OWNERSHIP +

CONTROL

1.1.89 —

30.7.89

Notes to Table 9

*Calculated on the basis that cost of medicine for the inpatient day is same as for one outpatient. For alternative assumptions see Table 10.

+ Assuming permanent clinic sees 1500 patients per annum.

Sources

1. Department of Health, Government of the Ciskei 1977 cost
2. Groote Schuur Hospitals Group Annual Report.
3. D.H.O. Head Office records, quoted in G. Paine 'The Impact of the Day Hospitals on the Cost of Treatment', paper no. 2.
4. Cape Provincial Administration records, & Director of Hospital Services Reports, quoted in G. Paine. op. cit.
5. Source, G. Westcott, 'Primary Health Care in the Farming Areas of South Africa', paper no. [illegible] based on statistics from Divisional Council, Uitenhage
6. O. Gish and G. Walker. loc. cit.

included. However one would expect current costs for clinics to be greater due to transport costs, and permanent clinics have larger overheads and staff costs than mobile services, resulting in higher costs per patient where utilization is less intense than the average mobile clinic.

Differences in costs between institutions are the result of so many factors that it would be impossible to identify them with so few studies. A few features, however, stand out. Salaries are a large proportion of costs (about 63% of inpatient costs of all the South African hospitals). The generally lower salaries for doctors in Malawi account in large part for lower costs there.

An influential factor in the cost of clinic and outpatient attendances is the disposition of doctors within the hospital/complex. In one Malawi hospital medical assistants [illegible] clinics and outpatients sessions, and in others [illegible] call. [illegible] ents. [illegible] the [illegible] e in [illegible] ng [illegible] r of

MYSTERY SHARE BUYER IN HORTORS, TRIO-RAND DEAL

Argus 4/3/81 (232) (#)

By Vincent Leroux

FINAL agreement on a possible takeover of Trio-Rand by Hortors — two of the country's biggest printing, packing and publishing groups — is believed to have been reached yesterday.

Details will be available early next week.

According to informed sources Hortors has been buying shares in the Cape based Trio-Rand without its knowledge and has built up a large block.

A large number of shares has also been bought recently by a mystery buyer.

Together these shares could give Hortors a controlling interest in Trio-Rand.

Early in 1980 the Argus group acquired slightly more than 25 percent of Hortors shares and, after an invitation to Mr Layton Slater, chairman of Argus, to join the Hortors board, Argus raised its stake to slightly over 40 percent.

Hortors' latest annual report this week said the company entered into negotiations with Trio-Rand on March 19 which could result in the merging of Hortors print and packaging graphics divisions with the Trio Rand group.

The only comment available from Hortors yesterday was that following the merger Hortors would be in control of the situation.

Hortors' print and packaging division has its headquarters at Parow. The biggest of its local companies is Cape and Transvaal Printers.

During the past 15 months Trio-Rand shares have fluctuated between a low of 7?c and a high of 325c. They now stand at 320c. Highs and lows for Hortors in the same period have been 105c to 185c and [illegible] are now at 165c.

Trio-Rand has recovered sharply since 1977 when it had a loss of R183 000. In its past financial year it almost trebled its profits from R666 000 to R1,9-million.

Hortors reports an increase in turnover to R39-million from R26-million in 1979. A dividend of 18c (10c) was paid.

The chairman, Mr Maurice Parrington, says comparison of profit with the previous year is not relevant due to the changes and increase in issued share capital. However, earnings a share were 31.3c compared with 14.5c in 1979 — up 115 percent.

The net income last year was R1,9-million against R633 201 the previous year. The share capital was increased from R2,5-million to R7-million.

ATI

Bakers bid

FM

Anglo Transvaal Industries (ATI) has consolidated its position in the food industry with the acquisition of a controlling interest in Bakers for R22,2m. And should the 1 535c offer to minorities result in Bakers becoming wholly-owned, ATI's earnings will increase by some 20c a share on an annual basis — an 11% rise.

To finance the deal, ATI is placing R30m variable rate prefs with Barclays. The initial yield will be 6,25% which means an annual servicing cost of R1,9m.

ATI's current food interests include T W Beckett, Irvin & Johnson and Cerebos. In the year to end-June 1980 the food division contributed 20% of ATI's taxed profit, making it the third largest division in the group.

In fiscal 1980 Bakers earned R4,5m after tax and pref dividends following solid growth over the previous five years. The only exception to an otherwise good profit record was 1978 when earnings dipped 5c to 49c.

It appears that Bakers' profit growth pattern is expected to remain intact. ATI estimates that had Bakers been wholly-owned for the year to end-June 1981 it would have added 20c a share to ATI's earnings. On ATI's 13,9m issued shares this means a taxed profit contribution of R2,8m — after paying the R1,9m needed to service the new R30m prefs.

Financing cost

Financing the additional R13,6m of the purchase price, should Bakers become wholly owned, would cost ATI around R1m. This means Bakers' total taxed profit for the year to end-June 1981 is expected to be some R5,7m — 27% higher on 1980's R4,5m.

Thus ATI appears to be paying a PE of around 7,6 compared with a market average of close to 7,0.

The final cost to ATI will depend on minority acceptance. But as the deal is only effective from January 1, the current 51% stake will add 2,5c to ATI's earnings. Should ATI gain 100% of Bakers the contribution rises to 3,25c on Bakers expected earnings for the six months to end-June 1981.

The 1 535c a share offer to minorities compares with a pre-announcement market price of 1 275c and a net worth around 950c. Shareholders will probably receive no interim dividend, so the ATI price offers an historic exit yield of 4,6% and a PE of 9,7. Had ATI not entered the picture Bakers would probably have paid a dividend of at around 85c (70c). That puts the offer on a prospective yield of 5,5% which is attractive relative to the market average.

Takeover bids for refinery expected

3/1/81
Cape Argus
232

By TOM HOOD

A TAKEOVER offer could save the Caledon refinery of Overberg Industrial Lubricants (Pty) from liquidation.

At least two potential buyers are interested in making a takeover bid for the oil-recycling company.

This is disclosed in a report to creditors by the provisional liquidators, Mr Andre Joubert of Cape Trustees, and Mr David Rennie of Syfrets Trust

The company's assets are estimated at R377 000, mainly plant and stock, while its liabilities are about R738 000, including R214 000 owed to Boland Bank

POSTPONED

A provisional liquidation order has been postponed until January 21 and prospective buyers have until January 14 to make a firm takeover bid

But if no firm offer is received by January 21 a final liquidation order will be obtained, says the report

Production at the plant from October 23 to January 9 amounted to 80 000 litres and sales brought in R51 000.

The company is now breaking even in its operations but the refinery's closure for three weeks' holidays would entail a loss for part of December and part of January.

Dion takeover may be on cards

RDM 7/1/81

38 32

By DAVID CARTE
Deputy Financial Editor

MR NATIE Kirsh, chairman of Metro Cash and Carry and its pyramid, Kimet, is tight lipped on rumours from well-placed sources that Metro and Kimet are negotiating a 30% stake in Dion, the R80-million-a-year Transvaal discount chain.

Metro and Kimet have already officially announced that they are negotiating an unnamed "major investment" and have urged shareholders to be cautious in their dealings

"I can't say anything," was Mr Kirsh's reaction to the rumour yesterday He would not deny it, however

Mr Dion Friedland, chairman of Dion and its biggest shareholder, lives in America and Mr Norman Cohen, managing director of Dion, was overseas yesterday Nobody else at Dion was authorised to talk to the Press

Business Mail's tip-off was that initially only 30% of Dion would be bought because Mr Friedland would have an exchange control problem but that control would eventually change hands

Dion's, which took over Rave, the white goods discount chain, from Greatermans last April, has 24 stores in the Transvaal

The stores tend to specialise in big and medium ticket home products, from furniture to garden equipment and electrical goods such as TV sets, freezers, fridges, washing machines, vacuum cleaners, calculators and kitchen equipment

Mr Cohen has been quoted as aiming at turnover of R80-million last year

Although its margins are reportedly thin, Dion would be a good acquisition for Metro and Kimet

Dion would add immensely to Metro's already-spectacular buying power and give Metro an entree into retailing without offending Metro's customers, mainly small retailers of food and domestic hardware

Metro and Dion's have similar business philosophies Both are strong believers in high volumes and low margins and both are aggressive marketers

Finally, one suspects that the personalities in the two companies would "click" After all, Dion Friedland is Natie Kirsh's cousin

232 FM 9/1/81

ATI/GRINAKER

Strange moves

Strange is perhaps the only way to describe the actions of Grinaker Holdings (GH) chairman Ola Grinaker during the past six months or so. When Darling & Hodgson, which at the time owned about 14% of GH's shares and had options on a further 9%-odd, approached the company with merger proposals in the middle of last year, the response from Grinaker was that he wished to be independent.

John Hodgson, who is an old friend of Grinaker and chairman of D & H, realising that there was little point in making a contested bid, then wrote to Grinaker saying that if D & H decided not to retain its stake in GH it would sell the shares so as to cause the least inconvenience to Grinaker or his family.

That appears to have given Grinaker a feeling of security about his company which previously had been wide open to a less gentlemanly bid than that proposed by Hodgson. Whether Grinaker started negotiating with ATI before December will probably never be known. But when in early-December Hodgson told Grinaker that D & H had no intention of retaining its stake in GH, within a day Grinaker had stumped up R6m-odd for the shares.

Which was when events became pretty curious.

In its annual report for the year to June 30 1980, Globe Engineering, which is an indirectly-held subsidiary of ATI, did not reveal that it held any shares in GH. Between July 1 and Diagonal Street's pre-Christmas closure, 383 300 GH shares changed hands through the JSE. But on December 27 ATI was able to announce that Globe had acquired 730 100 GH shares — equivalent to 14,79% of the company's equity — at an average price of 1 088c a share.

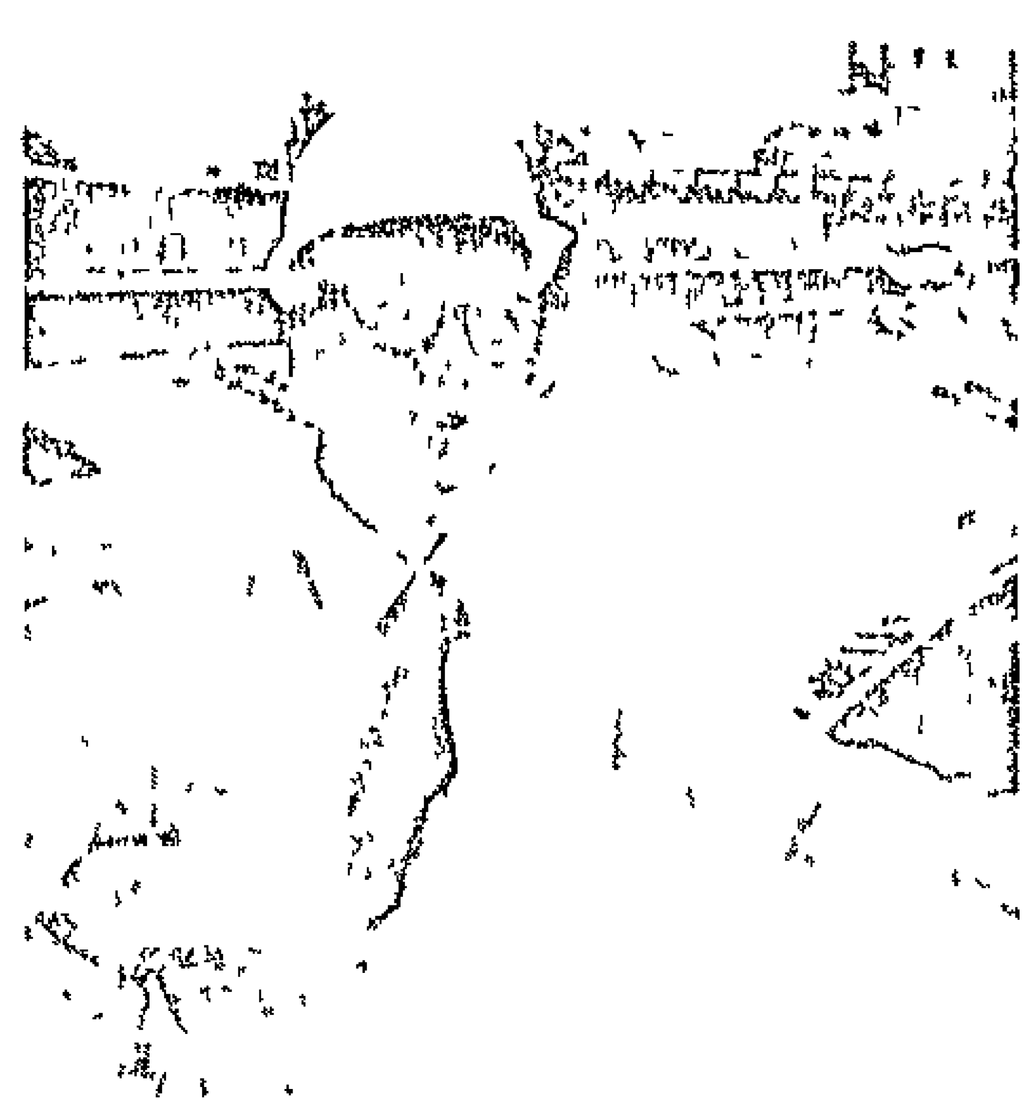
The closeness of the December 27 Globe stake and the shares sold by D & H may be coincidental, but it does appear to be stretching coincidence rather far. So the question obviously arises as to whether Ola Grinaker could have been acting on Globe's behalf when he bought the D & H shareholding. If so, there seems to be a *prima facie* case for saying that if ATI's subsequent proposals are agreed, then a change in control of GH will have taken place and that ATI has an obligation to make a comparable bid to minorities.

Ola Grinaker clearly has control of 19,5% of the GH shares himself and through his family. The letter from Hodgson more or less gave him a free rein with another 14% and, possibly, options over a further 9% if he wanted them. Not enough for a 50%-plus controlling shareholding, but effective control nonetheless.

But as ATI claims that no change of control has taken place and that it does not, therefore, need to make an offer for minority shares, the best thing would be for ATI to reveal where Globe bought its stake in GH.

As for the merger of Claude Neon, National Bolts and Grinaker — I can see little commercial logic from the point of view of GH. The proposal is that GH issue 1,44m new shares in itself for ATI's 64,42% holding in National Bolts and 51,15% in Claude.

These, added to the 730 100 held by



Ola Grinaker ... less independence?

Globe, a further 55 000-odd bought by ATI in the market immediately after Christmas and 962 500 controlled by Ola Grinaker and his family total just over 50% of the enlarged GH. They are all to be put into a new holding company in which ATI will have an effective 70% stake. GH will thus become a subsidiary of ATI.

It is a very strange development particularly as Ola Grinaker was so strong on maintaining independence so recently.

One broker, believes that the merger will lessen the quality of GH's earnings — he believes that while GH's management is pretty good in the construction field it will find it next to impossible to obtain any synergy between its present operations and the industrial activities of Claude and Nat Bolts. He adds, however, that the arrangement has all the signs of being a rushed job. ATI, he claims, has negotiated by far the best side of the bargain. Its cash cost to acquire control of one of the country's better construction groups was R7,9m and, in the process, it has not been obliged to relinquish control of Claude or Nat Bolts.

He argues further that GH alone is likely to outperform Nat Bolts and Claude over the next few years and that, therefore, the GH minorities will see earnings grow more slowly if the deal is agreed.

I tend to go along with that argument. I also believe that though ATI has probably stuck to the letter of the JSE regulations on acquisition of control, the whole question is in something of a grey area and that a more equitable approach would have been to make a bid or standby offer for the GH minorities.

Presumably the shares held by Globe and those controlled by Ola Grinaker will be voted in favour of the proposals to merge with Claude and Nat Bolts. But there is still time for the minorities to prevent the deal if enough of them vote against it. Since Christmas, turnover has been high in GH shares so, apparently, many shareholders, who were happy to be in the exciting GH have voted with their feet.

Jim Jones

US giant buys into Triomf

9/1/81

Mercury Correspondent

CAPE TOWN—Occidental Petroleum of the U S, the world's 16th biggest corporation is to take a 'substantial' shareholding in Triomf Fertiliser Investments

An official announcement by Triomf yesterday says Occidental is negotiating to acquire the stake in Triomf through the Louis Luyt group

In return Mr Luyt will obtain a 'substantial holding in Occidental

The size of the respective shareholdings is not disclosed, as they are still being negotiated

According to the announcement, the deal will not lead to a change in control of Triomf. Because it is being negotiated through the holding company' ordinary shareholders are not directly affected but Triomf says both companies will benefit

The deal will enable Occidental to utilise its five 40 000-ton phosphoric acid carriers more economically

Our Financial Editor writes that the deal will most likely enable Triomf to secure a larger share of the southern hemisphere section of the phosphoric acid market as between the two companies they market about 75 percent of the world acid market

The Richard s Bay plant is presently not working to capacity and expansion is not likely in the near future

Probe called for into motor spare parts prices

RDM 10/1/81

(30) (232) (244)

THE Board of Trade and Industries has recommended that the Price Controller investigate complaints about abnormally high prices and gross profit margins on motor vehicle parts

A report by the board to the Minister of Industries Commerce and Tourism, Dr Dawie de Villiers, on monopolistic conditions in the supply and distribution of motor vehicle parts was published in yesterday's Government Gazette

The board finds that certain trade practices in the supply of parts components and materials are monopolistic, but that there are reasons why they should not be prohibited

Some of the monopolistic conditions are either justified in the public interest the board says or have already been self-eliminated by the parties concerned

However, the board recommends that the Minister should prohibit the situation in which most motor vehicle manufacturers compel their agencies to keep in stock only certain approved parts, components and materials and to buy them only from the manufacturers

Dealing with complaints about abnormally high prices and gross profit margins on parts, the board says the Price Controller should be asked

- To investigate allegations that limits allowed in terms of agreements with the industry are sometimes exceeded
- To differentiate between various categories of parts and middlemen in the distribution channel regarding the profit margins and discounts allowed, with due regard to the economic functions performed
- To again investigate critically the costs allowed in respect of parts and accessories with a view to the reasonableness of the costs and allowable profit limits which may be determined on this basis — Sapa

Airline has changed hands

RDM 13/1/81

(232)

By JEREMY BROOKS

MAGNUM, one of South Africa's biggest airlines, has undergone a change of ownership and is to break away from its parent company, Magnum Financial Holdings

In a shock announcement yesterday it was disclosed that the airline's youthful owner and chairman, Mr Martin Summerley, is to step aside for the joint managing directors, Mr Sandy Ord and Mr John Bescoby, who have bought the entire issued share capital of the company for an undisclosed sum

Mr Ord has been with Magnum since its inception in 1978 and Mr Bescoby, who has a merchant banking background, joined the company in July last year Both men, who are believed to have the backing of an unknown third party, are visiting the United States and are expected to return next week

Sources in the industry said yesterday the deal, which was entirely unexpected, could have involved anything between one million and five million rands

They added that the reshuffle came at a critical period in Magnum's history, following the airline's sudden withdrawal of a R5-million share offer recently after a lack of response

Mr Summerley is reported to be concentrating his attention on activities within his holding company which include leasing, the money and capital markets, security systems, agriculture and computers

A statement released by Magnum yesterday indicated that a massive re-equipment programme, initially proposed by Mr Summerley and involving the acquisition of six R1 200 000 turbo-prop aircraft, might be going ahead.

The airline's new owners are at present taking delivery of a second 20-seater Swearingen Metro II in San Antonio, Texas From mid-February, the plane will fly on the Maritzburg-Johannesburg route.

Gallo gets MFP control

6/1/81

232

Deputy Financial Editor

GALLO, South Africa's biggest record company and part of the Premier Group, has acquired 50,01% of Music For Pleasure (MFP) from its biggest rival, EMI.

Record industry sources said the price was R1 075 000 Gallo estimates officially that the acquisition will add 4c a share to earnings next financial year, suggesting attributable taxed profit of R280 000, but sources close to the company said 6c was more likely

If so, Gallo will have acqured MFP for only 2,5 times earnings.

MFP manufactures and distributes records It is well known for its "tributes to" or take-offs of, various recording artists and for its compendium annuals such as "Springbok Hits" and "Original Artists"

But the main attraction for Gallo is reportedly that MFP has distribution access to supermarkets and chain stores all over SA

COMMENT. On available information, the deal looks good for Gallo, which commanded 70% of the record industry before the deal

One wonders how EMI was persuaded to part with MFP and whether a bid for EMI can be far behind. Mr Gerald McGrath, chief executive of Gallo, was still on holiday yesterday and could not be reached.

Metcash gets 30% of Dion's at R11½m

RDM 17/1/81

232

By DAVID CARTE
Deputy Financial Editor

METRO Cash & Carry, the R400-million-a-year wholesale chain, has bought 30% of Dion's Discount Stores for R11 500 000.

The price, established after six weeks of hard bargaining, includes a pre-emptive right for Metro to acquire the rest of Dion's, should it come up for sale

Half the price — R5 750 000 — will be paid in cash raised by the issue of variable rate preference shares and half by the issue of convertible, redeemable preference shares

Dion's is one of SA's major retailers of white goods and an important seller of furniture, electrical and household goods and other big and medium-ticket consumer durables and semi-durables.

It has 24 stores, all in the Transvaal and, according to Metro director, Mr Mervyn King, expects to achieve sales of R140-million and profits of R7 700 000 before and after tax in its current financial year to June.

Dion's plans to open eight stores in the Cape, Free State and Transvaal in the next two years New stores in Port Elizabeth, Parow, Middelburg (Transvaal) Welkom, Springs, Boksburg, Pretoria and the southern suburbs of Johannesburg, according to Mr King, will double its present retail selling space

Mr King said one of the main attractions for Metro was that "Dion's enables Metro to diversify for growth in the 80s into retailing, without trespassing on the territory of its main customers".

According to Mr King, Dion's, which recently took over Rave, has emerged from its "embryonic" stage and is poised for an exciting growth phase, such as the one Metro itself has undergone

He said a market research survey had shown that Dion's had the best consumer image among the discount stores of SA

"While Dion's is located in the Transvaal, its marketing has reached a national audience, and it already has a national image"

He said Dion's would give Metro additional access to the fast-increasing buying power of blacks, especially ahead of township electrification.

Metro generally and the Bingo domestic hardware chain in particular would benefit by the enormous additional buying power that Dion's would bring.

Mr King acknowledged that Dion's present "tax holiday", which stemming from past losses largely ...

Asked if Metro could soon obtain the rest of Dion's, Mr King said· "Shareholders are mortal and companies are immortal, so inevitably Metro will become the total owner of Dion's."

The preference shares to raise the first R5 750 000 of the purchase price will carry a coupon of 6,75%, varying according to the prime overdraft rate.

The second portion will be by the issue to the vendors of 9% redeemable convertiable prefs, convertible, at option up to April 30 1984 into Metro shares at the rate of 26 convertible prefs for one Metro ordinary share

If and when the prefs are converted, Kimet will take up to 50% of additional Metro shares created in order to maintain its control of Metro.

The acquisition will not affect the net asset value of Metro or Kimet Volkskas Merchant Bank vetted the deal on behalf of Metro and Kimet minorities

COMMENT **Even if a full tax rate is applied to Dion's and sales growth is assumed, for the sake of conservatism, to be only 20% a year, it looks a good deal for Metro, which on these assumptions appears to be getting Dion's on an effective yield of a shade under 7%.**

If Dion's is only 20% ahead of the R140-million sales target in the year to June, 1981, sales will be R168-million and if these improve 20% the following year, sales in the first full year of ownership will be R201 600 000 Mr King's figures suggest an expected pre-tax margin of 5,5%. So in 1982, Dion's can theoretically expect to make R11 100 000 before tax on sales of R201 600 000.

A full tax rate of 42% would leave R6 438 000 after tax. Assuming dividend cover of 2,5 to be reasonable, that means Dion's can pay a theoretical dividend of 2 570 000 in 1982 A dividend yield of 7% makes it worth R36 700 000, against the R38 330 000 valuation that the current deal places on all of Dion's.

What does the deal do for Dion's figures?

The prefs will initially cost R905 000 a year. Subtracting this from 30% of the R6 438 000 taxed profit worked out conservatively above, one is left with an additional R1 026 000 of earnings for Metcash. Assuming a full tax rate, that is 28c of additional earnings a share in 1982.

Metro earned 210,6c a share last year, a 30% improvement, and at its most recent half-year was 40% ahead at 102,5c. The group reported an excellent ...

RDM
17/1/81
(232)

not last indefinitely; but "as the tax holiday disappears, Dion's gross profit should increase, to offset the rising tax liability".

These sales and profit projections were for Dion's financial year to the end of June. The yearend would change to the end of February to coincide with Metro's

Mr King said Dion's was 40% ahead of sales projections at the end of October and it was likely that guaranteed projected sales of R140-million and profit of R7 700 000 would be exceeded

Dion's, he disclosed, had eight shareholders before the current deal, the largest of whom was Mr Dion Friedland Each of the eight had sold 30% of his or her holding to give Metro its stake.

While the management of Dion's would not change, Dion's would have two representatives on its board of four or five.

good for a 30% improvement on last year's 210,6c, suggesting 274c for the year to February.

Looking ahead to 1982, and assuming earnings growth of 20%, Metro on its own should be earning 330c, so Dion's would be contributing only about 8% of combined earnings of 358c — on the assumption of a full tax rate and that Dion's will be equity accounted.

These figures are theoretical, and illustrate only that, even on conservative assumptions, the apparently high price paid is fair

Conservatism seems adviseable because of start-up costs of Dion's new stores and the cyclical nature of big-ticket consumer durables.

Because it represents diversification and therefore improved earnings quality, and because Dion's is likely to get Metcash back on a growth tack, the share price advances of Metcash and Kimet in recent weeks appear justified.

METCASH/DION

The first bite

With 30% of Dion tied up, Metcash has its foot well in the door. It wants all of Dion but for reasons known only to the company's major shareholder, Dion Friedland, only 30% is available — for the present.

The cash half of the R11,5m cost of the 30% Dion stake is being provided by Barclays Merchant Bank in exchange for 5,75m red cum prefs in a Metcash subsidiary. The other half will be financed by the issue to the Dion vendors (Dion Friedland holds the bulk of the Dion group shares) of 5,75m 9% convertible red prefs.

The financing package has been structured to ensure three important benefits for the Metcash group. Firstly, it has been assured of its long-term objective of buying all of Dion. Secondly, the structure of the interest rates attached to the two categories of prefs to be issued promise significant benefits to Metcash [illegible] should the [illegible] two groups provide any above average increase in earnings in the 1992 or 1993 financial year. And finally, [illegible] Kamet has a pre-emptive right to maintain its 50% stake in Metcash.

The convertible prefs carry a rate of 9% — which Metcash can service easily. If interest rates maintain their levels over the next year, however, it should be profitable for the holders of the convertible prefs to opt for conversion. This must be done before April 30 1994, on the basis of 26 prefs for one Metcash ord. To maintain Kamet's 50% stake in Metcash, it has been agreed that Friedland and the other shareholders will sell 50% of their Metcash ord entitlement to Kamet. This transaction will be based on the ratio of 9 Kamet shares for one Metcash ord.

Metcash has also gained a pre-emptive right to acquire the remaining 70% shares in Dion. There is no time scale on this, however, and it will probably depend on Friedland's personal capital requirements and his perceptions of exchange control movements.

Assuming its stake in Dion remains at 30% in the 1992 financial year, Metcash could earn close to 400c. Thereafter, the sky is the limit. Metcash has sound medium- to long-term growth potential, while Dion probably has even better near term prospects given likely increased demand in the next few years for domestic appliances from non-whites. Expansion of Dion is planned, but on a self-generating financial basis so dividend policy at Metcash should not alter.

Over the past two months, bearish attitudes have prevailed across the market. Metcash shareholders, however, now have extra reason to stay aboard for the medium to long term.

[illegible]

TAKEOVER CODES

Policing the bids

FM 23|1|81 (232)

Despite the corporate takeover and merger activity of the past few years, there still appears to be some misunderstanding by the investing public — the press included — of the JSE rules concerning offers to minority shareholders This has once again been highlighted by the proposed acquisition of control of Grinaker Holdings by ATI (*Fox*, January 9) in a deal which does not incorporate any such offer

The JSE really started getting its teeth into this area of minority rights in 1970 after strong criticism when the General Mining group bought control of Alpha Free State Holdings (and through it, Dunswart and Standard Brass) at an effective price which was 37% more than the market price at the time, without extending the offer to minorities

While the JSE viewed this deal as being "offensive", to quote then-president Max Borkum, there was nothing it could do about it in the face of GM's flat refusal to include minorities It was not, in any case, the first time that controlling shareholders had clearly received preferential treatment, the terms negotiated by Nampak's Oscar Fruman in the late Sixties when he sold out to Reed International being another glaring example

In any event, regulations were tightened The JSE issued its now well-known directive that the controlling shareholders of a company should not accept any offer which would transfer control without satisfying themselves that the buyer intended to make a comparable offer for the rest of the equity

There have inevitably been a number of additions and amendments, in the light of experience, to the regulations over the years But these have not affected the underlying principle that all equity shareholders are entitled to participate equally in the fortunes of the company

And, although the requirements remain significantly less stringent than, for example, those of London's City Code on Takeovers and Mergers, where control is defined as being 30% or more of the voting rights of a company, irrespective of whether such holding gives *de facto* control, the system has worked well enough The exceptions have been where the requirements have been misinterpreted, leading to unwarranted criticism, or where someone has gone out of his way to find a loophole

The main problem in this context is that sight has sometimes been lost of the regulation's main purpose, namely to prevent any shareholder or group of shareholders being favoured in a takeover Hence, the regulations do not apply where effective control of a company changes through normal market transactions, nor is an offer to minority shareholders normally necessary in the increasingly popular reverse takeover type of deal

The rationale in both instances is perfectly logical In the case of market purchases, all shareholders clearly have the opportunity to participate equally if anyone is trying to establish a control situation by this means And in a reverse takeover, the essential consideration is that the shareholders who previously exercised effective control do not accept any offer for their holdings (which, numerically, if not in percentage terms, remain unchanged) and do not therefore derive any financial benefit from the transaction

One of the essential differences between Johannesburg and London requirements, being the point at which the buyer is obliged to extend his offer to all shareholders, was sharply underlined by General Mining's takeover of Union Corporation in the early Seventies GM started its market buying spree of Unicorp shares in order to block GFSA's bid, after its own counter-bid for just over half the Unicorp equity fell foul of the London Takeover Panel

The panel does not allow partial bids where, as in the case of GFSA, an offer for the total equity already exists But until the Code was changed to exclude foreign-registered companies, GM was obliged to freeze its market purchases once the group holding approached 30% to avoid having to make a full offer which it could not, at that stage, afford

Aim achieved

Once the code was changed, however, it was able to resume its buying programme and in May 1976 the initial aim of a 50,1% stake in Unicorp was achieved And since this was done through the market, there was no need in terms of JSE regulations to make an offer to minorities even though control had quite obviously changed

But within a year, quite a serious loophole was discovered when the Liberty Life group acquired control of Fugit Liberty had, for a number of years, been building up a strategic stake in Fugit, but really

Barlows' Rosholt . Smith one way, R&L another

started moving when, in January 1977, it bought Anglo's 17,5% interest to give it a total holding of around 33,5%

The buying programme continued, but problems arose when Liberty bought 4,1m shares from Prudential Assurance in a Special Bargain transaction pitched at about 10% above the market price Although Liberty's stake was thereby increased to a dominant 45%, and although it was already pushing to have the Fugit board reconstituted under Liberty control, the JSE did not have the necessary machinery to deal with this situation and unwillingly ruled that no offer to minorities need be made, on the basis that control had been established through the market

This story did, however, have a happy ending Some seven months later, after its holding had increased to over 50% (which didn't make any difference in a control sense as it already dominated the board), Liberty agreed to make a "stand-by" offer which brought in another 10% The only negative aspect was that after this offer had closed, a change in Fugit's dividend policy was announced, more liberal than the previous one, together with a bonus dividend

The JSE, for its part, amended its rules to make Committee approval necessary before a Special Bargain is transacted if the purchaser intends using the shares so acquired to establish a control situation

As far as reverse takeovers are concerned, the situation has become somewhat confused over the years because in a number of instances offers to minorities have been made even though these were not strictly necessary

One example was when Barlows acquired control of the Smith group, mainly through the exchange of its holding in Nampak for new Smith shares But in this instance the offer to minorities was made because Barlows wanted an interest greater than would otherwise have been achieved — its immediate holding was only 45% of the total Smith equity and voting control was exercised by virtue of the fact that a further 23% was held by Smith Sugar and was consequently non-voting

However, the same need did not exist when Barlows acquired Reunert & Lenz (another reverse takeover) as the new Reunert shares issued already gave it a 51% stake, and accordingly no offer was made

Similarly, with Grinaker, ATI is planning to gain control mainly through shares issued by Grinaker in exchange for ATI assets Chairman Ola Grinaker will effectively keep the shares he presently holds (although these will be housed in a new control vehicle), and the JSE does not, therefore, require any offer to be made to minorities

Interestingly, despite the tighter nature of the LSE regulations, these also make provision for the non-compliance of the minorities offer rule where control (as the code defines it) changes as a result of new share issues, either in exchange for assets or a cash subscription

But perhaps the most important consideration is that here each situation is considered on its merits And, as listings manager Doug Gair points out, JSE intervention has certainly resulted in far more offers being made to minority shareholders than would otherwise have been the case

Swabank goes foreign

RDM 24/1/81

232

WINDHOEK — A 51% shareholding of Swabank has been transferred to an overseas financial consortium, the Bankers for Overseas Investment Company, according to reports here

Swabank was previously the only truly domestically owned bank in Namibia

The chairman of Swabank's new majority shareholders, Dr Gunther Schmitz-Linnartz, arrived in Windhoek on Thursday to settle the deal

Dr Schmitz-Linnartz said that Dresdner Bank, a major West German institution and a member of the consortium (le Societe Financiere pour les Pays d'Outremer) had initiated the takeover

Critics of the deal said that Swabank had been "given away", but other financial commentators said that the deal had placed Swabank in the "orbit of one of the world's strongest banking consortiums"

The amount involved in the transfer of the shares has not been disclosed — Sapa

FINE ART & ARCHITECTURE

ARCHITECTURE

Cape Provincial Institute of Architects' Prize
For the best student in :-

Sixth Year

P F Dunckley

Helen Gardner Travel Prize
For a student who has satisfactorily completed 1st, 2nd and 3rd major courses.

P A Rappoport

Molly Gohl Memorial Prize
For the best woman student in third year.

Miss C Tredgold

David Haddon Prize
For the best student of Architecture (or Quantity Surveying) in the subject of Professional Practice.

D H Pryce Lewis

General J B M Hertzog Prize
For the best final year student.

S A Read

Osbourn Prize
For the best work in fourth year.

D H Pryce Lewis

John Perry Prize
For the best work in

S. Express. 25/1/81

Spitz taking on two more shoe firms

232

A LEADING footwear group, M&S Spitz Footwear Holdings Ltd, will acquire Cape-based Republic Shoes and S Slovin next month for R780 000.

The acquisition, according to chairman Anthony Spitz, will increase the earnings of Spitz Footwear Holdings' shares by 4,45c a share with a reduction in net asset value of 15,84c.

He said profits of R250 000 were guaranteed for the first year and 50% of the purchase price would be paid in March. The balance would be paid in three equal instalments over three more years.

Spitz said the vendors, Ivan Marine and David Steyn, had been appointed joint managing directors of the companies and had accepted long-term contracts with restraint clauses

Sinclair to buy unnamed company

RDM 26/1/81

232

Financial Reporter

HEAVY turnover and strength in the share price of Sinclair Holdings recently are explained today with the announcement that Sinclair is to to buy into an unnamed trading company.

Mercabank has warned that the pending deal, if successful, will have "a material effect" on Sinclair, and has advised shareholders to "exercise caution" in dealing in Sinclair shares.

Sinclair was recently taken over by Mr Bazil Shlom, who said it would be an aggressive acquisitor.

Sorec-Amaprop — a deal at less than arm's length

RDM 26/1/81

232

Harold Fridjhon on Monday

DOCUMENTS concerning the proposed merger of Sorec with Anglo American Properties (Amaprop) were circulated last week and should bring a pale ray of sunshine into the lives of the unfortunate shareholders of both these companies.

Sorec shareholders haven't had sight of a dividend since 1976 and Amaprop members have had the mortification of watching their capital being whittled away year after year as loss piled on loss At the date of the last accounts losses exceeded R10-million, about 19% of the effective capital

Not that Sorec didn't earn profits It did Last year's taxed profit was R1 293 000, that is 5,75c a share, but the cash was used to repay short-term borrowings — shareholders were well back in the queue.

Now with the merger and the property trading, there is a hope of a 4c dividend in the first quarter of this year from Sorec And as for the shareholders of Amaprop who had probably given up all hope, the year to March 1982 should bring 2,5c a present share, which is equivalent to 10c a consolidated share

The scheme provides for four of the present Amaprop 50c shares to be consolidated into one new R2 share and the Sorec shareholders will get one consolidated Amaprop share for every Sorec share held This means that in 1982 the Sorec members will get 10c

And I forecast that they will get dividend growth

I don't make this prophecy lightly because one must look at the underlying motives for this scheme which involves Anglo's buying properties from a Sorec subsidiary and paying R15 800 000 in cash plus 1 751 791 Carlton Centre shares valued at R3,43 a share. Anglo will then exchange these interests as well as other property interests with a wholly owned subsidiary of African Eagle Life Assurance Society for 12 527143 Sorec shares

As I see it the key to this elaborate puzzle is to consolidate some of Anglo's property investments and to ensure that African Eagle's property holdings generate the rate of growth that is regarded as desirable in an assurance business which must continuously generate growth for policyholders

Not that Anglo itself doesn't want growth For too many years now it has had no joy from Amaprop and I have no doubt that the reconstructed Amaprop will have to perform, or else

But these are assumptions based on surmise — and the arithmetic in the circulars to shareholders But are they fair and reasonable?

The auditors, Coopers & Lybrand, say that they are

"Valuations were carried out by Anglo American Property Service (Pty) Ltd, property managers and administrators of the property portfolios of Sorec and Amaprop at March 31 1980, and Carlton Centre Ltd and its subsidiary companies for the purposes of the proposals

"*Based on these evaluations*, (my italics) in our opinion the terms of the proposals are fair and reasonable to the shareholders of Sorec."

As auditors to both Sorec and Amaprop, Coopers & Lybrand are in a position to know the financial states of both businesses They no doubt see the virtue of the deals and dealing with Anglo.

But Coopers & Lybrand's opinions are dependent on the valuations of properties made by an in-house company.

I am sure that the employees of Anglo American Property Services are property experts. Mr Gerald Leissner, the top man, enjoys a high reputation in the city, but in this instance his is not an arm's length opinion

Here we have three boards of directors, those of Anglo, Sorec and Amaprop, sitting around a table and switching hats furiously as they debate the issue of the merger, as they examine the properties which are to be transferred from one company to the other and accepting the valuations of a subsidiary company

This is not arm's length negotiation

This is the action of a large, a dominantly large, organisation shifting assets around to suit its own purposes and there is nobody there to voice an opinion on behalf of minority shareholders

At the very least, these deeply involved directors should have engaged an outside valuator to give an opinion on the values of the various properties This would have been a gesture which would have given some acknowledgement to the principle of arm's length

Why was this not done?

The failure to have brought in an outside sworn evaluator, or to have invited an independent merchant banker to vet the deal, seems to imply that these directors believe that not only is big beautiful but that it is above criticism

This is not the first time that Anglo has acted in a merger without regard for form or current practice When Writs and Ofsits were put together to form Amagold no neutral referee was called in The directors switched hats, almost with disdain, and proceeded with a deal which, let me add, turned out to be wise and advantageous to shareholders But success was not the principle at stake

What amazes me is that the Johannesburg Stock Exchange said nothing Nor did it, apparently, raise the issue of arm's length dealing, either in the Writs-Ofsits case or in the Sorec-Amaprop deal

It is precisely because Anglo is a leader and a corporation of world standing that one becomes hyper-critical If AAC disregards ethical niceties, what can one expect from smaller companies with a disregard for insider dealing and trading?

It's not enough that Caesar's wife should be above suspicion One should be able to demand similar behaviour from Caesar himself

RDM 27/1/81

AECI deal

232

AECI and Bakke have reached agreement to extend their relationship by increasing AECI's share in Plastamid (Pty) from 20% to 25% from April 1 Plastamid uses raw materials obtained from South African Nylon Spinners, a subsidiary of AECI, to manufacture engineering and reinforced plastics at its Cape Town factory

BUSINESS

28/1/81 Star

Cape Wine Distillers expected to resume Kirsh-Pickard talks

2-32

Geoff Shuttleworth

The dust has settled on the Union Wine saga — at least the bear squeeze has ended — and I have it that Cape Wine Distillers and the Kirsh/Pickard camp will resume talks in a few weeks' time.

CWD has not confirmed that its holding in Union Wine shares is less than 25 percent but it appears that it failed in this objective after an expensive buying spree which, over four days, caused massive financial losses and gains and became the talking point of the business community.

The failure of CWD to block the entrance of Kirsh into the liquor industry does not end here, however. There are still many observers who believe that the relative peace and stability brought about in the industry since November 1979, when the war between SA Brews and Rembrandt and its companies ended, might come under pressure.

CONFUSED

There are many analysts who are still confused over why CWD embarked on such an expensive blocking move in the first place, especially as even with a 25 percent plus outlets and that the least profitable are the ones that go first.

Observers are quick to point out that whatever the fancy footwork and legal loopholes, there still exists a near monopoly in the liquor industry and it was this that CWD was trying to uphold.

On the face of it the buying spree last week looked like over-reaction. However, a brief analysis of the new-look Kirsh retail division highlights the importance of the Metro Cash and Carry operation in any venture into the liquor industry.

Observers believe the clout that Metcash and Union Wine can muster in the industry was enough to justify the as it may, conditions of competition can reach a point when such intentions are swayed by a CWD move. They point out, however, the stance and direction of the move was baffling in that it never had any real chance of succeeding.

A possible alternative reason for the CWD buying was that it might have swayed Jan Pickard to look at the price that Union Wine could command. Certainly the CWD buying at a 400c average doubled the Union Wine/Coki deal price and there are unconfirmed reports that CWD was also prepared to almost double this price.

If that is true, and there seems no way that it can be confirmed, then it underlines the apparent importance of the Kirsh debut.

Industry sources are, without exception, uncertain whether the 1979 agreement is legally binding on the parties.

A spokesman for the SA Brews retail operations said that it was their policy to stick to the ministerial ruling. Be that more rational business yardstick.

Given the Government's declared policy not to intervene in the private sector and also the commitment to root out monopolies, it will be interesting to see the role it takes should the situation get out of hand, as it appeared to in 1978 and 1979.

The liquor industry is currently under scrutiny of the Competition Board which started investigations in April 1979. It has still not reported and, taking into account the developments of the last two weeks, it appears that it will have to investigate further. Some commentators are sceptical whether the report will make it for this parliamentary session.

A lot of water (liquor) still has to flow under the bridge before any clear picture of the Kirsch/Union Wine/Coki clout can be measured. Other points which still have to be settled include the legalisation of shebeens, seen as the area in which Metcash is set to outscore its opponents. Another issue is the test case in the Western Cape in the distribution of liquor.

Star 28/1/81
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stake — it could only have made Pickard and Kirsh change the scheme of arrangements rather than prevent Kirsh's debut.

A belated statement by CWD managing director Mr Gys Steyn, acknowledging that CWD was the buyer but that it was protecting its pre-emptive rights to Mr Jan Pickard's stake in Union Wine, was scoffed at.

Not one Pickard owned Union Wine share has changed hands and there is no reason why he should have to dispose of any shares to get the deal passed in present or amended form.

The second more plausible reason for the CWD move was that it wanted to preserve the separation of manufacturing - wholesaling from the retail side of the industry.

SPOTLIGHT

Put under the spotlight, however, the argument is riddled with inconsistencies. The November 1979 liquor agreement, aimed at curbing ruinous competition in the industry and which hoped to incorporate some degree of separation between wholesaling and retailing, came far short of the second point.

CWD was born out of this arrangement which if continued — and there are many who doubt this will happen — will mean that Rembrandt and South African Breweries will dispose of all but five of their retail outlets.

The Pickard - Kirsh camp points out that neither have been in any hurry to dispose of these

What will unfold in the industry is difficult, even impossible to predict. There is, however, a chronic need for the Government to declare its hand, and timeously too.

While the giants in the industry have battled it out at great expense, it hardly compares with what was won and lost by investors and brokers on the JSE.

ACROSS BOARD

There will never be a full casualty list Losses were suffered across the board — from Rand Merchant Bank through to investors, from CWD to brokers. Even the apparent winners in the tussle Pickard and Kirsh, have also had to pay their price.

There were also enormous gains to be made Union Wine had for at least the past year been tipped as a takeover prospect and those who were patient in the face of the falling price during recent months should have had their day

A plus point was also won for the JSE Most now agree that the president, Mr Richard Lurie, took the right decision in suspending and then reinstating the listing a day earlier than planned.

Sage offers R154m for all of Unisec

RDM 28/1/81

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By DAVID CARTE
Deputy Financial Editor

IN AN attempt to create a new financial empire controlling assets of R700-million, Sage Holdings has offered R154-million for all of Unisec

Sage's official offer announced for the first time today, is 310c cash a share or 305c cash plus 20 options per 100 Unisec shares to subscribe for Sage shares at a discount

The Unisec board described 290c as "inadequate" before Sage had revealed its complete offer

Sage points out that its offer is a 21% premium on the closing price of Unisec shares on December 5, the day before its bid was first announced and that the premium on the price a week before this is 44%

Sage makes the point that the JSE Actuaries all share index has fallen 21% since it first approached Unisec It argues further that its offer is higher than any market price of Unisec since its listing in 1974

Each holder of 100 Unisec shares will be offered R290 in cash and the option to acquire 20 Sage shares or, alternatively, R295 in cash plus an additional R15 in cash if Sage obtains more than 50% of the ordinary shares in Unisec

The options give Unisec shareholders a chance to assess the enlarged Sage group before committing themselves to an investment

Sage says the options have an immediate cash value of 25c each, an aggregate of R2 500 000 They are exercisable in 1983 and 1984 at prices to be determined then The take-up price to new Sage shareholders will give them an initial historic price earnings ratio of 8, compared to Sage's PE range of between 9 and 11,7 during 1979 and 1980

As a further sweetener, Sage undertakes subject to necessary approvals to give acceptors preferential rights to participate in any offer of units in an envisaged property unit trust based on the portfolio of Unidev

Sage argues that the merged group "is both logical and desirable and would create an extremely powerful and successful investment and financial services group"

The offer is subject to Sage's obtaining more than 50% of Unisec "or such lower proportion, as Sage may in its sole discretion, may decide" and also to the JSE Actuaries all-share index remaining above 500 A fall below this would require a market fall of 38%

Other conditions are that if sufficient acceptances are forthcoming, Section 321 of the Companies will be invoked to obtain 100% control and that the JSE grants a listing to the options

Along with the terms of the offer Sage has released a "Diary of Events" of its bid

This maintains that Sage made an informal approach to two directors of Unisec on November 23 and that in the week from December 1 to 5 "the volume of trading in Unisec shares increased significantly and the share price rose by 18 5% from 215c to 255c" The JSE is currently investigating transactions in Unisec during that period

The "Diary" also maintains that the directors of Unisec have refused to inform Sage how control of Unisec is held

COMMENT Most minorities seem bound to accept, for if the bid fails, the Unisec share price is likely to slip back towards pre-deal levels

Nobody outside Unisec knows the control situation, so even if most minorities do accept, Sage may not get control

Sage has indicated that it would accept a strategic minority holding but it seems unlikely to look at anything less than 25%

Some observers have pointed out that Sage's bid is 3,5 times its own market capitalisation but this is irrelevant

Sage's total assets are about R138-million It has close connections with the Nedbank group and will have arranged the necessary borrowing It is unlikely to obtain 100% of Unisec, so will probably not have to pay anything like R154-million

While the transaction will undoubtedly push up debt, Unisec will also add to equity, so debt equity will presumably not be unreasonable The launching of Unidev as a property unit trust could also reduce gearing

I understand that acceptance of Sage's offer does not preclude shareholders accepting a better counter bid, should one come

RDM 29/1/81

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Lonrho bid for Fraser

LONDON. — Lonrho is to make a 150p a share offer for all the House of Fraser ordinary shares it does not already own, says a House of Fraser spokesman. Lonrho and its subsidiaries own 45-million House of Fraser shares, or 29,9% of the ordinary share capital The bid values Fraser's 150-million issued ordinary shares at about £225-million. — Reuter

RDM 29/1/87

Unisec spurns 'inadequate offer'

(232)

By DAVID CARTE
Deputy Financial Editor

UNISEC has broken its silence on Sage's bid for control, saying Sage's 310c offer is "little different" from the "totally inadequate" offer previously rejected".

In its first official reaction to Sage's bid, which could involve as much as R154-million, Unisec says it "cannot comment in full" on the offer until Sage lodges an offer document containing all terms and conditions

But, Unisec says, Sage's latest proposals, which include an offer of cash and options, are little different from its totally inadequate, but less complicated first offer

The new proposals "involve a greater degree of uncertainty"

The statement promises shareholders a "substantial improvement" in earnings and dividends in the year to December, and warns that Sage's proposals cannot be assessed properly until these results are announced

The board urges shareholders to await further developments

COMMENT. At the interim, Unisec's earnings were 36% ahead at 11,2c a share. Even if they were as much as 50% ahead at the yearend (26,4c against 17,6c), Sage's offer would be equivalent to 11,7 times earnings

In addition, the offer is a 44% premium on the share price before the deal and before the market came off 21% It is also a 16% premium on last stated net assets of 267,1c.

So, on the surface, the offer looks generous, even allowing for substantial earnings and dividend growth

But Unisec is likely to argue that its earnings are of unusual quality, being derived largely from blue-chip equity dividends

And published net assets value trading subsidiaries, including the 51,7% Unidev holding, at understated book value.

They are also historical, as Unisec sold shares worth R20-million earlier this financial year and its 50% stake in Grosvenor Motors at large capital profits.

The earnings record does not tell the full story of Unisec, which over the years has taken spectacular capital profits, on shares as well as on subsidiaries These have benefited not earnings, but asset growth.

It looks as if Unisec is today paying the price of poor public relations over the years. It has adopted a subterranean profile and — perhaps shy of the tax man — has failed to highlight its asset growth.

This has led investors to under-appreciate it and only now is its true value becoming apparent.

RDF 29/1/84

Lonrho bid for Fraser

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LONDON — Lonrho is to make a 150p a share offer for all the House of Fraser ordinary shares it does not already own, says a House of Fraser spokesman Lonrho and its subsidiaries own 45-million House of Fraser shares, or 29,9% of the ordinary share capital The bid values Fraser's 150-million issued ordinary shares at about £225-million — Reuter

65% of world phosacid market

Triomf, Oxy tie up deal

RDM 31/1/81

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By JOHN MULCAHY

IN a scheme which will efectively tie up 65% of the world phosphoric acid market, Occidental Petroleum Corporation of the US and Triomf Fertilizer (Pty) have agreed to establish a joint venture company

The new company will market fertilisers and fertiliser raw materials world-wide, including products manufactured by Occidental and Triomf for export

A statement from Triomf yesterday said "The establishment of this company will be mutually beneficial and there fore will constitute the sole relationship between the parties "

The confirmation of the link between Triomf and Occidental ends months of speculation, which was initially regarded as "premature" by Triomf, and vigorously denied by Occidental

The joint venture is purely a marketing relationship and will involve no exchange of equity, according to a Triomf spokesman who declined to elaborate on the proportion of Triomf's holding in the new company "I cannot say whether it will be a 50-50 partnership at this stage — the details have not yet been worked out "

The phosphoric acid market is estimated to be worth $1 000-million a year, and could rise further if the US ban on exports of fertiliser to Russia is lifted

It is believed that the Reagan Administration regards examination of the Russian embargo question as an early priority, and the fertiliser situation is expected to be discussed next week

Unlike some other pressing problems facing the new Administration, such as energy, the lifting of the fertiliser ban would not take much time to implement — the major difficulty being whether the Russians could immediately take any supplies from the US

The link with Triomf could help Occidental out of a tricky situation — it has a contract to supply Russia with 1-million tons of phosacid a year — and has been unable to meet its obligations because of the US export embargo

It is now possible that Triomf will step in and meet Occidental's contractual obligations in return for a greater share of the competitive global market

The link with Occidental is certainly not a "love at first sight" arrangement as Triomf has for some time had dealings with the US major

COMMENT What the deal will mean tor Triomf's earnings is difficult to estimate at this stage, with the details of the arrangement still to come, but it can only be good for exports as Occidental Petroleum is one of the world's biggest super phosacid producers

Anticipation of a deal has held Triomf shares steady over the past few weeks in spite of a generally falling market The news of the engagement will help to push the counter along, although it is not yet clear who will be the major beneficiary of the deal

It seems likely that Occidental Petroleum will be the senior partner, with its significant cash reserves and established market position, and a closer alliance, including "the exchange of equity" can surely not be ruled out.

