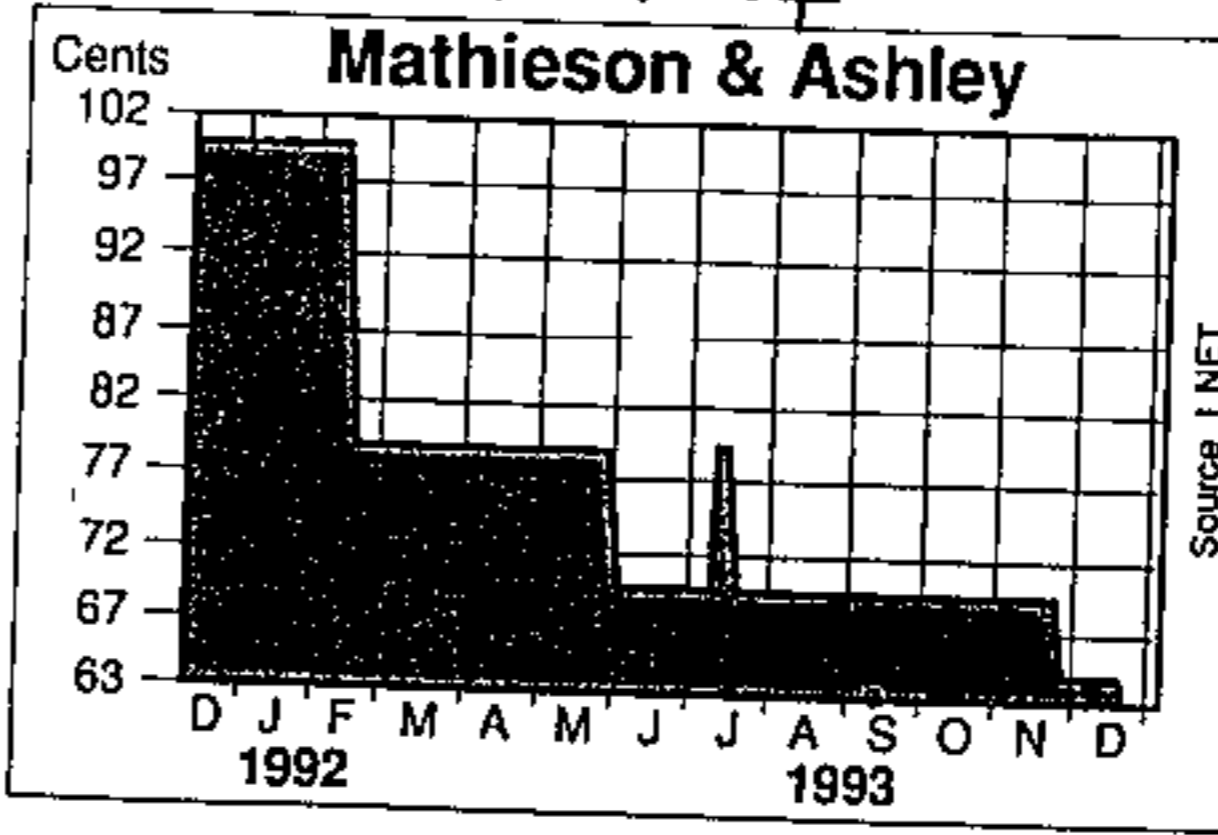


MANUFACTURING - FURNITURE

1994 - 1995

FM 7/11/94



that sales volumes have declined by 30% over the past four years. In this environment, the core office furniture activities, housed under Kallenbach-Hendler, have held up reasonably well. Because of the volatile nature of these activities and their dependence on contracts, the figures can be misleading. And comparisons are difficult because of the change in year-end from June to September.

Turnover for the 15 months to end-September increased 3,6% to R189,5m against the previous comparable period. Most of this came not from an increase in local demand but from the expansion of OfficeMart and new sales generated in Hong Kong. Nevertheless, M&A reported an operating loss of R3,1m compared with 1992's profit of R570 000. Though finance charges were held at around R3m, pre-tax losses increased to R6,4m (R2,8m). To this figure retail activities contributed R4,85m, office furniture activities R1,23m and international activities R330 000. (188)

Factory relocation costs, restraint of trade payments and the write-off of goodwill resulted in an extraordinary item of R202 000.

Some benefits of the substantial decline in long-term debt from R9,3m to R200 000 were offset by the doubling in short-term borrowings to R10,7m. Though losses cut shareholders' equity to R18,6m (R22m at June 1992), gearing fell to 31,5%.

Exports now account for about 5% of sales. Beck plans to grow this to 25% over the next two years. He is optimistic that activities will show some improvement this financial year, though he concedes OfficeMart is unlikely to be profitable. The office furniture business is in good shape. "The opening order book in January is the biggest in years and indicative of an improvement in profitability during the second half of the year," he says.

Though the share at 65c is trading at a substantial discount to NAV, short-term prospects are not encouraging. *Marylou Greig*

MATHIESON & ASHLEY
FM 7/11/94
More positive signs

Activities: Manufactures and supplies office furniture and equipment (188)

Control: Vestacor 76,2%

Chairman: A L Ringo, MD J de la H Beck

Capital structure: 11,5m ords Market capitalisation R7,5m

Share market: Price 65c 12-month high, 80c, low, 65c Trading volume last quarter, 10 000 shares

Year to Sep 30	†'90	†'91	†'92	‡'93
ST debt (Rm)	0,5	0,4	5,1	10,7
LT debt (Rm)	11,9	12,9	9,3	0,2
Debt equity ratio	0,15	0,29	0,38	0,32
Shareholders interest	0,54	0,53	0,48	0,44
Int & leasing cover	8,3	0,9	0,2	n/a
Return on cap (%)	13,0	2,8	0,7	*(3,9)
Turnover (Rm)	134,8	125,0	145,7	189,5
Pre-int profit (Rm)	10,7	2,2	0,5	(3,1)
Pre-int margin (%)	7,9	1,8	0,4	n/a
Earnings (c)	50,2	3,3	(6,5)	*(22,0)
Dividends (c)	20	nil	nil	nil
Tangible NAV (c)	214	202	192	162

† 12 months to June 30 ‡ 15-month reporting period
* Annualised

Widening of losses per share to an annualised 22c, against 1992's 6,5c, indicates the effects of corporate sizing down and deferrals of capital expenditure. The industry tends to lag the general economic cycle, so a solid improvement in Mathieson & Ashley (M&A)'s profit probably won't be seen before the second half of financial 1994.

Executive director John Beck estimates

FM 28/11/94
DINETTE INDUSTRIES

Capital infusion needed

Activities: Makes and distributes steel and other furniture. (188)

Control: Directors 40%.

Capital structure: 3m ord. Market capitalisation R600 000.

Share market: Price: 20c. 12-month high, 40c, low, 20c. Trading volume last quarter, 523 000 shares.

Year to June 30	'92	'92	'93
ST debt (Rm)	2,0	2,8	3,0
Debt equity ratio	0,72	2,19	8,24
Shareholders' interest	0,38	0,19	0,04
Int & leasing cover	0,93	—	—
Return on cap (%)	4,7	—	—
Turnover (Rm)	18	10	22
Pre-int profit (Rm)	0,36	(1,27)	(0,33)
Pre-int margin (%)	2,0	—	—
Earnings (c)	(1,2)	(52,2)	(31,0)
Tangible NAV (c)	95	43	12

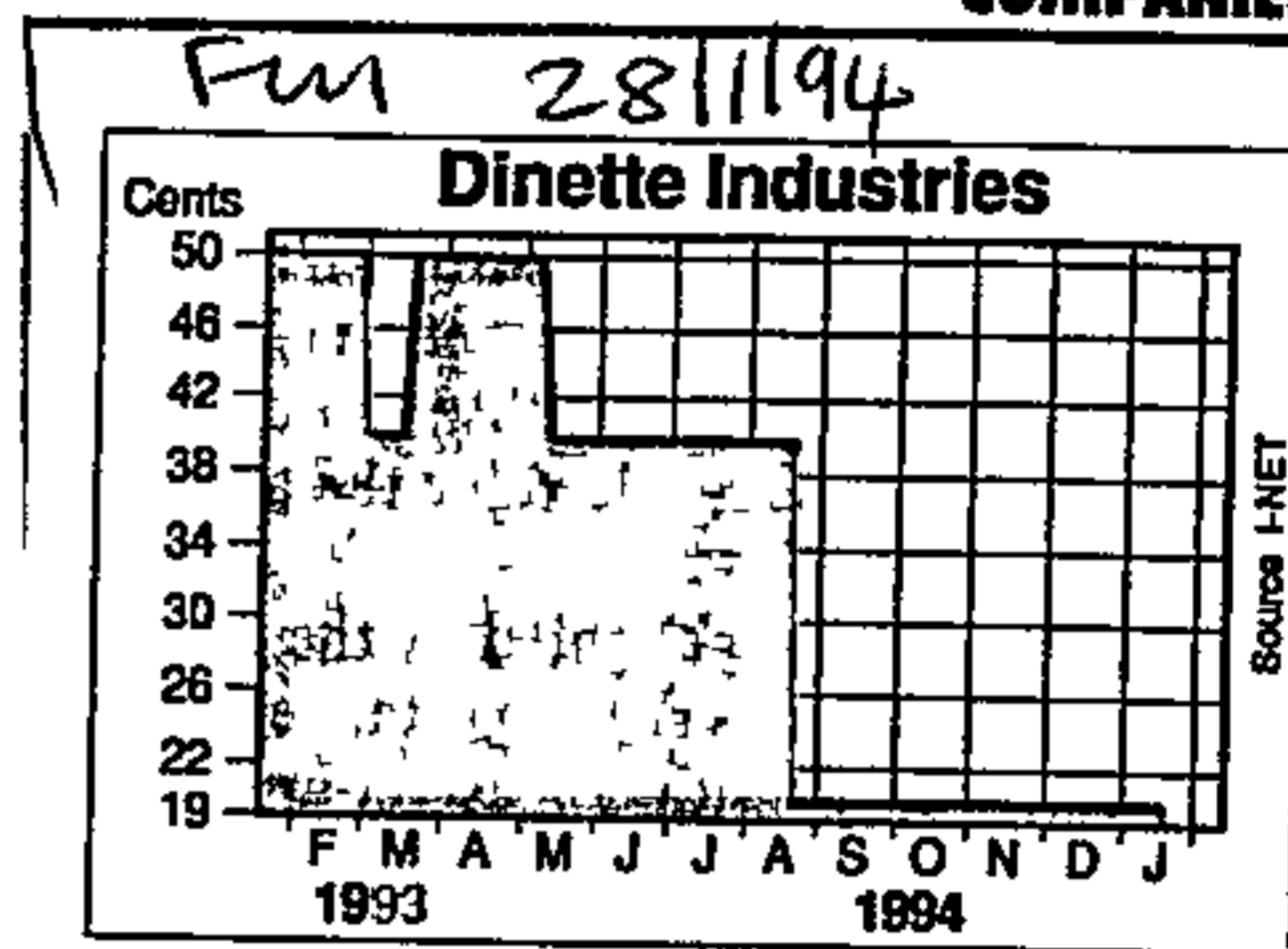
† Projected figures at June 30 as per prospectus

Financial 1993 was by no means boring for Dinette Industries, one of only three companies listed on the Venture Capital board. At the interim stage, former MD Jan van Niekerk assured shareholders that profits would be posted at the June year-end. He was wrong. losses reached 31c a share.

Subsequently, the entire board of directors (six members) — including Van Niekerk — resigned and two new directors, Dave King and Finley Proudfoot, took the shaky reins.

After publication of interims, the *FM* (Fox March 26) cited the balance sheet as a major weakness. The business was undercapitalised and this seriously affected its viability in the second half; so much so that production stopped during September. Negotiations finalised in October enabled

COMPANIES



Ben Nevis Holdings, an investment holding company, to acquire a 52% controlling interest.

King says the company is in the process of a financial restructuring to strengthen the balance sheet. Minority shareholders will be given full details soon. He adds that business was adversely affected by excessive capex in 1992, which led to a large interest burden in 1993. Losses totalled R931 000 after financing costs of R598 000. (188)

The furniture business is still facing difficult trading. Though trade acceptance of products is good, analysis after the reporting date indicates margins are under pressure because of price resistance in the trade. The stock remains a risky investment. *Kate Rushton*

Demand for office furniture picks up

THE office furniture industry, regarded by many as a barometer of economic activity, has turned around according to major group Matheson & Ashley (Math Ash)

Chairman Winky Ringo said the company had R40m in orders, including an order from Standard Bank worth over R20m

Things had started to improve from mid-November, Ringo said

In addition, the company's office supplies superstore OfficeMart was expected

MARCIA KLEIN

to make its first positive contribution to profits during the second half of the year.

Ringo said the group would look at having off OfficeMart under its own listing in the stores sector of the JSE

The group was looking at an alliance between OfficeMart and a US company

Math Ash had set up a small export team, which had already been successful in Europe and Africa. It hoped to achieve sales of R10m in the current year.

Biday 15/2/94

(188)

Biday 16/2/94

Profurn keeps head up in eventful year of change

IN an eventful year to end-December, Protea Furnishers (Profurn) has reported a 35% rise in attributable earnings to R8,1m (R6m previously) despite lower turnover and operating profit

Profurn, previously owned by the now liquidat-

MARCIA KLEIN

ed Supreme Group, was acquired by German investor Claas Daun in December

Directors said the 15% drop in turnover to R134,2m (R158,2m) and the 38% decline in operating profit to R16,3m (R26,3m)

was mainly due to the reduced store base as a result of closures in the previous year. The company was also affected by the difficult economic climate and political instability (188)

A sharply lower interest bill of R3,3m (R14,9m), reflecting a capitalisation of R45,3m owed to its liquidat-

ed holding company for shares in Profurn, saw pre-tax profit rise by 14% to R13m (R11,4m)

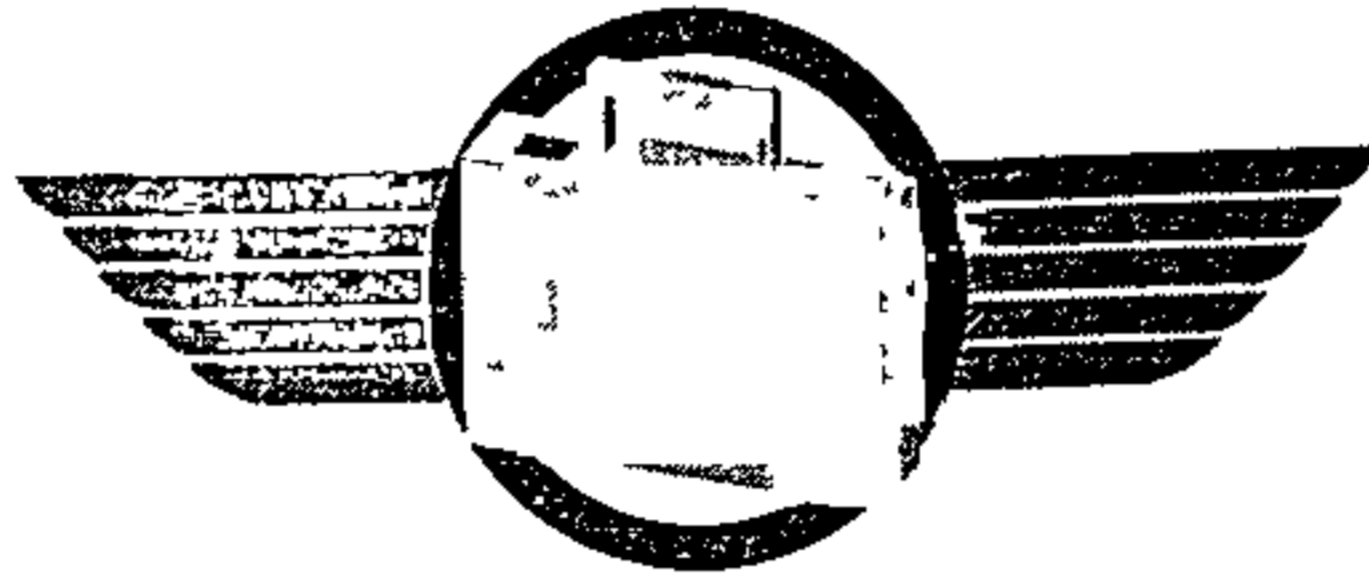
Directors said the company was in a net cash position at year-end. This compared with a gearing level of 207% the previous year

A lower tax rate enabled Profurn to increase taxed profit 30% to R8,6m (R6,6m). After outside shareholders, attributable profit was 35% higher

But an increase in the number of shares in issue resulted in a 62% drop in earnings to 2,3c (6c) a share. No dividend was declared

Supreme Furnishers continued to trade successfully in the independent neighbouring states, and the chain would expand in the coming year

READY FOR BUSINESS



SUPER SAVER FARE
on
income he

16/2/94

Tafelberg minorities delay vote on buyout

CAPE TOWN — The vote by minorities to accept the management buyout of Tafelberg Furnishers at 30c a share was postponed for a week after a protracted meeting of shareholders on Friday

The meeting was postponed after it appeared most of the minority shareholders at the meeting indicated they would reject the offer

Minorities hold about 5,5-million of the company's 12,4-million issued share capital

The share dropped to 30c on the JSE on Friday from 31c the day before. Net asset value at end-August 1993 was 41,6c a share

At the meeting, Shareholders' Association chairman Issy Goldberg and minority shareholder Willem Roets proposed the formation of a consortium to buy the shares of those wishing to sell at 30c, thereby allowing other minorities to retain their stake and maintain the listing.

The offer was rejected by Tafelberg chairman Eugene Theron, who said the offer to minorities was chosen as "the road to take"

Goldberg suggested the offer be reviewed during the week.

Roets said he had been mandated by a certain party to take up shares at 30c each. Two other shareholders said they had received verbal offers for their shares at 55c and 60c.

EDWARD WEST

In the circular to shareholders the rationale for the buyout was that the shares had generally traded well below net asset value and at a price to earnings ratio much lower than other companies in the same sector on the JSE. The share was little traded because of a general lack of demand for shares (188)

The retail furniture trade was experiencing a decline in sales in real terms, it said. To maintain market share a drop in margins was necessary which had resulted in a continuous decline in earnings a share and lower dividends.

Earnings came to 6c a share in 1993, 7c in 1992, 7,5c in 1991 and 7c in 1990. The dividend was 3c in 1993, 3,5c in 1992, 3,5c in 1991 and 3,5c in 1990.

However, shareholders at the meeting said Tafelberg had done well to ride out the recession when other furniture retailers had failed. "Now that the company is on an excellent financial base, you want to get rid of minorities," said Roets.

Crucial to the way that the minority vote could swing are 1-million shares held in a deceased estate by the Board of Executors (BoE).

"We want what is in the best interests of the estate and the company," said a BoE representative

Rusfurn acquisition boosts JD Group

JD GROUP, SA's largest furniture retailer, has reported earnings of 103,6c (103,1c) a share in the 12 months to end-December, and says it has successfully digested the massive acquisition of the troubled Rusfurn group. (188)

Results are not comparable with the previous year because of the acquisition of Rusfurn in the middle of last year in a R85m equity deal.

During the past year, JD Group acquired Rusfurn, sold Rusfurn subsidiary Dion, raised R179,4m in a rights offer to strengthen Rusfurn's financial position and fund growth in the enlarged group, and changed its year end to June.

The published results for the 12 months to December represent the second interim period, with the results from Rusfurn included from June 1.

In a more recent development, W & A sold its interest in JD Group to various institutions at R8 a share for R126,9m.

Published results show turnover exceeded R1bn from R457,3m in the previous year, and operating income was R87,2m against R35,9m previously.

Chairman and MD David Sussman said despite volatile trading conditions and intense competition, which had put pressure on margins, the 1993 performance was "highly satisfactory", particularly in the second half, when results were buoyed by "synergistic and rationalisation benefits".

Biday 28/2/94
MARCIA KLEIN

arising from the Rusfurn acquisition.

Finance costs of R29,9m (R919 000), reflecting the inclusion of Rusfurn, and a higher tax charge saw the group report income after tax of R54,6m (R36,8m).

Sussman said the proceeds from the disposal of Dion and some of the funds raised in the rights issue were used to reduce Rusfurn's debt, and he expected the finance costs to come down substantially.

After outside shareholders and an extraordinary item of R16,7m — related to surplus on the disposal of Dion — attributable earnings were R71m, against R36,8m previously. A second interim dividend of 18c a share was declared, which shareholders could receive in cash or in JD Group ordinary shares.

Sussman said trading in the last quarter had been superb across the group. There had been a sharp improvement from Wanda Frasers, a former trouble spot in the Rusfurn group. In January, traditionally a bad month, trading had been excellent and this trend had continued into February.

He said management remained confident of market share gains and growth in earnings. The group had not yet maximised rationalisation opportunities. There were about 20 branches whose future was under consideration, but the group was reluctant to close stores.

