured" yesterday, the report said.

"A black woman and three security force members were struck by stones and slightly injured. The group was dispersed with tear smoke and shotgun fire.

ARRESTED

"A coloured male was slightly wounded. A coloured woman and two coloured men were slightly injured.

"Three coloured men and a woman were arrested in connection with these incidents," said the report.

The Argus has been given information about injuries and a possible fatality at Diazville at the weekend.

The Argus also has information about disturbances involving supporters of two rugby teams and after a dance on Saturday night.

STATEMENT

Details cannot be reported in terms of the emergency regulations and the police have been asked to comment.

Boland police liaison officer Captain Gys Boonzaier said a full statement about the events of the weekend was being drawn up and would be sent to the Police Directorate of Public Relations in Pretoria for release to the Press later.

Boy, 14, shot dead after firings

CME Tim 15
15/1/87

275
105
1/15/87

By CHRIS BATEMAN

A TEENAGE boy was shot dead, at least seven people were wounded and at least four people were arrested in Saldanha on Sunday as labour-related conflict escalated after 280 Sea Harvest factory workers were sacked in the town on Monday.

The toll of wounded could be as high as 10; Diazville township sources have named seven residents they said were wounded, while police said four residents and three security force members were wounded.

Since Monday at least 20 people have been arrested, 11 of them women who appeared briefly before a Vredenburg magistrate on Friday on charges of failing to obey police orders. The 11 were granted bail of R100 each.

Township sources gave the names of nine men they said were arrested outside a township cafe early on Sunday. Relatives said they were told by police that the men had been taken to Victor Verster Prison outside Paarl where they were being held in terms of the emergency regulations.

A senior police spokesman in Pretoria, Colonel Steve van Rooyen, yesterday said that a "coloured male" — identified by township sources as Abraham Jules, 14, a Std 4 pupil of Diazville Primary School — had been shot dead on Sunday.

Spokesmen for the Food and Allied Workers' Union (Fawu) and the Saldanha Advice Office said two women and a man, aged 18, 19 and 21, with pellet wounds in their legs, were under police guard in Vredenburg Hospital while a 15-year-old girl with pellet wounds in her head had been transferred to Tygerberg Hospital.

They said they had traced another wounded man to the Saldanha police station but were still looking for two more people reportedly wounded and in police custody. Colonel Van Rooyen said that any additional information received by police headquarters and "worth mentioning" would be released today.

The trouble began after Sea Harvest management fired 280 workers for refusing to meet a 10-minute deadline to return to work on Monday. The workers had demanded an answer about a pending meeting before returning to work, Mr Louis Peñhorn, general manager of Sea Harvest, said yesterday.

Teenager shot
15/9/87
186

By DICK USHER,
Staff Reporter

A WEEKEND of violence in the little Saldanha community of Diazville has left one person dead and several injured

Township residents told of two days of clashes, gunshots, barricades in the streets and teargas

They said the spark which ignited the weekend's events was a clash on Saturday afternoon between supporters of two rugby clubs from different unions

But tension had been simmering all week after the dismissal of about 600 workers by Sea Harvest, one of the area's largest employers.

Stoning

Residents said that Saturday's clash between supporters of the Saldanha Marines, a member of the South African Rugby Union affiliated to the South African Council on Sport (Sacos), and Tigers Rugby Football Club, a South African Rugby Federation member, was broken up by police using teargas

This was followed by stoning of houses during Saturday evening

On Sunday, shoppers and a group waiting outside a cafe for a bus to take them to a South African Youth Congress rally in Cape Town were dispersed by police

The dead youth, 14-year-old Abraham Julies, was shot on Sunday night

His father, Mr Jacob Jacobus Julies, said he last saw his son about 8pm on Sunday before he went to work

"About 10 45 one of my colleagues told me that Abraham had been shot," he said yesterday

"That is all we know about it. We have not been allowed to see Abraham's body.

"We have been told that there will be a post-mortem today"

Sources in the township said at least seven people had been injured by police action

Two of them, Gert Cloete and Rochelda Samuels, were admitted to Vredenburg Hospital

A hospital spokesman said they had "small wounds in the legs"

Sixteen-year-old Felicia Cloete was admitted to Tygerberg Hospital

Her father, Mr Jacobus Cloete, said she was shot in the face with a revolver or pistol

Dissatisfaction is also spreading over this weekend's Harvest of the Sea Festival which is to be opened by President Botha

● A spokesman for the police directorate for public relations said yesterday's unrest report, which mentioned two days of unrest in Diazville, was incorrect in saying that a youth had been "slightly injured"

He said the statement should have read "fatally wounded"



Picture: HANNES THIART, The Argus

Mr Jacob Jacobus Julies and his wife Elizabeth, parents of Abraham Julies who was shot dead on Sunday evening.

Move on papers 'intimidatory'

The Argus Correspondent

JOHANNESBURG — Requests by the new Directorate of Media Relations for certain newspapers to submit copies of their publication for perusal are seen as ominous attempts to intimidate editors, says a statement issued yesterday by the Anti-Censorship Action Group

The statement says the request that copies of newspapers be submitted to the "Government's new chief censor is clearly an intimidatory move with serious consequences for the truly free flow of information which Minister Stoffel Botha claims he believes in"

The statement is signed by author Nadine Gordimer, Dorothy Wheeler of Ravan, and Pat Sidley, president of the South African Society of Journalists.

'Draconian laws inconceivable'

Argus Africa News Service

WINDHOEK — It is inconceivable that the citizens of SWA/Namibia should still be subject to the "draconian" powers of the Terrorism Act — a law scrapped by the South African Parliament 15 years ago — says a Windhoek Supreme Court judge

Mr Justice Kenneth Bethune made the remark in his written reasons for ordering the release of six Swapo detainees, who were freed on Friday. The men were arrested and held under Section 6 of the Terrorism Act.

He said the Terrorism Act conflicted in a number of respects with the Bill of Fundamental Rights proclaimed with the installation of the current Transitional Government in Windhoek in 1985. The current legislators in Windhoek had, however, so far made no use of their power to revise or scrap the Act

Kimberley's 'wedding of the

The Argus Correspondent

KIMBERLEY — The "wedding of the year" here featured Irish schoolteacher Thomas O'Neil and his former pupil, Eulah Bothoboile Mothibi, at the St Boniface Catholic Church

The former St Boniface High School head prefect said "I do"

to her one-time matric teacher in the presence of hundreds of enthusiastic, and mostly curious people, who packed the church

The couple had been the talk from the town from the time they started courting

"Yes, indeed, we are living in a changing world," said one el-

derly woman again.

Eulah is a successful student worth Univer-

They regard as pretty of fathom the fuss"

Can Times 16/9/87
Villagers rally after weekend of violence

By CHRIS BATEMAN

THE small West Coast township of Diazville, near Saldanha, rallied yesterday to support the families of those wounded — and one killed — in clashes after 280 Sea Harvest workers were dismissed early last week.

The violence in the town was described by one local church leader as having "politicized and conscientized local people more in a week than it could have in six months".

Last Monday 280 workers were sacked for refusing to meet a management deadline to return to the factory floor. They were later joined by 140 colleagues.

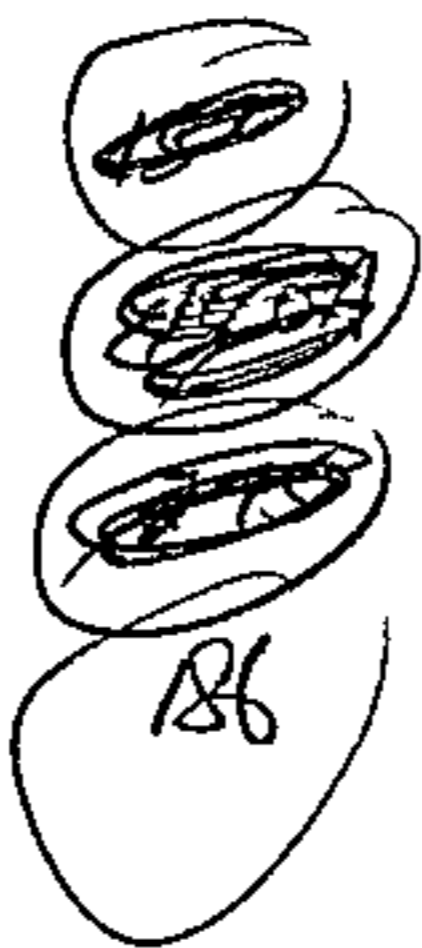
On Sunday, burning tyre barricades were set up and several homes stoned. Five residents were shot and wounded and a 14-year-old boy, Abraham Julies, a Std 4 pupil at Diazville Primary School, was killed.

Relatives of the boy yesterday said he had been shot while climbing over a fence after a road barricade had been set alight on Sunday evening.

Sea Harvest managing director Mr Eckart Kramer denied claims by union officials that he had told them he had called on police to protect those still working.

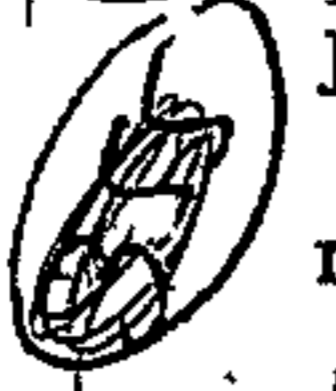
Mr Kramer said negotiations with the union deadlocked on July 31. This was followed by "sporadic disruptions". Management issued a warning notice to workers on August 17 that "we could no longer tolerate any form of disturbance or go-slows".

The township violence had "nothing to do with the dismissals", he said.



Deal for Robertson's Workers

Deal for Robertson's workers -



186

THE Durban branch of FAWU clinched a deal for workers of the Rembrand-owned Robertson Spices (Pty) Ltd late last week when the company agreed to grant a 19 percent minimum wage increase and to recognise June 16 as a paid holiday.

Settlement between FAWU and Robertson Spices was reached on September 3.

Besides leave for workers in the event of a wife giving birth or a relative dying or falling seriously ill, the company agreed to increase the minimum wage from R139 to R165 a week.

FAWU will also participate in job evaluation and be entitled to propose new grading systems. — *Concord*

South 10-16/9/87

Bakery go-slow in third week

186



Scaph
10-76/9/87

THE go-slow by workers at some Cape Town bakeries is entering its third week as management refuses to give the wage increase workers demand.

The workers, all members of the Food and Allied Workers Union (FAWU), rejected an offer of R19,15 and demanded a R42 increase across the board.

The FAWU workers have since refused to work overtime until their demands have been met.

The bakeries involved in the dispute are: Cadora, Silverleaf, Goodhope, and Enterprise.

At Nice and Easy in Bellville South, management and workers have come to an agreement on wages.

A FAWU official said the union could not comment at this stage as they were still in a process of negotiating.

Bakery workers demand a raise

Sadu 17-23/9/81

By AYESHA ALLIE

MANY workers at four major Peninsula bakeries continued their go slow this week in support of their demand for a R50 wage increase

The workers, all members of the Food and Allied Workers Union (FAWU) are from Goodhope Enterprise, Duens and Cadora bakeries, all subsidiaries of Tiger Oats

Some workers interviewed this week said they could not make ends meet on their present wages. Management's offer of a R19,50 increase would add far too little to their pockets

Besides wages there were other problems. "But the biggest problem is money. We need more money first then we can negotiate with management on other grievances," Mr Paul Mannikivana of the workers committee at Goodhope, said

They took the "mild action" of a go-slow because they were still prepared to negotiate

On Sundays they work only six hours instead of eight. This affects production for the rest of the week. "It means the bread would always be late every day. Workers are also refusing to work overtime now," he said

Grievances

"But if management refuses to come to an agreement, we will take action," he said

Other grievances which management refused to address included

- Paid holidays on June 16 and Freedom Charter day. The workers were

prepared to swap Freedom Charter day for a public holiday,

- A 40 hour week instead of 46 hours,

- Time off to go to the "homelands" for traditional purposes, and a job-back guarantee when they returned

- Study leave for some of the workers. At the moment they only get off a day before their exams and the days when they write

Mannikivana, a mechanical assistant, earns R135 a week. He has two young children, his mother, a sister and four young brothers to support

He said the money was not enough to cover his weekly expenses

Mr Franklin John Abrahams working for almost six years at Goodhope, earns R105 a week. He also has a family of four to support

Sometimes when they began work at 6 am the trucks were not loaded and, although not their job, they loaded the trucks to prevent working overtime

Baskets

"When we load the trucks, we start later and finish later as well. But shopkeepers always scold and complain when deliveries are late, and then management questions us about it," he said

He said they had asked that up-country trucks be loaded first because of the distances to be travelled.

Abrahams said on Monday he had to work until 4:30pm but, like other workers, did not get paid for these extra hours

About a year ago he broke his arm on the job while pulling a bread basket. "I was not compensated although I filled in all the necessary forms," he said

The bread baskets, they said, were in a bad condition and management had ignored requests to repair them. The bread kept falling out and consumers objected

Mr David Arendse who has four years service at the bakery, says he earns R115 a week to support his family of five

"As soon as I enter the house, my money is finished. We are supposed to work 46 hours a week but often work longer"

Mr Conrad Simon earns R110 a week after four years with the bakery. He was already facing difficulties making ends meet

"This money's only enough for a few days food. What about other expenses?"

A FAWU official said the workers would meet management soon.

Domingo

London League worker at the time of the AGM

League members, who refused to be named, complained of Domingo "being buddies" with members of the House of Representatives. They partly blamed him for the League's tainted image in the eyes of the community and community organisations

Domingo was criticised for supporting President PW Botha, over the resignation of the Reverend Allan Hendrickse, in a statement to an Afrikaans newspaper

It was alleged that the league's name, for some obscure reason, was being "traded" for the eventual success of a multi-million rand holiday resort which, ironically, was beyond the means of most of its members

Sadu

17-23/9/87

SOUTH

186 SOUTH LABOUR



SOUTH

Spekenam workers call on MJC for support

STRIKING Spekenam workers called on the Muslim Judicial Council (MJC) to re-consider their halaal certificate to Sams Food.

Sams Food is a sister plant of Spekenam and a subsidiary of Vleissentraal.

MJC officials and members of the Spekenam Support Committee met to discuss support for the 600 workers, members of the Food and Allied Workers Union, (FAWU), who are on strike for the fifth week.

A MJC spokesperson, Imam Yasin Harris, said the Halaal Committee would meet soon to discuss the matter. He doubted whether the MJC could take any action because of a contract they had with Sams Food.

"The MJC will most likely render financial and moral support to the striking workers," he said.

A Support Committee member, Ms Fazlin Anderson, said workers wanted more pressure on Vleissentraal. Spekenam management was always willing to meet the workers, but never produced solutions.

The union was considering taking the matter to court and had already applied to the Industrial Court.

But workers were still feeling strong and determined to get their jobs back, even though they were going through a tough time without income.

Scab labour

"The mere fact that management employs scab labour, but not on a permanent basis, is giving us hope," she said.

A group of Spekenam workers went to Johannesburg to explain to other

unions why they were striking. Most of them were the only breadwinners with families to support.

Mr Maria Nathan, of Scottsdene, said she and her family were surviving on bread only "We have to buy what we can afford."

Mrs Nathan had been working for Spekenam for 13 years and earned R86 a week. She borrowed R40 from her brother and would get R20 from the union which she would use to pay her rent.

"There'll be no money for food then. I must see that the rent and electricity are paid," she said.

Mr Ollie Kannemeyer's married daughter was supporting him now.

"I don't have any dependants and can survive on my wage," he said.

"But other people are in a different position and they need the extra money. I'm on strike with the rest of the workers because I support their demands."

It was ridiculous to think that almost a year ago they still earned as little as R46 and R56 a week until they became unionised.

"Now they don't want to recognise the unions so they can start exploiting us again," he said.

Mrs Johanna September said her unpaid telephone service was disconnected. Rent and electricity were paid first.

She always bought a weekly food hamper but could no longer afford it. She had no other income except from her daughter who helped whenever she could.

Clover Dairy workers demand a living wage

17-23/9/87

DURBAN — Workers at three Clover Dairy plants here this week went on strike for a living wage

The workers, demanding a minimum wage of R605 a month, have been in dispute with the company since July this year

A spokesperson for the Food and Allied Workers Union (Fawu), Rene Roux, said dairy workers were still among the lowest paid workers in the food industry.

"We are trying to narrow the gap within the food industry, where many companies are paying a minimum of above R605 a month," she said

At the time of going to press, Clover management and Fawu had entered talks to settle the dispute. A spokesman for the company was not available for comment

186

Supt

PHOTO TAKEN 24/9/87 (186) (187) (188) (189) (190)

Teargas at Diazville teenager's funeral

Staff Reporter

ABOUT 600 people attended the funeral yesterday of Diazville teenager Abraham Julies, who was shot dead by police in Saldanha 11 days ago

Abraham, 14, was shot as labour-related conflict escalated in the fishing town on Sunday September 13, after 280 Sea Harvest factory workers were sacked earlier in the week. Several others were wounded and arrested in a day of violence in which burning tyre barricades were set up and several homes stoned.

According to eyewitnesses, some teargas was fired at yesterday's funeral as mourners were leaving the graveyard after a police warning to disperse.

A spokeswoman for the West Coast Council of Churches said the township was cordoned off and only Diazville residents were allowed to attend the funeral.

Buses from other parts of the Western Cape were turned away at roadblocks.

The funeral, which began at the Julies home in Pluto Street at 2.30pm, proceeded to the Apostolic Faith Mission and ended at 5.45pm.

A spokesman for the Police Public Relations Directorate, Captain C J Marais, said last night that if such an incident had occurred it would appear in today's unrest report.

He said no interim reports on unrest were made unless they were "significant".



JULIES FUNERAL . Diazville residents yesterday attended the funeral of 14-year-old Abraham Julies, who was shot dead by police in Saldanha 11 days ago during labour-related conflict

Picture: OBED ZILWA

(186)

W/Moul

2-8/10/87

Meat strike drags to eighth week

By GAYE DAVIS,
Cape Town

"AT HOME we live on mainly coffee and bread. We can't buy meat anymore and milk is out of the question. We buy sugar to make the bitter coffee sweet. We don't expect much help from others, because everyone is struggling."

Petra Scheepers is one of 500 strikers dismissed from Spekenam, the Cape's largest processed meat producer, eight weeks ago.

The sackings came two days after the workers struck over wage negotiations and a delay in signing a recognition agreement with the Food and Allied Workers' Union.

Fawu has accused Spekenam, a Vleissentraal subsidiary, of provoking the strike to get rid of the union. An industrial court application for a *status quo* order is to be heard next week.

Meanwhile, the striking workers gather each day at a church hall in Bellville South, where for many the hot meal dished up daily is the only one they'll get

Scheepers (not her real name as workers interviewed feared victimisation should they get their jobs back) remembers how on the second day of the strike, as workers prepared to "sleep-in" at the plant's Belville premises, vanloads of baton-wielding police arrived

She remembers the fear and the panic as workers scrambled for exits. But most of all, she remembers the shock she felt over management calling in the police.

"They waited until dark and then they rooted us out like *skollies*," she said. "We felt betrayed. It showed they had no respect for us."

A mother of 10, she was 15 years old when she started work at the factory. There was a strike in 1957 but she was one of the workers who stayed at her post. "We stayed on and worked to build up the factory. The bosses thanked us. But our increases were 15 cents, 25 cents a year. In 1982 we got R10 — the biggest increase ever. But you can't pay the rent with a thank you. Now, 30 years later, here we sit. So what's the point of scabbing?"

Spekenam's entire workforce signed on with Fawu during 1986, when negotiations over a recognition agreement began.

"We heard about the increases and better working conditions the union had brought at other food factories. It was the talk on the buses and among our neighbours," Scheepers said. "So we decided we should join."

End-of-year wage negotiations resulted in minimum weekly wages rising from R46 for women and R55 for men to R70, on the basis that they be reviewed in June this year.

But when workers approached management, they were told that because the recognition agreement had not yet been concluded, union officials could not attend the negotia-

tions. Fed up with the delays, workers struck on August 5.

A Fawu official said the union subsequently met with management several times. "Each time they would listen to our proposals, take them away, come back and say no. We believe management provoked the strike by its hard-line stance on the wage negotiations. They dismissed the workers before a meeting they agreed to have with us. The company has made no attempt at conciliation"

Migrant worker Edward Mtsewu was spending his annual three weeks' leave with his wife and seven children in Estcourt, Natal, when the strike began. On his return he joined the strikers, out of gratitude to Fawu for getting his wages increased from R125 to R170 a week

It was the first significant wage increase he'd had since joining Spekenam in 1952. "I didn't want to be the one to put the knife in Fawu's back," said Mtsewu.

He lives in a single men's hostel in Cape Town's Langa township. His rent is R6 a month. If he doesn't pay, he must leave. He used to buy meat, milk, coffee and rice. Now he eats mainly mealie meal

He has written to his wife to tell her there will be no money coming, and to his brother, a "boss-boy" on the

mines in Johannesburg, asking him to help out. There have been hard times before. He once went six weeks without pay while recuperating from burns sustained in the plant when boiling water spilled on him. That was in 1972. He had been working for Spekenam for 20 years

There is no rancour among the strikers towards the 15 members of the original workforce who returned to work. "They're not doing it because they want to. They are also suffering. There are too many people out of work," Scheepers said

As the dispute drags on, the strikers' living standards decline even further, although a support committee of Congress of South African Trade Union allies such as the United Democratic Front, Cape Youth Congress and other bodies is organising a range of fund-raising activities. Their resolve, however, is not weakening

"If we can stand it for two months then we can carry it on for longer," Scheepers said. "We are not being unreasonable and we will maintain our dignity. In the end, it is worth the trouble — if only because our children will have to work at Spekenam one day."

● Frikkie de Klerk, general manager of Spekenam, said some of the union's claims were not true but he did not wish to comment on the matter until it had gone before the industrial court

State challenges Ngoyi's acquittal

2-8/10/87 W/Moul

SIX months after the United Democratic Front's East Cape president, Edgar Ngoyi, was acquitted of murder, the state has challenged his acquittal and that of co-accused Lulamile Mkalipi.

During March this year, Ngoyi, 62, Mkalipi, 22, and seven others were tried for the murder of Azaman People's Organisation member Pakamisa Nogwaza at KwaZakhele on June 8 1985.

The killing took place during violent clashes between United Democratic Front and Azapo supporters which started in April 1985. On the day of the murder 20 UDF members, under the leadership of Mkalipi, were guarding Ngoyi's house after two petrol bomb attacks had taken place

Nogwaza, 24, and his mother arrived at Ngoyi's house and Ngoyi left to make a phone call, leaving his visitor in the house. While he was away, Nogwaza was killed.

Ngoyi's alleged crime was that of murder by default or omission — murder because of what he did not do. The state alleged that he deliberately failed to foresee the dangers when he went away, leaving Nogwaza at the Ngoyi home.

A 17-year-old was sentenced to 14 years imprisonment for the murder of Nogwaza and two others, Funamekile Siyoni, 21, and Xohile Pete, were sentenced to four years each, two of

By EDYTH BÜLBRING,
Port Elizabeth

which were suspended for five years for beating the deceased with a stick. The six other accused were acquitted

The court found that while Ngoyi was in control of the "comrades", his failure to take steps to prevent the crime did not make him guilty. This was Ngoyi's second murder charge in 23 years. In 1963 he was charged with the murder of an alleged informer. The charges were dropped before reaching court.

Ngoyi, who spent 17 years on Robben Island for being an African National Congress member until his release in 1981, was arrested on June 10 1985 after the murder of Nogwaza. He got out on bail of R50 000 in December 1985 and was detained under the Emergency regulations in June last year. He has not been released.

The state has challenged on a question of law, the acquittal of Ngoyi and Mkalipi. In an application by the attorney general, argued by W Kingsley, the prosecutor in the trial, the court was asked to refer the question of whether or not the two men had made themselves accomplices by vicarious responsibility to the Appellate Division for consideration. Mr Justice Allan Solomon reserved judgement. — Eena

11:30 AM Was seen

AKG's 12/10/87

Strike: Bread shortage looms

By DICK USHER, Labour Reporter

A PENINSULA-wide bread shortage loomed today as workers at four major bakeries went on strike in a wage dispute.

About 1 000 employees of Duens/Cadora, Silverleaf, Good Hope and Enterprise bakeries are involved, according to a statement from the Food and Allied Workers' Union (Fawu).

Spokesmen from Duens and Enterprise confirmed the strike and said there were no bread deliveries at present.

Mr H Guring, accountant for Enterprise, said workers had blocked entrances and were refusing to allow vehicles to leave.

"We will not be able to bake because it is pointless if we cannot deliver," he said. "But we should know more soon because we are talking to workers to attempt to resolve the situation."

SETTLEMENT

Mr Johan Geysler, general manager of Duens, said there would be no bread deliveries today.

Fawu said the strike followed protracted attempts to resolve the dispute and after all procedures agreed upon with employers had been followed.

Two other major bakeries — Attwells and Lakeside — would continue working although workers belonged to Fawu.

"This is because a reasonable wage settlement has been reached with these companies, both of which belong to the Premier group," said Fawu.

Small bakeries boom as 1 000 workers strike

Bread crisis

Asas 13/10/82

186

By DICK USHER, Labour Reporter, and Staff Reporters

THE bread supply in the Peninsula was expected to improve today with major bakeries hoping to make some deliveries following urgent talks between managements and workers. Small bakeries reported booming sales.

Four major bakeries in the Peninsula were hit by strikes by about 1 000 workers over a wage dispute, causing a critical shortage of bread as shops and supermarkets sold out.

Bakeries affected were Duens Cadora, Silverleaf, Good Hope and Enterprise Attwells and Lakeside bakeries were not affected.

Bakery spokesmen were hopeful that some deliveries would be possible today following urgent talks with workers and the Food and Allied Workers Union (Fawu).

Dancing and singing

About 400 dancing and singing workers picketed the main gates of Duens in Epping Industria today.

However, vehicles and non-union workers were allowed to pass.

A Fawu spokesman said deliveries from Duens was "management's problem".

"What is happening is that there is a near-total stoppage at the bakery which has been joined by some non-union employees.

"It is not that anyone is defying yesterday's court order but that drivers are refusing to drive."

Urgent interdict

Duens yesterday obtained an urgent interdict ordering strikers to allow delivery vans out of bakery premises, enabling delivery of 153 000 loaves already baked.

Urgent talks with shop stewards at Silverleaf and Good Hope took place today and a spokesman said he hoped some bread would be delivered.

"But we will not be baking today as production workers are on strike."

Mr George Koning, group manpower spokesman for Sasko bakeries. Sasko owns Enterprise said the bakery started baking early today.

Customers will be able to collect from the bakery as long as supplies last. Further bakings will depend on demand, he added.

Spokesmen for Duens were not available as they were in negotiation with the union.

A spokesman for Good Hope Bakery in Bellville South said they produced an average of 55 000 loaves of government bread daily.

The spokesman said their last bread was baked at 4am yesterday, at which point its 70 workers downed tools.

He said a dispute had been declared by the union, but this was considered an illegal strike.

Negotiations on the wage dispute are continuing and they hoped that the bakery would be back in production soon, as they supplied mainly black and coloured areas.

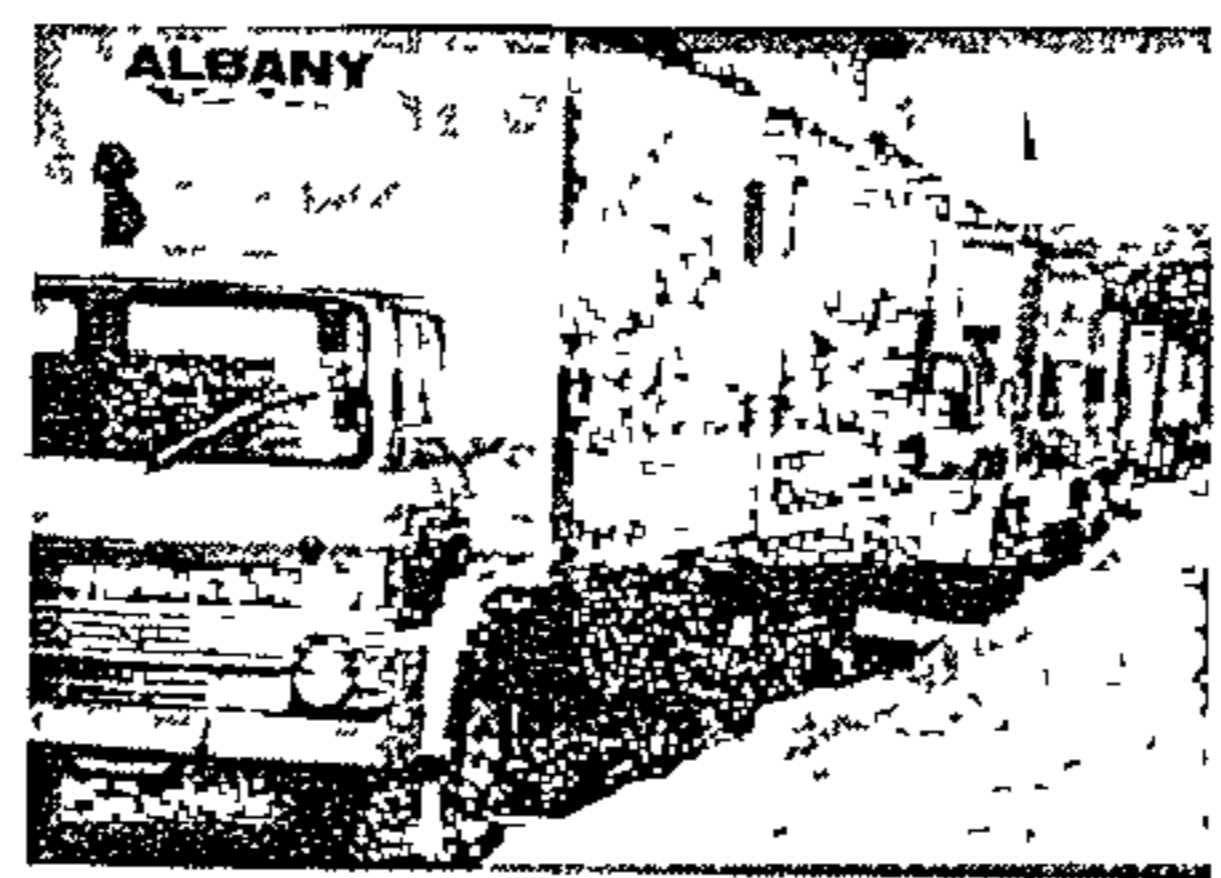
The strike started yesterday after the union and managements at the four bakeries failed to reach agreement on acceptable wage increases.

The general secretary of Fawu, Mr Jan Theron, said they had been offered an increase of R19,50 a week. Most workers earned R110,50.

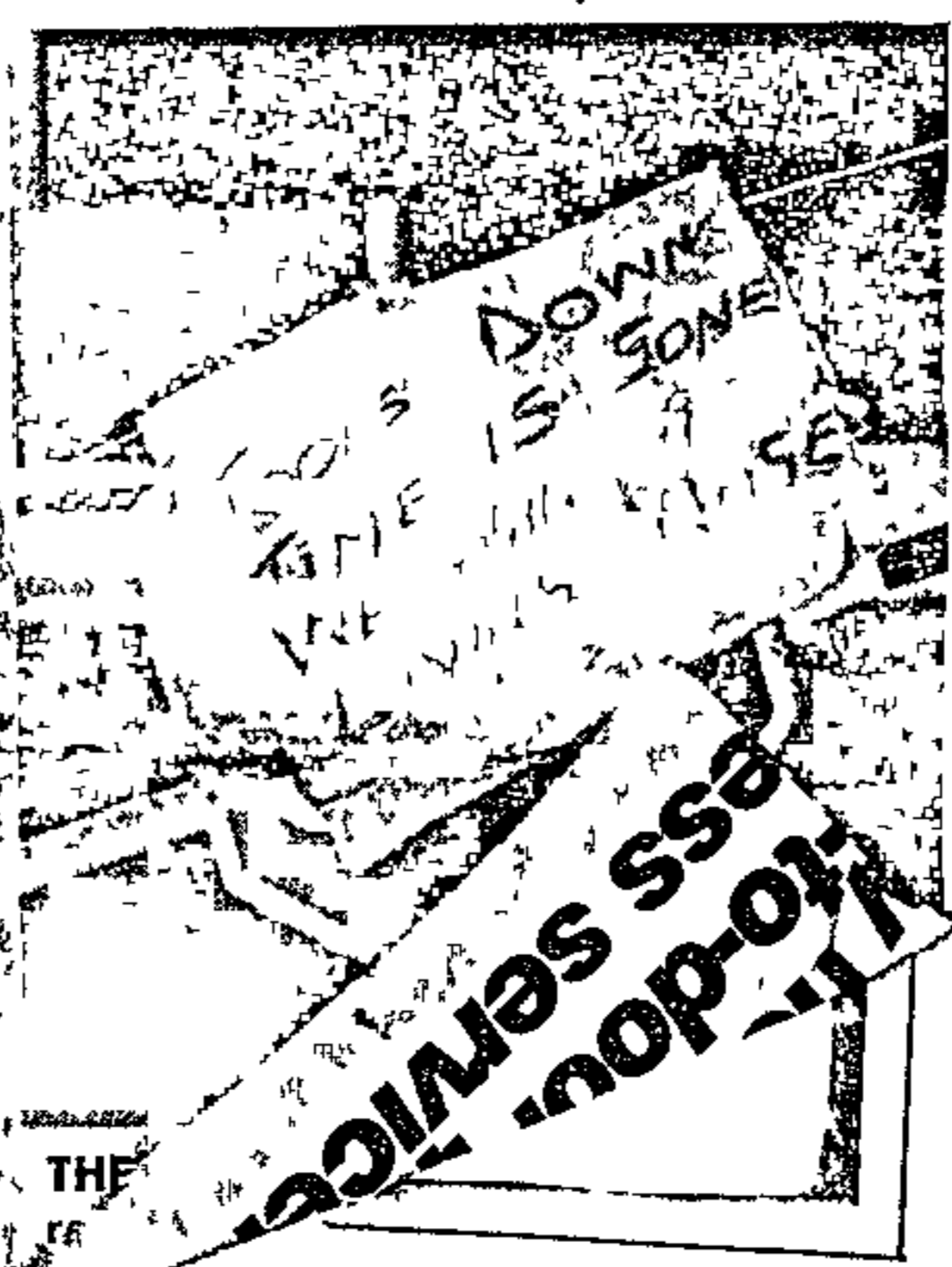
This was R10 a week lower than the increase negotiated at Attwells and Lakeside, both owned by the Premier group, where the union had negotiated increases of R27,50 a week from August 1 with a further R1,50 from Jan 1, bringing minimum wages to R139,50.

Independent bakeries and supermarkets, which were not affected by the strike, reported that there was a rush to buy bread.

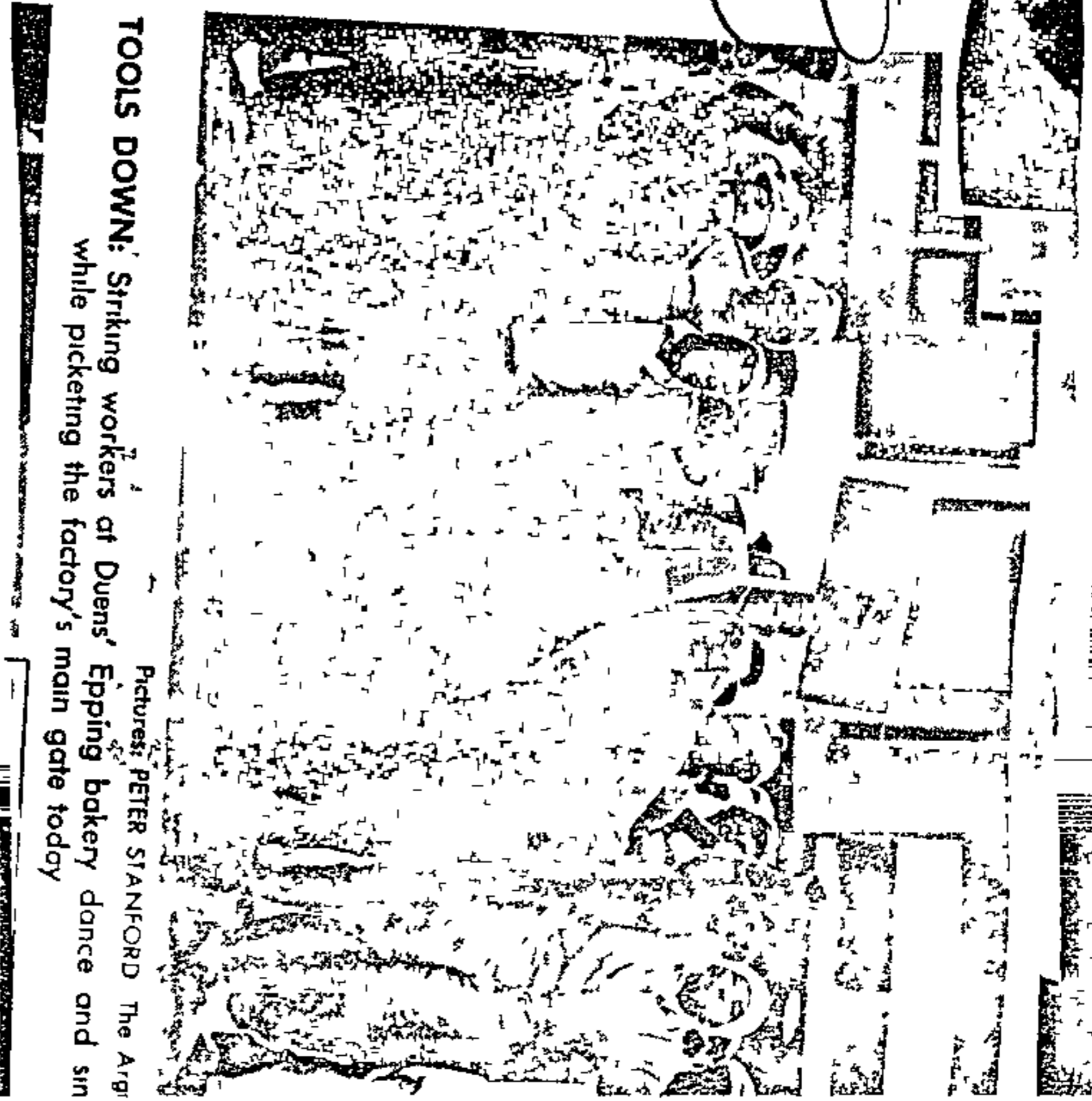
Small bakeries of luxury bread, rolls and cake report booming sales. The Western Cape Traders' Association said its 2 000 traders were seriously affected by the strike.



NO DELIVERIES: Delivery trucks line the street at the Silverleaf Bakery in Lansdowne today.



THE



TOOLS DOWN: Striking workers at Duens' Epping bakery dance and sing while picketing the factory's main gate today. Pictures: PETER STANFORD. The Argus

Judge rules bread vans must roll

Staff Reporters

THE bread strike came to a head last night when 25 striking workers at the Duens Cadora Bakery in Epping were ordered by the Supreme Court to allow the delivery of 153 000 loaves of bread early today after management brought an urgent interdict.

Mr Justice P Tebbutt granted a rule nisi ordering the workers, who abandoned work at 4am yesterday, to allow the delivery vans out of the bakery premises.

According to legal counsel for Duens Cadora, workers had "control of the gates".

The successful interdict could result in similar court action by managements of three other Peninsula bakeries affected by almost identical strikes — Enterprise, Good Hope and Silver Leaf.

More than 1 000 workers belonging to the Food and Allied Workers' Union (Fawu) are involved in the strikes.

The workers, who are paid an average weekly wage of R110, are demanding a R32-a-week increase.

Earlier yesterday, some 75 000 loaves of bread were blocked for distribution to Peninsula outlets as workers at Silver Leaf Bakery in Maitland went out on a

To page 2

From page 1

Strike

wage strike, leaving the bread to go stale.

The strike resulted in several Peninsula supermarkets running out of bread.

Mr Roger Hartley, general manager of OK Bazaars in Adderley Street, said only 10% of the store's bread order had been supplied.

A Silver Leaf spokesman said workers produced the full Sunday night quota before walking out on strike at 4am yesterday and locking the factory gates while 20 bread trucks were inside.

Mr Jan Theron, Fawu's general secretary, said the union recently settled with Premier Milling for an immediate R27,50 increase and a further R1,50-a-week increase from January 1. Other managements were, however, holding out for a substantially lower increase, he said.

Mr Theron said the union's lawyer was contacted at 9 30 last night about the interdict against the Epping workers.

An industrial relations consultant, Mr Johan Baard, said the Duens Cadora wage dispute, which had been to mediation, began four months ago.

Fawu said it had accepted the "R27,50 plus R1,50 more in January" weekly-wage rise the Premier Group had offered, which was why some bakeries were affected and others not.

Spekenam strike 'cost R800 000'

CAPE TOWN — The two-day strike at Spekenam in August cost the company nearly R800 000

E van Graan, appearing for Spekenam in the Industrial Court where the Food and Allied Workers' Union has applied for the reinstatement of more than 500 workers dismissed in the strike, said the company lost R499 000 in August and R300 000 in September

Up to the time of the August strike, the company's approach to labour relations had been reasonable, Van Graan argued

13/10/87
Since September last year there had been a series of strikes, stoppages and stayaways

After union officials had taken part in wage talks during December, there was a significant shift in the tempo of negotiations over a recognition agreement

This year there had been stayaways on May 5 and 6 and June 16 followed by a strike on June 22 over the question of union officials participating in further wages talks.

Van Graan said Spekenam's attitude had been reasonable and during

3/ day
186
further negotiations had indicated that it would allow Fawu organisers to take part in the talks as soon as there was accord on the recognition agreement, in which only one clause was in contention

Dealing with events before the strike, workers had already decided that if organisers could not be present at wage talks they would stop work

He said that after work stopped, management took steps to resolve the situation before deciding to dismiss the workers — Sapa

Mrs Graca Machel, the president's widow.

Cym. Times 13/10/84 (186)
Gift for strikers' cause

THE Cape Teachers' Professional Association (CTPA) yesterday gave R1 416 for "the cause" of the 600 striking Spekenam workers, while condemning the sacking of workers as "reactionary and insensitive".

14/10/87

Vital bread talks in city

By DICK USHER and
ANTHONY DOMAN
Staff Reporters

TODAY could be a vital turning point in the three-day bakery workers' strike which has created critical bread shortages in many areas of the Peninsula

As dozens of shopkeepers queued for hours at Enterprise in Claremont for their first bread this week, talks with the combined shop stewards' committees from two of the affected plants — Good Hope and Silverleaf — were due to start

And the Food and Allied Workers' Union (Fawu) said it was likely to challenge an interdict obtained against the strike by Enterprise yesterday.

The interdict in terms of the Labour Relations Act restrained workers from instigating, supporting or organising a work stoppage.

Bakeries affected are Duens Cadora, Silverleaf, Good Hope and Enterprise, which is in limited production.

Mr Jan Theron, general secretary of Fawu, said it was encouraging that Good Hope and Silverleaf were prepared to talk without imposing conditions

"But they have not come up with any firm proposals."

"THREAT"

He said Duens had made "some kind of threat" that employees should return to work by 8am today.

"This was accompanied by an indication that they are prepared to talk."

A Duens spokesman said a Press statement would be issued later.

At one stage about 50 vehicles, ranging from sedan cars to minibuses, waited in two queues outside Enterprise and were being allowed inside in batches of five

Mr M Abdurahman said he had been waiting since 6.30am.

"I don't know for sure if I will get any bread," he said.

LUCKY FEW

One of the lucky few was Mr Martin Lasker

Bread filled all the available space in his station-wagon

One supermarket owner driving a minibus said he bought about 1 000 loaves a day. "When I called up to check they said there would be plenty of bread, but we'd better get here early."

"Being without bread is bad for business," said another.

"If people can get their bread at one shop and the others haven't got any they'll buy all they need at that shop."

At Duens Cadora bakery in Epping no production was taking place, said shop stewards' chairman Mr Templeton Fushane.

A spokesman for Silverleaf and Good Hope said his companies would not deliver today because no bread was produced yesterday.

"In negotiations we have maintained our position that minimum wages would not be negotiated. But we are open to any views from the union about how we can overcome this deadlock."

Mr George Koning, group manpower manager for Sasko bakeries, said Enterprise would have some bread available for customers.

"We baked last night, but not a full production"

"We used management staff on production lines."

The strike started on Monday morning when about 1 000 bakery employees, all Fawu members, stopped work at the four major bakeries in support of wage demands.

"The longer this strike stays unresolved the more likely it is to spill over to the Fawu-controlled mills which supply the bakeries. We want to avoid this," Mr Theron said

The northern areas and the Cape Flats were the hardest hit by the shortage yesterday

A spokesman for OK Bazaars said stores in the northern areas had no bread and Pick'n Pay's Western Cape managing director, Mr John Barry, said his stores had virtually none

● Pictures, page 3.

Station,
area.

AREA: Withir
excluding th

LO - BUILDIN

BREAD AIRLIFT TO CAPE TOWN

180
14/10/87
CMT
14/10/87

Staff Reporter

A MAJOR retail store is to fly in a consignment of 5 000 loaves of bread to Cape Town today as the Peninsula's shortage of the basic commodity worsens.

As bread production in the Peninsula stayed at a fraction of its normal level yesterday, a spokesman for a bakery supplying 23% of the need, said: "On Wednesday we will have no bread"

No bread was being produced at either of Albany's major bakeries in Maitland and Bellville South. Mr John Barry, general manager of Pick 'n Pay, said panic buying had aggravated the shortage, particularly in the northern areas

His chain had arranged to fly in a consignment of 5 000 loaves from Port Elizabeth today

"We have put our own bakeries on 24-hour shifts," he said. He added that the group's commitment to keep bread at pre-increase prices for October would stand

Mr George Koning, manpower manager for Sasko,

said bread could be collected or bought at Enterprise bakery, Claremont

They had a limited supply and managerial employees were manning the production line. No extra workers had been taken on

Enterprise employs 260 people. Mr Koning refused to divulge how much bread was being

If the bread deliveries in your area are affected — beat the strike and bake your own bread. Easy recipes — Page 5

produced at present

"We have no problems with pickets," he said. However, no deliveries were being made because the van assistants to off-load the bread were on strike

The Food and Allied Workers' Union said in a statement this week that Tiger Oats, which owned two of the striking bakeries, "consistently tries to get a competitive advantage" over the rival Premier Group by paying lower wages (The two major Premier bakeries are not on strike)

Workers did not see why companies such as Tiger Oats should be allowed to "club together" to keep wages down, the FAWU statement said

A Tiger Oats spokesman replied that negotiations with unions were "totally decentralized". He said there was no collusion and that the FAWU statement was "untrue, unfair and totally unfounded"

● A temporary interdict restraining 141 workers at the Enterprise Bakery from instigating, inciting, supporting or organizing a work stoppage or overtime ban, was granted by the Supreme Court early yesterday

cap Times 12/10/87

W Cape milk cartel broken

186

By AUDREY D'ANGELO, CLARE HARPER
and PETER DENNEHY

THE dairy cartel in the Western Cape has been decisively broken

Dairy Belle and Cape Dairy Co-op (which now includes the former Van Riebeeck) products will now be available in the same stores from next week for the first time in 20 years.

Supermarket spokesmen said they hoped that prices of dairy products would fall as a result

Dairy Belle and the Cape Dairy Co-Operative, which have been operating on a zoning system for two decades, have abandoned the system, and customers will now have a wider selection of dairy

products, the general manager of Pick n' Pay, Mr John Barry, said yesterday

Mr Stuart Maxwell, financial director of the Cape Dairy Co-Op — the largest processors of milk in the Western Cape — said that it had decided to make its full range of fresh milk products available throughout the Peninsula from today "It is anticipated that other dairies will follow suit," he said

The general manager of Dairy Belle, Mr Johan Kotze, said there was no question of an agreement by his company with any other to abandon the zoning system. Agreements between the two companies ceased existing in March last year, after the Competition Board intervened, he said

He predicted that the prices of some items would fall, but said he hoped there would not be a price war, as "the industry can't afford it"

Mr Barry commended the courage of the newcomer in the dairy products market, the Homestead Independent Dairy, "in coming into the market and fighting these two giants", as this had really contributed towards the breaking of the zoning system.

Spekenam strikers seek court help

THE labour dispute at the Spekenam meat processing factory in Bellville is being heard in the Industrial Court this week.

More than 600 striking workers are seeking reinstatement after being dismissed.

The dispute arose mainly over recognition of their union, the Food and Allied Workers Union (Fawu) and conditions at the plant.

Mystery surrounds a pamphlet that distributed among the striking workers at the Bellville South hall where they meet daily.

The anonymous pamphlet attacks the role of the union in the dispute.

South 186 1/4
8/4/10/82

months ago. Because he did not know

Year-long milk dispute ends

By CARMEL RICKARD, Durban



THE year-long Natal boycott of Clover dairy products came to an end this week when management and the Food and Allied Workers' Union reached a settlement.



In terms of the agreement, 168 workers sacked in June last year during an illegal strike over Clover's dismissal of the senior Fawu shop steward, are to be paid R200 000.



The union is to "use its influence" to dissolve the Clover Workers' Support Committees; inform the Congress of South African Trade Unions that the dispute with Clover has been settled and immediately stop all activities related to this dispute.

Clover — a division of National Co-operative Dairies — and Fawu further agreed to negotiate a recognition agreement. In the meantime a temporary agreement will apply which provides, among other things, that there will be no selective dismissals and re-engagement as a result of any legal strike for a period of six months after any such dismissals.

Among other issues before the court was whether a product boycott constitutes an unfair labour practice.

However, because of the settlement this issue was not decided by the court.

Mail

Capt. Tents 14/10/82
**Gatti's workers
call off strike**
13 *86* *1982*
Labour Reporter

WORKERS at the Gatti's ice-cream factory in Lansdowne decided to call off their day-long strike over higher wages yesterday afternoon, pending discussions with management.

A director of Gatti's, Mr B Harnekar, said about a third of the 130 workers at the factory had struck in connection with wage negotiations, but had agreed to return to work today. He said production and deliveries were continuing as usual.

Mr Harnekar said workers were asking for R2,50 an hour, whereas management had offered a 5% increase on the present wage, which was increased to R1,75 an hour in September.

A South African Allied Workers' Union spokesman said workers had demanded that management provide proof that they could not afford to pay R2,50 an hour.

By DICK USHER, ANTHONY DOMAN
and HENRI du PLESSIS, Staff Reporters

AS the Peninsula bakery strike entered its fourth day with little sign of a solution, the bread supply has been described as "critical".

There are serious shortages in the northern areas, the Peninsula School Feeding Scheme is battling to feed 168 000 hungry children and panic-buying is depleting limited supermarket stocks

In Bishop Lavis people queuing outside a Wayside Road shop swamped a lorry delivering bread, which was all sold before it went into the shop

The strike involves about 1 000 members of the Food and Allied Workers' Union (Fawu) and affects four major bakeries — Enterprise, Duens Cadora, Good Hope and Silverleaf

A spokesman for Good Hope and Silverleaf — part of the Tiger Oats group — said that at talks yesterday both parties made proposals which would be discussed today.

Ordered to leave

At Enterprise — part of the Sasko group — workers have been ordered to leave the premises in terms of a court order granted on Tuesday that employees should not enter the bakery without the company's permission unless they are presenting themselves for work

Sasko spokesman Mr George Koning said production was going ahead using non-strikers and management staff.

Duens spokesmen were not available for comment. An official statement promised yesterday has not materialised

Mr Jan Theron, Fawu's general secretary, said that yesterday Duens tried to bring in workers from its plant in Malmesbury — also members of Fawu — but they refused.

Pick'n Pay director Mr John Barry said the bread shortage in the northern areas was serious but the southern suburbs appeared to be well-supplied

He described the situation as "critical".

"Our airlift of 5 000 loaves from Port Elizabeth has just arrived. Most will be going to the northern suburbs and Mitchell's Plain"

He said his company usually sold about 20 000 loaves a day but panic-buying had pushed up demand and now 60 000 loaves were needed daily.

Bulk-buying by small shop-owners was also causing problems at supermarkets, said Checkers' Cape marketing manager Mr Hennie van Rooyen

The manager of OK Bazaars in Mitchell's Plain said the small bakery on the premises was working "flat-out" to supply bread but this was not enough

"The bakeries said we could collect bread but we send a driver out at 7am and he's not back by 2pm because of the queues," he said

Offers of help are trickling in to the Peninsula School Feeding Scheme, which needs 6 500 loaves a day to supply 168 000 schoolchildren throughout the Western Cape with meals

Only 851 loaves

Its usual suppliers are either on strike or have limited their production

In the Peninsula alone 5 500 loaves are needed, but only 851 were obtained today. These were distributed in Guguletu and Nyanga.

Delivery — normally by suppliers — was a problem but a Paarden Eiland engineering concern had lent the scheme a lorry and driver

Meanwhile, another union, the Commercial, Catering and Allied Workers' Union (Ccawusa), has entered the dispute

A Ccawusa spokesman alleged that Pick'n Pay's "breadlift" of 5 000 loaves from Port Elizabeth yesterday was a "publicity stunt" which did nothing to alleviate the situation

The union saw it as strike-breaking and interference by a company not involved in the dispute.

Picture LEON MULLER, The Argus
I GOT MINE! Michelle Ross, 3, of Bishop Lavis, proudly walks off with a loaf after queuing since early today.



SCRAMBLE FOR BREAD

AKUS
15/10/87



Bakery talks fail to end strike

Cape Times 15/10/87
186
182
1809

Labour Reporter
TALKS last night failed to reach a resolution to the four-day-old bakery strike which has created a critical bread shortage in greater Cape Town and has crippled the Peninsula School Feeding Scheme

Retailers reported "stampedes for bread" yesterday and said shelves were being emptied as fast as they were filled

The bakeries affected by the strike are Duens Cadora, Albany's (Silverleaf and Good Hope) and Enterprise

A Food and Allied Workers Union spokesman said last night, after an all-day meeting with the managements of Albany's, that the union would be meeting at 10am today for further talks

The strike began on Monday when about 1 000 Fawu members stopped work in support of wage demands

The group manpower manager for Sasko bakeries, Mr George Koning, said yesterday that despite the strike, bread was still being produced at Enterprise by "a couple of employees who were not on strike, and management"

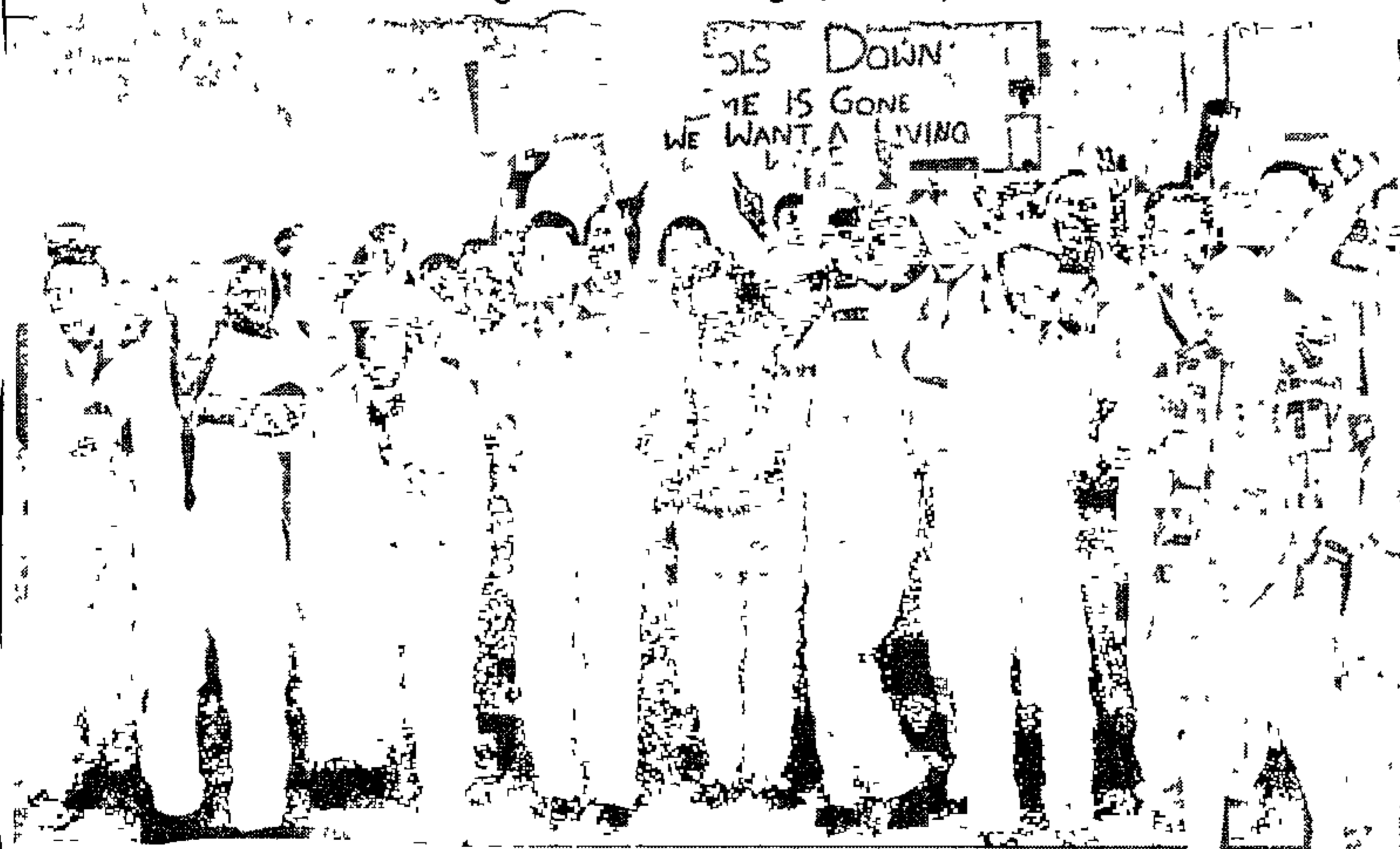
Customers were welcome to collect bread from the bakery premises, he said

Mr Koning said that the company ordered workers to leave the premises yesterday unless they were prepared to resume duties



TWO FACES OF THE STRIKE . . . While staff at smaller, independent bakeries, like Mr Eric Makhaphela (left), Mr Headman Dyanty (middle) and Mr Templeton Mandondo, are rushed off their feet to provide for the extra demand for bread, workers at the four larger bakeries in the Peninsula — like those at Duens Cadora, in Epping, pictured below — continued to strike for a higher minimum wage yesterday.

Pictures GLENN SHERRATT



500 strikers' bid for reinstatement rejected

By DICK USHER
Labour Reporter

AN application for reinstatement by more than 500 Spekenam workers dismissed during a two-day strike in August was today rejected by the Industrial Court

Presiding officer Mr H Fabricius said the case had caused the court much anguish

"We know that much suffering followed the applicants' dismissal and we know that many innocents were drawn into the web," he said

ACTED AGAINST ADVICE

Although he criticised the management's actions in several respects, he found that the employees' actions could not be condoned "merely on the basis of sympathy or empathy, although such exists"

He said that during the strike the workers threw their own principles overboard, acted against the advice of their trade union, refused to discuss their legitimate grievances and

did not afford to others what they demanded for themselves

The Industrial Court had held before that an illegal strike might not necessarily result in a fair dismissal, but the duty was on employees to provide a reasonable explanation as to why they resorted to illegal action

"No such reasonable explanation exists in this case," said Mr Fabricius

The court recognised that strike action was a legitimate weapon, but it had to be used with circumspection

"In any civilised society one cannot simply expect and condone that brute force will be the victor"

HUMAN ELEMENT

However, the management had also failed in several respects to recognise that while it was their prerogative to manage, more was at stake than mere facts and figures.

"The human element ultimately either causes healthy bank balances or it doesn't"

AK645 16/10/87

~~1207~~ ~~186~~ 186

Day 5 in bread strike and no sign of accord

By DICK USHER,
Labour Reporter

THE Peninsula bread strike is now in its fifth day and again showing little sign of progress towards settlement.

The four bakeries affected by the strike of about 1 000 members of the Food and Allied Workers Union (Fawu) in support of demands for higher wages are Duens Cadora, Silverleaf, Good Hope and Enterprise.

Two bakeries in the Premier group, Attwells and Lakeside, are not affected.

After two days of talks with management from the Good Hope and Silverleaf bakeries, worker representatives said there had been "absolutely no progress".

They have not advanced one cent on their original offer," they said at a Press conference called by Fawu last night.

RESTRAINT ON WORKERS

Duens yesterday obtained a court order similar to that granted to Enterprise earlier in the week, restraining workers from inciting, instigating, organising or calling for support for any form of work stoppage or overtime ban.

In terms of the order, workers may not be on the bakery premises without management's permission unless they are reporting for duty.

It was not immediately certain whether management would order workers to leave the premises.

At Enterprise, where there has been limited production using non-striking workers and management staff, the bakery has started working two shifts daily and reported that production was almost back to pre-strike levels.

Strike-hit Albany bakery has supplied the Peninsula School Feeding Scheme with soup and milk powder in lieu of the bread it normally supplies.

The scheme, which feeds 168 000 schoolchildren a day, is still struggling to make up the shortfall caused by the bread strike. It has been able to obtain only about 900 loaves daily instead of the required 5 500.

● Court grants bakery order, page 4.

CAPE TIMES 16/10/87

Staff Reporters

THE four-day bread strike has knocked a R300 000 hole in the profits of Duens Cadora Bakery in Epping and a van assistant, who had made a delivery run, was hospitalized after being assaulted, the Supreme Court was told yesterday.

186
Court
hears of
bakery
losses

These details were listed in papers before court.

A temporary interdict was granted to Duens management by Mr Justice P H Tebbutt who ordered the Food and Allied Workers' Union, the shop stewards' committee of nine and 379 weekly-paid workers not to strike illegally, hinder normal operations, assault or intimidate any employees nor to be on the premises without permission.

Duens general manager Mr Johannes Geysler told the court Duens had lost R300 000 as a result of the strike.

Van assistant Mr Michael Allies was assaulted by striking workers on Tuesday. He was in Conradie Hospital with head injuries.

A driver — "a Mr Van der Ross" — was pulled out of his lorry while trying to leave "with a load of the old bread". Assistant technical manager Mr N Bassett received minor injuries trying to move the abandoned lorry.

Mr Geysler said he informed shop stewards on Wednesday that the firm intended using technical staff to resume baking limited quantities of bread, and intended making deliveries the following day.

He added that there had been no indication that the workers "intend to stop the illegal strike" and most were still on the company premises.

Duens normally baked 123 000 loaves a day — about 30% of the bread consumed in the Peninsula, he said

● Running a gauntlet for bread — Page 3

1865 16/10/87 (1865) (186)

Court grants bakery order over strike

By MICHAEL DOMAN
Supreme Court Reporter

THE Supreme Court has granted a second bakery a temporary interdict restraining workers from inciting, instigating, organising or calling for support for any form of work stoppage or overtime ban.

The order, against the nine-member Food and Allied Workers Union (Fawu) shop stewards committee and 379 other employees of Duens Cadora Bakery in Epping, was granted by Mr Justice Tebbutt

A similar order was granted against 141 workers at Enterprise Bakery in Claremont on Tuesday

Yesterday's order prevents the Duens workers, most of them Fawu members, from supporting strike action without complying with provisions of the Labour Relations Act where such action arises out of the dispute declared by Fawu on September 4.

Terms of order

The shop stewards are chairman Mr Futshane Templeton, Mr Wellington Mente, Mr George Madola, Mr Champion Ntlonze, Mr Eric Marasi, Mr Grant Twigg, Mr Osborne Mbunyuza, Mr Willie Bamisa and Mr Motobeli Madikiza

In terms of the order, the Duens workers cannot hinder or obstruct work at the factory, assault or intimidate any employees or be on the premises unless they are coming to work

Duens general manager Mr Johannes Geysler said in an affidavit that a Supreme Court order, issued on Monday night and directing that striking workers should allow the delivery of 153 000 loaves of bread from the factory, had been complied with

However, since then there had been two incidents of violence on the pre-

mises in which two men were injured. One was still in hospital.

Mr Geysler said six meetings between Duens and Fawu in July and August this year failed to produce agreement.

Mediation was resorted to, but at its conclusion on October 5 there had been no progress

Mr Geysler alleged the strike was illegal because Fawu had not applied to the Minister of Manpower to establish a conciliation board, which he said was the next step in the wage-dispute process

He said workers started working six hours on Sundays, instead of the usual eight and overtime, on September 5.

"At several meetings with the shop stewards' committee we told them to return to work because the strike was illegal, but their reply has been that the problem would be solved if their wage demand was met

"We told them on Wednesday we were going to resume limited baking with technical staff and intended to deliver yesterday

"There has been no response, but I am apprehensive that violence will break out when we try to deliver the bread"

Lost R300 000

Mr Geysler said Duens Cadora's daily bake of 123 000 loaves of bread supplied 30 percent of the Peninsula's requirement and customers included hospitals, prisons, school hostels, supermarkets and cafés

"We have already lost R300 000 as a result of the strike"

The return date of the interdict is November 4

Mr P Hazell, instructed by Silberbauers, appeared for Duens Cadora

CAT fronts 16/10/87 (R6) (12) (104)

City bread queues start early

By ANDREW DONALDSON

QUEUING starts early at the Enterprise Bakery in Claremont, where administrative staff have been producing a limited amount of bread on a daily basis while workers continue their strike for higher pay.

Yesterday the Peninsula Feeding Scheme — already near-crippled by the strike, which now enters its fifth day — joined the queue for bread at 6.30am.

By that time, cars and trucks had already been queuing at the bakery's gates from 5am.

The bakery, to avoid a repetition of Wednesday's chaotic scramble for bread, began admitting buyers at 6am — two hours earlier than usual.

As workers arrived at the factory,

they gathered near the entrance and, singing and dancing, waved banners outlining their demand for a minimum across-the-board increase of R32 a week.

Drivers and buyers then "ran the gauntlet" past strikers as they moved towards the bakery's bays where administrative staff helped them load up their orders of bread.

Once filled with its order of 850 loaves, the Peninsula Feeding Scheme truck left the bakery about 8.30am and headed for Bonga-Lower Primary School in Guguletu — a bread-distribution point for schools in the area.

This was the first bread the scheme had managed to get to Bonga this week.

1980
186
1983

~~171646 16/10/82~~
**Workers' pay
rose last month**

Staff Reporter

MR B Harnekar, managing director of Gatti's ice-cream factory, said it was incorrectly reported that workers had last been given a pay increase in December.

He said the last pay increase was last month, bringing the minimum wage to R1,75 an hour.

The management's latest offer was five per cent on this, while workers were demanding R2,50 an hour.

Cape Times 17/10/87 (186)

Hawkish tactics in the dairy trade

"THEY watch us like hawks ... and every time we start delivering to a new outlet they approach the owner and offer their products at a discount," said John Jacobs, MD of the new Homestead Independent Dairy, which has been in business now for 10 weeks

He was talking about the two main dairies, Dairybelle and Cape Dairy Co-op, which for 20 years divided greater Cape Town into separate zones in which they operated. The system gave shoppers no choice between products and irritated retailers, who had no chance to bargain over prices.

This situation ended in August when Homestead started up, offering lower prices. Although its introductory offer lasted only a limited period, prices in areas where its products are available are still generally lower than four months ago.

Now, with the Cape Dairy Co-op's decision this week to deliver to supermarkets outside its own established terri-

THE men who brought Cape Town milk prices down by starting their own dairy — and introducing the first real competition for 20 years — talked to AUDREY D'ANGELO about the current situation.

tory, and Dairybelle promptly following suit, it seems there is real competition between the two.

Or is there? Jacobs said yesterday "We would welcome real competition in our industry which would stimulate interest and push up sales volumes generally."

"But to judge from their published advertisements Dairybelle and Cape Dairy Co-op do not seem to differ much from each other in price.

"I would love to see price lists of their complete range of products, all different."

Meanwhile an Indian-owned dairy, supplied by Homestead, has started up to provide more competition in

the townships.

The Akbar Dairy, run by a family who had been in the industry for at least two generations, started up a few years ago to challenge the two main dairies and was bought out and closed down after difficulty in maintaining supplies

Now the late owner's daughter, Begum Khalfé, has started the Akbar Central Dairy and is supplying her father's customers "We are supplying her with about 8 000 litres of milk a day," said Jacobs

Akbar Central Dairy's advent has been welcomed by the influential Western Cape Traders' Association whose chairman, Kassiem Allie, said this week he hoped "other black dairies" would start up, to keep prices down and stimulate sales.

Jacobs said Homestead's ability to supply other independent distributors would depend on the availability of supplies. There was currently

a shortage of milk in the Western Cape

Stuart Maxwell, financial director of the Cape Dairy Co-op, told me this week that he did not think Homestead would be able to maintain its prices at their present levels much longer

Jacobs commented "We get an uncanny feeling that there is a group of competitors watching and waiting for us to raise our prices"

He said that since starting up "we have had about a dozen cost increases. But we planned for them and have absorbed them".

However, he admitted "There will come a time when we have to look at our cost structure again"

Jacobs said that Homestead's prices averaged 8% below those formerly charged by the big dairies. This enabled the retailers, including Pick'n Pay, to sell at lower prices while still enjoying the same

● To Page 17

WAS

Beating the bread scramble: Capetonians bake their own

17/10/87

W/le-Argus

186

by TYRONE SEALE
Weekend Argus Reporter

CAPETONIANS seem to have gone for home-baking in a big way this week in the wake of the bakery workers' strike and the scramble for bread

In the midst of the bread shortage many shopkeepers are reported to have charged up R1 for a loaf of brown bread, in many cases to defray the costs

of collecting bread from bakeries

The Consumer Council is investigating complaints from several people who had alterations with shopkeepers.

Yesterday, management at some of the Peninsula's leading supermarkets reported varying increases in the demand for bread flour and yeast, which they described in many cases as usually slow selling lines.

Mr John Barry, general manager of Pick 'n Pay in the Western Cape, said "It seems that home baking is really taking off. We normally order bread flour once a week but this week was different."

Mr Abdullah Aziz of Elite Supermarket in Rylands, Athlone, said: "There's definitely been an increase in sales of bread flour and yeast."

Mr Hennie van Rooyen, divi-

sional marketing manager of Checkers in the Cape district, put the increase in flour sales at about 30 percent

Mr Wander Hoon, head of the Western Cape regional office of the Consumer Council, warned, however, that home-baking was a short-term measure which could turn into an expensive venture in the long run.

Retailers plan bread supplies

Cont. Times 17/10/87

186 (186) (186) Labour Reporter

THE six-day-old Pensinsula bread strike showed little sign of drawing to an early close yesterday, and many retailers have made plans to bake over the weekend to ensure supplies are available on Monday

Managements of Duens Cadora, Enterprise, Silverleaf and Goodhope said they were willing to continue talks with the Food and Allied Workers' Union, with a view to settling the strike

A spokesman for the Sasko group, Mr George Koning, said strikers had left the Enterprise premises, but had not been dismissed

He said production was normalizing after rescheduling of shifts and he expected deliveries to be normal from Monday. Customers could collect bread from the bakery today

Fawu general secretary Mr Jan Theron said the union "sympathizes with charitable organization that rely on bread".

"At the same time it is important customers understand that if working people are not to be dependent on charitable institutions, there have to be real improvements in wages"

A Duens Cadora spokesman, Mr H Swart, said negotiations were still in progress and "both parties were keen to bring the strike to an end"

Pick 'n Pay regional general manager Mr John Barry said an additional 5 000 loaves had been flown in for weekend shoppers, and the store would be baking tomorrow night to ensure full shelves on Monday

The owner of the chain of 7 Eleven "convenience stores", Mr George Hadjidakis, said 6 000 loaves of standard bread would be delivered to corner shops today — and a further 6 000 on Monday, from an unnamed up-country bakery

AKG 19/10/87

(104) (182) (186)

Peninsula bread shortage still critical

Labour Reporter

THE Peninsula bread shortage remained critical today, but the panic buying before the weekend appeared to have trailed off.

Shopkeepers suggested that the public had adjusted to the situation and were coping with it.

Bakeries not on strike and smaller concerns were still working flat out to meet the demand.

A spokesman for Attwell's, one of the bakeries not affected, said they could not expand production to cope with the added demand caused by the week-long strike for higher wages at four major bakeries.

LIMITS

"There are limits to how much bread we can produce and we have to make sure that our regular customers are served," he said.

Mr Kobus Lang, assistant general manager for Sasko, whose Enterprise bakery is one of those on strike, said that some deliveries were being made.

"There are some areas where we can't deliver and outlets from other areas are also trying to get our bread."

A spokesman for the Peninsula Schools Feeding Scheme, which normally distributes about 6,500 loaves daily, said their critical position had eased.

"We are getting about 2,500 loaves from Enterprise and Checkers is baking 500 for us."

Bakery workers were reported to be meeting in Guguletu this morning to discuss the situation.

Call Times 19/10/82

Bread strike in 2nd week

STRIKING Silverleaf and Good Hope bakery workers will not be allowed back on the premises unless they signed an undertaking to return to work, Mr Louis Greef, the regional personnel manager of the bakeries' owners, Albany, said yesterday.

But a Food and Allied Workers' Union (Fawu) shop stewards committee, spokesman responded that the workers were adamant they wanted the lowest-paid workers to be upgraded before any undertakings were considered.

Mr Greef's warning came during talks between Fawu and Albany. The talks failed, bringing no sign of a settlement and dragging the bread strike into its second week.

Managements of the other striking bakeries, Duens Cadora and Enterprise, are still involved in negotiations.

Mr Greef said Fawu and management were "still so far apart" there was "little, if any, reason to continue negotiating".

He said management had made no increased offer on the minimum wage of R130, but had made increased offers on the other grades.

The Fawu spokesman said the union had reduced its demand from R32 across-the-board to R30.

A spokesman for Enterprise, where workers left the premises last week, said deliveries were expected to "normalize" by today.

ght
leg,
og a
hel-
spi-
essi-
d by
uid
bout
e in-
tell
ly a
able
said
lent,
bara
Tex-
the
the
en a
hts,"
olun-
e —
I
Brick-
at the
by the
Mike
n and
their
ted at
titute
or the
Royal
st and
e gale,
d they
time.

ns
th
ne
on
c-
The
at
do-
ng
on
n-
Lil
p-
at-
is
is
ng
10-
A-
ly
we
fie
ab
Ta
do
in
Mil
affs
s
Lir
m's
vilt
e
do
ide
one
ln
peir
m
e.
anor
dr
pa⁶⁶
an
cu
th
wh
col
las

17/6/65 20/10/87

Bakery bosses planning to produce bread again

By DICK USHER
Labour Reporter

TWO more major Peninsula bakeries are likely to start producing bread again.

A spokesman for Good Hope and Silverleaf bakeries said the management would start discussing ways and means of starting production today.

Enterprise, part of the Sasko group, has maintained limited production throughout the eight-day strike.

Informed sources said Duens Cadora, the Peninsula's largest bakery, had also resumed production, but this could not be confirmed.

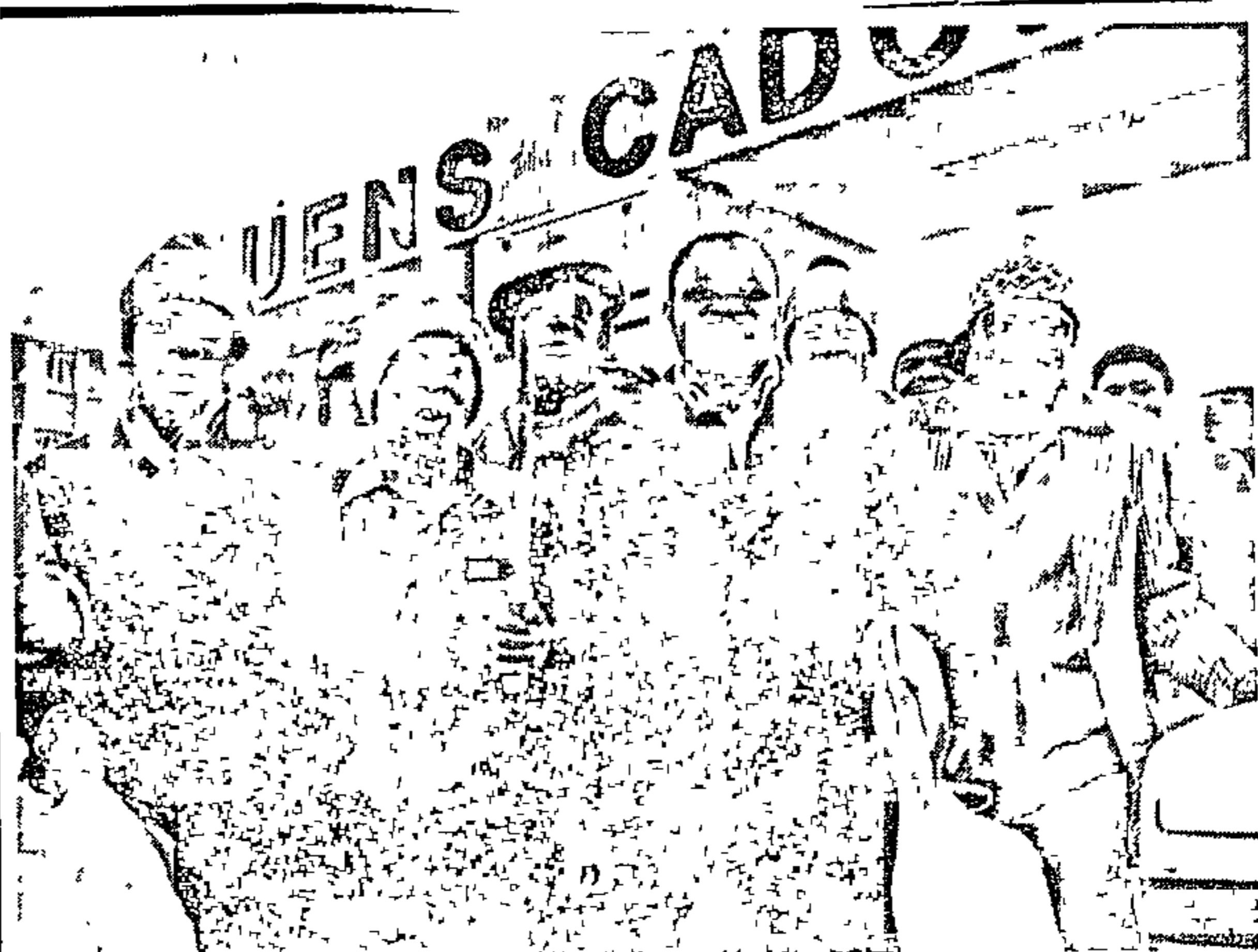
Strikers who had been sitting

in at Silverleaf and Good Hope since the start of the strike left after the management started a lock-out at the weekend.

The spokesman said management, supervisory staff and staff who had signed an undertaking to start work again would handle production.

Discussions between Enterprise management and the Food and Allied Workers' Union (Fawu), to which the 1 000 striking bakery workers belong, started again yesterday.

Mr L. Badenhorst, Sasko's group training manager, said talks would continue today.



DAYLIGHT AGAIN .. Striking bakery workers emerge into the sunlight yesterday morning after a seven-day sit-in at Duens-Cadora Bakery in Epping. Picture ADIL BRADLOW

CAT Times 20/10/87

Bread strike 'hurting', DIY bread taking over

186

By CHRIS ERASMUS

BREAD consumers have begun buying out flour and yeast stocks and at least one supermarket chain executive said the bread strike, now in its second week, was "hurting"

Most of the city's main bakeries reported little bread production yesterday, although Mr Kobus Laing, assistant general manager of Enterprise Bakery, said it was "largely back into production"

Mr Laing declined to give details of the extent of production at Enterprise but said most customers were receiving bread

"We are hoping for a settlement some time this week — nobody has been dismissed and it is not our intention to dismiss anyone at this time," he said

A Fawu spokesman said last night that workers moved out of the Duens Cadora factory at 7.30am yesterday while workers "locked out" from Good Hope bakery and the majority of workers from Silverleaf and Enterprise were holding report-back meetings on an ongoing basis in Guguletu

"If you calculate the money lost at Duens for example, this would already more than cover the raises workers have been asking for," he said.

No production took place at Silver-

leaf and Good Hope bakeries yesterday

Mr Louis Greef, a spokesman for Silverleaf, said a few workers had returned to work yesterday and spent the day cleaning up

"At Good Hope Bakery we had about 19 strikers still on the premises. We had no production there either"

Meanwhile Pick 'n Pay's general manager, Mr John Barry, said his group too had not been severely affected yesterday "largely because it is not a heavy demand day and because our in-house bakeries worked full-time over the weekend to stockpile bread"

"We had full deliveries in the southern suburbs and central area, although some of our outlets in the northern suburbs were still a little short

"We have also noticed that people are switching to bread substitutes like crisp breads. On the whole, people appear to have adapted their eating habits to accommodate the shortage," he said

But Mr Norman Leibov, OK Bazaars marketing director for foods, said his chain's outlets were in very short supply yesterday, as were the outlets of most other major supermarket chains

"This strike is definitely hurting us, although no more than most of the other groups"

South 15-21/10/87

Spekenam approached 'often' to avoid dispute

By AYESHA ALLIE

SPEKENAM management had been approached several times to avoid a dispute at the plant, Food and Allied Workers' Union general-secretary Jan Theron told the Industrial Court this week.

The union has applied to have the 600 dismissed workers reinstated on the basis that they were unfairly dismissed.

Theron said workers were agitated when wage negotiations did not take place in June as promised by management.

He said the union had entered into wage negotiations in November 1986. Conditions at the factory were also discussed. Management postponed the negotiations to June 1987.

The workers accepted management's decision to postpone talks and agreed it would take place on the basis of productivity.

A recognition agreement was not concluded despite continuous negotiations throughout the year.

Not welcome

Shop stewards were informed by management that union officials were not welcome at wage negotiations.

This angered the workers. A work stoppage was staged in protest at management's refusal to allow worker representatives.

However, this matter was resolved when wage negotiations was postponed until the end of July.

Fawu alleged that management deadlocked negotiations by claiming the recognition agreement had not been concluded.

Management's reaction caused the workers to be frustrated, and the situation was reported to the union.

Talks were held between shop stewards and union officials who advised that a formal dispute could be declared.

The workers then stopped working and attempts to hold talks with management failed.

At the end of the day, management issued a pamphlet warning that workers would be sacked the following day, should they not return to work.

Workers sacked

Management told Fawu that all striking workers had been sacked.

Theron said workers requested the union to take further steps when it was clear management would not negotiate.

A shop steward, George Xashimba, said management refused to sign a formal wage agreement. They claimed the union was not formally recognised.

He said shop stewards were given production books, but rejected it as it was not the correct method to assess productivity.

According to the union, it was rejected because it was not considered to be a real measure of productivity, and that it was a unilateral decision taken without consulting the union.

The regional director of Spekenam, Mr Gideon de Klerk, said the strike was illegal and that workers were abusive and intimidated others.

He said temporary workers were employed because of financial problems facing the company due to the work stoppage.

He argued that if the court ordered the reinstatement of the dismissed workers, they would influence temporary workers.

De Klerk said the company had suffered a lot following several strikes by the workers.

A shop steward, Raymond Jada, denied that several strikes took place and referred to it as work stoppages.

He said workers stayed away on June 16 and May 5 to 6, which the company regarded as strikes.

Judgment was reserved.

Soylu 5-21/10/87
186



south NEWS

75 100 100

Shops push up bread price

SEVERAL people have complained that they were being overcharged for bread by local traders.

This followed the shortage of bread after 1 000 workers at four bakeries went on strike for higher wages

Many shopkeepers are apparently collecting their bread at the bakeries and passing the additional transport costs onto the consumers.

Meanwhile, talks between the Food and Allied Workers Union (Fawu) shop stewards committees and Good Hope and Silverleaf bakeries continued.

According to the Advice Office in Hanover Park, a supermarket and a mobile shop in the area only sold bread to customers who also bought groceries.

In Bonteheuwel, a shopkeeper apparently charged 90 cents for unsliced white bread and another shop refused to sell bread to those who did not buy groceries

Desperate

A resident said people were desperate for bread but accepted the "new" price.

"We do not have transport to go elsewhere to buy bread. And people make a dash for bread as there are only two local shops in the area who have supplies," she said.

In Lotus River, some people had been charged an extra two cents for the plastic. According to several residents, this had been going on before the bread shortage.

The Belhar Advice Office said a shop only supplied their regular customers, who

bought groceries, with bread

Some shops in Cathkin also charged 90 cents for a white loaf, and 70 cents for a brown loaf, according to residents.

Mr Kassiem Allie of the Western Cape Traders Association criticised shopkeepers for collecting bread at the bakeries

"They are actually breaking the workers demands for an early settlement by doing this."

Allie said shopkeepers had no right to overcharge people and condemned their actions.

"They fetch the bread on their own expenses and should meet the expenses themselves," Allie said

He called on the four bakeries to give workers legitimate increases.

Bread strike: Bakery fires 388 workers

DUENS Cadora Bakery yesterday dismissed 388 striking Food and Allied Workers' Union (Fawu) workers after negotiations to end the eight-day-old strike failed.

More than a 1 000 Fawu workers went on strike last Monday demanding a R32-a-week pay increase. The average weekly wage is R110.

The striking workers ended their seven-day sit-in at the Duens Cadora Bakery in Epping early on Monday morning but according to Mr J Louw, the manpower manager of the Bokomo group, who own Duens Cadora Bakery, the workers have not resumed their normal shifts

Mr Louw said that because the workers had not ended their illegal strike and returned to work, management had no alternative but to dismiss the striking workers.

"Management at Duens Cadora Bakery regrets that the dismissal of workers could not be avoided due to the uncompromising attitude of the union and workers towards the deadlock in wage negotiations," Mr Louw said

A spokesman for Fawu said the dismissals had come as a surprise to his union and they believed the Duens Cadora Bakery management had not acted responsibly

Reacting to the dismissals, a senior spokesman for Albany Bakeries said in a statement that Albany Bakeries had "no intention whatsoever of dismissing workers at this stage and hope that the matter can be resolved between the two parties"

The spokesman for Fawu confirmed that negotiations between his union and Albany and Enterprise Bakeries were continuing.

Duens Cadora Bakery has resumed limited bread production while a spokesman for Enterprise Bakery said the bakery was "largely back into production".

CHA. Times, 21/10/89
186
Gant's to
close factory

Own Correspondent

DURBAN. — The Somerset West-based company Gant's, which is the country's second-largest canner, is to close its citrus and pineapple food-processing factory in Empangeni at the end of the year, Mr David Gant, the company chairman, confirmed yesterday.

The processing factory, ZFP (Pty) Ltd, employs a permanent workforce of 230 people — all of whom will be retrenched — and up to 800 in full season production.

Mr Gant said the decision to close had been made "because the factory has been losing money in recent times and because of the group's rationalization programme".

The company will continue its farming operation in the area.

ARGUS

Wednesday October 21 1987 3

1000 1000 186

Bakery fires 388 workers as strike continues

By DICK USHER
Labour Reporter

DUENS Cadora bakery has dismissed 388 workers, nearly its whole workforce, as the Peninsula bakers' strike continues.

A spokesman for the Food and Allied Workers' Union (Fawu) said Duens' action had raised the temperature of the dispute and could make settlement more difficult.

"Obviously we are going to fight the dismissals," said Mr Jan Theron, general secretary of Fawu.

"We are appalled at the company's unwarranted and unjustifiable actions.

"It could have wider implications in that workers in the group's mill will see this as a threat to their position.

"They are also involved in wage negotiations and are also paid less than workers from other companies in the sector.

"NO ALTERNATIVE"

"They will regard this as a precedent for the treatment they can expect from the company."

Spokesmen for Duens management were not available for comment, but a statement late yesterday afternoon said that in spite of several requests from the company to workers and Fawu members that they should return to work and stop their illegal strike, they had not done so.

"The company, under these circumstances, had no alternative but to dismiss workers on strike."

A spokesman for Silverleaf and Good Hope, also affected by the strike, said the bakeries had called for a meeting with the union today and were "full of hope".

He said the company would "do everything we can from our side not to do anything formal against our employees".

Mr L. Badenhorst, group training manager for Sasko, which owns Enterprise, said talks with the union expected yesterday had not taken place, but he hoped there would be discussions today.

... was for ... and lieutenant-general at the month

Empty breadbins as the bakers strike

BREAD became a scarce item in Cape Town this week as 1 000 bakery workers went out on strike in support of wage demands — and management went in to man the ovens.

A placard at one of the four bakeries involved spelt out the workers' message: "Tools down, time is gone — we want a living wage."

The four bakeries, owned by food sector giants Tiger Oats and Sasko and the Cape company, Bokomo, have rejected workers' demands for a R32 across the board weekly increase.

The bakeries are sticking at their offer of R19,50 which is substantially lower than the increase recently negotiated between the Food and Allied Workers' Union, to which the strik-

By GAYE DAVIS,
Cape Town

ing workers belong, and Premier Milling which owns two other Cape Town bakeries.

Fawu accepted Premier's offer of an immediate R27,50 increase and a further R1,50 in January — bringing the minimum starting wage to R139,50, ahead of the present minimum of R110 at the four bakeries.

The strike follows four months of wage negotiations which saw all the procedures laid down in negotiated recognition agreements exhausted.

Between them, the six bakeries produce most of Cape Town's bread — the government loaf sold at a nationally determined price.

Fawu general secretary Jan Theron said the bakeries affected by the strike were "pleading poverty", a claim the union rejected.

He said it was clear the companies had in the past agreed on wage levels, despite the fact that all bargaining took place at plant level. However, Premier had now broken ranks.

Sasko group manpower manager George Koning denied there was any collusion.

He said discussions were underway in an attempt to persuade workers at Sasko's Enterprise Bakery to leave the premises, following an urgent interdict granted by the Cape Town Supreme Court on Tuesday.

Koning said production at Enterprise was continuing.

W/Mant
2E

16-22/10/87

~~186~~

~~186~~

186

✓
Cape Times 22/10/87

(186)

(186)

(186)

Duens offers to reinstate workers

Labour Reporter

AS THE bread strike entered its 10th day yesterday, Duens Cadora, one of the four strike-hit bakeries, announced it would reinstate all dismissed workers if they returned to work on Friday.

The bakery, owned by Bokomo, dismissed nearly 400 workers on Tuesday when they refused to return to work.

Bokomo group manpower manager, Mr J R Louw, said that workers who failed to return to work by Friday, would have until Monday to apply for new employment.

He said that after Monday, the bakery would engage all properly qualified applicants on a "first come, first served" basis.

Meanwhile, a spokesman from Pick n' Pay, Mr John Barry, said that the bread situation was "not as critical this week", since panic-buying had abated.

Enterprise will hold a meeting with the Food and Allied Workers Union today to discuss the strike.

Bakeries resume limited production as strike goes on

AKGus
22/10/87

By DICK USHER
Labour Reporter

ALL four strike-hit Peninsula bakeries are back in limited production.

Good Hope and Silverleaf started baking last night after an assurance from the Food and Allied Workers' Union that its members would not interfere with deliveries of materials or baked bread.

The other bakeries affected by the strike of about 1 000 employees are also in production — Duens Cadora since Monday night and Enterprise almost

continuously during the 11-day strike.

A spokesman for Good Hope and Silverleaf said management and non-striking employees baked about half the normal production last night and it was hoped to approach full capacity today.

He said a reply to proposals for ending the dispute, which had been put to the union and to employees, was expected today.

At a Press conference last night union general secretary Mr Jan Theron rejected a Duens claim that workers and

the union had been unreasonable.

He said "What is there to be reasonable about? The company has not advanced one cent on its original offer and has now resorted to mass dismissals."

On Tuesday Duens dismissed about 400 strikers.

Mr Theron said the dismissals were unreasonable. The company had not stuck to an agreed 24-hour notice period for such dismissals as laid down in their agreement.

ARGUS 23/10/87

Bakery strikers to return to work

By DICK USHER
Labour Reporter

THE first major breakthrough in the Peninsula's 12-day bakery strike came with workers at two bakeries agreeing to return to work on Sunday.

Their decision followed a day of meetings with company officials at which Good Hope and Silverleaf management agreed in principle to discuss minimum wages.

A company spokesman said wage negotiations would start again on Sunday night.

About 1 000 workers, members of the Food and Allied Workers Union (Fawu), have been on strike to back demands for higher wages.

One company in the industry reached agreement with Fawu on a R137,50 a week minimum from August 1 with a further increase of R1,50 a week from January.

DEADLOCK

Wage negotiations with the other three — Sasko, Tiger Oats and Bokomo — were deadlocked at a minimum of R129,50 a week when their employees went on strike.

About 400 Duens Cadora workers face a deadline today to report to the bakery at the start of their regular shifts for reinstatement following their dismissal earlier this week.

Workers were locked in discussion all yesterday, but by early today it was not clear what action they would take.

Duens offered reinstatement for workers who reported for work today or re-employment for those who reported by noon on Monday. Failing this, management said it would start hiring on a first-come, first-served basis.

A spokesman for Sasko, which owns Enterprise, said Fawu had contacted management yesterday afternoon and further talks would be held this morning.

"I do not know what will happen, we can only hope," he said.

Cape Times 23/10/87 (1987) (186)

Strike ends at two bakeries

By CHRIS BATEMAN and CLARE HARPER

WORKERS at two of the striking bakeries have agreed to go back to work and an end to Cape Town's bread shortage appears to be in sight as union organizers held a top-level meeting late last night.

A spokesman for Tiger Oats bakeries, Silverleaf and Good Hope, Mr Louis Greef, said yesterday that workers at the two bakeries had agreed to resume work on Sunday morning.

A Food and Allied Workers' Union (Fawu) spokesman confirmed this, adding that the decision came after the managements agreed in principle to discuss the lowest grade of salaries.

Good Hope workers will resume work at 6.30am and Silverleaf workers at 8.30am, both spokesmen confirmed.

Mr Greef said management had agreed to meet with Fawu to discuss

finally resolving the wage dispute on Sunday night.

The Fawu spokesman said last night that workers had agreed to return to work at the remaining Tiger Oats bakery, Albany, on Sunday if management agreed to negotiate the lowest salary grade.

The group manpower manager for Bokomo, which owns the Duens Cadora bakery in Epping, Mr Jannie Louw, said yesterday that the company's decision had not changed, but talks were still continuing.

Duens has said it will reinstate the nearly 400 workers dismissed on Tuesday, if they returned to work today.

Failing this, workers would have till Monday to apply for new employment and after that the bakery would engage all properly-qualified applicants on a "first come first served basis", Mr Louw said.

1 000 workers to return to bakeries

By CLARE HARPER
Labour Reporter

THE two-week bread strike is over and one thousand workers at the four major bakeries affected will resume work tomorrow.

This was confirmed yesterday by managements of Albany bakeries (Good Hope and Silverleaf), Duens Cadora and Enterprise, and the Food and Allied Workers' Union (Fawu).

Employees return to work tomorrow and bread supplies, which were critical in the early stages of the strike, will be normal from Monday.

Yesterday workers at Duens Cadora and Enterprise decided to join Albany's bakeries, who agreed on Thursday to management's proposal that they return to work and then continue negotiations to resolve the minimum-wage dispute.

The 388 workers dismissed from Bo-

komo's Duens Cadora bakery on Tuesday have been reinstated without loss of benefits, after agreeing to return to work yesterday.

The workers began the strike after demands for a R32 increase on the minimum wage of R110 was refused.

It is understood that one of the bakeries had offered a R137,50 minimum wage from August 1, with a further R1,50 increase from January.

A spokesman for Sasko, which owns Enterprise bakery, Mr Kobus Laing, said workers had agreed to return to work "unconditionally" tomorrow.

He said Sasko had agreed to Fawu's request for the next round of talks on the minimum wage to continue on Tuesday.

The national organizer for Fawu, Mr Mandla Gxanyana, said all the bakeries had agreed to negotiate further, and a meeting with the four would take place early next week.

Support grows as strikers stand firm

By AYESHA ALLIE
 CAPE TOWN'S bread shortage is set to continue as striking bakery workers vowed not to return to work until their wage demands are met.
 One bakery, Duens, has already reacted by dismissing 388 workers.
 Meanwhile, support for the strikers, all members of the Food and Allied Workers Union, has been

offered by many community organisations, including the Western Cape Traders Association, Cape Youth Congress, Unemployed Workers' Movement, South African National Students' Congress (Sansco) and the United Women's Congress.
 The WCTA has asked its members not to sell bread

supplied by bakeries affected by the strike.
 Other bakeries, affected by the strike, which involves about 1 000 workers, are Silverleaf, Enterprise and Goodhope. The strike arose last week after the management and Fawu failed to reach agreement on wage increases.
 The workers have demanded a R32 a week across the board increase

Management's offer of R19,50 has been rejected. The workers were earning a minimum wage of R110.

Strikers interviewed at the Umzi Woxolo hostel in Guguletu this week told of their work conditions.

A Duens worker, Mr Welcome Dyanty, 69, said he had been working for the company since 1957 and earned R114 a week after deductions.

"For all these years of working, I cannot say that I have money in the bank or own anything. This money is hardly enough to support a family and for food," he said.

On pension

Dyanty said he would go on pension soon but felt it necessary to go on strike so that future workers could benefit.

Mr Dixon Mkwambi said he did not regard himself as a dismissed worker. "I have a right to demand a wage that my family and I can survive on."

Mkwambi said it had not been easy to go on strike because of his family which he had to support.

"But I am going to keep on striking. It was not always when we had bread to eat before the strike," he said.

Not to hurt

"I feel bad because we cannot stay without money for long," said Mr Anderson Bungane from Silverleaf.

"We want the community to know that our action was not to hurt or make people suffer."

"We too are not happy to be on strike. Our aims are to get the benefits from what we earn."

He said workers had been involved in "fruitless" negotiations with management for more than four months and the strike was the only alternative.

A spokesperson from Duens confirmed the dismissal of its workers. He said they had been given a chance to be reinstated should they report for work on Friday. Management was still negotiating with the union.

186

Bakery strike in second week

23 → 9/10/87

AS 1 000 Cape bakery workers entered the second week of their strike for higher wages the Western Cape Traders' Association is asking its members to refuse to accept any bread coming from the four bakeries.

WCTU has also volunteered to collect money in every members' shop to assist the striking workers.

Members of the Cape Youth Congress and the Unemployed Workers' Movement are prepared to help in "getting the message across to all traders".

The organisations were among those represented by 100 delegates at a meeting called this week by the

Congress of South African Trade Unions. All the striking workers belong to the Food and Allied Workers' Union, a Cosatu affiliate.

Also present were worker delegates from factories supplying the bakeries, owned by food sector giants Tiger Oats and Sasko and the Cape company, Bokomo.

The workers are demanding a R30 across the board weekly increase to bring the minimum starting wage to a par with that at two other bakeries, owned by Premier Milling.

The six bakeries produce almost all of Cape Town's bread.

~~114~~ ~~114~~ (186) W/Marl

Bakeries agree on wages

86
~~11~~
~~11~~

THREE of the bakeries involved in the recent two-week bread strike have reached a settlement with the Food and Allied Worker's Union

A spokesman from the two Tiger Oats bakeries — Silverleaf and Goodhope — Mr Tom Bingle, said that the company had settled on a minimum wage of R134 a week, ranging to R152 a week.

About 1 000 bakery workers struck earlier this month after managements refused to accept demands of a R32 a week increase. The minimum wage was R110. Mr Dingle said the increases stood until further negotiations on July 4

Meanwhile, a spokesman from Duens Cadora said workers yesterday formally accepted its offer of R132 from August 1 and a further R2 a week from February 1

Silverleaf and Goodhope agreed to an annual bonus of two weeks pay, while Duens Cadora agreed to three weeks wages.

The group manpower manager for Sasko's bakery division, Mr George Koning, said Enterprise would be holding a meeting with Fawu next Wednesday

increased by 67% to 16,3c (9,8c). The

siton trail Band says

mas and back-to-school months

Fedfood after-tax income rises 35%

186

Blaney
4/1/87

FEDFOOD's fishing division experienced excellent catches in the six months to September and its frozen foods division, Tabletop, not only returned to profitability but made a substantial contribution to attributable income.

Both divisions contributed to the significantly improved interim results. The group notched up earnings per share of 50c (34c) and declared an ordinary dividend of 13c (10c).

The group's existing subsidiaries increased turnover by 19% to R486m and operating income by 32% to R32,9m in the six months to September. However, these increases exclude the contributions made by the wholesaling and oil processing divisions — which were disposed of — to last year's figures.

If they are included, turnover shows a drop of 3% and operating income a rise of 12%. After-tax in-

LINDA ENSOR

come rose 35% to R13,8m (R10m). Marine Products' (the fishing division) contribution to attributable income grew from 25% to 34% and Table Top, benefitting from the rationalisation of its operations with Harvest-time, turned around from a nil to a 10% contribution.

However, difficult conditions and a fierce price war in the maize products market, resulted in a slump in the grain processing division's contribution from 46% to 28%. The snack division increased its contribution from 20% to 28% — Simba-Quix increased its market share.

The disposal of Fedfood's subsidiaries had a marked impact on attributable income which soared by 51% to R13,3m (R8,8m), despite an increase in the tax rate from 36,7% to 42%.

Firstly, the proceeds of the sales contributed to the dramatic cut in interest-bearing debt from R141,9m to R83m. This, together with lower interest rates, resulted in a 32% decline in the interest bill to R9m (R13,3m) and meant that pre-tax income rose 48% to R23,8m (R16m).

Secondly, as the wholesaling division was 35% owned by minorities, the amount paid to outside shareholders dropped from R1,6m to R753 000.

A profit of R5,6m was derived from the sale of a subsidiary. The sale of the subsidiaries also contributed to a marked strengthening of the balance sheet and a reduction of the finance ratio to 54%.

As for the rest of the year, prospects appear satisfactory and the directors believe Fedfood will continue to build on its interim results. However, a slowdown in the rate of growth is expected.

Profits for year up by 197%

HELOISE HENNING

indicated that his company will be applying for a main board listing — hopefully from January.

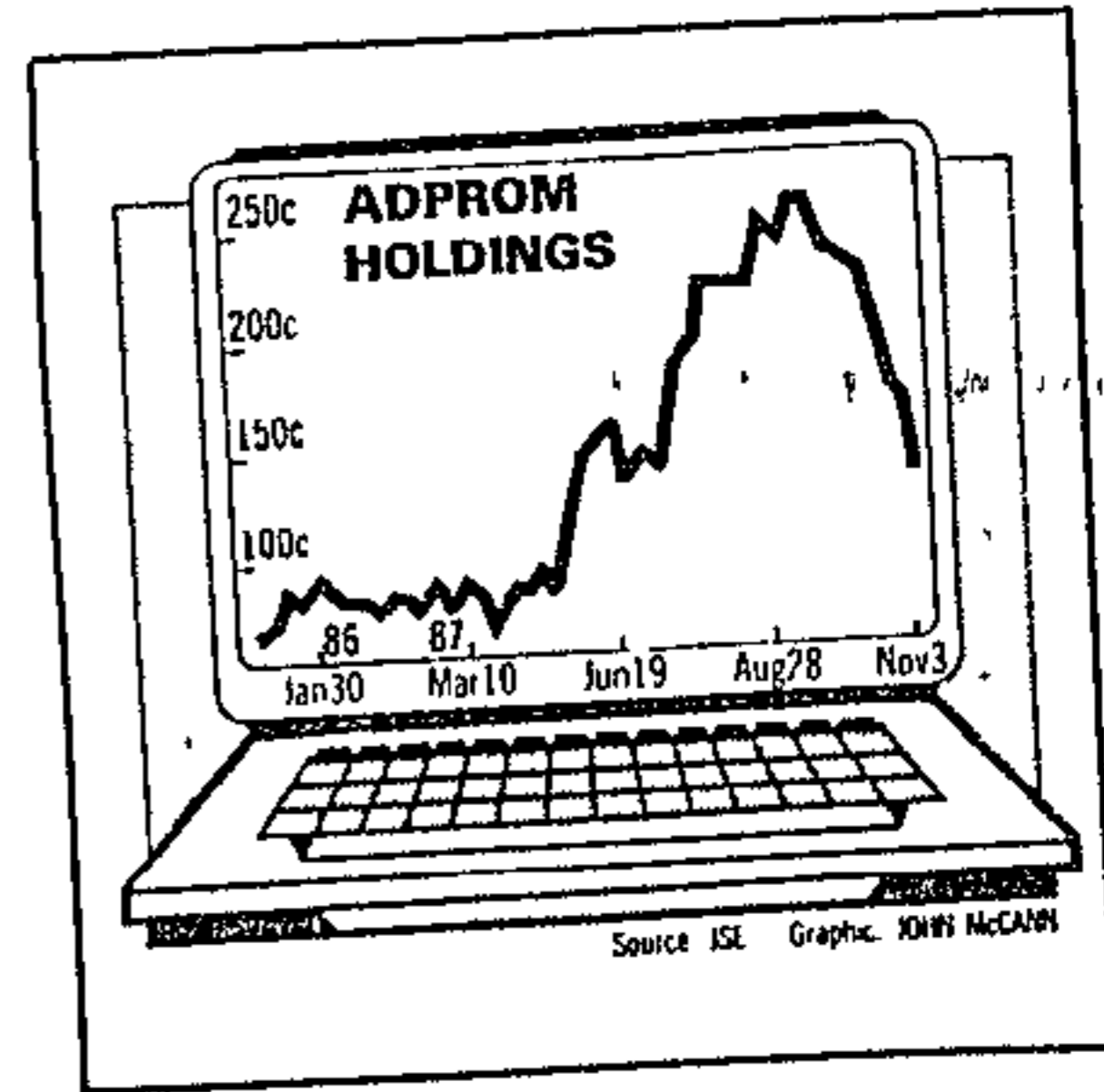
According to the income statement turnover for the year to August was R13,4m, 77% up from R7,5m for last year and 41% higher than the R9,5m forecast in the prospectus.

A dividend of 2,7c has been declared, up from the 2,4c forecast on

earnings of 10,1c a share compared to 3,9c last year and forecast of 6c.

The excellent results should favourably affect the shareprice, which took a dive from a height of 270c. Yesterday the share closed at 130c.

During the year Punch Line took up a 44% holding in Adprom, putting it in the Fintech fold. Roneo Alcatel and the Punch Line peripherals division were moved into Adprom, which acquired 70% of Designer Forms and Middleware Computer Aid and 80% of Farrenkothen & Associates.



ad-just-re-pro-sa-pe-ter-1%-ere-of-CM-has

Scuttles prices
increased by 67% to 16,3c (9,8c). The
siton trail Band says

mas and back-to-school months

ing in South Africa". ... is happen-

Capt. Time 6/11/89
Jungle workers dispute

THE Food and Allied Workers' Union (FAWU) has declared a dispute with Jungle Oats, Maitland, after management shut down production for a day last month.

Worker had not been paid for that day which, a FAWU spokesman said, was "very unusual".

The managing director of Junge Oats, Mr Clive Apsey, confirmed that they had not paid their staff on the day concerned.

FR
SO

186 (187) (188)

EMG. Times 11/18/87
Tiger
Oats
lifts
profits

JOHANNESBURG — On an operating profit up by 20,3% to R227,1m for the year to September, Tiger Oats Ltd has increased its dividends for the year by 24,8% to 337c a share (270c)

Turnover increased by 17,2% to R4 119,1m yielding an earnings attributable to ordinary shareholders improved by 22,6% to R131,6m with earnings per share up from 775c to 951c

The board says that the "good results" reversed the declining trend in margins through improved efficiency and better capacity utilization

Acquisitions

Important acquisitions included the remaining 50% shareholdings in King Food, the leader in sorghum malt markets with effect from July 1 and County Fair Foods, a leading producer of value added chicken products, with effect from October 1

The board says Adcock performed well and results were enhanced by the acquisition towards the end of last year of the minority shareholding in Sabax and by the launch of several new products

The Oceana Fishing Group had "a most successful year", mainly due to increased pelagic fish landings and the export of lobster products
— Sapa

2 killed as roof at factory collapses

CAPL Times 13/11/87

186

By CHRIS ERASMUS

TWO women died yesterday and 10 others were injured, one seriously, when the metal-lined ceiling of a month-old cooling room collapsed at the Harvest Dawn fish factory in Epping Industria

The incident happened about 12 30pm when a group of women were inside the cooling room packing fish

According to a police spokesman, some women were also stacking boxes on top of the refrigeration room at the time of the incident

Killed in the incident were Miss Pamela Daniels, 23, of Pecos Way, Manenberg; and a 28-year-old New Crossroads woman whose next of kin could not be reached last night. Both died of head injuries

Mr Louis Penzhorn, general manager of Sea Harvest, which owns the factory, said he had "no idea" why the ceiling collapsed

"The factory's inspectors have been at the scene. It is their job to determine the cause of the accident"

Mr Penzhorn said the newly-constructed cooling room had been commissioned only a month ago

The rescue operation, mounted by Metro workers and factory employees, had been hampered by the weight of the metal-lined ceiling designed to maintain the low temperature in the room, he said

"The dead and most of the injured received head injuries from the falling ceiling. The dead women were crushed by its weight," Mr Penzhorn said

An employee, Mr Lawrence Adonis, who was working within metres of the room at the time of the accident, said it was "terrible. There was a lot screaming and the women outside nearly panicked"

Group continues first-half improvement

C G Smith earnings rise 36%, div up 25%

CAP TITLES 16/11/87

186
DURBAN. The C G Smith group has continued the improvement shown in the first half of its financial year. Earnings for the year to September 30 are up by an impressive 36% to 394c a share and the dividend up by 25% to 163c.

C G Smith Foods has also done well, with a 28% rise in both earnings and dividends

C G Smith, which was hit by the recession, made a convincing comeback in the first half of the year, when it reported 46% growth. But the directors warned in the interim report that this rate of growth could not be sustained for the whole year because second-half results were off a significantly higher base.

The three principal subsidiaries — C G Smith Foods, Nampak and Romatex — lifted profits substantially this year.

Group turnover for the year rose by 18% to R8 518,5m and pre-interest operating profit by 32%

to R629,5m, "mainly as a result of cost-containment and increased productivity"

Attributable profit was up by 36% to R183m (R135m)

Interest paid declined substantially, due to the good cash flow and lower rates, and income from investments was virtually unchanged at R66,5m

The tax bill was 54% higher, largely as a consequence of the withdrawal of investment allowances, with the tax rate rising from 38,1% to 41,8%

Growth rate

Looking to the year ahead, the directors see further improvement, but they say detailed comments will be made in the annual report due in the first week of December.

C G Smith shares are currently priced at about 3 200c and the latest earnings and dividend yield 12,2% and 5,1% at that price.

● Because of the seasonal nature of its sugar interests, C G Smith Foods' growth rate slowed in the second half compared with the 36% improvement in earnings

achieved in the first half

But attributable profit was 34% higher at R117,4m

The weighted average number of shares in issue at the year-end was 4,9% higher as a result of shares issued in settlement of various acquisitions over the year, and this reduced growth at the share level to 28% with earnings of 124,4c, on which a 2,4 times covered dividend of 51c will be paid.

Turnover for the year was up by 19% at R5 889m and operating profit 25% higher at R330,6m

The directors say the rise was due to "improved trading conditions, greater efficiencies and better capacity utilization"

Interest paid at R58,6m was down by 10,5%, raising growth to 37% at the operating profit level.

Income from investments rose by 6% to R57m, to give a 30,7% higher pre-tax profit of R329m.

Tax rose by 34%, leaving taxed profits up by 28,8% at R203,3m.

C G Smith Foods shares currently stand at about 1 100c, at which level the earnings yield is 13,1% and the dividend yield 4,6% — Financial Staff and Sapa

22,7% to 951c

Improved margins are definitely not the result of price increases, says MD Clive Wolpert, who points out that the price of maize has been kept stable by government, and prices of some of Tiger's other products — vegetable oils and rice — have fallen because of competition from imports. He suggests that the heavy weighting given to meat and dairy products in the food index of the CPI shows a distorted picture.

This means the real increase in group turnover was substantial. Maize sale volumes have fallen, though, as once again yellow maize was mixed with white. "Last time this happened," says Williams, "demand dropped by 10%-15%. We are now producing pure white again and hope demand will pick up again as happened before."

Oceana still uncertain

Tiger Foods as a whole showed a sharp 24% climb in earnings, without the impact of investment income. Of the other main interests, fishing group Oceana saw a 29% improvement and Adcock Ingram was the star with a rise of 37%.

Uncertainty still overhangs Oceana, which derives substantial income from Namibia. "The situation there is out of our hands," Williams comments. "But this year the anchovy catches were good and close to shore and quotas were increased."

Adcock Ingram enjoyed the benefit of taking out minorities in Sabax and the introduction of several new brands. It also improved sourcing of raw materials.

The group recorded an extraordinary loss of R33m. Williams says this is a goodwill write-off on acquisitions and asset write-down. Last year similar losses amounted to R54,1m.

Williams is optimistic about the outlook, provided that weather and sea permit. Second-half results were better than those of the first half, and rising income levels among blacks are expected to result in increased demand for maize. Changes in eating patterns are not expected to have much impact on maize, as population increases should bolster demand, but could benefit other products. He expects continued pressure on margins because of competition at retail level.

The eternal question with Tiger is what will it do with its cash pile? This has reached R283,2m from R271,4m last year, but income remains flat. "We are making acquisitions", says Williams, "and will continue to do so, but the funds give us the opportunity for organic growth and we prefer to wait for the big acquisition. It must be right and fit with our other operations."

Williams expects an increase, but not a big one, in earnings, probably equal to inflation plus some real growth. "Tiger has been a solid performer over the long term," he points out. Latest results put the share on an earnings yield of 10% and a dividend yield 3,5%.

Pat Kenney

TIGER OATS

Margins turn

Between the weather and the sea, it has been a good year for Tiger Oats. More than that, improved efficiencies and better capacity utilisation have raised margins and exerted a major impact on the bottom line.

"The most important point about the higher margins," says executive chairman Robbie Williams, "is that they have reversed a declining trend. The improvement has been across the board, and, though small, because of the size of our turnover, it has had quite an impact." Turnover is up 17% and EPS rose

Trading good in all divisions

Tongaat-Hulett doubles earnings

*CMK Tonga
19/4/87*

From MICK COLLINS

JOHANNESBURG — Attributable earnings for the Tongaat-Hulett group increased by an impressive 101% to R51,2m, or 69,8c a share for the half-year ended September 30

As a result the interim dividend has been increased to 18c a share compared with the 10c paid last year, and 34c for the full year.

This followed good trading in all divisions which saw turnover increase by 25% to R1 295m for the six months. Operating profit rose 31% to R112m (R85,5m)

The directors are forecasting earnings for the current financial year to be "of the order of" 150c a share compared with last year's 85,3c

Reduced average borrowings and lower interest rates accounted for the reduction in interest paid which fell from R38,3m in the 1986 half-year to R27,2m for the six months

After-tax profit increased by 94% compared with an 80% increase at the pre-tax level as the tax rate fell from 48,8% to 36,3%

Group borrowings were R497m compared with the R594m at September 30, 1986, and were expected to be re-

duced to about R350m by March 31, 1988

The results of the textile division had improved significantly

"The sugar division is performing well and in spite of flood damage is forecasting improved production"

Directors said that while pre-tax profits would exceed those of last year, the sugar division's tax shield had now been fully utilized and its contributions to profits would be lower than last year

"Demand for bricks has shown an encouraging upturn in recent months and the contribution to group profits from the building materials division will reflect a significant improvement on last year

"The foods division is achieving improved results and will report higher earnings for the year."

An analyst at E D Rogers said the results were good but the debt level had not decreased as much as expected. However, interest cover had increased from 2,5 to 4,1 times which was favourable.

"The company has previously forecast earnings of 150c a share and analysts are looking for 160c. The share is down to 975c from 1 650c and has lots of recovery potential"

Wentzel: people outstripping food in Africa

PRETORIA — Africa was the only region where food production per capita was decreasing while its population growth was accelerating Minister of Agriculture Greyling Wentzel said at the weekend

Wentzel said the importation of staple foods to the continent seemed set to

reach 40-million tons a year by the end of the century.

It was unfortunate that barriers existed which prevented South Africa — which was improving its agricultural productivity — from contributing to the continent's agricultural production challenges — Sapa

B/day
30/11/87.

186

186

Sea Harvest workers go back

7-23/12/87 South

(scribbles)
186

Ellerines workers demand living wage

(scribbles)
1450
250

SALDANHA BAY — A settlement has been reached between the Food and Allied Workers Union (Fawu) and the management of Sea Harvest more than three months after workers went on strike

More than 200 workers downed tools in solidarity with about 250 workers who were fired after they went on strike in protest against management's refusal to allow a report back meeting.

Proposals

Fawu official Mr Gert Koenana said workers had accepted management's latest proposals.

"More than 100 workers went back to work last week. A further 70 workers returned to work on Monday," said Koenana.

Another 100 workers were expected to resume work before the end of the year.

The union is, however, concerned about 120 workers whose jobs have been taken by scab labourers.

Koenana said management had promised these workers would be reinstated as soon as there were vacancies.



Workers at a report-back meeting before the settlement

Sea Harvest management was not available for comment

Fawu had earlier approached the

International Union of Foodworkers (IUF), to which the union is affiliated, to intervene.

A Spanish-based union

had also taken up the matter with the Pescanova Fishing Company in Spain, which owns 50 percent of Sea Harvest

ABOUT 100 workers at four branches of Ellerines in the Peninsula last week went on strike in support of a living wage.

The stoppage forms part of a nationwide strike involving thousands of Ellerines workers.

All members of the Commercial and Catering Allied Workers Union of South Africa, the workers are demanding an across the board minimum salary of R550 a month.

Management has offered a minimum of R425.

The Peninsula branches affected by the strike are one branch in Elsie's River, and three in Claremont.

Workers had been picketing at the company's branches since they went on strike, according to the acting branch secretary of Ceawusa, Mr Ben Petersen.

Mr Pierre de Villiers, general manager human resources of Ellerines, confirmed workers at the four branches went on strike.

MANUFACTURING - FOOD

86

TIGER OATS

Investment attractions

Activities: Investment holding company with subsidiaries and associated companies operating in food, feed, agriculture, pharmaceutical and fishing industries

Control: Holding company is C G Smith Food and ultimate holding company is Barlow Rand
Executive Chairman. R A Williams, managing director C Wolpert

Capital structure. 13,9m ords of R1 each, 555 000 5,5% cum prefs of R2 each, 5,7m 12,5% red cum prefs of 10c each, 334 200 variable rate red cum prefs of 10c each Market capitalisation R1,5 billion

Share market: Price R105 Yields 3,2% on dividend, 9,1% on earnings, PE ratio, 11, cover, 2,8 12-month high, R140, low, R90 Trading volume last quarter, 126 000 shares

Financial: Year to September 30

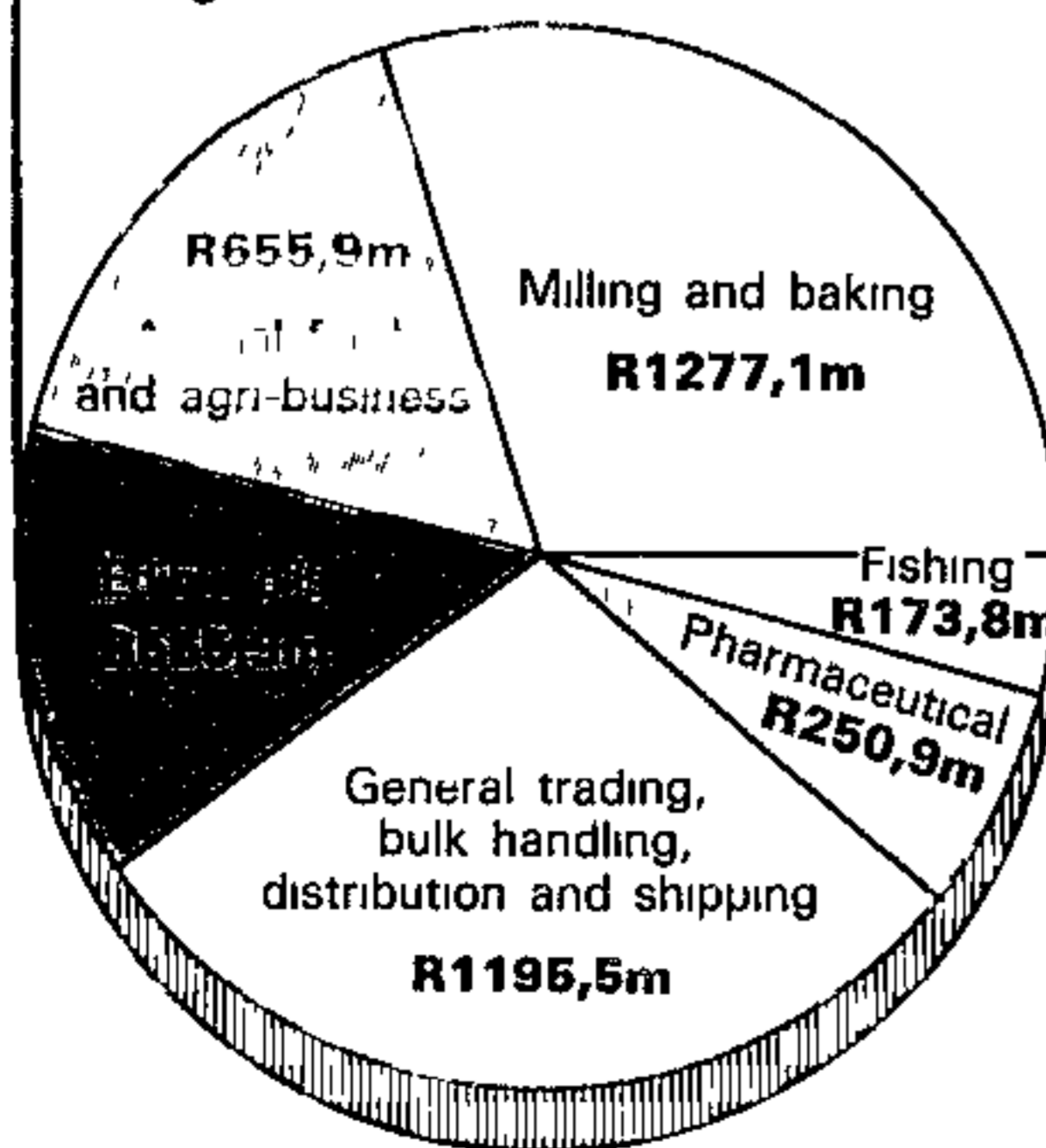
	'84	'85	'86	'87
Debt				
Short-term (Rm)	128,9	211,4	253,0	223,5
Long-term (Rm)	48,6	55,8	55,8	58,4
Debt equity ratio	0,26	0,36	0,05*	—*
Shareholders' interest	0,59	0,53	0,49	0,50
Int & leasing cover	6,3	6,1	11,9	15,1
Debt cover	0,66	0,59	0,58	0,73
Performance				
Return on cap (%)	12,9	13,8	13,2	14,4
Turnover (Rm)	2055	2795	3513	4119
Pre-int profit (Rm)	148,6	199,7	215	254
Pre-int margin (%)	6,9	5,6	5,4	5,5
Taxed profit (Rm)	81	106	124	148
Earnings (c)	568	693	775	951
Dividends (c)	180	230	210	337
Net worth (c)	4375	4915	5182	5707

*Net of cash

When it comes to healthy balance sheets, Tiger's must be one of the healthiest. The cash pile that analysts have been anxiously watching for years is continuing to increase, and the relatively small acquisitions that the

Amaizeing breakdown

Tiger Oats divisional turnover



Tiger Oats' Williams ... reversing declining trend

group has made have had little impact

Investors continue to give the group a high rating though the share fell from a peak of R140 in August to a low of R90 in November, it has recovered to R105. Lack of tradeability, though, means the price can over-react to changes in demand. Last month only 18 903 shares changed hands out of a total issued capital of 13,9m.