Triomf could easily accommodate an injection of cash to upgrade its Richards Bay plant, and an added attraction is the access to Occidental's fleet of phosacid transport ships

Angry Sage hits back

RDM 31/1/81

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By DAVID CARTE

Deputy Financial Editor

SAGE has reacted angrily to Unisec's assertion that its 310c bid for control of Unisec is "little different" from a "totally inadequate" offer previously rejected and to a Press suggestion that its bid for Unisec is "phoney"

A Sage spokesman said there was no previous offer Sage had merely said its offer "would incorporate a cash offer of 290c" when Unisec issued its first rejection

But, he said, the maximum price payable in terms of Sage's one and only official offer — 310c — was R10-million more than the 290c "offer" so disparagingly referred to by Unisec

Considering that the market had fallen 21% since 290c was first mentioned, the latest offer was substantially better, said the Sage spokesman

He said suggestions that the offer was phoney or doomed to failure were nonsense As far as Sage was concerned, if it obtained more than 25% of Unisec, its offer would not have failed

Sage still believed there was a good chance of obtaining control, especially in the light of the market decline in recent days

Several commentators have wondered how Sage would finance an investment in Unisec without stretching the balance sheet and diluting its own earnings They have noted that the dividend yield on a stake in Unisec at up to 310c is unlikely to equal the cost of finance

But the Sage spokesman said Sage would not have made the bid if there were any possibility it would dilute earnings

Responding to criticism of the earnings growth of both Sage and Unisec, he said Sage's earnings growth in recent years had been exceptional, but Scachat Cullum had acted as a serious drag on the whole group during the property recession

The Schachat holding in today's improved property climate was a strong bull point for the group in the future

To Unisec's implied charge that Sage's offer was complicated or uncertain, Sage said it was amazed that sophisticated investment people of Unisec's calibre could make [illegible] charge

The offer spelled out the exact basis on which the options could be taken up, and even gave a prospective dividend and earnings yield

Sage also professed amazement that Unisec made no mention of a bonus dividend in its most recent notice to shareholders on improved earnings and dividend prospects

Sage was in full agreement with one of Unisec's arguments — that shareholders should wait for Unisec's results before acting Its offer was open for four months, he said

COMMENT· If the Unisec board and its friends do indeed have 50% of Unisec, as they have asserted, then Sage's offer must obviously fail and Unisec would be wasting its time to mount a big counter-offensive

If Sage's allegations about the cross holdings in Billhawk and Newstock are correct, Unisec might be in transgression of the Companies Act, but this would reduce its claimed 50% holding to a still-formidable 46%.

Shareholders being as apathetic and disinclined to act as they are, Sage would have its work cut out to procure control if Unisec has as much as 46% in the bag

One analyst queries the value of Sage's options, pointing out that a PE of 8 in 1983 or 1984 is hardly attractive when high growth companies, such as Barlows, are already on much lower PEs

I would say that if Sage ends up with a large investment in Unisec, as opposed to control, Sage would be a sell — unless it explains exactly how it intends to finance the investment without diluting earnings

DUNLOP 230

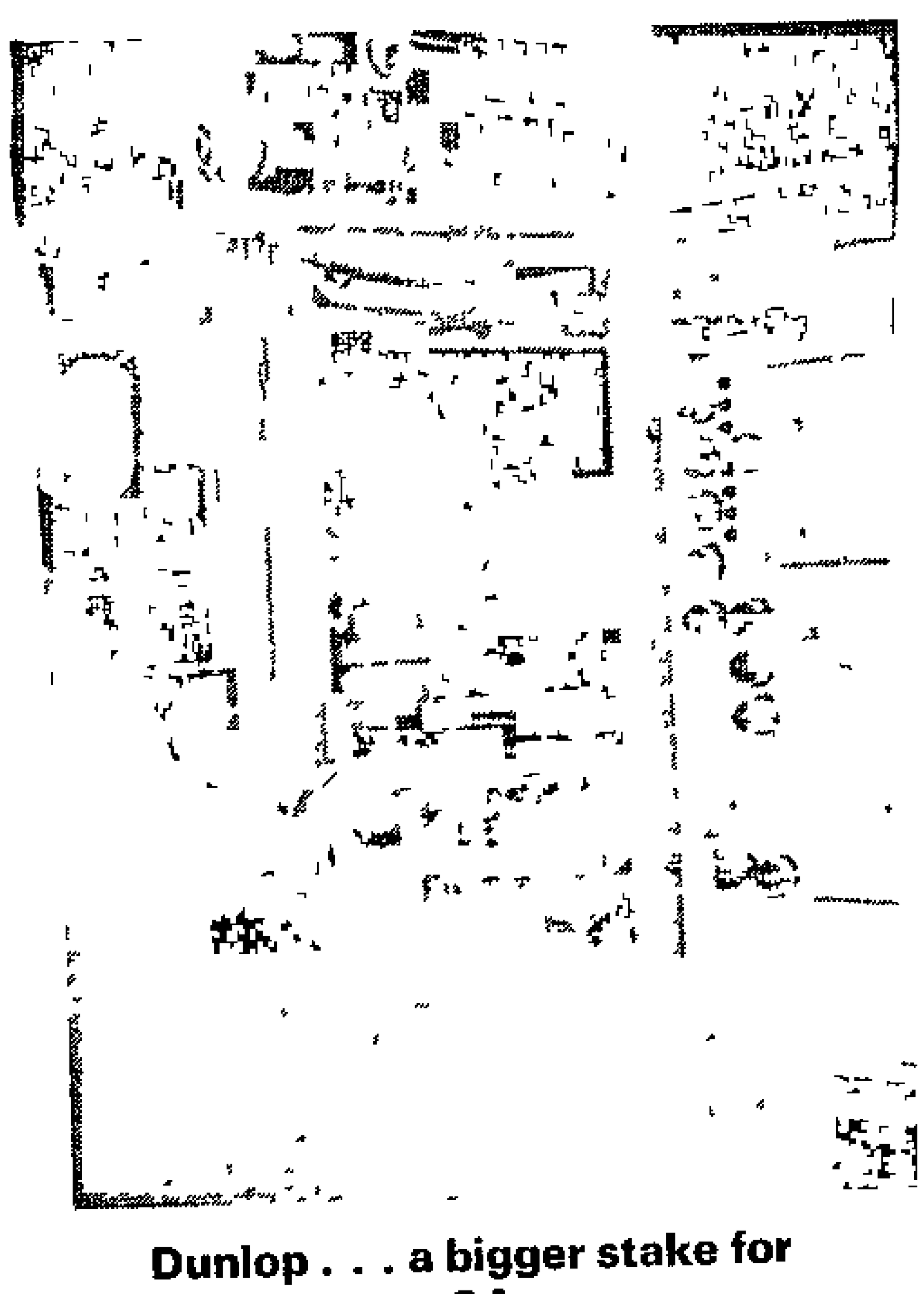
Less grip?

FM 6/2/81

The mechanics of the R17,1m deal whereby Dunlop International (DI) reduces its stake in Dunlop SA from 70% to 51% are neat, simple and fair What is less clear-cut, however, is the motivation behind the sale

The official line is that "it is in the interests of the company for it to achieve a broader South African base " Corporate benevolence is a hard-to-come-by attribute and, in this case, the timing of the deal leads me to believe that there is some more fundamental reason for DI to sell out a substantial portion of one of its more profitable investments If DI were keen only on selling a greater stake to South Africans, it may have been better to wait a few months for a strengthening of the financial rand For on today's figures, DI forfeits almost 33% (R4,2m) of the R12,8m which has to be repatriated through the FR

Subject to shareholder approval, DI will covert 2 85m of its ords into the same number of redeemable prefs These will be entitled to a special dividend of 151c a share and the R4,3m thus accruing can be remitted to DI in commercial rands The balance, R12,8m, is paid by the redemption of the prefs at 449c each, to give an exit price of 600c a share



Dunlop . . . a bigger stake for SA

Following redemption of the prefs, Dunlop SA will issue 2,85m new ords at 600c each to various un-named SA institutions which have agreed to take up the shares Dunlop SA's asset and cash situations therefore remain unaltered by the deal.

Acceptance by DI of the exit discount suggests that its 60%-owning UK parent Dunlop Holdings is hard pressed for cash in its own operations. Also, it is possible that rumours of political pressure to disengage from SA may have some credence In September last year, Dunlop SA MD Clive Hooper said DI "has no intention of relinquishing its 70% shareholding in the profitable SA subsidiary " This response was to quash rumours that Asian interests, which then owned about 30% of Dunlop Holdings, could be pressing the UK group to cut its ties with SA

Dunlop SA uses about 55% natural rubber with the balance being made up of synthetic rubber from Sasol Though Sentrachem will have a synthetic rubber plant in operation by the end of next year, the cost of replacing natural with the Sentrachem rubber is expected to be high So natural supply sources remain important for Dunlop SA, which buys openly on the Singapore commodity market Any pressure on DI from rubber producing countries would focus on this off-take and on the technological tie-up with SA But rubber prices are currently depressed and producers are probably unable to exert much political pressure

Perhaps more to the point, however, if Dunlop's European operations remain in a profit squeeze, DI's stake in SA could be reduced below the remaining 51% *Ian Muir*

KANHYM/KAROO 232

Fresh meat

FM 6/2/81

It has been a very hectic time for Kanhym and its 51%-owned subsidiary Karoo On July 1 Gencor took a majority stake in Kanhym which simultaneously gained control of Karoo from Picbel's Asokor (now Picfood). Both companies changed their year-ends to December 31 and Kanhym raised R22,2m with a one for two rights issue in November.

It looks as if Kanhym is getting the best of the deal by far For one thing, Karoo's dividend for the last six months to end-December was 4c against 13c in the full year to June 30 1980 — an effective reduction of 38%.

Kanhym's dividend for the 15 months to end-December was 55c compared with 1979's 30c — an effective hike of 47%

Looking to the future, it appears that Kanhym's payout for the current year will be about 63c — a 43% rise on the last period's annualised payment — while Karoo could pay around 16c — effectively, a 41% advance

Changes in accounting periods and the effects of the acquisitions make analysis of results difficult. Kanhym's results are a mish-mash of pre- and post-takeover figures which make it difficult to define just what the effect of the takeovers has been

Nevertheless, over the period, sales by Kanhym itself amounted to R339m, leading to pre-tax profits of R19,5m and an operating margin of 5,4% With a tax rate of 35%, attributable earnings were R10,3m Taking a weighted average of the shares in issue over the 15 months, this translates to earnings of 159,4c a share

Kanhym, then, has easily beaten management's 103c earnings forecast made at the time of the merger On those earnings, the bold forecast a "marginal" dividend increase

The directors reckon that group turnover will rise to R850m this year Taking as a guide the last three months of the whole period — the only post-merger period which is fairly clearly identifiable in the accounts — this points to pre-tax profits around R42,5m That indicates an attributable profit to Kanhym of about R7,5m, equivalent to 187c a share

Dividend cover should remain around 2 9 times putting this year's dividend at some 64c At 1 100c, the share thus yields a prospective 5,8% However, that discounts growth prospects

The group has a number of expansion schemes under way and expects good maize and potato crops as a result of the favourable weather conditions

Karoo, in the six months to December 31, earned a pre-tax profit of R7,1m on sales of R294,0m Tax, prefs and minorities' deductions absorbed R3 3m leaving attributable profits of R3,8m or 14,3c a share In the 12 months to June 30 1980 Karoo paid 13c on earnings of 21c

The meat trading operation is experiencing good trading conditions and anticipates turnover in the region of R800m this year Margins are normally thin in the industry and ran at 2,4% But even on this basis, pre-tax profits should be around R19m and attributable earnings at least 40c a share

Kanhym . . doubling up on turnover

The merger arrangement laid down that the dividend for the first six months — that is for the half year just ended — would be determined by Kanhym, but thereafter would be covered at most 2,5 times

It seems that at this stage Kanhym has elected to make a very small payout And if my 40c earnings estimate is achieved, this year's dividend should be at least 16c Add to this the 4c dividend just declared, and the average annual dividend rate for the 18 months to end-December 1981 is 13,3c — almost the same as the 13c paid in the year June 30 1980

Karoo shareholders who approved the deal in anticipation of good dividend growth certainly seem to be poorly placed in the shorter-term Kanhym MD Harold Kramer points out, however, that capex in Karoo is running at around R220m this year and last year's dividend of 13c had fairly slim cover so the 4c payout is not too far out of line

Karoo is quoted at 235c at present and, on the 16c estimate, offers a prospective 6,8% yield The yield over the 18 month period is 5,7% The yield is better than that of Kanhym but the latter has the strong appeal of its coal development plans, details of which should be available in March

Sage spells out offer and reveals war of words

RDM 10/2/81

(232)

By DAVID CARTE
Deputy Financial Editor

SAGE'S latest blow in the battle for control of Unisec is a 49-page official offer, revealing acrimonious correspondence between Sage and Unisec and a brochure for Unisec shareholders titled "Why you should accept"

Sage has offered Unisec shareholders a cash and options consideration comprising R290 in cash a 100 shares and 20 options to acquire shares in the merged group on a PE of 8 in 1983 or 1984, or R295 in cash

If Sage gets control, it will pay an additional R15 in cash

In correspondence, Unisec accuses Sage of offering special terms to Mr M B Javett and Mr L I Jaffee, directors of Unisec Sage denies this

It also denies that it intends selling off Unisec assets Sage admits having obtained "stand-by offers in respect of certain assets" merely to put a minimum value on them

Unisec also accuses Sage of giving a copy of a letter addressed to Unisec to the Financial Mail before it was delivered to Unisec

Sage takes "strong exception" to the allegation, saying the FM story was based on a public announcement made previously

Sage reveals in its offer that it has 5-million Unisec shares, representing 11,9% of the equity

It has requested the following "material information" from Unisec

- Why it rejected Sage's offer before it knew the terms
- Whether the Unisec board knows where control lies and if so where it does
- Details of Unisec's new investment direction, its degree of management depth and expertise available to service its present activities and the new direction
- Details of new acquisitions made or contemplated since Unisec's last financial statements and details of assets sold
- Details of the listed and unlisted portfolios
- Changes in shareholdings by Unisec in companies which are its major investments
- Unisec's earnings and dividends for its 1980 year
- The amount of the proposed bonus dividend and "more importantly", the rationale of this payment (In its brochure to shareholders Sage says the bonus dividend "is most surprising in view of the fact that Unisec has only recently raised additional capital for expansion")
- The number of Unisec shares owned by Billhawk and Newstock

Sage's bid opens on March 2 and closes on March 30. It opens after Unisec produces its results and details of a change in investment direction

In the brochure, Sage warns shareholders not to "sit back, do nothing and enjoy the ride", saying the Unisec share price could fall if the bid fails

A graph of the Unisec share price against the plunging JSE Actuaries all-share index over the past six weeks is headlined "How Sage's bid has benefited your investment"

Sage warns that failure of the bid would mean shareholders would miss out on the potential to participate in the future of a much bigger and more diversified operation

They would forgo "alternative opportunities" of the cash payout as well as the possibility of preferential participation in a property trust based on the Unidev portfolio

Other consequences of failure would be that holders' investments would depend on the stock market "at a mature phase" and "the future of Unisec will be dependent on an unproven change in investment direction You may never know who really controls your company "

If Sage's offer is successful, the brochure says, Unisec shareholders would make a substantial capital gain — a 44% premium on the pre-deal JSE market price if Sage gets control, and 37% if it gets less than control

If the cash proceeds were reinvested at going rates of return, Sage says, investors' incomes would increase between 67% and 77% and earnings by 104% and 117%

Acceptors would have the right to acquire an interest in the enlarged group by exercising Sage options and would have preferential rights in the new property trust.

Their investments would be better diversified The merger would bring rationalisation benefits and "the combined group would embark on its future expansion as an associate member of the powerful Nedbank Group"

Unisec's substantail liquid and near-liquid assets would be committed to operating activities, enhancing growth potential

Control of Unisec would be consolidated in South African hands and the identity of the controlling shareholders would be known beyond doubt

Shareholders in the merged company would benefit from Sage's policy of full public disclosure.

Metcash, Kimet want Russells

RDM 10/2/81

232

38

By ALEC HOGG

METRO Cash & Carry and its parent, Kimet, are negotiating for control of Russell Holdings, the R166-million a year family-controlled furniture retailer, say Standard and Barclays merchant banks

If concluded, this will be Kimet's and Metcash's second major acquisition in the big-ticket consumer durables market in less than a month.

They recently acquired 30% of Dion's for R11 500 000, stating that control of this R140-million-a-year chain was their eventual aim

If Metcash and Kimet obtain Russells, say market sources, with a combined turnover of about R300-million a year, they would challenge OK Bazaars as the biggest retailers of white goods, electrical appliances and furniture in the Transvaal

Metcash itself last year had sales of R404-million If it obtains control of Dion's and Russells, it will be well on its way to attaining its target of sales of R1 000-million by 1985

Shortly after the announcement yesterday, the market price of Russells rose 80c to 325c

At the end of 1979, the biggest holder in Russells was Russells Consolidated Investments with 27%, followed by Banner Nominees with 5% and Standard Bank nominees with 3% Russells directors held directly only 5,7% of the group's equity Neither Metcash nor Kimet had a holding

A stockbroker's analyst estimates that Russells will earn about 95c for the year to April 30 and says if dividend cover is maintained at 4,2, the payment should be 23c

On this basis, he estimates that Metcash's offer will have to be about 325c This suggests an outlay of nearly R26-million if a 30% controlling interest is to be obtained Single control would cost nearly R40-million

The analyst speculated that shareholders would be offered shares in Kimet for their Russells holdings

There appear to be substantial benefits in the deal for both parties

Metcash's formidable buying power would be enhanced and its drive into this branch of retailing would be expedited It would become a major contender in consumer durables virtually overnight — without offending its wholesale clients, mainly cafes and trading stores And for the first time Metcash would enter the HP market.

For an HP company, Russells is liquid with a debt equity ratio of 80% at the last annual report Russells would benefit by Metcash's and Dion's immense buying power There is the chance that under a new control situation it would be more free with dividends Cover in the past has exceeded 4 Perhaps cash from the Dion's operation could be deployed in the financing of Russells stocks and debtors.

COMMENT The obvious immediate course of action must be to sit tight until details of the bid are published.

CT 10/2/81 (232)

AECI and Bakke in engineering plastics

AECI and BAKKE have reached agreement to extend their long standing relationship by increasing AECI's share in Plastamid (Pty) Ltd from 20 to 50 percent with effect from April 1

Plastamid used raw materials obtained from South African Nylon Spinners, a subsidiary of AECI, to manufacture engineering and reinforced plastics at its Cape Town factory

The engineering and high performance plastics sector is the fastest growing area of the plastics industry and, following the agreement, Plastamid is starting to manufacture the "Maranyl" range of nylon compounds using technology obtained from ICI Ltd

Before the introduction of local manufacture the imported product was marketed by ICI (South Africa) through its national sales organization which will, in the near future, be acting as the agents for all locally produced Plastamid engineering plastics

In addition ICI (SA) will continue to supply a range of speciality engineering platic compounds such as polycarbonates, polybutyleneterephthalate (PBT) and polyacetals

AECI, Bake and ICI (SA) are co operating closely in developing the local market for these and wide range of similar products, and new plant and equipment is being installed at Plastamid to manufacture an increased range in the near future

AECI's position as a raw material supplier and its expertise in platics, backed up by proven ICI technology, makes this new field a logical extension of the company's activities

Plastamid was founded in 1973 by Bakke, using their wide extrusion experience, and has developed technology which has already given it a substantial share of the South African market for engineering plastics as well as established exports to leading industrial countries. Bakke CTI, a wholly owned subsidiary of Bakke in the Malbak group, will continue to manage the Plastamid operation

Kruger rand

Cape Gold Coin Exchange

	Buyers	Sellers
One oz	515 (525)	540 (540)
Half oz	235 (245)	260 (265)
Quarter oz	120 (125)	135 (137)
Tenth oz	55 (55)	65 (60)

SA Gold Coin Exchange

	Buyers	Sellers
One oz	515 (512)	522 (517)
Half oz	225 (232)	255 (260)
Quarter oz	127 (130)	129 (131)
Tenth oz	58 (58)	61 (61)

Silverton Tannery. Pre-tax profit R441 000 (R1,01m) in six months ended December Earnings per share 46c (84c) Taxed profit R401 000 (R735 000) and tax R40 000 (R272 000) The company said in a statement earnings were adversely affected by abnormally high local hide prices Tax has been adjusted for special allowances received and deferred tax, it added — Reuter

Protea take over US equipment firm

(232) STBK

13/2/81

By Mervyn Harris

Protea Holdings increased taxed profit by 35 percent from R7,45-million to R10,9-million in the six months to December and has raised the dividend from 8c to 10c a share.

Sales rose 27 percent from R129,1-million to R164,4-million. Earnings a share were up from 25c to 33,7c.

Protea chairman Mr Fred Beard says that the earnings are "well in line" with his annual report forecast that earnings for the full year to June will be "not less than 65c a share."

This would give Protea a compound annual growth rate over five years averaging 31,1 percent.

The interim report shows that Protea is taking its diversification a stage further through the acquisition for six million dollars of Inex Inc of Denver, Colorado, US.

Until now, Protea has sought its earnings growth through investment in seven divisions — chemicals, consumer products, electrical and electronics, instrumentation and laboratory, medical, metals and engineering, and protective clothing.

Inex is Protea's first acquisition outside southern Africa but builds on the group's strength in the area of scientific instrumentation.

Inex manufactures production and quality-control equipment for the glassmaking industry in America and other countries.

Mr Aidan Beard, the managing director, says this acquisition establishes a basis "for the development of the group's activities outside the Republic."

Protea also reports that Tobacco Sales, a company listed in Zimbabwe, has bought a half stake in all three of Protea's Zimbabwean subsidiaries, in exchange for Tobacco Sales shares.

Protea says that the effect of the disposals on its earnings during the current financial year will not be significant.

The group's rapid growth can be measured by its interim earnings of R10,9-million being more than was achieved in the full year to June 1979 when earnings topped R10-million for the first time.

CHEMICAL

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ANGLO-TRANSVAAL INDUSTRIES

Spreading the base

(232) FM 13/2/81

There is something symbolic about the two most recent acquisitions of Anglo-Transvaal Industries In its two largest deals in the past decade, ATI, the industrial arm of mining group Anglovaal, has bought the Durban-based family group Bakers and the dynamic, also family controlled, construction and electronics group Grinaker Holdings The voracious appetite of big business leaves less room for family businesses That is where the symbolism comes in, for Anglovaal is controlled by the Hersov and Menell families Premature though it may be, analysts are now asking just how much longer before the biter is bit

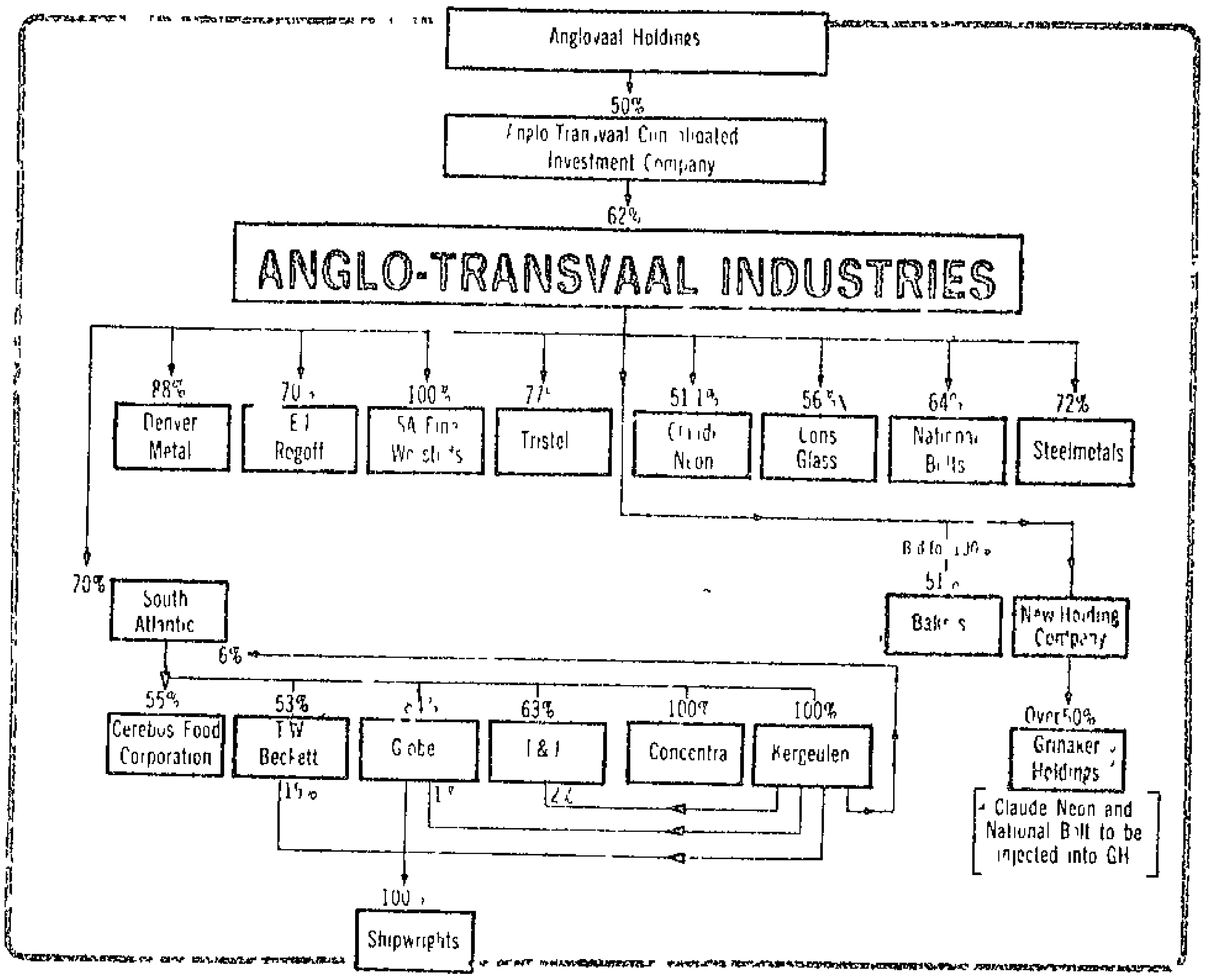
As is often the case in SA, ATI owes its existence to the mining industry Originally the concept was that Anglovaal would hold controlling interests in the companies which supplied its mines This did not work for too long, running a mining house and an industrial conglomerate require different skills Thus the formation of ATI, which today has interests as diverse as textiles, glass and plastics, construction, biscuits, tea and coffee, merchandising, fishing and food, engineering and ship repair

Impressive spread

The spread of interests in ATI is not only impressive but also confusing Analysts too often fall into the trap of expertly dissecting the smaller operating companies in the group without grasping the overall picture And that, the financiers are now saying, is where the big action is going to be To take control of Anglovaal, its mines and industries, would require an investment of about R193m at today's prices This leaves, on the list of candidates, names such as Anglo American, Gencor and Barlows Though ATI's industrial interests may be too widespread and not cohesive enough for Barlows' liking, the meshing of an industrial group with mining interests (Barlows) and a mining group with industrial interests (ATI) make sense to some A bid is not likely, but it's not impossible

While that sort of conjecture ~~in the~~ market place may have some foundation, a more fundamental question is what makes ATI worth its market capitalisation of R81m and where is the conglomerate headed?

To some analysts, purists maybe, ATI is a hodge-podge of industrial interests with little cohesion or rationale That view seems to be supported by our table Nor is the cohesion aspect denied by chairman Basil Hersov who, with right-hand man Bob Hamilton, maintains full control over the group's decentralised management That may sound contradictory, but it exists in practice Overall group policy and financing are head office prerogatives but day-to day management, with monthly report-backs, is the domain of corporate managers Both Hersov and Hamilton tell the FM that because management is completely decentralised no cohesion is need-



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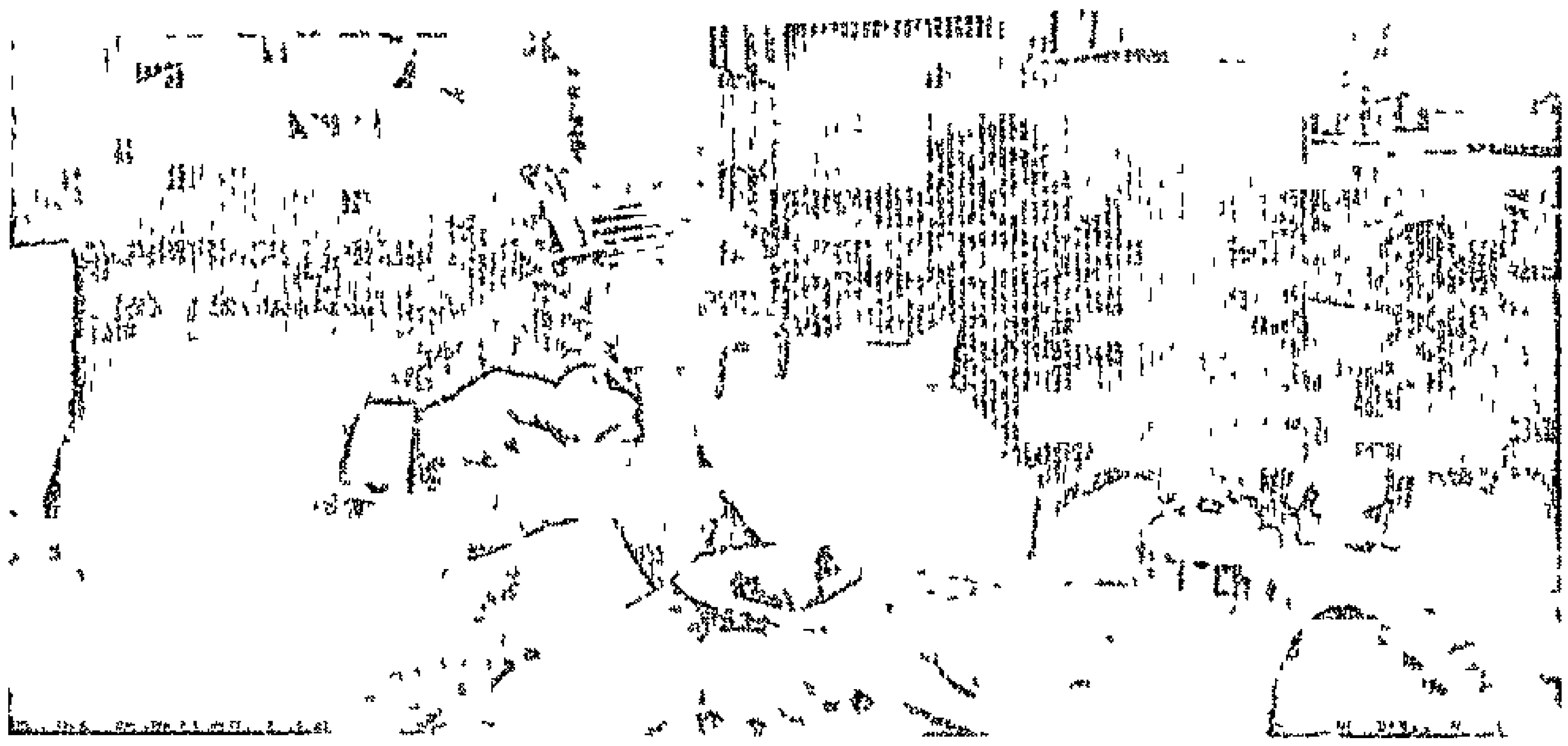

Anglovaal's Hersov . . . steady growth, few disappointments, as the build-up continues

ed Good investments are the objective and if a food processor offers good returns it need not be judged on its ability to mesh in with a steel merchandiser Irritating to some, though, the group is in no way confined by any overall development strategy

The wide range of interests can put strain on head office management, however, and rationalisation in 1972 was designed to rid the group of loss-makers and problem areas Hamilton agrees that head office management is sometimes disproportionately employed by trouble spots He cites the recent sale of Globe subsidiary James Brown & Hamer Sold to Murray & Roberts' Elgin Holdings this company is one of the few disappointments recalled by Hersov

"We hoped for lots from the marine division but the re-opening of Suez upset that, we hoped for lots from Rogoff, our indent export/import group, but import quotas upset that, and we hope for lots from fishing but nature sporadically upsets that "

Corrective action was taken in all these cases before serious group problems arose James Brown & Hamer, though it lost R854 000 in the 1980 financial year, was sold to Elgin at a small profit on Globe's book value of the company E I Rogoff could not be sold but was closed down and is now being wound-up after having lost only R20 000 in 1979 I & J has not lost the group any money but its margins in the food business, particularly fishing, are under severe pressure and the maintenance of profit levels is an achievement It is hoped corrective action in the form of fuel conversion to heavy and light distillates on large trawlers will reduce the impact of higher fuel costs

Expansion of processed food plants, it is hoped, will release the log-jam caused by unexpectedly high consumer demand

ATI is a holding company whose only income is dividends So, though in the year to June 30 1980 consolidated group profit after tax and minorities was 48% up at R25,8m, the figure shareholders take more interest in is ATI's dividend income On an attributable basis this rose 70% to R7,5m Of this, 63% was paid out in dividends — high cover for a holding company which has high retention build ups lower down the line But, says Hersov, this cover is needed for expansion if ATI is not to be purely a conduit for dividends

Hersov says each group company follows a financial policy suited to its own needs — not to the cash requirements of parent ATI Still, some analysts believe the drawback with such a structure as ATI's is that, inevitably, cash which could be better distributed remains locked into a low-return, capital intensive subsidiary And vice versa

A characteristic of the ATI stable is that no single company outshines the others as a growth performer In Grinaker and Bakers, however, ATI may have finally found high-growth companies Over the past three years, Grinaker has increased earnings by a compounded 28% a year and Bakers by 43,5% ATI over the same period has increased earnings by 38,5% a year compounded But Grinaker has achieved this growth rate during the end of recession in the construction industry so potential is for growth to increase Thus both acquisitions should increase group growth over the next few years

What have been ATI's major profit contributors in the past? In financial 1980 little was different to the five-year trend — the divisional contribution to profit was engineering 39%, containers 38%, food 20% and other interests 13%

All subsidiaries declare dividends only once results are audited, so the ATI dividend is based on receipts declared out of profits earned by subsidiaries during the previous financial year So, though 186c a share was earned in 1980 and 34c paid out, the distribution from the 1980 earnings will take place this year and is expected to be not less than 45c a share

Growth this year, Hersov feels, will continue to be steady with strongly improved contributions expected from Grinaker and I & J Most group companies have higher capex commitments over the next year T W Beckett, for example, has just announced that December-half attributable taxed profit was 19% up at R2,7m But capex has almost trebled to R3,3m So dividend growth from the subsidiaries could well be restrained this year What will keep the pressure on, to maintain dividend flow to head office, is the high cost of servicing the two most recent acquisitions

The Bakers acquisition is to be mostly financed by the issue of R30m variable rate prefs with an initial yield of 6,25%. Servicing this at 6,25% would cost nearly R2m a year, but the rate is linked to the prime overdraft rate so costs could escalate fast

But ATI has more up its sleeve and is asking shareholders to chip in A one-for-three rights offer at 550c, a 5% discount to the current market price, is being made If all rights are taken up, ATI will raise R25,5m But ATI s issued capital will increase to 18,5m shares and if this year's dividend is to be increased to 45c a share, R8,3m will have to be drawn in from subsidiaries

This, some analysts, argue, supports the case for investing directly into the operating companies rather than into ATI The Catch 22 situation here, though, is that few of the subsidiaries are marketable — as the cross holdings in the table show For those institutions and pension funds wanting to make substantial long-term investments, ATI remains the one to go for For the individual, there is merit in going into the subsidiaries

During the past few years, Hersov tells the *FM* the group re-invested much of its excess cash into its own companies It is unlikely to reduce its holdings in these companies That provides some sort of a floor to any possible fall in share prices Hersov says the strategy will now be a combination of new investments, and topping up existing holdings when "opportunities arrive "

Ian Mail

RIDING HIGH

Latest ABC circulation figures for the *FM* — an average of 26 227 copies an issue for the period July to December 1980 — are the highest in our almost 22-year life

Showing an increase of almost 8% on the same six months of 1979 and nearly 4% on January to June 1980, the steady gain from an already high circulation level is one of the more gratifying aspects of the figures

Over the last 18 months the *FM*'s circulation has risen by 19% During this period the cover price rose from 68c to R1 Advertising support has never been better, with both turnover and profits at record levels

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Malan Chemical Engineering

(Continued)

CHEMICAL

Crane-hire firm sold

S. Times 13/2/81

By Tony Hudson

GREENHAMS Crane Hire, one of South Africa's biggest crane-hire companies, is to be bought by Johnson Crane Hire for R4-million after fierce competition from other crane and construction companies

Johnson managing director Harold Johnson told Business Times this week that the company was by far the largest crane-hire company in the country and now had capital equipment to the tune of more than R30 million and was aiming at a turnover of R12-million to R15-million for the current year of operations Turnover last year was about R8,5-million

He says that once the rough edges of the operation have been ironed out over the next 12 to 18 months serious consideration will be given to seeking a JSE listing

The deal with Greenhams' UK parent Taylor Woodrow, was signed late on Wednesday, but will not be completed until permission has been obtained from the British Treasury, regarded as a formality

Mr Johnson says that Greenhams' South African operation was one of the few profitable Greenhams divisions in the world

However, the UK parent was suffering because of the recession and it had been decided to put the company on the market to help cash flow

Mr Johnson says he believes that politics also played a part and he understood that pressure had been put on the parent by Nigeria He said that, despite the profitability of the local company, no mention was made of South Africa in the parent's annual report, which disclosed a group turnover of nearly R1 400-million

The company now has more than 200 cranes of all shapes, sorts and sizes in its stable and hopes to take a 70% share of the local crane-hire market

BUSINESS

Has Anglo American plans for merging the two companies?

5/10/C 9.32 14/2/81

Recent firming of Charter and Minorco puzzles

By Colin Campbell, Financial Correspondent

LONDON — Is Anglo American getting ready for the next move in rationalising its international interests? Or is it merely coincidental that Charter and Minorco have been especially firm of late, and have moved against the trend?

London stockbroker James Capel says in its latest newsletter to clients tha the advance in Minorco is hard to explain, though Charter does at least have a rationale of its own

Charter now has a mountain of cash which, thanks to high interest rates, is holding its real value, so there is no reason for Charter's share price to collapse when mining shares fall

Charter is standing at nearly a 50 percent discount to net asset value, and with much of British industry in serious financial trouble, Charter is well placed to pick up assets cheaply

Equally, however, Charter's cash would be an attraction for Minorco

"If they could persuade the Charter shareholders to accept it, Minorco is very favourably placed to launch a paper bid," Capel says.

"Whether or not Anglo has any plans to merge the two companies, our calculations suggest that Charter is a better share to have than Minorco. Unlike Minorco, it sells at a discount to assets. It also has a better multiple and yield Furthermore, while Minorco's share price would retreat on any bid, Charter's would improve," the broker says.

The moral is as follows If you believe the market rumours have any validity, buy Charter not Minorco If you give no credence to the rumours, then don't buy either

RDM (232)
16/2/81

Eureka Rubber Company of South Africa Limited

("Eureka")

Disposal of certain operating assets

Shareholders are informed that the ordinary resolutions ratifying the sale of the Bandag related assets referred to in the circular to shareholders dated 16 January 1981 were passed unanimously without amendment at the meeting of shareholders held on 2 February 1981.

Change of control

Shareholders are also referred to the abovementioned circular where it was stated that the directors were considering the future policy of the group and had received a number of approaches relating to the re-investment of the group's surplus funds which might also involve a change in control of Eureka.

Shareholders are accordingly advised that an agreement between Mr A. M. Hollander and Mr A. E. Isaacs ("the controlling shareholders") and T. P. H. Engineering (Pty) Limited ("TPH") has been concluded whereby TPH with effect from 1 March 1981 will:

- purchase 44 600 6% fully voting preference shares of R2,00 each, being 100% of the controlling shareholders' holding of preference shares in Eureka, from the controlling shareholders for a consideration of R2,00 per share;
- purchase 30 000 ordinary shares of 50 cents each, being 25% of the controlling shareholders' holding of ordinary shares in Eureka, from the controlling shareholders for a consideration of R14,50 per share.

This transaction will result in TPH effectively controlling 45,3% of the voting rights in Eureka. No Eureka staff changes are envisaged.

Acquisition

TPH controls a number of companies in the electronics and communications field. In terms of the agreement mentioned above, TPH will sell to Eureka those proportions of the issued share capitals as are beneficially owned by TPH of each of the following companies: Multisource (Pty) Limited, Electronic Rentals (Pty) Limited, Radio Paging (Pty) Limited, Executive Communication (Pty) Limited, Quickvoice (Pty) Limited, Techtron (Pty) Limited and Gismo Automotive Industries (Pty) Limited ("the companies").

TPH will endeavour to procure the sale to Eureka of such shares in the companies which it does not beneficially own.

The consideration for the aggregate share capitals of the companies will be approximately R6,6 million and will comprise up to R2,0 million in cash, at the option of TPH, with the balance being discharged by the issue of additional Eureka ordinary shares, such number of shares being based on the audited net asset value per ordinary share of Eureka as at 20 February 1981.

The documentation relating to this acquisition is subject to the prior approval of The Johannesburg Stock Exchange.

The acquisitions mentioned above are subject to the ratification of Eureka shareholders in general meeting.

Effect

TPH expects the companies to earn profits of R757 000 after taxation but before minority interests for the year ending 28 February 1981. TPH has warranted that the net profits after taxation of the companies attributable to Eureka for the year ending 28 February 1982 will be not less than R1,1 million. It is expected that at 28 February 1981 the net attributable assets of the companies will be approximately R2,0 million. At this stage it is not possible to give, with an adequate degree of accuracy, the effect on earnings and net asset value per ordinary share of Eureka.

TPH will in due course extend a similar offer to the minority shareholders in Eureka of R2,00 per share for 100% of their 6% fully voting preference shareholding and, in terms of the requirements of The Johannesburg Stock Exchange, R14,50 per share for 25% of their ordinary shareholding.

Until details of the transactions are finalised, shareholders are advised to exercise caution when dealing in Eureka shares.

By order of the board

A. M. Hollander
Secretary

16 February 1981 — Johannesburg

A236

Kaap-Kunene, Fedfood in R6m Chilean venture

CT 18/2/81

186 23 232

FEDFOOD AND KAAP-KUNENE announced yesterday that they had entered into an agreement to make a R6m joint investment in the fishing industry in Chile.

The Chilean company, Tarapaca, part of the industrial Camello group, would hold a 50 percent interest while Kaap-Kunene and Fedfood would have 25 percent each

The investment embraces the building of a canning factory for pelagic fish at Iquique to complement Tarapaca's fishmeal processing plant there The machinery would be provided by the partners, mainly from surplus stock

The parties also envisaged building a fishmeal plant and cannery at Caldera

"After careful investigation Kaap-Kunene and Fedfood had ascertained that Chile is a variable country for investment and that the fish resources there held great potential for fishmeal and canning purposes There is at present a big demand for canned fish and fishmeal in South africa as well as on certain overseas markets"

It was agreed that Kaap-Kunene and Fedfood would exercise full managerial and technical control of both projects

The plant at Iquique was expected to come into production in August this year and the one at Caldera early in 1982

The announcement said "Estimates indicate that Kaap Kunene and Fedfood will invest about R6m in the form of machinery, cash and guarantees A very favourable yield on this investment is expected" — Sapa

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Fourth Year (Gold Medal)

P H Salmon
I J Cumming
D P Weeks
J H Rens
B F McCleland

Professor George Menzies Prize
Awarded on results of final examinations to the best male student in Land Surveying or Civil Engineering.

J H Rens

Sammy Sacks Memorial Prize
Awarded to the student with the best classwork in Engineering Drawing.

[illegible] Meneguldo

CHEMICAL

A E & C I Prize
For the first year student obtaining the highest average mark.

G L Cragg

Chile deal for SA

RDM 19/2/81 23

CAPE TOWN — Fedfood and Kaap Kunene have entered into an agreement to make a R6-million joint investment in the fishing industry in Chile. The Chilean company, Tarapaca, part of the industrial Camelio group, will hold a 50% interest and Kaap Kunene and Fedfood will have 25% each.

The investment embraces the building of a canning factory for pelagic fish at Iquique to complement Tarapaca's fish meal processing plant there. The machinery will be provided by the partners, mainly from surplus stock.

The parties also envisage building a fishmeal plant and cannery at Caldera.

A statement said "After careful investigation, Kaap-Kunene and Fedfood had ascertained that Chile is a favourable country for investment and that the fish resources there hold great potential for fishmeal and canning. There is a big demand for canned fish and fishmeal in South Africa as well as on certain overseas markets."

Kaap Kunene and Fedfood will have full managerial and technical control of both projects.

The plant at Iquique is expected to come into production in August this year and the one at Caldera early in [illegible].

The announcement said "Estimates indicate that Kaap-Kunene and Fedfood will invest about R6-million in the form of machinery, cash and guarantees. A very favourable yield on this investment is expected." — Sapa

BUSINESS

232

Edgars brushed aside in hectic share battle

Kirsh grabs Russells in R 33-m swoop

Star 19/2/81

In a R33-million market swoop this week, Kirsh Industries grabbed control of the furniture retailer Russells following a board rejection by Russells of its take-over proposals.

Kirsch Industries, controller of Kimet and Metcash yesterday snatched the group away from Edgars, which offered shareholders 385c a share on condition that a majority stake is acquired

At the beginning of the week, Kirsh Industries had only acquired 100 000 shares, but when Edgars announced its offer yesterday morning, Mr Natie Kirsh of Kirsh Industries announced that his group had already acquired a 35 percent interest in the voting issued shares Before lunch, the group acquired its majority stake of about 52 percent

Mr Adrian Bellamy says its offer would still stand, though Edgars is not on the look-out for take overs in furniture retailing at the moment. Edgars was rushed into the offer by Mr Kirsh's bid for Russells, though the group would have preferred to wait another two to three years to make this move.

As Kirsh Industries paid an average of 350c a share for its stake, it means it could make R3,2-million for its shareholders should the offer be accepted However, this was not the object of the operation

A combined turnover from Metcash, Dion's and Russells of R850-million this year and R1 000-million next year is forecast

The Mankowitz family retains management control of Russells, which is expected to continue its operations as in the past

Argus 20/2/81

232

Two Cape trust companies plan merger

THE Board of Executors, the 142-year-old Cape Town-based trust company which has become prominent in recent years, proposes to merge with a similar company in Port Elizabeth.

In a statement today the Board said it plans to form a new financial group with the Fidelity Bank and Trust Company of Port Elizabeth.

Fidelity is almost as old as the Board. It was established 124 years ago.

The directors of the two companies say many of their activities are complementary and they expect the merger to be of significant benefit to both their shareholders and clients

Apart from trust business, Fidelity's services include leasing, hire purchase and term finance.

The merger is subject to the approval of shareholders, and also of the Registrar of Banks, who has signified his agreement in principle.

It is planned to carry out the merger by forming a new holding company to be known as the Board of Executors and Fidelity Bank

Shareholders in the two companies will receive shares in the new company

It is proposed that Liberty Life and Guardian National Insurance Company, which hold 30 percent of Fidelity shares will be bought out for cash.

The merged group will then have about 1 000 shareholders.

No shareholder is to be allowed to hold more than one percent of the new holding company's shares, thus ensuring the continued independence of the new group.

Total assets of the merged company will exceed R30-million and assets under administration will exceed R300-million.

The new group will operate in five major centres — Cape Town Port Elizabeth, Durban, Johannesburg and Pretoria.

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Third Year (Silver Medal)

Miss N C Davidson

Fourth Year (Gold Medal)

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T J Cumming
D P Weeks
J H Rens
B F McClelland

Professor George Menzies Prize

Awarded on results of final examinations to the best male student in Land Surveying or Civil Engineering.

Argus 21/2/81

232

SAGE DEFENDS ITS OFFER FOR UNISEC

Argus Correspondent

JOHANNESBURG — In a takeover battle that seems to become increasingly fierce Sage has launched a defence of its offer to Unisec shareholders.

It says its offer of between 295c and 310c is fair despite Unisec's valuation of its true asset value at 400c a share and its improved results.

In an open letter, it tells Unisec shareholders not to rely on the 'apparent significant growth in Unisec's earnings until the source, quality and degree of continuity of those earnings are revealed.'

Sage draws attention to what it terms the 'mysterious reconstruction of Berg River Textiles,' alleging that its results were incorporated only once it was profitable

Unisec's voting control is disputed. Sage says it is about to start legal proceedings against Unisec to establish that Billhawk Investments and Newstock are not shareholders in Unisec, but subsidiaries

Further action is also considered to 'clarify the as yet unrevealed ultimate control structure of the Unisec group,' it says.

Sage alleges that Unisec's net asset value is 292c a share As Unisec is a going concern, the realisable value is irrelevant, Sage says.

Unisec's 1980 earnings of 28,7c a share is a return of only 7,2 percent on the Unisec directors' valuation, which is a below-average return and indicates that 400c a share is too high '

As the stock market has already fallen significantly since the end of December last year, its net asset value may already be significantly lower than the alleged 292c a share.

'It must be remembered that Unisec shares have traditionally traded on the JSE at an average discount to the net asset value of about 30 percent,' it says.

Unisec's failure to meet with Sage to discuss the offer, 'suggests that price may be irrelevant' and that the directors are trying to prevent management control of the group passing out of their hands, Sage says.

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J H Rens

Wholesaling and retailing separated

Kirsh empire revamped

RDM 27/2/81

~~30~~ 232

By DAVID CARTE
Deputy Financial Editor

THE KIRSH Group is to be reconstructed to separate its wholesale and retail activities in the wake of its acquisition of 54% of Russells and 30% of Dion's.

And to finance its R35-million Russells acquisition Metro Cash has raised R25-million through the issue of new shares and R10-million through the issue of prefs.

Metro has issued a million new shares at R25 each to Kimet and various institutions and has issued 10-million R1 variable rate redeemable prefs to a member of the Barclays group.

Kimet took half the new shares to maintain its 50% stake in Metcash and Tiger Oats and institutions including Liberty Life, African Eagle, Life, Legal & General, Volkskas and pension funds took the rest.

Dion's and Russells are to go by means of a share swop at cost into Coki Corporation, the listed cash shell. This is to become the group's retail arm and will head the Kirsh Group's major drive into retailing. Coki will sell its 25% stake in Constantia Insurance to the Kirsh Group.

Metro Cash & Carry is to change its name to Metro Corporation. This will own 100% of Metro Cash & Carry, the wholesaling arm, and 95% of Coki, the retailing arm (see diagram).

Mr Natie Kirsh, chairman of the Kirsh Group, said the Russell's takeover and the group reconstruction would benefit the earnings and assets of Kimet, Metro Corporation and Coki.

The deal would theoretically lift Kimet's earnings from 32c to 44,5c a share, Metro Corp's from 290c to 399c and Coki's from 7,5c to 20,7c.

Because its stake in Metro Corp remained constant Kimet's net assets would be constant on 300c but Metro Corp's would rise from 563c to 996c and Coki's from 134c to 160c.

The figures are theoretical because the companies have different year ends. These are to be brought into line.

After the deal, Coki will emerge as a large scale retailer with expected sales of R550-million and pre-tax profit of R20-million next year. It has no borrowings.

Metro's cash and carry wholesale sales are expected to beat R650-million, so Metro Corporation is budgeting for sales of R1 000-million next year.

Mr Mervyn King has been appointed chairman of Coki which, according to Mr Kirsh, will forge its own way independently from the wholesaling arm.

Mr Kirsh said Metro Corporation's 95% stake in Coki could be reduced through the issue of shares for acquisitions if and when these arose. Coki could expand without recourse to Metro.

The public could participate in the Kirsh group's growth through Coki, Metro or Kimet.

Mr Kirsh said he was delighted with his Russells purchase which he had obtained for only 3,6 times earnings. He was mystified how a company which had increased earnings seven times in 10 years could have traded at such a large discount to true worth for so long.

As good as Russells performance was, he said Dion's made it look "pedestrian". Dion's he felt sure, would be "the retailing name of the 80s". Dion's through high-[illegible]

but thanks to large tax savings would add immensely to cash flow. He would like to see Russells switch to Lifo, but this depended on the Russells board.

He confirmed that Metro was investigating with SA Brewers, Cape Wine & Distillers and other liquor producers the concept of wholesaling liquor on cash and carry lines.

"We would like to be able to do for the liquor producers what we are doing in Metro for the food companies — low cost distribution. The idea is to set aside a part of certain Metro stores for liquor.

Hotels, clubs, restaurants and small independent bottle stores or off-sh-beens when they are legal could find a wide range of liquor at competitive prices. And the liquor companies would be saved the hassle of distribution.

The project was in its infancy and would have to be approved by the liquor majors, then by the authorities.

Asked whether Metro would make an offer to Russells minorities he said: "No. The only people who are demanding an offer to minorities today are those who did not sell to us when they could. They were holding out for a higher price from another bidder. I have brokers' notes to show that we bought every share we have through the market."

Mr Kirsh said the new Metro shares had been privately placed as a rights issue was out of the question with the market so soft.

[illegible] shares at 100c the current market price.

The Kirsh Group will pass on its 16 194 000 Coki shares to Metro for R25 910 000 to be satisfied by the issue to the Kirsh Group of 1-million new Metro shares at R25 a share and the balance in cash.

The Kirsh Group will place these privately as described. Kimet will pay for its 500 000 new Metro shares by the issue of 4 500 000 Kimet shares at 278c.

Metro will sell its interest in Dion's to Coki for R11 500 000 or 7 188 000 Coki shares at 160c.

These arrangements are subject to ratification by shareholders.

At the end of these transactions Kimet will have an issued share capital of R21 559 492 divided into 20 995 000 shares of no par value and 9-million redeemable cumulative prefs of R1.