Investors force up share bid

ARC 5/3/94 (188)

MARC HASENFUSS
Business Staff

TAFELBERG Furniture Stores' minority shareholders struck an important blow for small investors when they forced the group's directors to up their buyout offer to 37c a share at a lively meeting in Bellville yesterday

The buyout cost the group just under R2 million, about R400 000 more than originally intended

The revised offer represents a premium of 7c on the director's original offer to minorities of 30c a share. Shareholders present at the meeting applauded when Tafelberg chairman Eugene Theron announced the new offer

A meeting of minorities ended undecided last week after shareholders voiced fierce opposition to the director's first offer

Mr Theron said directors had

taken account of the feelings of minority shareholders and had reconsidered the original offer in light of the group's current financial resources

He said although Tafelberg had the resources it would be tough for the group to meet the increased payout to shareholders

Shareholder's Association chairman Issy Goldberg, who played a prominent role in securing the increased offer, described the buyout price as reasonable "It is not a wonderful price, but it's better than 30c a share"

Other minority shareholders were less satisfied, most notably consulting economist Willem Roets — who rejected the offer by calling for "40c or nothing"

Most minority shareholder discontent stemmed from not being offered the option of staying on board as investors in the group. Clearly many of the investors see a bright future for Tafelberg and would

have liked to hold "a ticket to ride"

Tafelberg's track record of consistent dividend payments was another reason some shareholders wanted to cling to their stakes

However, directors believe the company currently does not function adequately as a JSE-listed vehicle. The stock is scarcely traded and the limited growth in share price precludes attempts to raise funds through a rights offer

The resolution was eventually passed comfortably — with 83,8 percent of minorities present voting in favour of the revised buyout offer

The shares held in the estate of the late Hendrik Gerber — by far the biggest share block at over 1 million shares — were voted in favour of the proposal by a Board of Executors representative

The representative reiterated that she was only trying to get the best for the estate concerned

Tafelberg share offer raised 7c after criticism

EDWARD WEST

CAPE TOWN — Tafelberg Furnishers' management yielded to shareholder pressure and have offered minorities a substantially higher price of 37c a share compared with the original offer of 30c a share. (188)

At a special meeting of shareholders at Tafelberg's headquarters in Bellville on Friday, 83,8% of the minorities at the meeting, representing 2,96-million shares, voted in favour of the higher offer, while 16,2% representing 570 000 shares voted against the offer.

Shareholders' Association chairman Issy Goldberg, who held a proxy for about 300 000 Tafelberg shares, said at the meeting there was no prospect of getting back the 60c share price that some shareholders had paid, and the best option other than expensive legal action was to accept the higher offer. 7/13/94

Tafelberg chairman Eugene Theron said management opted for the higher offer after resistance was displayed at an earlier shareholders' meeting towards the original offer and after bankers confirmed management could afford a higher price.

The average share price for the year to end-February was 21,1c. On Friday the share rose 1c to 31c after slipping from a peak of 35c last month. The 12-month low was 18c last July. The listing has been suspended.

New shops give Barnetts a fillip

Business Day Reporter

FURNITURE group Barnetts has reported a 4% rise in earnings a share to 9,7c (9,3c) for the six months to December. 11/3/44
Turnover at R56,7m (R47,5m) was 19% higher, which chairman and MD Myron Lewkowski said was the result of the opening of new stores since the comparative six-month period. (198)

"This turnover increase more than offset the lost turnover in three marginal stores which were closed. The group will critically assess the viability of marginal and loss-making stores with a view to curtailing these operations wherever possible."

Operating income was 6% higher at R3,19m (R3m) but the trading margin at 5,6% was lower than the 6,3% recorded during the same period last year.

"In the opinion of the directors the group's operating margins are unacceptably low and efforts are being made to rectify this. However, the full benefits will only be felt in the medium term," Lewkowski said.

Finance costs rose 11% to R967 000 (R872 000) while pre-tax income came in at R2,2m (R2,1m). However, a higher tax charge saw after-tax income pegged at R1,3m (R1,2m).

The deterioration in the gearing ratio of the group to the end of the six-month period was the direct result of an increased investment in debtors and stock due to the opening of new stores.

Loss given as reason for 1c Dinette buyout

FURNITURE manufacturing company Dinette Industries said yesterday a R1,8m loss to December would help explain the 1c a share buyout of minority shareholders and the company's subsequent delisting from the JSE (188)

Yesterday the venture capital market-listed company announced its interim loss to December amounted to R1,8m. This was after a profit of R205 000 in the previous year.

In December, Ben Nevis Holdings announced it had bought a 52% controlling stake in the company for 1c a share, and in January it said that it intended to buy out minorities at the same price. Yesterday the share closed untraded at 18c.

The interim report to December shows turnover down 38% at R7m (R11,3m). A net operating loss of R1,6m compared with a profit the previous year of R510 000.

A loss of 61c a share compared with a profit of 6,8c the previous year. No dividend was declared.

Directors said the temporary closure of the factory by previous management during August and September "forced the

retail industry to cancel orders held by the company and to place them elsewhere".

From October to December, the company implemented cost reduction exercises and factory improvements, and these would benefit Dinette in the future.

Shareholders' funds showed a net deficit of 41,9c a share because of its loss position. Some loans have been subordinated in favour of creditors until Dinette's assets exceed its liabilities.

It expected to convert minority shares into redeemable preference shares, redeem them at 1c each, and then delist from the JSE.

The directors said in January that the only possible salvation was a capital injection from shareholders who would see little or no return for a long time.

Director David King said Ben Nevis was prepared to do this on an interest-free, long-term basis.

Although steps had been taken to stop the haemorrhaging, "recouping the losses is likely to be a long haul".

MARCIA KLEIN

B1 Day 15/3/94

Ellerine Holdings shines despite tough conditions

MARCIA KLEIN

FURNITURE retailer Ellerine Holdings has increased its interim earnings 13% to 50,2c (44,4c) a share to end-February, in a difficult trading period that made it tough to increase sales.

Results are off a high base as Ellerine increased earnings 60% in the first half of financial 1993.

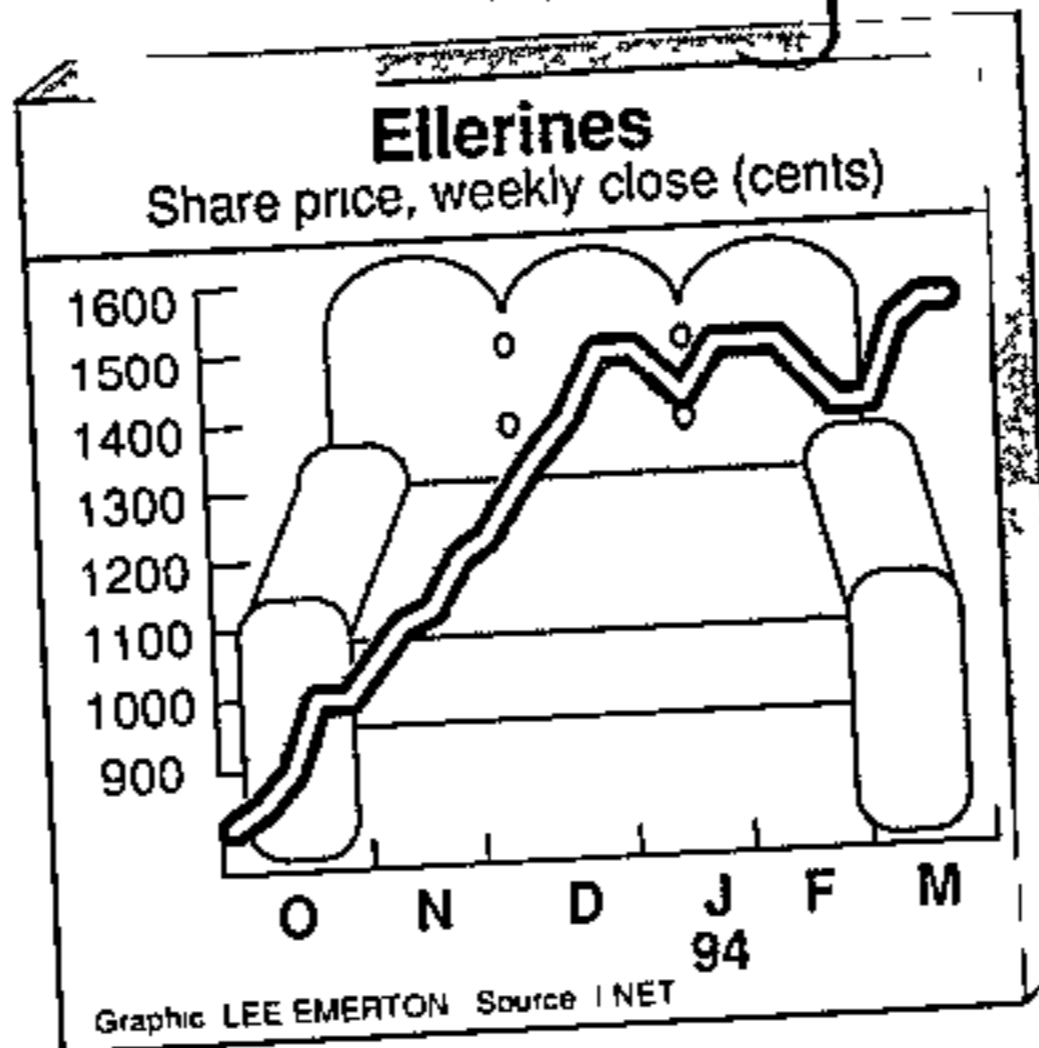
The company, which trades as Ellerines, Furn City, Town Talk, Royal, Oxford and Rhein Gold furnishes, increased its turnover by just 3,4% to R423,2m (R409,4m).

Chairman and MD Eric Ellerine said the subdued turnover growth was a direct result of unrest.

Although December's trade had been fairly good, too many parts of the country had been affected by unrest and this was reflected in sales. Ellerine said tight management controls enabled the company to lift operating profit 5,4% to R60,3m (R57,2m).

The interest bill rose 19,3% to R2,7m (R2,2m). But interest received as a result of a significant tax refund, included as a R5,3m abnormal item, enabled it to lift pre-tax profit 14,6% to R63m (R55m).

Taxation was increased 17,6% to R26,7m, against a restated R22,7m in the previous year, to reflect the re-



duction in the corporate tax rate. Taxed profit was 12,4% higher at R36,3m (R32,3m), and after minority shareholders, attributable earnings were up 13% at R36m (R31,9m). A 22,8% higher interim dividend of 16,7c (13,6c) a share was declared.

Ellerine said the company had succeeded in its appeal against the decision by Revenue authorities to tax certain income received in prior financial years.

Full provision had been made in the past, and the company was refunded R14m tax and R5,3m interest. While the tax refund has been accounted for as an extraordinary item, the interest was brought in above the line as an abnormal item.

Excluding this abnormal item, earnings would have increased only

3,4% to 45,9c (44,4c) a share. Ellerine said there was no doubt that the economy was beginning to pick up, but political turmoil and unrest was affecting the country and the company.

Under the circumstances, the company had done well. Expansion remained on stream, and nothing had been shelved. The company has for some years been adding new stores to bring its store count to 400 by the middle of next year. It currently has more than 370 stores.

The balance sheet remained strong, Ellerine said, and gearing was at "a comfortable 22,7%". Gearing was 23% at the August year end, and the company was ungeared two years ago.

He expected the current six-month period to be "most challenging to management due to the prevailing external circumstances".

While it was difficult to forecast how these factors would affect the company's performance, the company was well positioned. Given reasonable political stability, he was expecting profits in the second half to be "of a similar order" to those of the same period in the previous year.

The share, which was split on a 10-for-one basis in April last year, closed unchanged yesterday at its high of R15,50. In August the share traded at a yearly low of 800c.

ELLERINE

FM 25/3/94
Trading still tough

Trading conditions lately have not been kind to companies that sell durable goods. This is evident in furniture retailer Ellerine's mere 3,4% rise in turnover to R423m for the six months to end-February after the 29% increase off an admittedly low base in financial 1993 ~~(188)~~ (188)

Chairman and MD Eric Ellerine concedes the modest growth is disappointing and unequivocally cites unrest as the culprit. He notes, however, one favourable aspect of the interim results. While volumes declined, the balance sheet strengthened. Gearing dipped marginally to 22,7%, interest-bearing debt fell R5m to R79,9m. Tight asset management is again apparent, which goes some way towards explaining why investors are rating the share so highly. In seven months it has almost doubled to R15,75.

A dominant influence in the income statement is tax. Ever-prudent, management made full provision for any tax that would have arisen had the Revenue authorities successfully implemented a decision to tax certain income received in financial years before 1990. Ellerine appealed against this and won. Tax of R14m was refunded with interest of R5,3m, stated as extraordinary and abnormal items respectively.

With the interest received taken above the line, pre-tax profit climbed a healthy 14,6%

Eric Ellerine disappointed at modest growth



FOX

SITTING COMFORTABLY

Six months to	Feb 28 '93	Aug 31 '93	Feb 28 '94
Turnover (Rm)	409,4	348,3	423,2
Operating income (Rm)	57,2	57,4	60,3
Attributable (Rm)	31,9	31,9	36,0
Earnings (c)	44,4	44,5	50,2
Dividends (c)	13,6	16,0	16,7

FM 25/3/94
 on the 5,4% rise in operating profit to R60,3m. However, tax paid in the 1993 first half was restated from R25,3m to R22,7m to reflect the reduction in the corporate tax rate and taxed profit advanced only 12,4%.

Ellerine finds it difficult to speak with any certainty about the second half of the year. "Though the economy has turned, a lot depends on external factors. Should there be any form of stability, we will take off vertically." In readiness for better demand, the company has its perennially strong balance sheet. Debtors, much the same as last year, are "well under control" ~~(188)~~ (188)

The share's rerating is justified considering Ellerine is expanding without strain on funding capacity or on margins. Though its earnings have shown better growth than those of most competitors during the recession, the share, on a p/e of 16, still trades below the furniture sector average of 19,7. The rating appears sustainable. *Kate Rushton*

Recession ends for furniture trade

THE furniture trade had seen "the beginning of the end of the recession" in the second half of 1993, Furniture Traders' Association president Derek Kirsch said

Speaking at the association's AGM, he said monthly sales growth of furniture and allied goods had ranged from a high of 24% in March 1993 to a low of 4% in September "Annualised sales growth was 11,9% at current prices which meant 2,5% after inflation"

Kirsch said the figures indicated that the industry was moving out of a period of recession

The volatility did make planning difficult, but the outlook was healthier than a year ago

Kirsch said that "when consumer confidence returns after the elections, we believe that real growth of 3% to 4% will result" In addition, when the backlog in affordable housing began to be addressed, the resulting spin-offs for the furniture industry could be significant

Recently major retailers said they were expecting 1994 to be a good year (188)

By Day 25/3/94
MARCIA KLEIN

Furniture industry predicts growth

AMANDA VERMEULEN

THE FURNITURE industry was looking forward to good growth after the election, market sources said. ^{28/4/94}

Furniture Traders' Association executive director Frans Jordaan said the market in 1993 had been characterised by volatility. "This may be attributed to a boom before the VAT increase and the negative effect of the Chris Hani assassination on sales."

Jordaan said sales growth had fluctuated between a 24% high in March and a low of 4% in September. The average growth for 1993 was 11,9% at current prices compared with 1992, which was growth in real terms.

Sales for the 1994 first quarter were mixed but February saw a 14% growth at current prices. Some industry players had reported poor sales in the first quarter.

Jordaan said April could be disappointing because of the number of public holidays and election-related disruptions.

Jordaan said the prospects for 1994 depended on an acceptable and peaceful outcome to the election, a reduction in interest rates and inflation staying under 10%.

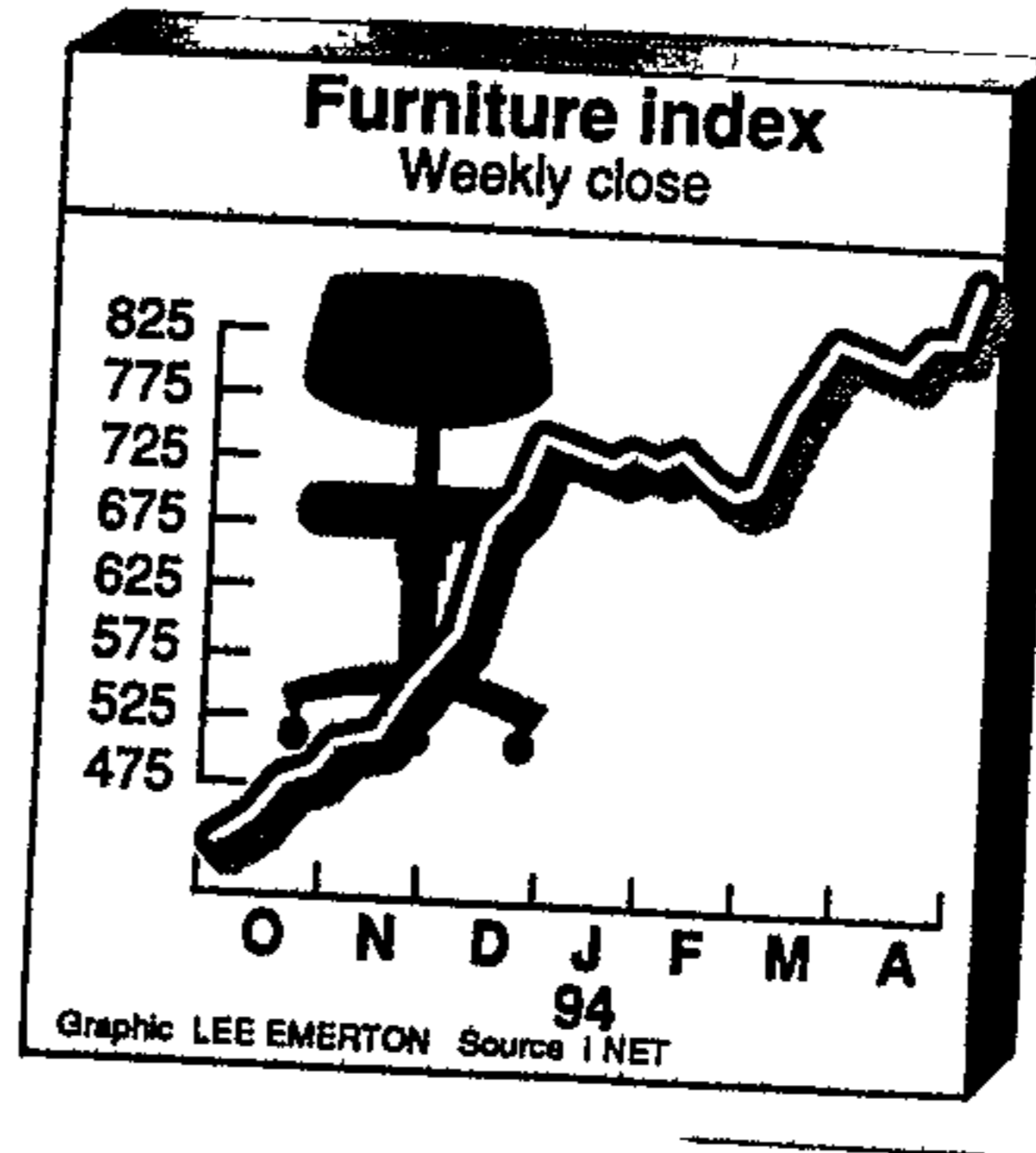
"Other aspects, such as the electrification programme, a healthy agricultural sector and foreign investment will also have an impact on the performance of the furniture sector."

Industry sources said the single most influential factor in the future of the furniture trade

was the controversial housing plan. The building of 300 000 houses over the next 10 years to meet the demand for housing would have a good spin-off for the furniture industry.

JD Group financial director Colin Stein said the housing plan would create employment and stimulate the demand for furniture and white goods.

"The industry is poised for enormous growth particularly in the black market. Black disposable income is on the increase and as salaries reach parity with those of whites, furniture sales will increase."



Afcol beats tough times

Biday 5/5/94
AMANDA VERMEULEN

FURNITURE manufacturer Afcol yesterday reported a 34% attributable earnings rise to 160,5c (119,5c) a share in the year to March despite difficult trading conditions

In accordance with company policy of paying a twice-covered dividend, a final dividend of 45,25c (33,50c) was declared, making a total dividend of 80,25c (59,5c) for the year.

Turnover increased 10% to R865,3m (R788,6m) while trading profit jumped almost a third to R56,3m (R43m) Financing costs were cut back 35% to R6,3m (R9,6m) (188)

Profit after tax increased to R40,9m (R29,8m) Equity accounted retained earnings came to R6,4m from a loss of R183 000 in the previous year, reflecting in part good results from associate company Romatex

Chairman Laurie van der Watt said action taken in the previous year and a modest improvement in the economic environment enabled Afcol's managed operations to increase 30% to R28,4m (R21,8m)

Associated companies, which contributed 29% of group profits, grew 55% to R11,6m (R7,5m).

Van der Watt said the recessionary conditions of the last three years had shown signs of abating during the year Private consumption expenditure, the engine of furniture sales, grew from September.

But trading conditions remained difficult and the group did well to achieve a turnover increase of 10%, which represented real growth on the previous year

The group's net interest-bearing debt of R20m reflected a gearing of only 6%

COMPANIES

Amrel reverses interim loss

AMANDA VERMEULEN

FURNITURE and clothing retailer Amrel reversed its interim loss by reporting earnings of R3,3m (R4m) for the year to end March after better than expected Christmas retail sales. *8 Day*

The decline in earnings to 36,1c (43,8c) a share was less severe than expected, but the board again decided not to declare a dividend. *(184) (232)*

The company was considering a rights offer to bring gearing down to appropriate levels.