The two quoted subsidiaries have done particularly well, with Adcock Ingram's earnings increasing by 37% per share and Oceana's by 30%. An important development was the small improvement in group margins which, executive chairman Robbie Williams points out, reversed a declining trend. The increase in margins was vital because the maize meal market fell by 6% in volume terms, partly owing to a shortage of white maize, resulting in the mixing of yellow maize with white. This always causes a decline in sales.

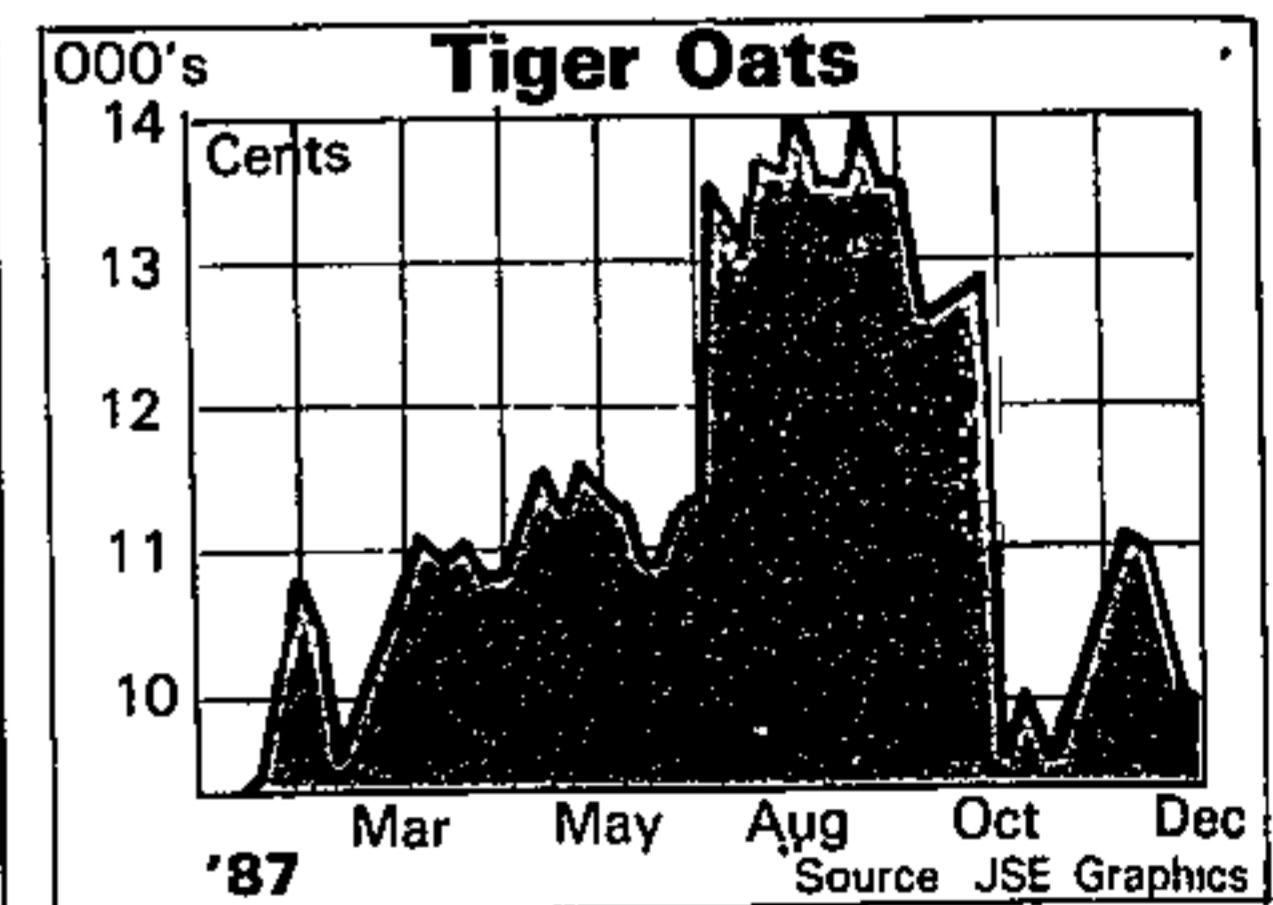
In addition, Williams suggests that the income pattern of traditional maize consumers has become one of rapidly increasing real disposable incomes for those fortunate enough to be employed, while at the same time unemployment in the economy is increasing. This has led to less reliance on maize meal as the staple diet.

These developments are vitally important to Tiger, whose foods division contributes 66% of profit before interest and tax. More than half of this came from milling and baking, which contributed 34%. Though the food division as a whole had the lowest margin at 4,5%, milling and baking was well above this at 6,8%.

Tiger has stated it intends to move into areas with higher margins, specifically food processing and pharmaceuticals. It increased

its presence in the pharmaceutical industry by buying MSD in December, and the possibility of continued disinvestment by US companies after the removal of double taxation relief appears strong.

Yet it appears difficult to make a dent in the large cash holdings. At R283m at end-September, they were R12m larger than in September 1986, and earned R26,5m during the year. Unless a very large acquisition is made, it will make little impact on this income, or on group earnings. Difficulty in



finding suitable investments is increased by Tiger's policy against competing with its own customers.

After the stock market crash, investors are placing greater emphasis on earnings and dividend growth. Since 1982, the group has raised dividends at a compound annual rate of 24%, achieved partly by reducing cover, which fell over the period from 3,4 to 2,8 times. With the tremendous balance sheet strength, this is not a problem, especially as EPS has grown at an annual compound rate of 19,6% and cash flow amounted to R206m.

Production of pure white maize meal has been resumed, and this should result in im-

proved demand Williams expects that, provided the weather and the sea permit, earnings should again increase

At 3.2%, the dividend yield is low, but this is one of the better shares to hold during recessionary times, and there is the added spice of possible new acquisitions

Pat Kenney

2

2

17/1/88
C/P/105

Bigger slice for Lebaka

CP Reporter



Pothinus Mokgokong

LEBOWA Bakeries (Lebaka) — the first wholly black-owned company to be listed on the Johannesburg Stock Exchange — is to hold a controlling interest in a new consortium of Northern Transvaal bakeries, Professor Pothinus Mokgokong, chairman of Lebaka, said in Pietersburg this week.

After protracted negotiations, Lebaka, Premier Food Industries and Suid-Afrikaanse Sentrale Kooperatiewe Graanmaatskappy (Sasko) have agreed on the establishment of Northern Bakery Consortium (Norbaka).

Lebaka will hold a 52 percent interest and the balance will be split between Premier and Sasko.

The consortium comprises Premier's G and D Bakery in Potgietersrus, President Bakery in Lydenburg, and Lebaka's Mokopane Bakery at Mahwelereng in Lebowa.

In the nine months to December last year, the Mokopane Bakery sold 6,4-

million loaves compared with 6,1-million in the same period in 1986. Similarly, G and D Bakery sold 4,2-million loaves compared with 3,8-million

In the period October to December last year, President Bakery sold 897 000 loaves

"Lebaka's interest in Norbaka will increase the company's earnings per share for the year ending March 31, 1988 by about 0,5 cent per share — from about 9 cents to about 9,5 cents per share," said Mokgokong

"As the effects on the earnings per share and net asset value are not material, a summary of the details of the formation of Norbaka will be included in Lebaka's next annual report

"The establishment of Norbaka represents a considerable expansion of our operations and presents us with exciting opportunities for further growth," he said.

Waking the sleeping giant

Imperial Cold Storage (ICS) MD Russell Chambers has been told repeatedly that his group is a sleeping giant. Latest results show that the group is waking up. With a 301% increase in earnings in the year to end-September 1987, the turnaround process is well under way, but further benefits lie ahead.

Not all this year's improvement will filter through to earnings per share, as the preference share conversion pushed the number of ordinaries on issue up 20% last December, with another 17% rise due in December this year. Despite this, it seems distinctly possible that an increase in eps will be achievable in the next two years and dividend growth should not be curbed.

Several factors are working for ICS. With red meat sales accounting for 60% of turnover, the drought had a major impact — and now the end of the drought is helping. During the worst years, lack of fodder resulted in the wholesale slaughter of cattle and a flood of beef onto the market. Now that the rains have come, herds are being built up and cattle withheld from slaughter. The resultant increase in prices, which spilled over into the higher-margin processed foods, poultry and fish helped push up margins for the entire group. This was the main reason for last year's turnaround.

Chambers thinks that the ultimate reversal of this situation will also benefit profits. Supply should increase markedly as more farmers turn to beef farming because of changes in the system of maize subsidies, and as farmers supply beef to the market once herds are built up. Chambers believes the consequent price fall will bring red meat into the range of lower income groups and

ICS looks well set to benefit from a further turnaround and from current changes in the agricultural sector. Even with the sharp increase in shares in issue, dividends should continue their growth trend.

ICS's sales should rise sharply

ICS does not supply a breakdown of profit or turnover by division, but it is widely spread in the food business from manufacturing to retailing. It should therefore be well placed to take advantage of any increase in consumption and of changing food patterns. Chambers says ICS has already noticed a sharp rise in sales to cash and carry stores, which are big suppliers to the black market. Changes in black eating habits, such as increased purchases of higher-margin items of processed food (ready-to-cook chicken in batters and sauces) will benefit the group, as well as rising income permitting higher con-

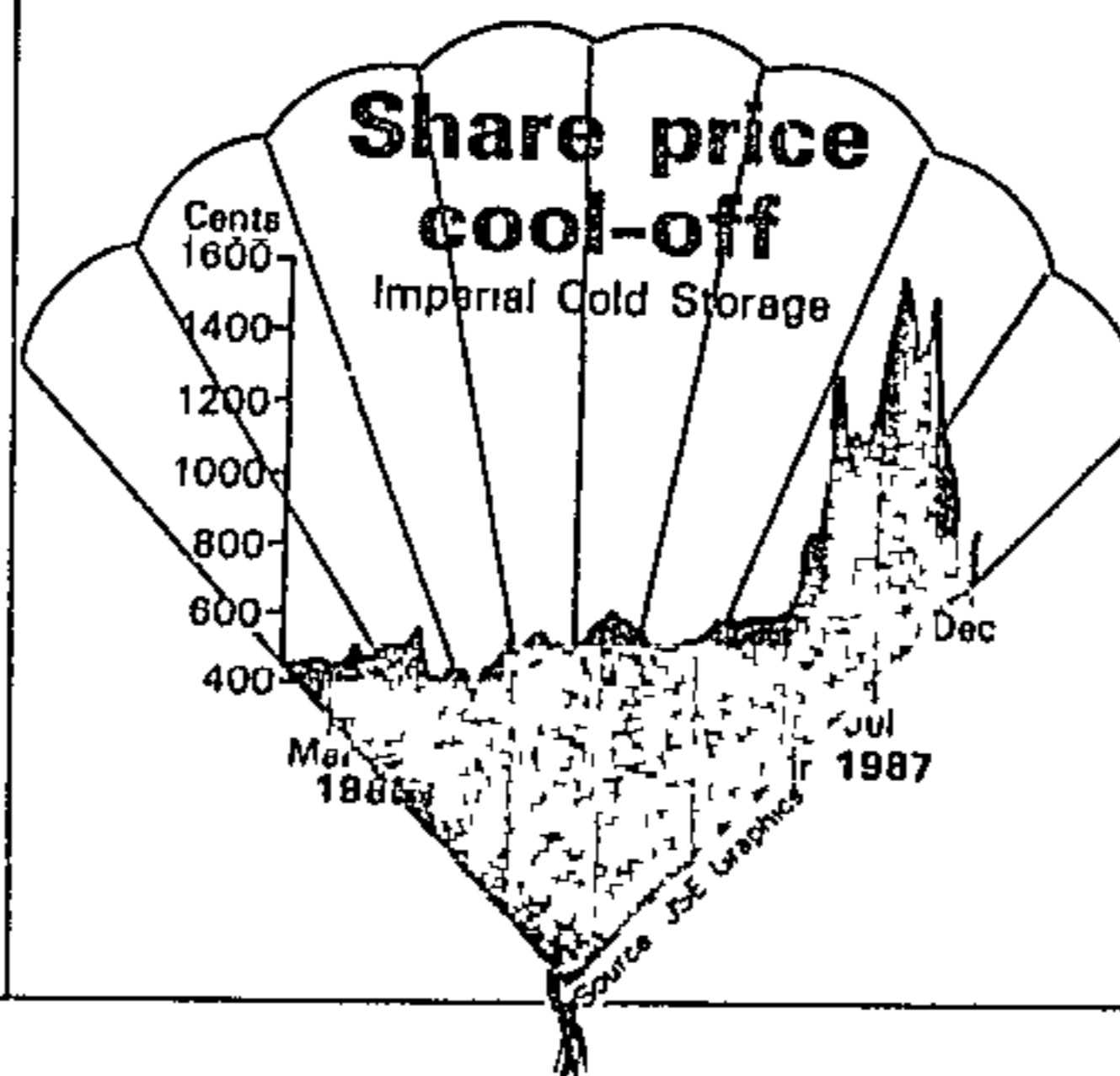
sumption of red meat.

"I believe that urbanisation and increased buying power are making perishables a high growth area," says Chambers. "ICS is in a good position to take advantage of the move from staple foods to First World foods."

A worrying problem area is the dairy section, which has also been buffeted by changes in the agricultural sector. Drought, new health regulations and low profitability persuaded many farmers to close their dairy operations. According to South African Agricultural Union chief economist Koos du Toit, fresh milk prices are under pressure, and the authorities are likely to resist applications for further price rises. Chambers says these developments do not augur well for guaranteed adequate future milk supplies, though Du Toit denies that the situation is cause for concern.

Last year, increased costs of raw milk could not always be recovered in the price of fresh milk and milk products. With 80% of ICS's dairy sales being raw milk, improvements in dairy division margins through concentration on value-added items such as the "In Shape" range are limited.

But Chambers sees improved efficiencies, specifically in the Clayville dairy. This operation has been running at a loss and was responsible for the sharp decline in earnings in 1984. Difficulties were aggravated last year by increased milk prices, milk shortages and labour problems. A turnaround at Clayville will be crucial to the group's performance in coming years. Chambers seems to be fairly optimistic about the chances of achieving this, and says efficiencies are improving.



(186) HM 22/1/88

and the dairy is expected to make profits by 1989

Another problem area is the City Deep abattoir. Though it is not making losses, it has failed to achieve acceptable returns, though it is now starting to perform better.

The poultry division moved from loss to profit last year — a turnaround. As the red meat price rose, demand switched to poultry, pushing up poultry prices as well. An adverse factor was once again labour action at the processing plant.

Associated companies produced nearly half (49%) of attributable profits. They include the food services group Fedics, fishing company Sea Harvest, meat processor Bull Brand, and Chandling International. ICS has representation on the boards of all these companies, which have done well in the past year and are forecast to achieve a reasonable increase next year.

But the real, sustained turnaround potential lies in the directly controlled activities. Chambers believes margins can be improved further, despite the fact that fresh meat and milk is traditionally a low-margin business. "We are expecting turnover of R2bn this year, so a small increase in margins has a big impact upon the bottom line," he comments. "We are improving operating efficiency, product line efficiency, and improving the attitudes of management and the labour force. We must make our assets work better — we have the basic infrastructure and we see the market improving."

Chambers sees it as his task to awaken the sleeping giant. Benefits of the actions taken by Barlow are now flowing through, reversing the trend of declining margins which fell from 5% in 1982 to 1,4% in 1986 before last year's recovery to 2,3%. The result for shareholders has been that EPS moved over the same period from 87,1c in 1982 to 30,2c in 1986 to 121,1c this year.

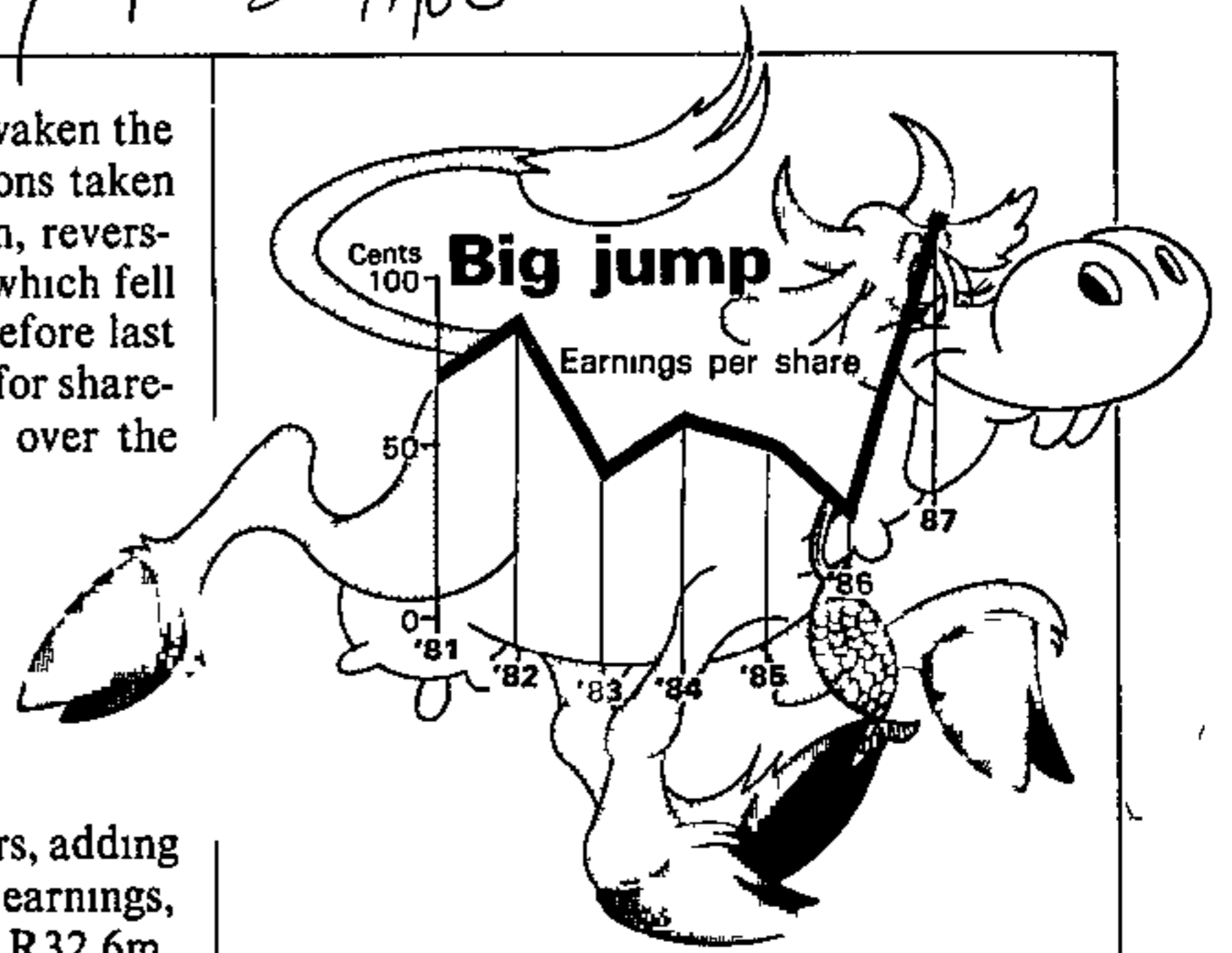
An improvement of 0,5% in margins adds at least R4m to the bottom line. It seems possible that improvements of 1,2% can be achieved in the next two years, adding a minimum of R9m to attributable earnings, nearly 28% of last year's figure of R32,6m.

Though there have still been problems, as mentioned above, one of the areas of improvement is industrial relations — vitally important in this labour-intensive industry. The group has 27 signed agreements with unions and another eight under negotiation, and is proud of the small number of days lost last year because of industrial action.

Morale was dented when previous MD Owen Dinsdale emigrated. Chambers, who replaced him in August, had been Barlow's group human resources GM, and there were fears that further changes at the top could be in the offing. Analysts

were also suspicious about Chambers' ability to run an operating company, forgetting that he had operating experience.

It seems Chambers is making progress in



changing these perceptions. Though considered less charismatic than Dinsdale, there is some acceptance that he is a solid performer and will remain MD for as long as it is possible to foresee in a large group. One analyst says that "the management should be good and that has not been taken into account in the price."

Chambers has no doubt about the group. He discounts the possibility of ICS being caught up in rationalisation within the broader Barlow group. He expects EPS will outpace inflation, despite the dilution due to the pref conversion, and several analysts agree this is an attainable forecast. Chambers points out that dividends were 3,6 times covered and that dividend growth will not be affected by conversion of the pref shares, as cover will be reduced, possibly to around 2,8 times. Had the conversion taken place in the past financial year, earnings would have been 95c on a fully diluted basis and he expects this figure to grow 20% with dividend growth at least matching inflation.

At 825c, the price has already firmed from the post-crash low of under R8. Ignoring the anomaly of the market run-up between March and October, the share price still seems to be in a technical uptrend. With the long-term potential growth in the group's markets, ICS looks interesting, even in the present market.

Pat Kenney



MD Chambers ... riding on the back of beef

MEDIA RESEARCH

The icons of Amps

Confusion is rampant in the multi-million rand advertising industry — all because of an entirely new system implemented by the All Media Product Survey (Amps) to monitor television and radio.

The "results" have been a disaster for everyone concerned. Agencies around the country say advertising costs could rise as a direct result of the installation of "people-meters" (computerised devices attached to TV sets which only have to be switched on for an automatic record of what is being watched). They say radio advertising stands to lose out, since Amps is now concentrating its efforts on TV. And they say the whole ad

New findings on the advertising market, based on innovative research methods, are causing confusion. But it seems that after a structural adjustment, the overall picture will have to stay as it is — revised and unsatisfactory.

industry is back to square one as far as research is concerned, because nothing previously produced by Amps is now comparable with 1988 figures.

The latest chaos comes directly after the

debacle of 1987's third-quarter Amps radio and TV results, which were released three months late — and in an entirely new format — because methodology had been changed. Fourth-quarter results were published at the same time, but also in the new format — reflecting percentage viewership changes as opposed to the time-honoured total audience figures. Many agencies slated the results.

The implications of all this are far-reaching, simply because the Amps fracas is more than an in-house problem of the hothouse advertising world. The survey is the only national yardstick of electronic media penetration and is used to monitor advertising

made more use of bank credit, for example, to chase. Hire purchase credit, for example, to chase.

Union expects no Premier shifts

TONY BLOOM'S departure "will not change anything as far as the struggle for high wages is concerned", says the Food and Allied Workers' Union.

By CHRIS MABUYA

Fawu is the recognised union at Bloom's Premier Group.

Assistant general secretary, Mike Madlala, told *Weekly Mail* workers had not opposed Bloom's high-profile political initiatives such as the 1985 visit to the African National Congress.

But, he said, there had been fundamental differences between the interests of the union's members and Premier — centred chiefly around wages.

These differences remained, whoever occupied the chairmanship.

Although Bloom had not been directly involved in wage negotiations, said Madlala, his political profile allowed workers to attempt to pressurise him "to talk to his negotiating team to meet demands for higher

wages".

This explained the placards Bloom faced on his return from Lusaka in 1985, he said. ("Bloom! Don't talk to the ANC! Talk to your workers!" they read.)

But while the loss of such an outspokenly liberal chairman might make it more difficult to apply pressure of this type, the union did not expect any dramatic changes in their relationship with Premier.

A shop steward at the Premier-owned Farm Fare in Wynberg — where the placard demonstration had taken place — supported this view, saying: "We are not concerned about Bloom's resignation nor the taking over of another person. Our main concern is the workers, and as long as there are workers at Premier we will ensure the strengthening of our campaign for a living wage."

More is spent, but not on food

CONSUMERS are spending more, but they are buying durable goods rather than more or better food.

and on furniture and appliances by 26 percent.

And spending by black consumers has been a significant factor fuelling the upswing in the economy.

Retail chain stores whose target market is black consumers increased their sales by far more than the "universal chains", according to Integrated Business Information Systems data. Spending on clothing, footwear, furniture and appliances rose by 39,6 percent in the "black chains" compared with 27 percent in the universal chains.

Food purchases grew by 15,7 percent in the year to December — no more than the inflation rate. But spending on clothing was up by 22 percent, on footwear by 20 percent



Cape Times 9/2/88

I & J nets 93% higher earnings

186

IRVIN & JOHNSON (J & J) — the Anglovaal group's frozen food company has announced excellent interim results with a 93% increase in earnings in the six months ended December 31, compared with the year-ago period

The board states that if present business conditions are maintained, satisfactory growth is expected to be seen in the company's earnings over the previous year's 122c a share.

In the half-year, I & J's attributable earnings rose to R19,9m (1986: R10,3m), equivalent to 71,1c (36,8c) a share — a 93% increase

Group turnover increased by 21% to R422,5m (R349,1m).

Market conditions enabled the company to restore margins to historically-acceptable levels

Consequently, operating profit was 71% higher at R34,4m (R20,1m)

Investment income was also sharply higher, while interest paid was little changed, leaving a pre-tax profit of R33,4m (R18,4m).

The tax charge rose by 68% to R13,4m (R8m) and left an after-tax figure of R20m (R10,5m).

I & J's share of associated companies' earnings was R6 000 lower at R9 000, while minority interests absorbed R124 000 (R176 000), thus leaving consolidated earnings of R19,9m (R10,3m)

I&J lifts interim ¹⁸⁶93% ^{9/2}1/2

Irvin & Johnson, Anglovaal group's frozen food company, has announced excellent interim results, with a 93 percent increase in earnings in the six months to December, compared with the year-ago period.

The directors say if business conditions are maintained, satisfactory growth can be expected in earnings over the previous year's 122c a share.

In the half-year, I&J's attributable earnings rose to R19,9 million (1986: R10,3 million), equivalent to 71,1c (36,8c) a share — a 93 percent increase.

Group turnover rose by 21 percent to R422,5 million (R349,1 million). Growth in both the economic environment and consumer spending noted in the latter part of the previous financial year continued into the period under review.

Market conditions enabled the company to restore margins to historically acceptable levels. Consequently, operating profit was 71 percent higher at R34,4 million (R20,1 million).

C G SMITH FOODS

Looking for more

186 FIM 5/2/88

Activities: Substantial and varied interests in the South African food industry, including controlling interests in Tiger Oats, C G Smith Sugar, Adcock-Ingram and Oceana

Control: C G Smith Ltd, which in turn is controlled by Barlow Rand

Chairman: R A Williams; managing director: C Wolpert

Capital structure: 94,3m ords of 25c Market capitalisation R1,2 bn

Share market: Price: 1 310c Yields 3,9% on dividend, 9,5% on earnings, PE ratio, 10,5, cover, 2,4. 12-month high, 1 775c; low, 1 100c Trading volume last quarter, 740 000 shares

Financial: Year to September 30

	'85	'86	'87
Debt			
Short term (Rm)	340,2	440,6	355,8
Long term (Rm)	204,0	276,2	249,3
Debt equity ratio	0,45	0,31*	0,21*
Shareholders' interest	0,49	0,46	0,47
Int & leasing cover	3,1	6,1	8,3
Debt cover	0,43	0,37	0,56

Performance:

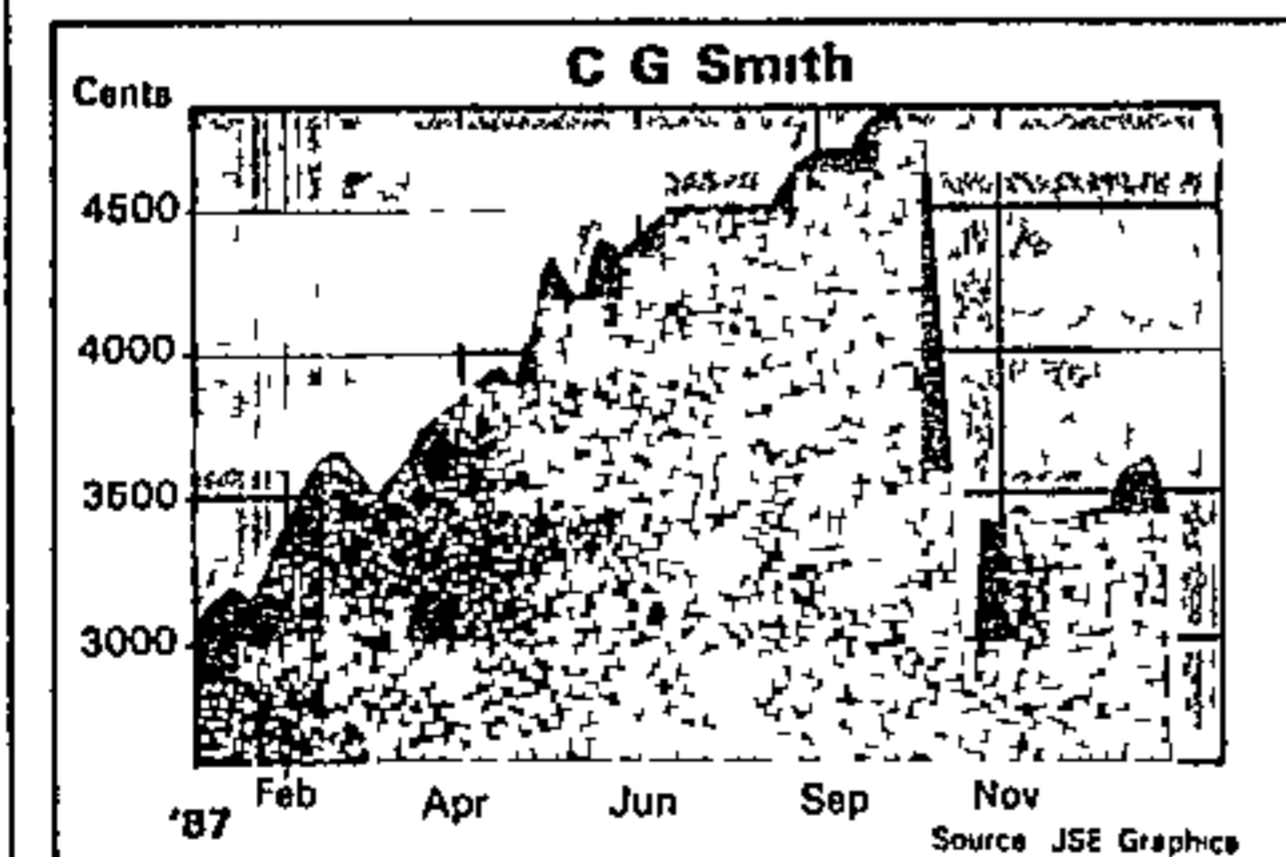
	'85	'86	'87
Return on cap (%)	9,6	10,2	12,1
Turnover (Rm)	4 025,7	4 951,3	5 899,9
Pre-int profit (Rm)	235,9	296,5	370,3
Pre-int margin (%)	4,1	5,4	5,6
Taxed profit (Rm)	140,0	157,8	203,3
Earnings (c)	88,6	97,5	124,4
Dividends (c)	37	40	51
Net worth (c)	799	903	979

* Net of cash

C G Smith Foods sorted out its problem child, Imperial Cold Storage, in the 1987 year, and with profit growth well ahead of inflation from the other major investments — Tiger and C G Smith Sugar — the holding company turned in a sterling 29% growth in taxed profit. Turnover rose 19,2%, operating margins broadened to 5,6% from 5,3%, and interest paid dropped 10,5% to R58,6m

Interest-bearing debt was slimmed to R605m from R717m, and cash holdings were virtually unchanged at R306m (R307m), although interest received on loans and deposits dropped to R17,3m from R20,6m as interest rates eased.

Among major contributors to group profit,



Smith Foods' Williams... steady earnings growth

Tiger Oats (58,9% of CGS Foods' profit after tax) reported virtually unchanged margins on sales which were 17,7% higher at R3,6bn The group says that while this figure includes a number of acquisitions, their effect was relatively small.

With improving prices being obtained from chickens, and Tiger's increased holding in County Fair, a producer and marketer of added-value poultry products, poultry is expected to play an increasingly important role in the future of Tiger Foods The food operations should also benefit this year from the increased holding in King Food Corporation, the country's major supplier of sorghum malt, beer powder and related businesses. The company became a wholly-owned subsidiary from July 1 1987

Tiger Oats' 73% holding in Adcock-Ingram and 69% holding in Oceana Fishing both weighed in with strong earnings growth in the past year — Adcock-Ingram boosting attributable profits 61% to R17,7m and Oceana earning 28% more at R17,2m While Adcock is expected to continue its strong growth, Oceana's growth should slow somewhat, as the company says production records of 1987 will most likely not be repeated.

Imperial Cold Storage (ICS) overtook C G Smith Sugar as the second largest contribu-

tor to CGS Foods' profit after tax, as firmer margins and higher export returns boosted attributable profit to R32,6m from the previous R8,1m While ICS's turnover grew only 19% to R1,6bn, better margins saw pre-tax profit rise to R40,6m from R11,6m, and a relatively smaller increase in tax led to a tripling of the bottom line

Restocking by beef producers which pushed up meat prices, a reversal of losses in the poultry division, a strengthening in the demand for processed food and improved yields in the industrial dairy division all contributed to ICS's improved performance Further improvements in the fresh milk supply operation will enable ICS to reap continued benefits in the current year

C G Smith Sugar enjoyed a good sugar season, and although it suffered extensive flood damage, necessitating a lengthy rehabilitation programme full production was restored with minimal effects on profits

The group, which accounted for more than 40% of total sugar industry production, said in the annual report that there did not seem to be any promise of "a meaningful price upturn" in the short term, as additional sugar supplies have entered the market from Brazil, India and the US, and world sugar stocks are expected to rise again, having fallen to 36,8% of annual consumption

However, recent reports suggest South African sugar exports will benefit from rising prices, which reached US10c a pound, from 6,2c at the end of the 1986/1987 growing season The current steady level of the rand around US50c will also aid CGS Sugar, owing to its large exposure to sugar and chemical exports

At R13,10 CGS Food's share is deservedly rated above the food sector average, with a dividend yield of 3,9% (average 4,5%), and p/c of 10,5 (average 13,3)

Pat Kenney

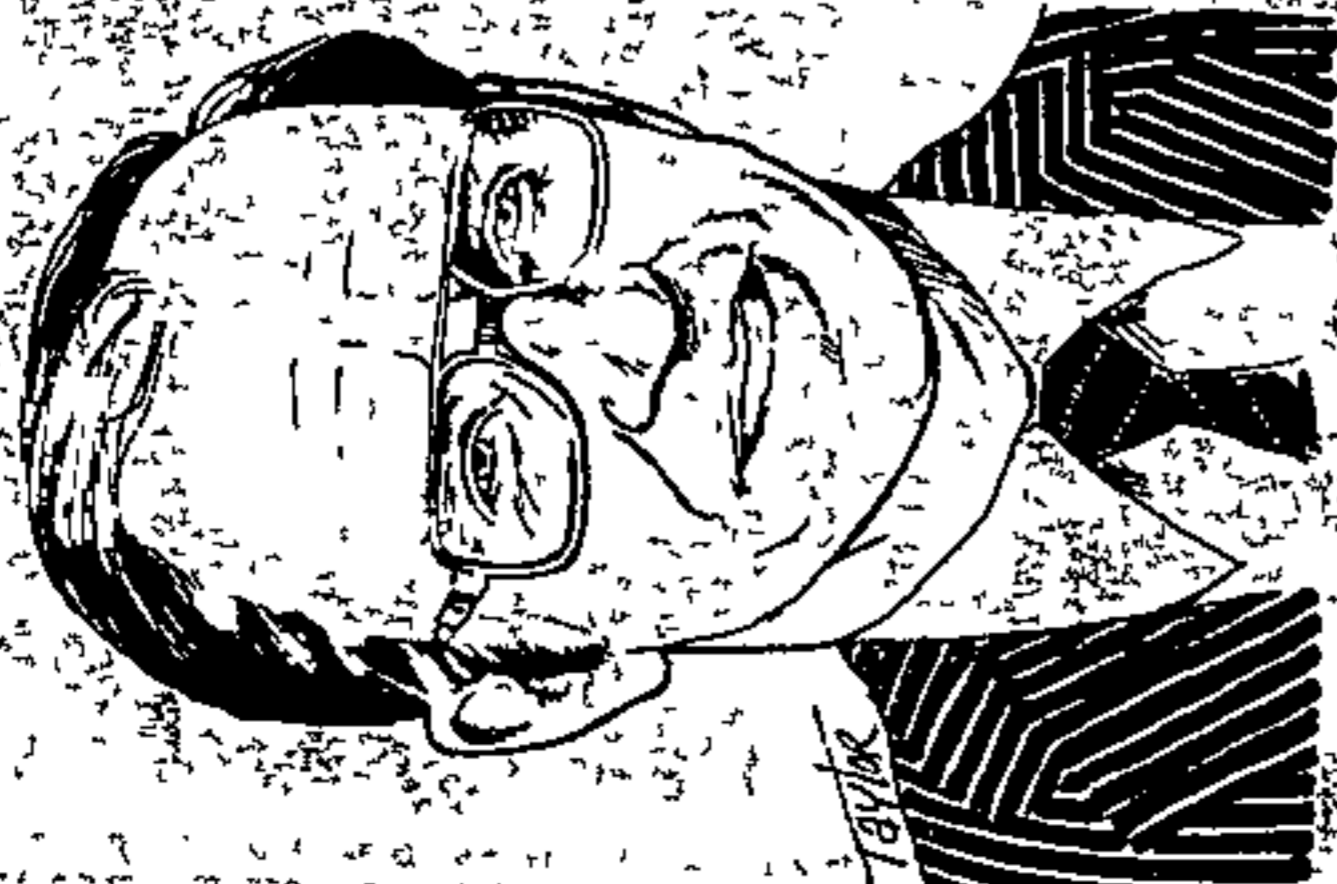
METPOL

Relative strength

Since the JSE crash, investors have been emphasising dividend income, so interest in the insurance sector, especially solidly performing life assurance companies, is not surprising Since late November, the JSE Actuaries Insurance index has outperformed both the Overall index and the Industrial index, while Metropolitan Life (Metpol) has done even better

It seems that its strength could be the company's concentration upon its particular niche Metpol MD Willem Pretorius says it avoids competing with larger insurance

Premier Wrighton joins the fight with Tony Bloom's



PETER WRIGHTON: A fitness fanatic.

Peter Wrighton — the man who succeeds Tony Bloom as chief executive of Premier Group Holdings — could justifiably be said to be the clone of his predecessor.

"The foil to Tony Bloom's rapier" was how Wrighton, overseas on business before taking over the reins from London-bound Bloom in April, once described his role as No 2 to one of the country's most controversial business figures.

"They both work hard and play hard," said a close confidant. "There are amazing similarities between the two men."

Each has a gapped-tooth smile, coupled with an infectious grin. They claim they have never clashed in 18 years.

Each is a fitness fanatic. Each director to deputy managing direc-

supports the same ideals.

The 53-year-old Johannesburg-born Wits graduate has the right pedigree to take over the reigns of a company that was created by the hands of a Bloom.

Wrighton, with a chartered accountancy qualification from Wits, got his first job as assistant to the secretary at Vereeniging Consolidated Mills at Premier's old headquarters in Newtown.

He's been with the company since, to become a member of a powerful trio that ran the firm in the '70s. Other members were the late chairman, Joe Bloom, and son Tony.

Secretary after a year, Wrighton moved quickly — from financial director to deputy managing direc-

Personality

PETER WRIGHTON

Written by: **MARK GLEESON**

tor and then MD, in which role he restructured the company and changed its name to Epol.

There was a brief halt to the rise while he went to Harvard for a four-month course, from which Wrighton said he returned with "fire", and caught the eye of Joe Bloom.

The climbing of the corporate ladder continued financial director at head office in Newtown, and,

soon after, deputy MD

Before Bloom announced his departure, Wrighton was deputy group chairman and chairman of Premier Food Industries, responsible for the day-to-day operations and direction of the main food subsidiary.

He is also the chairman of Jabula Foods and a director of a number of companies, including CNA Gallo.

In occasional interviews in the financial Press, Wrighton has said all the right things.

The bits about social responsibility, "door open to staff at all times", lack of sleep at times of retraining. Quality, integrity and ethics. There are places on the right committees, too, such as Operation Hunger.

He even deliberately scaled down his living standards — exchanging his Jaguar for a Golf and his six-hectare Morningside estate for a townhouse.

But it is his future role, not that of his past, that will stamp the true Peter Wrighton.

Three years ago he said, "Politics and business become mixed whether you want it or not, and the employees are beginning to clamour for action. The future of free enterprise depends on showing black employees that it works."

With the increasing militancy of unions and the Government's new shift of the spotlight on to the economy, what Wrighton does in his new tenure will leave his real mark.

01/15/18 10/2/88

Maitland strike

Staff Reporter

WORKERS at the Jungle Oats mill in Maitland yesterday downed tools and picketed for a R40 weekly wage increase.

While a Food and Allied Workers' Union (Fawu) spokesman said that 120 of its members at the factory were on strike, deputy managing director Mr M Paddick put the number at 70 out of a complement of 230.

The Fawu spokesman said the strike followed a strike ballot on Monday night.

Workers were demanding an across-the-board increase of R40 on their current minimum wage of R115,75 while the management offer was R30, he said.

"A dispute was declared after mediation deadlocked and the union applied for a conciliation board. The strike is legal," the spokesman said.



West Bank ay. In the

RS

Pleasure
Foods (186)
profits star
increase 1/2/88

Finance Staff

Shareholders of Pleasure Foods — formerly Juicy Lucy — should be pleased with the interim results, which show a sharp rise in consolidated earnings to R2,138 million, or 4,7c a share, for the seven months to last December.

This compares with the 2,8c a share for the six months to November 1986, which was prior to the restructuring of the group. Through a reverse takeover, Pleasure Foods is now a subsidiary of Avbak Food Holdings. Currently, it has more than 350 food outlets countrywide operating under such names as Wimpy, Juicy Lucy, Pizza Hut and Milky Lane.

Group turnover was R31,9 million in the seven-month period (R3,3 million in the six months to November 1987). This led to a pre-interest and pre-tax profit of R3,3 million (R398 000). After deducting interest paid of R92 000 (R29 000), tax of R1,1 million (R105 000) and minority interests of R1 000 (R24 000), the attributable earnings figure is R2,1 million (R240 000) — equivalent to 4,7c (2,8c) a share based on 45 105 (8 723) shares in issue.

The various acquisitions led to significant changes in the balance sheet. For instance, fixed assets and trademarks rose to R65,9 million (R3,9 million), current assets to R14,8 million (R1,3 million), current liabilities to R19,8 million (R2 million) and net asset value to 133c (38c) a share.

Included in current assets is R6,5 million, representing a part payment for an acquisition referred to in Pleasure Foods' cautionary announcement of January 11. The repayment of this sum has been guaranteed by the sellers, should the conditions precedent to the deal not be fulfilled. A further announcement will be made once the conditions have been fulfilled.

did 18/2/88
Tarry tops 72% ¹⁸⁶

JOHANNESBURG — E
W Tarry increased attri-
butable earnings by 72
per cent in the year to
December, the prelimi-
nary profit statement
shows

These amounted to R8
million, compared with
R4,7 million in 1987.
Earnings a share were
70,9 cents (42,4 cents)
and the company has de-
clared a final dividend
of 16 cents a share (14

cents), bringing total
distribution for the year
to 23 cents (14 cents).

Turnover at R204,7
million was up 20 per
cent and operating pro-
fit was 34 per cent better
at R5 million (R6,4 mil-
lion)

The directors state
that all operating divi-
sions have budgeted for
continued improved
earnings this year. —
Sapa

AFRICAN WORKERS

Head Office:

Secretary: Th

C G SMITH

Rising trend

Activities: Investment management company with subsidiaries involved in food, packaging, carpets, textile and pharmaceutical industries

Control: Barlow Rand owns 60%

Chairman: W A M Clewlow

Capital structure: 46,9m ords of R1 Market capitalisation R1,5 bn

Share market: Price R31 Yields 5,3% on dividend, 12,6% on earnings, PE ratio, 7,9, cover, 2,4 12-month high, R48,50, low, R11,50 Trading volume last quarter, 123 000 shares

Financial: Year to September 30

	'86	'87
Debt		
Short-term (Rm)	501,5	394,0
Long-term (Rm)	424,8	341,2
Debt equity ratio	0,28	0,16
Shareholders' interest	0,47	0,48
Int & leasing cover	4,9	8,2
Debt cover	0,52	0,81

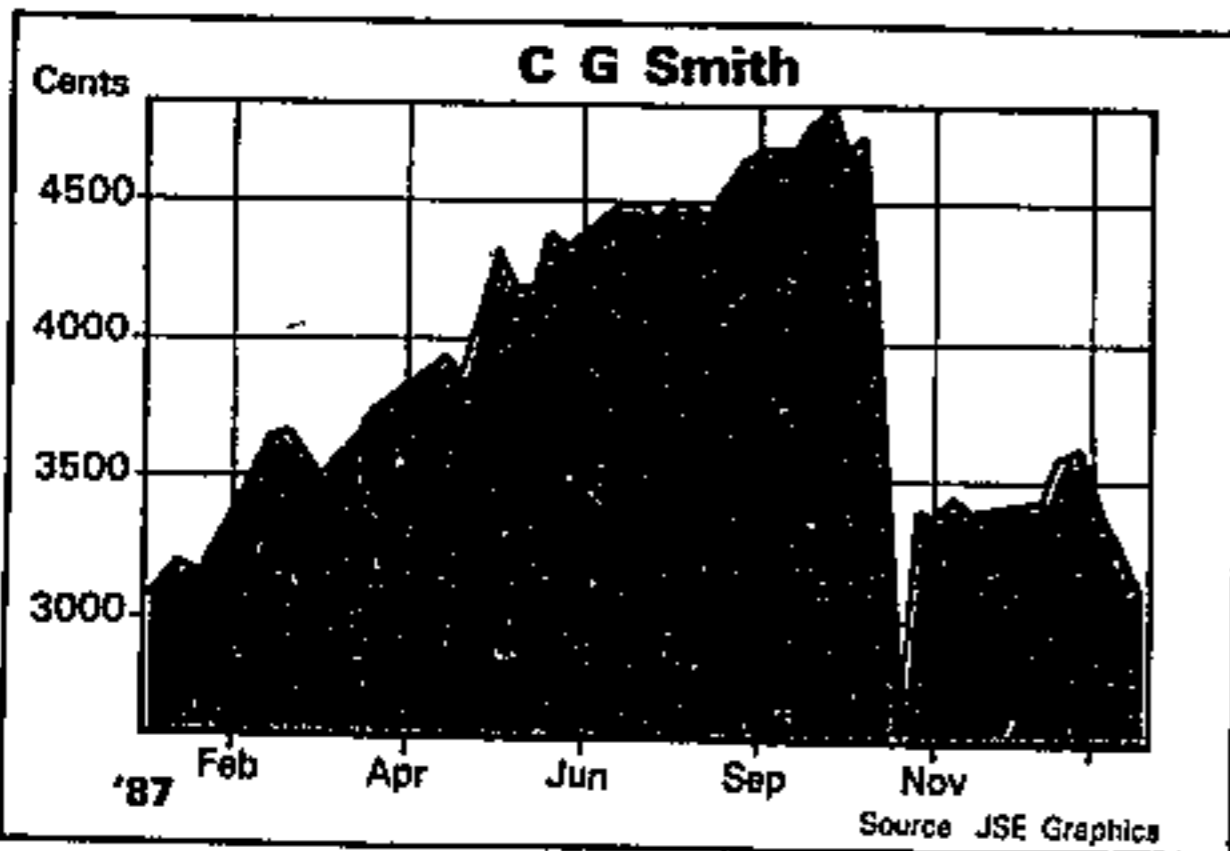
Performance:

	'86	'87
Return on cap (%)	12,0	14,4
Turnover (Rm)	7 237	8 519
Pre-int profit (Rm)	521,3	676,1
Pre-int margin (%)	6,6	7,4
Taxed profit (Rm)	271,8	358,0
Earnings (c)	287,5	390,4
Dividends (c)	130	163
Net worth (c)	2 308	2 552

Wider operating margins of 7,4% (6,6%), a 26% decline in net interest paid to R60,7m, and a 64% rise in contribution from associate companies were the ammunition with which C G Smith fought off the challenge of a higher tax rate of 41,8% (38,1%) and a slight decline in investment income. It emerged with a 36% rise in EPS, more than twice the rate of growth in turnover.

The broader margins represented a welcome turn from a three-year decline in margins, with the three major components of C G Smith all contributing to the better trend.

At C G Smith Foods, operating profit improved by 25% to R330,6m, compared with sales growth of 19,2% to R5 899,9m, at Nampak, operating profit of R242,2m was up by 33% on the previous year, while turn-



over of R2 066,9m was 19% up on 1986. And in Romatex, operating profit improved by 66% to R57,6m compared with turnover growth of 13% to R551,7m.

At attributable level, although the foods group remains the largest contributor to C G Smith's profits in absolute terms, the largest improvement in terms of contribution to group attributable profits in 1987 came from Romatex, whose contribution rose by 95,7% to R18m. The foods group's contribution rose by 34,4% to R95, and Nampak's contribution was up by 31,4% to R68,6m.

In an environment of rising consumer expenditure, all three operations are well placed for future and, in some instances, such as ICS, work done to correct problems in the past year is expected to benefit earnings in the current year.

The extent of expansion will also help determine the performance in the current year. Warren Clewlow notes in his chairman's address: "Our latest strategic three-year plan shows that the group has considerable investment potential in the form of surplus cash and unutilised borrowing capacity."

CONTRIBUTION TO ATTRIBUTABLE PROFITS

	1986	1987
	Rm	
Tiger Oats	46,0	56,4
C G Smith Sugar	18,7	24,4
ICS	5,0	20,4
Other	1,5	(5,5)
Foods Group	71,2	95,7
Nampak	52,2	68,6
Romatex	9,2	18,0
Other	2,1	0,6
Group Total	134,7	182,9

"There are many exciting projects on the drawing boards," he adds, "and the coming year will see a high level of activity which should benefit future operations."

He cautions that the current financial climate necessitates a strong balance sheet, but even adopting a conservative approach, the group has a lot of room to move. At year end debt:equity, net of cash, stood at a low 0,16, and cash reserves totalled R385,5m.

C G Smith's earnings and dividend growth in the first half of the Eighties was far from impressive — earnings of 269c in 1985 were only 12% up on the 241c of 1981 — but 1987 earnings growth of 36% on turnover growth of 18% shows that substantial operating efficiencies have been achieved. In the first half of 1987, the group was comparing with a low base and earnings growth of 43% in the first half slowed to 30% in the second half of 1987.

But an improving market and the prospect of acquisitions will no doubt enable the group to show fair growth in 1988. At R31, and offering a dividend yield of 5,3%, the share is not expensive on income considerations, seeing that growth of just 20% puts it



C G Smith's Clewlow ... investment potential

on a forward yield of 6,3%. One constraint is that the share is thinly traded, with only 123 000 shares traded in the last quarter.

Andrew McNulty

Strong growth in S Atlant earnings

By Ann Crotty

Increased turnover, improved margins and lower interest payments contributed to South Atlantic, the Anglovaal group's industrial investment company, boosting earnings by 78 percent to 155c a share for the six months to end-December.

During the year turnover from the company — the main investments of which are in food producers — was up by only 8 percent from R499 million to R539 million. A sharp improvement in margins, from 6,3 percent to 8,4 percent, saw operating profit up 44 percent to R45 million. A 49 percent increase in income from investments and a 37 percent reduction in interest payments boosted the improvement at the taxed profit level to 71 percent, equivalent to R26 million.

An increased contribution from associated companies and a proportionally lower share of profit attributable to outside shareholders took the increase in attributable earnings up to R19,5 million which was 78 percent ahead of the previous interim's R10,9 million.

At the half-way stage the balance sheet shows a R10,4 million increase in long-term borrowings to R45,9 million. At R156 million, there has been little change in level of current liabilities. But their composition has changed

with a R20,5 million increase in "other" liabilities and a R20 million reduction in interest-bearing liabilities.

Net asset value is up 21 percent to R14,39 a share compared with a current market price of R23

Analysing the earnings performance, the directors note that Irvin & Johnson continued its profit growth record with margins restored to historically acceptable levels. "Increased operating profit and contributions from associated companies resulted in higher earnings for Globe Engineering Works. TW Beckett achieved a slight increase in profitability and maintained or strengthened its share of served markets."

South Atlantic sold its wholly-owned subsidiary, Cerebos Foods, to Avbak which is also in the Anglovaal stable, for R9 million cash. The directors note that in its present form Cerebos was not realising a reasonable return while in Avbak it will be placed where its potential should be fully realised.

Looking to the full year performance it seems that while earnings are forecast to be ahead of financial 1987 the rate of growth in the second half is not expected to match that of the first half.

I won't jump on soap boxes, says new Premier chief

"I would hope that in my lifetime my job could be taken by a black man," says the man who is the Premier Group's new chief executive. "This will mean the capitalist system has worked."

Developing the "heart of the organisation", as he puts it, is one of Peter Wrighton's priorities. He is committed to eliminating discrimination within the organisation. What is said in the boardroom on this issue what happens on the shop floor are not necessarily the same thing, in his view.

Wrighton chooses his words carefully when he talks about politics and labour relations

Premier's new chief Peter

Wrighton says he's committed to eliminating discrimination within the group, but won't be playing a high-profile political role. He talks to HILARY JOFFE

Although he shares many of his predecessor's beliefs, Wrighton says, he doesn't feel he has Tony Bloom's attributes when it comes to politics. And he won't be adopting Bloom's high profile approach: "I'm more conservative, not politically, but in personal style," Wrighton says.

He takes office as chairman on April 1 and "my role at the beginning is to take the reins internally, not to jump on any soap boxes externally", he says.

Wrighton hopes Premier will continue to play its role in the community. He sees the company as having an interdependent relationship with the community, as well as with its customers, suppliers and shareholders.

He sees the relationship between company and employees as an interdependent one too — and it's clearly this more "unitarist" view that he hopes to promote within the organisation.

"We believe strongly in non-discrimination, justice and dignity for all our people, workers and management. In the polarised society in which we live it's not easy but we do spend three quarters of our waking hours at work so its very important that we develop respect and care for each other in the organisation."

Labour relations are a priority — "I can think of nothing worse than being at war with my workers". And while he acknowledges the conflict he hopes for a co-operative relationship between union and management in terms of building the company. He adds: "The union also has a major responsibility in this regard which they must accept."

Premier does pay wages higher than those of its competitors — a policy which Bloom last year described as one aimed at building a long term relationship with the union. Wrighton argues, however, that in its core businesses Premier is now paying what he considers to be a decent living wage and economic realities have now got to be faced. "There is always going to be a debate as to the definition of a living wage — but that's natural and good."

He is more ambivalent about unions' political role: South Africa's labour relations are "bedevilled by the political situation", as he sees it. He

recognises that in the apartheid situation labour will use its power to harm industry in its attempt to bring about change in government. He argues workers must be careful not to destroy what gives them employment and an opportunity to improve their standards.

On political stayaways, for example, Wrighton says: "I sympathise and I can understand their frustrations and the need for solidarity but this particular tool has got to be used very cautiously."

In Wrighton's view, the labour relations Bill currently before parliament is not likely to facilitate good industrial relations, but he is hesitant about commenting on it before Premier has discussed the Bill with the trade union.

He comments thoughtfully too on the sanctions and disinvestment issue. He believes these measures are counterproductive but he does see an upside to it: sanctions have in some ways forced South Africa to discipline itself more than it otherwise would have, so it has not run up huge debts to the rest of the world as have other developing countries. "But in the long terms we are a capital consuming country because we are a developing country and we need foreign capital," he says.

He hopes also that South Africa will continue to be a country of free enterprise, although he believes the economic system of the future should draw on the best of both capitalism and "African socialism".

Wrighton is still thinking things out, easing into the position of chief executive of a group which has traditionally had a high liberal profile.

But on industry matters he speaks with authority and enthusiasm. He is particularly excited about Premier's new R55-million flour mill in Vereeniging, which had its official opening yesterday. "At a time when business confidence has been low, we have been investing," he says with pride.

ADMINISTRATIVE ASSISTANT

Mulderdrift Clinic, an independent/Health Service, operating in a farming community, requires a Part-Time Administrative Assistant for its Johannesburg Office.

You should have:

- Experience in student organisations.
- Administrative and organisational skills.
- Valid driver's licence.
- Interest in progressive Primary Health Care Services.
- Work four-and-a-quarter hours per day, which must include 11.30am to 2pm. Salary: R430 to R660 per month to start immediately.

Please telephone Angela Vogel on 716-3571 (011) for further information

(18)

W. Wrighton
11-17/13/82

R12bn turnover for groceries

THE Groceries Manufacturers Association of SA (GMA) now has a membership of 43 subscription-paying members, whose turnover last year amounted to R12,2-billion.

GMA says members own 73 manufacturing units, of which 77,6% are in food, 16,3% in household products

By Udo Rypstra

and the rest in toiletries. The report says members employ capital of nearly R5-billion and provide more than 130 000 jobs.

It says advertising depends on these manufacturers, which spent R273,3-million in the mass media last year. The food sector's share was R150-million, household R65-million and toiletries R58,3-million.

The GMA says that as might be expected, the number of companies controlled from the US has fallen to eight. Twelve have European parents and the remaining 24 are SA-controlled.

Major cost increases were experienced in labour (18,3%), distribution (15,7%) and packaging (17,4%).

The GMA media costs rose by no less than 18%. Its members spent an additional 18% on promotions.

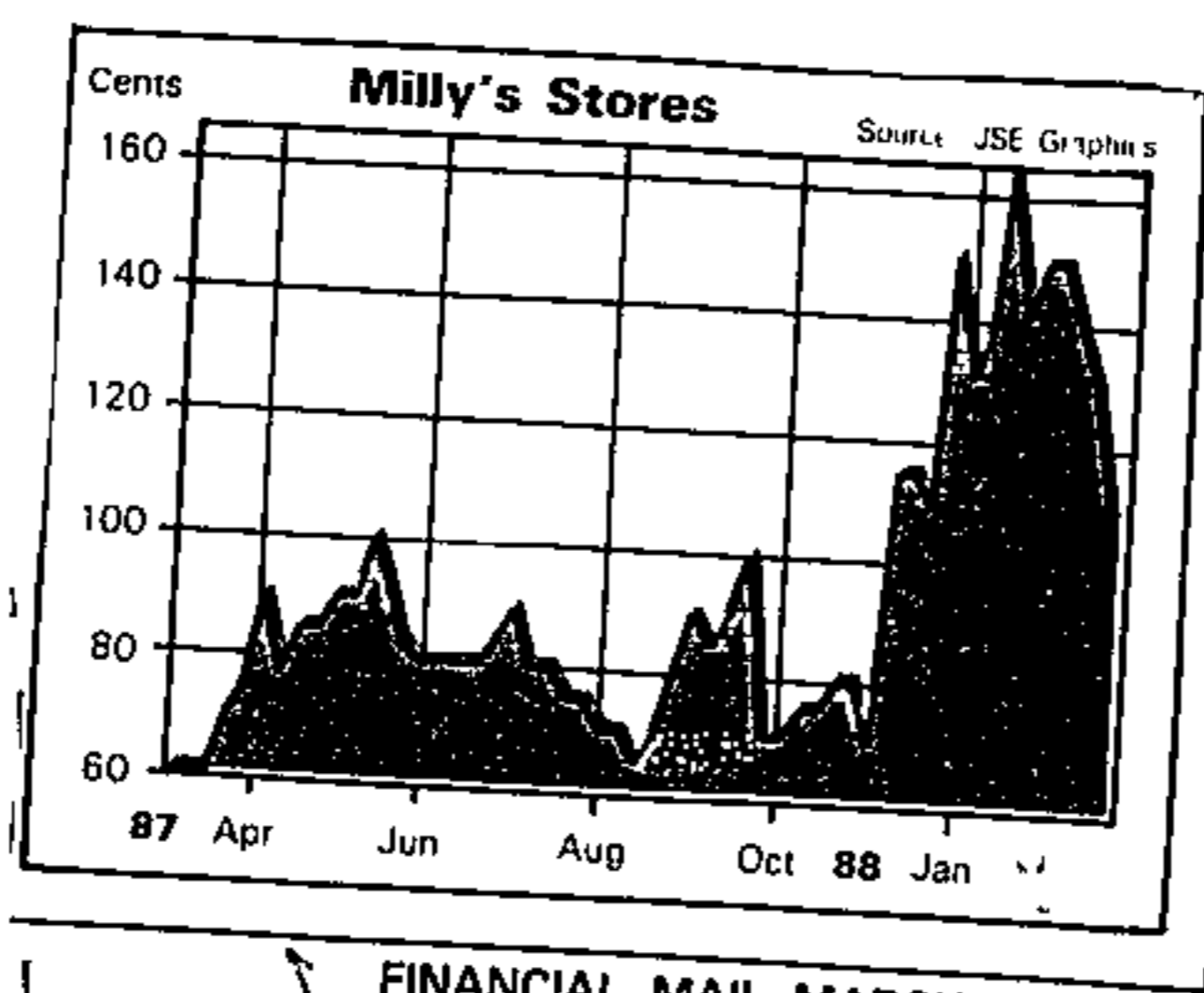
Raw material costs fell in coffee (minus 15%) and sunflower oil (minus 12%), but they looked lonely beside increases in lactose (36%), beef (21%), pork (24%) and sugar sweeteners (29%). Most other raw material costs rose by more than 10%.

R12/3/88

Rough passage

The report and accounts obscure as much as they inform. The balance sheet incorporates the Deli's Bakery assets whose acquisition from Unidev (which interposed itself between Milly's and the original vendors) with effect from May 1 was ratified only in December, but neither the P & L account itself, nor the chairman's report, refer to the effect of this on earnings. The company's calculation of EPS excludes these shares.

MD Michael Bruchhausen tells me this is because they did not qualify for 1987 dividends. He adds that Unidev, which took no turn, interposed itself so that the original vendors (not identified in the documents: they are Manuel Fransico, Manuel Alvés and Arnaldo Correia) could be paid in cash. On the face of it, 1987's net profit of



FINANCIAL MAIL MARCH 1988

year, the first quarter of this year was encouraging and he hoped earnings would increase.

They certainly should. Deli's was expected to raise turnover from R2,26m to R5m this year and net profit from R152 000 to R550 000. This is more than Milly's historic profit from existing operations, even after adding back the R103 000 Carousel loss, and seems remarkably ambitious.

At face value, simple arithmetic produces a target net profit after the increased preference dividends of some R900 000. Allow for some organic growth on the old Milly's side and even R1m — or 15c a share on the increased equity — would not seem unreasonable. And this still makes no allowance for on-off-on-again acquisition talks in which Milly's has been involved for months.

Alas, profit in the six months to December, says the interim report (scheduled for February but published only in mid-March), was only R254 000, after preference dividends of R104 000. Pre-pref net profit of R358 000 compares with the previous year's

Activities: Makes and distributes bakery products and processed and convenience foods. There are five stores and two factories, all in the Cape Peninsula.

Control: The directors' beneficial interests are 44,6% of the issued equity and Unidev owns 22,6%.

Chairman: L G Bruchhausen, managing director M L Bruchhausen

Capital structure: 6,95m ords of 10c, 1,88m 11% cum part pref shares of 50c. Market capitalisation R8,3m.

Share market: Price 120c. Yields 2,1% on dividend, 4,7% on earnings, PE ratio, 21,4, cover, 2,2. 12-month high, 165c, low, 50c. Trading volume last quarter, 2,4m shares.

Financial: Year to June 30

	'87
Debt	
Short-term (R'000)	622
Long-term (R'000)	124
Debt equity ratio	0,22
Shareholders' interest	0,62
Int & leasing cover	7,0
Debt cover	0,55

	'87
Performance:	
Return on cap (%)	8,9
Turnover (Rm)	5,7
Pre-int profit (R'000)	469
Pre-int margin (%)	8,0
Taxed profit (R'000)	347
Earnings (c)*	5,6
Dividends (c)*	2,5
Net worth (c)	33,6

*On 5,38m shares

R347 000 falls short of the R388 000 prospectus forecast and shows a second-half slowdown, as the interim net profit was R202 000. But the second half may have borne the R103 000 trading loss on the abortive and shortlived takeover of the Sea Point Carousel, since sold to Juicy Lucy — a transaction also not reflected in the accounts, as it was effective after year-end, but seemingly a bargain, as R1,4m was received for a loss-making restaurant for which only R126 000 was paid months before.

However, Michael Bruchhausen says this comparison is misleading, as it does not take into account "well in excess of the planned R600 000" spent on reconstructing and refurbishing the Carousel. While the consideration was originally set to be met in a cash/Juicy Lucy shares mixture whose composition was never disclosed, he also tells me it was in fact all cash.

Chairman L G Bruchhausen said in his review that it was an exciting and eventful

R202 000. EPS also come out barely changed, at 3,7c (3,4c). Strangely, the directors find this "most satisfactory," saying that the "full benefits" of rationalising the manufacturing interests will only be felt in the second half.

Michael Bruchhausen tells me the term "satisfactory" is justified in that a full 12-months' pref dividends were provided (though the interim neither makes this clear nor says why). On only a six-month provision, earnings attributable to ordinaries would be increased by R52 000 and six-month EPS to 4,4c, a 28% improvement on last year.

There is no interim dividend as the directors have decided to declare only one dividend a year.

This is said to be to "facilitate the funding of pending acquisitions," a concern with finance which makes it all the odder that details of the consideration for the sale of the Carousel were never published.

The share has been a feature of the DCM since its listing in September 1986. JSE

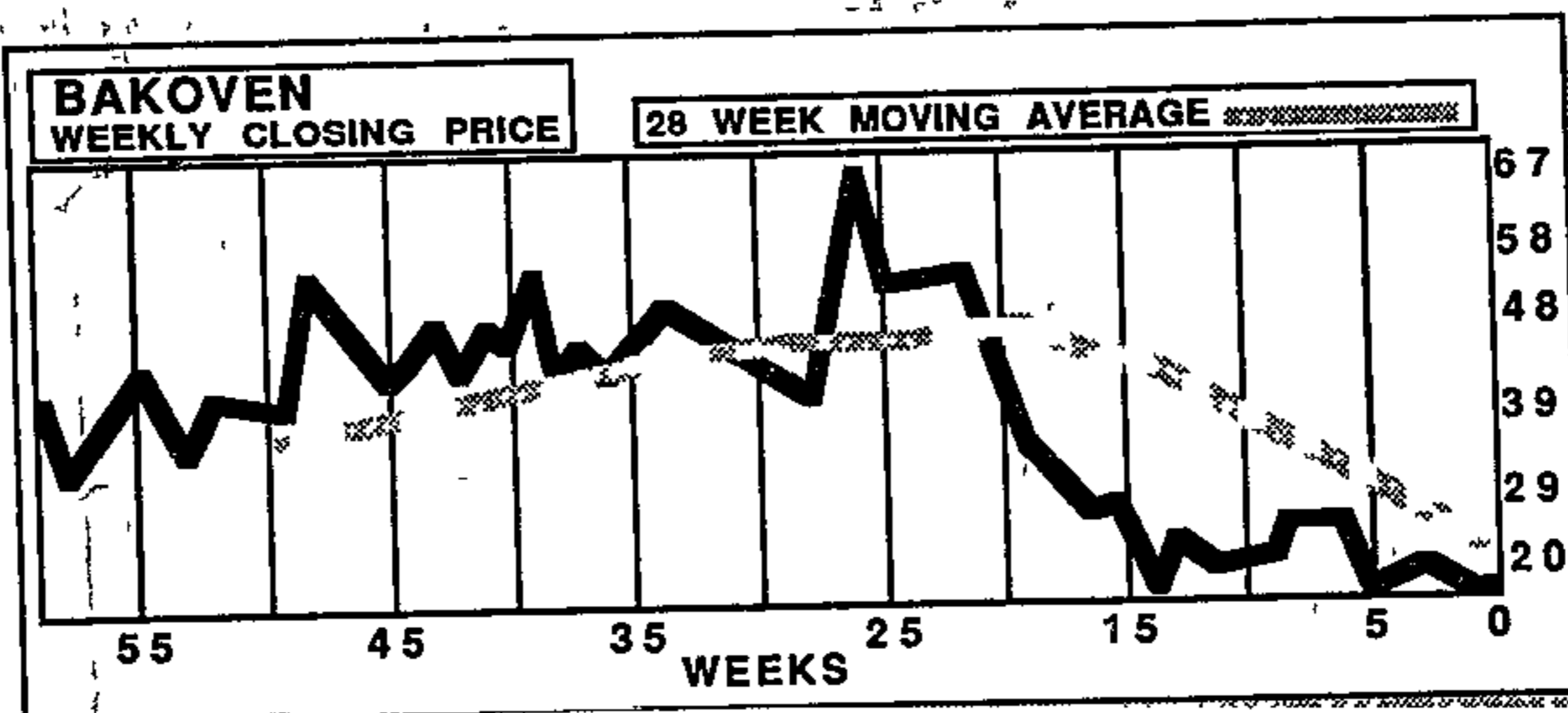
turnover in 1987 totalled 7,3m shares — more than 100% of issued equity, which is almost unprecedented in SA, however normal it may be in advanced markets like London or New York, and even more remarkable in that more than 65% is firmly held by the directors and Unidev.

As every sale represents a difference of opinion, there are obviously two views on the stock's merits, which have fought particularly keenly as the share has swung widely in the weeks ahead of the interim report.

If implicit targets can be met, the prospective p/e ratio is still in single figures. But, especially given the numerous uncertainties (not entirely cleared up by the company's frank, if belated, answers to my questions) and disappointing interim, which suggests that taking over management of the new manufacturing interests — as so often — was not as easy as hoped, conservative investors may feel the assurance of waiting to see targets actually met is worth forfeiting any potential capital appreciation in the next few months.

Michael Coulson

SHARE SPOT



For the past three months the price has been undulating sideways. A significant price breakout will confirm the longer-term trend, which is likely to be bullish. This could occur within two months.

Bakoven's potential for growth is significant

Last year, the bakery and fast-food chain, Bakoven, was top dog insofar as it was highly rated, compared with other listed food companies. The pendulum swung the other way late in 1987 after an above-average price collapse demoted the share to the ranks of underdog.

The JSE food index is about 26% lower than it was five months ago, while Bakoven's share price is all of 66% down, from 67c to only 23c. Prior to its listing in November 1986, the take-up price of Bakoven was 27c.

Since November 1987, the share has been trading at between 20c and 29c. The choice of trends depends on how sound the fundamentals of Bakoven are, and what its growth potential is.

In the shorter term, the direction of price will largely mirror the quality of Bakoven's results for the year to February. These will be published in mid-May.

Good results are likely, especially as general manager (finance), Mr D Cheyne, says "earnings will at least match most projections".

The market generally expects earnings of between 3.5c and 4c per share. Assuming the latter is declared, Bakoven will be on a P/E ratio of 5.7, compared with a food-sector average of more than 9

LYNNE PEACH

If the share price adjusts to yield a P/E of 8, it will move to 32c. Technically, this would suggest the start of a bull trend.

Bakoven controls South Africa's largest independent chain of bakery and confectionery outlets. The 42 retail outlets make a major contribution to group turnover.

The catering and fast-food divisions are important contributors to group turnover. The former concerns Bakoven's 67% interest in Personnel Catering Services (and a 2-year option to purchase the remaining 33%). Mr Cheyne says plans are already under way to penetrate new markets in the PWV, Durban and Eastern Cape areas.

Fast-food business (primarily in the black market) is conducted via the Don Carlos Kitchen chain. The group owns 51% of this concern, which has undergone rapid expansion.

There was a spate of acquisitions between March and August 1987. These included Personnel Catering Services, Liberty Ice Cream and three food outlets in Durban. In addition, the group, via Bakoven (Transvaal), acquired a 66% interest in a joint venture with Metro Bakeries, involving the joint develop-

ment and management of the La Baguette and Bakoven outlets in Johannesburg.

Bakoven issued 2.2 million new shares to pay for the acquisitions. Some of the shares, however, will be returned to Bakoven if performance does not comply to a prescribed minimum. A further 1.2 million shares may be issued later in the year, subject to pre-tax warranty clauses.

The growth in profit, however, is expected to "outpace" the earnings dilution, especially in 1989. Mr Cheyne says the group should "at least match the earnings growth of 1987-1988 in its 1989 financial year".

If earnings of 4c are disclosed for 1988, then at least 6c will be earned in the 1989 financial year. This places Bakoven on a very attractive forward P/E ratio of 3.8.

Management does not plan to issue more shares in the immediate future. Mr Cheyne says it will concentrate on expanding existing businesses to achieve growth from within, instead of acquisitional expansion. In addition, the strength of the balance sheet will not be placed in jeopardy by excessive debt increases.

The potential growth of Bakoven is significant, suggesting that the share should be held for at least two years.

Star 19/3/88

186

D/D 23/3/88

Employees at sweet factory return after settlement

EAST LONDON — Employees at the Candy Tops sweet factory here returned to work yesterday after signing a document accepting company proposals for wage increases and dispute procedures.

A lock-out was implemented at the factory, which is under judicial management, on Friday and some 60 members of the Food and Allied Workers Union (Fawu) were given notice of termination of employment unless they accepted the company proposal by 4 pm on Monday.

The chairman of the Fawu shop stewards at the factory, Mr Tobile Maninjwa, said although the workers had signed the document, they were not entirely satisfied with the settlement — which raised the minimum wage on the lowest grade from R58 to R80 a week — and regarded the issue of back pay as unresolved.

The workers originally demanded a R1,50 an hour across-the-board increase, but later compromised to 50c

an hour as their final demand.

Mr Maninjwa said it was unfair for employees to be expected to make sacrifices to meet the financial situation at the company, which had come about through no fault of theirs

Employees were receiving a wage far below the minimum set for the the industry in the East London area.

A spokesman for Candy Tops, Mr St. Elmo Wilken, confirmed that workers were paid below the industrial council minimum recommendation, but said a special exemption had been granted for the company while it was under judicial management.

He said the wage proposals accepted by Fawu members this week, had first been made at the end of last year, but had been rejected.

The issue was referred to the industrial council in February and the company declined a proposal by the union for voluntary arbitration after negotiations deadlocked. — DDR

63% rise in attributable profits

Cape Times 24/3/88

Kanhym back in the black

JOHANNESBURG. — Kanhym has got itself firmly back on to the profitability road

This is reflected in the results for the six months to February released yesterday, which show a 63% increase in attributable profits for the half-year, compared with the same period of 1987

Pref dividends

Turnover rose by 38% to R342,5m while operating profit was up 40% to R16,2m (R11,6m).

Attributable income before extraordinary items amounted to R11,6m (R7,1m) and earnings per share, after taking into account payments of preference dividends, were 8,7c against an earnings per share loss of 1,8c previously

The directors comment in the interim report that the contribution of the coal mining operation declined by R1,2m in the review period, "which underlines the profit achievement of Kanhym's core activities".

"Kanhym Estate benefited from improved margins in its feed operation,

while the increase in cattle prices more than compensated Karoo-Ochse for a drop in volumes," they state

"The Enterprise processed meat division increased its market share significantly and also improved its production efficiency.

"However, Kanhym Fresh Meat still had to contend with unsatisfactory low margins"

Future prospects

Discussing future prospects, the directors say a programme of increasing decentralized management of operating divisions is being implemented which is expected to lead to substantial head office savings in the current financial year

"Kanhym's recovery momentum is now firmly established and, given current conditions, the existing level of profitability should be maintained in the second half of the year"

Until all dividends on the preference shares had been paid, the payment of ordinary dividends would not be resumed — Sapa

A capacity to deceive

Research into capacity utilisation in South African industry has revealed the shocking truth — plant utilisation could be as low as 25%, perpetually damning SA as a Third World producer.

Of course, it all depends on how you measure it

But the consensus is that the official figures showing capacity utilisation of 80% or more are misleading

According to some businessmen, the average industrial figure is closer to 70%. The most pessimistic guess is 25%.

Government figures estimate capacity utilisation — the degree to which manufacturing potential is used — to be about 80%, and rising. No one disputes that the situation has improved in recent months. Their argument is with the formula used to determine activity

The present formula takes no account of SA's vast store of manufacturing capacity shut down or "mothballed" during the recession. The moment plant becomes unproductive, it is discarded from calculations. Capacity utilisation estimates can actually go up as plant closes down. If 20% of plant is decommissioned, capacity falls to 80% of previous levels. At the same time, utilisation of the reduced figure is proportionately greater.

To talk of 80% capacity utilisation, therefore, is to talk of 80% of 80%. Some businessmen argue that "mothballed" equipment still ranks as potential capacity and should be used in calculations to give a true reflection of the situation. Current figures, they say, paint too rosy a picture and suggest manufacturers are enjoying near boom conditions, when overall production remains well below previous levels. Many companies are actually boasting 100% capacity utilisation at a time when much of their plant is lying idle.

Steel and Engineering Industries Federation economist Michael McDonald, describes Central Statistical Services figures as "very inaccurate. We have never trusted them. All they do is measure the capacity utilisation of what's being used."

McDonald also points out that South African utilisation figures are generally estimated on a single-shift basis, although much of the equipment is designed — and used overseas — for continuous production

So even if machinery is used to 70% or 80% of capacity on single-shift, that can translate to no more than 25% when considering its full capacity.

"Our equipment is dreadfully underutilised. Our capital productivity is appalling," says Jan de Jager of the National Productivity Institute

Part of the problem may be insurmountable. If SA wants to manufacture goods, it must have the equipment and technology to do so. And unless industry is prepared to use out-of-date methods, it must make do with equipment designed for high volume production beyond SA's needs.

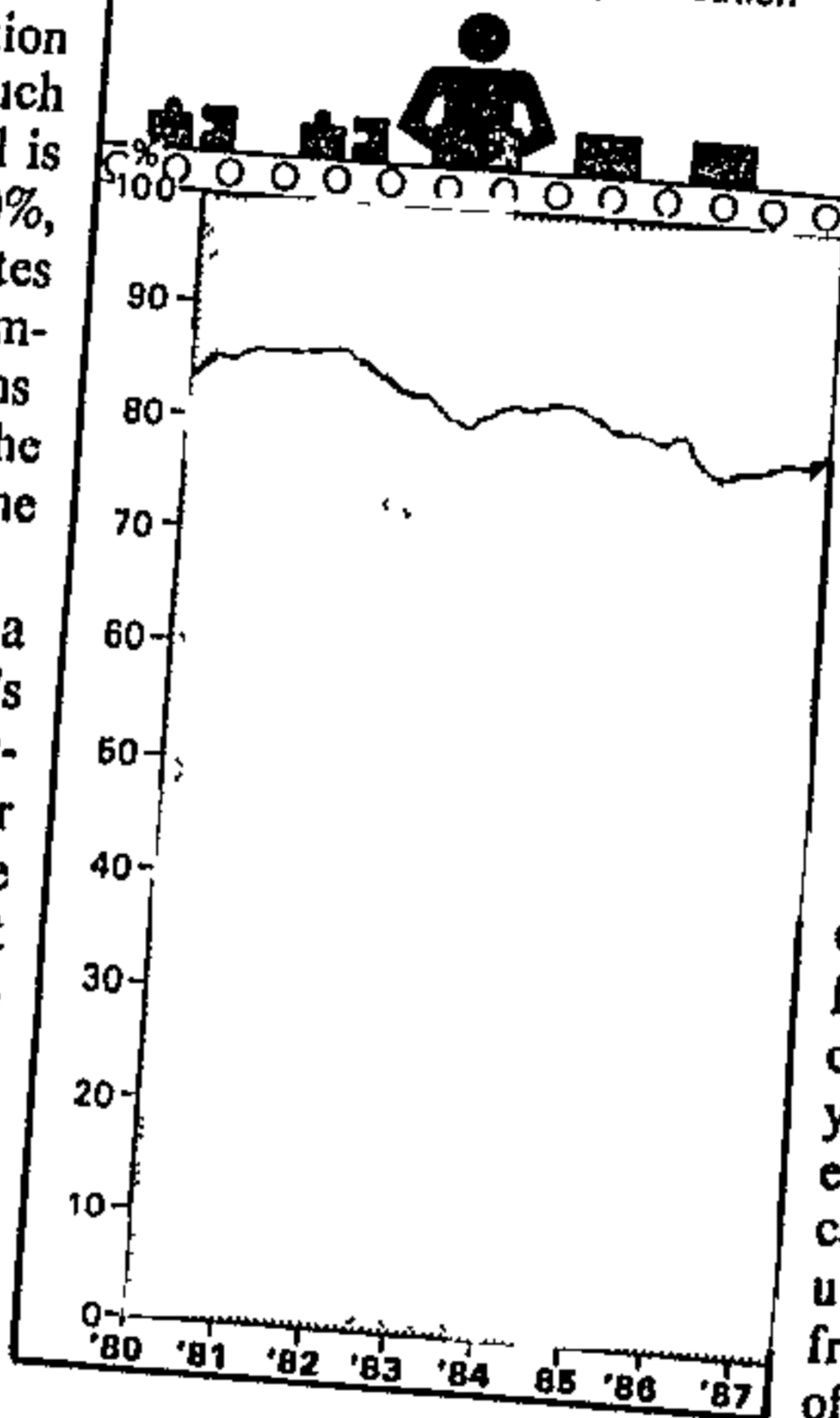
Some industries, however, are happy with the way their activity is measured. For instance, the motor industry — which has suffered considerable capacity reductions in recent years through manufacturers' withdrawals — saw car production capacity utilisation officially rise from 65% in the first half of 1987 to 80% in the second half

Nico Vermeulen, director of the National Association of Automobile Manufacturers, argues that utilisation figures should be measured by local industry norms, not by overseas standards.

"One could have motor plants working 24 hours a day, for example, but to measure capacity figures in terms of that would be unfair. If the norm is an eight-hour working day, that's how you should measure it"

Making waves

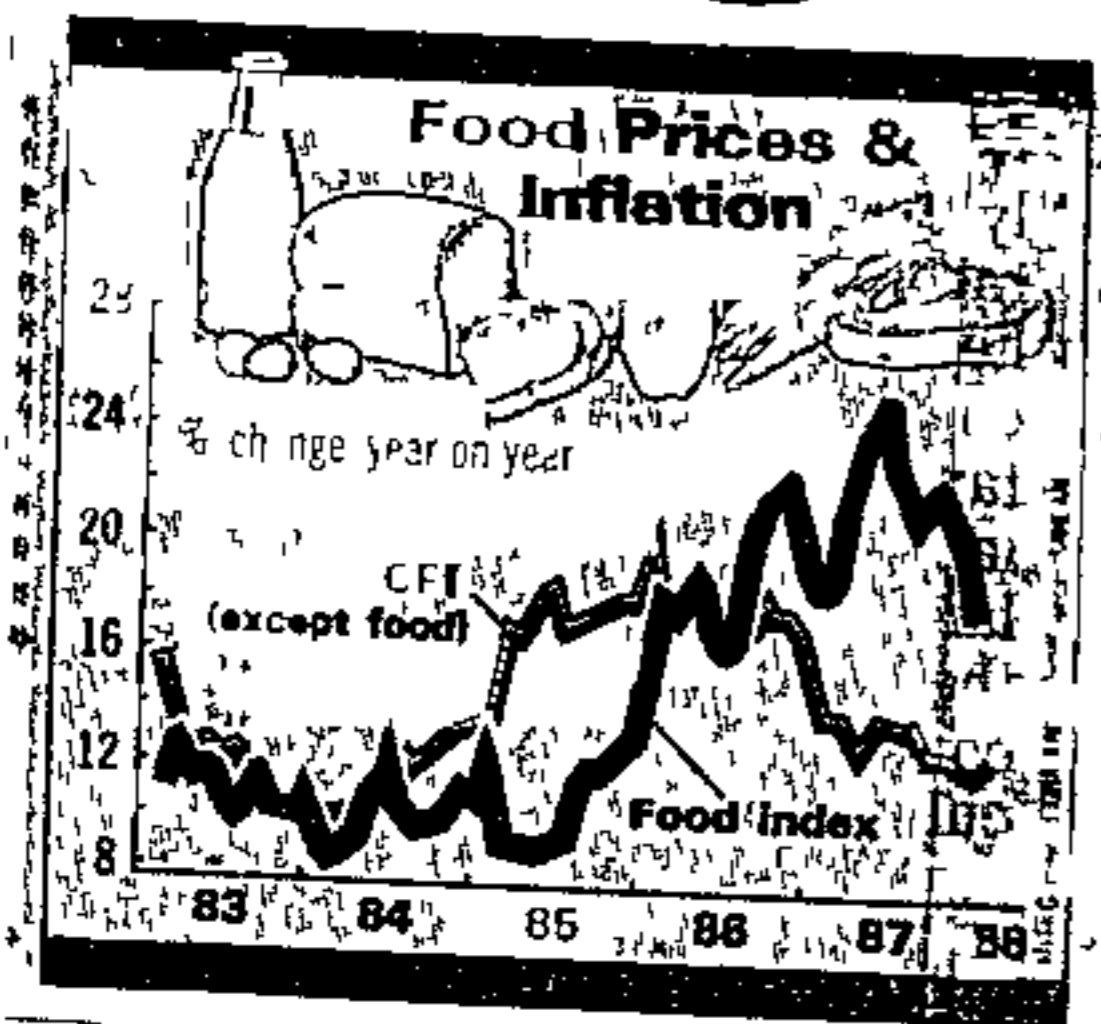
Official estimate of manufacturing capacity utilisation



186

~~277~~

20/3/88



Food costs slow inflation

GRETA STEYN

SLOWER increases in food prices have contributed significantly to lower inflation, as measured by the consumer price index (CPI)

For the past five months, the year-on-year increase in the food price index continued to decline — from 22,5% in October 1987 to 17,1% in February

Food prices have been a major cause of past inflation, as they make up about 23% of the CPI. Central

Statistical Services describes food costs as "the main impetus for the high inflation rate during 1987".

Sanlam economists believe food price increases will continue to slow during the year, strengthening the expected falling trend in inflation.

They predict SA's average inflation rate for the year will be about 14% to 14,5%

Score posts 33% earnings increase

13/4/88 (86 B/day)

KAY TURVEY

SCORE Food Holdings posted a 33% increase in earnings to 100c for the year to February. However, results from the high-performing retail cash-and-carry grocery chain fell short of market expectations, as turnover failed to meet the R1bn targeted.

The final dividend is 25c a share, giving 37c for the year, up 35% on the previous year.

Later than anticipated new store openings accounted for the disappointing 24% growth in sales to R923m, yet operating income rose 39% to R29,8m.

The increase in margins to 3,2% must be seen as encouraging for the coming year and analysts are quick to point out the shortfall was caused by timing and is not operational.

MD Carlos dos Santos attributes the improvement in margins to tight management and financial controls, reduced shrinkage and broader product ranges.

Pre-tax income surged 45% to R27,4m on a reduced interest bill. Despite the start-up costs incurred in opening 12 new stores, attributable income was up 38% to R14,7m.

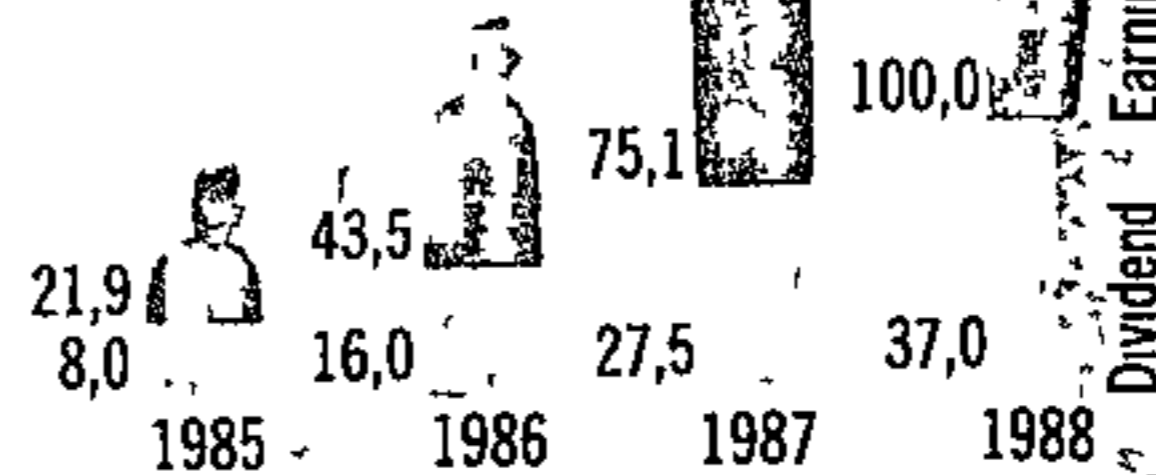
All new stores came on stream in the second half and will contribute to profits only in the coming year.

Dos Santos describes the past year as one of organic growth and consolidation. For the first time since listing four

Score Food Holdings

Earnings and dividends

Cents per Ordinary Share



Source SCORE & JSE Graphic JOHN McCANN

years ago, there were no takeovers.

Grand Supermarkets, acquired in 1986, has bedded down well and created a platform for steady growth. The 16 new stores to be opened in the coming year, will ensure the group's momentum for growth is maintained and Dos Santos says it will continue to look out for takeover opportunities.

Subsequent to the year-end, Hi-Score acquired a 63% holding in Chkdn, the national toiletry and giftware chain, in a deal worth at least R48m. The deal will not affect Score, although it will impact on its holding company, Hi-Score.

Hi-Score earnings a share rose 35% to 18,5c, from which a final dividend of 12,5c has been declared, making a total of 18,5c for the year.

BUSINESS

Share raid won't affect Wilson Rowntree says MD

DID 14/4/88
186
282

EAST LONDON — The managing director of Wilson Rowntree, Mr John Rich, said yesterday the dawn raid on Rowntree Plc on the London Stock Exchange would have no effect on the operations of the wholly owned subsidiary here

He was commenting after the giant Swiss company, Jacob Suchard, acquired 14.9 per cent of Rowntree shares at £6.30 a share, up £1.50 on the opening listing

Asked what would happen in the event of a full take over by the Swiss company, Mr Rich said "We will have to evaluate the situation then but I do not think it will have any major effect on our operations here"

Jacobs Suchard paid just over £160 million to boost a previous stake, built up in earlier buying, of 2.77 per cent The Swiss firm said in Zurich it would like to go up to 25 per cent, but did not plan a takeover unless a rival stepped in

The group, created in a 1982 merger of the Jacobs family coffee company with Interfood SA, makers of Suchard and Tobler chocolates, is no stranger to the takeover game

Last year it bought Cote d'Or, Belgium's biggest confectioner, and EJ Brach, the third largest confectionery business in the United States after the Mars and Hershey groups

Rowntree has been mentioned before as a possible takeover target,

with Switzerland's Nestle SA seen as a possible bidder

Based in York, northern England, it is an old-established British confectioner with products that include Kit Kat bars, Rowntree jellies and Fox's Mints



Mr Rich no effect

Its chewy fruit gums have been a favourite with British children for decades and were marketed under one of the most famous of British advertising slogans — "Don't forget the fruit gums, mum," said the little boy, as mother went out shopping

Rowntree's 1986 turnover was £1.29 billion, yielding pre-tax profits of £84 million It is valued at current share prices at more than £1.3 billion

Brokerage Warburg Securities confirmed it had acquired a total of 14.9 per cent of Rowntree for Jacobs Suchard, after the Swiss firm bid £6.30 each for 25.7 million Rowntree shares

Suchard spokesman, Mr Walter Anderau, said in Zurich his firm's eventual aim was 25 per cent of Rowntree but, under British regu-

lations, it was able to buy only 15 per cent A five-day notification period would follow after which Suchard would be free to buy more

"We believe 25 per cent will make us important shareholders and our intention is to stick with this But if a 'white knight' emerges, we would have to reconsider the situation and might make a takeover bid," he said

Mr Anderau said there was no discussion with Rowntree before the raid and Suchard had not been in touch with it the company

"There were some informal contacts further back with Rowntree but nothing substantial They made it very clear until now that they were not interested They are very independent minded," Mr Anderau said "It's a strategic investment We want them to be a profitable firm which pays good dividends"

Mr Anderau said a takeover bid would have been "quite a thing" and might have caused worry on monopoly grounds

Mr Suchard had a small British chocolate-making operation, Tobler Suchard Ltd, based in Bedfordshire, north of London. It wanted to get more involved in Britain, which had the world's third highest per capita chocolate consumption — 7.9 kg a person a year, behind Switzerland with 10.9 kg and Norway with 8.1 kg

Dividend 1988
Score
up 
35pc


JOHANNESBURG — Score Food Holdings has announced a final dividend of 27 cents a share for the year to February 27, 1988. This gives a total 37 cents for the year — an increase of 35 per cent on the previous year.

Turnover increased by 24 per cent, from just under R745 million to R923 million while attributable income rose by 38 per cent, from R10,6 million to R14,7 million. Earnings per share rose by 33 per cent to 100 cents a share. Dividend cover remained static at 2,7.

The managing director, Mr Carlos dos Santos, said that the 16 new stores coming on stream plus the 12 that had just opened would ensure continued growth.

He said that while no takeovers had been concluded during the last 12 months — the first time this has occurred for the four years the group has been listed — management continued to keep an eye open for takeover opportunities.

Since the year end, the holding company Hi-Score gained control of Clikdin, a toiletries and giftware chain in a deal worth at least R48 million. The group bought 8 million shares in the group from Clicks founder and chairman Mr Jack Goldin, at R4,75 a share.

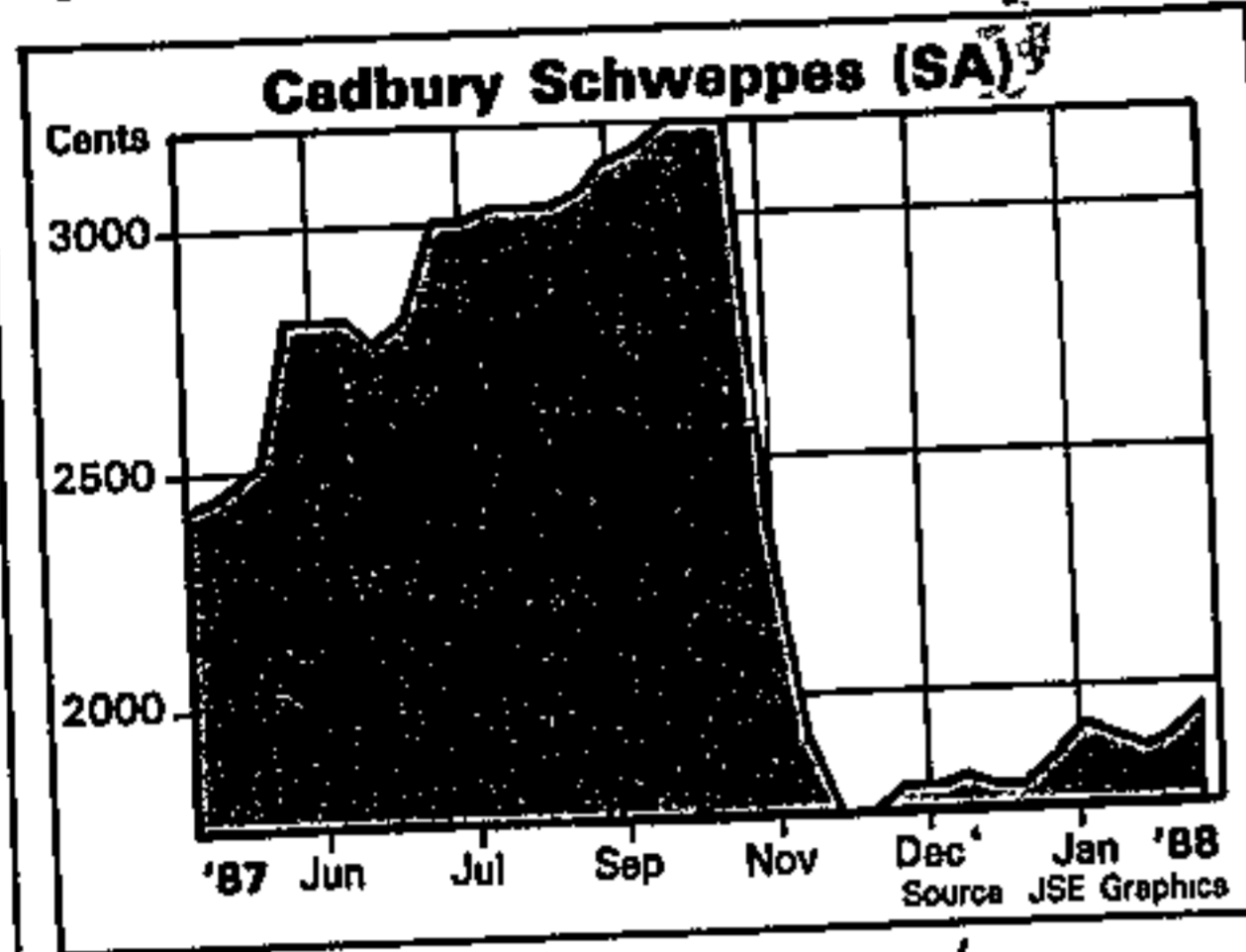
A similar offer will be made to minority shareholders in Clikdin for 63 per cent of their shareholding. Full details of the offer are expected to be circulated shortly in Clicks at a cost of R38 million. — Sapa

186

Bravo Bromor

Last year, Cadbury Schweppes (Cadswep) benefited from what could be described as a textbook takeover of Bromor Foods in 1986. In addition, the three well-defined and focused divisions emphasised high-quality new products and innovative, aggressive marketing, making the group's various brands market leaders in their fields and boosting earnings growth.

The EPS jump of 47,6% to 254,1c, was mainly due to organic growth — also the main reason for the previous year's perform-



FINANCIAL MAIL APRIL 15 1988

95

Activities: Engaged directly and indirectly in the manufacture and sale of confectionery, soft drinks and food products.

Control: Cadbury Schweppes Plc in Britain has 53%

Chairman: A J L Clark, chief executive: P M Bester.

Capital structure: 6,3m ords of 50c each. Market capitalisation. R170,1m.

Share market: Price 2 700c Yields 4,1% on dividend, 9,4% on earnings, PE ratio, 10,6; cover, 2,3 12-month high, 3 200c, low, 1 750c Trading volume last quarter, 26 000 shares

Financial: Year to January 2

	'85	'86	'87
Debt			
Short-term (Rm)	0,8	1,7	0,2
Long-term (Rm)	10,2	11,3	25,5
Debt equity ratio	0,19	0,16	0,25
Shareholders' interest	0,58	0,59	0,56
Int & leasing cover	2,6	4,6	7,7
Debt cover	0,85	1,19	0,96

Performance

	'85	'86	'87
Return on cap (%)	10,1	11,1	13,0
Turnover (Rm)	133	193	271
Pre-int profit (Rm)	11,1	16,2	24,3
Pre-int margin (%)	7,8	8,0	8,2
Taxed profit (Rm)	5,5	9,9	16,1
Earnings (c)	107,2	172,2	254,1
Dividends (c)	64	75	110
Net worth (c)	1 119	1 286	1 587

ance. But acquisitions of Euro Foods in 1985 and Bromor Foods in 1986 helped by strengthening the group's position in soft

drinks In April 1987, the shareholding in Amalgamated Beverage Industries was increased from 15% to 19%, also adding to profit potential According to chairman Alan Clark, the new companies "complement and extend the Roses operations, thus directing business further towards consumer growth points of the future and reducing reliance on imported materials"

Cadswep's three main divisions consist of Cadbury, Schweppes Francise and Bromor Foods One reason for acquiring Bromor was to balance the group's business. The carbonated soft drinks division (Schweppes) and the investment in Amalgamated Beverage Industries was balanced by addition of a non-carbonated division, in Bromor and Roses. "During periods of slow growth in the economy, the growth in demand for non-carbonated drinks increases as that of carbonated drinks decreases," says financial director Patrick Fleming.

Despite the acquisitions, the balance sheet remains strong with a debt:equity ratio of only 0,25. In addition, Cadswep had strong cash flows of R9,3m, R15,5m and R24,7m in the past three years. Returns on capital and shareholder's funds are reasonable at 13,0% and 16% respectively

Further acquisitions may also contribute to future growth potential. Possible disinvestment by competitors or even controlling company Cadbury Schweppes Plc might offer such opportunities.

Without the impetus of acquisitions, last year's excellent growth might not be repeated, but various factors point to sustained growth for some years "The full synergistic effect of the takeover of Bromor will only manifest itself this year," says Fleming The launch of innovative products such as "Tempo" and "Snacker" should also contribute

Another advantage could come in contained cost increases Cocoa prices are low and price increases for products of the Cadbury division should, therefore, easily be held down

Though, at 4,1%, the share is on a lower dividend yield than the sector average of 4,4%, it seems fairly rated for a group still expecting reasonable growth after an excellent year

Louis Venter

16/9/88
DID
Score attributable
earnings up 38pc (186)

JOHANNESBURG —
Score Food Holdings —
which has just strengthened its presence in the Western Cape by acquiring control of Clicks —
lifted attributable earnings for the year to February by 38 per cent to R14,7 million from R10,6m

The final dividend is 25c, from 20c, making a total of 37c, up from 27,5c, for the year. Earnings a share have risen by 33 per cent to 100c from 75,1c in

spite of the fact that there are 567 000 more shares in issue

Turnover is up by 24 per cent to R923m from R744m and pre-tax income by 45 per cent to R27,3m up from R18,8m

"The 16 new stores planned for the coming year, plus the 12 that have just come on stream, will ensure that the momentum of our growth continues," the managing director, Mr Carlos dos Santos, said.

Koo, it's All Gold for Tiger Oats

24/4/88
Stines
(186)

By Ian Smith

TIGER Oats and South Africa's biggest food canner, Langeberg Co-operative, have done a revolutionary R160-million joint-venture deal

Langeberg Foods will be listed on the JSE later

This is the first venture between a farming co-op and a major private-sector food company

Tiger, a R4-billion-a-year subsidiary of Barlow Rand, will put R80-million cash into Langeberg Foods

Brand names

Langeberg Co-op, which owns the Koo, All-Gold and Silver Leaf brand names, is SA's biggest canner. Gants, listed on the JSE and valued at R64-million, is No 2

Langeberg Co-op and its members are putting in assets worth R70-million plus R10-million cash for their half share in the company, which will have total assets of R160-million

Tiger will have 50% of the company, Langeberg Co-op 25%, and co-op members 25%. Members will be able to deal in their shares on the JSE before 1992

Langeberg Co-op staff members will remain in charge of the company. The managing director will be Langeberg chief executive Carel Stassen and the non-executive chairman will be Boet van Wyk

The transaction will solve Langeberg's need for R90-million capital and members will have the chance to invest in a public company which has "excellent profit prospects", says Jan van den Berg, who headed the Finanskbank team which arranged the deal

"We believe this transaction will be a milestone for SA. The industrial activities of a co-op have been trans-



Carel Stassen... we needed at least R90-million

ferred to a properly capitalised company

"In a wider sense, the State will be relieved of some of its financial obligations to the co-op"

Unwieldy co-ops, often undercapitalised and hide-bound by regulation, have been blamed for many of farming's ills, which has debts of R4-billion. Langeberg has 1 350 members. Turnover last year was R377-million. The new company will hold the co-op's industrial interests

A major attraction for Langeberg is Tiger's distributive muscle, matched only by Premier's. Tiger may also be able to improve access to export markets

Langeberg Foods will be listed by June 1992. From the 1989 year it will declare an annual cash dividend of at least 25% of its distributable profit

Co-op members are paid an annual bonus if the co-op can afford it. But because of increasingly heavy capital demands and bad seasons, few co-ops have paid reasonable bonuses in recent years

Mr van Wyk says "Under the pre-

sent structure Langeberg could not consider any dividends for the foreseeable future. The new deal solves the problem"

Announcing the deal Tiger chairman Robbie Williams and Mr van Wyk said "This is probably the most exciting development in the agricultural arena for decades"

Mr van Wyk says "Tiger's strong position in the food industry makes it the ideal business partner"

"In one strategic move we satisfy two objectives and assure the canning industry's future. First, we retain Langeberg as a traditional co-op, handling fruit and vegetable purchases from its members. Then we supply the produce to a soundly capitalised company which will manage our industrial interests and in whose profits we will share"

Mr Stassen says the industrial interests have become increasingly capital-hungry as they have grown

Opportunity

"Less than 20% of the co-op's turnover is made up from the purchase of produce from farmers and we have effectively become an industrial concern"

"But we have not been financed as an industrial concern and the co-op's finances have come under increasing pressure because of steady growth and inflation. We need a capital injection of at least R90-million to restore our finances"

He says it would be unreasonable to look to members or the Land Bank for funding on this scale

"This is where Finanskbank came in. The proposal to privatise our industrial operations and find a private-sector partner to work with us is exciting"

□ To Page 3

Tiger meal
□ From Page 1
The deal gives Tiger Oats an opportunity to use its cash resources to develop its food portfolio
"This is the type of opportunity we have been seeking," says Mr Williams. "We are delighted to take part in this important venture for the development of agriculture."
Although the cash investment will have no effect on Tiger's earnings or net asset value this year, there will be long-term benefits from the partnership.
The transaction needs the approval of the majority of co-op members

R80m move for Tiger

Blou
TIGER OATS is to invest R80m cash in an alliance with one of SA's largest co-operatives, Langeberg, in a move to form a public company which will hold the industrial interests of the co-op

Barlow subsidiary Tiger will have a 50% stake in the company, to be called Langeberg Foods, which will have a capitalisation of R160m and is to be listed on the JSE within the next four years

Langeberg Co-op and its members will put in assets worth R70m, plus R10m cash for their half share in the company, which will continue to function as a primary co-operative co-ordinating sales of the members' produce to the canning company

The deal, seen by the merchant bankers Finansbank as a milestone in the agricultural arena, transfers the indus-

185
KAY TURVEY

trial activities of a co-op to a public company in a move which ultimately relieves the State of financial obligations to the co-op's industrial interests

Langeberg, which markets its products under the Koo and All Gold labels, was in need of capital as it had increasingly become an industrial concern.

The deal, effective from July 1, will have no material impact on Tiger's earnings or net asset value in this financial year, although longer term benefits are expected from the partnership.

Tiger Oats chairman Robbie Williams says the transaction was in line with group strategy to use cash resources to

● To Page 2

Strategy part of long-term future planning

Blou
build or buy assets which fitted into the long term development of Tiger's portfolio of food and other businesses. Langeberg Co-op chairman Boet van Wyk, who will become chairman of the new company, says Tiger Oats' strong position in food processing and distribution assured the future of the local canning industry.

He says Langeberg is to remain a focused co-op, yet supply produce to a soundly capitalised, public company, which will control and manage their industrial interests and in whose profits the co-op will participate.

The co-op's MD Carel Stassen, who

186
● From Page 1 25/4/88
remains the MD of Langeberg Foods, says the co-op had become more of an industrial concern as less than 20% of Langeberg's turnover was made up of fruit and vegetable sales.

However, he says Langeberg was not financed as an industrial concern and required a capital injection for which it was unreasonable to look to the Land Bank for funds of such magnitude.

Effective from the 1989 financial year, Langeberg Foods will declare an annual cash dividend of at least 25% of distributable profits.

D/D 25/11/88

Tiger Oats to invest R80m in alliance with Langeberg

25/11/88
186

CAPE TOWN — Tiger Oats is to invest R80 million in an alliance with one of South Africa's largest co-operatives, Langeberg, in a move to form a public company which will hold the industrial interests of the co-operative

Tiger, a subsidiary of Barlow, will have a 50 per cent stake in the company to be called Langeberg Foods which will have a capitalisation of R160 m and is to be listed on the Johannesburg Stock Exchange within the next four years

Langeberg Co-op and its members will put in assets worth R70 m plus R10 m cash for their half share in the company, which will continue to function as a primary co-operative co-ordinating sales of the members' produce to the canning company

The deal, seen by the merchant bankers, Finansbank, as a milestone in the agricultural arena transfers the industrial activities of a co-operative to a public company in a move which ultimately relieves the state of finan-

cial obligations to the co-operatives' industrial interests

Langeberg which markets its products under the Koo and All Gold labels was in need of capital as it had increasingly become an industrial concern

The deal, effective from July 1, will have no material impact on Tiger's earnings or net asset value in this financial year, although longer term benefits are expected from the partnership

The chairman of Tiger

Oats, Mr Robbie Williams, said the transaction was in line with group strategy to use cash resources to build or buy assets which fitted into the long term development of Tiger's portfolio of food and other businesses

The chairman of the Langeberg Co-operative, Mr Boet van Wyk, who will become chairman of the new company said Tiger Oats' strong position in food processing and distribution assured the future of the local canning industry

AMG Trans 25/10/88 (186)

Tiger, Langeberg to form new company

JOHANNESBURG — A R90m cash transaction between Langeberg Co-operative and Tiger Oats formed the basis of a new alliance this week.

Merchant bankers Finansbank announced yesterday that Langeberg, and the R4bn-a-year turnover food group Tiger Oats had agreed to form a public company which will hold the industrial interests of the Co-op

The shareholdings of the new company, which will be called Langeberg Foods Ltd, will be Tiger Oats 50%, the Co-op 25% and members and employees of the Co-op 25%

The 50% collectively owned by the Co-op and its members is represented by the assets of the food and canning business, enhanced by a subscription for new

shares at a cost of R10m This represents a total investment of R80m

Tiger Oats, a company in the Barlows industrial group, will invest R80m in cash for its 50% stake in the new company which will then have a total capital of R160m

It is the intention to list Langeberg Foods on the Johannesburg Stock Exchange by not later than June 1992 This gives Langeberg's 1 350 Co-op members the opportunity of effectively converting their Co-op membership into what will become a very marketable stake in a public company

Making the announcement yesterday, Tiger Oats chairman Robbie Williams, and Boet van Wyk, chairman of Langeberg co-op, agreed that this was probably the

most exciting development in the agricultural arena for decades

Langeberg chairman Boet van Wyk, who will become chairman of the new company, said "The Tiger Oats group, with its strong position in food processing and distribution is an ideal partner for us"

Van Wyk said it had been agreed that, with effect from its 1989 financial year, Langeberg Foods would declare an annual cash dividend of at least 25% of its distributable profits

Williams said "We have always said that when opportunities occur we will use our cash resources judiciously either to build or acquire assets which fit into our long-term strategy for the development of our portfolio of food and other businesses"

AKGAS 26/4/88
 (186) ~~222~~ ~~222~~

C G Smith Foods still riding wave of prosperity

From MICHAEL MENOF

JOHANNESBURG — For the past five years, food industry leader C G Smith has risen above the recession and weathered the long drought to produce steady and impressive results year after year.

In 1982, the company posted a bottom line of R45-million while in 1987 profits had risen to R216-million

Shareholders' interest grew from R572,4-million in 1982 to R1,4-billion in 1987, while net assets of R858-million in 1987 now total of R2,12-billion

C G Smith Foods has vast and varied interests in the South African food industry. The company has a 53 percent interest in Tiger Oats which has Adcock-Ingram and Oceana Fishing as subsidiaries

SUBSIDIARIES

Other important subsidiaries in the group are wholly-owned C.G Smith Sugar and 69 percent of Imperial Cold Storage. All companies are listed on the JSE except for C G Smith Sugar.

During the year the group successfully reversed the declining trend in operating margins and continued to apply tight asset management

Certain of its earlier strategic decisions are now beginning to bear fruit and the company is poised to take advantage of any slight shift in consumption patterns away from basic foodstuffs and into the substitutes offered by eggs, rice and pasta, says chairman Robbie Williams

Poultry is also expected to be important in the future and the company has increased its shareholding in Country Fair Foods, a producer and marketer of added-value poultry products from 50 to 100 percent

SIX-YEAR REVIEW

Tiger also acquired the outstanding 50 percent in King Food Corporation which dominates the sorghum malt market

The group's past six-year review in the 80s reflects a consistent growth pattern which is even more remarkable considering the recession and the effects of the drought. At end-September 1987, the next asset value per share was 915c. The JSE

price is currently around R12

With the rest of Africa in an advanced state of starvation and degeneration, C G Smith Foods has demonstrated that South Africa has both the know-how and the potential not only to fend for itself, but also to export its produce

In 1987, turnover rose to an impressive R5,9-billion (R4,95-billion), with operating profit before interest of R331 million (R264 million). Interest expense declined to R58,6-million (R65,5-million)

The effective tax rate was virtually constant at 38,2 percent (37,3 percent), resulting in tax of R125,7-million (93,8 million). Profit after tax including associated companies' income was R216,1-million (R167,4-million)

BOTTOM LINE

Outside shareholders' portion of profit was substantial (mainly Tiger Oats) at R98,7-million (R78,8-million), leaving a bottom line of R117,4-million (R87,6-million).

Earnings per share were 124,4c (97,5c) and dividends 61c (40c). Below-the-line extraordinary items, chiefly goodwill arising on consolidation of R19,4-million (R25,5-million), were deducted.

The group's substantial interests in food, fishing and pharmaceuticals all performed well

Adcock-Ingram's results were further enhanced through a minority stake in SABAX Wholesale division. E J Adcock expanded successfully into the Western Cape

Oceana's sanctions-hit fishing markets, were effectively substituted and proceeds from its export sales of lobster products remained at satisfactory levels.

Imperial Cold Storage showed greatly improved results, reversing a four-year downward trend

C G Smith Sugar reported good profit growth helped by the significant recovery in the world sugar price and the weak rand, resulting in higher export realisations. All profitability ratios improved. Operating profit to turnover was up from 5,3 percent to 5,6 percent, return on average ordinary shareholders' equity improved from 11,6 percent

to 14 percent, return on average total assets was 13,6 percent, up from 12,3 percent

INCREASED PROFIT

Each company produced increased profit contributions during 1987 — Tiger Foods R56,3-million (R47,8-million), Adcock-Ingram (R6,8-million (R4-million), Oceana Fishing R6,1-million (R4,7-million), Smith Sugar R29,9-million (R23-million), Imperial Cold Storage R25-million (R6,2-million)

The consolidated balance sheet was equally impressive, with total shareholders' funds standing at R1,39-billion (R1,31-billion). Working capital improved to R419,8-million (R376,2-million), which included healthy cash resources of R306-million (R307-million)

Total debt declined to R605-million (R717-million). Tax losses of R97,7-million (R65,3 million) are available to reduce future tax. Capex during the year totalled R155-million (R141-million)

The impressive earnings performance is set to continue. Mr Williams predicts steady earnings growth. Export earnings could be affected in the short-term by a stronger rand, but this should be more than compensated for by increased earnings from other parts of the business, he says

The group is owned 82 percent by JSE-listed C G Smith which, in turn, is owned 60 percent by Barlow Rand. With the country's increasing population the food industry must continue to expand

Fortunately, the country is self-sufficient and has little need to import food. The recent soaking rains should help matters. If only the world would give South Africa some credit, it could help feed the starving masses in the rest of Africa

The wisdom of "success breeds success" certainly applies to C G Smith Foods with its increasingly healthy bottomline trend

To what extent the lavish profits have aided inflation is of secondary importance so long as the country remains self-sufficient and keeps the wolf of starvation from the door

BUSINESS

AGRICULTURE

ARGAS 26/4/88

Bargain prices for farmers in R160-m Langeberg deal

By TOM HOOD
Business Editor

FARMERS and other members of the giant Langeberg Co-operative will be able to pay a bargain price for their shares in a new company, Langeberg Foods, which is to be listed on the Johannesburg Stock Exchange.

And they be able to sell them back at double the subscription price through an undertaking that is valid for three months.

Tiger Oats is paying R80-million for a 50 percent stake in the company and Langeberg Co-operative will chip in another R70-million.

25 PERCENT

But the co-op's 1 350 members, who will be asked to subscribe for R10-million of shares, will get theirs at 25 percent of the Tiger Oats price.

The number of shares involved and the price has not been decided, but Mr Jan van den Berg, a director of Finansbank, which structured the deal between the two companies, commented "It is clear that ultimately the members will get their shares at a very low price.

"Possibly the price Tiger paid is a pretty stiff price — double the subscription price.

"Ultimately, the co-op will really belong to its members if it can pay off the Land Bank."



Mr Robbie Williams.

Clearly, he said, the co-op would not encourage the members to sell but if anyone wanted to sell, there would be a handsome profit.

Agricultural economists believe the development — the first of its kind in the country — could set the scene for other co-operatives in the future, especially those heavily invested in industrial interests

Other advantages, according to Mr van den Berg, is that it will create more stability in the co-op's fruit production area, which embraces a large part of the Western Cape.

If a co-op declares a bonus — which fluctuates according to the harvest and sales — members are taxed on it as income. At present, money has to be ploughed back which reduces bonuses



Mr Carel Stassen

However, if the new company paid dividends, the members would pay tax at a more favourable rate

Mr van den Berg, said: "We believe that this transaction will prove to be a milestone for South Africa.

"In one transaction the industrial activities of a co-op are transferred to a properly capitalised public company. The tremendous depth of knowledge of the industry which is present in Langeberg will be combined in the new public company with a strong and active partner, Tiger, which has its roots in the food business

Mr Carel Stassen, Langeberg's managing director, said he and the chairman, (Mr Boet van Wyk) intended to tour the country to talk to members and seek their support

The co-op's current capital is only 17 percent of other funds and it clearly needed an injection of cash. All profits had to be ploughed back to expand the business and make capital investments in expensive items such as freezing plant

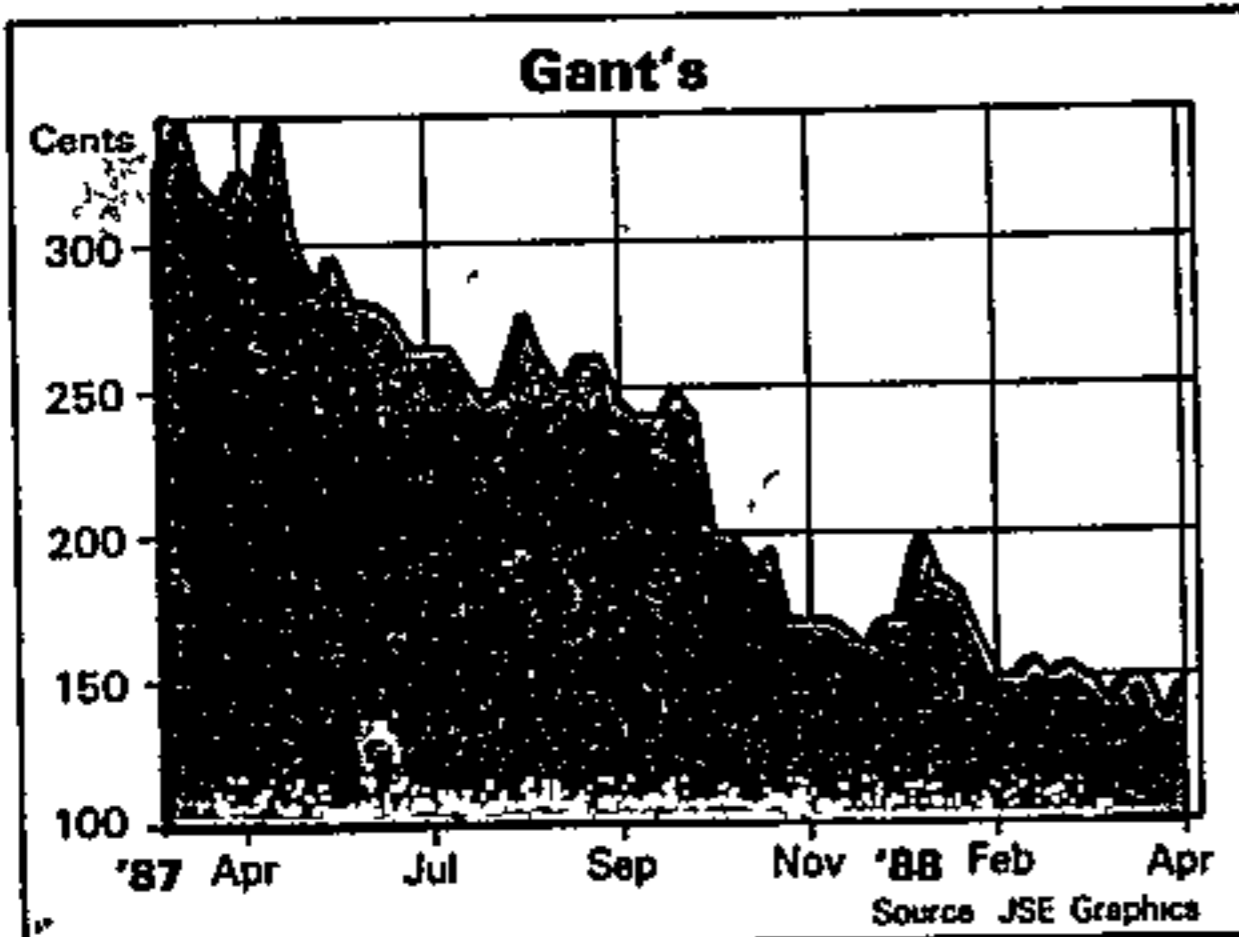
A key part of the deal was that all 10 000 staff would be taken on by the new company at exactly the same terms

The chairman of Langeberg, Mr van Wyk, described the deal as "probably the most exciting development in the agricultural arena for decades"

"Less than 20 percent of Langeberg's turnover comprises the purchase of fruit and vegetables from farmers which means that the co-op has effectively become an industrial concern. However Langeberg has not been financed as an industrial concern and needs a capital injection of at least R90-million."

From its 1989 financial year, Langeberg Foods would declare an annual cash dividend of at least 25 percent of its distributable profit

Tiger Oats chairman Robbie Williams said while Tiger's R80-million investment in Langeberg Foods will have no material effect on Tiger's earnings or net asset value in this financial year, he expects long-term benefits from the partnership



Empangeni factory, which is now closed, and another was in Swazican, where major provisions had to be made for climatic and disease-induced crop losses. A factory at Bapsfontein was also closed

The agricultural machinery division, accounting for roughly 20% of profits, acquired G North & Son. As a result of a disinvestment decision, Norths was bought at a substantial discount to net asset value. Gant says this takeover means the group is now associated with some of the world's foremost suppliers of equipment. But last year the acquisition involved abnormal expenditure of R500 000 and disrupted marketing activities for a few months

On the balance sheet, debt almost doubled to R35,7m, but the debt equity ratio is still comfortable at 0,48. With little capital ex-

penditure expected this year and a healthy cash flow (R11,6m last year), the debt burden should be lightened.