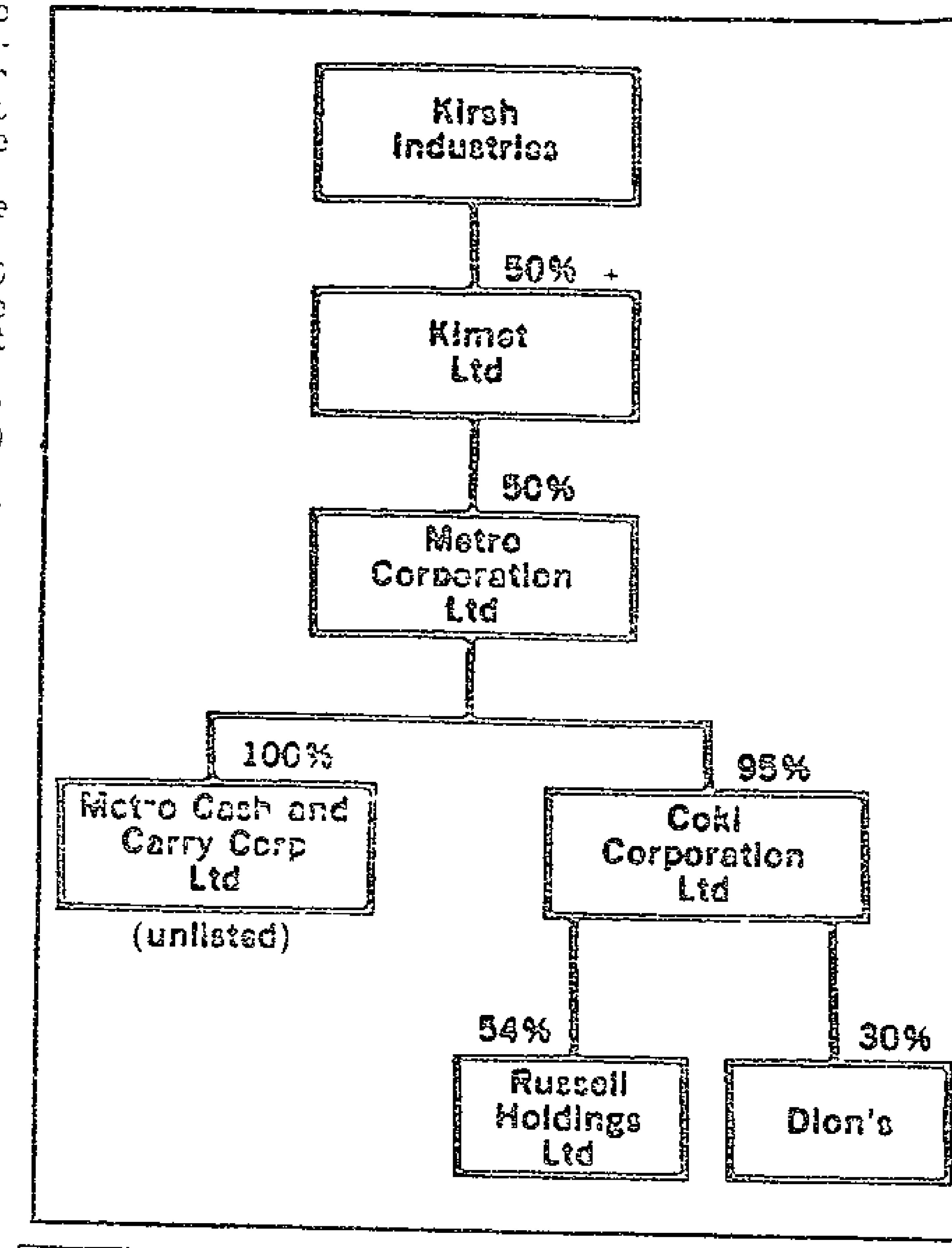
Metro will have an issued share capital of R2 413 500 divided into 4 712 000 ordinary shares of 50c and 5 750 000 redeemable convertible cumulative preference shares of R1.

Russells issue share capital will remain at 24 753 000 shares less 6 572 000 shares held by a subsidiary — in other words 18 181 000 shares of 10c.

Coki will have an issue share capital of R15 125 000 divided into 30 250 000 shares of 50c.

All the new shares will rank equally with the old but the new Metro and Kimet shares will not rank for dividends for the financial year to February 1981. All the financial years will be brought into line with Metro's which ends on the last Saturday of February.

The family tree



RDM

27/2/81

(232)

powered, brilliant marketing had established a strong presence in the home goods market nation-wide All it needed for dramatic expansion was to open branches

Mr Kirsh said Coki would need to buy another 3% of Russells to maintain a 50% holding after holders converted their convertible debentures in 1982

Metro would soon switch to the lifo method of stock valuation This would reduce declared earnings substantially

The reconstruction is to be achieved as follows

Metro will acquire from the Kirsh group 5 221 000 Coki shares at 140c a share

Coki will acquire from the Kirsh Group 9 826 000 Russell shares for R35 039 000, the cost of these shares to the Kirsh Group Payment will be by 16 194 000 Coki shares at 160c, the current market price and R9 129 000 in cash Coki will sell to the Kirsh Group 1 030 000 Constantia Insurance

26/2/81

Fedmis-Triomf split recommended

Political Correspondent

CAPE TOWN — The Competition Board has found practices in the fertiliser industry which are not in the public interest.

In one of three reports tabled in Parliament yesterday the Board recommended that an agreement between Triomf and Fedmis be terminated.

The recommendation could severely affect the interests of fertiliser magnate Mr Louis Luyt.

The Board found that the market-sharing agreement between Triomf and Fedmis constituted a restrictive practice which could not be justified in the public interest.

The Board recommends that the termination of this agreement should be reconsidered as soon as a further plant for the manufacture of ammonia has been erected which will be able to supply the full nitrogen needs of the fertiliser manufacturers.

In the Board's two other investigations no restrictive practices were found in the poultry industry, but it recommended a 20-year-old agreement with the Federation of South African Sanitary Ware and Hardware Merchants' Associations should be terminated.

Mr Oliver Hill, managing director of a small fertiliser company, said he believed the Board's judgment was fair.

If accepted by the Government, it would provide for more competition and be in the best interests of the consumer.

He said despite enormous pressure to represent the interests of Triomf and Fedmis the comments would come as a surprise for the fertiliser industry who thought that it "was going to come out smelling like a rose".

Copies of the reports can be obtained from the Competition Board, Private Bag X18, Pretoria, 0001.

Argus 16/2/81

(232)

Fertiliser agreement 'restrictive'

Political Staff

THE Competitions Board has found practices in the fertiliser industry which are not in the public interest

In one of three reports tabled yesterday, the board recommended that an agreement between Triomf and Fedmis be terminated

The recommendation could affect the interests of Mr Louis Luyt, South Africa's fertilizer king

The board found that a market sharing agreement between Triomf and Fedmis constituted a restrictive practice which could on balance, not be justified in the public interest

NEW PLANT

'The board recommends that the termination of this agreement should be reconsidered as soon as a further plant for the manufacture of ammonia has been erected which will be able to supply the full nitrogen needs of the fertilizer manufacturers'

It also recommended 'that more favourable conditions should be created for entrepreneurs for entering the distribution of fertilizer as dry-mixers'

The board found no restrictive practices in the poultry industry

CHEMI

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Sammy Sacks Memorial Prize

Awarded to the student with the best classwork in Engineering Drawing.

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Two big buys made by Charter

STAR 232 26/2/81

Colin Campbell
Financial Correspondent

LONDON — Charter Consolidated has made two important acquisitions for an estimated outlay of R52,2-million

It has bought the Alexander Shand group of companies from BP, one of the largest producers of open-cast coal under contract to the National Coal Board in Britain, and a half interest in Speno Rail Services, a leading rail-track maintenance company in the United States

Shand, with Charter's support, will develop open-cast coal mining on contract and for its own account overseas, and also takes Charter into open-cast mining in the US

As part of the transaction Charter acquires Amselco Shand Inc, which owns the Fulton mine in Indiana which produces 250 000 tons of coal a year

Shand's other interests include building, civil and mechanical engineering, quarrying, plant hire, and the sale and servicing of plant for the mining industry.

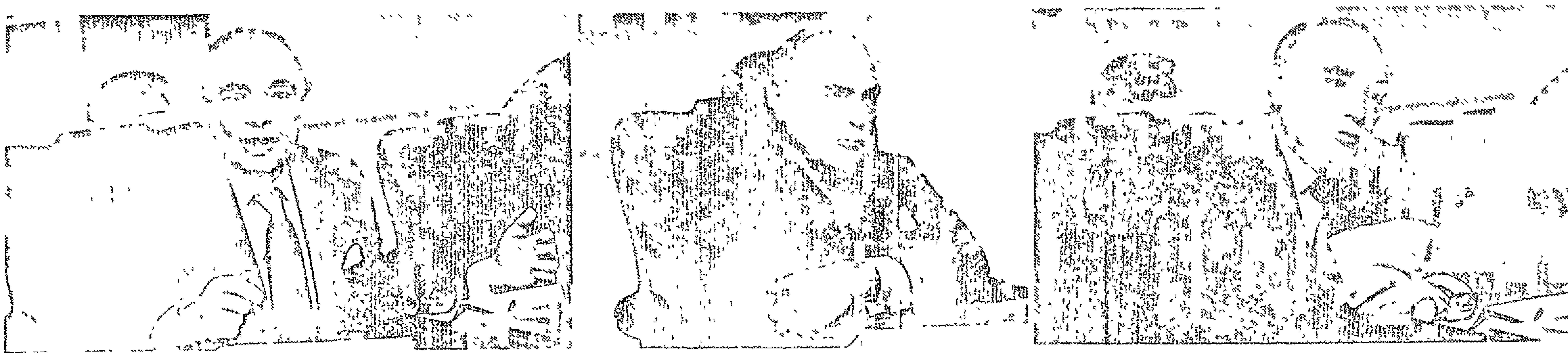
WORLDWIDE

When BP made its offer for Selection Trust last year it was announced that Charter was holding discussions with BP about buying Shand It now says the cash consideration for this group will be R43,15-million.

The acquisition of a joint stake with the Panetti group of Geneva of Speno Rail Services is being made through Charter's wholly-owned subsidiary Pandrol International — which is involved in the rail-track business worldwide.

Charter's chief executive, Mr Neil Clarke, says the new investments are "particularly attractive opportunities" and are of considerable significance for Charter — especially because of the rail — energy connections.

The creation of a world investment vehicle



By injecting into Minorco most of the important holdings outside South Africa of Anglo American and De Beers, Mr Harry Oppenheimer has created the world investment vehicle he has long wanted, The Times said in London today.

Mr Oppenheimer is shown in three different moods at yesterday's Johannesburg press conference. The pictures were taken by The Star photographer Mark Peters.

○ Self-financing is company target

● Oppenheimer 'thinks of the Americas'

Minorco's share capital gets massive boost

By Geoff Shuttleworth

Minorco's issued share capital is to be increased by 59.1 percent to 159.1-million ordinary shares and its asset base is to be enlarged to about 2 000-million US dollars — an increase of 807.1-million dollars.

The reason for the increase in the share capital is to pay for the new assets which include the combined 29.8 percent Anglo/De Beers interest in Consolidated Gold Fields [illegible] in Charter representing 35.8 percent of its share capital and all [illegible] share and [illegible] of Amcan not already owned by Minorco, thereby making Amcan a wholly owned subsidiary of Minorco and raising Minorco's interest in Hudson Bay to 44 percent.

[illegible] last night Anglo chairman Mr Harry Oppenheimer said that over [illegible] years he has tried to build up Minorco as an overseas investment arm and the steps taken in 1979 were a certain step in the direction [illegible] that time Minorco was given a 10 percent stake in Anglo and 50 percent of Amcan.

He wanted Minorco to be big enough and powerful enough to finance itself. In addition because of the 75 percent asset and earning dependence on [illegible] Minerals Corp, it had been decided to [illegible] investments and to boost its actual cash income from other sources such as the ones referred to above.

Actual cash contributions under the 1978 arrangement were still relatively small and did little to enhance borrowing potential. Through dividends from Charter, Consolidated Gold and Amcan its cash receipts will be considerably increased.

The combination of the substantial asset base, small existing debt and expected improvement in the level of cash retentions will increase significantly Minorco's borrowing capacity and hence its ability to [illegible] of attractive investment opportunities [illegible] in natural and other natural resource industries, the [illegible] noted.

Asked into which area of [illegible] Minorco was likely to move, Mr Oppenheimer [illegible] that in the immediate future "we are thinking [illegible] of the Americas and are hopeful of new business in South America."

He noted that in respect of Charter there was a tone of element of the UK and the continent in its sphere of operations.

The effect on Anglo De Beers and [illegible] will [illegible] the increase in [illegible] value [illegible] holders [illegible] in the long term advantages. In the short term there will be no material effect on the earnings or net asset value of Anglo De Beers and Charter.

Under the new proposals [illegible] Minorco [illegible] expected to [illegible] in the [illegible] making a [illegible] total. In [illegible] of at least 30 a [illegible].

The new proposals mean that Anglo will own [illegible] stake in Minorco [illegible] percent and De Beers will hold 2[illegible] percent.

Asked why Anglo and De Beers will hold such a high percentage (66 percent) Mr Oppenheimer said that Minorco paper could be used to raise cash and the current proposed Anglo De Beers holding could be diluted and the 66 percent stake catered for this possibility.

● The issue price of the new Minorco shares is to be based on the average market value of Minorco over the four weeks ended February 24.

● The listing of the shares of Minorco will be reinstated today.

● A circular setting out full details will be posted to shareholders about March 6.

The final in the offing

Results for Minorco's first six months ended December 31 show that a 6c a share interim dividend has been declared and that according to [illegible] is in the offing, writes Geoff Shuttleworth.

Results for the immediate prior period, that is the second half of its financial year are a better comparison than those of the 1979 interim results [illegible] no revised figures are available which take into account the restructuring [illegible] effected in December 1979.

Comparisons of earnings with the review period and the last six months of the immediate prior [illegible] show that earnings retained rose to 236.2-million US dollars as against 169.4-million dollars before. Net earnings for the period were [illegible] million dollars against ~~214.8-million~~ [illegible] prior six months and 37.6-million in the last interim results.

KIRSH/RUSSELL (232) FM 27/2/81

Background to a big bid

Nathan Kirsh committed over R34m to the stock market in his spectacular takeover of Russell Holdings in two dramatic days last week He was merely confirming, in his biggest deal yet, the chutzpah that has marked his meteoric, and sometimes controversial, career There is doubtless more to come He thinks fast, acts fast, and he is tough He drives a hard bargain and is a brilliant, if hard, negotiator

But the key to his success lies in two revealing quotes First "I run my own business — I take advice, and I make the decisions" And "Yes, I'm tough — if tough is the ability to make decisions, particularly unpleasant decisions, and not run away from them" He doesn't appear to make the same mistake more than once

His toughness and the way he moves fast enough to turn most situations to his advantage, become clear when one looks at the big breaks that have taken 49-year-old Natie Kirsh from relative rags to very real riches — and the ability to lay out the sort of money to set the Johannesburg Stock Exchange on its ears

The story starts some 20 years ago when, leaving younger (by two-and-a-half years) brother Issy, who is now his partner, to mind the family ranch (or malt factory) in Potchefstroom, Natie and his childhood sweetheart Frances set out to seek fame and fortune in Swaziland

That they so successfully achieved both is due entirely to Kirsh's single-minded devotion to hard work plus a lot of ability and skill — and "the big coups" The first, of course, was the decision to go to Swaziland of itself

• He was backed initially — "I had no money, so how else could I start on my own — by Laurie Jaffee Reuben Rutowitz Bennie Wainstein (who sold to start Tastic Rice) and the Ginsbergs of Bethal Mills Over the years some sold out and were replaced by Stan Cohen of OK Bazaars, Josie Katzenellenbogen and Len Shawzin of Truworths and Jerry Goddard One of the favourite stories of Lionel Katz, now chairman and MD of the Kirsh-controlled Metro, is that he was offered an initial participation in Kirsh/Swaziland, declined it — and then lost the money in his alternative property venture Moral Natie is better than bricks

The Swazi venture prospered and all the backers, whom Kirsh bought out eventually, made money Initially he went into milling — largely because nobody else wanted to "The Natal Co-op had lost money and so had the (then British-controlled) Swazi government None of the SA milling companies wanted to go in, so I did, but only after six months' negotiations with the government, and having the agreement ratified by the Swazi nation"

From that small beginning, and living with Frances and two children in a small flat over the offices at the mill outside Manzini ("there was a rice-drying plant outside the window which ran 24-hours a day, it nearly drove us bonkers while our first Swaziland house was being built") came a trading empire that spanned Swaziland And a commitment from Kirsh (a Swazi passport carrying citizen) to his adopted country

By 1970, however, he decided to negotiate the sale of half of his Swazi interests to the State "Call it voluntary nationalisation if you like, but I felt we were getting too big — so we had to get the government in as a partner or get out"

Government got in and now owns 50%, while Kirsh remained with the balance and still manages the group He was able to invest the proceeds as and where he wished so the payment became the basis of the Kirsh family s far from negligible foreign asset base

• In the meantime, with Kirsh still unknown to the public — or to the business community for that matter — another golden opportunity came up in the shape of the 1966-68 great SA beer war The UK's imperious Colonel Whitbread was losing millions of his shareholders' money in his vain struggle to breach SAB's monopoly Enter Kirsh "Whitbread was losing money in all directions including an expensive maltings it had built at Alrode So we (it was Kirsh Holdings in those days) came in on a 50/50 partnership and turned the maltings round and made it profitable" He was appointed to the board of Whitbread SA and was very much involved in the differential brewery tax negotiations which led to big breweries such as those of SAB being taxed more heavily than smaller ones like Whitbread's But that didn't save the Colonel, who eventually sold out to SAB Kirsh, however, got the other 50% of the maltings and several years later he sold it on to SAB in a deal which "further increased our capital base" That's Kirchese for a very good profit

• In May 1969, at the peak of the bull market, Kirsh made his first entry onto the JSE scene when he bought control of Moshal Gevisser, a somewhat stodgy old-time wholesaling business with which he had close contacts through his Swaziland businesses Some of these, and also the Kirsh SA interests, were sold to MG for shares and Kirsh borrowed money to buy sufficient other shares (mostly from 74-year-old Sol Moshal) to give him 50% control His bid price was 325c but the share soared to hit 640c at one stage Then came the market crash (see box)

• Barely two years later Kirsh had had enough of the exposure that goes with running a listed company and in April 1971, in a move then unprecedented on the JSE, he bought back his company from the public with an offer worth about 200c a share As he puts it now "I was more than a little sore about the flak I got and as I saw everything, including MG, slowly slide into the mud on the JSE, I decided something had to be done I came to the conclusion that I would give my shareholders a break by paying them 50% above the market price (then 130c) and give myself a break by buying back my own company I d never sold a share myself, so I took out the minorities including the prefs, and became a private company again — which my group is to this day" That's a reference, of course, to the family-held controlling company of today's Kirsh empire — Kirsh Industries

• After a few relatively quiet years, in which the group grew apace, Kirsh again erupted on the public scene in 1977 with his battle with Rudi Frankel and Tiger Oats for control of Metro Cash & Carry It led to hard words and even litigation but Kirsh won — and emerged with 50%-plus control

There had long been close connections between Kirsh and Metro s Lionel Katz but, in an earlier coup dating back to 1970, Frankel won 30% of Metro from under Kirsh's nose — While Sol Moshal was chairing a long board meeting Tiger stepped in and snaffled the company" Since then, Kirsh has had few long board meetings

So Kirsh started a Cash and Carry wholesaling operation in competition with Metro Trade Market was an immediate success, so "Two years later, when it looked like the competition might start hurting us both, we merged Trade Market with Metro We got 30% of Metro then, and with the issue of the new shares, Rudi dropped to 17% He insisted on equal shares so we both ended up on 23% and later we both went up to 30%" Those shares cost Kirsh about R1m, today they are worth about R30m

They worked well together for a few years Then, when Tiger was on the acquisition trail, Frankel spoke to Kirsh about their joint shareholdings Kirsh was prepared to sell at 550c, but Frankel was only willing to offer 350c "So obviously there was a big difference of opinion on values

YOU CAN'T WIN 'EM ALL

Early in 1970, Kirsh ran into strong criticism for his failure to make an offer to the minorities in Moshal Gevisser, which he had taken over in May 1969 The background was that MG shares for which he paid 325c, soared to over 600c in the raging bull market, and, in the euphoria of the time, no bid (at 325c) was made, though the merchant bank acting then for Kirsh had undertaken to make the formal, but then unnecessary bid

Six months later after the market crashed, MG shares had tumbled to under 200c, and the question of the "missing bid" was raised With Kirsh, who is prickly proud of his reputation the matter still rankles "I was young and naive, and it was really up to the merchant bank to honour their previous undertaking — I've never done business with them since It taught me a valuable lesson, though — I should have sued"

• At roughly the same time, and a matter which probably had some bearing on the fact that Kirsh did not personally see to it that the MG minority bid was made, the Rave/Anstey setup was threatening to collapse around Kirsh's ears He was chairman and, as such, felt very responsible for the mess into which cousin Dion Friedland's discount empire had descended Earlier, they had reversed 23-year-old Friedland's Rave into ailing public company stores group Anstey, but the whole thing threatened to fall apart "Rave was great and growing, but Anstey was old and dying The trouble was that when the two were mixed together, everything came adrift All the ablest people left and I had to bring in the entire top staff from MG to prop it up"

But a sound solution was found — Rave/Anstey was sold to Greatermans "They then proceeded to lose R10m And Dion, who had been overseas, and who had learned a hell of a lot, especially in the US, bought it back for peanuts 10 years later The year before he bought it back, it lost R3m — he cleaned it up in one year"

Kirsh now regards his young cousin as "the best merchandiser I've seen anywhere in the world" — and in typical Kirsh fashion, he put his money where his mouth is when he recently bought, for R11m, a 30% stake in Rave's successful successor, Dions "I came back in at a slightly higher price than I got out"

• 1975 When Oliver Jessel's star faded in the UK, his SA arm, Vavasseur, was up for grabs, and Kirsh was a leading contender When he was pipped at the post by the brothers Trump, he was generally regarded to have lost out "No ways — that's not one that got away The more we looked at it, the less we liked it — we never went firm on an offer, and you know what happened to the people who bought it"

• 1979 saw what was probably Kirsh's biggest clanger — his R2m purchase of Marine and Trade, a sort-term insurer which saw the fruition of a long-held ambition to enter this market But M&T was not what it appeared to be, nor what it had been held out to be A forecast profit of R500 000 turned into a R1,7m loss, and many a small shareholder, who had bought into M&T on nothing other than the magic of the Kirsh name, was facing a hefty loss In the teeth of his advisers, Kirsh proceeded to make stock exchange history, he offered to buy back the shares at each person's cost price — a deal which cost him over R300 000 M&T, now renamed Constantia, has come right, and Kirsh emerged with the goodwill that his quixotic gesture brought him

Kirsh . . "I don't do unethical things"

• 1980 saw a clear defeat — Tongaat trumped Kirsh's bid for H Lewis The reason for this failure went back to the formation of Kimet, when Kirsh, in order to secure control of Metro, issued R9m of part pref shares to Tony Bloom s Premier Milling Kirsh got the R9m he then needed, but, when he went to bid for Lewis he found that the participating rights of the Bloom prefs tied his hands — "that participation pre-empted our growth, and I was trying to negotiate its cancellation in the middle of the Lewis deal, we really couldn't deal until we bought Tony out While we were dithering, we lost the deal So I said to Tony — put a price on it And he did — R3,6m"

As Kirsh notes 'We financed that R3 6m by selling a half-share in Glencairn" (the building previously half-owned by Kimet in which Kirsh has his luxurious offices — one of Johannesburg's most glamorous 'executive suites') "for R3,25m — and on the balance of income/outgo, we're well ahead and we made R2m profit on the building"

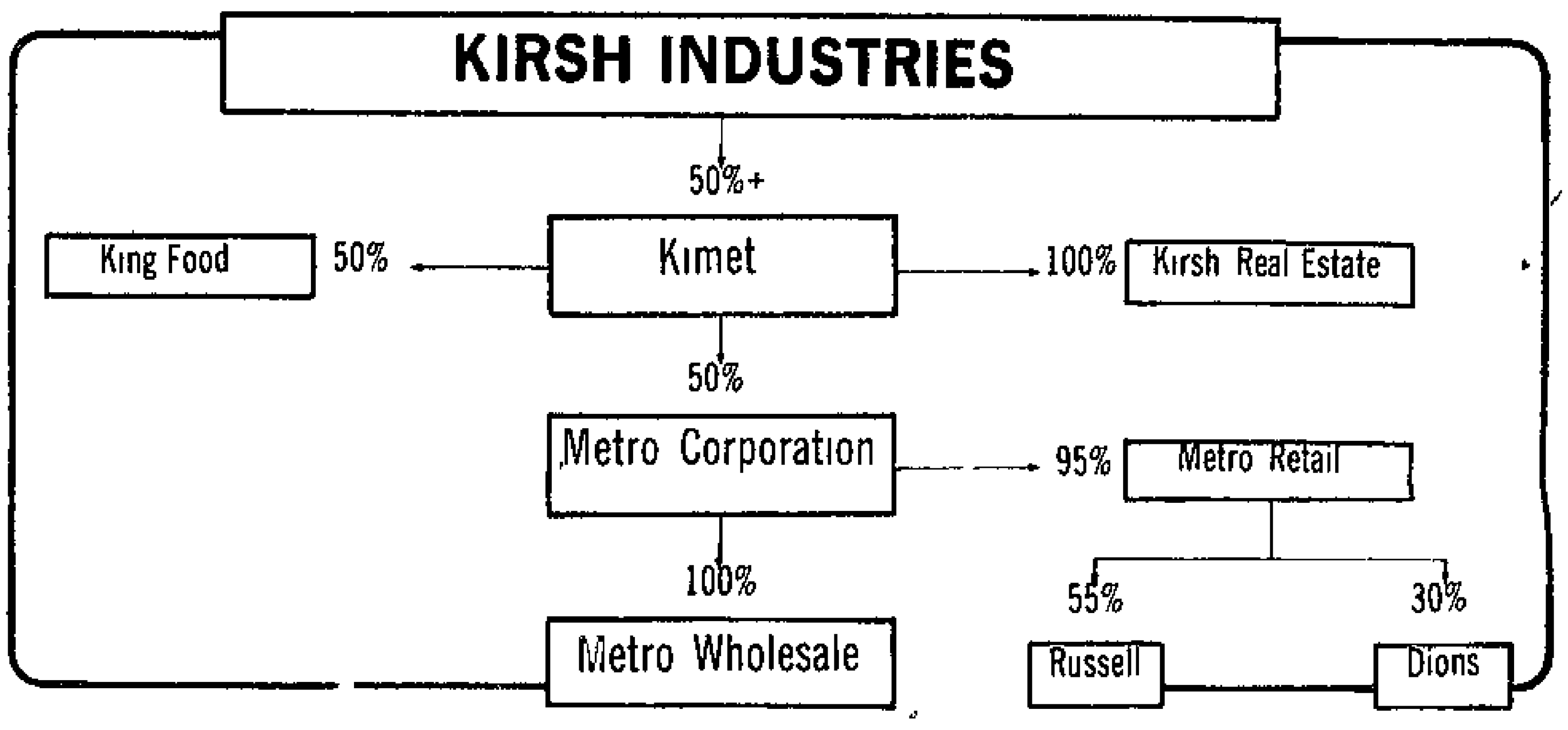
• Later in 1980 came the rebuff that hurt most of all — the defeat, by virtue of Old Mutual's R50m share buying spree, of Kirsh's attempt to 'pirate' his old adversary, Rudi Frankel, with a cheeky bid for his Tiger Oats Kirsh is philosophic now "Despite the battles over the years, I personally get on well with Rudi I've great respect and a high regard for him And we have never had a serious difference of opinion on how our two joint companies (Metro and King Foods) are run"

That's how it is with Kirsh, he bounces back from his defeats — real or seeming — smelling, as the proverb has it, of roses, or perhaps money

Anyway, we bought out the other holders at 650c and I offered Rudi the chance to buy half from us at that price He responded by trying to interdict the deal"

The case, which Kirsh won, came before Acting Judge Mervyn King who, ironically, after retiring from a permanent judgeship three years later, became Kirsh's right-hand man and is shortly to become chairman of the Kirsh group's newly emergent retailing arm

The major muscle of this new arm (see chart of how the *FM* thinks the group is likely to shape up) is Russell Holdings, and the way the battle for this was won is typical Kirsh and his advisers, Barclays Merchant Bank, did their homework well and first approached the major institutional shareholders in Russell for their tacit approval of a cash-cum-paper bid for 50% of their Russell stakes With approval forthcoming the Russell board was approached When it rejected the advances, the heavy market buying campaign was launched and Kirsh was able to announce a 35% stake soon after Edgars showed its hand with a firm bid Edgars was too late, and offers of shares swamped Kirsh and King "We couldn't keep track and we ended up with a few percent too many"



The actual purchaser was Kirsh Industries, bankrolled by Barclays and Standard KI is selling its Russell stake, at its all-in cost, to Metro for 1m new Metro shares plus approximately R10m in cash The cash comes from a placing of R10m of "floating rate" pref shares by a Metro subsidiary Kimet, to maintain its control of Metro, is purchasing 500 000 of the new Metros, and is issuing 4,5m new shares to finance this

The placing of the 500 000 new Metros, in addition to those to Kimet, (at R25, for R12,5m) and the 4 5m Kimets (at 278c, for R12,5m) — a total of just R25m — took just four hours, with King and Kirsh on either side of Kirsh's desk each keeping the tally on grubby sheets of paper That was done last Friday — "We couldn't do it immediately after the deal on the Thursday as I had to go to Swaziland for an Electricity Board meeting"

A useful spin-off from the deal is that Kirsh now has institutional backing Very few institutions were in before — the only institution that foresaw Metro's growth was the Anglo group — but the new shares are held by, among others, Liberty Life, African Eagle, Legal & General Volkskas and the pension funds of Anglo American, AECI and Premier Milling

Metro's name will now be changed to Metro Corporation to reflect its new interests and with Kirsh now firmly into retailing — the retail arm will have a turnover, at annualised current rates, of nearly R400m (with the wholesale arm pitching in about R600m, to put the whole group just above the magic billion) — and with control rigidly held in a structure that gives plenty of scope for further takeovers, there is little doubt that a good deal more action will be seen before Natie's 50th birthday party next January

STATESIDE

Kirsh's US interests in partnership with Metro now comprise three Metro-style outlets in New York, with one due to open shortly in Philadelphia and two more planned for New York The newer units are big — designed for a turnover of R100m per unit

The original capital of $1,5m ("which we blew rapidly") was held as to 50% by Metro, 25% by Tiger and 25% Kirsh Overseas These holdings were maintained when the capital was expanded to $2,2m, but with no further Exchange Control consents forthcoming, the recent expansion of the capital base to $10m meant bringing in a new partner, the German Metro Grossmarkte group (the name is a coincidence), with Kirsh Overseas putting up more cash as well

The shareholdings now are Kirsh Overseas, 44%, German group, 38% and Metro, 18%

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Anglo eyes oil after its restructure of Minorco

S Times 1/3/81

AGGRESSIVE FORAYS INTO WORLD MINERALS LIKELY

By Andrew McNulty

VAST new international muscle, likely to precipitate aggressive forays into energy and minerals overseas, has been created for the Anglo American-De Beers colossus

This has been achieved by the restructuring of the Bermuda-based Minerals & Resources Corp (Minorco) announced late this week

Energy — oil in particular — is considered the most likely target of Anglo American Corp chairman, Harry Oppenheimer

This was the consensus of analysts in Johannesburg on Friday

The restructuring — which transfers to Minorco AAC's and De Beers combined holdings of 28 9 percent of Cons Gold, AAC's entire 35 8 percent interest in Charter Consolidated and makes Anglo American Corp of Canada (Amcan) a wholly-owned subsidiary of Minorco — results in a self-funding overseas investment arm with assets of more than $2-billion (R1 660-million) and rich cash resources

The repackaging of the group's international operations was presaged in Business Times (December 21) which predicted a gearing up for major overseas acquisitions routed through Charter and/or Minorco

Minorco has for months enjoyed a high rating on the Johannesburg Stock Exchange, with a dividend yield of only 1 percent on Thursday's closing share price of 1 570c

This rating is attributed largely to Minorco's 27 percent interest in Engelhard Minerals and Chemicals Corp (EMC), which derives much of its earnings from oil and contributed more than 70 percent of Minorco's earnings although EMC is not a high dividend-payer

Benefits in the short-term, according to one analyst, are unlikely to mean a significant impact on Minorco's dividend flow during the next two years

But Minorco, and the holding companies now have the clout necessary to grow as a major force in world minerals and energy

Concentration of overseas operations in off shore Minorco will also help shield AAC and De Beers where activities may be sensitive to South African origins — or to investigations by monopolistic conscious Americans into their substantial US operations

At a Press conference to announce the reshuffle, Mr Oppenheimer said that Minorco s principal interests would be in natural resources "things Anglo and De Beers know most about"

He said the group is not interested in taking control of EMC, nor has it changed its assurance that it is not seeking control of Cons Gold

Although there was no specific plan Mr Oppenheimer said, developments were hoped for "the sooner the better those going to deliver at Sunland clinic. At Bersheba the cost of reaching facilities other than on clinic days was R4,38, in Suurberg R6,11 at any time, if free lifts were not available. These amounts should be compared with the wages prevalent in the area e.g. R6 - 8 per week for workers starting at the citrus packing co-operative, R25 - 40 per month for farm labourers with varying payments in kind, and pensions, R36 over two months for Africans and R45 for 'coloureds'.

Doctors' fees have already been discussed, in comparison with those charged to whites and with the probable [illegible] treatment they are [illegible] (mainly the old), who cannot drive and have no access to lifts. Most whites are covered by Medical Aid. However those who suffer from chronic illnesses other than a recognized disability tend not to be accepted for medical insurance after the onset of their illness and their treatment can be a severe financial embarrassment. There is also an upper limit on payments by Medical Aid, so it does not protect against catastrophic expenses.

AFC's big stake in Messina

832

Financial Correspondent

LONDON — African Finance Corporation and its subsidiaries now hold a 26,5 percent stake in Messina (Transvaal).

The latest round of buying takes AFC's stake to 2 658 600 shares in the copper-industrial group.

The London Stock Exchange has been informed of the AFC holding as at January 31, and details have been reported.

AFC is known to have been nibbling at Messina on the Johannesburg and London stock exchanges, and the 26,5 percent stake suggests that other developments are in the wind.

4.4. Discussion

The proportion of the sample who had transport difficulties should not be taken as representative of the community as a whole since it was taken disproportionately from the locations. On farms there is more likelihood of obtaining

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a lift from employers, certainly in the event of an emergency. But farmers interviewed complained that their employees often did not tell them about illnesses in their family until it had reached a late stage. In fact most people coming to the clinic for minor ailments arrived by foot, and the Kirkwood district surgeon said that only about 1% of his 'state' patients were brought by employers, but it seemed that the further away was the health facility the more ready employers were to give a lift. In the Suurberg area 11 out of 24 attendances to health services recorded were with the aid of a lift from the hotel, which sent a daily vehicle to Addo (though sending patients to the doctor entailed waiting most of the day to pick them up again). Nevertheless, because of the amount others had to pay, or the sheer non-availability of transport, people in Suurberg expressed an urgent need for easier access to health services. A meeting of over 20 people convened itself within an hour when the purpose of the research was known (see Appendix II) to impress upon me the demand for a mobile clinic, even with higher charges if need be.

Thus within the valley it was mainly the employed who were able to obtain lifts, non-working women and elderly being at a disadvantage, and even with the employed difficulties in communication with employers or other factors meant that a large proportion had to travel independently. Moreover, even if employers did readily take people from their farms to a health facility when sick, this is not sufficient or the best way of safeguarding health. It merely ensures curative care. Of equal, and perhaps greater importance are the preventive services rendered through the child health clinics and, not least, family planning sessions. Employers were not likely to give weekly or monthly lifts for this purpose and should not have to - independent transport of workers and their families, or the availability of the services within 6 km seems an essential condition for effective preventive services.

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RDM 4/3/81

Fedvolks gets 75% of Firestone

192 88 82 232

By DAVID CARTE
Deputy Financial Editor

FEDERALE Volksbeleggings has bought 75% of Firestone SA from Firestone of the US for an undisclosed sum

Partly to finance this deal, FVB has also announced a R30-million rights issue of 9,5% R5 convertible preference shares

This is the second large acquisition FVB has made from a major North American company in the past year. Last March it bought 75% of Massey Ferguson from that company's Canadian parent

Firestone SA "has about 25%" of the South African car tyre market, Federale chairman Dr P Rousseau told a news conference yesterday. He believed this made it No 2 in its field

It has two major factories, one in Port Elizabeth and one at Brits and employs 2 600 people

Dr Rousseau stressed that the sale was not "disinvestment from SA" by Firestone US. He said Firestone US sold to FVB as part of a new policy of involving partners in its overseas operations

He showed reporters a copy of a letter from Mr John J Nevin, president of Firestone US, stating "It's my view that companies like the Firestone Tire and Rubber Company will be more successful overseas, long term, if they associate themselves with partners who are nationals of the countries in which we are doing business"

Firestone has such associates in Japan, Mexico and Spain

Firestone US is under new management and is also trimming its sails in the recession selling off other subsidiaries as well

Dr Rousseau said the management of Firestone SA was nearly entirely South African and would not be changed

Mr Peter Morum stays on as managing director and Firestone US will have two representatives on the board — its president, Mr Nevin and vice president Mr Jack M Cornely

Dr Rousseau said Firestone SA would continue to benefit from US know how and a technical agreement had been signed

The reason price has not been disclosed, according to Dr Rousseau, is that the details are subject to exchange control regulations — always a sensitive issue

Dr Rousseau confirmed that Firestone SA would use synthetic rubber from Sentrachem's R150-million plant being built at Newcastle. Sentrachem is also a subsidiary of FVB

The convertible prefs will be issued on a basis of 22 prefs for 100 ordinary shares. They will be convertible when the ordinary dividend exceeds the pref dividend of 47,5c. Sanlam will underwrite the issue

While it was unprepared to comment on price, profits or even turnover, Federale said the acquisition would be favourable to profits. Dr Rousseau would say only that the acquisition would absorb more than half the R30-million being raised by the pref issue

COMMENT Perhaps Firestone does want a South African partner and perhaps it is trimming its sails internationally, but it is hard to imagine that the political problems of US investment in SA did not enter the equation. Especially with the Rev Mr Sullivan breathing down US companies' necks

For this reason I would suspect that Firestone US was a fairly willing seller and the deal will turn out favourable to FVB

The closest I could get to a price was one FVB source's statement that this was a "big" acquisition, amounting to something like 10% of FVB's assets. Last year these were about R358-million

US top two stay on tyre board

Federale takes 75 percent of Firestone

9/3/81 STAR 232

By Ann Crotty

Federale Volksbeleggings, one of South Africa's 10 biggest private enterprises, is to buy a 75 percent interest in Firestone South Africa, subject to Government approval.

The managing director of Firestone, Mr Peter Morum, said that the price paid by FVB for its 75 percent stake could not be disclosed at this stage because the terms were still subject to approval by the State

The US company will retain the balance of the share capital of Firestone South Africa which was founded in 1936 and produces car, truck, bus and heavy-equipment vehicle tyres It has two plants, the main one in Port Elizabeth and another at Brits, seven branches, and employs about 2 700 people

Mr Morum said that there would be no change in policy or management after the takeover

Second-quarter earnings are not expected to be significantly affected by the takeover.

Mr Morum felt that the main advantage of the proposed takeover by FVB would be the access the company would have to capital for expansion. It was intended to increase the size of the Brits plant and to modernise the Port Elizabeth plant in the near future.

FVB acquired a 75,1 percent stake in Massey Ferguson South Africa in February, 1980, from the parent Canadian company which was said to be suffering from liquidity problems

PROBLEMS

The Firestone parent company has also been running into problems lately and it has been selling off subsidiary companies in the US, England and Sweden to improve its liquidity In Japan, Mexico and Spain it has sold majority holdings to local investors

An indication that the US company will retain strong ties with the South African operation can be seen from the presence on the new board of the US company's president and vice-president

Mr Morum said that he did not foresee that the US company's partial withdrawal would affect export sales and said that there were no plans for the new company to go public

It would continue to trade as before under the Firestone brand name

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would represent difficult cases.

This information can be interpreted in several ways. Most of the consultations other than to the present district surgeon were longer ago, patients may have

In 1977 the local authority spent R8 - 9000 on medicines for indigent patients. At an estimated number of patients of 30 - 60 per week, this means that the average cost per

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patient was in the range R2,66 - R4,29. Some comparison is possible with the present situation. The new resident doctor saw 600 indigent patients in 20 days and dispensed medicine worth R4 000, an average of R6,67 per patient.

...cal group of patients, ...t suggests that there was ... previous district surgeon's ... to prescribe less

... alternative doctors when ...choice. Of the 50 ailments ..., 35 were taken to only one ... 6 to two doctors, 5 to ... fee, to five doctors and ... to six. Two women who ...turally transferred care of their long term problems ...om one doctor to another when the former retired were ...cluded. Two of those who went to only one doctor had ...en dissatisfied and afterwards got more relief from ...rer sources, one getting pills from the shop, another ...om the 'madam'. Thus for a given illness, 37 stayed ...th their doctor and 15 did not; nearly a third of ...lnesses were therefore taken to at least one alternative ...rce of medical care.

Discussion

These observations suggest the desire to obtain a ...ter quality of service in a large proportion of black ...ents, even at a higher price. In many cases this will be possible in the present state of medical science, the reaction to different doctors shows that there ...ld be an improvement, possibly with only a reduction in pressure of demand on inadequate resources. The advent a new doctor is therefore welcomed both because it may allow more patients to be seen under the 'state' provisions and make private medicine much more easily accessible to those who are prepared to pay. It is another question

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Darling and Hodgson buys Fowler for R9,5m

CT 6/3/81

Own Correspondent

JOHANNESBURG — Darling and Hodgson, one of the three biggest construction groups in South Africa, has bought Fowler Holdings, another construction major, for effectively R9 500 000

D & H is paying R6 500 000 in cash and issuing 500 000 new shares for 100% of Fowler

The vendors are Metkor and Mr A Combrink Metkor will take the cash and Mr Combrink the shares These are underwritten at R6 a share by D & H which makes the shares worth R3m

Mr Combrink put his own company Combrink Construction, into Fowler less than 18 months ago to turn around ailing Fowler for Metkor He will stay on as managing director of Fowler and will join the board of D & H

Mr Combrink, one of the country's leading experts on commercial buildings was with Murray and Roberts for 21 years before starting his own company With him comes a "trim, athletic team" of top people from Combrink and Fowler

D & H estimates that the new acquisition will add 10c to earnings in the current year Last year D & H earned 89c

Mr John Hodgson chairman of D & H, said Mr Combrink had done "an incredibly good clean-up job" on Fowler, which had no borrowings and would add R3m to group equity This left the company still liquid and "in a strong position to follow further acquisition opportunities

The R6 500 000 cash payout will not have strained liquidity, as D & H realized roughly this amount when it sold is stake of between 20% and 25% of Grinaker to the Grinaker family in December

Mr Hodgson said Fowler and Combrink would continue to exist in their own rights as the sixth division of D & H R H Morris and Fowler would continue to tender for road contracts but not in competition with each other or Savage and Lovemore, D & H's main road building subsidiary

The acquisition would strengthen D & H's representation in commercial building and in mass housing Combrink was important in commercial buildings in the Transvaal and R H Morris another Fowler subsidiary and the oldest construction firm in the country was strong in roads and, through Model-Morris, mass housing in the Cape

Another major benefit of the acquisition is that Fowler has assessed tax losses of several million rand This means improvement here will be tax free

COMMENT Many think of D & H as No 3 in construction, when, by market capitalization, it is already No 1 On Tuesday D & H was valued by the market at R117m, M & R at R111m, Grinaker at R44m, LTA at R43m and Group 5 at R9m D & H has treated its holders well

Most commentators were looking for earnings of about 120c before this acquisition, which pushes up estimates to about 130c So Fowler, on the face of it, does not mean much in percentage terms

But published estimates are generally conservative and in future years there will be rationalization benefits and tax savings It looks like a super deal

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TAKEOVER GIVES BIG BOOST TO MINING GIANT

Argus 6/3/81

THE General Mining/Federale Mynbou group is reaping a rich reward from its takeover in March 1979 of the Union Corporation group and its large investments in gold and platinum mining.

The takeover and the sharp increase in the prices of the two metals helped almost to treble General Mining's income last year from R100,9-million to R283,6-million.

Income from gold rose fourfold from R29,4-million to R116,8-million, while income from platinum also rose fourfold from R8,2-million to R33,5-million.

Income from coal rose only slightly from R12,2-million to R13,8-million and income from minerals slumped from R5,4-million to R600 000.

INDUSTRIAL

But the company's industrial and commercial investments continued to play an important role.

They more than doubled their contribution to income, from R31,3-million to R78,3 million.

Income from financial investments rose 73 percent from R23,4 million to R40,6-million.

SHARES ISSUED

Altogether, General Mining's income attributable to ordinary shareholders, after provision for taxes and outside shareholders rose to R260,7-million from R98,5-million.

Because the number of shares issued almost doubled — from 42 million to 79,8-million — earnings a share did not rise quite so steeply. The increase was 46 percent from 235c to 343c.

This was reflected in the dividends, with a final of 100c making a total payment of 150c for the year, against 100c paid the previous year.

SIMILAR PATTERN

Federale Mynbou's figures show a similar pattern. A final dividend of 84c makes a total of 126c for the year, 50 percent more than the 84c paid previously.

The group's directors report the average gold price last year was 614 dollars an ounce. This compares with 309 dollars in 1979.

They say it is impossible to predict what the average gold price will be in 1981 but believe it will be somewhere between 450 and 600 dollars.

Brokers take bearish view on metals

Argus Financial Correspondent

LONDON. — Base metals this week continued to blow hot and cold, and the February mining quarterly survey by London stockbrokers Grieveson, Grant and Co can only depress the bulls.

The brokers say: "Our basically bearish view of the prospects for base metal prices remains intact."

They say there are few encouraging economic signs around and the high level of United States interest rates presents all commodity markets with the hopeless task of holding expensive stocks which no one else wants.

The bottom may well be in sight, but it looks as if it will get worse before it gets better.

SILVER SALES

Silver lost ground heavily in sympathy with gold's dive, and was also influenced by rumours of possible silver sales by the Hunt brothers because of debt problems.

Cash copper, which last week stayed comfortably above the £900 level, eased back on profit-taking. Sentiment was dented by cuts in US producer prices, and the ending of the strike which had earlier hit Peru's state owned Centromin company.

But while copper producers lowered their prices, lead producers increased theirs and lead ended the week in higher ground.

In the background lies firm demand from Eastern Europe plus the strike news at Australia's Broken Hill and Mount Isa mines.

Cash tin, which a week earlier had seen £6 152,50 a ton, and three months tin, which had climbed as high as R6 300, both eased in line with gold and copper.

Zinc tended slightly harder, though chart watchers suggest that further price advances will be slow. But there is still a backwardation in nickel as currency considerations pushed the cash price above the three months level.

Aluminium was sensitive to currency movements, probably because the metal is still thought of as a dollar commodity.

Why Firestone sold out to SA

S Tribune 8/3/81

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Special Finance Correspondent

FIRESTONE this week became the third international tyre company in 18 months to sell a large slice of its South African assets.

It joins a band of well known multinationals — among them ITT, Caravans International, Fiat, Bridon, Asea and Reed — which have recently decided to reduce their exposure south of the Limpopo.

Political fears have prompted the move in a few, but not most cases.

Most of the disinvestments appear to result from the parent company's financial plight.

The injection of substantial funds from sales of foreign subsidiaries is one way of improving cash flows crippled by recession in the home market. Dunlop and Bridon apparently needed a chunk of cash at home more than extra dividends from South Africa.

What about Firestone, which is to sell 75 percent of its local subsidiary to Federale Volksbeleggings? The company has implied that it was prompted by financial motives.

General Tire's withdrawal in 1979 is believed to have been prompted by its inability to comply with the Carter administration's regulation prohibiting sales of US-origin products or technology to the South African Defence Force and other strategic agencies.

Since that regulation was promulgated almost three years ago Firestone has insisted that none of its products is imported from the US. It has also claimed that the technology used by its South African subsidiary comes from Italy.

Moreover, the company apparently needs the money in the US despite a recent profit turnaround. Firestone has already sold off parts of its Spanish, Mexican and Japanese subsidiaries.

S Tribune 8/3/81 19 232

W and A moves into electronics industry

Finance Correspondent

W and A Investment Corp which already has in its stable such names as Bradlows, Titan Pedigree, Birthose, and Universal Metal, has made its first move into the electronics industry with a 50 percent acquisition of Pinetown based Assembler Electronics.

As a result the company which manufac pany, which manufac almost exclusively in Natal over its past two years of life, will now set up its head office and additional manufacturing facilities in President Knitting Mills former factory in Boksburg, as well as establishing a branch office in a few months in Cape Town.

Assembler Electronics, which expects a R4 million turnover this year, includes among its locally manufactured products, power supplies, automatic battery chargers, constant voltage supplies, indicators and programmable timers as well as microprocessor control systems. It has distributor agreements for items such as lamps, switches, acoustic products and microcomputers.

"Our aim," says Mr Peter Kiggen who with co-directors, Michael Claasen and Garry Taessler retains a 50 percent stake in the company, "is to widen our local manufacture of industrial electronics to take in industrial security across the board, get into commercial computers and increase our agencies."

Kiggen anticipates that W and AT (whose turnover for 1980 was more than R125 million) may well continue to look for further electronic company acquisitions.

NZISA

9/3/85 STAR

sells out to AA Mutual

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It was announced today that the parent company of New Zealand Insurance South Africa has sold its 68 percent interest in the company to the AA Mutual Insurance Association, a wholly owned South African company.

Standard Bank which had a 30 percent stake in NZISA has also sold its interest to the AA Mutual.

The sale come shortly after the merger between the New Zealand head office and South British Insurance in New Zealand.

There were reports that the merger would have presented a problem of ownership of the local branch.

At one stage it looked as though control would be sold to the Guardian National here as they have connections with South British in New Zealand.

However it appears that AA Mutual which had expressed interest in NZISA a long time ago along with many other companies presented NZI with the best bid.

An executive in AA Mutual said that the price which had been agreed upon could not be disclosed yet and that there were other important factors apart from price involved in the deal.

He also said that the decision to sell was influenced by the size of the company which was possibly too small to make inroads into short term insurance in South Africa.

Pressure from anti apartheid groups in New Zealand was also mentioned as having had some influence on the parent company's decision to sell.

Merger move by two SA clothing giants

Argus 9/3/81 232 ~~30~~ ~~184~~

TWO of the country's clothing giants Woolworths and Truworths, plan to merge

If the deal goes through, it will result in the creation of a company with assets of more than R130-million

Joint annual sales are more than R300 million

Both companies are Cape Town-based and are market leaders

Woolworths has branches throughout the country selling clothing and some foods

Truworths is one of the top two in the women's fashion clothing business with more than 400 stores

It is also one of the biggest manufacturers in the country of women's wear with a number of factories scattered around the Western Cape

The two companies announced today that they had agreed in principle to merge

However the merger would be subject to undisclosed conditions and another announcement would be made on March 16

The stock exchange listings of the two companies have been suspended until that date

The shares of Donmore which control Truworths have also been suspended

10/3/61 STAR

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500-store merger of retail giants?

Financial Staff

A giant retail clothing chain of nearly 500 stores could result from the proposed merger of Woolworths and Truworths.

The companies are negotiating the terms of the deal after agreeing in principle to the merger, Union Acceptances has announced.

The listing of the shares of both companies and Bonmore — which has a [illegible] percent stake in Truworths — have been suspended on the Johannesburg Stock Exchange.

They will be reinstated next Monday when further details are expected to be made known.

See Page 22

BUSINESS

Woolworths-Truworths reach agreement

23/1/MC 232 10/3/81

500-store chain envisaged in big clothing merger

By Mervyn Harris

Agreement has been reached in principle for a merger of Woolworths and Truworths which will result in a giant retail-clothing chain of about 500 stores

Union Acceptances Limited says in a statement that the parties are still negotiating the terms of the deal

The listing of the shares of Woolworths, Truworths and Bonmore were yesterday suspended by the Johannesburg Stock Exchange at the request of the companies and will be reinstated on Monday when further details will be announced

Fifty percent of the share capital of Truworths is held by Bonmore in which the directors hold a 49 percent interest

Truworths manufactures and retails women's wear, and retails men's wear Its stores programme envisages about 410 stores by the end of the year against 372 last year.

TURNOVER

The stores operate under the Truworths, Topic, Top Centre and Hamells names

Woolworths is a national cash retail chain operating 64 stores Turnover comprises about 80 percent clothing and 20 percent food

In the year to May 1980 Woolworths had a turnover of nearly R200 million Truworths notched up sales of nearly R119 million in the 12 months to last June

In the six months to mid December, turnover of Truworths rose 29 percent to R81-million and pre-tax profit rose from R6,5 million to R11,5-million

STRATEGY

This was a big improvement over the patchy performance of Truworths during the last few years

Woolworths, too, had a relatively sluggish performance for a few years before surging ahead in its first half to the end of November when pre tax profit climbed 31 percent to nearly R15 million

Woolworths has been criticised for its ultra-conservatism in financial policy and merchandising but its strategy has been geared to sound, rather than outstanding results

It repaid in June the last of its borrowings and has since embarked on an expansion of outlets The expansion is being financed from its own resources

COMPETITIVE

The more aggressive expansion stance of Woolworths should fit in well with Truworths in today's highly competitive markets

Financing is also no problem for Truworths as cash flow is strong

The biggest rival of the newly merged group will be Edgars which failed in an attempt to embrace Russells last month

DAILY DISPATCH, TUESDAY, MARCH 10, 1981 — 7

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Major clothing firms hold merger talks

JOHANNESBURG — A huge retail clothing chain, with sales of about R350 million and pre-tax profit of more than R50 million, will come into being if Woolworths and Truworths clinch merger talks which were announced yesterday.