The board said politically motivated disruptions, uncertainties leading up to the elections and escalating violence had dampened consumer confidence.

Turnover (excluding Shoecorp, which was sold to Sales House in June) increased by a marginal 4% to R1,2bn (R1,1bn), but trading profit slumped 23% to R62,8m from R81,4m. *615194 (188)*

The directors said the furniture division maintained gross margins, but fierce competition and the need to clear stocks in the footwear and clothing division resulted in an overall decline in gross margins. The increase in expenses was kept below the inflation rate but still exceeded sales growth.

A lower tax bill of R2,9m (R5,2m) reflected the drop in pre-tax profits to R6,1m (R10,1m). Taxed profits declined 33% to R3,2m (R4,8m). Extraordinary profits of R4,2m included net profit on the Shoecorp sale.

Financing costs were R56,7m (R71,3m). Net proceeds of R46,1m from the disposal of Shoecorp enabled the group to restrict borrowing to R1m for the year and to reduce gearing from 3,64 to 3,52.



Furniture sector's RDP gains 'a year away'

THE furniture sector could be at least another year away from reaping the benefits of reconstruction and development plans as growth would lag behind the building cycle, sources said at the weekend **11/7/94**

The furniture sector index had risen about 145% over the past year. It was fixed at 1073,9 on Friday, against 417,88 last November. But an additional take off was likely only from early next year, analysts added.

The sector was also particularly sensitive to changes in interest rates and consumer spending, which was reliant on job creation.

Manufacturer Afcol had listed about 30% of its shares on the bourse, an analyst said.

"It's not a very marketable index

BEATRIX PAYNE

and only gains on a short-term basis," another analyst said **BiDay**

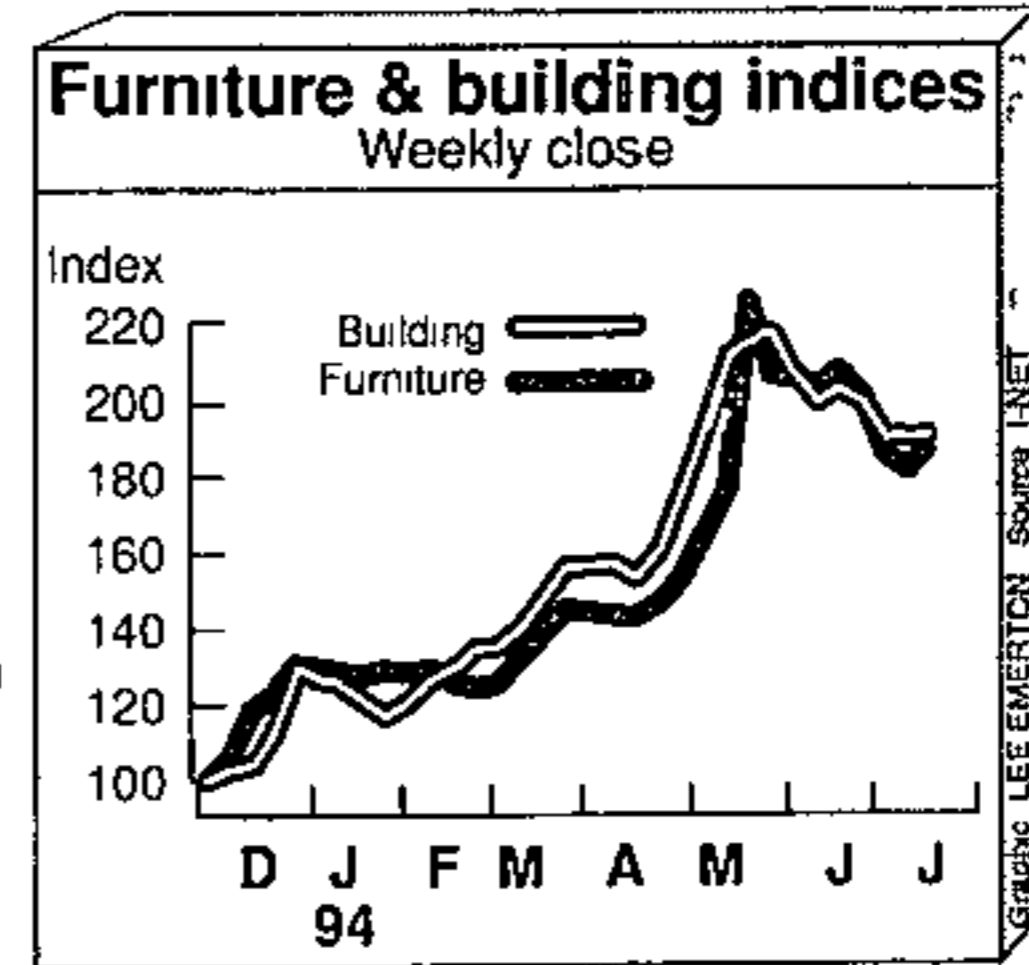
Afcol was judged as one of the stronger shares in the sector as it was less vulnerable to consumer spending trends and interest rate changes.

The group, which saw a 37% rise in attributable earnings for the year to March, ended the week on a price earnings ratio of 17,1 — lower than the sector average of 21,4 — and a share price unchanged from a previous close of R27,50 **(27,50) (188)**

Over the past five years Ellerine had traded at a discount to the rest of the market but most analysts now saw the share as quite expensive

compared with the rest of the sector.

The share ended the week 50c higher at R20,50 with a price earnings ratio of 20,3, slightly below the index average of 21,4.



A 'comfortable ride' for Afcol in coming year

B. Day. 14/7/94

FURNITURE manufacturer Afcol's sales and earnings were set for a comfortable ride in the coming year on the back of economic growth and a rise in private consumer expenditure, chairman Laurie van der Walt said in the company's annual report.

MD Tom Eccles said growth in furniture sales was only likely in 1995 when government-led housing construction would occur at a meaningful level. (188) (185)

The company reported a 34% rise in attributable earnings to 160,5c (119,5c) a share for the year to March. Sales increased 10% to R865,3m (R788,6m) and a total dividend of 80,25c (59,5c) was declared.

Van der Walt said trading conditions had been difficult as effects of the recession only began to wane during the second half of the year.

But private consumption expenditure had grown during the third quarter of 1993 in contrast to a decline during the previous two years.

Despite no improvements in unemployment levels, retrenchments had bottomed out during the second half of 1993. This boded well for growth in consumer expenditure.

Real retail furniture sales had de-

BEATRIX PAYNE

clined roughly 0,8% during the year to March but had reached their "lower turning point".

Building activity — an indicator of future furniture demand — was on the start of a growth path with a 0,1% rise in the real value of building plans passed in 1993 compared with a fall of 6,5% in 1992, he said.

Eccles said despite pressured margins during the year trading profit grew 31% as a result of the group's control of overheads and action taken to improve performance.

Exports represented about 4% of the group's turnover and generated sales of R34,1m, a 41% improvement on the previous year.

During the year the group sold its steel kitchen furniture and household appliances operation and a small engineering facility. Its plant in Namibia became fully operational and a similar plant in Botswana was commissioned.

Associated company Romatex showed "remarkable growth in earnings" during the year. Earnings for the coming year were expected to show "satisfactory growth", he said.

Fm 15/7/94



Afcol's Van der Watt the usual placebo

Activities: Makes furniture and household appliances (188) ~~(255)~~

Control: SA Breweries 64,6%

Chairman: L van der Watt, MD T Eccles

Capital structure: *29,2m ords Market capitalisation R817,6m

Share market: Price 2 800c Yields 2,9% on dividend, 5,8% on earnings, p e ratio, 17,4, cover, 2,0 12-month high, 2 950c, low, 880c Trading

volume last quarter, 257 000 shares

Year to March 31	'91	'92	'93	'94
ST debt (Rm)	2,3	2,5	2,7	—
LT debt (Rm)	92,8	107,3	0,4	23,4
Debt equity ratio	0,39	0,40	n/a	0,05
Shareholders' interest	0,51	0,51	0,65	0,66
Int & leasing cover	2,8	2,2	7,6	9,8
Return on cap (%)	14,8	9,2	9,7	9,9
Turnover (Rm)	780	792	789	865
Pre-int profit (Rm)	64,2	49,8	46,1	61,5
Pre-int margin (%)	8,2	6,3	4,9	6,6
Earnings (c)	163,1	106,1	119,5	160,5
Dividends (c)	81,5	53	59,5	80,25
Tangible NAV (c)	980	1 095	1 157	1 374

* Includes 4,3m non-voting ords

profit 31% to R56m this year Trading margins widened from 5,5% in 1993 to 6,5% in 1994, which indicates growing demand and diminishing competition

Financing costs absorbed a surprising R6,3m Given the low debt, this is high No information is supplied to explain this, though Van der Watt says it reflects peak borrowings — usually around calendar year-end Dividend income of R5,2m, mainly from Romatex and furniture maker Kallenbach-Hendler, nearly offsets interest charges However, tax at R20,7m gives an effective tax rate of 41,4% Attributable earnings were R40m or EPS of 160,5c (1993 119,5c) — an improvement on the bottom line, where it counts, of 34% No wonder Van der Watt is so cheerful

The balance sheet exhibits the strength associated with a company on a steadily upward trend Borrowings are minuscule (R23,4m) in relation to the company's size and equity base The gearing is 0,05 Current assets and liabilities, in particular debtors and creditors, have been kept in balance, which is no mean feat when sales are expanding rapidly

The cash flow statement reveals a positive net generation of 183c a share This comes from an operational cash flow of R46,2m with minor adjustments

All this sits strangely in one respect Like Amrel and Lion Match (also reviewed in this issue), Afcol shares the common parentage of SA Breweries But Amrel labours under an appalling interest burden, caused by star-

tingly huge debt Why one company in the same group should be required to absorb punishment of this kind is mystifying

Meanwhile, Van der Watt offers the usual placebo when it comes to predicting earnings He devotes a paragraph in his statement to saying nothing Yet it is probably reasonable to assume growth over the next year of about 20% in earnings That would give attributable EPS of about 193c and a forward p e of 14 — modest considering Afcol's tightly controlled cost base and ability to generate free cash from higher sales It's a buy in my book

David Gleason

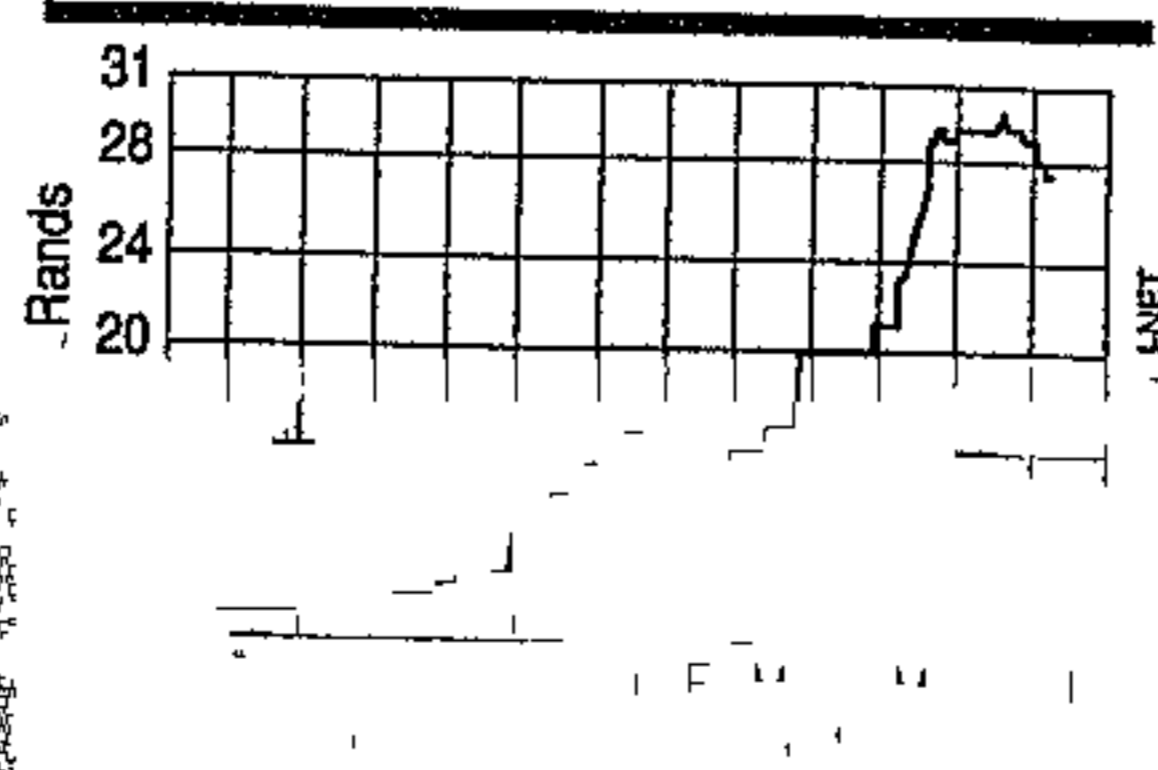
AFCOL Fm 15/7/94
Expansively cheerful

Afcol chairman Laurie van der Watt is a lot less trenchant in this year's annual report In a sense, that is a pity His use of language last year entertainingly conveyed his frustration and concern about his company and the country This year, he is more sanguine, it shows in his statement and more cogently in the results (188) ~~(255)~~

Afcol is SA's biggest and most extensive furniture manufacturer Its products span the entire range of bedding, case goods, upholstery from extruded and spun yarns, polyurethane foams, steel springs and other components

Turnover rose 10% to R865m and trading

Afcol



'More furniture makers needed'

THE number of local furniture manufacturers would have to increase to meet demand for furniture and appliances, which was likely to grow roughly 4% to 5% by the end of the year, Furniture Traders' Association of SA executive director Frans Jordaan said at the weekend.

An increase in the number of manufacturers would ensure greater product differentiation and improve supplies but was unlikely to trigger lower prices

"Competition in the industry is quite keen and it may not be possible to cut prices further," he said. *8/18/94*

Imports were unlikely to fill the gap as in most cases goods produced by foreign manufacturers were too expensive for the local market *(188)*

But it was possible that some foreign manufacturers would be willing to allow their products to be made locally under licence

An increase in electrification would boost appliance sales and the RDP's focus on housing "means more furniture which should be a big boost for the industry"

Retail furniture and appliance sales had been quite "volatile" over the past 18 months on the back of the choppy political environment but could level out over the next year

He said sales growth had been erratic this year and, when compared at current prices to the same time last year, had grown 14% in February, nil growth in March, 15,9% in April and 31,3% in May.

The increase in the VAT rate and the assassination of Chris Hani in April last year meant growth rates for this year

BEATRIX PAYNE

were off a low base. But he said sales had generally been stronger since April in "post-election euphoria"

He warned, however, that the recent wave of strikes might dampen demand as personal incomes were affected

"Consumer demand could fall in East London and Port Elizabeth if there was a strike in the motor industry"

To take advantage of increased spending retailers would need to go through an education process to deal with consumer inquiries, an article in the latest FAS Retailer/Appliance said.

Jordaan said the association was having discussions with the Law Commission to make credit legislation more transparent and easier to implement

He said the commission was looking at the Usury Act and the Credit Agreement Act to draw up a single credit Act.

The Acts should be amalgamated as certain measures in each Act were duplicated and were difficult for the consumer to interpret, he said

The Act would need to address proper disclosure procedures and was likely to allow retailers to word credit agreements in simpler and easier language.

He said consumers often did not read the full text of an agreement but under the new Act the credit application process could become more user-friendly.

He said gearing in the industry — which relied largely on credit sales — was at a healthy level and borrowings were "not out of hand"



FM 26/8/94

Randgold CE John Turner decided to fight back. His defence seemed to be well orchestrated, as it concentrated on the three fronts which he and his advisers saw as being Flack's weakest points.

The first of these was First West. Randgold employed high-powered managers and then took the project apart. If anything, they did it too thoroughly. While the financial community was prepared to concede that Flack's value of R70m was probably slightly too high, they weren't about to be persuaded that its ultimate liabilities actually exceed its value.

Turner's team played what could have been a good hand badly. The truth is shareholders were prepared to pay that price to put strong, effective management in place.

The second Randgold thrust was to associate alleged radiation dangers from dumps with high uranium content with the First West project.

That brought the National Union of Mineworkers (NUM) into the fray but, in the event, NUM's intervention, led by unit co-ordinator Kate Philip, was both too late and too evidently lacking in technical expertise.

The prevailing consensus is that the NUM allowed itself to be used in what was a shareholder fight.

As their third effort, Randgold's managers rested on the law. First, they appealed against the Securities Regulation Panel

ruling that the election of so many new directors was not an "affected" transaction (that is, a change of control). When they lost that, they urgently sought an interdict in the Supreme Court to suspend the extraordinary general meeting of shareholders. When they lost that, the game was up at the EGM the next day. Flack was able to marshal 15m votes to the 5m of the managers. It was a rout.

This incident raises pertinent issues for SA shareholders and executives. The first is the extent to which managers can use company money to thwart owners' wishes. The *FM* learns that Randgold owes its advisers in the region of R600 000. Not surprisingly, new Randgold executive chairman Flack is sitting on his hands — and the cheque book.

The second is what this may presage for the mining houses both in the way they are structured and in their exercise of control over managed mines. The matter of fees already excites criticism, which is bound to increase as shareholders exercise their rights of ownership. For decades, SA business has sought to invest abroad, now foreigners are looking to invest here. They will add their voices and wallets to growing



Philip

demands for change in corporate governance.

Of course, Baring's and Flack's achievement is the easy part of this story. Making Randgold work better will be more difficult. Flack has already made it clear he intends a thorough review of every aspect of the company's business, it's unlikely that will be completed before the year-end. That will be followed by swift action. The *FM*'s guess is that Randgold's management agreements will be sold back to the mines for more equity, a small, highly concentrated team will be assembled at the centre to provide technical management, and, where possible, synergies will be exploited — the most obvious is probably the merger in some form of Durban Deep and Rand Leases.

The burning issue at the end of the day is whether it will be successful. No-one knows, least of all Flack. But investors can take comfort from the company's discount to its underlying NAV depending on how the sums are done, this is as much as 50% and, subject always to the way bullion and the new managers perform, Randgold may well present an inviting investment opportunity.

David Gleason

JD GROUP

FM 26/8/94

Recovery bedded down

A good start, but quality earnings must be seen to be sustainable

This company is characterised by conjecture and market caution. Few JSE analysts cover the furniture sector and those who do seem to concentrate on the perceived leaders — retailer Ellerine and manufacturer Afcol.

Nevertheless, the Furniture, Household & Allied index has almost trebled over the past 12 months (much of this outperforming the Industrial index) to 1 176, as investors discount cyclical earnings growth. JD's share price has doubled during this period but lagged the index — and it may be undervalued in terms of its earnings potential.

JD Group, which last year emerged from the skirts of embattled W&A and then went on to rescue the banks and take control of Rusfurn — making it the Goliath in the sector when measured by size of operations, though not by market cap — is examined from a distance and with a certain

cynicism.

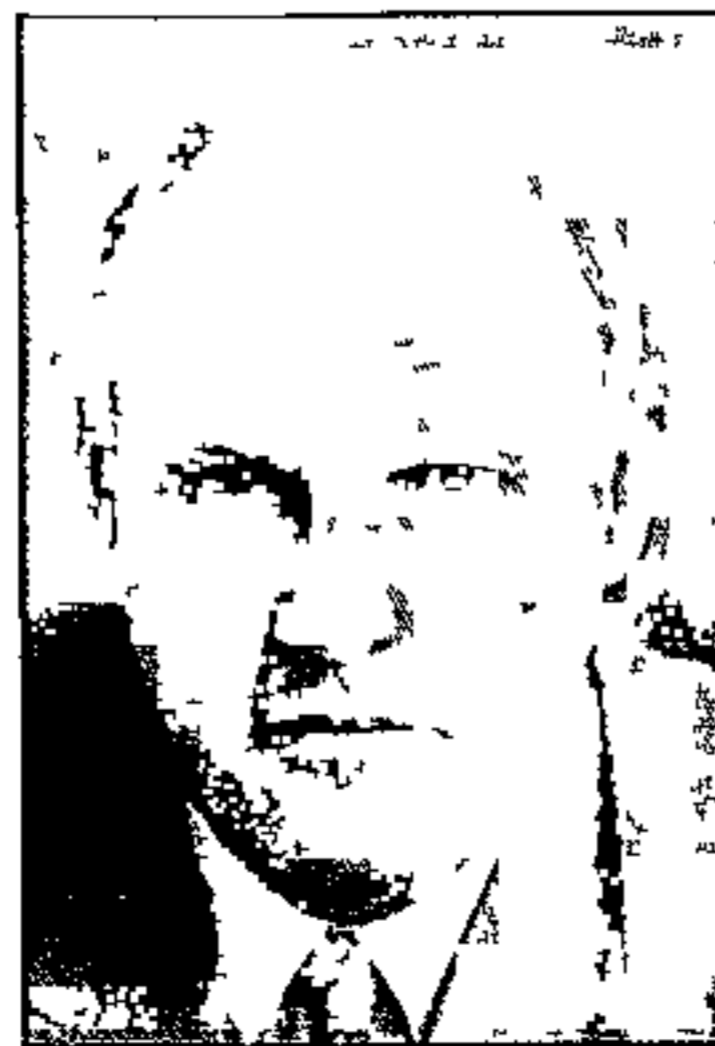
"We are waiting for the results," is a common response. And while informed market sources say that the results for the 18 months to June, due to be released early next month, are "very good, better than expected," there remains widespread belief that CE David Sussman may have overreached himself. "He seems a lot more interested in establishing furniture chains in Mexico and the UK," says a disbelieving analyst.