Other balance sheet ratios should also im-



Gant's Gant ... debt should rise again

prove in the current year after sharp falls in 1987, when they were badly affected by the rationalisation and restructuring of the group.

With this behind it, the rand already lower than a year ago and expected better local market penetration, profits should rise in the current year. The bulk of exports are sold under "buyers" labels and Gant's enjoys strong relationships with all major retailers in countries where it is represented by agents Peaty Mills, of which the group owns 26%.

But the alliance between Langeberg and Tiger Oats could mean stiffer competition. The share is on a p/e of 6,5, which places it on a lower rating than the sector average of 9,3. Perhaps investors could be more interested when the interim results show a better picture.

Louis Venter

GANTS

Helping rand

Activities: Engaged in production, processing and distribution of food products and importation, distribution and retailing of agricultural machinery

Control: The Gant family has approximately 40%

Chairman: D W Gant, managing director R B Merry

Capital structure: 46m ords of no par value
Market capitalisation R64,4m

Share market: Price 140c Yields 8,6% on dividend, 15,6% on earnings, PE ratio, 6,5, cover, 1,8 12-month high, 345c, low, 135c
Trading volume last quarter, 1,3m shares

Financial: Year to December 31

	'86	'87
Debt		
Short-term (Rm)	16,6	17,8
Long-term (Rm)	1,7	17,9
Debt equity ratio	0,28	0,48
Shareholders interest	0,55	0,52
Int & leasing cover	4,4	3,9
Debt cover	0,81	0,33
Performance:		
Return on cap (%)	15,9	9,0
Turnover (Rm)	160,8	155,1
Pre-int profit (Rm)	19,5	12,8
Pre-int margin (%)	11,6	8,2
Taxed profit (Rm)	13,3	10,0
Earnings (c)	28,2	21,7
Dividends (c)	12	12
Net worth (c)	124	141

Gants' drop in EPS in 1987 must have come as a disappointment to investors who saw this as a blue chip food company. A large part of the problem was the restructuring to make it into a pure agricultural company and remove the engineering interests which it acquired at the time of its listing by means of a reverse takeover.

Chairman David Gant says the sale of Invicta Bearings and Brooks and McLeod to Drivetec generated R12,8m cash and an extraordinary profit of R4,5m but it obviously reduced profits and turnover, while the cash was only earning interest from July.

There was also the problem of the strong rand. This had a negative impact on exports, whose contribution to operating profit fell R2,3m.

Food processing now accounts for about 80% of turnover, of which 55% is from exports of pineapples, citrus and deciduous fruit, explaining sensitivity to the rand. Despite this drop, the processing division increased turnover by 22% or R14m and its contribution to group operating profits climbed 49%.

One of the problem areas was the ZPF

(186) B/day
29/4/88

Nestlé shows aggression

LONDON — Nestlé SA, the world's largest food concern, with annual sales of about \$25.5bn, has recently shown buying power that few other companies can match, the Wall Street Journal/Europe reports

Last month, it agreed to pay about \$1.3bn for certain of Italian financier Carlo de Benedetti's European food interests. This week, it bid nearly \$4bn for Rowntree, the UK creator of Kit Kat and other popular chocolate bars. Its cash hoard currently holds about \$5bn.

"Certainly, they're becoming more aggressive," says Felicity Smith, an analyst with London stockbrokers Hoare Govett. She says Nestlé can't expand much more in coffee, where it already dominates many countries' markets, nor in frozen foods, where it faces competition from Unilever. But

in confectionery they can still grow. As a Swiss company, Nestlé has wide leeway to resist takeover pressures. Swiss law allows companies simply to refuse to give unwanted shareholders a vote.

Suchard rivalry

Our Own Correspondent reports that Nestlé has been provoked into launching its hostile bid for Rowntree by the recent dawn raid of its competitor, the Swiss Suchard group.

Not only do the two Swiss groups slug it out in their respective chocolate and coffee markets, they are said to dislike each other intensely, to the point of outright hostility between Nestlé MD Helmut Maucher and his counterpart at Suchard.

On Wednesday, Suchard declared it had bought 2.5-million more shares to take its holding in Rowntree to 16%.

Nestlé, based in Vevey, nestling on the edge of Lake Geneva, has courted Rowntree before. An attempt to set up joint ventures in Europe, with Nestlé taking a small share stake in Rowntree, was rebuffed. After Suchard's dawn raid, Maucher again approached Kenneth Dixon, Rowntree's chairman, but quickly realised that an agreed deal was not on.

Nestlé and Suchard both want Rowntree for its brand names, and because it prides itself on being a "marketing university" where the approach to new products is "intellectual and technology driven".

Chocolate consumption is slowing down, thanks to growing health awareness, so designing new products to improve the "added value" is now the secret to profitability. All this led the Swiss inexorably to Rowntree — AP-DJ

Patience rewarded

Tiger's proposed deal with Langeberg Co-operative — SA's largest fruit and vegetable canning business — would be by far the biggest acquisition it has made since it sold its 29% interest in J Bibby to parent company Barlow Rand for about R164m cash. Since then the food group has remained highly liquid, and can easily afford the R80m cash outlay for a 50% stake in Langeberg Foods.

This is not the only significant acquisition Tiger has made during the period but the others were smaller. Major ones include Wainstems (Tastic Rice), County Fair and MSD Pharmaceuticals, as well as the increase from 33% to 54% of the holding in wholesaler W G Brown Investments, the principal Spar and Savemor franchise holder in SA. Shareholdings were increased in other group companies, including Adcock-Ingram after Adcock bought the remaining 40% in Sabax from the US parent, and in Oceana, Swafish and Sea Products, and stakes were also topped up in a number of smaller, unlisted food companies.

However, Tiger has been generating enough cash to replenish funds absorbed by these deals. At the last year-end, borrowings totalling R282m were matched by R283m in

reforecast to affect Tiger's group earnings in the 1989 financial year. Tiger's profit before tax was R239m in 1987.

Langeberg has 10 000 employees, processes 350m cans of fruit annually, has assets of R305m and turnover of R377m. It dominates in many of its markets, with shares of up to 70%, and is an exporter. "We are impressed with what we have seen of the way the company is run," says Williams. "The systems are good and the management has become marketing-orientated in recent years."

If all goes to plan, the needed 51% approval by Langeberg's 1 350 members should be obtained by the end of May. What Tiger hopes to achieve by the deal is entry into a new business area with relatively high margins, rather than any short-term synergies with existing operations. Considerable rationalisation has already taken place in the formerly overtraded canning industry, including, for example, Langeberg's purchase in 1981 of Piccardi Cannery and the closure of Piccardi's operations except those at Durban. There may be little room for more of this, but there should be scope for productivity and efficiency improvements after the capital injection.

Andrew McNulty

ALTRON

More depth

Altron — holding company of Fintech (see FM April 22), Powertech, which reported this week, and Altech (see separate article) — has come in with strong results, benefiting from the huge increases in profits in all three subsidiaries.

One of the major changes has been the Fintech investment, which opens new markets, and the improved performance by Powertech, which increased pre-tax profit by 31% last year on almost unchanged turnover.

Of total group sales, more than 35% goes directly to the public sector and Altron remains vulnerable to cuts in spending. "There will be deferrals," says executive chairman Bill Venter, who emphasises that technology developed by the group is opening new fields and that dependence upon the public sector should reduce.

An important factor in the development of the Ventron (Altron's pyramid) group into a multinational is its management structure. The group has long been considered a one-man band, but this seems to have changed rapidly in recent years. Two new CEOs have been introduced in Richard Savage (Altech) and Marius Furst (Fintech). Savage is also deputy chairman and has helped to strengthen top management and introduce a younger group of senior executives. Both appear to have settled into the Altron culture, although there was considerable doubt expressed when they were appointed, and Venter appears happy not to be involved in the daily running of the organisation.

Venter now feels that the organisation can

ALTRON ADDS UP

Year to end February	1987	1988
Turnover (Rm)	1 244	1 565
Pre-tax profit (Rm)	142,7	193,4
Attributable earnings (Rm)	44,7	58,0
Earnings (c)	250,0	324,2
Dividends (c)	81	98

cope with a strong international expansion and deputy chairman Don Sneddon is concentrating on this area with deputy chairman Neill Davies lending a hand while overseeing group financial administration as well as Powertech.

Altron enters the 1989 year even more soundly financed than previously. Debt has fallen from R25m to R14m and debt equity is 0,08, despite the investment in Fintech and the expenditure upon development technology. This, plus the normal growth expected from this group, added to the overseas interests still make this large group an exciting long-term investment — although the share hardly looks cheap on the current 22,7 times price ratio.

Pat Kenney

ALTECH

Looking abroad

After 25 years of annual compound growth in excess of 25%, Altech — the third major subsidiary of Altron — has continued its strong performance.

EPS climbed 25% to 761,6c in the year to end-February, but this was based upon a rise in turnover of only 10,5%. Executive chairman Bill Venter says turnover was adversely affected by the sale of STC office automation and business equipment companies to Fintech for a profit of R14,5m, while operating income was boosted by inclusion of overseas interests.

Margins also improved. Certain businesses which generated sales rather than profit were phased out, with a beneficial impact upon margins.

Altech not only sold some of its operations to Fintech, it also invested R112m (about R42 per share) in the company. Venter says the rationale was to ease Altron's financing burden, and to make the maintenance of control easier (Altron cannot issue too many shares as it is only 55,7% held by pyramid Ventron). The acquisitions will provide Altech with a higher growth rate by giving it an investment in a high-growth industry, and the interest should make Altech more enthusiastic about providing manufacturing facilities to Fintech, as planned.

Major developments during the year included the merger of STC Telecommunications division with Telecommunication Technologies, making the largest telecom business in SA, the opening of the microwave antennae facility in Germiston, the achievement of 94% local content of the PO digital telephone, expansion of manufacturing and distribution facilities, and continued development of export markets.

The group is emphasising exports. Venter

FM 29/4/88

85



Tiger's Williams ... extending the product range

The intention is that Tiger would hold 50% of a new public company, Langeberg Foods, which would acquire all the food and canning businesses of the co-operative. The remaining 50% would be split equally between the co-operative and members and employees of the co-operative. The members and certain employees are to be given the right to subscribe for these shares for R10m cash, with the issue underwritten by the co-operative. The R10m equity subscription, and the R80m to be paid by Tiger, will mean a total cash injection of R90m. A listing is planned by June 1992.

Funds would be used to recapitalise the currently over-gearred co-operative. This would eliminate an excessive interest bill and bring trading profits down to the bottom line. Figures are not yet disclosed, but Williams says the operational profits are "very good," as is reflected in the fact that they are

21/6 AR 665
30/1/88
186
732
Koo, it's a milestone!

By TOM HOOD
Business Editor

A PARTNERSHIP between a co-operative owned largely by farmers and a public company with R1-billion of assets could show a way to help the country's cash-strapped agricultural industry.

While thousands of farmers are heavily in debt — especially in the summer rainfall areas — their co-operatives are struggling to find capital to diversify or finance various ventures.

Equity has declined while part of their assets is in debtors — "and you don't know what the quality of those debtors is", says Dr Andre Louw, agricultural economist with Volkskas.

Problems

Some of the smaller co-ops had problems but the larger ones were mostly sound because they had diversified, he said.

Langeberg Co-operative — the country's largest — teamed up with Tiger Oats this week in a multi-million rand deal to form a joint public company and.

- Give an instant R80-million cash injection and put the co-op's capital on a sounder base.

- Provide a steadier income for farmers by paying regular dividends instead of irregular surpluses.

- Provide its 1 350 members with a capital growth on their investment



The Bellville-based co-op, employing 10 000 people, is also the world's largest exporter of deciduous canned fruit, says managing director Mr Carel Stassen.

Langeberg handles 260 000 tons of fruit and vegetables annually, processes 350-million cans, operates 10 plants, runs 11 distribution depots. Assets amount to R305-million and annual net turnover is R377-million

Its leading trademarks are Koo, All Gold, Hugo's and Silver Leaf

Tiger's trademarks include Jungle Oats, Tastic rice, Fatis and Monis pasta, Sunshine margarine, Black Cat peanut butter, eggs and County Fair chickens.

The partnership came about when the Langeberg board went into a huddle to examine its problems, according to Mr Jan van den Berg, a director of Finansbank, which engineered the deal.

The shortage of capital came out as the key problem, he said.

"Currently less than 20 percent of turnover comprises the purchase of fruit and vegetables from farmers which means that the co-op has effectively become an industrial concern," he said.

Injection

However Langeberg had not been financed as an industrial concern and needed a huge injection of capital.

"Finances have come under increasing pressure as a result of its steady growth and the effect of inflation. To restore our finances, we required a capital injection of at least R90-million."

It was unreasonable for the co-op to look to its members or the Land Bank for funding of this magnitude, he added

Finansbank came in with an "exciting and innovative" proposal to privatise the co-op's industrial operations and find a private sector partner with resources to take part in the development of these industrial interests.

Big risk

Current capital is only 17 percent of total or own funds and that represents a fairly big financial risk. All profits have to be ploughed back to expand the business and new investments like freezing of fruit.

The privatised company will be listed on the Johannesburg Stock Exchange before June 1992.

Shareholdings in the new company to be called Langeberg Foods Ltd — will be Tiger Oats 50 percent, the co-op 25 percent and members and employees of the co-op 25 percent

The 50 percent collectively owned by the co-op and its members is represented by the assets of the food and canning business, enhanced by a subscription for new shares at a cost of R10-million. This represents a total investment of R80-million.

Convert

Tiger, a major company in the leading industrial group, Barlows, will invest R80-million in cash for its 50 percent stake in the new company which will then have a total capital of R160-million.

The listing will let Langeberg's 1 350 members effectively convert their co-op membership into what will become highly marketable shares in a public company.



The chairmen of the two companies, Tiger's Robbie Williams and Langeberg's Boet van Wyk, said this was probably the most exciting development in the agricultural arena for decades.

Mr van Wyk, who will become the chairman of the new company, said Tiger Oats Group with its strong position in food processing and distribution was an ideal business partner.

"In one strategic move we satisfy two objectives and assure the future of the local canning industry. First, we retain Langeberg as a traditional co-op, a focused co-ordinator of fruit and vegetable purchases from its members

"Secondly the co-op and its members will supply this produce to a soundly capitalised, public company, which will control and manage our industrial interests and in

whose profits we will participate"

Over the years, the industrial interests of Langeberg became an increasingly large and capital hungry part of the co-op, said Mr Stassen.

The new company would not change its present policy of preferentially obtaining its raw materials from the co-op and its members at competitive market-related prices.

These prices will continue to be negotiated and agreed, on an arms-length basis.

From its 1989 financial year, Langeberg Foods will declare an annual cash dividend of at least 25 percent of its distributable profit

Co-op tradition was for members to be paid an annual bonus if the co-op has adequate resources to fund a payout.

Poor seasons

But with poor seasons and the increasingly heavy capital demands being made on co-ops, few have paid meaningful bonuses in recent years. Profits were ploughed back to rebuilding reserves.

If Langeberg remained as presently structured, it could not consider any dividends for the foreseeable future, according to Mr van Wyk

While Tiger's R80-million investment would have no material effect on earnings or net asset value in this financial year, Mr Williams expects long-term benefits from the partnership

Transaction

The transaction as proposed by Finansbank requires the approval of the majority of co-op members. Should any co-op members wish to sell their shares in Langeberg Foods within three months of the implementation date, the co-op will purchase those shares at "a favourable price"

Mr Jan van den Berg, a director of Finansbank team, said "We believe this transaction will prove to be a milestone for South Africa."

186
8/10/88
2/5/88

Black-owned Lebowa Bakeries prospers

HELENA PATTEN

LEBOWA Bakeries (Lebaka), the first wholly black-owned company to be listed on the JSE, has exceeded prospectus forecasts in its first year since listing, showing attributable earnings up 4,5% to R2,5m for the year to end-March

Owing to an increased number of shares in issue, earnings a share declined slightly to 11,1c from 12,2c last year, but were better than the 8,2c a share forecast

The directors have declared a final dividend of 2,75c a share, making up a total for the year of 4,5c, which again

beats the 3,3c forecast. The dividend declaration is in line with the 2,5 times dividend cover forecast

MD Jim McKenna said in a statement the benefits of Lebaka's 52% interest in Northern Bakery Consortium (Norbaka) would only become apparent in the current financial year. Norbaka was established earlier this year by Lebaka, Premier Food Industries (Premier) and Suid-Afrikaanse Sentrale Ko-operatiewe Graanmaatskappy (Sasko)

"The full impact of our new Bochum bakery, commissioned in September last year, will also be felt in the current financial year," he said

Lebaka's turnover increased 21,7% to R39m and the company managed slightly better operating margins, achieving operating income up 22,7% from R5m to R6,2m

McKenna said capital expenditure, totalling R4,6m in the past year had been spent, while R5,1m had been budgeted in the current year to refurbish plant and replace delivery vehicles

Black bakery doing well

LEBOWA Bakeries (Lebaka), the first wholly black-owned company to be listed on the Johannesburg Stock Exchange, has exceeded earnings a share, forecast by 31 percent in its first year since listing

Lebaka operates eight bakeries in the Northern Transvaal

In its audited preliminary report for the year ended March 31, published on Sunday, the company declares earnings a share of 11,1 cents (12,2 cents in the previous year) compared with 8,2 cents forecast in the prospectus

A final dividend of 2,75 cents has been declared, making the total for the year 4,5 cents (3,5 cents) The prospectus forecast was 3,3 cents

In line with the prospectus the dividend is covered 2,5 times

"Our next income increased from R2,44-million in the previous financial year to R2,68-million, but income per share declined slightly since there were 5 million more shares in issue than last year," managing director, Mr Jim McKenna said in Pietersburg yesterday

He said the benefits of Lebaka's 52 percent interest in Northern Bakery Consortium (Norbaka) would only become apparent in the current financial year Norbaka was established earlier this year by Lebaka, Premier Food Industries and Suid-Afrikaanse Sentrale Ko-operatiewe Graanmaatskappy (Sasko)

"The full impact of our new Bochum bakery, commissioned in September last year, will also be felt in the current financial year," he said

Lebaka's turnover increased by 22 percent from R32 million to R39 million and operating income by 23 percent from R5 million to R6,2 million

Tax was 26 percent more at R3,1-million (R2,4-million)

Net asset value share went up by 15 percent from 52 cents to 60 cents

"Baking is a capital-intensive industry," Mr McKenna said

"Capital expenditure over the past year totalled R4,6-million, while R5,1-million has been budgeted to refurbish plant and to replace delivery vehicles in the current financial year

"We will, however, continue with our aggressive cost control policy which played a major role in improving our performance," he said — Sapa.

Blende
Virginia tob
selected for
John E
A new gene
For sm
smoking ple

N

Streamlined Fedfood looking tasty

By Ann Crotty 186

Fedfood's latest results show the benefits of the more focused strategy that has been adopted by the new management and justify a considerable improvement in the market's rating of the share.

On a turnover increase of only 4 percent at R1 billion (R972 million) earnings showed a strong 24 percent surge in the year to end-March. *SKV*

GROWTH 11/5/88

The weaker growth in turnover is due to the disposal of two of Fedfood's subsidiaries, effected during financial 1987 in an attempt to streamline the group's interests. Managing director Jan du Toit notes that on a comparable basis turnover would show an increase of 22 percent.

The major source of improvement was



MD Jan du Toit

achieved at the interest payment level with the bill down a massive 30 percent from R23,7 million to R16,6 million. This reflected the sharp improvement in the group's debt position that followed the disposal of the subsidiaries, lower interest rates and, improved asset management.

The reduced interest

bill combined with the 9 percent improvement in operating profit took the increase in pre-tax income up to 28 percent which was equivalent to R60,9 million (R47,4 million).

CONTRIBUTION

A stronger contribution from associates and a reduction in payments to outside shareholders saw the attributable income up 31 percent to R35,5 million (R27,1 million). But an increase in the number of shares in issue diluted this to a 24 percent improvement at the per share level equivalent to 129c (104c).

The balance sheet also shows the benefits of the new management's strategy which included the profit ploughback of R29,6 million and a stricter capital expenditure policy.

Long-term borrowings are down sharply from R37,9 million to R17 million and short-term loans also show a significant reduction, down from R52,9 million to R46,6 million.

The tightening-up of group activities sees the net asset value per share has surged from 617c to 723c

Mr du Toit is keen to emphasise a number of factors relating to the results an exceptional contribution from fishing, an outstanding contribution from the snacks division, a sharp turnaround in the frozen food division, competitive conditions in the vegetable oil and maize products markets; the dilution in earnings as a result of last October's debenture conversion and the fact that all the group's main subsidiaries are now profitable.

Somalia added to IMF's blacklist

WASHINGTON — Somalia has been added to the list of countries which no longer can borrow from the International Monetary Fund because of overdue repayments on previous loans.

The northeast African republic owes the fund about \$37 million.

Other countries on the list are: Vietnam, Liberia, Peru, Sierra Leone, Guyana, Sudan and Zambia.

The World Bank, owned by the same 151 countries, has a similar

list. *SKV 11/5/88*

Payments from the countries on it are so far behind that the bank is no longer entering payments from them on its books until it actually receives the money.

Banks sometimes list payments to them on an "accrual" basis just because they are due, regardless of whether the money has actually come in.

Peru, Zambia, Sierra Leone, Liberia and Guyana are on this list as well as the fund's list. The bank

also includes Nicaragua, Syria and — since last week — Panama.

The bank keeps a list of countries, not normally published, whose payments are 75 days overdue. Its practise is to suspend disbursements on loans to those countries. Sheldon Rappaport, a spokesman for the bank, said that at the moment its two lists are identical.

The bank is the chief source of long-term aid loans to Third World countries — Sapa-AP.

Tiger Oats

Star 2/5/88

springs surprise

By Ann Crotty

186

Tiger Oats has managed to sustain its excellent financial 1987 performance with a 33,4 percent increase in earnings to 603c a share for the six months to March

The strength of the performance surprised the market, even though excellent interim results had already been reported by the group's two listed subsidiaries, Adcock-Ingram and Oceana Fishing. Analysts had not expected too much from the food division, which provides the bulk of the group's turnover and earnings.

As things turned out, Tiger Food reported a commendable 27,3 percent increase in contribution to attributable earnings. This was dwarfed, however, by the 63 percent advance in Adcock-Ingram's contribution, up from R5,4 million to R8,8 million and by the 61,8 percent surge in contribution from Oceana, up from R5,5 million to R8,9 million

Acquisitions

With the benefit of a number of acquisitions, group turnover showed a 16,7 percent increase to R2,4 billion, in line with market expectations.

Executive chairman Robbie Williams says that on a comparative basis ie, excluding the effect of acquisitions, the increase in turnover was around 11 percent.

But the real improvement

came at the operating income level, with operating profit up a massive 40,5 percent to R160,4 million from R114,2 million. This means that margins were up from 5,4 percent to 6,5 percent

Indications from Mr Williams are that the best margin improvements were recorded at Adcock and Oceana, but that the food division also enjoyed a pick-up in margins

Income from investments was down to R7,1 million from R11,4 million, but some of this was made up by a cutback in group interest payments from R8,9 million to R6,7 million

Advance

This left pre-tax profit showing a 37,8 percent advance to R160,8 million (R116,7 million). An increase in the tax rate from 40 percent to 41,6 percent meant the improvement at taxed profit level was 34 percent to R93,8 million (R70 million)

Attributable profit was up 33,4 percent to R83,5 million (R62,6 million), equivalent to 603c a share

The dividend payment of 155c a share was 25 percent ahead of the previous year's 124c.

That the increase in the dividend payment did not match that of the earnings reflects management's view that the excellent first-half performance from Adcock and Oceana will not be sustained in the second half and not because of any change in dividend policy

Imperial Cold Storage lifts earnings 41%¹⁸⁶

Imperial Cold Storage (ICS) has posted a 41 percent increase in attributable profit of R25,1 million for the six months to March.

Turnover was 16 percent higher than in the same period of 1987 at R837,9 million and operating profit 14 percent higher at R28,6 million.

Earnings per share were 17 percent higher at 77,7c after creation of 5,4 million more shares following the conversion of half the preference shares. A 12 percent reduction in the tax charge arose from the utilisation of assessed losses from previous years and from the change in the basis of accounting for deferred taxation. A dividend of 15c has been declared. — Sapa.

Tiger Oats: a group for all the seasons

By Ann Crotty

Tiger Oats reported a 33,4 percent increase in earnings per share for the 6 months to March. This was not spectacular when viewed against many of the industrial groups that reported earnings in excess of 50 percent for the same period. But it is an excellent performance for a group that is involved, primarily, in a basic industry that does not fluctuate in line with the violent swings in the economy.

Food groups are, in the long term, far more solid performers than industrials. In times of strong economic growth this is seen as a weakness because performance is far outstripped by industrial shares. But when the economy begins to turn down, well-managed food counters become star performers. It is because of this long-term performance record that they deserve blue-chip status.

Tiger Oats chairman Robbie Williams says the group's interim earnings were a little stronger than expected and explains that this was chiefly due to a very strong performance from pharmaceutical subsidiary Adcock-Ingram and fishing subsidiary Oceana.

But he stresses that margins in the food division benefited from increased efficiency in production and distribution.



Mr Robbie Williams

Group performance surpassed market expectations. Excellent performances had been expected from Adcock-Ingram and Oceana. But the overall results were expected to be muted by a pedestrian performance from the food division which, in financial 1987, had accounted for 51,7 percent of group attributable earnings.

As things turned out, the food interests turned in an excellent performance, given the considerable constraints under which they operate, chief of which is the limited scope management has to increase prices. As management notes, sales increases on many

product lines were below the rate of inflation. But the contribution to attributable earnings was up an impressive 27,3 percent.

This reflects an improvement in operating margins in the food division which, says Mr Williams, reflects improved efficiencies in production and distribution. Longer term, on-going capital investment will ensure that production and distribution facilities are the best available and therefore provide maximum efficiency.

That the food division was able to perform so strongly reflects the group's strategy of building up strong brands and going for market share. This strategy provides enormous protection from the vacillations that characterise a commodity market. It means that when economic conditions indicate that the growth in demand for maize or other basic foodstuffs is stagnating, Tiger's established brands outperform overall market demand.

It is for this reason that Mr Williams is optimistic about long-term prospects for the group and does not see any need to reduce Tiger's dependence on contribution from food. At the attributable-earnings level, the food division contributes 65,8 percent (51,7 percent) of group total; Adcock provides 8,8 percent (5,4 percent) and Oceana chips in with 8,9 percent (5,5 percent).

CAMP 7-1-85 13/5/88 186

ICS shows 41% rise in profits

JOHANNESBURG — The ICS (Imperial Cold Storage) group has posted a 41% increase in attributable profits of R25,1m for the six months to March 1988, confirming the strong recovery trend reported at its last year-end

In a statement yesterday, ICS said that the results, off a stronger base, show earnings per share at 77,7c — up 17% — notwithstanding the creation of 5,4m more shares following the conversion of half the preference shares during the year

However, measured on the number of ordinary shares in issue prior to the conversion, the increase in earnings per share was 33%

The reduction of 12% in the tax charge arose from the utilization of assessed losses from previous years, and from the change in the basis of accounting for deferred taxation

A dividend of 15c a share, up 15%, has been declared

Turnover, at R837,9m, was up 16%. Volumes increased by 4%, while operating profit was R28,6m, an increase of 14%

Commenting on the results, MD Russell Chambers said "Improved efficiencies and cost controls resulted in increased margins

"However, this did not apply in the fresh milk operations in Cape Town and Clayville, due to severe price competition, or in fresh meat, where margins remained under pressure because of high producer prices

"Our associate companies took advantage of improved market conditions to increase profits"

Chambers expects the com-

pany to "continue showing further improved results" in the next six months

As disclosed in the 1987 annual report, ICS has changed from the comprehensive to the partial method as the basis of accounting for deferred taxation. The change will not affect comparative figures, and a restatement is unnecessary

The effect for the half year has been to reduce the tax charges, adding R2m (equivalent to 6,3c per share in earnings) to the bottom line, the statement concluded — Sapa

Tiger Oats in strong growth off high base

13/5/88 (1986) 8/dec

KAY TURVEY

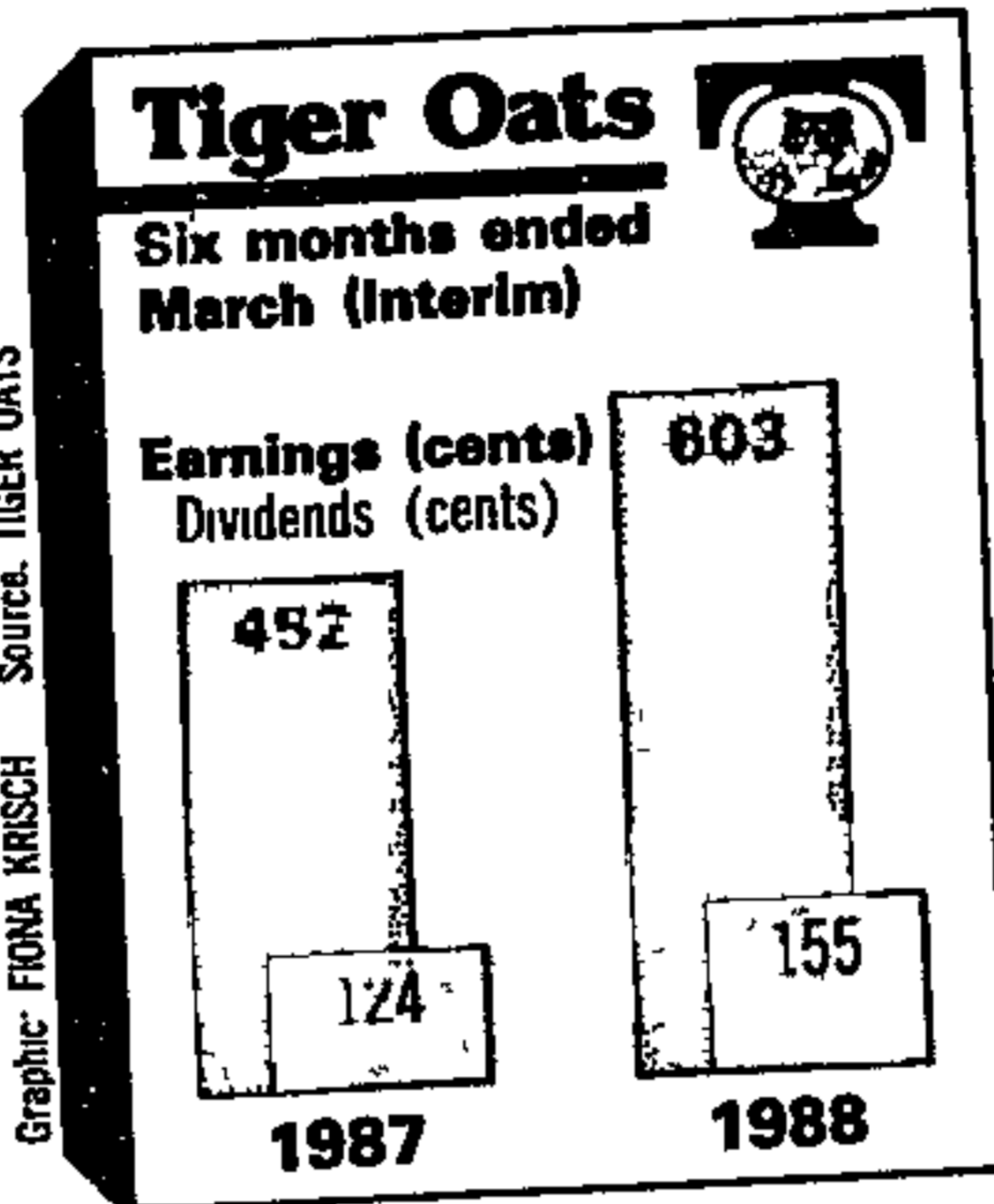
TIGER OATS has posted strong growth with earnings a share for the six months to March climbing 33,4% to 603c off an already high base, and the interim dividend being lifted 25% to 155c

In line with Barlow Rand policy, the group has changed the basis of accounting for deferred tax, effectively reducing the tax charge by R2,7m to R67m and having a favourable impact on earnings at R83,5m

Turnover rose 16,7% to R2,5bn, partly as a result of acquisitions boosting operating income 40,5% to R160,4m

Although sales increases on many product lines in Tiger Foods — the power-house of the group — were below the inflation rate, margins showed a slight improvement in both processing and distribution

Tiger Foods contribution to attributable earnings rose 27,3% to R65,8m,



Source: TIGER OATS
Graphic: FIONA KRISCH

dwarfing the contributions from separately listed subsidiaries Adcock Ingram and Oceana

Adcock's contribution showed a strong improvement, increasing 63% to R8,8m as a result of higher volume

throughput and the introduction of new products

A further 1,8% in Adcock was acquired for cash, increasing the group's holding to 74,9%

Adding to the group's recent trail-blazing list of acquisitions, earlier this week, Adcock announced its R52,5m purchase of disinvesting US pharmaceutical company Sterling Drug

In April, Tiger announced they would be taking a 50% stake in Langeberg Foods for R80m effective from July, if agreed with the board of Langeberg Co-operative. This deal is not expected to have a material impact on earnings in the current financial year

The remaining 50% of County Fair Foods and the outstanding 19% in Radue Weir Holdings were acquired in October last year. The acquisition of Logos Pharmaceuticals, formerly MSD, became effective from the end of March

However, Tiger remains cash flush and the balance sheet shows gearing at a mere 12%

Premier trading profit up 32% to R205,5m

JOHANNESBURG

The Premier group has had an excellent year with after tax profits up by 48 per cent to R161,3 million (R108,8 million) while trading profit was up by 32 per cent to R206,5 million (R156,5 million).

Earnings per share rose by 36 per cent to 317c per share (233c).

Dividend for the year moved up by 33 per cent to 140c a share (105c) while the final dividend was 90c (69c).

Group turnover was up by 19 per cent. Turnover rose by 19% to R3 204 million from R2 690 million the previous year.

The chairman, Mr Tony Bloom, said in his annual review that the good results had been reflected by all the group's divisions, subsidiaries and associated companies.

He said that the turnover increases that had been reflected in the four major listed food

companies indicated that price inflation in basic food products had been kept well below the rate of inflation.

He said that as dividends had passed 135c a share, the preferred ordinary shares automatically converted to ordinary shares.

Mr Bloom said that in the Premier group it had been calculated that inflation on its shopping basket of food products had been about 11 per cent.

Premier Foods had posted improved earnings with the broiler division back in profitability. The restructuring of the Ovenstone fishing interest had gone well and management had produced "very satisfactory profits".

Investments in both South African Breweries and CNA Gallo had posted good returns in line with their good results.

Twins Pharmaceuticals produced, on an annualised basis, profits of over R30 million and Mr Bloom felt the outlook for the industry was promising.

He said Gresham Industries had a good year with an earnings increase of 52% on an annualised basis. It had a takeover in the pipeline of the South African Pharmaceutical Development Corporation, which was awaiting approval from the Competitions Board.

Mr Bloom said the Premier group's balance sheet was in an excellent state with all financial objectives having been met. Gearing was at 22 per cent while working capital had been very effectively maintained.

As far as the future was concerned, Mr Bloom said further good progress should be made during the year, subject to stable industrial relations and no further deterioration in the economic and political environment. —Sapa

15000V
50% V
1500V

uo
3 tu
we
A
e
II

P

P

P

P

P

3200 3700 100

Special situations

186

510 1715788

FO

Premier's performance not up to expectations

By Ann Crotty

The market was not impressed yesterday by Premier's 36 percent improvement in earnings per share because the 317c reported for the 12 months to March was way short of the 340c many analysts had been expecting

Although changes in reporting procedure mean that there is considerable difficulty in comparing financial 1988's divisional performances with those of 1987, it looks as though the source of the weakness is Premier's food division

No contribution breakdown was given and financial director Gordon Utian would only refer to a split between SAB's contribution and "the balance"

On this basis, SAB's contribution to attributable profit was up 31 percent to around R140 million "The balance" was up 50 percent to R62 million This combined effort took total attributable earnings up 36 percent to R201,9 million

But the market is not overly concerned with this level of analysis To make any sort of value judgment on the performance requires a look at the comparative divisional contributions

This is made somewhat hazardous by the restructuring that took place in financial 1988 Previously, Alex Lipworth was included in the food division, but this year it is part of the separately listed Twins In addition, Gresham was only on board for nine months of financial 1987, compared with 12 months in 1988

These and a number of other changes complicate straightforward comparison, but at this stage (ahead of greater details provided by the annual report) as the market sees it, the increase in contribution from the food division was at best 25 percent at the attributable-profit level. At the least, it seems its share of attributable earnings rose from an estimated R28 million in financial 1987 to around R33,5 million. CNA-Gallo, Twins and Gresham accounted for the remaining R28,5 million of attributable earnings

186
STEV 17/5/88

Compared with the 27 percent improvement in attributable profits from Tiger's food division, Premier's performance seems reasonable. But this overlooks the fact that Premier's food division is supposedly in a recovery situation and so should be showing a much stronger comparative improvement.

In previous years the major areas of weakness were the broiler division, which dogged group performance for some time and fishing arm Ovenstone, which has been dragged down by a heavy debt burden

Mr Utian said that in financial 1988 the broiler division turned in a marginal profit, while Ovenstone looked very strong at the pre-interest profit level, but did not perform so well after allowing for interest payments

Reasonable improvement

Stripping out these two food interests suggests the performance in the rest of the food division was pedestrian However, Mr Utian stressed that the milling and baking division had done well and achieved a reasonable improvement in margins, adding that there had been no loss of market share.

The market's initial reaction was one of disappointment tinged with some scepticism about the extent of the turnaround that can be achieved in Premier Food. This sentiment must have adverse implications for plans for a separate listing for Premier Food. The listing was initially scheduled for early calendar 1988 but postponed after last October's market crash

Other features of group results included the 19 percent increase in turnover, the 32 percent increase in trading profit and the 33 percent increase in ordinary dividend Attributable performance was helped by a drop in the tax rate from 29 percent to 25 percent. The lower rate reflected Twins' use of the assessed tax loss in Fosstik, which was its vehicle for a JSE listing, Gresham's low tax rate and the use of tax losses in the broiler division.

Bonuskor earnings

up 170%

Finance Staff

In its first set of results since announcing the merger with Hunt Leuchars & Hepburn (HLH), Bonuskor has reported earnings a share for the year to March up 170 percent to 101,8c

The final dividend has been lifted more than 200 percent to 24c (7,5c), which, with the better interim of 9c (5c), gives a total of 33c (12,5c)

The results should be read in the context of the first full year in which the 56 percent interest in CGP Investments, holding company of Robertsons, has been brought to account. The CGP stake was acquired in April last year, the same date on which the sale of the 14,4 percent stake in Total became effective

Transvaal Sugar became wholly owned in October last year. The sale of the stake in Total brought a profit of R2,5 million, but this is not included in the earnings per share

HLH has reported an attributable income increase of 28 percent on a turnover increase of 20 percent for the year.

Earnings per share amounted to 48,4c (38,4c) while the total dividend was raised by 24 percent to 10c.

Huntcor, whose only investment is its holding in HLH, increased earnings per share by 27 percent to 95,4c. A total dividend of 36,5c (29,25c) has been declared.

cmv Times 17/5/88

Premier Group earnings up 36%

From LIZ ROUSE

JOHANNESBURG — The Premier Group kept up a cracking pace in the year to March, moving to a higher plateau

The group closed the year with a 36% hike in earnings to a record 317c (1987 233c a share) and raised the dividend total by 33% to 140c (105c), with the declaration of a 90c (69c) final dividend

Tony Bloom, in his last preliminary statement as Premier chairman, said it was a spectacu-

larly good year and it was particularly pleasing to note that the good results had been achieved across the board by all the group's divisions, subsidiaries and associate companies

Premier's 35% holding in booming SA Breweries obviously helped boost profits, but the feature is that its other interests are now advancing at a fast pace, loss-incurring areas have been eliminated and their contribution to profits is much larger than in previous years.

The group's year-end figures are above market expectations, which put earnings at about 300c and the dividend total at 135c. As total payout has exceeded 135c, the preferred ordinary shares automatically convert into ordinary shares,

this has happened well ahead of expectations.

Turnover increased by 19% to R3,2bn (R2,7bn) on aggressive marketing and merchandising, while higher output in plants, strict cost control and improved operating efficiencies resulted in a 32% increase in operating profit to R206,5m (R156,5m)

Bloom said it was interesting to see that the turnover increases which had recently been posted by the four major listed food companies indicated that price inflation in basic food products had been kept well below the rate of inflation

The inflation on Premier's shopping basket of food products was around 11%, a figure which seemed to be confirmed by the other companies.

Star 18/5/88
**Brenmill meets ¹⁸⁶
first year target**

In its first year of operations since being listed last year, Brenner Mills (Brenmill), has met its targets with an 18,9 percent improvement in turnover and taxed profit up some 15 percent from R3,3 million to R3,8 million.

The final dividend is 4,8 cents, making a total of 6,5 cents for the year. With earnings a share of 16,2 cents (14,2 cents), the dividend is covered 2,5 times — Sapa

Star 19/5/88

Tongaat doubles earnings

186

Own Correspondent

DURBAN — Tongaat-Hulett came close to doubling its earnings in the year to March. The dividend has been lifted by 59% for a total of 54c a share (34c).

Attributable earnings of 162,2c a share were 12c better than forecast six months ago.

A 20 percent increase in turnover for the year to R2,6 billion produced taxed profits of R124,8 million, despite a 63 percent increase in the tax bill.

The board says the strong recovery in earnings noted at the half-way stage continued into 1988 and that with encouraging prospects in the current year, further improvement in earnings can be expected.

Major contributors to the results, apart from better market conditions, were last year's rationalisation programme and a reduced level of borrowing, combined with lower interest

rates. "Effective management of working capital contributed to the reduction in the level of total group borrowing, which fell to R300 million at the year-end, compared with R381 million last year," says financial director Ted Garner.

"Interest cover has improved to 4,7 times, significantly up on last year's 2,5 times," he says.

Markedly greater contributions to profits were recorded by the aluminium and textile divisions.

The performance of the sugar division was watered down by the absorption of the Felixton Mill tax shield, with the result that there was little growth in this area.

Building materials showed an increase as a result of growing demand, while foods, starches and sweeteners turned in satisfactory profit improvements.

CG Smith Foods defies adversity

Star 19/5/88

186

By Sven Lunsche

For the past five years, food industry leader, CG Smith Foods, has risen above the recession to produce steady and impressive results

Judging from the interim performance to March, it will produce another outstanding set of results in the current financial year, not least due to the surge in consumer expenditure, which shows no sign of abating

This trend was confirmed earlier by strong results from Fed-food, Premier and Smith Foods' own subsidiary, Tiger Oats. Improved margins should shelter the group from any possible drop in demand as the financial authorities try to curb spending

Boosted by healthy contributions from all its major divisions, Smith Foods ended the six months to March with earnings a share up 44 percent at 97c. The interim dividend is 25 percent higher at 25c

Better overall margins in all sectors are reflected in a 33-percent improvement in operating profit to R236,1 million on turnover up 16 percent to

R3,313 billion

Looking to the rest of the year, chairman Robbie Williams comments "Growth in the food sector is expected to continue for the remainder of the financial year, with earnings showing "a good improvement on those of 1987".

This assessment is justified. In the previous financial year, the group successfully reversed the declining trend in operating margins and continued to apply tight asset management

Certain of its earlier strategic decisions are now beginning to bear fruit and the company is poised to take advantage of any slight shift in consumption patterns away from basic foodstuffs and into the substitutes offered by rice, pasta and poultry products

Mr Williams says group companies "were fairly actively engaged on the acquisition trail in the six months, with Tiger Oats taking a 50 percent stake in Lan-geberg Foods and acquiring the balance of shares in County Fair Foods and the 19 percent in Radue Wier Holdings not already

held, as well as the entire holding in Logos Pharmaceuticals".

The balance sheet has not changed materially and remains strong, with total borrowings at 42 percent of shareholders' funds

Smith Foods shares are currently priced at about R12,25, offering an historic dividend yield of 4,2 percent. At this level, the share is definitely not expensive on income consideration. The earnings yield at current levels is 10,2 percent.

The CG Smith Group closely mirrored the performance of its three subsidiaries — Smith Foods, Nampak and Romatex — and raised its earnings per share by 43 percent to 287,7c. The dividend has been raised by 30 percent to 81,5c

The results are based on the system of partial deferred tax adopted by Barlow Rand, which added 36,7c to the interim earnings of Smith Group and 11,2c to Smith Foods earnings.

Operating profit for the group reached R411,1 million, a 34 percent hike, which was achieved on a 17 percent improvement in turnover at R4,818 billion

Capit. Trans 19/5/88

Tongaat show 90% higher earnings

By **AUDREY D'ANGELO**
Financial Editor

BETTER trading conditions, rationalization and a lower interest bill enabled the Tongaat-Hulett group to achieve a record performance for the year to March 31.

Earnings rose by 90% to 162c (85,3c) a share — well above the 150c forecast in the interim report — and the final dividend is 36c (24c) a share. This makes a total dividend for the year of 54c a share, 59% above the 34c paid in 1987.

Turnover was 20% higher at R2,6bn (R2,1bn). The group was hit by a 63% higher tax bill of R64,9m (R39,8m). But the interest bill was 26% lower at R51,4m (R70m), resulting in an after-tax profit of R124,8m (R67,1m).

Attributable profits were R119,2m (R2,6m).

The directors say prospects are encouraging and a further improvement in earnings is expected.

Pointing out that the strong earnings recovery reported at the interim stage has continued into 1988, they say all divisions performed well "with notable achievements by the aluminium and textile divisions".

The building materials division has benefited from increased demand as the market strengthens and there has been "a significant improvement in profitability".

The food, starch and sweeteners and transport divisions have all reported "satisfactory profit improvements".

But although the sugar division also performed well, the directors say it was hit by higher taxation "and consequently its contribution to group profits is similar to last year".

BARPLATS

Macadams still has to show benefit

20/5/88

KAY TURVEY

186
B/day

MACADAMS Bakery Supplies has yet to derive the benefits of its rapid expansion last year

On a 106% rise in turnover to R31m for the year to end-February, pre-tax income only rose 26% to R1m.

However, MD Raimund Pouliart says the integration of the Aloe and Joffe factories is now complete and margins will improve significantly this year promising a considerable increase in earnings.

The manufacturer and supplier of bakery and catering equipment posted a 26% increase in attributable profits to R919 000 for the year to end February.

Earnings a share of 6,04c are down from the previous 8c due to a the substantial increase in the number of shares in issue to 15,2-million (9-million)

Yet Pouliart is optimistic regarding the group's prospects and a final dividend of 2,4c has been declared against the 2c for the comparative period.

Domestic demand continues to grow and the orders for the first quarter of this year are about R10m

The group, which intends to apply for a main-board listing, is also making strides in the export market having recently been awarded a contract to export complete bakeries to Hong Kong.

186

PREMIER

Concerns about wage talks

As was clear when the announcement of Tony Bloom's departure was made in January, Premier's chairman is departing when the results are on a high note. The earnings surge of 36% for the year to end-March was a sound enough performance when viewed against the average for large groups at present.

The figures were above some forecasts, but after the spectacular growth already announced by the various listed interests, they were given a muted response in the market. It seems there was some expectation of a stronger contribution from the food interests, which are in a recovery situation, given that Tiger had announced a 33% earnings advance off a high base (although Tiger also gained from excellent fishing and pharmaceutical profits).

As one analyst points out, Premier has shown in recent years that it has some excellent assets, which have been garnered partly by deal-making and financial restructuring, and go well beyond the 36% interest in blue chip South African Breweries (SAB). For the second year running, the bottom line has outpaced that of SAB. In 1987, EPS grew by 43% while SAB's rose by 36%, in 1988, Premier's are up by 36% against SAB's 30%. This year, though, Premier's trading profit grew by 32% to R206,5m, while SAB's was up 34% at R746,1m.

An increase of only R4m in net interest paid and a drop in the effective tax rate from 29,3% to 25,4%, meant that Premier's after-tax profit rose by 48%. The amount absorbed by minority interests and preference dividends doubled, leaving earnings ahead by 36%.

But a realistic assessment of the food interests has become increasingly difficult. Even before last year, Premier Food Industries (PFI) held various non-food interests which made comparisons problematical. With effect from last August, PFI has been restructured as a specialist food company, ahead of the planned listing. It now has four divisions, essentially milling and baking, agribusiness, edible oils and fishing. Because of the restructuring, the annual report will dispense with comparable figures for the divisions. The stock market will undoubtedly react adversely to that, but Bloom says that comparatives would be meaningless.

The listing has now been definitely shelved, owing to the weak stock market and rising interest rates. For the present, Premier is probably best seen as a holding company with a range of interests, mainly in consumer markets. The question now is how the group is placed for the future.

In forecasting "satisfactory prospects" for



Premier's Bloom ... leaving on a high note

the year ahead, Bloom emphasises several caveats. One is interest rates: the group is budgeting for an average prime rate of 16% this year. Its net interest-bearing debt rose last year by R50m, still leaving debt:equity at 0,22 and including a lump of seven-year, foreign borrowings at 7%.

Just as important an assumption is "reasonably stable industrial relations". When the performance of the group's managed investments is raised, Premier's management stresses that its wage rates in all sectors are significantly above those paid by competitors. In some sectors of the baking industry, Bloom says, competitors are paying only half of Premier's wages, in retailing, CNA is among the highest payers in the industry. Wage increases awarded by Premier last year averaged 30%, Bloom says.

However, on this, the coming months could be critical. Premier's major annual wage negotiation is due to start in July, but Bloom was referring to industry in general. "This will be a major issue for the industry this year," he says. "Companies have done well in recent years. The unions have gone through a learning curve and became skilled in their negotiating. Management have had

their learning curve too.

"I feel that because of the banning of black political organisations, there is a channelling of black political aspirations through the union movement. The new Bill is going to create problems as it seeks to keep it in the political arena, but what its effect will be is anybody's guess.

"Our strategy has been to establish a *modus vivendi* with the unions. We also hope they will see our stance. Our strategy is that we are the highest payers in all of the sectors in which we operate and yet we can still produce this sort of result. I think, to a certain extent, that's got some of our competitors worried. They cannot expect to live in a world divorced from reality as though unions did not exist."

CE Peter Wrighton adds that the group is hoping the industrial relations scene is entering a more mature phase. "But unless the unions get around the others in our sectors we'll have to change our approach," he says.

In the operational interests, Bloom says the fishing activities, Premier's main imbroglio of last year, are now contributing to group profits even after interest payments. The debt, which was the biggest depressant in Ovenstone, has been restructured, with the foreign borrowings reduced, and the Chilean business is doing well.

Apart from the turnarounds that have been seen in some of the core businesses such as the broilers — which, although profitable, still have a long way to go — benefits from the broader investments made recently will take some years to take effect. These include the more dynamic CNA Gallo — in which Premier has increased its stake to 34% — Gresham, which is expanding rapidly in hardware tools and pharmaceutical wholesaling, the restructured Twins, and the high-technology investments such as Teltron, Colour Processing Laboratories and CMS.

Barring the caveats on interest rates and industrial relations, Bloom says he is positive on the outlook, one reason being that the food sector should remain one of the prime beneficiaries of rising wages. At R33,25, the share yields 4,2% on dividend, compared with the 4,4% average for the industrial sector.

Andrew McNulty

PREMIER'S PROFITS

Year to March 31	1987	1988
Turnover (Rm)	2 690	3 204
Trading profit (Rm)	156,5	206,5
Dividend income (Rm)	53,3	69,7
Taxed profit (Rm)	108,8	161,3
Earnings (c)	233	317
Dividends (c)	105	140

Fast-growing Barlow Rand showing a new dynamism

Star 24/5/88

186

By Magnus Heystek
Finance Editor

A spectacular increase in earnings from the industrial interests of giant conglomerate Barlow Rand more than offset the drop in earnings from its mining interests with attributable earnings in the six months to end-March increasing by 32 percent

The market is expected to react favourably as these results are further proof of an emerging dynamism at Barlows after many years of fairly undramatic performances

The results of strategic long-term planning are now falling into place as the announcement of one big deal after the other in recent weeks testifies. And, according to senior management at Barlows, the best is still to come

According to the interim results released this morning turnover in the six-month period increased by 23 percent from R8,077 billion to R9,89 billion while the operating profit before interest increased by 30 percent to R894,3 million.

With interest charges virtually unchanged at R125,9 million (R125,1 million), operating profit soared by 37 percent to R768,4 million

While attributable earnings increased by 32 percent from R236,2 million to R312,6 million, a slight increase in shares issued diluted the rise in EPS to 31 percent from

	Six months ended March 31		1987		Increase %
	1988		1987		
	R million	%	R million	%	
Mining and mineral beneficiation	150,1	26	164,3	-9	
Industry	233,9	41	135,9	31	72
Food	155,0	27	113,2	26	37
International	39,6	7	38,0	9	4
Property, finance and administration	-5,5	-1	-16,6	-4	67
	573,1	100	434,8	100	32

Contributions to group profit after taxation.

131,6c to 172,3

The interim dividend has been increased from 30c to 39c a share

On yesterday's trading price of 2010c the shares are yielding 13,6 percent and 5 percent on historical earnings and dividends respectively.

Outlook good

And the outlook for the remainder of the year is good. Says Mr Derek Cooper, deputy chairman of Barlows: "With the mining sector expected to show an early recovery and most other divisions maintaining if not accelerating the pace, the outlook is for the growth rate to be sustained for at least the rest of the year"

"In addition, group companies initiated a number of strategic acquisitions during the six months and these should add to the quality of future earnings as well as providing the platform for expansion and development into the next decade"

Some of the acquisitions referred to by Mr Cooper include

- Joint control of IBM distributor ISM and setting up the giant computer supplier Technology Services International
- Full control of Metal Box for R269 million
- 50 percent of Langeberg Cop for R80 million.
- Previously US-owned Sterling Drug Company for R52,5 million.
- An additional 25 percent of Robor Industrial Holdings, thereby increasing its holdings to 85 percent.

● Control of Logos Pharmaceuticals, formerly known as MSD

These strategic acquisitions in fast-growing sectors of the market are likely to further boost the flow of earnings from its industrial interests, now the major contributor to group profits

The sharp increase of 72 percent in earnings from its industrial interests in the first six months of the financial year, from R135,9

million in 1987 to R233,9 million, increased its contribution to total profits to 41 percent, surpassing the contribution from its mining and associated interests (See table)

Lower grades, reduced profits from its coal mines and sharp increases in costs, contributed largely to the 9 percent drop in earnings from mining and mineral beneficiation from R164,3 million in 1987 to R150,1 million

The earnings from its food interests rose by 37 percent from R113,2 million to R155,0 million, steadily maintaining its contribution to group profits at 27 percent (1987 26 percent)

Internationally

The contribution of its international interests declined from 9 percent (R38,0 million) to 7 percent (R39,6 million), largely as a result of an indifferent performance from J Bibby and Sons

The US-based packaging and security printing operation Interchecks is in the process of being sold-off to management for \$40 million, a move which will hopefully eliminate the drag on earnings of Bibby

Prospects for the second half of the year are good while an increase in gold and mineral prices should further boost earnings. Any downturn in the economy will not impact on earnings in this financial year, says Mr Cooper

Developing a new image and culture for Premier group

By Stan Kennedy

While he did not have an acrimonious exchange with Mr Tony Bloom during their 18 years association, Mr Peter Wrighton, the new chief executive of Premier Holdings, is still his own man and not a clone of his predecessor

A chartered accountant, he is a man with firm ideas, with the acumen and experience — he has been 30 years with Premier — to improve the group's performance and put new life into it. His prime objective, he says, is to continue to build on the success of the past

"It has been exciting and a lot of fun working with Tony. He was a man who never stood still and in that way, I think, there is a similarity between us.

"I will have, perhaps, a more participative management style. We have developed quite a team over the past three to five years and I believe we now have to allow these people to get on with it.

"Perhaps due to Tony's very strong personality, some of the executives down the line have not been seen or heard about by the public at large. By bringing them into the decision-making process, I believe I will get the best out of them."

Two of his main priorities will be to draw out from his staff their talents and abilities which have been lying dormant for a long time and develop a new image and culture for the group. This is despite it having been run as a family business for the past four generations

There is no question of him stepping into Tony's shoes. "I'm sure that however closely one works with one's predecessor, the tendency is to develop one's own style and company culture. It is inevitable."

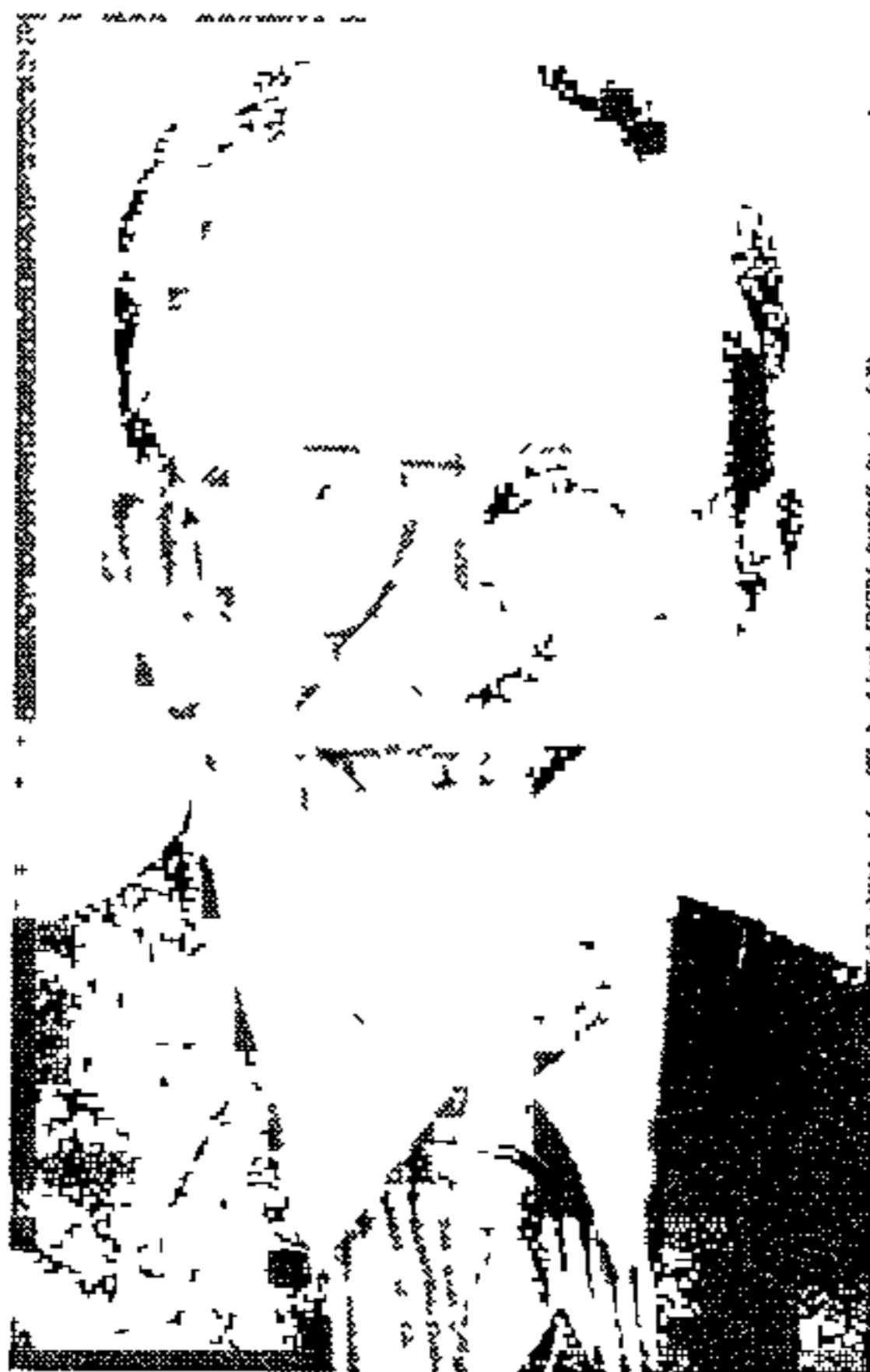
Mr Wrighton says he does not have the type of personality that would make him fulfil the same role as Tony Bloom as a leader of the liberal establishment

"I believe I have got to speak to anybody in the South African political spectrum — from the far right to the far left

"My political profile will be a lot lower and my own personal views will remain with me — locked up"

While being cautious and meticulous, he is the antithesis of other things an accountant is said to be — unadventurous and unaggressive.

He says good managers have got to have empathy with their workers and understand how to get their subordinates to follow them. This will come, he says, from adapting his management style to the various language and cultural groups within the organisation



Peter Wrighton — "My political profile will be a lot lower."

Having been to Harvard, he knows what makes a good manager. He knows of many South African managers who went there to study management and, on the whole, believes they excelled. This was because they were generalists and not specialists like their fellow US students. For this reason, he believes that the management style he learned at Harvard will be easily adapted to the heterogeneous complement of his staff.

An important part of his work will be convincing black people of the benefits of the free enterprise system and to draw them into the system. This, he says, is the greatest challenge facing South African businessmen

"There is a great polarisation taking place politically and this has obviously spread to the workplace. It is going to be one of my major tasks to

break it down and build a bridge

"Many companies have sympathy with the blacks' predicament but cannot articulate the difficulties they face. We have human relations' policies that are acceptable. They are helping to bring black managers into the system and I think, therefore, that we have an advantage over those who follow the opposite policies"

He loves to get involved in a hands-on type of situation and often has to resist the temptation. Last year, he took a sabbatical for six months to run the broiler division

"I enjoyed it tremendously. There I was at the pitface dealing with customers and staff on a one-to-one basis, whereas in the ivory tower one tends to be insulated from that type of relationship

"I would love to get more involved but I have to use the proper line of communication"

For the first time, the broiler division made a profit in the year ended March but he will not take any credit for it. All he says is that he helped change the morale and once this happened, the workers did it themselves. He is pleasant and easy to talk to and given to occasional bursts of laughter and it is more than likely that his personality was the catalyst to the higher productivity

He has strong ethical values and beliefs based on Christianity which motivate him throughout his life and work. They also happen to be the same beliefs embraced by Islam and Judaism and are based on non-discrimination and equality, he says

He joined the group before his articles were completed, using it as a stepping stone to get into commerce and industry as he did not have any serious intention of becoming a professional chartered accountant

"A facility for figures in today's world and the understanding of a balance sheet is exceedingly useful for any businessman"

He does not take kindly to internal politics

"It makes me very angry indeed. I believe that being in the same team we should be working together. We should be fighting our competitors, not fighting among ourselves

On the extra power and responsibility, he says he feels no different today than he did before his appointment

"I hope to have a lot of fun and when I step down be able to say I really enjoyed it. Because if I enjoy it, I think my people will enjoy it, too

Revamped Fedvolk keeps pressing on

By Ann Crotty

Fedvolk continues to reap the benefits of its rationalisation programme, which has resulted in a much trimmer and more focused operation. For the full year to March turnover rose 17 percent to R2,8 billion (R2,4 billion) and operating profit rose 32 percent to R237 million (R180 million).

MD Johan Moolman says that after taking into account companies sold and bought in financial 1987, the comparative increase in turnover is 24 percent.

The 32 percent improvement in operating income is largely attributed to operating margins, which rose from 7,3 percent to 8,3 percent. An increase in income from associated companies, up 37 percent to R17,5 million, and a sharp reduction in interest payments, down 28 percent to R45,7 million, helped boost attributable profit by 86 percent to R91,1 million (R49 million). This was equivalent to earnings per share of 70,4c (38,4c).

A final dividend of 11c a share has been declared, bringing the total for the year to 17,5c (8c). And is 4 times covered by earnings. This level of cover is likely to be maintained in the current financial year in order to strengthen the group's balance sheet. But the following year should see a reduction to around 3 times.

The balance sheet shows the benefits of more focused management. Shareholders' funds are up 18 percent and interest-bearing debt is down 27 percent to R278,4 million from R376,5 million. Mr Moolman attributes the strengthening of the balance sheet

to the high ploughback of profits, the rationalisation measures of the previous year and excellent asset management. He says the ratio of interest-bearing debt to shareholders' funds (treating redeemable preference shares as loans) improved from 0,83 to 0,55 over the year.

On the operating front, the business units which had not yet achieved profitability in financial 1987, made progress in financial 1988. "It is considered an achievement that all direct subsidiaries and associated companies in the Federale group have contributed to profit this year. The profitability of the major operating companies also increased appreciably." The return on average capital employed was 24,7 percent. Agricultural equipment remains a problem area, but is a situation shared by everyone in the market and reflects the weak condition of the sector.

It seems the current financial year may see a continuation of the rationalisation process, although not at a major level. Some small investments in the building sector, valued at about R15 million, may be sold off. This would leave the group with five major areas of interest: services which accounted for 20 percent of attributable profit (19,6 percent); pharmaceuticals 22,9 percent (33,1 percent), domestic consumer goods 16,2 percent (9 percent), motor components and agricultural equipment 15,1 percent (6,8 percent) and food 23,5 percent (26,9 percent).

OPTIONS

Canned products under the scrutiny of researchers

Food myths challenged

186

Healthy eating may be "in", but is it healthy to eat tinned foods?

Tinned foods have a reputation for being saturated with preservatives, colouring and unhealthy edible content.

This may not be all true, according to those in the know.

To dispel myths surrounding tinned foods, a major South African company producing tinned foods recently embarked on a programme of product analysis, in conjunction with the national food-research unit of the Council for Scientific and Industrial Research (CSIR) in Pretoria.

Certain ranges of canned foods underwent extensive tests by the CSIR and the company involved to determine the levels of nutrients in them.

The group products manager of the canning co-operative, Mr Keith Mennell, dismissed claims that the canned product was not as nutritionally beneficial as its fresh or frozen counterpart.

"The contents of the cans are picked when freshest and all their inherent nutritional benefit is sealed with them in the can," Mr Mennell said.

The cans now displayed a label which listed the most important nutrients contained in the

A brand of canned foods recently began displaying the nutritional content on the labels, reviving an old debate — is tinned food less healthy than fresh or frozen? PAULA FRAY reports.



product and "the tables give the percentage of the RDA (recommended daily allowance, an internationally recognised standard for measurement of nutritional requirement) that each of the nutrients present in the product provides," he said.

Appalled

Displaying the nutritional content on some tinned foods is not new, but Mrs Lynn Morris, national president of the Housewives' League, welcomed "any extra information relating to

product content".

Appalled at the lack of information on the majority of product packaging, Mrs Morris said regulations regarding this were in need of review.

Dr Ingrid van Heerden of the CSIR said "freshest foods are always the best", but when stored for a length of time there was a considerable loss of nutrients.

Frozen foods were an alternative, but in a country where more than 50 percent of the population had no access to refrigeration, and where access to a variety

of fresh food products was severely restricted by location and seasonal factors, cans were welcome, she said.

Not only was the can easy to transport and store, it overcame the danger of temperature fluctuation and prolonged exposure to air on the way to or at markets.

Nutrients

"Multi-handling" was also not a problem as the contents were cooked in the can and not touched until the can was opened

"I was surprised to learn that the canning

process does not decrease nutrient content," Dr van Heerden said

Professor Louis de Villiers, head of the chemical pathology department at Pretoria University, said damage to food was not necessarily the fault of the cans, but of the preceding heating process which destroyed vitamins such as Vitamin B6

Emphasising that the facts on which his opinion was based were taken from articles he had read, Professor de Villiers said "During the heating process, you may lose between 30 and 80 percent of Vitamin B6 B6 is vital and plays a role in more than 100 different reactions."

Another issue surrounding canning was the preservative

Dr van Heerden said some canning companies did not allow preservatives as the "preservative action is in the canning process".

When preservatives were used, it should be indicated on the label, she said

Colouring — another sore point — should also be indicated on the label, and then only "permitted colouring" should be allowed

"Permitted colourings" were those listed in the Government Gazette as they were regarded as "not harmful", she explained

Gant's buys Delport's homeland factories

By Financial Staff

GANT'S, the Cape-based canning group, has acquired the canning factories of the D R Delport group in Bophuthatswana, Venda and Kwazulu.

This will provide the company with an excellent vehicle to expand its market share.

The growth in the demand for canned foods has been outstanding recently and Gant's say that their sales figures for the first four months of this year show a 50% improvement on the same year-ago period.

Gant's had previously been at a disadvantage in not having suitable manufacturing facilities close to the important markets of the Transvaal and Natal.

Goods from the Strand factory incur considerable expenses in reaching these markets.

Chairman David Gant said that the group's factories at Bapsfontein and Empangeni were inadequate for the

expansion the company had in mind but "the acquisition of the Delport factories in Bophuthatswana, Venda and Kwazulu will provide us with the most appropriate vehicle through which to expand our market share.

"It is also logical to assume that the incorporation of the Delport group into the Gant's operation will provide a greater degree of stability and rationalization in the local marketing of canned foods."

Gant's will now have four food processing operations in SA and local market turnover will increase by about 30% as a result of the acquisition. Gant's says that "although exports are currently performing extremely well, due to the relative weakness of the rand, the group's dependence on exports has lessened and these account for only 13% of turnover generated by the SA food-processing interests".

Michael Delport (chairman) and Marcus Jooste (MD) will be joining the board of Gant's.

Unidev expected to take over Milly's management

Star 4/6/88

ANN CROTTY

136

When Milly's reappears on the DCM it is likely to be under a new management team which will be appointed by investment banking group Unidev

Milly's was suspended on Wednesday with the astonishing announcement that the interim results for the six-months to end-December may have been incorrectly reported, that an independent firm of auditors had been appointed and a full-announcement would be made as soon as possible

At this stage it looks as though the suspension will be lifted within the next two weeks.

It appears that Unidev, which currently holds 30 percent of Milly's, instigated the move to have the share suspended following an investigation of the interim performance by a Unidev-appointed team of auditors

Last January, at which time Unidev held 20 percent of the company and the Bruchhausen family held in the region of 50 percent, the controlling family approached Unidev with a request for an injection of funds into

Milly's

Unidev agreed in exchange for an additional 10 percent of the shares from the Bruchhausen family, on condition that they would be able to put in their own financial team. The team was headed by former Grand Bazaars financial controller Scott Wilson, who is currently Milly's acting MD in place of Michael Bruchhausen

It was as a result of this team's investigations that anomalies were discovered in the interim figures and when the directors were informed they immediately requested a suspension of the share while an independent team of auditors checked the suspect figures

The results of this independent investigation is expected to be known within two weeks and sources at Unidev have indicated that if Unidev is to remain on as a major shareholder it will then have control of management and will be in a position to implement its own plans for Milly's

It's 'Yes' for R160-m Tiger, Langeberg deal

FRUIT farmers have given a huge vote of confidence to the R160-million deal between Langeberg Co-operative and Tiger Oats to float a new company, Langeberg Holdings, on the Johannesburg Stock Exchange this month.

Since April 23, the co-operative has held meetings throughout the country to discuss the proposed transaction.

The transaction with Tiger, whereby Tiger will pay R80-million for a 50 percent stake in the new company and Langeberg Co-operative will chip in another R70-million, was approved a 98 percent majority of votes, Langeberg announced today.

But the co-op's 1 350 members, who have been asked to subscribe for R10-million of shares, will get theirs at 25 percent of the Tiger Oats price.

Among resolutions approved by co-operative members were:

- The specific transaction with Tiger
- The sale by the Co-operative of its businesses as part of the restructuring
- The basis of allotment of shares to members, growers and personnel.
- The offer of shares to directors.

According to Langeberg all the main conditions have been fulfilled and the transaction was currently being implemented.

Invitations to members and growers of the co-operative to take up shares in Langeberg Holdings will be posted during the week and application forms and cheques must reach the transfer secretaries before June 30, Langeberg said.

- Rand mines gold producer Blyvooruitzicht Gold Mining Company has dropped its final dividend by 17 percent to 75c from 90c last year, bringing the total payout for the year to 150c (205c).

As expected, marginal producers Durban Roo-depoort Deep and East Rand Proprietary mines have again passed their dividends.

- Helped by a 137 percent improvement in the contribution from Boumat, Saficon saw earnings a share soar 73 percent to 133,5c (80,3c) for the year to March.

This is comfortably ahead of the forecast of 111c a share. The final dividend of 29c brings the total payout for the year to 40c, up 38 percent on the previous year's 23c.

- Three of the Anglovaal Group's investment holding companies improved earnings and dividends for the year ending June 30, while the fourth — Middle Witwatersrand (Western Areas) declared an unchanged dividend on a lower profit.

Anglovaal itself raised its final dividend by 10 percent on its ordinary and "A" shares to 430c (390c), bringing the year's total to 650c — an 11 percent increase on 1987's total of 585c.

The dividend was covered 5,1 (5,3) times by Anglovaal's record earnings, estimated consolidated profit (after tax, minority interests and preference dividends, but before extraordinary items) for the year rose by 7 percent to R141,8-million (R133-million).

Maggie Rowley

Dried fruit sales up ^{Star 8/6/88} 186

CAPE TOWN — A deferred bonus of R6,4 million will be paid to its producer members and R4,9 million of its net income of R11,3 million for the past year will be injected into business expansion, the SA Dried Fruit Co-operative has announced

The chairman of the SAD, Dr Andries Burger, announced at the co-operative's 80th annual meeting that turnover for 1987 had increased, by about 10 percent to R164,7 million

Over the past 10 years turnover had increased by an average of 66 percent a year, he said

Payments to producers for 1987 amounted to R81,6 million.

Dr Burger said a recently launched marketing drive had boosted sales of dried fruit during 1987 above the expected growth rate

Although sanctions had negatively affected dried fruit exports, the SAD managed to increase exports for the past year by 4,1 percent

Fixed assets amounted to R32,6 million, current assets totalled R16,8 million and shareholders' interest totalled R45,7 million for the past year — Sapa

Score still has peaks to climb

Star 10/6/88

186
311
450

By Ann Crotty

The enthusiastic investor support enjoyed by Score in recent years appears to have waned in the past few months. Analysts are attributing the fall off in support to a financial 1988 performance that was not quite up to market expectations but, more significantly, to concern about the acquisition of Clicks.

The worry is not only that holding company Hi-Score may have paid over the odds for Clicks but also that Clicks, without founder Jack Goldin, may not sustain its past performance. In addition analysts still seem a bit sceptical about the scope for synergy between Hi-Score's various operations and Clicks.

It appears that the Hi-Score management team is not so much concerned about synergistic possibilities as it is with the desire to get exposure to a wider market and presumably to attain the same sterling returns on its new assets as it has on its Hi-Score assets.

At Hi-Score the emphasis in terms of product mix is on food and allied goods. In terms of target market, the emphasis is on the lower income groups.

At Clicks, the emphasis is on retail toiletries, cosmetics, appliances and fancy goods. In addition Clicks has 16 Diskom stores, which carry the same types of products, but target the black market. Most of the Clicks stores are situated in the Cape region.

While there will be little duplication of activities, Score MD Carlos dos Santos was emphatic that there was considerable scope for synergy in terms of financial discipline. He also stressed that the enlarged group would have far greater buying power.

Despite this optimism, the market became nervous when it was revealed that

Mr Goldin would be remaining on only in an advisory capacity. This nervousness should abate if Mr dos Santos and his team can get the same sort of performance out of the Clicks assets as it has out of Score's assets.

That financial 1988 did not meet either the management's or the market's expectations led to worries that the group had passed its peak and that future performance might be more pedestrian.

It is certainly unlikely that the group will be able to sustain the exceptional performance that it has reported over the past 7 years, but even if this performance was to plateau, it would be far from pedestrian.

Score's latest annual report, which does not include the impact of the Clicks' acquisition, shows that operating margins have been increased steadily from 0,78 percent in 1982 to 2,97 in financial 1988. Return on shareholders' funds, which was a strong 31 percent in 1982 and dipped in the intervening years, was up to 32 percent in financial 1988.

The excellent growth performance on the trading side was matched by a strengthening of the balance sheet with ordinary shareholders' interest soaring from R585 000 in 1982 to R47 million in financial 1988.

One measure of the exceptional performance that the group has achieved over the past seven years is the sharp increase in productivity per employee. In financial 1982 when Score had 732 employees it reported a turnover of R43,9 million which is equivalent to almost R54 000 sales per employee. In 1988 Score had 5 123 employees and achieved a turnover of R923 million which is equivalent to R180 000 per employee.

1
2205

Of Chartered Accountants...
exploiting firms

Margins at Premier food lacking lustre

1/16/88

Star 15/6/88

7/2/88

1/1/88

186

By Ann Crotty

In the six years since financial 1983, the last year in which UK-based Associated British Foods controlled the group, Premier's annual turnover has surged from R1,7 billion to R3,2 billion.

Over the same period, trading profit has risen from R116,1 million to the R206,5 million recorded in financial 1988, while earnings have soared from R53,3 million to R202 million.

The performance at trading-profit level shows that margins dipped from a high of 6,8 percent in financial 1983 to a low of 5,5 percent in financial 1986. The last two financial years have seen a recovery in margins which were back to 6,4 percent in financial 1988.

While food continues to dominate turnover, other interests, chief of which is SAB, are of growing importance at the earnings level.

Over the six-year period, the greatest pressure on margins was in food-related areas. In the latest annual report, chairman Tony Bloom says Premier Food Holdings enjoyed a highly successful year in which profitability was significantly increased. "It holds the largest or second-largest market share in virtually all the important sectors in which it operates."

With the exception of pet foods, all divisions in the food company were ahead of budget. "It was particularly satisfying

to see the broiler division return to profitability after several years of difficulties."

However, the report reveals little about the comparative performance of the food division in financial 1988. As Mr Bloom points out "Restructuring and divisionalisation of the group, and in particular Premier Food Holdings, into different cohesive business units, renders comparative information completely misleading," and so none is provided.

But investors are likely to focus on the fact that the newly structured Premier Food Holdings reported a turnover of R2,2 billion in financial 1988 and a trading profit of only R102,4 million. This means margins in this area were an unexciting 4,5 percent.

Whether or not the comparisons are strictly valid, it seems inevitable that investors will refer to Fedfood which, in the year to March, reported margins of 7,6 percent. And in the six months to March, Tiger Oats was looking at margins of 6,5 percent. Perhaps more significantly, margins at both Fedfood and Tiger are on a firmer trend.

In financial 1987, before the restructuring, milling, baking, distribution and industrial feeding, which accounted for 40 percent of the Premier group's turnover and 48 percent of trading profit, reported margins of 6,9 percent.

mind," he said.

1965 12/5/85
Sugar workers
locked out (186)

Labour Reporter (182) (180)
ABOUT 60 employees at E G Smith sugar distributors were locked out today over a wage dispute with the company, a spokesman for their union said.

The workers, all members of the Food and Allied Workers Union (Fawu), had ignored a management ultimatum to halt their go-slow action which started last month.

After wage talks deadlocked, Fawu declared a dispute and applied to the Minister of Manpower for a conciliation board.

The spokesman said the workers had reduced their wage demand from R185 a week to R170.

nve

Sugar market bounces back

156
SFC 23/4/68
By Dave Canning

As sugar prices hit a five-year high on international markets the South African sugar market is finally showing promising signs of growth and price advancement, says Sugar Millers Association chairman Glyn Taylor

With a spot price on world markets of 12c a pound "within easy reach" and international consumption on the rise, "the only cloud on the horizon is the possibility of further sanctions," he said at the annual meeting of the association yesterday.

A good crop and the fruits of a successful domestic marketing drive meant the industry could well set aside more than R100 million this year for repayment of loans — a considerable advance on the R70 million spoken about at the Cane Growers annual meeting last week.

Improved marketing combined with the upturn in the economy and a price increase held below the rate of inflation, led to falling sales being reversed and turned into a five percent real growth.

Manufacturers using sugar were offered incentives and promotions were introduced at wholesale and retail level, said Mr Taylor.

Vice-chairman of the association, Dick Ridgway, told members to guard against complacency in the long-term. Sanctions still loomed "ominously" and the considerable ability of world producers to grow more when prices were rising meant bull markets did not last long.

FEDFOOD

18%
RM 24/6/88

A basket of mixed fortunes

Activities: Investment holding company with subsidiaries in food industry. The group's operations are in five sectors: bakeries, grain processing, fishing, frozen food and snacks.

Control: Federale Volksbeleggings holds control.

Chairman: C J F Human, managing director J C du Toit

Capital structure: 28,4m ords of 50c, 238 912 7% prefs of 50c, and 1,1m unsecured subordinated automatically convertible debentures of 600c. Market capitalisation R190m

Share market: Price 670c. Yields: 5,6% on dividend, 19,3% on earnings, PE ratio, 5,2, cover, 3,4. 12-month high, 1 200c, low, 625c. Trading volume last quarter, 650 000 shares

Financial: Year to March 31

	'85	'86	'87	'88
Debt				
Short-term (Rm)	9,4	16,6	52,9	46,7
Long-term (Rm)	57,7	78,5	38,3	17,4
Debt equity ratio	60,4	68,5	0,41	0,25
Shareholders' interest	0,46	0,43	0,51	0,54
Int & leasing cover	2,4	2,1	2,9	4,0
Debt cover	0,53	0,38	0,58	0,99

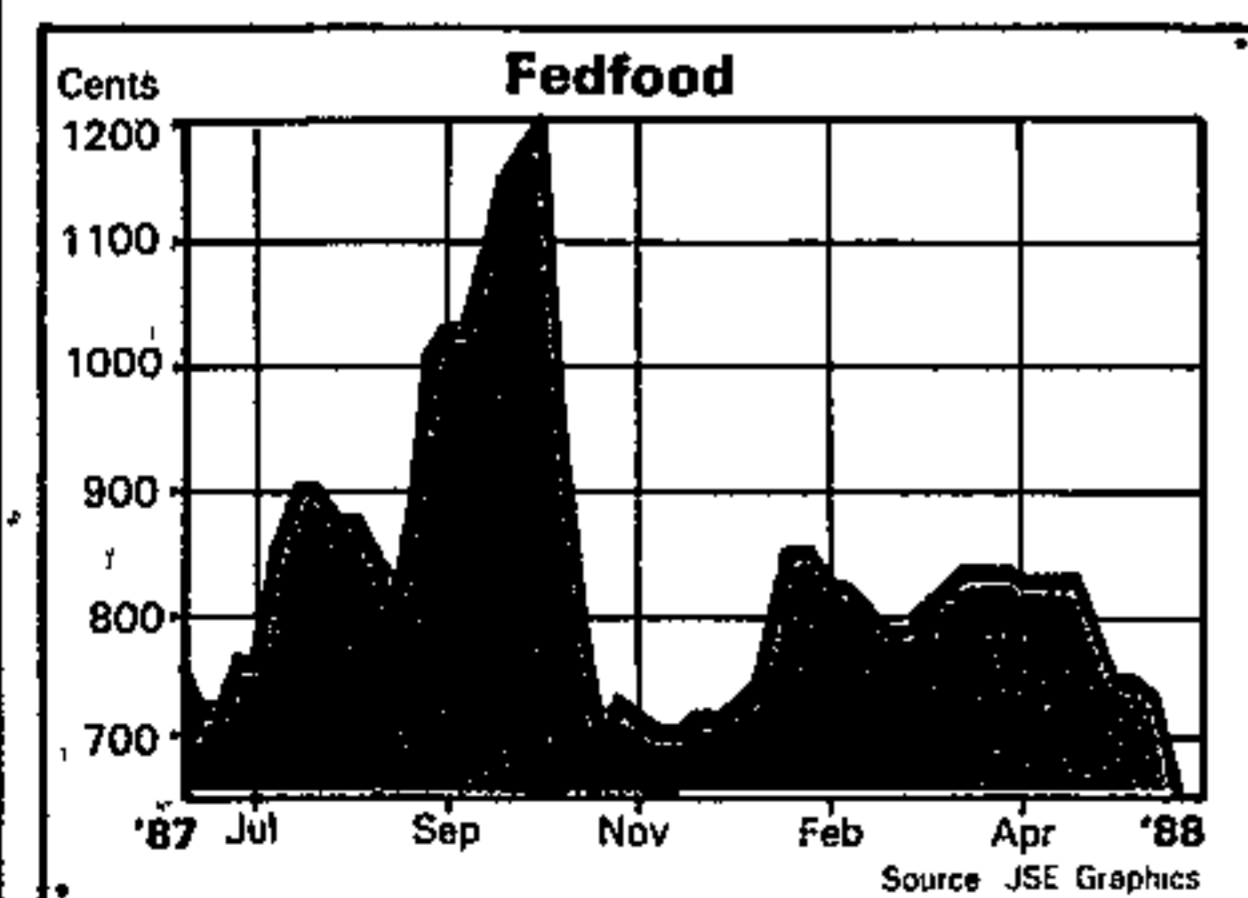
Performance:

	'85	'86	'87	'88
Return on cap (%)	14,5	13,2	15,9	15,9
Turnover (Rm)	720	818	973	1010
Pre-int profit (Rm)	54,4	66,0	71,2	77,5
Pre-int margin (%)	7,3	6,7	7,2	7,5
Earnings (c)	83,6	78,0	103,6	129,3
Dividends (c)	30	30	32	38
Net worth (c)	486	524	617,4	722,6

Surgery carried out over several years contributed to improvements in Fedfood's performance for the 1988 year, while the balance sheet is leaner, thanks to asset sales and more vigorous cash flow.

Market growth was restrained. Chairman Kerneels Human notes that while domestic spending increased 3,7% in 1987, real spending on food rose only 0,5%. He adds that Fedfood made good use of opportunities and attained a much higher real growth in turnover.

The group income statement shows turnover rising by only 3,9%, but MD Jan du Toit refers to growth in "comparable turnover" of 22%. The higher figure is arrived at after



adjusting for the sale of Industrial Oil Processors (IOP) to management in April 1987 for R20,6m. This created a R7m capital profit which after other write-offs appears as an extraordinary item of R4,9m.

Problems continued to be encountered in two core divisions, bakeries and grain processing. These together contributed R573,6m or 57% of total turnover, yet their combined attributable profit fell by R2,9m to only R8,7m. This amounted to 27% of total attributable income, after the combined attributable income from the other three divisions rose from R11,3m to R23,6m (see table).

In grain processing, where turnover rose 12% while attributable income fell 27%, the group faced competition in the vegetable oil market, generally adverse agricultural conditions and exceptional pressure on prices for basic food products such as maize meal. Sporadic labour unrest prevented optimal utilisation of capacity and flood damage in Natal also impaired profitability.

Bakeries' turnover rose 18% while attributable income dropped 20%. Management says cost savings were generated by rationalisation of delivery routes but unusually high increases in labour costs bruised results.

In other divisions, sales and profits moved with gusto. Best performer, Marine Products, benefited from the excellent local fishing season. SA's anchovy quotas were doubled from 300 000 t to 600 000 t while catches were exceptionally good in Namibia. But local demand for canned fish continued to exceed total SA and Namibian production and resulting imports indirectly benefited group interests in Chile as canned fish was imported from there. The factory in Iquique processed 42% more fish than in 1987 and income from this source — which is not consolidated — more than doubled.

Whether the results could be repeated is anybody's guess. Management notes that performance in the fishing industry remains dependent on good catches. I understand that at this stage the outlook is positive.

As expected, a turnaround was achieved in Table Top, the frozen foods division, following rationalisation of production and distribution with Harvestime in 1986. Sales and profitability of the frozen vegetable operations benefited from continued exports and increased demand. Provided that "present economic and raw material conditions prevail," the division is expected to improve further.

In the snacks division, Simba, demand was expanded through market stimulation and new product launches. Management says

FEDFOOD'S DIVISIONS

	1987		1988	
	R'000	%	R'000	%
Bakeries	3 061	11	2 445	7
Frozen foods	(646)	(2)	4 418	12
Grain processing	8 557	31	6 249	18
Snacks	6 930	26	8 926	25
Fisheries	5 072	19	10 232	29
Subsidiaries sold and corporate	4 166	15	3 211	9
	<u>27 140</u>	<u>100</u>	<u>35 481</u>	<u>100</u>

Simba strengthened its position as market leader amid severe competition. Scarcity and resulting price increases of potatoes were countered by switching production and marketing emphasis to other types of snacks.

Stocks rose by 8,8% and the balance sheet shows creditors up by 23,8% and debtors and deposits higher by 20,7%. Total borrowings were cut to R64,1m (R91,2m), so that net interest paid dropped by R6,2m to R10,2m. Though margins improved, reported pre-interest income rose only 8,6%, and lower finance costs was thus the major reason for the 25% earnings advance. However, Du Toit says that if IOP is excluded, operating income rose by 21,5%.

Du Toit says the group could repeat its performance of the past year. Still, given the problems in the baking and grain processing divisions and the inherently uncertain fishing prospects, it may be wise to assume a slowdown in earnings to the 10%-12% range. At 670c, this would place the share on a forward P/E of about 4,7 and dividend yield of 6,3%.

Andrew McNulty

MRGWS 24/6/88

(Handwritten initials and circled marks)

Two Japanese supermarts ban SA tinned food

Staff Reporter

THE decision by two Japanese supermarket chains to ban South African canned goods from their shelves was possibly linked to a "very active" African National Congress presence in Japan, says the chief executive of a major fruit and vegetable cannery.

Mr Carel Stassen, of Lange-

berg Co-op, who recently returned from Japan, said the decision had made no impact on Langeberg's exports to the country.

"Unlike here, where a few chains dominate, in Japan there are hundreds of supermarket chains and 120 million customers."

Canned goods accounted for the biggest proportion of consumer-item imports from South Africa.

Sensitive issue

Mr Stassen said he had seen pamphlets distributed by the ANC calling on retailers not to stock South African goods, and described the organisation as "very active".

He was not prepared to disclose details of trade as exports were a sensitive issue.

Mr Robin Merry, managing director of Gant's Foods, said his company had lost a contract to supply one of the two supermarket chains with canned peaches and fruit cocktail.

However, it was "not of major consequence".

A spokesman for the Department of Trade and Industry said that because of sanctions, trade figures were no longer published.

By ELAINE DURBACH

OK, SO R3.5 million later, do you feel that you're part of the Maize Generation? — Don't get indignant if you don't; it wasn't taxpayers' money that financed the Maize Board's recently-concluded two-month airwaves and Press blitz

It came out of the pockets of the producers and millers and thus will take a while to filter through to us.

Just as well. If English-speaking Capetonians had been the Maize Board's target, it would have taken more than copywriters' ingenuity to convey the notion that maize meal is a NOW food.

"Maize meal?" queries a typical local yokel. "Oh, you mean mealie meal? Oh — I had it once at a potjiekos braai in the Transvaal. It had a weird smell."

Alien as mealie meal might be to most gourminds here, to much of the nation it is a staple. Or at least it always used to be. In rural homes — white and black — it features at breakfast, lunch and dinner, with milk and sugar, or sopping up gravy, boiled, braised, baked or fried. The way the Chinese eat rice, the way the Italians eat pasta or the Irish their spuds, so South Africans eat maize — or corn, as others know it.

Of course, we are not the only corn eaters around. The Mexicans eat it in all manner of styles. The Italians love their polenta. And Vo Pol-

Breakfast, lunch time, tea time and dinner, don't forget the maize

Cape Times 25/6/88

Lard, a food fundi who has hosted indigenous feasts for curious tourists, stopped serving mealie meal to Americans when she realized that for them it was mere home-from-home "grits". But we are amongst the most serious consumers of the stuff in the world — even before you include all its hidden uses in other products.

So why the radical extravagance of the media campaign? — To the growing concern of the industry, the mid-1980s had been showing a sharp decline in maize consumption. Despite the drop in output caused by drought and flood, they saw a surplus growing as buyers backed off. The low rand pushed produc-

tion costs up so high that exporting the excess at a competitive price became unprofitable. To compensate for the export losses, according to Peter Cowme, deputy general manager of the Maize Board, local demand needed to be hoisted by at least 20 000 tons this year.

Explanations for the drop vary depending on whom one speaks to. Black buyers, who make up 90% of the market, appeared to be moving away from their customary reliance on maize, but why? — A few years back, market researchers say, urban blacks began shunning traditional ways in favour of Western notions, but these days there is a sense of pride in an African

identity, so there had to be other factors at work.

It could be that those aspiring to a more sophisticated lifestyle linked mealie meal with poverty, or perhaps — given the expanded options in the cities and the onslaught of advertising — they were simply exploring new diet options.

The Johannesburg advertising agency of Klerk and White were hired to stem the tide. Their mission to convey the notion that up-and-coming people do use maize, that it is a tradition worth making a part of the future. They launched all manner of projects to show how versatile it is. Everyone from maize region hoteliers to recipe writ-

ers got roped in to explore — and promote — the culinary possibilities.

The figures aren't conclusive yet, but according to John Dobie of Klerk and White, various millers have expressed "glee" over the response to the campaign. The associated competition drew over a million entries, and if that translates into buyers, the 20 000-ton goal looks secure.

So how about a local response?

Ina Paarmann, cookery teacher and peripatetic food writer, says people in the Cape cringe at the sight of mealie meal, then taste it and want more! Like most fans, she waxes lyrical on the subject. But it would take a rigid bias to resist her description of a breakfast of crumbly, steaming krummelpap, served with fresh cream and melting sugar.

Cookery buff Ian Logan, whose familiarity with local appetites comes from running restaurants and teaching others the art, suggests combining fresh mealie kernels with your maize meal. But like a true mealie meal lover, he insisted that the pungent singed smell is what makes one *lus*.

His appreciation for maize came from living in Zimbabwe, Ina's from living in the Transvaal. Few Capetonians have discovered their taste for it here — but maybe all that is about to change

Auditors show Milly's loss at R2,6-m for year

CAPE TOWN — An announcement published today by Cape-based fast foods and convenience store chain, Milly's Stores Limited, discloses that the company traded at a loss of R1,04 million for the six months to December 31, 1987

In addition, today's figures also show a prior year adjustment of R409 000 and an extraordinary loss of R1,1 million arising from the sale of Milly's Carousel. This brings the total loss for the year to R2,6 million

The company's previously published unaudited results for the period showed a net profit of R358 000

Milly's shares, which will shortly be relisted, were suspended on the JSE on June 1 at the request of the directors following concern that the interim figures may have been incorrectly reported. Chartered accountants Kessel Feinstein were called in and their preliminary report revealed the disparity in the figures

Acting chief executive of Milly's, Unidev's Anthony Scott-Wilson says that no explanation has been forthcoming from former MD Michael Bruchhausen for the large discrepancy between the unaudited interim results as presented

by him to the board, and the figures determined by Kessel Feinstein

The official announcement states that the previously published results had been prepared by Bruchhausen and were accepted by the remaining members of the board in good faith

Unidev has declared its intention to support the company "In spite of the major losses incurred, we believe that Milly's is viable and we are taking active steps to safeguard both our own interests and those of minority shareholders," said Unidev executive director Ronnie Stein

Recapitalisation necessary

"New financial disciplines have been imposed and we are confident that, barring unforeseen circumstances, the measures implemented will lead to a significant improvement in the company's trading position within the foreseeable future

"Clearly however, Milly's needs to be recapitalised in order to fund new growth," Stein said

To this end, the company plans to raise R2,5 million by way of a rights offer, which Unidev will underwrite. Further details will shortly be circulated to shareholders.— Sapa

Yeasty flavour

Activities: Baker and confectioner
Control: Lebowa Development Corporation
Chairman: P C Mokgokong
Capital structure: 25m ords of 10c Market capitalisation R12,5m.
Share market: Price 50c Yields 9% on dividend; 22,2% on earnings, PE ratio, 4,5, cover, 2,5 12-month high, 110c, low, 40c Trading volume last quarter, 43 000 shares
Financial: Year to March 31.

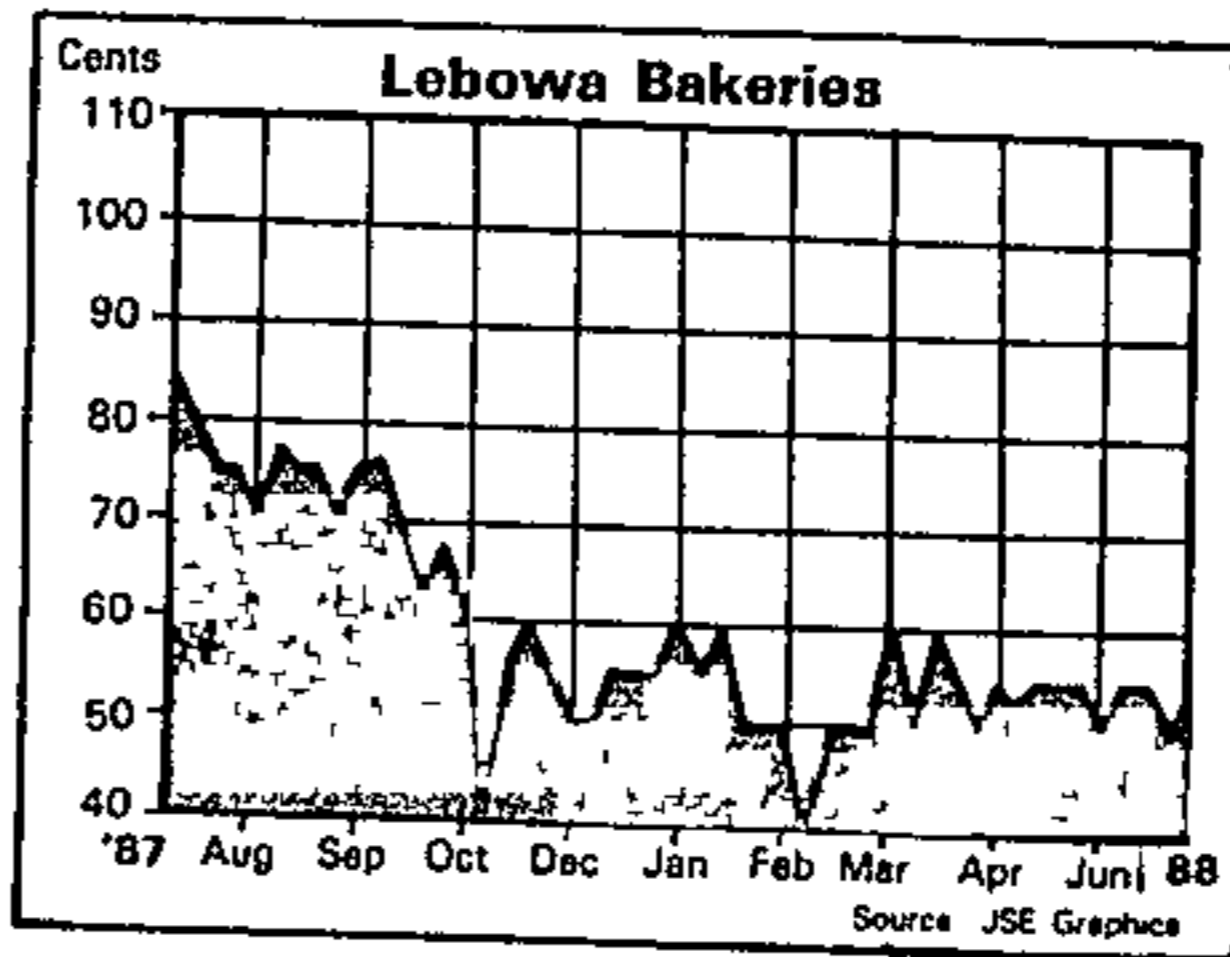
	'88
Debt	
Short-term (Rm)	—
Long-term (Rm)	1,42
Debt equity ratio	—
Shareholders' interest	0,73
Int & leasing cover	1,19
Debt cover ..	1,37
Performance	
	'88
Return on cap (%)	24,2
Turnover (Rm)	39,0
Pre-int profit (Rm)	5,09
Pre-int margin (%)	13,1
Taxed profit (Rm)	2,55
Earnings (c)	11,1
Dividends (c)	4,5
Net Worth (c)	57,9

FINANCIAL MAIL JULY 22 1988

Investors seem to have decided that the shares, currently on a dividend yield of 9%, offer income rather than growth. It is true that chairman Pothinus Mokgokong notes in his review that he "is reasonably confident that (this) year we will maintain and perhaps even improve on our performance."

That sounds a less enthusiastic forecast than is being offered by many industrial chairmen currently. However, it is also true that the company at the time of the listing underestimated actual earnings and dividends for the past year by 31% and 36% respectively.

Following the listing last July, the first annual report of this regional baker suggests that this year it will be especially active in expansion and diversification. Further, the board's belief is that, as a result of the listing, Lebowa Bakeries will be better able to "look for development opportunities countrywide." Last year already saw acquisition of two bakeries beyond Lebowa's boundaries. Fea-



sibility studies are being prepared for bakeries in several areas.

Mokgokong reports a "significant swing" from brown to white bread. Demand for the latter as a percentage of the former rose from 9,8% to 13,7% last year.

The ambitions, if they are realised, may lead to a change in investors' view of the company in the future, despite the fact that the company does not control the structure or the level of the bread price. The listing probably means that the company will no longer be dependent on the Lebowa Development Corporation for finance. The past balance sheet shows long-term debt of R1,4m which bears interest at prime rate, but this is matched by liquid balances of R3,2m, meaning the balance sheet is effectively ungeared.

The impression is of a conservatively run but ambitious young company which may yet surprise the JSE. While present outlook may be for only a small earnings improvement this year, investment now for a longer period appears to offer attractive potential at the current price.

David Ross

PREMIER

186

Broad earnings base

Activities: Investment holding company whose subsidiaries and associate companies operate in a broad spectrum of consumer industries — food, fishing, pharmaceutical and leisure — by way of manufacturing, wholesaling and retail activities. Interests include 35% of SA Breweries, 33% of CNA Gallo, 48% of Twins Pharmaceuticals and 76% of Gresham Industries.

Control: Liberty, JCI and Anglo American.

Chairman: A H Bloom, deputy chairman and CE. P Wrighton.

Capital structure: 56,9m ords of 50c, 6,8m pref ords of 50c, 621 100 5,5% cum prefs of R2, 143 320 'A' share purchase prefs of 50c, and 24 400 'B' share purchase prefs of 50c. Market capitalisation: R1,85 bn.

Share market: Price 3 250c Yields: 4,3% on dividend, 9,8% on earnings, PE ratio, 10,3; cover, 2,3 12-month high, 5 650c, low, 3 100c Trading volume last quarter, 97 999 shares

Financial: Year to March 31.

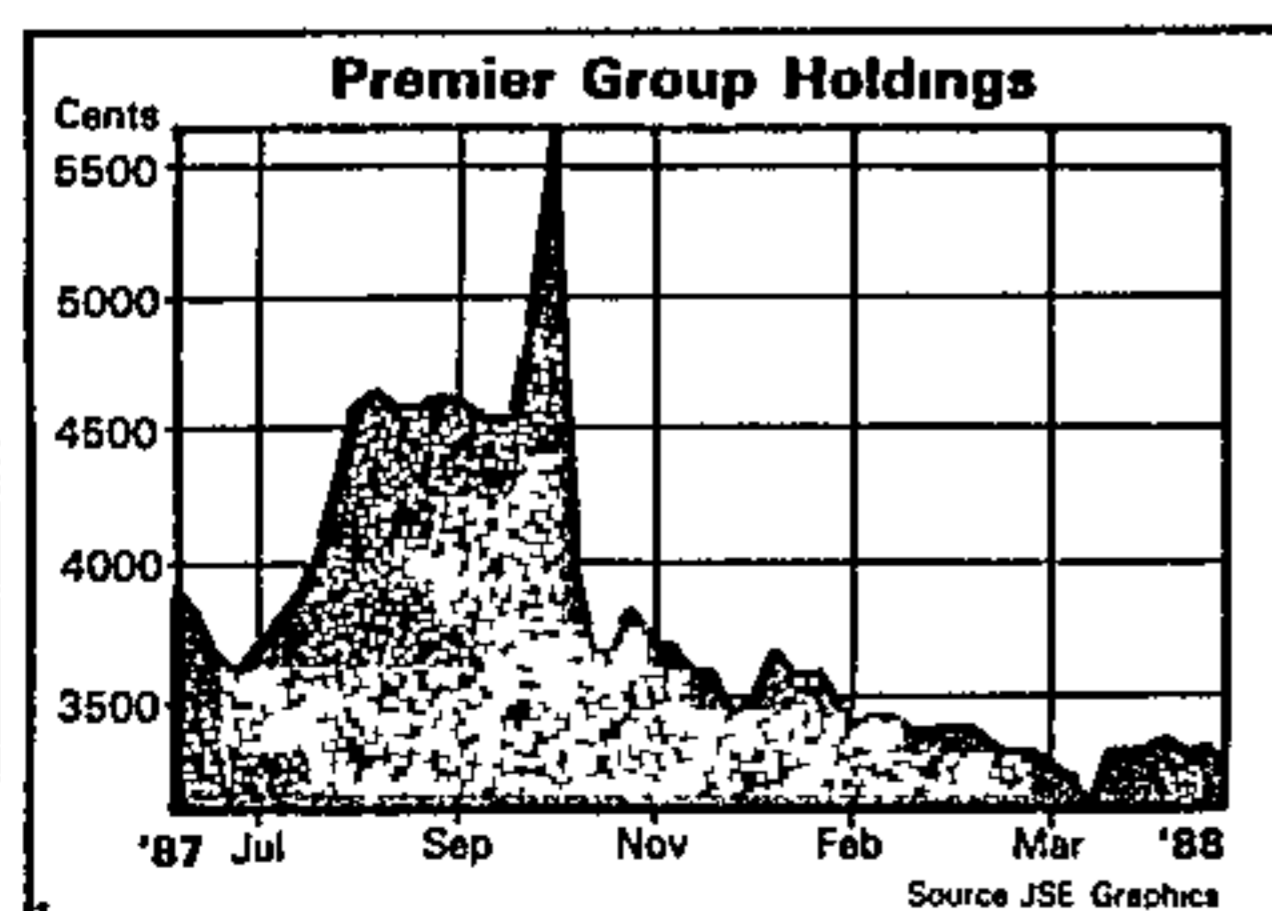
	'85	'86	'87	'88
Debt				
Short-term (Rm)	118,6	67,1	105,4	84,6
Long-term (Rm)	300,2	309,5	295,3	349,3
Debt equity ratio	0,29	0,24	0,16	0,17
Shareholders' interest	0,66	0,69	0,50	0,48
Int & leasing cover	1,7	1,8	3,4	3,9
Debt cover	0,24	0,31	0,41	0,51

Performance:

	'85	'86	'87	'88
Return on cap (%)	8,0	7,7	4,6	5,3
Turnover (Rm)	2 311	2 445	3 204	2 690
Pre-int profit (Rm)	174,7	175,9	209,8	276,2
Pre-int margin (%)	5,8	5,5	5,8	6,4
Taxed profit (Rm)	60,0	72,5	108,7	161,3
Earnings (c)	214	146	233	317
Dividends (c)	86	86	105	140
Net worth (c)	2 217	2 219	2 344	2 612

Premier's continued presence in the JSE's food sector remains incongruous. With the proposal to list the food division now shelved, the share could logically be moved to the industrial holding sector.

After diversification, and recovery in the food operations, the group still derives around 67% of attributable earnings from 35%-held SA Breweries. Analysts estimate that less than 20% of total earnings came



Premier's Bloom ... profitability increased

from the food division, with other significant contributions gained from CNA Gallo, Twins Pharmaceuticals and Gresham Industries

In anticipation of the listing, Premier Food Industries (PFI) in particular was restructured. There were acquisitions, such as the movement of Ovenstone fishing operations into PFI, and various disposals were made. Because of the new divisionalisation, comparative figures for the divisions were omitted from the accounts. Chairman Tony Bloom says that PFI's profitability increased substantially and was achieved by concentration on efficiencies and productivity.

However, PFI made trading profit of R102,4m on turnover of R2 275,5m and total assets of R1 016,4m (Premier's total assets exceed R2,9bn). The margin of trading profit to turnover was thus 4,5%. In contrast, Fedfood, reporting for the same period, made operating profit of R76,1m on turnover of R1,01bn, giving a margin of 7,5% (FM June 24). PFI contributed 49,6% of Premier's total trading profit of R206,5m, and 37% of pre-interest income.

One problem for PFI is its large exposure to the flour milling and baking sectors, where minimal price increases, competition and wage increases have helped to depress margins. Directors say severe capacity constraints which afflicted the wheat milling division for some time have been eradicated with the commissioning of a R56m wheat mill in Vereeniging. The additional capacity, they say, will enable the division to increase

its share of the wheat flour market and eliminate shortages which have occurred in peak periods.

Surplus capacity remains a depressant in the maize milling industry where this has caused severe price cutting and reduced margins. The strategy of heavily investing in branded products paid off, and "perceptible gains" are being achieved in the higher-grade sector of the market.

The agribusiness, animal feeds, farming and processing division maintained its turnaround off a low base and further advances are expected. Poultry prices are expected to stabilise, though, as there are indications

PREMIER'S PROFIT

	Turn-over	Trading profit
	Rm	
Food and allied interests	2 288,7	104,9
Music, books and consumer goods	429,8	36,9
Wholesaling	280,6	16,4
Pharmaceutical	204,9	48,3
Total — 1988	3 204,0	206,5
Comparative 1987	2 690,2	156,5
Percentage change	+19%	+32%

that there will not be any marked increase in the supply of red meat and fish in the current year. In animal feeds, higher volumes are expected, but only a small increase in profitability owing to pressure on margins.

Also rising off a small base is the fishing division, which has been substantially reorganised. Last year's results were "most satisfactory," thanks mainly to the higher anchovy quotas and excellent results of the rock lobster operations. Prospects for this year appear "reasonable."

The reorganisation, capital investment and management changes could well mean a new growth phase for the group. Meanwhile, the tenor of the report does not give the impression that the pace of improvement in PFI will be exactly spectacular.

The group balance sheet has remained strong. At year-end cash balances stood at R12,9m (R24,6m) and net working capital fell during the year by 1%.

Investments during the year included an increase in the stake in Score Food Holdings from 15,67% to 20,12%, the holding in Hi-Score was raised from 19,9% to 23,7%; a 50% stake was acquired in Colour Processing Laboratories, which is budgeting turnover of R80m for this year, while 2,9% was acquired in CTP Holdings.

Unhelpful as the performance was at the time, it is a pity that Premier did not float off

Supermarket slates bakeries agreement

By JEREMY DOWSON
Staff Reporter

A MAJOR supermarket chain is at loggerheads with the "big four" bakery groups in the Western Cape over a 15-year-old zoning agreement for government-subsidised bread

After last year's collapse of a milk zoning agreement between local dairies, Pick'n Pay is gunning for the bread-delivery agreement between bakeries owned by Tiger Oats, Premier Milling, Bokomo and Sasko

The chain's national perishables co-ordinator, Mr Ray Murray, described the agreement — whereby bakeries have mutually agreed to supply stores in certain areas — as "archaic and in conflict with free market principles"

He admitted that the agreement's collapse would not bring down the prices of subsidised white and brown bread, as these were fixed

The secretary of the Western Cape Bakers' Association, Mr Colin Boyes, said the agreement was introduced during the oil crisis in the early 1970s to cut down delivery costs by avoiding duplication of supply routes

"Over the years this has saved the industry — and therefore the consumer — many millions of rands

"If Pick'n Pay has its way and there is a free-for-all, bakeries will have to buy more vehicles and employ more labour"

This would cause costs to rise and lead to further increases in the price of subsidised bread

Since the collapse of the milk zoning system, dairies had been forced to expand their delivery fleets at enormous cost

Mr Boyes said that at the time the agreement was struck, all supermarket chains operating in the Western Cape — including Pick'n Pay — were given the opportunity to state their cases

"Agreed to it"

"Like the others, Pick'n Pay agreed to it"

The national vice-president of the Housewives' League, Mrs Sheila Bailie, said the organisation was "generally in favour of competition" and regarded rigid zoning as unfair

The regional head of the S A Consumer Council, Mr Wander Hoon, said the council was opposed to zoning in principle and believed that the free market system should be complied with

Delis: Are they doomed by tax and inflation?

CAP Tuis 20/8/88

186

DELICATESSENS are alive and well in Cape Town — but at a price. If you want your genuine Scotch salmon, Russian caviar, goose liver pâté or French truffles you can still get them if you have the currency. For instance, for 25 g of truffles, you pay around R25.

Giovanni Esposito, a director of Rieves in Sea Point, snorted "The new import surcharge is ridiculous and is going to make things difficult for everyone, but we stock 100% imported goods and we will continue to supply these to our customers even if we have to absorb the some of the cost ourselves

"We still have a big clientele who want anything from wild rice to imported chocolates and jams"

'Lots of scope'

However, another local delicatessen, Milly's, has found that the pre-cooked food trade is booming and is moving further into this market in its stores

Mr Mark Margolis, senior store manager, said "There is still lots of scope for delicatessens but mostly in the fresh cold meat, home bakery and pre-cooked food lines

"The exchange rate has definitely affected the imported market, for instance imported salami and cheese. I remember just three years ago that a certain salami would sell for about R28/R30 — today we can't buy it for R45!

"Smoked Scotch salmon, which was about R68 a kilo three years ago, is around R120 a kilo today

"We still have a clientele who can afford to pay these prices and will continue to buy imported goods

ARE delis as we know them dying? The price of imported goods is prohibitive today and some stores are turning to the growing pre-cooked food market. DIANE CASSERE takes a look at some local delicatessens.

but we are definitely concentrating on the more popular lines and our own fresh-baked items," Mark said

Three stores

"The whole market has changed and people are just not paying R12 for a jar of jam. To once again give the price of three years ago, you paid about R3-R4 for imported Swiss jam — today you could never sell it for less than R9 or more

"Some imported stuff is simply not available to us any more because of the increase in the import duty"

Milly's has three delicatessens and a fourth, on the Foreshore, that operates as a deli and fast-food outlet. The others are in Gardens, Sea Point and Claremont

Mrs Juliano Favero, a Milly's employee who has been in the delicatessen business for more than 15 years and who is Italian by birth, said she had seen many changes in the deli scene in those years

"Perhaps before you had less of a variety of goods but what you bought you sold. Today these can be stuck in the shop for months and months. Some of the things are just too expensive

"Also, people change. Many of the people who came to this country 20 years ago and preferred the product from their own country have adjusted to the South African equivalent

'Big part'

"Many things, like South African chocolate, have improved and people are using these but local cheese can never compare with imports and the pastas — the flour in Italy is different and so is the climate. These things affect the product

"Delicatessens will probably have to concentrate on ready-made food as many do in Europe — that is a big part of what a deli sells."

Alan Baxter, Pick 'n Pay's senior buyer for the Western Cape, agreed that the pre-cooked food market was picking up

"Our delicatessens sell a wide range of cold meats, smoked products and pre-cooked foods, all made locally, and they are busier than ever

"It would appear that with today's busy lifestyle, people are turning to convenience foods and rather than a drop we have seen growth in that area"

He added that Pick 'n Pay would continue to stock the full range of imported cheeses for its cheese bars because customers still looked for them

PAGE 1 PICTURE Goodies at Rieves in Sea Point which stocks only imported goods including Russian caviar, French truffles, wild rice and Scotch salmon

Picture. STEWART COLMAN

2/12/88 S. Walker (BB)

DIAGONAL STREET



by JULIE WALKER

Things are hotting up at Imperial Cold

GETTING to grips with production efficiency has stood ICS in good stead.

Imperial Cold Storage Supply Co (ICS) — 70% owned by Barlows CG Smith Foods — is the largest perishable foods company in South Africa

Big on brand names, its product range includes Dairy Belle, Dairy Maid, Festive chickens, Sea Harvest fish and Renown meat. Through the Cold Chain it distributes on behalf of other food producers such as Tiger Oats. It owns half of Fedco, SA's largest caterer, and 50% of leading meat canner Bull Brand. Canned goods sales improved markedly and record sales were achieved even though a shortage of low-grade beef necessitated im-

ports of processing meat. ICS holds a 50% stake in Chandling International, the major operation on the South African coast. Increased diversification contributed significantly to profitability in the last financial year.

SIMILAR

ICS is not lacking in market share either. It corners 25% of the cheese market, 19% of butter, 20% of milk powder, 35% of fresh meat, perhaps 40% of deep-sea fish (flake), and 22% of the fruit-juice trade.

ICS operates its divisions in different ways. It runs an entire meat chain from feedlots, livestock agencies, abattoirs, wholesale and retail, including tanneries. Poultry is similar, but milk is supplied by independent farmers.

Through Sea Harvest ICS owns trawlers and factories and the Cold Chain handles the national distribution. Ice cream comes from milk powder made at the dairies.

There have been several changes at ICS in the past two years. One was the coming and going of managing director Owen Dinsdale, who was ably succeeded by Russell Chambers.

More important has been capital expenditure of R100-million. This has not been only for replacement, but for the bringing on stream of food-processing plant.

The financial performance of ICS has turned around of late. In 1986 it made R14-million profit after tax; last year it made R38-million. Mr Chambers says he will be disappointed if profit does

not rise by 30% in the year to September.

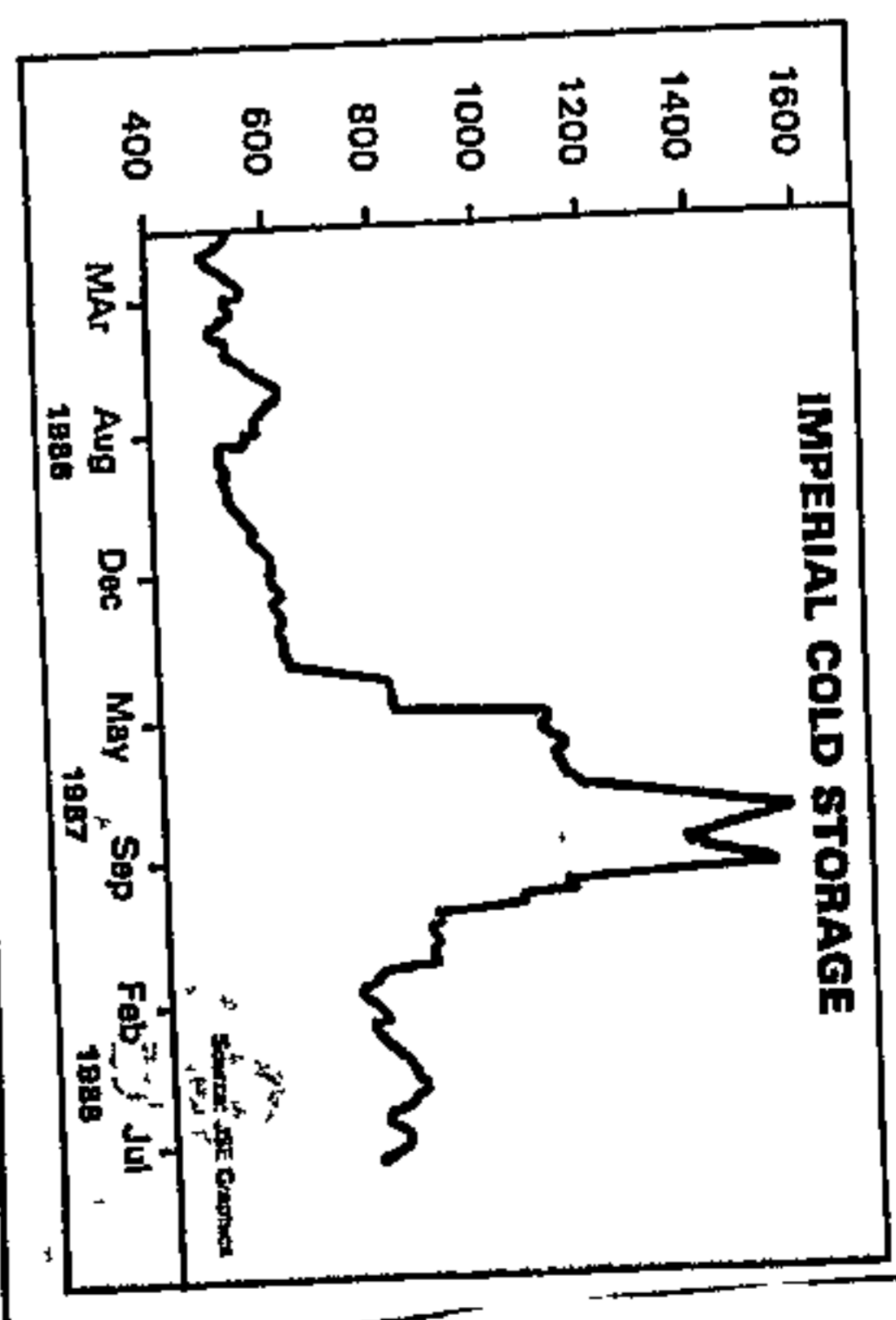
ICS has a tremendous infrastructure. Its spending on expansion has outstripped depreciation provisions handsomely since 1986. Mr Chambers says his group is continuously installing plant to stay ahead.

New facilities have been built and the fleet of 1 300 vehicles has been modernised.

Its Clayville, Transvaal, dairy is the most modern in SA. Milk may be good for the teeth, but Clayville has not been without teething problems.

Milk shortages, increased raw milk prices and labour problems were the main

problems there. The milk prices were the main problems there. The milk prices were the main problems there.



The dairy division has introduced a branded range of low-fat products as well as milk-fruit juice mixes. It markets low-fat high-calcium milk for women, who tend not to take enough calcium.

New packaging can go a long way to dressing up unchanged products. The Dairy Maid ice-cream range is an example. It has increased its share in a market it already dominates.

Mr Chambers foresees keeping up with demand as

representing the merged interests of the two companies. Datakor will have three operating arms

Group structure

- Datakor will have three operating arms representing the merged interests of the two companies.
- The transaction will establish Datakor as a distributor operating in 22 centres, generating sales in the region.
- The acquisition is in line with the 10-year strategy to become a leading company in the local processing and communication industry.
- The group will take full advantage of the position and communication industry.

South Africa Unisys World Trade Inc made this brings to 30 the distributor

CAPE TOWN 23/8/88
186

Pleasure Foods earnings up 38%

JOHANNESBURG — Pleasure Foods, Anglovaal group's operator and franchisor of fast-food outlets, which was formerly Juicy Lucy, has announced earnings of R3,4m for the 13 months ended June 30 — equivalent to 8,4c a share based on the weighted average of shares in issue — has increased its dividend to 3c (1987 2,5c) a share and expects a significant improvement in the current year's results.

For the year ended May 31, 1987, the attributable profit was R0,5m or 6,1c a share, on the old capital. Thus, the 13-month earnings reflected a 38% rise.

Consolidated turnover was an impressive R68m (1987 R9,2m) and this resulted in a pre-interest and pre-tax profit jump to R5,2m (R1m)

The board reports that the Wimpy division returned exceptionally good results, but the Pizza-land/Pizza Hut rationalization was more disruptive than expected on trading results and led to a loss. The Juicy Lucy division reported improved results as did BJ's Pantry.