The merged group would vie with Edgars as the country's biggest clothing retailer

The merchant bank, Union Acceptances Limited, said the parties had "agreed in principle" to a merger But terms of the deal are still being negotiated and both companies refused to comment on any aspect of it yesterday

The shares of Woolworths, Truworths and Bonmore, which holds 49 per cent of Truworths, were all suspended by the Johannesburg Stock Exchange for the duration of the talks, which may be completed this week

The merger represents a major change of direction for two highly dissimilar companies

Woolworths operates 67 large stores all over South Africa and sells basic, non-fashion clothing for cash only

Truworths has 372 smaller stores and boutiques, trading under the names of Truworths, Topic, Top Centre and Harmells, and sells high fashion clothing mainly on credit

While Truworths has been a large borrower, Woolworths has been traditionally conservatively financed and has generally kept large cash balances

In the year to May 31, 1980, Woolworths reported sales of R194 million, pre tax profit of R30 500 000 and taxed attributable profit of R18 317 000

At the recent half year to November 30, sales were 29,5 per cent and pre-tax profit 32 per cent better

Analysts were expecting both to improve by at least 25 per cent on the year, suggesting sales in the year to May of R242 million and pre-tax profit of R38 million

Truworths, in the year to June 30, 1980, had sales of R118 500 000 and pre-tax profit of R11 300 000 before inflation adjustment In the six months to December 1980, sales rose 29 per cent and pre-tax profit 77 per cent

Analysts were looking for a 25 per cent sales and 50 per cent pre-tax profit increase for the full year, suggesting sales of R147 million and pre-tax profit of R13 500 000

This means combined sales could be R389 million and pre-tax profit R51 500 000

Edgars, the proposed combined group's major rival, last year had sales of R296 500 000 and pre-tax profit of R33 143 000 — DDC

TABLE 24

Distribution of people in houses according to area available per person (square metres)

Area (m^2)	Number of people	Cumulative %
0 - 2,50	49	11,09
2,51 - 5,00	199	56,11
5,01 - 7,50	96	77,83
7,51 - 10,00	44	87,78
10,01 - 12,50	35	95,70
12,51 - 15,00	8	97,51
15,01 - 17,50	0	97,51
17,51 - 20,00	0	97,51
> 20	11	100,00
total	442	
unknown	34	

worked on the railways, three for building or cartage contractors and three for divisional councils (building roads). Only one worker had ever worked outside the Cape, at Coronation Collieries in Natal.

TABLE 29

Distribution of workers according to previous job, by employer and area.

Employer	Area	Number of workers
Other farms	'Karoo'	24
	Worcester	1
S A R & H	Beaufort West	4
	Renosterkop station (between Beaufort West and Nelspoort)	1
	Middelburg	1
Building Contractors	Beaufort West	1
	Murraysburg	1
Cartage contractor	?	1
Divisional councils	[illegible]	1
[illegible]	[illegible]	1
[illegible]	[illegible]	1
Household (as	[illegible]	1
Vegetable mark	[illegible]	2
Farmers' Co-o	[illegible]	1
Nelspoort San	[illegible]	2
Coronation Co	[illegible]	1
[illegible]l		44

Note: This [illegible] sted more than one p[illegible] . the workers liste[illegible] han farm work had a [illegible] o the farm where they [illegible]

Business Mercury

Woolworths to merge with Truworths

NM 10/3/81 232

Financial Editor

WOOLWORTHS and Truworths are to merge into a retailing giant with a turnover of over R200m, Union Acceptances announced yesterday.

A formal statement said yesterday that the two companies, through the Truworth-controlling shareholders, Bonmore Investments and Bonmore, had agreed in principle and would announce further details on March 16

The agreement is subject to 'the fulfillment of certain conditions' but these were not specified

The shares of all three companies were suspended yesterday, and until March 16, on the Johannesburg Stock Exchange

In the six months ended November 1980 Woolworths reported a rise in pre-tax profit to R14,92m from R11,33m in the same year ago period Turnover rose to R108,36m from R 83,63m

Truworths in the half year to December 31 recorded pre-tax profits of R11,5m, against R6,48m and turnover increased to R81,02m from R62,59m

COMMENT· Both companies are highly regarded by the stock market and by consumers as they deliver sound earnings and growth while the discerning consumer is pleased by the high standards of quality control

A merger is more likely to be at investment level as the store names are too well-known in the market place to submerge into a new operation

RDM 10/3/81 (232) ~~88~~ ~~124~~

Second clothing merger looms

By DAVID CARTE
Deputy Financial Editor

A HUGE retail clothing group, with sales of about R350-million and pre-tax profit of more than R50-million, will come into being if Woolworths and Truworths clinch merger talks, it was announced yesterday

The merged group would vie with Edgars as the country's biggest clothing retailer

Merchant bank, Union Acceptances Limited, said the parties had "agreed in principle" to the merger. But terms of the deal are still being negotiated. Both companies refused to make any comment yesterday.

Woolworths is valued by the stock market at R169-million and Truworths at R25-million

This is the second proposed merger in the clothing industry in less than a week On Friday, the country's largest clothing manufacturer, Seardel Investments, announced negotiations with Dubin, which could form a manufacturing giant, with sales of R250-million and pre-tax profit of R22-million

Mr Fred Kossuth, financial director of Woolworths, said the negotiations may be completed this week The merger represents a major change of direction for two highly dissimilar companies

● See Page 12

K.BM 10/3/81

Woolworths, Truworths talking

R350m turnover clothing colossus

38 ~~184~~ 232

By DAVID CARTE

Deputy Financial Editor

A HUGE retail clothing group with sales of about R350 million and pre tax profit of more than R50-million will come into being if Woolworths and Truworths clinch merger talks, announced yesterday

The merged group would vie with Edgars as SA's biggest clothing retailer

Merchant bank Union Acceptances says the parties have agreed in principle to the merger But terms of the deal are still being negotiated and both companies refused to comment on any aspect of it yesterday

Woolworths is valued by the stock market at R169 million and Truworths at R75-million

This is the second proposed merger in the clothing industry in less than a week On Friday, the largest clothing manufacturer, Seardel Investments, announced negotiations with Dubin, which could form a manufacturing giant with sales of R250-million and pre-tax profit of R22-million

The shares of Woolworths, Truworths and Bonmore, which holds 49% of Truworths, were all suspended by the Johannesburg Stock Exchange for the duration of the talks

Mr Fred Kossuth, financial director of Woolworths, said the negotiations might be completed this week

The merger represents a major change of direction for two highly dissimilar companies

Woolworths operates 67 large stores all over South Africa and sells basic, non-fashion clothing, stressing value for money, cash only

Truworths, on the other hand, has 372 smaller stores and boutiques, trading under the names of Truworths, Tonic, Top Centre and Harmells and sells fashion clothing mainly on credit

While Truworths has been a large borrower, Woolworths has been conservatively financed and has generally kept large cash balances

In the year to May 31, 1980, Woolworths reported sales of R194 million pre-tax profit of R30 500 000 and taxed attributable profit of R18 317 000

At the half-year to November 30, sales were 29.5% and pre tax profit 32% better

Analysts were expecting both to improve by at least 25% on the year, suggesting sales in the year to May of R242-million and pre-tax profit of R38-million

Truworths, in the year to June 30, 1980, had sales of R118 500 000 and pre-tax profit of R11 300 000 before inflation adjustment In the six months to December 1980 sales rose 29% and pre-tax profit 77%

Analysts were looking for a 25% sales and 50% pre-tax profit increase for the year suggesting sales of R147-million and pre-tax profit of R13 500 000

This means combined sales could be R389 million and pre-tax profit R51 500 000

Edgars, the combined group's major rival, last year had sales of R296 500 000 and pre tax profit of R33 143 000 At the interim sales were up 35% and pre tax profit 51% If this pace is maintained, sales in the current year will be nearly R400-million and pre-tax profit nearly R50-million

Mr Adrian Bellamy, managing director of Edgars, said he was "not surprised" that Woolworths and Truworths were getting together

Edgars, he disclosed, had had a look at Truworths more than two years ago and knew it was looking for a partner Edgars had decided parts of Truworths' activities were too similar to its own Edgars was not interested in boutiques

He believed a merger between Truworths and Woolworths was "very sensible" and would result in a formidable group He was not perturbed at the threat to Edgars' No 1 position

"It just gives us a higher target to aim at," he said

COMMENT There should be major benefits to both companies Both will no doubt retain their identities, images and philosophies But each can clearly gain from the other

Woolworths has been a bit stodgy financially and in the fashions it sells It could use some of Truworths' flair in these regions, as well as in marketing

Truworths will benefit by association with Woolworths' quality reputation — in merchandise and in the stock market, which has long regarded Woolworths as the blue chip of the clothing sector Woolworths could be a useful customer for Truworths' clothing factories.

Truworths might also be able to use some of Woolworths' large cash balances

Finally, there will be the usual rationalisation benefits with major savings in distribution and administration costs

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STAR 11/3/81 232

Kirsh buys into liquor trade

By Mervyn Harris

Entrepreneur Natie Kirsh has moved into the hotel and liquor trade by joining forces with Ian Pickard's Picardi Finance group.

Under the proposed deal announced today Mr Kirsh will buy a 49.9 percent interest in Union Wine through his recently formed retail arm, Coke Corporation.

Mr Kirsh's latest merger follows hard on the heels of last month's move into the furniture industry when he gained control of Russels. In January he bought a 30 percent stake in Unions.

The new group will operate 25 hotels in the Transvaal and Cape and 55 retail liquor outlets.

It also has Government approval to acquire a further 75 outlets which if it takes up its options will make it the largest liquor retailer in the country.

See Page 22

DD 2/3/81 232

Group changes policy on unions

JOHANNESBURG — In a major policy statement, the country's largest industrial group, Barlow Rand, has fully committed itself to recognising representative trade unions even if they are unregistered

This is a significant change from the policy spelled out last year in a speech by Barlow's executive chairman, Mr Mike Rosholt, in which he said the group would negotiate with unregistered unions "in special circumstances".

Barlow's has also spelled out labour guidelines which urge companies to "talk to unions, whether registered or unregistered, at all times" The only criteria for recognition were representativeness and the union having an "acceptable" constitution

The latest modification in Barlow's policy is likely to attract intense employer and trade union interest

Mr Reinald Hofmeyr, executive director of the group in charge of labour relations, said Barlow Rand had "no option" but to adopt this policy until government registration is made "voluntary, simple and attractive"

His statement of the group's policy is contained in an article in Barlow's corporate magazine, Barlows' 81

Mr Hofmeyr also revealed that Barlows' had been attacked by other employers for Mr Rosholt's original statement that the group would be prepared to deal with unregistered unions in some circumstances

"We were accused of letting the side down" he writes

Mr Hofmeyr said that Barlows' had found "a powerful ally" in the SA Federated Chamber of Industries "arbuably the most representative and influential employer organisation" in the country — DDC

1 had 6 [illegible]ses.

i) Number of rooms.

The number of rooms in a house is related to its total area, but more important, it serves as a measure of privacy.

Table 23

Distribution of houses according to number of rooms, average number of people living in each type of house.

Number of rooms	Number of houses	Average number of people in house during week	at weekends and during school holidays
1	15	3,4	3,4
2	37	4,4	5,0
3	38	5,4	5,7
4	21	5,8	6,2
> 4	[illegible]	6,3	6,3

b[illegible] ...y include the worker-

a[illegible] ...ople lived at weekends

ii) A[illegible] ...(ir

1[illegible] ...ibution of the people

av[illegible] ...ccording to square metres

(232) 12/3/81

Business Mercury

Liquor deal threatened

JOHANNESBURG—The proposed retail liquor deal between Kirsh Industries Coki Corporation and Mr Jan Pickard's Union Wine and Picardi Hotels appeared threatened on Monday by hectic dealing in Union Wine and Picotel shares

In panic trading nearly 1-million Union Wine shares and 461 000 Picotels changed hands

The Union Wine share price more than doubled from 230c to 475c during the day while Picotel gained 43c or 16 percent rising from 227c to 270c

The 985 185 Union Wine shares that traded on Monday on the face of it represented 23 5 percent of that company's issued shares and no less than 58 percent of the 1 673 000 shares not in the control of Pickard group companies

The 461 400 Picotel shares that traded represented 9 17 percent of that company's issued shares or 46 percent of the 1 million shares not owned by Pickard group companies

But stock market observers were doubtful that these proportions of the companies issued shares actually traded noting that in many cases the same shares were traded several times

Three broking firms appeared the most active buyers of Union Wine and Picotel shares — Max Pollak and Freemantle Fergusson Brothers Hall Stewart and Co and Simpson Frankel Hern Kruger Inc

Kirsh teams up with Pickard liquor

RDM 12/3/81

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By DAVID CARTE

Deputy Financial Editor

COKI Corporation, the recently constituted retail division of Kirsh Industries, is to become a partner of the Pickard Group in what will be the largest retail liquor company in South Africa

Coki last week became the owner of 54% of Russells and 33% of Dion's to become one of the biggest retailers of furniture and home products in SA

It is now to acquire a 49.9% stake in the Pickard Group's Union Wine and Picardi Hotels

With the right to operate 130 retail outlets, Union Wine will become the biggest liquor retailer once the major liquor producers, SA Breweries and Cape Wine & Distillers withdraw from retailing

In accordance with a Government ruling made at the time Cape Wine was formed SAB and CWD have 12 years to divest themselves of their bottle stores

Union Wine also produces liquor, but before CWD was formed it was granted permission to open 75 new outlets to obtain parity in retail with the liquor majors

Once SAB and CWD have sold their bottle stores, no other retailer will have more than five outlets This means Union Wine will be by far the biggest liquor retailer in SA

At present the Pickard Group operates 25 hotels in the Cape and Transvaal, produces the Bellingham and Culemberg estate wines, and has 42 bottle stores and 25 off sales It plans to buy another 75 bottle stores and to expand existing ones

The Pickard Group, through Picfin will retain 50.1% of Union Wine, which in turn will own 100% of Picardi Hotels

The present 20% minority in Picotel and 40% minority in Union Wine will be bought out and these shares will disappear from the Johannesburg Stock Exchange

Minorities in both companies are being offered R2 cash or one Coki share Public participation in Union Wine and Picotel will still be possible through either Coki or Picfin

Picotel shares were suspended at 130c, Union Wine at 135c and Coki at 215c yesterday So, based on these relative prices, Picotel shareholders opting for Coki shares will get a 65% premium for their shares and Union Wine will offer a 59% premium

To expand and develop the revamped Union Wine Group, Coki will inject sufficient cash into it to match the R8 200 000 loans and advances the company has received from Picfin and its associates

Mr Natie Kirsh, chairman of Kirsh Industries, said the deal would not immediately benefit the net assets or earnings of Coki, but he was excited at longer-term prospects Coki would equity account Union Wine

Mr Mervyn King, Coki's chairman told me that Metro Corporation controller of Coki still had plans to go into liquor wholesaling The idea was still in its infancy, but once off the ground would be done on an arm's length basis from Union Wine

Even after laying out the R8 200 000 in cash, Coki would still have plenty of muscle for development of Coki into "the leading retail group in the country

We are delighted with the latest deal since it fits in exactly with our philosophy of investing in growth sectors of the retail marketplace, in partnership with strong managers who know their business intimately

'Coki does not seek to run its retail interests on a day-by-day basis, but to assist with strategic and policy matters and to share its financial and planning expertise with the independent operating managements "

Mr Jan Pickard, chairman of the Pickard Group, said 'Union Wine will still be controlled by Picfin With Coki as an active partner, we are better placed to exploit our resources and further improve our profits

"It will be possible for Union Wine to complete its expansion programme to acquire further outlets "

Liquor industry observers speculated that Coki and Picfin would divide responsibilities, with Coki concentrating on retailing and Picfin on wine farming and other aspects of the business

Mr Ken Williams, a director of SA Breweries, said the deal did not significantly change conditions in liquor retailing

Details of the scheme of arrangement under which the Pickard-Coki partnership will be established will be circulated to shareholders shortly The shares of Picfin, Union Wine, Picotel and Coki will be relisted at the opening of the JSE

Mr Ken Williams, a director of SA Breweries, said the deal did not significantly change conditions in liquor retailing

Details of the scheme of arrangement under which the Pickard-Coki partnership will be established will be circulated to shareholders shortly The shares of Picfin, Union Wine, Picotel and Coki will be relisted at the opening of the JSE today

Mr Douglas Gair, chairman of the listings committee of the stock exchange said the shares were suspended because news of the deal first broke during trading yesterday The committee took the view that there was not a reasonable opportunity of all shareholders hearing of the arrangements

COMMENT: Before this deal, with Dion's and Russells in the fold, Coki was estimated to have net assets of 160c and earnings of 33,7c a share The market yesterday was therefore valuing it at 6,4 times prospective earnings This seems reasonable and means few minorities will opt for the cash It also means a counter-bid will not be easy

The deal looks good for both parties Coki is into the high-growth, inflation-proof area of liquor retailing in a big way, while Union Wine gets financial and marketing muscle.

One possible problem is that the Competition Board is still investigating the liquor industry and the Government's policy is that no retailer should have more than five outlets This leaves Union Wine way out of line, although it may not be easy for the authorities to revoke permission already granted.

ANGLO AMERICAN FM 13/3/81 (232)

Going for mate

Some minor pawn movements may still be needed but with the recent Minorco reorganisation Harry Oppenheimer has laid out the board to play the greater Anglo group's growth game for the rest of this century. Some rule changes could be enforced as the game progresses — that is almost inevitable as governments are congenitally incapable of leaving business to get on with the job alone. But each major outpost of the Anglo empire is now able to stand on its own feet, leaving the group with more than sufficient potential flexibility to cope with a changing world.

And though it is quite clear that the control lines running back to 44 Main Street have been strengthened, at the operating level each major division has in the Anglo context a considerable degree of autonomy. There remains the backstop of possible cash injections from the liquid core companies Anglo and De Beers, but on the whole the group's thrust further into the world could be funded without major recourse to Johannesburg.

That is an important factor, particularly as North America has been targeted as neering interests. But while the theory is sound, near term growth in North America will almost certainly depend to a large extent on acquisitions.

Until now Minorco has been restrained by its overwhelming dependence for earnings on dividends from Engelhard. That company's own capital spending requirements led it to cover dividends about six times, meaning that Minorco's income was low relative to the worth of its Engelhard investment. More to the point, payment of its own dividend from a relatively low income base was leaving Minorco with insufficient retentions to pursue a meaningful expansion policy.

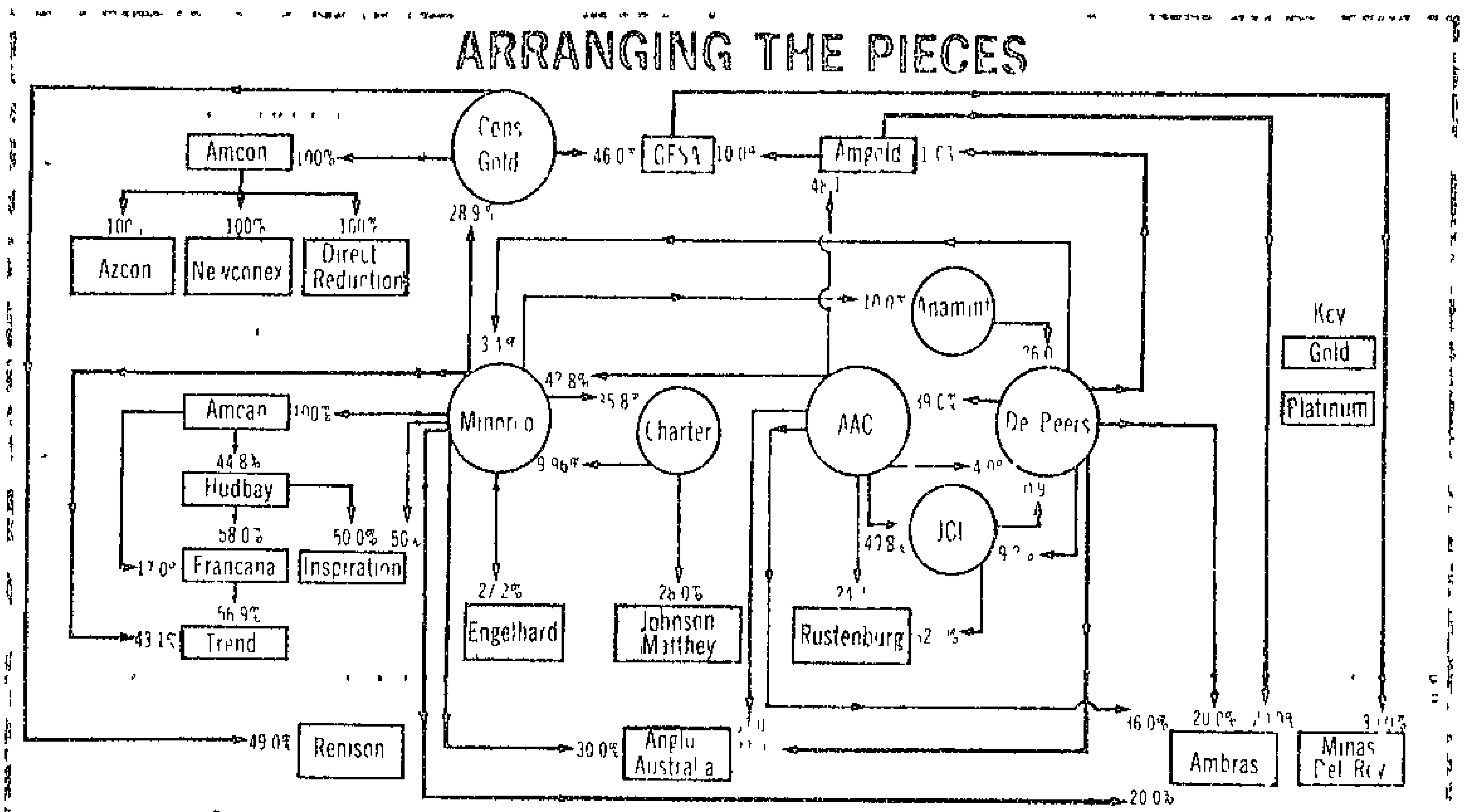
That should now change with the injection of the greater group's Cons Gold, Charter and outstanding Amcan holdings. In round figures, even with the US 30c dividend proposed for the year to June 30 1982 on the 159 1m ordinary shares then in issue, available retentions should be at an annual rate of $30m odd. In itself that is not enough to fund any major acquisition. But it is a base from which to service additional debt or preference shares to the pre-empting unwelcome predatory advances on the companies' stocks.

Biased though they might be, arguments are already being put up that the greater Anglo group is entertaining an unholy alliance with the Soviet Union in an effort to "cartelise" world platinum and diamond markets. This sort of argument is an important factor in determining corporate strategy. Minorco, the group's North American vehicle, has to be distanced as far as possible from the South African companies. And that means a scrupulous separation in public of platinum producer Rustenburg and its marketing agents Johnson Matthey and indirectly Engelhard. Implicit in that is that there should be no early moves for Anglo to acquire full control of ICI.

Whether Minorco can work in conjunction with Cons Gold in North America is another matter. The US, particularly, is a major expansion target for Cons Gold. And following last November's £181m rights issue and the greater debt capacity base it has given the group, Cons Gold can readily fund whatever plans it has in North America.

There is little obvious advantage to any merger between mining operations of Cons Gold and Minorco, though a case could be made for allowing Minorco a participation in Amcon's (the North American holding company of Cons Gold) proposed silver mine at Presidio, Texas. But there do appear to be synergistic advantages to co-operation between Amcon's drill rig manufacturing operations Skytop Brewster and George Failing and Anglo's drill tool subsidiary Boart.

In any event, the oil and gas subsidiaries, Trend and Francana, could need hefty additional funding if they are to increase their drilling rates in the wake of US oil and gas deregulation.



a major growth area. Justly or unjustly, antagonists have tended to emphasise the group's penchant for acquisition growth, while largely ignoring its major greenfields developments. Anglo is far from being unique in this respect, but Oppenheimer regularly maintains that to a great extent acquisitions are more often than not made in pursuit of a policy of vertical integration.

Anyone needing convincing of that needs look no further than the South African paper-making operations or steel and engineering interests tune of $200m even if a new investment does not make an immediate contribution to profits. And there is adequate scope for making paper acquisitions without reducing the group's stake in Minorco below 50%.

New York mining and stockbroking circles refuse to let go of the rumours that, one way or another, the Anglo group has set its acquisition sights on Phelps Dodge or Newmont. As the *FM* understands it, managements of those two groups have initiated defensive actions as a means of

If for the present there are no compelling reasons for closer links in North America, the same is not altogether true of Brazil and Australia. To put it kindly, GFSA's foray into Brazil has been less than successful and probably absorbs an excessive amount of management time considering the prospective returns. Anglo's Brazilian operations, on the other hand, are successful, make a positive

Uncont fact

Control facto

contribution to group profits and appear to have sound prospects The implications are obvious

The same could well apply to Australia Neither group has had unqualified sucesses there Anglo missed out completely on the last minerals boom down under through a combination of bad luck and misjudgement To a lesser extent, the same was true for Cons Gold through its until now, 70%-owned subsidiary CGFA The Australian company is no easy billet for managers and reorganisation has involved hefty pruning of top managerial staff

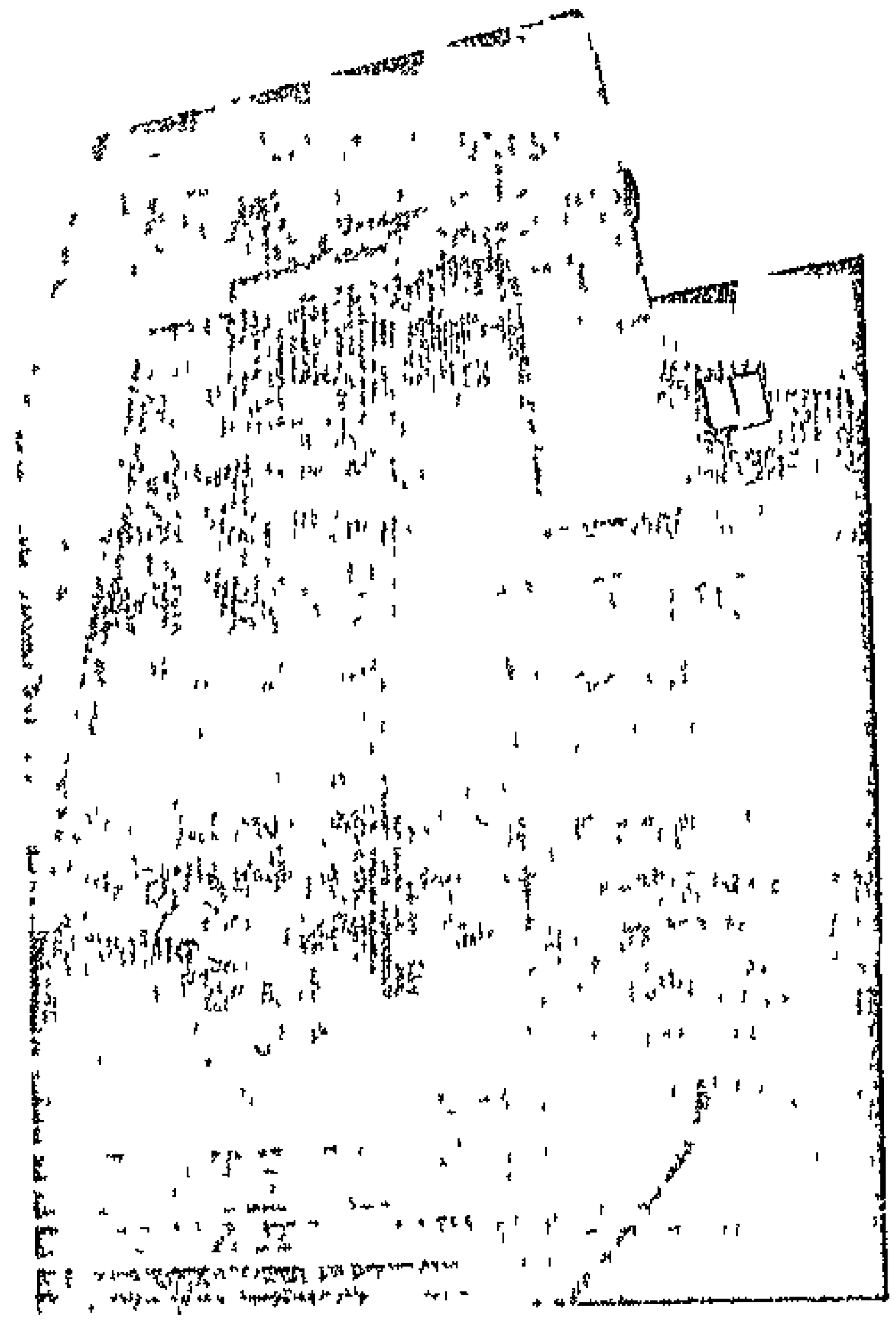
It is now proposed to merge all of Cons Gold's Australian interests into a new company, Renison Goldfields Consolidated, in which Cons Gold will have a 49% interest With 51% of the equity held by Australians, Cons Gold has overcome any problems associated with a low local ownership percentage

As and when Anglo Australia comes up with operating mines it will be faced with the need to take in Australian partners It would make a lot of sense for that partner to be Renison

In the longer run, however, the main question is whether Anglo will remain satisfied with an indirect 28.9% interest in Cons Gold

As far as Anglo is concerned, Cons Gold is not another Selection Trust in which a minority interest was held for many years before eventually being sold In Anglo's galaxy, Cons Gold has a pivotal role to play, something which Selection Trust because of its geographic asset spread, could never do

Oppenheimer is categoric that it is not planned to increase the Cons Gold stake beyond the 30% at which a full bid would need to be made for the company And Anglo's management is well aware that even though the present interest will be held through Minorco it is impossible to escape UK turnover regulations if other group companies acquire further major stakes Should further purchases push the overall stake beyond 30%, a full bid would be necessary



Anglo Am will headquarters permit more autonomy?

So on the one hand it is realised that Minorco is inseparable from Anglo itself, while on the other much is being made of the separation of interests

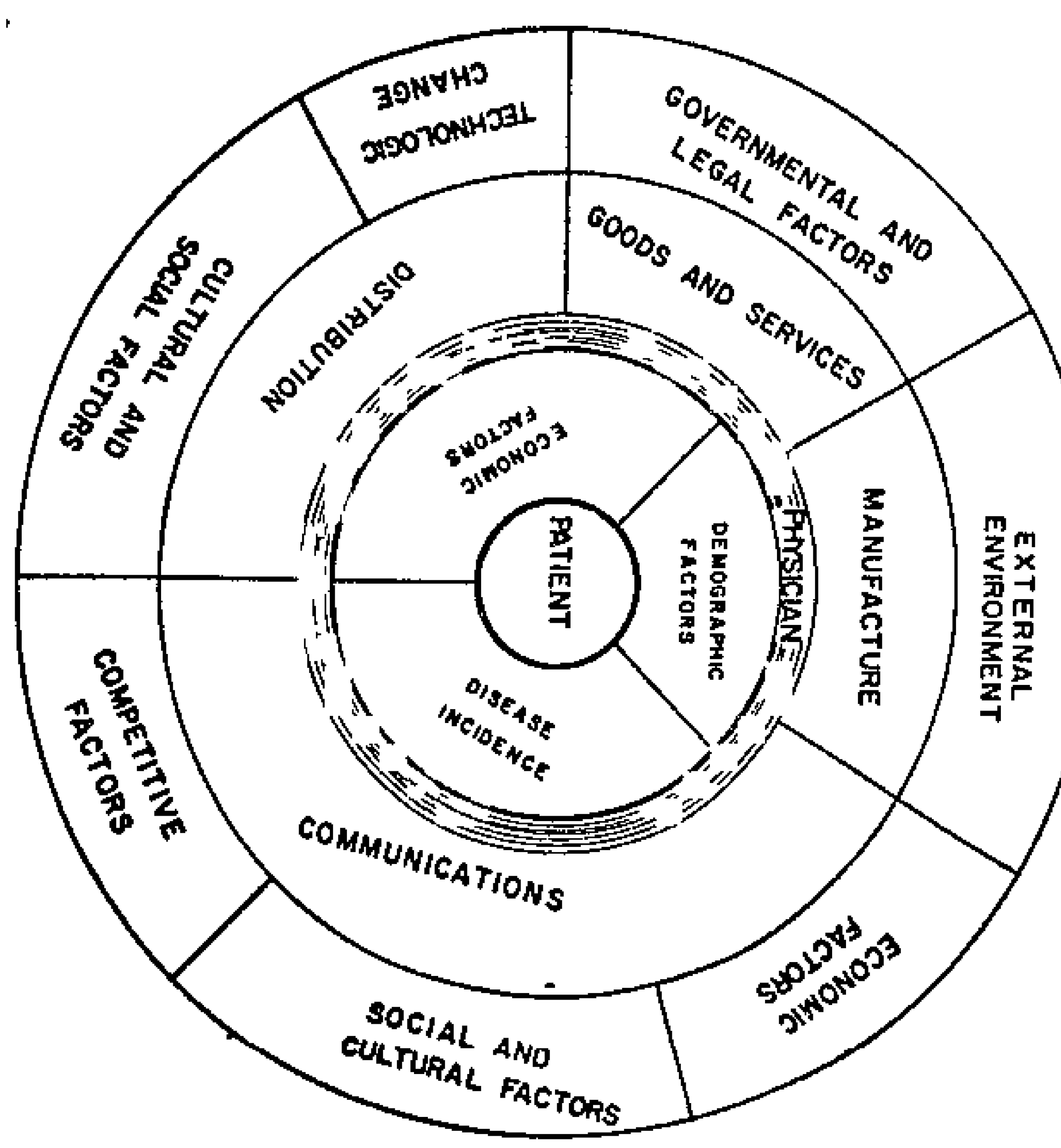
The board has regularly asserted that subsidiary managements have considerable independence and that the group is not a monolithic operation centred on downtown Johannesburg However that's not a view which is accepted by many outsiders, several of whom make the point that the group's greatest successes have been in southern Africa So the argument goes management in Johannesburg is, perhaps, weak on the sensitivity needed to run a world-wide empire and that what is needed is real rather than nominal decentralisation

The latest moves have established a framework in which that is possible And particularly in the case of Minorco where staff was until now effectively limited to secretarial functions, technical and managerial staff are effectively available from its downstream companies

Outsiders have been brought onto the Minorco board So the moves do seem to be in the right direction of decentralisation unlike nearer home where board appointments at JCI are increasingly being made from within Anglo The next few years will be important in determining whether Anglo's overseas operations can achieve necessary degrees of management autonomy for them to develop as independent entities

If they do the latest reorganisation could be Harry Oppenheimer's greatest contribution to the group's future Tim Jones

Figure 2: THE PHARMACEUTICAL MARKETING ENVIRONMENT



Source: Smith, M.C. (1975). Principles of Pharmaceutical Marketing Lea and Febiger, Philadelphia.

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WOOLWORTHS/TRUWORTHS

Made to measure

With terms of the Woolworths-Truworths merger due to be announced on Monday — assuming all goes well in the final stages of negotiation — there is not much point in speculating how any deal is likely to be structured

But what is certain is that the two companies are ideally suited to one another They cater to completely different markets, so that there is minimal competition between them, both head offices are in Cape Town, simplifying the formation of a central administration, and, most importantly, they complement one another financially

As the *FM* pointed out when reviewing the annual report last August, a feature of Woolworths is its ability to generate cash far in excess of its needs

Over the nine-year period 1972-80 the group repaid R10m in borrowings and built up cash holdings of R18m This R28m came entirely from current earnings and a noteworthy feature of this achievement was that Woolworths was able to maintain a normal dividend policy, with cover averaging about 2,5 times

By the start of the current financial year debt had been totally cleared And although it was evident that the group intended expanding a bit faster than in the past, there was not much reason to believe that these plans would prevent a further build-up of cash balances

The picture at Truworths, on the other hand is almost the exact opposite With a fair proportion of its sales on credit, the group runs a debtors book equivalent to about 25% of annual turnover and financing this means the balance sheet has traditionally been fairly highly geared The last accounts for the year to June 30 showed a debt equity ratio of 82% after a R2,9m increase in total borrowings

A merger of the two groups would, therefore, at one stroke solve Woolworths problem of how its surplus cash flow could best be utilised and eliminate the necessity for Truworths to constantly seek outside finance This would significantly improve Truworths earnings without affecting dividend policy

A secondary benefit is that Truworths ability to expand would be enhanced The group operates a large number of stores with relatively small annual turnovers (the average from its 372 outlets was R318 500 last year) which again is in marked contrast to Woolworths whose 64 stores had an average turnover of over R3m

Financial benefits of the deal would be most easily realised through a full-scale merger of the two groups which because of the disparity in size, would presumably mean putting Truworths into Woolworths — possibly even with the dissolution of Truworths as a separate corporate entity

The deal, when the terms are announced will probably turn out to be fairly complex because of Bonmore This company apart from holding just short of 50% of Truworths equity also owns certain properties occupied by Truworths, which Woolworths would probably want included in any takeover *Brian Thompson*

SEARDEL/DUBIN 232 T1

Getting together

FM 13/3/81

News that Seardel is negotiating for control of Durban based clothing manufacturer Dubin sent both shares higher on the JSE last week as investors climbed aboard in the hope of an offer price well in excess of the then low market quote. The result was that Dubin closed 16c higher at 143c while Seardel gained 10c to 700c.

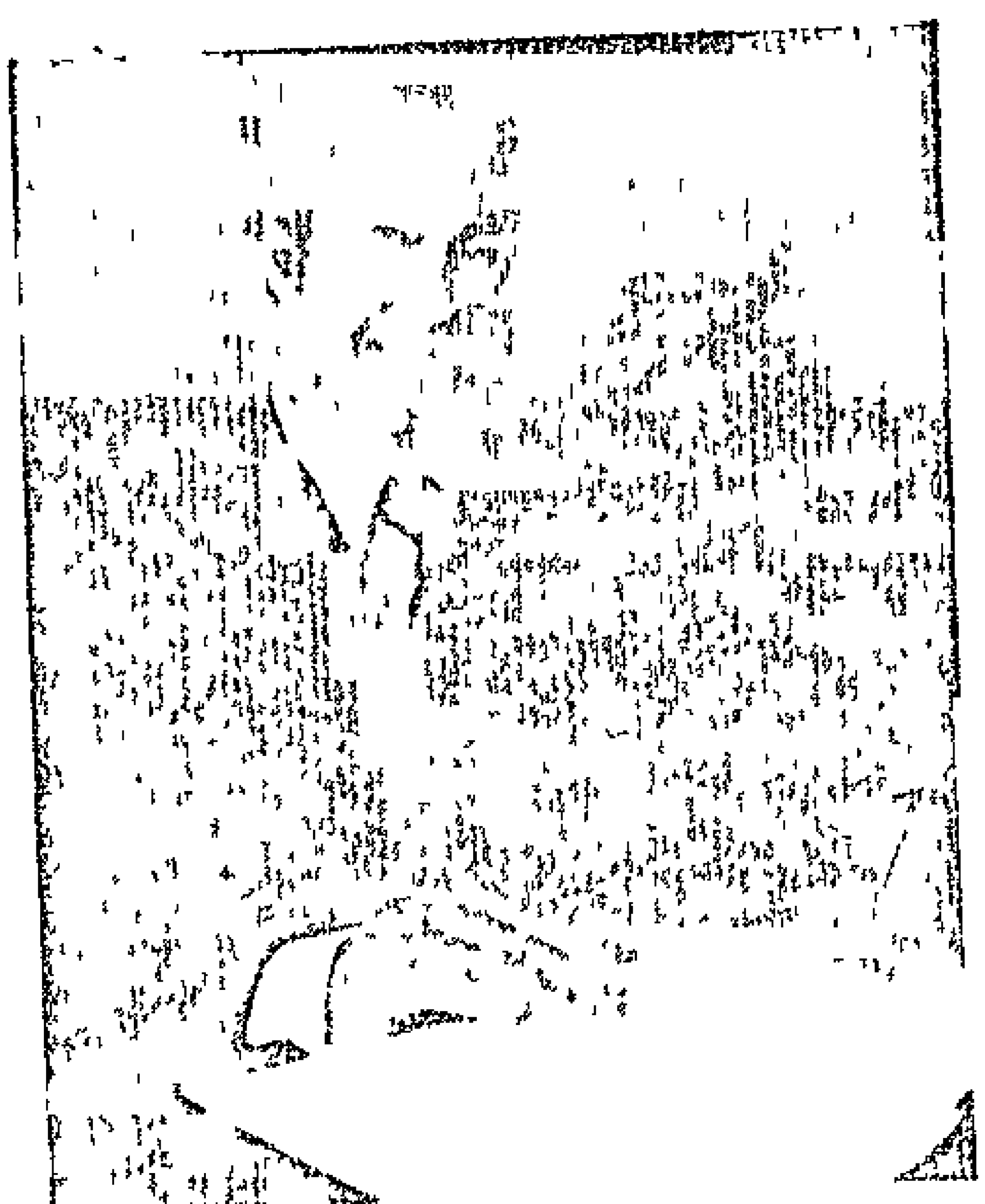
Probably what excites the market is that the proposed majority stake in Dubin that Seardel is aiming for makes sense. The companies would fit together neatly, with Dubin adding to Seardel's already large product range a greater share of the mens clothing market and expanded non clothing interests.

As the largest clothing manufacturer in the country, Seardel has long been looking for a broader base. Chairman Aaron Searll said in his last annual statement that one of Seardel's aims was "to seek investment opportunities which will broaden the scope of the business and increase earnings".

In fiscal 1980, 55% of Seardel's assets were in clothing and 37% in non-property diversified interests. These diverse interests include toys, tanning, consumer electronics and clearing/forwarding. In 1980 they provided 38% of total operating profit. In contrast Dubin's diversified interests, including packaging, consumer appliances and a computer bureau, provided 26% of earnings. This means the proposed merger would not give Seardel a proportionately bigger non-clothing base, but would give a greater spread of interest.

If the two operations do come together it would give a far greater penetration in the clothing industry, both here and abroad. Both companies are significant clothing exporters, which insulates them, to some extent, from the fluctuations in the local market.

As the two groups have different year-ends it is difficult to predict the balance sheet effects of a merger. Dubin was 129% geared at end-December 1979, while at end-June 1980 Seardel had a debt equity ratio of 109%. Consolidating Dubin on this



Seardel's Searll . expanding the operating base

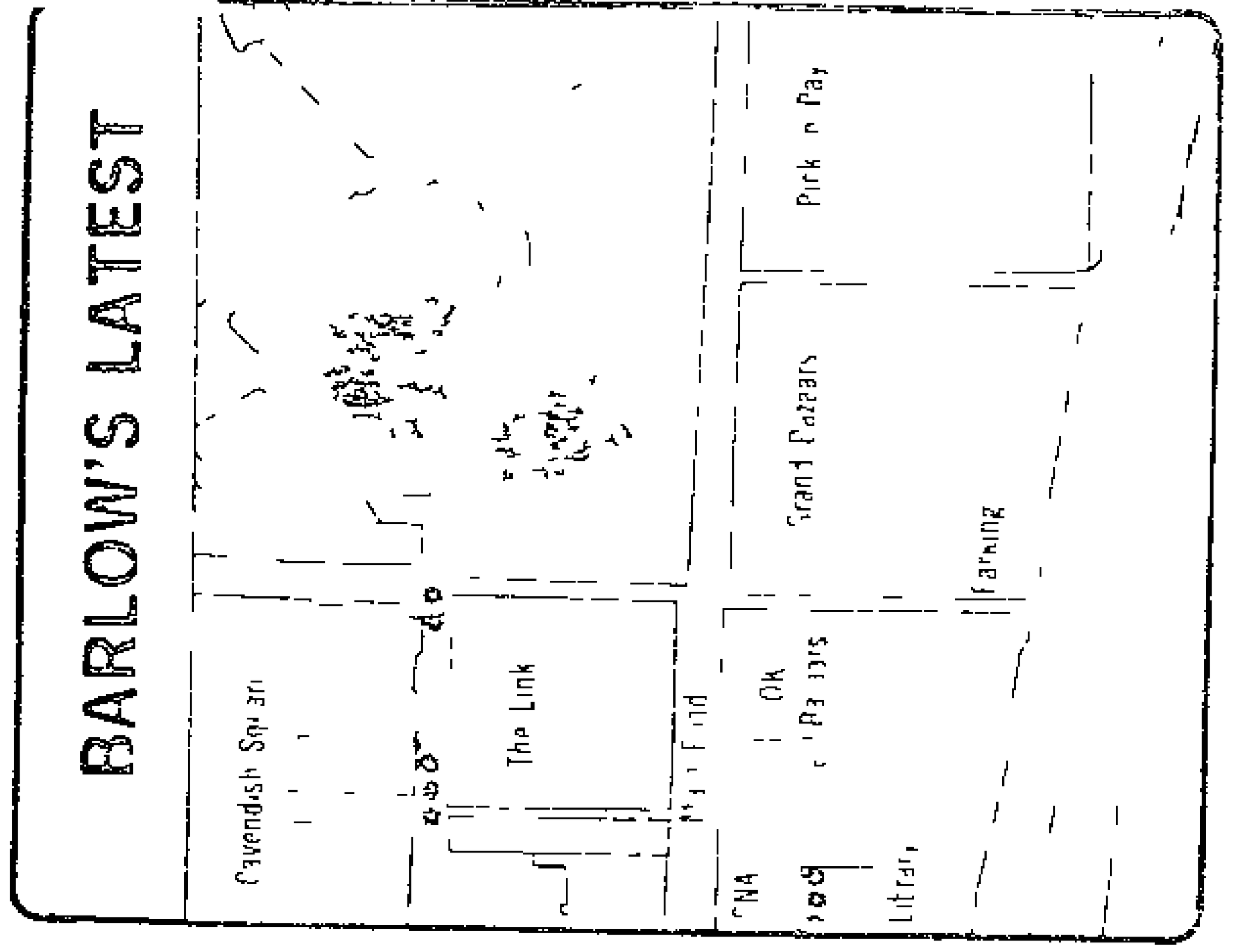
basis would give the new group a higher gearing, which is not in accord with Searll's stated policy.

But since December 1979 Dubin has reduced its gearing. During the first half of last year it sold a beachfront property for some R800 000 and trading was particularly buoyant in the second six months. Equally, Seardel's strong profit improvement in the six months to December — earnings up at 115c (50c) — should have meant a boost to equity of at least R3,7m, being retained earnings after a doubled interim dividend of 12c.

In view of Seardel's financial objectives it would seem likely that any offer for Dubin would have a share element. The acquisition of 75% of Sharp Electronics in July last year was paid for in shares, while both the Desirée and Charmfit deals included pref share alternatives. [illegible]

Adult education projects would of necessity need to include leadership training and the encouragement of community participation in identifying needs and planning projects.

BARLOW'S LATEST



...ultural co-operatives for the purchase of seed, fertilizer etc. Properly organised markets should be established.

ii) The improvement and protection of water sources can ...erative community action and this ... the need for a safe protected ...y understood.

...of consumer co-operatives especially ... served by trading shops.

... programmes pertaining to social ...ism, illigitimacy and delinquency.

... education programmes.

... "vigilante" committees to ensure ...inst persons or groups who endeavour ...ties. Attention could then be ... disregard price control regulati... demand bribes, and school author...s.

BARLOWS (232)

More punch

FM 13/3/81

Barlows is climbing aggressively into the Cape hardware market. Since taking over Western Province Hardware (WPH) through subsidiary Federated Timbers in 1979 it has doubled the number of peninsula outlets — and it is still looking for more.

Federated's Cedric Howson explains that policy is to retain capital where possible for trading operations. But it has just bent the rule in Cape Town's burgeoning Claremont shopping district where it has bought a R315 000 property outright. Ownership will vest in Barlows' property division.

The Claremont deal was put together by Herbert Penny's Dion Herbert after a close look at several alternatives including Mowbray. Claremont was favoured for several reasons.

The panel beating shop on the 2 100 m² site can be satisfactorily revamped for WPH's purpose; the general area provides excellent potential for the do-it-yourself market which Federated is pushing; and rub-off trade from the neighbouring majors should be substantial.

More important, however, the new outlet will share the adjoining parking which was primarily designed to serve the extended Grand Bazaars.

Claremont will become WPH's 13th outlet, and plans for the 14th — in rented premises at Milnerton — are well in hand. Since the Barlows takeover the chain will have thus opened new outlets in Sea Point, Somerset West, Lansdowne Road, Bellville, Milnerton, Kenilworth, Golden Acre (CBD) and Claremont.

Howson says the [illegible] moves into the DIY market represent a new field for WPH, which has traditionally concentrated on the wholesale side through builders' supplies.

The decision, he says, is to expand aggressively in the western Cape. But will it go further into Natal and the Transvaal? Possibly, says Howson, but no final decision has been taken.

Many other projects are feasible but the essential ingredient of every one of them should be that they have been

planned and implemented by the people themselves.

c) Projects involving migrant workers.

Community development workers in the rural areas face ...blem in the form of the ... areas can look ... and living condit... ...ractices and the ... a number of concern... ...e that they have a ...al areas from where ... to counteract the ...bour system precipi... ...tates at family level.

Every company employing large numbers of migrant workers must establish a division in their personnel section that deals specifically with migrant labour issues.

This division should undertake projects aimed at:

i) Helping the migrant worker adjust to urban life. Orientation lectures covering all aspects of life in urban areas should be arranged.

ii) Consolidating the migrant worker's position as a responsible head of a family unit. Workers should be encouraged to consider 'home improvement projects' whether they are related to agriculture, animal husbandry, type of dwelling etc. He should be assisted to make the necessary savings and acquire the necessary knowledge while in the urban area. Perhaps each year a different project could be undertaken. Essentially this would necessitate the organisation of adult education groups in hostels etc.

FM 13/3/81

232

CLOTHES MERGERS

Woolworths and Truworths agree in principle to merge to form a retailing conglomerate with sales of R[illegible]m — rivalling Edgars, SA's largest clothing retailer. And Seardel Investments is conducting merger negotiations with Dubin to create a clothes manufacturing giant with R250m sales.

APPENDIX C; (37)

EMPLOYMENT IN EACH MAJOR GROUP OF MANUFACTURING AS AT 30TH JUNE, 1976

Industry	Total	White	Coloured	Asian	Bantu
Beverages	27 100	4 600	3 400	700	18 400
Tobacco	3 700	800	1 000	0	1 900
Textiles	112 300	9 600	23 600	6 500	72 600
Clothing	98 300	4 100	37 600	23 600	33 000
Leather	10 000	1 000	4 500	400	4 100
Footwear	20 600	900	8 600	7 600	3 500
Wood & Cork	52 900	3 300	5 700	1 300	42 600
Furniture	2 400	2 300	9 000	2 500	11 100
Paper	35 500	6 900	5 500	4 200	18 900
Printing	35 800	18 900	7 500	2 100	7 300
Chemicals	74 700	26 300	6 900	2 800	38 700
Rubber	16 500	4 300	1 900	500	9 800
Plastic Products	20 700	3 300	6 000	100	11 300
Non metalic mineral	85 200	11 2 0	6 900	800	66 300
Basic metal	105 300	[illegible]	2 000	1 000	68 900

(38)

EMPLOYMENT IN EACH MAJOR GROUP OF MANUFACTURING CONTINUED-

Industry	Total	White	Coloured	Asian	Bantu	
Metal products	125 000	27 300	14 300	3 100	80 300	
Machinery	76 600	27 900	6 900	1 800	40 000	
Electrical Machinery	62 700	22 000	7 600	2 600	30 500	
Transport Equipment	92 400	32 400	15 000	1 900	43 100	
Professional Equipment	7 000	2 400	900	400	3 300	
Other manufacturing	22 900	5 400	6 800	1 000	9 700	
Food		159 800	22 400	25 900	8 400	103 100

Source: Quarterly Bulletin of Statistics 11 (1) March 1977. Table 2.2.3 pages 2.7.- 2.12

TAKE-OVER FM 13/3/81
Darling & Hodgson SA, biggest construction firm in terms of market capitalisation [illegible] Fowler Holdings for R95m. The purchase will strengthen D & H's commercial building and mass housing interests.
232

Picotel, Uniewyn share moves

Protests over Pickard, Kirsh deal

RDM 13/3/81

232 ~~182~~ ~~164~~

By DAVID CARTE

Deputy Financial Editor

THE Johannesburg Stock Exchange may be asked to call for returns from stockbrokers on trading in the shares of Picardi Hotels and Union Wine shortly before these companies announced their get-together with Coki.

This follows complaints of heavy turnover and strong price movements in the shares for four days before the deal was announced on Wednesday morning

In terms of the deal, Union Wine and Picotel minorities are to be offered R2 in cash or one share in Coki, the retail division of Kirsh Industries

With Coki shares suspended at 215c, the offer was effectively a premium of up to 60% on pre-deal prices

At least one shareholder who sold shares shortly before the announcement may demand to be compensated

The Stock Exchange committee is expected to recommend an inquiry into surging turnover in the shares between Thursday, March 5, and Wednesday

The committee will meet on Tuesday

Last Thursday, 5 000 Picotel and 13 200 Union Wine shares were traded The price of Picotel moved up from 115c to 120c, and Union Wine was stable at 112c

On Friday, 9 200 Picotel and 15 600 Union Wine shares traded but the prices did not change

On Monday, this week 10 300 Picotel and 15 600 Union Wine shares traded Picotel moved up to 125c and Union Wine to 120c

On Tuesday, only 900 Picotel shares traded, but 8 250 Union Wine shares changed hands Picotel moved up to 127c and Union Wine to 135c

The deal was announced on the stock exchange notice board and the telex services shortly after stock exchange trading opened at 9 30 on Wednesday

The JSE listing committee ordered the shares suspended after 22 minutes of trading on Wednesday morning

In that brief period, 16 700 Union Wine shares traded, according to one seller, at up to 170c No Picotels changed hands

Last year, 518 000 Picotel shares traded That was an average of 43 000 a month During February this year turnover was 19 000

In 1980 Union Wine shares turned over at an average of 149 000 a month and in February 25 000 were traded

Mr Jan Pickard told me yesterday the shares were not suspended earlier because until Tuesday night "there was no deal" The deal was first discussed on the evening of March 5 and was clinched in Cape Town only on Tuesday night this week

He said the deal was supposed to have been announced at the JSE and on wire services on Wednesday before the market opened.