Scepticism is a hallmark of the furniture sector generally seen to be unusually risky and highly dependent on a management "trust" factor. And it is a business dependent not merely on consumer good humour, but on the propensity of buyers to borrow — and their ability to repay. One consequence is that the size of the debtors book carried by furniture companies often takes on scary proportions (despite at-

tempts to scale these down by taking them off the balance sheet).

This is one reason for the popularity of Ellerine and the esteem in which its founder/CE is held — Eric Ellerine is a man who has stuck to his last over four decades and is universally respected. Sussman's task is to reproduce in JD Group that same culture of reliability and conservatism. He has certainly made an impressive start. Rusfurn's debt, for example, has been reduced from a stunning R600m at the time of the transaction to a comparatively insignificant R55m. Extensive cleaning up of Rusfurn's book on a very conservative basis, under the previous management of Laurie Korsten, suggests that JD may benefit from being able to recover some of the generous provisions.

Another factor which scares investors and analysts is the high drama associated with the group last year. JD Group was hampered by its association with a group rightly seen to be in serious trouble. Rusfurn, on the other hand, was known to be struggling under indifferent management and to be



Strauss

carrying a colossal debt burden. It was hardly a marriage made in heaven.

First, Sussman secured his freedom from W&A but part of the price he was forced to pay was to take on board Rusfurn with all its management problems and debt.

Second, Sussman acquired a much larger group at little apparent cost (R80m) but, in the process, he knowingly took on the task of rescuing a floundering business with 400 stores and 7 800 people, and immediately secured his position by selling Dion for R90m (to Wooltru's Massmart). Since then the businesses have been refocused and the number of brand names associated with the ailing Rusfurn reduced from 10 to three.

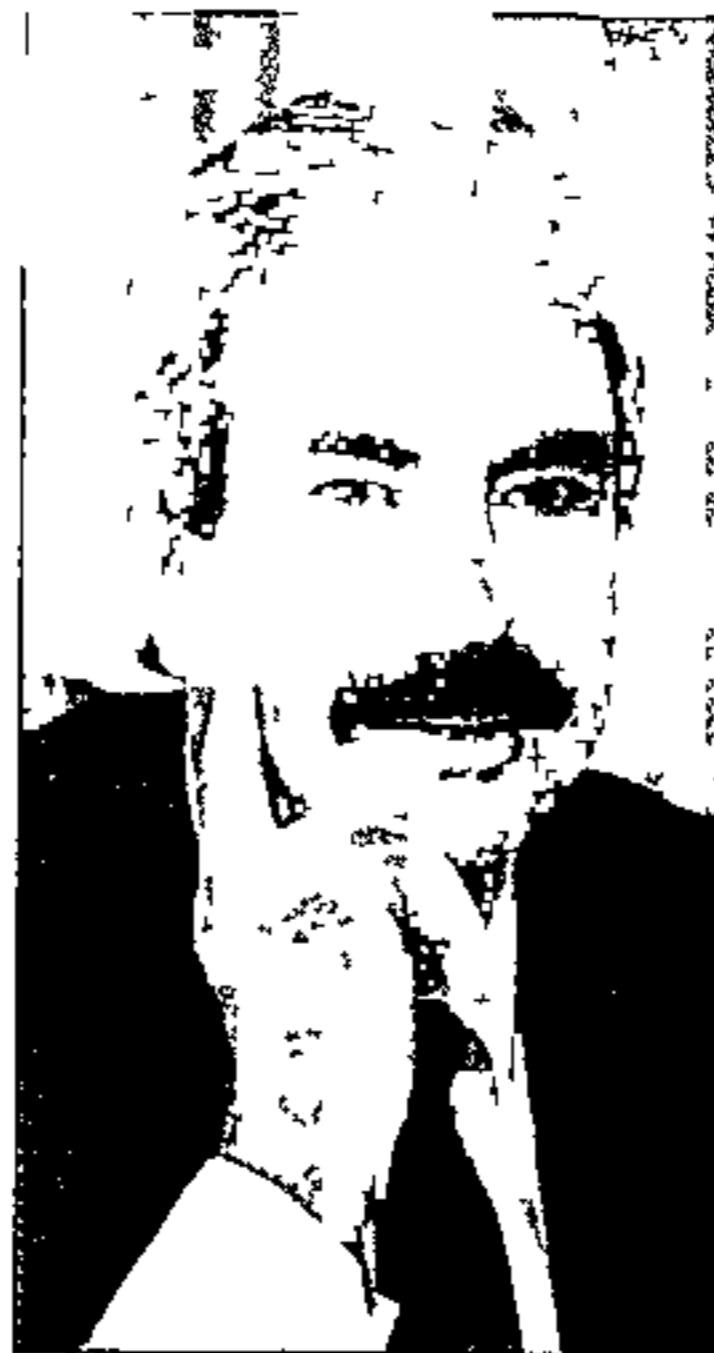
It was generally expected that the merger of Rusfurn, with turnover roughly the same (excluding Dion's contribution) as that of JD, would take time. The evidence is that it's been achieved in less than a year. Operations MD Mias Strauss (previously MD of Russells) says the priority was to merge all operations into one business.

The 14 brands — four of which belong to the old JD — were repositioned into six categories. At the top of the affluence index is Bradlows, followed by Russells, Joshua Doore, Price 'n Pride and Score. In the Cape, Giddy's and Montana-Harmony merged to form JD Cape. Considering the size of the rationalisation programme and problems of the Wanda Fraser chain, the closure of 32 stores across SA is a small price to pay.

JD's philosophy is simple, says Strauss: supplying limited ranges to mass markets. Its distribution network is geared to service this need. Smaller ranges, he adds, are for independent suppliers.

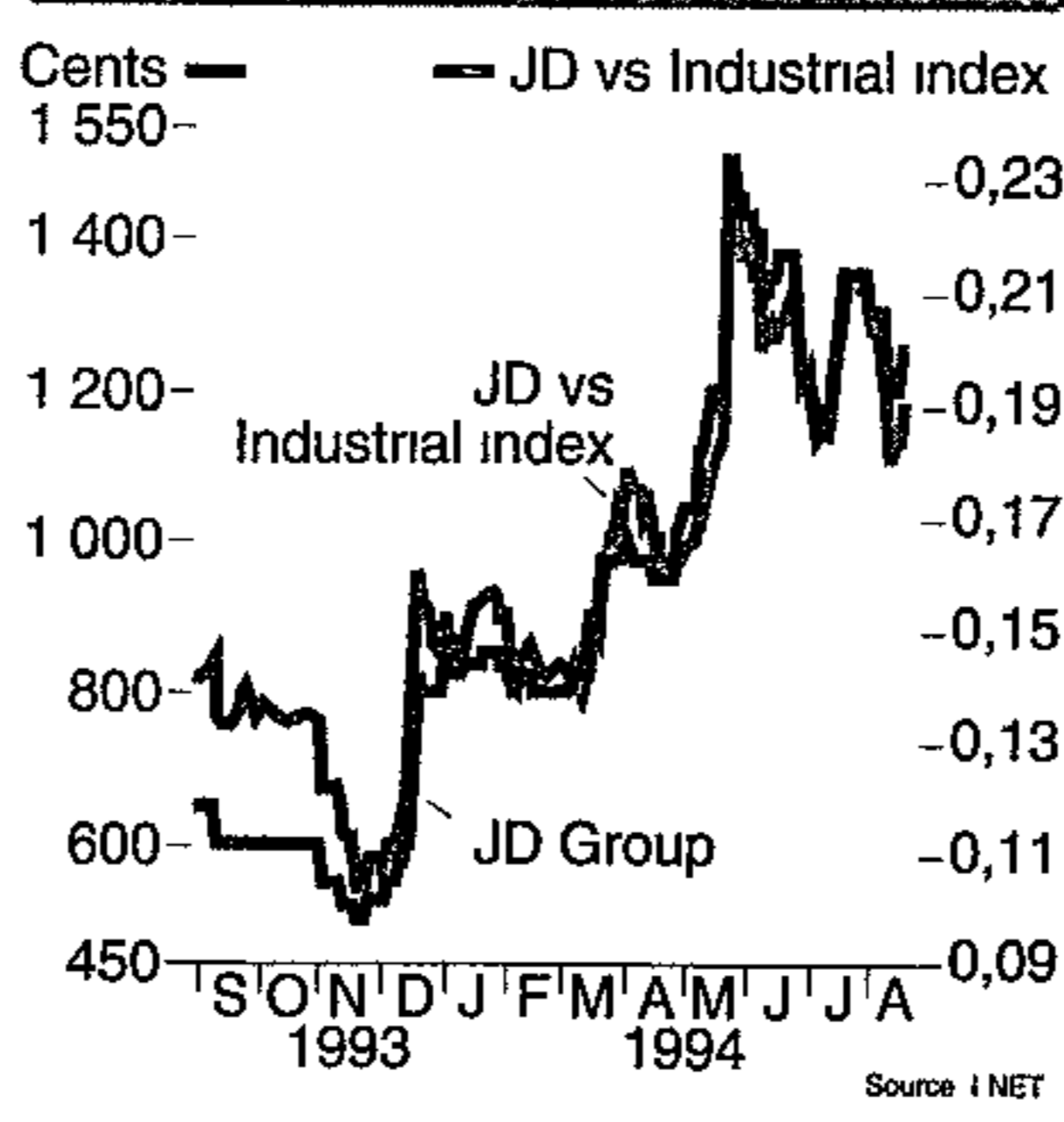
For investors, Rusfurn's financial disarray was alarming. The central problem was the Wanda Fraser chain, which concentrated in rural areas and which chased turnover at the expense of profitability. The quality of Rusfurn's debtors' book was a matter of immediate concern to Sussman. Implementing JD's control systems was a primary urgency. This philosophy applies across the board. Financial director Colin Stein confirms that the pervasive attitude within Rusfurn, of doing business simply for the sake of it, was immediately changed. "When JD took over management of Rusfurn last August," he says, "30 branches were in intensive care. Now all are profitable."

If measured against the four pillars of the furniture industry (margins, profits, debtors and cash generation), the group is doing well, says Stein. Average length of the debtors' book is 14 months, only marginally up on the figures before the merger, and arrears at around 12%. Though the arrears number is up on old JD's 9%, it indicates a substantial improvement in



Stein

Jul 26/8/94
SLOWLY BUILDING A REPUTATION



Rusfurn's arrears, which were at around 24% a year ago.

In common with other furniture chains, JD has implemented a process of taking debtors off the balance sheet by using an external finance company.

In JD's case, the book is held by a consortium of banks. It looks good but, in practice, analysts view the process with suspicion. (188) (222)

What is interesting is that Rusfurn's debtors are held separately which suggests it may be considered unduly risky. This is compounded by the recent increase in secondary tax on companies, which makes JD Sales' preferential dividend much less attractive. And it may lead to another about turn, this time disbanding JD Sales and consolidating debtors once again in the balance sheet. That will need to be financed by borrowings, and the effect will be to increase gearing, perhaps to about 80%. There are pros and cons in this, while an 0,80 ratio is low for the industry, it is high enough to disconcert conservative investors. On the other hand, greater transparency will encourage clearer appreciation of the business as a whole.

The company has just completed an extended 18-month year. Formerly a December year-end company, it has run through to June and has produced two interims along the way. These reflected turnover of R1bn in the 12 months to end-December with EPS almost unchanged at 103c compared with 1992. These numbers are hard of digestion, however, largely because of the difficulty in determining the effect of the

Rusfurn acquisition on turnover and the bottom line and the changing frames of reference.

Turnover in the 12 months to December 1992 showed monthly sales at an average R38m. In the six months to June 1993, this figure had dropped further to R33m. The acquisition of Rusfurn, effective June 1, could arguably have saved JD from declining sales in a hostile operating environment in the year to December 1993, monthly sales improved from R33m in the first six months to an average of R85m for the year.

Analysts believe JD may have understated its profits for the six months to December 1993, traditionally the better trading segment. Assuming these are brought to account, at least partially, in the period to June 1994, the FM calculates earnings for the 18 months could be 182c, an annualised 121c (applying a 16% increase to earnings for the second half of calendar 1993). This places JD on an attractive prospective P/E of 10,8.

Many synergies have resulted from the merger. First, JD's original urban base has been expanded and balanced by Rusfurn's penetration of country areas. Second, the



Sussman

benefits of higher volumes are already visible in distribution. Third, concentration of administration has produced many savings.

With Rusfurn successfully merged into JD, Strauss says management can get on with growing the group. The industry is currently estimated to be worth between R8,5bn and R9bn, depending on how it is defined. JD has about 28% of the chain market and management believes this can be improved upon by building strong brands, targeting the mass market and taking full

advantage of opportunities that the new political dispensation presents. Strauss believes the household durables market is set for a period of rapid growth. Analysts believe that the benefits of government's RDP will filter through to the furniture industry as soon as early next year.

The group's strategy beyond SA's borders is to establish operations north of the Limpopo.

But the market is keenly aware that the fortunes of furniture companies rest on uncertain foundations. There's plenty of upside when the going gets good but the potential to take a collective bath in a downturn is substantial.

Based on latest available results, the share stands on a historical P/E of 17, well below Ellerine's 22,4. If prospects are as sound as Stein's optimism suggests, the stock market may yet respond more enthusiastically, though JD will have to convince it can produce quality earnings that are sustainable.

Marylou Greig

SI Times (Buss)

DAY

Furniture sales recover

28/8/94

By DON ROBERTSON

9 00

RETAIL sales of furniture, household appliances and TV sets are expected to increase by about 12% this year to over R10-billion if the current level of demand continues

10 00

Sales were erratic in the first four months of the year, with a 5,9% growth in January, 14% in February and no improvement at all in March, according to the Furniture Traders' Association (FTA)

10 30

In April, however, sales grew by 15,9% and soared by 31,3% in May, 21% in June and 13,6% in July, all based on current prices. Pent-up demand after the elections was the main reason for the sharp improvement in the second quarter, says FTA executive director Frans Jordaan. (88)

11 30

"On the face of it, the figures are extremely good and we are feeling positive. Notes of caution are, however, that sales in

April 1993 were not good due largely to political uncertainty and it was the first month after VAT was raised to 14%, so the comparison is off a low base. Another factor is that the growth percentages are at current prices," says Mr Jordaan.

"Taking a broader view, it is difficult to predict overall growth for the year. Current industrial action in many industries is something we will have to take into account as it could affect spending power, but generally we are hopeful of a 3% to 4% growth in real terms."

Increased sales, therefore, of about 12% for the year could add about R1-billion to last year's turnover of R9,1-billion

Staff/World

VERTY LINE
University

DATA

Afcol (188)
ET 2/12/94
scoops
office
furniture
stake
for R16m

JOHANNESBURG. — Mathieson & Ashley Holdings (M & A) announced yesterday it had sold its 50% shareholding in Kallenbach-Hendler to SA Breweries subsidiary Afcol Manufacturing for R16m in cash, effective from October 1 this year.

Since 1988, the two groups have each held a 50% share in Kallenbach-Hendler, the office furniture manufacturing and distribution arm of M & A.

Winky Ringo, chairman of M&A Holdings and Vestacor, said M & A had made a strategic decision to focus its energies on retailing through OfficeMart, its nationwide superstore chain, which operates in four distinct business sectors — computers and office automation, software and office furniture.

"Afcol has stood by the office furniture industry through the recent period of recession," he said.

"The solid performance exhibited by Kallenbach-Hendler in recent times proves that this division has weathered economic hardships successfully, resulting in an attractive investment opportunity for Afcol.

"From our perspective, the cash injection will enable further expansion of the group."

MANUF. - FURNITURE
1996.

Furniture industry booming

(188)

CT 12/1/95

By MAGGIE ROWLEY
Deputy Business Editor

The SA furniture industry is poised for boom times and looking to real growth of 5% to 6% this year, according to Winston Smith, executive director of the Federation of Furniture Manufacturers

This, he said, would follow an estimated 3% real growth for 1994 after two disastrous years during the recession when turnover levels remained static and more than 6 000 jobs of the 42 000 jobs then in the industry being lost.

Smith said that while there was still some slack in the industry, he was optimistic employment levels would recover during the course of 1995

"If the economy grows at around 3% we should see a fair amount of this growth in our industry. I don't think too many of the manufacturers are working to full capacity but once the slack has been taken up, factories will no doubt resort to overtime for a period but this tends to be counter-productive as they start running into supervisory problems and people get tired

"Consequently, by mid-1995 we should see employment levels rising again and I am optimistic these will be back up at around 42 000 by year end "

Frans Jordaan, executive director of the Furniture Traders Association said furniture retailers had had a boom festive period and were highly optimistic for the year ahead

"While we are still awaiting for full figures to come in, flash figures indicate that December 1994 sales are up 16% at current prices over the previous December period

"As inflation for furniture and household appliances has been running at a much lower rate than the Consumer Price Index for all items, roughly 3% for 1994, we are looking at real growth for December 1994 of about 13% "

Jordaan said that the feedback already received indicated that consumer spending on big tick items had picked up considerably in most areas around the country

"I have just been speaking to the CE of a major group who said while some areas performed better than other areas and exceeded targets, there was not a single area which had performed badly "

'Refreshing change'

He said there was a real change of attitude within the industry and optimism was running high

"It is a refreshing change after some very tough years and even the mamma and pappa stores are reporting good figures "

Both furniture and household appliance sales were up but in the two months to end November there had been a noticeable drop in sales of television and audio equipment.

"We do not yet have figures for December but this could have turned around dramatically in that month as these items are usually strong sellers over the festive period "

While expected interest rate increases during the first half of this year could put consumers disposable income under pressure, this was not expected to impact heavily on furniture sales

(188)
Star 16/2/95
**Appliances
and furniture
sales pick up**

■ BY ROSS HERBERT

If furniture and appliance sales are any indication, South African consumer confidence is bouyant

While sales of new cars only edged up slightly in 1994, consumers showed a significant willingness to make less pricey investments

Sales of home furniture, appliances and televisions jumped 17,9 percent in December at current prices

On an annual basis, sales were up 13,9 percent, according to a survey released yesterday by the Furniture Traders Association

"It's purely consumer confidence," said Frans Jordaan, FTA executive director. "Overall the picture is very rosy. The sentiment is very bullish"

The positive mood after the elections also played a part. "In the month of May we saw an incredible surge in orders. It was quite incredible."

The growth is not much affected by inflation. According to Central Statistical Service, inflation for the sector was only 3,3 percent last year

Jordaan forecast continued strong growth this year. He also said sales would receive a significant boost from Eskom's electrification programme

It is scheduled to provide electricity to 300 000 additional homes a year, which will draw many new buyers into the market for television and small appliances

Winston Smith, executive director of the Federation of Furniture Manufacturers forecast real growth of 6 to 7 percent for the coming year for the furniture sector

Furniture retailer reaps rationalisation benefits

YURI THUMBRAN

IMPROVED margins, stringent cost control and streamlined operations because of rationalisation helped furniture retailer, the JD Group, lift attributable earnings to R67,3m compared to a pro forma R31,4m for the six months to December, the group announced at the weekend.

Buoyant trading during a better than expected first half saw a moderate rise in turnover to R1,09bn compared to the pro forma R1,03bn. Improved margins saw operating income jump 38% to R136,6m (pro forma R99m).