With interest-bearing debt increasing to R6m (R0,6m), the interest paid factor rose to R0,5m (R0,1m)

The pre-tax profit was R4,7m (R0,9m) but the tax bill absorbed R1,3m (R0,4m)

Pleasure Food's share of associated company earnings was fractionally above its minority interests payments, leaving earnings totalling R3,4m (R0,5m)

In spite of the acquisitions and increased business activity, gearing was still a very commendable 11,9%, while net worth at the year-end rose to 133c (35c) a share — Sapa

ce
at
1

W/L ARKUS 27/88
186

S A canned fruit exports 'quite good'

By DICK USHER
Business Staff

SOUTH African canned fruit exports are holding their own in a difficult market, according to the main exporters.

Mr Carel Stassen, chief executive of Langeberg, said exports were "quite good" considering sanctions against South Africa which had lost this country markets in the United States, Canada and Scandinavia.

Advantages

At the same time, the comparative advantage South Africa had enjoyed through the declining rand had been offset by domestic inflation and declining currencies of competitors, he said.

Mr Robin Merry, managing director of Gants, said that

with the change in political emphasis some doors had closed but exporters had managed to expand in other markets, especially the Far East and Europe

But exporters were managing to keep their heads above water even though the South African inflation rate tended to negate the benefits of a weaker rand.

"We are competing in a market where many of our competitors do not have the same inflation problem

Competitive

"You cannot keep putting up prices if you want to remain competitive," he said.

Other factors favouring South African exports were the quality, service and reliability exporters offered

Sanctions could devastate country's cane belt

SA 29/1/78

SA 29/1/78

By Dave Canning
RBAN — The sugar industry and large parts of Natal and Eastern Transvaal — would be disastrously affected if the recent clamour for sanctions against successful Mr John Chance, chairman of the SA Sugar Association, said yesterday.

Making another plea for a positive Government decision on the proposed ethanol plant at Richards Bay, he told the association's annual meeting in Durban. "The clamour for more stringent sanctions to be applied to our country grows louder by the day."

Sanctions, if applied successfully, would undoubtedly have a disastrous effect. It would cause the closure of some mills and untold hardship to some employees and cane growers — particularly black growers. More than 750 000 blacks were dependent on the industry. Many towns throughout the cane belt would suffer. Satellite industries would be badly affected.

He said the Government had been made aware of the catastrophic effects on Natal and the Eastern Transvaal should sanctions threats become a reality. "We can only hope that political solutions to our country's difficulties will be resolved before any such actions take place."

An ethanol plant could materially assist in stabilising the economy of the sugar industry and he hoped the Government would take a final positive decision soon.

He did not believe that the Government, which spent billions of rands on capital intensive non-renewable synfuel plants which create major pollution problems, could continue to ignore precedents in a number of leading countries which are diversifying agriculture into ethanol fuel production.

He said the sugar industry's attempts to diversify into ethanol could be jeopardised by vested interests present at various stages of evaluation of the project.

A secretive "black box" approach had been adopted in re-evaluating the ethanol feasibility study, first by the oil industry and then a select sub-committee of the National Energy Council.

"The sugar industry does not query the State's expenditure on strategic indigenous fuels but I believe we have a right to receive similar treatment and to know what parameters are used to evaluate our ethanol project."

The better outlook had enabled the industry, in April, to repay R40 million of the R327 million in loans raised earlier this decade.

By this time next year the sugar industry could be in the fortunate position of having repaid at least half of its total loans.

Mr Chance said the association had generated a profit of R15 million from transactions covering the flow of export proceeds. No foreign exchange losses had been experienced on foreign currency loans which had been raised.

However he sounded a warning about SA's position as a major exporter and also warned against thoughts of expanding the industry in general.

The world free market was unlikely to become profitable — except for temporary surges as at present — until the US and EEC changed their agricultural policies.

There were signs that they were beginning to rethink their policies.

However it could be 10 years before agricultural trade barriers and protections were removed completely, if at all.

● Sapa reports from Port Louis that the United States is to buy more sugar from Mauritius this year.

The island says that Washington will purchase just over 12 000 tons of sugar, which represents an increase of 4 000 tons in the US annual quota from Mauritius.

The US has increased its quota this year because it will have to buy 300 000 tons more this year due to acute drought prevailing there.

The sale of the 12 000 tonnes will earn Mauritius about \$12 million.

Ethanol 'better prospect for SA sugar industry'

(126)

Own Correspondent

DURBAN — Increasing sugar exports carried too many risks, but ethanol and down-stream chemical production would provide a secure and rapidly growing outlet for sugar products, SA Sugar Association chairman John Chance said yesterday.

Construction of an ethanol plant in Natal would also help solve one of SA's major problems — the rush of people to the cities — and would form a bulwark to the increasing clamour of countries that would refuse to buy SA sugar.

It would also tackle a problem SA ignored — atmospheric pollution, Chance said.

America and France had made it possible for increasing volumes of ethanol to be used in cars while SA spent its sparse capital resources on pollution-creating, non-renewable sources of energy.

~~2/28/88~~ B/daw
28/7/88

Jan Theron steps down

W/L 17645 1/10/88

186 186

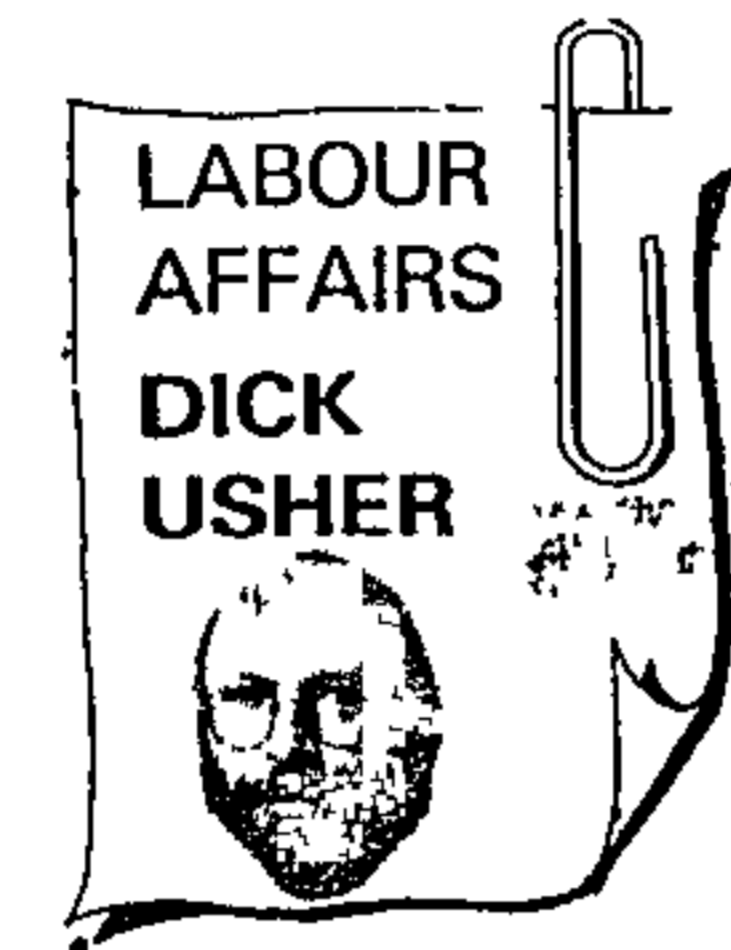
JAN Theron, general secretary of the Food and Allied Workers' Union, has stood down to take his delayed sabattical.

Mr Theron, previously secretary of the Food and Canning Workers' Union, was elected general secretary in 1986 when the union amalgamated with several others in the industry to form Fawu as part of the one-industry, one union policy of the Congress of South African Trade Unions (Cosatu)

Mr Theron announced his intention of taking extended unpaid leave to write at the union's 1987 conference

While he originally spoke of starting the leave early this year it got postponed, partly because of some internal problems

These led to a special congress in Cape Town during June to deal with dissension stemming mainly



from financial problems associated with the Spekenam strike and the concert held to raise money for the strikers.

Fawu issued a statement this week announcing that Mr Theron had stood down and that his place would be taken by Mandla Gxanyana, previously national organiser for the milling and baking sectors

The announcement should settle a period of quite intense rumours about Fawu

For some reason, possibly because the length of time it has been around and the industry in which it operates, there have been a seemingly never-ending series of rumours about Jan Theron and Fawu around the industry.

At one stage it seemed like a fresh story cropped up about once a week

Conference

According to the Fawu statement, about 200 delegates and 200 alternates and officials attended the conference in Soweto over the weekend of September 23-25

They came from 31 branches and Fawu now has 75 000 paid-up members "reflecting the growth of the union despite loss of membership through retrenchment and dismissals."

Start of the conference was delayed by restrictions placed on president Chris Dlamini, who eventually got permission to attend

The conference deplored the restrictions placed on Mr Dlamini and other Cosatu leadership

weak
licy)
ment
ices,
ising
poli-

some
rt
arket
y one
of at
have
f the
g the
ey.

r this

a unit
post
onsult

many
is to

tic
ise

Assur-
share-

ome of
for an
nsurer.
f going

which
der ap-
at Sun
onfron-
lantic's
urman.
e of 18
een ta-
He de-
al with
nto Eu-
French

I
K
f
ist
in
pe
bu
de
r
n
ev
e
e
inc
ing
ide
re
ue
re
ve
col
ent
tern

Spur, Spurhold rustle up impressive results

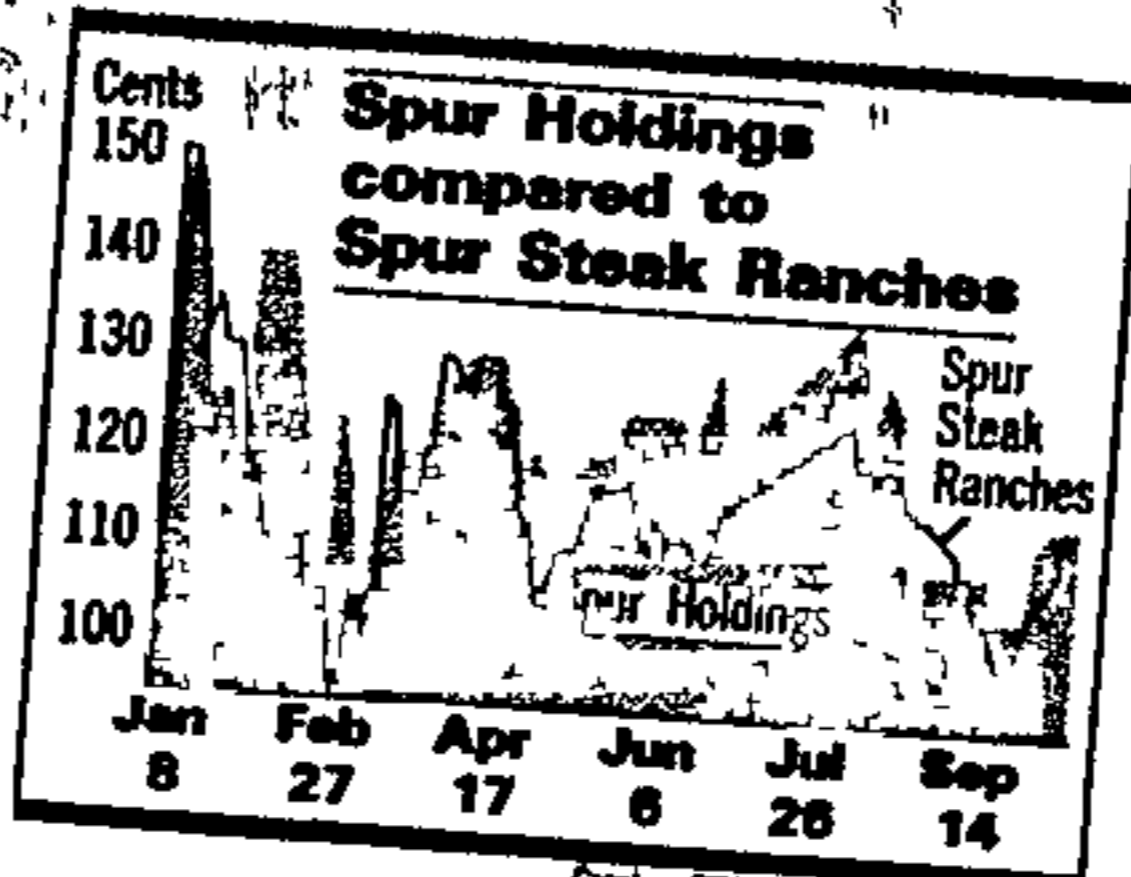
LIZ ROUSE

RESTAURANT franchiser Spur Steak Ranches (Spur), and its holding company, Spur Holdings (Spurhold), achieved appetising results for the six months to August.

Spur posted a 41% rise in attributable profits to R707 000 from R502 000 in the previous comparable half-year, translating into a 37% increase in earnings to 5,16c a share (3,77c a share) on a slightly bigger issued share capital.

The interim dividend has been raised by 33% to 5c (3,75c). In a meaningful comparison, the extraordinary dividend received last year from Spur has been excluded from comparative results.

However, growth appears to have slowed down, following the spurt in the



year to February 1988, when turnover was up by 55% and attributable earnings jumped by 72%.

Turnover rose by 47% to R3,6m from R2,5m as a result of new menus for both Spur and Hard Rock franchise outlets, advertising, intensive promotion and a still expanding network of franchises.

Spurhold — which, besides its effective controlling shareholding in Spur, also operates under franchises from four Cape restaurants — posted a 40% rise in attributable profits to R629 000 in the six months to August (R449 000). Attributable portion of earnings of Spur increased by 37% to R324 000 (R237 000).

However, Spurhold's interim dividend has been pegged at 4c in spite of the 40% increase in earnings to 5,03c a share (3,59c a share).

Reason for the different dividend payments is that Spurhold has to retain income.

Spurhold's turnover was up 27% to R3,7m from R2,9m. For purposes of meaningful comparison, the extraordinary dividend received last year from Spur has been excluded from comparative results.

Use selective measures

FOREIGN BUY/SELL

1986
Bldg
13/10/88

Business Report

Earnings beefed up 37%

Kanhym's bumper performance

*Cape Times
19/10/88
186*

JOHANNESBURG. — Kanhym has produced a bumper performance in the financial year to end-August, beefing up earnings a share by 37% and reducing its loans by 32%.

Income before tax rose 42% to R20,2m. Attributable income increased by 38% to R19,7m and turnover by 23% to R801m.

Earnings a share rose from 27c to 37c.

In spite of the increase in turnover and a total rise of 38% in red meat producer prices, net current assets were reduced by 11% to R12,4m.

Close attention to the employment of funds resulted in the gearing being reduced from 76% to 49%.

All outstanding preference dividends were cleared in the course of the year and the only preference dividend remaining before compulsory conversion will be paid in December as scheduled.

An ordinary dividend of 5c, covered 4 times by earnings, has been declared.

Commenting on the results, executive chairman Dirk Jacobs said a major factor in Kanhym's good performance had been its success in boosting

operating margins by 10% from 3,7% to 4%.

Strict cost control, evidenced by a R2,4m reduction in head office costs, greater internal efficiency resulting from management decentralisation, and the targeting of operational effort on profitable markets had also contributed to growth.

"Prospects for the new year are mixed, but on balance we expect to notch up another satisfactory profit increase," said Jacobs.

"On the one hand, we'll have to contend with a possible rise in grain prices which will squeeze margins in our feedlot operation, as well as continuing inflationary pressures in our cost structure which will militate against greater profitability in our livestock auctioneering and agency business.

"On the other hand, we expect a further reduction in financing costs as well as substantial savings in head office costs. In the fresh and processed meat divisions, profitability will grow through a management structure which is considerably more cost-effective and increased market shares of those target areas in which our value-added products can support a premium" — Sapa

Disappointing results from Ohio

SA spends R30bn a year on food and drink

Call for co-operation in food marketing chain

THE SA consumer spent R30bn a year on processed and unprocessed food and liquor, Agriculture Minister J J G Wentzel said.

He told the Institute for Agricultural Communication that the value of the primary agricultural produce included in this amount came to about R12bn, or 40%, while the rest represented costs involved in storage, transport, processing and distribution.

Wentzel said "Turnovers of this scale emphasise the importance of the food producer, the food-processing industries and other middle-men as well as the end consumer in the economic process. At the same time, it brings to the fore the interdependence of various participants.

"Because consumer demand is the primary incentive for production, the agricultural sector and related enterprises cannot disregard the interests, needs and preferences of the consumer

even though it is true that there will always be a consumer demand for agricultural produce. Should they fail to do so, it would only be to the detriment of their own profitability and result in confused relationships."

Relationship

Wentzel said that in reality the producers, the middle-men, who added value to the final product, and the consumer were partners in the bartering process which formed the basis of "optimum satisfaction of needs and the creation of prosperity".

He said: "Such a partnership presupposes a relationship of trust and mutual understanding for the interests, needs and problems of each link in the marketing chain, which is why it is vital to develop good relations between all these parties.

"Maintaining good relations is not,

however, a singular matter. The fact that the vast majority of consumers are concentrated in the metropolitan areas, and the geographic and cultural division between the urban and the rural areas have frayed the historic bond forged by personal connections, we now find that communities tend to develop in virtually closed compartments of self-interest.

"Under these circumstances it could easily happen that a lack of information or misconceptions about the farmer's situation will lead to further alienation or even antagonism when the economic pinch is felt.

"A situation like this would certainly not be in the interest of the country or agriculture. That is why it is vital to promote mutual understanding and a constructive attitude between the different communities and sectors concerned with agriculture" — Sapa.

186
B/day
30/9/88

Local firm seeks more pasta tax

By Caroline Mehliiss

Fattis and Monis, the country's largest manufacturer of pasta products, has appealed to the Government for higher import duties to stop "foreign pasta" coming into the country at a lower price.

Mr Colin Kretzmann, managing director of Fattis and Monis, says there has been so much dumping of imported pasta into South Africa that sales of local pasta have decreased substantially.

"This is putting people's jobs in jeopardy. If sales drop further, we will be forced to lay off staff," he said.

"The imported pasta is less expensive than the local product, in spite of the current 30 percent import duty because it is heavily subsidised by the Italian government.

Fattis and Monis announced a 14 percent increase last month because of higher production costs including imported ingredients.

A spokesman for Pick'n Pay condemned the request for higher import duties, saying that Fattis and Monis had by far the lion's share of the pasta market.

"We would love to be able to import more foreign pasta. We could get Turkish pasta for less than R1 per packet, but cannot get a permit," he said.

Call for higher pasta duty dubbed 'unfair'

By Caroline Mehliiss

The Italian-South African Chamber of Commerce says the recent application by Fattis & Monis for a higher duty on imported pasta is "unfair and inflationary"

General-secretary Mr Gian Carlo Barsotti says Fattis & Monis already has more than 90 percent of the pasta market

"It is most unfair for them to ask the government for protection against a negligible amount of competition. Imported pasta is already subject to 30 percent customs duty and a further 10 percent surcharge imposed in August. The permit system means that the amount of pasta coming into the country is controlled so the local market is already well-protected."

Mr Barsotti denied Fattis & Monis' claim that imported pasta was cheaper than the local product or that it was subsidised by the Italian government.

"Only certain brands of spaghetti are the same price or perhaps two cents cheaper or two cents more expensive than local spaghetti. Imported fancy pastas such as shell or chort-cuts are about R2 a kg more expensive than the local product, so Fattis & Monis should not see us as a threat."

"What they are trying to do is squeeze out what little competition there is and have the entire pasta market to themselves."

Tiger profits leap 44,2%

From LINDA ENSOR

JOHANNESBURG — Tiger Oats leaps from one high plateau of profits to the next, and the year to end-September 1988 was no exception to this upward climb — operating profit climbed 44,2% to R327,4m (R227,1m)

Sales growth of 24,3% to R4,4bn (R3,5bn) was also remarkable, coming off a high base as it does

Chairman Robbie Williams was pleased with results, saying all companies in the group had performed well. Subsidiary Adcock Ingram notched a 48% growth in earnings a share and Oceana Fishing, 21%. Acquisitions, too, had made a contribution.

Williams was particularly pleased with the return on shareholders' funds which increased to 22,5% (18,9%)

The milling division performed well in spite of the difficulties in the maize market, with strong brand names and a good market share enabling it to hold up well in the circumstances.

Earnings a share grew 29% to 1266c (982c). A final dividend of 280c brought the total for the year to 435c (337c)

The group's higher-margin pharmaceutical interests and its value-added food lines boosted margins which increased from 6,4% to 7,4%. Increased volumes, production and distribution efficiencies and the contribution from acquisitions also played a role in the improvement.

The anticipated rise in the tax rate from 36% to 38,9% resulted in an after-tax profit growth of 34,3% to R205,5m (R153m).

The change in the method of accounting for deferred taxation from the comprehensive to the partial one had the effect of reducing the 1987 tax rate by R4,9m and of increasing earnings by 31c-a share

As more income from subsidiaries flowed through as dividends, a negative share of retained earnings was registered, to give a 29,1% growth in attributable income to R175,4m (R135,9m)

An extraordinary amount of R68,3m, including goodwill on acquisitions and trade marks, was not charged against attributable earnings

With R196m cash having been spent in the year on acquiring a 50% shareholding in Langeberg, MSD, Sterling Drug, the remaining 50% of County Fair Foods and 19% of C F Radue, the balance sheet has undergone a significant change since the previous year-end.

However, it remains strong with net gearing only 32% and interest cover 22 times

On the year ahead Williams says "all of our businesses are operating well and the new acquisitions are expected to contribute positively to earnings. Consequently, I anticipate that the group will show a reasonable earnings increase next year, certainly above the rate of inflation"

Tiger Oats on the boil

Star 9/11/88
186

By Ann Crotty

Tiger Oats has reported a sterling performance for the 12 months to end-September with earnings per share up 29 percent to R12,66 (982c) from which a dividend of 435c (337c) will be paid

Acquisitions made during financial 1988 and the group's exposure to the resilient food industry, should ensure another strong performance in financial 1989

Group turnover was up 24,3 percent to R4,4 billion (R3,5 billion) while operating profit surged 44,2 percent to R327,4 million (R227,1 million) After a slight reduction in investment income, a marginal rise in interest payments and an increase in tax rate from 36 percent to 38,9 percent, taxed profit showed a 34 percent advance to R205,5 million (R153 million). Attributable earnings were up 29,1 percent to R175,4 million (R135,9 million).

Management has decided, in line with the policy of its parent Barlow, to strip out inter-group sales from the turnover figures This has resulted in the 1987 comparative figure being reduced

from R4,1 billion to R3,5 billion Because this policy has no impact on group operating profit, the change gives an apparent lift to operating margins The original 1987 figures showed margins of 5,5 percent, the revised figure is 6,4 percent

Referring to group turnover, chairman Robbie Williams points out that if the impact of the year's acquisitions is stripped out, increase in group turnover was about 16 percent In the food division, turnover was up about 14,5 percent which, Mr Williams says, represents a volume increase of about 2-3 percent.

Product mix

There was a sharp improvement in group margins to 7,4 percent (6,4 percent) This chiefly reflects improvements in the food division which continues to dominate group activities and reported a 0,6 percent increase in its margins A change in product mix, in favour of more value-added items, and the stronger margins enjoyed by some of the recent ac-

quisitions were chief reasons for the food division's improved margins

The introduction of new products and acquisitions helped to lift margins at Adcock (which houses the group's pharmaceutical interests), by about 2 percent.

Oceana, which is the group's third division, also had a very strong year — particularly in the first half — and reported stronger margins

The divisional contribution at the attributable earnings level was little changed food 80,9 percent (81,4 percent), Adcock 10,3 percent (9,2 percent), Oceana 8,7 percent (9,3 percent)

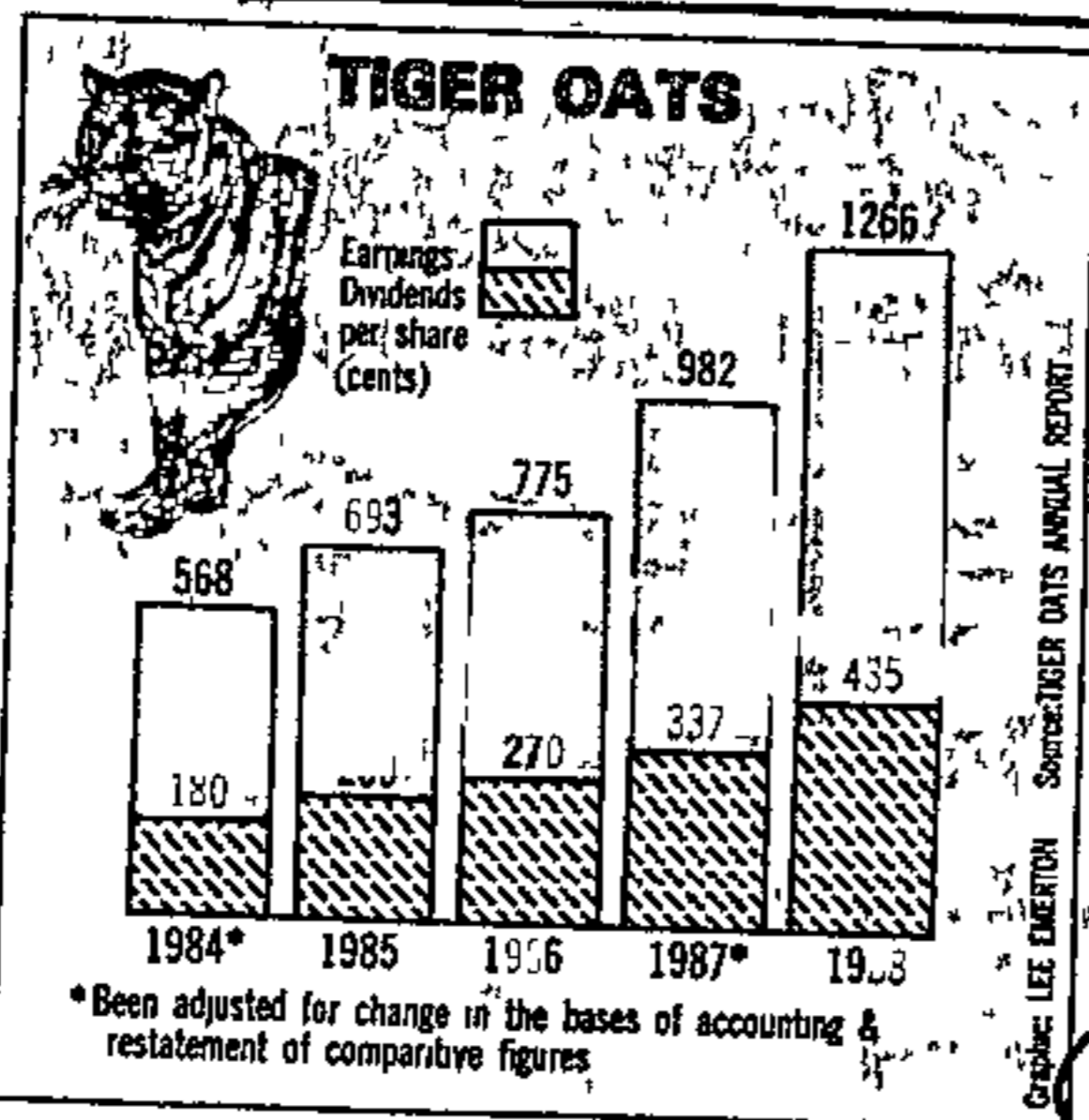
At end-financial 1987 the group had cash of R283 million. During the review year some R196 million was spent on acquisitions, most of which were moved into the food and pharmaceutical divisions Despite these acquisitions, Mr Williams points out that the balance sheet at end-September shows cash of around R190 million, reflecting the group's strong cash generating ability However

gearing is up from zero in 1987 to a still low 32 percent In the absence of further acquisitions, cash flow will see this reduce

The income statement shows an extraordinary item of R68,3 million which reflects the goodwill paid on the acquisitions Group policy is to write off goodwill in the year of acquisition but it is not charged against attributable earnings

Bottom line evidence of the attractiveness of the acquisitions is that return on shareholders' funds has increased from 18,9 percent to 22,5 percent This is far more attractive than any sort of return that could be earned on cash

In most instances acquisitions made during financial 1988 did not impact the income statement for the full year (Langeberg was only on the books for the last three months and had no impact on earnings, but for financial 1989 management is expecting Langeberg to lift group earnings by 5 percent, which is equivalent to R8,8 million on the basis of the latest figures)



Tiger profits up

LINDA ENSOR

TIGER Oats leaps from one high plateau of profits to the next, and the year to end-September 1988 was no exception to this upward climb — operating profit climbed 44,2% to R327,4m (R227,1m).

Sales growth of 24,3% to R4,4bn (R3,5bn) was also remarkable, coming off a high base as it does.

Chairman Robbie Williams was pleased with results, saying all com-

(186) B/day To Page 2 9/11/88

Tiger Oats profits leap to a new high

panies in the group had performed well. Subsidiary Adcock Ingram notched a 48% growth in earnings a share and Oceana Fishing, 21%

Williams was particularly pleased with the return on shareholders' funds which increased to 22,5% (18,9%).

Earnings a share grew 29% to 1266c (982c) A final dividend of 280c brought the total for the year to 435c (337c)

The anticipated rise in the tax rate from 36% to 38,9% resulted in an after-tax profit growth of 34,3% to R205,5m (R153m) The change in the accounting method for deferred taxation from comprehensive to partial one reduced the

(186) B/day ← From Page 1 9/11/88
1987 tax rate by R4,9m and of increasing earnings by 31c a share

As more income from subsidiaries flowed through as dividends, a negative share of retained earnings was registered, to give a 29,1% growth in attributable income to R175,4m (R135,9m).

With R196m cash having been spent during the year on acquiring a 50% shareholding in Langeberg, MSD, Sterling Drug, the remaining 50% of County Fair Foods and 19% of C F Radue, the balance sheet has undergone a significant change since the previous year-end

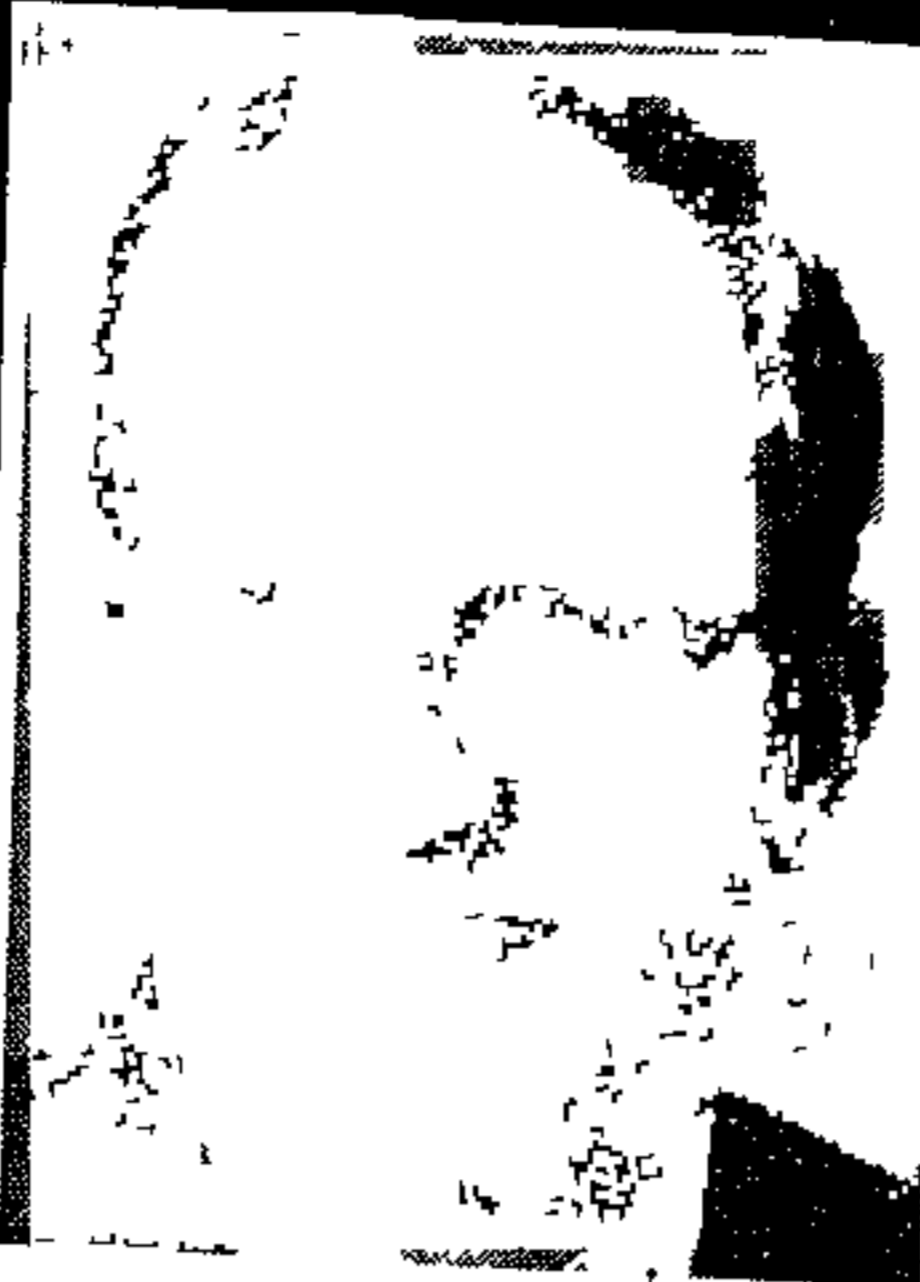
Wrighton takes over

Mr Peter Wrighton (right) MD of the Premier Group, has been appointed chairman in place of Mr Tony Bloom who resigned earlier this year to pursue overseas interests.

Mr Donald Gordon, chairman of Liberty Life Group and Mr Murray Hofmeyr, chairman of Johannesburg Consolidated Investments have been appointed joint deputy chairmen.

Mr Bloom remains on the Board as a non-executive director.

Mr Wrighton will continue as Chief Executive of the group and Mr Gordon Utian has been appointed deputy Chief Executive.



Food division sets up nourishing feast for Premier

Star 12/11/88 186

ANN CROTTY

A SHARP improvement in margins at Premier's food division consolidated the solid performances already reported by most of the group's listed interests and enabled the group to report earnings up 29 percent to R86,1 million (R66,9 million). This was equivalent to 135c (105c) a share from which a dividend of 60c (50c) was declared.

Trading profit was up 20 percent to R116,9 million (R97,3 million) on a 26 percent hike in turnover to R1,9 billion (R1,5 billion). This reflected a decline in group operating margin from 6,4 percent to 6,1 percent.

Major contributor

Dividend income was up 34 percent to R21,9 million (R16,3 million) and interest payments increased 30 percent to R32,6 million (R25 million). The tax provision of R39,6 million was equivalent to a 47 percent rate on the trading profit net interest figure.

After tax profit was up 26 percent to R66,6 million (R52,9 million). Earnings from associated companies were up 35 percent to R35 million (R25,9 million).

A deconsolidation of the figures indicates that SAB was the major contributor to attributable earnings, providing over R50 million through dividends and share of retained earnings. This is equivalent

to around 60 percent of attributable earnings.

The food division contributed about R1,250 million or 65 percent of the group's turnover figure and about 62 percent or R72,5 million of the operating profit. This reflects margins in the food division of around 5,8 percent which is a major improvement on the 4,5 percent reported for financial 1988.

Management has provided for tax in the food division at a rate of 43 percent, which is unchanged on the previous interim. As the group still enjoys an assessed tax loss position, the tax provision is in effect added to an equalisation account.

Group chairman Peter Wrighton is very pleased with the results and says that all divisions performed well. He attributed the improvement in margins in the food division to greater efficiency, a stronger agricultural sector, increased maize consumption and greater demand for higher margin products.

But he notes that scope for continued improvement in food margins is hampered by government involvement in the industry.

Inflation and margins

"For some time now margins in the controlled wheat, milling and bakery industries have not kept pace with inflation. These industries produce essential basic foodstuffs and are therefore vital to the country.

"Government must accept that unless the returns are at the very least abreast with inflation, it will no longer be viable to invest further in these industries."

The group's gearing was down to 30 percent (35 percent) and Mr Wrighton expects this to be down to around 25 percent at year-end. He is happy with the current spread of the group's activities stating that in the longer-term he sees an increasing proportion of earnings coming from non-food interests which enjoy higher margins.

Provided there is no serious downturn in consumer spending, particularly over Christmas, Mr Wrighton expects a satisfactory performance in the second half.

With analysts expecting SAB's full year figures to show something in the region of a 20 percent earnings advance, it looks as though Premier could be looking at a full year earnings increase of about 22 percent equivalent to around 387c a share.

CG Smith Food in line with expectations

By Ann Crotty

CG Smith Food, which contributed 51 percent of CG Smith's attributable profit, reported a 40 percent increase in earnings for the 12 months to September

The performance, in line with market expectations, saw earnings up at 192,6c (137,7c) a share, from which a dividend of 64c (51c) will be paid

On a 22 percent increase

in turnover to R6,9 billion (R5,6 billion), operating profit surged 42 percent to R471,1 million (R330,6 million) This reflected a strong improvement in margins from 5,9 percent to 6,9 percent which, in turn, reflected the stronger contribution from the group's higher margins and value-added sales It also highlights management's attempts to reduce

costs.

Attributable income was up 40 percent to R181,7 million (R129,9 million)

The directors say the results confirm the strength of a well-balanced portfolio of decentralised food and pharmaceutical operations "The acquisitions over the last few years have broadened the product range and contributed to

the higher growth and better margins"

Many of the acquisitions made in financial 1988 were not fully felt in the turnover and profit figures as they came towards the end of the year Financial 1989 should see these higher-margin acquisitions give group performance a strong lift.

The directors say CG Smith Food's unlisted sugar division benefited from the sharp increase in the world price of sugar and from improved domestic sales. "The chemical division again made a sat-

isfactory contribution"

●CG Smith, the holding company of CG Smith Food, Romatex and Nampak, has reported a 22 percent increase in turnover to R10 billion (R8,2 billion) and a 38 percent surge in operating profit to R867,5 million (R629,5 million)

Attributable profit was up 40 percent to R287,1 million equivalent to 612,7c a share Nampak was the second largest contributor at this level with 37,4 percent and Romatex chipped in with 10,8 percent.

186

By Magnus Heystek,
Finance Editor

In line with the other food-producing giants, Fedfood has returned a solid, if not spectacular set of interim figures for the period to September, with attributable earnings rising by 40 percent to R18,594 million (R13,277 million)

This excellent performance was mainly the result of improved profit margins and more efficient asset management, rather than a spurt in turnover.

Turnover was up a rather pedestrian 15 percent to R558,416 million in an environment of little real growth in the food industry.

Operating income increased by 31 percent due to margins stretching from 6,8 percent the previous year to 7,7 percent

This factor, together with a decline in interest costs, resulted in income before tax rising by 45 percent to R34,450 million

The Receiver of Revenue benefited to the tune of R15,407 million — up 51 percent from R10,058 million in the previous financial year.

After adding earnings of associated companies and deducting outside shareholders' interests, attributable income was up 40 percent to R18,594 million

The weighted average of ordinary

Fedfood puts up a solid performance

shares increased by six percent, resulting in earnings per share growing by only 30 percent to 65c a share.

The dividend has been increased by 23 percent to 16 percent

Perhaps in anticipation of tougher times ahead, the dividend cover has been lifted from 3,8 to 4,1

Commenting on these results, MD Mr Jan du Toit says the improved figures were the results of increased productivity and a better spread of attributable income

While forecasting further real growth in the second half of the financial year, which includes Christmas and New Year, Mr du Toit warns of an impending slowdown in the rate of profit growth

Factors influencing this scenario include increased fuel prices, railway tariffs and other associated price increases, higher interest rates, the effect of the Government's steps to slow down consumer spending and an overall decline in economic activity

Tongaat lifts earnings 43%

CNE Frim 17/11/88

By BRUCE WILLAN

FOLLOWING last year's 90% increase in earnings, the Tongaat-Hulett (Tonga) group has hoisted earnings attributable to ordinary shareholders a further 43% to R73,46m for the half-year ended September 30.

Shareholders can once again be satisfied with a superb performance with earnings per share of 99,5c compared with 69,8c for the same period last year.

The group has posted after-tax profits of R76,58m (R54m) on a turnover which is 25% up at R1,62bn on improved margins of 9,9% (8,6%).

As a result of the improved performance, the directors have increased the interim dividend by 28% to 23c (18c).

The directors say the improved results reflect the benefits of the group's investment in contra-cyclical industries with the increased earnings of certain divisions more than compensating for the decline in others.

Group borrowings have been reduced to R482m compared with R497m for the same period last year.

However, due to the seasonal nature of the group's agricultural operations, borrowings are expected to be reduced to R290m by March 31, 1989.

The directors are confident earnings for the full year should exceed 200c in spite of the higher interest rates and the recently announced import surcharge, both of which are likely to impact on the economy.

The sugar division has benefited from the improved world price and will increase its contribution to group profits this year although the half-year results are based only on estimated earnings for the division.

Strong demand and improved margins helped the building materials division improve significantly.

The aluminium division again produced shining results from increased turnover and improved efficiencies.

Difficult market conditions kept returns from the food sector at a similar level to last year, while the starch and sweeteners division experienced a decline in margins and turnover with the trend expected to continue.

The textile division has also experienced difficult trading conditions but the market is expected to improve although contributions to the group profits are expected to be slightly lower.

Since the half year-end, Tongaat has disposed of two operations — Supervision Cleaning Services and Hultrans, although the sugar transport operation has been retained.

Tongaat continues its growth trend

Star 17/11/88

186

By Dave Canning

DURBAN — Tongaat-Hulett has reinforced its return to better fortunes with a 43 percent increase in earnings and 28 percent rise in dividends for the six months to September.

At the same time, it has sold transporter Hultrans (although it has retained the sugar transport division) and the food division's cleaning services operation.

Tongaat Hulett's overall interim profit improvement, coming on top of the 90 percent jump in profits last year, flows largely from sugar, building materials and aluminium. The results underscore the importance of its diversification into contra-cyclical activities since the rise in earnings of these divisions more than compensated for a decline in some of the others.

Overall, the group's turnover rose by 25 percent to R1,62 billion. Improved margins saw operating profit up by 43 percent to R160,1 million. There was a lower interest bill of R33,9 million (R27,2 million), resulting in pre-tax profit rising by 49 percent to R126,2 million.

The taxman has a much sweeter smile after helping himself to R49,6 million (R30,79 million) — leaving taxed profit of R76,59 million (R54 million) — a rise of 42 percent.

Earning per share increased by 42,5 percent to 99,5c (69,8c), enabling the board to increase the interim dividend to 23c (18c).

Despite higher interest rates and import surcharges, Tongaat-Hulett expects full-year earnings to increase to over 200c a share (162,3c). This means

that despite the slowing economy, it foresees a rise of at least 8,6 percent in second-half earnings to at least 100,5c (92,5c).

The directors say that better world sugar prices translated into better profits for the sugar division, whose income does not accrue evenly throughout the year. Therefore the interim results reflect a calculation equating to half of the year's expected profit.

Strong demand and better margins saw profits of the building materials division improve significantly.

The foods division "performed satisfactorily under difficult market conditions and its contribution will be similar to last year's".

The aluminium division reported excellent results, but textile operations had a difficult six months. The textile market is expected to improve, but contributions from this source will be slightly lower than last year.

Also down were profits from the starch and sweetener division. Sales volumes and margins declined. This trend is expected to continue.

Borrowings, an important consideration in view of their impact on results in the upward interest rate cycle, were R482 million (R497 million).

However, on account of the seasonal nature of agriculture, they are expected to decline to R290 million by year-end.

The sale price of the transport and cleaning divisions is not disclosed, but the deals are not expected to have a material financial impact on the group.

HLH poised for further expansion

Finance Staff

Hunt, Leuchars and Hepburn (HLH) have reported attributable income of R31,83 million for the six months to end-September.

The group states that meaningful comparison between this interim and the 1987 interim, are impracticable. This is because the latest results include earnings from Bonuskor, which was taken over in April 1988.

Earnings for HLH were 29,2c while an interim of 10c a share has been declared. Turnover for the six months totalled R179,5 million.

Group chief executive Neil Morris said "Each company in the group performed above expectations and we believe the improvement will continue into the second half of the year."

He added that the group, in addition to its cash resources, had substantial unutilised debt capacity, which placed it in a strong position to fund growth opportunities in all its operations.

Mr. Morris said HLH was no longer concentrating on the timber industry and plans to take advantage of further opportunities in the food and consumer product operations.

cmf. Temp 21/11/88

Tollgate moves into major league

From ARI JACOBSON

JOHANNESBURG — Tollgate Holdings has moved into the league of major industrial holding companies with its R64m acquisition of the Arwa Group and its significant investment in Gants

Tollgate, ending weeks of speculation, has confirmed it will pay an effective R33m for its 25% stake in Gants, to be bought from Lougant Holdings

Payment comprises a cash settlement of R20m and the issue of 4m Tollgate shares.

The Arwa side of the deal, which gives Tollgate a 58,5% shareholding and control, will be settled by the issue of just over 9m Tollgate shares — worth about R31m at its current market prices

The 58,5% shareholding is currently held by the Claasen Trust, headed up by Tollgate chairman Johan Claasen.

Payment to minorities will be in the ratio of 80 Tollgate shares for every 100 Arwa held

The increase in scrip will push Tollgate's issued shares from 24,8m to just over 37,8m.

Had the acquisition been effective for the year to December, Tollgate's net worth would have been diluted to 286c a share from 402c

However, earnings would have risen 24,3% to 39,4c a share — assuming the R20m to Gants was funded by an 11,5% preference share

Earnings for 1989 are expected to exceed 50c a share on its increased share capital

Claasen says Tollgate is now sound-

ly based with a clear direction in consumer-orientated industries

"Group turnover will be nearing the R1bn-mark by the end of 1989 and intends becoming a major force in those industries recently entered," he adds. Although transport and property will still provide the largest chunk of future contributions to earnings at 30%, textiles (25%), food (18%), engineering (15%) and leisure and tourism (12%) provide a well-rounded industrial portfolio.

In line with this, the company is planning to transfer from transport to industrial's on the JSE.

The R33m stake in Gant's, leaves the Gant family as the controlling shareholder, while Tollgate will play a significant role in its restructuring and future direction, says Tollgate MD Henne Diedericks.

"We always considered a substantial investment in the food-processing business a priority and attached great value to the Gant's brand name," said Diedericks

Referring to the acquisition of Arwa, Diedericks says that like the food processing industry, the high cost of entry and the increasing reliance on locally manufactured textiles ensures a profitable and stable market in the years ahead

"In the belief that the rand is unlikely to strengthen in the medium term, benefits will accrue to both these companies because of their export potential and the high cost of imports."

Surpluses of about R26m on fixed properties — mostly from the United Passenger Transport acquisition, will aid sponsor the acquisitions

W
be
to
in
on
tr
ba
tra
ter
we
we
mi
sq
of
de
su
de

Tiger confident of beating inflation

S/Times

4/12/88

186

TIGER Oats is relying on the stability of food and drug demand — and a buoyant informal sector — for earnings growth in excess of inflation this year

Chairman Robbie Williams says in his annual report that the informal sector plays a bigger role than is generally acknowledged "and leads me to believe that economic conditions nationwide may be better than prevailing perceptions indicate".

He says all Tiger's businesses are operating well

Debt

Tiger spent R200-million on acquisitions last year, but debt was held to reasonable levels. The company has an appetite for acquisitions.

Operating cash flows continue to replenish re-

By David Carte

sources, which means we will be able to develop our food pharmaceutical and fishing portfolios. There is no doubt that opportunities will continue to occur within these sectors and it is important that our balance sheet remains strong enough to enable us to pursue these opportunities as they arise."

Debt rose to R489,6-million (R281,9-million) against R778,7-million (R718,5-million) of shareholders' funds. That gave a ratio of 63% (39%), a level of gearing not seen in such a cash-flush company for years.

There was R194,3-million (R283,3-million) of cash, making net debt R295,3-million (R1,5-million net cash), which is hardly uncomfortable against cash flow of R184-million (R149-million) and interest cover of 22 (18).

Mr Williams enthuses

about acquisitions Logos (formerly MS&D), Saphar-Med (Sterling Drug), which went into Adcock Ingram and Langeberg Holdings.

"This (Langeberg) is an innovation for our group and in many ways for the country, in that a major alliance has been formed between a co-operative and a public company. Strength in unity is a familiar but too often ignored phrase and in this case all parties will add something to the alliance."

Tiger, says Mr Williams, brought cash and management along to the get-together. He foresees the day when Langeberg will be listed on the JSE.

Mr Williams stresses the valuable brand names in Tiger's extensive portfolio and laments the lack of recognition they receive from investors.

"Present accounting practices do not acknowledge the

values of brand names, carefully built up over years of investment, as part of the assets of a business and consequently their contribution to shareholders' equity.

"It would appear from recent highly publicised acquisitions that investors overseas have no difficulties in placing a value on these brand names and trademarks and backing these with their willingness to trade at prices significantly higher than reported book values."

Shifts

Tiger obviously values brand names — hence some of its recent acquisitions.

Mr Williams says Tiger's acquisitions have also been geared to fundamental shifts in consumer behaviour due to urbanisation and development. To meet new trends, value-added products are be-

ing developed in the basic foods business.

"The imposition of VAT poses a new and significant threat to food prices. At present approximately 70% of food turnover has been exempt from GST. There are indications, however, that unlike the United Kingdom, food will not be exempt from VAT."

"Since the proportion of income that must be allocated to food purchases is far greater for the less-affluent sections of the population, it follows that they will be hardest hit. If, as is also indicated, this is then coupled with removal of the subsidies on bread, their position will become even more parlous."

Progress

"We have seen some progress in the past year towards a more market-related system of agriculture. This development is encouraging, but we are aware of the difficulties associated with such change."

Mr Williams says that agricultural subsidies in rich countries, notably the US and Europe, are a threat to food producers in SA. Ironically, good wheat or maize crop could be more of an embarrassment than a blessing for SA.

"Broiler chickens, which have recently been in surplus in the European Community, have been made available in SA at prices less than half of those, which consumers in their country of origin pay."

"Not only is local industry disrupted by this dumping of surplus European product, but every ton of chicken imported into SA is tantamount to the import of two tons of grain, which is the amount of feed needed to produce one ton of chicken."

Model

Tiger's annual report is a model document. It provides all the information reporting competitions require and it is superbly illustrated with pastoral scenes. Not only are the chairman's and managing director's statements informative, detailed and outspoken, but there are several innovations.

For the first time, each of numerous divisions is properly described, number of employees a division disclosed and the management focus in each section is given. A segment report shows turnover and profits by division.

Tiger does not do inflation accounting, but assures shareholders that cash flows are adequate in spite of inflation.

Tiger is a superior SA company and one does not doubt that at R143, which is 11.5 times earnings and gives a yield of 3%, the share is a fair value. Unfortunately, to buy 100 shares you need R14 300. So the shares are beyond the reach of all but institutional holders.

Like all Barlows companies, Tiger professes to be democratic. It should split the shares.

S Times 4/12/88

Tiger Oats' Pounce is food for thought

TIGER OATS has pounced on 15th position among the top-performing investments over the last five years

Established by the Frankel family in 1896, Tiger has grown into a multi-million rand food empire holding investments in pharmaceuticals and fishing

Rudi Frankel — son of the founder and an octogenarian — is life president of the group

Chairman Robbie Williams notes that return on shareholders' funds showed a satisfactory increase in the year to September 1987 — the latest annual report available. Its 1988 results did not disappoint — earnings a share climbed from 982c in 1987 to 1 266c in 1988

Confidence

The share price is at a high of R142, having dipped to R95 in April this year. The latest results put the shares on a PE of 11,3 and a dividend yield of 3,1%, underlining the market's confidence in the group

Mr Williams says his group makes judicious use of cash

BY JULIE WALKER

either to build or acquire at fair value assets which fit in to its long-term strategy

The ultimate holding company is Barlow Rand, which owns 60% of CG Smith, which in turn owns 82% of CG Smith Foods, which holds 53% of Tiger Oats

Tiger Oats holds 73% of listed pharmaceutical giant Adcock-Ingram and 69% of Oceana Fishing as well as wholly owning Tiger Foods Milling, Bakeries, Edible Oils, Animal Feeds, Agri-Business, International Trading & Shipping, and Distribution

During the year to September 1988 R196-million of the group's cash resources was invested in acquisitions, the largest of which were 50% of Langeberg Holdings, the remaining 50% of County Far Foods, 19% of CF Radue & Co, Logos Pharmaceuticals, and Adcock bought Saphar-Med — formerly Sterling Drug SA

year its contribution to turnover is calculated to be 87%. Mr Williams notes that Tiger Foods achieved a further improvement in operating margin as a result of increased volumes, higher production and distribution efficiencies, and from acquisitions

Boosted

Adcock boosted turnover from R251-million to R335-million and its contribution to operating profit jumped from R32-million to R49-million, or 14%

Oceana's turnover climbed by 21% to R227-million and it chipped in R38,5-million or 11% to operating profit.

Tiger's gearing is a modest 32% and its interest cover 22 times. Says Mr Williams "All of our businesses are operating well and the new acquisitions are expected to contribute positively to earnings

Tiger Foods products are literally household names. It is the largest producer of maize products in Southern Africa, having commissioned a new mill at Pietersburg

last year as part of the division's rationalisation programme which aims to ensure strategic positioning on mills Ace and Induna are brand names

Golden Cloud and Record flour are products of the wheat division, Albany bread is made at the bakeries, and the Pasta division sells under the Patri's & Mom's and Pastabarone labels

Tiger Oats itself, Jungle Oats and Oatso Easy are leading breakfast cereals, and Tastic Rice is produced by Wanstein's — the country's dominant miller of rice

King Food is the leading supplier of sorghum malt, beer powder and related products, although it disposed of its brewery division

Golden Lay eggs, Black Cat peanut butter, Sunshine D, Planters nuts, Dogmor — the list goes on.

W G Brown Investments is the principal Spar and Save-more franchise holder in SA

Tiger Oats is involved in the support of the National African Federated Chambers of Commerce, which promotes black businesses

Adcock has several major projects which will be completed during 1989. These include a new finished goods warehouse, an enlarged tablet manufacturing facility and dispensary, a new quality assurance laboratory, new computers, and upgrading of canteens and other worker facilities.

Largest

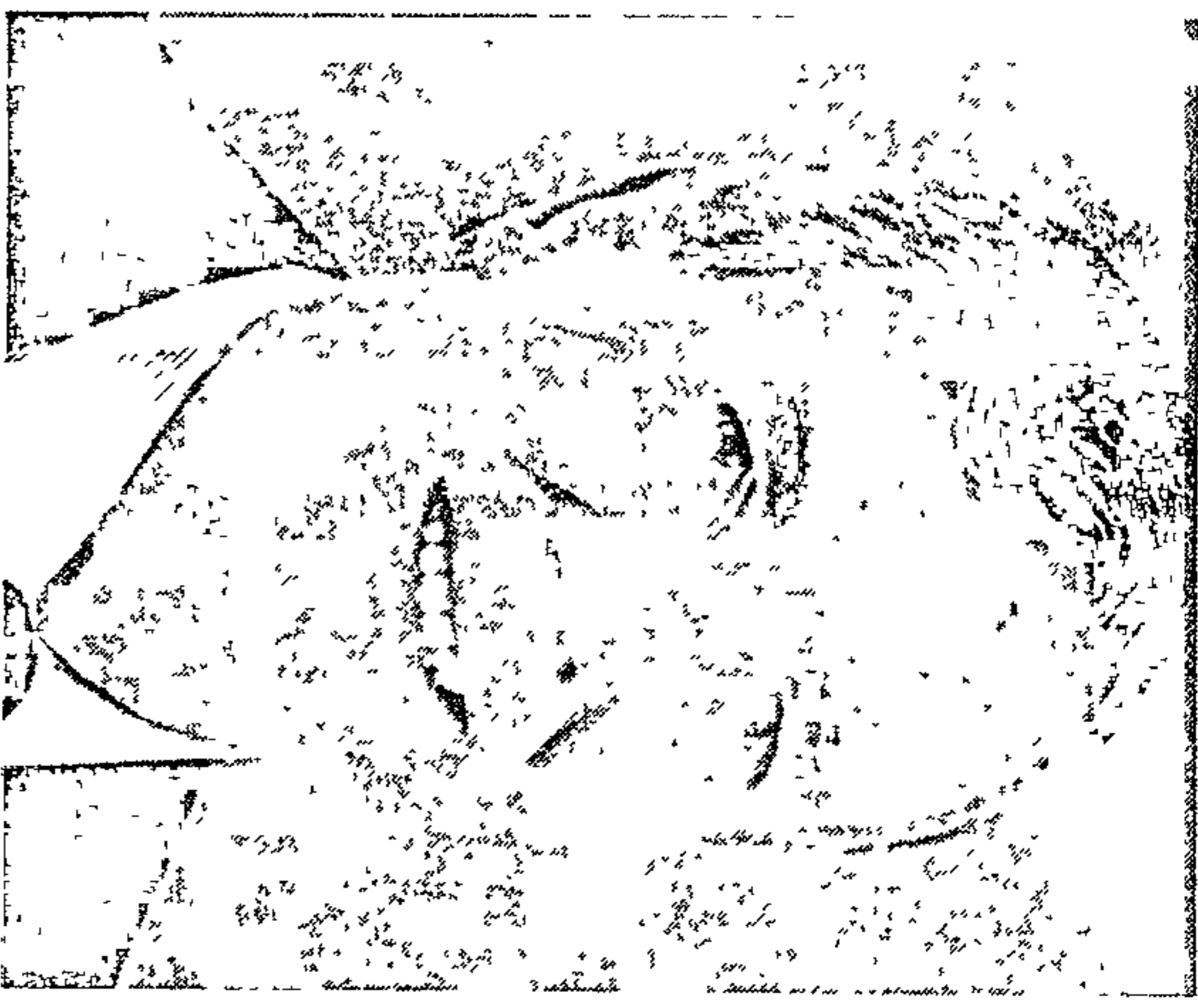
Oceana Fishing is the largest inshore pelagic and lobster operation in southern Africa, and had another good

ROBBIE WILLIAMS... making judicious use of cash

season. It produces high quality fish meal and oil, canned fish and lobster products

It has placed orders for two new pelagic vessels to be built at the Luderitz boat-building yard at a cost of R1,6-million, which will take a total of three years

Finally, food for thought — in the period 1982 to 1987 Tiger's earnings a share grew by an annual compound rate of 19,6%, dividends by 24% and net asset value a share by 14%.





An I&J fishing trawler at sea... fishing should be better this year, and with less consumer demand for red meat, sales of chicken and fish should continue to surge

I&J aims for a billion ^{s/Times 4/12/88} 186

By DON ROBERTSON
IRVIN & JOHNSON, joining the Top 10 for the first time, expects to lift turnover to more than R1-billion for the first time in the current financial year.

Profitability should continue the trend of the past 11 years in which the company recorded uninterrupted growth. Results for the first quarter of the current year confirm this. Slotting in at No 7 on the Business Times list, this fishing and prepared-food group has provided shareholders with an all-in return of 42,4% in the past five years.

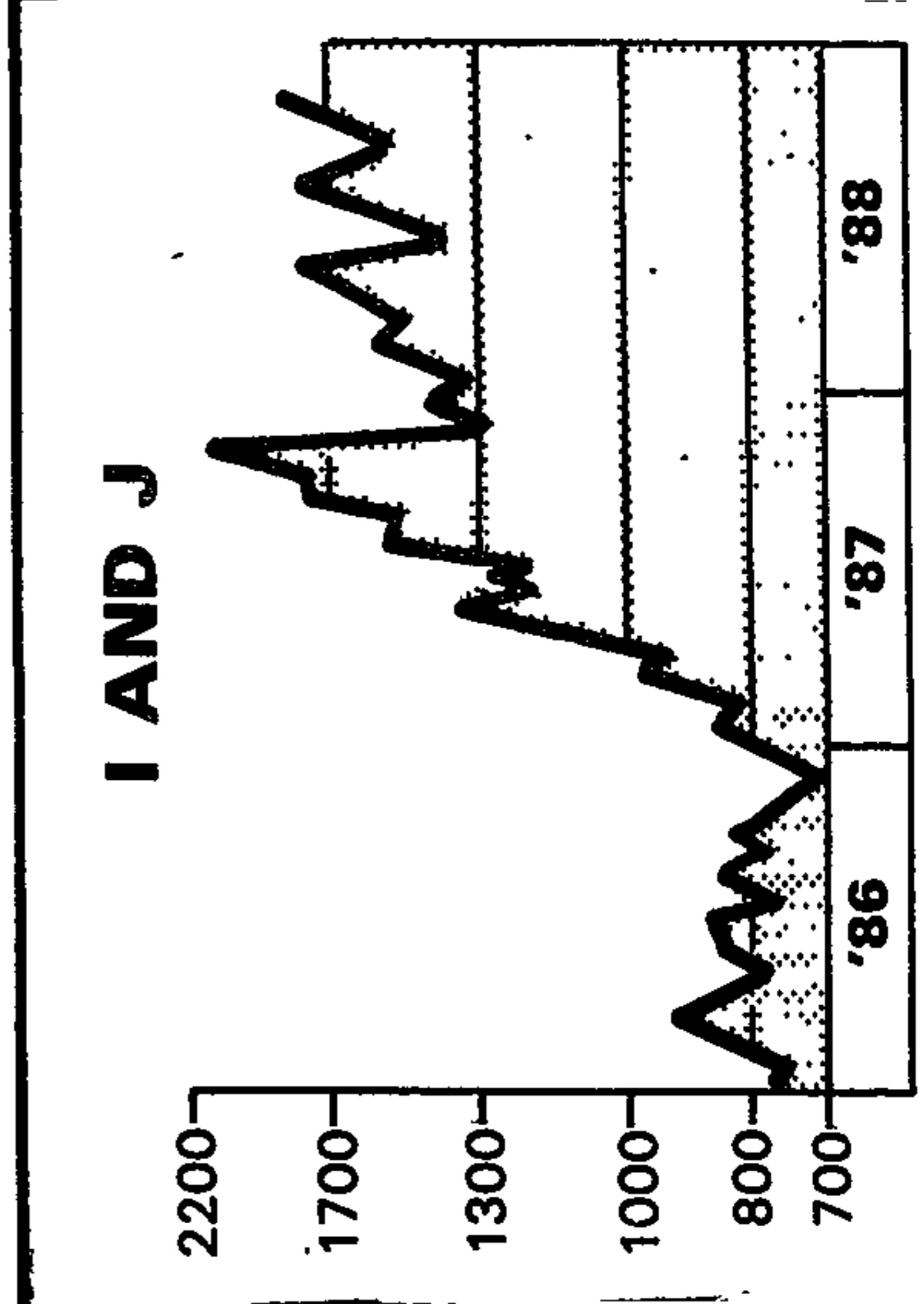
But it hardly reflects the high growth the company has achieved in the past 10 years.

In 1979, turnover was R159-million, rising to R405-million in 1984 and more than doubling to R890-million in the year to June 1988.

Attributable profits rose from R5,5-million 10 years ago to R50,5-million last year, equivalent to earnings of 179,3c a share compared with 19,5c in 1979.

Out of this, a dividend of 55c a share was declared in the past financial year, substantially higher than the 9c in 1979. Dividend cover has been gradually increased from 2,2 to 3,3.

At the same time the net asset value has risen from 160c a share to 594c while the return on capital employed has moved up from 16% to



If it had not been for crop damage caused by floods, results would have been even better

40,4%. This all tells a story of sound business strategy and the way it has been implemented.

The performance has also helped South Atlantic Corporation, which has a 69,3% stake in the company, and ultimate holding company Anglovaal Holdings.

Last year's record results were helped by growth in the economy and consumer spending which allowed margins to return to more acceptable levels.

However, the various figures could have been even better. Chairman Jan Robertze says in the latest annual report that de-

P.T.O

called to row

But he adds "The company was unable to take full advantage of this opportunity due to inventory shortages caused by relatively poor fishing and vegetable crop damage following the excessive summer rains and consequent floods in our growing areas.

"The company was also unable to meet fully the demand for chickens"

Overcome

Managing director Jim Williams says that these problems have been largely overcome. Sales volumes in the first three months of the current year are ahead of those of last year and there is scope for further improvements.

Although the hake fishing quota is marginally down on last year, fishing in Namibian waters could be better this year and plant capacities have been improved.

The company also increased its sale of fresh fish. Product research and development could lead to increased sales of fresh fish.

Sales of Rainbow chickens have also picked up and are expected to grow in the current year.

The company has invested in the better handling of fish on board vessels, which has improved the nutritional

value of these products. Better harvesting techniques have been developed to provide fresher vegetables and all "doubtful" additives have been removed from products.

The company will also invest heavily in the design and formulation of products for the food service industry ranging from fast food to industrial and institutional feeding.

Although borrowings rose to R53.4-million from R35.2-million in the 1987 year, the debt/equity ratio was 28.5% which is considered conservative at a time of rising interest rates.

Rise

In addition, the company has R50.6-million in cash on deposit, leaving the balance sheet in a particularly strong position.

Mr. Williams says the rise in borrowings was necessary to finance the higher capital expenditure which, in turn, allowed an increase in production capacity.

This will ensure the group has the installed fixed asset base to sustain growth and enhance its competitive edge.

Looking further ahead, I&J believes that by the year 2000 SA will have a population of 47-million people, of whom 66% will be in urban areas.

Leading

With their ever-increasing standard of living, I&J expects food sales to rise and believes it is in a position to be a leading player in this market.

The proportion of food consumed away from home is also likely to increase and can be expected to grow in all sectors including vendors, conventional fast food outlets, industrial and canteen feeding and institutional feeding in schools and hospitals.

The need to curtail fat intake is shown by the decline in red meat sales, resulting in a rise in demand for chicken and fish.



JIM WILLIAMS

Premfood hatches new poultry giant

(186)

st. v. 7/12/89

Premier Food Industries has concluded an agreement with Bokomo (Kqop) Bpk, the Cape based co-operative, and the national cold chain co-operative, SACCA Ltd, to rationalise their poultry interests

The agreement, effective from March 1, 1989, takes the form of

- The sale of Premfood's egg division (which trades as Nulaid) excluding the East Cape operations, to Bokomo, and
- The merger with both Bokomo and SACCA of

Premfood's broiler operations, Farm Fare, thereby creating a new company in which Premfood will have a 50 per cent interest

Mr Peter Wrighton, chairman and chief executive of the Premier Group, comments, "Farm Fare and Nulaid will now become part of an aggressively expanding, low cost producer, holding a significant share of the poultry market and poised to take advantage of further opportunities as they arise." — Sapa

Bokomo's Koen to challenge Rainbow

CAPE TOWN — Bokomo, the Western Cape farming co-operative, is on the move and the 600 farmers who own this R100 million plus operation can look forward to an ever increasing involvement in the country's food industry

In a major deal signed last week, Bokomo bought out one of South Africa's largest food company's egg production facilities and taken over the management of its broiler business

Premier Milling has put its faith in Mr Rudolph Koen, MD of Bokomo's poultry division and in a straight merger of assets has handed over the management of Premier's poultry business to him.

It is obviously a feather in the cap of the Cape poultry man and coupled with the two companies' agricultural feed business, the synergy of production facilities clearly makes for a very good deal

Mr Koen declined to say how much Bokomo paid

By Trevor Walker

for Premier's egg business, but said the broiler business was much the bigger of the two. The combined broiler operation will have an annual turnover of about R450 million and the egg side about R200 million

Bokomo's now expanded broiler output would produce about 1,6 million birds a week and given the continued swing to white meat in this country, further investment in production facilities would be essential

The takeover of Premier's egg division has pushed Bokomo into the leading spot as far as egg sales are concerned

Nevertheless, the modest Mr Koen has committed himself to take on the broiler industry dominated by Rainbow Chickens and it was perhaps, no coincidence that he is talking to Pick 'n Pay chairman Raymond Ackerman

It also poses significant threat to food prices

star 12/12/84 (2) (186)

By Sven Forssman
The introduction of VAT poses a new and significant threat to food prices, Tiger Oats executive chairman Robbie Williams says in the annual report

He says approximately 70 percent of food turnover is at present exempt from GST, but there are indications that, unlike in the UK, food will not be exempt from VAT

"Since the proportion of income that must be allocated to food purchase is far greater for the less affluent sections of our population, it follows that they will be the hardest hit

"If, as is also indicated, this is then coupled with a removal of the subsidies on bread, their position will become even more parlous

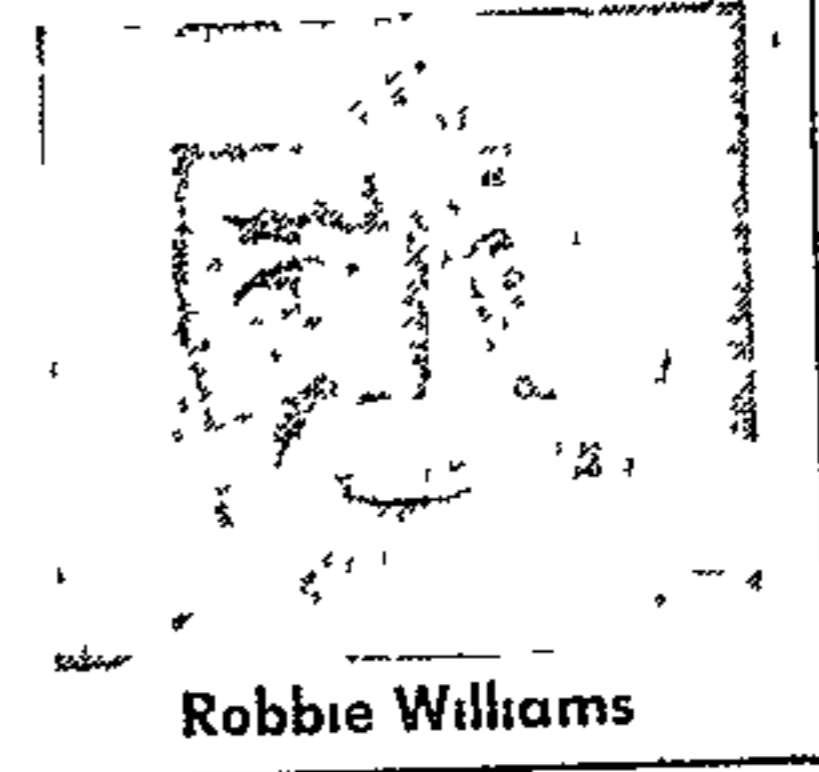
"It is essential that these aspects are carefully considered in terms of their impact on the present social situation before any definite moves

are made or further policy statements issued"

Looking at the agricultural scene Mr Williams says farmers still had to contend with a notoriously fickle climate and face world markets distorted by the protectionist agricultural policies of wealthy areas like the United States and European communities

"Ironically," he says, "a wheat or maize surplus in South Africa could become an embarrassment instead of a blessing, as the true value cannot be realised on world markets affected by the dumping of surpluses of the wealthy nations

"Even industrialised nations are not able to afford the expensive inefficiency of subsidising products their consumers do not need, but the consequences for farmers in developing nations such as our own are severe when substantial surpluses are sold into world markets



Robbie Williams

MASTER'S DEGREE IN PHILOSOPHY

Students who would like to undertake a Master's degree which is by dissertation of c.20 000 - 30 000 words, should consult the Head of the Department. The normal requirement is a high level of attainment in a Bachelors (Honours) course or its equivalent.

- (xviii) Existentialism and Phenomenology
- (xviii) Philosophy of Religion
- (xix) Social Philosophy
- (xx) A special topic chosen in conjunction with the candidates to reflect their special interests.
- (xxi) A topic chosen from current options in History and Philosophy of Science Honours

B A short dissertation of not more than 10 000 words on a subject approved by the Head of the Department.

Mode of assessment twenty papers will be required of which the best fifteen will count 25% towards the final mark. The dissertation will count 25% and the examinations 50% towards the final mark.

HISTORY AND PHILOSOPHY OF SCIENCE HONOURS

Every curriculum must be approved by the Head of the Department of Philosophy with the concurrence of the Head of any other department which may be involved in the teaching or supervision. The Honours course consists of a selection of advanced topics chosen from those listed below. (Since it is not possible to offer all the topics in any one year, candidates should consult the Head of the Department about the topics which will be offered in any specific year).

- A Four of the following
 - (i) The study of an author or period or school of philosophy
 - (ii) A topic in the philosophy of Physics
 - (iii) A topic in the philosophy of the Social Sciences
 - (iv) Philosophy of Psychology/Philosophy of Mind
 - (v) The question of Methodology in the Social Sciences
 - (vi) Philosophy of Mathematics
 - (vii) Theory of Causation
 - (viii) Philosophy of Logic
 - (ix) A topic in Mathematical Logic
 - (x) Philosophy of Space and Time
 - (xi) A topic in the History of Technology
 - (xii) Philosophical problems of Artificial Intelligence
 - (xiii) A topic in the Philosophy in Biology
 - (xiv) Popper, Kuhn, Latatos, Feyerabend and the Growth of Knowledge
 - (xv) Philosophical issues in Sociobiology
 - (xvi) Problems in Moral and Political Philosophy
 - (xvii) Theories of Science, Meaning, Evidence and Explanation
 - (xviii) A special topic chosen in conjunction with the candidates to reflect their special interests.
 - (xix) A topic chosen from current options in Philosophy Honours
- B A short dissertation of not more than 10 000 words on a subject approved by the Head of the Department of Philosophy.

Mode of Assessment Twenty papers will be required of which the best fifteen will count 25% towards the final mark. The dissertation will count 25% and the examinations 50% towards the final mark.

1989
 JANUARY — .
 MANUFACTURING — FOOD
 — .
 — .

Tollgate chief explains Arwa share deal

CRB 7/1/89

By BRUCE WILLAN

THE pending takeover by Tollgate of 58,5% of the issued share capital of Arwa stands to make the Claassen Trust a R20m "paper" profit after costs on the initial investment

Johan Claassen, who represents the Claassen Trust is also chairman of Tollgate and Duros

The fact that the Claassen Trust paid about R2,5m for the 10 584 245 Arwa shares and are now selling them to Tollgate in return for 9 027 290 Tollgate shares worth about R30,6m, has raised serious doubts as to the integrity of the deal.

Commenting on the deal, Johan Claassen said yesterday that the companies involved were fully aware of the sensitive nature which surrounds a deal of this kind, particularly when one of the directors represents the vendors of the shares

He, however, points out that in four years Arwa has turned around from a turnover of R13m and a loss of R700 000, to a turnover of R100m and a pre-tax profit of R11m. This reflects in the share price and its inherent value.

The deal, which is only part of a complex restructuring and diversification programme undertaken by Tollgate management, is to be put to the vote of shareholders on January 11, 1989

Duros, the holding company of Toll-

gate, will be exercising its right to vote, says Claassen

But, he stresses that he will not be taking part in the proceedings because of the possibility of people making the wrong assumption and accuse him of partiality

Claassen adds that at the time the deals were negotiated this was taken into account and it was decided to use additional merchant bankers not within the group for the deals to distance Duros and Tollgate from the market

This he said indicates the willingness of the parties concerned to be as impartial as possible

Claassen has an impeccable record and has never had to answer for his actions and he intends to keep it that way.

As chairman of Duros, Claassen said he is not able to influence the decisions taken by the board of directors in voting as his shareholding does not outweigh the collective shareholding of the other directors

This indicates that the decision taken by both the Tollgate and Duros boards to acquire Arwa has been on the merits of the company and within the constraints of the group policy

Should the deal be approved along with the acquisition of 25% of Gants, a similar offer to the minority shareholders of Arwa will be made

TIGER OATS

13/1/89.

186 FMAIL

Big meal to digest

Activities: Group companies are in food manufacturing, processing and distribution and investments are in pharmaceutical, fishing and food canning

Control: Holding company is C G Smith and Barlow has ultimate control

Executive Chairman: R A Williams, managing director C Wolpert

Capital structure: 13.9m ords of R1 each, 555 000 5.5% cum prefs of R2 each, 4.3m 12.5% red cum prefs of 10c each, 251 500 variable rate cum prefs of 10c each Market capitalisation R2 085m

Share market: Price R150 Yields 2.9% on dividend, 8.4% on earnings, PE ratio, 11.8, cover, 2.9 12-month high, R150, low, R95 Trading volume last quarter, 80 000 shares

Financial. Year to September 30

	'85	'86	'87	'88
Debt:				
Short-term (Rm)	211,4	253,0	223,5	385,9
Long-term (Rm)	55,8	55,8	58,4	103,8
Debt equity ratio	0,35	0,05	—	0,30
Shareholders' interest	0,53	0,49	0,48	0,43
Int & leasing cover	6,1	11,9	17,4	20,4
Debt cover	0,59	0,58	0,73	0,56

Performance.

	'85	'86	'87	'88
Return on cap (%)	13,8	13,2	14,1	15,2
Turnover (Rm)	2 795	3 513	3 535	4 395
Pre-int profit (Rm)	199,7	215,0	253,6	352,6
Pre-int margin (%)	5,6	5,4	6,5	7,5
Taxed profit (Rm)	106	124	152,9	205,5
Earnings (c)	693	775	981	1 266
Dividends (c)	230	270	337	435
Net worth (c)	4 915	5 182	5 670	5 944

For years the main characteristic of the Tiger Oats balance sheet was its large cash pile. But now the picture has changed — acquisitions of the past two years have contributed to net borrowings of R295m, though the balance sheet remains strong.

In the year to end-September alone, R227m was spent on acquisition of investments and subsidiaries. Main purchases were disinvestments Saphar-Med (bought by subsidiary Adcock-Ingram) and Logos Pharmaceuticals (which Tiger is maintaining as a direct subsidiary), as well as 50% of Langeberg Holdings (a joint venture with



Tiger's Williams ... entering a new era

Langeberg Co-op) These served to boost the increase in turnover from 16,1% excluding the impact of acquisitions to 24%, and also helped improve margins.

The full percentage point rise in margins meant 12% (R44m) more operating profit. With the margin on pharmaceutical investments at 14,1% (12,8%), additions to this section of the portfolio obviously helped, but a large part of the rise was due to improved efficiency and productivity all round. In foods, margins climbed from 5,4% to 6,2%.

As part of the programme to ensure further improvements in productivity and reductions in costs, there was considerable capital expenditure. Total capex leapt from R93m to R163m and there was a net outflow of cash of R158m financed by increasing borrowings from R282m to R490m, with a sharp shift to short-term finance, and by running down the cash pile from R283m to R194m. This was despite a 32% rise (on our calculation) in gross cash flow.

One of the major capital projects, says MD Clive Wolpert, was the glucose plant being built in Durban and due to start production early this year. Rationalisation in the milling and baking sections meant the closure of the Lichtenburg mill and the commissioning of a new mill in Pietersburg, which is in a better location to meet market needs. Other capex included Fatti's and Mom's new production line and redevelopment of the Jungle Oats site in Maitland.

Trends in food consumption have continued to change. Wolpert says milling volumes increased after the change last May to 100%

white maize, preferred by most consumers. Though total demand for maize products has remained stable over the past two agricultural seasons, there is a trend among the more affluent towards higher meat consumption. But the rise in red meat prices boosted the market for vegetable protein substitutes and for chickens, both benefited the food division. Hatchery and abattoir farm facilities are being expanded.

With eggs costing less than competitive sources of protein, consumption increased 12% last year and an independent producer was acquired.

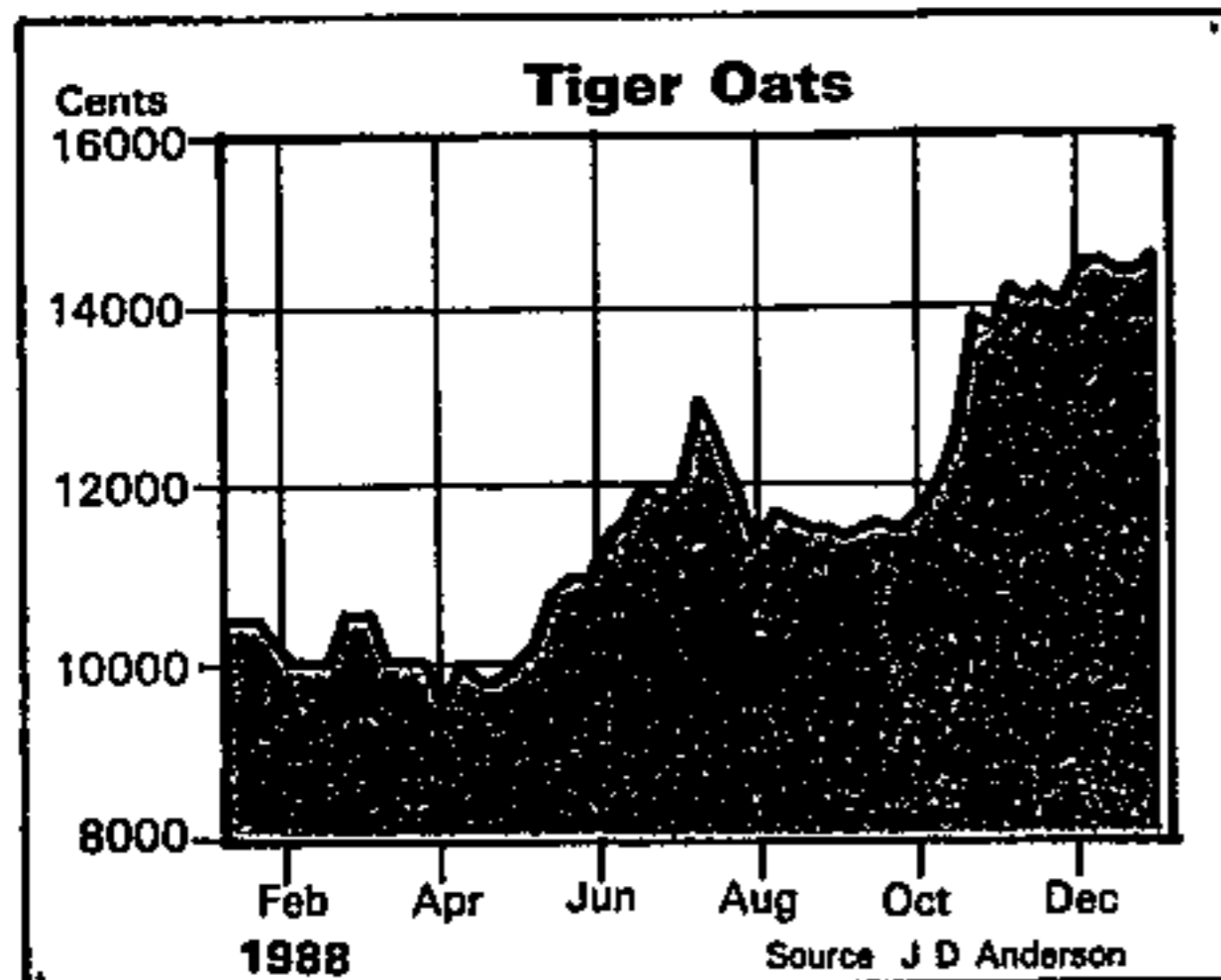
Chairman Robbie Williams forecasts a real increase in earnings in the current year, but Wolpert makes no bones that a substantial effort will have to be made to improve productivity further. The baker's margins for 1989 mean that the industry is again contributing to the maintenance of the baker's subsidy and the wheat millers' margins will have a similar effect. More acquisitions are possible, and consolidation of results of last year's acquisitions for a full year should in any case have a beneficial effect.

With a net debt:equity ratio of 0,30, there should be no problem raising finance for further expansion, though Wolpert says no acquisitions are being seriously considered at present. Since year-end, some of the investment in preference shares has matured and been used to repay borrowings. Further funds should be available in March and will again be used to repay debt.

But as some of the increase in debt is the result of consolidation, especially of the new acquisitions (Langeberg alone has around R150m debt), part is held in different companies from those with the cash and cannot be paid off from group cash.

Tiger is entering a new era when it will have a higher gearing. Gearing is only part of the change, and increased emphasis on higher margin industries obviously meets with stock market approval. The share is hitting new highs and has risen 58% since April. Further rises will partly depend upon the direction of the market as a whole, but investors like suppliers of basic foodstuffs when a recession looms and Tiger's price could improve further.

Pat Kenney



DORBYL

More optimism

Permeating the Dorbyl annual report is an optimism which contrasts with the doubt which followed the bad years of 1984-1985. CE Dawid Mostert says business in the

Tiger Oats recommended by brokers

186

ADAM PAYNE

B/Pain
13/1/89

TIGER OATS shares, which have risen 7% from R144,25 at the end of December, are fully valued but should be bought and accumulated, say JSE brokers Frankel, Kruger Vinderine, who advocate purchases at lower levels than the present R155

"The group has a solid base and recent acquisitions, as well as emphasis on efficiencies, should ensure stable growth, with the ability to take advantage of any economic upswing."

Strong cash flows ensure that in spite of acquisitions, the group maintains relatively high cash resources (R190m at the September year-end)

Growth is expected to be concentrated in areas of high black consumption. These areas could include poultry and eggs which are cheaper sources of protein than red meat.

Profitability of the Langeberg Foods operations, which was acquired in July last year, could be improved on

TIGER OATS The commissioning of a glucose plant, possibly in June this year, would provide Tiger with an entry into hitherto uncontested markets

Tiger has recently invested aggressively in the pharmaceutical industry, which is a growing high-margin field

While utilisation of production capacity in the food industry reached its highest level in 16 years in the first quarter of 1988, and then declined, Tiger experienced the opposite conditions

Langeberg has a tax loss of about R28m which should help to decrease the group tax rate

Exports by Tiger Oats account for about R500m. This includes fishing exports. Exports by Langeberg could increase this figure to about R700m this year. Growth should result in greater profit rather than only in turnover



Sugar stockpiled before price rise

s/Times 18/1/89

THE South African Sugar Association (Sasa) expects consumers and food industries to take advantage of the early announcement of a price increase and build up stockpiles

The price of sugar will be lifted by 11,3% in the next six months, adding fuel to inflation

The price will rise by 7% on February 1 and by 4% on August 1, but will probably be held at this level until August 1990. SASA says the increases will be below the expected inflation rate for the next 18 months of 20%. SASA made the announce-

By Don Robertson

ment ahead of the dates of the increases, which it hopes will allow consumers a chance to stockpile

Storage

Before the price was raised by 12,5% in January last year, an additional 80 000 tons of sugar were sold

However, because the latest increase will be lower than at the beginning of last year, sales are expected to rise by about 40 000 tons this month

Frans Oosthuisen, national markets manager of Sasa, says industrial consumers,

such as the canning industry, will build up stocks by one to two months. Chain stores will probably not be able to carry additional stocks because of a lack of storage space

Dr Oosthuisen says the increase is necessary because of higher production costs brought about mainly by higher wages. Inflation has added to input costs. He says part of the additional costs will be absorbed by the industry

In June last year, Sugar Millers Association chairman Glyn Taylor said that an upturn in domestic and international markets was under way and with the current good crop, the market would emerge from the trough of the early 1980s

"While we may have entered the decade with a whimper, we could leave it with a roar," he said

Borrowings

Last season, SA sales rose by 5% and the international market improved. Sasa was able to reduce its loans, used as a buffer against fluctuating sugar prices, by R40-million to R287-million. It is expected that by July this year, the loans could be reduced by another 50%

It is expected that sales in the current season will rise by about 2,5%

Last season, Sasa earned an additional R40-million through hedging some of its crop on the futures market

Sasa managing director Peter Sale says the association has continued this policy, again with success

The sugar industry is still keen to develop an ethanol project, but is waiting for Government approval. Mr Sale expects some positive response before the end of next month

The international market has shown considerable improvement in recent months. On the New York futures market, the price reached a peak of US12c a pound in December for March delivery, although it has come off

Tight

Expectations of a large offtake by either China or Russia did not materialise and speculators who have sold out. This took the price back to 10,11c a pound and it is expected that it will loose ground to 10c a pound. This compares with about 9c a pound in October

However, the supply-demand position remains tight, says Lindsay Williams, senior international trader at commodity broker Holcom

He says stocks are nearing an eight-year low and should one of the larger producers, such as Cuba or Brazil, experience any production problems, the position could worsen

However, in the short term, the market is expected to remain stable at present levels

Elangeni's interim profit rises by 55%

8/Dec

23/1/89

ZILLA EFRAT

186/103

ELANGENI Holdings, the edible oil processor, has reported a 55% increase in earnings for the six months ended October 1988.

Taxed profits rose to R987 000 (R636 000) and earnings jumped to 5,9c (3,8c). No interim dividend has been declared as it is the group's policy to declare a single dividend at year-end.

Turnover increased by 12,9% (25,9%), but actual figures are not given. Operating profits rose 35% to R1,7m (R1,24m).

Chairman Harry Spain says the interest bill, which rose 38% to R686 000 (R497 000), largely reflects investment in new equipment.

The group, based on the Natal North Coast, did not pay tax during the period under review due to non-taxable decentralisation benefits and assessed losses brought forward from previous years.

Delays

Directors say Elangeni has continued to increase its market share despite production constraints caused by delays in completing certain factory buildings. The group's extraction plant came into operation in November 1988 and its continuous refining plant will be completed in March this year.

The directors say the results for the full year ending April 1989 will be affected by these production delays.

Elangeni's diversification into the production of soap products is seen as a logical expansion because the primary ingredients in soap production are fatty acids, a major by-product from the refining of edible oils.

Directors expect earnings to grow by at least 40% for the full year.

Elangeni was listed on the JSE in August last year via a reverse takeover of Advance Industries. It was later transferred to the food sector.

D KAY TURVEY

PREMIER Foods has begun laying off staff as part of a restructuring of the group.

PREMIER Foods has begun laying off staff as part of a restructuring of the group. Premier Food Industries CE Willem de Kok said the move was aimed at creating a leaner, more self-sufficient division.

He denied market rumours that the retrenchments involved several hundred people. The retrenchments formed part of group strategy to allow each division to stand alone, although a separate listing for Premier's food interest was being considered only in the longer term.

PREMIER Group deputy CE Gordon

3/1/89 23/1/89
Premier Foods
lays off staff

Utian said he could not put a figure on the number of staff to be made redundant, as final decisions were still being made. It was hoped to place many of the staff in other areas of the group.

The retrenchments follow the recent sale of the group's marginal poultry interests and involve staff in the broiler and egg division and personnel from the 430-strong head office. The cutbacks are expected to have a positive impact on earnings in the year to March 1990.

US food giant Nabisco to divest

B/Dan 23/1/87
US FOOD and tobacco giant RJR Nabisco is to sell off its holding in SA's Royal Beech-nut following the \$24.5bn takeover of Nabisco by New York investment house Kohlberg Kravis Roberts

Nabisco, an Atlanta-based maker of a vast number of consumer items ranging from biscuits to cigarettes, has a controlling shareholding in Royal Beech-Nut

Royal Beech-nut MD Doug Johnston said yesterday divestment moves were

186 200

KAY TURVEY

still in the early stages, but they were talking to possible local suitors for the R80m a year company.

Reluctant to name possible buyers, Johnston said a local management buyout was not being considered and a likely deal was not expected to affect staff

The company, whose brand names include Beechies and Lifesavers, employs 850 people.

COMPANIES

Speculation on possible buyers of Nabisco firms



SPECULATION is mounting about possible bidders for the two SA operations which RJR Nabisco plans to dispose of following its acquisition by Kohlberg, Kravis Roberts

The companies involved are SA Preserving Co, owned by Nabisco's Delmonte International, and Royal Beech-Nut

Confirmation of the intended pull-out came earlier this week, but spokesmen for local companies which could be interested in purchasing them said it was too early to make any comment

A hot favourite among some analysts is Tiger Oats, which last year paid R80m for a 50% stake in Langeberg Holdings in a joint venture with the

Tiger's latest annual report that while disinvestment should be discouraged, the trend had nevertheless offered the company the exciting opportunity to deploy surplus cash into high-quality assets

Analysts point out that Tiger has spent most of the R200m cash it had on hand, but the group's balance sheet remains strong enough to enable it to pursue



MERVYN HARRIS
Langeberg Co-op It could well be interested in SA Preserving Co as well as Royal Beech-Nut

It is the intention to apply at some future date, probably in 1991 or 1992, for a JSE listing of Langeberg, which has a strong market share and well-established brand names such as Koo, All Gold, Hugos and Silver Leaf

Chairman Robbie Williams said in

acquisition opportunities
The acquisition of the two companies would have little effect on Tiger's earnings or net asset value

A more likely candidate could be Fedfood, which is seeking to broaden its base and diversify its operations after building up its frozen foods division

Royal Beech-Nut could well fit in with the group's snack and cafe operations, which include Simba Quix

The other company mentioned by most analysts is Utico Holdings which

manufactures and distributes a wide range of snack foods Products of its Willards Foods division include Stimorol gum and Fresh-Up fruit juices

There is also an outside chance that Crown Food Holdings could be interested in purchasing one of the two disinvesting companies

Crown supplies ingredients and light meat processing equipment to butchers and the meat industry, and equipment, sauces and dressings to the catering industry

Fruit factory rehires fired nectarine eater

AN employee sacked for pinching a nectarine from the Stellenbosch fruit factory where he has worked for 10 years, was reinstated yesterday.

Now the Stellenbosse Kooperatiewe Vrugtepakery (SKV) is considering the introduction of a fruit ration for its workers

Mr Wilson Nyibithi, a tractor driver at SKV, was reinstated yesterday following an appeal by the Food and Allied Workers' Union, a union spokesman said.

Asked to comment yesterday, SKV spokesman Mr Charl van der Merwe said the company had not reached a final decision about fruit rations.

Corruption report in

By CHRIS CAIRNCROSS

THE Harms Commission's second report about corruption — which may trigger prosecutions of Mr Sol Kerzner and Cape Town attorney Mr David Bloomberg — has been completed and submitted to the State President.

The 38-page report focuses on the circumstances surrounding the R2-million bribe paid to former Transkeian prime minister Chief George Matanzima by Sun International (SI) supremo Mr Kerzner in exchange for

exclusive gambling rights in the territory

Transkei attorney general Mr Christo Nel has indicated that he is now only waiting for a copy of the report to decide whether to bring charges against Mr Kerzner and Mr Bloomberg, who has also admitted complicity in the bribe

If charges are preferred against the two, it could also set in train extradition proceedings should they refuse to return voluntarily to Transkei to contest the action against them

Duo survive battle with cyclone

TWO battered French yachtsmen rescued near Durban yesterday told of their battle for survival against 15m-high swells and

of Concarneau, France, described four harrowing days as his yacht, an 11m French-designed Melody, rolled three times, lost

“When Nath rolled for the first time all our equipment was wrecked and we had to spend the next 14 days navigating by the

(78) (100)
Cape Times 3/11/89

Fruit factory rehires fired nectarine eater

AN employee sacked for pinching a nectarine from the Stellenbosch fruit factory where he has worked for 10 years, was reinstated yesterday.

Now the Stellenbosse Kooperatiewe Vrugtepakery (SKV) is considering the introduction of a fruit ration for its workers.

Mr Wilson Nyibithi, a tractor driver at SKV, was reinstated yesterday following an appeal by the Food and Allied Workers' Union, a union spokesman said.

Asked to comment yesterday, SKV spokesman Mr Charl van der Merwe said the company had not reached a final decision about fruit rations.

No chaff in Tiger Oats 186

Sharespot

LYNNE PEACH

While it can be argued that blue-chip Tiger Oats is overrated, compared with the industrial market, it must be borne in mind that the group has an excellent track record — and looks set to produce an above-average set of results in the current year

Stockbrokers are expecting earnings growth of 20 percent to 25 percent for the year to September 1989

Tiger Oats is involved in food manufacturing, processing and distribution, complemented by investments in the pharmaceutical, fishing and food canning industries

The non-cyclical food division accounts for 67 percent of group operating profit.

Within this division, milling and baking operations are most important.

Financial division

The pharmaceutical division contributes 15 percent to group operating profit, fishing 11 percent, and the financial division seven percent

Tiger Oats has interests in two quoted subsidiaries — 69 percent of Oceana Fishing and 76 percent of Adcock-Ingram

Unlisted operations include wholly owned Tiger Foods and Logos, 57 percent of WG Brown Investments and 50 percent of Langerberg Co-operative

The latter produces value-added products and has well-established brand names such as Koo, All Gold, Hugos and Silver

Leaf A spokesman says this company will be separately listed, but does not expect this to take place before 1991

Other acquisitions, made in the second half of financial 1988, were Logos Pharmaceutical (formerly MSD), and Saphar-Med (formerly Sterling Drug), which was acquired by Adcock-Ingram

These opportunities arose in the wake of disinvestment

The acquisitions, says a spokesman, are performing in line with expectations and should have a positive effect on the group's bottom-line

As far as major growth areas in the current financial year are concerned, the spokesman says growth is expected in milling and baking, animal feeds and agricultural and edible oils and derivatives because of a general demand for alternative sources of protein

These include bread and baking products, chickens, value-added chicken products and eggs. Growth in these areas will stim-

ulate growth in animal feeds.

In the financial year to September 1988, turnover grew by 24 percent to R4,4 billion

If, however, consolidated acquisitions (King Food and Country Fair) are excluded, growth reduces to 16,1 percent

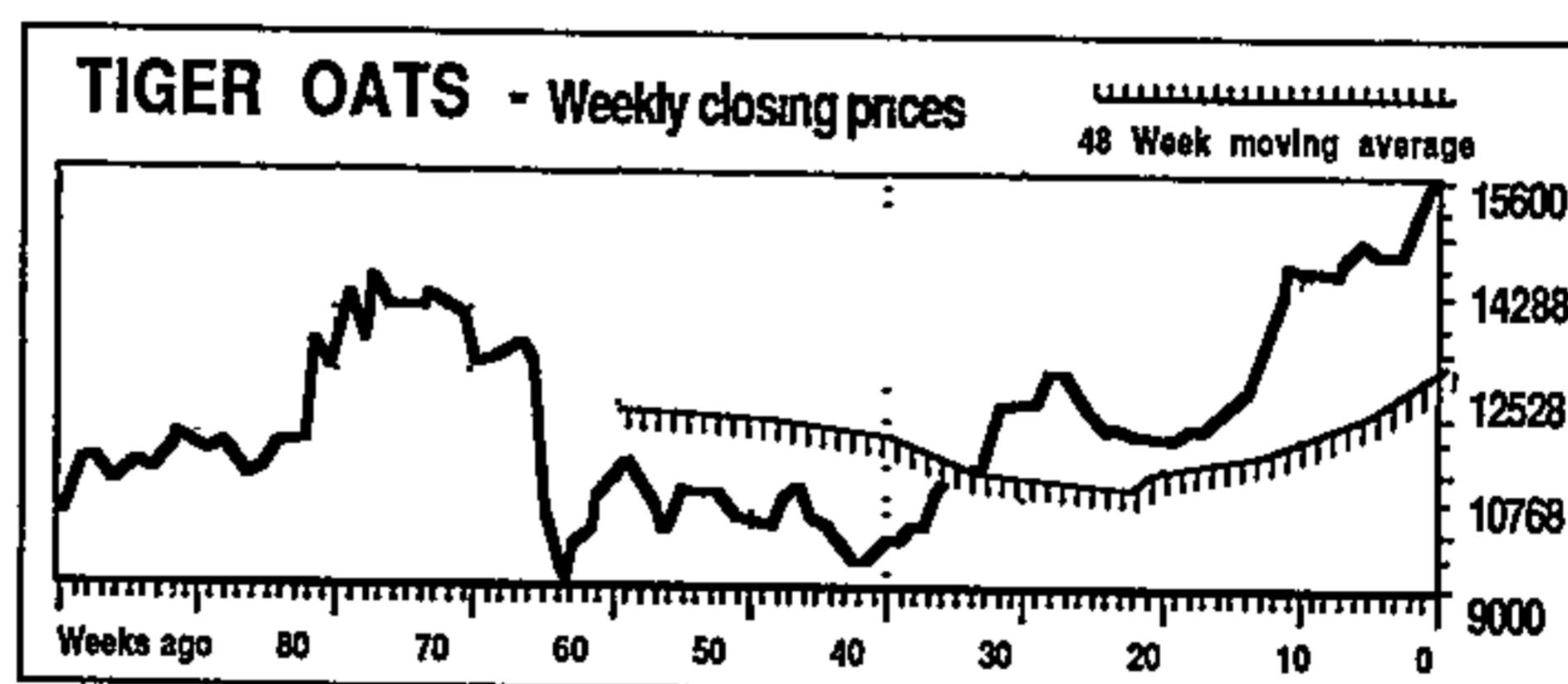
Operating margin

The operating margin improved from 6,4 percent to 7,4 percent on the back of attention given to productivity, coupled with higher trading margins of recent acquisitions.

Earnings climbed 29 percent to 1 266c and the dividend to 435c

At a share price of 15 600c, Tiger Oats is trading on a P/E ratio of 12,3 (sector average 10,9)

If earnings of 1 600c materialise for financial 1989, the forward P/E ratio is less than 10 and the prospective dividend yield is 3,3 percent.



The share price continues to rise above its 40 week moving average. The eight-month uptrend has allowed the price to exceed its pre-crash high of 14 000c. In recent weeks, however, Tiger Oats has been underperforming the JSE food index. While the price is bound to keep rising in the long term, the rate of ascent could slow in the short/medium term

SA workers face chop in US deal

Staff Reporter

MORE than 1 200 workers at a Tulbagh canning factory — owned by an American company which could soon withdraw from South Africa — will probably know before the weekend whether their jobs are in jeopardy

A statement is imminent, according to the managing director of the SA Preserving Company (Sapco), Mr G McLaughlin.

"We feel, though, there will be a continuity of the business operation as it is conducted at present," he said today.

CLOSE DOWN

US food and tobacco giant RJR Nabisco — which has a controlling shareholding in Sapco and another South African company, Royal Beech-Nut — has announced plans to close down Royal Beech-Nut

Uncertainty over Nabisco's future

plans are linked to a record R65-billion take-over bid by its chief rival, Kohlberg, Kravis and Roberts

Nabisco shareholders have two months to consider the offer

However, Mr McLaughlin said today "We have been in touch with our London office and we are hoping for a statement today."

WITHDRAWAL

Asked about the impact of investment withdrawal, he said Sapco would probably continue operating in Tulbagh.

He added "I cannot say anything more until I have heard from London"

Sapco, which has an administrative office and warehousing in Cape Town in addition to its factory in Tulbagh, is regarded as a vital component of the region's fruit farming industry

The Argus Foreign Service in New York reports that neither Nabisco nor Kohlberg, Kravis and Roberts would discuss details of future plans for the two South African holdings

However, Nabisco has announced its intention to close down Royal Beech-Nut, which has operating assets of less than R12-million, no matter what the outcome of its merger negotiations with Kohlberg might be

It is thus not clear whether Nabisco's plans to close down its South African operations were part of the general US disinvestment movement or were spurred by the merger bid

A spokesman for Kohlberg, Kravis and Roberts would say only that while no firm decision had been made in regard to the future of the Tulbagh company it was almost certain "to be disposed of" should the merger with Nabisco take place

1989 2/2/89

Prices of ~~21~~
canned food,
beverages set
to increase ¹⁸⁶

Staff Reporter ~~122~~

Consumers might be in for a major blow on April 1 when the price of tinplate used in the food canning industry will jump by 18,5 percent

A spokesman for the Consumer Council said the price increase, announced by Iscor last week, was "just one more increase in a horrific spate" of recent price increases

He said consumers were still reeling from the petrol price rise in January this year and predicted 1989 would be a difficult year for consumers

However, Mr Peter Campbell, a spokesman for a major packaging company, said he did not believe the cost of canned foods and beverages would rise drastically as a result of the increase — although it was possibly too early to tell

He added that Iscor had "behaved very responsibly" in raising prices in the past and although this year's increase was substantial, those in the last five years had been well below the inflation rate

A MESSAGE TO OUR EMPLOYEES, GROWERS AND SUPPLIERS AND THE TULBACH COMMUNITY

FROM

SOUTH AFRICAN PRESERVING CO (PTY) LTD

SAPCCO

20/6 meus 4/2/89
186

We at SAPCO want to assure all of our valued employees, growers and suppliers that it is business as usual as we complete a full and normal deciduous fruit pack.

As communicated to each of you we remain committed to all our business contracts, employee benefit programmes, and social responsibility programmes.

What is most important to understand is that any further action does not necessarily mean that SAPCO canning operations will be curtailed or ceased. As further details regarding any potential sale of our company become known, we will personally advise you. In the meantime it is

Sincerely

BUSINESS AND QUANTITY AS USUAL

THE DIRECTORS, SA PRESERVING CO (PTY) LIMITED

Lovasz acquires Beech-Nut

B. Daw 186
ZILLA EFRAI

14
2
89
THE Imerman family, which controls the listed Lovasz group, has acquired the SA subsidiary of Royal Beech-Nut (RBN) in a major disinvestment move by R J R Nabisco

The sum and nature of the purchase consideration have not been disclosed, but the stature of RBN — a manufacturer of well-known brands of chewing gum, sweets, baking powder and instant pudding — can be gauged by its projected turnover of R100m and staff of nearly 900

The extent of the involvement of the Lovasz group in the acquisition is still under consideration. But yesterday's suspension of Lovasz shares on the JSE indicates the association is likely to be a meaningful one.

Rumours of the deal followed the

takeover of R J R Nabisco, which owns RBN internationally, by New York investment house Kohlberg Kravis Roberts for \$24,5bn — one of the biggest takeovers in US history.

The Imermans have acquired the entire issued share capital of RBN, its brand names within the southern African territories, its manufacturing, marketing and distribution facilities and have ensured the employment of its management and staff

Lovasz CE Vivian Imerman said, "We will be looking for other acquisitions to help build up a major group in the manufacture and distribution of food, confectionary and related fields"

The Lovasz listing will be reinstated on the JSE today

OWN TIMES 14/2/89

Nabisco sells local stake to Iermans

Own Correspondent

JOHANNESBURG. — The Ierman family, which controls the listed Lovasz group, has acquired the SA subsidiary of Royal Beech-Nut (RBN), in a major disinvestment move by R J R Nabisco

The sum and nature of the purchase consideration have not been disclosed, but the stature of

RBN can be gauged by its projected turnover of R100m and staff of nearly 900

The extent of the involvement of the Lovasz group in the acquisition is still under consideration. But yesterday's suspension of Lovasz shares on the JSE indicate that the association is likely to be significant

Rumours of the deal followed the takeover of R J R Nabisco, which owns RBN internationally, by New York investment house Kohlberg Kravis Roberts for \$24,5bn — one of the biggest takeovers in US history

The Iermans have acquired the entire issued share capital of RBN, its brand names within the Southern African territories, its manufacturing, marketing and distribution facilities and have ensured the employment of its management and staff

RNB will retain its renowned name and brand names which are linked to technology agreements with its former US parent, but it has its own R&D expertise geared to creating products for local tastes.

The Lovasz listing will be reinstated on the JSE today.

Weather puts a damper on Pleasure Foods

By Sven Forssman

Market conditions, exacerbated by adverse weather, gave Pleasure Foods below-expected results for the six months to December

Compared with a seven-month period in 1987, turnover rose 25 percent to R40 million (R32 million)

Pre-tax profit fell from R3,2 million to R2,4 mil-

lion. Taxed profit fell from R2,1 million to R1,7 million

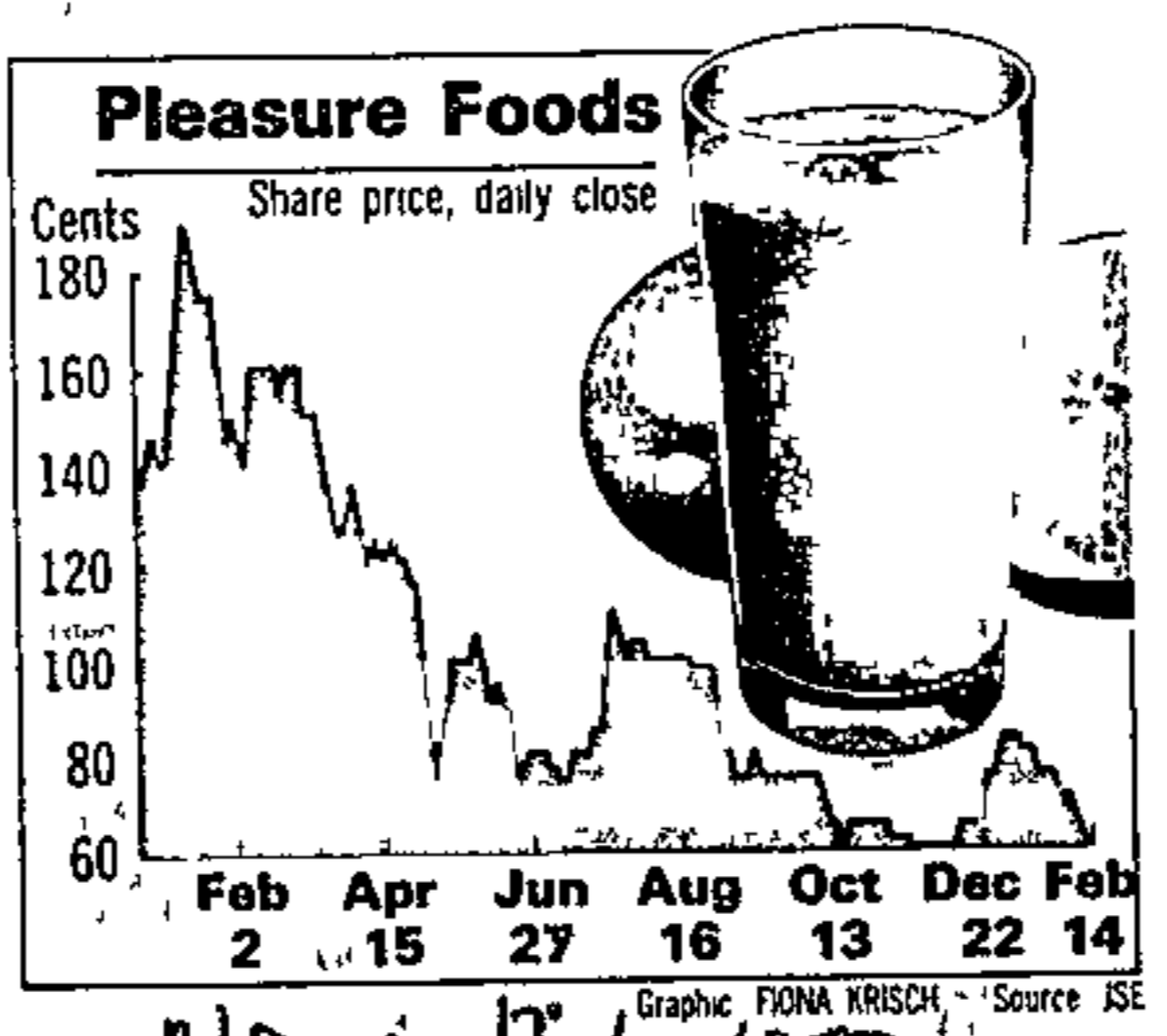
Earnings per share declined by 43 percent from 5,6c to 3,9c

MD Mike Silberbauer says the company has two outlets particularly sensitive to weather — Juicy Lucy and Milky Lane

● Profit before tax at another Anglovaal subsidi-

ary, Claude Neon Lights, rose only seven percent to R2,9 million for the half-year to December as higher costs limited profit growth

Borrowings rose in order to finance the 21 percent expansion of the sign rental book and to meet the cost of modernising plant



B/Dam 16/2/87

Bombings hurt Pleasure Foods

BRUCE ANDERSON

PLEASURE Food's interim earnings dropped sharply as the company's leading brand, Wimpy, suffered reduced sales partly due to bomb attacks last year.

Earnings per share sank by 27% to 3,9c (5,6c) and after-tax profit fell by 19% to R1,7m (2,1m)

Pleasure Foods, an Anglovaal group company, is a leader in the branded food market with an annual turnover of R68m through 381 food outlets. Its leading brands are Wimpy, Juicy Lucy, Pizza Hut, Milky Lane and Golden Egg

A change in the company's financial reporting period means that this year's interim results are compared with a seven-month in the previous year.

MD Michael Silberbauer said yesterday the bomb attacks on Wimpy outlets "obviously had an effect"

● To Page 2

Painful profit drop for Pleasure Foods

Another factor that had reduced sales was the cold, wet weather at the end of last year

"The summer that didn't happen affected Juicy Lucy and Milky Lane which are both 'hot weather' brands," Silberbauer said

In spite of the fall in profits, directors believe a recovery is now under way and better results are expected in the second half

Earnings for the current year are expected to exceed those for the year to June 1988.

Turnover rose to R39,8m in the six months to December last year compared with R31,9m in the last seven months of 1987. *B/Dam 16/2/87*

However, the reduced sales volumes in Wimpy, Juicy Lucy and Milky Lane were largely responsible for a lower pre-tax profit of R2,8m (R3,3m)

Silberbauer said development in the first half of last year, including the Carousel complex in Cape Town, accounted for an increase in borrowings.

● From Page 1

W/E 17/6/81
18/2/81
186

BUSINESS

Shining future for SA dried fruit industry

By TREVOR WALKER

Business Staff

SOUTH Africa boasts the best quality dried fruit in the world, and the outlook for the industry has improved dramatically in the last two years.

South African Dried Fruit Co-Operative (SAD) with its headquarters in Wellington has, following recent senior management appointments, been very active in marketing and raising the image of the industry.

General manager Mr Charl van Schoor, marketing manager Mr Philip Botha and industrial market manager Mr Daan Coetzee all joined the co-op in the last two years.

The dried fruit industry in the Cape has a long history. Cecil Rhodes was one of the earlier investors in the industry before the turn of the century.

Mr van Schoor says SAD is not really a co-op in the strict sense of the word, but is more of a marketing agent for the 2 759 farmers who belong to it.

"We do fulfil some of the more normal supply requirements of an ordinary co-op, but our main function is to market dried fruit."

Turnover has increased substantially in the past 10 years. In 1977 the co-op sold about R28-million for its farmers and last year sales rose to nearly R200-million.

"Dried fruit is a high risk business, with weather conditions having a crucial impact on the eventual quality of the crop."

"Dried fruit is an exotic crop, coming at the end of the line which starts with fresh fruit, canned fruit, juice, jam and then the dried product."

Fruit is left longer on the trees to maximise the sugar content and then has to dry in the open where it is very vulnerable to rain.

Nevertheless, the quality of the South African fruit is of the very best and is quickly bought up by the major European sellers.

Boosting snacks

Mr van Schoor said it was no coincidence that two US dried fruit farmers were presently in the country studying the production methods of local farmers.

Raisins and sultanas account for the bulk of the output, but apple, peach and apricot are being sold in ever increasing quantities.

The co-op has been so successful in marketing its products to the public that the catering and food industry has begun to show increasing interest in the various products.

"It is because of this interest that we appointed Mr Daan Coetzee to head up our industrial sales division and we are going full out to expand our pre-packing facilities for industry."

"Our long-term objective is to develop the increased use of dried fruit in confectionery, sweets, snacks and cereals."

"The gold mines are now using one of our packs as natural sugar boosting snacks for miners who go underground in the early hours and who require a natural energy food between meals."

The "Sunshine Taste" is the banner under which the co-op sells its fruit and clearly the outlook for the future is equally bright and shiny.

COMPANIES

A bitter brew for TW Beckett shareholders

Monday 2/21/89

186

RICHARD BARTLETT

TW BECKETT'S earnings dropped by 20.5% in the six months to December as intense competition, increased product costs and reduced margins cut profits

Interim results showed that earnings fell to 68c a share from 82c for the same period in 1987

Beckett, an Anglovaal group company, packs and distributes tea, coffee and associated products to retail and food service outlets

Taxed profits dropped by 20% to R4,1m (R4,9m) in spite of turnover rising by 4,7% to R105,1m (R100,2m)

The board is expecting demand to continue at current levels and believes second-half earnings will be similar to the interim figures

The directors say in the period under

review, sharp increases in product costs and the inability to pass these onto consumers due to intense competition depressed profit margins

Although management enforced stringent cost controls, operating margins fell to 8,8% (10,3%)

Import surcharges were cited as the main reason for increased costs Up to 50% of all tea and most coffee is imported

MD Sholto Shurras said other factors included the increase in turnover not being close to the rate of inflation Surcharges on coffee were dropped last week

Net current assets rose by R0,6m to R30,7m and capital expenditure rose to R4,1m (R1,3m) Gearing for the period rose by 11,5% to 39,4% but is lower than 1986's 59,6%

CAPE TIMES 23/2/89
**Imerman pay R45m
for RBN interests**

JOHANNESBURG. — The Imerman group is paying R45m for its 100% control of the shares and trademarks of the South African subsidiary of the international Royal Beech-Nut company (RBN).
In a major disinvestment announced last week, RJR Nabisco, the world's largest food group, sold its interests in RBN to the Imerman family interests which control the listed Lovasz Chemicals.
The Imerman group corporate consultants, Curle Securities, and other professional advisors are structuring the final deal which is likely to involve Lovasz and almost certainly lead to a further listing.
Based on the pro forma of the 1988 financial year's historic earnings, the R45m represents an effective multiple of about 10. — Sapa

Dear Barend

I & J harvests healthy 31% profit increase

B/Day 24/2/89 186

Business Day Reporter

IRVIN and Johnson (I & J), the Anglovaal group's frozen food company, has reported a healthy 31% increase in earnings to R26,2m, or 92,6c (71,1c) a share, as consumer spending continued to rise

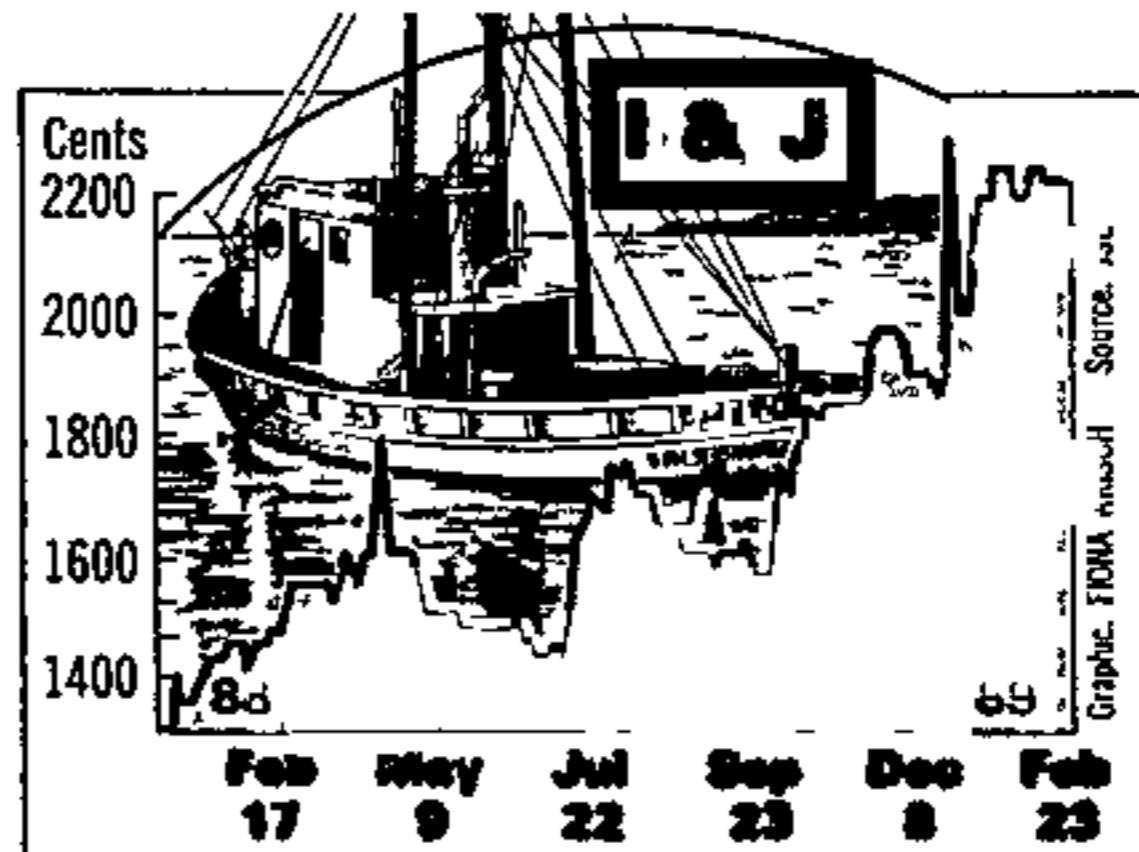
Consolidated turnover was up 22% at R517m, but may have been higher had it not been for sporadic inventory shortages of chickens and seafoods

There was little change in margins and operating profit increased to R42,7m (R34,4m) After income from investments and interest paid, the pre-tax profit reflected a 31% gain at R43,8m (R33,4m)

I & J's share of associated companies' earnings was R8 000 higher at R17 000 and, while there was no deduction for minority interests, R124 000 was absorbed by this charge in the comparative year-ago period

During the period under review, I & J acquired an 18% stake in Natal Ocean

Trawling which gives it the right to distribute Natrawl's entire seafood production. It sold its 33% share in Laaplek Rock Lobster Packers to Marine Products



Capital expenditure during the half-year was R16,6m (R23,7m), while commitments at December 31 totalled R13,9m (R6,3m)

Management expects the earnings trend to continue in the second half of the financial year

81 Day 24/2/88

Interim earnings rise for Crown Food

INTERIM results for Murray and Roberts's Crown Food Holdings to December showed an increase in earnings a share to 5,6c (4,9c) and the company



186

SYLVIA DU PLESSIS

has declared interim dividends of 1,5c. Crown Food — a supplier of ingredients and equipment to the meat and catering industry — also reported a 32,4% increase in turnover to R57m. Chairman Richard du Plessis said the higher interest charge, which increased from R554 000 in 1987 to nearly R1,6m in

the period under review, was a result of higher levels of working capital coupled with higher interest rates.

The group was committed to working towards a "more acceptable" level of total liabilities to shareholders' funds, he said.

While the company hoped to maintain its improved operating results for the remainder of the year, the interest burden was likely to remain as a major factor in the short-term business environment.

before Ersteling was started, with belt from Amalia and will investi-

major mining house in a Witwatersrand gold prospect

Irvin & Johnson trawls good earnings rise

Star 2/1/89 (186)
Finance Staff

Irvin & Johnson, Anglovaal's frozen food company, has produced satisfactory results for the six months to December

Earnings rose by 31 percent to R26,2 million (R19,9 million), with the board saying this trend is expected to continue in the second half

The upswing in consumer spending pushed up turnover by 22 percent to R517 million (R422,5 million) — a figure that would have

been higher, had it not been for sporadic inventory shortages of chickens and seafoods

There was little change in margins and hence operating profit increased to R42,7 million (R34,4 million).