He agreed that the shares should have been suspended immediately turnover and prices started to rise, but said it was possible that turnover and price movement in the shares could have been in anticipation of the companies' good results, published today

Mr Natie Kirsh, chairman of Kirsh Industries, the ultimate holding company of Coki, agreed the shares should have suspended, but said they were not his to suspend

Mr Doug Gair, chairman of the listings committee of the Stock Exchange, confirmed that it was the listings committee that had eventually insisted on suspension of the shares because it believed that not all shareholders would see the announcement at the JSE and on wire services

He said the shares would have been suspended before trading started on Wednesday if the JSE had seen the announcement earlier As it was, the companies had to lodge an application for suspension This caused a short delay and was one reason why trading went on for 22 minutes on Wednesday

COMMENT: When the first started talking seriously, they should have followed JSE procedure in announcing this and warning shareholders to be cautious in their dealing.

Immediately it became apparent that a large premium was to be offered on the stock market prices — whenever that was — the shares should have been suspended.

Likewise, as soon as turnover and prices started to surge, the shares should have been suspended

I would have thought the onus of suspension was mainly on the Pickard Group as its shares were most likely to move

Seardel clinches R16m takeover of Dubin

CT 14/3/81 (232)

By DAVID CARTE

JOHANNESBURG — Seardel, SA's biggest clothing maker, has successfully concluded negotiations for the acquisition of Dubin, another clothing major, for an effective price tag of more than R16m

The enlarged company will have sales of more than R260m and pre-tax profit of about R22m and will be far bigger than the country's second biggest clothing manufacturer

Until this acquisition Seardel specialized mainly in women's clothes Now, through Dubin's, Man-About-Town franchise it will be a major force in men's clothes as well Both companies have important non-clothing interests as well

Seardel representatives will be appointed to the Dubin board and Mr Abe Dubin will continue as chief executive of Dubin

Dubin shareholders are being offered R160 a 100 Dubin shares There are 10 200 000 shares in issue so this puts a price of more than R16 000 000 on the deal

Because a premium is being paid on Dubin's net assets Seardel's asset value will be reduced by 24c a share but after taking account of new shares to be issued earnings a share will increase by 23c

Seardel's capital base of R17 700 000 will be more than doubled as a result of the deal

The price payable with be discharged by the issue of six new Seardel shares at 700c and 16 Seardel convertible cumulative preference shares at 700c and a R6 cash payment for every 100 Dubins held

The new Seardel shares will rank for Seardel's recently declared 8 5c final dividend but Dubin shareholders will not receive Dubin's 8,5c final

The new Seardel shares will not rank for Seardel's interim dividend, which is expected by analysts to be between 3c and 4c

Dubin shareholders have the right to elect cash instead of the Seardel convertible prefs

Thus, a holder of 100 Dubin shares will receive R118 cash and six Seardel shares under the cash alternative

The Dubin 14% convertible preference holders will receive in respect of each 70 prefs, the same consideration as ordinary shareholders as well as the preference dividend for the six months to end December

The 5,5% cum pref holders in Dubin will receive for each cum pref 25c cash plus one 12,5% R1 redeemable pref in July 1981

Seardel pays over R16m for Dubin

RDM 14/3/81

232

By DAVID CARTE
Deputy Financial Editor

SEARDEL, SA's biggest clothing maker, has successfully concluded negotiations for the acquisition of Dubin, another clothing major, for an effective price tag of more than R16-million.

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Woolworths and Truworths to keep separate identities

232

Giant merger chains will go their own way

STAR 16/3/81

By Mervyn Harris

The various chains in the new South African retail giant resulting from the merger of Woolworths and Truworths will continue to operate separately and maintain their own character and identity.

This was stated today by Mr David Susman managing director of Woolworths Holdings who will be chairman of the new company.

Final details of the merger were hammered out at the weekend and the shares of both companies were relisted on the Johannesburg Stock Exchange today.

The new group will comprise 438 stores with a turnover this year in the region of R400 million.

Details of the share and cash transaction involved, announced today by merchant bankers UAL and Senbank note that the name of the new group will be changed from Woolworths Holdings to "more accurately reflect" the nature of the new company.

Mr Susman said the merger "creates opportunities for greatly improved quality value and style in the goods of both organisations.

Each business has unique expertise which will be of great benefit to our customers, staff, suppliers and, of course, our shareholders.

"The operations of each company obviously complement each other in so many ways that the opportunities for the future are almost without limits."

Mr Tony Williamson, managing director of Truworths who will be vice-chairman of the new company, said the merger "gives our new group enormous strength in many areas — and offers excellent career opportunities for its 11 000 employees.

Mr R S Sonnenberg in his continuing capacity as chairman of Woolworths, will continue on the board and Mr L Shawzin, in his continuing capacity as chairman and founder of Truworths, will join the new board.

The remainder of the board will be announced shortly and will be a mix of experienced retailers and businessmen.

The merger will have integration benefits for the two parties involved.

Truworths, in business for 45 years and a leader in fashion for women of all income groups, does some 75 percent of its business on credit through 373 stores, 327 of which are in South Africa.

It designs and manufactures much of its own merchandise and expects turnover this year to be about R150-million.

Woolworths, celebrating its 50th anniversary this year is expecting a turnover of about R250 million this year through its 65 stores.

It is a cash business with a strong cash flow and has close associations with the Marks and Spencer chain of Britain.

Main terms of the proposals are:

- The merger will be implemented by the acquisition by Woolworths of all the ordinary shares of Bonmore and the issued ordinary share capital of Truworths (other than those Truworths ordinary shares held by Bonmore).
- Shareholders in Bonmore will receive for every 200 ordinary shares held R674 in cash plus 55 Woolworths voting ordinary shares.
- Shareholders in Truworths will receive for every 100 ordinary shares held R3 702 in cash plus 330 Woolworths voting ordinary shares.

part of working hours, especially where the worker is restricted in his choice of both working and living place. The farm worker, on the other hand, walks perhaps 500 metres to start work - although in the course of the day he may be required to walk much further).

Working hours on Ratoo farms differ considerably between summer, when the day begins earlier and ends later, but with a long break in the middle, and winter, when the working day, and the break, are shorter.

The following table is an attempt to list the distribution of workers according to average (i.e. throughout the year) working hours.

TABLE 5

Distribution of workers according to working hours (weekly):

Hours worked per week	Number of workers	Cumulative %
0 - 46	1	0,92

1
6
4
2
3
0

ll 'arranged

armer's

weekly.

Merger creates new S A retail giant

NM 16/8/81

232

JOHANNESBURG—The Truworths-Woolworths merger has been finalised

Final details of the merger were hammered out at the weekend and with the relisting of the shares at the JSE today, two of the leading figures in the merger spoke out on how they see the future of the new South African retail giant — 438 stores with a turnover this year in the region of R400 million

Mr David Susman, managing director of Woolworth Holdings Limited, who will be chairman of the new company said

'The merger creates opportunities for greatly improved quality, value and style in the goods of both organisations

The managing director of Truworths, Mr Tony Williamson, who will be vice-chairman of the new company, said 'The merger gives our new group enormous strength in many areas — and at the same time offers excellent career opportunities for its 11 000 employees'

Details of the share and cash transaction involved, announced by Merchant Bankers UAL and Senbank, note that the name of the new group — which has not been decided yet — will be changed from Woolworths Holdings Limited to more accurately reflect the nature of the new company

Mr R S Sonnenberg chairman of Woolworths, will continue on the new board and Mr L Shawzin, chairman of Truworths, will join the new board — (Sapa)

FINANCE

R60-m for Truworths takeover

Argus 16/3/81 ~~30~~ ~~184~~ 232

WOOLWORTHS is to pay just under R60-million for the Truworths group, according to details announced today.

After five days of negotiations the two Cape Town based groups and leaders in the retail clothing trade agreed at the weekend to merge

It is proposed that Woolworths will acquire the entire issued capital of Truworths and its pyramid company, Bonmore

OFFER

Woolworths is offering R674 in cash and 55 Woolworths voting ordinary shares for every 200 Bonmore shares and R3 702 in cash and 330 Woolworths voting ordinary shares for every 100 Truworths' shares

This will cost Woolworths about R37,5-million in cash and require the issuing of ordinary voting shares worth about R19-million at their pre-suspension price of 575c each

A new holding company will be formed with Mr David Susman, managing director of Woolworths, as chairman and Mr Tony Williamson, managing director of Truworths, as vice-chairman.

Mr R S Sonnenberg will continue as chairman of Woolworths and will also be on the new board, as will be Mr L Shawzin, founder and present chairman of Truworths

Commenting on the merger today Mr Susman said that both companies were good at what they did The merger would help both to do even better

Mr Williamson said the group tremendous merger gave the new strength in many areas It would also offer excellent career opportunities for its 11 000 employees

Some people have expressed surprise at the merger of two groups with quite different methods of operations Woolworths sells mainly staple goods for cash while Truworths sells mainly fashion goods on credit

But this overlooks the fact that the merger is creating a large group with tremendous resources of cash and management ability

Thus it should be better able to take advantage of any opportunity that might occur in the future than either group could have done in the existing situation

The Woolworths/Truworths group looks like it has an exciting future ahead of it

Clothing store merger is on

CT 16/3/85 (184) (3) 22

By GORDON KLING

THE merger between two of South Africa's biggest clothing retailers Woolworths and Truworths, is on

Details of the scheme were hammered out at the weekend and the shares of both companies are to be relisted on the Johannesburg Stock Exchange today

The new Cape-based retail giant will be the largest of its kind in the Republic comprising 438 stores with a turnover in the region of R400 million this year

In a statement released in Johannesburg last night the managing director of Woolworth Holdings Ltd and chairman of the new company Mr David Susman, said "The merger creates opportunities for greatly improved quality, value and style in the goods of both organizations

'Each business has unique expertise which will be of benefit to our customers staff, suppliers and shareholders The operations of each company obviously complement each other in so many ways that the opportunities for the future are almost without limits "

He emphasized that the various chains in the group would continue to operate separately and maintain their own character and identity

The managing director of Truworths Mr Tony Williamson who will be vice-chairman of the new company, said 'The merger gives our new group enormous strength in many areas — and at the same time offers excellent career opportunities for its 11 000 employees

According to an announcement yesterday by merchant bankers UAL and Senbank the name of the new group will be changed from Woolworths Holdings Ltd to more accurately reflect" the nature of the new company

Mr R S Sonrenberg in his continuing capacity as chairman of Woolworths will continue on the new board and Mr L Shawzin in his continuing capacity as chairman and founder of Truworths will join the new board The remainder of the board will be announced soon

The merger will be implemented by Woolworths acquisition of Truworths shares and those of its holding company Bonmore in exchange for Woolworths shares and cash

Agricultural Census data give the following averages:

TABLE 2

District, Number of permanent ('regular') Coloured and African men workers employed, number of holdings and average number employed per holding, 1972-73 :

District	No. of workers	No. of holdings	Average No. of workers per holding
Beaufort West	1 015	274	3,7
Fraserburg	591	214	2,8
Middelburg	1 141	204	5,6
Graaff-Reinet	1 384	199	7,0
Total	4 131	891	4,6

SOURCE: Report on agricultural and pastoral production, Agricultural Census No. 46, 1972-73, Report No. 06-01-10.

The Unisa survey found an average of 5,62 permanent farm workers per farm in area 3 and 2,84 in area 4.(3)

The differences between figures derived in this survey and those quoted by the Census and to a lesser extent by the Unisa research, seem to confirm the impression that many of the farms in this survey are bigger - with bigger labour forces - than the average in the area. For example, two farms in the Beaufort West district, covering 39 000 and 26 495 hectares, employ 25 and 23 permanent men … of 13 000 hectares in the Graaff …

Gundle takeover

In a R2 million cash deal Gundle Plastics of Johannesburg has acquired the polyethylene-sheet manufacturing and selling business of NCS Plastics of Durban.

Making this announcement today, executive chairman Mr Clifford Gundle said the acquisition followed the recent disposal by Gundle of its PVC fabrication facilities to concentrate on a growth programme in its main plastic-extrusion business.

Gundle recently announced the successful award of a US tender worth R440 000 for plastic sheeting to line an anti-pollution dam on a uranium mine in the State of Washington.

Woolworths more than generous

RDM 17/3/81

232

30

By HAROLD FRIDJHON

THE offer which Woolworths is making to the shareholders of Bonmore and Truworths in terms of the merger mechanism for amalgamating the two groups looks very much like an offer that cannot be refused

Based on the pre-suspension prices, the terms to the Truworth group shareholders are, to say the least generous

For every 200 Bonmore shares held, shareholders will get R674 in cash and 55 Woolworths voting ordinaries This would have given R990,25 for shares which were priced at R840

In the case of Truworths, the offer is R3 702 in cash and 330 Woolworths voting ordinaries worth R5 599,50 for 100 shares priced at R4 200

It was to be expected when trading opened yesterday that the profit gap would be eliminated — and it was

Woolworths was bid up to 660c, as well the share should have been because the combined resources of the two groups should generate greatly increased profits, with Woolworths cash flow financing the Truworths book, thereby eliminating the cost of borrowed money

Bonmore rose from 420c to 520c, which means that 200 shares would be worth R1 040 while the offer, with Woolworths priced at 660c, would be worth R1 037

Truworths went up to R57,50, which is higher than the offer, currently worth R56,65

This means that shareholders in the two Truworths companies can either accept the offer and not pay brokerage, or go to the market and pay brokerage

My advice is to accept the offer because it is unlikely that the Woolworths price will fall back But if you have any doubts about Woolworths holding its price, sell now

Details of the merger suggest that the welding of the two groups will be total and that there will be a meshing of the executives of both groups which will retain their identities and yet will come together at the top where planning and budgeting and financial management decisions will be made

When the merger is complete, the old guard will hand over control at the top to younger men, Mr D R Sussman of Woolworths will be the chairman of the new top company and Truworths Mr A G W Williamson the vice-chairman

The Woolworths trading company, however, will not lose the touch of the man who built up the group, Mr Dick Sonnenburg He will remain chairman And the same will go for Truworths Mr Len Shawzin who, with his late brother Mr Jose Katzenellenbogen, steered the Truworths group to the top will continue as chairman of the Truworths trading group

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S.A. Industrial Week 17/3/81

SCI seeks greater share of lucrative mining explosives market

"BREAK THIS MONOPOLY"

SWAZILAND Chemical Industries has launched an attempt to demolish one of the most lucrative and oldest monopolies in South Africa — the explosives monopoly held by AECI for more than half a century

SCI deputy chairman and managing director Oliver Hill describes this as "probably the most tightly regimented monopoly in the country It is regulated in terms of a contract which gives to African Explosives the sole and exclusive right to supply explosives, practically forever

"Effectively, it is an everlasting contract to supply to a market that is today the second largest in the world. They say there is room for only one producer I say this is total rubbish."

Hill says he has been consistently blocked by the Chamber of Mines in his attempts to break into the R300-million-a-year mining explosives market but is carrying on the fight through the recently formed Competition Board in Pretoria

"We have told the Competition Board we believe the country has more to gain from competition than it has to lose from doing away with the restrictions imposed on the marketplace by the Cham-

operation costs of explosives might represent about 2 % of overall costs.

"We think that with proper application of technology we can save up to 10 % of total mining costs — which is five times the actual cost of the explosives involved

"We are not running down the products of AECI, but we do think our know-how is better and this can make a big difference to productivity

"When we compete with AECI the man who benefits is the customer The major thing we have to sell is health and safety The Chamber of Mines has completely ignored these facets of our case

• AECI declined to comment.

Cartoon Page 3

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with other activities all of which together add up to provide an adequate income This happens particularly in Amathole where some people were allocated Full Economic Farm units with rehabilitation (these farmers may utilise their time well between cultivating fields, keeping small stock and working in the dairy Combined these activities may generate a decent income while none of them alone could provide enough to live off)

Only for people with enough cows to guarantee a reasonable income would the time and labour spend herding and milking be justified (Again if a market could be established) Because nearly all the people in the dairies have very few, very low quality cows, it seems that the dairies can only provide a supplementary source of income to those who already have some security, rather than the sole source of income for the very poor

4. Here one must note the exceptions of Alfred Bukula of Inkomo and Freddy Mhlauli of Amathole Both are particularly successful in the dairies and yet both of them are comparatively poor Mhlauli has a pension but the dairy is his main source of income Bukula has no other cash income, but his income from the dairy is now second highest to that of N M He attributes this to the fact that his cows are particularly good and he has concentrated on improving their quality

3.4 CONCLUSION

One must remember that these two projects are pretty exceptional in Umhlaba, and also, that while Umhlaba is classified as a pastoral area, with emphasis on cattle rather than cultivation, these are the only two dairies

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to lose from doing away with the restrictions imposed on the marketplace by the Chamber of Mines' contract

"About 90 % of the explosives market in South Africa is covered by the Chamber's contract monopoly: 10 % is not and it is in this fraction that we are allowed to compete and, in fact, are competing very successfully

"It is strange that the Chamber requires three suppliers of every commodity to the mining industry — with the exception of explosives. We think this rule should apply to everything.

"We believe competition in the explosives industry will bring down the costs of mining — not because we are going necessarily to offer cheaper explosives, but because we are able to offer better-applied advanced technology available to us from El Du Pont Nemours of the USA"

Hill says on a typical mining

Woolworths/Truworths merger terms

CT 17/3/81

2232

JOHANNESBURG — Agreement has been reached between Woolworths Holdings Ltd, Truworths Ltd and Truworths' 49,24 percent shareholder Bonmore Investments Ltd on the merger terms between the three companies, a joint statement said

The terms are that shareholders in Bonmore will be offered R674 in cash plus 55 ordinary Woolworths shares for every 200 Bonmore held and Truwrorths shareholders will be offered R3,702 and 330 Woolworths shares for every 100 Truworths held

The acquisition of Bonmore will not take place if Truworths shareholders reject the offer and vice-versa, it said

On March 9 Union Acceptances and Central Merchant Bank said agreement in principle had been reached between the boards of the three companies

The result of the merger will mean Woolworths controls the entire issued share capital of Bonmore and the issued ordinary share capital of Truworths other than those shares held by Bonmore

This will produce a new group, the name of which has yet to be determined, operating 438 stores in South Africa and producing an annual turnover in the 1981 fiscal year of around R400m, it said

The proposals will have a beneficial effect on Woolworths earnings, but will initially result in a reduction in net asset value In the six months ended November 29 Woolworths reported a rise in pre-tax profit to R14,92m from R11,33m in the year-ago period while turnover rose to R108,36m from R83,63mn

Truworths in the half-year to end December, earned pre-tax profit of R11,5m against R6,48m on turnover of R81 02m against R62 59m

Woolworths shares opened yesterday at 620c against 575c before suspension last week, Truworths were untraded but bid up at 4 500c against 4 200c, and Bonmore opened 80c up at 500c — Reuter

Amcoal is now Anglo subsdiary

AMCOAL has become a subsidiary of Anglo American Corporation as a result of the scheme of acquisition by which Amcoal obtained the 92,4% shares of Natal Anthracite Colliery it did not already hold and AAC accepted shares in Amcoal for its holding of stock units in Natal Anthracite

Consequently Amcoal's financial year end will change from December 31 to March 31 to conform with the AAC year end and the current financial year will cover the 15-month period ending March 31, 1982

A first interim report dealing with Amcoal's results for the three months to March 31 will be issued during May when it is intended to declare a first interim dividend for payment during July

A second interim report dealing with the group's results for the six months to September 30 will be published during November when a second interim dividend will be declared for payment during January, 1982

The results for the 15 months to March 31, 1982, will be announced during May, 1982, and the final dividend will be declared for payment during July, 1982

Thereafter the results for the first half of each financial year will be announced during November with the interim dividend declared for payment the following January and the year-end results will be published in May with the final dividend declared for payment during July — Sapa

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Hectic buying threat to Kirsh-Pickard deal

By DAVID CARTE
Deputy Financial Editor

THE proposed retail liquor deal between Kirsh Industries' Coki Corporation and Mr Jan Pickard's Union Wine and Picardi Hotels appeared threatened yesterday by hectic dealing in the shares of Union Wine and Picotel shares

In panic trading that lasted most of yesterday, nearly 1-million Union Wine shares and 461 000 Picotels changed hands

The Union Wine share price more than doubled from 230c to 475c during the day, while Picotel gained 43c or 16%, rising from 227c to 270c

The 935 185 Union Wine shares that traded yesterday, on the face of it, represented 23,5% of that company's issued shares and no less than 58% of the 1 673 000 shares not in the control of Pickard Group companies

The 461 400 Picotel shares that traded represented 9,17% of that company's issued shares or 46% of the 1-million shares not owned by Pickard Group companies

But stock market observers were doubtful that these proportions of the companies' issued shares actually traded, noting that in many cases the same shares were traded several times

Three broking firms appeared the most active buyers of Union Wine and Picotel shares — Max Pollak and Freemantle, Fergusson Brothers, Hall Stewart and Co and Simpson, Frankel, Hern, Kruger Inc All were tight lipped on their principals

Most brokers not involved in the buying speculated that a buyer was accumulating a strategic position in the two companies, virtually regardless of price, to block the proposed deal between Coki, Union Wine and Picotel

Some dealers who read the situation this way were said to have bought shares at 265c and more and sold at higher levels only hours later

Several uninvolved brokers speculated that one or both of the liquor majors, SA Breweries or Cape Wine and Distillers, or even the Rembrandt Group, were moving to block the deal, which would make Union Wine the biggest liquor retailer in the country

They speculated that the liquor majors would not relish the Kirsh group exercising the sort of power over them that it does over certain suppliers to Metro Cash

They pointed out that the liquor majors have felt peeved at Union Wine's Government permission to operate 130 retail outlets while they have been told by the authorities to sell their bottle stores

At this stage it is not clear whether an opponent of the deal would need 10% or 25% of the equity to block it

Despite repeated attempts by Business Mail, none of the directors of SAB CWD or Rembrandt could be reached for comment yesterday

The Johannesburg Stock Exchange put out a statement saying that the boards of Picfin and Coki had no idea who was buying the shares or why Both Mr Jan Pickard, chairman of the Pickard companies, and Mr Mervyn King, chairman of Coki told me they were completely mystified by the buying

Mr Pickard said it was possible that a large investor had taken a view on the company's bright prospects and was prepared to move the share price to get aboard as a significant minority — or that investors were buying Union Wine to get into Coki, whose shares were virtually unobtainable

FINANCE

UNION WINE GOES TO 1900c: SUSPENDED

Argus 19/3/81

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Derek Tommey, Financial Editor

THE listing of Union Wine, the Cape-based liquor company, was suspended by the Johannesburg Stock Exchange this morning soon after the company's shares had soared to 1 900c.

The suspension was at the request of the stock exchange president Mr Richard Laurie.

However by the time the suspension was announced the price of the share had fallen to 1475c.

Union Wine closed at 1360c last night at 475c on Tuesday and at 230c on Monday. Eleven days ago it was 115c.

The sharp rise appears to be the result of a takeover battle and a bear squeeze becoming mixed up together.

Union Wine has sprung into prominence in the past few days as it is to be the vehicle through which the Pickard group and Mr Natie Kirsh's Metro Cash and Carry group are to link up.

Mr Kirsh's Coki Corporation is proposing to acquire a 49,9 percent interest in Union Wine, with the balance being held by Mr Jan Pickard's Picardi Finance (Picfin).

The link-up should lead to an injection of capital into Union Wine enabling it to expand its operations more rapidly.

130 STORES

Union Wine has apparently been given the right to operate a total of 130 bottle stores while all other groups in terms of a new agreement between the Government and the liquor industry, can operate only a maximum of five.

The initial demand for Union Wine shares this week is analysed as being due either to someone trying to block the link up or to wanting to get in on the deal.

The takeover of Union Wine is being effected by a scheme of arrangement, so anyone who holds more than 500 000 Union Wine shares out of its total issued share capital of 12-million shares could disrupt the deal with the Kirsh group.

It appeared that this buying immediately triggered counter-buying by the Kirsh interests and as a result almost a million Union Wine shares changed hand on Tuesday with the price rising from 230c to 475c.

It now seems however, that many of Tuesday transaction were not genuine ones but were 'short' sales by professional jobbers. This means they did not have these shares but agreed to deliver at an agreed price.

LOWER PRICE

This is because they later expected to be able to buy them from other shareholders at a lower price.

However, when they did their homework on Tuesday evening, they discovered that there were hardly any Union Wine shares available to be bought.

So when trading opened yesterday a mad scramble for Union Wine shares developed.

END MASSACRE

The suspension of Union Wine shares should, at least for a while, end the massacre of the bears that has been taking place on the stock exchange since yesterday morning.

On recent trading it would seem that a number of jobbers who went short are facing serious financial difficulties.

The suspension will give the stock exchange a chance to investigate the outstanding short position and devise a scheme which will enable the jobbers to meet their commitments without incurring too great a loss.

Liquor share trading halted

19/3/81

By Geoff Shuttleworth

Union Wine shares were suspended 20 minutes after the Johannesburg Stock Exchange opened this morning. This followed two days of hectic trading which sent the share soaring to 1 900c from 112c in 10 days. Suspension was at 1 475c.

Stockbrokers believe that a mystery buyer pro[illegible] Cape Wine Distillers (CWD) is trying to block the entrance of Mr Natie K[illegible] chairman of Kirsh Industries into the liquor industry. CWD is owned by Rembrandt, South African Breweries and Stellenbosch Farmers Winery with 30 percent each. A spokesman for CWD refused to comment on this speculation.

REQUEST

The share was suspended at the request of the president of the JSE, Mr Richard Lurie, and not at the request of Mr Jan Pickard, chairman of Union Wine.

Mr Kirsh and Mr Pickard said this morning that they did not want the share suspended but wished to ease the position of brokers who had "sold short".

Brokers believe that the extreme volatility in the share price was because brokers having sold short on shares they did not actually own, were forced to buy at any price to meet the delivery deadline of next Tuesday.

Brokers said there was still a shortage of Union Wine shares to meet this delivery. The normal process for "bears" — those who have sold short — is for the stock exchange to hold an auction. If insufficient shares are available to meet the call a make-up price is agreed.

But brokers are worried because bears selling short are required to disclose the sale and they believe there are cases in which this was not done. Stock exchange rules make such an omission a criminal offence.

Only 10 100 shares changed hands this morning and this increased concern that there were a fair number of bears about.

The issued share capital of Union Wine is 4,2 million shares and on Monday and Tuesday at least a third of these changed hands.

Mr Pickard who owns 60 percent of the shares, is not allowed to vote at a special meeting to pass the scheme of arrangement whereby he will reduce his holding to a fraction over half and sell the remainder to Mr Kirsh via his company, Coki Corporation.

If the mystery buyer can acquire 10 percent of the issued share capital he may block the proposed scheme of arrangement. If he gets 25 percent of the shares he may block any other special resolutions such as increasing the Union Wine issued share capital to dilute the mystery buyer's stake.

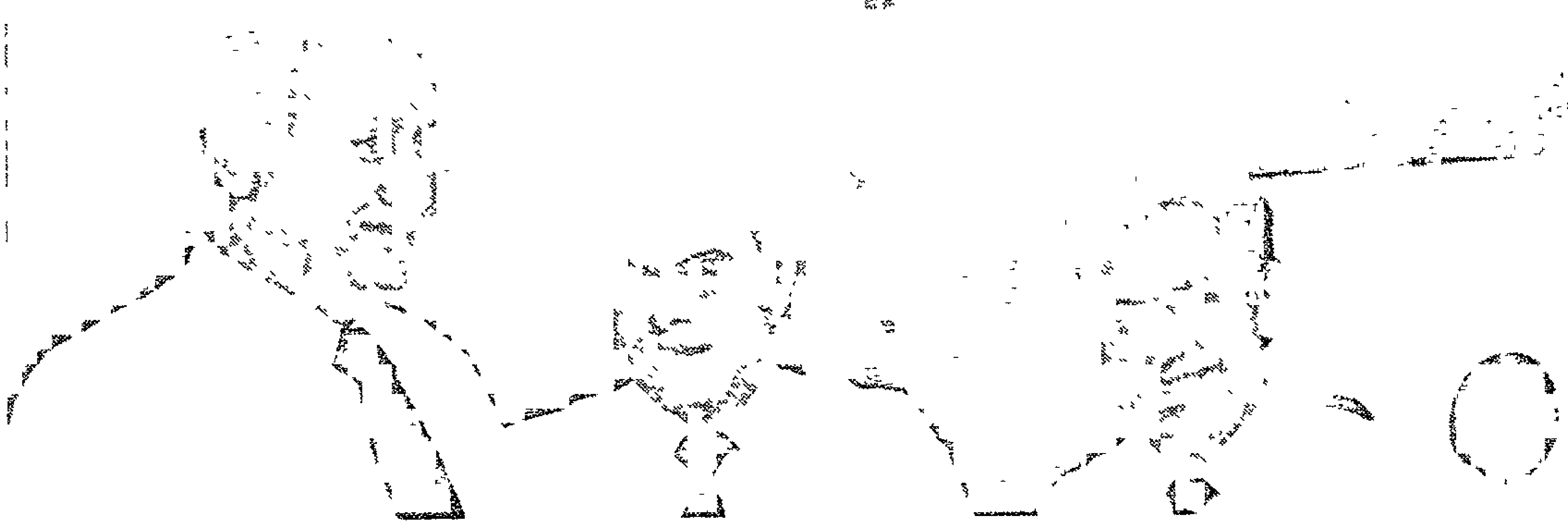
Mr Pickard who flew to Johannesburg last night to review the situation with Coki chairman former judge Mr Mervyn King, has said that he will somehow have Mr Kirsh as a partner and deny a board position to the mystery buyer. Mr Kirsh returned hurriedly from Switzerland yesterday to attend the talks.

TRANSFORMING

Mr Pickard could sell the assets of Union Wine to Mr Kirsh or any one of his three other listed companies but this would mean transforming Union Wine into a cash shell.

Such an action would be time consuming and expensive as it would involve renegotiating of leases and licences.

Trading in the four shares involved in the deal is now the subject of an inquiry by the committee of the stock exchange.



Union Wine chairman, Mr Jan Pickard (left) Coki chairman Mr Mervyn King and Kirsh Industries chairman Mr Natie Kirsh got together in talks today to discuss the Union Wine/Coki deal which might be jeopardised by intense buying of the shares on the stock exchange in the last two days

If it is accepted that access to health care is the right of all citizens, then as John Bryant stated in the opening quotation of this paper there are "profound social, political, ethical and educational implications". This paper has examined some of the educational aspects of the provision of future health workers in southern Africa. I have made no attempt to predict what types of health workers we will need, or to suggest where they should work or within what type of national health care delivery system they should work. Rather, I have indicated that education should be viewed as part of the total health [illegible]

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Pickard, King meet

RDM 1/9/7/81

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By DAVID CARTE
Deputy Financial Editor

MR JAN Pickard, chairman of Picardi Finance, Union Wine and Picardi Hotels, and Mr Mervyn King, chairman of Coki, met last night to discuss strategy in the light of possible resistance to their plan to get together in liquor retailing.

The two propose a liquor retailing partnership in Union Wine, which, with a 100% stake in Picotel and 130 outlets, would be the biggest liquor retailer in South Africa once SA Breweries and Cape Wine & Distillers have sold their retail outlets in accordance with a Government instruction.

Heavy buying of Union Wine and Picotel shares yesterday and on Tuesday, led market watchers to believe that the liquor majors, SA Breweries, Cape Wine and Distillers and the Rembrandt Group, were buying shares regardless of price to block these proposals.

Mr King told me that a liquor retailing deal between Coki and the Pickard interests would not necessarily be blocked even if opponents of the deal obtained the 25% holding required to block the present deal.

He said Pickard interests still had 60% of Union Wine and 80% of Picotel.

Market watchers said it was doubtful that any single buyer had accumulated as much as 25% of Union Wine, even though about 1 400 000 shares had traded in the past two days out of only 4 200 000 shares in issue.

They pointed out that many bears had sold shares they did not own and many shares had "churned", having been sold several times.

FISHING

Trawling more widely

FM 20/3/81

With the finalisation of this year's SWA pelagic fishing quota (see box), it is clear that, no matter where the fault lies, the industry in that territory is very poorly placed As a result, the companies closely linked to the industry are being forced to shift the emphasis of their operations geographically or through diversification

Plans for this, of course, have been around for some time, and pelagic fishing companies with a high level of exposure in SWA/Namibia have already taken steps to reduce their vulnerability

Willem Barendsz, for instance, has begun a joint venture with Sea Products (SWA) and SWA Fishing Industries, through United Fishing Enterprises, to set up and operate a fishmeal factory some 400 km north of Santiago, Chile The irony of this venture is that because of the problems associated with Wilbarz's high exposure in SWA/Namibia, it is able to man the Chilean factory entirely with staff from this part of the world

The attraction of a move into Chile, of course, is based on last year's 2,2 Mt pelagic catch in that country's territorial waters At the same time, investment rules in Chile are fairly advantageous and allow considerable repatriation of profits and capital Wilbarz's operation in Chile will require no cash, but only a movement of machinery currently installed in Walvis Bay

The group was sitting on over R3,5m in cash at end-December and has been looking for diversification opportunities for quite some time

Hopefully, it has not left this search too late for taxed earnings declined 50% last year to R570 000 (R1,2m) Earnings dropped from 12c to 6c, but the group opted to pay an 8c (11c) total, thereby digging into cash resources

It is theoretically possible for this to continue for over five years at this rate But management is making no promises and says it will review its policy at the declaration of each dividend Clearly it would prefer to invest cash and earnings in operating assets rather than in the money markets, despite rising interest rates

As a result, it is difficult to estimate Wilbarz's 1981 payout or the prospective yield on the current 60c share price The historic yield is 13,3% but it is certain, with the Chilean venture only likely to come on stream around September or October, that this year is going to be a stiff one

Wilbarz holds 16% of **SWA Fishing Industries** one of its partners in Chile and a company which already has some built-in protection against the decline in SWA's pelagic catch For one thing, it has a 50% stake in a large salt recovery operation and it also has access to a fair-sized rock lobster quota which may be expected to cushion the blow

Despite this, the company's earnings dropped 50% in 1980 from 96c to 48c a share though here again the dividend was maintained at a 60c total Cash backing is much more substantial than that of Wilbarz, standing at over R13m at the end of 1979 But it, too, will have to find a more satisfactory investment channel before better quality earnings can be expected

The share trades at 330c giving an historic 18% The directors, in line with those at Wilbarz, will not make any forecast until mid-year and as a result it is difficult to assess the quality of this high return But it is true to say that, given

PLUMBING THE DEPTHS

Details of the SWA/Namibian pelagic fishing quotas were released this week by SWA/Namibian Economic Affairs Secretary Piet Kruger The outlines are as follows.

□ No direct pilchard catching will be permitted and only "limited" by-catches will be tolerated

Last year, the quota of pilchard was 4 000 t in the can — equivalent to about a 15 000 t catch — but only 10 000 t was landed and 218 t canned

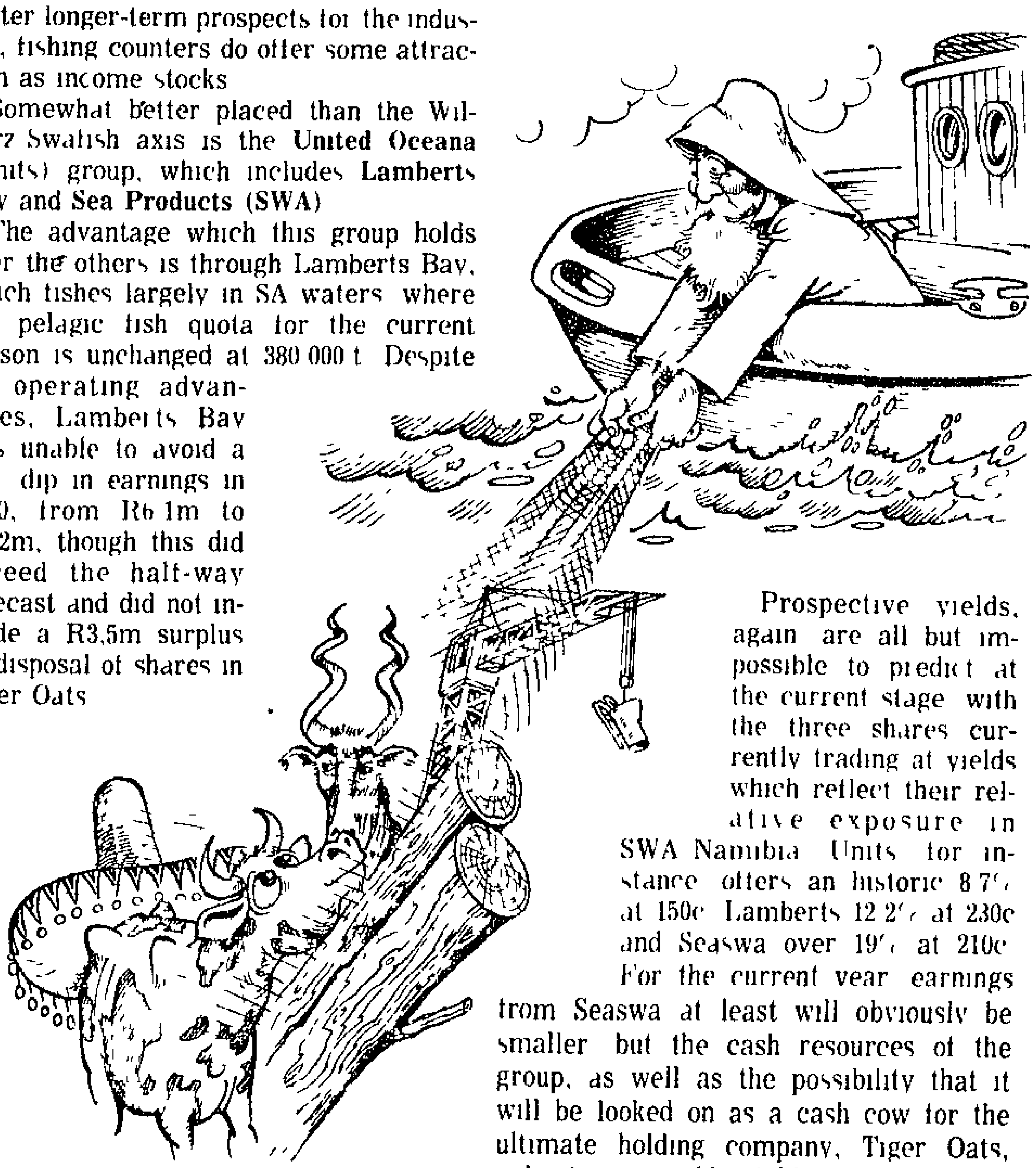
□ The anchovy quota will be pegged "tentatively" at 150 000 t, compared with a final pelagic catch last year of 223 000 t. This could be raised later in the season, as was the case last year

□ The season will open on March 23 (April 10 last year), with no area restrictions at all — which is being seen as a sure sign that the quota will next year be treated on a multi-species basis

better longer-term prospects for the industry, fishing counters do offer some attraction as income stocks.

Somewhat better placed than the Wilbarz/Swafish axis is the **United Oceana (Units)** group, which includes **Lamberts Bay and Sea Products (SWA)**.

The advantage which this group holds over the others is through Lamberts Bay, which fishes largely in SA waters where the pelagic fish quota for the current season is unchanged at 380 000 t. Despite its operating advantages, Lamberts Bay was unable to avoid a 30% dip in earnings in 1980, from R6,1m to R4,2m, though this did exceed the half-way forecast and did not include a R3,5m surplus on disposal of shares in Tiger Oats.



The bulk of the Units group's R22m-plus cash resources lies in Lamberts but it was not necessary for either Lamberts or Units itself to dig into these to pay unchanged dividends of 28c and 13c respectively. Earnings were 50c (71c) and 30c (44c).

Further down the line, however, Seaswa reflected its exposure to SWA conditions in paying an unchanged 40c dividend out of earnings of 33c (70c).

Mainly as a result of this, the group's associates in SWA/Namibia have entered into a venture in Chile, aimed initially at fishmeal and fish oil production. It is also looking at diversification elsewhere.

Prospective yields, again are all but impossible to predict at the current stage with the three shares currently trading at yields which reflect their relative exposure in SWA/Namibia. Units, for instance, offers an historic 8,7% at 150c, Lamberts 12,2% at 230c and Seaswa over 19% at 210c.

For the current year earnings from Seaswa at least will obviously be smaller but the cash resources of the group, as well as the possibility that it will be looked on as a cash cow for the ultimate holding company, Tiger Oats, indicate reasonably stable payouts.

Rather more insulated from the vagaries of SWA/Namibia are both **Kaap-Kunene** and **Ovenstone Investments (OIL)**. In 1979 inshore fishing contributed 68% (76%) of Kaap-Kunene's taxed income and it was anticipated that other diversified operations would increasingly contribute to earnings. Investment income in particular showed an advance from under 26% of taxed earnings to almost 30% in that year, while property income was expected to rise.

Nevertheless, Kaap-Kunene's 1980 income did decline, largely as non-fishing activities failed to take up the slack of poorer fishing conditions. Earnings dropped nearly 30% from 29,3c to 20,7c, though the dividend was maintained at 15c. Once again, if the group is able to diversify away from fishing fairly quickly this dividend could be maintained. At 104c the counter yields an historic 14,4% and is one of the more attractive counters.

OIL is more widely based but offers a significantly lower 7% historic yield at the current 43c share price. It would seem unlikely that this payout will be exceeded in the year just ended though the group forecast increased earnings for the year to February 28 on the higher share capital.

The cash raised by last year's 180-for-100 rights issue has already been invested in a Chilean venture, though chairman Andrew Ovenstone says this project and a distribution system in the Canary Islands, are only in the development stage at present. The company's SWA/Namibian exposure, fortunately, is probably down to around 5% of profits by this stage says Ovenstone.

The property division, on the other hand has "come right with a vengeance," according to Ovenstone, and higher rentals are also expected over the next couple of years he adds. Negotiations to merge the group's various construction interests have at last been concluded but again, the benefits will tend to be medium term.

Alternative investments connected with the industry exist in **Suiderland** which holds 33% of Kaap-Kunene but which receives the bulk of its earnings from timber, and also in **Fedfood**. This company, in the Fedvolks group earns only around 22% of profits from fishing — from about 5% of sales — and offers a considerably broader base in the food industry.

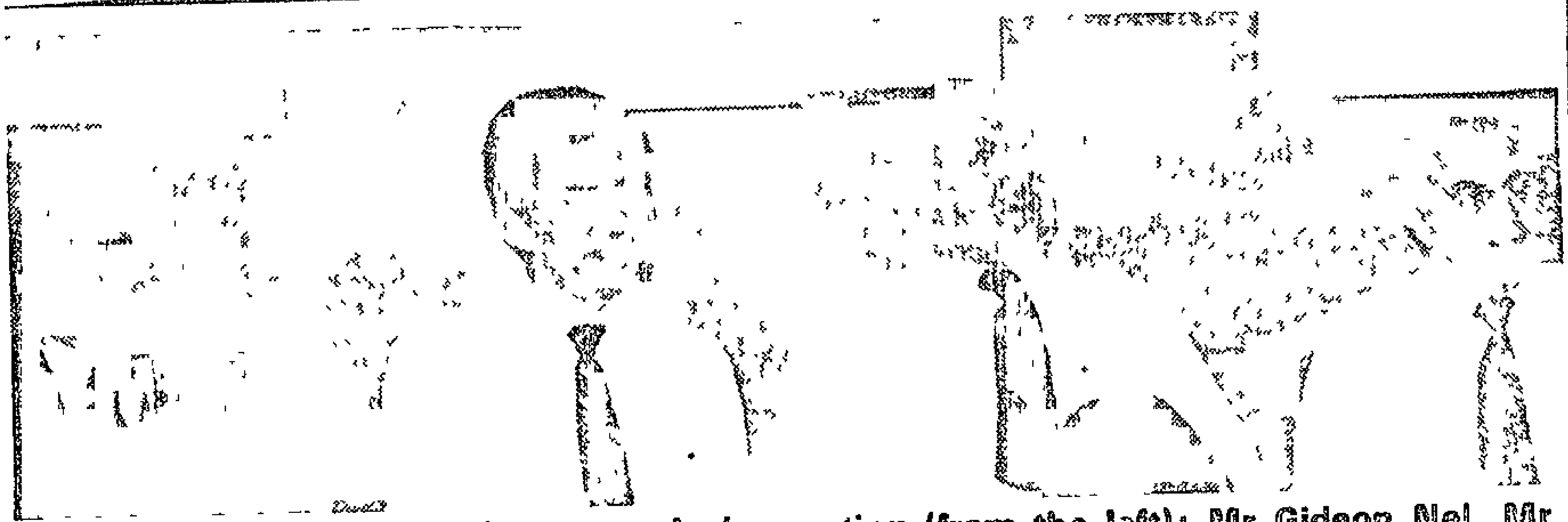
Investment in the fishing sector then, clearly depends on the quality of earnings as they reflect exposure in SWA/Namibia and also the speed at which the various groups have managed to diversify.

Companies such as Wilbarz and Swafish appear less attractive on this basis while Kaap-Kunene, which obviously foresaw the decline ahead of time, is more solidly founded.

Some counters certainly make good income buys and successful expansion into Chile and other operational areas could enhance others if they move sufficiently quickly.

Scott H

"social responsibility" are of relevance to the farmer that he chooses to build a school. This situation is of course changing over time: As the farm worker becomes more and more conscious of the need to educate his children so the presence or absence of a school will become increasingly relevant in his decision as to where he is to seek work. A farmer in Viljoenskroon suggested that criterion usually, at present, ranked fifth in the workers decision - making process after - in this order - the ---------- between farmer and worker; wages; housing; and



The Kirsh-Pickard team after yesterday's meeting (from the left): Mr Gideon Nel, Mr Natie Kirsh, Mr Jan Pickard and Mr Mervyn King.

RDH 20/3/81

But there's no way they can stop us, says triumphant Kirsh

Cape Wine tries to block the deal

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By DAVID CARTE
Deputy Financial Editor

CAPE Wine & Distillers was the mystery buyer of Union Wine and Picardi Hotel shares that triggered the biggest bear squeeze on the Johannesburg Stock Exchange

The chairman and chief executive of Cape Wine and Distillers, Dr A J du Toit and Mr Gys Steyn, were seen leaving the offices of Volkskas Merchant Bank in Johannesburg yesterday with Mr Natie Kirsh and Mr Mervyn King, of Coki, and Mr Jan Pickard, chairman of Union Wine and Picardi Hotels

The parties had been negotiating for most of the day

Mr Kirsh told me "Kirsh and Pickard interests have more than 75% of Union Wine and 90% of Picotel and there is no way anyone can block us"

On Tuesday and Wednesday, Cape Wine & Distillers bought heavily into Union Wine and Picotel, apparently regardless of cost, in an attempt to block a liquor retailing partnership between Mr Pickard, the last of the liquor independents, and Kirsh Industries' Coki Corporation

This caused a frenzy of trading in the shares

On Tuesday nearly 1-million Union Wine and 461 000 Picotel shares traded and the price more than doubled from 230c to 475c On Wednesday 475 000 Union Wines and 198 000 Picotels traded and the share price rocketed to 1 360c as bears rushed to cover themselves

In 22 minutes before the share was suspended yesterday, the price once rocketed to 1 900c and finished at 1 475c

With permission to operate 120 outlets and the right to expand these, the proposed partnership will become South Africa's biggest liquor retail group

Cape Wine & Distillers and SA Breweries, at present the biggest liquor retailers, have been instructed by the Government to sell their bottle stores

Stock market observers said the large bear position in Union Wine shares meant that Kirsh-Pickard interests could have 76% and Cape Wine 26%, adding up to more than 100% Their true stakes at the end of the day would depend on bears delivering the stock they had sold

Mr Kirsh acknowledged that because of the big bear position in Union Wine, there could be no certainty about the precise stake the Kirsh-Pickard camp held but, he said "I know they haven't got 25% and that's what counts"

Mr King, chairman of Coki, the retail division of Kirsh Industries, said even if Cape Wine had obtained 25% of Union Wine and had blocked the scheme of arrangement by which Union Wine proposed to do its partnership deal, there was "no way" Cape Wine could have stopped the Kirsh-Pickard partnership

He said there were at least 10 other ways of putting together the partnership without reference to a 25% minority

"Let's face it, the CWD boys have wasted a helluva lot of money for nothing,' he said

Mr Kirsh, who had flown back from a skiing holiday in Switzerland on hearing of opposition to the bid, said 'I ve lost less sleep over this than I did on the plane"

No comment was forthcoming from Cape Wine & Distillers

Cape Wine the mystery buyer in bear squeeze

CT 20/3/81 (159) (~~30~~) (232)

By DAVID CARTE

JOHANNESBURG — Cape Wine and Distillers was the mystery buyer of Union Wine and Picardi Hotel shares that triggered this week's biggest ever bear squeeze on the Johannesburg Stock Exchange

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The parties had been negotiating most the day

Afterwards, Mr Natie Kirsh told me "Kirsh and Pickard interests have more than 75% of Union Wine and 90% of Picotel and there is no way anyone can block us"

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Mr Mervyn King, chairman of Coki, the retail division of Kirsh Industries, said even if Cape Wine had obtained 25% of Union Wine and had blocked the scheme of arrangement by which Union Wine proposed to do its partnership deal, there was no way Cape Wine could have stopped the Kirsh-Pickard partnership

He said there were at least 10 other ways of putting together the partnership without reference to a 25% minority

'Let's face it, the CWD boys have wasted a helluva lot of money for nothing", he said

Mr Kirsh who had flown back from a skiing holiday in Switzerland on hearing of opposition to the bid, said "I've lost less sleep over this than I did on the plane"

No comment was forthcoming from Cape Wine and Distillers

OFFICE EQUIPMENT 232

Major merger

FM 20/3/81

Olivetti International, the Italian office equipment giant (1980 worldwide turnover jumped 19% to $2,2 billion, tripling profits to $109m), last week acquired controlling equity in the Swiss business machine company, Hermes Precisa International

Expansion and diversification are the trademarks of Olivetti's 46-year-old chief executive officer, Carlo de Benedetti, who in two years pulled the group — which was making a loss of $100 a month — into what's been described as "one of the most solid properties in Italy today"

The Olivetti/Hermes tie-up involved Olivetti acquiring an undisclosed number of Hermes shares on the Swiss market as well as shelling out roughly 10m SF to give it a controlling equity stake in Hermes Precisa International

The agreement includes "co-operation in research and manufacturing activities, especially in the areas of electronic typewriters and office automation," says Maurice Greiff, MD of Swiss Office Machinery Co (Somco), jointly owned in SA by SA Philips, Netic and Hermes Precisa International

The Olivetti group has 300 subsidiaries world-wide which include a SA subsidiary with "a more than 40% share" of the R22m SA typewriter market

Olivetti claims a "more than 20% real term growth" for 1980 with a total turnover "well in excess of R25m," which establishes it as arguably the market leader in typewriters and traditional business machines in SA

Hermes in SA claims an 8%-9% share of the typewriter market with an annual turnover in excess of R2m

The international merger will have little effect on the SA operations, say an Olivetti spokesman and Greiff, who adds that "the international move is primarily to strengthen the European base Important factors are the export network controlled by Olivetti, Hermes' tremendous research and development facilities, and Olivetti's leadership in computer and typewriter technology " However, says Greiff, "there will be areas of collaboration in SA "

De Benedetti says close co-operation between the companies will ensure that together "we become the major European supplier of office automation and information processing "

The association will increase Olivetti s customer base, says De Benedetti "The production volumes of both companies will increase because we plan to retain dual channels of distribution under the Olivetti and Hermes names This practice common in other industries, is the only way to increase market share in a reasonably economic way '

Olivetti's De Benedetti . . making it work

FINANCE

PICKARD-KIRSH LIQUOR PLANS TO GO AHEAD

Argus 20/3/81 232

Derek Tommey, Financial Editor

THE Pickard group and Mr Natie Kirsh's Coki Corporation are to go ahead with their plans to develop Pickard's bottle store interests in spite of what seemed a blocking attempt by an unnamed organisation this week.

In a statement today Volkskas Merchant Bank, which is acting for the two groups, said in a reference to the heavy buying of Union Wine shares on the stock exchange this week that an attempt had apparently been made to thwart these plans

However, the two groups were still proceeding with their arrangements.

This suggests that the groups are confident that they have picked up enough shares on the Johannesburg Stock Exchange to ensure they have a 75 percent stake in Union Wine

130 STORES

Alternatively, they could have a scheme to transfer the right to develop 130 bottle stores to another company in the Pickard group

It appears that the right to operate this number of bottle stores was not given to Union Wine directly, but to the Pickard group

MYSTERY BUYER

On Tuesday and Wednesday this week a mystery buyer, believed to be Cape Wine and Distillers, launched a campaign to buy up all Union Wine shares on offer

At present Union Wine is to be the vehicle through which the Pickard and Kirsh groups are to develop the bottle store interests

The Kirsh group retaliated and in heavy trading Union Wine shares rose from 230c on Tuesday morning to 475c at the close On Wednesday they soared to 1 360c and on Thursday before being suspended reached 1 900c

It appears that the mystery buyer had to secure more than 25 percent of Union Wine's shares if it wanted to stop this company being used as a vehicle for the bottle store development plan

For if the Kirsh and Pickard groups hold 75 percent or more of Union Wine's share they can by special resolution manage the company's assets as they wish

Meanwhile, the Johannesburg Stock Exchange is still unravelling the problem of what to do when more shares are sold than actually exist

Although final figures are not available, it appears that this may have happened in Union Wine's case when brokers hastened to short the shares on Tuesday and Wednesday.