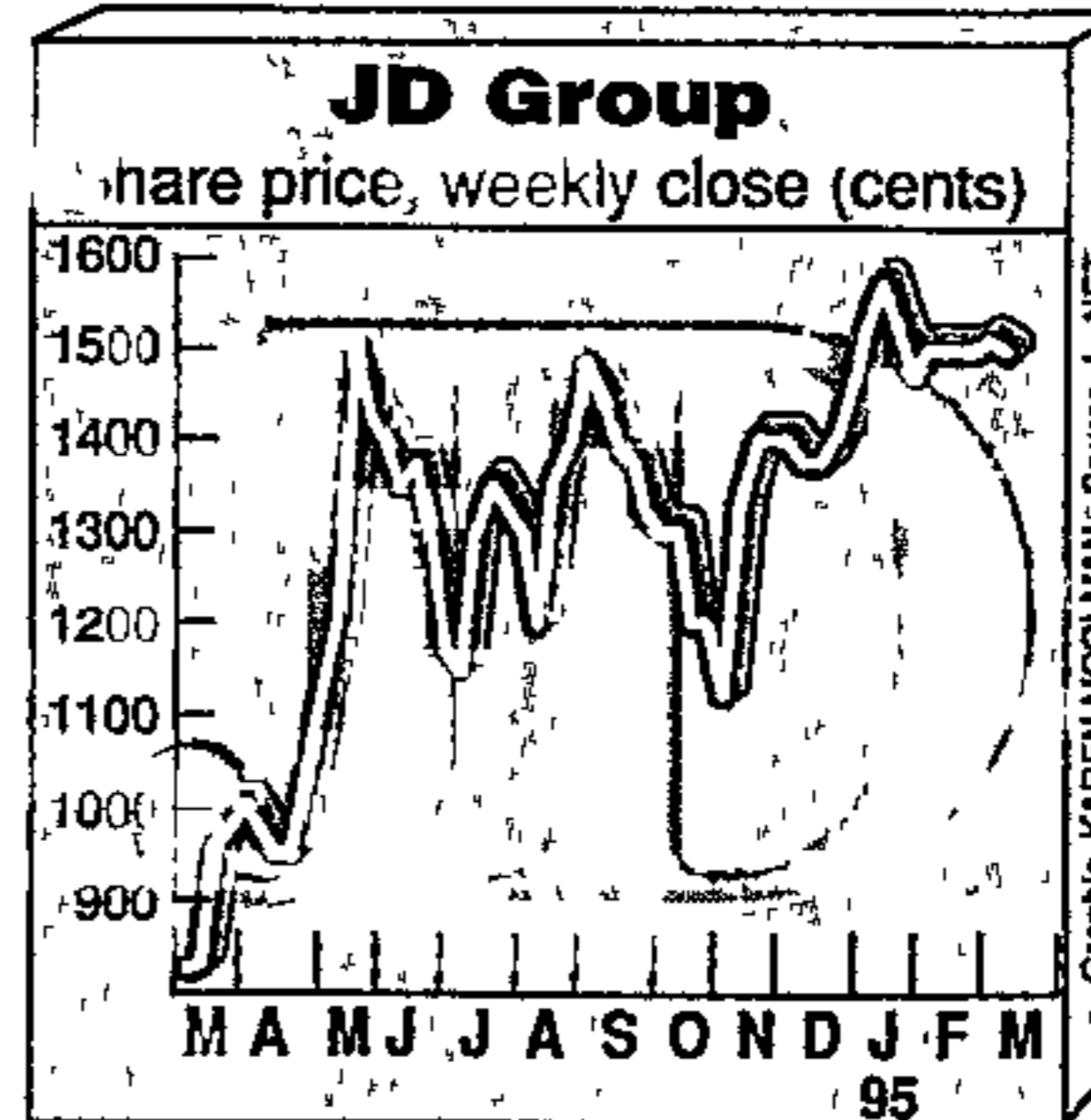
This meant substantially reduced finance costs following the rights issue announced in September 1993, said MD and chairman David Sussman.

Despite the increased weighted number of shares in issue, earnings a share rose 47% to 66,2c (pro forma 45c). A dividend of 20c (pro forma 18c) a share was declared. Sussman said the results reflected intense activity across the group, which trades as Bradlows, Joshua Doore, Russels, Score, Price 'n Pride and Electric Express.

The group closed 35 stores and eliminated brand names like Wanda Frasers, Style and Value, Rudicks and Dashaus during the review period, while it acquired the Rusfurn group.

However, Sussman noted that there was a wholesale improvement of the debtors book to 10,7 months compared to the maximum 21 months granted for credit. "Arrears are continuing to come down".

He said R60m was spent on issues related to the rationalisation. These items were



non-recurring and once its distribution network had been rationalised, the group would double its efficiencies in this area.

Sussman said the focus was now on maximising the group's infrastructure.

The group had applied the comprehensive basis for providing for deferred taxation. Dividend cover had been proportionately reduced. No cash was likely to be paid in the immediate future as the group had a significant amount of unused section 24 allowances.

He said the group was paying close attention to stock management. "We anticipate that the results for the full financial year will result in real earnings growth and a reduced gearing ratio." Gearing was currently 65%.

He said directors intended to award ordinary shares as capitalisation shares to ordinary and preference shareholders.

By William Wells and

Ellerines earnings per share surge by 33%

CT 22/3/95
(188)

The furniture retailer is planning to open its 400th branch later this year

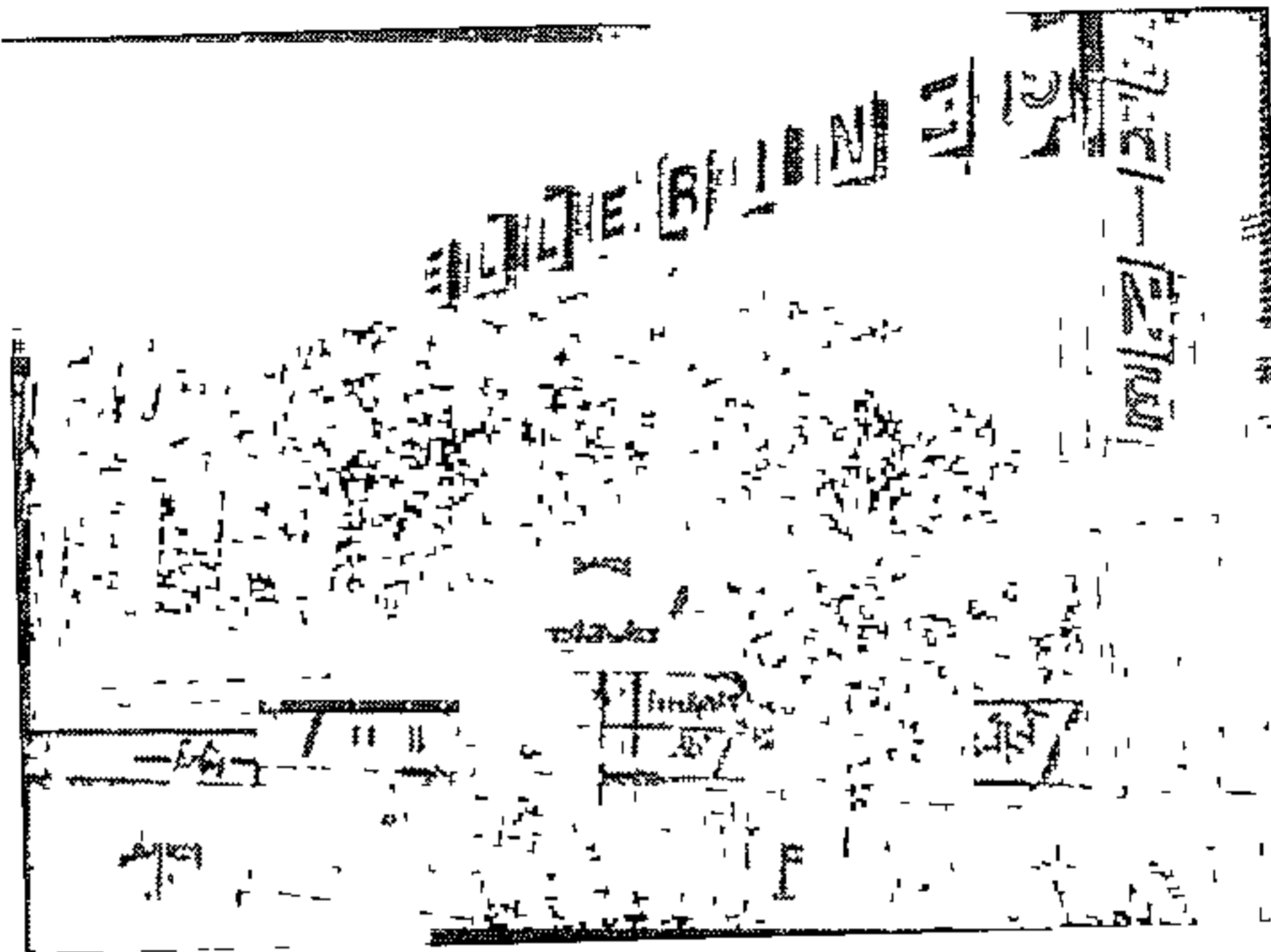
By CHARLOTTE MATHEWS

IN ESTIMATE IT EDITOR

Malbak-controlled furniture retailer Ellerine Holdings lifted earnings per share, excluding abnormal items, by an above-expectations 33 percent to 61c in the six months to February, compared with the same period in 1994

Management attributed the good performance to strong sales growth and continuous control of expenses and working capital. Sales are growing through existing stores as well as new stores and the company plans to open its 400th outlet in June

A 20 percent rise in sales at R508,7 million was outstripped by a 29 percent climb in operating profit to R77,8 million, showing margins improving to 15,3 percent



HOME COMFORTS The industry is expected to benefit from the government's emphasis on housing

from 14,2 percent previously

Net interest paid halved to R1,3 million from R2,7 million and the tax rate was unchanged at 42,3 percent

An abnormal item of R3,1 million received in the first half of the 1994 financial year represented interest on a tax refund while the refund itself was shown as a

R14 million extraordinary item. No abnormal or extraordinary items were taken in the last six months

Including the exceptional credits, ordinary shareholders' earnings were 22 percent higher at R43,9 million, equivalent to earnings of 61,0c (58,2c) a share

Capitalisation shares or an interim cash dividend of 20,3c (16,7c) a share are being offered to shareholders

According to Ellerines directors, the retail furniture and appliance industry are expected to benefit from the government's stress on the provision of housing. Ellerines' target market falls directly within the focus of the reconstruction and development programme

"While we expect the favourable trend to continue during the second half of the financial year, the increase in earnings will have to be viewed against the improved trading conditions which have prevailed since May 1994," they said

High hopes in furniture industry: The furniture industry was headed for good times if labour relations within the industry could be kept cordial, according to the president of the Furniture Traders Association, Louis Shankman. Addressing the organisation's annual general meeting in Johannesburg, Shankman said "Workers and unions must be persuaded to exercise patience if the RDP is to be successful"

(188) CT(BR)22/3/95

Mystery buyer may rescue ailing Skandia

(188)

ARC 25/3/95

COLIN DOUGLAS

Business Staff

AILING Cape office furniture manufacturer Skandia went into provisional liquidation this week — but a mystery buyer is expected to put in a bid to take over the operation and save the jobs of most of the workforce

In the face of substantial debts and sluggish sales, the privately owned Philippi-based company — Skancape, trading as Skandia — was granted provisional liquidation in the Cape Supreme Court on Monday

The 130-strong workforce was sent home without pay as financial director Ken Maggs and liquidator Chris van Zyl negotiated a possible rescue deal with the potential buyer, whose identity they would not disclose

Skandia's sales have never fully recovered from its temporary liquidation just over two years ago, and production was hit hard by last year's election-peri-

od public holidays and industry-wide industrial action last June, Mr Maggs said

The office furniture industry had suffered severely during the recession as firms held back on new orders, yet there had been no significant improvement in trading conditions to coincide with the economic recovery, he said

"A cost-conserving mindset is so prevalent amongst business that economic growth just hasn't filtered through to our industry"

The company had been unable to generate sufficient sales to weather the costly annual closure in December and January

Mr Maggs said the deal with the prospective buyer, if approved by creditors, would include

■ Preserving the jobs of at least 80 percent of Skandia's workforce,

■ The retention of the production manager and Mr Maggs himself, but the retrenchment of other senior management,

■ A 100 percent buyout of the company, but not hands-on management of it by the purchaser, and

■ The slashing of overheads to force the company back into the black even on existing sales volumes

The mystery buyer was "certainly very interested" in taking over Skandia, and had already held discussions with the relevant trade union

If the bid was successful, production could be restarted as early as Tuesday

Mr Maggs said he was going all out to secure the deal in order to save the jobs of employees, who would find it very difficult to find alternative employment

The jobs of 150 employees at Brown & Neethling, another troubled Cape office furniture manufacturer, were on the line last week with the imminent closure of the firm's Epping factory by parent company Afcot

Small furniture firm bucks the trend

COLIN DOUGLAS
Business Staff

AS Cape office furniture manufacturers drop like flies, one small firm is bucking the trend and powering its way into the profit zone.

Weltmans Custom Office Furniture has been operating out of a low-key Salt River factory for the past year, producing small orders of individualised furniture for the offices of a discerning group of clients that includes President Nelson Mandela.

Partner Ivan Weltman, an aeronautical engineer by training and a past managing director of the big Anglo-Dutch operation, says the key to success in the industry is to understand the market.

"The market has changed a lot in the past 10 or 15 years," he says. "People want more

(188) ARG 11/4/95
choice.

"They want their corporate image to be unique, and different companies also have different functional needs for their work-stations."

Accordingly, Weltmans' slogan is "Your Image is Our Business", and the company offers its clients distinctive offices "where your customers visit and gain a powerful impression of who you are and the standards you maintain"

Work-stations are often designed individually and are finished in a variety of natural woods or any one of hundreds of paint colours

A major reason for this flexibility, says Mr Weltman, is the factory's small size — it has 21 employees, up from seven when the company was founded last year.

"If you asked a big company to produce a special item, it would take them months — we could do it in a few days."

The cause of the troubles experienced by larger operations like Brown & Neethling and Skandia, he says, is that their large-scale production processes are not geared to cater to the high-choice demands of the market: "Specials are anathema to them."

The idea that large operations create economies of scale is an illusion, Mr Weltman charges, because the layers of management that they require impose heavy overheads on companies.

"Here we have no foremen, no supervisors, no quality control." Instead, the furniture makers themselves take

responsibility for quality assurance.

"It's so easy to motivate the workforce in a small factory — there's a lot of pride in the work," adds Mr Weltman's son and partner Jonathan.

Ivan Weltman points to the highly successful Italian furniture industry. Of the 60 000 factories in the industry, 55 000 employ fewer than 20 people.

These small plants account for 92 percent of industrial production and are leaders in exports.

During the first six months of 1993, Italian furniture exports were valued at more than R11 billion, official figures show

Weltmans' expansion plans therefore do not envisage further growth for the existing factory, but rather a country-wide network of small factories.

Mr Weltman hopes to have established three new factories in Cape Town within three years, seven in Gauteng within five years, and outposts in Port Elizabeth and Bloemfontein too.

This strategy is in stark contrast to that employed by Afcol-owned Kallenbach-Hendler, which is to centralise production in Johannesburg and close Brown & Neethling, its loss-making Cape Town operation, although it too plans greater customisation of its furniture.

Weltmans' has bought the central Cape Town showrooms of provisionally liquidated Skandia, and will open its doors to the public on Monday.

Further showrooms are planned for the other major centres.

In the eight months since full production began, Weltmans has sold 1 000 items of furniture and has seen a return on turnover of around 15 percent, Mr Weltman says. He expects his second year to produce a sevenfold turnover increase if current trends continue.

He scoffs at suggestions that the office furniture industry is lagging behind the economic recovery. "The reality is that office furniture leads the recovery, it's almost a barometer.

"The market is definitely picking up, and there's a good future in Cape Town for at least the next four or five years."

Gestetler regional manager Patrick O'Shea, whose Waterfront offices were outfitted with tailormade furniture, said he was impressed by Weltmans' individualised products and service.

"I was very specific — I wanted cherry wood and I needed the furniture made to our own design.

"They made it to our specifications using nice, solid wood, in spite of our costings, where we had pushed them quite hard.

"They were spot-on with their delivery time, and where there were blemishes in the wood they came in and fixed them."

"Everyone who walks into our offices is stunned," he said



DAVE KING . fighting back

Kings to sue Afcol for R56m

(188) ST (BT) 9/14/95

By JULIE WALKER

DAVE King, the Johannesburg businessman responsible for establishing Laird Finance and debt-ratings agency Republic Ratings, is to claim R56-million in compensation from furniture manufacturer Afcol.

Mr King says both he and his attorney were verbally advised this week that Afcol would withdraw the sequestration application made against him when he declined to pay amounts outstanding after buying furniture company Steel-furn from Afcol last year.

Mr King always maintained that he could pay, but would not because Afcol had interfered with Steelfurn's cash

Flows and prejudiced the chance of collecting debtors. Steelfurn subsequently went into liquidation

Afcol said that by not paying the R2,6-million in question, Mr King had committed an act of insolvency so it applied for his sequestration. Afcol also alleged fraud and deception which Mr King has shown was without foundation.

A schedule of assets prepared for Mr King's defence shows him to be worth R26,6-million. This excludes indirectly

held assets and R2-million in trust pending the outcome of Steelfurn's liquidation and Mr King's claims against Afcol

"I repeatedly offered Afcol the opportunity to check my creditworthiness but it never availed itself of the offer. There was no need to try to sequester me when the Steelfurn matter could have been decided in court. My integrity has been attacked and I have been unable to undertake any business while my status has been under scrutiny," says Mr King

"If commercial considerations had been applied to this dispute instead of legal tactics this application would never have come about, or it could have

been heard as an ordinary civil action." Mr King was obliged to sell his holding in Republic Ratings at a discount to distance himself from it. This loss forms part of his claim against Afcol, which is part of the SA Breweries group of companies

Laird also lost orders, and Mr King says several clients put their business relationship on hold pending the outcome.

Afcol deputy chairman Tom Eccles said on Friday Afcol was waiting for further valuations of Mr King's assets and proposed that a meeting be held between the parties

Afcol reports big rise in earnings to R54m

YURI THUMBRAN

FURNITURE manufacturer Afcol, of the SA Breweries stable, lifted attributable earnings 34% to R54m for the year ended March, it said yesterday

Earnings a share rose 32% to 211,6c from a previous 160,5c. A final dividend of 59,75c (45,25c) was declared, lifting total distribution for the year 32% to 105,75c

Turnover weighed in at R1,1bn — 19% up on last year's R865m. Better margins were reflected by a 12% rise in trading profit to R63m. Finance costs surged to R11m (R6m), while the tax bill decreased from R21m to R17m.

Directors said sales grew "vigorously" during the second quarter of the year

During the period under review, Afcol acquired a further 50% in Kallenbach-Hendler, a hi-tech office furniture manufacturer, after Mathieson & Ashley sold its interest in the company

The performance of managed oper-

ations, together with the contributions from associated companies, resulted in the 32% jump in attributable earnings

Deputy chairman Tom Eccles said growth in private consumption expenditure — "a key determinant for furniture sales" — should result in higher demand for furniture during the coming year

He said the balance sheet remained strong with gearing virtually unchanged at only 8% of shareholders funds

Although R56m was required for investment and net working capital during the year, the continuing healthy cash flow from trading reduced the need for net borrowings to only R13m

Capital expenditure of nearly R70m would be spent during the coming year and would be financed from the anticipated cash flow from operations

SD 4/5/95

Good results for furniture sector

INCREASED consumer confidence and better employment opportunities were behind the improved results reported by the furniture retail sector over the past few weeks, offsetting negative effects of tax hikes, the transitional levy and higher interest rates, analysts said yesterday.

Consumers' positive sentiment pushed up sales to higher volumes, resulting in better margins and profits.

An analyst said among furniture companies, Afcol

YURI THUMBRAN

and Morkels shares offered good value, and JD Group and Ellerrine Holdings fair value (188)

Buoyant retail markets boosted Afcol's performance while its other divisions helped the furniture manufacturer post better results for the year to end March. BD 11/5/95

The furniture, household and allied sector yesterday reached 1182 points against its high of 1287,64 points reached last May,

with a 9,2 earnings yield. Against this was Afcol's earnings yield of 7,23. Morkels, with core businesses in furniture retail but listed in the stores sector, had an earnings yield of 7,46.

The JD Group's earnings yield came in at 14,30. That of Ellerrines was 6,17.

Another analyst said despite the good results there was still further scope for improvement once employment opportunities increased and RDP house building projects got a kickstart.

ESB

Materials prices hit furniture industry

(188)
YURI THUMBRAN

THE furniture manufacturing industry remained in the doldrums despite the buoyant results reported by retailers in the sector, Furniture Manufacturing Association executive director Winston Smith said at the weekend. *BD 15/5/95*

He said the general decline in the industry had been evident since 1991, with employment falling to 24 000 from 28 300. During this period 241 factories were closed or put into liq-

uidation, which affected a further 5 000 workers.

The main reason for the "depressing" state of the industry had been sharp increases in the prices of raw materials.

Smith noted that inflation in the industry was 3.8% last year. A possible remedy was to bring manufactured goods in line with general inflation before they reached retailers

Prices for commodities such as sawed timber, board, imported hardboards, fabrics and coverings, leather and glass had substantially increased.

"An alarming aspect is the lack of a proper beneficiation policy at government level. Pine in log form is being exported in substantial quantities with a resultant loss of jobs in sawmilling and the furniture manufacturing industry," he said.

Metal industry talks deadlock

Renee Grawitzky

METAL industry negotiations deadlocked yesterday after the National Union of Metalworkers of SA (Numsa) and the Chemical Workers' Industrial Union (CWIU) rejected employers' final offer of a 10% increase on actual rates.

During the third round, Seifsa proposed the 10% increase and a further 1% increase for employees in the lowest category. This was conditional on unions agreeing to deregulation for a year of wages for employees coming into the industry and existing regional wage exemption procedures remaining in place. Seifsa said this proposal was tabled in an attempt to stimulate job creation.

While two influential unions — Numsa and the CWIU — have rejected the offer, the remaining unions have modified their demands. Numsa rejected Seifsa's offer as it did not deal with its three-year strategy, which attempted to restructure the industry. Closing the apartheid wage gap — reducing differentials between grades — broad banding, education and training, employment security and productivity bargaining were part of this strategy.

Numsa said it was pointless working on the wage rate without dealing with overall demands, as it was a package deal.

Seifsa negotiator Brian Angus said the parties were negotiating minimum terms of employment. "Employers do not believe they can drive such a process from a centralised bargaining position," he said. Issues such as the wage curve and producti-

Continued on Page 2

Deadlock

Continued from Page 1

...vity bargaining should be dealt with at plant level and "there might be larger employers who would go that route".