After adding income from investments and deducting interest paid, pre-tax profit reflected a 31 percent gain at R43,8 million (R33,4 million)

The tax rate was unchanged, R17,6 million (R13,4 million) being

deducted for this charge Consolidated earnings were R26,2 million (R19,9 million), equivalent to 92,6c (71,1c) a share.

I&J recently acquired 3,5 million (18 percent) Natal Ocean Trawling shares, which gives it the right to distribute Natal Ocean's entire seafood production

Capital expenditure in the half-year was R16,6 million (R23,7 million), while commitments at December 31 were R13,9 million (R6,3 million)

DON'T MOVE!!

Telsaf Randburg



Malbak's stake in Kanhym rises to 86%

MALBAK has increased its stake in Kanhym from 37% to 86% in a transaction worth R50m *B/Dam 11/3/89*

Malbak has acquired 26,5-million Kanhym ordinary shares from Gencor in return for 2,62-million Malbak shares plus R32m cash. Kanhym preference shares previously held by Gencor, Malbak's parent company, were converted

~~245~~ LIZ ROUSE ~~186~~

to ordinaries simultaneously with this transaction, which saw ~~no~~ effective change of control

Malbak CE Grant Thomas said Kanhym had made an outstanding recovery since the present management assumed day-to-day control

Chocolate centre boosts Cadswep's profits

CADBURY Schweppes' (Cadswep) earnings a share are up by 37% and taxed profit has grown by 42% as the group reaps the benefits of a broader consumer base

CE Peter Bester said yesterday "We are very pleased with the 42% growth in profit because we did establish quite a high base last year"

Earnings a share rose from 254c to 349c after

taxed profit increased from R16m to R22,8m
A final dividend of 117c a share bought the total to 150c, up 36% from 110c last year

Cadswep, part of the international Cadbury Schweppes group, manufactures and sells con-



● BESTER

3 Day 213/89 (186)
BRUCE ANDERSON

fectionary, soft drinks and food products

Directors say the increase in taxed profit was due principally to higher volumes, improved efficiencies and a lower tax rate

Turnover grew by 20% from R271,1m the previous year to R326,4m last year

Bester said the group was drawing on a far broader consumer base

The total chocolate confectionery market grew by 15% last year and Bester said that Cadbury achieved a 25% increase in sales. In the chocolate slab market Cadbury achieved a record market share of just over 50%

"A combination of consistent investment in well-established brands plus a strategy of creating new brands to supplement our range helped improve growth," said Bester

Although the carbonated soft drinks market grew strongly, Schweppes faced fierce com-

petition and could do no more than hold volumes at 1987 levels. Bester said the launch of a number of new diet drinks provided the most serious competition for Schweppes products

Dividend cover remained constant at 2.3 times while gearing improved

Interest-bearing debt now represents 19% (34%) of total shareholders' funds

To improve the marketability of the company's shares the directors have proposed that each ordinary share of 50c each be subdivided into five ordinary shares of 10c each.

A factory is being constructed in Swaziland at a cost of about R10m to produce sugar confectionary for both export and local consumption

In spite of the prospects of a slowdown in consumer spending directors are confident that the group will achieve a real increase in after-tax profit in 1989

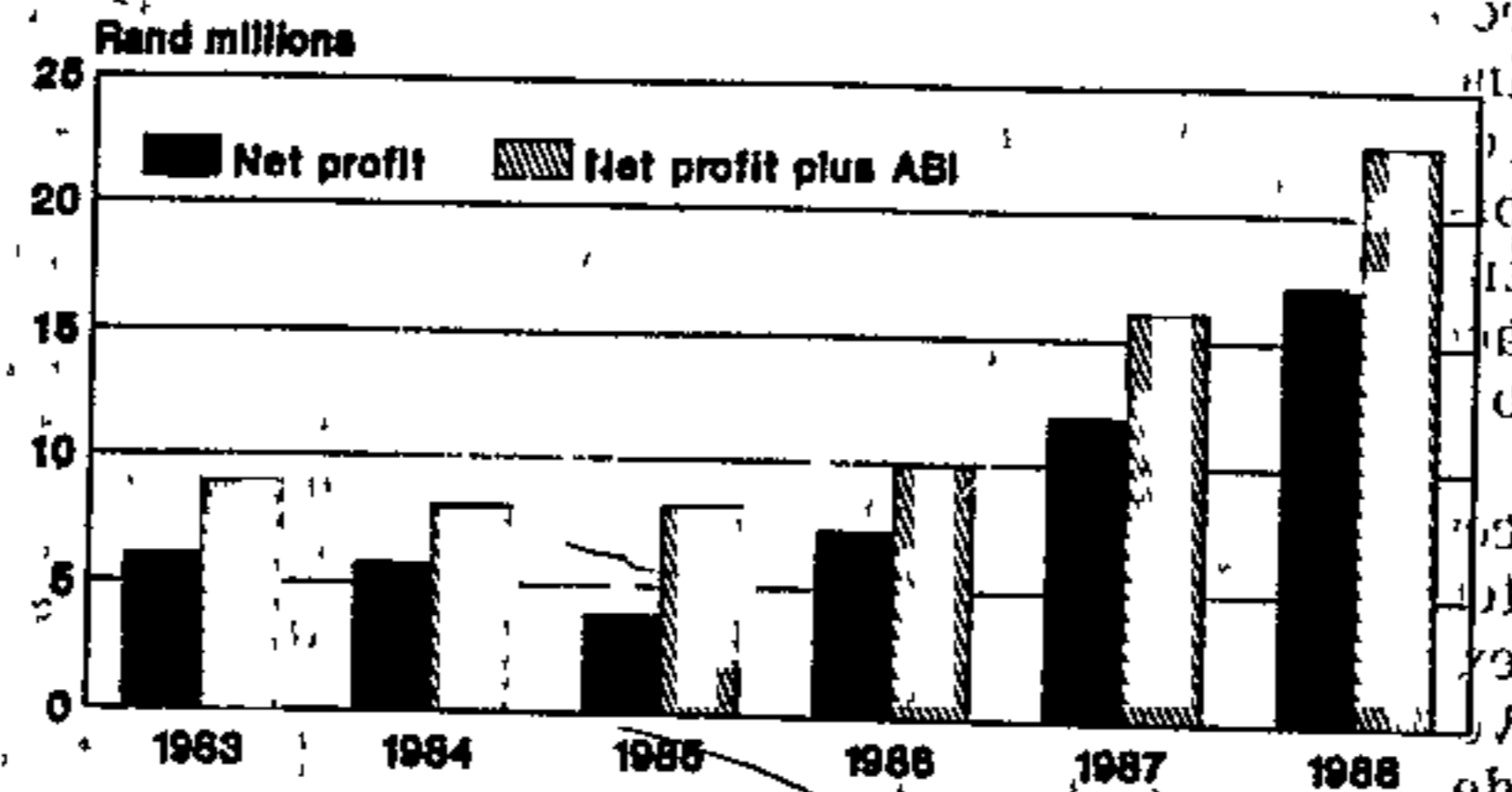
...earnings of 25,20 per
turnover rose by 30.7% to R21,7m

(R16,6m) *CAL TIMES 2/3/89* *(186)* *(208)*
Sweet results from Cadswep

CADBURY Schweppes' (Cadswep) earnings a share are up by 37% and taxed profit has grown by 42%. Earnings a share rose from 254c to 349c after taxed profit increased from R16m to R22,8m. A final dividend of 117c a share brought the total to 150c (110c). Turnover grew by 20% to R326,4m (R271,1m).

Turnover

SA's sweet tooth delights Cadbury



Six years earnings of Cadbury Schweppes. *186* *star 2/3/89*

By Derek Tommey

South Africans' love of chocolate and soft drinks is making leading confectioner and soft-drink company Cadbury Schweppes highly prosperous.

Last year it increased its profit by 42 percent, it reports today. This brings the growth in profits in the past two years to 130 percent.

Shareholders are to get a final dividend of 117c, making a total of 150c for the year. This is 36,4 percent more than the 110c they received last year.

The company also re-

ports it is building an R10 million factory in Swaziland to make confectionary for both the local and export markets and, in a move which should make its shares more marketable, it is planning a five-for-one sub-division.

The directors say that the increased profits were the result of higher volumes, improved efficiencies and a lower tax rate. Amalgamated Beverage Industries also contributed to good results.

Turnover rose 20,4 percent from R271,2 million to R326,5 million while earnings from ABI rose 33 percent. Taxed profits, excluding the ABI contribution, rose 45,4 percent from R11,9 million to R17,3 million. Taxed profits including ABI's earnings, rose 42 percent from R16,1 million to R22,8 million.

The EPS rose 37,2 percent from 254,1c to 348,6c, which is less than the increase in profits, owing to the conversion of the debentures.

The directors say that the total chocolate market grew by 15 percent and Cadbury was able to increase its market share through strong branding and launch of new products.

Cabrio, in particular, proved an outstanding success and operating profit increased significantly.

The carbonated soft drinks market also grew strongly, but intense competition limited Schweppes' volumes to their 1987 levels.

The company is expecting a real increase in profit in 1989 even in spite of the prospect of a slowdown in consumer spending.

gro
for

In a separate incident, a group of people stabbed a man to death.

strong points, small communications centres where people in trouble can summon help. — Reuter.

Stand by for a bread price rise

PRETORIA — An announcement of a substantial bread price increase is expected when the Budget is presented to Parliament next Wednesday, according to sources in Pretoria.

The current financial year's subsidy of R130m has almost run out and unless Finance Minister Barend du Plessis can find at least another R170m to support present prices in the new financial year, a price hike of at least 10% is probable.

The price was last raised in August last year — white bread by 4c a loaf and brown by 6c.

At present a white loaf carries a subsidy of 2,3c, and a brown, 11,3c

GERALD REILLY

Another indicator pointing to a big hike in the bread price is the Cabinet decision last year to phase out all food subsidies.

The milling and baking industries are also expected to be granted higher margins to compensate for increased rail rates, the big increase in fuel prices, higher wages and other cost increases.

The big decrease in the producer price — by R45 a ton to R350 — would compensate for the expected substantial losses.

~~200~~ 186

Monday 8/3/89

AIDS may hit employees benefits

Gants harvests an 85% growth in taxed profits

9/Day 9/3/89

186

GANTS Holdings, a food processor and distributor of agricultural equipment, has harvested a 64% increase in attributable earnings for the year to December

Weighted earnings rose 39% to 30,2c (21,7c) a share. The number of shares in issue increased to 53-million from 45-million because of the acquisition of the Delpont group

A final dividend of 6c (interim 7c) a share has been declared, bringing the annual total to 13c (12c), covered 2,3 times

The Delpont results have been included from July and account for weighted averages being used to report earnings

Taxed profits jumped 85% to R18,5m (R10m), while earnings attributable to ordinary shareholders rose to R16m (R9,8m)

Chairman David Gant says turnover for the food processing division has risen 39% to R160m, of which R70m is for exports sales. Food processing represents 71% of group turnover and 94% of taxed profits

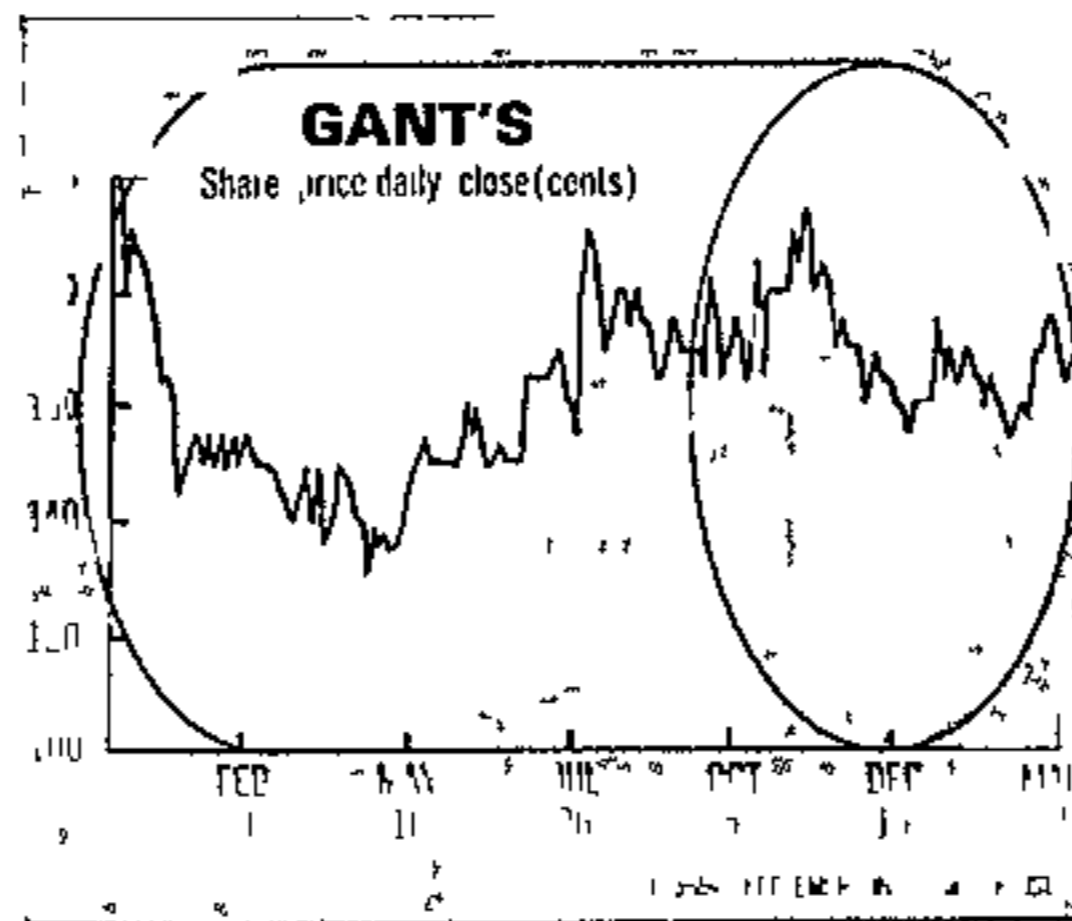
Group turnover rose 42% to R220m (R155m), while turnover for the agricul-

ZILLA EFRAT

tural machinery division increased 65% to R59m. Local sales increased 55%

Operating profits rose 84% to R19,5m (R10,6m) with improved margins

Gant says the problems of root disease in the group's Swaziland pineapple plantations have been overcome



and the Swazican factory will be fully operational this year

Rationalisation of the agricultural division has limited its contribution to

earnings, but its benefits and the impact of the acquisition of J I Case are expected to positively affect earnings in 1989

An extraordinary item of R54 000 relates to the closure of a branch and factory, balanced against the sale of premises

The group's tax rate of 5% — unchanged from the previous year — is due to decentralisation benefits and some assessed losses which were brought forward

Gant says it is too early to forecast earnings which are affected by crops, exchange rates and selling prices

However, he says prospects are sound. With the exception of canned pears, export prices for canned fruit are expected to be equal to or better than in 1989 in foreign currency terms, and current trends indicate export earnings will be achieved at substantially more advantageous exchange rates than last year

Gant says sales of agricultural machinery have exceeded R21m in the first two months of this year and agricultural prospects look good

Weak rand boosts Gant's export earnings

By AUDREY D'ANGELO
Financial Editor

EXPORT earnings — boosted by the weakness of the rand against the dollar and British pound — helped Gant's Holdings to lift turnover for the year to December 31, by 42% to an impressive R220m

Profit before tax rose by 84% to R19,5m (R10,6m) — indicating a widening of profit margins

After-tax profit rose to R18,5m (R10m) and attributable profit to R16m (R9,7m)

The final dividend is 6c a share, making a total of 13c (12c) for the year

Gant's, based in Somerset West, has an agricultural machinery division which achieved substantial growth in the year

But food processing is the core business and accounted for 71% of group turnover and 94% of after-tax profits

Chairman David Gant said yesterday that sales on the domestic market accounted for R90m of this and another R70m came from export sales

"Export sales are in the main generated in pound sterling and US dollars and any weakening of the rand against these two currencies reflects positively in export earnings"

Gant said this was the first time group turnover had exceeded R200m

"In the competitive world of food processing and agricultural machinery size and market share are extremely important and consequently it is pleasing to note the growth experienced by Gant's Holdings in both food processing and agricultural machinery operations

"Turnover for the food processing division rose by R41m or 39% to R160,3m. Turnover for the agricultural machinery division rose by R23,1m or 65% to R58,9m or 65%

Gant said prospects for the current year were "sound"

Export prices for canned fruit with the exception of pears were "equal to, or better, in foreign currency terms than last year. And current trends indicate that export earnings will be achieved at substantially more advantageous rates than last year"

In February the group recorded its highest ever monthly turnover on the local market

Sales of agricultural machinery exceeded R21m for the first two months of this year and "agricultural prospects in general look good"

Gant said the benefits of rationalization following the acquisition of G North & Son in 1987, and the acquisition of J I Case's agricultural machinery business, were expected to "impact positively on the machinery division's contribution for 1989".

186 200

CNT 1147 9/3/89

J
2
3
1
1
1

Chairman

Tulbagh ⁹⁷⁴
^{10/3/89}
workers
in talks ^{BC}
Staff Reporter

THE first round of talks over disinvestment between the US-owned Del Monte Corporation, owners of the Tulbagh-based SA Preserving Company (Sapco), and the Food and Allied Workers' Union (Fawu) took place yesterday.

Del Monte was recently tied up in one of the largest takeover bids in US history when its parent company, tobacco giant R B R Nabisco, was bought by New York investment house Kohlberg, Kravis, Roberts (KKR) for \$24,5 billion about R60bn).

Threats of disinvestment by KKR raised fears for the jobs of Sapco's 1 300 employees.

A Fawu spokesman confirmed the talks with a Mr Tony Bedford of the Del Monte Corporation, but said it was still unclear whether KKR would sell Del Monte — and Sapco — to offset takeover costs. Workers had been assured that, even if Sapco were to be sold, they would enjoy all current benefits till December 31, 1991.

Privatisation, futures market may revive red meat industry

By Day 13/3/82
KANHYM executive chairman Dirk Jacobs has proposed privatisation of the Meat Board and the establishment of a futures market for red meat as a means of stabilising the meat industry.

In the National Sheep Shearing Championships keynote speech in Bloemfontein, Jacobs said SA's meat industry would have to find a long-term solution to the problem of steadily shrinking demand for red meat.

186 Review

While the Meat Board had addressed one of the two major causes of this decline — health fears — through an effective promotional campaign, the other — consumer resistance created by price shocks — still required urgent attention.

Solving the price shock problem would, in turn, require a review of the present price control mechanism, as the meat industry was too cyclical to completely dispense with controls.

Excessive control was, however, inefficient and philosophically irreconcilable with a general commitment to free market principles. The solution lay somewhere between these two extremes — Sapa

**Holcom says
soyabean price
could reach \$9
a bushel again**

B/Dan 15/12/89
EDWARD WEST

SOYABEAN options in the US are showing the same signs they did during last year's commodity futures boom when the crop rocketed from \$6.20 a bushel to \$10.99 in two weeks, says Holcom Futures

The futures broker argues that investors can benefit again this year as drought conditions ravage South American crops and demand for the protein-rich commodity from the USSR and China, grows

Holcom predicts that the November price for soyabean call options will be \$9 a bushel (186)

WHEN the chips are down, maize-based products and even peanuts keep the profits rolling for the country's biggest manufacturer of salted snacks

It is flexibility of this sort that has kept Simba-Quix ahead in its market and made it one of the most successful companies in the giant Federale Volksbeleggings industrial group

Former marketing director and resident director of the company in Natal for the last 11 months, Keith Elkin, is one of the people behind the adaptable nature of the snacks division of the Fedfood group.

Difficult product

Potatoes, he says, are a difficult product to handle because of their vulnerability to weather and the chemical changes which occur when they are stored.

Carrying no more than three days of stock for its potato crisp-making business leaves the manufacturer open to shortages

Ability to switch manufacturing and marketing capacity to other lines, such as maize products and peanuts, is all important, says Mr Elkin

Mr Elkin came to run the Maritzburg operation in April last year, since then the province has strengthened its performance considerably.

While reluctant to take the credit, and cryptic about the extent of the success, he does say that returns are about seven percent in real terms ahead of those of last year

This, he adds, is about twice the rate of advance in the company's factories in the other three provinces

He sees the biggest potential in the fast-growing market for salted snacks in the "Third World" sector of the population

"Snacking" among relatively well-off urban people is established as an "extra-mural" part of the diet. In rural areas the pastime still has to achieve this status. But I have no doubt it is coming," says Mr Elkin.

Oddly enough, one thing he wants to try to eradicate is what he says is the use of "Simba" as the generic term among black people for salted snacks.

"Like a plastic shopping bag is known as a Checkers, chips are auto-

matically Simbas," he maintains.

"That might not seem such a bad thing but it means that there is no consciousness of brand, which is something we obviously want to get away from. People are just as likely to buy a packet of Willards as a packet of Simba if they think that way"

South Africa still has a long way to go to catch the snacking champions of the world, the Americans, says Mr Elkin.

The 260-million inhabitants of the United States put away 5kg of snacks each a year, compared with only 0,95kg for each of the 32-million South Africans.

Palates differ from place to place too, adding spice to the competition between the two big snack makers in the country, Simba and Willards.

Mr Elkin says his company hit the jackpot with a curried tomato flavour of crisps in Natal for six weeks after its recent launch.

KwaZulu and the Transkei are faithful to the smoked beef flavour, while Natalians put the extruded maize-based Ninknaks at the top of their list of requirements from Simba

Cheese and onion rules in the Transvaal

Mr Elkin says competition between the two main producers in this country is hotting up, with Simba soon to introduce the first chips with a "best before" date stamped on the packet, a direct competitor for Willards' Flanagans

"Freshness has come through from our market research as the thing consumers want most in crisps," he says

"Fritolay (the American manufacturer, three of whose brands are made under licence by Simba) have a 35-day best-before period and they are adamant it will become an issue in this country."

Mr Elkin says the company is pushing peanuts for the first time in its history

Always content to leave them as an unimportant adjunct to the main business, Simba believes the little snacks — which are not really nuts, but legumes — will come into their own as the weakness of the brand drives the price of real, imported nuts too high

Business Staff

W/C M645
183/89
186

Peanuts keep profits rolling

Significant advance expected at Kanhym

Star 20/3/89

Food Group, Kanhym, is expected to disclose bumper interim results on Wednesday. It is speculated that earnings will be more than 50 percent up on the same period a year ago.

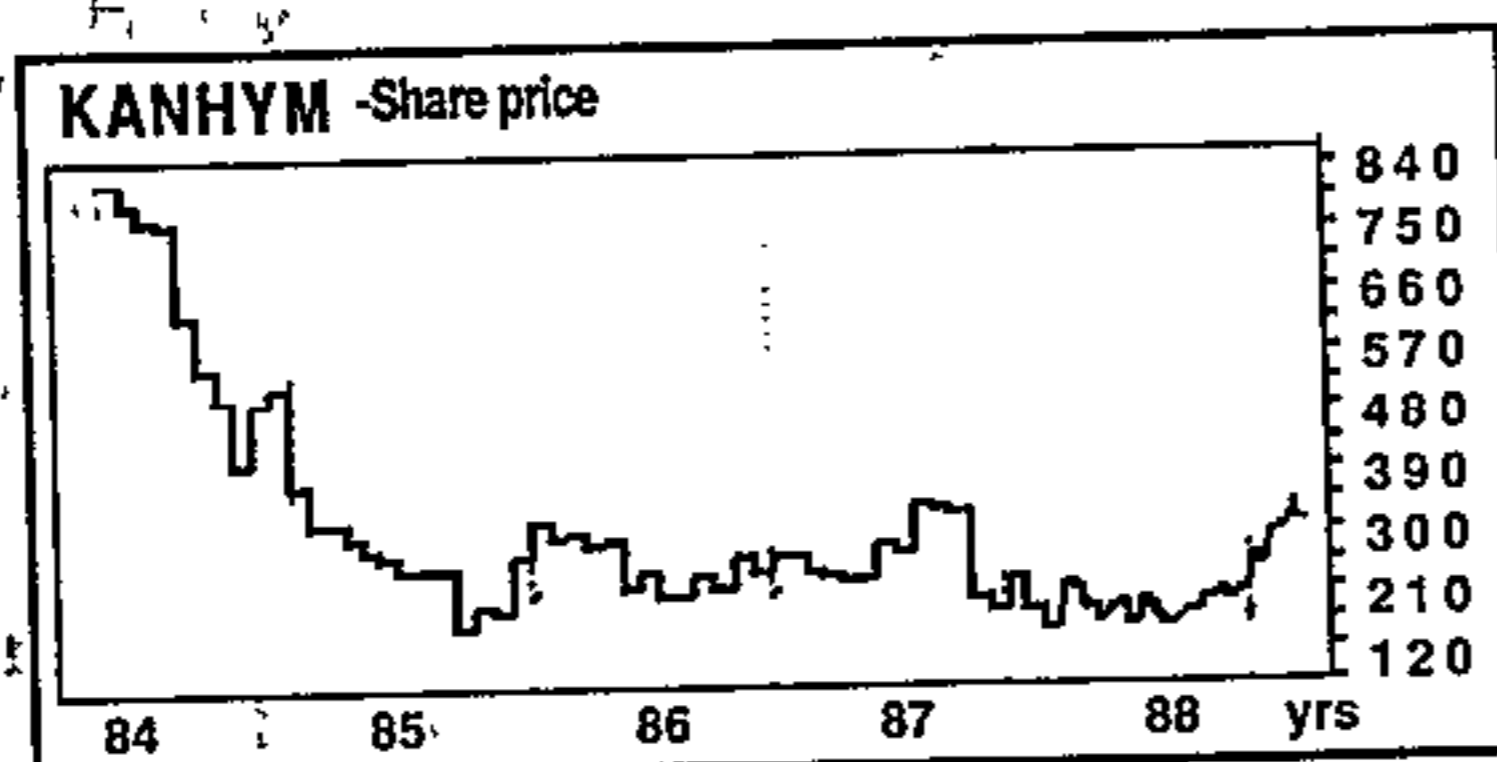
For the full year to August 1989, earnings are expected to exceed 55c, a significant advance on the 36,5c earned in financial 1988. Most of the bottom-line growth is expected to come from the greater emphasis that Kanhym is placing on cost control, improving efficiencies, and its focus on promoting selected value-added products which can support a premium.

At the current share price of 295c, the historic price-earnings ratio is eight and, should results materialise as expected, the forward ratio (August 1989) is less than 5,3.

This is especially attractive when it is noted that the sector average exceeds 13, and that Kanhym is well diversified within in the food industry and its financial position is expected to continue to strengthen. Executive chairman Dirk Jacobs adds that over the long term the group plans to further expand into profitable value-added food products. As far as financial 1990 is concerned, he expects the group to achieve real growth.

Kanhym comprises five major divisions which are Estate (cattle, pigs, sheep and maize farming), Karoo-Ochse (abattoir agencies, auctioneering, and hides and skins dealing), Kanhym Fresh Meat (cattle abattoirs, and fresh meat wholesaling and retailing), Enterprise (pig abattoirs and processed meat), and Investments.

The latter embraces Checker butcheries, Hanni and Sons (leather tannings), Oos-Transvaal Vleisvoorsieners (fresh meat wholesalers and retailers), and participation in Middelburg Coal Mine. Mr Jacobs confirms that the group is looking to dispose of the latter interest, and that the sale could bring in around R15 million.



Kanhym's share price is certainly a long way off the 840c level of five years ago. Nonetheless, about three months ago the charts confirmed the start of a primary bull trend. Although the price will also establish secondary trends, and periodically dip downwards, long term investors who climb in now could well be getting in on the ground floor.

Sharespot

LYNNE PEACH

186

The service provider to livestock farmers, Karoo-Ochse, accounts for almost 40 percent of group operating profit (excluding head office and other expenses). The Estate division contributes 33 percent, Kanhym Fresh Meat and Enterprise 24 percent, and the investment arm a modest three percent.

Mr Jacobs earmarks the Enterprise division as a major growth area. There are plans to increase volume sales by 15 percent in the current financial year. Kanhym currently claims about 40 percent of the market for processed meat and hopes to up this share through product innovations.

Enterprise has recently launched pink viennas which Mr Jacobs says has met with tremendous success, and even more recently has introduced a like-it-lean range (promoted by Weigh-Less).

Another area earmarked for growth is Kanhym Fresh Meat. Mr Jacobs elaborates that this division is set to make a bigger contribution to group profits as historical inefficiencies are eliminated. Although fresh meat consumption per capita is expected to continue to decline, the absolute market will still grow because of the increasing population.

The processing of hides and skins and value-added tanning through Hanni and Sons is also expected to make a valuable contribution to group results. Mr Jacobs says that this is in line with growing demand from the upholstery market, in particular motor manufacturers and also the furniture trade.

In the year to August 1988, earnings per share, which as recently as 1986 were running at a loss of 4,1c, grew to 36,5c. A long-awaited ordinary dividend of 5c was declared. Kanhym last paid an ordinary dividend in 1982.

The balance sheet showed a significant improvement in the debt-equity ratio, from 75 percent to 49 percent. This followed a 32 percent decline in borrowings, to R68 million.

Mr Jacobs says that in view of a scenario of high (and possibly rising) interest rates, he would like to reduce the debt-equity ratio further, ideally to below 40 percent.

Kanhym ¹⁸⁶ going from strength to strength

By Ann Crotty

A strong performance from the group's fresh meat operations and from Enterprise enabled Kanhym to turn in sterling results for the six months to end-February

Earnings were up 40 percent to 30.1c (21.5c) a share and executive chairman Mr. Dirk Jacobs has indicated that the group is in line to produce full year earnings of around 60c a share, which would be a 64 percent advance on the previous year's 36.5c. An interim dividend of 7.5c will be paid.

Mr. Jacobs would not be drawn on what sort of year-end dividend the shareholders could expect, but assuming a cover of 3.5 times then a dividend of around 17c could be on the cards. This puts the share, which moved up 30c to a

Chief executive
Dirk Jacobs

close yesterday of 325c, on a prospective price/earnings rating of 5.4 times and a dividend yield of 5.2 percent.

The average historic ratings for the food sector are 14.1 times (p/e) and 2.8 percent (dividend yield). So, although some investors may still remember the dark days starting back in 1984 when dismal operating results brought the share price tumbling down, the strong performance that has been sustained since 1987 justify a continued advance in the share price.

Despite the excellent progress that has been made to date, Mr Jacobs is confident that the group can continue to produce strong earnings advances in the years ahead.

He indicated that there is still significant scope to improve margins by removing some of the inherent inefficiencies that exist in the business and also by introducing innovations that will boost the group's value added business which enjoys much higher margins.

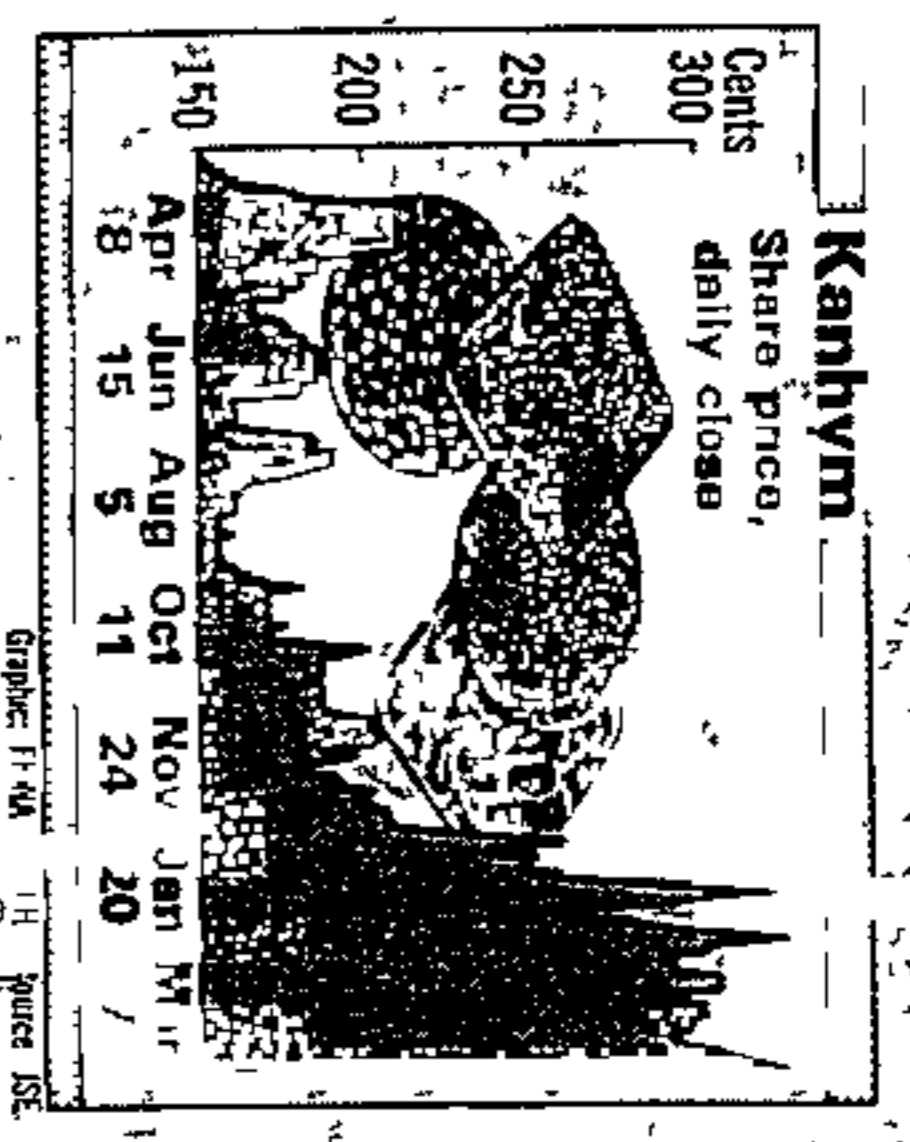
The interim results show that the return on average permanent capital has surged to 23.4 percent from 15.3 percent reflecting the strong improvement in operating margins, from 4.5 percent to 5.3 percent, against a tight increase in the permanent capital base.

The return on capital is in line with what the Malbak group looks for from its subsidiaries. Kanhym moved into the Malbak stable during the review period.

Mr Jacobs, who is aiming for 25 percent for the full year, believes that this is the level needed to sustain the growth that the group wants.

COMPANIES

Kanhym's EPS shoot up 40% to reach 30,1c



KANHYM'S earnings per share have soared by 40% to 30,1c (21,5c) on a 42% increase in after-tax profits to R16,5m (R11,5m) for the six months to the end of February.

An interim dividend of 7,5c has been declared.

Executive chairman Dirk Jacobs said yesterday the improved results were largely due to a continued improvement in the containment of expenses. Substantial savings were achieved by a fur-

ther reduction in Kanhym's head office costs.

In addition, said Jacobs, Kanhym had gained from the successful launch of processed meat products and had cut out sales which diluted profits.

Operating margins improved by 15% to 5,3%.

Directors are optimistic about Kan-

By Bruce Anderson
 Bruce ANDERSON
 186

Kanhym's prospects and anticipate a satisfactory profit increase for the remaining six months of the financial year. A more equal distribution of profits for the two half-year periods is expected.

Kanhym's activities include the marketing of fresh and processed meat products, cattle feedlots, coal mining, livestock agencies and auctioneering, leather tanning, and pig and maize farming.

Jacobs said a continued emphasis on the efficient utilisation of assets had led to a reduction in borrowings of 38,4%.

The ratio of borrowings to permanent capital improved from 50,2% at the end of February last year to 50,5c this year.

Jacobs said he hoped to have the ratio down to 40% by August this year.

The profitability of Kanhym's investment in the Middelburg coal mine should be maintained as the dollar price of coal steadily improves.

CAPE TOWN 23/3/89
Kanhym profits
surge by 42%

JOHANNESBURG. —
Kanhym has served up
another well-done set of
results with a 42% surge
in after-tax income to
R16,5m for the six
months ended February
28

An interim dividend of
7,5c was declared for the
half-year, in which turn-
over rose by 14% to
R429m, operating in-
come by 32% to R23m
and earnings per share
by 40% to 30,1c. The op-
erating margin was also
improved further, in-
creasing by 15,2% to
5,3%

Executive chairman
Dirk Jacobs said.
"Through continued em-
phasis on efficient as-
sets management, we
have reduced borrow-
ings by 38%, and in spite
of a 46% rise in interest
rates, our finance costs
increased by less than
9%" — Sapa

Cadswep is sweet

CADBURY Schweppes (Cadswep) intends to improve the marketability of its shares by sub-dividing them five-for-one

The 377 532 13,5% convertible debentures will be converted one-for-one into ordinary shares on March 31, taking the number of ordinaries to 6,9-million

After the split, from May 15, there will be 34,7-million ordinaries

Before the sub-division was announced Cadswep shares were R47 They are now R54 The average number of deals in a month was 11, and the number of shares changing hands a mere 12 000

The debentures look like a good buy — if any sellers can be found. The last trade was at R40, and they will be converted to shares which are R54

If the spectacular success of share splits in Berzack and Bivec is anything to go by, Cadswep shareholders could be sitting pretty.

by **JULIE WALKER**



MILLY'S Stores share price behaviour needs some explanation.

The four-strong delicatessen and food chain in Cape Town was listed on the Development Capital Market in 1986. It has always been a punter's favourite quick to react to speculation. Average monthly trade in the shares is almost 500 000 — out of fewer than 7-million ordinaries in issue.

A year ago the share price was 155c, and was 30c for weeks before dropping to 20c on Friday.

Unusual bookkeeping showed a profit of almost 5c a share where a loss of 15,4c was incurred.

JUMP

In the year to June 1988 the losses jumped, after extraordinary items, to 62,4c a share.

Unidev holds about 20% of Milly's, and has an investment in Kwikshop, which is being injected into Milly's.

Milly's acquired Kwikshop at net asset value for R2,3-million. It was settled by the issue of 2,3-million new redeemable convertible prefs to the Kwikshop vendors at R1 each.

Milly's has also bought Metro Baker for R4,6-million, to be settled by the issue of 4,6-million 100c redeemable convertible prefs.

There is another class of share in issue — the 11% cumulative participating preference share, issued at 50c. The price of this instrument

Fast-footing in Milly's share deals

was 80c a year ago and 12c in December. It is now offered at 19c.

There will be no 5,5c-a-year return on the prefs. "There isn't the money," says Milly's new joint managing director Mark Abromowitz.

The terms of issue will be changed and the 11% prefs will be converted into ordinary shares of 10c one-for-one.

The ordinary shares will be consolidated one-for-10.

All three classes of shares will then rank equally with ordinaries of no par value. There will be 7 783 200 new ordinaries in issue.

The October 1988 announcement of these details estimates the net asset value of Milly's new shares at 88,8c.

That is after a 10-for-one consolidation. So why was someone on the JSE willing to pay 300c a share — a 230% premium to net asset value — for an untried investment?

Mr Abromowitz puts it down to irresponsibility on the buyer's part.

He says that the Kwikshop chain has been expanded from three to nine outlets and two more are being bought. They will all be renamed Mil-

ly's Spars because every Kwikshop has a Spar franchise.

Mr Abromowitz says that management has not decided whether the consolidation will be five-for-one or 10-for-one. He claims not to know what might happen to the 11% prefs, saying "Unidev is orchestrating that."

Unidev will hold more than 60% of the new Milly's after the deals, says Mr Abromowitz.

Was it the smart thing to sell Milly's ordinaries short at 30c and buy the 11% prefs at 19c?

Using a time bargain, delivery of scrip can be deferred, by which time the 11% prefs have been converted into ordinaries which should be good for delivery.

This could explain why there is a short position in the market — someone acted smartly, but too soon. The 11% prefs have not been converted and are therefore not good for delivery as ordinary shares.

But if the goalposts are to be moved again, it could be to the detriment of investors who acted on the previous rules. I would leave Milly's shares well alone. There is lower risk elsewhere.

PABXs ELECTRONIC AND SEMI-ELECTRONIC (all sizes)

SIEMENS, PHILIPS, STC, PLESSEY, TELKOR

Most units repossessed.

Installation and service guaranteed anywhere in South Africa.

Contact:

PABX EXCHANGE PTY LTD
Tel/Fax 339-2272 (8 lines)
Telex 422476

BH221



TECHNIKON WITWATERSRAND

Source: JSE Graphics

all be
stend
and
fine
man-

have
\$90

pril 1989, the entire issued share capital of Kwikshop for the year ended 30 June 1988, was R2,3 million.

Food: informal sector contributes R2bn

THE informal sector's contribution to the wholesale food industry — excluding fresh produce — exceeds R2bn annually, retail analysts believe

Although the major growth area for the food wholesale trade, which generated R10,2bn between January and November last year, wholesalers have difficulty in quantifying the exact impact of grey market sales on their turnover.

Metro marketing director Andrew Reitzer said this was because of the lack of a clear distinction between spaza shop owners and licensed

SYLVIA DU PLESSIS

traders. *10 Day 28/3/89* *180*
While the turnover and number of spaza shops was not known, they were thought to number about 20 000 in the Witwatersrand and Soweto

Reitzer said spaza owners — who have no trade licences — often "borrowed" buying cards from other traders, which added to the difficulties in measuring the informal sector's contribution

He said "But we understand the unrecorded sector does buy from us. The most frequently seen rice in all

spaza shops is Metro's house brand"

The African Council of Hawkers and Informal Businesses (Achib) was one of many organisations representing hawkers with which Metro liaised on a regular basis. "We try to help them when we can. More people are entering the informal sector and they are becoming better organised"

Until recently, wholesalers were reluctant to deal with the informal sector and organisations representing them, because they feared a backlash from the licensed retailers, who regarded this shadow sector as unfair competition

Trouble-lashed Unidev slashes annual dividend

B1 Day 31/3/87

186

UNIDEV has slashed its 1988 dividend to 12c from 22,5c a share, although the group's earnings drop was mild considering the troubles at Milly's Stores and Prestige Group

Good performances in some areas of the Cape-based investment banking house mitigated large write-offs for troubled Milly's and Prestige and the earnings decline was limited to 10% or 54,9c a share on a larger issued share capital in the year to December 1988 from 61c a share in 1987

However, the interest bill shot up to R4,95m from 1987's R1,9m and the balance sheet has been tattered with current liabilities at R63,8m outstripping current assets of R62,8m

The sharp increase in the dividend cover to 4,5 times from 2,7 times reflects not only the liquidity problem but



● GRYLLS

LIZ ROUSE

also a change in direction by Unidev. Commenting on the increase in dividend cover, Unidev chairman Geoff Grylls says that as a significant proportion of the group's investments has been made in developing companies, equity accounted earnings were generally invested to fund further growth

"This has obviously resulted in a deferral of positive cash flow and because of the likely continuation of this trend, coupled with high interest rates, we have decided to retain a larger portion of our earnings"

Rising interest

The need to provide additional funding to group companies for expansion and working capital also led to the increased interest bill

Unidev is considering the whole question of borrowings with a view to reducing these substantially, says Grylls. It is also reviewing its activities

"Although the stock market crash in October 1987 had no discernible material effect on the group, we do believe

that the DCM sector has lost a lot of its attraction as a platform for the launching of emergent companies"

The 1988 preliminary results reflect the drastic cutting already accomplished. Although Unidev achieved a R1,5m rise (12%) in operating profits to R14,5m in the year to December and its share of taxed profits of associate companies was up at R2,41m (R632 000), the Milly's write-off knocked off over R2m while the closure of the kitchen cabinet division of Prestige took away R524 000

Grylls says the closure of Prestige's loss-making division should enable the company to produce more acceptable earnings this year while the benefits of the proposed restructuring of Milly's should materialise in the medium term

Prestige has declared a 1,5c final dividend from earnings of 7,4c a share (11,5c in 1987). The operating loss from discontinued operations amounted to R870 000, which together with the extraordinary loss of R524 000 from discontinued operations, depressed attributable profit to R1,6m from R2,4m

Unidev shares stand at 155c, near the year's low of 150c, while Prestige shares are languishing at 25c

Cadswep predicts good year

186

LIZ ROUSE

180

185

CADBURY Schweppes (Cadswep) will achieve further real growth in earnings this year, although perhaps not at the rates achieved in the last three years, says chairman Alan Clark.

Emphasis has been placed on replacing and upgrading the group's capabilities to keep the competitive edge that comes with modern technology and provide for an increase in demand, says Clark in his annual review.

The group's ratio of interest-bearing debt to total shareholders' funds improved further to 0,19 from 0,34 in 1987 and financing costs cover improved to 11,7 from 8,7.

Of the group's three divisions, Cadbury achieved the highest growth in sales and profits. While Bromor and Schweppes contributed a lower growth.

The return on average shareholders' equity increased further from 20,8% to 25,5%.

'Poison' carton probe

Staff Reporter

THE Department of Health has appointed a Pretoria toxicologist to investigate possible links between cancer and the drinking of milk from cardboard containers

But South Africa's two liquid packaging companies have stressed they are entirely satisfied that no cartons they produce for milk pose any threat to public health

Canadian researchers discovered recently that dioxin, a carcinogen which forms in cardboard milk containers during the chlorine bleach-

ing process, could leak out of the container into the milk

Mr John Arnold, managing director of the Metal Box liquid packaging division, said the issue was not new.

"It is important to note that in several countries where the issue of dioxins came under government scrutiny health authorities did not consider it necessary to take any further action.

"They considered the carton to be a safe medium of packaging for milk," Mr Arnold said.

His company maintained close

contact with its principal supplier of paperboard and was fully involved with research into dioxins.

Mr Theo Nel, product technology manager of Tetra Pak Liquid Packaging, said from Durban yesterday his company was anxious that toxicologist Dr Okkie Fourie completed his study as soon as possible

But Tetra Pak were confident their cartons were not a threat to anyone

"There were problems with previous research into the question and we're anxious to see it cleared up," he said

186

epic Times 12/4/89

Babymilk boycott resumes

1986
SOUTH
13-19/4/89

THE baby-milk boycott involving the giant Nestle corporation has been resumed.

The International Baby Food Action Network (Ibfan) broke off the boycott five years ago after Nestle agreed to adhere to a code laid down by the World Health Organisation for the ethical marketing of breastmilk substitutes.

But, says Ibfan's Patti Rundall, Nestle "renegeed on their promise".

The aim of the revived campaign is to persuade Nestle, the world's biggest food manufacturer, to adhere to World Health Organisation standards and to stop pushing free milk supplies into

hospitals.

The campaigners point out that when babies are bottle-fed immediately after birth, their mother's breastmilk is not stimulated and breastfeeding fails.

The mothers are often told that bottled milk is best.

Says Dr Andrew Herxheimer, chairman of the health working group of the International Organisation of Consumer Unions: "Pushing baby milk is creating an addiction. It's as bad as creating nicotine, alcohol and heroin addiction."

Babies suckle differently from the way they suck from a bottle, and have

to learn the process. Introducing a bottle stops the learning process, as well as inhibiting the mother's supply of breastmilk.

Because of the hazards of bottle-feeding in societies without access to safe water, the World Health Organisation agreed in 1981 on an international code for the ethical marketing of breastmilk substitutes.

The boycott against Nestle, launched in several European countries, North America and Australasia, was finally called off in 1984 when the corporation announced it would implement the code.

However, the campaigners claim

many producers of breastmilk substitutes are providing free supplies in the hope of maintaining or expanding their slice of the \$4-billion a year global market.

The companies argue that their product is safe and that the problems — particularly the dangers of making up the mixture in unhygienic conditions and the expense, which can lead to dilution — come from practices beyond their control.

The boycotters are campaigning on a single product, Nestle instant coffee, to maximise the impact of their protest.

GEMINI NEWS

European export drive for Spurhold

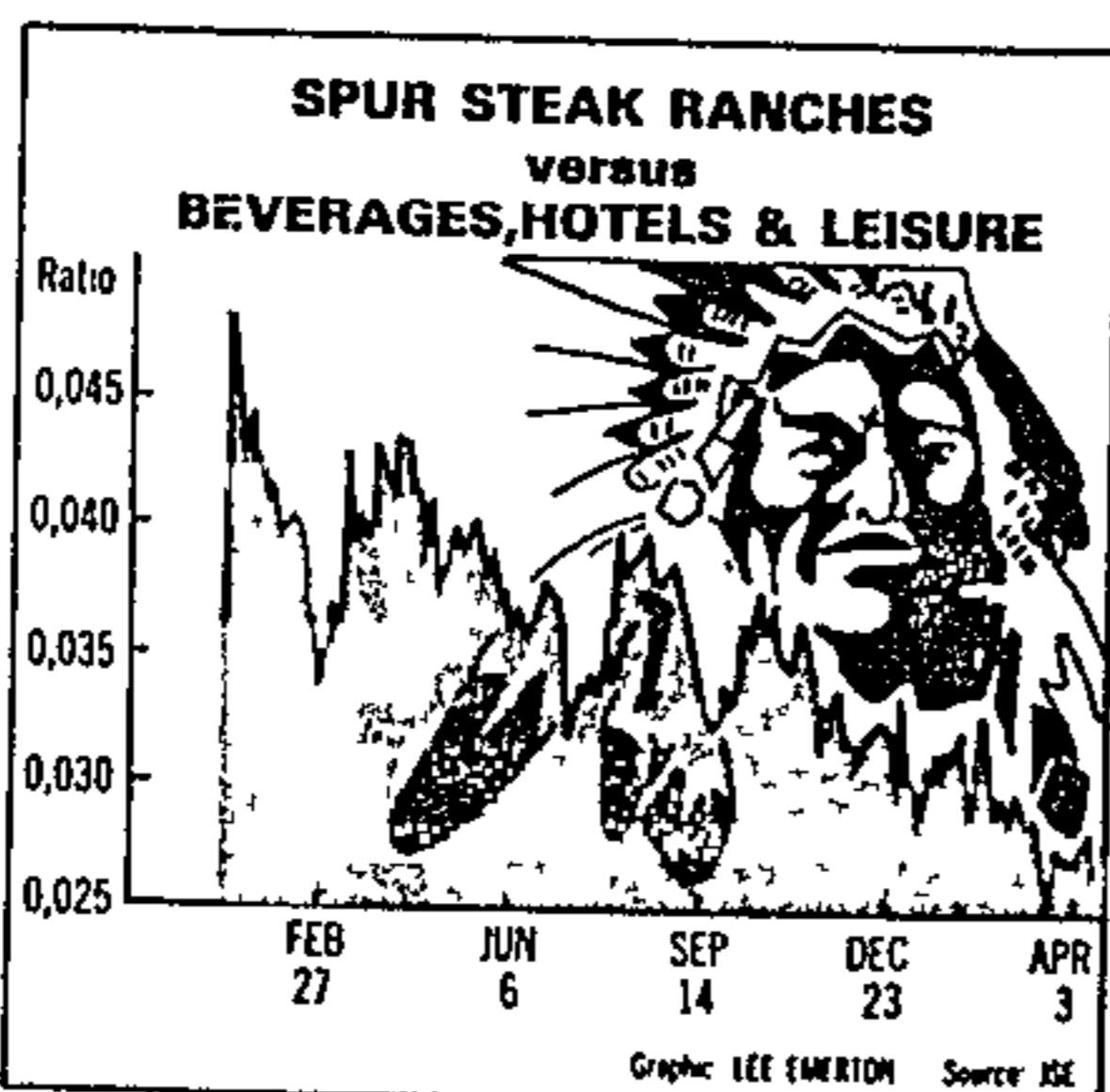
B/Dat 14/4/87 (186)

CAPE-based Spur Steak Ranches (Spur) and its holding company Spur Holdings (Spurhold) increased earnings a share by 22% and 20% respectively for the year to February as

BRUCE ANDERSON

unchanged dividend of 10c a share was declared.

Spursteak reported earnings a share of 11,03c (9c), with attributable profit up 36% to R1,6m (R1,2m) on a 53% increase in turnover to R8,9m (R5,7m). A dividend of 11c (9c) a share was declared.



Export activities

Spurhold chairman Allen Ambor said Spurhold would begin trading through a retail franchise operation in Europe this year in partnership with a European consortium.

The export activities — which account for a marketing expenditure of R300 000 in Spurhold's results — were designed to generate foreign income to establish the effect of a rand hedge on future earnings growth, said Ambor.

Spurhold would also export SA-manufactured equipment and sauces used by Spur Steak Ranches.

Spur had developed and implemented a new fast food franchise Ranch-Style Chickens and Burgers (with three trading outlets) and would soon launch another franchise, Super Fish, said Ambor.

Spurhold announced an export drive this year.

Spurhold posted a 20% increase in attributable profit to R1,5m (R1,2m) with earnings a share at 12c (10c) on a 5% increase in turnover to R7,5m (R7,1m). An

IN BRIEF

PROVINCIAL

an ver
last pe
his ey
and us
ira ed
ete led
ers r
le. an
ried n
intil
star
h so
ch a
th u

Rembrandt expands

18/4/89 (186)

Finance Staff

In the wake of its policy to expand into the food industry, the Rembrandt Group today announced that it has taken a 25 percent stake in leading poultry group, Rainbow Chickens. Rainbow will apply for a listing on the industrial-food sector in June.

The transaction will have a minimum effect on earnings and net asset value this year, but is expected to have a beneficial effect in future.

Remgro's food interests are consolidated in Hunt Leuchars & Hepburn, after its merger with Bonuskor last year.

n
E
A
arrow
s
e
st
E
or
le
is
all
u
b
HE
la

THE COPIERS
SALVI CURRISI
NICS (PTY) LTD
(1) 789-1092

M
duc
fic
Tra
(Un
F
tre
sto
the
be
ge
M

76
TC
14
82
M
K
R
K

Enterprising innovation

D. (Duy) 17/1/89
KANHYM's management is confident that innovation in the company's processed meat division, Enterprise, and tight control of the group's cattle feedlots and pig stud-farm will broaden market share and increase profits.

This month Kanhym will launch an advertising campaign to introduce its range of leaner Enterprise processed meat products, including bacon, sausages and viennas, which have been endorsed by national slimming organisation Weigh-Less.

Kanhym executive chairman Dirk Jacobs said yesterday he believed the new products will help to broaden Kanhym's market share for a number of reasons:

- The processed meat products will have great appeal and a high level of credibility for Weigh-Less's members, which number more than 75 000;
- Weigh-Less training personnel will help to sell the products in shops;
- The Weigh-Less membership is made up mainly of women, who will buy the product

for their whole family, not just themselves;
□ Enterprise has a contract with Weigh-Less which ensures that Weigh-Less will only endorse Enterprise processed meat.

Enterprise division chief Danie Venter says that Enterprise has a current market share of 42% against Escort's 28%, Renown's 15% and 16% for other products. In the PWV area it is nearer 50%.

Venter says that Enterprise recently gained an advantage over its competitors by purchasing a new electronic grading device for pigs, which automatically calculates bone, meat and fat content.

Maize farming

On a tour of the Kanhym Estate near Middelburg this week, the Press heard the estate had a total capital investment of R97m with a yearly turnover of R200m.

The estate's activities include maize farming, a cattle feedlot, and a pig farm.

186
BRUCE ANDERSON

Making cafes much more competitive

B/Day 18/4/89 (186)

AN alliance formed to make cafes more competitive by increasing their bulk buying power is getting off the ground

The Independent Cafe Alliance (ICA) plans to start operating on a small scale — but, eventually, the aim is to have thousands of members

The alliance was set up by the Catering, Restaurant and Tearoom Association (Catra) to negotiate better deals with manufacturers and suppliers. Catra executive director Frank Swarbreck says manufacturers, in turn, say they like the idea because it will spread their risk

Some manufacturers, who complain they have been "squeezed" by the big supermarket chains for too long, also see the emergence of the ICA as a way of helping to loosen the chains

Swarbreck, however, does not envisage a confrontation. "The cafe is a freedom fighter; in an open battle he'd get chewed up. But there are gaps in the market going by default"

Supermarket giants confirmed they were not concerned about the move, competition between them would ensure their prices stayed appreciably lower than cafe prices

Swarbreck says a num-

ber of developments have spurred the formation of the ICA. One important factor has been the advent of Sunday trading by supermarkets and other rivals. Another has been the growth of the black informal sector and the increase in special deals these traders are getting on soft drinks, cigarettes and other products

Furthermore, a plan was announced earlier this year to establish a consortium that will create a bulk-buying facility and a series of distribution centres in and around black residential areas

The aim of the project, brainchild of chartered accountants and management consultants Coopers & Lybrand, is to give black traders and consumers a better deal by negotiating bulk discounts, cutting out middlemen, reducing transport costs and alleviating delivery problems. Skilled management teams will be on hand at the centres to give administrative guidance and to ensure effective marketing and merchandising

A Cooper & Lybrand spokesman says non-white shoppers buy 54% of all groceries sold annually yet black retailers' share of sales is at most 5%

Catra merchandising

committee chairman Jimmy Michaelides says the ICA initiative will be started on a limited scale for a number of reasons

The strength of Catra, an employer organisation dating back to 1919, is largely in the PWV area. Some 93% of its 3 500 members — about 1 900 of them cafe proprietors — are in this region. "If they all wanted to join and buy through the ICA, there is no way at this stage that we could supply."

So the ICA will be launched in smaller areas where cafe ownership is more stable and communication and collaboration are likely to be easier. At the outset, some 600 cafes and shops will come under the ICA "convenience store" banner.

ICA members will benefit from the organisation's buying muscle and its marketing and merchandising experience. In some instances, the ICA will buy in bulk and warehouse the goods for distribution as needed. In others, it will merely act as broker

Swarbreck says "For a long time we have had to subsidise the supermarket chains' discounts. They get other advantages, too"

The ICA also plans to negotiate deals which will allow members to offer at least 15 lines at highly competitive prices — and give them the flexibility to run "specials".

In order to improve members' image, a code of conduct will apply to appearance, display, pricing and other matters

Hostex proves popular

B/Day 18/4/89

HOSTEX '89, the four-day hospitality industry show held at the National Exhibition Centre recently, was attended by 6 000 members of the trade

The show, presented by Professional Caterer and Cannon Exhibitions, drew 140 exhibitors in the fields of hospitality industry products, equipment and services. It was supported by Fedhasa, the SA Chefs Association and the Hotel and Catering Training Council

Exhibition organiser Gerald Dreyer said feedback had been overwhelmingly positive. One furniture manufacturer reported writing R100 000 worth of business at the show

He said all but one respondent to a questionnaire that drew an 80% response indicated they would like to take part in the next show, Hostex '91.

THREE Middle Eastern delicacies — tahina, halva and Turkish delight — are now being made by Aviv Food Processors at a factory just north of Pretoria

MD Brian Nathan says some 60% of output is exported, mainly to Britain. Most of the balance goes to the catering industry, supermarkets and health shops in SA.

Investment in the plant, which employs 108 people

Middle Eastern delicacies

13/Dec 1989



at Babelegi, is around R6m

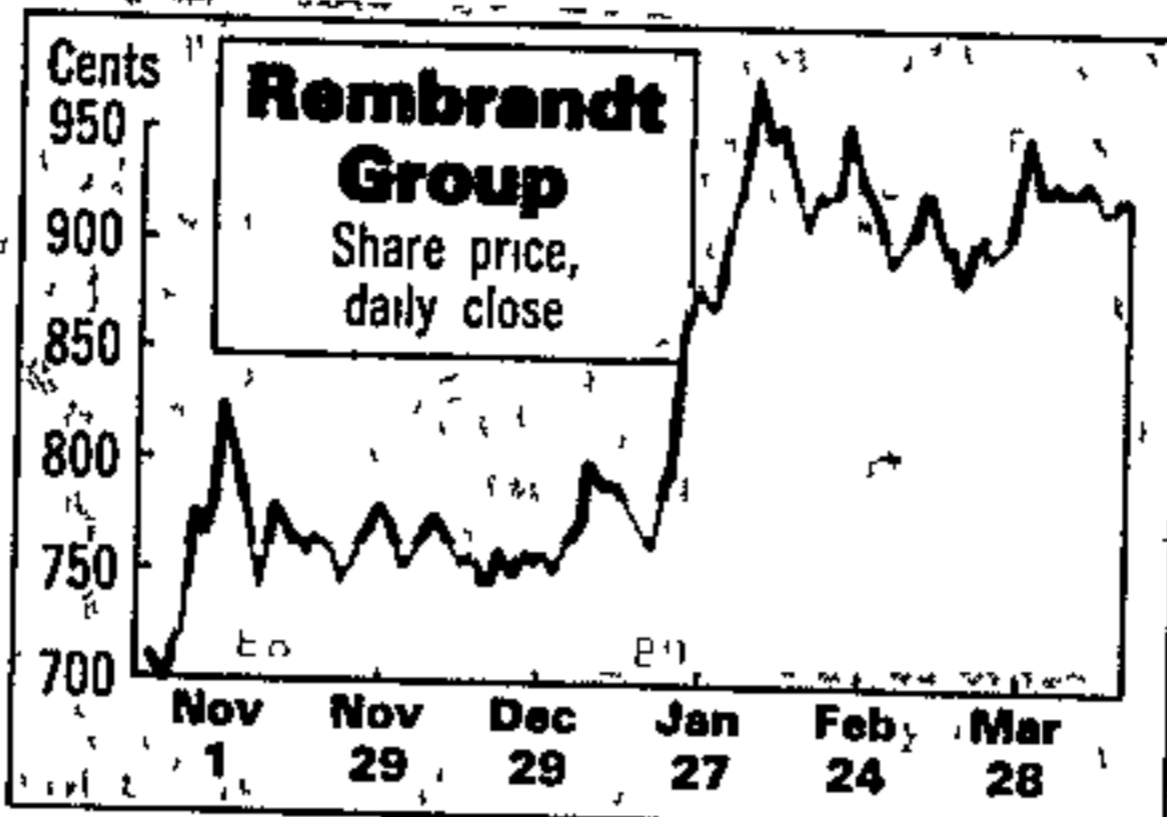
The factory went into production last August after SA interests had bought an Israeli company, Aviv Foods, and relocated it, complete with technicians

From a management and control point of view, Babelegi was the natural location. "We needed a base where we could obtain a good labour concession and, besides, we already had a shoe-manufacturing com-

pany there"

Sesame seed, essential for the manufacture of tahina and halva, has to be imported. Halva, produced from tahina, comes in several flavours and has a shelf life of two years.

Turkish delight, made mainly from glucose and sugar, was one of the original company's products. It is being manufactured in rose, lemon, raspberry, orange and fruit flavours.



Graphic: FIONA KRISCH Source: JSE

B Day 18/4/87

Remgro takes a slice of Rainbow

186 LESLEY LAMBERT

THE Rembrandt Group (Remgro) is to acquire a 25% stake in leading poultry supplier, Rainbow Chickens, following its identification of the food industry as a future growth area.

The group's existing food interests remained in the fold of Hunt Leuchars & Hepburn (HLH) after a reshuffle of the group's domestic interests last year in which HLH merged with Bonuskor.

As part of a major plan to restructure its local and international interests, Remgro decided to rearrange its domestic investments into five operating divisions: trademark oriented products, mining and engineering, financial services, diverse interests and internal group services.

The Rainbow acquisition is regarded as a strategic venture within this new diversified structure. Today's acquisition announcement says the transaction will have a minimal effect on Remgro's earnings and net asset value, but is expected to have a beneficial effect in future.

Rainbow will apply for a listing in the JSE's Industrial-Food sector in June.

More restructuring in poultry industry

By David Canning

DURBAN — Rembrandt's acquisition of a stake in Pietermaritzburg-based Rainbow Chickens must be seen as part of the current restructuring in the fiercely competitive poultry industry.

Recent moves are believed to have included a merger of Farm Fare (Farmer Brown) and Bokomo interests.

Rembrandt said on Monday it had bought 25 percent of Rainbow, facilitating the latter's proposed listing on the JSE in June.

No comment was forthcoming from management after publica-

tion of a tersely worded advertisement

Rainbow has always been a tightly run organisation, controlled from Monaco by its founder, Stan Methven, prior to his death there early in 1986.

Market sources believe the Methven family will retain control of Rainbow.

However, the deal should enable the family to realise a large sum from the sale of a portion of their shares to Rembrandt.

The JSE listing will make its holdings more liquid. Since 1986, when Mr Methven died in a scooter crash, Rainbow has been run on behalf of the

family by professional management under managing director John Geoghegan.

Financial figures have not been published, but market sources believe Rainbow to be highly successful.

Brokers say it is probable that Rainbow will issue more shares in the process of gaining a listing.

This will inject liquidity into the business.

For Rembrandt the acquisition is something of a coup in the wake of its decision to enter the food sector.

Though difficult and cyclical, the chicken business tends to be

a cash cow.

Rembrandt has not yet said into which subsidiary it will slot its investment, but the merger between Bonuskor and Hunt Leuchars & Hepburn (HLH) last year saw the inclusion of Rembrandt's food interests in the HLH fold.

Rainbow is also likely to be incorporated into HLH.

Observers believe Rainbow will continue to run independently — an important consideration in a highly competitive business where profit hinges on massive turnovers — as Rembrandt does not interfere with successful management teams.

Rainbow squares up for hen fight in the Transvaal

NEW Rembrandt Group (Remgro) interest, Rainbow Chickens, plans to take on major competitors in the Transvaal by developing its Rustenberg operation and increasing the volume of broiler chickens produced there from 400 000 a week to over a million.

Rainbow, one of SA's largest private companies and broiler producers, has recaptured the market's attention since Remgro announced it, or a nominee, would buy a 25% stake from the Methven family. The group had been the subject of speculation since the death in 1986 of its founder, Stanley Methven.

This week the Rainbow directors announced they would apply for a listing on the JSE in June.



LESLEY LAMBERT

Development in the Transvaal, the breeding ground of its major competitors, is part of a new expansion phase. "We want to be closer to our main market, which is in the PWV area. We have a large stake in the black market, much of which is concentrated in the Transvaal," says group MD John Geoghegan.

Rainbow's major national competitor, Bonny Bird, has a large Transvaal presence through Farmfare and is expected to produce 500 000 broilers a week at its Krugersdorp plant once it has finished modernising it.

Rainbow produces about 400 000 a week at its Rustenberg farm. Top Transvaal competitor, ICS subsidiary, Festive, is estimated also to produce about 500 000 at Rustenburg.

"We are developing substantial infrastructure at Rustenburg and hope to increase supply over a number of years

to 1,3-million weekly. This will obviously depend on demand," Geoghegan said.

Besides being one of the major broiler suppliers, with an estimated 35% market share, Rainbow is also the country's single largest maize buyer.

Responding to speculation that it may also become the largest maize grower if the Maize Board pushes up the selling price by as much as R25 a ton, Geoghegan says the group has indeed been increasing its volumes annually.

"We have been farming maize in the Natal Midlands mainly to test its feasibility. I doubt we intend to grow as much as the 250 000 tons we use annually," he said.

With annual turnover for the year to end June 1988 at around R400m, Rainbow is thought to be the most profitable of all broiler producers with last year's taxed profits estimated at R60m. Geoghegan said the sale of shares to Remgro did not suggest disinvestment by the Methven family, who are resident in Monaco.

Disappointing outcome for Funa Foods

BRUCE ANDERSON

FLUCTUATIONS in demand for Funa Foods products resulted in disappointing results for the year to end-February and earnings a share slumped 23,3% in spite of a slight rise in turnover

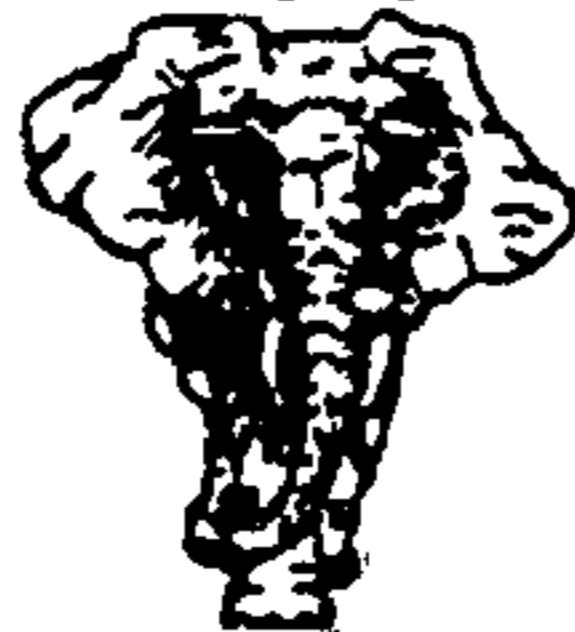
Attributable profit dropped 14,5% to R1,1m (R1,3m) in spite of a 5,5% increase in turnover to R23,1m (R21,9m) A dividend of 4c was declared, up 33% from 3c last year

Earnings per share dropped to 8,9c (11,6c)

Funa Foods is involved in the manufacture of powdered foods which are mainly supplied to mining houses, state organisations, co-operatives and relief organisations

Directors blamed continued fluctuations in demand from certain sectors of Funa's market for the slump in profits

At mid-year directors said they expected a moderate improvement in performance in the second half of the year but fluctuations in demand continued for longer than expected into the second half of the year



Directors say demand in the affected sectors of their market has stabilised now

Steps to protect margins in Funa's contract business have been successfully completed subsequent to the year end to offset the effects of import surcharges and certain above-normal raw material increases, say directors.

Financial director Gerald Mills says Funa has managed to shorten the length of its contracts with large institutions, thereby affording the company protection against price rises

Mills says prospects depend largely on how quickly Funa can bring a recently built extrusion plant in Springs into operation

Huge expansion plan for sugar industry

Star 21/4/89

186

By David Canning

DURBAN — A huge expansion programme for the sugar industry which could inject R700 million into the economy and create 24 000 jobs, has been approved by the Cabinet.

The plans were outlined by George Bartlett, Deputy Minister for Economic Affairs, in Durban yesterday.

The expansion and deregulation programme includes provision for a new sugar mill near KaNgwane, free production areas for small growers within 30km of any mill, a 12 percent (300 000 tons a year) increase in sucrose production over the next five years, lifting of price controls at the industrial level and removal of quantitative import controls.

Mr Bartlett said the unrestricted import of molasses would be permitted, but that the industry would still be protected against dumping by foreign producers.

He said sugar production and marketing were highly regulated worldwide, resulting in its being one of the most distorted commodities in international trade.

Consequently, SA could not act in iso-

lation from the world community without causing harm to its sugar industry.

The plans fall into two categories: deregulation (including abolition of price controls) and expansion. In terms of the concessions, about 30 000 ha could be added to production.

Larger parts of KwaZulu could be turned from subsistence to cash-based economies.

The Eastern Transvaal stands to reap benefits, with approval for a potential new mill there and production concessions to KwaNgane and Onderberg.

The chairman of the Sugar Association (Sasa), John Chance, welcomed the announcement.

But he said the industry's expansion plans were based on an assumption that the proposed Richards Bay ethanol plant got the go-ahead.

Should this fail to happen, the industry would have difficulty implementing current plans fully.

He said the new phase of development would be accompanied by the removal of restrictive legislation and general reduction of Government involvement.

Bread price hike expected next week

PRETORIA — A bread price hike of at least 10% was certain to be introduced next week, government sources said.

They warned that unless the price rise was substantially greater than 10%, another increase was likely after June

The subsidy was cut by R20m to R80m this financial year and was expected to run out by September/October

The price was raised in August last year to 85c for a white loaf and 69c for brown. Government aimed to phase out the sub-

GERALD REILLY (166)

sidy and close the price gap between white and brown bread.

Wheat Board deputy GM Andries Liebenberg said the milling and baking industries were given increased margins from April when the price of flour was raised. High interest rates, fuel price and transport tariffs increases had necessitated the adjustments

The subsidy on brown bread was 13c a loaf and on white 4c, Liebenberg said.

1/13/12
1/14/12
1/15/12
1/16/12

INVESTMENT / BUSINESS

Silence from Cape company

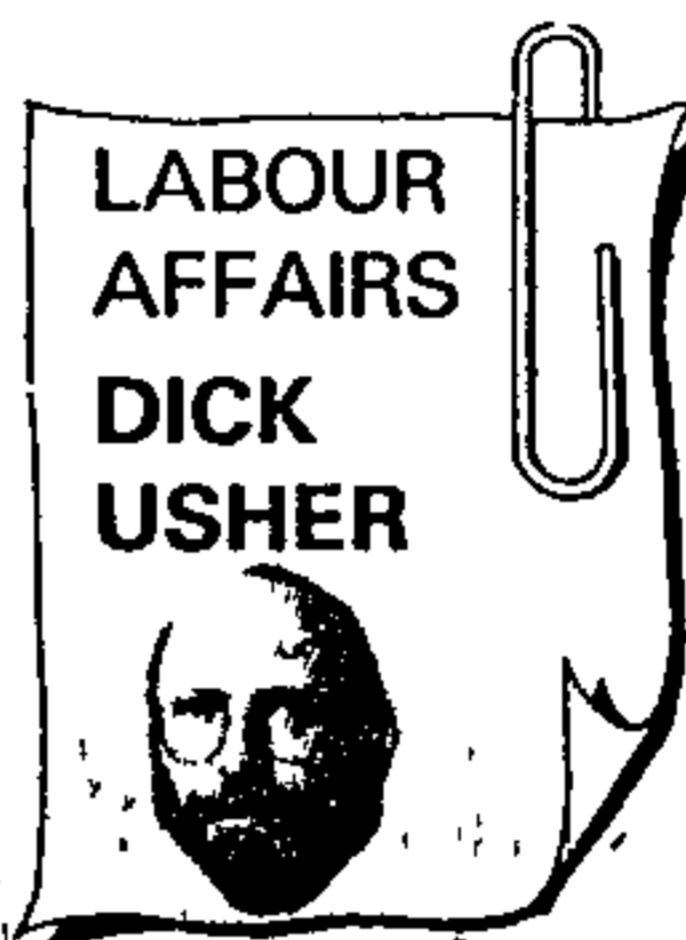
WHAT a wonderful bird is the fax machine

Not only does it dispense information at a remarkable rate, it can also swallow it quite efficiently

A daily newspaper is always trying to strike a balance between several conflicting factors: the need to publish news as swiftly as possible has to be offset against the need to give both sides of a story, if possible.

For this, the good old telephone is generally most useful. Something happens, you get one version of a story from one source and then call the other side to get their version.

Even if the other side doesn't want to talk about it, you still come away with a comforting feeling that they've been given their chance.



Recently, members of the Food and Allied Workers' Union (Fawu) working for Bonnie Bird at Bellville were unsettled by what they said was a management plan to ballot workers to establish Fawu's representivity.

Workers claimed this was a waste of time and were worried about further implications for company's industrial relations policy because, as a result of a corporate deal, Bokomo had acquired half of what was formerly Premier Food Industry's broiler division and had taken over management.

It seemed like one of those cases where there had possibly been mistakes in interpretation of intention or a breakdown in communication of some sort and the necessary enquiries were made at Bokomo. Because, if a change of management did herald a change of industrial relations policy it could have implications for employees and company productivity.

Claims were that Bokomo wanted existing national agreements between Premier and Fawu to be renegotiated at plant level when they expired.

Fawu's policy has been to work towards national agreements and national negotiations (ask SAB) and would see any move away from this as a retrograde step and one would expect members to defend gains they had made.

Not to put too fine a point on it, if the claims were true it's possible that negotiations between Bokomo and Fawu might become somewhat fraught in coming months.

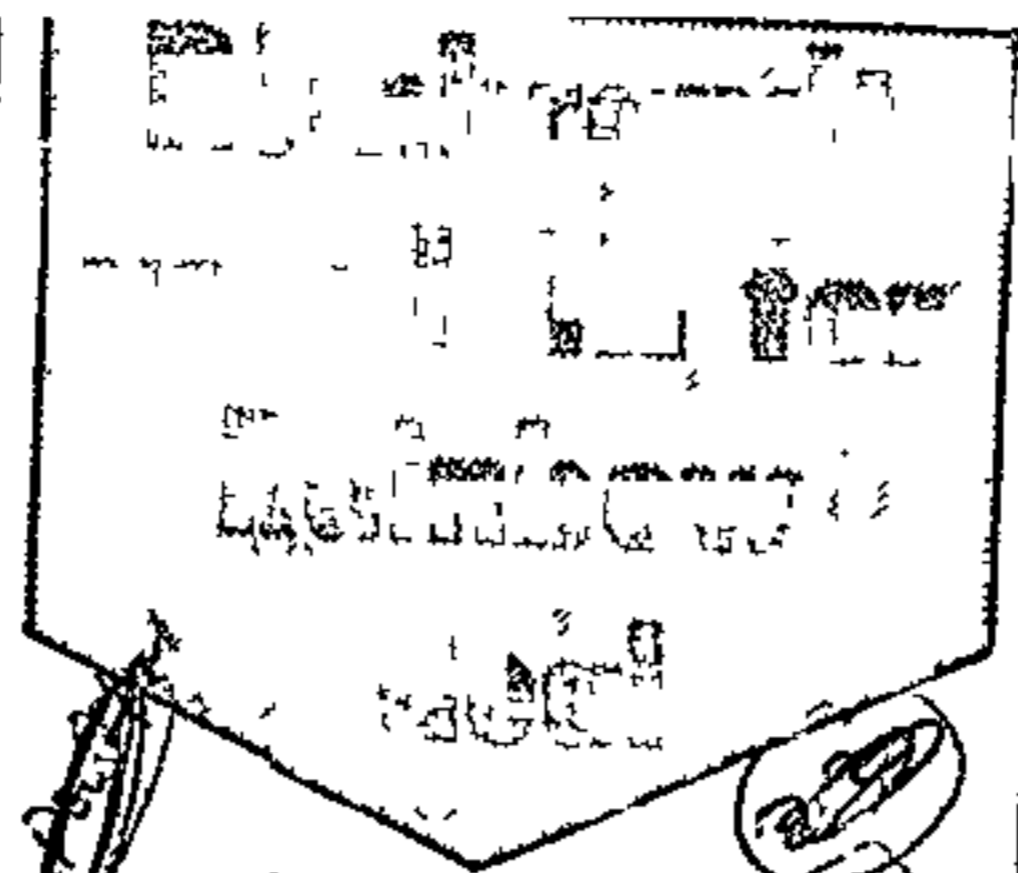
If they aren't true then there are misunderstandings — which can often be more harmful to good relationships than the hard truth.

MD of Bokomo's poultry division Rudolph Koen would not talk about it on the telephone, but asked for questions to be sent via the fax machine. Which was duly done. And nearly a month later the silence still hangs over us.

Perhaps the company perception is that its internal communications are so good that they will swiftly and efficiently clear up any misunderstandings.

Perhaps the moon is made of green cheese

April 1989



FINANCE STAFF

Hunt Leuchars and Hepburn (HLH), as the Rembrandt Group's nominee, has acquired an effective 25 percent shareholding in Rainbow Chicken for R192,5 million

HLH Chief Executive Officer Neil Morris said existing Rainbow family shareholders and HLH will jointly control the majority shareholding in Rainbow

Mr Morris said HLH and Huntcor will go ahead with a rights issue to assist the funding of the acquisition

The acquisition, effective May 31, is expected to impact positively on HLH and Huntcor's future earnings

Mr Morris said the investment would complement HLH's other food interests in Robertsons (which produces and markets almost 240 retail and catering food and household products) and Trasvaal Suiker Beperk.

These companies were brought into the HLH fold last year when Boraskor Limited was acquired, and Mr Morris believes the Rainbow deal will further strengthen HLH's presence in the food market.

"We are delighted with this investment as Rainbow is an extremely well run company in an existing growth sector,"

Morris said

April 1989

Sugar industry to be deregulated

Survey 186

DURBAN — A far-reaching deregulation and expansion programme for the SA sugar industry has been approved by the Cabinet, Economic Affairs and Technology Deputy Minister George Bartlett announced yesterday.

BRUCE ANDERSON

Among the more important aspects of the programme are the abolition of quantitative import control on sugar and molasses; unrestricted access to sugar cane production to any potential small cane grower; and the removal of restrictive land registration provisions for cane farmers.

The sugar industry has also been given full responsibility for determining the industry price of sugar and molasses — a function previously performed by government.

Bartlett said government believed that market forces would prevent the sugar industry from embarking on an irresponsible sugar pricing policy.

Government would determine the

broad parameters of the sugar industry's control over pricing, and the Trade and Industry Department would monitor the situation to ensure the sugar industry did not abuse its position.

The programme announced yesterday represents the complete acceptance by the Cabinet of proposals submitted by the SA Sugar Association (SASA).

The deregulatory measures would be made retrospective to April 1, Bartlett said.

Submission of proposals to the Cabinet committee on privatisation and deregulation was preceded by six months of discussion between SASA and government.

SASA chairman John Chance, who chaired the Press conference at which Bartlett made yesterday's announcement, welcomed government's acceptance of SASA's proposals.

Chance said a new phase of development would be accompanied by "an improvement in access to the industry, the removal of restrictive legislation, and general reduction of government involvement".

He was at pains to stress that government approval of an ethanol fuel-from-sugar plant would be crucial to the success of the expansion programme. He expressed the hope that Cabinet would approve its construction.

Bartlett said Cabinet would consider the viability of the ethanol plant at the end of May.

Chance said, if the new market in ethanol became a reality, a further expansion of new sugar producing areas in the eastern Transvaal and KaNgwane would be possible.

The benefits that were expected to flow directly from the deregulation proposals were substantial. They included:

□ Expectations that sucrose production by the sugar industry would be expanded by 300 000 tons a year by the end of 1994 — a 12% increase over current production;

□ Additional revenue of R55m a year and the creation of 13 000 jobs in the agricultural sector in Kwazulu, and

□ In the eastern Transvaal and KaNgwane — additional revenue of more than R15m a year to KaNgwane and the creation of 3 500 jobs, in Oenderberg — additional revenue of R50m in the agriculture sector and R35m in the milling sector, and the creation of 8 000 jobs.



● BARTLETT

In a deal worth R192,5m . . .

HLH takes 25% stake in Rainbow

186
CMT TIMES 22/4/89

By BRUCE WILLAN

THE Rembrandt Group has further spread its interest in the food market with the acquisition, through its nominee, Hunt Leuchars & Hepburn (HLH) of an effective 25% share in Rainbow Chickens (RC) in a deal worth R192,5m

The deal, effective from May 31, 1989, will result in HLH and the Stan Methven family having joint control of RC

HLH's CEO Neil Morris said in statement yesterday that financing of the deal will be effected via a rights issue, details of which will be released within the next week or two

It is expected that the acquisition will have a positive effect on earnings for both HLH and its holding company, Huntcor, as well as Rembrant, the ultimate controlling shareholder of Huntcor

Morris said the investment would add to HLH's other food interests in Robertsons and Transvaal Suiker

Transvaal Suiker situated at Malelane in the Transvaal produces about 10% of SA's sugar

Both Robertsons and Transvaal Suiker were brought into the HLH stable last year when the group acquired Bonuskor

Previously HLH was a diversified company but refocused its attention on

the timber industry when some of the operations within the stable were found to be unsuccessful

After the effective takeover of Huntcor and HLH by the Rembrandt Group, and the subsequent transfer of Bonuskor's food interests into the HLH fold, both HLH and Rembrandt had expressed a desire to expand into the lucrative food market.

The RC acquisition further strengthens HLH's presence in the food market and is in line with long-term planning to expand the food arm of the group

"We are delighted with this investment as Rainbow is an extremely well run organization in an existing growth sector and with input from both management and HLH will ensure good development of the food operations," he said

HLH is now firmly entrenched in the food sector and hopes to develop this further

RC will become a public listed company towards the middle of the year, says Morris, and subscriptions for shares in the company will be invited from the general public.

Details of the proposed listing will be made available as soon as possible, he added.

Sugar markets should strengthen in the 1990's

stew. 24/4/87
186

Own Correspondant
DURBAN — Worldfood commodity markets, including sugar, should strengthen in the 1990's provided new policy directions are pursued abroad which will dramatically decrease protection of agricultural producers

This is the view of Tony Ardington, chairman of the SA Cane Growers' Association, who addressed the annual meeting of the Fertilizer Society at the Drakensberg Sun on Friday

He said there are signs that the Uruguay round of GATT talks are leading the major "players" to review their domestic agricultural policies with the intent of reducing the extent of the producer support programmes. Recently the EEC Agricultural Commissioner introduced a five percent cut in the sugar intervention price

Sugar beet growing had become disproportionately profitable compared with cereals in the common market and the high domestic price has funded the dumping of sugar on world markets

The latest moves are good news for an efficient producer like SA "and I expect the economic position of the sugar industry to improve further."

"Today world prices are over four times the level they were in 1985. The drought cycle appears to have ended and the crops reaped during the last two seasons have been reasonable. The current crop shows considerable promise

"Good progress has been made in repaying industrial loans. Sugar consumption has continued to grow despite the poor performance of the economy. No additional sanctions have been applied to the industry during 1987 and 1988

"Any one of them is significant. In aggregate they represent a remarkable change. It is time for the industry to look forward again."

Mr Ardington also drew attention to the degree to which the economy had become concentrated

"There are only three suppliers of artificial fertilizers and you rarely have a choice of more than two suppliers of any particular packing material you may need. One organisation slaughters nearly all the beef which is allowed into our main urban areas," Mr Ardington said.

HLH share price leaps on news of stake in Rainbow

THE share price of Rembrandt company Hunt Leuchars & Hepburn (HLH) gained more than 100c to 950c after the announcement last week that it would acquire a 25% stake for R192m in Rainbow Chickens.



The market's bullish response confirms its approval of the acquisition.

It also comes ahead of HLH's year-end results, suggesting high expectations of the food and timber company's performance for the year to March

The purchase consideration of R192m, announced at the weekend, has confirmed Rainbow's value as a leading broiler-chicken producer and a company with future growth potential

Estimates put last year's turnover to June at R400m and taxed profits at about R60m

This means that even if current profits have grown substantially, the ratio of the purchase price to annual earnings

LESLEY LAMBERT

is high

Rainbow, one of SA's largest unlisted companies, plans to list its operating company in June. A prospectus is due out in May.

HLH CE Neil Morris said yesterday the existing Rainbow Chicken family shareholders, the Methven family, and HLH would jointly control the majority shareholding in the company

Morris said the investment would complement HLH's other food interests in Robertsons, which produced and marketed almost 240 retail and catering food and household products, and



● MORRIS

Transvaal Suiker

These companies were brought into the HLH fold last year when Bonuskor was acquired as the first step in a plan to strengthen the group's food interests last year.

Of future development, Morris said the company was looking for new opportunities all the time

Besides the growth potential in existing companies, opportunities arose as internationally held companies disinvested

He said that while the Methven family had no intention of selling off more than 25% of its holding now, opportunities could arise in the future for HLH to increase its stake in Rainbow

HLH plans to raise most of the purchase consideration by way of a rights issue

The rest will be funded by the company's own cash reserves, says Morris

The acquisition, which is effective from May 31, is expected to boost HLH's earnings for the year to March 1990 and beyond

ZILLA EFRAT

TRoubLED Mighty Meat is to be restructured through the sale of existing operations, the acquisition of Choice Meat and the granting of control to entrepreneur John Limberopoulos. Its listing will be moved to the JSE main board. The DCM-listed company reported losses for the year to June

Troubled Mighty Meat to be restructured

In terms of the proposed restructure, Mighty Meat's subsidiary companies will be sold back to Ho for R150 000. In turn, Limberopoulos will regain certain of Mighty Meat's assets for R450 000, to be settled by the assumption of R450 000 of Ho's liabilities to minority shareholders.

Bokomo opens in Transvaal

~~CHARLOTTE MATHEWS~~ 186
CHARLOTTE MATHEWS

WHEAT millers Bokomo have opened their first bakery in the Transvaal in a R2,2m conversion of the old Cerebos' factory in Clayville.

Renovation to the standards required by the food industry was done by Grinaker Projects, which built the Oudtshoorn Bokomo mill and has completed other large bakery contracts in the Transvaal.

Price controls on bread

Says SBDC
Star 27/4/89

The Small Business Development Corporation has called on the State to lift price controls on bread in order to combat spiralling prices and allow cafes a greater profit margin. Mr Johan Naude of the SBDC said "The bottom line here is that price controls should be scrapped. Deregulation would make for more competitive prices."

Cafes — currently allowed a 3.4 percent profit on each white loaf and about 4 percent on a brown loaf — claim they are in fact losing money after forking out for plastic bags (1,8c each) and paying employees to package the loaves.

At the same time they are competing against supermarket chains which have vowed to sell bread at the old cost price of 82c until the end of June. Trapped into selling State-subsidised bread — it comprises 20 percent of cafe sales and serves to draw shoppers to their stores — they are contemplating stopping sales for one day each week, lobbying the Minister of Agriculture or introducing "special bread days" highlighting non-subsidised bread.

LOSING

Executive director of the Catering, Restaurant and Tearoom Association, Mr Frank Swarbrick, supported the call for deregulation, saying the cafe owner was the biggest loser of bread "and battling to scrape up the crumbs in order to survive".

"They are losing money with every sale — unless they sell something else like polony or cheese as well. They will be forced to increase prices on other items in order to offset their losses," he said.

Cafe owners, who sell 80 percent of the State-subsidised loaves, have had their profit margin narrowed dramatically over the past 10 years, he said.

This was illustrated by comparing prices in 1978 — 26 cents with a 2 cent handling fee — to prices in 1989 — 87 cents with a 3 cent handling fee.

This could also be seen against the 15 percent mark-up on milk — also a major commodity.

Bread and paraffin are the only commodities subject to price regulation in South Africa. Prices increases this week brought the maximum retail price for white bread up 5 cents to 90 cents and brown bread by 7 cents to 76 cents.

Seaswa interim earnings up 4,7%

186

SYLVIA DU PLESSIS

FISHING group Sea Products (SWA) — Seaswa — has reported a 4,7% increase in earnings to 120,1c a share from 114,7c for the six months to March and declared an interim dividend of 65c and special dividend of 55c.

This was in spite of a drop in turnover to R3,5m (R9m) and in operating income to R806 000 (R3,6m).

However, income from investments improved 8% to R924 000 (R854 000), while tax fell from R1,75m to R433 000, representing a 25% (39%) tax rate.

Taxed income of R1,3m was bolstered by an improvement in the share of associated companies to R3,8m (R2,1m), which brought net income for the group to R5m (R4,8m). *Blom 2/5/87*

Directors predicted earnings for the year ending September 30 would be substantially lower than for 1988 because of appreciably lower income from lobster operations.

Gant sells to Tollgate Holdings 202

CAPE TOWN — Tollgate Holdings said at the weekend it had taken over the controlling share in food processing and agricultural giant Gant's

Own Correspondent

Holdings from the Gant family. It also acquired Chris Willemse Cycles 186

Larger HLH earnings rise 42% to 68,8c

LESLEY LAMBERT

186

ENLARGED timber and food group Hunt Leuchars & Hepburn has boosted earnings a share 42% to 68,8c, on a bigger share issue with all divisions performing ahead of expectations

Income attributable to ordinary shareholders has grown to R75m but, since these results include those of the Bonuskor group, which HLH acquired last year, comparisons with the previous year's results are not meaningful

A final dividend of 14c has been declared, making a total of 24c — a 33% increase over the previous year

Substantial profit margins were achieved on turnover of R371m HL & H CE Neil Morris attributes this to strong improvements in all its timber and food divisions

As SA's largest industrial timber supplier and a major softwood supplier, HL & H benefited substantially from strong demand from the mining and construction industries



On the industrial side, there was no mine strike

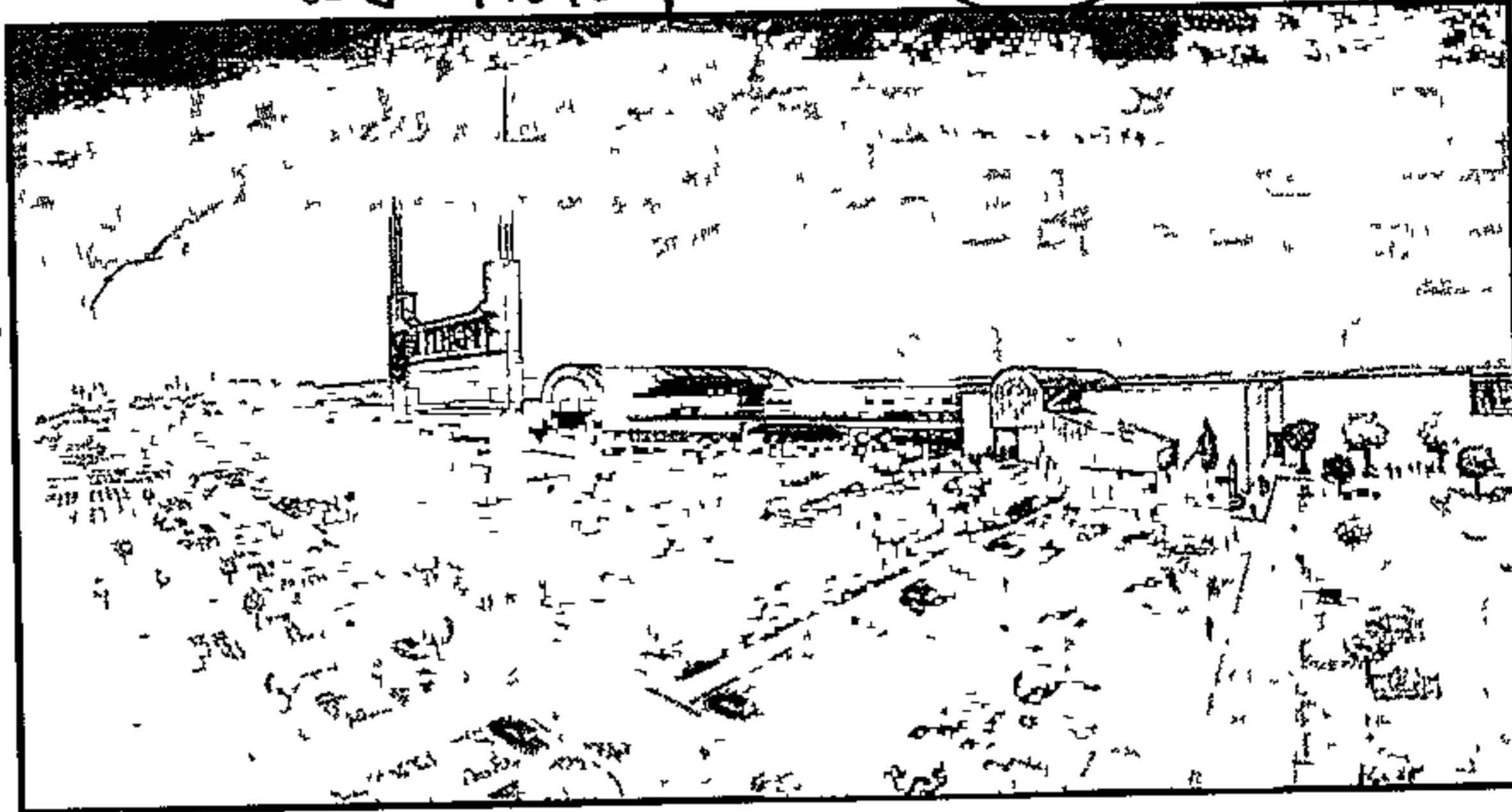
this year and the group introduced new products In the softwood division, which came from Bonuskor, high demand from the building industry meant that all sawmills were running at full capacity for the first time in three years, Morris said

Of its food interests, the sugar division benefited from the recent increase in the international price of sugar Robertson, in which HL & H acquired 100% control, increasing its holding from about 56% last year, benefited from strong demand and growth in the total market.

The recent acquisition by HL & L of a strategic 25% interest in Rainbow Chickens took place after the year-end but is expected to contribute quite handsomely to the current year's earnings

While about 30% of earnings are expected to come from traditional timber interests this year, Rainbow Chickens and Robertsons are expected to contribute 50%, split evenly between them, with Transvaal Sugar contributing the remainder

Retail development surges



Southgate Mall — the latest shopping complex south of Johannesburg

Food will be the pivot around which the retail property sector will boom in the future on the back of increasing spending power among non-white population groups

Mr Pat Flanagan of RMS Syfrets Transvaal, says "Most centres will be largely food based as opposed to comparative types of complexes"

And he is decidedly bullish about prospects for city centre retail development following the change in emphasis in the old CBD retailing patterns

This is seen in central Johannesburg where retailing has largely concentrated down the Smal Street Mall and the spine leading to the Carlton Centre and the traditional shopping avenues of Eloff and Pritchard Streets

"Further nodes are developing in the area near the bus station and the Diagonal, Jeppe and Bree Streets junction, while the forthcoming Bank City

project is likely to produce more service-oriented retail," he says

"Indeed, office buildings which are either being developed or to be developed in CBDs countrywide will tend to have limited retail accommodation built in"

While institutional funds will continue to be targeted at retail, management of centres is a prime consideration for the large finance houses

"Because a retail centre today is management intensive, more and more developments are being funded either through the developer taking a head lease, together with a management contract, or at least, providing management services," says Mr Flanagan

Investment yields in terms of retail centres today run from between 10 and 12 percent depending on the nature, location, size and financial structure employed in a development

Poultry industry aiming for top spot in pecking order

By Des Parker

DURBAN — Poultry probably will top maize and beef during the 1990's in the pecking order of the country's major agricultural products, says John Geoghegan, managing director of broiler-producing giant Rainbow Chicken

Government figures show broiler production in the year to June 30 last year was worth R1,63 billion, compared with R1,88 billion for maize and R1,83 billion for beef

Mr Geoghegan estimates fowl production will have become the number one agricultural revenue-earner by the end of the century. While chickens have become very big business, largely affiliated to the food-producing majors, the companies have maintained the entrepreneurial spirit on which they were founded

Of the big operations, only Rainbow, the largest producer, has remained independent, says Mr Geoghegan. Yet the industry has grown strictly according to demand, strongly and successfully resisting the imposition of government control boards with their

consequent quotas and subsidies

This free-market approach is, however, qualified by insistence that competition be equal. With other producers, Rainbow took strong exception when supermarket chains began importing French fowls at the end of last year just as the local market was hit by premature mortality of broilers as a result of inclement weather

The continental birds pushed down poultry prices for a period, but, says Mr Geoghegan, this was mainly because they met none of the strict hygiene and weight control laws applicable to local production. In addition, the French government subsidised its producers to the tune of R1,20 a kilogram

Heavy duties

In any case, they were not accepted by shoppers, he says, and the Government slapped a heavy duty on imports

This month Rembrandt Group announced it had paid R192,5 million for a 25 percent stake and joint control with the founding Metheven family in the Ham-

marsdale-based poultry company Rainbow would be applying for a June listing on the JSE

Mr Geoghegan says a listing was considered necessary because Rainbow could no longer realistically continue expanding at the rate necessary to maintain its dominant 35 percent share of the market solely through expansion funded from retained earnings

But to maintain its independence and avoid any possibility of a "market raid", the company had elected to go public with the backing of a big group Rembrandt, with the assistance of Rand Merchant Bank, had been the natural choice, says Mr Geoghegan, in view of "financial dealings" the two groups had had in the past.

He maintains that Rainbow has kept ahead of the market, which includes such forces as the Premier Group and Tiger Oats, by growing internally rather than by acquisition

While Rainbow conducts all its own marketing, although abstaining strictly from advertising, its entire distribution is done by I & J in return for a flat percentage of production turnover.

The Hammarsdale company conducts its highly scientific business from three bases — Hammarsdale, the largest, Worcester in the Western Cape and Rustenberg in the Transvaal

About 2,2 million broilers are produced a week, making about 35 percent of the national total. Demand is growing most quickly among black consumers, says Mr Geoghegan, and plans are afoot to expand output at Rustenburg from the current 400 000 fowls a week to 1,25 million over an unspecified number of years

The poultry industry is the largest consumer of maize in the country, with Rainbow alone estimating it will take some 275 000 tons in its 1989-90 financial year

Maize crop

But dissatisfaction with the Maize Board's "single channel" marketing practices and what Mr Geoghegan believes are consequent inflationary price rises — the producer price rose 10,2 percent last week — persuaded the Natal fowl-breeder to start growing the crop on a small scale in 1987-88

Higher margins lift ICS' profits

Finance Staff

186

Improved production efficiency and better margins enabled Imperial Cold Storage (ICS) to lift earnings by 37 percent to R34,43 million for the six months to March

Earnings per share were 90,8c (77,7c), an improvement of 17 percent. The dividend has been raised by 20 percent to 18c

Turnover rose by 15 percent to R937,3 million (R817,3 million) on volume growth of 2,4 percent. Operating profit before interest were up 43 percent to R37,65 million, while taxed profits improved 45 percent to R25,3 million (R17,4 million)

Managing director Russell Chambers said the results reflect a "satisfactory performance" from the core business — meat, dairying, fishing, poultry

and food distribution

The improvement, was particularly marked in dairying and poultry, with margins in the meat division under pressure from high weaner and pig prices, Mr Chambers said

"The positive effect of our rationalisation programmes, and our growing market share for a wide range of value-added products also played a significant role in achieving these results"

Associate companies also contributed "good profit growth", although the low six percent increase was due to Bull Brand now being in a full tax paying position, Mr Chamber said

On prospects he said that satisfactory profit growth should be recorded in the second six months of the financial year

...flows from a culture well-placed and able to bridge the understanding gap it would help towards better and harmonious inter-community relations"

with Iipa began in 1982 and he is chairman of its Examinations Council

CAT Tunks 11/5/89 (186)

Tiger roars ahead with 34,5% higher profits

JOHANNESBURG. — Tiger Oats has posted a 34,5% increase in after-tax profits to R126m (R93,8m for the same period last year) for the six months to end-March

Earnings attributable to ordinary shareholders were R106,6m (R97,1m) for the period under review

Earnings per share were 769c (603c) and an interim dividend of 194c (155c) was declared

Turnover at R2,76bn (R2,09bn) increased by 32% over the corresponding period last year and operating profit before interest was 36% greater at R219m (R160,4m).

Associated companies' profits added R6m to the Tiger bottom line, taking final after-tax profit to R132,5m (R97,1m) — an improvement of 36%

Of the R107m allocated to ordinary shareholders, Tiger Foods and other investments contributed R83m, Adcock-Ingram R12m and Oceana Fishing R11m

Chairman Robbie Williams said: "The shape of Tiger Oats has changed considerably over the past two years

with cash used judiciously to build or acquire assets fitting into the long-term group strategy for the development of our food, fishing and pharmaceutical businesses"

Tiger spent more than R200m last year on acquisitions, including a 50% stake in Langeberg Holdings and outright control of Saphar-Med (formerly Sterling Drug) and Logos Pharmaceuticals, formerly MSD (SA)

● Tiger has proposed a 10-for-one split of the share, currently trading in the region of R177

Williams said the sub-division was being proposed to make the share — tightly held by majority shareholders Barlow Rand and financial institutions — more marketable

Only about 8% of Tiger's 13,9m ordinary shares are in the hands of individual investors and the sub-division should allow freer trading

Williams said the board had recommended that the sub-division take effect from July 3, and a general meeting for shareholders' approval has been called for June 21 — Sapa



COMPANIES

ARGG 11/5/89

186

Tiger Oats to split shares 10 for one

Business Staff

TIGER Oats, a major player in the food industry, has presented yet another profit banquet for its shareholders and is to split its shares 10 for 1 to make them more tradeable.

Earnings for the six months to the end of March were 28 percent up on a 32 percent turnover increase.

Turnover for the period was R2,7-billion and operating profit R218,8-million.

And the company is enlarging future "guest lists" with a proposed 10 for one share split aimed at increasing the tradeability of its shares.

The shares are currently a very expensive R178 which puts them out of the reach of most small investors.

In percentage terms the vast majority of the shares will remain in strong institutional hands (including C G Smith which holds 53 percent) but in absolute terms there will be 10 times as many shares in the hands of minority shareholders and each share will be one-tenth of its former price.

Around 80 percent of the group's earnings come from food interests which are reasonably impervious to economic cycles and attendant government inter-

The outstanding 20 percent of earnings relate to pharmaceutical and fishing activities, both of which are good margin businesses and also reasonably resilient.

● Improved production efficiencies and better margins enabled the Imperial Cold Storage food group to increase earnings 37 percent to R34,4-million for the six months to March.

The dividend increased 20 percent to 18c a share.

Turnover increased 15 percent to R937-million on a volume growth of 2,4 percent, while profit before interest rose 43 percent to R37,6-million.

Profit after tax was 45 percent higher at R25,3-million.

ICS managing director Russell Chambers says he expects a satisfactory growth in the second six months.

Tiger Oats proposes ¹⁸⁶ 10-for-one share split ^{Star 11/15/89}

By Ann Crotty

Tiger Oats, a major player in the food industry, has presented yet another banquet for its shareholders, with earnings up 28 percent on a 32 percent increase in turnover for the six months to end-March

And the company is enlarging future 'guest lists' with a proposed 10 for one share split aimed at increasing the tradeability of its shares

The shares are currently a very expensive R178 which puts them out of the reach of most small investors

In other times any announcement of a share split would have seen the share price surge but the market seems still to be digesting the latest government measures aimed at cooling down the economy.

In percentage terms the vast majority of the shares will remain in strong institutional hands (including C G Smith which holds 53 percent) but in absolute terms there will be 10 times as many shares in the hands of minority shareholders and each share will be one-tenth of its former price.

Around 80 percent of the group's attributable earnings come from food interests which are reasonably impervious to economic cycles and attendant government intervention

The outstanding 20 percent of earnings

relate to pharmaceutical and fishing activities, both of which are good margin businesses and also reasonably resilient to economic vagaries.

The group's balance sheet appears to be in excellent condition with limited exposure to interest rates. And, crucial to the whole picture is the fact that there can be little doubt about the excellent calibre of management

Underlying asset value, conservatively stated, is R66,33.

If all this is not enough to attract investors, there is the additional factor that Tiger, which is very large in its own right, is part of the much larger and well established Barlows group

Acquisitions

For the six months to end-March, Tiger reported earnings up 28 percent to 769c a share. Much of this improvement reflects acquisitions that were effected during the second half of 1988 and so the comparative performance in the second half of 1989 is unlikely to be as sharp.

Analysts believe that the full year improvement could be around 20 percent — equivalent to a full year earnings figure of just over R15 a share. This puts the share, currently trading at around R178 on a prospective price/earnings rating of 11,8 times compared with the historic P/E of 14 times and a sector average of

13,2 times.

If dividend cover remains at around three times (this may increase because of the hike in gearing) the prospective dividend yield is in the region of 2,8 percent, compared with the current historic of 2,4 percent.

While better yields are available on fixed interest stocks — the yield to maturity on one-year Post Office stocks is currently around 17 percent — Tiger shareholders should be able to look forward to capital appreciation

Tiger's turnover for the review period was R2,7 billion (R2,1 billion) which represents a nominal increase of 32 percent. Stripping out the acquisitions effected in the second half of 1988 (to compare like with like), points to a turnover increase of around 17 percent. According to management this reflects a volume increase of around 3 percent.

Operating profit rose 36 percent to R218,8 million with margins up from 7,6 percent to 7,9 percent. Again management points out that the improvement in margins reflects the higher margin business that was acquired and that a comparison of like-with-like would show that margins were little changed

Interest payments were up from R6,7 million to R21,7 million as the group depleted its cash resources to make acquisitions. After a lower tax charge (37,5 percent compared with 41,5 percent), taxed profit was ahead by 35 percent to R126,4 million

A major feature of the six months figures is that return on equity is up to 24,7 percent from 22,5 percent at end-September 1988, highlighting the benefit of the switch from cash to operating assets

This is another good performance from a blue-chip company and assuming there is no major market collapse before the year-end, a split Tiger share has all the ingredients to make excellent progress over the next six months

Curbs hit Amrel results

By Sven Lünsche

The restrictions on consumer expenditure hit SAB Breweries diversified retail group during the financial year to end-March 1989, with attributable earnings rising by a modest five percent to R22,2 million (R21,2 million)

The effect of measures like hire-purchase restrictions, import surcharges and generally higher interest rates were felt down the line

Berger said he was satisfied with the group's increase in profits

He added, however, that the contribution from the furniture division had declined from 63 to 61 percent in the wake of the curbs, particularly the hire-purchase restrictions. The division contributed 59 percent to earnings

The footwear and apparel division took advantage of the increased demand for semi-durable goods and its contribution

Tollgate gains control of Gant's in share deal

B/D Day 12/15/89. 186

TOLLGATE Holdings has acquired the Gant family interests in Gant's Holdings Limited in a share swap deal, it was announced yesterday

The consideration was 2,5 Gant's ordinary shares for one TGH ordinary share, giving TGH 56% of the 60 000 000 authorised issued Gant's shares

Gant's Holdings executive chairman David Gant will be replaced by TGH MD Henne Diedericks

The Gant's group has 7 000 employees and controls six factories in strategic centres. Last year it acquired the Delpont Group of canning factories for R28m, giving it a stronger penetration into the Transvaal and Natal markets

Gant's last year recorded after tax pro-

fits of R16m and earnings per share of 30c on a forecast turnover of R300m plus for 1989

Diedericks said the acquisition fits ideally TGH's philosophy of gaining control of growth oriented, recession proof, soundly managed companies with a direct focus on consumer markets



● GANT

The board of Gant's may be restructured and strengthened

"We would like to see Gant's broadened within its own sector, focusing on its prime business and building on existing brands with allied products. We will also aggressively seek additional avenues in export markets"

Gant's has a substantial export operation via Swaziland, contributing about R80m a year to turnover. Gant's also has a 26% stake in its UK marking company, Peaty Mills, which offers the possibility of internationalising export operations. Diedericks sees this as being an important rand hedge factor, which will contribute to profits and support the asset base of the TGH Group

The announcement ends the family's direct control of the business — Sapa

Tollgate Holdings to control Gants

CAL. Ticks 12/5/89 186

By BRUCE WILLAN

THE Gant's Holdings (Gants) AGM is expected to be a fiery one today. It will be announced that Tollgate Holdings (TGH) is to take control of the group, ending the Gant family control of the company started in 1955.

In a statement issued by Tollgate, which already owns a 25% stake in Gants and had first right of refusal on any other shares held by the Gant family, the company announced the deal would be a straightforward share swap of one Tollgate share for every 2,5 Gants shares held.

This will give TGH control of 56% of the 60m authorised issued Gants shares.

Gant's executive chairman, David Gant, is to resign from his position and will be replaced by Hennie Diedericks, the present MD of TGH.

Robin Merry, MD of Gants will remain but TGH have indicated that management will be strengthened.

The acquisition is part of TGH's policy of concentrating its expansion efforts in the consumer sector.

Diedericks says "The acquisition fits ideally, the TGH philosophy of gaining control of growth orientated, recession proof, soundly managed companies with a direct focus on consumer markets."

Last year Gants bought the Delport Group of canning factories for R28m giving it a stronger foothold in the Transvaal and Natal markets.

David Gant says, "Growth of Gants has been excellent and the time has come for it to receive the management and financial input of a large industrial holdings group."

Gant is to pursue other family farming interests and his political career as vice chairman of the Democratic Party (DP).

It is believed he will be nominated to stand for the DP in the Helderberg constituency if Denis Worrall does not.

TGH are expected to further

Gants interests in its field.

Diedericks says that TGH would like to see Gants broaden within its own sector but that it will aggressively seek additional avenues in export markets.

Gants already has an export operation via Swaziland which contributes about R80m a year in turnover.

This could be increased if use was made of Gants's 26% holding in UK marking company, Peaty Mills.

Gants recently bought Case Agricultural Machinery when the American company decided to disinvest from SA and it is expected that TGH will sell this division as it wants to concentrate on the consumer sector.

Although Gant will be leaving the company started by his grandfather, he will still have an interest in the group via the TGH shares.

Should he at any time want to sell these, Duros — the holding company of TGH — will have first right of refusal to his holding in TGH.

186

THE Nestlé company, the world's largest producer of dairy products, provides free or subsidised baby milk to hospitals in developing countries. The reason, says the company, is so that medical staff get to know the products, and also for altruistic reasons — "like giving money to concert pianists or the boy scouts."

Explains the company's representative, Francois Perroud, "Many hospitals in developing countries have a hard time making ends meet. They go to pharmaceutical companies, they go to companies that sell hospital equipment and beg — basically, that's what they do."

Many people find the idea of Nestlé as "fairy godmother" to the world's babies a trifle hard to swallow. Nestlé is a multi-national with some 163 000 employees around the world, annual sales of \$24 billion and the lion's share of the international infant formula market. Couldn't there perhaps be a more commercial motive such as to promote sales?

"No. It doesn't," says Perroud. "There is no direct promotion involved — how could there be? There is no tit-for-tat involved of any sort. The hospital says we need so many boxes or so many cans of infant formula, let's see who can give it to us right?"

Perroud's argument cuts no ice with Nancy Gaschoff of the US-based group Action for Corporate Accountability (ACA) which is organising a boycott of Nestlé products.

She says companies only donate free supplies of baby milk to Third World hospitals and maternity wards to promote their products. It is an effective technique because once bottle-feeding starts, breast milk dries up. When mother and baby leave hospital there is a physical need to buy more formula; both mother and baby are hooked.

But the mothers often cannot afford the formula, so there is the temptation

Nestlé hands out free milk ... and runs into a boycott

Nestlé, the world's largest producer of milk products, has been handing out baby milk free to hospitals in developing countries. But this apparently altruistic act has enraged health organisations who argue that high infant mortality rates in poverty-stricken areas are due to the misuse of bottled milk

BY PETER COX

to over-dilute the powder to eke it out a little longer. No wonder that bottle-fed babies in the Third World are twice as likely to die as breast-fed babies. In the hands of the poor, feeding bottles are a passport to death.

Perroud says "On every single can of infant formula sold worldwide, there is an encouragement for mothers to breast-feed. There is a warning against the misuse of formula. What more can we do?"

"They could stop sabotaging breast-feeding at the beginning," retorts Patricia Randall of the Baby Milk Action Coalition in the United Kingdom.

But to give Nestlé due credit, they have probably done more than most infant formula companies to curtail unacceptable marketing practices. In 1982 they created an independent monitoring organisation — the Nestlé Infant Formula Audit Commission — headed by former United States Senator Edmund Muskie. Although this group has on occasion found Nestlé in violation of its marketing obliga-



As a baby suckles, the breast-milk changes its constitution to ensure that the infant receives just the right nutrients. A mother's breasts produce a yellowish fluid called colostrum which contains protective proteins and antibodies, giving babies increased resistance to diarrhoea and other diseases. Breast feeding also inhibits menstruation, thus acting as an effective form of birth-control, increasing the spacing between births and improving an infant's chances of survival

Picture: PETER AUF DER HEYDE

tions, reports from around the world suggest that other companies more regularly break the spirit and letter of the World Health Organisation's code on the marketing of baby foods.

Why have Nestlé been singled out for the boycott? The answer is simple if the boycott is to be effective it has to target individual companies. Nestlé is the world's largest baby-milk seller and has agreed in the past

little direct monitoring of Nestlé marketing activities. "There has not been much recent activity in the field — I think that commission members themselves recognise that the time is right for us to do more of that."

I ask Perroud why the commission doesn't undertake regular fact-finding missions

"It is entirely free to do so," he replies. "Whenever it wants to, whether it perceives a need."

I ask Perroud whether Nestlé accepts that "Bottle Baby Death", as the syndrome is called, actually occurs.

"Definitely," he says. "But I think you used absolutely the right word — 'Bottle Baby'. Nobody has ever checked what is in the bottle. You have dozens of instances, hundreds of instances where that bottle was checked, and we found cow's milk, we found goat's milk, we found camel's milk, we found Coca-Cola, we found sugar-water, whatever else. And we have very, very rarely found misuse of infant formula."

Gaschoff does not take kindly to this defence. "Certainly all these things appear in bottles, as well as over-diluted formula. But a mother only resorts to feeding her baby this way because she has been persuaded by industry promotion that bottle-feeding is the best way to feed her baby. After her breast milk has dried up she discovers the incredible expense of infant formula and she chooses the best she can with the resources available to her."

A final question for Perroud lingers in my mind. "Let's assume that a mother is encouraged to use infant formula and subsequently can't breast-feed — but also cannot afford to buy enough infant formula for her baby. Would you feel morally responsible for that in any way?"

"Well," says Perroud, "the simple fact is that we put ideograms on the cans to show the mother how to use it." — The New Internationalist

Fedfood poised to expand after 21,1% rise in earnings

FEDFOOD, one of SA's largest food producers, is poised for further expansion after posting a solid set of results for the year to March



MD Jan du Toit said yesterday expansion could take place through internal growth, takeovers, mergers or joint ventures

Turnover has increased by 14,5% to R1,15bn (R1bn)

Earnings a share rose by 21,1% to 156,6c (129,3c) and a final dividend of 29c (25c) has been declared, bringing the total dividend for the year to 45c (38c)

Operating income is up 29% to R100m (R77,5m), while attributable income rose by 27,6% to R45,3m (35,5m)

BRUCE ANDERSON

Director Charl Kocks said growth in Fedfood's subsidiaries had been experienced "across the board"

Elaborating on prospects for expansion, Kocks said Fedfood was engaged in negotiations on two projects which could bear fruit in the next few months

The group also planned to acquire a food business which was "very foreign to Fedfood's core businesses", said Kocks

Du Toit said Fedfood's bakeries contributed R3,7m to attributable income, frozen foods R700 000, grain processing R9,2m, snacks R10,8m, fishing R11,4m and subsidiaries sold and corporate activities R3,2m

Fedfood represents the food interests of Federale Volksbeleggings. The group's major operating companies are Simba-Quix, Table Top, Nola, Ruto, Marine Products and Fedbake

Du Toit said Simba had performed very well

"Despite raw materials price increases and higher distribution costs which placed management under pressure, Simba remains the market leader in potato chips and extruded maize snacks"

Marine Products, Fedfood's fishing and fish processing operation, recorded excellent catches of pelagic fish, which have contributed to the company's overall profitability

In the frozen vegetable market, Du Toit said Table Top, Harvestime and Catercraft had done well in spite of stiff competition from the fresh vegetable sector

Exports of Table Top products to Europe continued to perform well and certain Table Top products have become market leaders in Europe

Ocfish dishes up a 28% rise in interim earnings

OCEANA Fishing Group (Ocfish) posted a 28% rise in earnings to 181,2c a share in the six months to March (141,1c a share) and the interim dividend has been raised to 55c (45c)

Based on these results and forecasts for the remainder of the year, the Barlow Rand subsidiary is heading for another record year.

Turnover rose by 12% to R140,3m (R124,9m) and net income by 26% to R19,1m (R15,2m)

Executive chairman Walter Lewis says in the interim report the improvement in net income can be partly attributed to increased income from investments and the group's share of income from associated companies

Fishing is still the primary activity of the group but, over the past few years, Ocfish has established a broader, more diversified product and activity base This also contributed to the improved net income of the group

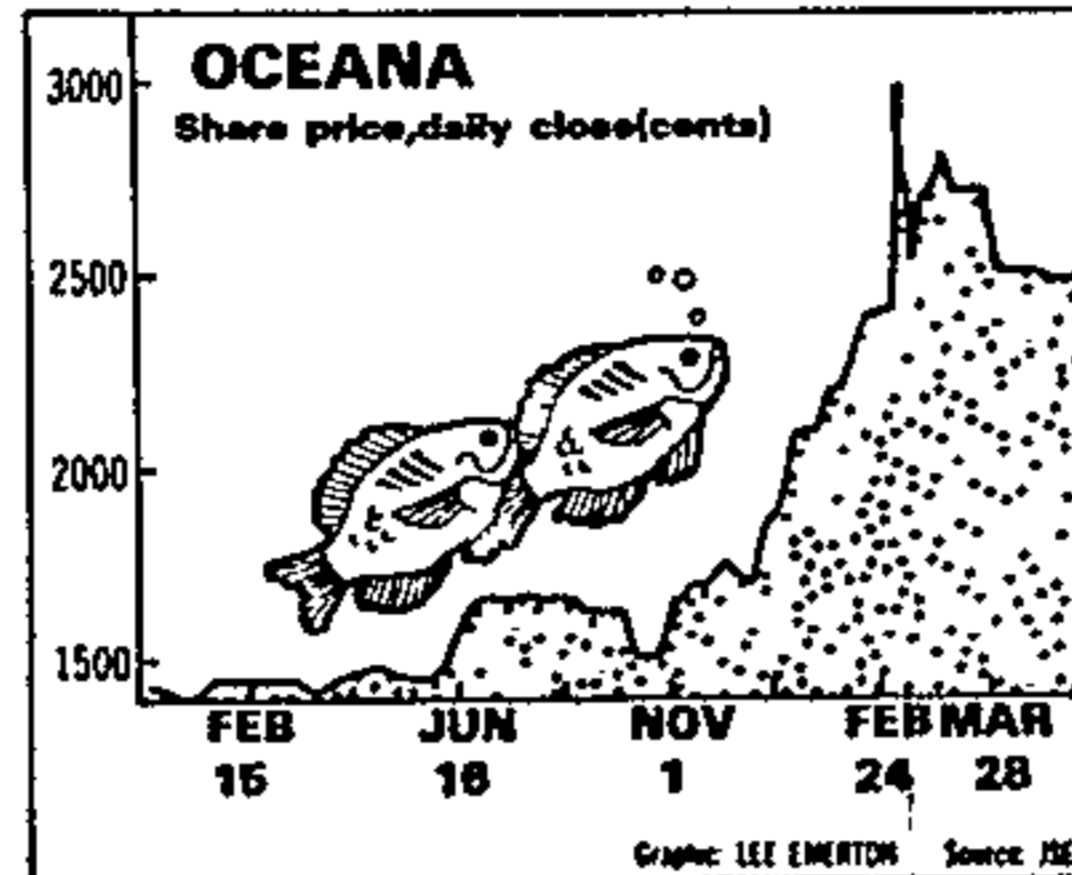
Interim results show operating profit rose only 6,5% to R23,3m (R21,9m), while investment income leapt to R3,4m (about R2m) and share of associated companies' income rose to R3,8m (R2,1m)

Cash was reduced to R14,8m from R27,7m as capital expenditure rose to

LIZ ROUSE

R14,8m (R2,6m) But the balance sheet remains healthy with total liabilities to shareholders' funds down to 75% from 104%

Capex went mainly into expansion of cold storage facilities in Durban and at Lamberts Bay, and the acquisition of new



boats to expand the fleet and to replace existing vessels

Lewis reports that, although total pelagic landings to date in SA were lower than for the same time last year, the increase in product realisations and higher canning volumes largely compensated for

the reduced output To date the group has completed 79% of its lobster quota in SA and foresees no difficulty in completing the permissible catch allocation

The industry has committed most of the season's products to the local and international markets at satisfactory prices

Lewis says, through the group's subsidiary, Seaswa, and its participation in United Fishing Enterprises in Namibia, pilchard landings so far are similar to last year but non-quota species have been available in smaller quantities

Seaflower Investments' rock lobster landings in Namibia for the season were substantially lower at 718 tons (1988 1 160 tons) Rough seas over long periods materially hampered the fishing effort

The cold storage and trading and shipping operations reported most satisfactory levels of turnover and profit, says Lewis Demand for cold storage has been particularly strong and Ocfish is pursuing further opportunities in this area

The analysis of income distribution shows that pelagic fish and rock lobster contributed just over R17m (R18,2m) to income, including share of income of associated companies, while fish products, cold storage and sundry contributed R6,26m (R3,68m) and net income from investments rose to R7,2m (R4,1m)

Taxman takes big bite at Fedfood

By Magnus Heystek,
Finance Editor

The results of Fedfood, the widely diversified food processor and manufacturer in the Federale Volksbelegging-stable, fell slightly short of the expectation of most analysts with earnings per share rising by 21,1 percent to 156,6c on an increase in turnover of 14,5 percent to R1,157 billion

The dividend has been increased by 18,4 percent to 45c per share (38,0c) while the dividend cover has been slightly increased from 3,4 to 3,5 times

However, what is impressive is the surge in operating margins. Operating income rose by 29 percent to R100 million, twice the increase in turnover

After-tax profits, however, were reduced by the sharp increase in the tax bill which rose by 48 percent to R35,1 million

After taking into consideration outside shareholders' interest, the income from associated companies and payment of dividends, the attributable income rose by 27,6 percent to R45,3 million

Due to an increase of 5 percent in the weighted number of shares in issue, earnings per share increased by only 21,1 percent

"Fedfood applied a stringent and successful anti-inflation programme. The five divisions within the group all made sound progress," said Mr Jan du Toit, managing director of Fedfood last night.