On top of this there is a question of how may shares have been sold short in undisclosed bear sales by people outside the stock exchange This is a criminal offence, but it is believed that a number of individuals may nonetheless have been involved

5. Future Directions.

Between 1970 and the end of the century projections indicate that the South African population (including all the ex-Homelands) will have almost doubled, and growth in the Black population will have contributed most of this increase[36]. Maintaining the standard of health services at their present level will not be too difficult, since this only requires an increase in the supply of beds and doctors of 2,5 per cent per annum, and at this rate of expansion, expenditures on health as a percentage of GNP would probably continue to decline.

There are, however, some forces which may operate to increase the relative amount of resources allocated to health care. The first of these is the high income elasticity of demand of Blacks for health service[37], which together with rising incomes will lead to an increase in the demand for medical care in Black Urban areas, and this may lead to the development of a private sector serving these needs. Rising levels of education and the spread of medical aid benefits will add impetus to this development. Secondly, the proportion of expenditure of Whites is not likely to fall, for although the income elasticity of demand of high income groups has been found to be low, changing tastes usually serve to increase the demand for health services as incomes rise.[38]

(36) J.L. Sadie op cit.

(37) P A. Black, "Income Distribution and the Composition of Final Demand in South Africa," S.A J E., Vol. 45, No 4, December 1975, pp 400, 401.

(38) P A. Black, op cit for White income elasticity of demand for medical care. Klaarman reports that in the U.S.A the proportion of income spent on health has either risen or remained constant over time, despite low income elasticities. H.E. Klaarman op cit, pp 25-31 Expenditure of White urban families rose from 2,9 per cent of income in 1955 to 3,0 per cent in 1975.

Thus rising incomes are likely to increase the amount of private expenditure on health care. Government has also shown concern over the racial distribution of health services and this could lead to an increased level of expenditure on Black services. Moves to eliminate wage discrimination will also add to current expenditures in the public sector, although this will not in itself increase the supply of services.

CT 20/3/81

The 'Big Three' of meat industry

Own Correspondent

JOHANNESBURG — The general manager of the Meat Board, Dr Jan Lombard has told the Eloff Commission of Inquiry into the Meat Industry that the industry is dominated by three large groups, all of which are vertically integrated

Dr Lombard defined vertical integration as ensuring growth and profit with secondary and primary insurance aginst risk It also reduces competition, gives control over raw materials and a certain amount of control over the market

Vertical integration he said, could lead to price maintenance cartels or oligopolies, but said quasi-monopolistic institutions tended to be "so-called socially responsible"

He said it was well known that the "Big Three" were Vleissentraal, Imperial Cold Storage and Kanhym/Karoo But he condemmed a newspaper article from September last year which had illustrated the extent to which the three groups dominated the market Dr Lombard said the report had been sensational, some of its deductions unfounded and its authors ignorant

He told the commission that in March last year the previous Minister of Agriculture had asked the Meat Board for a report on vertical integration, which they had completed

This report was handed in to the commission but because the minister had requested that it not be made public its content has not been made available to the press or public attending the commission's hearings

Mr Lombard said that on the Witwatersrand, Vleissentraal had two retail outlets, three wholesalers, two factories seven agents and two hides and skins curers and brokers

ICS had six retail outlets, five wholesalers, two factories three agents, a curer and broker in the same area

Karoo on the Witwatersrand had nine retail outlets three wholesalers one factory, four agents and a hide curer and broker

Asked whether any of the large firms worked together or had undertakings in common Dr Lombard said Bull Brand was jointly-owned by Vleissentraal and ICS

doctors to the whole economy will increase annually by only 3,6 per cent[40] between 1974 and 1985, falling far short of the annual required growth of 6 per cent. It is also unlikely that the supply of beds will grow at the rate necessary, and Homelands will probably show the slowest rate

(40) ibid. p. 439 These projections do not seem to take account of the high emigration rate of doctors

Pep offer for Hotline

(80) (232) CT 20/3/81

By ALEX PETERSEN

PEP STORES have made an offer for Teleshopper Hotline, which was placed under provisional liquidation at the end of last month

Pep Stores have offered R51 240 for the total shares in the company, which sets the price at 35% of their paid-up value

The terms also include an offer to buy the claims of the creditors under terms of a scheme of arrangement The purchase price of the claims will be equal to an aggregate of the value of the stock at cost, plus R15 000, plus 90 % of the amounts due by debtors, the values to be calculated on the day of takeover

The provisional liquidators, Mr David Rennie of Syfrets Trust and Mr Andre Joubert of Cape Trustees, are applying today for leave to convene meetings of creditors and shareholders to consider the offer They hope to hold the meetings early in April

When Hotline was placed in provisional liquidation, the company's liabilities were put at R450 000, while the assets totalled 230 000

When Hotline began trading just over 18 months ago, it introduced Cape Town to a new concept in food retailing, with consumers telephoning their orders for delivery

The managing director of Pep Stores, Mr Thomas Ball said yesterday that if the offer was accepted, Hotline would continue to trade under the current style of operation.

"The concept will continue It certainly holds potential," Mr Ball said

Pep Stores already trade in groceries through their Shoprite division, which has 13 stores selling groceries, hardware and clothing, with 70% of the turnover in the food sector

Mr Ball said that if they acquired Hotline, it would form a useful complement to the existing food sector of the group

Three groups dominate

RDM 20/3/81

By PAT SIDLEY
Consumer Mail

THE general manager of the Meat Board, Dr Jan Lombard, has told the Eloff Commission of Inquiry into the Meat Industry that it is dominated by three large groups, all of which are "vertically integrated"

He defined "vertical integration" as ensuring growth and profit, with secondary and primary insurance against risk, reducing competition, and giving control over raw materials — with a certain amount of control over the market

Vertical integration, he said could lead to price maintenance, cartels or "oligopolies", but quasi-monopolistic institutions tended to be "so-called" socially responsible

It was "well known", he said, that the three groups were Vleissentraal, Imperial Cold Storage and Kanhym/Karoo

But he condemmed a Rand Daily Mail report last year illustrating the extent to which the three groups dominated the market He said it was sensational, some deductions unfounded, and the authors ignorant

He said that last March the former Minister of Agriculture had asked the Meat Board for a report on vertical integration

It was handed in to the commission, but because the Minister requested that it should not be made public, its contents had not been made available to the Press or public at the commission's hearings

Dr Lombard handed in a schedule showing the extent of the vertical integration in the three large meat groups throughout the industry

He said it contained only those undertakings which had to be registered by the Meat Board

On the Witwatersrand, Vleissentraal had two retail outlets, three wholesalers, two factories, seven agents and two hides and skins curers and brokers In the same area, ICS had six retail outlets, five wholesalers, two factories, three agents, a curer and broker Karoo had nine retail outlets, three wholesalers, one factory, four agents and a hide curer and broker

Dr Lombard said Vleissentraal was not a monopoly

He said the competition between all three firms prevented any of them becoming a monopoly

He denied there could have been a question of manipulation by the three firms to account for the sudden price increase last year

Questioned about abattoir agents, Dr Lombard said the three firms had the largest share of the market, though this had dropped slightly, but did not control the markets

He was questioned on the controversial support price system and the floor price, and said the floor price was the minimum price paid to the farmer, and the support price a marketing mechanism designed to reduce price fluctuations in the short term

Cape Wine breaks silence on share buying spree

CT 21/3/81

By DAVID CARTE

JOHANNESBURG. — Cape Wine and Distillers launched its aggressive share buying spree this week to protect a pre-emptive right it had to the shares of Mr Jan Pickard, says the managing director of Cape Wine, Mr Gys Steyn

Breaking his silence for the first time since the drama began on Tuesday by means of a telexed press release Mr Steyn said Cape Wine paid an average of about R4 a share for Union Wine shares to "protect its rights"

Mr Jan Pickard, chairman of Union Wine, said he did not accept that this was the reason CWD opposed him

"They just don't want us to be in liquor retailing", he said

If CWD paid an average of only R4 a share, it must have withdrawn from the bidding long before the share price reached its high of R19 on Thursday morning as bears rushed to cover, virtually at any price

Mr Steyn did not disclose how many shares CWD had obtained, or if its stake was big enough to stop the liquor retailing partnership

He did stress, though, that CWD does not own retail liquor outlets, even though its main shareholders, Rembrandt and SA Breweries did

The Kirsh-Pickard camp is confident it has more than 75% of Union Wine and 90% of Picotel and that it cannot be blocked

Adamant

The Kirsh-Pickard camp is adamant that CWD's pre-emptive rights were not threatened by their proposed partnership in liquor retailing

"Until January 1983, they have first rights to my shares, if I sell,", said Mr Pickard, "but I haven't sold a single share in Union Wine, so what's all the fuss about?"

Market observers were mystified why, if it thought its pre-emptive rights were threatened by the proposed partnership, CWD did not go to the Supreme Court for an interdict, rather than launch an expensive counter-attack in the market

CWD has been widely criticised for "acting like a bull in a china shop in order to put down a threat to its wine and spirit monopoly" but, apart from its telex, has been impossible to reach for comment for four days

Rights

The pre-emptive rights to Mr Pickard's shares in Union Wine date back to talks he had with SA Breweries two years ago He gave these rights to SAB, which passed them on to Cape Wine, when the latter was formed in October 1979

One broker alleged that two brokers acting for the principals in the dogfight for shares had gone through the Union Wine share register and phoned holders before the market opened on Tuesday offering them 240c a share — 10c more than the Tuesday close

He said these brokers must have known that the principals were prepared to pay far more than 240c but because this sort of trading did not take place on the floor, he said, sellers could not have known

Upset

Several brokers were upset that Union Wine had not been suspended on Tuesday, when its price more than doubled from 230c to 470c

"What's the Undue Fluctuations Committee for, if not to prevent this king of thing?" said one irate broker

Suspended

Mr Doug Gair, head of the listings committee, said the Undue Fluctuations Committee had decided not to suspend because it was felt there was a free-dealing market in the shares Union Wines' request for suspension on Tuesday was also turned down for this reason and also because the market would not have had grounds to relist the share, had it been suspended.

The share was eventually suspended, he said, by presidential prerogative The president, Mr Richard Lurie, decided the share was "cornered" and suspended it Some critics said the share was clearly cornered on Tuesday and should have been suspended then

Another critic said to prevent a short-selling orgy of the kind that developed, the major buyers should have warned all sellers it reserved the right to call up scrip

Meanwhile, it has been impossible to determine the extent of the outstanding bear position in Union Wine

The stock market should have its first indication on Monday when "overs and unders" are settled On Monday brokers, who are "under" are required to write out cheques for the amount by which they are under

"This week some balances are bound to be large and there are no doubt some anxious discussions going on between brokers and their bankers", said one broker

The JSE committee is expected to meet once the outstanding bear position is known to determine a "make-up" price Bears who have "sold" shares they have been unable to obtain will have to settle with buyers at this price

This means buyers will receive cash but no scrip This could be important to the balance of voting power, at the end of the day in Union Wine

Why Cape Wine paid R4 a share

RDM 21/3/81

232 BP 1692

By DAVID CARTE
Deputy Financial Editor

CAPE Wine & Distillers launched its aggressive share-buying spree this week to protect a pre-emptive right it had to the shares of Mr Jan Pickard, says the managing director of Cape Wine, Mr Gys Steyn.

Breaking his silence with a telex message, Mr Steyn said yesterday that Cape Wine paid an average of about R4 a share for Union Wine shares to "protect its rights"

Mr Jan Pickard, chairman of Union Wine, said he did not accept that this was the reason CWD opposed him

"They just don't want us to be in liquor retailing," he said

He said if CWD paid an average of only R4 a share since the buying started on Tuesday, it must have withdrawn from the bidding long before the share price reached its high of R19 on Thursday morning as bears rushed to cover, virtually at any price

Mr Steyn did not disclose how many shares CWD had obtained, or if its stake was big enough to stop the liquor retailing partnership

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Market observers were mystified why, if it thought its pre-emptive rights were threatened by the proposed partnership, CWD did not go to the Supreme Court for an interdict instead of launching an expensive counter-attack in the market

CWD has been criticised for "acting like a bull in a china shop in order to put down a threat to its wine and spirit monopoly"

but, apart from its telex message, it was impossible for four days to obtain comment from Cape Wine's Stellenbosch headquarters

The pre-emptive rights to Mr Pickard's shares in Union Wine date back to talks he had with SA Breweries two years ago He gave these rights to SAB, which passed them on to Cape Wine it was formed in October 1979

One broker alleged that agents for the principals in the dogfight for shares had gone through the Union Wine share register and phoned holders before the market opened on Tuesday offering them 240c a share — 10c more than the Tuesday close

Several brokers were upset that Union Wine was not suspended on Tuesday when its price more than doubled from 230c to 470c

"What's the JSE's undue fluctuations committee for, if not to prevent this king of thing?" asked one broker

Mr Doug Gair, head of the listings committee, said the undue fluctuations committee had decided not to suspend because it was believed there was a free-dealing market in the shares

Union Wine's request for suspension on Tuesday was also turned down for this reason and also because the JSE would not have had grounds to relist the share

The share was eventually suspended, he said, by prerogative of the president of the JSE, Mr Richard Lurie He decided the share was cornered and suspended it

Some critics said the share was clearly cornered on Tuesday and should have been suspended then

Another critic said that to prevent a short-selling orgy of the kind that developed the major buyers should have warned all sellers it reserved the right to call up scrip

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This means buyers will receive cash but no scrip This could be important to the balance of voting power, at the end of the day, in Union Wine

Not so, says Mervyn King

COKI Corporation's chairman, Mr Mervyn King, last night rejected the statement by Cape Wine & Distillers chairman, Mr P G Steyn, that its buying of Union Wine shares was to protect a pre-emptive right over Union Wine shares

He said the pre-emptive rights extended only to the 60% of Union Wine held by Picardi Finance, and that this right had in no way been breached

The Coki deal concerned only the minority shareholders in Union Wine and Picardi Hotels, 80% owned by Union Wine.

There was no doubt that Picfin's holding in Union Wine had been left intact, Mr King said the pre-emptive right remained until April 1, 1984

Mr King said no further discussions were taking place between Coki, the Pickard group and Cape Wine.

Although it was Cape Wine's policy to achieve a separation in the liquor trade between manufacturing and retailing, one must look at the hundreds of retail outlets held by shareholders in Cape Wine.

He said neither South African Breweries nor the Rembrandt Group had shown any urgency in disposing of their retail stores In fact, they had repeatedly rejected offers to buy them.

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week, cash wage and payment

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		'food'
		'left-overs'
4	1,20	2 meals
4	1,25	1 meal
3	1,50	?

5. Tribune 22/3/81

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The big punch-up

By GEOFF SHUTTLEWORTH

CAPE Wine Distilleries (CWD) has broken a four day silence, revealing that it was the aggressive buyer in Union Wine shares, but it has not revealed its holding in the company.

Several observers point out that the Kirsh/Pickard camp on the other hand is confident in has more than 75 percent of the issued share capital.

They believe the CWD holding has considerably more bear sale shares than the Kirsh/Pickard camp and these disclosed sales were 232 282 shares. In addition commentators believe the total of undisclosed bear sales could approximate those disclosed. Nominally that means about 11 percent of the 4,2 million share capital.

CWD managing director, Gys Steyn, could not be contacted even after his telex message which said that CWD had paid 400 cents a share for the Union Wine shares and that the buying was to protect a pre-emptive right it has on Jan Pickard's shares in Union Wine.

Coki Chairman, Mervyn King, and Jan Pickard rejected this explanation. CWD's pre-emptive rights only extend to Jan Pickard's 60 percent stake and these have not been sold.

Commentators pointed out that if Union Wine's unissued share capital were issued and Jan Pickard did not take up his stake, this would dilute his holding nearer the 50,1 percent level originally proposed in the scheme of arrangement.

As it stands there are a number of permutations which could be used to push the deal through and a joint statement by the Kirsh/Pickard camp said that the procedure to be adopted may be changed but the effect will be the same."

They are still mystified however as to why CWD embarked on such an expensive buying spree when all it could do was delay or cause a restructuring of the Union Wine/Pitcotel/Coki deal.

Liquor industry sources said the CWD failure to stop the deal and the intensity with which that objective was pursued points to the possibility of the November 1979 liquor agreement coming under pressure.

JSE president David Lurie . . . now the make-up price?

CRASH!

S Times 22/3/81

Now politics storms into liquor battle

167 (30) (232)

By Elizabeth Rouse and Stephen Orpen

THE Johannesburg Stock Exchange reeled this week under arguably the greatest corporate power struggle it has ever known

There was near hysteria as brokers, speculators — and even institutions — were drawn into a monumental bear squeeze

The full cost has yet to be counted

But millions seem likely to be lost by the opportunists who sought to make a quick buck in the battle for control of the Pickard liquor interests

A situation which started off as the normal sort of bear operation when there is a takeover bid turned into mayhem when

- A mystery buyer which turned out to be Cape Wine one of South Africa's largest wine and spirit producers moved in to block the Pickard-Kirsh groups proposed link-up
- Later Cape Wine which had apparently failed to block Mr Kirsh and Mr Pickard in the marketplace began a political campaign to prevent these two entrepreneurs wrapping up the retail liquor outlet business countrywide

Thus Cape Wine declared late on Friday

- That the reason for their entry into the foray was to "achieve the objective of creating a free and unfettered retail trade
- That from the date of its formation it has held a pre-emptive right in respect of the Union Wine shares held by its controlling shareholder (Pickard)
- That when the Kirsh-Pickard deal was announced steps were taken to protect the rights of Cape Wine and consequently Union Wine shares were bought at an average price of 400c
- That Cape Wine's (that is, the Government's?) declared policy is to achieve a complete separation in the liquor trade between producer wholesaler on the one hand and retailers on the other
- That Cape Wine as such has no financial interests in the liquor retail trade. In the spirit of this policy SA Breweries and Rembrandt, both shareholders in Cape Wine are disposing of their bottle stores over a period of time
- That "*should Union Wine come under the control of Cape Wine*" the Union Wine bottle stores will also be sold to independent entrepreneurs in accordance with this policy"

The telling phrase, of course, is the suggestion that Cape Wine might yet get control of Union Wine

This implies that, far from being cut and dried, the eventual outcome could be a negotiated compromise between the Kirsh Pickard and Cape Wine interests

That may seem far-fetched and a blatant interference in the free-market mechanism Also, Mr Kirsh and Co have denied any such possibility

But, long-term, it cannot yet be ruled out

Earlier in the week, seasoned brokers watched in horrified amazement as speculators started shorting Union Wine shares, in the first instance, because of the limited amount of shares available for trading

Older brokers remembered the Finbro bear squeeze after the war and the Metlife bear operation about 10 years ago, but these were mild affairs and not like the current suicidal debacle

The damage might go beyond money. If any undeclared bear positions are discovered the culprits face severe disciplinary action by the JSE and possible prosecution

With almost 2,3-million Union Wine shares in the hands of Jan Pickard, only 1 687-million shares were available for trading. Once Cape Wine moved in to block the deal, the speculators were well and truly trapped

Officially 1-million Union Wine shares were traded on Tuesday and 475 000 on Wednesday. But scrip changed hands so fast when bears had bid virtually any price for Union Wine to cover themselves that the figure might well be higher and those who "sold" shares will be unable to deliver

The cost to just one speculator who shorted 50 000 Union Wines at 290c could be R592 500 if the JSE committee puts the make-up price at the suspension level of 1 175c

While brokers, their clients and even institutions may have to pay up millions of rands, Jan Pickard must have watched in fascination as the worth of his holding was pushed from R5 739 988 at Tuesday's opening price of 230c to R47 417 293 at the high of R19 before suspension of the share on Thursday

The saga, which led to the slaughter on the JSE floor, started just after midnight on a Wednesday earlier this month when Jan Pickard, the last of the liquor independents and Natie Kirsh the current takeover king, put together the

To Page 3

Behind the scenes with the actors

S Times 22/3/81 ~~(169)~~ ~~(30)~~ (232)

By Stephen Orpen

ELUSIVE and tight-lipped as they raced from one closed meeting to the next late on Friday, the big names in the liquor epic nevertheless told me enough to build a useful picture of dirty dealing by rich speculators, of the sudden intrusion of politics — and of what lies ahead for the Kirsh-Pickard package If it is not stymied by Cape Wine

Staccato intimations in hurried whispers marked my first conversation with one of the principals

"Certain things," he said, "are acceptable even to me in this sort of battle But when some very rich and highly placed men . (a long pause) . behave like desperate wolves . . (a longer pause) and when political forces are rolled in . I can say no more than that " — and the line went dead

Further brief discussions indicated that a fully fledged Kirsh-Pickard deal is still not certain Lobbying by Cape Wine with the principals and others — plus share sorting — was still very much alive as BT went to press

However, if Mr Kirsh and Mr Pickard have their way, it seems that the current relationships between Picfin, Union Wine and Picotel will be restructured to give Picfin about 75% of Union Wine, which in turn will hold about 90% of Picotel, using share swaps

As described in the accompanying main story, Kirsh's cash assets vehicle, Cokicor, will inject more than R8-million cash to match loans and advances Union Wine has already received from Picfin

Union Wine will then be the one to watch Apart from those already there, all Pickard Group bottle stores will be injected into Union Wine, eventually giving UW at least 130 outlets

UW will also be the main predator for other expansion, using scrip and cash to buy itself into new ventures

Sufficient shares for this will be made available through capital increased by rights issues and by drawing on the revamped group's mouth-watering liquidity.

As for this week's drama, one of the key participants told me while meeting a large firm of stockbrokers that 250 000 Union Wine shares had been sold short at a price "averaging above 400c a share "

If a "make-up" price of, say, 1 475c is agreed by the stock exchange to save the bears from utter disaster, they and other speculators could still have to cough up amounts running to six figures — "and that's just on the deals that went through the books in the proper way"

Clearly, the tigerish Natie Kirsh, risen from malt miller's son to multi millionaire controlling companies with sales likely to top R1 400-million this year, has proved at last that he is willing to match the most telling weapons that even the country's largest groups can bring to bear on his efforts

In close association with that other new fast-moving heavyweight, Jan Pickard, the man who failed to snare the huge Tiger Oats group but in a trice has landed control of Dion's and Russells, seems finally to have proved he can drive to victory through the roughest battles, involving both big battalions and merciless in-fighting — not excluding national politics

But it's not over yet Sooner or later, there may be some surprising new revelations

47

48

not seem to be convincing arguments for the reduction of the mortality rate, in the light of subsequent evidence.[194] It is probable that the improved climatic conditions in 1904 and 1905 fortuitously helped reduce the abnormal mortality rates more than anything else. Mineowners seemed to object to the new system of medical care. In fact, Sir George Farrar in January 1904 complained to the Chamber of Mines about the delays caused by the WNLA for treating Portuguese East Africans for two to three weeks at Ressano Gracia for symptoms of disease and then confining them to the central compound at the Johannesburg Medical Centre for further examination. He believed that the organisation needed 'jolting' because of its 'inefficiency'.[195] Dr John Law Aymard objected to the system of medical care on the mines for other reasons. In 1903, while in general practice in Krugersdorp ... part-time medical ...ing for the health ... 3s. 4d. per day, ...e contended that ... have been an ...f medical care for ... A sub-committee ...s of the WNLA had ...tary Mines ...the Medical ...he considered ... mortality rate ...strong doubts ..., — mine ...ick miners[199]. ... inability of the medical profession ... influence government and mining house policies on questions of health, especially of Africans.

Small firms multiplied

By Elizabeth Rouse

THE number of new small companies blossomed in South Africa's boom conditions last year, in contrast to the disappearance of small enterprise in the recession ridden Western world

A total of 11 643 companies were registered over the past year with a total nominal capital of R93,5 million, an average capital of almost R8 031 per company, according to Department of Statistics figures

This compares with 7 440 companies registered in 1979 with a total nominal capital of R153 159 million, or R20 560 per company, and 5 050 companies with a nominal capital of R130 041-million, or R25 750 per company, in 1978

In spite of the economic boom, the number of liquidations rose — hopefully the new companies were not among the victims. Companies which went under totalled 1 411 against 1 294 in 1979 and 1 343 in 1978

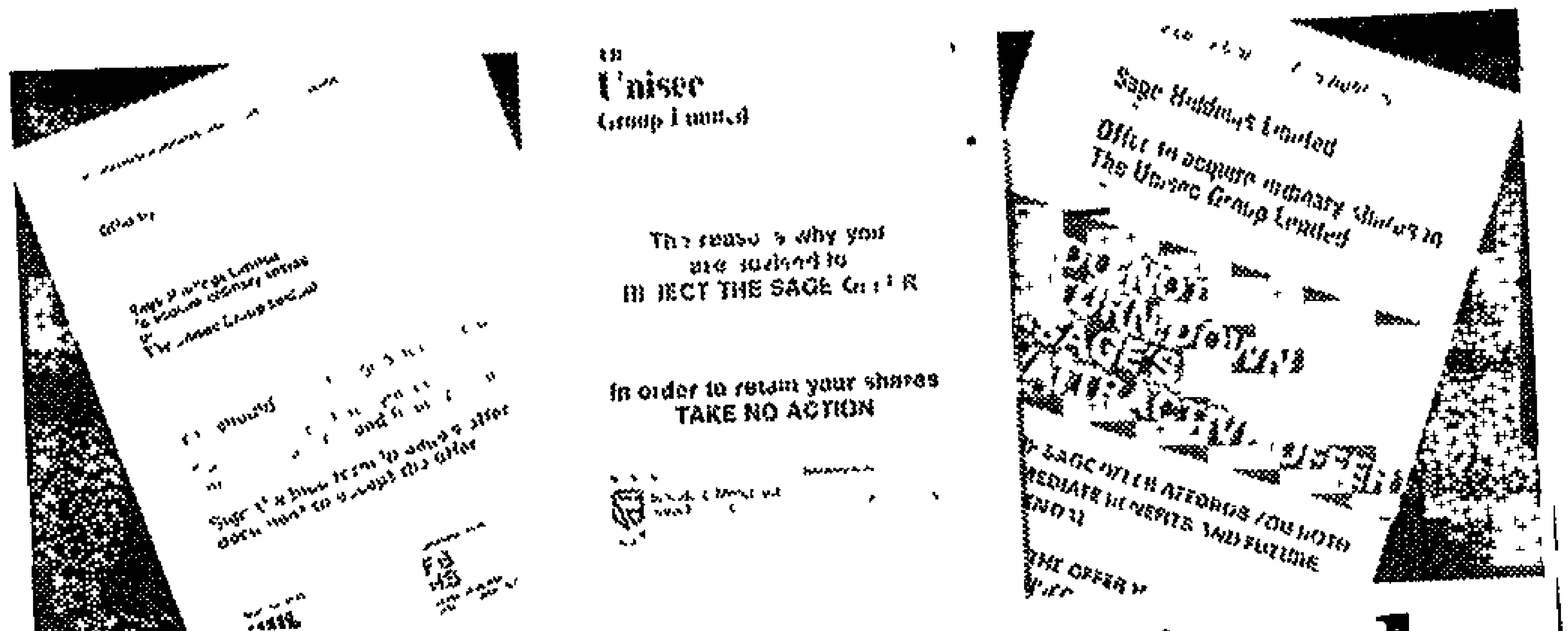
In response to a visit from Samuel Evans in 1912, Col William Gorgas, who had achieved so much success in curbing mortality in the Panama Canal zone, agreed to visit the Witwatersrand in 1913 to try to improve health conditions and curb the mortality rate on the mines. As a result of his visit Dr A.J. Orenstein, on the recommendation of Gorgas, was appointed Superintendent for the Rand Mines Group, and having elicited the support of the Department of Mines did much good work in improving the health care of Africans on the mines. Amongst other recommendations he called for was the appointment of full-time doctors on the mines, finding in 1914 that there were only 10 full-time doctors and 39 part-time ones to care

for the health of approximately 82 000 African patients.[200]

Cartwright, with validity, has indicated that the certification of African mine workers for silicosis, simple tuberculosis or silicosis with coexistent tuberculosis was rather arbitary before 1916. Until then this certification had been performed by the Medical Inspector of Mines on notification from a mine doctor that he had one of these probable cases. The inspector would clinically examine the patient (there being no radiological apparatus) and would give the final decision. However, his consideration that this state of affairs changed dramatically after the establishment of the Miners' Phthisis Bureau, does not seem to be warranted.[201] In fact, the evidence given by Dr I.R. Girdwood in his paper before the International Conference on Silicosis in 1930, and some of the limitations which he discussed, seem to indicate that examinations for Africans were perfunctory and inadequate in comparison with those given to White miners.[202]

All African miners, whether recruited or voluntary workers, were given an injection to ascertain whether they had tuberculosis or not on arrival at the first medical depot, be it a WNLA outpost, the mine hospital itself or the WNLA central depot in Johannesburg.[203] The latter examination is described below:

> There are usually about 170 000-180 000 recruits examined annually at the WNLA central depot, and the numbers presented for examination daily vary from 300 to 1 200.
>
> A staff of six whole-time medical officers perform these examinations.
>
> On arrival at the depot, every native takes a bath and is given soft paraffin soap with which to cleanse himself. His clothes are deverminised in a steam disinfector. These precautions are necessary owing to the prevalence of typhus fever in the native territories.
>
> After the clothes have been dealt with the natives are drafted in batches to the examination rooms, where they are first taught to breathe properly by trained native orderlies, i.e in a manner suitable for auscultation. This may appear unnecessary, but in practice it is found to be essential and saves a great deal of time, for some of the natives are very nervous and apprehensive.
>
> The boys are then lined up naked, in rows of about twenty-five, before each medical officer, who carefully auscultates the chest, front and back, and a mark is made on the boy's chest on the detection of any abnormality, however slight. He is thereupon removed to a special examining room for re-examination by one of the medical officers, whose whole time is thus occupied. If considered necessary, the native is detained in hospital and x-rayed; his medical and labour history are enquired into, and a bacteriological examination is made of his sputum.
>
> On completion of auscultation of each row, an inspection is made of the limbs, eyes, glands and for the presence of any venereal disease, and those passed fit are sent to the depot Pass Office for registration.



Unisec new attack in battle with Sage

S. Times 22/3/81 (232)

By Elizabeth Rouse

ANOTHER salvo has been fired in the Unisec-Sage battle — this time by Unisec, which has put an exact figure on its worth and is urging its shareholders once again to hold on to their shares

"Don't sign the blue form in Sage's offer document, thereby locking in your shares until June 6. Hold on to your shares, watch for developments or even deal in the market if you really want to sell Unisec shares," is the message to its 8 500 small shareholders.

Unisec says its operating assets and share portfolio, plus cash, are worth 440c at conservative valuation and that its majority shareholders will under no circumstances consider Sage's current offer of 295c a share.

The Unisec group has an excellent track record, management of all its components is sound, prospects are good for all operating subsidiaries and the group has the cash for acquisitions and expansion, say Unisec top executives.

Unisec values its holdings in the operating companies at a conservative R95-million, current market value of its share portfolio at R38-million, which makes a total of R164-million.

Add to this R50-million cash assets, deduct R29-million liabilities and the final value figure is R185-million Divided by 42-million shares in issue, this works out at 440c a share

A popular misconception of Unisec is that it is a portfolio company, relying heavily for its profits on the vicissitudes of the stock market The comprehensive 1980 annual report gives the lie to this perception of the company

No less than 66% of Unisec's income derived from controlled subsidiaries and, with management's commitment to further acquisitions this year, the percentage of profits derived from controlled companies will increase rapidly, forecast top executives.

Unisec places a value of between R58-million and R59-million on its 52,6% holding in Unidev, but conservatively reduced this to R55-million. Unidev's properties, which cost R72-million, have recently been revalued at R148-million, based on capitalisation yields of not less than 10%. This holding stands at R22,834-million in Unisec's books

On this basis, the underlying value of a Unidev share, after providing for the 9c final dividend, is 521c against a value in Unisec's books of only 193c

Unisec received Unidev dividends totalling R1,526-million as the property company's taxed profit climbed towards R5-million last year. Unidev forecasts a substantial profit rise this year and dividend prospects are therefore bright.

What is not generally realised is what a major contributor Unisec's 100%-held L Suzman, the national distributor of tobacco products and confectionery, has been The company stands at R11,5-million in Unisec's books, but real value is R25-million.

UNISEC shareholders can expect another move from Sage in the coming week. A Sage spokesman says that Sage will be responding to the Unisec annual accounts and will be contesting Unisec's claimed net asset value and the source and quality of its profits Sage still considers that its offer is attractive.

Suzman's turnover was R237-million last year and the company made a R2-million contribution to Unisec. Even in the depressed years of 1977 and 1978, when blue chips were recording profit downturns, Suzman managed to increase both turnover and profits

Turnover has increased from R126,228-million in 1976 to R237,643-million in 1980, while taxed profit grew from R1,317-million to R2,430-million With cigarette sales growing at an annual rate of 14%, Suzman promises to rake in a taxed profit of over R3-million this year.

It is a cash business which turns over its stock weekly A "cash cow" of this type is of inestimable value to any holding company, and any valuation based on dividend yields or price earnings multiples probably underestimates Suzman's value to Unisec because it ignores the clear cash flow of a sound and dominant business

Wholly-owned Berg River Textiles, whose book value was written down to R218 000 in Unisec's books, is now valued at between R6-million and R8-million at one times earnings, although replacement costs runs into multi-millions

The textile company, which turned the corner last year, is expected to earn a R2-million profit this year

Unisec puts a value of R3-million on Metboard (R2,800-million book value) on a p/e of 5 Its current annual taxed profit rate is R650 000 and it pays out two-thirds of earnings.

The transport companies, 80%-held Pickfords Holdings and 60%-held Brakpan Carriers, are valued at R4,500-million on an earnings multiple of 5 Book value is R1,64-million A taxed profit of R900 000 is forecast for 1981

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… warns of meat monopoly

… e industry was also
… nd there were joint
… ntegration take place
… ost complete monopo-
… l at the City Deep
… mine contracts held

"This clearly shows collusion as the purpose of this joint buying is to eliminate competition for the lower grade meat

"A further classic example is the running of the Offal Pool at City Deep where competitors hold hands to earn joint profits and keep other legitimate competitors out of the market," she said

Mrs Forshaw said the food index of the CPI was well ahead of the inflation rate Meat prices rose by 57% last year

She said higher income groups could afford higher prices but they were a small proportion of the total population

Referring to the permit and quota systems she said that, with complications in the new permit system, permits could end up in the hands of only feedlot producers and large operators

She said the system should ensure that the allocation of permits or quotas to farmers was not placed in the hands of anyone who was a buyer or seller of meat

Agencies were sometimes owned by the meat wholesale groups 'This is a most disturbing situation as this means the farmer must despatch his cattle to his agent who in turn may sell to a wholesaler who may well be himself "

Mrs Forshaw said the Offal Pool was controlled by the Meat Board who delegated this control effectively to the Big Three

Consumers were dissatisfied with the unavailability, quality and price of offal

Among the recommendations the League made were

- The commission should investigate in depth the degree of vertical and horizontal integration with the Big Three
- The scrapping of the support price system.
- Applications for permits should be simplified
- Allocation of quotas to agents should not allow them to compete with their customers
- Licensing of agents should not be restricted
- Agents should not be associated with other aspects of the meat industry and their quotas should be reduced to 5%.
- A wholesaler should not be entitled to compete with his customer through his own retail stores
- The commission should report fully on the excessive increase in prices over the last 12 months

League wa…

RDM 2…

By PAT SIDLEY
Consumer Mail

THE Housewives League has warned that if further integration among the three largest meat concerns takes place there will be "an almost complete monopoly of the market place"

The three groups are the giant co-operative Vleissentraal, Imperial Cold Storage and Kanhym/Karoo

The warning was made by Mrs Yvonne Forshaw, vice-president of the League, who testified before the Eloff Commission of Inquiry into the meat industry on Friday

She said the function of any meat marketing scheme was to obtain the best possible deal for both producer and consumer

"Therefore the League is strongly opposed to the development of vertical integration "

The producer was placed at a disadvantage in that his agent was competing with him (the producer) by selling his own stock to himself (the agent)

In addition to vertical integration the industry was also "horizontally integrated"

Kanhym had recently bought Karoo and there were joint operations between Vleissentraal and ICS

"The danger exists that should further integration take place among the Big Three, there will be an almost complete monopoly of the market place "

A company called the Compound Pool at the City Deep abattoir buys the meat requirements for the mine contracts held by the Big Three

be chronic invalids.

…cile to assume that all the other women (those
…e housewives from choice, particularly since many
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RDM 24/3/81

Lucem gets Merton for R1m

232

By HAROLD FRIDJHON

LUCEM, the David Lurie conglomerate, has acquired the Merton group, a large wholesale distributor of motor spares with effect from July 1, 1980. The consideration will be R1-million through the issue of Lucem shares. Through a reverse shareholding transaction Mertons will take up 42,2% of Lucem's ordinary capital.

This effectively makes Merton the controlling company, but in a further share sales arrangement a consortium headed by Mr David Lurie has sold 5-million Lucem shares to Merton in exchange for 17 100 000 new Merton shares which will rank equally with existing Merton shares

Mr Monty Lasovsky and his associates who hold a controlling interest in Merton have agreed to convert 500 000 Merton ordinary shares into 500 000 7½%, redeemeable preference shares, redeemable at the company's option

This will give the consortium a dominant interest in Merton, which will change its name to Lupus Holdings

The transactions will have no material effect on Lucem's assets and earnings for the year to March 31

Mr Lurie says the principal advantages flowing from the transactions are that control of Lucem will be consolidated while retaining the ability to make further acquisitions through share issues

"With the consortium's dominant share of Mertons we can turn that organisation into an acquisitive company without losing control and with the flexibility to carry out more acquisitions as and when suitable"

Discussing Lucem's minorities, Mr Lurie says Merton shares will be made available to the other shareholders of Lucem on the basis of one Merton share at 70c for every five Lucems held

Mr Monty Lasovsky, deputy-chairman of Mertons, has been invited to join the Lucem board and will head the new Lucem motor division The Merton board will be reconstituted with Mr David Lurie as chairman, Mrs A M Lurie, Mr I G McPherson, Mr G B Rubenstein, Mr E Ellerine, Mr M M Lasovsky, Mr A C Isabelle and Mr H Flekser

The Lurie consortium will make a stand-by offer to Merton shareholders, other than Mr Lasovsky and his associates, at 70c a share

All transactions are subject to the approval of Merton shareholders and the listing of the new Lucem and Merton shares

Union Wine price falls

232 24/3/81

By Geoff Shuttleworth

The price of Union Wine shares which were reinstated on the Johannesburg Stock Exchange this morning fell rapidly after opening at the suspension price of 1 475c a share

By midday the price had fallen to R10 a share

Stockbrokers described the trading as "a bit of a damp squib" as there was no scramble for shares

Earlier Stock Exchange President Mr Richard Lurie had consented to a request from Union Wine chairman Mr Jan Pickard to have the shares reinstated a day earlier.

The shares were to have been reinstated only tomorrow, but reports of fairly extensive canvassing of platteland shareholders and of a considerable secondary market in the shares developing outside the JSE, prompted the move

Stockbrokers who sold short in Union Wine shares last week have until Friday to acquire and deliver the shares, while shares bought today only have to be delivered next Tuesday.

Union Wine last night increased its issued share capital by 6,4 percent, in a perfectly legitimate way, which has the effect of diluting the so far undisclosed holding that Cape Wine had built up last week.

Johnnies offers Tavistock R85

RDM
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By JOHN MULCAHY
Mining Editor

JOHANNESBURG Consolidated Investments is offering Tavistock minority shareholders R85 a share, which is well above market expectations and places a value of more than R170-million on Tavistock.

JCI holds 1 010 700 shares, or 50,3% of Tavistock's share capital, and the remaining 49,7% will cost the mining house an effective R84-million.

Tavistock minorities will be able to choose from one of three alternatives

- A capital payment of R85 a share.
- A capital payment of R35 a share together with a special dividend of R50 a share, or,
- A combination of the first two options

If the proposals are accepted by Tavistock shareholders, minorities will be entitled to no further dividend than the interim of 1 150c a share, which has been paid for the year to June 30, and, of course, any special dividend they elect to take in terms of the proposals

The Reserve Bank has given permission for non-residents, who were registered, or were beneficial shareholders of Tavistock on March 18, to receive R25 a share of the special dividend in South African currency, freely remittable, subject to the deduction of the appropriate withholding tax

The balance of the consideration will be remittable in financial rand for non-residents

COMMENT· Tavistock shares were suspended at R62,50 on March 18, and based on dividend projections for the rest of the year a price of R75 by JCI was expected by the market. The R85 offer is certainly surprising

A Tavistock spokesman said yesterday the figure of R75 would be reasonable if looked at solely on the basis of earnings prospects for 1981 and 1982 However, considering the export potential, which could be realised with a merger of Tavistock and JCI's Transvaal coal rights, and the establishment of an export mine — considered highly possible — JCI probably believed a premium was justified.

JCI has for some time had an application lodged for a coal export authority, and if this is granted the logical next step would be to establish a new mine, concentrating on export-grade coal

The offer terms are particularly attractive to share-dealing companies, as the special dividend alternative is tax free to them, and for this reason the market price may move above the actual offer price. Individuals not in a position to benefit from the tax position would be well advised to watch the market carefully before deciding on any move.

Tavistock is tightly held, especially given the relatively low number of shares in issue With JCI directly holding over 50%, there are only 1-million shares in the hands of other shareholders, many of whom are believed to be institutions.

Sage goes to court on Unisec

RDM 24/3/81

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By DAVID CARTE
Deputy Financial Editor

SAGE Holdings has instituted legal action to establish the status of Unisec shares held by 50%-held Unisec companies, Newstock and Billhawk

Sage maintains that Billhawk and Newstock, which between them hold 2 890 000 Unisec shares, are subsidiaries of Unisec and these shares are therefore not entitled to vote

And although it concedes the action is likely to be prolonged and the control situation of Unisec is likely to be unclear for some time, it has undertaken to take a final decision on its offer for Unisec early in April.

Sage's conditional offer of between 295c and 310c a Unisec share is open until March 30

In another circular to Unisec shareholders, Sage insists its offer is still attractive in spite of Unisec's claim of net asset value of more than 400c in its annual report

It claims its offer gives an earnings yield of between 9,3% and 9,7% compared with the earnings yields of 17,3% for Barlows and 11,9% for Anglo American.

Sage questions Unisec's valuation of Unidev, pointing out that the market price of Unidev is 300c and the 521c price suggested by Unisec in the annual report suggests an earnings yield of 4,1% and a dividend yield of 2,9%

These yields, says Sage, are totally unrealistic, and this raises doubts about the directors valuation of Unisec at more than 400c

Sage says it is nonsense to value L Suzman at R25-million — 10,3 times earnings, when Metro Cash is valued at only 6,9 times earnings. If Suzman's were valued at 6,9 times earnings, the R25-million valuation would be reduced by R8 200 000, or nearly 20c a Unisec share

Sage argues that Unisec appears to have paid surprisingly high goodwill for its recent acquisitions

It contends the quality of Unisec's earnings "remains doubtful", pointing out that no reason is given for the reconstruction of Berg River Textiles, although the outstanding 50% of this company could have been obtained merely by buying the shares — if the shareholding was owned by outsiders.

Sage says the reconstruction involved a change in stock valuation, which resulted in a R2 900 000 capital write-off when this should have been written off income This meant earnings were inflated.

Sage complains further that Unisec has withheld material information, including the reason for the bonus dividend, the tax status of the company following changes to its listed portfolio and information on Billhawk and Newstock

Sage says it has made another attempt to negotiate with Unisec, but has been rebuffed, "indicating that price is irrelevant to your directors and that they are merely trying to prevent management control of Unisec from passing out their hands"

Sage maintains that Unisec's "estimation of an inflated real net asset value has basically been made to deter you from accepting Sage's attractive offer"

Tokyo rises

TOKYO. — Foreign buying of Japanese shares contributed to a sharp rise on the Tokyo stock market yesterday. The market average shot up 72,62 points in heavy trading to close at 7 293,57, — below the record of 7 322,06 set on February 2 Japanese investors were also in the market.

The Overcrowding Crisis

The first reference to an overcrowding problem was made by ... lunatic asylum ... t mental ... ent and

Tanners' head complains of 'stranglehold' on hides

By Chris van Gass
Pretoria Bureau

Three companies have a virtual stranglehold on the supply of hides to the tanning industry, the Eloff Commission of Inquiry into the Meat Industry was told yesterday

This meant that with the existing marketing system the tanning industry — the single biggest user of hides in the country — was relegated to the status of "poor relation"

The president of the South African Tanners' Association, Mr G C de Bruin, appealed to the Commission to consider the plight of the tanners when formulating a new marketing policy for hides and skins

He said the tanning industry was the only one in South Africa where major manufacturers did not have complete access to the raw materials they relied upon

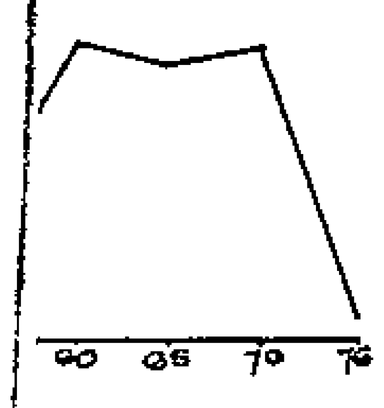
"Often a situation arises where we have to beg for raw materials while the 'owner' of the hides considers when and to whom he wanted to sell, or whether to give it to shippers for export," said Mr de Bruin

He said the tanning industry could be manipulated at will with the existing "monopoly" in the hide and skin industry

Specifically asked about the existence of a monopoly in the trade, Mr de Bruin said it was not a monopoly situation where one company controlled raw materials.

"In our case it is three companies, Vleissentraal, Karoo and ICS (Transvaal Hide and Skin), through curing and a system of brokers, control the hide and skin industry in this country."

Pressed on whether he knew of co-operation among the three companies, Mr de Bruin said he could not say "they are in collusion or have a cartel"



... tions ... t was ... ities ... tions after ... excess of ... he state ... sponse was ... drugs. ... te hospi- ... further ... ts. ... nse to the

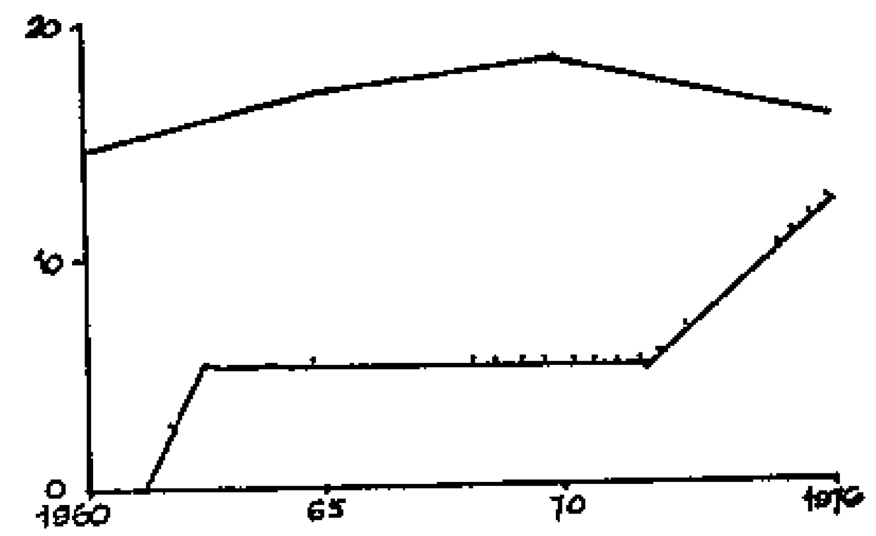
Between 1963 and I964 they provided 5 000 beds for the chronic non-responders. Pressure on state hospitals was relieved. Despite this inpatient numbers in state hospitals rose from 20 000 in 1960 to 23 000 in 1970. The private

I4. The rate of overcrowding is measured by comparing the resident inpatient population with rated bed capacity. See Graph II.

. / ...

companies once more came to the rescue. They made a further 7 500 beds available between I973 and I976. By I976 the number of inpatients resident in state institutions was down to I6 800.

GRAPH 14
— NUMBER OF BEDS AT STATE MENTAL HOSPITALS
— PRIVATE COMPANY INSTITUTIONS 1960 - 1976 (x 10³)



At the same time the rated bed capacity at state hospitals changed from I5 000 in 1966 to I8 500 in I970 to I5 800 in I976. This decline in the real bed capacity was achieved by the demolition of certain 'suspect' sections of hospitals. The decline can be best seen in the light of the hard-hitting Lamont Report of I967.[15] Many buildings were described as uninhabitable, as human warehouses, unfit for human occupation. The Report stated that the picture was one of grossly overcrowded wards, shabby internally and externally, some in an advanced state of dilapidation. The overall impression gained was of a mental hospital service starved of funds. No building was replaced until it literally fell down, which actually was the case at Fort Napier, Witrand, Town Hill and Valkenberg.

The architectural member of the commission, M.E.C. Northover, pointed out that the admission units throughout the country were obsolete, and the hospitals themselves, with the exception of Stikland and Sterkfontein were unfit for housing the mentally ill, besides being grossly overcrowded. He reported that a number of pre-Anglo Boer war buildings which had been condemned by the Department of Publi. works years before were still in use. He declared a large number of buildings suitable for demolition.

15. Dr. Lamont was commissioner for Mental Hygiene at the time. A commission was appointed, under his charge, consisting of a senior nurse and an architect. Their task was to investigate and report on living conditions in state mental hospitals. Their report was published in 1967.

UNION WINE (232) FM 27/3/81

What plans now?

While there are, as Coki Corp chairman Mervyn King says, at least 10 ways of bringing Kirsh and Pickard interests together in the control of Union Wine, the question is whether any of them will be as advantageous now that Cape Wine has its foot in the door

All indications were that the original scheme would have been relatively simple Although the mechanics were never announced, it seems that Coki was going to bid for the minorities in both Union Wine (40%) and its subsidiary Picardi Hotels (20%) The Picotel shares so acquired would then have been exchanged for additional Union Wine, thus making Picotel a wholly-owned subsidiary of Union Wine At the same time, with minimal adjustment, Coki would have achieved its planned 49,9% Union Wine holding

But with Cape Wine now holding an estimated 1m Union Wine shares, the tie-up will inevitably become more complicated As an interim step the Kirsh group has exchanged 267 237 Picotel shares acquired through the market last week for an equal number of Union Wine

This has increased Union Wine's holding in Picotel from 80% to 85%, increased its issued capital to about 4,5m shares, and increased the Kirsh group holding in the company to about 20% At the same time, Picfin's holding has been diluted to some 56,4% from the previous 60%

Union Wine has also announced that it intends increasing its authorised capital to 9,2m shares "for the purposes of future acquisitions and expansion "

The next step, it would seem, is up to Cape Wine And the Kirsh camp is not prepared to comment on future plans until the intentions of this company are known

The Cape Wine board, meanwhile, was still meeting when the *FM* went to press but it should make some announcement before the end of the week *Brian Thompson*

M & R FM 27/3/81

Riding high

(232)

Diversified construction group Murray & Roberts has increased attributable earnings for the six months to December 31 1980 by 86,6% to R15,8m

The group, which with 50% held Manchusar can be considered a conglomerate, does not reveal taxation nor pre-tax profit at the halfway stage Operating profit rose 53% to R14 1m but a strong performance by certain subsidiaries resulted in the minority and pref dividend deduction increasing by 160 3% to R2 2m

Operating attributable profit was thus 42 3% up at R12m This increase is more in line with the market expectations The earnings increase however, from 41c to 76c a share includes a non-recurring surplus of R3 8m made on the sale of assets This is equivalent to 18c a share and it distorts the earnings growth trend

Of the R3,8m surplus R3 6m was made on the sale of property and a profit of R183 000 on the sale of a number of small subsidiary companies The property sales appear to have cleared out the excess holdings which have been worrying the group for the past few years and no further surplus profits are expected this year

The subsidiaries sold were Pascor the Pelican group and the Elgin ship repair facility in Cape Town Pascor a motor component manufacturer, went to Dorbyl, the Elgin facility went to Globe, and Hall Longmore bought the manufacturing side of the pipeline and insulation group, Pelican

This tidying-up operation was counterbalanced by a number of "significant" acquisitions The two largest were marine engineer James Brown & Hamer, and caravan manufacturer CI Industries

But possibly most eventful of the acquisitions were the two electronics companies, Stone Platt and Saftronics These two groups now form the nucleus of a new division which M & R can be expected to aggressively develop into a major growth area According to a company spokesman a number of further acquisitions are being investigated

Executive chairman Des Baker says the "very satisfactory" results were contributed to by all the group's activities and results for the full year are expected to show meaningful growth In October last year the *FM* predicted earnings for 1981 of 130c a share But following first-half earnings of 76c I reckon that the second-half earnings could be 75c a share to give 151c a share for the year

The dividend policy has been simplified The interim will now be 33% of the previous total so 11c (8c) has just been declared On 151c however the group would probably pay a final 39c for a prospective yield of 8 2%

M & R has one of the highest compound annual earnings and dividend growth rates in the construction sector Against inflation the prospective yield does not look exciting but the capital growth contained within that would still give real return The share is a sound defensive stock at this stage of the market cycle

Jim V

Battle for Unisec rages on

Argus 28/3/81 By Shannon Sherry 232

THE war of nerves between Sage and Unisec is raging on, with Sage instituting legal action to 'establish the status' of certain Unisec shares and Unisec urging shareholders to hold on to their shares.