Seifsa had agreed to reduce the number of grades from 13 to five, but, according to Numsa, without paying for the greater degree of flexibility that would result from this. Angus said the parties had not yet agreed to the five grades, which would involve a cost to the industry.

Numsa general secretary Enoch Go-

...dongwana said Numsa saw this as the final year to get a new wage model in place. The model had to address two key problems — the inequitable wage structure and the need to modernise the industry quickly to meet world competition.

He said Seifsa had continued to avoid the wage gap issue. It was "the view of our bargaining committee that a dispute with Seifsa is now inevitable".

Numsa would convene a national bargaining conference on June 22 and 23 to decide on a course of action.

NEWS POLITICS & LABOUR

Union warns of action

Sowetan 15/6/95

(189) (S)

THE National Union of Metalworkers of South Africa (Numsa) and the Steel and Engineering Industries Federation of South Africa (Seifsa) are on a collision course over a range of issues

Numsa general secretary Mr Enoch Godongwane warned of impending industrial action unless outstanding matters were resolved satisfactorily. He said if employers did not take a realistic position in closing the wage gap, broadbanding, productivity and employment

Abdul Milazi reports that Numsa and Seifsa are heading for trouble as deadlock remains

security, the union would have no option but to resort to the strategies of "the bad old days"

Little or no progress has been made in closing what the union describes as an "apartheid wage gap"

Godongwane said only limited progress had

been made in negotiations so far. But key bargaining elements remain unresolved.

Numsa wants equal training for all employees, and is pushing for workers to be graded according to their skills rather than according to the tasks they perform.

Dispute in metal sector

Renee Grawitzky

The National Union of Metalworkers of SA (Numsa) formally declared a dispute with employers in the metal industry this week after its core demands linked to a three-year bargaining strategy were not addressed in the employers' final offer.

The dispute was declared after the last meeting when employer association Siefesa tabled its final 10% across the board offer. An offer of an 11% increase for the lowest grade was also tabled, conditional upon a deregulation agreement of this rate for new employees for one year.

The parties agreed after the meeting to submit their final positions in writing to the industrial council.

In response to Numsa's dispute declaration, Siefesa declared a counter-dispute.

A Siefesa spokesman said employers needed to be in a position to counteract any possible action from the union.

The union began its national bargaining conference yesterday, which ends today, to decide on how to pursue the dispute and what its bottom line is.

The disputes are being processed through the industrial council. Dispute resolution procedures and a meeting of the parties will be held shortly.

Numsa ready to strike over three-year strategy

(152) (189)
Rene Grawitzky
BD 26/6/95

DELEGATES at the National Union of Metalworkers of SA (Numsa) national bargaining conference affirmed their commitment to the three-year bargaining strategy tabled during negotiations with Seifsa since 1993

Numsa's general secretary Enoch Godongwana said depending on the outcome of the dispute meetings under the auspices of the industrial council in the metal industry, "workers will ballot and take strike action"

The three-year plan — which has been agreed to in the vehicle assembly industry — focuses on reducing the number of grades and wage differentials between grades, closing the wage

gap and worker training.

The last major national strike in the metal industry took place in 1992

It lasted four weeks and ended after Seifsa obtained an interdict on the basis of gross irregularities in the balloting process

The strike started on August 3, which coincided with Cosatu's rolling mass action in support of its demands at Codesa

The industrial council is required to convene within 14 days to decide how the dispute will be processed.

The council's options include continuing negotiations, establishing a sub-committee to consider the options of the parties, voluntary mediation or arbitration and advising the labour minister that a deadlock exists.

'Close apartheid wage gap'

~~(S)~~ CT 26/6/95 (189)

JOHANNESBURG The National Union of Metalworkers of SA (Numsa) has vowed that there will be no wage settlement in the metal industry this year unless employers commit themselves to closing the apartheid wage gap.

Speaking after the union's two-day conference on Friday, Numsa president Mr

Mthuthuzeli Tom said should efforts at conciliation in the Industrial Court this week fail, the union would ballot its 120 000 members on what action to take.

Numsa and the Chemical Workers' Industrial Union have declared a deadlock with the Steel and Engineering Industries Federation of SA — Special Correspondent

'Time short to avert national strike'

189

(189)

'No deal unless bosses close apartheid wage gap'

STAR 27/6/95

■ BY JUSTICE MALALA
LABOUR REPORTER

The National Union of Metalworkers of SA (Numsa) has vowed that there will be no wage settlement in the metal industry this year unless employers "commit themselves in principle and in practice" to closing the apartheid wage gap.

Speaking after the union's two-day national bargaining conference on Friday, Numsa president Mthuthuzeli Tom said should efforts at conciliation in the Industrial Court this week not produce a satisfactory settlement, the union would ballot its 120 000 mem-

bers in the industry on what action to take.

The conference came after annual wage talks involving representatives of more than 275 000 workers and the employer body, the Steel and Engineering Industries Federation of SA (Seifsa), ended acrimoniously two weeks ago when Numsa and the Chemical Workers' Industrial Union declared that they were in deadlock with employers.

Seifsa has made a final offer of a 10% general wage increase, and an 11% increase for workers in the lowest grades, but has proposed no increases on minimum wage rates.

It has also offered to increase subsistence allowances by 10%, to introduce improved maternity leave, and to improve the minimum severance payment for retrenched employees.

Eleven of the 13 unions taking part in the negotiations modified their wage demands in the last meeting and will present their final positions at the conciliation meeting.

Numsa has presented a linked package of demands aimed at the "apartheid wage gap" between workers on the lowest rungs and those higher up, at low levels of training and education,

the reduction of grades, and job security.

Numsa secretary-general Enoch Godongwana said that in countries which competed with the South African metal industry, wages of the lowest-paid workers were at least 70% of the average artisan's wage rate. In South Africa the lowest-graded workers earned less than 30% of an average artisan wage.

"This conference has put in place contingency plans for a national ballot of our membership in the metal and engineering industry. Time is now running out to avert a national strike," Godongwana said.

Seifsa moves to avert union's strike

(189)
Sowetan
29/6/95

Numsa members will not play a role in updating the industry without wage rise

By Abdul Milazi
Labour Reporter

THE Steel and Engineering Industries Federation of South Africa will hold special talks with trade unions in the metal industry on July 11 to avert a possible strike after negotiations deadlocked last week

The National Union of Metalworkers of South Africa (Numsa) and the Chemical Workers Industrial Union (CWIU) have declared a dispute against Seifsa, which in turn has declared a dispute against the two unions. The dispute is wage linked, with Seifsa offering a 10 percent general wage increase and 11 percent for the lowest paid workers.

According to Seifsa industrial relations director Dave Carson, the unions are demanding wage increases ranging between 12,5 percent and 126 percent. Numsa rejected Seifsa's final offer saying it was irrelevant to key issues the union had been negotiating for the past two years.

Numsa spokesman Roger Etkind said it

was a well known fact that the union saw this year as the final year to get a new wage model in place.

He said such a model must address the two key problems of the South African industry, namely the totally inequitable wage structure and the need to modernise industry speedily to meet world competition. Etkind argued that Seifsa had continually chosen to look only at a "narrow" group of technical issues and had avoided the wage gap issue.

He said Numsa members would not play a role in modernising the industry only to find either that their wages remained in the apartheid era or that they were retrenched in the name of "so-called" efficiency.

Carson said if the July 11 meeting failed to break the deadlock, the parties would have to go for voluntary mediation or arbitration and form a sub-committee to continue with negotiations, or as a last resort to enlist the help of the Minister of Labour.

Numsa president Mthuzeli Tom said should everything else fail, the union would ballot its 120 000 members on what action to take.

Tobacco's contribution grows almost 15%

Luxury goods lift Richemont profits

(198)
SAW 3/7/95

■ BY CHARLOTTE MATHEWS
INVESTMENT EDITOR

Higher returns from Richemont AG's tobacco and luxury goods interests helped to lift attributable profits, excluding exceptional items and goodwill write-offs, by 28.2% to £261.9-million in the year to March 1995 compared with last year.

Comparisons between actual figures for this and last year are difficult because of exceptional items, but the group has also provided figures on a like-for-like basis.

According to like-for-like figures, net sales revenue climbed by 5.1% to £3.8-billion, on which operating profit 13% higher at £688.0-million was made.

Net investment income dropped by £1-million to £52.8-million, partly because there were non-recurring profits last year, while the tax rate dropped to 31.3% from 33.6% previously owing to a lower effective rate reported by the group's tobacco interests.

Earnings lifted to £45.61 a unit from £35.58 excluding exceptional items and goodwill amortisation. Including those items, earnings more than doubled to £48.69 a unit from £20.03. A dividend of £7.00 a unit, against last year's £6.15 a unit, was declared.

The latest figures include a

COMPARISONS between actual figures difficult because of exceptional items

£23.2-million share of the profit made on the disposal of properties in Singapore and Germany by Rothmans International.

In 1994 Richemont had special costs of £50.4-million on the restructuring of its tobacco and luxury goods interests as well as a £36.7-million share of European rationalisation costs incurred by Rothmans International.

The group said average exchange rates did not make a significant difference to the results since gains made on the weakness of sterling against the German mark and related currencies were offset by losses on the weakness of the US dollar and related currencies.

Tobacco's contribution to operating profit grew by 14.8% to £487.0-million but no more information on this business is available because figures from Rothmans International are being delayed by Richemont's offer to buy out Rothmans minorities.

The offer closes on July 10

Operating profit from the luxury goods interests grew by 14.8% to £222.4-million.

The greatest sales growth was shown in jewellery, up 11.1% to represent 16.8% of total sales of luxury goods, and leather goods, 9.2% better, particularly on demand in the important Far East markets.

The NAR Group, which has a controlling interest in US speciality direct retailer, Hanover Direct, reported strong sales growth mainly because of full year's revenue from a number of acquisitions and joint ventures, but operating results were hit by higher selling expenses.

Media interests

Richemont's media interests, which were combined with those of MultiChoice from the end of March, reported an operating loss of £38.1-million from £12.4-million previously owing to the costs of expanding the operations of Network Holdings' operating subsidiaries, FilmNet and MultiChoice, into a number of new markets.

The operating results from the pay television service improved against the previous year, largely because of continued subscriber growth in all territories, the directors said.

AFCOL

Confidence still elusive

(188) ~~189~~ FM 18/8/95

Activities: Makes furniture and household appliances

Control: SA Breweries 64,2%

Chairman: L van der Watt MD R Cox

Capital structure: 25,5m ords Market capitalisation R746m

Share market: Price 2 925c Yields 3,6% on dividend, 7,2% on earnings, p e ratio, 13,8, cover, 2 12-month high, 3 150c, low, 2 800c Trading volume last quarter, 273 000 shares

Year to March 31	'92	'93	'94	'95
ST debt (Rm)	2,5	2,7	—	0,2
LT debt (Rm)	107,3	0,4	23,4	34,2
Debt equity ratio	0,40	n/a	0,05	0,06
Shareholders' interest	0,51	0,65	0,66	0,69
Int & leasing cover	2,2	7,6	9,8	6,1
Return on cap (%)	9,2	9,7	9,9	8,9
Turnover (Rm)	792	789	865	1 029
Pre-int profit (Rm)	49,8	46,1	61,5	69,7
Pre-int margin (%)	6,3	4,9	6,6	6,2
Earnings (c)	106,1	119,5	160,5	211,6
Dividends (c)	53	59,5	80,25	105,75
Tangible NAV (c)	1 095	1 157	1 374	1 705

Mixed signals characterise the latest annual report from Associated Furniture (Afcoll). Indeed, they are sufficiently variable to raise real questions about the extent and durability of the current economic revival.

To begin with, Afcoll — in which SA Breweries holds 64% — produced turnover of just over R1bn in financial 1995. But the trading margin dropped from 6,5% in 1994 to 6,2% — appreciable on this sum.

Chairman Laurie van der Watt says this was due to serious uncertainty over the general election period. It was compounded by "an unusually high level of order cancellations" later as retailers reduced inventories after finding the expected surge in consumer demand didn't materialise to the



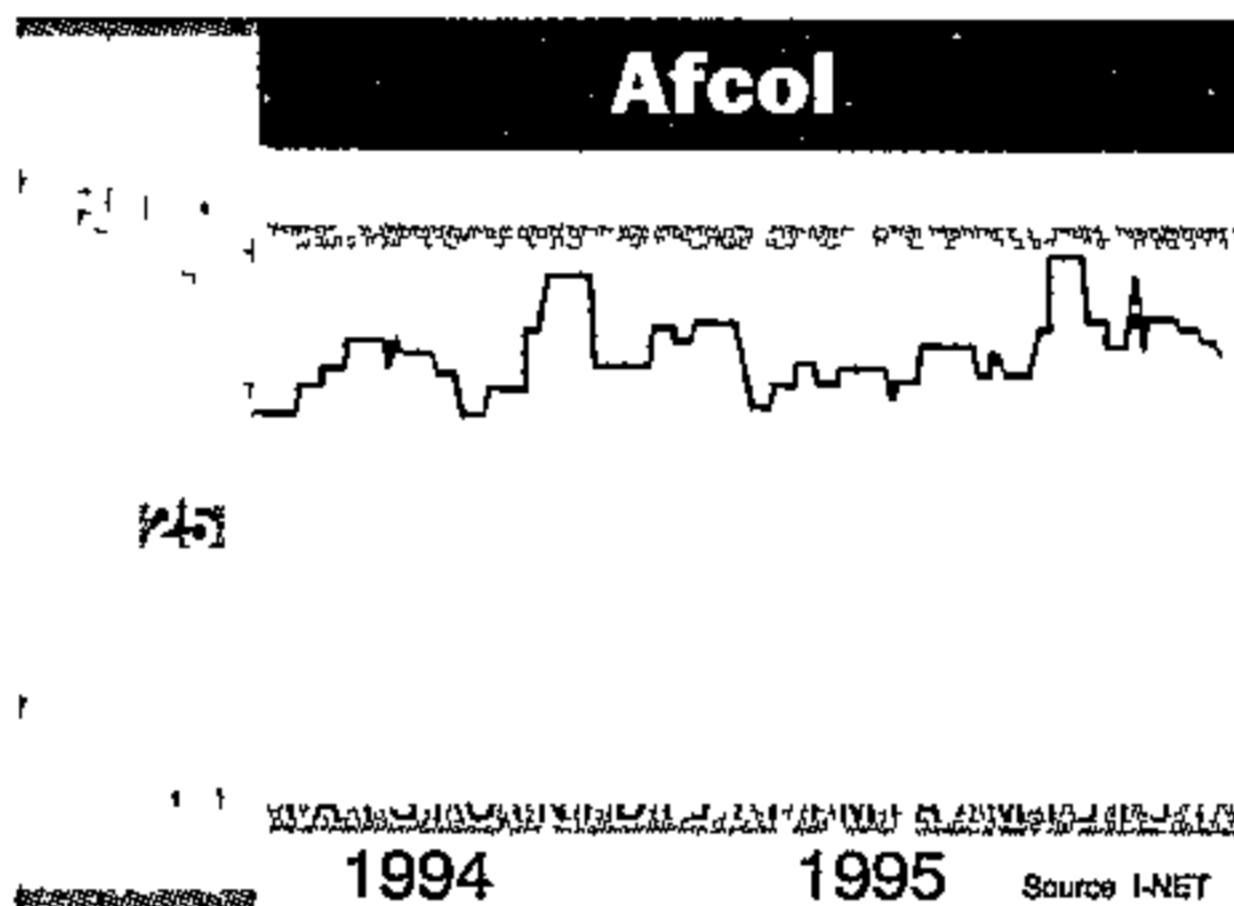
Afcoll's Eccles not saying much about prospects

extent expected

The net result was a taxed profit of R41m (1994 R35m) — helped by equity accounting of associates' retained earnings, which added R13m. Attributables rose to R54m (1994 R40m), with EPS up 32%.

One noticeable feature is that financing costs nearly doubled, to R11,4m, on the back of a large rise in medium- and long-term borrowings, to R34,2m. Interestingly, R19m was loaned to Afcoll by parent SA Breweries. The loan — unsecured — carries a coupon of a modest 13,75%.

The cash flow statement shows cash retained of R34m, applied against maintaining operations (R26m), expanding them



(R2m) and acquiring the outstanding 50% of office furniture-maker Kallenbach-Hendler from Mathieson & Ashley (R20m) and the remaining interest of outside shareholders in textile manufacturer Jatex. That leaves net financing raised of R14m and explains the rise in borrowings.

As with all companies in this line of business — and Afcoll is SA's biggest furniture-maker — everyone waits for two elements first, the long-awaited surge in house construction, and, second, evidence of sufficient confidence to generate a meaningful recovery in consumer markets.

The inescapable truth is that house construction falls lamentably behind the promises of politicians and is now as chimerical as the FM has long forecast. Van der Watt and CE Tom Eccles politely give shareholders the diplomatic runaround: housing is a government priority but it will only "occur to a meaningful degree in the medium term." What is that, if it isn't pussy-footing about?

And confidence is proving as elusive as many feared. A political revolution has been safely navigated but is negated by security concerns. This produces uncertainty — never good for business.

No wonder that, between them, Van der

Watt and Eccles contrive to say as little as possible about future prospects.

On this basis, the interims will be examined with more than average interest — because they may indicate real trends for the first time.

David Gleason

BOLAND BANK

Aiming higher

Activities: General bank providing comprehensive range of banking and trust services

Control: C H Wiese through Monex and Samgro

Chairman: C H Wiese MD M S du P le Roux

Capital structure: 13,5m ords Market capitalisation R370m

Share market: Price 2 750c Yields 2,4% on dividend, 8,8% on earnings, p e ratio, 11,4, cover, 3,7 12-month high, 2 900c, low, 1 250c Trading volume last quarter, 226 000 shares

Year to March 31	'92	'93	'94	'95
Total deposits (Rm)	3 029	3 163	3 457	3 957
Total assets (Rm)	3 496	3 708	4 000	4 487
Taxed profit (Rm)	19,0	21,8	28,9	38,5
Earnings (c)	141,3	179,2	180,4	241,4
Dividends (c)	52	56	58	66
Tangible NAV (c)	1 018	1 918	2 041	2 151

Great changes have occurred — and are continuing — in Boland Bank since current chairman Christo Wiese bought control in December 1993. At this stage the changes revolve around differences in strategic policy rather than the modus operandi.

Operations of the bank continue as before, perhaps with more emphasis on cost containment and productivity. But since Wiese appointed Michiel le Roux as MD, innovation, new opportunity and rising profitability are becoming more apparent. This has contributed to the threefold increase in share price over 18 months.

Though earnings performance in financial 1995 was considerably better than in recent years, it merely marked the beginning of a dynamic growth phase. Wiese wants to make the bank a "significant participant" in the financial services sector. That means making it a much bigger player. He has set about tripling the capital of the bank to an intended R1bn. The first step was the development in February of a relationship with Malaysian company Landmarks Berhad.

This company, which has a market capitalisation of about R2,3bn, bought 26,8% of Boland Bank's equity for R273m. A post balance sheet rights issue of 7,7m deferred ordinary shares then raised R383m.

Low demand holds Afcol's profit at 8,6%

CT(BA) 3/11/95 (188)

By LLEWELLYN JONES

Johannesburg — Weak demand in a highly competitive market saw furniture manufacturer Afcol yesterday report an 8,6 percent increase in attributable profits to R25,1 million, for the six months to September

The directors said estimates of private consumption expenditure on durable goods showed that spending on furniture products at the retail level fell by over 7 percent in real terms in the past six months, compared to the same period last year

Consequently Afcol experienced weak demand, with sales and order levels well below expectations. The directors said, however, the rate of order inflow had already started improving

Turnover rose 4,3 percent to R538,2 million, while trading profit rose 5,7 percent to R32,9 million. The company said it was able to maintain its trading margins because of stringent cost control measures

Earnings rose to 95,9c a share (92c) while cash equivalent earnings rose to 107,9c (106,6c). An interim dividend of 48c (46c) was declared

Furniture company

for listing

(188) CT (P12) 13/11/95

BY LEWELLYN JONES

Johannesburg — Pat Cornick, the largest single-site manufacturer of domestic cabinet furniture in South Africa, is to be listed on the JSE

A private placing beginning today and running until November 24 aims to raise R20 million, R13 million of which has been earmarked for the upgrading of its Brits facility. The balance will be held to cover other expansion activities in the future.

Pat Cornick manufactures natural and synthetic veneered, preassembled and compressed wood furniture, supplying furniture retailers with wall units and bedroom suites aimed at the middle-market consumer.

The company, which is controlled by its executive directors Graham Theobald and Timothy Brownlee, has had 10 consecutive years of growth in turnover and operating profit, resulting in annual compound growth of 37,8 percent and 39,1 percent respectively since 1990.

The latest financial results for the year to August 31 show an operating profit of R8,9 million off turnover of R68,7 million.

This is forecast to grow with the expansion programme now being implemented.

Support for growth has been provided by Fedlife Capital Fund as an equity partner since 1992.