According to Mr du Toit, Fedfood's period of organic growth has resulted in a strong and streamlined company. Given the company's healthy financial gearing, future growth would be by way of expansion through mergers, take-overs and joint ventures, he added

Cap Times 12/5/87
Fedfood
(186) (250)
earnings
up 21%

JOHANNESBURG — Fedfood, which broke the R1bn turnover barrier last year, increased operating income by 29% to R100m for the year for the past financial year.

The group's financial results which were released yesterday, reflect a 21% increase in earnings per share to 156,6c, while a dividend of 45c was declared, an increase of 18,4% over last year's 38c.

MD Jan du Toit said that Fedfood applied a stringent anti-inflationary programme and that the five divisions within the group contributed on a comparable basis.

He said that Fedfood's bakeries contributed R3,7m to attributable income, frozen foods R7m, grain processing R9,2m, snacks R10,80m, fishing R11,4m and subsidiaries sold and other corporate activities, R3,2m.

Du Toit said that the group is poised for further expansion, which would be through internal growth, takeovers or joint ventures.

He added that the group's facilities were constantly being improved and in the course of the past financial year, some R74m had been allocated for new projects — Sapa

Tollgate takes over Gants

Tollgate Holdings has acquired the Gant family interests in Gant's Holdings Limited in a share swap deal

The consideration was 2.5 Gant's ordinary shares for one TGH ordinary share, giving TGH 56 percent of the 60 million authorised issued Gant's shares

The executive chairman of Gant's Holdings, David Gant, resigns to be replaced by Henne Diedericks, managing director of TGH

Mr Diedericks says the acquisition fits ideally, the TGH philosophy of gaining control of growth oriented, recession proof, soundly managed companies with a direct focus on consumer markets

The board of Gant's may be restructured and strengthened

"We would like to see Gant's broadened within its own sector, focusing on its prime business and building on existing brands with allied products. We will also aggressively seek additional avenues in export markets"

— Sapa

B/day 16/5/84

(186).

New Bill alters proceedings in Insolvency Act

CAPE TOWN — A Bill containing amendments to the Insolvency Act, based on recommendations by the Harms Commission, was tabled in Parliament yesterday.

A memorandum attached to the Insolvency Amendment Bill says that in terms of the Insolvency Act a witness in certain proceedings and at certain interrogations can no longer avail himself of the privilege against self-incrimination.

These provisions made it easier to get full information on an insolvent's affairs, but also made it easier for insolvents to get court orders staying insolvency proceedings until criminal cases had been concluded.

The amendments propose, for the sake of effective sequestration proceedings, to "prevent evidence regarding incriminating answers in later criminal proceedings, excluding such proceedings on charges such as perjury."

A prohibition on publication of information on incriminating answers was introduced to protect people concerned.

A Justice Department spokesman said this amendment made it clear that a witness was obliged to answer all questions.

"But at the same time we want to protect him so that answers can't be used against him in criminal charges except in cases of statutory perjury, perjury and procedures in terms of Section 139, under which a person may be obliged to answer questions fully during interrogation and may be held to have committed an offence if he does not." — Sapa

Police use batons to scatter strikers

By DICK USHER
Labour Reporter

POLICE used batons and dogs to disperse a gathering of strikers with placards outside the Renown plant in Maitland today.

The strike of fresh meat workers began today. Workers said they had to gather in the street when they found the factory gates locked when they arrived at work. Police arrived and gave them five minutes to disperse.

They said alternative space offered to them by management was not suitable.

A management representative negotiated an extension of the deadline to disperse to afford further time for discussions with the strikers.

A space normally used for parking was offered for their use during the strike but this was also rejected.

Police then acted to disperse them.

A spokesman for the Food and Allied Workers Union (Fawu) said Renown's actions were regarded as a lock-out which was in violation of their agreement which stipulated there would be no lock-outs during a legal strike.

WAGE DISPUTE

He said the strike was over a wage dispute.

Workers had demanded a R150 a week minimum wage against which Renown had offered R10 a week on the current minimum of R110 a week.

After a dispute was declared, a conciliation board was appointed at which the company offer was increased to R126 a week, but other conditions such as the implementation date were withdrawn.

The spokesman said that in a telex to Fawu today Renown had increased the offer to R128 a week.

Tonight

Star 18/5/89 (186)

CGS Food serves up good half-year

Finance Staff

CG Smith Foods had an excellent first half-year to March

Operating profit was 43 per cent higher, coming off a 27 per cent increase in turnover

Although share of associated companies' profits increased, a combination of higher interest payments and lower investment income reduced growth at earnings-per-share level to a still impressive 28 percent at 123,8c

A 24 percent higher interim dividend of 31c has been declared

In the financial year to last September, Smith Foods performed well, with earnings up by 40 percent from a 42 percent increase in operating profits.

However, chairman Robbie

Williams warned in his annual statement that "several factors point towards a slower rate of economic growth in 1989"

But he said Smith Foods' well-balanced portfolio would enable it to achieve satisfactory earnings growth this year

From an operating point of view, the group more than matched last year's performance, with all major participants — Smith Sugar, ICS, Tiger Foods, Adcock Ingram and Oceana Fishing — performing well

An improved cane crop, a higher world sugar price and another good contribution from the chemical division combined to boost Smith Sugar's performance

ICS saw profits grow in each

of its core businesses of meat, dairy, fishing, poultry and food distribution

Tiger Foods and Oceana Fishing set the pace, with both raising earnings by 28 percent Adcock Ingram excelled with higher sales and margins

Foods and other investments contributed an unchanged 57 percent of group profits Fishing and pharmaceuticals each provided about five percent

Interest rose by 81 percent, primarily reflecting the acquisitions made in the second half of last year and higher interest rates

Total borrowings were virtually unchanged, dropping to 46 percent of equity, against 50 percent at the last year-end. Net current

assets show no appreciable change and the balance sheet remains healthy

Capital expenditure of R186,5 million was incurred in the period Capital commitments are well ahead at R332,4 million, against R226,4 million at the year-end

Looking at the second half, the interim report forecasts that the improvement in results will be sustained CG Smith Foods shares are currently priced at 2 450c, at which level they yield nine percent and 2,9 percent on historical earnings and dividend respectively

This compares with food sector averages of 9,2 percent and 2,8 percent



'Very low' ^{ARC's 18/6/89} police profile ^{18/6/89} in strike

Labour Reporter ^{18/6/89}

IT was reported in error in the City Late edition of The Argus yesterday that police with dogs and batons scattered strikers at the Renown factory in Maitland.

This was corrected in the Final edition, which reported that there was no police action.

Police spokesman Lieutenant Attie Laubscher said today: "Police were present but kept a very low profile. There were no arrests and no action was taken."

CONTINUING

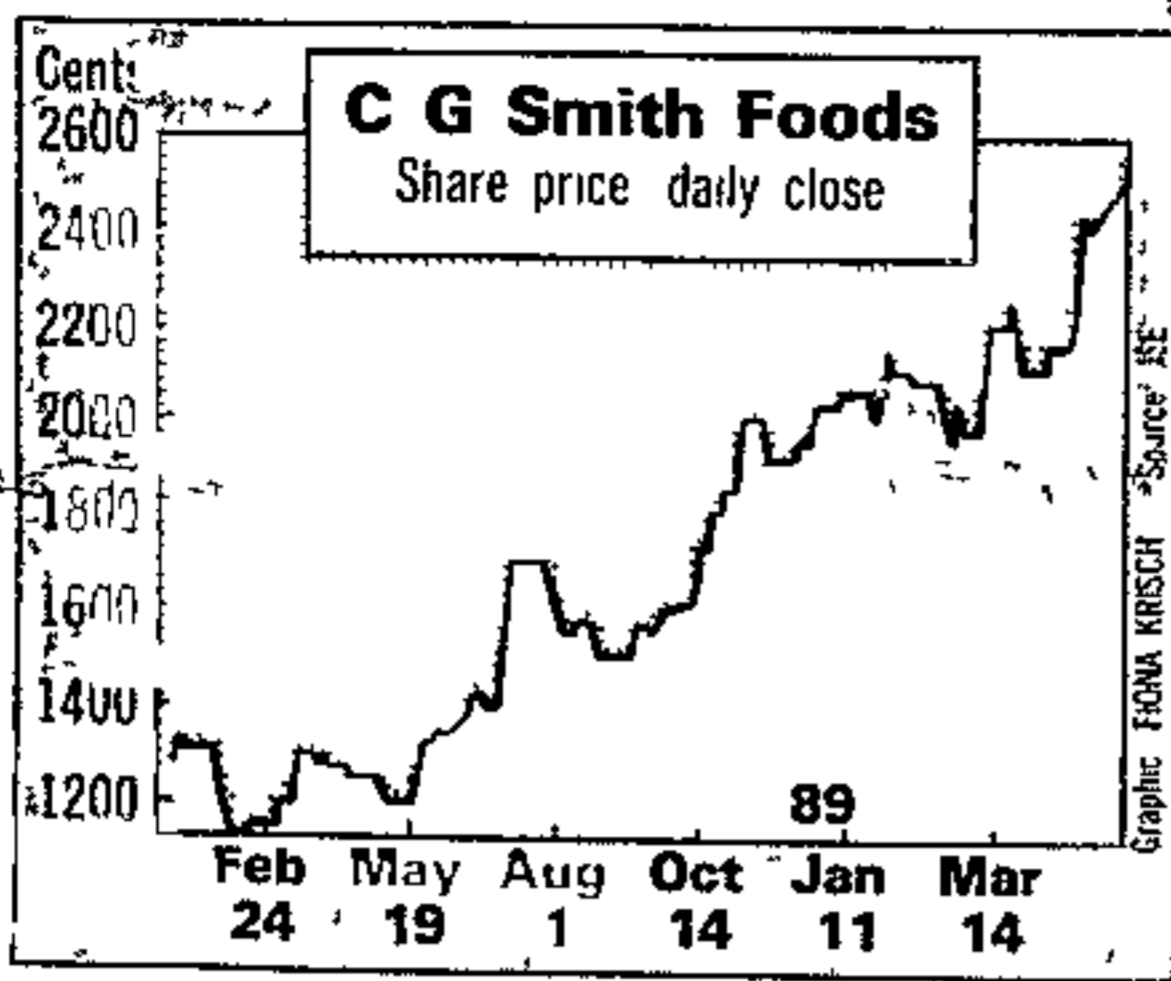
Mr Tjaart Minnaar, human resources manager of Renown, said the wage strike by Food and Allied Workers' Union members was continuing without incident.

He said 52 percent of the workforce had voted in favour of the strike.

Fawu had demanded a 45 percent increase on the minimum wage and the company was offering increases ranging between 16 and 52 percent.

The parties had negotiated on wages and conditions for 15 weeks and had twice gone to mediation on outstanding issues.

C G Smith Foods is full of beans at interim stage



BUOYED by sharply improved contributions from sugar and pharmaceutical divisions, in a slowing economy, C G Smith Foods has posted a solid set of interim results

The group's turnover for the six months to March rose by 27% to R4,1bn (R3,2bn) and operating profit leaped by 43% to R337,1m (R236,1m)

Attributable profit increased by 28% to R115,5m (R91,5m) to give earnings of 123,8c (97c)

An interim dividend of 31c (25c) a share has been declared — 24% up on last year's interim dividend

186

BRUCE ANDERSON

C G Smith Food's share price rose 50c yesterday to a 12-month peak of R25, double its low of R12,25 a year ago

Chairman Robbie Williams said yesterday margins had improved in all group companies

He added about 10% of the 27% increased group turnover could be attributed to acquisitions during the period under review. Out of the remaining 17% increase 3%-4% was due to volume growth

Interest rose by 81% to R58,1m (R30,5m)

□ To Page 2

C G Smith

610244 1815184 (186) □ From Page 1

to reflect acquisitions made in the second half of last year and higher rates

Gearing has improved slightly. Interest-bearing debt now represents 46% (50%) of total shareholders' funds

C G Smith Foods' major subsidiaries are C G Smith Sugar, Tiger Oats, Imperial Cold Storage, Adcock Ingram and Oceana Fishing

C G Smith Sugar benefited from an improved cane crop, higher world sugar price and a good contribution from its chemical interests

Adcock Ingram performed strongly due to increased sales and margins in all oper-

ating companies and the inclusion of Saphar-Med

Tiger Foods also reported an increase in earnings with recent acquisitions contributing to overall performance

ICS performed well in each of its core businesses of meat, dairy, fishing, poultry and food distribution

Oceana Fishing's 28% increase in earnings was attributable to higher investment income and good results from the Blue Continent group

Foods and other investments contributed an unchanged 57% of group profits, while fishing and pharmaceuticals each contributed about 5% to profits

CG Smith: good pointer for Barlows

8/10/87
18/1/87
BRUCE ANDERSON

ALL major divisions of the CG Smith group contributed to a strong set of interim results for the six months to March with a 28% rise in earnings to 368,9c (287,7c) a share.

A 35% rise in operating profit to R556,7m (R411,6m) came on a 25% increase in turnover to R6bn (R4,7bn).

Attributable profit rose 28% to R172m (R134m). An interim dividend of 102c (81,5c) a share has been declared.

The results augur well for parent Barlow Rand, which is due to report on Tuesday.

All three major divisions contributed toward the improvement in earnings:

□ Food and pharmaceuticals increased its contribution to attributable earnings by 28% to R95,2m (R74,6m).

□ Packaging and paper accounted for R63m (R49m), up 30%; and

□ Carpets and textiles R13m (R11m), a rise of 23%.

CG Smith chairman Warren Clewlow expects the rate of growth over the next six months to be satisfactory.

Increased trading activities, combined with a high level of capital expenditure, have given rise to higher borrowings which, together with a marked increase in interest rates, has resulted in higher interest costs, said directors.

With the increase in total borrowings, gearing has deteriorated slightly.

Despite pressure on margins, through increases in raw material prices and fierce competition, packaging and paper company Nampak showed strong growth and achieved a good increase in profits.

Rainbow share issue to raise R71,25m

RAINBOW Chickens, which has grown from a small farmyard operation into SA's largest broiler chicken producer, is to raise R71,25m by way of a share issue, and to list on the JSE's industrial board

In a prospectus released today, the group has announced its plans to raise the capital by issuing 25-million new shares at an issue price of 285c a share

Of the new issue, only 4,5m shares would be offered to the public. The rest would be placed with employees (2-million) and selected business associates (18,5-million)

Rainbow is controlled by S C Methven Holdings, which is in the hands of late

LESLEY LAMBERT

chairman Stanley Methven's family. After the listing, the controlling company would own about 68% of Rainbow's enlarged 275-million share base

The remainder would be in the hands of Rembrandt nominee Hunt Leuchars & Hepburn (HLH) — which acquired a 25% stake in April — and management, employees and the public

The group dominates an estimated 35% of the rapidly growing chicken market

□ To Page 2

Rainbow *blown 17/5/89*

Although its management had chosen in the past to steer clear of the public arena, Rainbow earned a reputation for the meticulous efficiency of its production, processing and marketing operations in Hanimarsdale in Natal, Worcester in the Cape and Rustenburg in the Transvaal

Rainbow forecast 35,5% growth in taxed profit for the financial year to 1990, in spite of an expected slowdown in turnover growth to facilitate new expansion

Earnings a share was conservatively forecast to increase 23,8% from 26,1c in 1989 to 32,3c in 1990

On the offer price of 285c, the dividend yield was 2,6% for the 1989 financial year

□ From Page 1

and 3,1% for 1990. The projected PE ratios were 10,9 for 1989 and 8,8 for 1990

Analysts felt that compared with other food producers, the share might be a little expensive in the current environment. HLH paid an effective 280c a share for its stake in the group

The recent show of good results from major companies in the food sector, and Rainbow's obvious future growth potential which in the shorter term was bound to be faster than that of other major food producers, might help alter perceptions

The offer opens at 9 30am today and will close at noon on June 9

Final 19/5/89

FOOD COMPANIES

196

Well-fed

Several food companies reported in the past week. top performer was **Tiger Oats**, with an increase in EPS of 28% in the half-year ended March 31, while **Fedfood** managed 21% for the year to March and **ICS** 17% for the half-year

Tiger's performance, which reflected a 36% rise in operating profit on a 32% increase in turnover, is notable as the group did not follow the trend of some other food companies and move into higher margin areas. According to MD Clive Wolpert, Tiger maintained margins in core activities. The small improvement in margins was due to acquisitions, including that of Langeberg.

Wolpert does not expect the acquisitions to make a material change to contributions of different sectors, as the food side is so dominant. "We are in very basic food products," he says, pointing out that, though the company is not unaffected by a downturn, it should be affected less than other companies.

Tiger has announced a 10-for-one subdivision of shares, which Wolpert hopes will help bring them into reach of the small investor but only 8%-9% is held by the public and this is unlikely to change. The group's traditional strength has been its balance sheet. Though the cash pile has been absorbed on acquisitions and debt equity has increased, gearing remains a comfortable 37%.

Charl Kocks, GM, finance at **Fedfood**, says every company in the group is humming. Overall margins improved, though those of the baking and milling sections stayed low. This section contributed only 17% of attributable income, with fishing the largest source (25%) and snacks at 24%. These are both high margin and Kocks says the Chilean interests are not consolidated, though they had unappropriated income of US\$3.9m at the end of last year, up from \$2.4m a year earlier. The original investment amounted to \$8m in 1985.

Debt was reduced and debt equity fell from 24.5% to 20.8%. Capital expenditure last year totalled R74m and should be around R80m this year. "We managed to buy some items like packaging machines before the surcharge was imposed," says Kocks, "and we have decided we must utilise the growth in our cash flow for capex."

The tax rate has risen and should stabilise at around 45% next year.

ICS's tax rate fell in the first half of its financial year and MD Russel Chambers says the impact of spending in the poultry section should help reduce the tax liability, the rate is not expected to rise. But tax impacted on contributions by associated companies, which rose only 6% as Bull Brand paid full tax, though Bull Brand and another associate, Sea Harvest, performed well.

The EPS increase of 17% was considerably lower than the attributable rise of 37%, due to conversion of the last of the preference shares. These will no longer dilute earnings

next year. However, capex will absorb cash flow during the second half of this year. Capex was R70m in the 1988 year but only R28m so far this year, so the rest of the budget will come through in the second half. Higher cash flow in that period should, however, reduce debt equity from the current 36% to about 31%.

Rationalisation helped push up margins. Losses have been nearly eliminated at Clayville dairy. A programme of internal efficiencies and more higher-margin value-added products also helped. This could work against the group when recession bites, given that the higher-margin products relate to discretionary spending. But ICS will have its basic foodstuffs to fall back on, and the benefit of the Clayville rationalisation will continue.

Pat Kenney

SECURITIES LAW

Giant step forward

The 1989 Companies Amendment Bill is set to change completely the way most involved with the securities business think, behave and reach decisions. Initial analysis of the proposed legislation has so far focused on insider trading, for which the new penalties will be a maximum of R500 000 and/or 10 years behind bars.

The proposed amendment also contains new legislation on transfers of control, effectively abrogating everything on the subject in the Companies Act. This will, it is hoped, redress the treatment of minorities, arguably the biggest securities problem after insider trading.

Indeed, the proposed legislation, while tacked on to the Act, represents a pioneering step, one of SA's first major forays into securities legislation. Based on a synthesis of such legislation worldwide, the insider trading regulations are based primarily on US Federal law, which covers primary (a director) and secondary (his secretary or mother-in-law) insider trading.

The main underlying principle of the proposed amendment is self-regulation. A Securities Regulation Panel (SRP) is established, staffed by a minimum of 16, with a maximum of two government employees. It will regulate:

- All transactions or schemes which constitute "affected transactions" (see later),
- All proposals which on successful completion or implementation would become affected transactions, and
- Dealings in securities (among others, insider trading).

Crucially, the SRP will "regulate in such manner as it may deem necessary or appropriate." The regulation of transfers of control will be governed by the definition of an "affected transaction," namely, "any transaction or scheme, whatever form it may take, pursuant to which, taking into account any shares held before such transaction or scheme, control of any company (excluding a

close corporation) vests in any person, or two or more persons acting in concert, in whom control did not vest prior to such transaction or scheme."

Again, the definition of "control" hinges on reality rather than bald percentages used in the decaying Act. While the proposed legislation sets out the framework for the SRP, the SRP still has to develop a whole body of rules. These will be published in the *Government Gazette*.

At this stage, perhaps the most burning question is the regulation of insider trading. While the criminal mind will always be ahead of the honest mind, the proposed legislation has both the substantive and procedural law to stamp out much of insider trading.

The procedural law hinges on the toothy Section 440D (1) (a). The SRP is empowered to "summon any person who is believed to be able to furnish any information on the subject of an investigation or to have in his possession any book, document or other object which has any bearing on that subject" (our emphasis).

Such person then has to appear before the panel for interrogation, under oath (or affirmation). So if the SRP has prima facie evidence of insider trading, it has draconian powers to delve to the bottom of the case.

"The proposed amendments," says the JSE's Tony Norton, "may not be the perfect solution. But they are a giant step forward."

OK BAZAARS

Margin boost

OK Bazaars faced a tougher environment in the year to end-March, including higher rates and curbs on consumer spending, but the group lifted operating margins and reported a 20.4% advance in EPS. However, turnover slowed markedly in the second half and the net interest bill for the year jumped 61% — and a few days after the results came news of government's latest austerity package.

The turnover trend shows the impact that previous measures have had on spending. Sales for the full year rose by 19.4% against 21.2% in 1988, and the growth rate dropped from 22% in the first half to 17.2% in the second half. Operating income rose by 25.3%, thanks to improved margins and stock turns, together with effective expense control. Stock turn was up from 5.9 to 6.6 while margins rose from 1.72% to 1.8%, had margins not increased, operating income would have been lower by some R3.2m.

Increased rates and higher pre-December purchases contributed to the rise in the net interest bill to R23.9m (R14.9m). However, at year-end the gearing ratio had been cut to 0.41 (0.50).

The group had previously indicated its intention to reduce dividend distribution to around 50% over some years, so it is not surprising the payout was only 15.7% higher.

ARLUS 23/5/89

186

Premier's profits soar by 32 percent

Business Staff

PREMIER'S results were well ahead of market expectations for the 12 months to end-March.

Key features of the 1989 results include a 29 percent hike in turnover to R4,1-billion, a 39 percent improvement in trading profit to R286,7-million and a 35 percent improvement in taxed profit to R217,4-million.

This all culminated in a 32 percent surge in net profit to R267,5-million

The dividend was lifted 23 percent to 172c a share.

Reason for a better-than-expected performance was the strong contribution recorded by the much leaner food division which is showing the benefits of tighter asset management and the sale of its poultry interests (part of which are now housed in a separate joint venture).

SAB chipped in with R175,2-million at the earnings level.

Management highlighted the

performance of the group's "traditional core business", that is all of the group's activities apart from SAB Premier Food, 33 percent of CNA/Gallo, 48 percent of Twins and 76 percent of Gresham Industries.

Management's emphasis on the strength of the core business, and in particular on the food interests, could be designed to prepare the market for a separate listing of the food division

DICK USHER

Premier's turnover now up to R4,15bn

186

BIDay 23/5/89

~~186~~

LIZ ROUSE

TURNOVER of Premier Group's traditional core businesses (excluding SA Breweries) soared to R4,15bn in the year to March from 1988's R3,2bn, resulting in an impressive 42% earnings rise

Attributable earnings, including Premier's share of profits arising from its investment in SA Breweries, increased by 32,5% to a record R267,5m (R201,9m) — earnings of 419c a share (R317c). The final dividend has been raised to 112c (90c), lifting total distribution by 23% to 172c (140c).

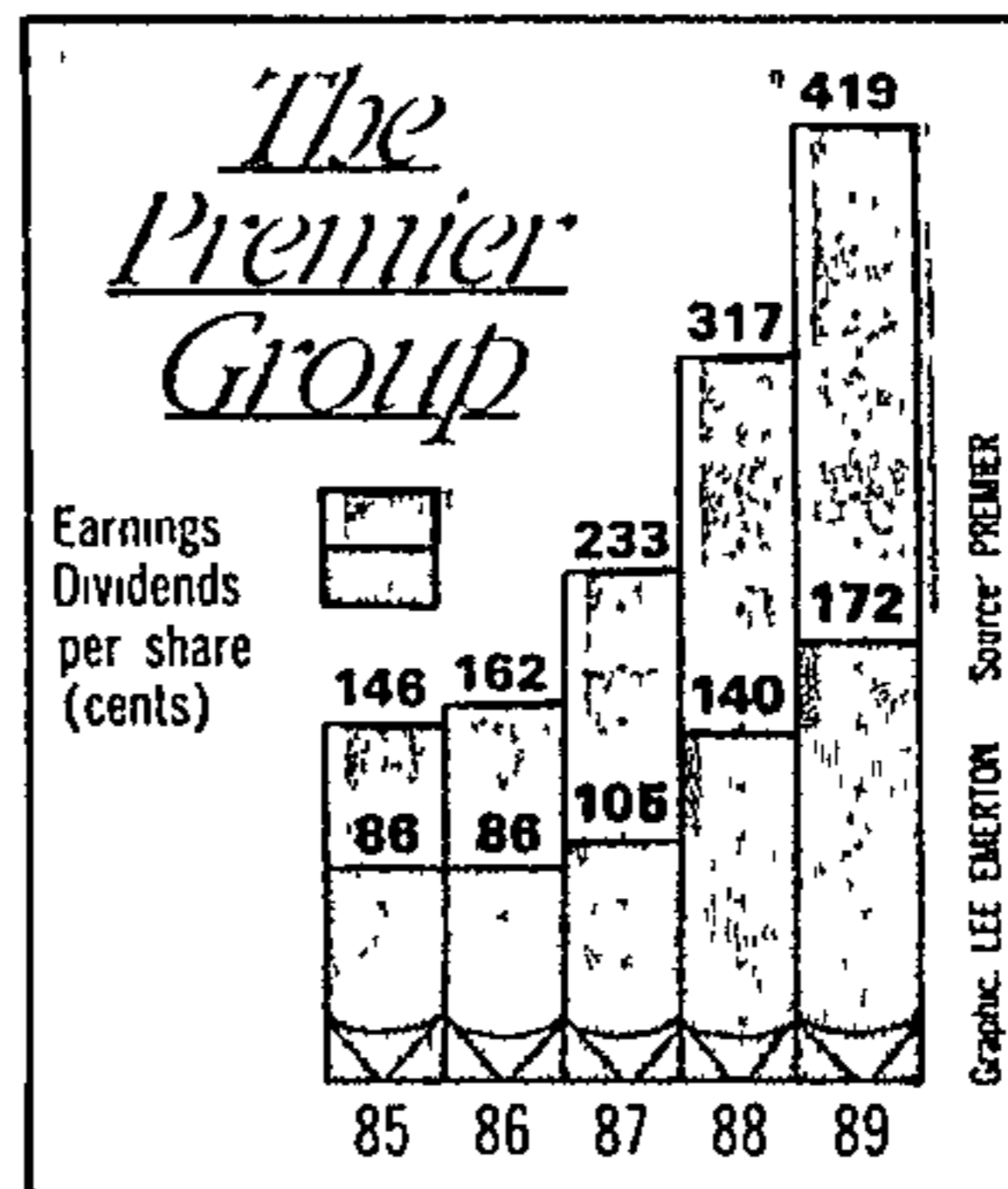
Chairman and CE Peter Wrighton placed the emphasis on the considerable growth in the traditional business of the group at his first Press presentation yesterday as chairman. Whereas SA Breweries accounted for 90% of Premier's earnings in 1985, its contribution had dwindled to 65% in the year to March 1989.

Looking ahead, Wrighton said that forecasting for the future was at best a tricky business, more so in a country plagued by a go-stop-go economy, strong upward pressure on interest rates, disinvestment, sanctions and a politicised labour force.

Nevertheless, given the fact that the group was leaner, more focused and efficient than ever, Wrighton said he was confident that, provided the economy was not depressed further, shareholders could look forward to growth in the year ahead.

Wrighton said that by focusing on food and fishing, entertainment information and leisure and wholesale and retail distribution, the group was in a better position to progress in an adverse climate.

Premier had already gone a long way to



streamline operations by shedding the chicken operations, which were a drain on resources and earnings — making a profit of R9m in the process. The merger of Farm Fare's broiler operations with those of co-ops Bokomo and Sacca resulted in the creation of a new company in which Premier had a 50% interest.

More focus had been created in 76,6%-held Gresham Industries, which acquired 80% of South African Pharmaceutical Development Corporation and sold part of its hardware division, namely Greatrex and KTC and wholesalers J Yudelman.

Twins Propan Holdings acquired — through its subsidiary Twins Pharmaceuticals — a 51% interest in Safimed, whose

□ To Page 2

Premier's turnover

results were consolidated for the first time

Premier Food remained the largest contributor to group turnover — R2,5bn or 61% of the more than R4bn total, while its contribution to earnings at R56,1m was also 61% of total earnings. Twins was a money spinner, contributing 10% or R431m to turnover, while its contribution to earnings amounted to 17% at R15,8m.

CNA Gallo, with a 13% or R549,8m contribution to turnover, brought in 13% or

BIDay 23/5/89

□ From Page 1

R11,7m to earnings. Gresham, with a 16% or R661,7m contribution to sales, accounted for 9% or R8,7m of earnings.

The group's total capital employed rose to nearly R2,6bn (R2,3bn). With net interest-bearing debt at R477,8m (R433,9m) the debt/equity ratio remained static at 23%.

Premier shares declined 125c to R36,75 yesterday on small volume in a nervous market. Historic earnings yield is 11,4% and dividend yield 4,7%.

ARGUS 24/5/87 (126) (2/28)

Big three may unite to tackle food manufacturers

The Argus Correspondent

DURBAN — Leading South Africa retailers — Pick 'n Pay, Checkers and the OK — are likely to join forces soon to take on the food manufacturers in a battle where the consumer is expected to emerge the winner

The powerful retail opposition force with a combined food buying power of R9-billion a year will come into being as a result of high levels of profits being made by the manufacturers and because of the "sometimes dictatorial" attitude they have shown at a time of soaring inflation

"It has also been made possible by a softening in Mr Raymond Ackerman's opposition to

any form of joint discussions with his competitors.

The group's prime task will be to negotiate lower prices from the food giants and to bring about greater efficiencies to benefit the consumer.

PROFITS

All the big food manufacturers have reported significantly increased profits, the latest being the Premier Group whose profits were up 38 percent on a turnover of over R4-billion.

C G Smith Foods profits were up 35 percent on a six-month turnover of R4,2-billion.

Turnover and profits of Unilever, the other of the trio of powerful food groups, cannot be determined as the company is not listed and is not required

to produce public financial accounts.

Mr Ackerman and Checkers' director, Mr Sergio Martino, emphasised that any negotiations between them would not involve any collusion to create an enhanced power base, or to discuss pricing in any form but to oppose the "sometimes dictatorial attitude" of some manufacturers

Chairman of Premier Foods, Mr Norman Fowler, said he was flabbergasted by the move and that consumers should be aware of the return on assets of the food companies compared to that of the retailers.

"Our return on shareholders' funds is 13 percent compared to certain retailers whose return is multiples of that."

Police clash with 200 city strikers

Staff Reporter

POLICE yesterday baton-charged about 200 striking workers outside a Maitland meat factory, arresting a man and injuring about 20 others, a Food and Allied Workers Union (FAWU) spokesman said yesterday.

Police spokesman Colonel Steve van Rooyen last night said that workers armed with sticks or knobkerries resisted, hitting and "slightly injuring" four policemen in the fracas.

Workers, gathered outside the locked factory gate, ignored a five-minute warning to disperse, telling the police they worked at the factory. They demanded to be let in, FAWU spokesman Mr George Xashimba said.

Trying to avoid the baton charge, some workers stumbled, suffering grazes and bruises when trampled by fleeing colleagues, while others were beaten by the pursuing policemen.

Twenty injured workers were treated in hospital afterwards, a spokesman for the Congress of South African Trade Unions (Cosatu) said.

A 60-year-old man was arrested and will appear today in the Cape Town Magistrate's Court on charges of assault and attending an illegal gathering, an attorney confirmed last night.

Criticising the police action, FAWU and Cosatu said: "The strike is fast becoming a political issue, with the intransigence of the Renown management and the intervention of the police. This confrontation could have been avoided had the Renown management not locked striking workers out."

Disputing the claim that workers were locked out, Renown spokesman Mr Tjaart Minnaar earlier this week said workers were barred from the premises for "health reasons".

"Regretting" the incident, Mr Minnaar said police had taken action "without the company's knowledge".

"The company had negotiated at length with both the police and the union to try and ensure that no such incident would take place," he added.

Saying police had acted in terms of the Internal Security Act, Colonel Van Rooyen said: "Police would not have intervened unless called on to do so."

CMT Tjaart Minnaar
26/5/89
186

A CAMPAIGN to promote breastfeeding as a way of combating South Africa's high infant mortality rate was launched in Johannesburg this week. The campaign hopes to persuade all South African women that "breast fed is best fed".

The main argument for breast milk as a central feature of the fight against child mortality is that it helps prevent gastro-enteritis - the greatest killer of South African babies. The Breastfeeding Association of South Africa, a voluntary organisation of professionals and lay personnel trained in the management and counselling of breastfeeding, said it would be "going public" in October by having a week-long focus on breastfeeding. Breastfeeding Week 1989 will be held from October 14 to 21. Prior to this the association will stage public awareness events around the country.

Breast-fed is best fed, says new national campaign

Mothers' milk helps prevent infant deaths, says a new national campaign to promote breast feeding. **THANDEKA GQUBULE reports**

The campaign tries to move people away from the notion that breast feeding is an outdated ritual, depicting it rather as a vital necessity in a rapidly urbanising community. Listing the advantages of breastfeeding, a representative of the association said breast milk not only contained antibodies which protected ba-

milk at work. "Just as buildings are made more accessible to disabled people, feeding rooms should be created in public places for breastfeeding women and their children," the association representative said.

The health of mothers who were undernourished was also highlighted at the press conference. Mothers had to be well nourished to produce enough breast milk of sufficient quality.

The association also demanded that all groups involved in the marketing of substitutes for breast milk should comply with the South African code of ethics for the marketing of breast-milk substitutes.

The code aims to contribute to the provision of safe and adequate nutrition for infants by the protection and promotion of breastfeeding and by ensuring the proper use of breast milk substitutes.

One of the rules of the code is that there should be no advertising or other form of promotion of substitutes, such as bottles, teats and infant formulas. The code also stipulates that there should be no pictures of infants or text idealising the use of infant formulas on containers. It demands that there be no contact between marketing personnel and mothers.

A CAMPAIGN to promote breastfeeding as a way of combating South Africa's high infant mortality rate was launched in Johannesburg this week.

The campaign hopes to persuade all South African women that "breast fed is best fed."

The main argument for breast milk as a central feature of the fight against child mortality is that it helps prevent gastro-enteritis — the greatest killer of South African babies.

The Breastfeeding Association of South Africa, a voluntary organisation of professionals and lay personnel trained in the management and counselling of breastfeeding, said it would be "going public" in October by having a week-long focus on breastfeeding.

Breastfeeding Week 1989 will be held from October 14 to 21. Prior to this the association will stage public awareness events around the country

Breast-fed is best fed, says new national campaign

with the sponsorship of a pharmaceutical company Janssen Pharmaceutica. Included in the activities is an art exhibition by students.

The organisers want to direct youth away from the obsession with the sexuality of the breast, which hinders acceptance of breastfeeding.

Organisers were particularly concerned that government schools were reluctant to participate in the campaign on the basis that breasts were overtly associated with sex. They felt this was an attitude a Third World country like South Africa, with a high infant mortality rate, could ill afford.

Mothers' milk helps prevent infant deaths, says a new national campaign to promote breast feeding. THANDEKA GQUBULE reports

The campaign tries to move people away from the notion that breast feeding is an outdated ritual, depicting it rather as a vital necessity in a rapidly urbanising community.

Listing the advantages of breastfeeding, a representative of the association said breast milk not only contained antibodies which protected ba-

bies against illness, but also provided all the nutritional requirements for optimal growth and development.

Breastfeeding also promoted the development of an emotional and psychological bond between mother and child through breastfeeding.

According to the association, many South African women are abandoning the practice as they enter the labour force.

The campaigners said they saw their mission as related to the demand by many women for day-care centres at places of employment, as well as facilities to express and store breast

milk at work. "Just as buildings are made more accessible to disabled people, feeding rooms should be created in public places for breastfeeding women and their children," the association representative said.

The health of mothers who were undernourished was also highlighted at the press conference. Mothers had to be well nourished to produce enough breastmilk of sufficient quality.

The association also demanded that all groups involved in the marketing of substitutes for breast milk should comply with the South African code of ethics for the marketing of breast-milk substitutes.

The code aims to contribute to the provision of safe and adequate nutrition for infants by the protection and promotion of breastfeeding and by ensuring the proper use of breast milk substitutes.

One of the rules of the code is that there should be no advertising or other form of promotion of substitutes, such as bottles, teats and infant formulas.

The code also stipulates that there should be no pictures of infants or text idealising the use of infant formulas on containers.

It demands that there be no contact between marketing personnel and mothers.



Weekend Argus Correspondent
JOHANNESBURG. — South Africa's three biggest food chains are to band together to help struggling consumers to fight escalating inflation.

This has been made possible because Mr Raymond Ackerman of Pick'n Pay agreed this week to come in from the cold and to work with his two major competitors — OK Bazaars and Checkers

Checkers confirmed that they are right behind the move. Mr Gordon Hood of the OK was not available for comment but it is believed the OK will join the venture.

Their decision comes as reports from around the country indicate growing hardship for more and more consumers, especially at the lower end of the scale, as the economic climate worsens.

Mr Ackerman said the time had come for supermarkets to stop fighting prices individually and to join forces "to fight together against actions which are wrong for the consumer"

Powerful force

Such a merging of effort has previously been suggested but nothing came of it because of Mr Ackerman's opposition to joint ventures among competitors.

He emphasised that the proposed alliance would not discuss price setting. He is to attend the Retail Distribution Committee meeting next month and will propose that the committee be "built into a powerful force to protect the consumer"

"I realise I'm partly to blame because I have been paddling my own canoe at Pick'n Pay. But the time has come to beat this now"

Mr Ackerman's decision comes in the wake of rising anger over the enormous profits reported this week by major food producers while the cost of living is rising alarmingly.

He said the initiative, if accepted, would run on similar lines to the large retail units in the United States, acting primarily as a watchdog against rising prices.

Act as watchdog

It would also encourage manufacturers not to disinvest from the country, which has resulted in the market being monopolised by fewer companies.

Mr Ackerman said that in addition to the big three, smaller retailers and the Housewives' League could take part if they wished.

"Most importantly, we will oppose any form of price fixing by manufacturers and cartels in an attempt to pave the way for a more competitive society."

An additional problem was that local manufacturers were being forced to buy raw materials being produced in South Africa at dollar prices. "We will use our force to expose this and will approach producers of raw materials to ask them to keep prices down."

Checkers director Mr Sergio Martinego said it was encouraging that the large supermarkets, "who usually steer clear from one another", had now agreed to embark on joint discussions

Stop spending

"The way things are now, we all do our own thing and don't want one to have an advantage over the other. This does not benefit the consumer."

Mrs Lyn Morris, president of the Housewives' League, said the way to repair the economy was for the government to stop spending "It must start being a good housewife and budget properly — just as the ordinary person has to"

She was willing to take part in a joint supermarket venture, such as that proposed by
Turn to Page 3

Inflation busters

From Page 1

the big three, but emphasised that she could not be involved in any form of price fixing

The league had convened a meeting on August 2 of retailers, distributors, manufacturers and all those involved in the food business to seek ways to stop the inefficiency in the industry which had resulted in the consumer paying higher prices

She said the supermarket industry was not blameless in contributing to this inefficiency.

WATSON FOOD PRICES

SUPERMARKET GIANTS OK, CHECKERS AND PICK 'N PAY JOIN FORCES

By JANET HEARD
2/1/81

901 721 K
27/5/89

Bail for striking meat worker

A MAN who was arrested when police dispersed about 200 striking meat workers this week has been released on R50 bail after a brief appearance in the Cape Town Magistrate's Court.

No charges were put to Mr William Ngxowa, 60, yesterday and he was warned to appear in court on June 12, an attorney yesterday said.

A worker injured during the police baton charge on Thursday was yesterday still in hospital, a Food and Allied Workers Union (Fawu) spokesman said.

By late yesterday no further incidents had been reported.

Company human resources manager Mr Tjaart Theron yesterday confirmed that "constructive" talks had been held.

Wage talks

over strike

Staff Reporter

OFFICIALS of the Food and Allied Workers Union (FAWU) yesterday held wage talks with management at Renown Fresh Meat, in Maitland, where about 180 workers embarked on a strike on May 17.

A wage dispute involving 250 workers at the African Products plants in Bellville and Meyerton is set for mediation later this week, a FAWU spokesman added.

FAWU members at Jungle Oats and Renown Food Products, both in Maitland, yesterday staged sympathy demonstrations, the spokesman said.

Shield in good shape

20/5/89 Finance Staff *(186)*
 Shield Trading, a pre-packed food giant, has lifted turnover from R340 million to R425 million, reflecting a 24,91 percent increase in the year to February

The dividend has been raised from 3c a share to 3,5c

Cash resources rose from R6 million to R11 million, with a debtor-to-creditor ratio virtually unchanged

Operating income went up before rebates to franchisees from R8,880 million to R9,433 million Retained income rose from R2,339 million to R3,552 million

Pre-tax income was down to R4,019 million from R5,108 million Tax was down from R2,581 million to R2,207 million

Net taxed income was down from R2,526 million to R1,811 million

After extraordinary items, it was down from R2,481 million to R2,321million

AREA: Within a radius of 56 km from the Welkom Railway Station, excluding that portion of Kroonstad falling within this area.

Tongaat: share for lean times

Few will dispute that the rand is a chronically weak currency.

It's the reason why rand hedge stocks have been so popular and why they're likely to continue attracting attention.

But as things stand, rand hedges don't come with a guarantee, principally because the looming downturn could offset much of the advantage inherent in them.

Tongaat Hulett is one company which meets both criteria: it is a rand hedge counter whose prospects remain encouraging, notwithstanding the expected downturn.

Tongaat's image suffers to some extent from its fall in earnings from 119c a share in 1984 to 24c in 1986.

Since then, however, it has recovered strongly, with the group recording another impressive advance for the year to March 1989.

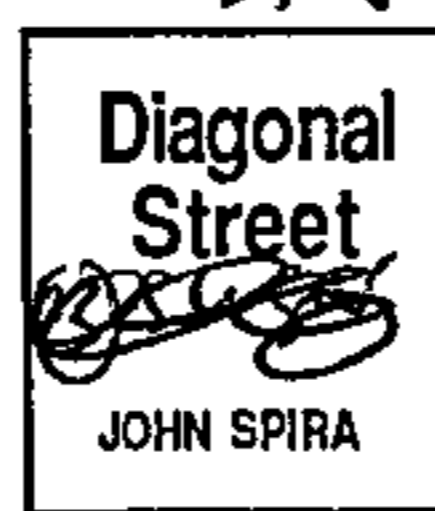
Improved contributions from the sugar, aluminium and building materials divisions lifted turnover by 21 percent to R3,1 billion, while profit margins widened from 9,2 to 10,36 percent to produce a 36 percent gain in pre-tax operating profit to R327,5 million.

Earnings a share rose by 32 percent to 214,3c and a total dividend of 71c (54c) was declared.

For years Tongaat was viewed with suspicion because of its debt exposure. It is now much better placed.

Land and buildings were revalued in April 1988, with a consequent increase in non-distributable reserves of R488 million.

This, combined with the strong cash flow resulting from improved profit performance and tight management of working capital, cut



borrowings to R254,5 million at the end of March 1989 from R304,5 million a year earlier.

The reduced gearing is now reflected in interest-bearing debt, representing 15,7 percent of total shareholders' funds (30,4 percent a year ago).

Tongaat's main operating divisions are sugar, building materials, foods, aluminium and textiles.

The food interests are diverse, but the major proportion of turnover in this area is derived from such products as maize and animal feeds, which are subject to fierce competition.

Margins are low and profit increases in this division could therefore be modest in the current financial year.

The building materials division makes a variety of products — in particular, tiles and bricks.

Historically, it has experienced significant cyclicity in profits. Capacity utilisation is high and the demand for black housing strong.

The textile division continues to be affected by large-scale imports of fabrics and shifts in fashions. Nevertheless, profits could advance sharply this year, helped by the recent fall in the rand, which could encourage users to switch to local textiles.

Hulett Aluminium is the largest manufacturer of semi-fabricated aluminium products in Africa.

Profits have risen markedly in recent years. New capacity has been installed to meet growing demand and earnings could well grow again this year, despite the ripple effects of a slowdown.

The sugar division remains the largest in the group, accounting for 25 percent of total profits.

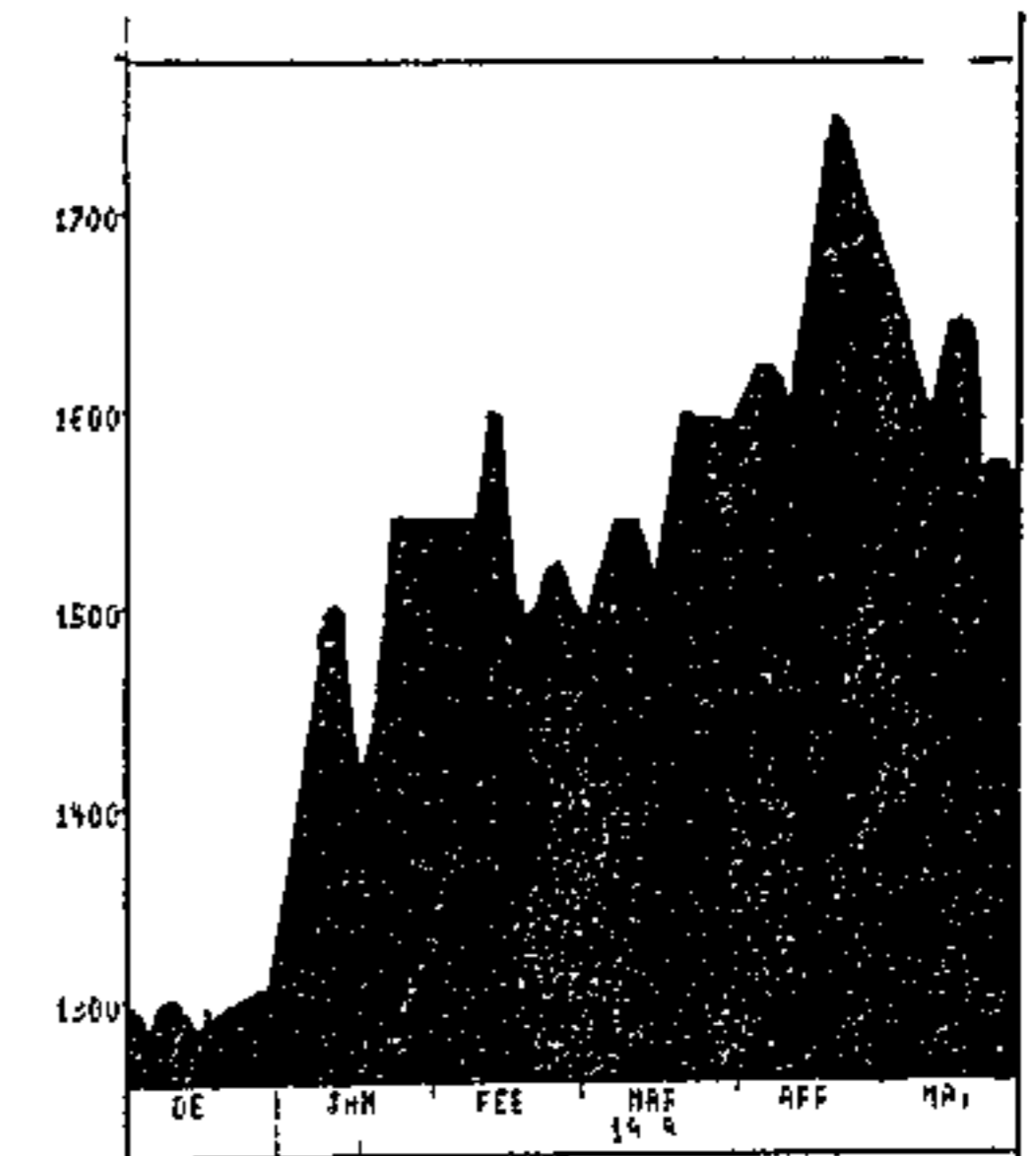
Domestic sugar production is expected to rise marginally this season, while exports should be boosted by the weakness of the rand.

The cream on the cake would be a rise in world sugar prices.

Analysts are unanimous in predicting that consumption will exceed production in the year to June 1989.

The shares yield 4,5 percent. Earnings and dividends should rise by a comfortable 25 percent this year.

Assuming the distribution rises to 88c, the prospective yield is 5,6 percent — an attractive return for an industrial company with blue-chip status.



Source: Stock Market Solutions. NG1 120
Tongaat Hulett share price

BIDEN 2015/87

Shield's bad-debt provisions knock profit

186

LIZ ROUSE

PRE-PACKED-FOOD group, Shield Trading Corporation, has lifted turnover by nearly 25% in the year to February, but substantial provisions for bad debts in the now sold/franchised Success stores resulted in a 28,3% drop in earnings

However, having cleared the decks in one swoop and earned an extraordinary profit from the sale, the board has declared a dividend of 3,5c (3c), although earnings declined to 5,5c a share from 7,6c

Shield chairman Theo Muller said the decision to distribute more to shareholders was based on expectations of fast growth now that the Success chain had been shed, and on the basis of large cash resources and a cash pile of R11m

In earlier unaudited reports in March,

Muller said that February year-end earnings would be up marginally and the dividend unchanged. It was subsequently decided to be more conservative and to provide for additional losses, some of which go back to the Cape floods in February/March, clearing the way completely for 1989/1990 onwards, said Muller

Shield's turnover increased to R425,2m from R340,4m, but pre-tax income fell 21,3% to just over R4m (R5,1m) and net taxed income declined to R2,5m (R1,8m). The Success sales brought in R510 000, resulting in a bottom-line decline of only 6,4% to R2,3m (R2,5m)

Muller said cash resources had risen to

R11,4m from R6,1m, while the debtors to creditors ratio was virtually unchanged

He projected a 30% rise in turnover to over R500m and an earnings increase of more than 25% in the current year ending February 1990. He also predicted that the axing of Success and recent restructuring within Shield (now firmly committed to wholesaling) would put the group back on track to its historic annual earnings increase of more than 40% and a turnover target of R2bn by 1992

Shield aims at the growing small trader area. It serves 155 independent cash and carry wholesaler members reaching 27 000 independent retailers and 225 independent Multi-Save retailers supporting a collective annual turnover of R2bn

Higher tax rate puts fat in the fire for Macadams

B1 Jan 30 1978 186

MACADAMS, SA's largest manufacturer of catering and baking equipment, reported a 13% drop in earnings a share to 5,3c (6c) for the year to February after a higher tax rate increased tax paid by 157% to R448 000 (R174 000).

Turnover increased by 35% to R41,9m (R31m) and pre-tax profit rose 12% to R1,2m (R1m)

Directors

However, the increase in the tax rate — from 16% to 37% — left attributable income 13% down at R811 000 (R919 000)

A final dividend of 0,5c a share was declared to bring the total dividend to 1,7c a share — down from 2,4c a share last year

The directors noted that the increased

BRUCE ANDERSON

cover was in line with that adopted at the half-way stage and was intended to conserve funds for future growth

Commenting on the results, Macadams MD Raimund Pouhart said margins were adversely effected in the short term by a rationalisation programme implemented during the second half of the year

"To reduce overheads and improve margins, certain of our manufacturing facilities are being consolidated



"A number of measures have already been completed, most particularly in the Cape where our production facilities

have now been relocated to our own R3m factory and head office complex at Blackheath"

With further steps in the rationalisation programme still to be taken in Johannesburg and Durban, Pouhart said the combined measures were expected to result in increased profitability during the second six months of the current financial year

Levels

As far as sales were concerned, Pouhart pointed out that these had reached record levels and had exceeded the forecast of R40m for the year

"Demand from both the export and local markets is most satisfactory and the company should continue on its growth path well into the foreseeable future"

Margarine backing of TV heart series stirs major row

Star 2/16/89

(186)

DURBAN — The heart attack series shown on SABC's "Good Morning South Africa" programme was sponsored by a margarine manufacturer — and this type of endorsement infuriates Professor Jack Booyens, recently retired head of the physiology department at the Medical University of Southern Africa (Medunsa)

While at the university, Professor Booyens did research into the effect of various Western dietary ingredients and came to the conclusion that, rather than helping in the prevention of coronary diseases, margarines high in unsaturated fatty acids actually promoted heart attacks

In short, he says margarine is bad for you

There is a body of scientific opinion which supports Professor Booyens, and also a weighty body which disagrees

So annoyed was Professor Booyens by what he describes as the "perpetuation of gross misinformation" about the healthy effects of margarine, that he has decided to speak for the first time outside the confines of the specialised medical profession about his research findings.

Heavy smoker

Professor Booyens, incidentally, smokes cigarettes heavily, but he does not eat margarine

When he had a paper published on the harmful effects of unsaturated fatty acids in the international *Medical Hypotheses Journal* last year, it caused an international stir

He had generally assumed that, rather than causing heart problems, polyunsaturated fats in margarine contributed to a lowering of the incidence of heart disease

But his paper set out to show that the opposite was true, and that margarine possibly increased the incidence of coronary heart disease

Requests for more detail flooded in from around the world. They came from Spain, Britain, the United States, Czechoslovakia, Poland, Japan, Cuba, Bulgaria, Germany, Russia and Canada — including

OWN CORRESPONDENT

A retired professor from Medunsa is infuriated because a health programme which SABC ran recently was sponsored a margarine firm.

such august bodies as the Mayo Clinic, the US Environmental Protection Agency, and the National Cardiology Research Centre in Moscow

The essence of Professor Booyens's research (conducted together with Mr C Lourens, also from Medunsa, and Dr I E Katzeff of the University of the Witwatersrand) was that passing hydrogen through natural vegetable oils to make margarine creates a large quantity of unnatural "weird" substances — for example, "trans" fatty acids — substances which Professor Booyens claims are harmful to man

And, citing earlier research into infant deaths, he says pregnant mothers can pass on coronary artery disease to the unborn children, a view which suggests that woman with high consumptions of the "weird" substances in margarine can permanently affect the health of their babies

Professor Booyens also notes that there has been research done which links the "trans" fatty acids to cancer, and yet, in spite of the suggested detrimental effects of this substance, "very little is known about the amounts consumed by our population"

But he says the public is being subjected increasingly to "health type" advertising campaigns by margarine companies, and what he calls the "outdated" thinking of some sectors of the medical profession. These factors are increasing rather than decreasing the risk of heart disease.

Professor Booyens's findings are strongly supported by Dr Wayne Martin of the United States, who, also in a paper published in the *Medical Hypotheses Journal*, said "orthodox medicine is fostering a principle cause of myocardial infarction (heart attacks)" by supporting the consumption of margarine over butter.

He notes that the US diet in 1920 was rich in cholesterol and fat, yet in that year "death from myocardial infarction (MI) was so rare that it had no name or recognition"

But in 1920 a "new, unnatural dietary fatty acid" was introduced in margarine. This, he claims, produces blood clots

Since that time, MI-related deaths have soared and "orthodox medicine" has attributed the deaths to cholesterol and saturated animal fat rather than to what he says is the true culprit the "trans" unsaturated fatty acids which are found in margarine

Finding challenged

A spokeswoman for Unilever, whose subsidiary, Van den Bergh and Jurgens, is South Africa's largest margarine producer (Floro, Rama, Stork, Country Spread) said it was aware of Professor Booyens's claims, and they "could not be taken seriously"

She also questioned acceptability of the *Medical Hypotheses Journal* as a serious publication

"He would not get his paper published in an accepted medical journal," she said

She added that the journal was not refereed independently

"It was founded, and is edited and published by Dr Horrobin, head of the Efamol Research Institute, which is associated with Oil Of Evening Primrose. These capsules are marketed internationally as a remedy for many illnesses, including cholesterol control"

She also noted that several years ago the then chairman of the scientific committee of the Heart Foundation stated that the paper by Professor Booyens — which had been "rejected by the South African Medical Journal", was "biased and speculative"

Star 3/6/89

Food manufacturers hit lean times

ALTHOUGH South Africa's supermarket chains have insisted that they are not banding together to put the squeeze on suppliers as such, consumers might well ask, why not? **RAY WOOD**, an independent marketing consultant and National Vice-Chairman of the Institute of Marketing Management who was in the food manufacturing business for many years, looks at what the ramifications would be.

IT'S FINE and about time the giant supermarket chains combined to look for ways to cut costs. But, they have already taken so much out of the food manufacturer's hides that they should think hard before tightening those particular screws

Already the manufacturers pay for most of the chains' advertising. You can judge from the double page spreads in full colour and from the TV ads that a lot of money is already going into adverts that could otherwise be used to reduce costs. To price-compare you need only a

black and white column line! But for chain image, it seems, you need a blockbuster

Already the chains take discounts and confidential (rebates) from the manufacturers which amount to many millions of rands. A lot of this goes straight into the profits of the chains.

And they operate mainly on manufacturers' credit so their returns on capital are outstanding — while food manufacturers in the main hardly beat the overdraft rate on their return on capital

But, let's admire the chains for having done a brilliant job of innovation and in growing their businesses and for having negotiated the manufacturers into a hole. But let's ask them to focus on overall productivity now, not just a shift of profits

Survival tactics

The penalties of further pressure on manufacturers are going to lead to desperation/survival tactics, none of which are going to be good for a sanctions-beset South Africa. Here are some of the consequences of having our manufacturers with their backs to the wall

- Takeovers and mergers — which reduce competition. Farmfare chickens is a recent example — now merged with Bokomo and Sacca. Goodbye Farmer Brown. And the biscuit manufacturers — Bakers now own Pyotts — and of course the Baumanns controlled Bakers — now all three under one roof. And the problem is not only South African — look at the multi-nationals — Nestle reaping the takeover of Carnation — what price condensed milk?

- Reduced or no research and development into new and better products. We all know the importance of good nutrition in basic food products in Third World countries. There is little incentive to do good things when you can't make a decent margin. It's hard enough to sell good nutrition anyway — white bread and white mealie meal are two monstrous examples of ignorant consumer preference wrecking its scythe through already malnourished people.

And to the convenience and pleasure foods developments are cut back — and that eats into national productivity and that simplest of pleasures — eating enjoyment. Just think of the huge percentage of women working today — around half the population. Anything that can reduce their slavery to the kitchen must be well reaped in better cared-for children, in better productivity and in leisure en-

joyment. Roll on the day when the microwave is in 90% of homes and manufacturers have catered fully for this potential

- Reduced or eliminated quality control. In most foods there is a considerable health hazard if formula errors are not caught in time, if hygiene is neglected, if storage and protection are poor. All will be aware of the problems concerning perishable and frozen/chilled foods. But there is a huge unseen danger lurking in most foods

What we must urge the chains to do is to focus on the wasteful practices and the efficiency opportunities that exist — within the chains themselves, and in co-operation with the manufacturers. To list a few

- The long delays at receiving doors, where trucks can stand for hours

- The very wasteful practice of the chains compelling manufacturers to pass credits for all damaged stocks of their products in the store. Chains must absorb this themselves. Only at the receiving doors should they be able to throw damaged goods back at the manufacturer. After that it should be the chains responsibility. If there is no penalty for sloppy handling in-store — who cares about wastage!

- Central warehousing — at present the chains use their own warehouses for cut-price buying — which is a very competitive good thing, so they end to resist giant central warehousing operations. There's room for a least three so it would be highly competitive

- Merchandising — most manufacturers are compelled to pay for merchandisers to unpack and price-mark their products for the chains. The logistics of travel and the confusion of management roles makes this an utterly ridiculous system — but again the chains are so powerful that few manufacturers dare say no

So all you supermarketiers by all means get together. We look for great things from the mooted Supermarket Institute. Make it better for South Africa as well as yourselves. And do go for wine, malt and spirit licences. And complete freedom in baking your own bread. But don't monkey with strategic essentials for the sake of cheap publicity

And don't kill the food manufacturing industry's ability to invest, to develop new and better products, to operate efficient giant distribution centres

And do go for completely open trading — we can't have the emerging black traders at the end of the whip, where the place they get best prices is their competitors — the supermarket chains!

w/c Argus 3/6/87

Anger at 'food war' plan

But Big 3 deny aiming at local manufacturers

By CHRIS MOERDYK
Weekend Argus Correspondent

JOHANNESBURG — Food manufacturers have reacted angrily to what they believe to be a plan by South Africa's three major supermarket chains to join forces in an effort to squeeze supplier prices

However, the supermarkets have moved to allay the manufacturers' fears by insisting that any joint effort would have nothing to do with bringing pressure to bear on suppliers to lower their prices

Pick 'n Pay chief Mr Raymond Ackerman said that only those suppliers who were monopolies or involved in price collusion or cartels could expect the combined wrath of the supermarket alliance should it get off the ground

"The idea is certainly not to try to collectively negotiate price reductions from suppliers. That is something that only the individual supermarket chains can do," he said

Four-point plan

Mr Ackerman confirmed that earlier this week he had written to the other major supermarket chains in South Africa as well as local consumer organisations, suggesting a four-point plan to be implemented once the proposed alliance had been brought into being.

The primary objectives of any joint action by the major

supermarket chains and consumer bodies would be to

- Lobby government on anything that affected the interests of the consumer;
- Fight against cartels monopolies and price collusion in the manufacturing or supply sector;
- To send delegations backed with the combined power of all the groups concerned to overseas countries with manufacturing operations in South Africa to try and persuade the multi-nationals involved not to disinvest their South African interests, and
- To co operate with each other in the interests of the consumer, in every way other than combined attempts to force suppliers to lower prices

Mr Ackerman added that his plans for joint action would ensure that the supermarkets involved remained as highly competitive as they were

Reacting to the supermarkets plans published last week, the national vice chairman of the SA Institute of Marketing Management, Mr Ray Wood, said "It's fine and about time the giant supermarket chains combined efforts to look for ways to cut costs

"However, they already have taken so much out of the food manufacturer's hides that they should think hard before tightening those particular screws"

Checkers MD Mr Clive Weil said yesterday he had not yet received Mr Ackerman's letter, but confirmed that he would

welcome any joint venture as long as this did not encroach on any competitive element.

"For a long time, Checkers has believed that major retail organisations should meet to exchange information that will ultimately benefit the consumer

"I am not talking about getting together to squeeze our suppliers for lower prices, that's something that must be left to the individual retailer. However we need to look at jointly improving productivity as a means to make our products available to the consumer at the lowest possible price

Dishonesty register

"We need to look at ways of cutting down on shoplifting getting together to reduce the incidence of bad credit cards and cheques, combating internal theft and fraud — perhaps by having a register of dishonest employees

"We need to eliminate the growing tendency among local suppliers of pricing their products in dollars"

Mr Gordon Hood of the OK Bazaars said earlier he had not received any communication from Mr Ackerman

He said however that the OK was well represented on Asso-com's retail and distribution committee and already did as much as possible to promote the interest of the consumer, "but if anyone approaches me I would be pleased to join in"

■ See also Page 6.



After a long walk all that Mr Adi Behrend needs is to get his feet up with a cuppa — served by Mr Gordon Oliver, deputy mayor of Cape Town.

Picture: BRENTON GEACH Weekend Argus

BRAVING ELEMENTS ON FOOT FOR SCOUTS

By DENNIS CRUYWAGEN
Weekend Argus Reporter

IT finished a week ago for Mr Adi Behrend but there was no fanfare, pomp or ceremony

Today the city made up for it — the man who braved the elements and "crazy drivers" in

his walk from Windhoek to Cape Town was officially welcomed to the Mother City by deputy mayor, Mr Gordon Oliver

Mr Behrend entered the city in a symbolic walk which started at the Good Hope Centre

Waiting for him at the City Hall were scores of Boy Scouts, Mr Oliver, Mr Radish Radmore, deputy area commissioner of the Boy Scouts in SWA-Namibia, and Mr Garnet de la Hunt, the Chief Scout of South Africa

The 1 500km slog was all part of a campaign to raise cash for the Boy Scouts in soon-to-be independent Namibia

Mr Behrend, whose tanned, rugged face gave no indication that he is 51, covered the dis-

tance in 26 days

His worst experiences were "crazy drivers trying to force me off the road", he said

Generally, though, motorists were friendly, tooting their hooters at him as they passed

most of the time and the longest distance I covered was 114 kilometres in 22 hours, non-stop"

He was accompanied by Mr Roland Nick who drove his support vehicle and cooked his meals

I walked at night for the

S/Times 4/6/89

Rainbow share offer flies high 186

INVESTORS have not been deterred by suggestions that Rainbow Chicken's offer of 25-million shares at 285c each has been pitched too high

More than 80% of the 18,5-million shares in the preferential offer to business associates and institutions is in firm hands, says managing director John Geoghegan

"We receive inquiries daily from people who have not received the documents or who were not on the list in the first place. The response leads us to believe that many investors will take advantage of the offer to subscribe for more than their preferential allocation"

Empire

The public response has also been better than expected, and Rainbow has had to print an extra 7 000 prospectuses for the offer, which closes on June 9

Confidence in the chicken empire founded by entrepreneur Stanley Methven, who died three years ago in a road accident in Monaco, is high

"The founder left an excellent legacy of management philosophies, well-trained people and top-quality assets," says Mr Geoghegan

"The company has provided excellent returns and we expect them to improve. Attention to detail and tight controls are company passwords"

Confidence has also been boosted by the Rembrandt group's acquisition of a 25% stake through Hunt Leuchars & Hepburn at a cost of R192,5-million

Attributable profits grew at a compound rate of 25,1% a year between 1984 and 1988 and are expected to rise by 28,1% in the current year to

By Ian Smith

December after the benefit of the cash inflow from the share issue

Most of the proceeds of the issue will be used to expand the strategic Rustenburg operation, which serves the Transvaal market, from the current 400 000 chickens a week to 1,25-million

Mr Geoghegan says the group, which will come out of the listing with a R104-million cash pile and no debt, has no other expansion plans

A restructuring of subsidiaries will give the group the power to make acquisitions worth R400-million without loss of control

Rainbow has no borrowings, but it has a loan capacity of another R400-million

"We regularly consider new proposals," says Mr Geoghegan

Mealies

The company is doubling its maize plantings this year, and it is looking at the "exciting prospect" of moving into soyabean production

"Our maize project is doing well, so it is perhaps time to look at the next next biggest component of chicken food — protein

"The next step to continue our philosophy of being a low-cost high-volume producer must be to gain a measure of control over our input costs, particularly where they tend to fluctuate too widely as protein costs have done"

Rainbow, which moved away from exporting in 1984, could look at foreign sales again

"The big markets in Africa and the Far East and the rand's decline are beginning to make exports look profitable again," says Mr Geoghegan

"But we will only go into it

as a long-term project. We cannot switch the export effort on and off as the gold price fluctuates and moves the rand"

Spread

The domestic market looks assured. Chicken consumption has shown huge growth in the past 30 years at the expense of red meat

Rainbow has developed a good market spread. About 28% of production — 32-million birds a year — is sold on contract to outlets like Kentucky Fried Chicken and 39% goes to distributors and wholesalers, much of it under contract

Sponsoring stockbroker Davis Borkum Hare & Co rates Rainbow among the leaders of the JSE's food sector

Earnings this year are expected to rise from 26,1c a share to 32,3c — "a conservative estimate", says Mr Geoghegan

Dividends will be covered three times, and the company forecasts a 10,7c payment this year for a prospective yield of 3,8%

Computers upgraded

SA Eagle has embarked on the first phase of a project to upgrade its computer system in the next three years

It has bought five AS/400 machines from Data Technologies and chosen the insurance package Insure/90 and JD Edwards General Ledger package. It has moved its computer department from Johannesburg to Randburg

The equipment replaces an IBM System 36 which will be sold

Insure/90 was developed in Australia

Rainbow Chicken remains true to its founder

By Des Parker
DURBAN — With the listing of poultry giant Rainbow Chicken this month, managing director John Geoghegan emerges from the shadow of the late founder, Stan Methven.
For 30 years Hammarsdale-based Rainbow was typified by one man — multi-millionaire Stan Methven. Even after his death early in 1986, near his family home in Monaco, the Methven shadow continued to loom large over SA's largest broiler-producer.
Mr Methven had built the business up from a small chicken farm through ruthless application of skintight management principles and an attention to detail that would have shamed a brain surgeon.

To succeed in the organisation it was necessary to stay on his right side — and that meant sharing his obsession with order.

John Geoghegan (44) admits he got on well with Mr Methven and feels their relationship might have benefited from the fact that neither had a university background.
Mr Methven, once a merchant sailor, was a fine example of a rags-to-riches success.

His business put chicken on the table of the ordinary man and his domination of the market made Rainbow the pacesetter, setting prices and making food manufacturers dance to his tune.

How did mild-mannered John Geoghegan, a Catholic of Irish parentage, rise to the top of the organisation?

In the Methven manner, a high profile in business is not Mr Geoghegan's

style, attempts to interview him about Rainbow when he took over three years ago were unsuccessful.

It is only now, with the company going to the market, that outsiders are able to get their first close glimpse of the business which changed eating habits.

Although Mr Geoghegan says he was in the right place at the right time, it's apparent there is more to it than that.

Stan Methven kept a tight ship and sailed it on a steady course. His successor does likewise and there is no risk of scuttling the vessel.

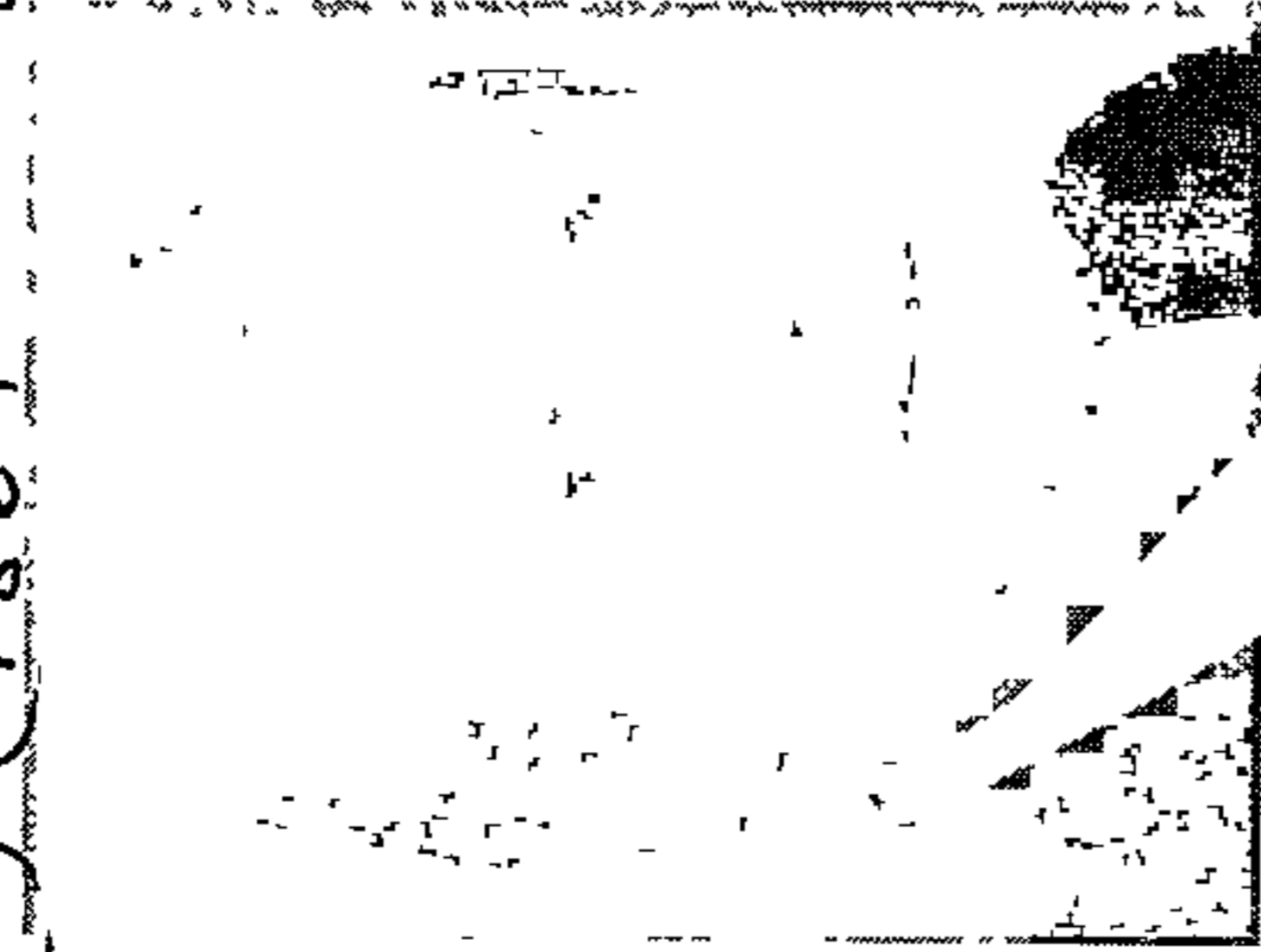
When 23-year-old John Geoghegan answered a job advertisement for the position of assistant to the company accountant in 1968, he did not even know where Hammarsdale was.

"I knew virtually nothing about poultry and intended to use my qualification, a CIS, to further my ambition of getting into financial management," he says.

Spells in the Town Clerk's office in Durban and with a carpet manufacturer after he completed his military service were the preparation of the former Marxist Brothers School boy for the rapid promotion that was to come his way with Rainbow.

Five years after joining, Mr Geoghegan was made financial director, with a seat on the board. When Mr Methven moved to Monaco in 1983, he became de facto managing director, although the founder spent as much time as he could with the company.

"It must be remembered that when I joined we were producing only



John Geoghegan

150 000 broilers a week, it was a comparatively small operation.

"I realised that it had phenomenal prospects and I stuck with it because of that."

Mr Geoghegan says that despite his lack of formal business education, Mr Methven had outstanding acumen and insisted his methods be rigorously applied.

"I think one reason I got on so well with him was because with no university background myself I had no preconceived notions of how the business should be run and was prepared to work his way.

Although he had no financial education, he insisted on clear-cut dates for reporting financial results and he

had developed a good understanding of that side of the business.

"One example of his fastidiousness was in the early days when he used to sign all the cheques himself, for example all the creditors' cheques, all the salary cheques and he would check each name on the company roll against the spelling on the cheque to make sure everything was as it should be."

Old Rainbow hands still talk about Mr Methven's desk inspections, all office staff, executives included, would have their workplaces, desk drawers too, scrutinised by the boss on a regular basis. Heaven help the employee who had an untidy desk or who had too much office stationery stashed!

An annual physical check of all assets on the asset register is another Methven legacy, as is the strictest maintenance of hygiene in production.

This attention to detail remains part of the culture he has insisted on maintaining at Rainbow.

It has produced growth figures and potential of a nature that has kept suitors a plenty calling on the company.

Taxed profit grew from R20 million in 1984 to R31 million last year and is expected to total R65 million in the current year.

In Mr Methven's day suitors always were turned away after having their case politely heard by the chief executive.

But so large has the operation become that Mr Geoghegan and his colleagues believe that without a big corporate partner and the backing of the

market, expansion — in the past always funded from retained earnings — would be restricted.

Today Rainbow turns out 2,2 million slaughtered broilers a week from four processing plants, two at Hamarsdale and one each at Rustenburg and Worcester.

The company has 37 breeding farms, where pedigree stock from the US is interbred with unrelated strains to produce broilers.

In addition, there are five hatcheries and 43 broiler farms. In recent years small-scale maize farming has been introduced to supplement feed requirements.

On June 15, the new-look Rainbow will list its shares on the JSE, with new partner Rembrandt's Hunt Leuchars & Hepburn holding 25 percent of the 275 million shares in issue.

Mr Geoghegan told a visiting delegation of market analysts and brokers recently that the R71,25 million would be put towards expansion.

One of the major pieces of growth planned is the trebling of output from the Rustenburg operation from 400 000 fowls a week to 1,25 million over an unspecified period.

Mr Geoghegan says Rainbow has not deviated from the Methven vision that growth would be led by the swing towards chicken-eating among blacks.

Almost 40 percent of its produce is sold through distributors and wholesalers serving mainly black customers, while 28 percent goes to gold mines on contract and to food service outlets, particularly Kentucky Fried Chicken.

CG Smith undervalued

Stw 7/6/89

186 Sharespot
LYNNE PEACH

CG Smith, a member of the Barlow Rand Group, is looking on the cheap side compared with the ratings of its subsidiaries. According to their respective contributions to group earnings and present price-earnings ratios, CG Smith should be trading at a price of around R64,65.

This is 13 percent higher than its current price of R57. At the former price the PE ratio would be 9,3, as opposed to 8,2 at present.

CG Smith especially provides a cheaper entry into CG Smith Foods which is 82 percent owned by the group and is trading on a PE ratio of 10,7.

This subsidiary allows the group to benefit from the relatively recession-proof food and pharmaceutical industries. (CG Smith Foods owns 100 percent of CG Smith Sugar, 69 percent of ICS and 53 percent of Tiger Oats).

This division accounts for some 55 percent of group attributable profit and over the years has established a consistent pattern of steady growth off an increasingly high base.

The second most important division is paper and packaging, specifically the 64 percent stake in Nampak, which contributes about 37 percent to group attributable profit. Despite a highly competitive scenario, it is expected to continue to achieve steady growth.

Its performance should be enhanced by the buy-out of Metal Box minorities last August. Executive director Bill Shorten says that the acquisition has allowed better utilisation of manpower, and has provided rationalisation and cash flow benefits.

The carpets and textiles division accounts for a lower eight percent of group attributable earnings and comprises a 60 percent stake in Romatex. The contribution from this division has been falling and local sales are expect-

ed to continue to come under pressure due to credit curtailment by the authorities.

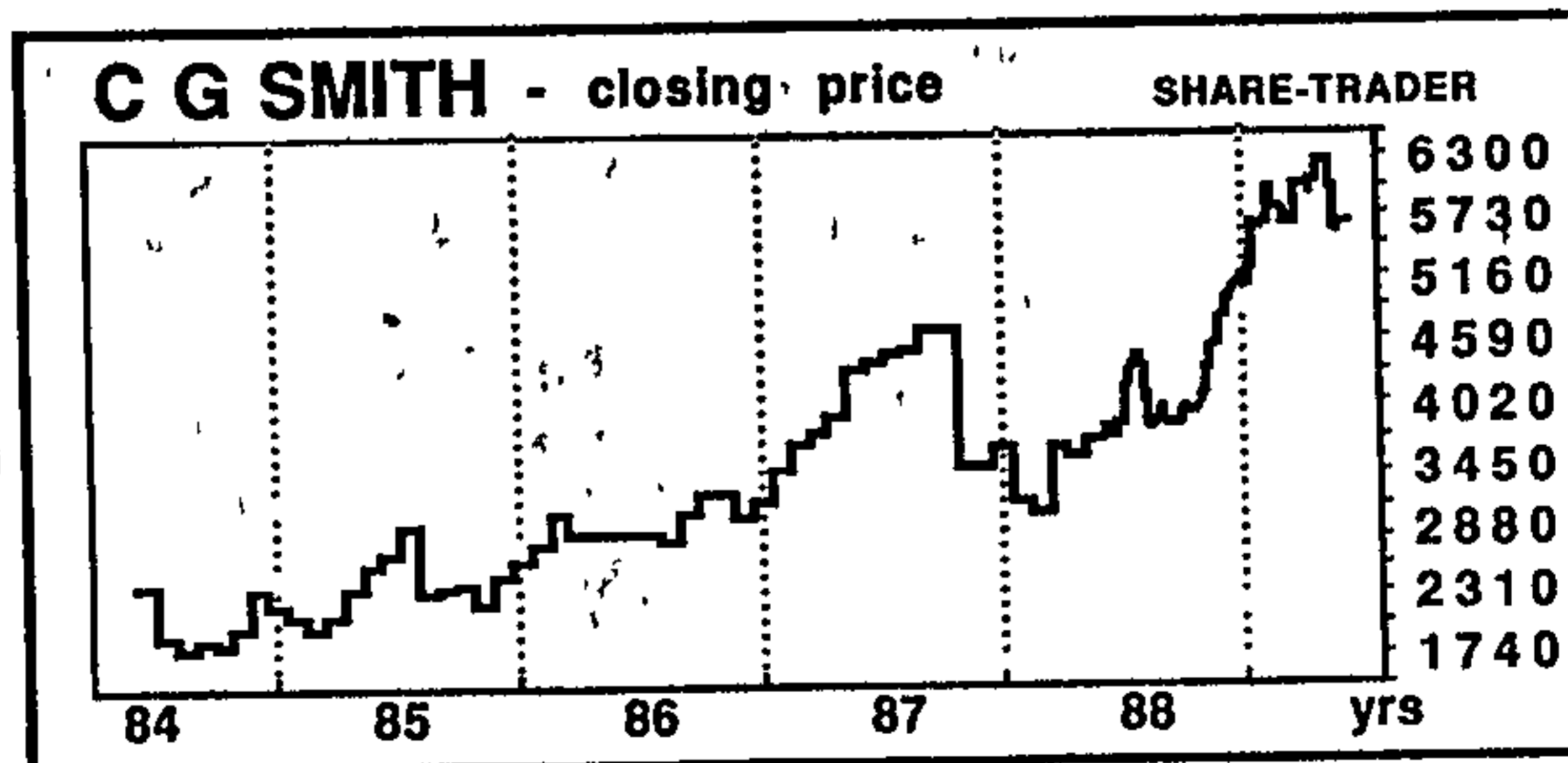
Mr Shorten does, however, believe that Romatex has high growth potential in the export arena. He also says that CG Smith Foods has a big export market while Nampak has just got into the export market.

In view of this, Mr Shorten envisages that group export business should continue to expand strongly. In financial 1988 foreign currency earnings contributed 15 percent to attributable profits, compared with only eight percent in the previous year.

In the six months to March 1989, group turnover grew 25 percent to R6 billion while improved efficiencies prompted pre-interest profit to rise 35 percent. After interest payments more than doubled to R81 million, earnings grew 28 percent to 368,9c and the dividend was increased by 25 percent to 102c.

The debt-equity ratio rose to 47 percent, compared with 44 percent six months earlier. Mr Shorten attributes the increase in borrowings to capital expenditure, and to the funding of the Metal Box purchase and other acquisitions. He says the group is satisfied with a ratio of between 50 percent and 55 percent.

Although earnings growth in the year to September 1989 is not expected to match the 40 percent rate of last year, it is generally anticipated that earnings will grow by at least 25 percent. These next few months will be telling as the groups big selling months are June-September, according to Mr Shorten.



CG Smith is the type of share one buys and holds on to indefinitely. The primary price trend remains favourable, despite the recent correction from R63. There does not appear to be any reason why the share should not be accumulated, especially as it is relatively cheap when compared with its subsidiaries.

Sugar industry awaits nod

186

Own Correspondent

DURBAN — The Sugar Association is hoping the Cabinet's decision on an ethanol plant will not be clouded by reports of investigations into the subject, says its president, John Chance

He believes that parties with vested interests are continuing to delay implementation of the project by starting yet another investigation

"If the project is not to be given the go-ahead there will be great disappointment in some areas of the country and in the industry, which would benefit greatly from it," he says

Mr Chance was replying to the opening speech of Barlow Rand deputy chairman and chief executive, Warren Clewlow, at the annual congress of the SA Sugar Technologists' Association in Durban

The mooted plant at Richards Bay is still under consideration by the Government, although a sizeable portion of the industry's current expansion plans hinges on it

Mr Clewlow said the sugar industry's

effort to get authority to make ethanol as a fuel extender was the type of beneficiation project SA needed more of

Without economic well-being, attempts to find solutions to socio-political problems would be stillborn, he said

"With an unemployment rate of 50 percent or so, the ability to take decisions on our problems would simply be taken away from us, and in a way that we would not like"

He said that in the circumstances, SA's growth achievement and the repayment of R25 billion of its foreign debt were nothing short of incredible

"South Africans have shown they can employ themselves, add value in manufacturing and create wealth

"The constraints we are forced to apply to our balance of payments demonstrates the lunacy of our isolation"

Mr Clewlow said the high and rising rate of inflation was a weapon the country's highly sophisticated economic enemies were exploiting to considerable advantage

Premier may raise R280-million

Star 11/6/89
Finance Staff

186

The Premier Group is considering making a rights offer of new shares to raise approximately R280 million to facilitate the development of its core business

At the same time the company announced today the future restructuring of certain of its underlying interests

A decision regarding the proposals is expected before the end of

June

Premier's core business consists of four major divisions, food and fishing, entertainment, information and leisure, pharmaceuticals and wholesale/retail

The food division is the largest of the four, contributing 61 percent to both sales and earnings in the 1988/89 financial year, on the basis that SA Breweries' results were excluded from Premier's figures.

There has been renewed market speculation that Premier Food would be listed separately on the JSE but now it seems that the food division will receive the bulk of the funds raised by the rights offer

Premier intended to list its food subsidiary to raise R250 million last year, but the plans were abandoned when market conditions turned sour

Lebaka proves itself

Mar 9/86 Finance Staff

Lebowa Bakeries (Lebaka), the first black-owned company to be listed on the JSE two years ago, has announced increases in turnover and net income for the year ended March.

Turnover was up by 46,3 percent to R57 million, while net taxed income soared from R2,82 million to R4,22 million. Earnings per share rose by 40 percent to 15,5c.

A final dividend of 3,75c per share was announced, pushing up the total payment for the year by 33 percent to 6c.

Lebaka is currently involved in an R8,9 million expansion programme which, according to the directors, will see the completion of two new bakeries and existing plant refurbishment during the current financial year.

Homestead Dairy plans to enlarge market share

Cape Times 10/6/89

ERIKS

R6

By AUDREY D'ANGELO
Financial Editor

THE HOMESTEAD INDEPENDENT DAIRY — which re-introduced competition into the dairy market in Greater Cape Town when it started up in July 1987 — has more than doubled its capacity by spending R750 000 on new equipment and enlarging its premises

But although it intends to enlarge its market share, MD John Jacobs said yesterday that it would continue, as at present, to supply only one of the big supermarket chains

Its expansion will be among corner cafes and the informal sphaza shops which supply Cape Town's growing black community

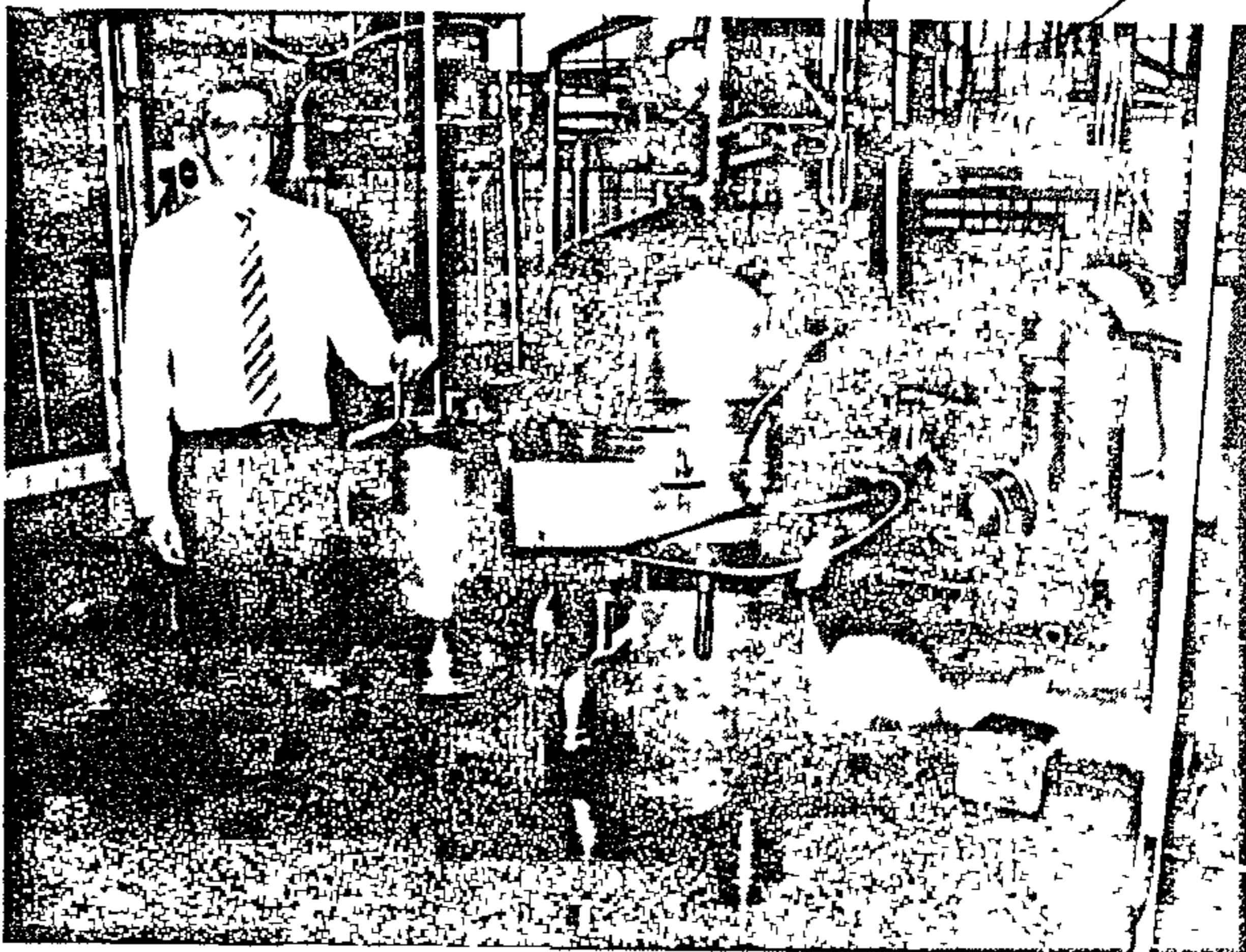
"We already supply Michael Mjwambi, trading as Nyanga Dairy, which in spite of its name delivers mostly in Khayelitsha and Guguletu," he said

"This is still part of the informal sector. But it is growing so rapidly that it will soon have to become a formal business."

Explaining why Homestead has just spent R390 000 on technically advanced machinery from West Germany, Jacobs said "We started off with plant geared to process 40 000 ℓ a day, supplied by four local farmers

"We estimated that this would see us through the first two years but demand grew so great that six months later we were working overtime to push capacity to more than 50 000 ℓ a day and we now have nine suppliers

"We are currently producing 80 000 ℓ a day, with our new equipment, and have a capacity of 120 000 ℓ a day which should be enough for a considerable time to come"



John Jacobs, MD of Homestead Independent Dairy, with its newly imported R125 000 automatic separator. This is among new equipment which has increased production capacity to 120 000 ℓ a day from nearly 60 000 ℓ

The most expensive items of new equipment are a fully automatic pasteurizer and separator, each costing R125 000, which process 15 000 ℓ an hour. Additional yoghurt and cheese fillers, also from West Germany, cost R70 000 each.

To accommodate the new equipment, Homestead has increased production space by 700 m² and is building a new storeroom and workshop

New drainage channelling, loading platforms and conveyors have brought the total cost of the expansion to R750 000

Pick 'n Pay is still the only supermarket chain Homestead supplies

Jacobs said yesterday that although he had been approached by the other major chains "I don't think it would be to Homestead's

benefit to supply more than one

"All the supermarket chains would want deliveries at the same time, first thing in the morning, and if we put on a promotion at one, all the others would want it

"Although we expect to increase our market share this will be among the small retailers including the sphaza shops which we see as an important growth market"

Before the advent of Homestead, the existing dairies divided greater Cape Town into different zones, each supplying its own

Supermarkets and other retailers complained that this meant there was no competition and it was impossible to negotiate on prices

Homestead's entry to the market ended the zoning agreement and now there is a choice of products in all areas

KAY TURVEY

LARGE rights issues in Gencor and Premier, coupled with the privatisation of Iscor, are likely to increase institutional exposure to equities in a restructuring of portfolios made possible through the recent scrapping of prescribed assets

This move is unlikely, however, to require the sale of government stock because institutional liquidity is high, about R30bn, and capital market immediate returns are favourable

Liberty Asset Management executive director James Ingles said, al-

though investment decisions would depend on individual views, there was now more flexibility

Most institutions were still slightly under their equity targets, having taken a cautious view of the JSE since the market crash in October 1987, he added

Prudential investment guidelines have been formulated but there was

still a lot of uncertainty. It was also unlikely there would be a significant shifting of assets until the final format became law, said Old Mutual portfolio manager Andre Smit

They were carefully looking at their liability structure, however, to ensure prudential exposure to assets

Southern Life executive director investments Jan Calitz said that to

switch from fixed interest securities to equities or property would not benefit portfolios in the short term, although longer term the freedom to invest in these inflation hedge investments would be good

The expected immediate return on equities is 4.5%, and about 10% to 11% on property, whereas gilts give a return of 17%, although there is no capital appreciation

Over the longer term equities tend to outperform gilts. In the past 10 years the return on a long bond has, on average, been 11% a year compared to 27.5% in equities

Biday 12/6/89
Shift in the law could line up a lot of institutional spare cash for equities



186



Muslim symbol on food sparks church protest

SI Times 16/89

186

By GWEN GILL

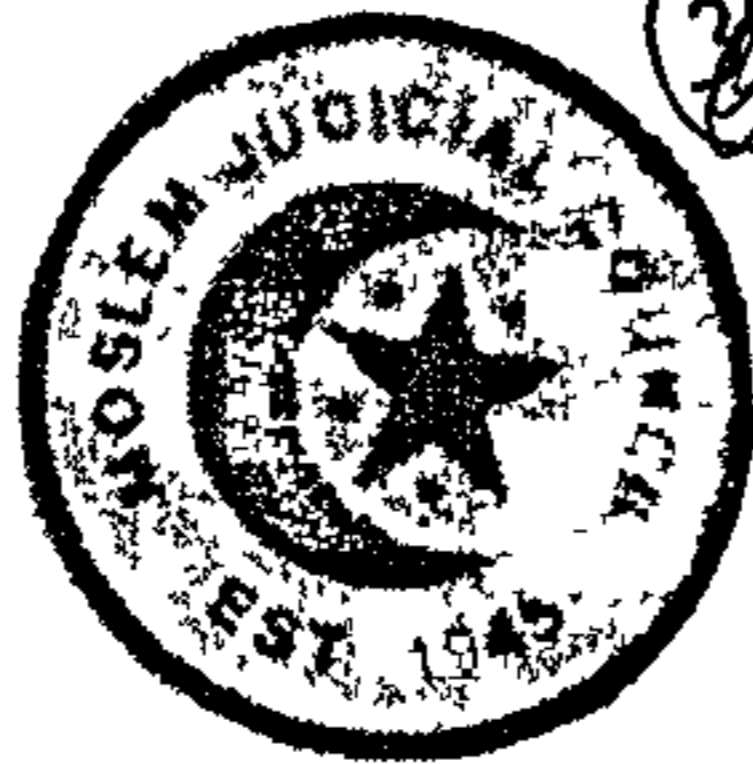
OUTRAGED conservative Christians have thrown food off Pretoria supermarket shelves and emptied fridges in Ermelo in a campaign to have the Muslim Halaal sign taken off consumer products

The campaign has gained momentum since it was started a year ago by the Anti-Halaal Committee, headed by the Rev Soon Zevenster of Bellville, Cape

"This sign indicates a Muslim ideological onslaught against Christians," the Evangeliese Gereformeerde Kerk minister claimed

The Halaal sign (which means free, permitted and lawful) is an indication that animals have been slaughtered and food prepared in line with Islamic regulations

Mr Zevenster has circulated a taped message which has led to subcommittees be-



THE HALAAL SIGN
Caused the outcry

ing formed in many Transvaal towns, including Pretoria, Parys and Zeerust

"We intend to get a million people to sign a petition to present to stores, producers and manufacturers to get these products off the shelves," he said

"Our committee has members from the three Afrikaans Reform Churches and the Apostolic Faith Mission"

He said he did not approve of the violence that has occurred in some stores

A spokesman for a large supermarket group admitted foodstuffs bearing the sign had been thrown off shelves and out of fridges in stores in Pretoria and Ermelo

And a spokesman for Checkers said the company had received 70 letters opposing the Halaal symbol

"The situation has become so controversial that we're now distributing a leaflet, drawn up by the department of Islamic studies at Rand Afrikaans University, explaining the background to the sign

"We believe from the information given in the leaflet that no theological grounds exist for supporting the omission of the Halaal mark for religious reasons

"But we subscribe to the

international code of consumer rights, which gives all consumers the right to choose

"Checkers stores will, therefore, be stocking both Halaal and non-Halaal food"

Pick 'n Pay food merchandising director Mr Sean Summers showed the Sunday Times some of the many letters his company had received. These include one signed by 45 people from the Pretoria area and another from the executive council of the 500 000-strong Apostolic Faith Mission

Propaganda

Calling the Halaal sign "religious propaganda" and something which "affects basic human rights", the Faith Mission letter said the church believed the Halaal sign did not only indicate a slaughtering or manufacturing process, but an Islamic religious act.

"These people are our customers and they obviously object to the mark," said Mr Summers

"We have taken it up with manufacturers, some of whom have already decided to make changes

"One margarine manufacturer said the Halaal sign merely indicated that the product contained no animal fat"

Farm Fare Chickens regional marketing manager Mr Mike Sarour said his company had already responded to anti-Halaal campaigners by bringing out a non-Halaal chicken, under another label

A Tiger Oats spokesman, whose company SA Oil Seeds makes Sunshine D and Golden Spread margarines, said the firm had been contacted by stores about the outcry

"We're looking into the problem at the moment"

Mr Zevenster said he had received an assurance from pasta manufacturers Fattis and Monis that the sign would be taken off

The Jamiat-ul-Ulema (the Islamic Body of Theologians) would not comment on the controversy

Premier seeks R280-million in major restructuring

Star 20/6/89

186

By Sven Lunsche

The Premier Group is to split its core business and its holding in SA Breweries in a major restructuring programme, which includes a R280 million rights offer

Premier chairman Peter Wrighton said yesterday the group's 33,8 percent holding in SA Breweries had obscured the performance of the core business and the market had subsequently understated the true value of those interests

While attention would be focused on the core business, the stake in SA Breweries would henceforth be held in an investment company, which has yet to be named

Premier shareholders will receive shares on a pro-rata basis in the new company, although Premier itself would have no stake in the group

The restructured group will raise R280 million through a rights offer, details of which will be announced next month

Shareholders taking up their rights will once again be offered shares on a pro-rata basis in the new company



Peter Wrighton

Yesterday's announcement was the final step in the restructuring programme, which Mr Wrighton implemented when he took over the reins from Tony Bloom about a year ago

The steps included rationalisation of the group's poultry inter-

ests and a cut-back in head office staff

More important was the split of Premier into four focused areas of operation.

- Food (through Premier Food Holdings)
- Pharmaceuticals (through Twins and Gresham)
- Entertainment, information and leisure (through CNA Gallo)
- Consumer wholesaling and retailing (through Gresham and Score)

Mr Wrighton said that the restructuring would enable investors more easily to identify the respective value of the investment in SAB and that of the core businesses

In addition, the prospects and management of the core businesses could be assessed on its own merit

He said Premier's earnings from its equity-accounted investment in SAB had tended to obscure the performance of the core businesses whose earnings this year had improved by 42 percent to R92,3 million on a 29 percent rise in turnover to R4,15 billion

The core businesses had post-

ed substantial increases in earnings since 1984 of 130 percent, 135 percent, 50 percent and 42 percent respectively

This had progressively reduced the contribution of SAB from 90 percent in 1985 to 65 percent in 1989

Mr Wrighton said "I suspect that the market has been somewhat confused by the existing structure and accordingly understates the true value of Premier

"This view is supported by the fact that if the market value of the SAB investment had been stripped out of the Premier share price shortly before we made the cautionary announcement, then the traditional core businesses would have been valued at 620c per share

"This represents an earnings multiple of less than five times, well below the average for equivalent stocks in the market"

The rights offer, according to Mr Wrighton, would ensure that Premier was properly geared and that the subsidiaries could finance expansion opportunities when they arose. He said, however, that no major acquisitions were planned at present

Fruit industry slams anti-trade union ad

CME Times
21/6/87

By CHARL DE VILLIERS

THE deciduous fruit industry has condemned an advertisement in its own mouthpiece which warns farmers against "falling prey to trade unions".

Titled "The radical attack on the SA agricultural sector", the advertisement appeared as a loose-leaf brochure in the June edition of the Deciduous Fruit Grower.

The insert, produced by the Johannesburg-based Liaison Bureau for Industrial Relations Services (LBIRS), includes warnings to farmers against "falling prey to trade unions" and inadvertently "assisting the ANC in their power struggle".

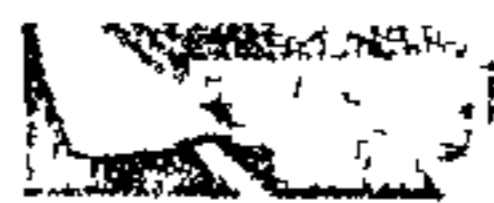
The fruit industry's public affairs manager and spokesman for the powerful Unifroco international fruit-marketing group, Mr Fred Meintjies,

said yesterday: "An advertisement like that is totally uncalled for and shows a total lack of insight. An approach like that to industrial relations will not have much benefit."

Magazine editor Ms Hannarie Wenholt said she had not seen the advertisement, which had been inserted "at the last-minute" into copies of the magazine already at the printers.

Describing the brochure as an information sheet to farmers, LBIRS co-director Dr Kobus Slabbert said yesterday he was not opposed to trade unions "as such" but to "politicised" unions which "misled" workers.

"The ANC is advocating that farm and domestic workers fall under labour legislation," he said. Farmers who were confronted with trade unions needed to "know their opponents".



Assocom to join anti-inflation fight?

Drive to cut food prices is widened

By Michael Chester

Supermarket magnate Mr Raymond Ackerman, chairman of the Pick 'n Pay chain, is aiming to recruit Assocom to back the drive he announced several weeks ago to counter the steep spiral in food prices.

The move to bring the muscle of the Association of Chambers of Commerce and Industry into the action shows Mr Ackerman now wants the whole retail sector to join forces to hold down increases in food bills.

Assocom has confirmed the issue will be discussed by its food technical committee.

The first announcement by Mr Ackerman about an anti-inflation campaign mentioned only supermarkets as potential supporters. But the news was greeted with bewilderment by rival giants who said they had not been consulted.

Widen attack

Mr Ackerman said at the weekend he was still seeking support from all the main supermarket chains as a basic platform for the campaign, but now wanted to widen the attack on inflation, running at 14 percent at the latest official count and threatening to move higher inside the next few months.

He outlined the new strategies on the eve of his departure to London and Geneva to collate information on how western Europe had reduced food prices.

The data would be added to information already collected on how the US Food Marketing Institute had

countered the prices spiral. He said he regarded the institute as a basic model for a proposed Supermarket Institute for South Africa.

Insiders said the move to widen the campaign was a significant change in tactics by Mr Ackerman, who had normally insisted on go-it-alone strategies in the marketplace.

They added that by taking the issue to the discussion table at Assocom, the move also promised a solution to suspicions by rivals that Mr Ackerman was trying to reap all the glory for Pick 'n Pay as a champion of consumer interests.

However, they also forecast possible sharp conflicts inside Assocom, whose members come from the industrial as well as the commercial side of the retail business, if the big foodstuff manufacturing companies come under flak.

Assocom president Mr Sidney Matus has already warned that retailers could run into trouble with the Monopolies Act and the Competition Board if they attempted to negotiate agreements between themselves on price levels — an infringement of legislation on collusion.

But Mr Ackerman responded by stressing that he does not intend to propose all retailers joining forces to demand uniform price reductions by suppliers.

That assurance alone has prompted Mr Jeremy Hele, executive director of the Grocery Manufacturers' Association, to pledge full support to any anti-inflation campaign devised at Assocom discussions.

'In fact', he said, "we have been offering ever since 1981 to sit down

with retailers to thrash out inflation problems. Our association is still willing and anxious to co-operate."

However, Mr Ackerman says he believed supplier companies would still come under pressure about price levels as a whole.

Even though individual retail companies would negotiate their own price terms with suppliers, he said, investigations were still needed in broad terms into suspicions of price collusion among suppliers, monopolies, cartels and infringements of fair trade practices.

And, he argued, the investigations would be all the more effective if the retail trade as a whole instigated them, rather than leaving it to individual companies.

Cartels

He intended to press Assocom to

- Lobby the Government as a collective voice on all consumer affairs, with reviews of the role of control boards and talks on such issues as a better distribution of food items during surpluses.
- Lobby suppliers to join the fight against cartels and monopolies, insist on retailers being allowed to offer discounts on petrol, to set up their own bakeries to produce such basic items as bread, and have more licences to sell wine.
- Form lobbies to discourage overseas sanctions and any disinvestment moves by multinational supplier companies.
- Solve inefficiencies inside the retail trade with new hi-tech systems and better productivity.

(186)

Stev 21/6/89

~~186~~

~~186~~

186

Tongaat expects to make progress

VIOLENCE in Natal cost the lives of 21 Tongaat-Hulett group employees last year, says chairman Chris Saunders in his annual report

"In addition, many family members and friends of our employees have also lost their lives"

These tragic events cause Mr Saunders to lament "a high degree of people polarisation" He urges accelerated political reform, together with the release of political prisoners and the abolition of detention without trial, equality of education and the emergence of structures of opportunity

A full and frank manpower report reveals that there were 12 unofficial work stoppages in the group, 10 of which were resolved in two days There was also one legal strike

By selling off Supervision Cleaning Services and Hultrans, the group reduced its manpower count by 6 444 to 40 201 — but salaries, wages and other benefits rose 19% to R572-million They amounted to 59% of value added by the group

The group gave 206 scholarships and bursaries last year It employed more than 100 other-than-white graduates. It helped 2 500 employees to buy homes Its mortgage loans to 1 955 employees ran to R115-million

Mr Saunders says high interest rates and the determination of the authorities to restrain the economy will make it difficult to meet group targets

"We nevertheless expect to make continued progress and are aiming to achieve a modest increase in earnings per share"

The least profitable division, at least in relative terms, was of the food division, which accounted for 25% of group sales, but contributed only 12% of taxed profit

The sugar and aluminium divisions were the stars of the group Aluminium accounted for 22% of sales and 28% of earnings while sugar contributed 22% of sales and 27% of profit

Crop

Building materials were 16% of sales and 14% of profits and tiles 8% of sales and 10% of profit

The sugar division expects a crop of similar size to last year's Domestic sales are expected to improve The company gives no view on possible world price trends but it does say current prices, together with the low rand should enable its profit improvement this year

The sugar industry reduced its debt by another R100-million last year Debt has fallen from a peak of R327-million to R189-million

Government has announced deregulation and expansion proposals which include the abolition of domestic price con-

By David Carte

trol and the removal of quantitative import controls

"The proposals, which are regarded by the industry as comprising a unitary package, are linked to approval by Government of a fuel ethanol plant, which is still under investigation"

Brick sales soared close to R500-million and taxed profit was a record at R28,6-million Harder times lie ahead

"Sales volumes are expected to fall in line with the weakening economy and in order to

prevent excessive stockpiling, it will become necessary to control production closely"

The food division claims to have improved competitiveness through heavy capex last year It expects higher profits but warns higher tax will offset gains

The hot performing aluminium division also expects better profits this year The textile division is also confident of progress

African Products was one division to report a fall in profits last year Earnings declined from R21,2-million to R19-mil-

lion and the contribution to the group from 13% to 9%

Capacity constraints and competition from imported products appear to have been the major problem

Tongaat is to restructure, eliminating 170 subsidiaries To facilitate the move, properties were revalued by R438-million, increasing shareholders' funds but reducing returns on capital and on equity After the year end, Tongaat acquired Funa Foods for R6,5-million cash

The annual report shows a company shaking off past inclinations to complacency There

have been two good years. If returns are still too low, that is because of revaluation

To regain its rating of old, Tongaat needs to perform well this year in spite of the economy A really good acquisition would also go some way to rectifying market neglect

Provided sugar and aluminium come up to scratch, it is not impossible Tongaat will surprise with an earnings increase exceeding inflation

At 1675c, the share is 7,8 times earnings, compared to Barlows' PE of 8,9 The rating seems about fair

~~1989~~ 1986

Fawu urged to build its ranks

TRADE unions are an integral part of the Mass Democratic Movement, Mandla Sxanvana, general secretary of the Food and Allied Workers' Union (Fawu), said at the union's first mass rally in Port Elizabeth

The weekend's rally was attended by more than 12 000 union members, but Sxanvana said more people should have attended.

"We have 79 000 members and they should all be here. Our structures have failed to mobilise people to attend.

"We must go back and build our organisation by engaging in campaigns, not involving ourselves in petty issues against comrades," he said

Both Sxanvana and Chris Dlamini, who is vice-president of Cosatu and president of Fawu, spoke about the divisions which have recently emerged in Fawu in the Eastern Cape.

Officials from the union's Eastern Cape region who initiated a boycott of the workers' summit earlier this year, have now formed their own union after being axed from Fawu.

Splits from officials

Sxanvana said the splits came from officials and not from workers.

"Workers know their direction in the struggle and will not be divided by these elements," he said

Dlamini warned that "the perpetrators of division are not restricted to the Eastern Cape but can be found throughout the country" and that the union faced a determined onslaught from the state and employers

Food companies such as Premier had retrenched workers and companies who were suing the union for loss of production resulting from strike action could force the union to close its offices, warned Sxanvana

Dlamini said that the union had also been severely hit by state repression with leaders restricted, forced into exile or detained

He called on the union to build the consciousness of its members and to fight for community issues such as housing and education, as well as for the living wage campaign and the withdrawal of the LRAA

Macadams perturbed by SA's ¹⁸⁶ economy

Sylvia du Plessis
SYLVIA DU PLESSIS.

BAKERY and catering supplies group Macadams expected export sales to double to R2m this year, but the current economic scenario ruled out any substantial increase in earnings in the short-term, chairman Wolfhardt Schumann said.

He said in the company's annual report that while the year to February could be viewed as a period of consolidation, management would seek new opportunities to rationalise aspects of the business in a continuing drive to improve margins.

Domestically, the group would be "more selective" in the business it pursued, with the focus firmly on the more profitable sectors of the market. Non-profitable sales would be discontinued, he added.

Perturbed

"As far as the SA economy as a whole is concerned, we remain perturbed at the rapid increase in interest rates and hope that this trend will be reversed, as has been indicated by the authorities.

"Certainly, the current scenario rules out any substantial increase in earnings in the short term. Rather, it is from rationalisation and a consequent increase in margins that profit growth will come."

Schumann said the year was marked by Macadams' move to the main JSE board and the R4.2m purchase of the group's own head office and factory complex in Blackheath, in the Cape.

In addition, the group had reported substantial growth in sales to strengthen even further its position as SA's largest supplier of bakery and catering equipment.

Taxation

However, a combination of higher taxation and increasing pressure on margins caused attributable profits to decline to P^a11 000 from R919 000.

Taxation was an aspect of the business over which management had little control, and shareholders were warned at the interim stage that the rate for the year would increase to 37% from the 16% paid for the previous year.

Macadams reported a 13% drop in earnings a share to 5,3c (6c) for the year to February after a higher tax rate increased tax paid by 157% to R448 000 (R174 000). Dividends totalling 1,7c (2,4c) a share were declared.

Lovasz scheme approved 186

Finance Staff

The conversion of Lovasz into Royal Corporation and the accompanying restructuring of the enlarged group was taken a step closer yesterday when Lovasz' shareholders in general meeting approved all the proposals necessary to implement the new structure

The acquisition by the group of the businesses of the former Royal Beech-Nut and Manhattan Confectioners was sanctioned by shareholders while the Stock Exchange committee has grant-

ed the necessary listings to accommodate the proposed rights issue of 13 076 949 shares on a basis of 150 new shares for every 100 held at 150 cents a share and of 27 259 416 new shares issued in settlement of the acquisition of the former Royal Beech-Nut business from the Imerman family interests.

Star 21/7/89
The nil paid letters issued in respect of the rights issue will also be traded in from July 10 with the existing issued shares going ex-rights from that date

Poisoners pose threat to SA food

SI Times 9/17/87



186

By Robyn Chalmers

MALICIOUS product contamination, of which there have been more than 2 000 cases in the US since 1987, is rearing its head in South Africa.

Three cases of product contamination have been reported recently. The first involved the contamination of animal feeds, the second the poisoning of chocolates and in the third meat products destined for a supermarket were contaminated with ground glass.

Disastrous

PriceForbes Federale Volkskas (PFV) Southern Transvaal deputy managing director Charles van der Byl says that in the first two cases the contamination was not detected and the result was disastrous.

"Fortunately, the meat contamination was spotted before the products were offered for sale.

"There was also a case in Britain where the manufacturer of baby food was subjected to extortion threats. Callers claimed that some of its products had been deliberately contaminated."

Mr Van der Byl stresses that the cost of product recall, sale loss and perhaps even the rebranding and re-marketing of an established product can be enormous.

"Several years ago international healthcare group Johnson & Johnson faced bills of up to \$100-million in product recall costs when Tylenol — a popular headache remedy — was contaminated and seven people died. Loss of sales amounted to \$400-million.

In the wake of such inci-

dents, insurance products have been developed to provide protection for manufacturers and distributors. The policies, which are available abroad but not in SA, are known as malicious products tampering, product contamination or product integrity insurance.

Mr Van der Byl says. "The insurance covers the costs of disruption to the manufacturer or distributor if a product is contaminated or if there is threat of contamination.

"Irrespective of whether a deed has been carried out or not, a company cannot afford to ignore the threat and must take recall action."

Impossible

He says costs to the company include examination and analysis, destruction or rehabilitation of contaminated goods, value of goods destroyed, loss of profits, re-establishment and re-marketing of the product, business interruption and the recapture of lost market share.

The London and US-based insurers with which PFV is connected to offer SA companies a facility to insure against product contamination require detailed proposals as well as information on the company's crisis response and recall plans.

"Because it is practically impossible to make products totally tamper-proof, the risks are high and insurers have to be cautious. In arranging these facilities, companies invariably require professional assistance, including advice on risk management planning and procedures."

Es-
ri-
ice
es-
ri-

JK
ly
ls
rs
ce
nd
ar
its
ey
r.

on
n-
a
d-
ts
g
u-
o-
n
e
d

P
t-
o
g
e
t-
t-
y-
y-

COMPANIES

FEDFOOD HUNGRY FOR SUITABLE ACQUISITIONS

FEDFOOD, the food division of Federale Volksbeleggings, is on the threshold of further expansion and is looking for more businesses to augment its activities, Fedfood MD Jan du Toit says in his annual review

Du Toit says the company's financial position is such that it can bring suitable opportunities for takeovers to fruition more expediently.

Since the establishment of the group in 1977, Fedfood has grown rapidly, primarily by means of a series of acquisitions.

BRUCE ANDERSON

"The deliberate and planned entry into the different food sectors resulted in Fedfood becoming one of the most diversified companies in the SA food industry," Du Toit adds

The weakening of the rand against the leading currencies was to a degree to Fedfood's advantage, particularly in the areas of the export of white fish and frozen vegetables

Under these circumstances, says Du Toit, Fedfood brand Table Top could

establish its place in the export market
The rate of inflation in the food sectors in which Fedfood is active is somewhat lower than the official consumer price index

"Fedfood heeded the serious appeal to commerce by the authorities in February 1988 to limit price increases to a practicable minimum as part of the anti-inflationary campaign. This is borne out by the relatively low increase of 14% in turnover in spite of real volume growth in all divisions," says Du Toit

12/17/87 B. P. van
186

Cadsweps blows a R19m bubble

BID on 19/7/89 (186)

KAY TURVEY

CADBURY Schweppes has bought local sweet manufacturer Chapelat-Humphries — makers of Chappies bubblegum — for R19,6m in cash, it was announced yesterday

Cadsweps acquired 82,5% of the business of Chapelat-Humphries from the controlling shareholders of the holding company effective from May this year.

A put and call option agreement with the remaining shareholders for the balance of the shares has also been entered into

Chapelat-Humphries, which also makes D'Orsay mints and Sunrise toffees, will give Cadsweps an entry into the lower end of the market and access to the younger consumer, broadening Cadsweps's consumer base.

More units of Chappies bubblegum are sold than any other confectionery brand, says Cadsweps MD Peter Bester. He describes the acquisition as a perfect fit, as it is complementary to Cadsweps brands and reduces the group's dependency on imported ingredients

In addition, the acquisition ties in well with Cadsweps's R10m development of a new sugar confectionery factory in Swaziland, which will enable the group to compete in new market segments as well as in attractive export markets

Bester says Cadsweps will retain the management of Chapelat-Humphries.

Cadsweps shares, which have run up strongly in recent weeks, were unavailable yesterday. The shares rose 425c over the past two weeks and peaked at a new high of 1 700c, putting them on a p e of 24,4 times

Market speculation of a possible takeover of Cadsweps's parent, Cadbury Schweppes in London, has also given impetus to the tightly held shares

The acquisition, which is subject to the approval of shareholders, is not expected to have a significant impact on the Cadsweps earnings or net asset value for the year to December 1989.

Check which foods are bad for you

Star 2017/189 (186)

The Grocery Manufacturers Association is establishing a food intolerance data bank which will feature 10 of the most common substances that adversely affect some people.

The substances and their derivatives include milk, egg, wheat, soya, the anti-oxidants BHA and BHT, MSG (monosodium glutamate), sulphur dioxide, benzoate, glutamate and tartrazine.

Mr Jeremy Hele, executive director of the association, said: "The 10 substances are not the only ones that cause problems, but they are generally accepted to be the most common"

He said the bank will contain a list of brands which will be registered as free from one or more of the substances.

The food manufacturers had been asked to submit a list of brands that are free from one or more of the 10 substances to the CSIR which will then computerise the brands and produce 10 booklets

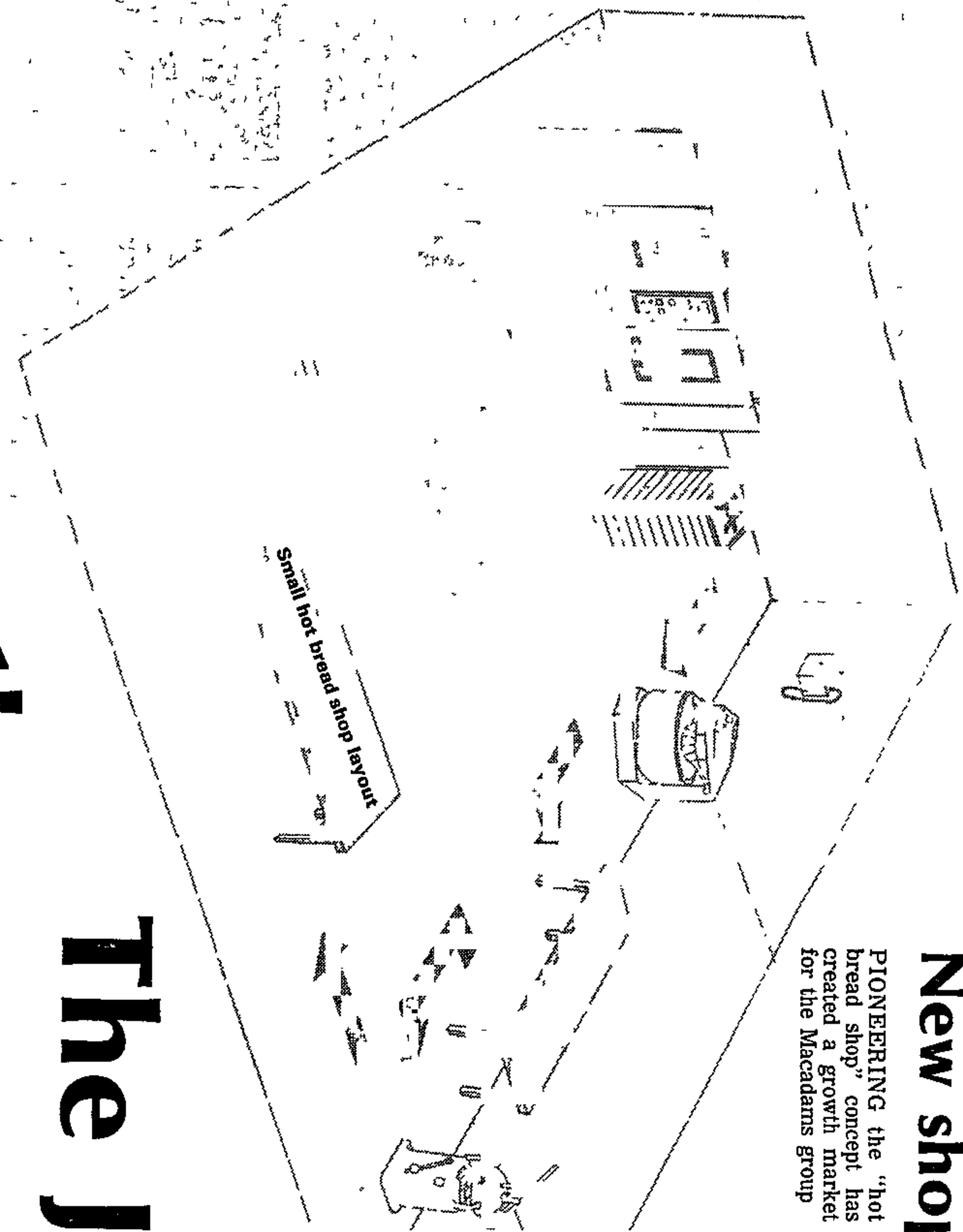
Mr Hele stressed that these booklets will only be available to the medical profession and members of the Association of Dieticians of South Africa who in turn will make them available to the patient.