In a statement on Monday, Sage said it was bringing the Unisec stakes held by Newstock (Pty) and Bilhawk Investments (Pty) under the legal spotlight to determine the total number of voting shares in Unisec

Unisec reacted promptly It reiterated on Tuesday that the assets underlying each of its shares were worth more than 400c.

It also claimed in an advertisement that the company was being re-rated. 'The financial community is now beginning to appreciate the real value of Unisec assets,' it said.

IN MARKET

Urging shareholders not to sign the 'Sage blue form,' it said those wishing to avoid uncertainty should sell in the market

On Tuesday Sage rejected Unisec's claim that its shares had been re-rated

Sage's chief executive, Mr Louis Shill, said

Continued on Page 3

BID FOR UNISEC

Argus 28/3/81

From Page 1 232

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IS THERE an octopus with a strang'ehold on the red meat industry?

Five months ago, after an intensive investigation, Consumer Mail found that the R3 000-million-a-year meat industry was controlled by three large organisations whose tentacles stretched from breeding, to abattoirs, to retail outlets, to mining contracts and c ring and tanning of hides and skins

For more than two weeks the "Octopus Allegation" has been one of the key issues before the Meat Commission in Pretoria, which is specifically examining vertical integration within the industry

The "Mail's" report on the meat octopus was featured in evidence by the general manger of the Meat Board, Dr Jan Lombard, who claimed it was "sensational" and based on ignorance

But what has not been disputed is that three large groups with integrated interests dominate the meat industry and are represented on the Meat Board

One of the main reasons for the inquiry is that the price of meat rocketed by 57% in a few months last year This followed a lengthy period of hard times for farmers

Who are the Big Three of the meat industry?

The largest is the co-operative Vleissentraal The other two are Imperial Cold Storage and Kanhym/Karoo (owned by General Mining)

Much of the questioning by the commission has centered on Vleissentraal and its operations

This vast co-operative, comprising 34 member co-ops, has direct representation on the South African Agricultural Union (SAAU) and eight members of the Meat Board are associated with the co-op

The SAAU told the commission that it not only accepted that Vleissentraal had integrated interests, but believed that vertical integration served the industry well

By far the most interesting evidence, with far-reaching effects and described by the Housewives League as "frightening", was that of the SAAU and their relationship with co-ops

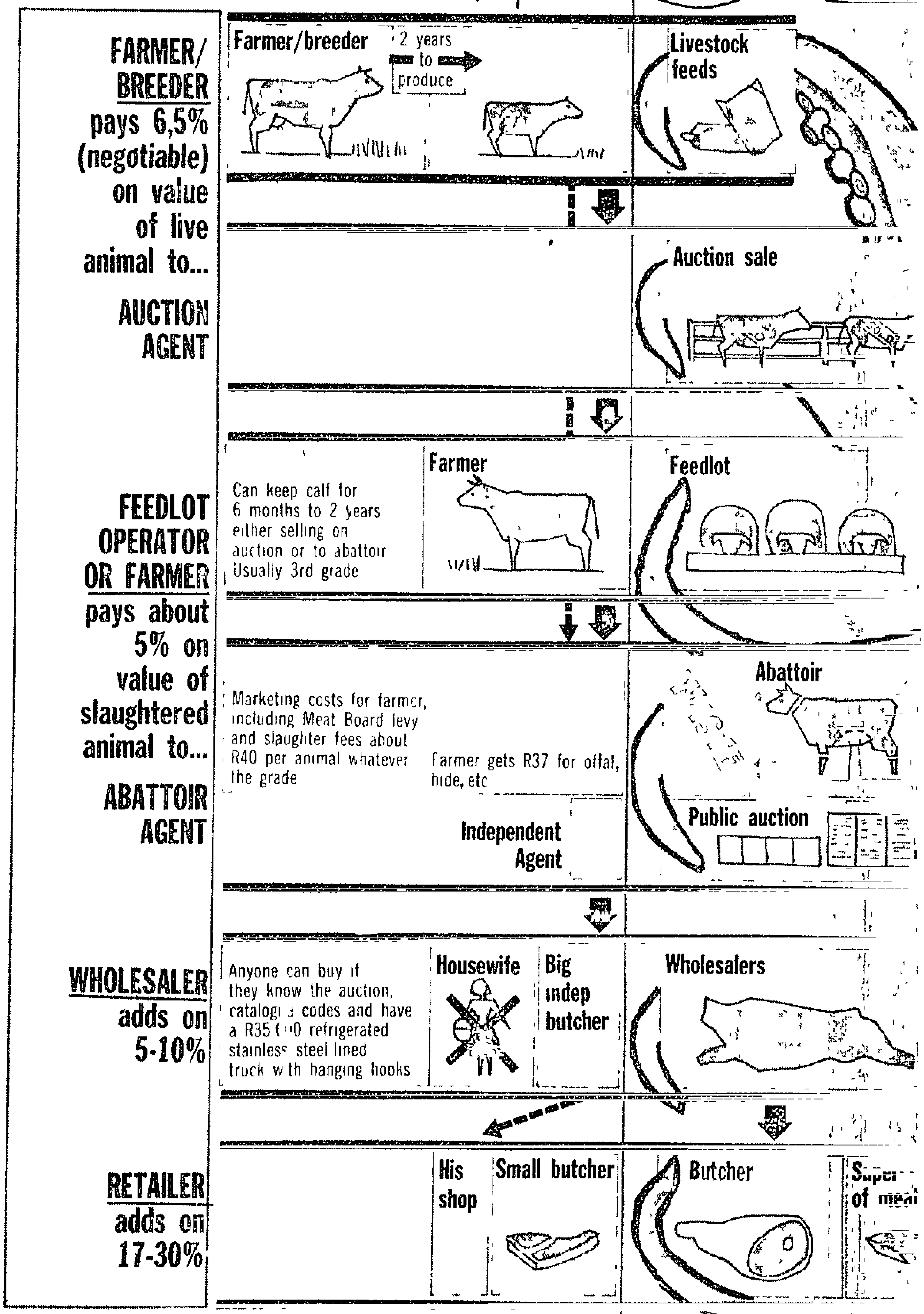
The SAAU, the official organ of farmers in South Africa, believes in co-ops as a means of production and marketing of agricultural produce

It wants Vleissentraal to remain entirely in their hands with all its functions "for all future time"

At a meeting late last year of the Federation of Livestock Auctioneers

THE OCTOPUS IS

RDM 28/3/81 ~~3 Meat~~ 3 cont.



Higher meat prices mean bigger profits

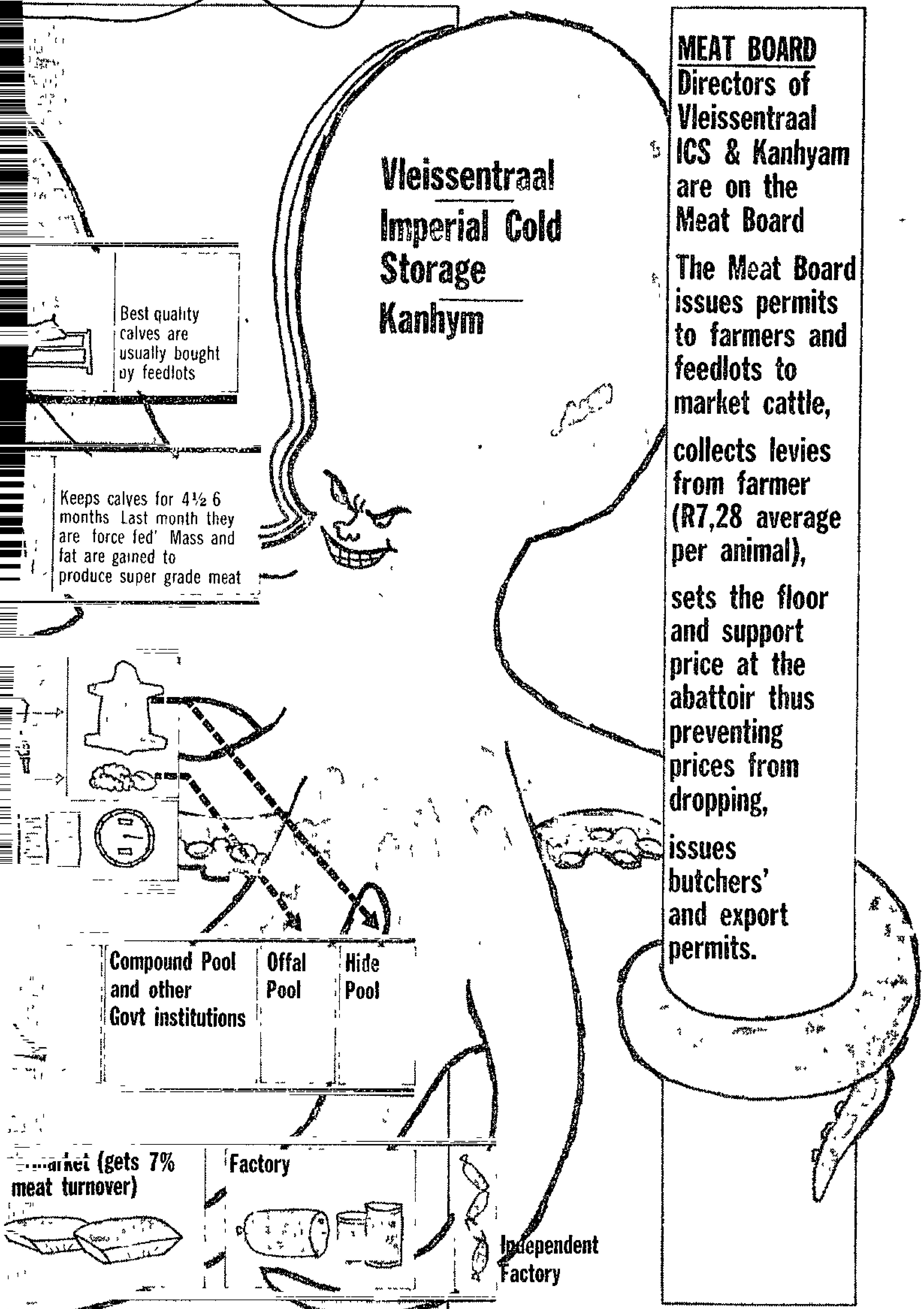
Big companies con

Meat prices rose 57% last year and pushed up a commission of inquiry into the industry was weeks. This is the graphic the 'Mail' published featured in the commission's hearings. Consur

names than the Housewives League had expected to find on it — but this was apparently because the Meat Board had only concerned itself with the enterprises requiring licences by the board which left out many

IN 'THE DOCK'

232



control all facets of meat industry

up the food inflation rate to 30%. After prolonged calls was established and has heard evidence over the last two hed last September showing the meat octopus which has nsumer Mail's PAT SIDLEY sums up the hearings.

from Kimberley because farmers had to be kept profitably on the land

The farmers who testified came armed with piles of yellowed and recent newspaper cuttings to illustrate,

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RDM 28/3/81 232

He said the board victimised farmers who complained and later said it was near to an election and that unhappy farmers in 1948 had not voted for the Smuts government

Of course, farmers who were totally satisfied with the system were not likely to testify — nor to complain

The SAAU, when asked how it felt about the accusations dismissed them, reading out letters of complaints and how they were dealt with, plus a list of complaints submitted to them by the New Republic Party leader, Mr Vause Raw

The SAAU said all complaints had been found to be groundless and in all cases where farmers had complained about their permit allocations, they had in fact been overallocated — a statement which caused Mrs Forshaw to ask sharply who the board had removed permits from in order to overallocate to these farmers

The Meat Board, who, as they put it, "stand accused" by the farmers who have testified will be handling the allegations in detail, and answering each one when the commission continues its hearings next month

Observers have remarked that the farmers who testified were indeed courageous

But not only them In one incident, a Star reporter who had investigated the industry for a year, Charlene Beltramo, was asked to reveal a source of information leading to a report in which butchers had illegally travelled to uncontrolled areas to buy large quantities of meat and sell them in controlled areas cheaply

Of all the reporters who covered the industry over the years, she was the only one summoned to give evidence which consisted largely of revealing her sources on three stories

Beltramo refused to divulge their names She was allowed to appear before the commission the following Monday to testify if her sources had consented to being named in public

A battery of Press photographers was waiting outside the building early on Monday morning waiting no doubt for a picture of the pretty blonde reporter as she was driven off to jail for her commitment to journalistic ethics — but this was not to be The commission had telephoned her earlier, accepting the evidence in camera and, unusually, on the telephone

The most emotional question raised, which inspired bitter arguing from Mrs Forshaw, was the support price system

This system, as explained by Dr Lombard, was designed to eliminate fluctuations in the meat price at the market — but Mrs Forshaw was adament that it served only keep the price of meat artificially high

The argument raged out of the court room and into the foyer

While farmers were complaining, and the Press reporting the complaints, SAAU Meat Committee was having its annual conference in Kimberley, from where the SAAU stated angrily in a Press release that the farmers who had complained to the commission were not speaking on behalf of the meat farmers of South Africa, who were represented at the Kimberley conference

The SAAU repeated this, equally angrily, to the commission

Nevertheless, according to reports, at least one complaint was repeated at Kimberley and that was that the Meat Board would withhold permits for some months as "punishment"

And while the Housewives League complained to the commission that people could no longer afford meat, the Director of the Consumer Council, Mr Jan Cronje, rapped "emotional" consumers on the knuckles from Kimberley, because farmers had to be kept profitably on the land

The farmers who testified came armed with piles of yellowed and recent newspaper cuttings to illustrate their belief that the public utterings of the Meat Board and the SAAU were at variance with their experience — and with indisputable facts such as the importing of meat when farmers could not market their cattle

And all had similar tails to tell of the arbitrary way in which permits were granted or denied

They complained, too, that the Meat Board sitting in Pretoria was removed from the "reality" of farming and "some woman in an office" in Pretoria decided their future

One of the trends to emerge was the consistent complaint that veld-farmers feel that feedlot operators get preferentail treatment by the board in the way it operates its block permit system

And although this was denied, the SAAU said the veld farmer had reached his optimum level of production and the future lay in feedlots

Lightening the sombre proceedings was farmer Johannes van der Walt

He joined the oft-stated plea for stability and called for total price control in the industry And, with an apparent disregard for the fact that he was in a court, he peppered his evidence with "Sorry, I'd like to say more, but I haven't the time I've got to go"

RDM 28/3/81 (232)

Meat prices rose 57% last year and pushed up the a commission of inquiry into the industry was esta weeks. This is the graphic the 'Mail' published last featured in the commission's hearings. Consumer I

marketing of agricultural produce

It wants Vleissentraal to remain entirely in their hands with all its functions "for all future time"

At a meeting late last year of the Federation of Livestock Auctioneers, which represents all those in the meat trade not associated with the co-op movement the idea of a Sampi-like organisation to represent the meat industry was mooted

Sampi was a breakaway maize organisation, which eventually won the day in freeing organised maize farmers from political control and giving farmers greater representation

The cry for a "Vleis Sampi" was echoed in evidence at the inquiry and repeated in references to the make-up of the Meat Board and the structure of the SAAU

The SAAU handed in a list of the members of its Meat Committee, six of whom were members of the Meat Board

Witnesses have mentioned and Mr Justice Eloff questioned the fact of the Meat Board's eight representatives connected with Vleissentraal, as well those connected to the big meat companies

These companies have been referred to throughout the proceedings as the Big Three, but a fourth and new large company — National Meats — has its managing director on the Meat Board

The Meat Board handed in a list of the integrated interests of the Big Three which contained fewer names than the Housewives League had expected to find on it — but this was apparently because the Meat Board had only concerned itself with the enterprises requiring licences by the board which left out many ventures

This therefore did not include tanneries or abattoirs

Vertical integration in hides and skins formed the basis of a difference of opinion when Meat Board member Mr J J Ecksteen testified in support of the National Wool Growers Association which alleged the system of marketing hides and skins through the Meat Board was open to irregularities and manipulation

Dr Jan Lombard, the Meat Board's general manager, had agreed when he testified that malpractices were possible

He also handed in, as in-camera evidence, a report commissioned by the former Minister of Agriculutre, Mr Hendrik Schoeman, on vertical integration in the hides and skins industry

The commission has since "freed" the evidence

SAAU, however, argued that the marketing interests of Vleissentraal in hides and skins should remain in the hands of the SAAU and Vleissentraal, causing a Meat Board official to remark later

"They want it (hides and skins industry) from the animal to the shoe"

The difficulties in the hides and skins section of the industry was enlarged upon by the tanning industry

Their evidence was presented by Mr Chris de Bruin of the Tanners' Association and Mr E Heunis, managing director of the largest independant tannery in the country

Their evidence was that the Big Three's integrated interests in the hides and skins industry prevented independent tanners from obtaining hides

They also accused the Big Three of protecting their export markets to the extent that they kept the market short in South Africa, even when they would get more for the product locally

Throughout the proceedings, the Housewives League's "tannies" have sat, both keeping a watching brief on the proceedings which they had largely instigated, as well as contributing to evidence and questioning witnesses

Judge Eloff, in thanking the league, remarked on the fact that no other consumer organisation had participated in the inquiry

A representative of the Meat Board, Mr Wally de Wet, has maintained a similar, though quieter, interest in the inquiry

Sitting among the Press has been the occasional visitor, like Ds "Flip" du Toit, chairman of the Meat Board, and Mr Ben Kruger, head of the Abattoir Corporation as well as a representative of Karoo, (referred to as one of the Big Three through its association with Kanhym)

There has in fact been a marked lack of interest, both by other firms (who will be giving evidence later) and by the general public

Perhaps the industry's lack of interest could be explained by the fact that they are probably more interested in the Committee into the Long-Term Production of Red Meat announced at the same time as the inquiry

This committee, advised by, and contributed to, by people in the industry will determine the course of meat production for the future The commission's terms of reference, are to highlight problem areas in the industry

Also highlighted in the inquiry was the distance between the farmer and any effective union representation

Fears of the farmers to testify were raised by the Housewives League and referred to by Mr Charles Radley, an elderly farmer from Marquard and member of a co-operative affiliated to Vleissentraal He complained about the structure of the Meat Board with Vleissentraal representatives on it

He said the bo[…] mised farmers w[…] plained and later s[…] near to an election unhappy farmers had not voted for t[…] government

Of course, farm[…] were totally satisf[…] the system were r[…] to testify — complain

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Kirsh and Herber in head-on clash

S.Times 29/3/81 232

BRUCE HERBERT "They just cannot wait for us to open"

METRO's Natie Kirsh and Gresham Industries' Norman Herber are heading for a major clash in the increasingly fiercely contested cash-and-carry consumer goods field.

At present, with R404-million in turnover, Metro is the largest wholesale cash-and-carry operator.

But Gresham, via its subsidiary F & S Cash and Carry, plans to spend no less than R270-million on developing nine major outlets in areas close to the homelands.

First shots in the battle will be fired in Pietersburg this year when F & S opens its first store in direct competition with Metro, which is also building in the town.

The F & S store will cover 11 000 sq m and cost R30-million, while the Metro operation is 9 000 sq m and will cost around R3 million. They will carry an almost identical line of goods. It is also Metro's first "jumbo" store and the first to carry soft goods and other non-food items.

If successful, Metro, which has won the Sunday Times' Top 100 companies award three times, plans to build more jumbo stores at a later stage.

The Gresham project is significant in that until now the company has concentrated its expansion on acquisitions. This is the first major project to be launched from within.

The scheme will be partly financed from internal sources and partly via leasebacks on the buildings.

Gresham Industries has had a somewhat chequered career, starting off life as a dress manufacturer in which the Greatermans group had an interest. Through a complicated series of deals it wound up as the apex of the Greatermans pyramid.

When Federale Volkskas bought control of Greatermans late in 1978, Norman Herber, who was chairman of the stores, acquired 50% of Gresham shares, which he still holds. When the holdings in the group by the rest of the Herber family are taken into consideration, he effectively controls over 60%.

F & S chief executive Bruce Herbert tells Business Times that he is hoping for a turnover in the region of R15 million in the first year of operation, increasing by about 20% a year thereafter.

Working on a margin of about 5%, this would give the operation a trading profit in the order of R750 000 for its first year. With Gresham's after tax profit in the region of R1.3 million last year, the impact on earnings for the first full year of operation could well be an increase in the order of 40% or more.

Mr Herbert says that the whole project has been extensively researched by both Gresham and the University of South Africa. The results, he says, are very positive. He points out that in neighbouring Lebowa there are 1 000 independent small traders.

"These people," he says, "have a supply problem in that they must buy from other traders or direct from the supplier. This means quantity problems, delays and having to truck the goods from the railhead to their store.

"We have spoken to them and they just cannot wait for us to open."

An interesting sideline is that the food side of the operation is going to be run by Score

Investment — BY DEREK TOMMEY

Bear operations best left to professionals

Argus 20/3/81

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THE scramble for Union Wine's shares in the past two weeks has made people aware that there is more than one way of making money on the Johannesburg Stock Exchange.

THE scramble for Union Wine's shares in the past two weeks has made people aware that there is more than one way of making money on the Johannesburg Stock Exchange

Most people know that money can be made through buying shares for a rise in price

But the well publicised plight of the dealers who beared Union Wines shares has helped highlight the speculative possibilities of selling shares for a fall — that is to sell a share short

You do this by selling a share you do not own in the hope that when you deliver it you will be able to buy it at lower price.

The profit is the difference between the price at which you agreed to sell the share and the (hoped for) lower price at which you buy it in

IMMORAL

Some people feel that making money this way is a little immoral They claim that selling a share short depresses its price. This could upset a holder and cause him to sell the shares unnecessarily at a lower price and so lose money

Measures were enacted in South Africa a few years ago to overcome this situation — but more of this later

Not all bear operations are bad They are a useful control measure and help stop unduly big share price fluctuations in active markets They are not embarked on lightly

In a sophisticated market a bear could find himself severely squeezed — as the Union Wine bears have found to their cost

This brings us to the major difference between a bull and a bear operation When you buy shares for a rise your maximum potential loss is limited to your initial investment.

If the price of the share you have invested in suddenly falls to nothing you cannot lose more than the money paid for the share

But in a bear operation your potential loss can be almost unlimited.

Some of the people who had beared Union Wine shares at R4 a share, in the hope of making R2 a share profit have bought in the share at R19 Their loss thus was R15 a share or seven-and-a half times the profit they expected to make

Losses of this nature can mount alarmingly, even when you bear say only 1 000 shares

However, Union Wine shares have subsequently dropped to around R12 50 each, so the losses of the bears who have not yet covered in should not be as great as in the example quoted above

Having spelled out some of the hazards of being a bear, let us look at how an ordinary investor becomes one

SHORT SALE

According to market sources, the first difficulty to overcome is to find a stockbroker who is willing to accept your order for a short sale

After the Union Wine operation there is, understandably, a great deal of nervousness around the share market about this style of trading

But assuming you find a broker who will execute your order, you must then put it in writing No broker can accept a verbal instruction to sell a share short

The price at which you short the share must be at least 1c above the previous price This is the 'up-tick' which was introduced after the 1969 share market collapse to prevent the bears from ever again wrecking the way they did then

The 'up-tick' is supposed to prevent a 1969 collapse from ever happening again and will probably do so But when an investor sees a share he is holding being traded say at 600c then at 610c, then 620c, and then at 612c, which is an obvious 'up tick' indicating a bear sale, he often has second thoughts on whether to hold on to that share

EXPENSIVE

The final step in becoming a bear is depositing with the broker a sum of money equal to the price of the share being shorted Furthermore, if the share price rises instead of falls as you are expecting, you must increase your cover accordingly This makes short selling an expensive business.

The ordinary investor has to have strong nerves and a deep pocket if he wants to become a bear As a result few do, especially as the rewards are rarely large

Bear operations are best left to the professionals These people make their money by bearing a share when it is temporarily in short supply, as can happen when large orders are placed for it.

They thus prevent the price of the share from rising too steeply

And as they have to cover in at some time or other, their buying then can prevent prices from falling too sharply should other demand dry up, or supply suddenly increase

Blood may still flow in wine war

S.Times 29/3/81

(3)

By Elizabeth Rouse

THE Union Wine-Cape Wine saga is by no means over.

Blood may still flow both in company confrontation and in the aftermath of the bear squeeze.

The news from Cape Wine headquarters in Stellenbosch is that the position is unchanged at present, but there is a 'possibility of an announcement coming'.

All that can be said is that top Cape Wine executives are in constant meeting. Probably security is strict enough to exclude a satellite probe.

Meanwhile, rumours are buzzing in Johannesburg broking circles with various loss figures being pinned on to the principal bears. It is now believed that Rand Merchant Bank's loss will be R130 000 after tax.

But a broker who has been heavily involved in the principal buying operation says that the position will remain unclear until this coming week at least.

Since reinstatement of Union Wine shares this week, trading appears to have been restricted to operators covering short positions through buying from small investors wanting to take profits.

But, of necessity, the amount of shares coming on to the market has been in small lots of around 100. Only 13 050 shares were traded on Thursday.

Unless one of the major shareholders decides to make shares available, there is a possibility that the JSE committee will have to decide on a make-up price.

But who is going to sell shares now if Cape Wine promises to return to the fray?

SUNDAY TIMES, Business

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S. Times 29/3/81

Anglo angle in giant bid

OFFICIALS of Anglo American associated Engelhard Minerals and Chemicals Corp are trying to squash strong talk that they are preparing a takeover bid for Newmont Mining Co (see Business Times December 22 1980 and March 1 1981)

Milton F Rosenthal, Engelhard's chairman, confirmed that the company is considering the sale of Engelhard Industries a precious-metals refiner, and its minerals and chemicals division

The two affiliates contributed less than 5% of Engelhard's $26 570-million sales and $532,7-million earnings last year

By Jim Srodes
Washington

But, despite Rosenthal's assertion that " we don t have any major acquisitions in mind", Engelhard's shares remained routinely suspended from trading by the New York Stock Exchange

The recent rush to take over major minerals producers has been one of the underpinnings of the recent stock-market surge which saw the stock exchange's reported extremely heavy trading and prices remaining firm despite massive profit-taking as investors continued to view the merger trend as a bullish signal

In a related development a US judge restrained St Joe Minerals Corp from its plan to buy back as much as 40% of its outstanding shares at $60 each to thwart the $45-a-share bid by Seagram

Elsewhere, Brascan, another reported Canadian contender for taking over some minerals target firm, said it had completed the purchase of about 14,6% of the shares of Royal Trustco, a Canadian financial conglomerate with an indirect interest in London Life Insurance The price was not disclosed

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The great battle for Unisec

RDM 30/3/81 (~~58~~)(232)

Bitter in-fighting between two of the country's major business houses comes to a head today when Sage's take-over offer to Unisec shareholders officially closes. Deputy Financial Editor DAVID CARTE reports.

THE Johannesburg Stock Exchange has seen some vicious takeover battles in its time but not many as tooth-and-nail as the current fight between Sage and Unisec

Sage has bid up to R130-million for Unisec but the Unisec board has spurned the offer as "totally inadequate", maintaining that the true worth of Unisec is more than R168-million, or 400c a share

This compares to Sage's offer of 310c if it gets control, or 295c if it does not Immediately before the deal, the Unisec share price was 215c, having weakened from 250c some weeks earlier

With Sage valued by the stock market at only R32-million, the bid was seen by some as a proposal to a whale by a minnow But Sage has argued this is not important It has total assets of R187-million and manages assets of more than R400-million

Ugly in-fighting, in which no punches were pulled, broke out between the two ever-so-respectable institutions when the Unisec board, which holds only 2% of Unisec, rejected Sage's approach and Sage extended its bid to all Unisec shareholders

In an unedifying squabble, fought largely through the Press, Sage has accused Unisec of

- Contravening the Companies Act,
- Using shareholders' money to buy Unisec shares to entrench its own position,
- Rejecting Sage's offer at shareholders' expense purely to protect its management control,
- "Mysteriously" including the results of a subsidiary when it made profits — and excluding them when it made losses, and, therefore, of effectively exaggerating profits,
- Paying a bonus dividend to persuade shareholders to reject its offer,
- Buying its own shares on privileged information, and
- Effectively of failing to tell shareholders of a potential tax liability of up to R17 600 000

And Unisec, in turn, has accused Sage of

- Offering "special terms" to Unisec directors, Mr M B Javett and Mr L I Jaffe, when all shareholders must, by law, be treated equally,
- Leaking the contents of a letter to Unisec to the Press before the letter got to Unisec — a suggestion that was laughed out of court by Sage,
- Bidding for Unisec purely in order to sell off its assets and make a R48-million profit at shareholders' expense, and
- Pulling the wool over shareholders eyes with "innuendos, verbal fluff full of mays, mights and ifs"

Both companies have come close to accusing each other of insider trading and share price manipulation

The combatants have also cast aspersions at each other's merchant banks Unisec's merchant bank, Standard Merchant, agrees with Unisec's valuation of 400c, while Sage's merchant bank, UAL, says, based on available information Sage's offer of between 295c and 310c is "attractive"

Sage says Standard Merchant Bank has changed the basis of its valuation It says SMB valued a strategic minority holding in Unisec at 5% less than market value in January 1979, at a time when the market price was 45% less than net asset value

Now SMB values Unisec at the directors claimed net asset value of 400c — 86% more than the market price before Sage's bid was announced

Unisec says UAL is not disinterested, as, like Sage, it is part of the Nedbank Group, though Sage disputes this would affect UAL's judgment

Sage says it wants Unisec in order to create a "powerful and successful investment and financial services group controlling assets of R700-million"

It already operates two property trusts, Fedfund and Pioneer, and would like to convert Unidev into one Also, it feels its investment expertise could make Unisec's money work better for shareholders

Unisec says it already is a powerful and successful financial services group and shareholders selling to Sage would not participate in the enlarged Sage group anyway, except by way of expensive options in the future

Both companies have accused one another of poor performance, Sage publicly

Here is a summary of some of the other arguments so far

SAGE: They rejected our bid before we made it

UNISEC. Sage's first letter, which can be seen in their offer document, *was* a bid of 290c

SAGE: Billhawk and Newstock, two companies owning 2 860 000 Unisec shares or 6% of the equity, cannot vote against the bid, as they are undisclosed subsidiaries of Unisec — in contravention of the Companies Act and we'll prove it in court

UNISEC: They are not subsidiaries, but even if those shares can't vote, 47% of Unisec holders have indicated they will reject the offer With that many rejections, there is no way Sage can get control This means Sage's lower offer of 295c less 24,5c of final and bonus dividend becomes applicable

SAGE: Price may be irrelevant to the Unisec directors, who wish to keep control

UNISEC: If we felt the price were realistic we would urge shareholders to accept.

SAGE: Berg River Textiles was mysteriously deconsolidated for the five years it made losses and then reconsolidated when it returned to substantial profitability last year And a R2 900 000 capital write-off arising from changed accounting should have come off income

UNISEC Previous management saw Unisec as an investment trust and did not wish to mix consolidated subsidiaries in the accounts with major investments It therefore reduced holdings in these subsidiaries to 50% or less so as not to consolidate

This did mean BRT's losses were not consolidated but profits of other 50%-held companies more than offsetting these were also excluded

Present management differs and has either sold its 50% stakes, as with Grosvenor Investments, sold last year for R7 600 000, or increased holdings to more than 50%, as with BRT and Metboard

If Unisec wanted to inflate earnings in its last results, as Sage implies, it could have kept BRT on the less conservative fifo method of stock valuation, at a "saving" of a couple of million rand It could have dated the deal January 1, instead of August 1 and taken part of the proceeds of the sale of Grosvenor as a dividend

Sage's point about R2 900 000 is nonsense Sage sticks to its guns on this point

SAGE The bonus dividend is illogical a few weeks after Unisec raised R20-million through the issue of preference shares It was an ill-conceived ploy to induce shareholders not to accept Sage's offer

UNISEC: We planned the bonus dividend before Sage announced its bid and its just a pity we can't actually prove this

We raised pref capital when it was cheap, not for immediate use but for use when interest rates rose, as they have But we still felt our debt equity ratio was too low The bonus dividend reduced equity and brought this more into line

SAGE Sage's bid offers shareholders a capital profit of up to 44% on the pre-deal price of 215c, an earnings increase of 54% and an income increase of 32%

UNISEC. Nonsense Sage's highest offer — 310c — falls away because it cannot get control And from the offer one must subtract the final and bonus dividends of 24,5c, so Sage's highest offer is actually 270 5c

And we're puzzled about the pre-deal price of 215c anyway Immediately before the deal there was a mysterious seller of Unisec shares who depressed the share price from its more normal level of 250c before our recently announced 66% earnings increase

SAGE As a major buyer of Unisec shares before the deal we could only have supported the price

SAGE. Unisec is not worth 400c, as it claims Its earnings of 28,7c give an earnings yield of 7,2%, indicating that the price is too high

UNISEC. If assets are worth only what they earn, a R20 note is worthless It is nonsense to value our R43 500 000 cash holdings on an earnings basis, especially since interest rates were so low last year

About 75% of our "earnings" come from dividends and interest If we took into account earnings retained by listed investments, our earnings would be 30% higher than stated and the earnings yield 9,6% on our value of 400c — not all that different from Sage's earnings yield of 11,6% Does this mean Sage's share price is too high?

SAGE: Unisec directors sit on the board of Hesperus, Unisec's 36% owner, so Hesperus must have known about the bonus dividend when it bought an additional 1 200 000 Unisec shares recently

UNISEC Hesperus was only protecting its position and because the market chronically undervalues Unisec, would always be interested in any large line of Unisec shares Prior knowledge of the bonus dividend played no part in the deal What's R120 000 of bonus dividend in a deal of R4million?

SAGE The bonus dividend on Hesperus's total Unisec holding was worth R1 510 000 to Hesperus and would have gone a long way towards financing the extra shares

SAGE: You may never know who controls Unisec

UNISEC. The board controls Unisec Hesperus, with 15-million shares, is the biggest shareholder The Sage control situation is no clearer

SAGE: Rubbish It is well known that a consortium of Nedbank, the Mines Pension Fund and Louis Shill control Sage

SAGE. It is possible the Unisec share price will fall substantially if the bid fails

UNISEC: We can't take a view on our own share price but the prospective dividend yield of about 10% should underpin it

So much for the verbal flak

Sage's offer closes today but unless Sage declares the offer unconditional, in terms of the Companies Act, shareholders have until June 9 to accept

Sage will make up its mind on its next step "early in April" Even if it does declare its offer unconditional, shareholders will have another two weeks in which to decide

Therefore, it seems clear, they should wait until the last possible moment before acting

The blue acceptance form is irrevocable So if gold goes to $1 000 and the market takes off again, carrying Unisec upwards with it, those who have accepted would miss out

If the market and Unisec break the other way, Sage's offer becomes more attractive, though once the JSE Actuaries all-shares index — now on 694,7 — goes under 500, the offer falls away But holders can act just before this happens

The current share price of 287c is pretty close to Sage's lower bid

This suggests a fairly delicately poised situation between acceptors and rejectors, for if the offer were laughably low, the share price would be much higher

On the other hand, if it were madly attractive, the price would have moved up near to parity with the offer without the long delay that did occur

It is clear that Unisec shares are worth more than 310c Otherwise Sage would not be making the offer But it is not clear that the market price will go as high as that

Because it tends to value companies according to earnings and dividends and much of Unisec's income in the past five years has been in the form of tax-free capital profits not reflected in income, the market has long tended to undervalue Unisec

But what is important to a minority shareholder is not whether the theoretical break-up value of Unisec is 400c or more

What matters is whether the price can maintain the offer level if the bid fails and improve on it in the long term

And only time will tell with certainty

THE COMBATANTS

UNISEC is an investment holding company with four main operating subsidiaries Unidev L Suzman, Berg River Textiles and Metboard, R43 500 000 in cash and a share portfolio worth more than R60-million

Unidev, in which it has a 52% stake, is a large listed property company with properties worth, in Unisec's view, R200-million

L Suzman, wholly owned, is the country's biggest wholesale tobacconist with sales of R237-million a year, while Berg River Textiles, also wholly owned, is a major textile manufacturer with sales of R27-million a year

Metboard is a trust and financial company administering funds of more than R200-million

Unisec was born out of the Unit Securities Group and Slater Walker Securities in the late 60s, and ever since those high-flying days has kept a low, almost subterranean profile

Mr Michael Javett and Mr Laurie Jaffe appear to be the power behind the group but seldom make a statement Mr Eric Tenderini was for years the main man at Unisec but he resigned without explanation about two years ago

The company is run on a day-to-day basis mainly by executive director, Mr Peter Thomas

□ □ □

SAGE HOLDINGS is an investment and financial services group managing assets of R400-million It was listed in May 1969 with its anchor in Sage Fund, the country's first mutual fund From this it expanded into other areas

Today its major interests are IMF, the Sage Fund management company, 75% of Union & London, 90% of Leo Computer, 40% of Ned-Equity Insurance, 82,5% of FPS, all of Schachat Holdings and 65% of the management company of Federated Property Trust and Pioneer Property Fund

Chief executive is Mr Louis Shill (50), who founded not only Sage Fund, but was also a co-founder of Liberty Life Mr Shill is on the boards of many companies including Nedbank and Southern Sun

Sage chairman, Mr A S Thomas, is the father of Mr Peter Thomas, an executive director of Unisec

MERGER GIVES BOARD ENTRY TO BANKING

Argus 1/4/81

THE Board of Executors is planning a leap into banking through a merger with Fidelity Bank and Trust Company of Port Elizabeth.

A deal financed by an exchange of shares is expected to be announced later this week and the combined group will operate in the country's four major centres in the name of The Board of Executors and Fidelity Bank.

A merger will boost the Board's assets to R30-million from R13,5-million. Total assets and clients' funds will jump to R300-million from R226-million at the end of December.

The Board's managing director, Mr T N Chapman, says in the annual report agreement has been reached on proposals which, if implemented, will result in the effective merger of the board and Fidelity Bank

"This is a most exciting development in that it will complement and increase our range of services"

COMPLEMENTED

Mr Chapman said today Fidelity Bank would benefit from representation and management offered by the board, while its general banking complemented the board's range of services exactly.

The board's report for 1980 shows taxed profit rose 18 percent to R1,1-million topping the million mark for the first time.

A final dividend of R40 after a R13 interim boosts the year's total by almost 13 percent.

In his chairman's review, Mr W F de le Beck says 1980 saw a further broadening of the board's range of activities and the markets which it serves and it had become a financial services group built on the foundations of a trust company

FINANCE

PHELPS DODGE LIKELY TARGET FOR TAKEOVER

News 2/4/82

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— London brokers

PHELPS DODGE, the American mining giant, is a likely target for a takeover bid by either Anglo American Corporation or Consolidated Gold Fields, according to London brokers.

Its involvement in South Africa includes a 49 percent stake in the Black Mountain lead, copper and silver mine in the Northern Cape

Phelps Dodge is capitalised at 800-million dollars (R637-million) without any major shareholder and therefore has no big blocking vote, says one broker

A major announcement could be made shortly more likely for Cons Gold than Anglo, reports Reuter

SHORT LIST

Analysts say both conglomerates are seeking major acquisitions, preferably in North America Besides Phelps Dodge, the short list of prospects includes Newmont, Asarco and Homestake

Anglo recently announced a sweeping restructure of international investments through the transfer of R637-million worth of assets into Mineral and Resources Corporation (Minorco), its Bermuda based investment arm

The purpose, say brokers James Capel, was to create a sizeable vehicle in terms of assets and cash flow for Minorco to take advantage of any mining opportunity on an international basis, but with a preference for North America

WELL PLACED

Fuelled by cash from Anglo's established Southern African companies, Minorco has assets of almost R1 600-million, and with low gearing is well placed to borrow large sums to finance new business.

Cons Gold last November raised R326-million through a rights issue on which it has not yet acted and is estimated to have R2 880-million earmarked for investment.

De Beers, with an estimated R800-million cash resources, will be devoting its attention and large sums to supporting the sagging diamond market instead of looking for expansion outside, brokers say.

Rupert tobacco group in US merger talks

Sim

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From the Financial Times

LONDON — Two of the largest cigarette companies — R J Reynolds Industries of the US and the UK-based Rothmans International — are holding what they describe as "exploratory talks" to establish "a basis of co-operation between the groups"

The talks were revealed yesterday in the US and the UK following stock market speculation about a possible link-up Rothman International's shares closed last night at 60p, a new high for the year

Neither company would comment beyond the official statement that exploratory talks are being held with the purpose of establishing a basis of co-operation between the groups"

However, it appears the talks were initiated by Reynolds and so far they have only involved a few senior management on either side

These talks are believed to have included Mr Paul Sticht, president of C F Reynolds, and Dr Anton Rupert, chairman of the South African-based Rembrandt Group, which indirectly has a substantial stake in Rothmans International

Reynolds said that the preliminary talks "could lead to definitive proposals being made to the boards of both companies"

Any business combination, however would have to run the gauntlet of US anti trust scrutiny

In its last financial year Rothmans whose UK brands include Dunhill and Peter Stuyvesant, had total sales of 2 500 million of which 90 percent came from its tobacco interests The rest of its sales were in a Canadian brewery and luxury products associated with the Dunhill name

Rothmans International, is the London-based subsidiary of Rothmans of Stellenbosch, South Africa

MAIN BRANDS

About 56 percent of Rothmans sales are to Europe, with West Germany taking the largest share Outside Europe it has 25 percent of its sales from North and South America, 15 percent from Asia and 4 percent from Africa

Reynolds, whose main brands include Winston, Salem, and Camel, has been keen for some time to expand overseas business In its 1980 annual report released this week it said that "in our international tobacco business, the prospects for cigarette unit volume growth are brighter in many markets than in the US"

Reynolds overseas gains have been particularly strong in Europe and Canada

The preliminary talks between the companies are expected to take at least another two to three weeks to complete personal and environmental hygiene is promoted by encouraging the use of individual face cloths and water, digging of rubbish pits and the erection of pit latrines. Repeat visits are made at intervals to check if instructions are followed. The ideal number of households to be visited is not more than 5 - 8 per Care-Group member.

Most members prefer to do the visiting as a group. Collectively they feel more confident, they are more readily listened to and they can help each other when problems are encountered. Various methods are used to transmit the message, sketches, health songs or discussions.

3. EFFECTIVENESS OF THE CARE-GROUPS

It was important to assess the effectiveness of the Care-Groups once they had been reasonably well established.

This was done among others by a randomised sample survey of the whole community in 2 settlements, Mbokota and Chavane, which will be discussed by the next speaker.

Other evaluations I will mention briefly will serve as background information to the findings in these two settlements.

The map shows that geographical distribution number of Care-Groups, their size and their general rating by the motivators. Many prospective groups are kept waiting due to lack of motivators and vehicles.

From observations made over the last 2 years we found that there are certain general factors which influence the quality of a group.

Table

Both Chabane and Mbokota are very large settlements with few Care-Group members. Both are under the same chief who is not very cooperative. The Care-Group in Chabane is the only one where the reesprentation of the social elite of the village is big enough to cause class tensions. In addition some key persons are interfering with the group. All this has led to a near collapse of this group.

Mbokota has started well, in spite of the handicaps mentioned, but last summer's heavy rains have forced the resettlement of a portion of the village to a safer area. The whole community was disrupted by the events and Care-Group activity came practically to a standstill.

Table

The effectiveness of Care-Groups d

can best be evaluated when determi

of the disease in small children.

school year, where the new intake

is a reasonably good correlation b

Sub-Standard A children and of the

(Explain table)

Other factors which can be measure

of village and personal hygiene, '

individual face cloths.

The table gives a rough impressio

in promoting hygiene.

(Short explanation)

To summarise our experiences wit

1. The Care-Groups are generall
most settlements are keen to

2. The greatest value of the Ca
awareness to health needs wi

3. The presence of volunteers w

4. Specific activities such as
if the Care Group is well m
easily manageable besides th

Cape buy into UK wire company

From the Financial Times

LONDON — Johnson and Firth Brown has agreed to sell its steel wire businesses to Cape Gate of South Africa for about R16,1m, thus ending its involvement in this sector.

The companies being sold are Johnson and Nephew (Manchester) and Johnson and Nephew (Ambergate).

Cape Gate said that its aim in buying these companies was to develop internationally.

JFB, which was approached by the South African company, said it intended to use the proceeds to finance the upturn in trade expected in other parts of the group. The long term effects of the deal will include a cut in borrowing of R26,8m. The current debt level is about R107,3m.

Cape Gate intends to expand the two businesses and to use the long established Richard Johnson and Nephew name for its UK operations.

The price for the deal will be based on combined audited net asset value at March 31 1981 financed by R3,6 million of share capital and reserves and a R12,5 million long-term loan from JFB.

Cape Gate will pay R3,6 million in cash for the equity and the R6-million loan account will be repaid in five annual instalments — the first of R1,79 million on completion and the rest over four years.

Combined bank borrowings of the two companies, estimated at R1,8 million will remain with them under their new ownership.

The land and buildings are being retained by JFB and are not included in the estimated R16,1 million net asset value.

The properties are being leased back to the two companies and put-and-call options have been arranged so that the properties will be sold back to the companies by JFB in 1987 for the current combined book value of about R5,4 million.

3 Jun 24/6/81

Haggie moves into British market

By Ann Crotty

Haggie is to pay an initial R24.5 million as part of an agreement which will ultimately result in it having joint control of Macdem with two UK metal groups, McKechnie and Delta.

The total cost of acquiring an effective 50 percent in Macdem from July 1984 will include a further cash consideration based on an agreed formula

From July 1984 to September 1989 the two UK sellers will have an option of selling their remaining holdings to Haggie

Haggie is making the acquisition because of its concern for a number of years at the lack of prospect for growth in its traditional business of steel wire and wire rope

Macdem is seen as being a large well established group with a significant market share and high technology, principally in the area of production, and consequently meets Haggie's diversification

If the proposals are effected they will result in an expansion and diversification of Haggie's industrial interests

They are expected to have a minimal effect on Haggie's earnings and net asset value a share in the current year ending December 31 1981 but are expected to contribute significantly to its earnings in future years

The implementation of the proposals is conditional upon shareholders agreement and the necessary exchange control approval

Macdem is to be subdivided into Jacksons and Macdem Jackson is said to be the largest distributor in South Africa of non ferrous metals and stainless steel in semi-fabricated form Macdem is said to be the largest manufacturer in South Africa of copper, brass and bronze semi-manufactured products

Under the announced deal Haggie will hold 25 percent of Jacksons from next July with McKechnie holding 25 percent and Delta 50 percent

3/4/81

Statement by Coki clears air

(232)

By Mervyn Harris

The announcement by Mr Mervyn King, chairman of Coki Corporation, that Coki and Picardi Finance have physical possession of 75,13 percent of the issued share capital of Union Wine reduces uncertainty over the whereabouts of the shares

Analysts say this will help stockbrokers sort out bear positions following the hectic dealing in Union Wine shares two weeks ago

There are estimated to be 50 000 disclosed bear sales and another 50 000 undisclosed bear sales

Market speculation suggested that Cape Wine and Distillers might have gained 25 percent of Union Wine shares in its bid to foil the link up between Coki and Picfin

This would have enabled CWD to block a special resolution on the issuing of more shares by Union Wine

Mr King's statement means that Coki and Picfin have greater flexibility and can now increase share capital and get the partnership underway

Some analysts say, however, that there could be another bloodbath as brokers, who have still to cover their short positions, scramble for the remaining shares

A make-up price might still have to be declared if brokers are unable to deliver the shares when called on to do so

The market is now waiting to see when CWD will declare its hand It kept quiet throughout the hectic dealings and refused to acknowledge for some days that it was the big buyer of Union Wine shares

Brokers for Cape Wine are believed to be calling in shares It will be interesting to see whether CWD will sell its shares if it has not gained the amount of Union Wine scrip it sought resources allocated to health services, since the growth rate of the supply of hospital beds was considerably slower than the growth rate of per capita incomes.

When, however, the racial distribution of hospital services is examined a bias in favour of Whites becomes clear; in 1960 there were 100 Whites per bed, against 186 Blacks per bed, and in 1975 the White ratio

Kirsh, Pickard get Uniewyn

RDM 3/4/81

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By HAROLD FRIDJHON

THE Kirsh-Pickard team has won control of Union Wine. A laconic statement by Mr Mer[illegible] King, chairman of the Coki Corporation, says that the Coki Corporation/Picardi Finance camp holds 75,1% of the issued share capital of Union Wine.

Mr King would make no further comment, but earlier market speculation suggested that the bid by Cape Wine & Distillers to block the Coki/Picfin scheme had been successful enough to get more than 25% of the "victim" company.

The reason why the Cape Wine rumour gained some credence was because of the highly fluid state of Union Wine dealing on the Johannesburgh Stock Exchange. Shares were owed to the market as a result of all the bear selling, but until these shares were delivered neither party in the market tussle could be sure whether it had bought real or phantom shares sold by bears.

Mr King's statement puts an end to all this speculation because, I believe, Coki/Picfin have physical share certificates in their possession to leave no doubt that they hold considerably more than 3 500 000 of the [illegible]74 600 shares in issue.

The market is suffering from a physical shortage of scrip. This is the result of delays in the postal service. There is a possibility that a large number of share certificates might be in the company's office awaiting registration or, perhaps, splitting.

The brokers who acted for Cape Wines are now calling in shares and this could cause distress to market operators because, if they are unable to deliver when called on to do so, the buying brokers might demand that a make-up price be declared.

If a broker who covered in his short position by buying shares at, say, R10 a share and who is awaiting delivery of scrip is then forced into a make-up price situation, he would suffer a double loss.

It is believed that Mr King made his statement in an endeavour to alleviate the acute market situation by declaring his position. It has been suggested that the Coki/Picfin camp might even sell any excess shares that they hold to assist the market.

If this is so, it would be [illegible]ble to expect the Cape Wine camp to make a similar a similar gesture. If it has lost the battle, it could offload some shares — at a profit.

Brokers said last night that a supply of scrip would assist the market and save many brokers — and others — from further financial loss.

4. The Racial Distribution.

In 1970, Blacks accounted for 83 per cent of the population, and Africans accounted for 84 per cent of all Black people. At the same time Whites received approximately 72 per cent of personal income, and Africans 19 per cent, resulting in a disparity of 15:1 in the ratio of White to African per capita incomes, and 5,1:1 and 6:1 for the ratios of White to Asian and White to Coloured per capita incomes (15). Rural African incomes [illegible] are [illegible] had incomes below their Poverty Datum Line.

The relatively low incomes of Blacks have two immediate effects on health. The first is the lower level of health which results from poor diet and environment and this is clearly illustrated in Table 8.

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(15) J.D. McGrath, Racial Income Distribution in South Africa, Black/White Income Gap Project, Report No. 2, University of Natal, 1977.

(16) Calculated from National Accounts of the Bantu Homelands 1969/70 to 1973/74, Department of Statistics, Report no. 09-17-01. Table 1.1 and 2. Incomes of commuters are included, as well as one-third of the incomes of migrants.

(17) G. Maasdorp and A.S.B. Humphreys (eds), From Shantytown to Township, Juta, 1978, pp 109 and 110.

Liquor giants get set for war

S. Times 5/4/81

30 169 232

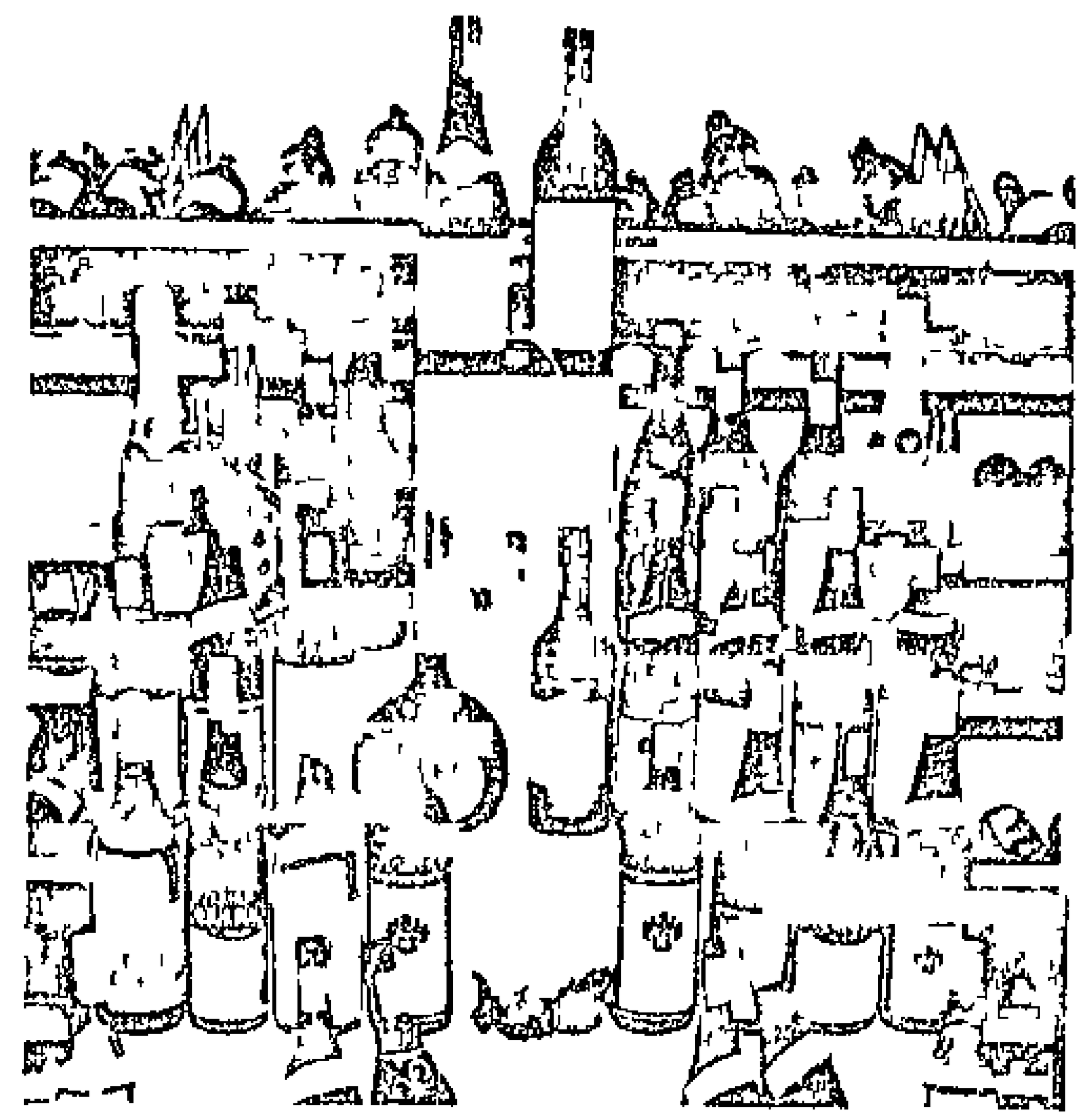
THE lines for a titanic struggle in South Africa's R1 700-million-a-year liquor distribution industry were drawn in Johannesburg this week

Two tough independent operators combined to tackle the virtual monopolies which were created with Government sanction last year.