Furnisher ready to meet rising demand

Yuri Thumbran

FURNITURE manufacturing company Pat Cornick, which would be listed in the JSE's furniture and allied sector today, was well placed to take advantage of growing demand for household furniture, CE Graham Theobald said yesterday

Theobald said in an interview that despite the current downturn in demand for furniture, there

BD 29/11/95
were signs that the market would pick up in the second half of next year

The start of housing projects under the reconstruction and development programme would also benefit the industry "Once that starts, I believe demand will outstrip supply"

In its prospectus, the company forecasts net profit of R4,7m (R3,1m) for the year to August on turnover of R91,5m (R68,6m)

(188)
The group raised R20m by way of a private placing of 1,6-million linked units with institutions and business associates Units, which consisted of ordinary shares and debentures, were issued at 1250c Theobald said the money raised was earmarked for plant expansion and upgrading which would raise capacity by more than 40% The upgrade would be implemented over the Christmas shut-down period and early 1996

COMPANIES

HL&H sells furniture company

Nicola Jenvey

(188) 00 1/3/90

DURBAN — Hunt Leuchars & Hepburn has sold its Durban-based Eagle furniture manufacturing company to a consortium of businessmen for an undisclosed sum

A spokesman said yesterday the consortium was led by Mike Decarle, former manager at HL&H's Natal Timber Processing

But it was not clear how many of the plant's 200 staff would be retained

Retrenchments had gone through at the end of January, the spokesman

said, and a second phase was due to start today

He said that as a decision had already been taken to close Eagle, HL&H could not expect employees to wait around to see what might happen after a possible sale.

The sale follows a major refocus within HL&H, which has led it to put its timber interests — worth at least R300m — on the market

The group sold its Maritzburg-based furniture manufacturing company Baileys to a local business syndicate in December

Baking, milling co-operative reports turnover up 20%

Jacqueline Zaina

BD 20/3/96

188

BAKING and milling co-operative Sasko lifted net income before extraordinary items 16% to R50,1m for the year to September despite a rise in crime and increased competition from small bakers.

A company spokesman said the directors planned to list Sasko on the JSE eventually. The issue was being debated by the co-operative's farmer members and a listing was unlikely before the end of the year.

The group lifted turnover 20% to R1,9bn from R1,6bn, with greater political stability having facilitated access to markets. Net operating income increased 49,4% to R65,6m. Interest payments of R86 000 (R2m) left pre-tax income at R67,6m (R52,2m).

The tax bill jumped 83% to R18,2m, leaving taxed earnings at R49,9m (R42,7m), including income from associated companies of R541 000 (R448 000).

Chairman Basie Malherbe said greater international competition in the flour market because of relatively low tariffs would require the group to focus on service levels and product quality.

Sasko was geared for the possible deregulation of wheat marketing, but would support the principles of the existing single channel marketing system until it had been dismantled. The group's major investments are in wheat and maize mills and bakeries, including listed company Northern Bakeries, in which it holds a controlling share.

Sasko, he said, would continue to develop value-for-money products and explore diversification opportunities to complement its culture and existing activities.

Furniture unions join forces

Renee Grawitzky

(188)

IN A HISTORIC move, the Cosatu-aligned Paper, Printing, Wood and Allied Workers' Union and the Nactu-aligned National Union of Furniture and Allied Workers' Union (Nufaw) have joined forces to put pressure on furniture employers to increase their final wage offer or face strike action.

The leadership of the unions yesterday announced their intention to ballot more than 14 000 members in the industry in view of the failure of the parties to reach agreement on wages in the Transvaal industrial council negotiations.

Despite the fact that the unions and employer association meet today to discuss balloting procedures, the unions plan to march on the employer association's headquarters on Monday

BD 27/6/96

AFCOL (188)
 PM 2/8/96
PLAYING POSSUM FOR NOW

Despite a recent falloff in consumer expenditure, evidence is popping up that many people in the "emerging" and mass markets are noticeably better off than they were a few years ago

- ▣ **ACTIVITIES** Makes furniture and components that span the complete range of bedding, case goods and upholstery products
- ▣ **CONTROL** SA Breweries 64%
- ▣ **CHAIRMAN** L van der Watt MD R H Cox
- ▣ **CAPITAL STRUCTURE** 26,7m ords Market capitalisation R587m
- ▣ **SHARE MARKET** Price 2 200c Yields 4,6% on dividend, 8,8% on earnings, p e ratio, 11,3, cover, 1,9 12-month high, 3 050c, low, 2 000c Trading volume last quarter, 149 275 shares

Year to March 31	'93	'94	'95	'96
ST debt (Rm)	2,7	0,07	0,16	0,02
LT debt (Rm)	22,4	23,4	34,2	16,2
Debt equity ratio	0,06	0,06	0,08	n/a
Shareholders' interest	0,60	0,63	0,65	0,66
Int & leasing cover	5,3	9,8	6,1	16,0
Return on cap (%)	10,5	11,0	10,2	9,6
Turnover (Rm)	789	865	1 029	1 102
Pre-int profit (Rm)	50,6	61,5	69,7	75,5
Pre-int margin (%)	5,5	6,6	6,2	5,8
Earnings (c)	119,5	160,5	211,6	194,6
Dividends (c)	59	80	106	102
Tangible NAV (c)	1 154	1 374	1 705	1 904

This increase in wealth is feeding an appetite for material goods. It favours the growth of consumer-linked businesses. Analysts believe the furniture industry could be a beneficiary. In the past year, Associated Furniture

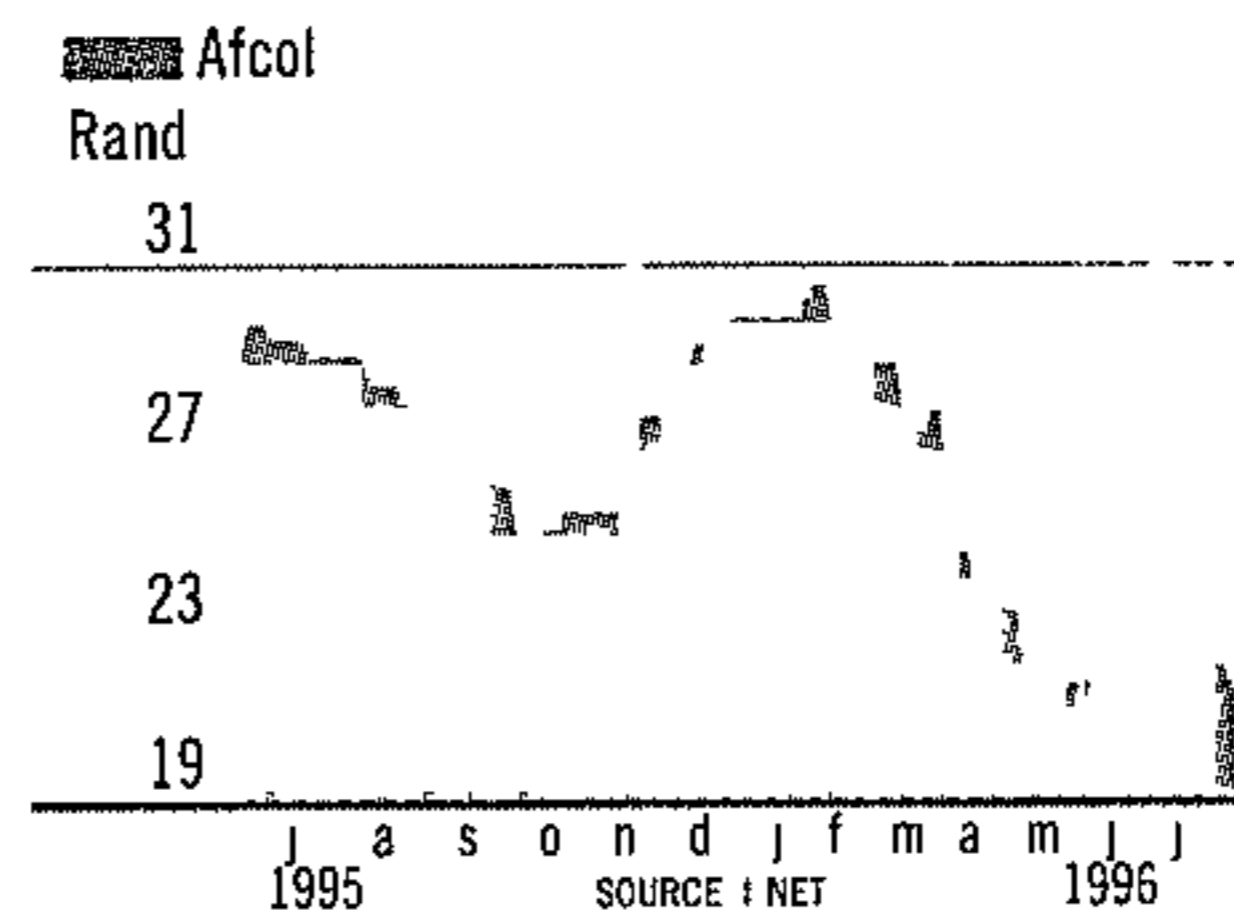
Companies (Afcoll) has played a waiting game. Mindful of tight margins in a relatively weak market, management instituted "resolute cost reduction programmes" throughout the group, says executive chairman Laurie van der Watt.

Savings from these, as well as lower finance costs, offset higher taxes in the year to March and resulted in a 1% rise in taxed income to R34,7m for the managed companies. But it wasn't enough to counter the 13% drop in income from associates to R16,7m (32% of total income). Total income was down 4% on turnover up 7% to R1,1bn.

Strong positive cash flow is reflected in the robust balance sheet, which shows net cash of R13,6m at year-end. Borrowings of R43,7m were retired during the year. The improved asset management shows in lower stock levels and a drop in sundry debtors.

Operations have expanded to include foam operations in Namibia and Botswana. Exports of textiles, mattress springs and lounge furniture products increased 21% to R40m and group MD Ray Cox says they are expected to "show substantial growth" again this year.

The group's exposure to all aspects of



86 COMPANIES



Laurie van der Watt cost reduction programmes

furniture — its managed operations cover the spectrum from bagasse-board and component manufacture to the supply of finished goods in the dining-room, bedroom and office furniture markets — may be a mixed blessing. Though it gains when demand is strong, it is vulnerable to cyclical downturns. And the associate holdings in Romatex and Island View, which contribute almost a third of income, boost its risk profile even further.

The share price slid, losing about 30% between early April and mid-June, but it has since picked up 10% to R22. On an historic p e of 11,3, the counter is rated lower than J D Group (13,1) or Profum (12,5). If interest rate cuts come through this year and housing activity continues, the furniture operations could show stronger profits. But associates still haven't got their game together.

Investors may want to stand on the touch line for now. Margaret-Anne Halse

500 jobs in jeopardy if sale fails

(312) 12/12/95
(188)
BY SHIRLEY JONES

Durban — Should attempts to sell its KwaZulu Natal based furniture manufacturing operations fail, Hunt Leuchars and Hepburn (HL&H) will close them, with the loss of 500 jobs

According to chief executive Neil Morris, no decision has yet been taken on the fate of either Eagle Furnishers in Durban or Bailey's Furnishers, one of the 10-largest employers in Pietermaritzburg. A decision on management buy-outs of the two operations is expected tomorrow.

The decision to sell the two operations was part of a broader strategy which would see the company divest its timber interests to focus more closely on core food operations.

Morris said the two operations, which were set up to manufacture pine furniture for the export market, were "small, insignificant parts" of the company's overall restructuring.

The operations delivered disappointing results during the six months to September 1995.

Eagle Furnishers general manager George Harrison admitted that the controversy surrounding the sale of HL&H's timber interests to Mondi and Sappi had had a negative impact on the sale of the furniture manufacturers.

Referring to the Competition Board's inquiry into the sale of HL&H's timber interests to Sappi and Mondi, Morris said some progress had been made but no decision was imminent.

Uncomfortable?

FM 22/12/95

Hopes that a recovery in the furniture manufacturing industry was in the offing have been set back in that sales have not soared as expected

Though big retailers such as the J D Group and Ellermès are turning in good figures, manufacturers are still waiting to benefit from the economic pick-up

Federation of Furniture Manufacturers executive director Winston Smith says "The items we manufacture account for 40% of retailers' turnover The rest mainly

BUSINESS

comes from white goods — stoves, refrigerators and washing machines"

Yet retail furniture turnover is still expected to rise from last year's R10bn to R11,2bn this year, says Frans Jordaan, executive director of the Furniture Traders' Association. The inflation rate on furniture and allied products, according to Central Statistical Service, is 3,7%

But Smith says turnover for the wood and upholstered furniture manufacturing sector will be R3,7bn this year, marginally up on last year's R3,4bn

"Mass production manufacturers were busy in the last two months but that was a seasonal upturn. There is a close correlation between houses built and furniture sold, and we haven't had as many RDP houses built

as we were hoping for. When they start building, things should take off"

The industry consists of 1 300 factories but major players are Afcol, Airflex and the recently listed Pat Cornick

Eric Ellerine, who chairs Ellerine Holdings, which has 412 branches and accounts for 9% of the retail furniture industry's turnover, also says there has been a large increase in sales of white goods, because of electrification

"Things aren't running away. But so far we have been exceptionally busy" In its financial year to August, Ellermès recorded a 21% rise in earnings, after abnormal items, to R95,6m

David Sussman, MD of the J D group, whose earnings from its 535 branches rose

65,1% to R113,5m in its last financial year, is more upbeat "Our financial year starts on July 1 and we are 21% up on last year to the end of November," he says "So far our December trade is 16% up on last year"

He rates the chains in the group by the way they perform in the hire-purchase market and claims all six are increasing market share. He rates Bradlows at the top, Russells and Joshua Doore in the middle and Electric Express (a new chain), Price & Pride and Score Furnishers at the bottom

Industry pundits say unreasonable demands by unions in furniture manufacturing led to increased mechanisation. The number of employees dropped from 28 305 in January 1991 to 23 078 at the end of June this year

Productivity helps get Pat Cornick out of the wood

(188) CT(BL) 16/10/96
JOHN SPIRA

DEPUTY EDITOR

Johannesburg — Pat Cornick, the cabinet-furniture manufacturer first listed on the JSE last November, posted earnings of 155,9c a linked unit in the year to August 31, marginally above its 154,8c prospectus forecast

Pro forma earnings the previous year were 127,9c a linked unit. Turnover rose 33,8 percent to R91,1 million and operating profit was up 33,6 percent to R11,9 million

Graham Theobald, Cornick's chairman and chief executive, said yesterday that the enhancements in process, product and

computer systems had led to improved productivity. This had helped offset the impact on margins of increased raw material costs arising from the depreciation of the rand

He expected results in the year ahead to better reflect the full financial effect of capital investments made in the past financial year

"Productivity and plant capacity improvements have now been achieved," said Theobald

"The business has an enhanced potential to make further market share gains. In a relatively poor market environment the current order book is at a sound level."

Leading leather company invests R20m in SA plant

ROY COKAYNE

(188) CT (BR) 13/11/96

Land Rover contract

Pretoria — Eagle Ottawa Leather, one of the world's leading suppliers of automotive leather, has invested more than R20 million in South Africa to establish a plant in Ekandustria near Bronkhorstspuit

Sam Wells, the plant manager at Ekandustria, about 60km east of Pretoria, said the operation at the 12 400m² premises would eventually employ 120 people. It would process more than 5 000 cattle hides a week, which represented the leather content of about 3 000 vehicles, when it was in full production next year.

He said the plant would feature the latest manufacturing technology, including a continuous coating line and modern testing equipment.

Fraser MacKenzie, the vice-president of sales and marketing for Eagle Ottawa worldwide, said the immediate production of the plant would involve hides partially processed by the group's operations outside South Africa.

But he said the group would be investigating the possibility of processing South African hides.

MacKenzie said the South African operation would be supplying leather kits to Ford in Europe on an export programme and to SA Trim, a subsidiary of BMW South Africa, on a

MacKenzie said the local market was growing and leather was a luxury-demand item for the motoring public, though the government-sponsored motor industry development programme would lead to greater participation in the export market.

MacKenzie said the programme was a business-supply generator and exports were likely to be the main market of the group's South African operation in the short term, but this would shift to the local market "over time".

Anders Sergerdahl, the president of Eagle Ottawa Leather, said the plant was the first Eagle Ottawa integrated cut-and-finish and contract-sewing facility in this part of the world. It would enable the group to improve its service to companies producing vehicle interior trim in South Africa and throughout the Asia-Pacific region and Europe.

The South African plant is part of Eagle Ottawa Europe. Eagle Ottawa Leather, founded in 1865 and with its headquarters in Grand Haven, Michigan, is privately owned and a division of Albert Trostel & Sons in Milwaukee, Wisconsin.

It operates nine manufacturing facilities and 10 sales offices in North America, Asia-Pacific, Europe and South Africa.

Kolosus sees big rise in net income

Nicola Jenvey

DURBAN — Food and leather group Kolosus Holdings lifted net income to R23,9m from a R5,1m loss for the six months to last month after absorbing the R27,4m restructuring costs associated with the Silveroak Industries purchase last year, chairman Hannes Besselaar said yesterday.

The Kolosus group consists of three wholly owned divisions, — namely brand investments, food technologies, and leather resources — which are engaged in processing natural protein and related products.

Earnings a share on net income rose dramatically to 39,9c from an 8,6c loss, but remained virtually static at 39,9c (1995 37,1c) when the effects of an exceptional item were discounted.

Shareholders were not given any explanation for the decrease

to 3c (11c) of group's declared interim dividend

Turnover exceeded the R1bn mark for the first time (R936,1m) as the group benefited from higher export prices associated with the depreciating rand.

The Silveroak integration, completed by the end of the previous financial year, also improved productivity and lowered cost and management structures, Besselaar said.

"The benefit of this rationalisation and restructuring has been the group's positioning as a major player within the leather industry, not only in SA but internationally," he said.

Operating income rose 20,1% to R50,9m, but a 44,5% hike in finance charges to R28,6m left the group's income before taxation at R22,2m (R22,5m).

Kolosus again deferred taxation owing to its assessed losses

and expected the group would become liable for tax during the 1998/99 tax year.

Besselaar said gearing had been affected negatively by the last payment of R40m plus interest for the Silveroak purchase, as well as increases in local and imported raw material stock prices and higher debtor values due to the weaker rand.

Strict working capital management had resulted in a reduction of stock levels and a net positive cash inflow would lower gearing by year-end in comparison with the last financial year.

Besselaar said in terms of the shareholders' agreement, Silveroak would acquire the remaining shares in Ladysmith Lingens Leathers, subject to certain suspensive conditions.

He said the group would provide shareholders with full details in a circular.

20 19/12/96

(188)

Kolossus raises earnings by 7,8% as gearing increases

CT(BR) 19/12/96
JOHN SPIRA

(188)

Johannesburg — Kolossus Holdings, the food and leather processing group, lifted earnings by 7,8 percent to 39,96c a share in the six months to November 30

The comparison excludes R27,4 million of restructuring costs written off in last year's interim period.

The interim dividend has been slashed from 11c to 3c a share, evidently with a view to easing the group's cash-strapped position

On turnover which grew 10 percent to R1,03 billion, operat-

ing income rose 20 percent to R50,9 million, but a steep 44,5 percent increase in finance charges to R28,6 million sharply reduced the bottom line advance

The directors said yesterday that gearing had been negatively affected by the final payment of R40 million plus interest for the purchase of Silveroak Industries, increases in local and imported raw material stock prices and higher debtor values because of the decline in the value of the rand

In the past two years, the Kolossus share price has slumped from R7 to yesterday's R2,82 close

MANUFACTURING - FURNITURE
1998-1999

Furniture industry in shake up

(188)
SHIRLEY JONES

KWAZULU-NATAL EDITOR
CT (BR) 5/6/98
Durban — McCarthy Retail had sold Beares, its loss-making furniture chain, for R390,1 million to Amrel, the furniture arm of SAB, the companies said yesterday.

In a parallel transaction, SAB disposed of its 67,9 percent stake in Amrel to a consortium of institutional and other investors.

The merged group, the largest furniture and appliance retailer in southern Africa with 673 stores and 11 percent of the market, will retain the Amrel listing but will be renamed.

Chris Wells, the newly appointed chief executive of the new furniture group, said McCarthy Retail would retain 34,9 percent of the issued share capital of the merged company and have an option to acquire a further 17 percent. The consortium would have a 44,1 percent stake.

He said the merger had been negotiated very quickly, and the optimum structure for the group would now be developed.

Wells said the group was likely to benefit from the rationalisation of brands and significant cost reductions, which would create a low-cost base retailer with the potential to improve operating margins.

The new company was likely to retain the larger brands such as Beares, Furniture Game and Savells, previously under McCarthy ownership, and Furniture City, Geen & Richards, Lubners and Early Bird, within the Amrel stable.

Terry Rosenberg, McCarthy's chief executive, also said McCarthy Group, the listed pyramid with McCarthy Retail as its only investment, was to be unbundled, delisted and voluntarily liquidated.

Technically the group pyramid should have traded at a 30 percent premium, but had been trading at just 2 percent to 3 percent.

Ikea may still spend R200-m, says DTI

ALIDE DASNOIS
BUSINESS EDITOR

(188)
ARG 10/6/98

The announcement that Swedish furniture group Ikea would spend R13-billion in South Africa was a mistake, but furniture makers could still get a R200-million boost from the group, the Department of Trade and Industry said today.