By the end of September he hoped to have a list of 2000 products.

186 Corporate: Macadam's

Business Day SURVEY

Cape-based Macadam's turnover has more than trebled from R11,1m to R41,9m in the past two years, reflecting solid impetus since it went to the JSE in 1986. Its first major step since listing has been the take-over of Aloe Catering Equipment Second is the R4,2m purchase of its new 6,8ha property Macadam's was also the sole South African exhibitor at the recent International Bakery Trade Fair in Dusseldorf. Now, with new trends in the food business, Aloe has joined the market-leader philosophy with a new line. **CHRIS CAIRNCROSS** reports on the group, which opened shop in 1904.



Small hot bread shop layout

New shop concept hauls in the dough

PIONEERING the "hot bread shop" concept has created a growth market for the Macadam's group

The concept has done away with the traditional, labour-intensive bakery requiring much space and squads of skilled bakers

First devised by Macadam's in 1985 as a means of creating a market for excess plant capacity, the result has been outstanding, with about 3 000 retail outlets established in the past four years

A hot bread shop is a bakery producing only yeast-fermented products such as bread, rolls, doughnuts and buns. The range is added to by buying-in items like cakes and confectionery

The Macadam's concept enables a bakery to be installed in an area as small as 25m², and to be successfully operated by few staff with no prior baking skills, as ingredients are purchased pre-mixed

The group provides an advisory service for clients to ensure the product range will suit a particular store and locality

Macadam's claims that its hot bread shop concept has become a proven customer traffic builder, leading to increases of 30% to 100% in store turnover, and as much as 30% in customer volumes

Stimulate

The company quotes the experience of four recent installations. In three turnover is started to have increased by 38%, 40% and 20% in just two months, in the fourth, an increase of 80% was recorded just 10 months after the equipment was installed

A product Macadam's recently introduced, and which has materially helped stimulate sales, is its own brand of "super bread" — made from superior cake flour — which is claimed to last up to four times as long as other bread types traditionally stipulated and cleared by the authorities

Macadam's cites an example, where in one particular store the market for bread jumped from 300 loaves a day to between 800 and 1 000 loaves after the introduction and marketing of its super bread product

In a schedule set out in its marketing material, the group has worked on basic fixed costs — excluding lease or rent of premises — ranging from R3 180 for a small bread shop to about R5 700 for its "super large" version

Average turnover for these two extremes in size have been calculated at about R15 000 to about R40 000 for the large size

then a major acquisition

AFTER Macadam's went to the JSE, acquiring new public status and a subsequent capital injection, one of its first major steps along the acquisition trail was to take over catering equipment supplier Aloe Catering Equipment

At the time of the take-over, Aloe's turnover was more than R10m a year. Its primary markets at the time were institutions and organisations such as hospitals, the mining industry and the defence force

Under the leadership of MD Raymond Poulart, Macadam's management immediately broadened Aloe's market, redirecting its efforts at hotels, restaurants, fast-food outlets and related industries

To this end, a research and development division was created in order to design equipment specifically for these sectors

Aloe continues to market

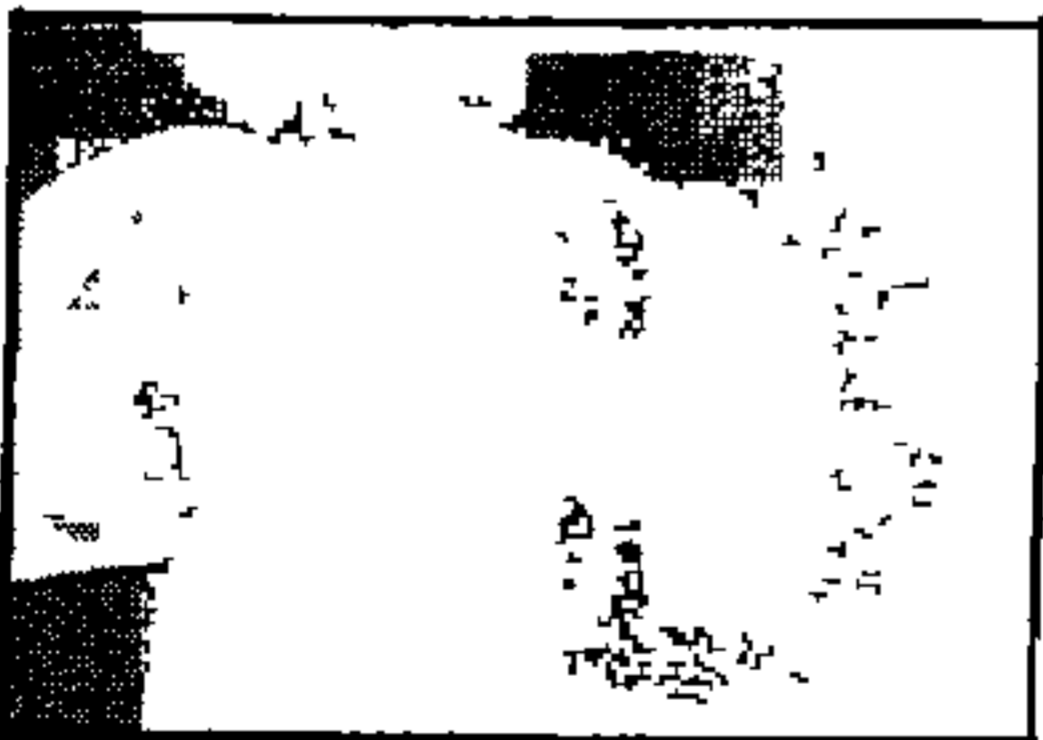
its products as a separate entity to Macadam's traditional products

With a similar though shorter history, Aloe began business as a franchising operation in 1970, trading under the name of Unity Cutlery Sales. In 1974 the name was changed to Aloe Catering Equipment

It received a major shot-in-the-arm soon after its name-change, when it secured a major contract to provide kitchen equipment for the new Carlton Hotel in Johannesburg, then one of the most prestigious hotels in SA

The contract laid the foundation for Unity, but management realised that local manufacture was essential if the company was to expand its business into the institutional sector

Aloe's overseas principals saw merit in this and several licensing agree-



RAYMOND POULART

ments were concluded, permitting the local manufacture of specialised catering equipment. A factory was set up in the Transvaal

A major competitor of Aloe's at the time, the catering division of K F Albrecht & Co, followed the company's move into local manufacture, entering a licensing agreement in 1976 with a large German company, Juno, and began pro-

ducing convection ovens, mainly for government departments on a subcontractal basis

The similarities between Aloe and K F Albrecht's operations soon became obvious, with the result that in 1978 Aloe was bought out and the manufacturing activities were merged

The Aloe name was maintained and in the ensuing eight years, sales climbed at an annual compound rate of 44%

The two catering divisions maintain they can claim firsts in SA for the local manufacture of cast-iron tilting frying pans, rack and flight-type washers, convection ovens, and slatted belt conveyors

Pioneer

Also, a range of self-levelling dispensers, centralised hospital plating systems, electrically heated steam tilting boiling pans, rectangular steam jacket

boiling pans, and, most significant of all, the first combination convection oven-steamer

Aloe also lays claim to being something of a pioneer in respect of food distribution, and its regularly called upon to provide catering solutions involving centralised kitchens with satellite serving areas

For example, the company was awarded the contract in 1982 to design and supply a chilled-food system for 7 000 miners at Consolidated Diamond Mines, Oranienburg

The subsequent system today consists of a centralised factory which distributes meals to miners up to 100km away

A similar system was installed at Mitchell's Plain Psychiatric Hospital for 2 000 patients in 1985

A hospital food system, the "Pinesa System", widely used in Europe, was also introduced to the SA market early in the 1980s

New HQ purchase: company outgrows Epping

LAST year the company consolidated its corporate identity by moving into new headquarters at Blackheath on the Cape Flats

The purchase of its "feather-in-the-cap" 6,8ha property — which, with alterations, cost R4,2m — followed the expiry of the lease on the company's Sait River head office

In any event, business had outgrown the Epping factory's capacity

Lower

According to Macadam's MD Raymond Poulart, projections indicated that the purchase of a property, rather than leasing premises, would make greater financial sense in both the medium and long term

By the third year, financing costs would be lower than the anticipated rental of the company's former premises

In addition, it was believed that by centralising the administrative and manufacturing operations, greater efficiencies would result

Accordingly, the Cape sales offices of Aloe and Macadam's Bakery Supplies have been integrated with the head office

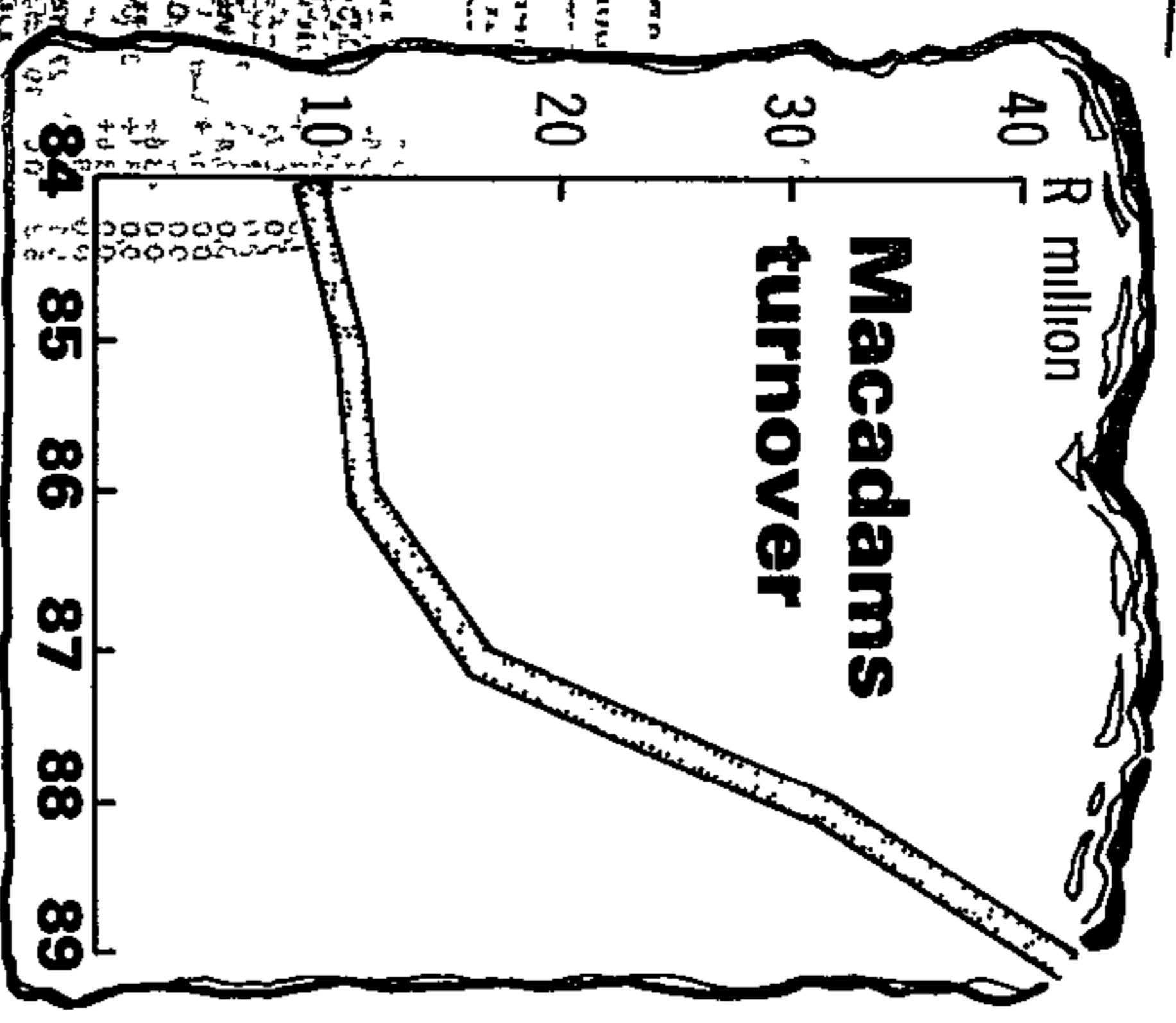
The new premises incorporate large showrooms, a test kitchen and a bakery

The purchase was financed by a mortgage loan arranged through NBS participation board managers

Built in 1982, the property comprises a fully airconditioned office block of about 2 400m², a factory area with a floor space of 6 400m² and warehousing accommodation of more than 1 200m².

Whole page - separate adverts

Turnover has trebled in two years, as production booms



Graphic: FIONA KRISCH Source: MACADAMS

MACADAMS' turnover has more than trebled from R11,1m in the past two years, reflecting the impetus provided to the group by the capital injection obtained from the JSE listing in 1986. And net asset value has climbed from 30c to a current 49c a share.

The company's manufacturing operation at Blackheath is now running at full capacity and steps may have to be taken to expand facilities at the factory.

According to MD Raimund Poulhart, the company has chosen to adopt a more cautious approach, however, and for some months it has been consolidating and rationalising its activities.

Rationalisation has had the adverse short-term effect of squeezing margins. Somewhat higher levels of taxation also contributed, and the combined result thus led to attributable profits declining from R919 000 to R811 000 in the year to end-February.

In order to conserve funds for future growth, dividend payments were cut back to 1,7c (2,4c) a share on earnings of 5,3c (6,04c) — with dividend cover increased from 2,5 times to 3,1 times.

Further steps in the rationalisation programme are still to be taken in Johannesburg and Durban.

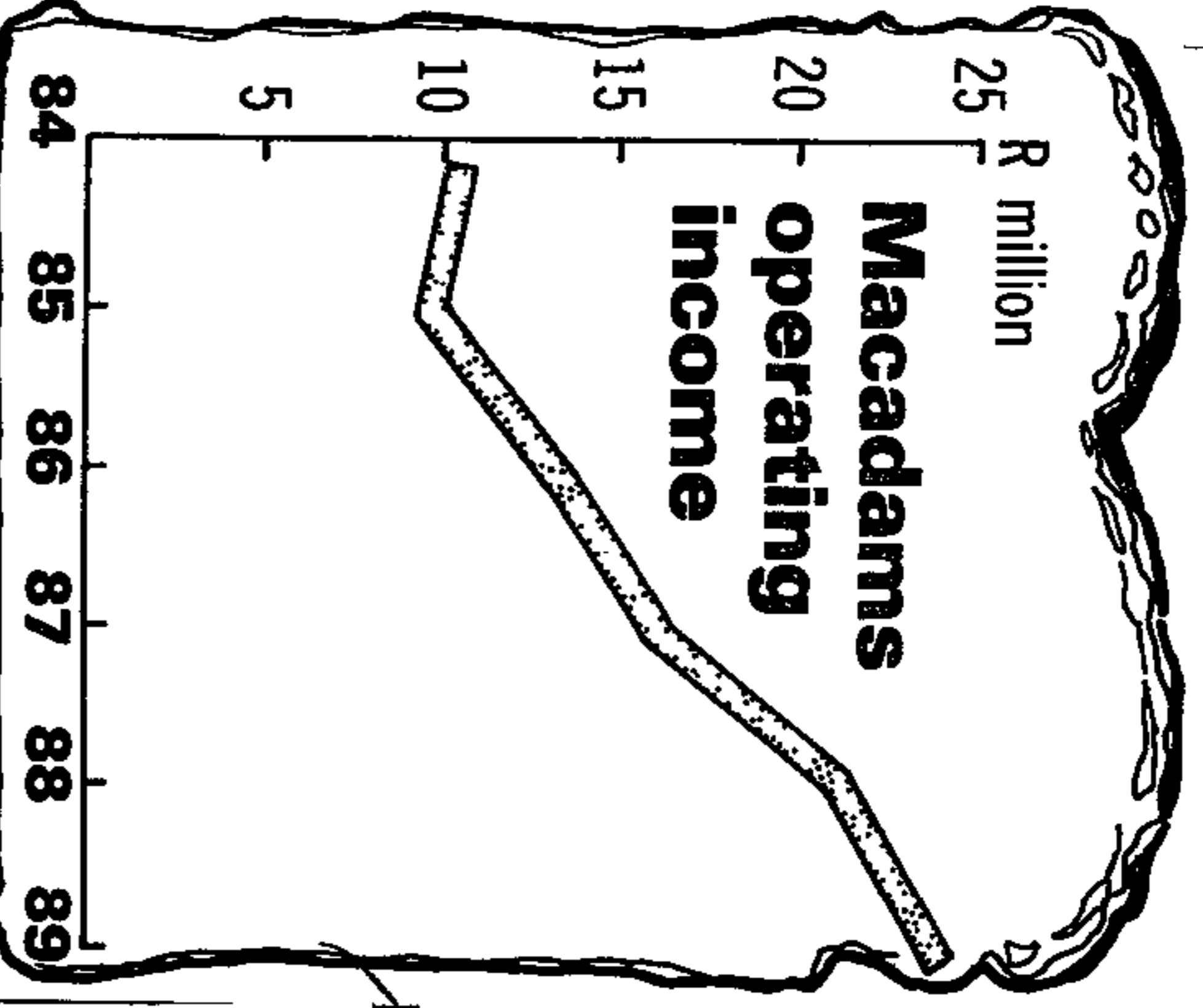
Once these have been completed, Poulhart confidently predicts the result will be reflected in increased profitability during the second half of the financial year.

In view of the economic decline within SA, Macadams has chosen to be more selective in handling the domestic market, and the focus will be firmly directed at the more profitable sectors.

Non-profitable sales are going to be discontinued.

Poulhart still views the domestic market with considerable optimism, despite the downswing.

He sees great potential flowing from the increasing urbanisation of the black population, and forecasts that Sovelo could represent an immediate market for at least 10 to 20 new bakeries.



Graphic: FIONA KRISCH Source: MACADAMS

Sole SA exhibitor has Germany's approval

MACADAMS was the sole South African exhibitor at the recent International Bakery Trade Fair in Dusseldorf. Marketing manager Mike Claassen commented: "The international market is exceptionally lively and, judging from the interest shown in our products, we can look forward to significantly increasing our activity in the export market."

Not only are the Macadams products simple to operate, but 1,2mm stainless steel is used in their manufacture against the 0,8mm for European equipment.

By allowing the public to actually climb into and onto the ovens, Macadams clearly demonstrated its faith in the sturdiness of the products.

"Although our intention was not to sell equipment from the stand, but rather to establish contact with dealers, every item on display was sold."

"As always, the bottom line is that if your quality and price are right, you get the business."

"It is gratifying that at the world's largest exhibition of this kind, which had a total of 714 participants, we proved that our locally-made equipment matches, and in some cases exceeds the quality of any other manufacturer worldwide."

"By achieving so much success in Dusseldorf, we have also indicated to our South African bakery customers that we are up there with the best."

Equipment was not the only attraction, however. Macadams stand sported a hot bread shop which produced several batches of fresh rolls and bread daily — that and the steady supply of South African wines with which the stand was stocked ensured a stream of visitors.

New trend encourages Aloë to clip-on units

THE new trend of customers, both in restaurants and fast-food outlets, towards watching their food being prepared has encouraged Aloë Catering Equipment to introduce a new line.

Topline is a complete package with modular units which can be assembled to suit individual requirements using a simple clip-on system.

Any number of units can be combined or added to in the case of increased demand.

The range includes stands, counters and tables, cooking equipment such as fryers, griddles and chip cookers, pie warmers, cabinets, canopies, extractors, refrigerators and freezers.

Offering a choice of colours, the units are made from epoxy-coated mild steel with hygienic stainless steel top surfaces — easy to clean and pleasing to the eye.

Formica-covered chipboard instead of stainless steel is an optional extra.

The range has been designed specifically to be adaptable to many different applications — take-aways, hotels, canteens and restaurants, or on a larger scale, supermarkets and butcheries.

After 85 years

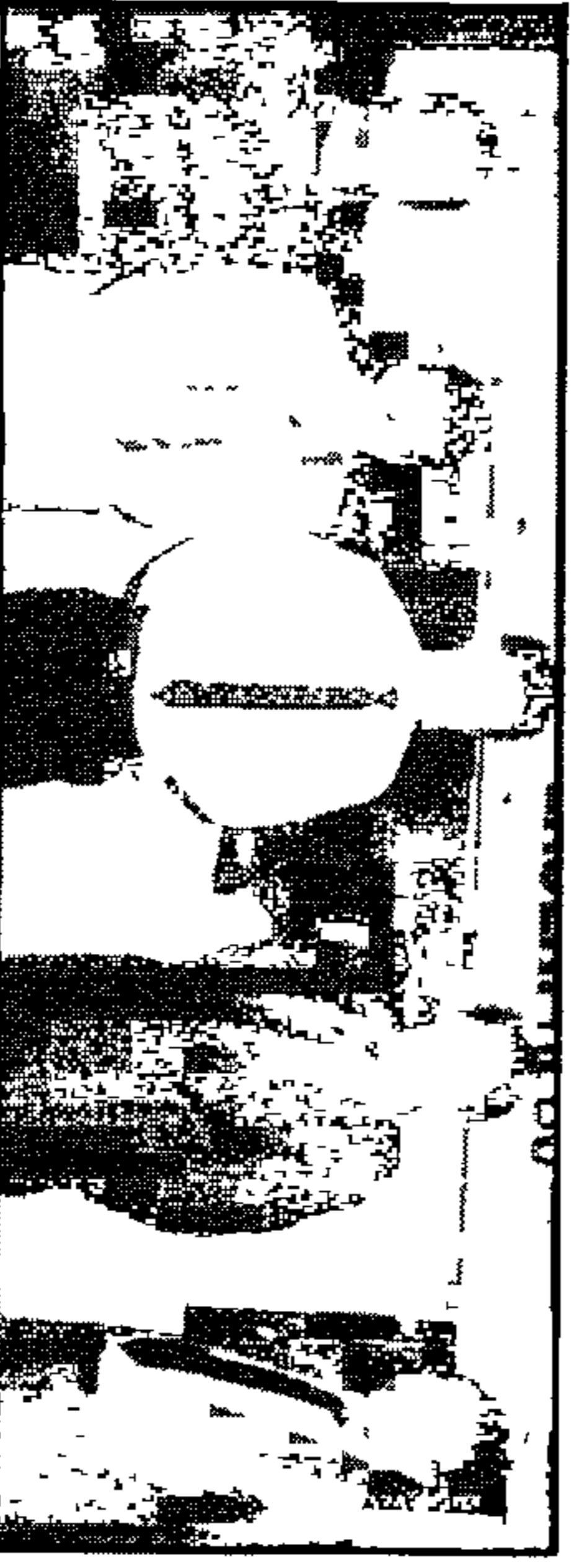
THE origins of the present-day Cape-based Macadams Bakery Supplies group go back almost to the turn of the century when, in 1904, the UK Macadams group set up a baking division in Cape Town, specialising in baking given supplies and engineering.

Over the years the operation was expanded to include other branches in Port Elizabeth, Durban and Johannesburg.

Separate

These activities were finally "South Africanised" in 1960 when the UK company decided to dispose of its interests to local buyers.

The Cape Town and Port Elizabeth branches went to Macadams subsidiary, Macadams Bakery Supplies, while the Transvaal branch went to an independent purchaser — the two separate entities negotiated a



From left, sales director Geoff Spence, financial director Kevin McEvoy, manufacturing director Mark Appleford, MD Raimund Poulhart and Aloë sales director John Gaunt.

territorial agreement between them.

This situation changed materially in 1988 when Arnold Resnick acquired control of the Cape-based subsidiary and expanded its activities within the province and into Namibia.

The "restraint of trade" agreement for the Transvaal was also terminated at this time and further new agencies were acquired from suppliers in Europe, apart from maintaining the original UK links.

Sold

This began a process — had a well defined list of subsidiary operations which trans-

formed a purely franchising operation into a fully fledged original manufacturing supplier.

Some rationalisation followed in 1984, when food ingredient and cake decoration divisions were sold, and control was acquired in the similar franchising and stockholding operations of Norman Adam.

Soon after, in the same year, the directors, seeking to raise additional capital, applied for a listing on the Johannesburg Stock Exchange (JSE) rapidly expanding secondary Development Capital Market (DCM).

At the time, Macadams had a well defined list of subsidiary operations which concentrated on bak-

ery and catering equipment manufacture and supply.

To its investors it listed the nature of its business as being primarily traders in the areas of:

- Supply, installation and servicing of equipment to all sectors of the baking industry;
- Silo and bulk handling installations for the handling of flour and other products for the food industry;
- Mixing equipment and bread make-up plants for industrial bakeries;
- Pie and pastry plants and bread wrapping and slicing machinery used by major bakery groups and
- Bakery hardware and furniture, including storage racks, baking pans, steel tables and trolleys.

The Macadams group claims to supply about 70% of all equipment to the small bakeries and confectioneries market in SA.

In business for loads of fun

8/ Times 27/1/84

186

SIMBA is a fun company. It markets fun through its innovative range of "between meals" snack products.

The snack market is particularly strong in the United States and the United Kingdom, but in South Africa it is still in its infancy. The market in the US is 5kg per capita a year, in the UK it is 3kg. But here it is still under 1kg.

"We have a long way to go to catch up with the leading First World countries," says Simba managing director Neville Isemonger.

Charity

"Our market is essentially that of children and teenagers, but our marketing strategies for these two targets differ."

Simba the Lion and the Nik-the-Nak character attend fetes and charity drives, helping to create the fun image. They also appear on TV programmes.

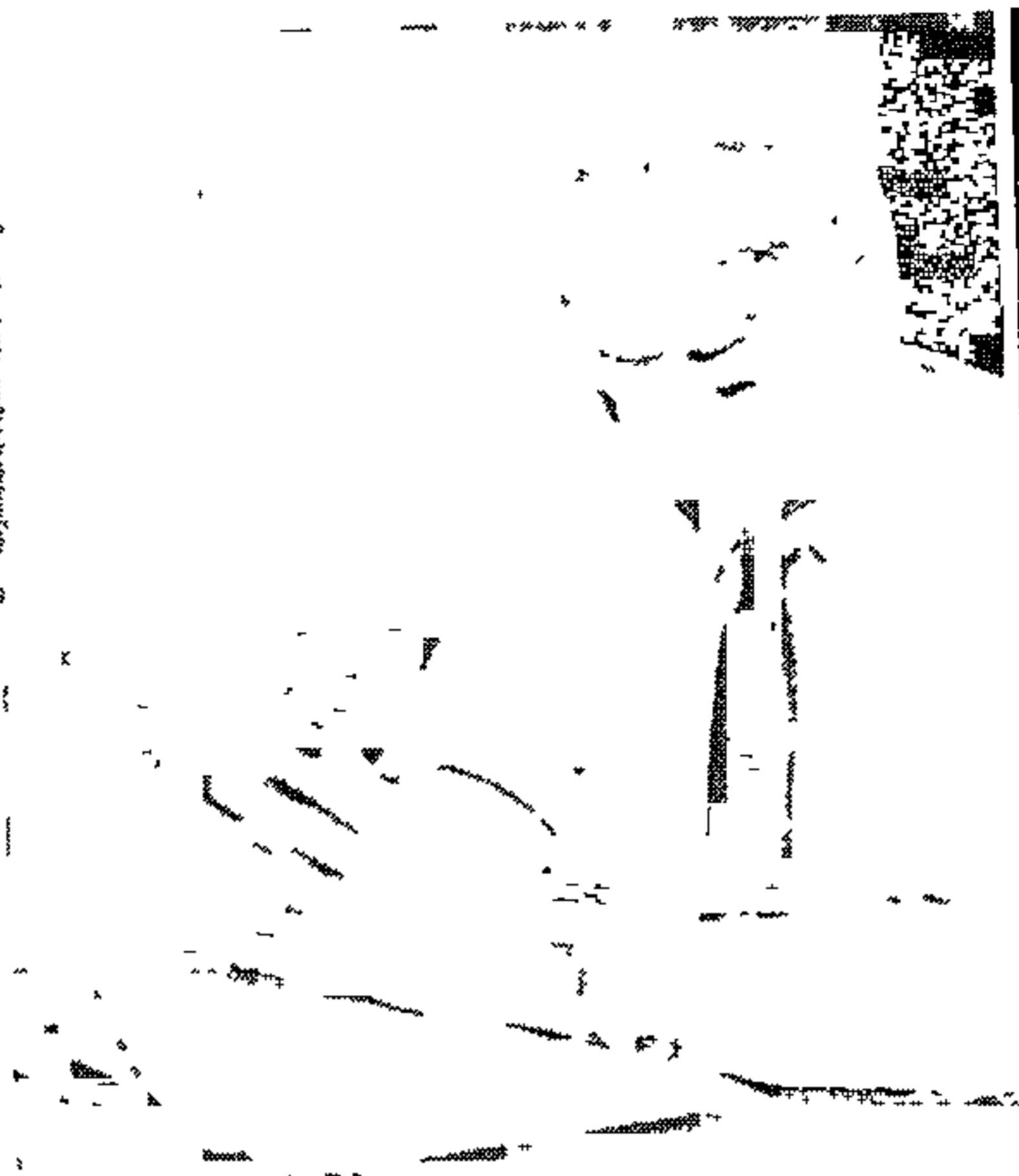
Mr Isemonger says "To ensure consumers receive our products in as fresh a condition as possible, we make extensive use of computer delivery systems and merchandising staff to deliver the product quickly and ensure good stock rotation."

Children

"On the rare occasions that a store keeps our product beyond its top-quality shelf life, we replace it. If any of our consumers buy a Simba product in anything but top-class condition we want to know about it to allow us to investigate and correct the matter."

Children are encouraged to visit Simba factories. Twice a week Simba hosts school groups and the Isando schedule is booked to the end of November.

Bus-loads of children are



NEVILLE ISEMONGER .. long way to go

taken around the factory and shown all aspects of chip making, from the raw potato through to packaging. These visits leave lasting impressions on the youngsters and are carried through to adulthood. The Simba name is committed to memory early in life.

The Simba name is intended to evoke fun and the positive aspects of life. To celebrate the company's 50th birthday, Simba has launched its patented chip — Simba

Double Chip. It is ridged on the one side and plain on the other in boerewors.

Rusks, on the other hand, appeal to older South Africans and could be classed as an adult snack. In South Africa rusks are traditionally dunked in coffee and "Dip 'n Ouma" is a favourite breakfast treat.

The size of the rusk market is about R20-million a year. It includes many small bakeries.

Bigger and bigger

SIMBA Quix's attributable income increased from R868 000 in *1979 to R10,8-million in 1989 — compound growth of 28,6% a year. Turnover rose from R30,2-million in 1979 to R237,1-million in 1989. This represents growth of 22,9% a year over 10 years. *S/Times 23/7/89*

Assets grew by 17,7% a year from R16,2-million in 1979 to R83-million at March 31, 1989.

Source: annual reports of Fedfood

*Fifteen months adjusted to 12 months. **186**

A huge appetite for oil, spuds **186**

S/Times 23/7/89

SIMBA is probably one of the largest consumers of vegetable oil and potatoes in South Africa

The potatoes are grown by farmers contracted to Simba. The price is established in advance, benefiting both parties. The farmers have a guaranteed buyer at a guaranteed price and Simba has an assured supply of potatoes.

Simba can use only premium-quality potatoes with a low sugar level. High sugar levels produce what the customer would describe as burnt chips. Simba agronomists work with farmers to ensure they plant to specification to produce the best potatoes.

More than 40 000 tons of potatoes are processed annually.

In addition to potato chips, Simba makes and markets a wide range of maize-based

extruded products.

By far the most popular — and the biggest-selling snack — is Niknaks. With growth posted at 19% off a high base, and only one flavour, cheese, this is remarkable.

Ghostpops, launched in 1984 and linked to the movie Ghost Busters is produced at Heilbron. It is still one of the most successful linked products and a big hit with young consumers.

More recently the movie-related product Salsa with an Italian spicy chilli was introduced. Like the movie, the snack is aimed at the teenager who likes hot music and hot snacks.

Freshness

Product attributes are researched regularly and consumers say freshness, good taste and a crispy-crunchy texture are important. Favourites include Niknaks, Fritos and Simba potato chips.

Black consumers place importance on high quality, ingredients, vitamin content and whether or not the product is filling. Black consumers eat Simba products more frequently at lunch time and their preferences are Niknaks, Simba Smoked Beef and Simba Tomato Sauce.

The most recent flavour introduction was Simba Curry Tomato and it has proved popular with black consumers.

ST Times 23/7/89
186

Giant grows from the parable of the talents

By Anthea Dugan

Simba Quix was started by Ouma Greyvensteyn, who lived in Molteno, northern Cape, sold her first batch of rusks in 1939.

Fifty years ago, the effects of the Great Depression lingered on and life on the plateau was particularly hard. In an effort to cheer and motivate the people of his parish the pastor of the Dutch Reformed Church invited all the women of his parish congregation to a meeting. Quoting the parable of the talents, he handed a...

Dough

Before returning home to Friedenheim Farm, Ouma Greyvensteyn spent her shilling on rusk ingredients. She used the dough using her own recipe and baked the rusks in her wood-burning oven. She returned to Molteno to sell them to visiting farmers' wives.

Within days, she was receiving orders for more and more. Soon she had established a market and, somewhat reluctantly, found herself in business. Her talents, that given to her by the pastor, were the foundation stones of Simba Quix.

However, the company was named Quix Products, and was known only as a manufacturer of rusks and Taystee wheat.

Today, on Friedenheim Farm, where the Ouma factory still stands, more than 100 people are employed making rusks to Mrs Greyvensteyn's recipe. The factory supplies 90% of the South African rusk market.

The rusk range comprises Ouma Buttermilk, Muesli Plain with Outspan Plain Aniseed still firm favourite. More than 1 000-million Ouma rusks are eaten annually.

By the early 1950s the capital reserves from Ouma's factory had increased to the



Andre Greyvensteyn, his wife Elise and Ouma the founder at the door of the oven used to bake the first Ouma Rusks. The oven is now at the Simba-Quix factory, Isando, near Johannesburg. When the picture was taken Andre was managing director of the company bought by Federale Volksbeleggings.

point where diversification became necessary so she sent her three sons to foreign food fairs for ideas. Son Leon attended a fair in Germany and met Herman Lay, the founder of Frito-Lay, and from him he learnt of the growing popularity of potato crisps.

The right equipment and high-quality potatoes were the major requirements for their production. The family greeted the suggestion with enthusiasm.

A factory was established in Doornfontein, Johannesburg. Equipment was bought and orders were placed with farmers for first-class potatoes.

Name

The product needed a name. Lion, after Leon the initiator of the idea, was an obvious choice. But because it was the brand name of other products, it could not be used. Simba — Swahili for lion — was an acceptable alternative.

While the factory was being built, a distribution network was established to make sure the chips were fresh for the consumer. In

1957, Simba Chips launched the South African snack market.

Although chips were not invented in South Africa, Simba Quix was the first to introduce other flavours: Cheese and onion, salt and vinegar and tomato flavours in chips were pioneered by Simba.

Only in more recent times did the US introduce spicy flavours.

In 1963, Frito-Lay granted the Greyvensteins the manufacturing licence for Fritos, its top-brand chip, in return for a small royalty. No money changed hands. He supplied the South Africans, free of charge, with all the expertise required to produce Fritos.

More recently the Ruffles and O'Grady's franchises have been granted to Simba on the same basis.

Mr Lay died and his company was bought by Pepsico Foods, the biggest snack manufacturer in the world.

Simba managing director Neville Isemonger says his company is the only one linked to the giant corporation on a royalty franchise basis.

All the other agreements

are either joint ventures or wholly controlled by Pepsico. The advantage of the relationship is the exposure to international thinking. Senior managers are sent abroad regularly to evaluate manufacturing, packaging and marketing methods. Snack trends and tastes vary from country to country.

Best

Niknaks, SA's biggest selling snack, has been produced under licence in the UK, large royalties accruing to Simba.

Mr Isemonger says "We do not have to stand back for the outside world. Our snack industry can compete with the best. The equipment used is international. Electronic weighing equipment in particular has revolutionised the snack industry."

In 1977, the Greyvensteyn family sold Simba Quix to Fedfood — the food arm of Federale Volksbeleggings.

The last family member to run the company was Andre Greyvensteyn, who was managing director at the time of the sale.

Since then Simba Quix has grown into a giant.

Simba Quix: 50 Years

A Business Times Survey July 23, 1989

More good in the goodies than you care to believe

MUCH has been said about the nutritional — or more probably the non-nutritional — value of snack foods and this is of concern to manufacturers

Although potato and maize snacks are made from basic foods, they can not be regarded as such because they are not eaten in sufficient quantities to be major contributors to diet. They must be seen as treats or supplementary foods which carry basic nutritional value.

Simba Quix is anxious to dispel many misconceptions about snacks and perhaps even surprise readers about their fun to-eat products.

Chips are made from high-quality potatoes. Potatoes are a staple in many countries. They contain vitamin C, B6, niacin and several essential minerals. Chips are simply cooked slices of potatoes.

Dozen

The potatoes used are grown in various parts of South Africa. Fresh potatoes are available throughout the year. To ensure that the nutrients remain in the chips, the potatoes are sliced when they are fresh and quick-cooked immediately.

As a result every 30g serving of Simba potato chips contains at least a dozen widely recognised nutrients in fivefold concentrated slices of potato.

Most people are unaware that on an equal weight basis, Simba chips contain

FOODS	WEIGHT	KILO-JOULES
Simba plain potato chips	30g	680
Milk chocolate bar	50g	1 180
Pizza (small slice)	100g	983
Brown bread roll with butter	10g	915
Fruit yoghurt	175ml	770
Oatmeal biscuits — two	36g	722
Cheddar cheese — thin slice	30g	500
Apple	150g	310
Biltong	30g	250

more vitamin C than most fresh fruit and vegetables.

They are rich sources of energy with fewer kilojoules than many people think.

The reason snacks taste more salty is because the salt is on the outside, so the taste buds are brought into immediate contact with it. Many foods which taste less salty, often contain more sodium.

Fritos Corn Chips, Machos Tortilla Chips and Cheese Nibnaks are made from stone-ground kernels of whole grain corn and the latter are flavoured with real cheese seasoning and corn meals.

As a source of nutrition, corn has a different profile to potatoes. It contains starch and other complex carbohydrates our bodies need.

Whole foods, such as celery and apples, contain more recommended daily allowance (RDA) of vitamins A and C than corn chips. Simba's corn chips contain such essential minerals as calcium, phosphorus, iron and magnesium.

Pack for pack, Fritos contains slightly fewer kilojoules than Simba chips. But they contain slightly more sodium.

No preservatives are

used in any Simba Quix corn or potato snacks. Because the products contain so little moisture, they are not subject to microbiological spoilage.

An antioxidant is added to the cooking oil to maintain its freshness. It is added at the same level found in the cooking and salad oils used by housewives.

Cholesterol

The corn and potato snacks before flavouring, contain no cholesterol. They are fried only in polyunsaturated vegetable oils which contain no cholesterol.

Only the cheese-flavoured snacks contain a small amount of cholesterol because real cheese is used. The snacks with other flavours contain no animal ingredients and are free of cholesterol.

Lack of fibre concerns many dietiticians. Insufficient fibre has been associated with several illnesses of dietary origin. Simba chips and Fritos provide a good source of crude fibre.

Weight for weight, Simba chips have more than twice the crude fibre content of that of an apple and 50% more than wholewheat bread.

The correlation between sucrose consumption and tooth decay is strong. Simba corn and potato snacks contain less than 1% sucrose, the majority of carbohydrate being present as complex carbohydrate, including starch and fibre.

Increasing consumption of foods containing complex rather than simple carbohydrate — sugar alone — is recommended by the US Food and Nutrition Board.

Important

Snack foods are called auxiliary foods for reasons like those which place nuts, most fruits, olives or caviar in the same category.

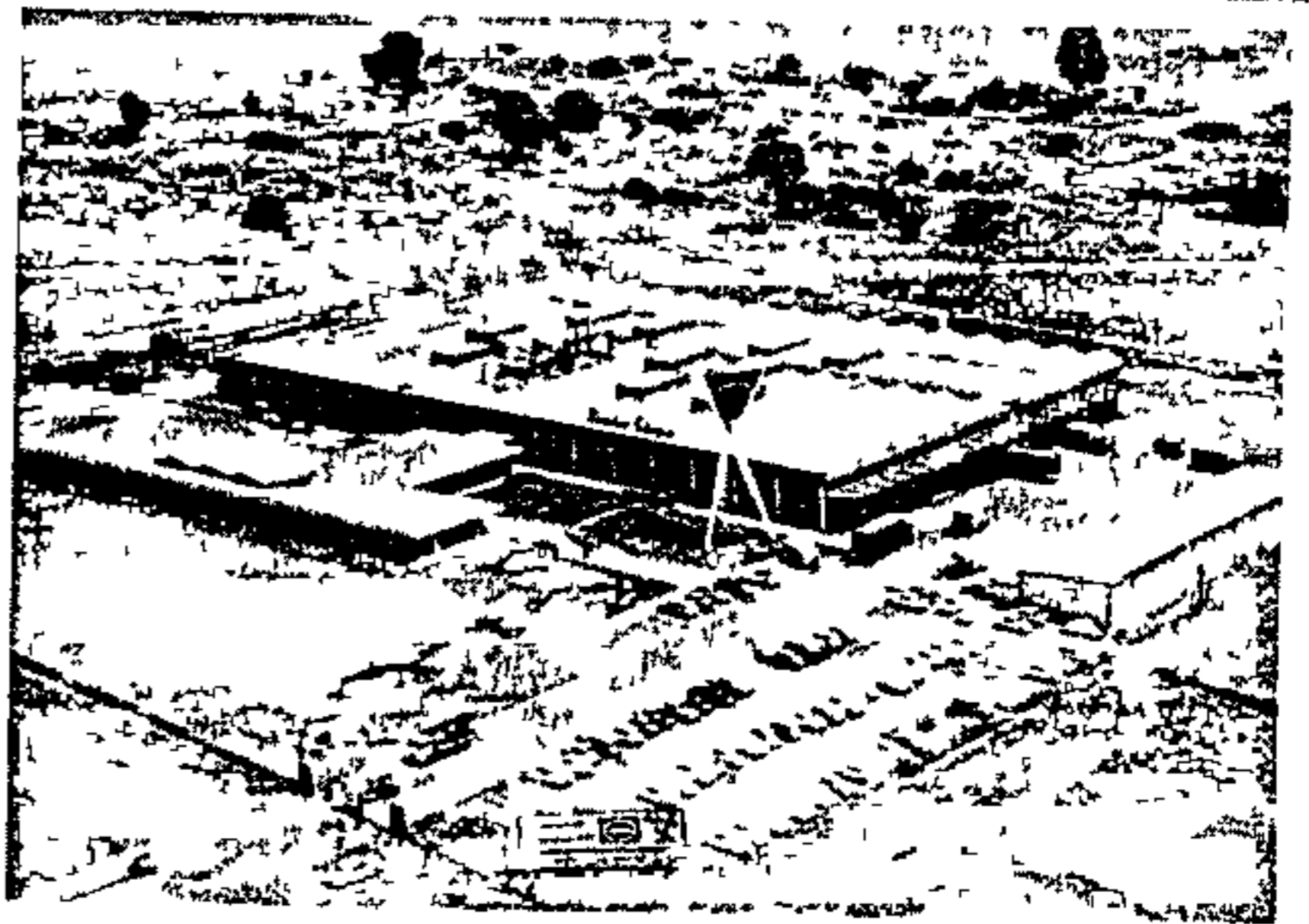
All are carriers of important nutritional values, but are either not very concentrated sources or are eaten too infrequently to make a major nutritional contribution.

But such foods provide the variety and spice of eating experience and keep the diet from becoming dull and unappetising.

Taken together, the nutritional values of snacks, ice cream, nuts, biscuits and the like have a real effect on our diet.

These auxiliary foods should be chosen with wisdom, however. The important point is that the kilojoules of such foods should contribute not only flavour but desirable nutrients.

Sensible methods of dieting advocate cutting down on the consumption of foods which do not supply needed nutrients along with the energy.



The Isando factory in 1957 — one of the first in what is today a crowded industrial and commercial area.

Quick service keeps the product fresh

TRADE relations between Simba Quix and its customers are good.

But managing director Neville Isemonger says that in any relationship there is always room for improvement.

A fine balance exists in the trade among the four giants — Pick 'n Pay, OK Bazaars, Checkers and Spar — and the corner cafes.

Accent

The kernel of the Simba business is still the small shopkeeper to whom products are sold on the route basis and the accent is on service. The aim is to deliver the products as fast as possible. The choice of products is wide.

Competition is represented by any item which might be bought instead of a Simba product. This includes a bottle of mineral water, a bar of chocolate, a packet of biltong or a bag of sweets.

As with the cafes deliveries are made direct to each chain store branch rather than to any central warehouse.

There are two reasons for this — to ensure product freshness and bulk cartons take up large areas of valuable storage space. This is a definite benefit for the trade which does not need to hold big stocks.

"However, I see a move in the platteland to a cash-and-carry wholesale distribution concept and it is likely to spread to the more populated areas," says Mr Isemonger.

Inevitable

"With the fuel price increases and the rise in the cost of vehicles this type of development is inevitable. Our only worry about this development would be our inability to monitor freshness."

"If a customer dislikes our product because it is stale,

we must know about it. Dissatisfied customers are bad for our image and we could lose them for ever."

The route selling method covers sales and merchandising at the same time. The salesman leaves the distribution point with a vanload of products and follows a planned route, calling on all his customers.

Tally

He has with him a computer which serves to print out orders, tally the stock and supply the customers with an invoice.

This method not only relieves the salesman of much paperwork, but implements better control on stock rotation and van loading. This system is unique to Simba in the industry.

Serving the major chains differs from the route method. Salesmen take the orders, relay them to Simba distribution centres which effect the deliveries in a more traditional way.

Simba Quix: 50 Years

A Business Times Survey July 23, 1989

The best of spuds for chips

THE secret of the successful chip lies in the quality of the potato used

The average potato available to housewives is unsuitable because it contains too much sugar which causes the chip to turn dark brown when deep fried

Simba uses mostly two varieties of potatoes, one with a brown skin and cream flesh and the other with a red skin and yellow flesh. They are supplied to Simba in 400kg to 500kg wooden crates by contract farmers. In addition to careful selection by the farmers, the potatoes are graded at the factory before production to ensure only top-quality ones are used. Once graded they are stored in a temperature-controlled room — cold potatoes make brown chips because of increased sugar levels.

The potatoes undergo eight processes before the chips are fried.

They are washed in a primary hopper to remove stones and sand before being transported to the peelers.

The machines which peel the potatoes consist of a spinning disc which throws them against the sides and bottom which are coated with a rough substance similar to sandpaper.

Once the skins have been removed the potatoes are inspected for flaws, bruises and damage from insects or mechanical handling. Defects are removed by blades placed across the inspection belt. The large potatoes are also cut on these blades.

The slicing is done in a holding tank where there are two slicer heads each consisting of eight blades. The type of chip produced depends on the blade used.

O'Grady's are sliced with different blades to those used for Ruffles. It is important that the blades are extremely

By Anthea Duigan

sharp. The blades are replaced every two hours. The potatoes fall into the slicer, are pressed against the slides by an impeller and slices are produced.

The slices pass into a washing drum to remove the starch. This comes off the top of the water in a thick white foam. Small potato pieces and hash are also removed.

Another washing follows, but this time in hot water to remove the sugars in the slice. Without this blanching process the chips would look burnt once fried. To make sure there is no residual starch, the slices pass under water sprays.

The final step before frying is drying to remove surface water from the slices before they fall into the hot vegetable oil.

Conveyor

During frying, any water in the slices is turned to steam which is removed through the chimney. The slices are moved through the fryer by a series of paddles and chips emerge on a mesh conveyor which ensures that excess oil is drained off.

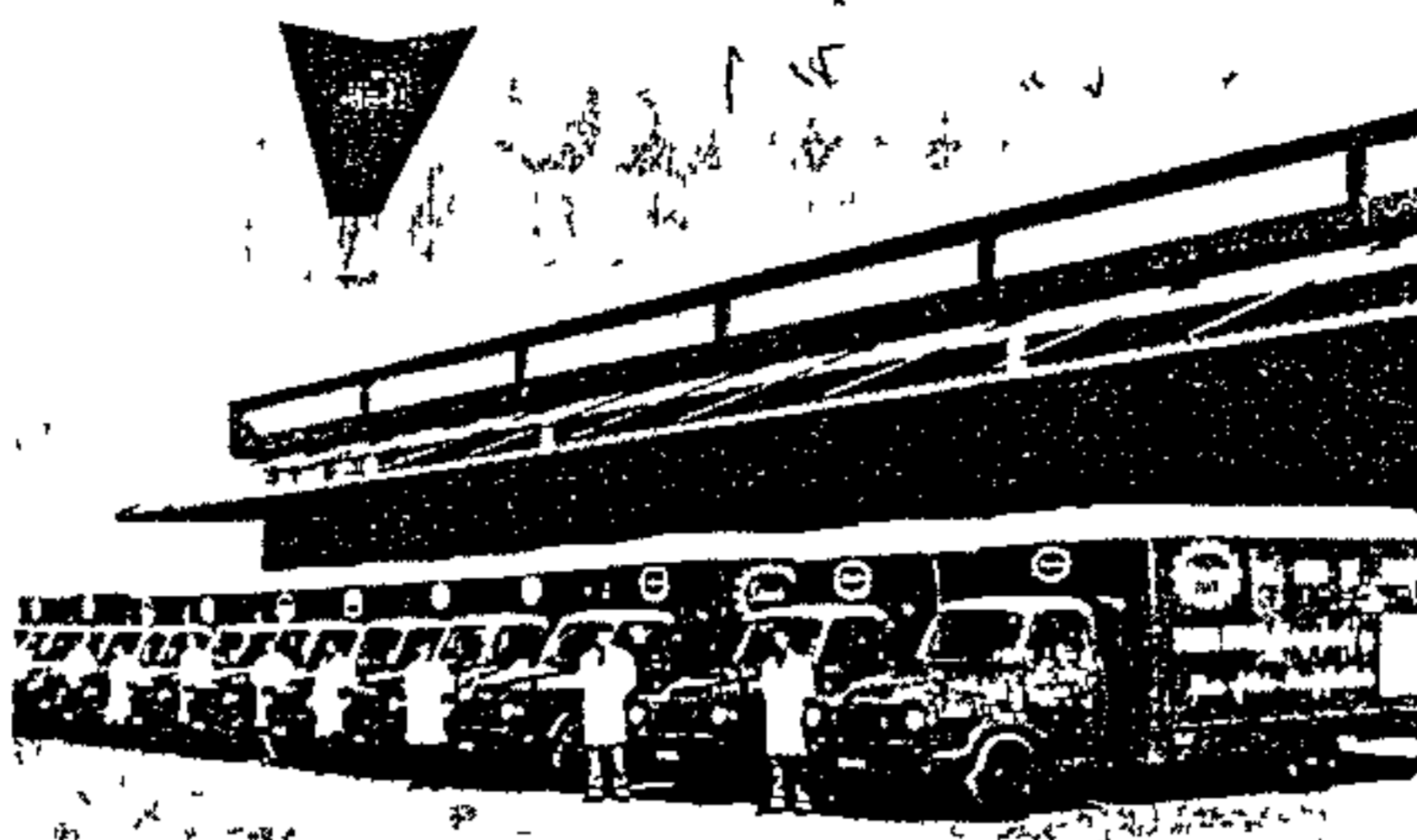
Another inspection takes place to remove defective brown chips.

Before packaging the chips must cool completely or they would go limp from the moisture they would cause in sealed packs. Cooling is carried out in a holding bin.

Finally, the chips are flavoured before being conveyed to the computerised packing machines.

The cartons are hand packed before being automatically sealed and stacked on pallets for storage before distribution.

The recommended shelf life of Simba chips is six to eight weeks.



One of the first fleets of Simba route vehicles at the Isando plant

How the snacks get to retailers

By Anthea Duigan

MORE than 80% of rusks are distributed through supermarkets whereas the salty snacks require their own distribution network.

Simba marketing manager Bernard Immelman says:

It is a door-to-door selling method whereby the chips are sold delivered and mechanised directly to cafes and corner stores. "About 25 000 outlets are visited weekly by salesmen who cover 15-million kilometres every year. More than 250 five-ton route trucks, 35 intercity pantechmcons, five snack factories and 27 well positioned branches make up this network."

The Simba market extends to some, but not all of South Africa's neighbouring countries. Freshness being one of the prime requisites precludes sales to areas far from the factories. Products are sold in Botswana, Lesotho and Swaziland.

The savings derived from having factories in all four provinces is perhaps outweighed by the economies of scale arising from

one production unit for the whole country. However, product freshness captures the market edge. Simba is No 1 in the salty snack market in SA.

The two market segments, potato and extruded, account for 52% and 48% of the market respectively. Simba controls 57% of the market, Willards following with 35% and small coastal producers having the remaining 8%.

Lunches

Simba has 54% of the chip market compared with Willards' 33%. And Simba leads with 60% of the extruded market.

Children buy from cafes and prefer the small bags whereas mothers doing the family shopping will buy the 150g bag. Last year more than 550 million packets of Simba snacks were consumed. Soft drinks, sweets and chewing gum are top of the list of teenage purchase in both the black and white groups, according to a survey.

The favourite flavour among whites is salt and vinegar.



OUMA GREYVENSTEYN she launched an industry from her Molteno farm

Blacks prefer smoked beef.

The South African salty snack market is growing by about 15% a year and is currently worth about R415 million at retail level.

In the United States, 5kg is the per capita consumption compared with 900g in South Africa so there is plenty of room for growth.

SOME facts about Simba Quix and its products

● The savoury snack industry is considered to be one of the most dynamic food growth arenas retail sales moving to an estimated R415 million last year.

The market is dominated by the young generation, which is looking for a treat. Young people like great taste and good value — and snacks give them what they want.

Competition between the two major players for these high stakes has at times been sizzling.

● The snack market is segmented into two specific categories — potato chips and extruded products. Potato chips are marginally bigger.

Within these segments are a proliferation of brands, each with its own personality and consumer appeal.

● Different cuts have grown in recent times. Simba O'Grady's, which in 1985 was the first cut innovation, took a 20% market share in six months.

Managing director Neville Isemonger says: "It was the right product at the right time."

● In 1988, Simba through PFI

Industry worth R415m a year

launched the world potato chip buster — Ruffles.

PFI — the biggest snack food producer and long time associate of Simba Quix — had sold the product in 11 countries, sales netting R1,3-billion.

With this success rate Ruffles was set to ignite the SA snack market — and it did. However, the Simba groovy-cut chip broke the success rate of Ruffles. The brand has settled into a niche and this is becoming a characteristic of the snack market.

● Simba Classic launched in 1988 as a regional brand, has turned consumers to the traditional potato chip.

Extruded products offer a variety of textures, and in this category brands have been around a long time.

● Niknaks are the biggest single seller and are still growing, turning over R50 million.

WHEN IT'S TIME TO GET SERIOUS ABOUT QUALITY AND SERVICE, IT'S TIME TO CALL US



SERIOUS ABOUT SERVICE

JHB TEL (011) 493 4900 FAX (011) 493-2734
CT TEL (021) 52 4830 FAX (021) 551 1973
DBN TEL (031) 37 2411 FAX (031) 32 1338
EL TEL (0431) 2 1930 FAX (0431) 2 1984
PE TEL (041) 52 1555 FAX (041) 52 1597

More good in the goodies than you care to believe

MUCH has been said about the nutritional — or more probably the non-nutritional — value of snack foods and this is of concern to manufacturers

Although potato and maize snacks are made from basic foods, they can not be regarded as such because they are not eaten in sufficient quantities to be major contributors to diet. They must be seen as treats or supplementary foods which carry basic nutritional value.

Simba Quix is anxious to dispel many misconceptions about snacks and perhaps even surprise readers about their fun to-eat products.

Dozen

The potatoes used are grown in various parts of South Africa. Fresh potatoes are available throughout the year. To ensure that the nutrients remain in the chips, the potatoes are sliced when they are fresh and quick-cooked immediately.

As a result every 30g serving of Simba potato chips contains at least a dozen widely recognised nutrients in fivefold concentrated slices of potato.

Most people are unaware that on an equal weight basis, Simba chips contain

FOODS	WEIGHT	KILO- JOULES
Simba plain potato chips	30g	680
Milk chocolate bar	50g	1 180
Pizza (small slice)	100g	983
Brown bread roll with butter	10g	915
Fruit yoghurt	175ml	770
Oatmeal biscuits — two	36g	722
Cheddar cheese — thin slice	30g	600
Apple	150g	310
Biltong	30g	250

more vitamin C than most fresh fruit and vegetables.

They are rich sources of energy with fewer kilojoules than many people think.

The reason snacks taste more salty is because the salt is on the outside, so the taste buds are brought into immediate contact with it. Many foods which taste less salty, often contain more sodium.

Fritos Corn Chips, Machos Tortilla Chips and Cheese Nibnaks are made from stone ground kernels of whole grain corn and the latter are flavoured with real cheese seasoning and corn meals.

As a source of nutrition, corn has a different profile to potatoes. It contains starch and other complex carbohydrates our bodies need.

Whole foods, such as celery and apples, contain more recommended daily allowance (RDA) of vitamins A and C than corn chips. Simba's corn chips contain such essential minerals as calcium, phosphorus, iron and magnesium.

Pack for pack, Fritos contains slightly fewer kilojoules than Simba chips. But they contain slightly more sodium.

No preservatives are

used in any Simba Quix corn or potato snacks. Because the products contain so little moisture, they are not subject to microbiological spoilage.

An antioxidant is added to the cooking oil to maintain its freshness. It is added at the same level found in the cooking and salad oils used by housewives.

Cholesterol

The corn and potato snacks, before flavouring, contain no cholesterol. They are fried only in polyunsaturated vegetable oils which contain no cholesterol.

Only the cheese flavoured snacks contain a small amount of cholesterol because real cheese is used. The snacks with other flavours contain no animal ingredients and are free of cholesterol.

Lack of fibre concerns many dietiticians. Insufficient fibre has been associated with several illnesses of dietary origin. Simba chips and Fritos provide a good source of crude fibre.

Weight for weight, Simba chips have more than twice the crude fibre content of that of an apple and 50% more than wholewheat bread.

The correlation between sucrose consumption and tooth decay is strong. Simba corn and potato snacks contain less than 1% sucrose, the majority of carbohydrate being present as complex carbohydrate, including starch and fibre.

Increasing consumption of foods containing complex rather than simple carbohydrate — sugar alone — is recommended by the US Food and Nutrition Board.

Important

Snack foods are called auxiliary foods for reasons like those which place nuts, most fruits, olives or caviar in the same category.

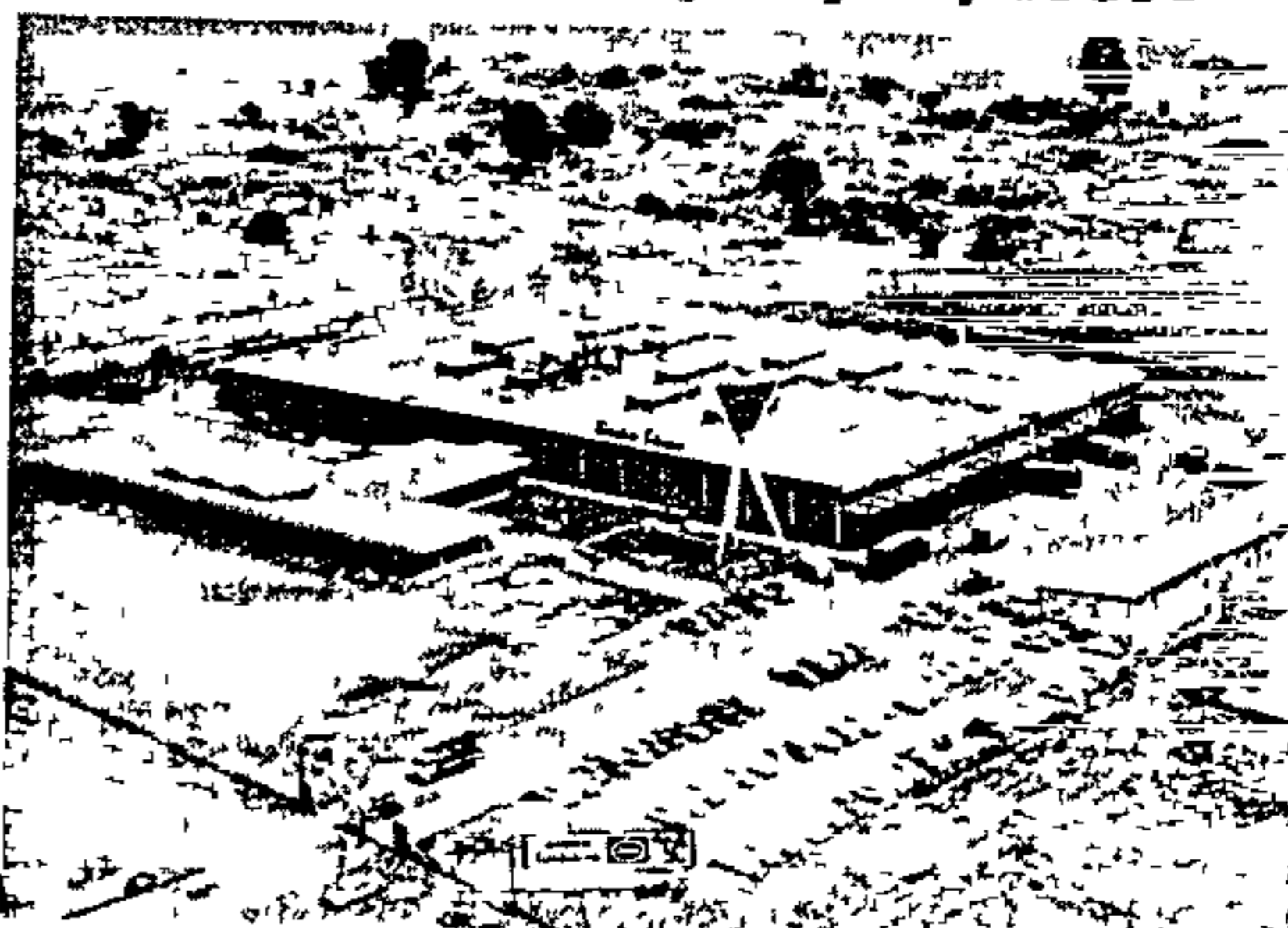
All are carriers of important nutritional values, but are either not very concentrated sources or are eaten too infrequently to make a major nutritional contribution.

But such foods provide the variety and spice of eating experience and keep the diet from becoming dull and unappetising.

Taken together, the nutritional values of snacks, ice cream, nuts, biscuits and the like have a real effect on our diet.

These auxiliary foods should be chosen with wisdom, however. The important point is that the kilojoules of such foods should contribute not only flavour but desirable nutrients.

Sensible methods of dieting advocate cutting down on the consumption of foods which do not supply needed nutrients along with the energy.



The Isando factory in 1957 — one of the first in what is today a industrial and commercial area

Quick service keeps the product fresh

TRADE relations between Simba Quix and its customers are good.

But managing director Neville Isemonger says that in any relationship there is always room for improvement.

A fine balance exists in the trade among the four giants — Pick 'n Pay, OK Bazaars, Checkers and Spar — and the corner cafes.

Accent

The kernel of the Simba business is still the small shopkeeper to whom products are sold on the route basis and the accent is on service. The aim is to deliver the products as fast as possible. The choice of products is wide.

Competition is represented by any item which might be bought instead of a Simba product. This includes a bottle of mineral water, a bar of chocolate, a packet of biltong or a bag of sweets.

As with the cafes deliveries are made direct to each chain store branch rather than to any central warehouse.

There are two reasons for this — to ensure product freshness and bulk cartons take up large areas of valuable storage space. This is a definite benefit for the trade which does not need to hold big stocks.

"However, I see a move in the platteland to a cash and carry wholesale distribution concept and it is likely to spread to the more populated areas," says Mr Isemonger.

Inevitable

"With the fuel price increases and the rise in the cost of vehicles this type of development is inevitable. Our only worry about this development would be our inability to monitor freshness."

"If a customer dislikes our product because it is stale,

we must know about it. Dissatisfied customers are for our image and we lose them for ever."

The route selling — covers sales and merchandising at the same time. The salesman leaves the distribution point with a of products and follows planned route, calling on his customers.

Tally

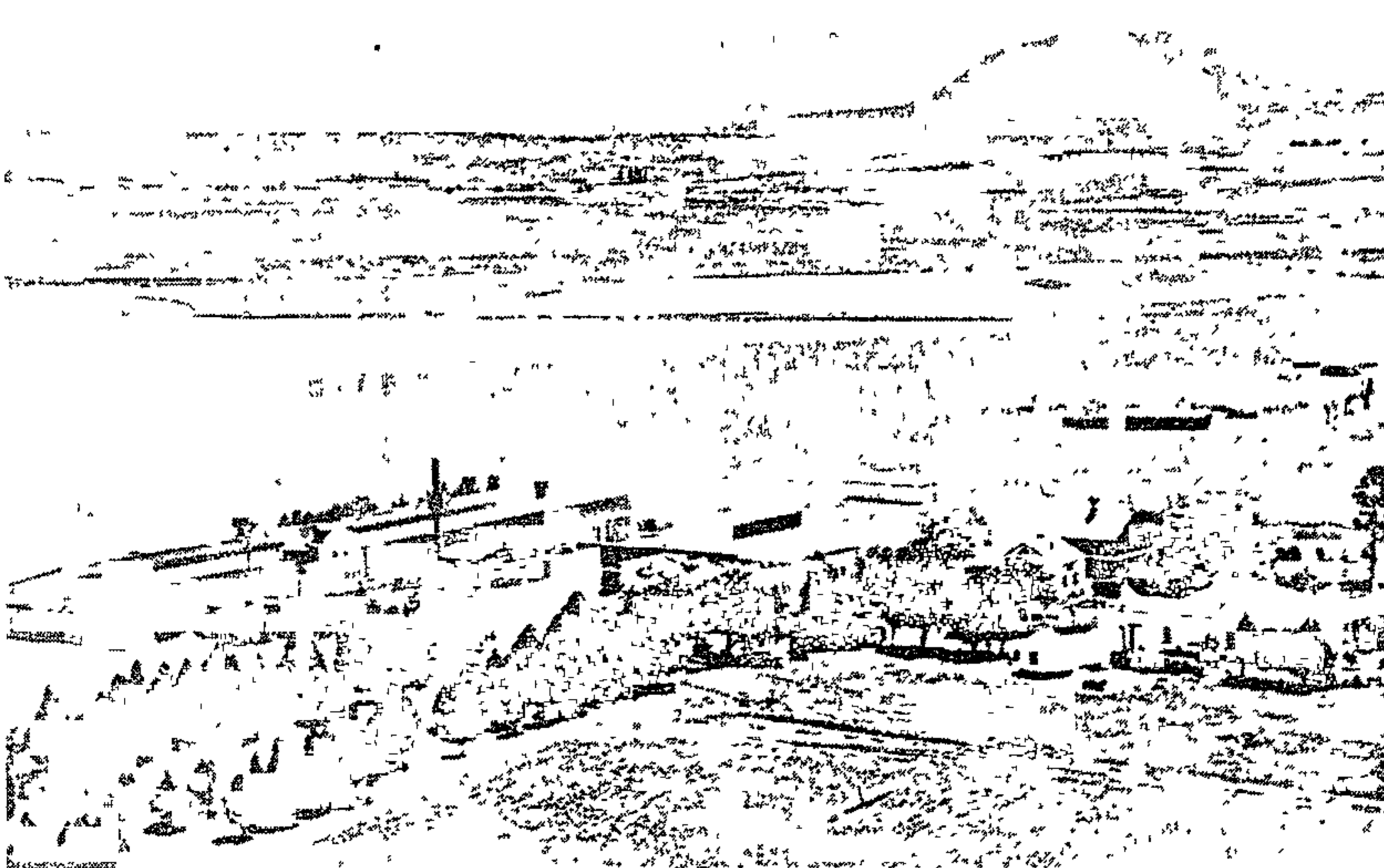
He has with him a computer which serves to out orders, tally the and supply the with an invoice.

This method not only relieves the salesman of much paperwork, but implements better control on stock rotation and van loading. This system is unique to Simba in the industry.

Serving the major chains differs from the route method. Salesmen take the orders, relay them to Simba distribution centres which effect the deliveries in a more traditional way.

Quix: 50 Years

Business Times Survey July 23, 1989



Where it all began . . . the Friedenheim farm near Molteno. The first rusks were baked there.

Top jobs for women in equal opportunity firm

SIMBA is an equal opportunity company — equality of race and of sex.

For the past few years the role of the group accountant has been held by a woman. Until she emigrated recently, Karen Richards handled the company finances so well that management sought a woman to succeed her. Trix Coetzer controls the accounts now.

Members of all racial groups work at all levels, including management. One of the two divisional sales managers in Cape Town has been with the company for 18 years. Two branches are run by Asians.

Molteno depends to a large extent on the production of Ouma rusks. The factory is labour intensive and Simba has an obligation and a desire to retain it.

The manager, Christie Opperman, a former mayor of Molteno, has been with the company since 1967. Simba management will be faced with a problem when he retires because it will be hard to find someone with the necessary skills who is prepared to live in the isolated town of Molteno.

Simba Quix managing director Neville Isemonger hopes that when the time comes, a senior staff member with 10 years to retirement might be tempted to move to the Molteno farm.

"Training is a necessity for a company with equal opportunity," says Mr Isemonger. "Many employees need intensive in-house training to reach their potential. Our accent on training increases all the time. I regard it as an investment for the future of South Africa."

Although Mr Isemonger does not plan to diversify

beyond the salty snack market, there is still plenty of room for expansion. He is prepared to spend whatever is needed on plant and equipment to meet demand. Increased investment in the form of a complete overhaul is planned at the Maritzburg factory and the Heilbron plant where Simba extruded products and Simba Peanuts are packed.

Factories

One of the problems facing most companies is communications and teamwork among all divisions. Mr Isemonger says "Care must be taken in a decentralised organisation, such as Simba with five factories (including Molteno), lest competition among them does not override the common bond. One factory's experiences must benefit the others as well."

"Provincial competition is not confined to rugby and cricket. Attitudes that Natalians take five times longer to achieve anything, that Transvaalers think bigger than Texans and Capetonians do not care what happens beyond the Hex River Valley can destroy an integrated approach."

"This competition presents a challenge to the marketing department which has worked out a national strategy to prevent provincial cussedness. Regular meetings of factory managers are arranged for information to be disseminated."

In projecting the image of fun, the company has developed an informal managerial approach. Mr Isemonger's door is always open to staff members and he likes to think the company culture is one of work satisfaction and enjoyment.

New industry chief (186)

The Star's Foreign News Service

BRUSSELS — Durban-born Mike Mathews is returning from Belgium to become the South African Sugar Association's executive director

Mr Mathews, who takes up the post in November, says the changing political climate is a key factor in his decision to move after a spell as MD of the MAS shipping organisation

"I never left South Africa for any political or social reasons, I was just offered a very attractive job. Now I have a very exciting challenge"

He says Europeans would be surprised to know that there are 22 000 independent, black cane growers in the association, all getting assistance with

finance, marketing and export

His first task will be to establish a more structured, systematic organisation, doing away with many committees

"Rather than throwing problems at committees, we are going to have a formal management system and then try to make positive and proactive comments," he says

Mr Mathews says if political progress continues and there is peaceful change, business prospects should be good

"We could develop markets in Africa and improve the lot of poor countries"

Mr Mathews (55) is a former MD of Unicorn Shipping and the Grindrod Group

Cadswep results rich and bubbly

By Day 27/7/89. (186)

LIZ ROUSE

CADBURY Schweppes (Cadswep) has achieved most palatable results for shareholders at the interim stage, proving once again the group can sweeten any unfavourable conditions in certain sectors

Taxed profit for the 24 weeks to June 17 rose 28% to just over R10m from R7,8m in the 24 weeks to June 18 1988, on a 22% rise in turnover to R158,8m (R130,7m)

Earnings growth was 21% to 28,8c a share (23,9c a share), after final conversion of the 13,5% debentures. The interim dividend has been raised to 8c (6,6c)

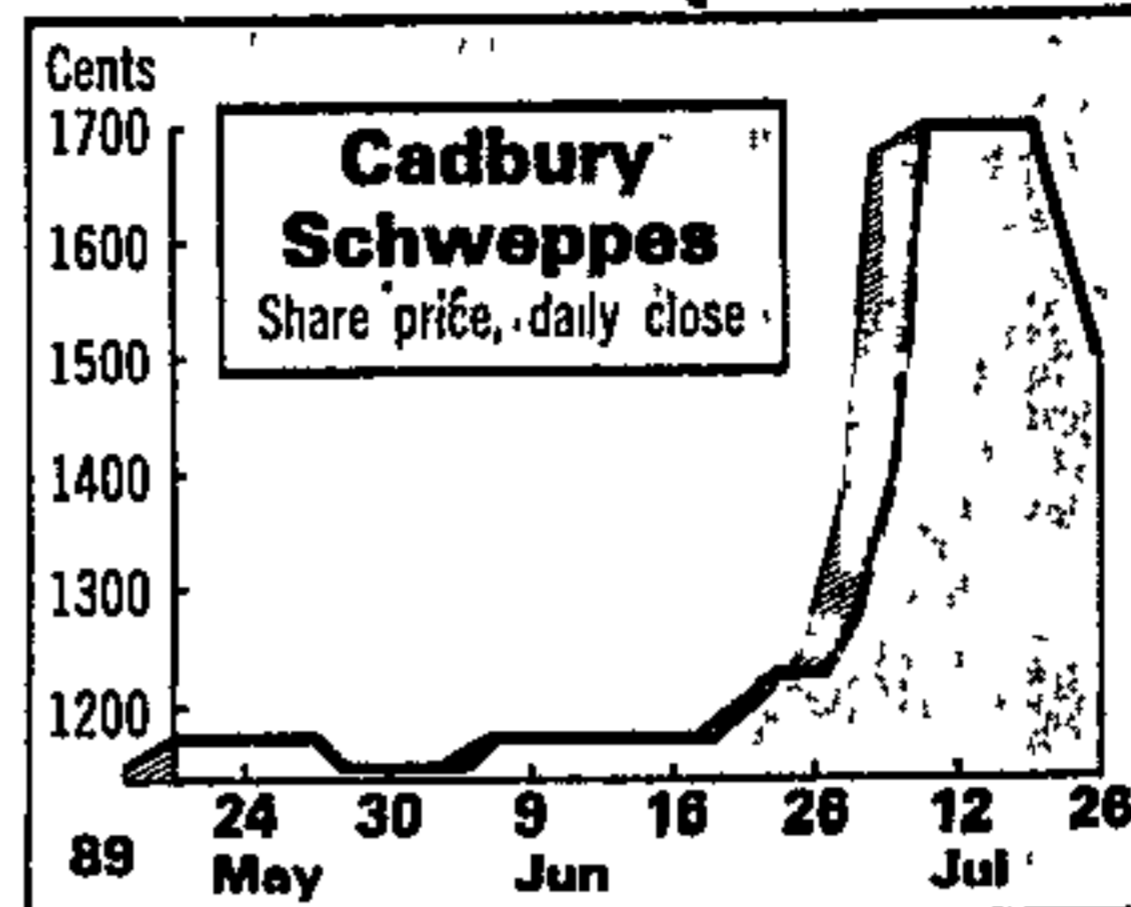
The results are all the more pleasing because Cadswep has continued on a real earnings growth trend since a high base was established in 1985, in spite of more difficult trading conditions

A feature of the interim results is the sharp drop in financing costs to R953 000 from R1,7m after conversion of the debentures and as a result of tight control of working capital

The balance sheet was healthy at the end of the six-month period, with interest-bearing debt, net of cash and short-term investments, up by only R2,6m over the previous year

Liquidity led to Cadswep shopping around for acquisitions, which resulted in the recently announced R19,6m acquisition of 82,5% of Chapelat-Humphries

Chapelat-Humphries will broaden the group's range of confectionery products and "opens exciting opportunities to strengthen our franchise with young consumers", say directors



Graphic: FIONA KRUCH Source: JSE

Cadbury performed strongly in the past six months, with new products and increased advertising support continuing to stimulate consumer demand. The investment in the Springer chocolate factory in Windhoek exceeded expectations and profits have been included in interim results

Schweppes's operating profit was marginally lower than in the first half of 1988 because of intense competition and poor weather at the beginning of the year

Cadswep's investment in Amalgamated Beverage Industries (ABI) has paid off as the newly listed ABI shares have performed extremely well. ABI reported a 20% taxed profit rise

Cadswep should have no difficulty in improving on 1988 earnings of 69,7c a share (348,7c before the 5-for-1 share split)

Cadswep shares have declined to R15 from the year's high of R17. Historic p/e is 21,5, reflecting the stock's blue chip status in the beverages sector

Star 27/7/89 (186)

Cadbury Schweppes

Reg No 04/00415/06 (South Africa) Limited

Interim report for the period ended 17 June 1989

- **Profit after tax up 28%**
- **Earnings per share up 21%**

Consolidated income statement	24 weeks to 17 June 1989 (unaudited) R'000	24 weeks to 18 June 1988 (unaudited) R'000	52 weeks to 31 December 1988 (audited) R'000
Turnover	158 784	130 670	326 487
Operating profit	13 364	10 964	32 017
Financing costs	953	1 755	3 211
Profit before taxation	12 411	9 209	28 806
Taxation	5 288	3 782	11 567
	7 123	5 427	17 239
Earnings from associated company	2 878	2 398	5 605
Profit after taxation attributable to shareholders	10 001	7 825	22 844
Shares issued (000)	34 714	32 739	32 801
Shares on which earnings per share is based (000)	34 714	32 739	32 762
Earnings per share (cents)	28,8	23,9	69,7
Dividends per share (cents)	8,0	6,6	30,0
Net asset value per share (cents)	310,8	273,8	296,4

Comments

Both turnover and operating profit increased by 22% compared with the corresponding period last year. Following the final conversion of 13.5% debentures and as a result of tight control of working capital financing costs dropped sharply, leading to an increase of 28% in profit after taxation. Earnings per share growth was lower at 21% because of the debenture conversion.

Cadbury performed strongly, with new products and increased advertising support continuing to stimulate consumer demand. Our investment in the Springer business announced in April has exceeded our expectations and we have included its profit contribution for the first time. Schweppes operating profit was marginally lower than in the first half of 1988 due to intense competition and poor weather at the beginning of the year. The poor weather also affected non-carbonated soft drink sales, the overall market declined and although Bromor gained market share it was only able to record modest growth in profits.

Amalgamated Beverage Industries Limited ("ABI") increased its profit after taxation by 20% a very good result considering the adverse weather conditions. ABI was listed on The Johannesburg Stock Exchange on 28 June and its strong share price performance indicates the value of our investment.

With the conversion of debentures interest bearing debt net of cash and short term investments, increased by only R2.6m over the previous year.

We recently announced the acquisition, subject to the fulfilment of certain suspensive conditions of an 82.5% share of the Chaplat-Humphries group. This broadens our range of confectionery products and opens exciting opportunities to strengthen our franchise with young consumers. Although the acquisition will not have a significant impact on our earnings this year it will have considerable longer term benefits.

We are seeing signs of a slowdown in the economy and we expect trading conditions to become increasingly difficult in the second half of the year. This may impact on our rate of growth although we are well positioned across the full range of confectionery and soft drink markets to benefit from changes in consumer buying patterns.

In view of the improved results the directors have declared an interim dividend of 8.0 cents per share an increase of 21% compared with 1988.

On behalf of the Board

A J L Clark *Chairman* P M Bester *Managing Director*

26 July 1989

Declaration of Ordinary Dividend No. 39

Notice is hereby given that an interim dividend of 8.0 cents per share has been declared payable to all shareholders registered in the books of the company at the close of business on 15 September 1989. The share transfer register and register of members of the company will be closed from 16 September to 24 September 1989, both days inclusive, and dividend warrants will be posted on or about 6 October 1989. In accordance with the South African Income Tax Act (as amended) non-resident shareholders tax will be deducted by the company from dividends payable to shareholders whose addresses are outside the Republic of South Africa.

By order of the Board

P J Fleming *Director*

26 July 1989

Transfer Office
Unidev Registrars Limited
6th Floor 94 President Street
Johannesburg 2001

Registered Office
Astron Road
Denver Ext 6
Johannesburg 2094

Enigma

Quality • Innovation • Growth

new controls the largest motor-spares retail group in SA, with an annual turn-

that NEI subsidiary Propower is negotiating with Colmans).

Cadsweps improves interim profits by 21 pct to 28,8c

Star 27/7/87. 186

Finance Staff

Cadbury-Schweppes has been one of the top movers on the JSE over the last month

Much of this reflects speculation about a takeover bid for the group's parent company in London, but it also mirrors Cadsweps inherent strength, which was confirmed by the good interim results released today

Taxed profits for the 24 weeks to June 17 improved by 28 percent to over R10 million on a 22 percent rise in turnover to

R158,8 million

The growth at the earnings per share level of 21 percent to 28,8c was slightly lower as a result of the conversion of the 13,5 percent debentures. The interim dividend was raised by 21 percent to 8c

The directors state that a range of new products continued to stimulate consumer demand

Detailing the performance of the various divisions, the directors comment that the investment in the Springer business contributed towards prof-

its for the first time, while ABI also increased its taxed profits

"Schweppes operating profit was marginally lower than in the first half last year due to intense competition and the poor weather."

The directors expect trading conditions to be more difficult in the second half, as the economy slows down, "but we are well positioned across the full range of the confectionery and soft drink markets — recently complemented by the acquisition of Chapelat-Humphries — to benefit from the changes in buying patterns"

Severin rewards shareholders

Star 27/7/87.

Basic foods set to rocket — chain chief

Star 29/7/89

186

OWN CORRESPONDENT

DURBAN — Basic food prices, which rose an average of 12 percent in the past six months, are set to rocket further with major increases in the pipeline, Spar marketing director Mr Mike Forsyth said yesterday.

These included rice, which had already gone up 18 percent this year and was set to rise further, cooking oil, which threatened to break the R2 a bottle barrier after being R1,49 in January, margarine (7 percent), pet food (15 percent) and toilet paper (12 percent)

"Items like candles have been hard hit with a pack, which sold for 89c last year, now going up to R1,29 wholesale," said Mr Forsyth

"While the sugar price increases has been held below inflation, biscuits rose 15 percent while general cleaning materials went up 12,5 percent this year"

Mr Forsyth said other products due to increase were cheddar and gouda cheese by between 10 and 11 percent after going up 4 percent in March, and frozen vegetables which went up 6 percent in April and another hike was expected soon

Christmas

While chicken prices were stable and well priced at the moment, they were susceptible to supply and demand and could be expected to go up sharply at the end of the year over Christmas

"In the first six months of the year, the average cost of basic items went up 12 percent and we expect it to be between 18 and 20 percent by the end of the year," he said



DP HAS A PLAN: Mr Harry Schwarz.

Up 12 pc in six months and 20 pc likely by year-end

"By buying forward and using warehousing we try to act as a buffer between price increases and the consumer but with tight money and high interest rates, it is increasingly difficult"

The Democratic Party has announced that it stands for the greater mobilisation of consumer power, for more effective legislation and for a Ministry of Consumer Affairs, reports Sapa

This was said by Mr Harry Schwarz, DP finance spokesman, in Pretoria yesterday

Addressing a meeting

of the SA Consumer Council, Mr Schwarz said his party was committed to free enterprise and the free market mechanism, "but it is opposed to exploitation, and sharp practices"

He said "The DP's economic policy is designed to combat inflation and to this end has committed itself to reducing government expenditure"

The party would

- Reassess priorities of State expenditure
- Eliminate unnecessary Government departments dealing with unacceptable ideological activities

- Ensure that the public service is efficient, better paid, but leaner

- Give incentives to productivity

- Eliminate duplication

- Ensure the money supply is under control

The party would also improve economic growth by restoring confidence, giving incentives to save and so encourage investment and implementing its policy of creating work to improve the quality of life.

A Minister of Consumer Affairs would be appointed whereas at present consumer affairs are part of the Ministry of Trade and Industry

The Minister, with his varied responsibilities, has conflicting interests to care for and consumer affairs play a very small part in his portfolio

Lack of will

There is no one in the Cabinet who speaks specifically and solely for consumers

He said legislative protection of consumers in South Africa was "totally inadequate" and where such legislation exists due to staff shortages and sometimes a lack of will, the laws are inadequately administered

"Though we have laws intended to prevent price fixing and ensure competition, all these conditions still exist in many spheres to a greater or lesser extent

"A Minister of Consumer Affairs would devote himself not only to a review of these laws, but ensure their application"

He said consumer protection was needed for another reason "Exploitation and its impact on living standards can affect race relations"

"This is another ground for the greater mobilisation of consumer power and for a Ministry of Consumer Affairs"

S/Times 30/7/89 (186)

Effervescence as Cadswep climbs

CADBURY Schweppes (South Africa) interim results were all sweetness and light.

The leading chocolate and soft-drink business raised turnover by 22% to R159-million in the six months to June. Earnings and dividend climbed by 21% to 28,8c and 8c respectively.

The shares recently ran to R17 before easing to the current 1350c on speculation that major British shareholder Cadbury might be taken over and Cadswep sold.

Machinery

York Timber boosted productivity in the six months to June. Turnover grew by 23% to R18,7-million, but earnings jumped by 56% to 19,3c a share — calculated on a 10-for-one share split due to become effective in August. Payout was lifted 67% to 5c.

The share price climbed to a new high of R22. Yorkcor spent R2,5-million on transport and machinery in the half-year, and intends to spend another R2,7-million in the current year.

Honours go to Rustenburg Platinum which lifted earnings a share by 55% to 475c in the year to June. The dividend was hoisted 36% to 300c, yielding 4,6% at the current 6550c.

Gross sales approached R3-billion, helped by the weaker rand and better nickel prices. The precious metals refinery in Bophuthatswana was opened in March and is working well.

Little sister Lebowa did

By Julie Walker

not shine as brightly, with profit margins dropping from 32% to 27%. Other income — mainly interest earned — more than doubled to R11,8-million, and pre-tax profit of R30,5-million was 61% up.

The higher number of shares in issue restricted bottom-line growth to 15% at earnings of 19,8c a share, and the dividend of 7,5c was 25% higher.

The mine is expanding. A concentrator was commissioned at Atok and a plant to treat 50 000 tons a month there will be opened next month.

Lonrho Sugar's results are mainly of academic interest because there are few shareholders. But the profit growth was significant in the year to March. Turnover added 28% to E282-million, and earnings a share jumped by 51% to 263c. The directors offer no comments, but sugar looks promising.

Pleased

Dimension Data's directors declare themselves "extremely pleased" with the results for the six months to June — and well they might.

Absolute turnover is not given, but it grew organically by 80%. SA-produced items, cabling and networking solutions featured, and new ventures are expected to make a contribution soon.

Earnings a share added 60% to 10,2c. The share price hit a peak of 205c this week, giving

a historic price-earnings ratio of 9,7. Stocks & Stocks took full advantage of the upswing in economic activity in the year to April.

The building and construction group raised earnings by 25% to 40c a share and the dividend by 22% to 10c. The current share price of 140c is only 3,5 times earnings.

Largest profit contributors were building and property development, especially mass housing. Civil engineering and construction were satisfactory and road work improved in spite of the rainy summer.

Sub-contracting activities, timesharing and computer business also shaped up. Stocks enters the current year with an order book of R750-million — R118-million up on last year.

Shortage

The directors expect growth this year. Construction lags behind in economic cycles and the impact of the general downturn will be felt later.

Things did not keep going right at Toyota, where growth was retarded solely by the shortage of stock caused by trade restrictions. Earnings a share fell from 1103c to 789c in the six months to June even though turnover notched up a 15% rise to R1,36-billion. The interim dividend was increased by 9% to 150c.

But the directors note that supplies from Toyota Motor Corporation in Japan improved satisfactorily recently, "mainly due to the changed exchange rate from yen to dollar".

Toyota expects its market share to rise to its traditional 27% because demand for vehicles remains buoyant.

Only two of the 18 companies reporting this week did worse than in the previous comparable periods, but the rate of earnings growth looks a little slower.

I have excluded the results of the Johannesburg Mining & Finance companies where management and control have changed and extraordinary writeoffs declared.

Call Trans. 19/8/89

Cops fire on 450 angry workers in wage dispute

JOHANNESBURG. — Police called in to restore order at a pie factory here lashed out with sjamboks and opened fire on a crowd of 450 workers angered over a wage dispute.

At least 17 workers were injured, some seriously, when police used force apparently after the workers defied an order to disperse from Mama's Pies premises, Malvern, according to managing director Mr Louis Silber.

A spokesman for the Food and Allied Workers' Union (Fawu) said several workers were arrested in the confrontation in which workers allegedly hurled stones at the police.

Mr Silber, who regretted the injuries, said the workers were locked out on Thursday after a breakdown in wage negotiations.

He said the workers arrived at the factory yesterday morning and behaved violently and brushed off senior personnel who came to reason with them.

A statement from the police yesterday said that some workers hurled stones as they fled the scene following an order to disperse.

"They were warned by police to disperse and were given a while to do so. When they didn't do so, they were dispersed with horsewhips. Shots were fired," the statement said.

They said four workers were injured following the police action.

● Meanwhile, Mama's Pies, a division of the Premier Food industries, faces industrial action at its three branches in Johannesburg, Durban and Cape Town. — Sapa

A Business Times

Baking in on the act

GIRDER Naco is to improve its import replacement capabilities by expanding its bakery division.

The intention is to manufacture almost all bakery requisites in SA.

With the possible exception of mixers and dividers, equipment used in plant bakeries can be made in SA, says Peter Broughton, manager of the bakery division.

"We have our own manufacturing bay at Girder Naco's Tulisa Park factory and are able to reduce our reliance on imported equipment."

Most of the equipment will be made under licence, doing away with the need for re-

search and development.

Equipment made by Girder Naco is designed to meet the needs of bakeries which produce between 1 000 and 6 000 loaves an hour. *SI Times 20/8/89*

The company is involved in the manufacture of flour-handling systems, dough elevators, hoppers and ovens — all made from steel.

It plans to move into the manufacture of conveying systems for tins, lids, bread and dough.

Because of the move to automation in baking, customers prefer to buy from one source, says Mr Broughton.

(20) (90) 25/9/85

Strike at Mama's Pies is resumed after shootings

By Abel Mushi
Workers at Mama's Pies resumed picketing outside the company's premises yesterday almost a week after a shooting incident in which police opened fire on strikers at Mama's Pies headquarters and factory shop in Malvern East, Johannesburg.

The event was centred on a pay dispute which started on July 18. Workers demanded an across-the-board wage increase from R151 to R265 a week.

Workers say the management offered them an "unacceptable" increase of R14,50 which set their minimum wage at R165,50.

Four people were shot and about 25 injured after the incident last Thursday, sources say. None of the victims died and no official information could be obtained from the hospital.

According to some of the strikers the police were called by the management at about 8 am after workers started chanting and waving banners outside the company's premises.

They said a senior policeman warned that if they did not disperse, they would start shooting. They continued singing and chanting and the police started to shoot, while others attacked them with batons.

According to the police, they shot only after strikers threw stones at them when they tried to disperse them.

Immediately after the incident, some of the workers went to the Food and Allied Workers Union (Fawu) regional offices in central Johannesburg for instructions.

Fawu's spokesman said yesterday they had accompanied the workers back to the company that afternoon to ask management to keep police out of the matter as they were not indulging in violent protests.

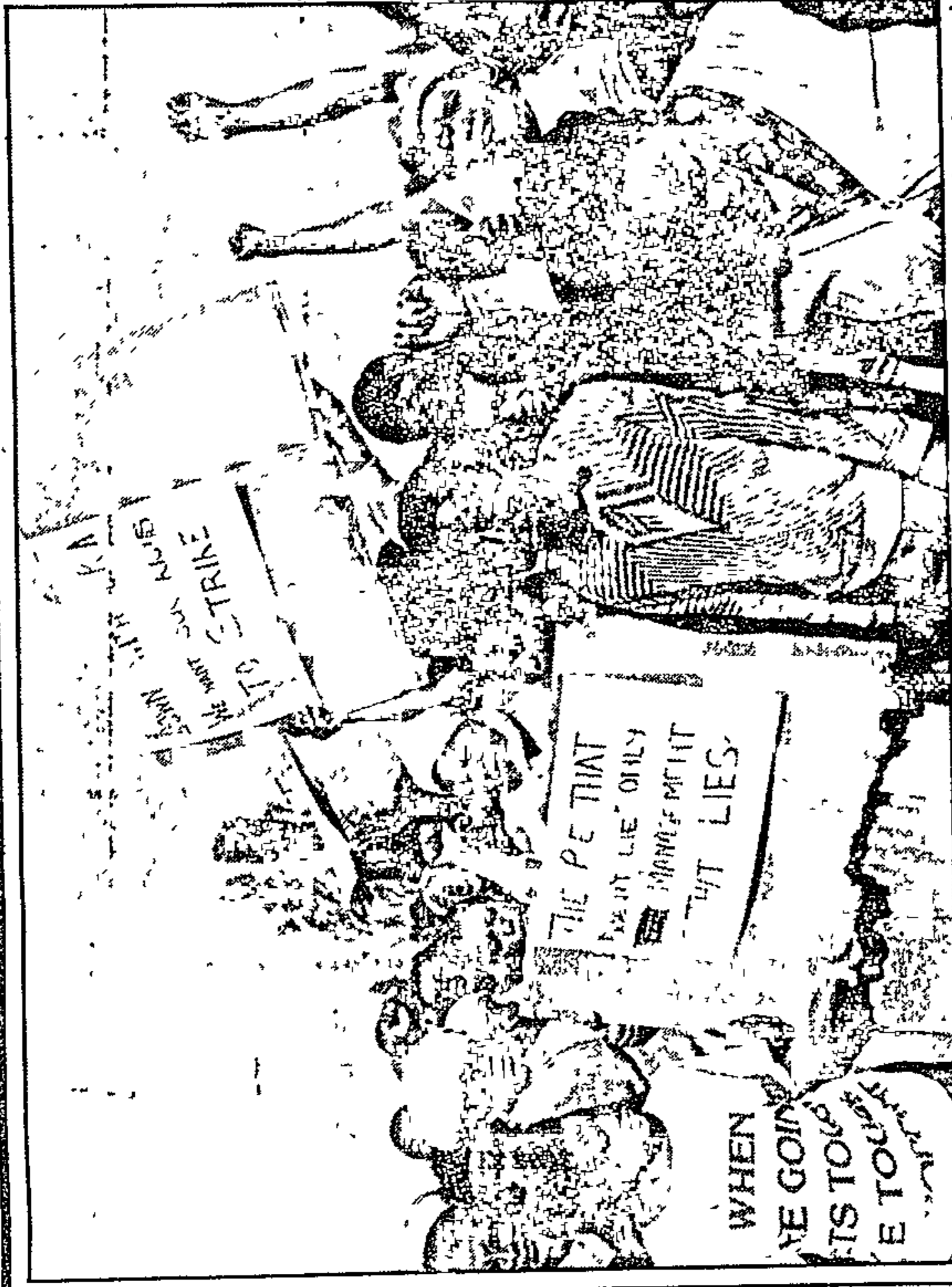
"Mama's Pies has main branches in Durban and Cape Town which are also affected and we are co-ordinating out strategies to help solve the problem effectively on a national level," said a Fawu official.

"On the day of the shootings, four of our members were arrested in Cape Town for taking part in a strike there," he said.

While picketing continues outside the premises, management has kept the gates closed and has since hired new staff, workers claim.

The company's managing director, Mr Louis Silber, said they had hired temporary staff "to keep the company going".

"We have promised the strikers R175 a week with effect from January next year and hope that they will realise the futility of the situation and return to work for what management is offering," he said.



Workers resume picketing Mama's Pies in Malvern East, Johannesburg, after an incident last week in which police shot four strikers. The strikers claim the attack was unprovoked, but police say the picketers were throwing stones at them.

mine to be ar Trichardt

Two and Three oil-from-coal plants.
Coal from the new mine, which will be opened within the next two to three years, will be transported to Sasol Two and Three by conveyor belt.
Sasol's four collieries have for years been unable to meet Sasol Two and Three's coal needs. Sasol has had to bring in coal by truck from mines as far as

Dancers ousted from Pact flat

Pretoria Correspondent
Pact has moved two of its coloured dancers out of a Sunny-side flat after a man threatened to have them prosecuted for living in a white area.

Mr Gerrit Geertsema, Pact's chief director, confirmed yesterday that an anonymous caller, apparently a CP supporter, had threatened to lay a charge with the police if the couple did not leave the Nylehof block of flats.
The dancers — a man and a woman — had been moved from the Pact-owned flat to "spare them embarrassment", he said.

Dancers ousted from Pact flat

"It's a lot of nonsense, but you have to think of the people first," said Mr Geertsema.

The couple had lived in the flat for a "reasonably short time" and have now moved to a flat at the State Theatre.

Both dancers resigned at the beginning of August, "presumably because they found better posts elsewhere".

(186)

HUNT LEUCHARS & HEPBURN

Plans that came together

■ The market has welcomed the thrust of the acquisitions

As long ago as 1986, Hunt Leuchars & Hepburn (HLH) was being tipped as a possible buyer for the timber interests of Bonuskor.

Yet, it was only last year that the takeover of Bonuskor finally happened — and the HLH share price moved into a strong up-trend

When the market decided to rerate the group, it did so with a vengeance. From the low of 340c last year, it climbed to a high of 950c in April, somewhat above the current 900c. It stands on a historical dividend yield of 2,7%, well below the 4,4% average for the industrial holding sector.

But the mix of its earnings has changed drastically. According to CE Neil Morris, about 70% of the group's earnings now come from food: 22% from the recently acquired interest in Rainbow, 22% from Transvaal Suiker (TSB) and 26% from CGP Investments, which makes and distributes grocery and household products.

Compared with the food sector, where the average yield is 3,1%, HLH is still highly rated, but far less out of line.

This is a far cry from the company whose EPS dropped from 36,8c to 8,9c in the year to August 1985, after a large part of its assets had been sold off for close on R100m. From a conglomerate with interests in such diversified sectors as building products and steel stockholding, it became a lean company with only 50% of HLH Timber and some steel processing interests, plus, of course, the large cash pile.

By the end of 1985, the steel division had also been sold. The deal resulted in large write-offs, and extraordinary losses of R22m were recorded. "HLH had diversified into companies in which we did not see much future growth of quality earnings," says Morris.

The controlling Hancock and Hepburn families then sold out their 60% interest in holding company Huntcor to Rembrandt Group for R57,5m cash. The turning point was reached and EPS doubled to 16,6c (28,4c annualised) in 1986 and hit 38,4c in 1987. Since then the steady EPS growth has continued, to 48,4c in the year to end-March 1988 and 68,8c in 1989.

The group really changed gear in 1988, when Bonuskor was acquired. The reason the two companies had been linked by analysts was

that both had timber and Remgro had a big stake in both; but, says Morris, the Bonuskor timber division was operating at only 70% capacity and was not a proposition on its own.

Remgro, the major shareholder in Bonuskor, had expressed a desire to be in the food business and had already expanded its interests when Bonuskor acquired 56% of CGP. By negotiating the takeover of Bonuskor's operations, it substantially increased its effective holding in this area. For HLH the inclusion of the rest of the company made the acquisition attractive. "By the time we took over Bonuskor, we had only 50% of HLH Timber and R65m cash," says Morris. "We, together with Remgro, decided that we wanted to go into food."

After the takeover, the rest of CGP was acquired, to "make it easier to manage," as Morris puts it.

Despite this diversification, the timber interests remain significant. Bonuskor's timber operation was sold to HLH associate HLH Timber but the two are not identical as the Bonuskor interests are in softwood and HLH's traditional market is hardwood. The latter is used for support in mining operations, whereas the softwood is used mainly in the building trade and for furniture and industrial use.

The traditional HLH market of the mining industry, where the group's market share is 65%, is not a high growth sector. Mining timber is expensive and there are now other products available which result in less timber being used.

Timber is not ideal in the deep mines, where stresses are very heavy. There is, thus, the need to look for new markets. HLH is engineering new timber products to make mining timber a cost-effective support, and is looking for new markets where further value can be added.

The Bonuskor timber interests supply about 10% of SA's softwood requirements and value can be added in this area. Wood is converted to laminated products and there is growing demand for the company's exports, which now account for about 30% of sales.

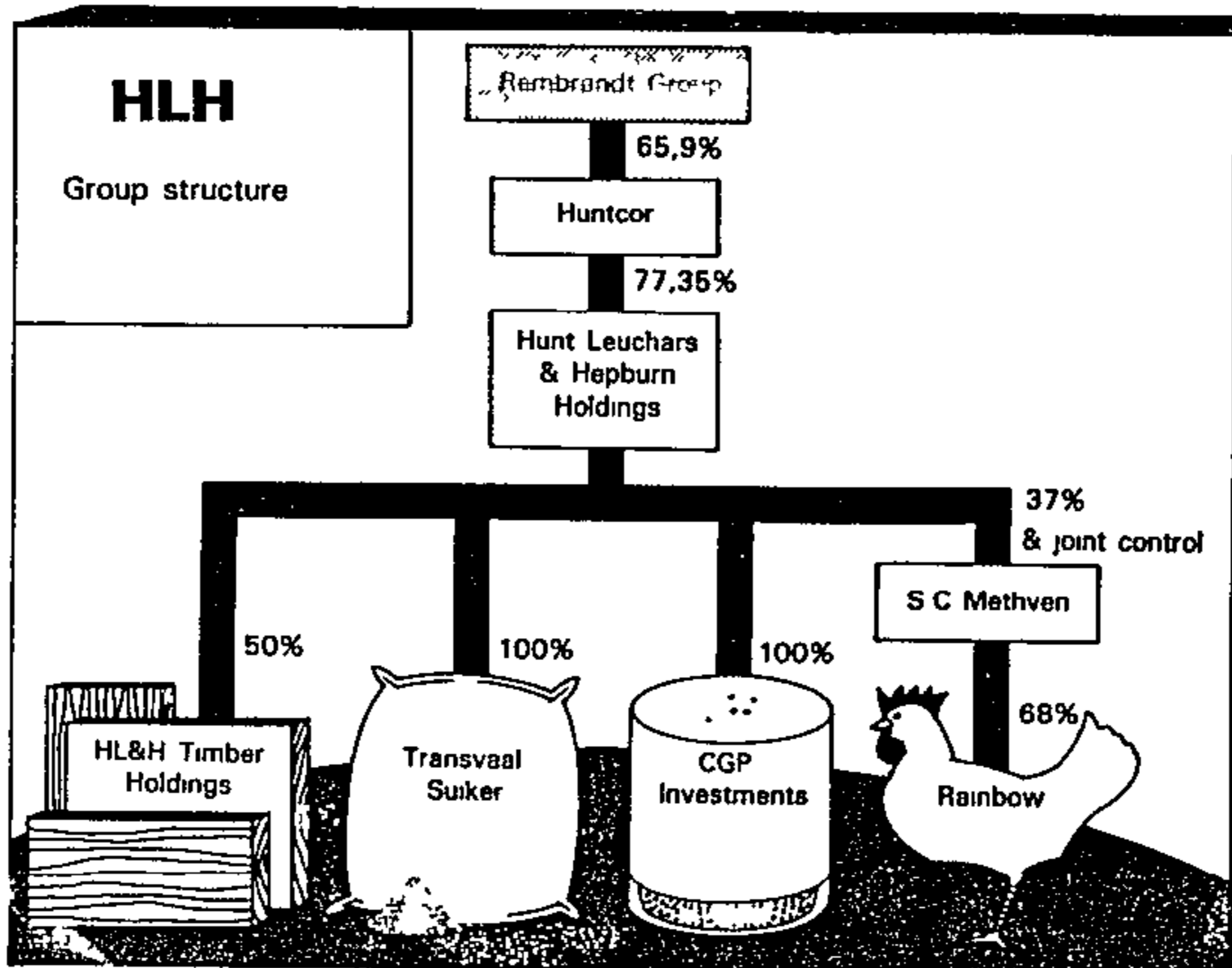
As 60% goes to the building trade, the boom in this industry has had a major impact on local sales — a far cry from the days of under-utilised capacity. An important factor is the deregulation of the industry, with the Timber Marketing Agreement falling away. Though this is officially due to take place only at the end of the year, it has, effectively, already happened.

Processing and sale of timber is only part of the picture. HLH has forests and grows the trees used for its timber. It owns 16 000 ha around Barberton, obtaining the rest of its softwood requirements under long-term contracts mainly from State forests. Despite the contracts, HLH is pressing for privatisation of State land and sawmills, which "would eliminate government's undue influence in the industry."

"Timber is a long-term business," says Morris, explaining that there are few large players in a market where planning has to be



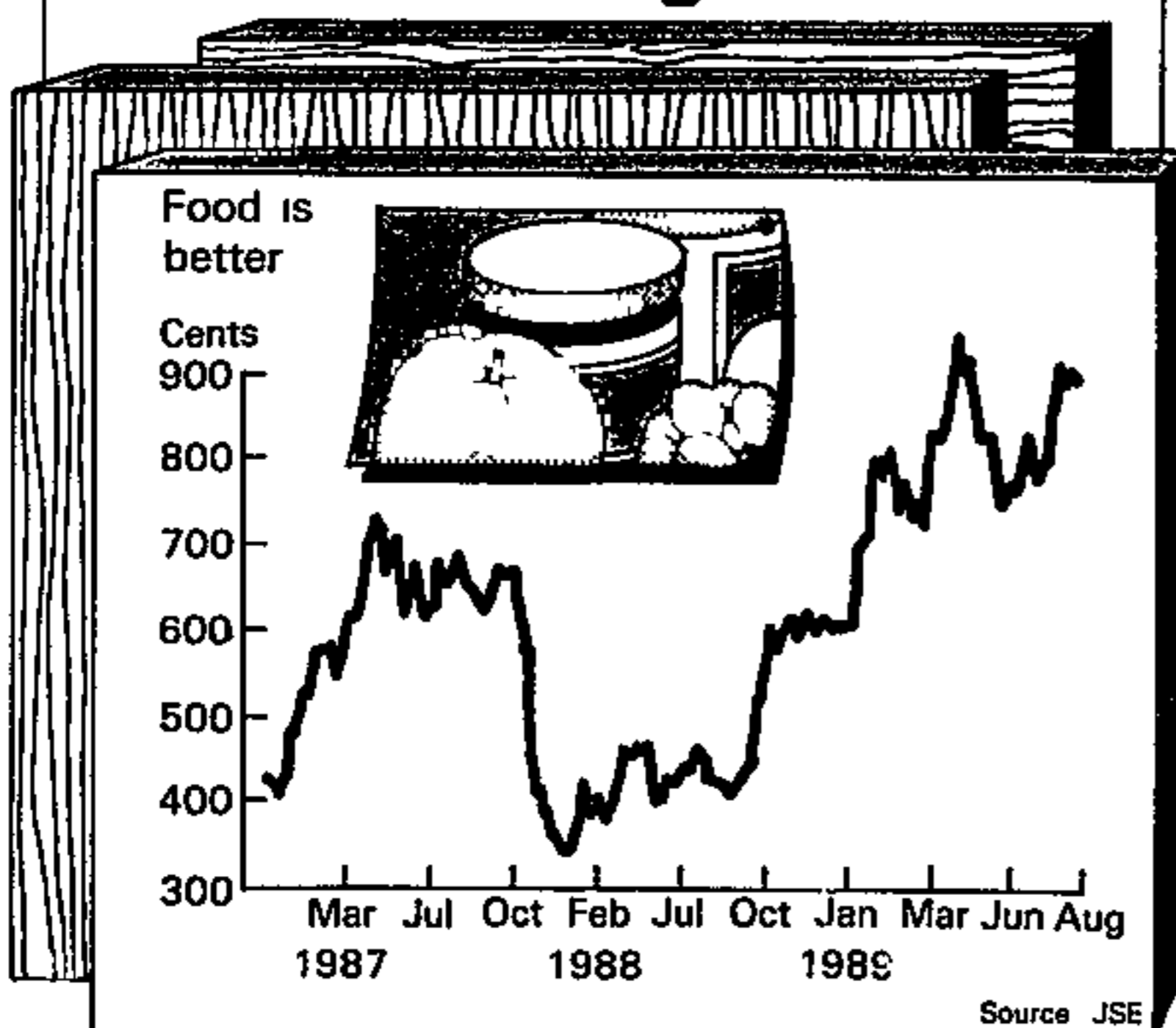
CE Morris ... a focus on quality earnings



P.T.O.

186 forward 25/8/89.

Rerating HLH



done 20 years in advance.

Though the mining timber market is mature, Morris sees other possibilities, explaining that, as there are not many opportunities for acquisitions, this division must grow organically. In the hardwood sector, HLH is collaborating with customers to solve support problems, but Morris says that supply and demand will remain delicately balanced for the rest of the century. In the long term HLH hopes to participate in further fibre conversion opportunities, which could include the export of chips.

As far as the HLH food interests are concerned, CGP is the largest contributor at present. This could change should the existing family shareholders choose to sell some of their holdings in SC Methven Holdings (see organogram), and HLH exercises its preemptive right to buy these shares at a market-related price. "We have joint control, but

this agreement means that we cannot lose our control. This was why we paid what the market perceived to be a high price, as we have already paid the premium for control," comments Morris.

The Rainbow acquisition took place only after year-end. At the end of March, HLH had net cash of R637 000 and paid R192,5m for its effective 25% of Rainbow. The recent rights issue raised R148m, and the company has only minimal gearing now, especially as shareholders' funds leapt from R146m at end-March 1988 to R490m at the latest year-end — mainly as a result of the Bonus-

kor purchase

The group was criticised for having pitched the price for the rights issue very finely. It was set at 775c in early June. Morris points out that HLH's price actually fell from 900c in March and more than 800c, when the price was decided on, to below 750c after the issue was announced. It was nevertheless 99,28% taken up and he says there was demand from a number of institutions for the shares, with the issue sub-underwritten by several institutional interests.

The *FM* covered Rainbow in *Fox* on June 2 and Morris says that there is no intention to diversify its interests. "It has outperformed all its competitors," he points out, "and white meat is gaining at the expense of red meat. Rainbow has 35% of the market and is spending R100m to keep pace with demand."

CGP has Robertsons' products, which are

aimed mainly at the black market to improve the taste of staple foods. Morris sees growth of about 30% a year compound coming from both increased market share and demographic growth. "We are investing heavily to keep pace with this increase." The potential for high organic growth is there, but Morris also sees the possibility of opportunities for acquiring disinvesting companies.

For TSB, there is the chance of a bonus if an ethanol plant is established as this would involve the approval of a new sugar mill. TSB is the only sugar producer operating in the Malelane area, where the plant is likely to be placed.

In addition, the immediate outlook seems good. The international sugar price has been high this year and is likely to remain so next year, according to Morris. TSB produces about 10% of SA's sugar, the product is grown on irrigated soil and so has some insulation against bad weather.

TSB plans to expand certain other crops, notably tea and citrus.

On the less optimistic side, Morris says that all the consumer divisions are under pressure with lessening demand. Retrenchment in the mines is having an impact, not only directly, but also on reduced demand from dependants of the mines. A reservation some investors may hold is that while the expansion into the food sector may continue, HLH has yet to show that it can manage a large food operation long term.

For his part, Morris remains emphatic that earnings growth will be as good as that of any other similar company, and is hoping to achieve 10% real growth. "We like to achieve a minimum of 20% return on assets," he says. On that basis, the share could be cheap, even at the current price. *Pat Kenney*

No holds barred for ^{CAR 74/85} I & J ^{28/8/87} turnover ¹⁸⁶

TURNOVER for Irvin and Johnson (I & J), Anglovaal's frozen food company, has broken the R1 000m barrier.

The dividend declared today was 27% higher than the previous year.

The consolidated earnings for the year ended June 30, 1989 rose by 29% to R65,6m (R50,7m). Earnings were equivalent to 232c (179c) a share and covered the improved annual dividend of 70c (55c) a share unchanged at 3,3 times. Consolidated turnover rose by 23% and, for the first time, passed the R1 000m mark at R1 094m (R889,6m) even though growth of the frozen food market slowed.

Interest paid rose to R7,6m (R5,2m), but was offset by increased investment income of R7,4m (R3,2m). This left a pre-tax profit of R102,8m (R80,3m).

The tax rate was little changed and R37,4m (R29,8m) was deducted for this charge.

After adding its share of associated companies' earnings of R0,2m (R0,1m), bottom-line earnings were 29% higher at R65,6m (R50,7m).

I & J has acquired the entire equity of the white fishmeal producer, Concentra Limited, and it has also entered into an agreement with Natal Ocean Trawling for the distribution of the latter's crustacea and other sea-foods.

Rainbow Chicken turns in solid performance 186

Finance Staff

Rainbow Chicken, listed on the JSE in June this year, posted earnings of R67,4 million for the year to June, 37 percent up on the 1988 figure and well above the prospectus estimate of R65,4 million

Turnover rose 22 percent to R554,2 million (1988 R454,1 million), while operating income increased by 43 percent to R81,4 million (R56,9 million).

A sum of R6,4 million was paid out to certain key directors in terms of restraint agreements, after Rembrandt took an effective 25 percent in Rainbow in May

MD John Geoghegan attributes the performance to increased productivity, stringent cost controls

and stable selling prices. Over-achievement of production standards in the second half enabled Rainbow to reduce prices from R3,60 to R2,80 per kilogram in June

It sold two million chickens above its normal sales within one week prior to the end of June on nationwide promotions

Mr Geoghegan says that subject to economic conditions Rainbow should continue to improve earnings in the next financial year as the expansion programme of the Rustenburg operations will provide economies of scale.

The genetic improvements from Rainbow's new breeding stock, bought two years ago, is now beginning to show

SHIELD

Back to the core business

186 Small 1/9/89.

Activities: Wholesales and retails food and allied products to franchise members

Control: Directors have 73,4% of the equity.

Chairman and managing director: L T Muller

Capital structure: 33m ords of 1c Market capitalisation R28,1m

Share market: Price 85c Yields 4,1% on dividend, 6,4% on earnings, PE ratio, 15,5, cover, 1,6 12-month high, 90c, low, 55c Trading volume last quarter, 426 400 shares.

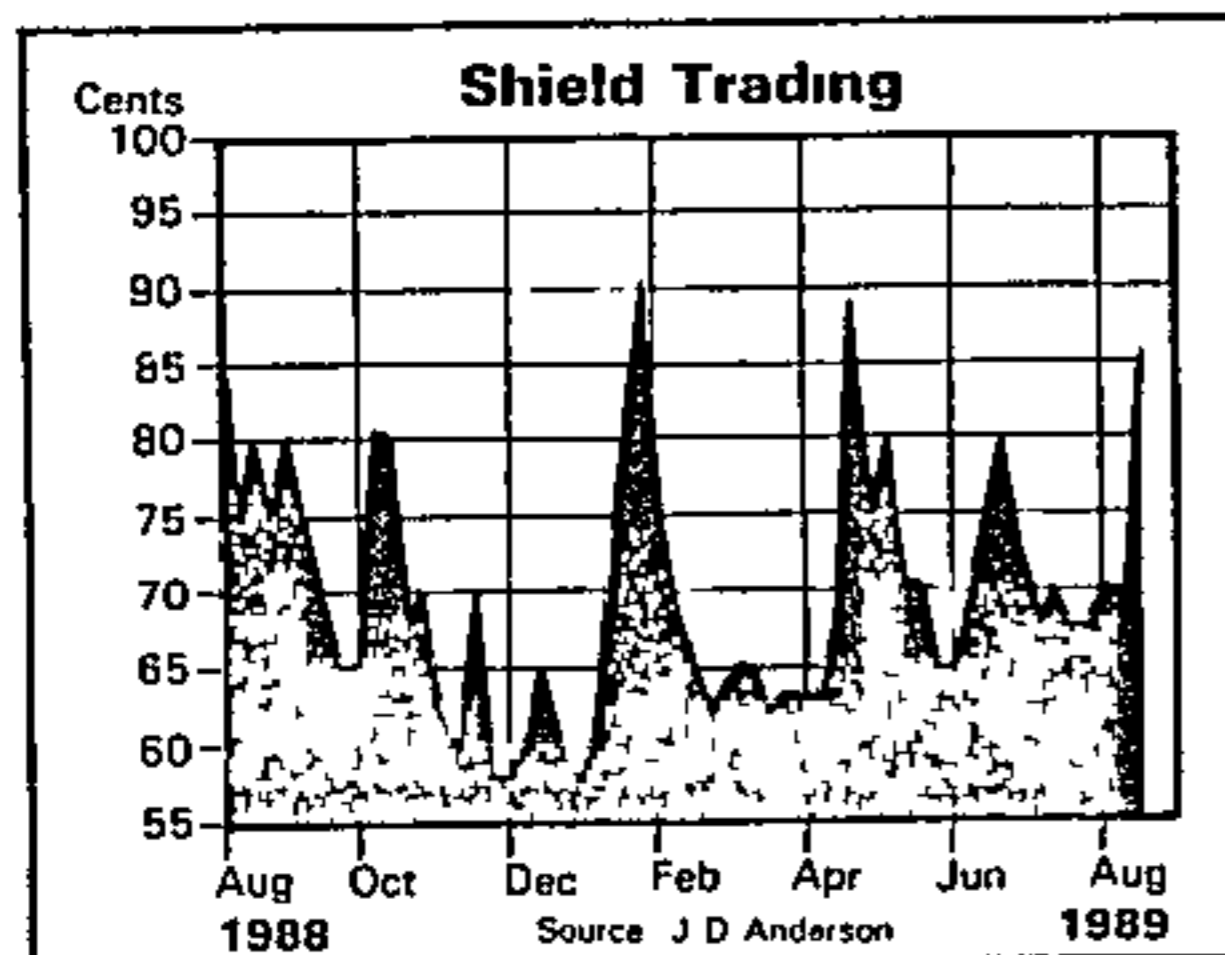
Financial: Year to February 28.

	'88	'89
Debt		
Short-term (Rm)	—	—
Long-term (Rm)	0,4	0,3
Shareholders' interest	11,1	11,5
Int & leasing cover	28,1	3,8
Debt cover	7,5	8,5
Performance		
Return on capital (%)	8,3	7,3
Turnover (Rm)	340,4	425,2
Pre-int profit (Rm)	4,6	4,7
Pre-int margin (%)	1,3	1,1
Taxed profit (Rm)	2,5	1,8
Earnings (c)	7,6	5,5
Dividends (c)	3,0	3,5
Net worth (c)	25	22

For the first time since it was founded in 1983, Shield Trading ended its 1989 financial year on a disappointing note. The group has built up a chain of 12 wholesale outlets to become recognised as one of SA's larger players in the wholesale sector. Turnover has grown by more than 300% in the six-year period.

However, in the 1989 year the 25% rise in turnover was accompanied by a 28% drop in taxed profits and EPS fell to 5,5c (7,6c). A major problem was the drop in the trading margin to 1,1% (1,3%), a reflection partly of the costs of discontinuation of the Success Wholesale outlets.

Chairman and MD Theo Muller says that the Success subsidiary encountered problems which led to a decision to either sell or franchise nine of its 11 outlets to Shield Multi Trade members. Success was one of Shield's two principle subsidiaries, the other



being Shield Multi Trade. The difficulties included shrinkages, low margins, conflicts of trading interests and non-recurring expenses.

The effect of the sale of Success on Shield is apparent in the cash flow statement. Working capital was reduced by R6m, helping to raise cash retained from operating activities to R5,3m (R201 000). Long-term loans were reduced and total interest-bearing debt declined to R261 000 (R387 000). Net cash inflow was R5,4m compared to an outflow of R2,3m last year.

The sale resulted in a R510 000 surplus on the sale of goodwill. This was shown in the income statement as an extraordinary item, which was added to net income after tax of R1,8m.

A more encouraging trend was shown by the sales performance of the core business, Multi Trade, whose turnover rose by 34%. Muller also points to zero gearing, a cash balance of over R11m and, since year-end, the completion of the sale of Success. This, he says, could enable the group to return to its historical earnings growth pace of more than 40% a year.

As Multi Trade maintained its growth, the dividend was increased by 18% despite the slide in profits. In the first five months of the present financial year, Multi Trade was running ahead of budget, with its turnover up by 35% on the same period of last year. Muller is confident the group will increase its earnings this year.

At 85c, the share stands on a demanding price of 15,5. Prospects of capital appreciation in the short term appear limited.

Jacques Magliolo

MAS HOLDINGS

Consolidating

Mas Holdings (Mashold) has built up a sound record in the field of mail order retailing. In the five years from 1984-1988, EPS rose at a compound annual rate of 22,7% and, in the 1989 year, EPS rose by 27% to 25,6c. CE Marco van Embden ascribes the performance to strong growth in consumer demand at all levels.

However, growth was not simply organic. For R3,75m (R3m cash and R0,75m in shares), in July last year, the company acquired 90% of the share capital and all shareholders' claims against Gro-Time Mail Order Distribution (Pty) from the US parent. According to Van Embden, the NAV of the company was R5,6m excluding goodwill. Grolier sells a range of readership pro-

Activities: Mail order house.

Control: Held by Van Embden family trusts

Chairman: H van Embden, managing director: M van Embden

Capital structure: 19,45m ords of NPV Market capitalisation, R36,9m.

Share market: Price 190c Yields 6,3% on dividend, 13,5% on earnings, PE ratio, 7,4, cover, 2,1 12-month high, 200c, low, 140c

Financial: Year to February 28.

	'86	'87	'88	'89
Debt:				
Short-term (Rm)	323	2 331	3 888	13 469
Long-term (Rm)	—	—	6	22
Debt equity ratio	n/a	0,16	0,19	0,56
Shareholders' interest*	0,69	0,58	0,61	0,46
Int & leasing cover	n/a	n/a	18,0	6,4
Debt cover	7,0	1,2	1,1	0,4
Performance:				
Return on cap (%)*	23,3	14,0	16,5	13,9
Turnover (% increase)	23,4	12,0	58,2	51,9
Pre-int profit (Rm)	2,97	2,46	4,92	7,26
Pre-int margin (%)	n/a	n/a	n/a	n/a
Taxed profit (Rm)	2,05	2,61	3,82	4,93
Earnings (c)	12,8	16,0	20,1	25,6
Dividends (c)	4,22	8,0	10,0	12,0
Net worth (c)*	0,56	0,62	0,96	1,24

* Excludes only premium on acquisition of subsidiaries

ducts via mail order and direct mail, including Disney Books, Grolier Encyclopaedias, Time-Life Books and National Geographic. It contributes only about 13% of Mashold's pre-tax profit but prospects for synergy with the parent company are considered excellent, as it sells only into the white market; Mashold barely operates in this sector.

Partly because of the acquisition, the group's stock increased 84% to R23,5m. Van Embden says this partially accounts for the 247% rise in the bank overdraft to R13,5m. The overdraft was used to fund both the increase in stocks and the R3m internal funding of the Grolier purchase. In addition, a strategic decision was taken to bump up stocks to avoid lost business resulting from poor supply.

Van Embden expects borrowings will fall substantially during this financial year. And so they should — over the past four years, the debt equity ratio, the interest and leasing cover and the debt cover have shown a negative trend. If gearing does decline as Van Embden expects, the resulting improvement in liquidity should at least ameliorate this.

Shareholders' interest and return on capital have also weakened. Van Embden says that internally financed growth is now the priority and, though another takeover cannot be ruled out, consolidation and growth from within is being targeted to arrest these trends.

Mashold's ability to achieve is supported

Activities: Manufactures, sells, installs, services and reconditions equipment for the baking and confectionery industries

Control: 51% held by directors

Chairman: W Schumann, managing director
R J Pouliart

Capital structure: 15,41m ords of 1c Market capitalisation R4,16m

Share market: Price 27c Yields 6,3% on dividend, 18,5% on earnings, PE ratio, 5,4, cover, 2,9. 12-month high, 36c; low, 20c Trading volume last quarter, 283 300 shares

Financial: Year to February 28

	'88	'89
Debt		
Short-term (Rm)	7,32	8,03
Long-term (Rm)	0,21	1,49
Debt equity ratio	0,93	0,79
Shareholders' interest	0,35	0,30
Int & leasing cover	1,81	1,68
Debt cover	0,16	0,11
Performance		
Return on capital (%)	10,5	9,3
Turnover (Rm)	31,0	41,9
Pre-int profit (Rm)	2,10	2,34
Pre-int margin (%)	6,8	5,6
Taxed profit (Rm)	0,92	0,77
Earnings (c)	6	5
Dividends (c)	2,4	1,7
Net worth (c)	45,4	48,7

He emphasises that management is tackling the problem of declining margins on all fronts and says benefits from the subcontracting of the manufacturing of the plant bakery equipment are being felt

EPS for the year are expected to rise to between 7c and 8c

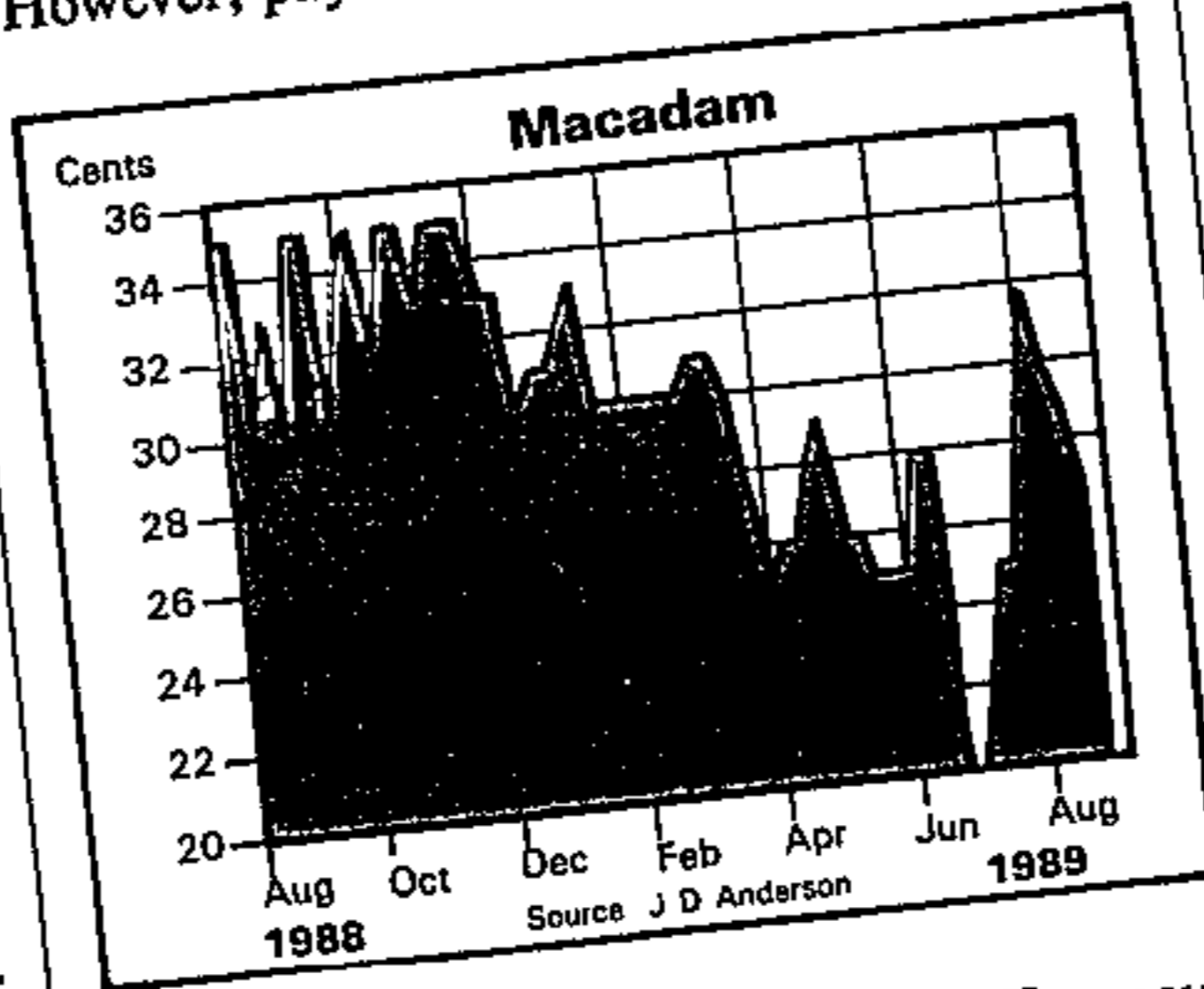
Investors will have to wait and see whether the chefs can get the recipe right for this one

Gerald Hirshon

did not They say the year was particularly difficult for the manufacturing operations The manufacture of plant bakery equipment has been subcontracted to eliminate direct costs relating to this activity

Schumann has since stepped down as chairman but will remain on the board in a non-executive capacity while continuing to control sales for the plant bakery division

Toward the end of the year the company bought a new head office and factory complex in Blackheath, Cape Town, for R4,2m However, payment for the acquisition is not



MACADAM

(186) Small

Slow bake

Not much gilt is left on the Macadam's gingerbread Apart from the move to the main board of the JSE, and a substantial increase in turnover (35%), there was little to celebrate in the 1989 financial year

There was an 11% rise in pre-interest profit, from R2,1m to R2,34m, but after deduction of the interest bill of R1,12m, and income tax of R0,45m (R0,17m), attributable profit fell 16% from the 1988 level of R0,92m to R0,77m

Chairman Wolfhardt Schumann and MD Raimund Pouliart say in their joint report that, while the Aloe division "enjoyed an excellent year with record sales and improved margins", the plant bakery division

reflected in the 1989 accounts Financial director Kevin McEvoy says it is to be financed with a mortgage bond He adds that, if interest rates do not rise much higher than now, within two to three years interest payable on the bond will be less than the rentals would have been in the properties leased

The problem is that the additional debt burden arising from the bond places further strain on the balance sheet, which is already under some pressure

On the brighter side, McEvoy says that export sales, which were budgeted at about R2m, should reach R3m in the current year

36/189

Sanctions bring out the best

186

TOUGHER sanctions have backfired in some respects because of the development in Natal of a sunflower oil extraction process

Plant from a Pinetown engineering company has enabled Maritzburg-based Capital Oil Mills to develop a system which cuts processing time by 20% — resulting in increased throughput and lower operating costs

Capital managing director Haroom Essack says normally the plant would have been imported

"But because of sanctions we took a chance and placed the R1,5-million order with Dufs Engineers of Pinetown.

"The installation of the equipment allowed us to develop the process which saves time and money, helping to keep down the price of sunflower oil and boosting our export potential."

The plant has been installed in Capital's new R16-million factory in Willowton, Maritzburg

Capital exports oil to neighbouring states, but it is looking for other markets, says Mr Essack

Biday 14/9/89

MALBAK BUYS INFO BABY FOODS DRUGS

BRENT MELVILLE

MALBAK is continuing on its acquisition trail with the cash purchase of 80% of infant food and ethical drugs producer Wyeth-Ayerst

The announcement comes in conjunction with the announcement by Wyeth-Ayerst's parent, US-controlled American Home Products Corporation, that it intends to disinvest from SA

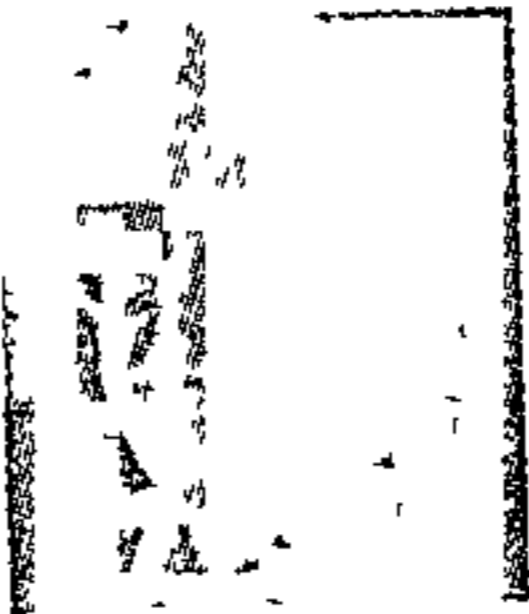
The equity interests of American Home Products includes SA subsidiary Wyeth-Ayerst and two related entities Market sources place the purchase figure at between R70m-R80m The other 20% is to be spread among an unnamed group of local investors

Malbak executive director Tom Chalmers says the acquisition will "significantly" expand the group's pharmaceutical business — pushing turnover to "well in excess of R200m".

Sources say 1989 sales for the group — which joins several of Malbak's recent pharmaceutical acquisitions including East London based Pharmador, previously Swiss owned Lagamed, haircare giant Schwartzkopf and MPS laboratories — should top R100m

And Malbak is planning to restructure its medical division, previously under the Protea Medical banner, into a separate division Following the purchase, Chalmers estimates that the division will rank within the top five health care companies in SA

"Wyeth-Ayerst is well-managed, financially sound and already holds a major share of its principal markets," said Chalmers



© CHALMERS

Nutritional 186

Wyeth's present MD Francois du Toit and his management team will continue to run things and licensing and supply agreements will be in effect for a limited period of time to allow for a smooth changeover to new owners

Wyeth has an estimated 37% share in the infant nutritional products market, 37% of the tranquilliser market and 46% of the oral contraceptive market in SA It is also a leading producer of hormone drugs

"The acquisition is not expected to have any immediate material effect on earnings, dividend or the net asset value of Malbak ordinary shares," says Chalmers

81 Day 20/9/89 **COMPANIES**

186

Pleasure Foods expects improved earnings

PLEASURE Foods' earnings in the current year should improve significantly following a difficult twelve months in which development and rationalisation plans were implemented, according to chairman John Bryant.

He said in the Anglovaal subsidiary's latest annual review that considerable restructuring and reorganisation in the last financial year had positioned individual brands positively within their markets and focussed on their individual operations and marketing.

In the year to June — the first full trad-



SYLVIA DU PLESSIS

ing year of the merged businesses forming Pleasure Foods — the group posted a 10% drop in operating profit from the previous thirteen-month period to R4,6m, while earnings were only marginally up at R3,4m.

Turning to the major brands, Bryant said all except Juicy Lucy reflected sustained volume growth, but trading results were affected by the poor performances of certain newly-acquired company-owned outlets.

Wimpy's overall profit performance was adversely affected by the disappoint-

ing results produced by a few of these outlets.

Bryant said this division's management was re-deployed to other divisions in the group where management shortcomings and high staff turnover were especially evident.

"This impacted on the Wimpy operations, and control disciplines required to be tightened," he said.

He added that Juicy Lucy showed a fall in profit due to a poor performance on the Reef, but Pizza Hut showed strong volume growth and results improved.

Milky Lane also performed well and improved profit significantly, with "exceptionally good" volume growth due partly to 10 new outlets being opened.

Golden Egg, now structured as a separate division within the group, grew well, but results for the Golden Grill, also restructured as a separate division, were affected by poor volumes achieved in a new restaurant.

Bryant said effort was currently directed at improving the group's company-owned outlet performance, where the immediate upside potential was most apparent.

"Quality management, particularly at store level, is difficult to source and retain. This problem is being addressed. Earnings of the group for this year should improve significantly following the implementation of the current plans."

Fawu boosts membership by 12 000

MEMBERSHIP of the Food and Allied Workers' Union (Fawu) has grown 12 000 in the past year to 84 000

This is in spite of a split in the union earlier this year in the Eastern Cape over the March workers' summit with the regional chairman breaking away and forming a new union

It was reported at the Fawu national congress in East London that most of the members who had left and joined the breakaway union had rejoined Fawu. According to a union spokesman only the Queenstown branch remained problematic.

The congress passed resolutions calling for the release of political prisoners, the unconditional return of exiles, the unbanning of organisations and the lifting of restrictions on organisations and individuals.

Congress called for the South African government to get out of Namibia and also resolved to fall in line with the Congress of South African Trade Unions (Cosatu) resolution on Namibia and to collect R1 from each member to support the Swapo election campaign. The union would also share administration, media and other skills with the Namibian Food and Allied Workers' Union.

The union spokesman said congress also resolved to resist participation in "wars or conflicts initiated by capitalists in defence of profits", to struggle towards eliminating the root causes of war — oppression and exploitation, and called on the government to renounce violence immediately and to speak to the country's authentic leaders to establish a just peace.

It was decided to observe September 1 each year as a day of union action for peace and solidarity.

He said the congress came out "quite strongly" in support of involving Fawu in political campaigns and from this flowed a decision to participate in the forthcoming anti-apartheid conference, to intensify the campaign for the release of Oscar Mpetha and to call on members to participate in the defiance campaign.

In line with a resolution at the Cosatu congress Fawu committed itself to financial self-sufficiency.

On this, the spokesman denied recent reports which claimed the union was in serious financial trouble.

He said Fawu covered running costs from subscriptions, which had been increased to R1,50 earlier this year, and only legal costs and part of the educational programme were funded from outside.

On negotiations with the government, congress adopted the document drawn up by the ANC and MDM and later adopted by the Organisation of African Unity and the Non-Aligned Movement.

The document lays out conditions under which negotiations should take place and Fawu decided to distribute the document as widely as possible and to use it for education of members.

LABOUR
AFFAIRS



DICK
USHER

W/C AGGUS 23/9/89 186

Acsis the go-ahead

ROBERT GENTLE

LONDON — Shareholders in the diversified UK group Acsis yesterday gave chairman Darryl Phillips the green light to proceed with five acquisitions worth at least £15.8m.

Phillips, who developed the Grey advertising group in SA before coming to Britain two years ago, had announced the acquisitions earlier this month — subject to shareholder approval at an emergency general meeting.

The five companies operate in the fields of hotel decoration, recruitment and media sales, and are expected to slot in neatly with Acsis's existing businesses.

Concurrent with the acquisitions is a £21m rights issue which will help fund the cash element of the deal as well as provide further cash for the group.

Bidcorp to grow in new year — report

186 BIDAY 26/1/87 SYLVIA DU PLESSIS

FOOD distributor Bid Corporation (Bidcorp) is ideally positioned to grow both organically and by acquisition, according to executive chairman Brian Joffe, and directors anticipate growth in real terms in the new financial year.

In the investment holding company's latest annual report, Joffe said there was a continuing and strong commitment on the part of management to improve efficiency through better productivity and enhanced asset management.

Various measures and programmes to achieve this had been implemented and were being actively applied. It was Bidcorp's goal to hold gearing to a maximum of 60% of total shareholders' funds. Dividend policy would see payments of dividends covered not less than 2.5 times.

In addition, the group's operating objectives were to achieve "at least" a 40% return before interest and tax on funds employed.

B/Day 26/9/89

'Cloak and dagger' exports

186

CAPE TOWN — Exporting from SA is "becoming more and more like the world of James Bond", a Cape Town food manufacturer said yesterday

He was one of the local business people attending a crowded seminar on Exports and Europe 1992, organised by the SA Federated Chamber of Industries in conjunction with Barlow Rand and Deloitte, Haskins & Sells, at a Sea Point hotel

Department of Trade and Industry director general Stef Naude, said its 32 overseas offices would now give an improved service Deputy director general (trade) G J J Breyl gave details of how the new export incentive scheme would work

But some people in the audience pointed out it would still involve complicated calculations

A manufacturer who exports food products to markets officially closed

Own Correspondent

to SA firms spoke, in the tea interval, about the difficulties of doing so "They tell us about the new incentive scheme," he commented, "and how to fill in the forms But they do not tell us how to get our goods into the market"

Expensive

He said he found the best way to export his foods to markets which did not welcome SA goods was to use Iron Curtain countries as a conduit "There is no problem in getting goods from these countries into any market"

"And it is a pleasure to do business with the Eastern bloc countries There is no difficulty at all in selling to them"

However, he said, exporting through a conduit was an expensive

business And it could go wrong

He had, at one time, exported to Australia through Hong Kong But the Australian customs had discovered the source of the goods "And now they have my name on a list, and I really resent being taken aside and questioned when I go there"

Counter-Trade Committee chairman Fred Bell struck a note of realism when he told delegates that — although conventional cash deals were best — there were circumstances in which they should consider the various forms of counter-trade

"The whole purpose of this conference is to advise you how to stay in normal business with Europe after 1992 But there is also an alternative too ghastly to contemplate — that some of you may be thrown out of Europe after 1992 So, possibly, counter-trade may give you an opportunity for a soft landing," he said

September 28 1989

WB satisfied with catch at half-year mark Biday 28/9/89

COMPANIES



EDWARD WEST

WB HOLDINGS, an investment holding group with fishing interests, has posted satisfactory results for the six months to June 1989 and has achieved earnings a share of 34c compared to 54c for the year to December 1988.

Last year's interim results are not available for comparative purposes. Turnover came to R3,9m for the six months compared to R6,3m at December. Earnings attributable to shareholders

amounted to R3,2m compared to R5m at the year end. Income from investments came to R2,3m compared to R3,6m.

The directors said the total amount of fish allowed to be caught by the fishing industry increased from 40 000 tons in 1988 to 50 000 tons in 1989, of which 16 400 tons

were allocated to fishing quota holders in the United Fishing Enterprises (UFE) rationalisation scheme.

WB Holdings holds 10,24% of UFE. In spite of difficult fishing conditions which were exacerbated by the incidence of underdeveloped sardines, the full quota of sardines allocated to UFE was finally caught.

1989 interim period than in the same period in 1988. The directors said there was a steady demand for all sea products, although there was not enough to satisfy local demand. Large quantities of fish meal and canned fish would have to be imported to satisfy local demand. The company expects to achieve earnings of 42c a share for the year, depending on expected stock movements.

Other species of fish caught were quota free, but much less were caught during the

Fleet replacement could cost I&J dear

Irvin & Johnson (I&J) passed two milestones in the financial year to June, when it broke its turnover and pre-tax profit records of R1 billion and R100 million respectively

However, chairman Jan Robbertze is concerned about the Government's abolition of the rebate of duty provisions on imported vessels, both new and second-hand

He says in the annual report that the additional duty and GST, as well as the adverse effect of a constantly weakening rand, will make fleet replacement extremely costly

"This problem is currently being managed by rebuilding existing vessels and so considerably extending their useful lives. The refurbishments include the installation of the latest technologies and have resulted in improved operational efficiencies," he says

During the year, I&J continued to buy equipment designed to improve the harvesting of quality vegetables

These machines are making significant contributions to the increased volumes being harvested

The upgrading of I&J's warehouses has been completed in many centres and a new one is being built at George

On Rainbow Chicken, the chairman says the company's decision to seek a JSE listing, combined with the sale of the minority interest to Rembrandt, has made a new supply of capital available, which will help to expand the business

"These welcome developments", he says, "augur well for the continued dynamic growth of Rainbow Chicken and the expansion of our share of the poultry market"

Consolidated turnover rose by 23 percent to R1 billion (1988 R889,6 million), while pre-tax profit was 28 percent higher at R102,8 million (R80,3 million).

Attributable earnings showed a 29,5 percent increase to R65,6 million (R50,7 million), equivalent to 231,9c a share (179,3c)

The dividend was raised to 70c (55c), which was covered an unchanged 3,3 times.

Frozen food market growth slowed, largely because of the swing to fresh vegetables at competitive prices after the end of the drought

Seafood and prepared food markets continued to grow. I&J's hake quota in South African waters was unchanged, but fishing in Namibian waters was very poor and led to a decrease in the total volume available for sale.

To some degree, this was made up by good catches of maasbanker, mackerel and snoek

Capex was slightly lower at R38,6 million, which included funds for rebuilding two large freezer trawlers, and upgrading warehouse facilities

Because these funds, as well as increased working capital, were met out of cash reserves, there was no material change in borrowings — Sapa

I & J slams decision to stop rebates

B10am
28/9/89

186

SYLVIA DU PLESSIS

I & J chairman Jan Robbertze has slammed government's decision to abolish the rebate of duty provisions on the importation of new and second-hand vessels

He says in the Anglovaal frozen food subsidiary's annual report that the move involved an additional cost of duty and GST which, together with the impact of a weakening rand, will render fleet replacement "very costly"

This problem is currently being managed by rebuilding existing vessels



● ROBBERTZE

The company's capital expenditure in the last financial year to June, the bulk of which was used to totally rebuild two large freezer trawlers, fell to R38,6m from R43,6m, funded mainly from cash resources

Earnings

Robbertze says I & J attained a significant milestone in the period under review, with turnover and pre-tax profit exceeding R1bn and R100m respectively for the first time

In addition, the company posted a 30% rise in earnings a share to 231,9c. It also raised the dividend to 70c from 55c a share, covered 3,3 times

These results were achieved in a year when buoyant economic conditions in the first half gave way to progressively more difficult conditions brought about by the application of the government's restrictive monetary policies

A significant feature of the past year was the decision by I & J partner Rainbow Chukens to seek a listing on the JSE

"This event, together with the sale of a minority shareholding to the Rembrandt Group, has made available a new supply of capital which will further facilitate expansion of the business," Robbertze says

He adds that the company, which has maintained an unbroken growth trend for the past 12 years, has planned for further growth in earnings in the current year



Sweet for (186) Cashworths

Sf Times 11/10/89.

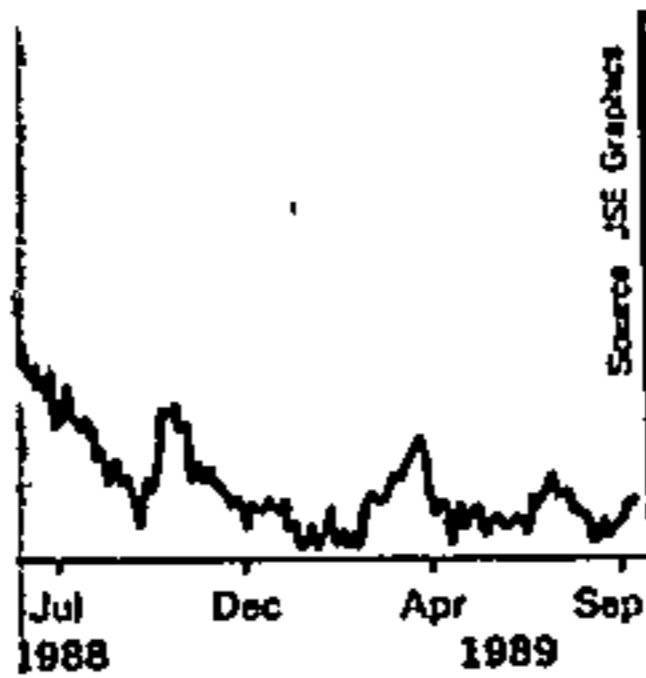
CASHWORTHS, in partnership with Emanuel Vanderlis, has bought 51% of Fordsburg confectionery manufacturer Family Foods

Mr Vanderlis is the son of the seller, who wishes to retire and has offered the business to Emanuel in spite of several bids from competitors

The price for all of Family Foods is R2,4-million payable in two instalments a year apart. At a discount to tangible net asset value, the favourable terms were arrived at because of family links

Family Foods makes marshmallows, sweets and other snacks under its own and housebrand names as well as the lollipops seen at the exits of restaurants

As part of its new strategy, Cashworths aims to take stakes in companies with sound management and prospects with a view to on-selling



Fedfood

S/Times 11/10/89

at R10 is

186

peanuts

FEDFOOD has fed many people through its five sectors of activity since it was started in 1977

But managing director Jan du Toit is bothered because more than 40% of Fedfood's turnover comes from supermarket chains, the balance from 30 000 small retailers

"It is hard to convince small shopkeepers that they would sell more at a lower profit margin instead of making such big mark-ups," he says. Hear, hear

Mr Du Toit says that as the population becomes more sophisticated, it moves away from mealie meal to bread, to rice, then to a broader range of food. This presents growth opportunities for Fedfood

BORDERS

There are 22 bakeries in the Fedbake division in areas of high population, and 10 more across SA's borders

Fedbake's turnover was R190-million in the year to March 1989 giving an 11% market share

Fedbisco makes biscuits and breakfast cereals. Management priorities are increased profitability through "improved marketing actions", whatever that means.

Because most companies in the group are Fed-something, the cold stuff must be ripe for renaming Fedfroze. It is the country's leading frozen-food producer, and Table Top exports certain vegetables to Europe.

Other products such as ready-prepared food are sold under leading brand names

By association there must be a Fedfish, which is a big profit-contributor although it has a higher risk profile. Last year, turnover edged up by R200 000 to R94,5-million, but attributable income jumped by nearly 12% to R11,4-million.

VULNERABLE

As Mr Du Toit says, 4% of the crayfish quota is a small but lucrative market share

Fedfish catches pelagic fish such as pilchards and anchovies, and hake, kingklip and others are trawled

Risk spreading is the basis of investment, and the companies in Fedfood each have a risk-return profile

High risks include fishing — the shoal might never appear — and crops, which are vulnerable to weather. Fedfood expects a higher return from these investments.

Low risks are bread and maize, which are subject to Government price-fixing but always produce income. The grain processing group comprises Fedpro (its real name),

Nola, Ruto and Golden Harvest Cereals.

Simba is the Fedsnacks division and SA's leading producer of chips, rusks and peanuts. The promotional lion must be one of the best-known characters in advertising.

South Africans eat only 0,8kg of snacks each a year, whereas the Americans chomp nearly 6kg. I bet the Yanks don't eat the billion Ouma rusks a year. South Africans force down

JEWEL

Mr Du Toit considers Simba to be the jewel in Fedfood's tiara. My choice is the confectionery sold through Woolworths

Speculation is that the next area of expansion for Fedfood will be Fedchuck. Chickens are booming. There are two listed producers and Fedfood's competitors operate chicken batteries

Mr Du Toit says Fedfood is looking at value added chicken. Perhaps they could be bred with four legs

The group's total turnover topped R1,15-billion in the year to June and attributable income was R45-million. The major shareholder is Fedvolks — it was started as the food division of Fedvolks

The shares touched R10 this week after a presentation to the Investment Analysts Society. The share price was 610c a year ago. Even at this price Fedfood is only 6,4 times historic earnings.

SENTIMENT

Imperial Cold Storage rates a PE of 9,1, Tiger 15,5, Premier 11,5 and I&J nearly 11 — the average PE in the food sector

Figures show that Fedfood's returns on assets and operating margins are at least in line with comparable diversified food companies, only Tiger Oats consistently doing better

Sentiment usually holds that food companies tend to underperform the JSE overall when the stock market is booming, but outperform when it eases

On these criteria, R10 a share is peanuts to pay for Fedfood

Pits for Mits

SEVERAL readers have objected to my acronym Mits — for man in the street — in an article about the Iscor share offer

Next time the opportunity arises, I shall refer to the person in the street. Because people who complain about that sort of thing really are the Pits

Heavy dough

Activities: Manufacturing and retail baker, also has 51% in the Don Carlos Kitchens franchised fried fish and chicken outlets.

Control: The holding company is Desmond Fisher Family Holdings (Pty), the directors control 20,5m shares (81%).

Chairman: D E Fisher; joint managing directors. R Biccari, M C Goldhill.

Capital structure: 25,35m ords of 1c Market capitalisation R3,04m.

Share market: Price 12c. Yields: 15% on earnings, PE ratio, 6,7. 12-month high, 17c; low, 9c. Trading volume last quarter, 536 000 shares

Financial: Year to February 28.

	'87	'88	'89
Debt:			
Short-term (Rm)	0,6	1,5	1,8
Long-term (Rm)	0,6	0,3	0,3
Debt equity ratio	0,63	2,39	2,06
Shareholders' interest	0,39	0,20	0,23
Int & leasing cover	571,0	6,8	2,8
Debt cover	1,01	0,36	0,43
Performance:			
	'87	'88	'89
Return on cap (%)	36,1	14,4	17,3
Turnover (Rm)	8,5	11,9	13,8
Pre-int profit (R000)	571	521	714
Pre-int margin (%)	6,7	4,4	5,2
Taxed profit (R000)	570	444	460
Earnings (c)	2,7	1,8	1,8
Dividends (c)	1,5	—	—
Net worth (c)	5	3	4

It was another disappointing year for one of the DCM's less happy listings. After a R63 000 advance in net profit at half time, the directors forecast an increase in 12-month earnings. Alas, net profit for the full year was up only R16 000 and, with a slightly higher weighted-average issued equity, annual earnings were unchanged. Yet again, there was no dividend.

Profit fall

Moreover, the reported profit includes R219 000 from disposal of fixed assets, R58 000 more than in 1988; which suggests that, excluding this item, operating profit actually fell. These profits are equivalent to almost half the pre-tax total. Charged below the line, meanwhile, were "extraordinary" items of R212 000 (1988. R1,1m).

Most financial ratios deteriorated, while 16% turnover growth barely paced inflation.

The group has adopted a new "strategic plan," which includes scaling down retail operations outside the traditional Cape base. The range of frozen pies and confectionery for the wholesale market is to be "expanded and vigorously marketed" from the Cape Town bakeries, says chairman (and one-time FM journalist) Des Fisher.

The directors expect this plan to strength-

en the trading base, though they warn that high finance costs will continue to "impact negatively" on operating profits.

It is to be hoped that the directors' grasp of the business is better than their arithmetic. It is impossible to reconcile the interest in the profits of the Don Carlos joint venture in the P&L account with Note 18, while they have even changed their minds over how many shares they owned last year.

With no dividend, negligible net worth and unattractive liquidity, the share has few attractions other than as an out-and-out spec.

Michael Coulson

Wage strike by 5 000 hits top SA food producing company

Areas 6/10/89

By DICK USHER
Labour Reporter

WORKERS at plants of Premier Food Industries, one of the big three food producers, have gone on strike to back wage demands

The strike has affected three divisions of Premier — milling, oils and fats and animal feeds — at plants of Premier Milling, Epic Oils and Epol in Cape Town, the Transvaal, Port Elizabeth, East London and Durban

A spokesman for the Food and Allied Workers' Union (Fawu) said at least 5 000 employees were involved

Deadlock

He said deadlock occurred with the union demanding increases of R33 a week across-the-board for workers on the grades and 16 percent for those above the grades

The company's milling division offered R28 a week, Epic Oil offered R24 a week and Epol R23

He said the minimum at Epol ranged from R152 to R182 a week, depending on region,

and Fawu wanted to close that gap. The minimum at Epic was R182 a week and in the milling division R184

Another point in the dispute was that Fawu wanted a Premier operation in Transkei, Tanda Milling, to be included in the national agreement

The Fawu spokesman said Premier had refused this

Premier said in a statement that the strike followed five months of negotiation, including a conciliation board and mediation

Premier said the milling division had offered 16,3 percent on the minimum, which would have brought the minimum in urban areas to R214 a week

If the offer had been accepted, the average minimum would have been R247 a week, approximating wages paid in the motor and pharmaceutical industries, considered the highest payers

The overall average wage for unionised workers in the division was R1 163 a month, in oils and fats R1 131 a month and in animal feeds R1 099 a month

1986 Annual 13/10/89

CROWN FOOD

No glory

Activities. Supplies products and services to all sectors of the food industry, but mainly the meat and catering sectors.

Control. Murray & Roberts holds 74,2%
Chairman: R A du Plessis, managing director
 D G Foulds

Capital structure: 34,8m ords Market capitalisation R23,3m

Share market: Price 67c Yields 6,7% on dividend, 18,7% on earnings, PE ratio, 5,4, cover, 2,8 12-month high, 75c, low, 43c Trading volume last quarter, 221 000 shares.

Financial Year to June 30

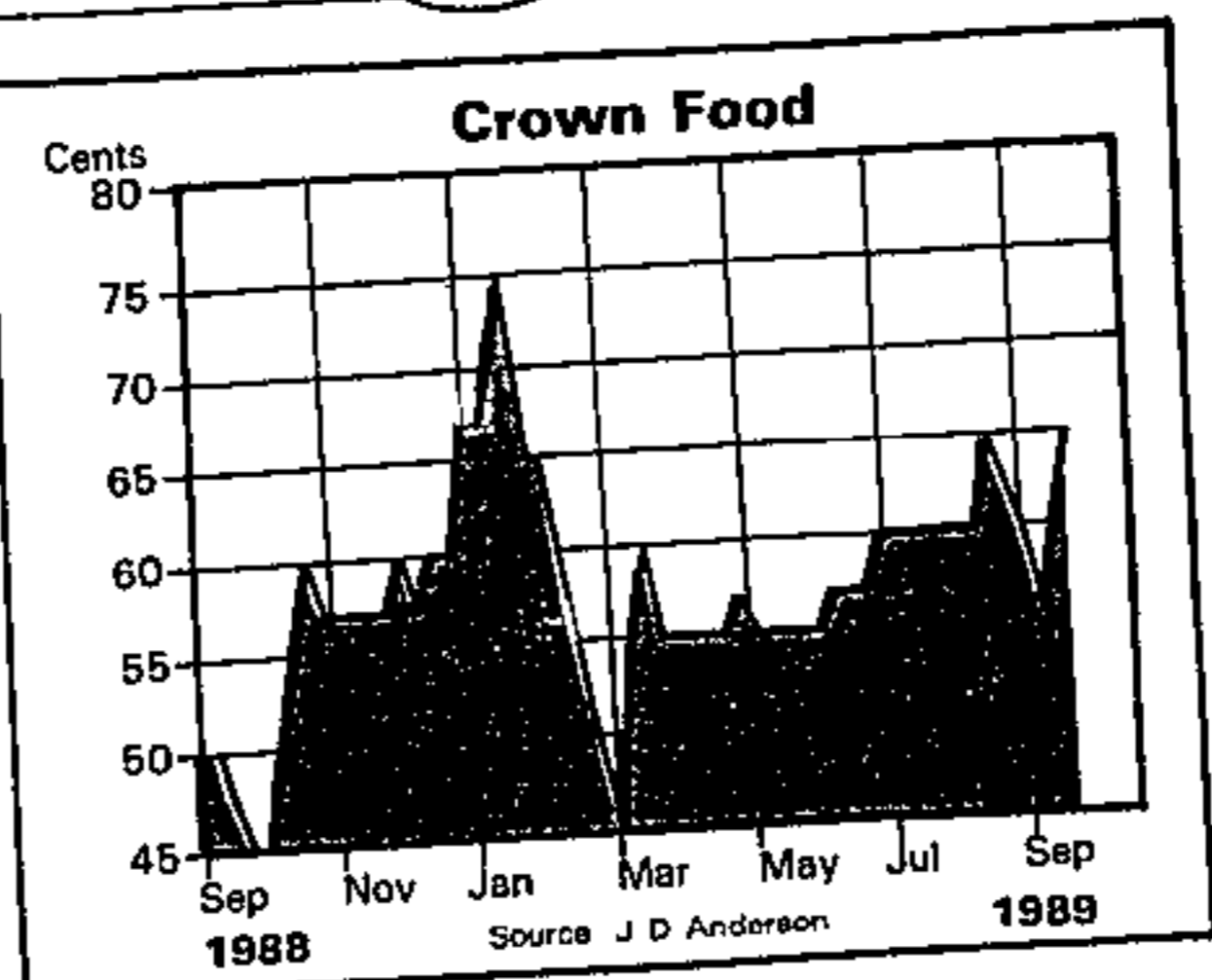
	'88	'89
Debt.		
Short-term (Rm)	1	1,5
Long-term (Rm)	12	12,7
Debt equity ratio	0,62	0,55
Shareholders interest	38,8	41,9
Int & leasing cover	6,6	3,4
Debt cover	0,47	0,42
Performance	'88	'89
Return on capital (%)	15,3	20,6
Turnover (Rm)	90,6	115,3
Pre-int profit (Rm)	8,3	11,2
Pre-int margin (%)	9,2	10,2
Taxed profit (Rm)	3,7	4,3
Earnings (c)	10,6	12,5
Dividends (c)	4	4,5
Net worth (c)	63	71

The markets of Crown Food Holdings continue to be highly competitive with no respite in sight. The lacklustre performance of the share reflects this.

Off a depressed base the group managed to increase turnover 27%, operating profit 41% and EPS 19% last year. Gearing and stock were slightly lower but interest payments absorbed 27% of operating profit. After restating in June 1987, Crown fell well short of its prospectus forecast of R4,35m taxed profit last financial year, and was just short of it in the review year.

The annual report contains no further information on the resignation of MD John Dunstan in August last year. In fact, the report is not particularly informative — for instance, the 1988 report must be consulted for details on the product range.

Last year the food processing division — which selects sausage casings, mills and blends spices, mixes, seasonings, additives, sauces and dressings, imports scales and cash registers, and manufactures light meat processing equipment — contributed 64% of turnover and 56% of operating profit. The catering services division, which imports, manufactures and supplies light catering equipment, contributed the balance.



The executive's review, signed by the chairman and MD, says operations were reorganised during the year. Equipment manufacturing was rationalised and this improved margins. The full benefit should be felt in 1990, it says.

The catering food service division's main market has been the catering and mining industries and government and it is targeting the higher-growth fast foods sector. Most of its supplies are sourced in SA and the review says it is acting to reduce dependence on overseas supplies, particularly in manufacture of catering equipment.

Crown wants to increase exports which have so far been a small contributor to income. A resurgence of imported equipment, however, increases competition and deters exporting. Industry participants, who believe foreign manufacturers pay less for stainless steel because suppliers compete, complain there is only one supplier in SA — Middelburg Steel & Alloys.

Though markets for sausage casings (the intestines of pigs, sheep and cattle) are competitive, Crown is commissioning a casings factory at Fort Jackson, Ciskei.

Since year-end negotiations have begun for the sale of Fine Foods at net worth

Group secretary Martin Hanlon does not foresee a decrease in borrowings this year because of the need to fund increased turnover. On the review's forecast that profits will continue to grow but at a lower rate, there seems little cause to celebrate though that might be too conservative. The group, which started selling spices and billy cans to the mining industry in 1912, has powerful parentage in Murray & Roberts. Its markets, in a fundamental sector, may improve so the share should be watched for recovery.

Teigue Payne

ANGLOVAAL INDUSTRIES

Benefits later

Final 13/10/89

Activities: Industrial investment and management company, with interests in food, packaging, rubber, construction, electronics, textile and engineering related sectors

Control: Anglovaal holds control

Chairman: B E Hersov, managing director J C Robbertze

Capital structure: 27,7m ords of 50c, 1m 5,5% cum prefs of R2 and 1,4m 8% red cum prefs of R1 Market capitalisation R1,26bn

Share market Price 4 550c Yields 2,6% on dividend, 14,4% on earnings, PE ratio, 6,9, cover, 5,5 12-month high, 5 200c, low, 3 550c Trading volume last quarter, 88 764 shares

Financial: Year to June 30

	'86	'87	'88	'89
Debt.				
Short-term (Rm)	159,0	80,4	116,4	255,8
Long-term (Rm)	88,4	73,9	99,1	215,6
Debt equity ratio	0,39	0,02	n/a	0,11
Shareholders interest	0,42	0,50	0,63	0,53
Int & leasing cover	4,1	8,7	42,9	35,1
Debt cover	0,68	1,47	1,44	0,80

Performance

	'86	'87	'88	'89
Return on cap (%)	14,7	19,1	21,0	19,5
Turnover (Rm)	2 400	2 832	3 712	4 575
Pre-int profit (Rm)	191,6	273,6	413,7	525,7
Pre-int margin (%)	6,8	9,3	10,6	10,4
Taxed profit (Rm)	82,6	140,2	222,0	268,3
Earnings (c)	242	415	563	657
Dividends (c)	50	75	100	120
Net worth (c)	1 656	1 931	2 527	2 941



AVI's Hersov ... a much simpler structure

acquisitions — unlike Malbak and FSI, for example

All four of those groups stand on higher p e ratios than AVI Barlow's p e is 8,8 times, Amic's 8,5, Malbak's 8,0 and FSI's 7,3 AVI's is 6,9 but its dividend yield of 2,6% is among the lowest in the industrial holding sector The slim yield and slower growth have probably kept a ceiling on the share price and there may be some uncertainty in the market about effects of various changes

Among such events during the year was a rationalisation of the group holding structure with several companies delisted — including South Atlantic, which was simply a dividend funnel Chairman Basil Hersov believes a much simpler structure has been achieved

Subsequently, a reorganisation of the construction and electronics group, Grinaker Holdings, was announced, a separate listing is planned for the electronics businesses, which were expanded by such acquisitions as M&PD Electronics and Hewlett-Packard (SA) (Pty), now called HiPerformance Systems (Pty)

A major acquisition for AVI was the purchase of 100% of Goodyear by packaging subsidiary Consol for R176m (Companies September 8) The deal took effect on July 1 so the full effects for Consol and AVI have yet to be seen But Consol has been transformed from a cash-rich company to one with a significant level of gearing the deal was funded by issue of R50m prefs redeemable over three years, with the rest paid from cash flow It's expected the cost will be fully absorbed over about that period

Meanwhile, by the 1989 year-end, cash outlays by AVI in its 1989 year, including capital expenditure of R282m (R161m), re-

sulted in an increase in debt equity from virtually nil to a still conservative 11% While there can be no qualms about the financial structure, the interest bill rose last year by R21m to R44,8m, and this year trading profits will be under greater pressure

The best divisional performer was construction and electronics, whose earnings rose by 50% off a relatively low base of R23m The electronics interests are expected to account for a major portion of the group's future earnings This is just as well — conditions in the housing industry were difficult, profits were "severely impacted" by losses incurred in housing operations in Natal and there are signs of falling demand in the construction industry Grinaker's margins shrank, with pre-interest profit up 27% and turnover 38%

Results were more dour in the diversified businesses, where earnings level-pegged after pre-interest profit increased 33%. Restrictive measures on hire purchase sales and higher interest rates are squeezing Gearmax's vehicle markets, while shiprepair and engineering company Globe enjoyed better demand and has started the year with adequate work on hand

The immediate outlook for the textile companies appears mixed, with some seeing

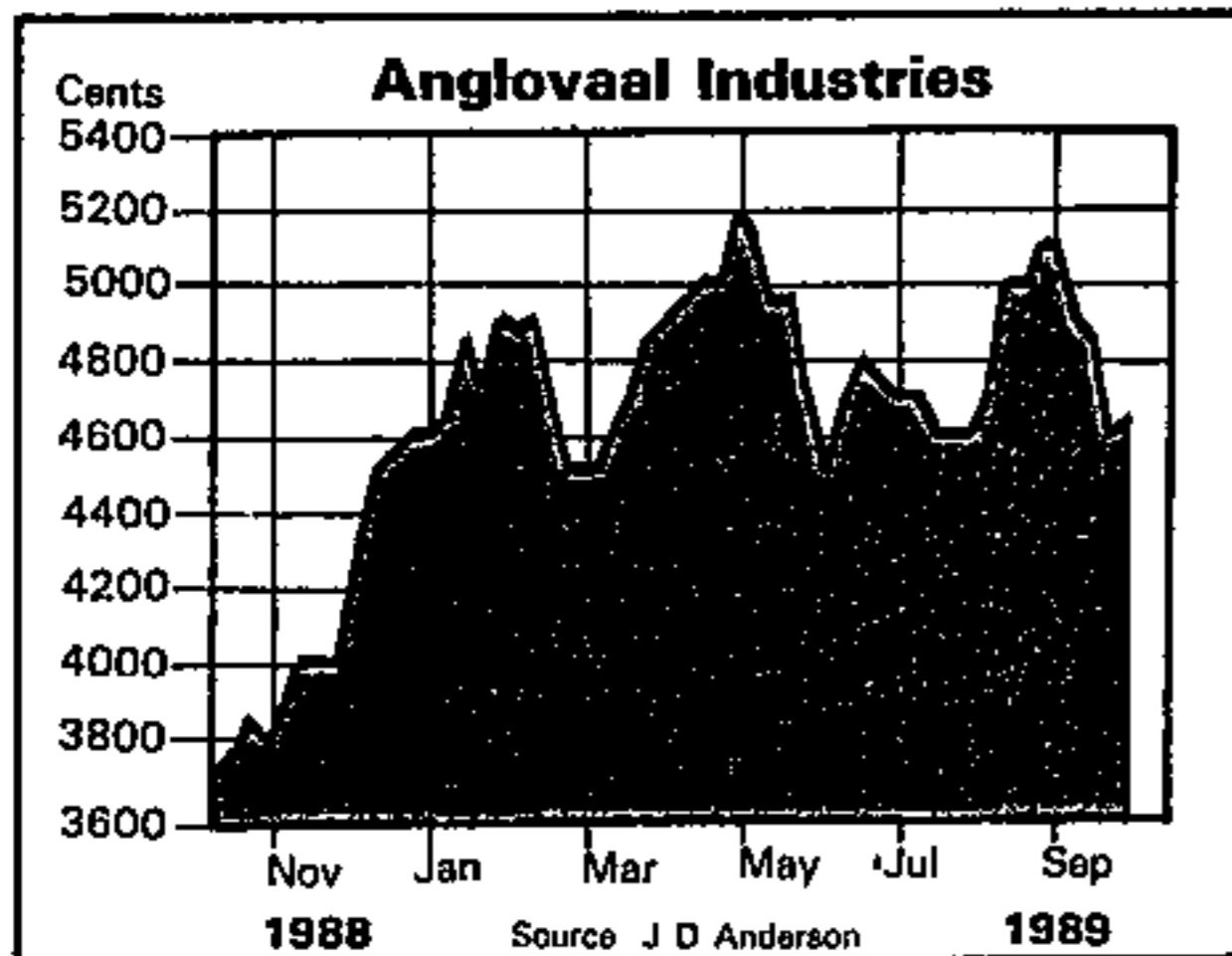
AVI's DIVISIONS (%)

	Turnover		Earnings	
	1988	1989	1988	1989
Construction and electronics	23	27	5	7
Diversified businesses	17	18	31	27
Dry food and beverage	19	15	24	21
Frozen food	24	24	19	21
Packaging	17	16	21	22
Holding company and other	—	—	—	2
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

firm demand, but these businesses are generally involved in capital programmes to replace or expand capacity The spending could restrain profits until the new plant is on stream and the costs absorbed

Earnings rose by only 5% in the dry food and beverage division, which is also being repositioned For this year "significantly improved" earnings are expected to follow the acquisition of Becketts and a forecast pickup by Pleasure Foods, whose earnings were static last year

Irvin & Johnson, 69%-held, the source of 21% of AVI's earnings last year, is set to maintain solid growth at a somewhat slower



Management buys out cream of dairy firms

IN A multi-million-rand management buyout, Nels-Bliss Dairy, MD, Martin Loubser has acquired one of the country's largest independent dairies from the Nels family in a deal financed by Standard Merchant Bank (SMB).

Nels-Bliss is involved in the manufacture and distribution of milk and related dairy products and is known for its battery-operated delivery vehicles, which do daily deliveries to more than 30 000 homes in the greater Johannesburg area.

KAY TURVEY

Loubser, who has been with Nels-Bliss for more than 20 years, said he was pleased to now own a business he knew so well.

About 260 farmers in the eastern Transvaal and Free State supply Nels-Bliss with milk which is pasteurised and bottled in its Victory Park dairy.

The company's trademarks Nels, Bliss yoghurt and Country Pasture Products are

household names in major centres throughout SA.

SMB has retained a stake in the company. The deal follows hard on the heels of the bank's involvement in the buyout of Freshmark, Checkers' fresh produce division.

Nels-Bliss is one of the largest privately owned dairies in SA, as it is not part of the NCD co-op or Barlow Rand group's Dalrybelle.

186

Meaty Kanhym serves up a tasty 20c dividend

by Day 16/10/89

186

THE results of Kanhym for the year to August should serve to whet the appetites of potential investors in the food group

Hungry shareholders were served up a tasty 20c (5c) dividend on earnings of 60,6c (20,5c) following the conversion of its preference shares into ordinaries) — a 196% improvement and impressive when weighed against the earnings loss of 338,3c recorded five years ago

Since then textbook management has resulted in a steady improvement. Margins were bettered to 5,3% (4,0%), enabling a 43% rise in operating profit to R46,1m (R32,2m) on a slight 7,6% rise in turnover to R861,7m (R801m)

Executive chairman Dirk Jacobs attributes the improvement in margins to Kanhym's shift towards branded value-added

BRENT MELVILLE

products and a move away from market sectors with tighter margins

On the balance sheet interest-bearing debt dropped to R32,1m (R67,5m) resulting in a significant drop in gearing from 48%



Dirk Jacobs . . . a shift to branded, value-added products.

to 19%, though Jacobs says this will rise to 32% after payment of R14,5m for the remaining 50% of the tannery Hanni & Sons and the final dividend of R6,8m. The consolidation of Hanni boosted current assets and liabilities considerably and had a

R21m impact on funds applied, says Jacobs

Finance charges also remained manageable, remaining virtually unchanged at R11,8m — a far cry from the hefty R44,3m outlay of five years ago — and Jacobs expects interest rates to remain at their current level in the short term, enabling a further saving in finance costs for the coming year

Jacobs expects the group to shrug off the anticipated decline in consumer spending and competitive markets to sustain its growth and produce further improvement in profits in the coming year

All divisions should show further growth next year as a result of the elimination of inefficiencies in Kanhym's meat division, the launch of the Prima range of canned foods by Enterprise and the inclusion of Hanni into the Karoo-Ochse agency, says Jacobs

"In the absence of a corresponding increase in meat prices, however, the rising cost of feed and weaners could lead to a squeeze on margins in the estate's feedlotting operation in spite of efforts to contain expenditure to the minimum," he says



DIRK JACOBS ... beefing up the Kanhym books

Kanhym brings home shareholders' bacon

5/1 Tues 15/10/89

By Julie Walker

KANHYM has brought home the bacon for shareholders with 300% jump in dividend payout to 20c in the year to August 1989.

The huge meat company, was on the brink of disaster only a few years ago. Chairman and chief executive Dirk Jacobs reflects that there were many who believed Kanhym would sink. Not only did it keep afloat, it is now positively buoyant.

Kanhym's most radical reform has been a shift in focus from meat as a commodity to branded and value-added products. This helped to lift the operating margin from 4% of turnover to 5,3%. In 1986 it was hardly 2%.

So, even though turnover rose only 8% to R862-million, operating profit jumped 44% from R32-million to R46-mil-

lion. Finance charges were a touch lower than last year's at R11,8-million. Mr. Jacobs is particularly pleased with the results of Kanhym's tighter fiscal management.

"Gearing is down from 48% to 19% at the year end. Although this will climb above 30% when the balance of the Hanni acquisition and the dividend have been paid, it is still a big improvement."

In December Kanhym's preference shares — which had been issued to help the company through a tough patch — were converted to ordinary shares. On a fully converted basis, earnings a share were beefed up by 71% to 62,6c.

Malbak is the major share-

holder with 84% of the equity. Mr. Jacobs attributes Kanhym's about-turn to Malbak's financial prowess as well as to the efforts of management and staff.

During the year Kanhym found a buyer for its coal-mining investment, which hardly fitted in with food. It bought the balance of up-market leather upholstery maker Hanni for R14,5-million. The two transactions gave rise to an extraordinary profit of R5,2-million.

Kanhym farms 25 000 hectares from which it produces 185 000 cattle — 41 000 tons of beef — 95 000 pigs, 40 000 tons of maize and 260 000 tons of silage.

Mr. Jacobs likens the farms to a pantry for Kanhym. The raw materials are sold either as fresh or processed products. Kanhym Fresh Meat has reduced emphasis on carcass sales to value-added cuts.

The rapidly growing Enterprise range of foods has increased its market share from 27% nationally three years ago to 44% now.

Like-It-Lean has been a success from day one for Enterprise. Endorsed by the Weightless diet-watch group, Like-It-Lean markets food trimmed of excess fat.

Shareholders and consumers both like the new lean look of Kanhym. From a head office which cost R8-million to run in 1987, all the

P.T.O

COMPANIES

AR664 16/10/89 (186) ~~186~~

Profit margin increase boosts after-tax profit by 73%

By DICK USHER,
Business Staff

KANHYM profit margins increased 33 percent for the year ended August 31.

On turnover that rose 8 percent to R861,7 million, the company had a 43 percent increase in operating profit to R46 million

Pre-tax profits were R34,2 million, but tax dropped 72 percent to R36 000, leaving a 73 percent growth in after-tax profits to R34,1 million

Executive chairman Mr Dirk Jacobs said the curtailment of activities in sectors where sales did not realise acceptable profit levels and the concentration on value-added products that justified a premium had produced the desired effects and profit margins had risen 33 percent to 5,3 percent

During the year the remaining 50 percent of Hanni & Sons was taken over for R14,5 million, financed from the disposal of the company's coal mining investment, which did not fit

with a food group, for R20 million

Profits on this transaction helped raise retained income by 364 percent to nearly R26 million

Mr Jacobs said that in spite of the moderate downswing in consumer spending, already evident in the last quarter of the financial year, sufficient momentum had been generated by Kanhym's performance during the year to warrant expectations of improved profits for the next year

Inefficiencies in Kanhym Fresh Meat division had largely been eliminated

With the emphasis on the introduction of value-added products and the extension of successful product ranges, a further increase in the division's contribution to group profits could be expected

A final dividend of 12,5c a share brought the year's total to 20c a share, a 300 percent increase.

The grocers' rep aims to please

186



JEREMY Hele is a busy man.

As executive director and unbiased spokesman of the Grocery Manufacturers Association he and a part-time assistant look after the interests of more than 80 manufacturers of fast-moving consumer goods — almost anything on a supermarket shelf. The manufacturers have a turnover of more than R12-billion a year.

"Our activities," says Mr Hele, "encompass any topic of common interest or benefit which doesn't affect an individual company's freedom to compete."



JEREMY HELE little time for a cup of tea

apricots, being a soft fruit, break down during cooking. How that hadn't occurred to her, I can't imagine."

CONSUMERS

These activities cover four main areas: consumers, government, trade and industry.

"We have continuous contact with the major consumer groups. They listen to our problems and we try to deal with their complaints — some of which are genuine and some unbelievably trivial.

"For example, a woman took issue with us on a product that stated it contained whole apricots. She contended that it didn't contain a single 'whole' apricot and that the description was false.

"The issue was resolved by my pointing out to her that

lets — available only through qualified dieticians, doctors and others to prevent the layman from making any kind of dangerous self-diagnosis — listing products that are free from one or more of these foods and substances."

So far, more than 1 000 manufacturers together with major retailers have registered their products. Mr Hele hopes to launch the data bank by the end of the year.

GREEN

The GMA is also involved in the burgeoning Green issue. CFCs, it seems, are the bete noir — even if hardly anyone knows what the initials stand for.

"Because it is become fashionable to panic about products containing CFC's or to punt biodegradable packaging or, say, phosphate-free washing powder, the public doesn't think things through.

"Ozone-friendly sprays containing butane instead of CFCs are highly inflammable. Sniffing could also become rife.

"Although biodegradable packaging may degrade and disintegrate, what happens to the substances once they have been broken down? They do not disappear and have to be dumped somewhere.

"Although recycling is ob-

viously the best answer, it is expensive and someone has to pay. Anyway, would the consumer in the end prefer insanitary food or food packed in plastic bags?"

"As for phosphate-free washing powder — it simply doesn't work too well."

SECURITY

Dealing with the trade on behalf of manufacturers takes up a great deal of Mr Hele's time. He has done much to improve the relationships and efficiencies between member companies and their major customers, particularly in distribution, administration and security. But he stresses that the GMA is not a negotiating body and can in no way coerce its members.

"We have no mandate to negotiate on terms and conditions and we avoid discussion on these except in general principle."

The GMA is also involved with the Government in a continuous effort to increase consultation about legislation affecting grocery manufacturers. Relations with Government departments have improved tremendously of late.

The association is the only representative of food manufacturers on the recently es-

tablished Food Legislation Advisory Group (FLAG). It has been asked to convene a committee to investigate and make recommendations about regulations pertaining to chilled and frozen food.

It is concerned, too, with trade metrology. The relevant Government department prefers to receive submissions on required changes for weights and measures through an established association which can canvass full industry opinion.

SPECIALISTS

Transport legislation is high on the GMA's agenda and it is also represented on the committee for the marketing of irradiated food, with a view to educating both manufacturers and consumers.

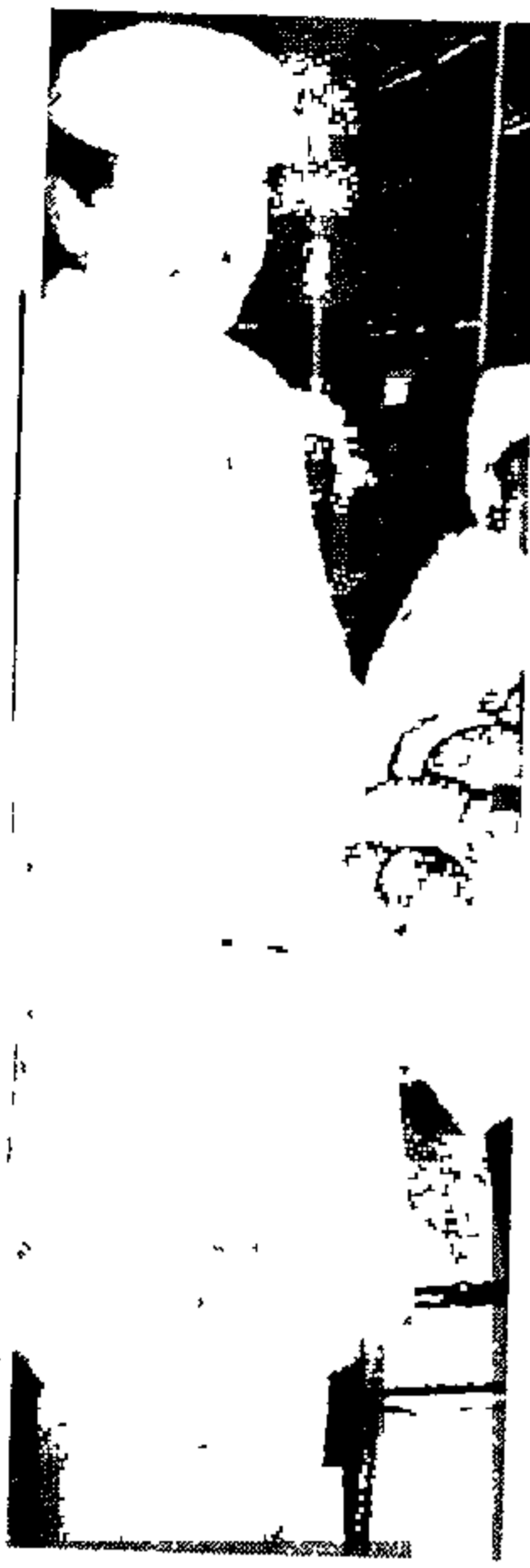
With all that and the GMA's involvement in the industry itself, exchanging information and experience between specialists and member companies and examining a plethora of topics which range from trade-union demands to the standardisation of product descriptions on black hair-care products, it's a wonder Jeremy Hele has time to sit down and have a cup of tea — even if it is produced by one of his member companies.

WIDER

However, wider issues of real importance to the consumer are tackled by the GMA. Food intolerance is one. The GMA is compiling a food intolerance data bank.

Mr Hele says "Working with the division of food science and technology of CSIR and modelling the data bank on the operation run by the British Food and Drink Federation, we have defined 10 groups and substances most commonly associated with food intolerance.

"We hope to provide book-



BARRY REBECK ... fore-taste of eggs for Easter

Beacon sets choc market alight

S/Times 22/10/87

186

By Robyn Chalmers

CHOCOLATE wars are serious stuff, and Beacon Sweets is coming out tops in one of the stickiest SA has seen for years

Beacon, one of SA's largest privately owned companies, is making big inroads into the R1-billion-a-year confectionery market previously dominated by Cadbury's and Nestle-Wilson-Rowntree

Blessing

Beacon has bombarded the market with new delights for chocolate lovers since 1985 when joint managing directors Arnold Zulman and Barry Rebeck decided to invest heavily in high-tech equipment

Its TV Bar soared to No 1 in the popularity stakes when it was launched in 1986 Campus Crunch, Swing and New Look followed Cadbury and Nestle-Wil-

son-Rowntree started to take notice The poor relation which had clung to about 5% of the confectionery market in the 1950s, now lays claim to 35%, according to Ibis research group

Mr Rebeck believes Beacon's late entry into the market was a blessing

"By coming in later we were able to install the latest high-tech equipment Not only is our 20-acre factory in Durban the biggest in Southern Africa, it is the most modern"

He will not disclose the investment in machinery, but says it runs to "many millions of rands"

Fierce

The chocolate war is fierce Wilson-Rowntree chief executive David Jelley does not see Beacon's move into the market as a threat and welcomes competition

"The market has expanded with Beacon's entry Initially, it hurt Nestle's share of the slab market — down from 40% to 30% In the long run, however, it is good for the market"

Beacon's aggressive entry four years ago was the result of a hunch held by the entrepreneurial Mr Zulman, whose equally unconventional father Hymie founded the firm in 1929

Mr Zulman believed the European-style chocolate should be introduced to SA to challenge the traditional Swiss taste of Cadbury and Nestle

Entrenchment of the Swiss chocolate taste was one of the major obstacles which Beacon had to overcome, says Mr Rebeck

"Our processing method is different from that used by the Swiss It is called the double-refined technique whereby the chocolate is put through twice-refining rollers

"The mouth-feel of this chocolate is much smoother We had to change the taste of the public from the traditional SA Cadbury-Nestle chocolate, which is coarser and more caramellised"

Endorsed

The ploy worked Beacon now holds 26% of all chocolate bar sales and 11% of slabs Mr Rebeck says growth is coming mainly from young people, particularly blacks.

Beacon's adoption of the European style was endorsed by its showing at the 28th world selection of chocolate products and confectionery by Monde selection

Beacon won a gold medal — the highest award — and a silver for its chocolates It was the first time an SA-made chocolate had picked up a gold medal

Mr Rebeck says Beacon will become even more aggressive He is reluctant to disclose plans, but says they will cause surprises

Recent labour troubles have been cleared up, Beacon arriving at a wage agreement with the Food and Allied Workers Unions (Fawu). The lowest wage — for sweepers — is R1 000 a month

Asked whether this highly profitable company would be listed on the JSE, Mr Rebeck replied "What for?"

MANUFACTURING — FOOD

1989

NOV. — DEC

Court rules for Premier

Supreme Court Reporter

IN TWO separate applications yesterday, Premier Milling Company obtained a final interdict and succeeded in having an interim interdict against striking workers — members of the Food and Allied Workers' Union (FAWU) — extended

Mr Justice S Selikowitz ordered Mr Ralph Dibela and 105 fellow workers, alleged to be engaged in an illegal strike at the company's Epping plant, not to interfere with or intimidate Premier Milling employees or temporary staff and not to damage their property

or obstruct normal operations of the factory

Human resources manager Mr Andre Els said in an affidavit that the day after an illegal strike was started at the factory, three men who had arrived on a truck to load flour, maize and meal were chased off the premises by the striking workers

The company feared that the workers would continue their "illegal and criminal activities" and cause irreparable harm if an interdict were not granted

In the second application, Mr Justice Selikowitz extended an interim interdict, granted on Oc-

tober 6, against Mr Raymond Sasha and 107 other workers at Premier's factory in Malta Road, Salt River, till November 8

Factory manager Mr John Waterhouse said in an affidavit that the workers, all members of FAWU, started an illegal strike on October 5

On that day a delivery truck from an oil company was prevented from entering the premises

The next day six men on a truck which had arrived to load bran were forced off the premises and loading could not take place

Mr R Brusser instructed by Mr P C Faber of Sonnenberg Hoffmann and Galombik, appeared for Premier Milling in both applications.

CMA Twiti 2/11/89

ASK

Business Report

Exports boost turnover . . .

Tiger Oats earnings rise by 25%

Own Correspondent

JOHANNESBURG — Tiger Oats have produced highly encouraging results, highlighted by an increase of over 100% in export-related turnover, to almost R1bn

The highly diversified group boosted earnings attributable to ordinary shareholders 25% to 158c a share and a 25% rise in dividend, to 54,4c for the full year to end-December

The results place Tiger Oats firmly in the category of rand-hedge stocks, from which it has traditionally been omitted by practically all analysts

The latest results — full financials including the balance sheet are due in three weeks — indicate that export-related turnover is worth some 17% of group turnover

The group — which owns over 50 common brand names including Ace, Jungle Oats, Fatti's & Moni's, Tastic, Koo, Black Cat, Golden Spread, Dogmor, Panado, Jeyes and Drews Liver Salts — hiked turnover 30,9% to R5,8bn

The majority of business is done in foods, with pharmaceutical, fishing and financial adding to the bottom line

Overall, says chairman Robbie Williams, the group "experienced a year of strong growth with recent acquisitions contributing materially to profits"

The acquisitions include 50% of Langeberg Holdings, the second biggest canner in the world, and outright control of Saphar-Med and Logos Pharmaceuticals, now consolidated for a full year

Adcok-Ingram reported a 46% increase in earnings

Williams says all divisions returned a strong increase in turnover — assisted by introduction of new products into the market

Operating profits increased 33% to R434m — "pleasing", says Williams, "as the achievement came off a high base"

The group's capital expenditure in the year increased from an budgeted amount of about R200m to R266m

"A similar amount is budgeted for 1990," says Williams.

Proposed or potential acquisitions remain under wraps.

Capital projects implemented in the year reviewed included a fat splitting plant at Marine Oil in Cape Town — aimed at "further beneficiation," says group MD Clive Wolpert

He adds that the acids produced are of international standard

The most expensive project undertaken is the R85m wheat and maize milling complex in Maritzburg, the biggest mill to go up in decades in this country

Williams said that new capex this year will partially include deals in broiler chickens and eggs — which will draw "major investments" by Tiger

The increase in total assets for the year from R2,3bn to R2,6bn was financed largely from cash resources

The overall financial structure of the group remains strong, with the ratio of net interest bearing debt to shareholders' funds at 35,7% (31%) and interest cover at 10 times (22 times)

Dividend cover has been maintained at 2,9 times

The group, which accounts on an extremely conservative basis, and is on fullest possible disclosure given its export activities, saw extraordinary items decrease from R68,3m to R13,4m

Williams said the recent cooling of the economy could have some impact on Tiger's growth in the year ahead

He added that increased competition "might well put pressure on margins and the weak rand could increase the cost of imported raw materials and capital equipment"

● All earnings figures for Tiger Oats have been adjusted to reflect the July ordinary share split which increased the number of such shares in issue by 10 times



Fawu workers restrained from violence

Supreme Court Reporter

CAPL 9/11/59
7/1/59
A FINAL order was yesterday granted against 108 workers interdicting and restraining them from interfering with or intimidating Premier Milling employees or temporary staff

108
184
Food and Allied Workers Union (Fawu) were further interdicted and restrained from damaging the company's property or obstructing normal operations at the Premier factory in Malta Road, Salt River.

Mr Justice H. I. Berman presided. Mr R. Brusser, instructed by Mr P. C. Faber of Sonnenberg Hoffman and Galombik, appeared for Premier Milling.

The workers, all members of the

Fawu workers restrained from violence

Supreme Court Reporter ^{GYE 7/1/59}

A FINAL order was yesterday granted against 108 workers interdicting and restraining them from interfering with or intimidating Premier Milling employees or temporary staff

The workers, all members of the

^{7/1/59} Food and Allied Workers Union (Fawu) were further interdicted and restrained from damaging the company's property or obstructing normal operations at the Premier factory in Malta Road, Salt River.

Mr Justice H L Berman presided. Mr R Brusse, instructed by Mr P C Faber of Sonnenberg Hoffman and Galombik, appeared for Premier Milling.

CGS earnings ⁽¹⁸⁴⁾ boosted by 22% *CAT. Units 13/11/89*

THE CG Smith group has closely followed its principal subsidiaries — CG Smith Foods and Nampak — in completing another good year with earnings and dividend both up by 22% to 746,1c and 260c respectively

The performance for the year ended 30 September 1989 echoed chairman Warren Clewlow's previous year's annual report where he forecast that steps taken to cool the economy would make their impact, especially on Romatex. He predicted that steady growth from Smith Foods and Nampak would deliver "a reasonable growth in earnings" for the parent company, albeit at a lower rate.

That has come about with Smith Foods yesterday reporting a 22% earnings growth while Nampak last week announced a 28% lift and Romatex maintained its profits at a virtually unchanged level.

Smith Foods accounted for an almost unchanged 51,7% share of the group's attributable profits and Nampak for a slightly higher 39,3% stake.

A 22% increase in group turnover at R12,424bn generated a 27% higher operating profit of R1,103bn and interest paid almost doubled at R180,6m in line with higher borrowings and rates.

Attributable profits were up by 22% at R349,8m.

Earnings were similarly up at 746,1c while a 158c final dividend has been declared to raise the annual total by 22% to 260c.

From LIZ ROUSE

JOHANNESBURG — The Premier Group achieved a satisfactory 17% rise in turnover of ongoing operations, with taxed profits up 39% in the six months to September

Chairman and chief CE Peter Wrighton and deputy CE Gordon Utian describe these results as "gratifying having regard to the general state of the economy"

Turnover for the six months amounted to R2,1bn (1,9bn), giving rise to a 22% increase in trading profit to R142,7m (R116,9m) Margins improved fractionally to 6,8% (6,1%), reflecting the constraints under which the group's food division (the largest profit contributor) are operating

However, despite an increase in interest charges to R42,6m (R32,6m) — which will

17% increase in turnover for Premier

Capit. Trans 13/11/89

decline in the second half of the year when the effects of the R281,4m rights issue will be felt — Premier achieved a 39% increase in taxed profit to R66,8m (R47,9m) before minority interests, preference dividends and the group's share of retained earnings of associates

Earnings attributable to ordinary shareholders showed lower growth, partly as a result of a sharp decline to R1,8m (R5,9m) in the group's share of retained profits of associ-

ates and the increase was 22% to R46,7m (R38,3m)

The earnings a share increase was 20% to 72c on the larger issued share capital, resulting from the September rights issue, from 60c in the 1988 half-year

A 25c interim dividend was declared earlier than normal in July, in order to avoid confusion that might have arisen from the new ordinary shares issued in terms of the rights offer This dividend is payable on or about December 29

FOOD COMPANIES

A mixed grill

186 Mail 10/11/89

It provides an interesting comparison when three major food companies report in the same week, as happened this week

Periods differ, Tiger Oats and Imperial Cold Storage (ICS) — both part of the Barlow group — reporting for the year and Fedfood for the six months to September. For the two Barlow companies some of the impact of the downturn was thus softened by the stronger first half

Increased tax at ICS and the conversion of 5.4m preference shares meant that the high pre-tax rise was reduced to an increase of only 5% in EPS. Tiger had a lower pre-tax climb than ICS, but managed to record a higher EPS improvement

The main reason for Tiger's performance, says chairman Robbie Williams, is the spread of interests. The broad-based milling division, including baking, contributed about 30% of operating profit — the same as the previous year — but there were some changes in other divisions, notably the pharmaceutical section, where Adcock Ingram's contribution, helped by acquisitions as well as organic growth, rose from 9% to 13%. The change in brand names after the purchase of Saphar-Med (formerly Sterling Drug) led rather strangely to increased demand, and this rubbed off on other brands

Less happy was the fishing scenario. The season was shortened by two months due to scarcity of fish, and quotas were not filled. "It was only due to efficiencies previously introduced that attributable earnings rose 4%," says Williams. Thanks to such developments as expanded cold storage facilities, the contribution to Tiger was held to 7% (9%) of total attributable earnings

There has been some improvement in edible oils markets. Oils were hit by dumping of cheap foreign oils, a fact which has been recognised by government, and compensatory tariffs were imposed. The fat splitting and fractionation plant built in Simonstown will enable Tiger to benefit more of its oil residue products. The plant, which operates at high margins and will provide import substitution, will begin to contribute this year, giving entrée into a new niche market.

Two other expansions are under way. The first — to increase the broiler chicken and

egg business — should, says MD Clive Wolpert, have been initiated two years ago. He is untroubled by looming recession, suggesting that this is the best time to invest

It may also seem inappropriate to invest R85m in a wheat and maize milling complex at present, but the lead time is around two years. Wolpert says stability is returning to the market, which suffered from oversupply

Though Tiger's cash pile has been depleted, it can still well afford these projects. Debt equity rose from 31.7% to 35.7%, but, as Williams says, this was after taking out minorities in recently acquired W G Brown

Wolpert is sanguine about the impact of the recession, saying that the group is not as affected as other industrial companies. On the effect of a fall in the rand, Williams says on balance it should be beneficial, as export-related turnover is almost R1bn a year, ranging from the Langeberg products to oil to peanut butter. Imports consist of capital goods and agricultural products not readily available at that time in SA

Overall the group expects real growth, though this will be more difficult to achieve.

Fedfood lacks the spread which gave Tiger a buffer. The impact of the short fishing season was strong, especially combined with the drought in the eastern Cape. After selling its Worcester animal feeds operation, turnover rose only 5%; excluding this, turnover was up 13%

Though local fishing catches were reduced to those of the mid-Eighties, the Chilean interests did extremely well, reaching budget in the first eight months of the year. These are not consolidated but director Charl Kocks says the board will consider paying a dividend from Chile this year, as the intention was that it should iron out troughs in earnings from Namibia.

The drought hit local sales of Harvestime frozen vegetables hard and also affected the export market. It was alleviated to some extent by taking vegetables from the plant at George to that near Port Elizabeth

The group appears to have been more affected by problems in the maize and oil industries than Tiger. Fedfood is still feeling the impact of the glut of edible oils, but Kocks says the market is "lifting its head." He calls recent price cutting in the maize market — started by small operators — unprecedented and, like Tiger's Williams, suggests that the easing in demand was probably because subsistence farmers were able to live off the land in the good rainy season.

The baking section will be hit by government's decision to demand a high contribution from bakers towards subsidising the bread price. The group is thus showing some



Tiger's Williams ... benefiting from investment spread

faith in the future by proceeding with a R18.5m bread factory, though it is designed to produce super loaves

It was not all bad news, though. Snack sales rose sharply. Despite a ruthless price war in biscuits, Fedfood has managed to maintain prices especially in the no-name brands it supplies

In this adverse climate, the group did well to contain the increase in interest costs to 3% and the rise in borrowings to R8m (12%). Kocks says that this will not increase much to year-end. He suggests that the vegetable division may not equal last year's performance, and says the EPS rise for the full year is unlikely to equal the interim 11%

ICS MD Russell Chambers also expects lower consumer demand but considers the group well placed to achieve satisfactory earnings. He says that improvements at the problematical Clayville plant continued. There were higher operating efficiencies throughout the group, with operating margins rising from 2.7% to 3%. Obviously, the move to value-added products has borne fruit, but Chambers says that pressure on margins increased, especially in the poultry division. This division acquired the remaining 50% of National Poultry Breeders.

Performance by associates was weaker, the share of their profits rising only 14%. Investment income improved 18%.

ICS was well prepared for dilution resulting from the pref conversion and increased the dividend by 20% — more in line with the 23% rise in attributable earnings than the 5% increase in EPS

Pat Kenney

FOOD GIANTS

% change

	Tiger	Fedfood	ICS
Pre-tax profit	+21	+11	+25
Attributable	+25	+16	+23
EPS	+25	+11	+5
Dividend	+25	+6	+20

Sugar giant posts modest figures

B/Dam 16/11/89
186

SYLVIA DU PLESSIS

TONGAAT-HULETT has posted a modest set of interim figures following a 32% hike in its interest bill to R44,6m (R33,9m) and a marked drop in contributions from its building materials division.

Helped only by strong performances from its sugar and aluminium divisions, the diversified Natal-based group lifted earnings 16% to 115,7c (99,5c) a share in the six months to September — far off last year's 43% growth.

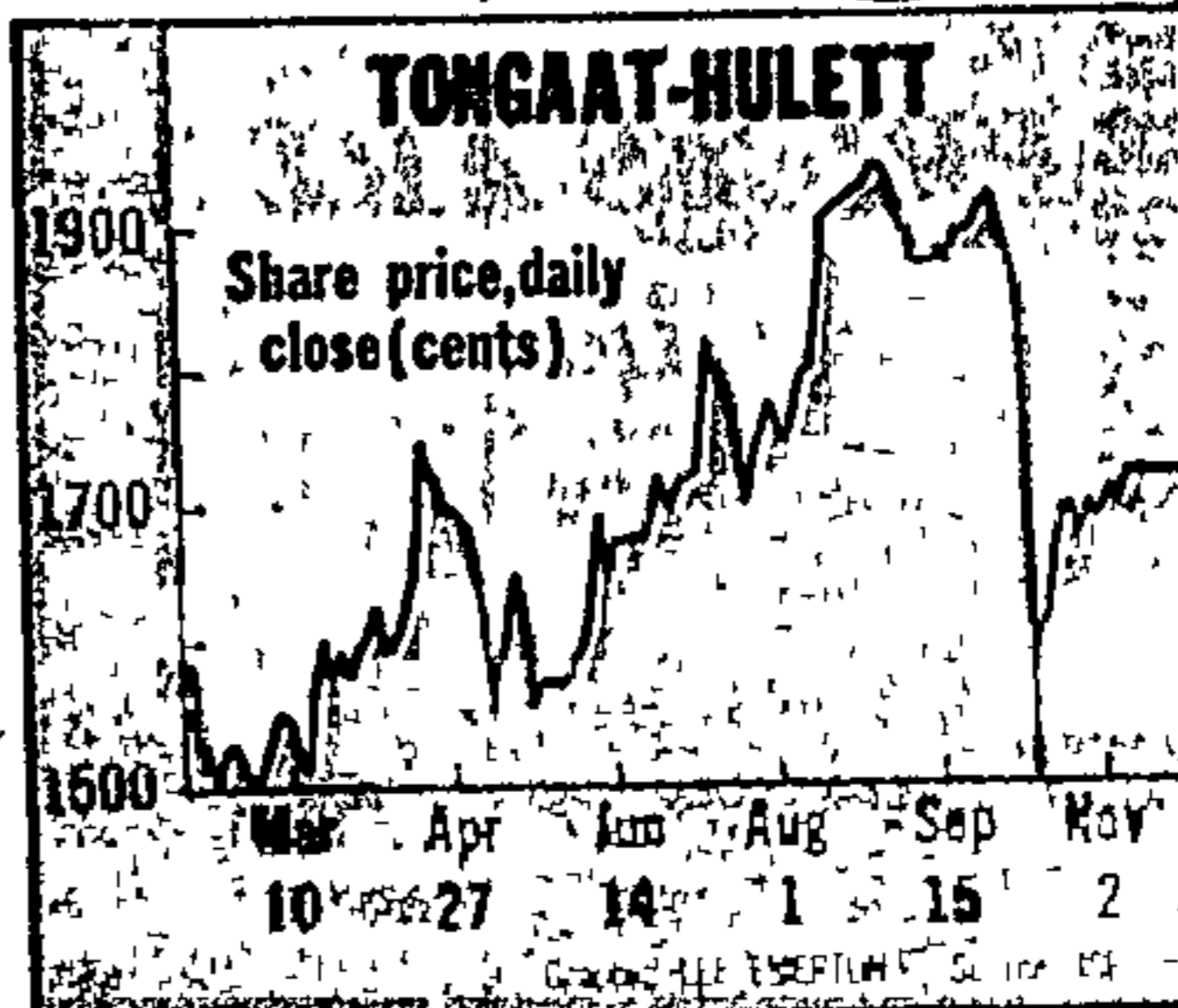
This was realised on turnover, which rose 15% — in line with inflation — to R1,86bn (R1,6bn), and operating profit, a sound 20% up at R191,6m (R160m), thereby widening margins from 9,9% to 10,3%.

Attributable earnings grew 19% to R86,6m, from which a halfway dividend of 26c a share, 13% up from the corresponding 23c, has been declared.

Directors said yesterday the building materials division had been hard hit by difficult trading conditions, with demand for clay and concrete walling products declining sharply as a result of high interest rates impacting adversely on home-building activities.

A number of Corobrik factories had been closed, and other remedial action had been taken to reduce production output and overhead costs, they said.

But both the sugar and aluminium divi-



sions had turned in "sparkling" performances, with the latter again producing strong improvement in volumes.

The contribution of these divisions to profits would reflect significant increases on last year, with good spring rains, a higher world sugar price and an increased share of total industrial sugar production bolstering sugar's offering.

The group's remaining divisions — foods, textiles, starch and sweeteners — had performed satisfactorily, given the highly competitive trading environments within which they operated, they added.

Turning to the increase in interest payments, directors said this was brought

□ To Page 2

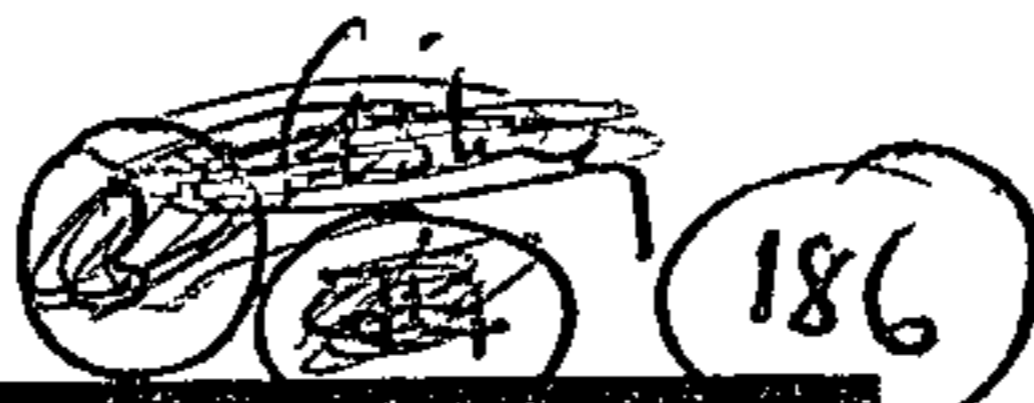
Sugar giant

about by higher interest rates and steeper borrowings of R580m (R482m)

However, taking into account the seasonal nature of agricultural operations, borrowings were expected to reduce to about R330m by year-end

186 □ From Page 1

While the second half would be characterised by more difficult trading conditions — the result of tight monetary constraints — the directors anticipated full-year earnings of 235c (214,3c) a share, assuming no further significant deterioration in the economy



SURCHARGE ON CERTAIN FISH LIFTED

KAY TURVEY

FROZEN pilchards and similiar species of fish will no longer be caught in the import surcharge net.

In a notice gazetted last Friday frozen pilchards are exempted from a 15% surcharge with retrospective effect to May 10 1989.

This brings them in line with frozen mackerel and hake, which were let off the surcharge hook in April this year, retrospectively from August 1988.

In a sea of confusion caused by the impost, the import surcharge on fresh and frozen prawns, shrimps, crab, scallops, calamari, oysters, mussels and snails was raised from 15% to 60% two months ago.

Tuna

In the meantime the surcharge rate on staple fish such as canned sardines and pilchards has been exempted after having been brought down from 60% to 15%.

In August this year tinned tuna which was previously exempt became subject to a 15% surcharge. It was originally planned to attract a 60% surcharge in August last year when the scope of the surcharge was widened, and rates significantly increased, but exempted later.

Deloitte associate director Doug Joliffe said the trouble with the retrospective amendments was the end user seldom got the benefit of the price adjustment.

Restrictions lifted

ings where state policy was being criticised, restricted to the Port Elizabeth magisterial district and restricted to his home between 9pm and 6am.

"The lifting of the restrictions on myself and other MDM leaders comes at a time when government is faced with the greatest challenge from a mass defiance by our people who are disenfranchised, oppressed, exploited, and who will not tire in the struggle until true liberation comes," he said. — Sapa.

Food workers locked out as disputes grow

Labour Reporter

ABOUT 70 workers were locked out at Jungle Oats in Maitland in a further food industry dispute.

The lock-out yesterday followed a breakdown in wage negotiations which started in August with the Food and Allied Workers Union (Fawu)

Meanwhile, wage negotiations at Fattis and Monis are scheduled to go to mediation after management and Fawu failed to reach agreement

27 DISMISSED

Union spokesmen were not available last night for comment

In a third dispute, involving the South African Dried Fruit Co-operative, 27 workers dismissed last week over a dispute about working hours and overtime have been reinstated and will return to work today, according to a Fawu spokesman.

He said the union and management had reached agreement on changes management wanted to make in hours of work, and all those dismissed would be taken back under certain conditions.

The company's manager, Mr J Kirsten, was not available for comment.

Jungle Oats managing director, Mr Michael Paddick, said workers had been given statements on Monday night detail-

ing the company's wage offer and warning that those who did not accept would not be allowed on to the premises.

He said the company had decided to approach employees directly because union representatives had failed to take part constructively in negotiations, and it wanted to make sure they fully understood what the company considered to be a "most reasonable wage offer".

At Fattis and Monis, Fawu demanded a minimum of R235 a week against a company settlement proposal of R202,22 a week, plus benefits, according to a company spokesman

Proposals about mediation had been sent to the union and management was waiting for a reply.

Fine for 'drunk' cat killer halved

The Argus Correspondent
MARITZBURG. — A 27-year-old Pinetown man who was convicted of throwing two cats from the eighth floor of a block of flats on January 8 this year, has had his sentence effectively halved on review to a R1 000 fine (or six months' imprisonment).

Bruce French was originally convicted under the Animal Protection Act and sentenced to a R2 000 fine or two years

French claimed he was intoxicated at the time

Mail

mics) in the Finance Department, Johan Jones

But none of the development aid will be forthcoming until the constitution has been written — and that process could drift into the middle of next year. One observer says "A lot will depend on whether Swapo will be run by people with the right ideas to promote international confidence or whether the military commando starts cracking the whip. If they do, aid will dry up."

Aid in itself will not be enough. As Jones says "We'll have to stand on our own feet."

To accomplish this, Namibia will have to foster a climate which invites foreign investment and encourages private enterprise — the only way it can successfully confront the lack of secondary industries, technical know-how, shortage of skills and lack of funds. One prospective investor says "We want to feel secure in knowing any investment we make in the country won't fall prey to government meddling."

The strong showing of the Democratic Turnhalle Alliance (DTA) in the recent elections (21 out of 72 seats) and the inability of Swapo (41 seats) to gain the two-thirds majority necessary to write the constitution on its own, is good for the private sector. Dirk Mudge — who is in a position to do so — has said he is willing to serve in a Swapo government provided he can represent his party's views in Cabinet. That means he wants a softening of Swapo's line on State control.

But Swapo's economic policy is not promising. It asserts "There will be State, cooperative, joint venture and private participation in the economy. The State will have ownership of a significant part of the country's economic resources." While no nationalisation of mines is envisaged at present, its policy is "to bring about a balance between just economic returns for the Namibian people and reasonable profits for foreign and local private investors." Is Swapo's idea of reasonable profits the same as that of those investors?

A Swapo source says the new government wants equal access by all to health and education. This falls into the sphere of social policy and obviously presents no problem to investors. But if the socialising drive spreads further and revenues are funded through high rates of taxation and inflation, economic prospects are bleak. There will be little expansion of manufacturing — as it is Namibia cannot feed itself — and the main visitors will be German-speaking tourists.

As the DTA says "There is currently a move away from socialism throughout the world. Interference by the State, over-taxation and nationalisation has been responsible for the fact that many African

countries have received no investment from abroad. Any system in terms of which everything belongs to the State, or is controlled by the State, turns people into slaves who must be given everything as handouts from the State."

The first meeting of the constituent assembly was held this week. Positions have been defined — but in the bargaining it must be hoped that the decision-makers are fully aware of the options for Namibia to become a growing and moderately prosperous economy.

Swapo's belief that the economy has been exploited by foreign mining companies, white commercial farmers and SA fishing companies — which have "sought to maximise profits by concentrating on the production of primary products for export at the expense of domestic consumption" — is fatuous. At this stage, it would be well advised to continue to export rather than attempt to implement economic plans which will introduce major economic distortions.

Chasing off the mining men would be a disaster. Namibia needs new mines.

It also needs more fishing — a profitable source of revenue once a 200-nautical-mile fishing zone is introduced. Tourism should be buoyant for a while. And prospects for agriculture are also positive — provided Swapo is cautious about land reform to which it is committed "in order to redress the imbalance created by

colonial policies of land allocation on a racial basis." It says land occupied by absentee landlords and some land of farmers with many farms will be redistributed to the landless.

This is a real concern. Vacant land might be construed as fair game — and there is much land for such a small population — but overcrowding of productive farming areas would repeat the Zimbabwean experience of farmers leaving after land is seized by gov-



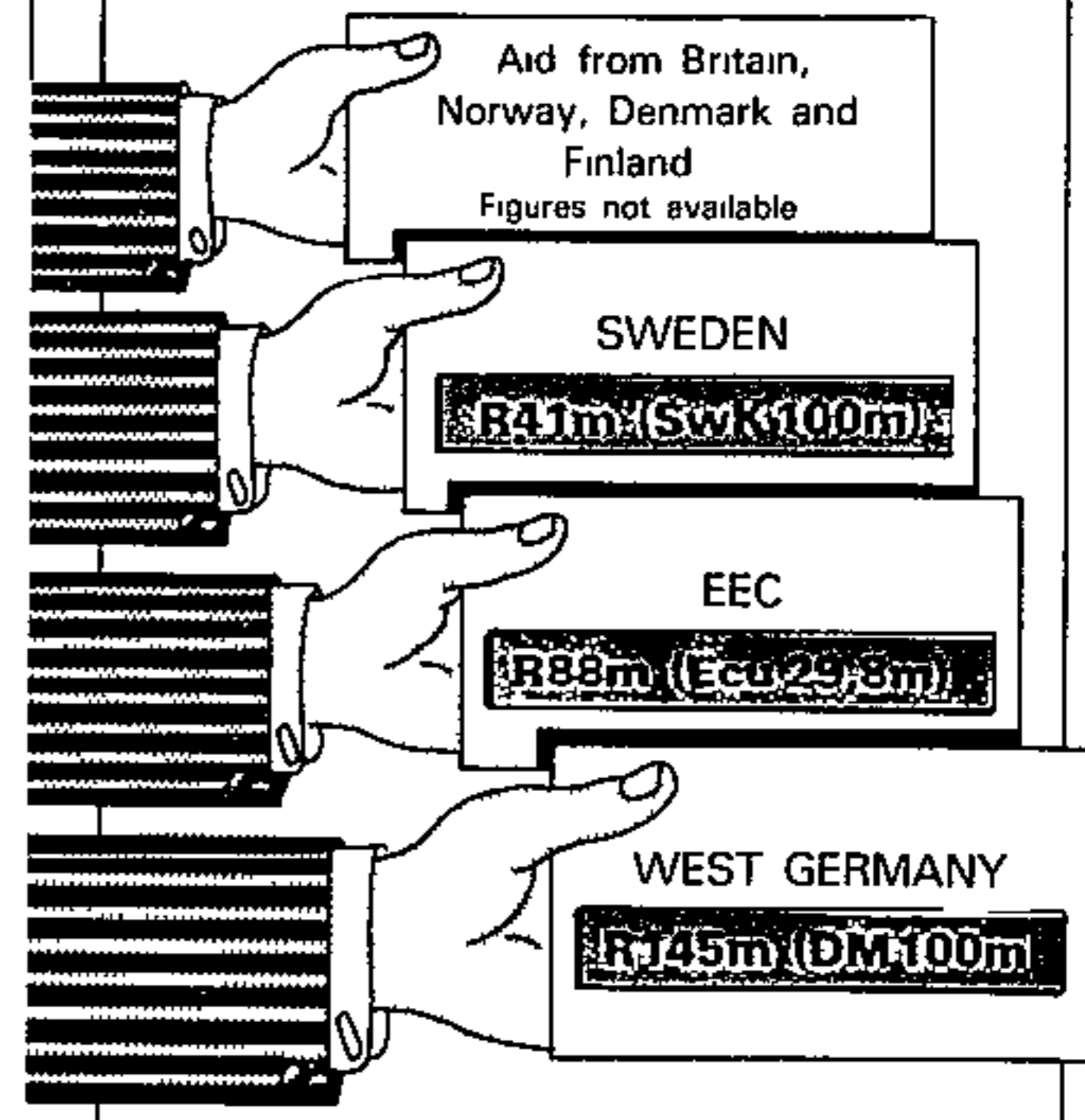
Nujoma



Mudge

Hands out

Development aid to Namibia



ernment — only for that land to become less productive than before.

This would, in fact, tie Namibia more closely to SA food imports. The country simply cannot afford to lose commercial farmers — nor to snub SA before pleading for help when the implications of the policy sink home. To prosper, Namibia will have to continue to live with SA — on the best terms it can get.

Swapo's belief that Namibia "is in a position to establish its own independent national economy, with its own trade routes to the world markets," is, again, fatuous.

Fortunately, some of the noises Swapo has been making suggests it could be faltering in its socialist ambitions. Even president-in-waiting Sam Nujoma has gone on record as saying he is willing to compromise political ideologies to encourage investment. But Nujoma has shown himself to be volatile and emotional.

He has been accused of being out of touch with reality — partly because of his absence from Namibia for 30 years. Businessmen and foreign government officials who have met him say he lacks intellect, is still immersed in Marxist ideology, and hasn't grasped the meaning of the disintegration of socialism in Eastern Europe.

Speculation that the "internal wing" of Swapo — which operated as a political force throughout the bush war — could swing the movement away from Nujoma and his ilk may be premature. Nujoma is a symbolic figure, a hero of liberation, and this authority could intensify as economic conditions decline. Many would like to see the more educated and younger faction in Swapo — represented by secretary for information and publicity Hidipo Hamutenya — take control. Alas, it may not happen in time.

Mudge and the DTA will have their work cut out to persuade Swapo to moderate its claims on the constitutional framework. If they do not succeed, Swapo, on the available evidence, will wreck the prospect of economic prosperity in Namibia.

Then no one, East or West, is likely to come to its rescue.

PAT KENNEY

One of the most talented and popular members of our staff, senior editor (investment) Pat Kenney, was brutally murdered at her Kensington, Johannesburg, home at the weekend. The last article Pat wrote appears in the November *Computer Mail*, which appears with this week's *FM*. The Editor and staff of the *FM* wish to express their deepest sympathy to her family and friends.

The memorial service will be at 3.30 pm on Friday November 24 at St George's church in Parktown.

the inflation rate. Furthermore, marketing increased and that triggered a wider range of container sizes and an increase in per capita consumption. The prices of bread and petroleum products are now the only ones controlled by edict.

How far government will go in deregulating the bread industry is not known. Chris Blignaut, deputy director general of the Department of Agriculture and chairman of the 11-member committee that will report to Cabinet next week, declined to discuss what the report might say. However, it's doubtful that it will call for full deregulation. That would mean letting the market determine the price SA's 10 000 wheat farmers get for their wheat, instead of government, and permanently opening the borders to imported wheat.

Van Zyl favours establishing a SA futures market for wheat and other commodities. "The Wheat Board determines the prices and does the distribution based on what it thinks is going on in the market. In a futures market, we'll get real prices and not what some bureaucrat thinks when he looks out his office window. The majority of the board are farmers, they do what's best for the producers, not the consumers." Indeed, the 13-member board has 12 industry representatives, including eight farmers and one consumer advocate.

SA prohibits wheat imports — except when the domestic crop falls short of de-

BREAKING BREAD WITH THE GOVERNMENT

Who gets the money from each loaf

	White	Brown
	Cents	
Farmers (for producing the wheat)	32,7	28,5
Millers (for turning the wheat into flour)	27,8	23,6
Bakers	35,0	35,0
Manufacturing and administration	22,7	22,7
Transport	12,3	12,3
Ingredients	4,1	4,2
Retail margin	4,0	4,0
Total	103,7	95,3
Minus government subsidy	- 3,7	- 10,3
Selling price of a loaf	100,0	85,0

- 1,7bn loaves of government bread will be sold this year, about 1% less than last year. White loaves account for 48% of the total, brown loaves 52%. Two years ago 68% of the bread was brown loaves.
- Six corporate groups bake all the government bread: Premier, Tiger Oats, Sasko, Bokomo, Fedfood and Maizecor.

Source: Department of Agriculture

mand, as may happen this year — and this drives up the price of the SA crop.

In turn, "This puts up the cost of the bread subsidies and it puts up the price of rice, maize, the whole market for carbohydrates (substitutes for wheat products)," Van Zyl says.

Right now, SA wheat is expensive but still cheaper than foreign wheat when the transport costs are considered — R450/t versus R520-R560/t. But in some coastal areas, imported wheat is cheaper.

"For the Durban-Richards Bay area, far from the wheat-producing areas, imported wheat would be cheaper," Van Zyl says. "In the PWV, it would be more expensive. Why not get it more cheaply if it's available? The artificially high price leads to over-produc-

tion that's exported at a huge loss. Real prices would convince some wheat farmers to plant something else."

Lieb Nieuwoudt, an agricultural economics professor at the University of Natal, agrees. "There's no need to be 100% self-sufficient in wheat. We can tolerate 10% or so in imports. Importing some wheat could lower the price."

But Hemingway says that the imported price is artificially low. "The world price is not an economic price, it's a suppressed price, subsidised by foreign governments."

Government supports are certainly the rule in agriculture across the globe and wheat far-

mers get a large share. Government farm supports cost consumers worldwide more than US\$100bn a year, according to US government figures.

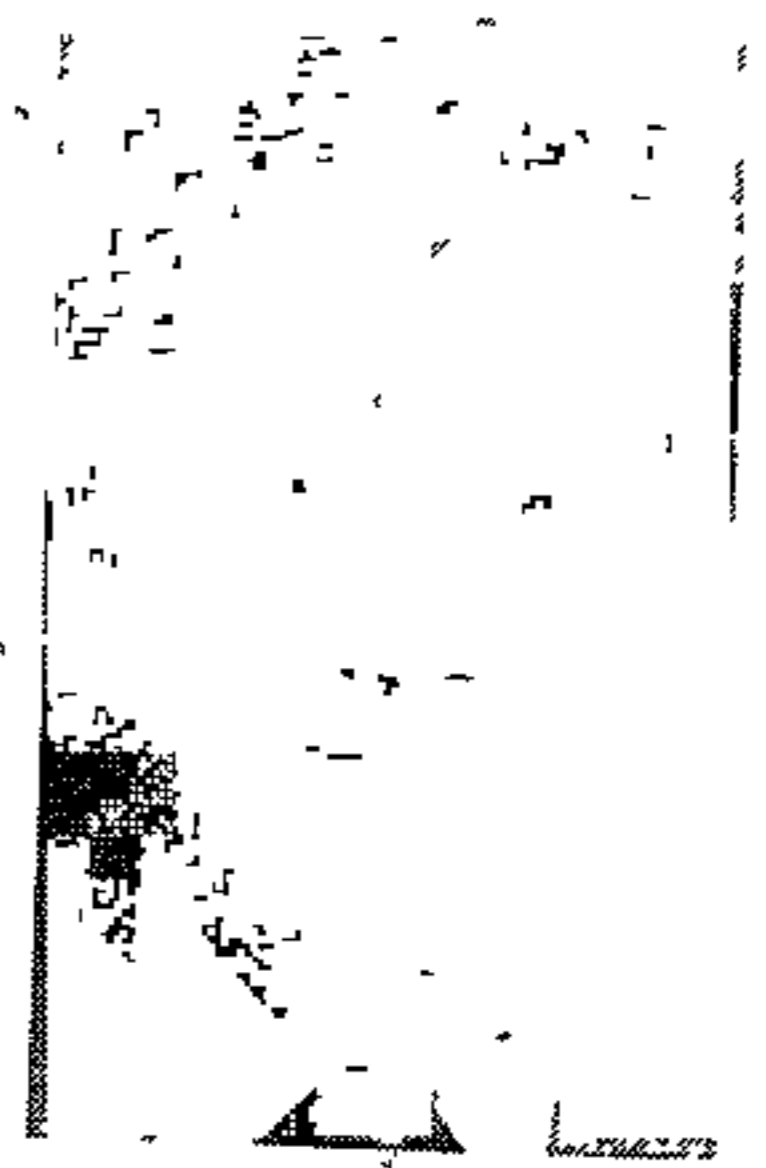
Van Zyl urges that SA's barriers be removed — but the best hope for that is through negotiations under the General Agreement on Trade & Tariffs (GATT). In a plan presented to GATT last month, the US proposed ending most agricultural export subsidies and trade barriers. SA, one of the 124 GATT nations, doesn't object as long as other nations go along.

The outlook for the plan, however, is uncertain.

And whether Pretoria will let go of the wheat price without supporting trade law is very much open to question. ■

Gant's speed wobble being corrected

W/LA 25/11/89 (186)



Hennie Diedericks

Business Staff

ALL Tollgate Holdings group companies are trading strongly to budget or better — with one exception, Gant's, says TGH managing director Hennie Diedericks.

"Gant's is an inherited situation. But while its interim showed a weakening of several key ratios, it is still profitable and steps are being taken to put it back on a more sound foundation. Gant's is in fact a sleeping giant."

Basically Gant's under its previous controlling shareholders had bitten off more growth than it could chew after buying Delpport food group last year for R28 million, he said.

At the same time product base was broadened. Management battled to cope. Stocks rose, distribution suffered and interest burdens knocked chunks off the bottom line. The share price reacted accordingly, dropping some 100c.

New management including Alf Robinson from Cadbury's, Francois Theron from Douglas Green, and Hendrik Verreyne, the new financial director, is now in place.

Heading up the operation as chairman is academic company director and businessman, Dr Pieter Morkel.

With the removal of the North's Intermec agricultural machinery operations (reversed into Drivetech

for listing purposes and now North's Industries), gearing and other balance sheet items are already looking healthier, said Mr Diedericks.

He said he was confident of a turnaround for Gant's during the next 18 months.

Gant's had several major advantages. Possibly more than any other TGH group company, it had a steady, virtually recession-proof base and would expand in line with population growth.

But more pro-rata population growth was only part of the company's potential and he foresaw a burgeoning black purchasing power linked with rising demand for convenience foods.

"Black purchasing power is growing at a dramatic rate. We expect it to impact strongly on demand for Gant's products."

Few were aware of Gant's export operations from its factory in Swaziland which this year were expected to generate about R80 million — 40 percent of the company's turnover.

The scale this operation underlined the often-overlooked value of Gant's shares as a rand hedge stock.

Mr Diedericks believed Gant's was a sleeping giant with enormous assets and that anyone contemplating an entry into the same arena would have to contend with enormous entry cost barriers.

"There's little doubt that the Gant's speed wobble is being corrected," he added.

Police at factory 'to enforce

CHS 7/15 29/11/87

court order'

Staff Reporter

POLICE were outside the Jungle Oats factory in Maitland yesterday to "enforce a Supreme Court order" issued against striking Food and Allied Workers' Union members, according to Jungle Oats management.

A union spokesman said workers, interdicted from "interfering" with casual workers, were prevented from picketing.

In addition, a police truck had brought casuals into the factory, the spokesman said.

Mr J Paddick, deputy-managing director of Jungle Oats, said about eight policemen were outside the premises to enforce a Supreme Court Order served on Monday.

ORDERLY MANNER

"The police requested the workers to move away from the gate, which they did in an orderly manner, after which the police withdrew," he said.

The company had made no arrangements with the police or any other party for transport of casuals.

"It is possible that casual workers sought and were given protection by the police in order to apply for work," said Mr Paddick.

Milly's MD makes promise on earnings

LATEST results from Milly's bear no relevance to current trading, and shareholders can look forward to earnings of at least 1,2c a share on increased share capital for the year to July 1990, based on sales in excess of R50m

That is the message from new MD Hein Ehlers, whose recently restructured group — soon to be renamed Hyperette — has posted predictably appalling figures for the 13 months to end-July

Turnover for this period fell to R7,2m

BIDay 30/11/89 186
SYLVIA DU PLESSIS

from R7,8m, and a loss of 88,92c (42,89c loss) a share was recorded. Accordingly, no dividend has been declared.

Ehlers said yesterday all loss-making bakery divisions had since been closed, non-profitable outlets sold off and a new management structure put in place.

"The old-style Milly's delicatessen stores no longer exist as part of the group. Of the 25 stores, only one is from the old

Milly's chain and we are in the process of changing it to a Bread Basket operation.

"For the past few months, every store has been trading profitably and we are still busy implementing further money-saving and profit-making systems."

The recent Milly's/Hyperette merger, coupled with the group's new Bread Basket acquisition, had created "a large multi-million force" in the convenience, delicatessen and specialised bread market, he said.

APCS 30/11/89

Many injured, 200 arrested as police and strikers clash

486

The Argus Correspondent

PRETORIA — Clashes between police and strikers at a factory here left scores of people injured early today

At least 200 strikers were arrested at the Boerstra Bakery in Pretoria West

Cosatu claimed that people had been killed, including two pregnant women, but this could not be confirmed by the police or the bakery

BATONS AND TEARGAS

Major Reg Crewe, police liaison officer, said between 200 and 300 people had been arrested

"After being attacked by the workers, police moved in with batons and teargas. At least two policemen were injured — one with a broken nose and the other a broken ankle."

Mr Robin Kitchin, director of Boerstra Bakery, said he believed people had been injured and taken to Kalafong Hospital in Atteridgeville, but could not confirm this

"It started with a wildcat strike yesterday afternoon with staff staying on the premises and refusing to negotiate. We have yet to determine the reasons for them striking

"In the early morning members of the public in the vicinity of Boerstra apparently complained to the police, who then spoke to the senior trade union leaders

"The workers then apparently attacked the police with anything they could lay their hands on, forcing the police to retaliate," Mr Kitchin said

A formal statement would be issued later, he said. Police said they were still sorting out the details

I&J put profit on a plate

S/Tues 3/12/89

186

FROZEN food market leader Irvin & Johnson's move into the Top Ten for the first time last year was no flash-in-the-pan — as its reappearance in the No 7 spot this year proves

**No 7 1984: R10 000
1989: R81 137**

The group has, in fact, strengthened its claim to a place in the sun by a marked improvement in all-in return for investors

This has moved from an average 42,4% a year in 1988 to 54,9% this year after an excellent financial year which established two new records — I&J's turnover exceeded R1-billion for the first time and pre-tax profit rose above R100-million

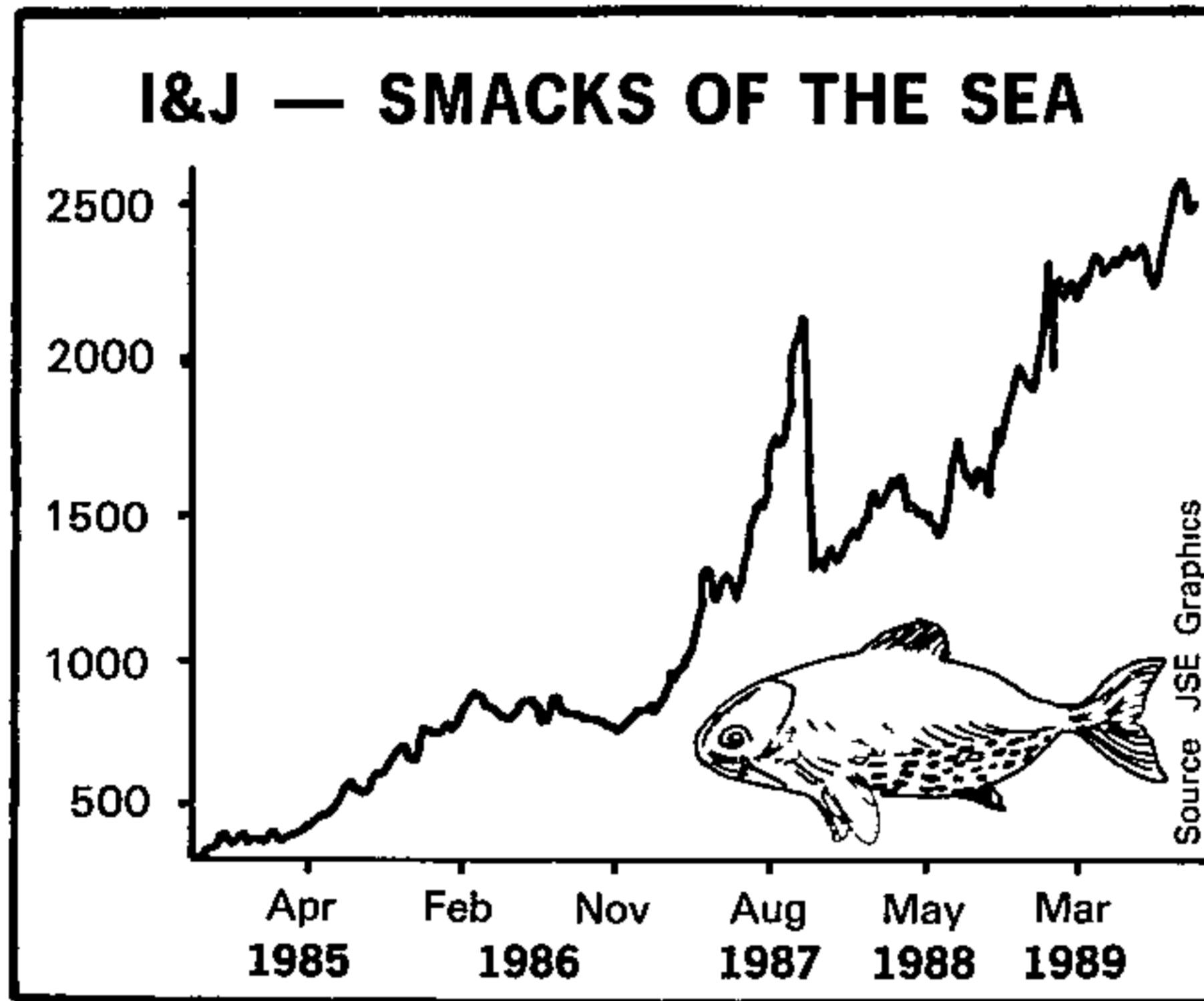
The next target in the sights of managing director James Williams and his management team is to double sales and profits in the next five years

Before sceptics air their doubts too loudly they would do well to examine the milestones of I&J's recent sales and profit performance

In the last decade the average annual compound growth has been 21,2%, pre-tax profit has grown 30,7% and earnings per share have increased 29,8%

Sales topped R250-million for the first time in 1981 and pre-tax profits hit R13,3-million. But in 1985, sales of more than R500-million generated pre-tax profits of nearly R31,5-million

The group's performance in the last financial year to June 30 fulfilled a year-old



Top Ten place no flash in the pan

By Ian Smith

prediction that sales would top R1-billion. In fact, turnover increased 23% to nearly R1,1-billion and pre-tax profit was up 28% to R102,8-million

Attributable earnings jumped 29,5% to R65,6-million, pushing up earnings per share from 179,3c to 231,9c. The dividend for the year was increased from 55c to 70c, and dividend cover has remained unchanged for the last two years at 3,3

Success has not been handed to I&J on a plate. All its products lie in the food sector, where margins are traditionally tight as big retail chains vie to offer the housewife the best deal

And yet the company has done more than its share to change the tastes of the

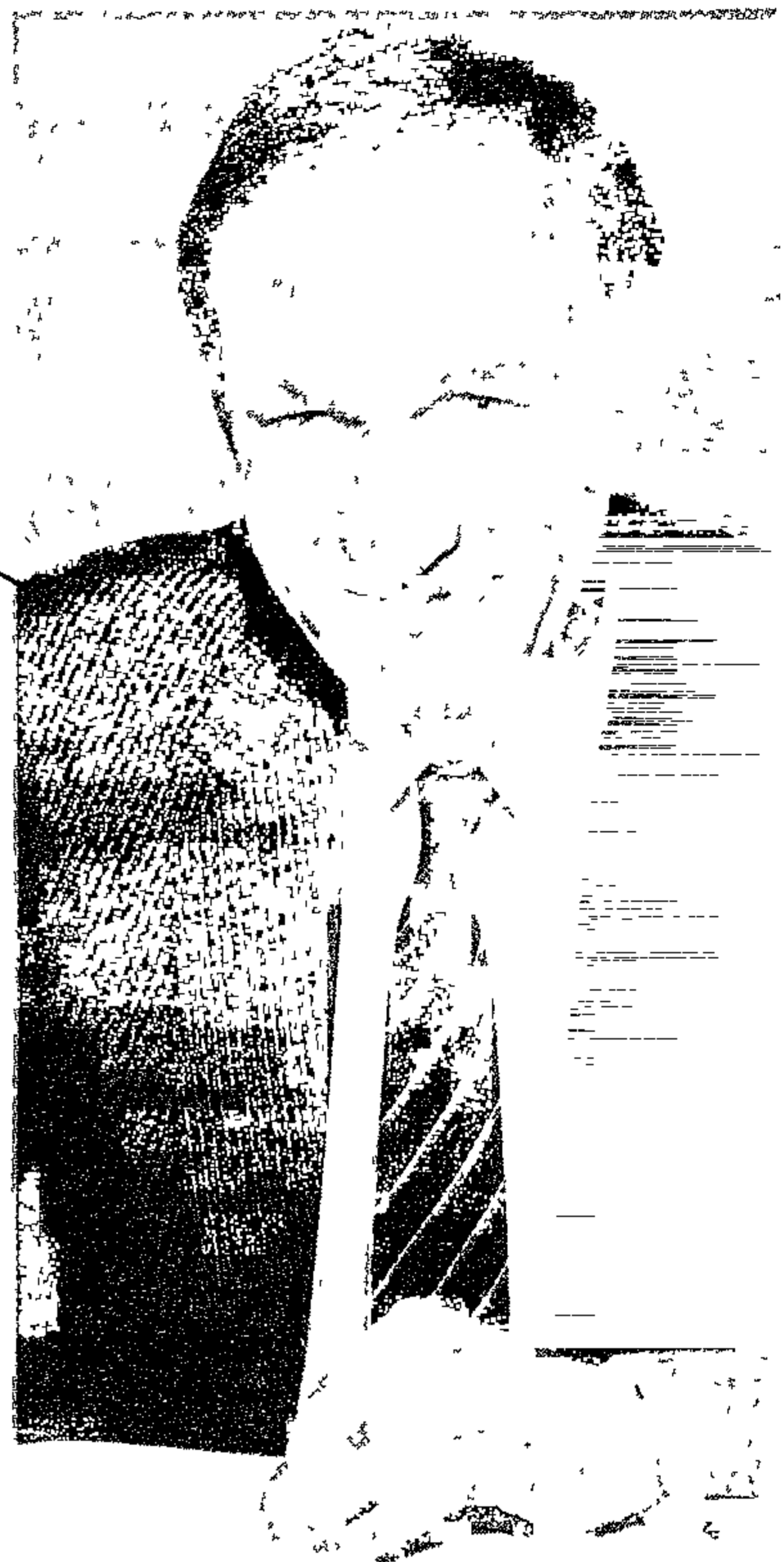
nation. It has developed many new products, some of which have been copied by international companies

At the same time the delivery of its wide range of frozen fish and vegetables, chickens and prepared foods to 22 000 customers has demanded massive investment in an efficient distribution infrastructure

This does, of course, act as an effective entry barrier and should insulate I&J from major competition for some time to come

I&J has contributed largely to the growth of the frozen food market in SA, which is currently running at more than 7% in volume terms and 23% by value for the decade

"We are confident the market will continue to grow strongly and that we will retain our leadership position in it," says Mr Williams



JAMES WILLIAMS ... confident market will

The group consists of three major divisions. Most supplies for the seafoods division are caught by the group's own trawler fleet, one of the largest in the southern hemisphere

Vessels are based in Cape Town, Mossel Bay, Port Elizabeth and Durban. Preparation and freezing is carried out at sea and in Cape Town, Mossel Bay, Port Elizabeth, Walvis Bay, Hermanus and Durban

The prepared foods division produces and markets a range of frozen vegetables, pastry products, burgers, pizzas and bottled pickles and condiments

Vegetables are grown under contract in the Transvaal and suitable crops are harvested mechanically by I&J teams. Production and chilling facilities are provided close to the growing areas to ensure freshness

The sales and distribution division handles the delivery of all the company's frozen foods, Rainbow poultry and other franchised products manufactured by I&J's contractual partners

Delivery is carried out within 24 hours of the order being placed by 200 refrigerated and insulated trucks operating from 20 branches around the country

The group's innovative response to problems is illus-

trated by its action after 1979 fuel crisis — "a setback to the fishing industry," says Mr Williams

I&J spent R2-million converting the main engines of its trawler fleet to operate on a cheaper blend of heavy oil and diesel

So far the programme which was completed in 1984 has achieved savings of more than R35-million. I&J the 1986 National Productivity Award for its initiative

When two successive quota cuts in 1981 and 1982 reduced I&J's hake catch in South African waters by more than 20%, the company responded quickly

First, it expanded its traditional mixed species fishing strategy, which required innovative developments in processing and marketing

Pioneers

And then it went on to pioneer the design and building of a new generation of wet fish vessels with the aim of increasing catch and radically upgrading the quality of fish landed

"The marked improvement in quality entrenched the company's position as market leader and, in improved margins," Mr Williams, who adds that on shore, development has been equally ambitious

I & J 10-YEAR SUMMARY

	1989 R000	1988 R000	1987 R000	1986 R000	1985 R000	1984 R000	1983 R000	1982 R000	1981 R000	1980 R000
OPERATIONS-										
■ Turnover	1 984 945	889 639	736 893	612 091	517 639	405 325	350 940	313 958	256 328	194 004
■ Profit before taxation	102 820	80 312	55 194	34 276	31 448	22 319	18 267	17 376	13 319	9 227
Profit after taxation	65 409	50 542	34 214	20 130	18 696	14 230	12 037	11 376	8 775	6 243
Ordinary dividends	19 806	15 540	10 640	7 280	7 000	5 320	4 760	4 760	3 920	3 080
Retained profit	45 783	35 119	23 591	12 907	11 828	9 726	7 228	6 710	4 784	3 092

Milly's loses more than its turnover

MILLY'S lost more than it turned over in the 13 months to July 1989

The first results to be published in more than a year show that four Milly's shops and a bakery incurred trading losses of R6,3-million. Another R1,2-million was reported as an extraordinary loss, bringing the total to R7,5-million. Turnover was only R7,2-million — less than in the previous 12 months.

Management at Milly's has changed several times since it was listed in September 1987. Original owners the Bruckhausen family were curious bookkeepers, reporting income of R151 000 in the year to June 1987 when a loss of R1,2-million was incurred.

The accumulated loss by June 1988 was R5,5-million, and by July 1989, R14,2-million.

Helm

Yet no action was taken against the Bruckhausens by shareholder Unidev. Unidev installed — indeed proudly, if its comments at the annual meeting are any indication — Mark Abromowitz and Denis Marock as joint managing directors in January 1989.

But by August they too were gone. So has last year's chairman Raymond Mallach and Unidev-appointed AJ Scott-Wilson. Now Hein Ehlers is at the helm after Milly's bought control of his Hyperette chain in a deal designed to make him the major shareholder.

On November 23 this year Milly's issued two announce-

ments which contradict each other.

One, headed Statement of Facts, claims that before any acquisitions were announced, Unidev was the largest single shareholder in Milly's, owning 60,36% of the ordinary and 67,29% of the preference share capital.

The other announced the results of the standby offer to shareholders in October: "Acceptance of ordinary shares — 53,4% or 3,7-million shares, acceptance of 11% preference shares — 5,83% or 109 900 shares."

Audited

This implies that the most Unidev could have owned in Milly's was 46,6% of the ordinary share capital. Yet the Statement of Facts says 60,36%.

The results to July carry two consolidated balance sheets, an audited version on July 31, and an unaudited pro forma one at August 1, 1989. The August figures assumed that the proposed acquisitions would be approved at a general meeting.

July's figures do not depict Milly's as a going concern, with a deficit of R14,1-million and net current liabilities of nearly R11-million.

The August version gives shareholders' funds at R16,3-million compared with R4,4-million. Fixed assets jump from a few hundred thousand rands to R16,9-million.

Net current liabilities de-

cline to R1,6-million. But the August balance sheet introduces a new item — preference shares in subsidiaries of R11-million.

Mr Ehlers says most of the three-year prefs are at variable rates of interest. They were issued to institutions by Milly's subsidiaries and he does not know who took them up, but it is definitely not Unidev.

Closure

It appears that Unidev converted its loans to Milly's into preference shares. But if Unidev does not hold the prefs, this cannot be the explanation.

Mr Ehlers blames the poor trading results on previous management, and says the extraordinary loss of R1,2-million to July 1989 relates to the closure of the bakery division.

The R1,2-million premium paid on the Freshbake acquisition was written off in the 1988 accounts together with Milly's loans to Freshbake of R1,3-million.

Mr Ehlers says today's Milly's is nothing like the group of four shops and a bakery which on average lost R1,5-million each. It now has 22 Hyperette stores and three Bread Baskets. One former Milly's is being turned into a Bread Basket, one has been sold and the other two original stores are managed by Hyperette.

Milly's does not owe the bank a cent and its only debt is the preference shares. Forecast earnings are 1,2c a share on 128-million shares.

186
3/12/89

By Julie Walker

ICS call to help beat inflation

B/Dca 5/12/89
SYLVIA DU PLESSIS

THE food industry can help lower inflation by increasing productivity and eliminating waste throughout the food chain, Imperial Cold Storage (ICS) chairman Robbie Williams says.

In the meat, poultry and dairy producers' latest annual report, he says the availability of foodstuffs at affordable prices is "critical" to stability.

"Primary producers, processors, distributors and retailers must strive to improve efficiencies in the food industry," he says. "Effective privatisation and deregulation will reduce government expenditure, provide new challenges and create opportunities for en-

trepreneurs." Williams says the role of control boards in a more market-orientated free enterprise economy will have to be carefully planned, bearing in mind the long-term viability of agricultural producers and health and quality standards.

ICS, an investment holding whose subsidiaries and associates produce and distribute perishable foods on a national basis, delivered a 20% increase in total dividends of 48c to shareholders in the year to September. This was despite slower growth reflected in a 14%

(186)
rise in sales to R1,9bn and a 5% increase in earnings to 147,4c (140,9c) a share, after the conversion of 5,4 million cumulative convertible preference shares.