In its first written acknowledgment of the original error, the department's directorate of communications said the R13-billion announcement by Deputy Minister Phumzile Mlambo-Ngcuka after her return from a visit to the Nordic countries on June 1, was "incorrect"

The department said it had interpreted a statement by Ikea representatives to mean that the group's entire five-year investment budget of R13-billion would be spent in South Africa, "because of the context in which our discussions were ensuing"

"What we reported to the public was what was reflected in our notes from the meeting"

South Africa was one of the markets in which Ikea saw potential for growth, the department said

The size of Ikea's investment would depend on what South Africa could offer

At present Ikea bought pine products from suppliers in Cape Town, Johannesburg and Durban to the value of 100 million Swedish kroner (R66-million) a year

"They can easily increase the purchasing to 400-million to 500-million Swedish kroner (R266-m-R333-m) a year, more if they start buying textiles as well.

"From our meeting in Sweden, it was agreed that Ikea would be visiting South Africa in September, and that the Department of Trade and Industry would arrange meetings with furniture manufacturers

"We are currently holding conversations with furniture manufacturers, especially small, medium and micro enterprises, in order to better prepare them for the forthcoming meeting with Ikea," the department said.

War on lay-offs

Southern 14/7/99

(270) (270) (184) (197) (187) (188)

Thousands to protest at job losses

By Mzwakhe Hlangani
Labour Reporter

A SPATE of strikes and demonstrations hit the country this week in protest against the impending retrenchment of over 50 000 workers in parastatals, hotels and catering service industries.

The South African Transport and Allied Workers Union (Satawu) jointly with SA Footplate Staff Association and Technical Workers Union intensified protests against the possible lay-offs of about 27 000 Spoornet workers with lunchtime demonstrations at the Transnet head office.

Meanwhile, the Southern African Clothing and Textile Workers Union (Sactwu) warned yesterday it would stage human chain marches to the Department of Trade and Industry offices countrywide next Monday to register concern about trade agreements the union believed had resulted in the massive job cuts and factory closures in the clothing, textile and leather industries.

Sactwu regional secretary Mr Somyboy Masingi said tariff reductions on imports of textile, and smuggled goods had resulted in a massive loss of revenue.

The Congress of South African Trade Unions has also raised concerns about the threats to



Prison warders toyi-toyi outside the Johannesburg Prison yesterday as part of a nationwide lunchtime protest action by civil servants against job losses and a demand for a 10 percent wage increase. Should their demands not be met, the stage appears set for mass action by government workers across the country.

PIC CLEMENT LEKANYANE

retrench workers in several industries including Telkom and the Post Office, which reportedly threatened to lay off 12 000, while Old Mutual will put another 5 000 workers out in the cold.

Cosatu's acting general secretary, Mr Zwelinzima Vavi, said the economy had lost more than 180 000 jobs last year and unemployment stood at a staggering 30 percent.

"In this context the need to protect existing jobs cannot be over emphasised.

"Cosatu will not be an observer, nor will we sit on the fence watching over this ugly spectacle of retrenchments."

workers of South Africa, Mr Dumisa Ntuli, said yesterday Four workers were arrested for alleged intimidation, and the strike has been ongoing for two days, he said.

Columbus human resources manager Mr Willem Prinsloo said some Numsa members disrupted access at another gate and were arrested.

Numsa is demanding a 7,7 percent increase and an improvement factor of two percent.

About 2 000 workers at Southern Sun continued their two-week-old strike after both parties deadlocked on company restructuring and wage talks.

Mossgas 'insurer' may be probed

By Farouk Choithia
19/11/99

(56) (188)

Dealing with fruitless expenditure in Mossgas, the office said that pay as you earn to the tune of R793 000 was paid to the SA Revenue Services on housing benefits for former employees. The money could not be recovered, as none of the former employees could be traced, the office said.

During the biennial turnaround of 1997, Mossgas incurred fruitless expenditure for accommodation bookings, guaranteed to vendors, that were not taken up. About R70 000 was also reimbursed to subcontractors who had their tools stolen.

The office said that then minister and energy affairs minister Penuell Maduna had during the 1997-98 financial year approved preliminary expenses of R180m for the development of the EM field. Maduna also approved the development of associated gas fields for a further R2.2bn. This was on condition that the CEF obtained commercial and foreign finance to protect the foreign exchange reserves and balance of payments of SA.

The office found that Mossgas's feasibility study did not comply fully with a 1993 resolution of Parliament's joint public accounts committee that there be further investment only after taking into account all direct costs to the motorist, taxpayer and government. Mossgas had also embarked on an exploration and appraisal programme to determine gas reserves beyond the EM project.

The office believed that the expenditure was in breach of the committee's resolution, which stated that no further money be invested in the project.

CAPE TOWN — The auditor-general's office has called on the Central Energy Fund (CEF) and the mineral and energy affairs department to conduct a thorough investigation into the existence of a dedicated insurance company set up on the Isle of Man to insure Mossgas.

In its report for March-end 1998 into Mosshold and its subsidiaries, the office said that investigations showed that Gannet Insurance Company Limited — incorporated on the Isle of Man in 1991 — was a bona fide captive insurance company for Mossgas.

The company was in compliance with all the required laws and regulations, the office said.

However, the office was concerned that Mossgas and the department are not represented in any of the controlling structures of the companies, or the Gannet Trust that owns the company. The department and Mossgas could not exercise a direct control over the activities of the company — which is a state asset — because of the nature of captive insurance companies.

The office also believed that there was a potential for conflict of interests. The auditors of the Gannet Insurance Company are also the Council of Protectors of the Gannet Insurance Trust, which owns the company.

The financial statement of the Gannet Trust reflected a loan of \$300 000 in favour of Mossgas. However, the loan was not reflected on the official statements of Mossgas. It has indicated that it would rectify this in this year's annual statements.

MANUF. - FURNITURE

1997

KOLOSUS (188) (188)

BESET BY DEMONS

FM 3/1/97

A year ago Kolosus' share price was 600c. It has since plunged 52% to 286c despite the ostensibly sensible Silveroak acquisition. Why? In essence, it has been plagued by controversy.

On the face of it, the takeover meant the group could rationalise its old main business of meat processing and distribution and, in vertical diversification, shift focus to the leather industry.

That was MD Tito Vorster's master plan. He has stuck to it and it seems to be working. But a number of issues, some self-inflicted others apparently unforeseen, have hindered progress.

First there was hysteria about the effect "mad cow" disease would have on

FINANCIAL DRAG			
Six months to:	Nov 30 1995	May 31 1996	Nov 30 1996
Turnover (Rm)	936	872	1 031
Pre-interest profit (Rm)	42,3	40,2	50,9
Pre-tax profit	22,5	19,3	22,2
Attributable (Rm)	(5,1)	8,9	24,0
Earnings (c)	37,1	33,3	40,0
Dividends (c)	11,0	12,0	3,0

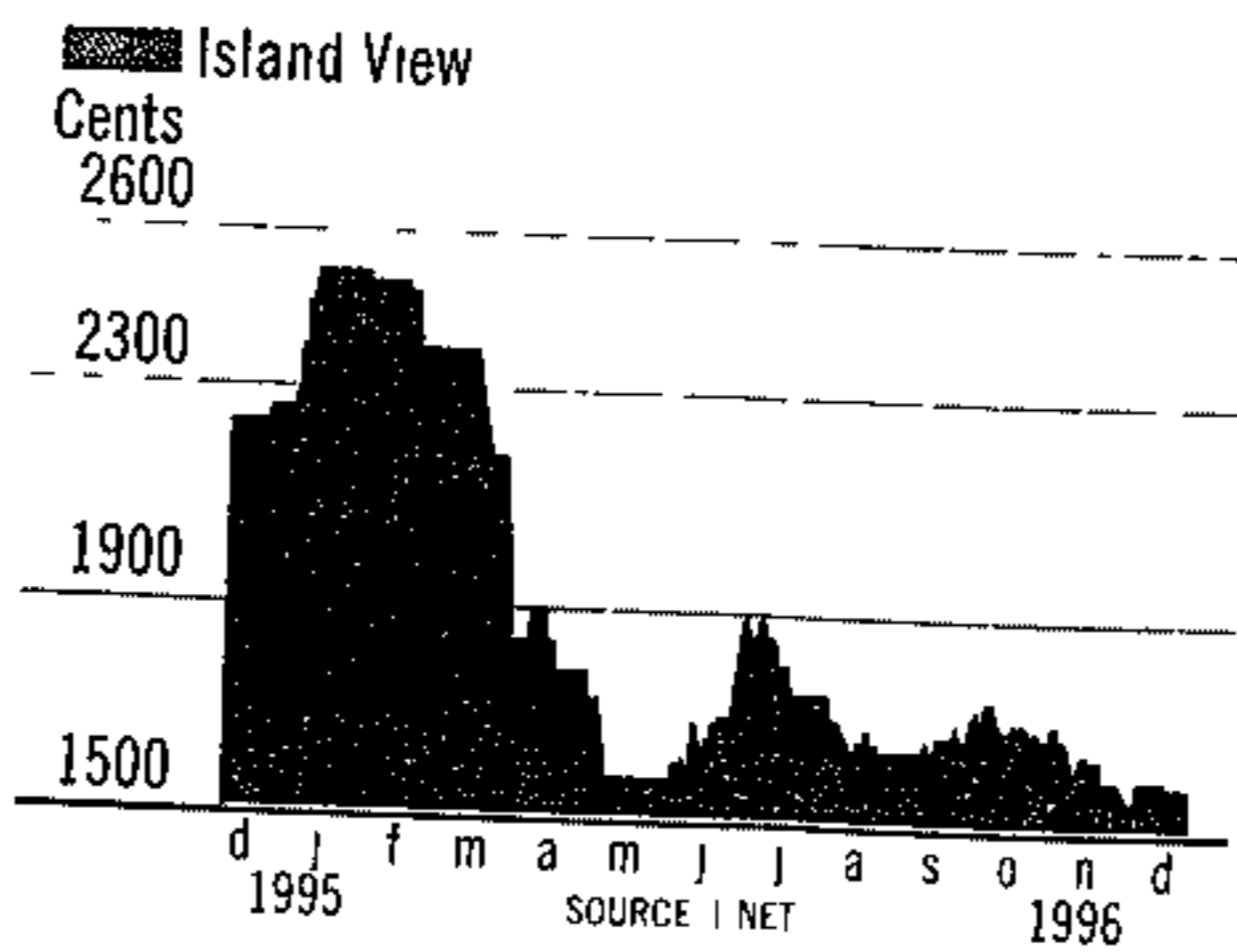
beef sales. Last March the scare helped to depress the share price, which had then just tipped below R6. Kolosus dismissed the fears by confirming that 60% of sales came from leather and 40% from meat, only half of which involved beef.

In August, results for the year ended May 31 1996 not only showed a major, once-off, reconstruction cost of R28,2m, they also highlighted a 92% increase in finance charges. These cut net income from R46,3m in 1995 to R14m. Gearing rose to an excessive 11.

Within days came news that the Competition Board had begun a formal investigation of the Silveroak deal — after approving it nine months earlier.

Another bombshell arrived last August. One of the world's biggest automotive leather processors, Pennsylvania-based Seton, was to bring a US\$100m action against Silveroak in the International Court of Arbitration in Paris.

In 1994, before Kolosus entered the picture, Seton bought into a joint venture in a Silveroak subsidiary — Ladysmith Leathers (LL). It created covenants to prevent LL from competing with itself.



The second-half performance was helped by the weak rand providing protection against imports and extra income from substantial new bulk liquid storage capacity commissioned in the closing months of the year.

Improved demand later in the year reflected in turnover growing to 10%, more than double the first half's 4%. This probably understates the underlying position as a seven-week strike took its toll in the second half.

In the circumstances, the buoyant operating results of the April-September period are noteworthy as they underline how much cost-cutting and improved efficiencies contributed to recovery.

Overall, IVH appears to have emerged from a traumatic year in much better shape.

Chairman Brian Connellan views economic prospects for the new year as not "greatly encouraging". So success achieved in improving global competitiveness is crucial to any assessment of future results.

He is nevertheless optimistic that sound real earnings growth will be attained in 1997 based on the outlook for Island View Storage, which will benefit from a full year's contribution from its re-

construction of a tank farm.

The annual report does not disclose the group's planned capex bill for 1997 but, with a strong cash flow and net cash resources of R13,5m (1995 R21,7m) at the financial year-end, the balance sheet is likely to remain ungeared.

There is little doubt IVH has come to terms with the problems that hit the 1996 interim profits but investors have been unforgiving. The dumping of the share, which drove the price down from R25,50 last January to R16 in May may have been justified given the disappointing results for that period but the lack of recognition for what has been achieved since then is puzzling.

An unconvincing rally soon fizzled and by December (after release of the full year's results), the price had slumped to a new low of R15,60.

The rating might improve if reporting standards are broadened to include a divisional breakdown of results, still, one would expect some upward potential for a share which has a forward p/e probably not much above 10 in a market where the average p/e is 14,5. *Brian Thompson*

Kolosus pitches for Ladysmith Leathers⁽¹⁸⁸⁾

CT(OR) 17/1/97
STUART RUTHERFORD

Durban — Kolosus Holdings, the aggressive food and tanning group, was expected to announce its acquisition of Ladysmith Leathers, the motor vehicle leather producer, for about R50 million today, market sources said yesterday.

They said Seton, the giant US leather company, had earlier given Kolosus the ultimatum: "Buy us out or we buy you out."

This move will mark the conclusion of the tussle for Ladysmith Leathers.

Ladysmith Leathers was established in 1995 with the acquisition of Silveroak — which jointly owns Ladysmith Leathers with Seton — by Kolosus for R106 million.

Kolosus subsequently sold Silveroak and its 50 percent stake in Ladysmith Leathers to an undisclosed outside party, who is expected to buy the remaining stake from Seton and then sell the entire company back to Kolosus.

Robert Appelbaum, Seton's local attorney, said in terms of the original shareholders' agreement between Seton and Silveroak, Seton had given Silveroak 60 days to buy its shares in Ladysmith Leathers, or Silveroak would be forced to sell its stake to Seton. This 60-day period ends tomorrow, but Seton has extended it until the close of business on Monday.

Ronnie van Rensburg, the executive director of finance at Kolosus, refused to give details of the proposed deal, but said the acquisition of Ladysmith Leathers would be a big boost to the company's income.

The company put out a cautionary yesterday that it was involved in negotiations with Silveroak to acquire a 100 percent stake in Ladysmith Leathers and that the move could have a positive effect on the share price.

Leather exports given boost

Edward West

(88)

BO 29/1/97

THE acquisition of Ladysmith Lindgens Leathers and Lindgens Ladysmith Trimming by Kolosus Holdings, the integrated leather and food group, would boost the group's direct and indirect export earnings from leather to more than R800m a year, Kolosus Holdings MD Tito Vorster said yesterday.

Kolosus had bought the entire shareholding of both companies for R25,8m from Silveroak Industries.

Silveroak was a member of the Kolosus group until mid-1995.

Silveroak had acquired the remaining 50% shareholding in the two companies from Seton for R12,5m, prior to the purchase by Kolosus.

Vorster said the acquisition marked another phase in a strategy to reposition Kolosus as a rand hedge, export-orientated organisation rather than a predominantly red meat company.

"In a relatively short period Kolosus has made significant progress. It has divested

itself of its holdings in the retail and wholesale red meat industries and focused on manufacture in the meat and leather processing industries," he said. "In only 24 months it has captured a substantial share of the automotive leather market."

The acquisition of the two companies would add substantially to the manufacturing capacity the group already had through its ownership of King Tanning Company. In addition, Kolosus would benefit from economies of scale arising from the aggregated operations of the two companies and the synergies offered, said Vorster.

"The Competition Board was consulted about our intentions."

The Competition Board was investigating a downstream activity in the Kolosus group relating to the control of certain materials and their supply to Lindgens Leathers.

"Vigorous" initiatives would be pursued to expand its food-processing operations to the status of an international player, balancing the leather and food exposure in the process, he said.

Dales locks out striking workers

CT(BE) 3/4/97
FRANK NXUMALO

(138) (122)

Johannesburg — Dales Furniture Stores yesterday locked out workers belonging to the Distributive, Catering, Hotels and Allied Workers' Union (Dichawu) at its Gauteng branches after union members went on strike on Friday following the breakdown of wage talks, the union said.

The union is demanding an increase of R250 a month across the board or a wage of R1 500 for all its members. The company is offering a R130 increase a month.

Efforts to break the deadlock on Saturday failed and the union said management threatened to apply for voluntary liquidation if workers did not go back to work.

The company claims it cannot meet workers' demands because of financial difficulties and the only way out is voluntary liquidation. The union disputes this.

"We believe the company is in a strong financial position to meet our demands. Recently they employed two people and supplied them with brand-new company cars," said Oscar Malgas, the Dichawu national organiser.

Bradley Nurock, a company spokesman, was tight-lipped on the strike. "I have no comment to make at this stage."

Furniture industry lobbies govt

Lucia Mutikani

(188)

BD 4/9/97

THE Furniture Traders' Association of SA had asked government to scrap the 10% minimum deposit on hire purchase to stimulate furniture and household appliances sales, executive director Frans Jordaan said yesterday

"We submitted our request to government in April and consultation is under way," he said

The scrapping of the deposit was unlikely to result in further overcommitment to credit by consumers, which has been attributed to a slowdown in demand in the retail sector

"It will not make a difference. The whole thing does not hinge on whether a man has a deposit, but whether he is creditworthy," he said. The deposit was more of a nuisance than anything else for retailers and consumers.

"We would prefer to stop or reduce personal loans and bring instalment sale transactions within the ambit of the Credit Agreements Act, as this would afford more protection for consumers as well as retailers," Jordaan said

However, he said a minority of members felt a deposit was necessary. "They feel that the customer should have an equity in the goods. It is a valid argument and their views are known to government"

He understood other industries were also lobbying government to scrap or reduce the minimum deposit

Although he could not immediately identify them, they were likely to include the motor and jewellery industries. Jordaan described the furniture and household appliances sector as a "little bit" volatile in terms of sales. "All companies which have released results lately have shown improvement except McCarthy Retail, which had to incur major expenses to accommodate the repurchase of its debtors book which should be regarded as a temporary setback"

Jordaan said high interest rates, unemployment, overcommitment of consumers to credit and the slow delivery of housing continued to affect the industry negatively. He said the industry was anxiously waiting for an interest rate cut. "If there is a 2% reduction, it will benefit the industry and the country"

Furniture maker stays on growth track

MATT GETZ

ET. (BR) 14/10/97 (187)

Johannesburg — Pat Cornick, the furniture manufacturer, lifted earnings in the year to August 31 for the 14th year in a row, the company said yesterday.

"The growth pattern continued at historical levels through a further gain in market share and

the realisation of further productivity improvements," it said.

But margins dropped to 11,7 percent from 13 percent as competition intensified in a depressed market. Operating profit rose 38 percent to R16,5 million, from R11,9 million as turnover grew 54 percent to R141,6 million, from R91,8 million. Earnings a

linked unit rose 22 percent to 190,2c from 155,9c.

During the year, the group bought Future Bedding and 70 percent of Grant Andrews Office Furniture. The company said it would continue buying strong performers to which it could add value through its marketing and manufacturing experience.

HOUSE OF BUSBY

(188)

FM 17/10/97

Building a happy home

53-year-old Busby decides to move in with toddlers Will this work?

What is striking about soon-to-be-listed House of Busby is that its two constituents — Busby Leathergoods and Handbags International — are from different generations

Busby was established while World War 2 was still raging For the past 36 years it has been under the control of one man, Max Stange Handbags has four different businesses aged 13, five, four and three years, and brings promise more than anything

The merged management is predictably optimistic about the fit, and say they put a lot of thought into finding the right combination Busby's personal leather goods will link into Handbags' distribution and retail network, enabling both to expand

Executive chairman Max Stange says Busby intends to add products like luggage, belts, handbags and leather jackets to its range after the merger Busby now functions mainly as a design house, outsourcing 90% of production, to cut costs

Handbags distributes various brand names to 24 retail chains as well as its own stores, and hopes to secure rights to others It has five Luvit Stores, which sell branded handbags, luggage and allied products, and two Fendi shops, which sell accessories

"Fendi is the third-biggest fashion house in Italy We like to think we were selected by Fendi because of our vertically integrated retail and distribution experience," says non-executive director David Brouze

CEO Keith Brouze says accessories account for 3,6% of retail sales in SA, compared to 7,0% internationally He expects the local market to grow by 20%-25% in the next few years, to catch up

The forecast in the prospectus is for EPS growth of 37% in the year to June 30 1998 Management is targeting further growth of 30% for the foreseeable future, through synergies, development of current brands, acquisition of brands and complementary businesses The group will have R40,3m cash after the listing, which involves a R25m private offer, a preferential offer for R2,5m and a public offer of R7,5m

The forecast does not include any boost from the newly secured Guess brand, which the directors claim is one of the world's fastest-growing brands Two dedicated Guess stores are planned for this financial year and 12 more over the next five years

House of Busby is issuing shares at R2, on a p e of 13,6 and forward p e of 9,9, which seems cheap compared to the stores sector average of 20,6 But bear in mind this sector is dominated by established large retailers like Wooltru, Pepkor, Met-cash and Edgars, and is braced for an interest rate cut Also, House of Busby will hold much of its cash back for more expansion, with dividends covered four times

Though the company has shown average growth of 76,5%/year in operating profit for the past five years, this is off a low base and the relative youth of the group leaves room for doubt It is unlikely, therefore, that an immediate rerating is in order Investors may do well to sit out the listing, and carefully time any buy

Stuart Rutherford