For South Africa's drinking men and women the forthcoming battle holds out the promise of cheaper liquor.

Taking on the giants are whizzkid wholesaler Natie Kirsh and the only major independent in the trade, former Springbok Jan Pickard.

After a fortnight of high drama on the Johannesburg Stock Exchange they headed off a blocking manoeuvre by the giant Cape Wine and Distillers group and obtained a minimum 75.1 percent stake in Union Wine — the vehicle they will use in the struggle.



They heard it on the grapevine ... bottles of wine line up, waiting for the outcome

The scene for the battle was set when the Government sought to create two tidy monopolies — one virtually controlling wine and spirit production, the other beer — on condition that they divested themselves of retail outlets.

SA Breweries (SAB) obtained the sole rights to produce beer, while Cape Wine & Distillers (CWD), which combined SAB's wine and spirit operations with those of the KWV and the Rupert interests, enjoyed almost exclusive privilege in wine and spirit production.

As a quid pro quo the State obtained an undertaking that SAB and CWD would significantly reduce the scale of their retailing activities. The aim was to ensure that the two mammoths did not control the industry from top to bottom — that is, from production through to the point of sale to the public.

Vulnerable

Enter Mr Kirsh and his Metro Cash and Carry, the country's largest wholesaler of its kind.

Combining with Mr Pickard, the biggest independent in wine and spirit manufacturing, who also owned a string of bottle stores and had rights to many others, they obtained control over Union Wine — and will now use Metcash's outlets to distribute liquor to the public.

Now industry sources are speculating that SAB and CWD may refuse to withdraw from retailing.

And the battle may result in price reductions

Spokesmen for the two companies were not available for comment at the weekend, but industry sources said compliance with their undertaking to Pretoria to get out of retailing would leave them wide open to attack by the Kirsh-Pickard alliance.

CWD, which in any case stands to lose a good deal of money as a result of its abortive attempt to obtain a 25 percent stake in Union Wine, is more vulnerable to the new alliance than SAB because, unlike the latter, it is not the country's sole manufacturer of its product.

Pretoria's dilemma, say industry sources, is the impossible prospect of trying to achieve a retail divestment arrangement which may not be legally unenforceable.

Meanwhile, Metro Cash chairman Lionel Katz is making plans to open up his 115 stores nationwide to sell liquor.

"Obviously," he says, "we shall carry the lines of all manufacturers. But it will be difficult for Metro to overlook the close link which it now has with Union Wine.

"I am confident that in the course of time we shall come to a distribution arrangement with CWD and SAB.

"We have for some months been negotiating with CWD and SAB along these lines. Obviously a distribution agreement with us would make good economic sense."

Metro believes it could save CWD many millions of rands in distribution and administration costs — and the same goes for SAB.

Mr Katz added that because of Metcash's huge warehouse network, retailers in remote areas would in future have no need to carry vast liquor stocks.

"Clearly," he adds, "our warehousing strength will reduce the cost structure of many retailers."

● See also page 1 of Business Times

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7 2 4	7-3
7 2 5	7-3
3 2 1	3-2
5 2 3	5-21
4 1 3	4-3

The results of the actions of people like [illegible], that is in undermining the economic self-sufficiency and political power of these groups and ensuring their incorporation in the new white dominated society should not be confused with their liberal protestations

People on "good terms" with Africans were often common since the "Trust" Various people said that since they were only given ten pounds[45] to move their houses, they had to sell their oxen to be able to re-establish themselves in the new villages, and so have nothing to plough with.

c. 15/4/81

Clothing combine plans expansion

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By GORDON KLING

THE VAST Cape-based retail clothing combine resulting from the merger of Woolworths and Truworths can be expected to make further acquisitions as part of the deal based on "plain old common sense"

It would also create greater career opportunities for thousands of employees, according to the vice-chairman of the new holding company expected to be formed by a scheme of arrangements at the end of next month, Mr Tony Williamson

Addressing the UCT Graduate School of Business Association yesterday, he said no strategy had yet been mapped for new acquisitions, but the merger offered a good financial base for expansion "and we'll certainly be looking" It was not borne out of the end of the boom or any weakness

In a possible indication of senior staff concern over implications of the move, attendance at the lunch was several times the normal turnout

Mr Williamson warned that mergers and acquisitions on their own had not proved viable in the past and that diversification out of familiar areas was also risky business The course of South African mining houses moving into secondary industry, for example, was not one of plain sailing The high flying conglomerates of the Slater-Walker era in the sixties had left a bad taste because they did not know their businesses well enough

Analyzing the factors he said had been reconciled in the stores' merger, he noted that Truworths had a higher risk rating that Woolworths with a newer management It was a speciality group doing 75 percent of its business on credit and comprising three distinct chains with operations in Zimbabwe and the UK, while Woolworths was a homogenous group dealing in a broader range of goods sold for cash alone

9.2 2. Exploitation by local people.

In just about all the "community projects" I had experience of, the mass of people were very sceptical about whom the project would actually benefit. They often gave as a reason

for non-participation that such things benefit a small clique only. This is apparently a general phenomenon "Once a confidential relationship with the villagers had been established, they revealed their strong conviction that the sanitation project would not benefit them but would rather serve the local large landowner,. ."[48]

People obviously have good reason for such scepticism. At Umhlumbi, where a clinic project is underway, I found that many people would not get involved because of an experience in 1952. They were told that a school was being built and were asked to come and help Only when the building got to roof height did the volunteers realise they were building a Methodist Church

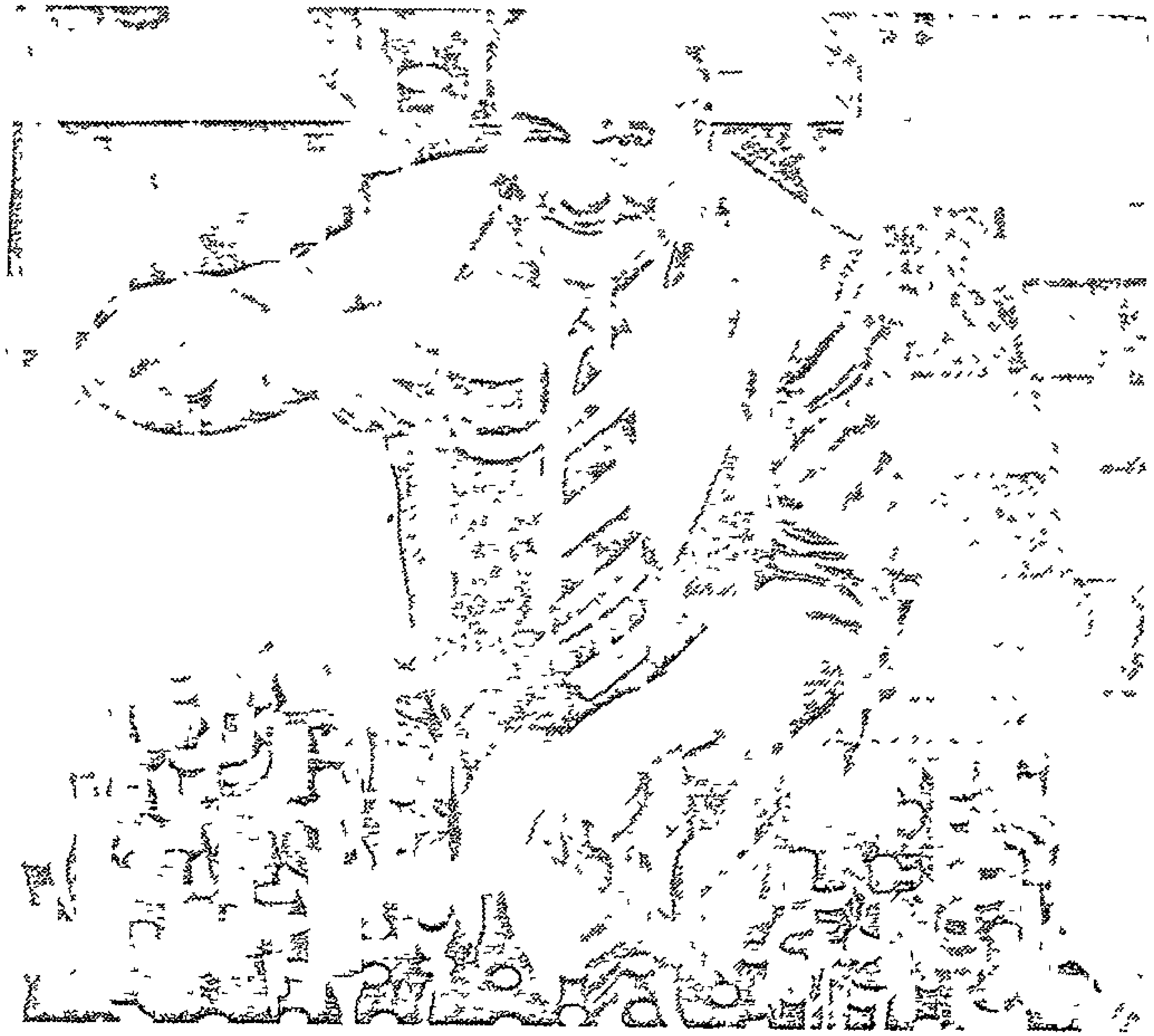
In a discussion with a group of men at Igusha about the agricultural co-op, they said they would never join They said that all co-ops are the same, they benefit the educated people only because the educated people know how to run off with the poor people's money They gave two examples where this had happened in Umhlaba

People often cited examples of projects where the rich only benefitted as their reason for not getting involved in projects "The usual defect of rural works programmes is that the deficit-farmer and landless-labourer families, as in settlement schemes, have to provide most of the (cheap, off-season) labour, and become increasingly reluctant to do so as they find that the benefits are steered towards the bigger and more powerful farmers This arises from both the political power and the size of holdings belonging to these larger farmers, thus a road to market is of greatest benefit to those who sell most to market "[49]

People concerned with various projects involving a new way of life and re-organisation of the productive forces, have often stressed that a psychological and emotional committment is a necessary ingredient for the success of the project [50]

Time bomb ticking in liquor industry

S Times 5/4/80 232


Metro won't chicken out on liquor

By John Spira

GOVERNMENT meddling in the liquor industry has lit the fuse of a time bomb following the Pickard-Kirsh alliance and its potential to gain a major footing in South Africa's R1 700-million wine and spirits market

Natie Kirsh s Coki Corporation (which publishes its transmuted listing statement today) has announced that together with Picardi Finance (Picfin), it has physical control of more than 75 1% of the issued share capital of Union Wine

This blocks the attempt by the giant Cape Wine & Distillers (CWD) to acquire a 25% stake in Union Wine

As a result, Union Wine now has access to Metro Cash's 115 countrywide outlets (Metcash is 50% owned by Natie Kirsh's Kimet), suggesting that it will not be long before Coki-Union Wine acquires a major slice of the country's liquor market

The chances of this happening are enhanced by competitor CWD's undertaking to the Government to reduce its number of outlets as a quid pro quo for the sanction of a monopoly situation whereby SA Breweries and the Rupert empire separate their respective activies into beer production on the one hand and wine production on the other

The explosive nature of the developing situation is heightened by speculation that CWD will refuse to honour its undertaking to the Government Should at the the Government same invidious position, with Metro Cash poised to garner a significant portion of its distribution points

That the Kirsh-Pickard team will shortly develop into a telling factor in the liquor industry can hardly be questioned It now has the financial muscle to develop the market and the necessary distribution framework on a countrywide basis

As Metro chairman Lionel Katz tells Business Times "Metro will become a major force in the country's liquor industry Two years ago, we started selling chickens Today we sell more than 20-million birds a year This is the sort of potential at which we are looking "

Coki's R55-m for acquisitions

By John Spira

COKI Corporation will have R55-million worth of unissued shares at its disposal when the proposals outlined in today s transmuted listing statement are approved

A portion (around R8-million worth) of these shares will obviously be used for a rights issue to raise funds to pay for the company s successful bid together with the Pickard group for a 75%-plus interest in Union Wine

The balance will no doubt be used for further acquisitions and to aid the group s drive into South Africa s liquor market

Chairman Mervyn King tells Business Times that future acquisitions will be confined to the consumer sector of the economy and would probably be in areas related to Coki s ... Wine & Distillers (CWD) to acquire a 25% stake in Union Wine have upset the Kirsh-Pickard plans for making Union Wine a 100%-owned subsidiary Mr King says CWD s intrusion will not affect the end result

CWD is now a minority shareholder in what will be a private company If Kirsh-Pickard cannot buy the shares from CWD at a reasonable price it could have a succession of rights issues (pitched at ridiculously high prices) which will have the effect of diluting CWD's interest

If CWD take up the rights, Union Wine could use the funds to expand its liquor outlets

Although only 6% of Coki s issued shares are currently in the hands of the public this proportion will rise as Coki uses its paper for additional acquisitions

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and the Rupert empire separate their respective activies into beer production on the one hand and wine production on the other

The explosive nature of the developing situation is heightened by speculation that CWD will refuse to honour its undertaking to the Government Should it toe the Government line, it would be wide open to the distribution muscle of the Kirsh-Pickard interests

Now it seems, the Government s chickens are coming home to roost Market forces, in the form of the Kirsh-Pickard foray have made nonsense of Pretoria's recent intervention in the shape and ownership of the liquor industry

If as seems likely, CWD reneges on its undertaking to trim its outlets, the Government will lose face over an issue which is legally unenforceable

SA Breweries, too, is in the

used for further acquisitions and to aid the group s drive into South Africa's liquor market

Chairman Mervyn King tells Business Times that future acquisitions will be confined to the consumer sector of the economy and would probably be in areas related to Coki's existing fields of activity which now comprise furniture (Russells) white goods and electrical appliances (Dions) and liquor (Union Wine)

He does not rule out the possibility that Coki will increase its 30% stake in Dions Coki has a pre emptive right over the remaining 70% of Dions shares

Although the efforts of Cape CWD's interest

If CWD take up the rights, Union Wine could use the funds to expand its liquor outlets

Although only 6% of Coki s issued shares are currently in the hands of the public, this proportion will rise as Coki uses its paper for additional acquisitions

Mr King adds that Union Wine's potential is "enormous", bearing in mind the countrywide Metro Cash outlets now available to it the pending legalisation of black shebeens, the likelihood that blacks will shortly be granted liquor licences and the hitherto undeveloped promise of Union Wine s hotel interests

Excitement at big takeover

S Times 5/4/81

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By Elizabeth Rouse

THE truck manufacturer Fodens (SA) has become the first wholly South African-owned heavy truck company through the successful bid by a consortium comprising Ben van den Berg, MPC Derek Christophers, Allan Pellow and David Lewis.

The takeover of Fodens was first mooted in Business Times.

The consortium has now announced that it has acquired 100% control of Fodens (SA) from its British parent Fodens Limited England which went into receivership last year and is now owned by the giant US truck and rolling stock manufacturer, Paccar Inc.

Financial details of the deal are not being announced.

Mr Van den Berg, chairman of Fodens (SA), tells Business Times: "At this stage it is not in our interest to disclose the nature of the financial package put together by the consortium.

"Suffice it to say that the Fodens plant is easily fulfilling its order book and that Fodens will have the capital to make it a force to be reckoned with in the heavy truck market to an even greater extent than before.

"We are delighted at the positive way in which our customers have responded to the fact that Fodens is now wholly South African owned."

Fodens will continue to receive technical know how and to manufacture and service trucks and to supply spares under the Fodens marque in keeping with Paccar's policy of continuing to market worldwide Foden vehicles and components, including the successful Foden heavy duty rear axle.

The takeover guarantees pensions and other conditions of service of the 170 people on the payroll. Mr Alf Cook, who joined Fodens in 1946, continues as managing director.

Fodens was first established as an agency in South Africa in 1916 and then as a company in 1950. The financial position of the company, which contributed substantially to its British parent's profits over the years, has never been in question.

Turnover of the South African operation is about R14-million a year.

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Fodens taken over

From Page 1

lion a year. There are about 3 000 Fodens in the 20 000kg capacity on South African roads and local content in some models exceeds 65% by value.

In the last 12 months Fodens has won contracts from the Railways and Government departments worth over R4-million. Previously it had supplied 178 custom-built "dock spotters" used solely in container ports for the transport and transfer of containers.

The contract for the supply of these special vehicles has been awarded once again to Fodens for another two years.

The South African company has also built the biggest model Fodens in the world for the Railways — seven abnormal heavy haulers powered by 300kw Cummins engines. In tandem two of these vehicles can pull up to 300 tons in gross train weight.

Engines installed are imported from Rolls-Royce, Cummins or Gardner but the firm has already had the installation of its first locally made Atlantis type engine approved and this is currently undergoing road trials.

The board has a go go image led by Mr Van den Berg who pulled the Greatermans group's Prudential Shippers out of trouble.

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ren[illegible]ed, and a massive [illegible] programme of so-called 'locations' or 'townships' [illegible] the cities new means that the African worker [illegible] in carefully segregated and police-controlled areas [illegible] on a much larger scale. All the terms [illegible] could have the right to reside permanently in the towns have been whittled away, so that today no African, no matter his place of birth or that of his parents, no matter where he has lived before, has the right to a permanent residence anywhere except in the 'reserve'—or, as they are now termed, *Bantustans* or 'homelands'—allotted to him by authority. Taking over [illegible] the mining recruiting organi[illegible] system of labour bureaux which are the [illegible] can obtain contracts of employment [illegible] the state which [illegible] regulates the distribution of labour. In the white-occupied rural areas, those Africans who had managed to retain tenure, even if under white ownership, have been evicted. These, and the Africans from towns regarded as 'surplus' labour units, have been relocated in either the 'homelands' or in so-called [illegible] labour [illegible]

Durban firm in R1m merger

S Tribune 5/4/81

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A LEADING Canadian company with connections in the United States and the UK has acquired a controlling stake in a Durban-based industrial-instrument contracting company in its first investment in Southern Africa

The deal between ICS Construction Ltd of Sarnia, Canada and Ultimate Technical & Management Services for a sum approaching R1-million, effective from March 31, was sealed in Durban last week during a visit by ICS Construction president Paul G Hayes

The move puts the local company on an international footing and makes ICS one of the largest independent contractors for process control instrumentation

Mr Hayes said South Africa represented a tremendous investment opportunity The expertise ICS had achieved would be of great assistance to the South African company particularly in relation to a number of the chemical and petrochemical developments taking place here

Mr Renzo Beltramini, managing director of the South African company told the **Sunday Tribune** the company and its shareholders were delighted

The firm incorporated in 1974, had shown dramatic progress in the past three years

[illegible] elite who would seek their economic and political outlets not within the central white-controlled state but in the 'homelands'. Thus the old segregationist structures of social control would be perpetuated and modernized, and from the late 1950s partly-elected institutions of government have been created to supplement the role of chiefs in the *Bantustans*, where such an elite could take its place.

To modernize the protection of the white working class, 'job reservation' was legislated in 1956. The purpose of this legislation was to provide a systematic classification of the kinds of semi-skilled positions in each industrial sector, and to ensure that white workers received a sufficient allocation of these to secure full employment.[37] The legislation itself was much less specific than the entrenchment of the job colour bar in mining in the 1920s, indicating a recognition of the need for flexibility and re-negotiation of the 'levels' at which the white non-white divide should come. For, given the small numbers of the white workforce in conditions of an expanding economy, rigid demarcation of 'levels' would rapidly produce labour shortages in the

leg[illegible] white positions. In recent years there has been a gradual reclassification, at first covert but now more openly espoused, so that white workers move upwards into more skilled or supervisory positions, while the jobs they vacate are divided into a larger number of less-skilled tasks and filled by black workers at lower wages.

This process of reclassification has often been [illegible] by commentators as the breakdown of job reservation, and as a [illegible] erosion of racism *[illegible]*. This [illegible] conception [illegible] the colour bar in mining, 'job reservation' was a consequence of the [illegible] labour economy, by which the white workers used the state to protect themselves from being supplanted by non-whites when [illegible] labour force was conditioned by the state. The [illegible] simply represents a means of dynamically modifying the system of racial differentiation in changing economic conditions. Non-whites may indeed move into more jobs, into more skilled jobs in manufacturing industry, and may receive marginally increased wages. But the whites move upwards even further. Nor can an attempt to pay equal wages for equal work—as some American and British companies have proclaimed [illegible] intention to do—have any [illegible]

ment.[38]

Development and underdevelopment in Southern Africa: South Africa as a sub-imperialist power

Since the inception of colonization, South Africa has contained an expansionist society, acting in the interest of expanding the world capitalist economic system. At the same time state power and ideology have been used by white groups within the colonial economy to wrest a share of economic surplus from the metropole of world capitalism, by further exploitation of the indigenous inhabitants. This can be seen in the cattle trade, in the development of commercial farming, in the entrenchment of the position of white workers in mining and manufacturing, and in the establishment of secondary industry. In terms of the importation of labour and the export of capital for investment, this economic expansionism was not contained within the borders of South Africa as constituted at the start of

FINANCE

Reynolds seeks link with Rupert to fight rival

Argus 6/4/81

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Argus Financial Correspondent

LONDON. — News that R J Reynolds of the United States is seeking closer trading links with the British-based Rothmans group bears the hallmarks of a defensive move to form a world-wide tobacco group to fight off mounting competition from Philip Morris, the financial editor The Times says.

Although Reynolds is still the market leader with around a third of United States sales, Reynolds has been steadily losing ground to Morris, whose market share has more than doubled in the past decade.

Morris is also showing signs of moving into other world markets — Europe and more recently China, where Reynolds would like to be better represented.

Rothmans, controlled by South African Dr Anton Rupert, already has an entrenched position in most of the major European markets as well as the growing Middle East market.

PRIME CASUALTY

But Rothmans itself is a prime casualty of sterling's strength as its profits record over the past couple of years has shown and almost all its efforts to diversify away from tobacco have so far failed.

It remains to be seen just what sort of relationship the two envisage and given his past history, it seems unlikely that Dr Anton Rupert would be happy to see his interests lost in the Reynolds empire.

The Lex column in the Financial Times says one possibility is that Reynolds will buy Rothmans' British cigarette business, which would fit in with Rothman's desire to diversify away from tobacco.

Rothmans has around 13 percent of the British cigarette market, a slightly larger share than Reynolds enjoys in West Germany, its most important European market.

Reynolds is the third largest and Rothmans the ... manufacturer in the world.

A highly diversified company, with its principal business in tobacco, Reynolds is about twice the size of Rothmans. Last year it reported a net income of 670-million dollars (R536-million) on sales of 10 350-million dollars (R8 280-million).

Rothmans reported a profit of 101,7-million dollars (R81,4-million) on sales of 5 400 million dollars (R4 320-million).

The principal brands of Rothmans are Rothmans International, Rothmans King Size, St Moritz, Peter Stuyvesant and Dunhill.

Reynolds' principal brands are Winston, Salem and Camel.

SA GROUPS BUY BRITISH FASHION CHAIN

Argus 10/4/81 ~~30~~ 232

TWO stores groups, Foschini and Greatermans, have jointly acquired a British chain of 56 fashion shops for R1 112 500.

The chain Irvine Sellars includes four men's stores and is in the middle income market.

Confirming the deal, Mr H A E Matthew, managing director of Foschini, said there was no link-up or relationship in South Africa between Foschini and Greatermans.

The takeover was negotiated by Prudential Shippers, the shipping arm of Greatermans, through Barclays Mercant Bank.

BROUGHT IN

'They brought us into the picture to manage the fashion chain. Through our experience with Markhams we can also handle the men's fashion stores.'

The takeover also created export opportunities for the two South African companies.

A statement by Foschini and Greatermans said the joint undertaking was completely independent of their interests in South Africa.

The transaction would have no immediate effect on either company's net profit.

Cokicor spells out impact of new acquisitions

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7/4/81

By Mervyn Harris

Coki Corporation, the recently formed retail arm of Kirsh Industries, intends paying shareholders its entire dividend income less expenses, and expects to declare two dividends a year

This is one of the points to emerge from a circular to shareholders and Coki's proposed transmuted listing statement

Approval of shareholders will be sought at a meeting on April 27 for the acquisition of Coki's interest in Dion and Russels, to create additional Cokicor shares and to adopt new articles of association

The meeting will also seek shareholder approval regarding two other companies in the Kirsh Industries group, Kimet and Metro Cash and Carry Holdings

Metro plans to change its name to Metro Corporation and will continue to be listed under the stores sector of the stock exchange under the name of Metro and not Metcash from May 11

The listing of Cokicor shares will be transferred from financial, cash assets to the industrial stores sector from May 4

The formal documentation shows that had Cokicor operated in its new form for a full year, it would have earned 33,7c a share for the year to March 1 1981

Cokicor's net asset value at that date would have risen from 132c to 160c a share

Cokicor remains well geared after the R16,3-million it is paying for its interest in Dion and Russels Its long term liabilities now stand at R28,7 million and there is a commitment to deferred taxation of R22,3 million

Dion expects a turnover of R130 million for the year to June 30, 1981 and taxed profit of about R4,5 million

Metro is entitled to require Dion to declare at least 40 percent of its taxed earnings by way of dividends

As Metro holds 94,6 percent of Cokicor, its net asset value on a lifo basis rises from 465c to 917c a share

Government move awaited in battle over liquor outlets

~~147~~ ~~232~~ 232 Argus 8/4/81

FINANCE

SPECULATION is mounting about what the Government intends to do about the explosive situation developing around the Coki-Union Wine alliance.

Now that Cape Wine and Distillers has failed to prevent a takeover of Union Wine by Coki Corporation, the latter two seem set to achieve a dominant position in the country s R1 700 - million wine and spirits market.

Union Wine has Cabinet permission to acquire a financial interest in an additional 75 retail liquor store licences, while Coki has as its dominant shareholder Metro Cash which has 115 countrywide outlets

BUILD UP CHAIN

Rembrandt and SA Breweries have come to an agreement with the Government to divest themselves over a period of all their retail liquor store outlets as part of their rationalisation scheme.

Asked about Union Wine being allowed to build up a chain of 129 bottle stores while the other two were being compelled to sell off their retail outlets, the Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, told the Argus permission regarding the liquor licences had been given to Union Wine in 1979, before the Rembrandt — SA Breweries rationalisation

He pointed out that the Competition Board was conducting an inquiry into the liquor trade

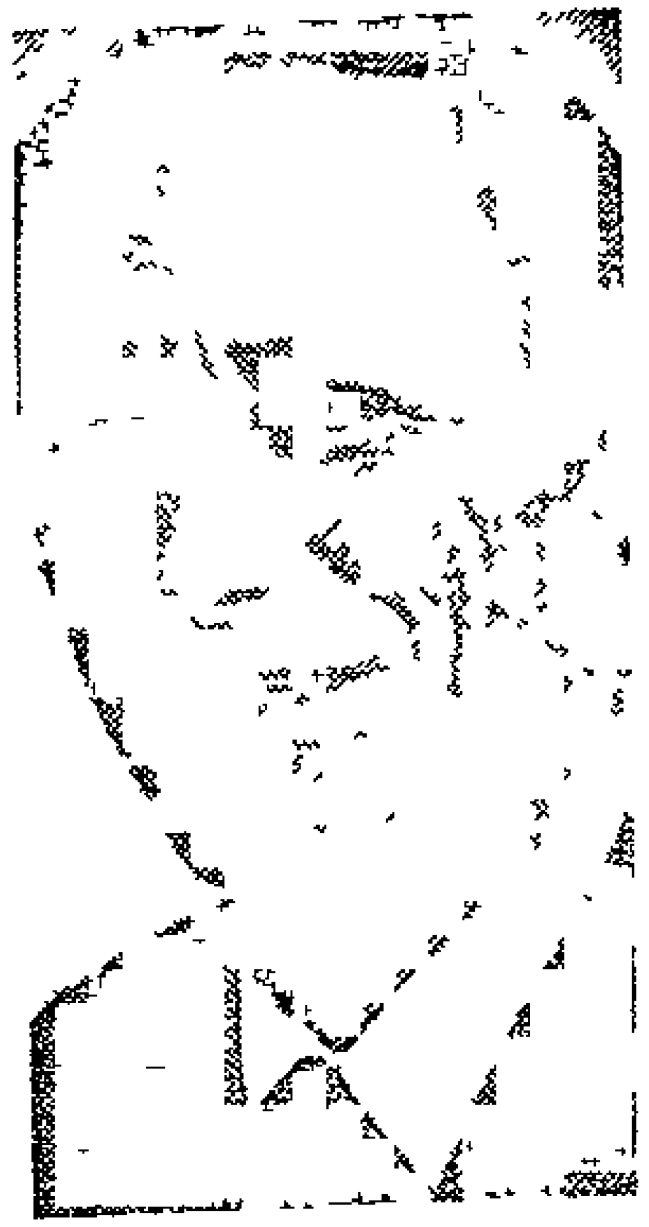
However, Dr D J Mouton, who heads the inquiry, said evidence was still being received and it was unlikely the inquiry would be complete before the end of the year

Whether the Government will take any action to defuse the situation before the end of the year remains to be seen

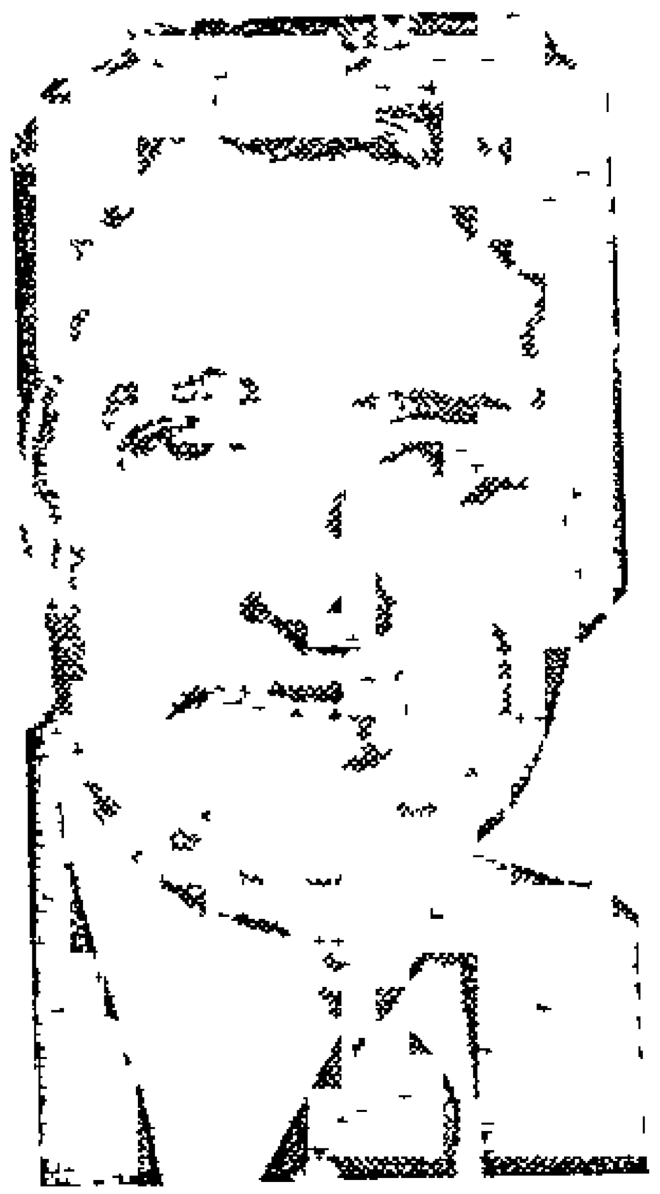
Meanwhile there is speculation that Cape Wine will now refuse to reduce its outlets, or that the Government will withdraw permission granted to Union Wine for its additional outlets

A Cape Wine spokesman was not prepared to comment today Mr Jan Pickard, chairman of Union Wine, told The Argus he could not see the Government reneging on the question of the additional 75 retail liqour store licences

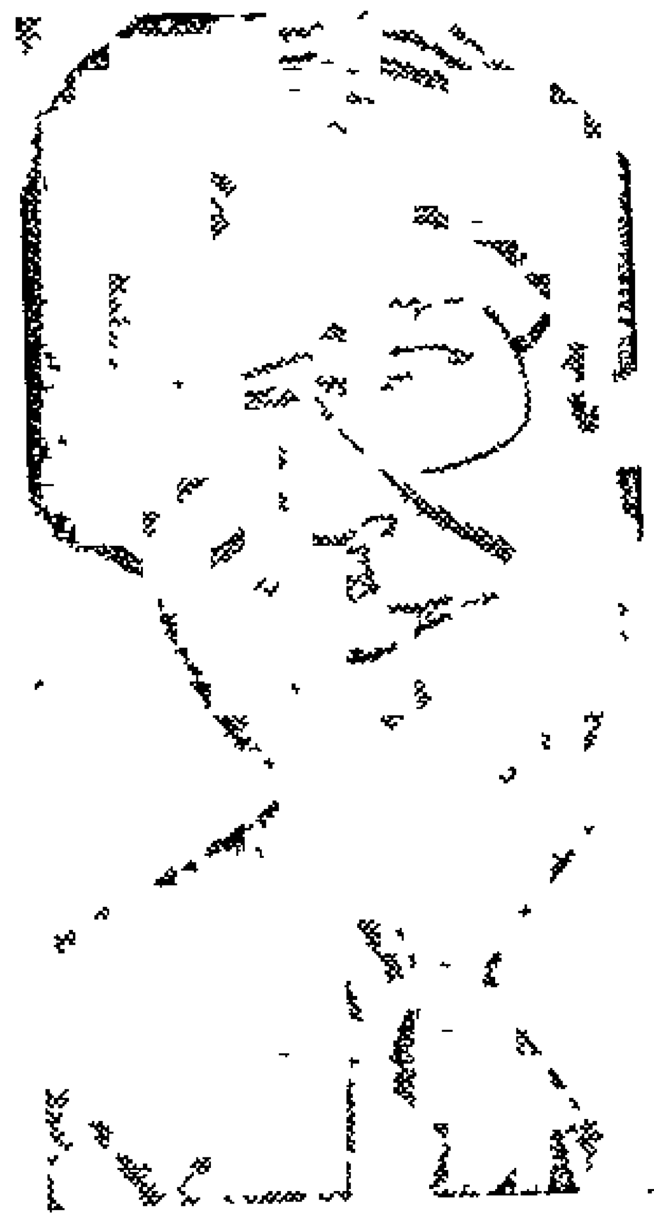
Vincent Leroux



MR C G Murdoch, above has been appointed managing director of Mobil Refining Company from May 1 He replaces Mr W B England, who is retiring

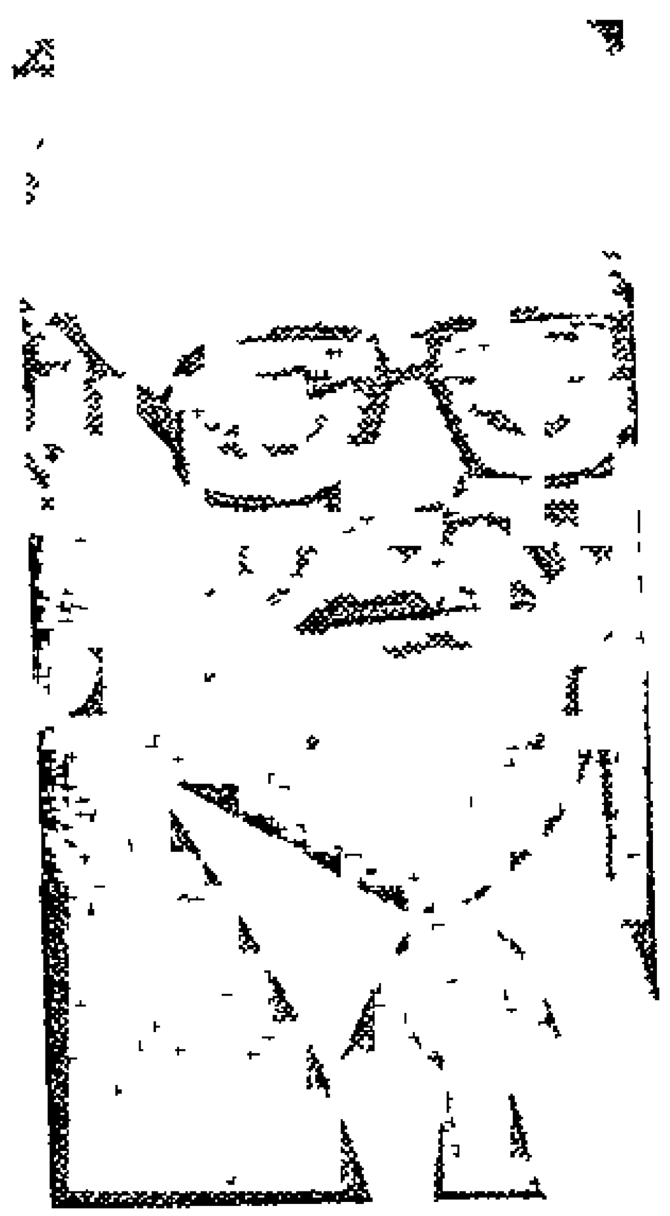


Mr C Richardson

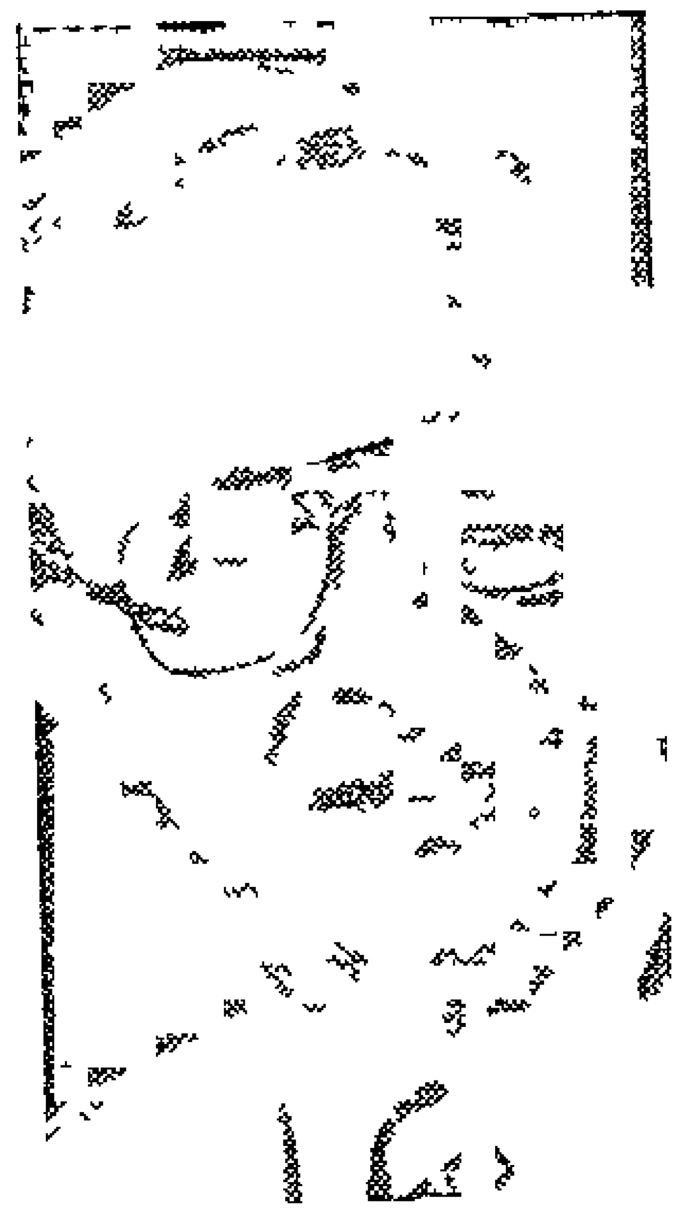


Mr H N L MacLachlan

Mr D S Stevens



Mr K F Symonds



Mr C J Williams

REMBRANDT

232 ~~###~~ FM 10/4/81

Where there's smoke . . .

About the only word which adequately describes Rembrandt's negotiations over its UK offshoot Rothmans International, at the moment is "confused." None of the parties involved — Rembrandt, Rothmans itself and US tobacco/food/beverage/transport giant R J Reynolds — is revealing anything. And, while London brokers are banking on an outright bid from Reynolds for all or part of the British group, even this seems unlikely to end the story.

For one thing, there is already a strong possibility of a counter-bid. Philip Morris, which is some 25% larger than Reynolds in terms of cigarette sales, is the group most often mentioned, but sources close to Rembrandt make it clear that this is not the only company waiting in the wings.

An even more fundamental problem is that Rembrandt probably did not go to the negotiating table with the intention of selling its British associate. Given chairman Anton Rupert's known preference for the "partnership concept" on which Rembrandt's fortunes are largely based, it is at least conceivable that he would have preferred to see the tobacco activities of the two groups merged, with Rembrandt (I use the name loosely, given the existing structure of the group) retaining a direct interest in the enlarged operation.

Despite the disparity in size, this might not be as impractical as it first looks. On the tobacco side, Reynolds is not that much larger than Rothmans, with annual cigarette sales of about 202 000m against 150 000m. And remember that Rembrandt is still sitting on extensive off-shore cash balances following the sale of certain Canadian and US interests in 1978.

Failing a merger, second choice for Rupert would probably have been a marketing arrangement. This could have improved the position of Rothmans, which is weak in the US market, and also given Reynolds the base it needs for a marketing offensive in Europe and the Middle East. The significance for Reynolds, at least, is that cigarette sales growth outside the US market is roughly three times the growth domestically.

But Reynolds, which is believed to have made the first move, appears to be talking in terms of a takeover. And that tends to throw the whole thing back into the melting pot — will Reynolds make a bid which Rembrandt cannot logically refuse, or will such an offer emerge in any counter-bid?

Speculation in Rothmans shares has sent the price soaring in London from 38p in January to a new high of 78p, leading brokers to believe that an offer of over 100p could be forthcoming. At this price, the company is capitalised at £150m, to which can be added a further £140m for the convertible stock at face value.

Rembrandt's interest in Rothmans is thought to be about 44% (held through a multitude of European investment companies), so on this basis it could receive — again in off-shore funds — something like £130m. At the present exchange rate, this translates into about R225m, to which can be added existing cash resources of R118m at the last balance sheet date. These, given the group's cash generating abilities, have probably not changed much, even though nearly R50m was committed to its European resource-based investment partnership at March 30 1980.

So, apart from the fact that Rembrandt has no apparent need to add to its cash resources, at least one London broker believes that the outcome is likely to be a lot more complicated than a straight cash deal.

But an indication as to how seriously Rembrandt views developments is that both Rupert and his son Johan — MD of Rand Merchant Bank — were abroad in mid-March in connection with this deal. This is the first time that Rupert has shown his hand in Rothmans which, for strategic reasons, has always minimised its SA connections.

Brian Thompson

the poorest people in a form they can easily assimilate.

At Ipoti however advertisement was directed specifically at the very poor and mothers of malnourished children. It happened that poor people then recruited their equally poor neighbours and there was particularly good initial response from an extremely poor area where people from white farms had put up their shacks. Before this new initiative amongst the very poor the previously existing Zenzele group (which had functioned mainly as a chat club) had never actually got the garden ploughed, whereas now these old members have plots too.

1 4 One woman whom I spoke to at Umthi said that she had not joined the garden because she was too poor. She said that she had no husband, no fields, no stock and had given her children to relatives. Because she has no source of income in the rural area she migrates to the Cape to earn money. She was endorsed out so came back, but since she is so poor she is perpetually on the point of migrancy and so feels too insecure to join the garden. This may point to the fact that the gardens can only be a supplementary source of income to those who have some measure of security.

2 1 While it seems the case that under normal circumstances the richer, more educated people respond first to projects, it seems that if and when the poor do get involved, they use the gardens most.

2 2 At Amalima (the only place where I could get records concerning this type of information) I found that in 1976, the year the garden was established 20 people with fields joined and 19 people without fields joined. Since then only 8 people with fields have joined whereas 26 people without fields have joined.

2 3 The extension officer of Amalima says that it is people without fields who work the hardest. In Amalima people have from 1-11 plots depending on how many they can cultivate. There are 4 people who have more that 5 plots, of these 3 have no fields. Of the 10 top people in the garden (in terms of production) 8 have no fields.

2 4 In Umhlaba and Ipoti too, a high proportion of the people who have the best plots have no fields although in both these places it is difficult to make generalisations because they are so new.

3 Initially I tried to assess on a comparative scale between gardens in different areas whether there are variations in response according to the ... the area. That is whether more use is made of gardens ... during the garden there ... points to the fact ... large numbers of gardens ... general patterns in resp... Furthermore there are so ... that it would be very di... of the e... The method c... w... advertisement of the ... of patterns ... the extension officer at Amalima supports the garden, whereas the extension officer at Umthi (who took over just after the original 90 members had joined) was not initially interested, probably goes a long way towards explaining why the one garden has succeeded and the other has not.

4 ... ...

L... that in Umhlaba at least, it appears that of ... the ... gardens began, more have failed completely than ... at the moment. It seems that unless advertising is directed specifically at the ... richer people get involved first. One can attribute this to the fact that generally all professional and business people are involved in any

Sinclair Holdings

232 CT 10/4/81

CLOSELY following on its recent acquisition of Poolquip Industries (Pty) Ltd, Sinclair Holdings Ltd has announced the purchase of 60 percent of the issued capital of Plastmould-Injecta (Pty) Ltd for a cash payment of R1 345 000

Plastmould operates in the plastic extrusion, injection and compression moulding fields and have an extensive tool and die-making division

The company produces a wide range of plastic products for the automotive, engineering, domestic appliance, building, mining, chemical and electrical industries

In addition it produces many products for the swimming pool industry and Poolquip, as a major supplier to the industry, at present accounts for about 15 percent of Plastmould's current turnover

Chief executive of Sinclair Holdings, Mr Bazil Shlom, said yesterday "The acquisition of Plastmould will result in an increase in after-tax earnings of not less than four cents for each Sinclair share in the year ending February 28, 1982. This will have the effect of increasing our earnings to 23c a share during the year"

He added that Plastmould was "well poised for expansion and diversification" and he anticipated that the company's turnover during the current financial year will increase by not less than 20 percent

The 40 percent of Plastmould s issued share capital not being acquired by Sinclair is held by the senior executives of Plastmould, all of whom have entered into service contracts

Said Mr Shlom "With the continuing management and expertise Plastmould is assured of the ability to expand and develop the company as we have planned during the coming year"

So long as no meaningful programme is launched at community level to combat malnutrition it can only be anticipated that the problem is going to be generated on even a wider scale. With the rising cost of living and widespread unemployment the matter becomes very much more urgent.

8)

Top cigarette companies discuss merger

CT 11/4/81

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By GORDON KLING

NEGOTIATIONS now in progress between Rothmans International, controlled by Dr Anton Rupert's Rembrandt Group and the United States-based R J Reynolds tobacco company will, if successful, create the most powerful cigarette combine on earth

Rembrandt officials in Stellenbosch have confirmed that the negotiations are taking place, and that they could last for "weeks", but they decline further comment

This is in keeping with Dr Rupert's low-profile business style, but industry sources, citing considerable benefits for both parties, believe the deal is a natural to go ahead

It fits in with the business philosophy of Dr Rupert, who turns 65 in October, and it will provide Reynolds, which is largely confined to the US with market leaders such as Winston and Salem, with a foothold in Europe and the Third World, where Rothmans dominates the market

Credo

A deal with Reynolds is almost certain to follow the pattern of the group's "progress through partnership" credo which has been its chief policy plank ever since 1948, when Rupert, with about R15 in his pocket, brought together hundreds of investors to make his first cigarette

Rembrandt Group has since diversified extensively, into oil through a 20 percent stake in Total South Africa last year, mining — through a 25 percent interest in the vast Federale Mynbou group and an injection of more than R100 million into European resource based industries, banking and insurance — with 20 percent of Volkskas, clothing and a range of consumer and industrial goods through a link early last year with West Germany's Henkel

But tobacco and drinks are the heart of the empire

Undoubtedly South Africa's most internationally-orientated business enterprise, the Rembrandt empire's assets last year totalled R3 500 million with gross revenue from sales of R6 400 million

Beer market

A deal with Reynolds would see Rembrandt forging ahead in tobacco only months after consolidating its position in the South Africa wine industry following its defeat in the viciously fought battle to break into the country's beer market, now once again the monopoly of South African Breweries

In return for dropping out of beer, however, Rembrandt acquired SAB's extensive wine and spirit interests and now controls the market-dominating Cape Wine and Distillers Ltd

The Reynolds package has all the ingredients for the partnership credo revolving around the sharing of investment, effort and benefits Certainly, the formal statement from the two companies has a familiar ring "Exploratory talks are being held with the purpose of establishing a basis of co operation between the two groups"

Reynolds and Rothmans have had previous informal discussions on partnership, but most observers believe the formal announcement signifies that this time it s for real

... problems and only an approach that undertakes to work towards the eradication of those social problems is likely to meet with any measure of success.

...hat is needed in the rural areas if malnutrition is to be effectively combatted is a massive community development programme planned jointly by ALL government departments.

Community development is seen as many different things by many different people but perhaps Richard W. Poston's definition describes best what is needed to combat malnutrition:

an organised educational process which deals comprehensively with the community in its entirety and with all the various functions of community life as integrated parts of the
...oal of community development
...process of organised study and
...ical and social environment
...maximum growth, development
...gs as individuals and as prod-
...ety (9)

...bold decision on part of
...to undertake such an approach
...ete about turn on policy
... require thorough re-educat-
...all personnel serving rural
...equire all groups claiming
...ts of rural communities to
... join hands whether they be
...ed and to amalgamate their
...d body with one co-ordinated

...everything about the rural
... reinforce feelings of
... inferiority. This is not peculiar to KwaZulu - it is the universal lot of the poor.

You cannot know unless you are a villager how everyone threatens and takes from us. When you (the users) go anywhere, or when a sophisticated town man goes anywhere he demands service and he gets it. We stand dumb and show our fear and they trample on us" (10)

Clinic and hospital personnel, shopkeepers, civil servants and Church workers too have all contributed intentionally or unintentionally to keeping the poor ensnared in

S. Times 12/4/81 (232) (30) (149)

Union Wine plot thickens

By John Spira

THE Union Wine saga is far from over. Extraordinary developments could emerge from a section of the Liquor Act which obliges a producer to obtain Ministerial approval when acquiring a financial interest in a retail licence.

Since Commerce Minister Dawie de Villiers has gone on record as stating that Cape Wine & Distillers (CWD) failed to obtain his blessing for its recent purchase of a large minority stake in Union Wine, those who sold Union Wine shares on the market to CWD may have the right to invalidate such transactions.

Accordingly, a seller of Union Wine shares to CWD could demand the return of his shares sold at, perhaps, 300c and then resell them in the market at the current price of 775c. Those who sold at 1 900c would obviously fail to exercise their prerogative.

Speculation over the terms and application of the Liquor Act also has it that Coki Corporation's recently acquired interest in Union Wine may have fallen foul of the statutes.

Coki's chairman, Mervyn King, tells Business Times that, after consultations with two senior counsel, "there is no threat whatever that the Coki-Union Wine deal can be set aside under the Liquor Act".

A Press report this week posed the question "Would the permission (of the Minister) be extended to Jan Pickard to acquire a maximum of 155 licences still be valid if the Coki-Union Wine deal was ever concluded?"

The answer is that the licences in question were not granted to Jan Pickard but to Union

● To Page 3

(30) (232) (149) S. Times 12/4/81

Plot thickens

● From Page 1

Wine. Moreover, says Mr King, the authority was unconditionally granted, with the result that there can be no question of the deal being in jeopardy in terms of the Act.

Further, says Mr King, Coki's intention in acquiring a stake in Union Wine was not, as has been alleged, to obtain that company's retail liquor licences for the benefit of associate Metcash.

"Metcash is purely a wholesaling group, which has no desire to enter the sphere of retailing. Coki, on the other hand, is being developed with the express intention of acquiring interests in the consumer retail field.

"Hence our purchase of a stake in Union Wine which we expect will develop and expand in tandem with Coki's other retailing interests.

"Union Wine also has several wholesale liquor licences and these will be acquired by Metcash on an arms-length basis to establish a countrywide wholesale network for the distribution of Union Wine products as well as those of other producers."

Metcash's Arnold Levy comments that, from his company's standpoint relationships with CWD are in no way strained. He believes that CWD will eventually reach agreement with Metcash for the latter company to distribute its products.

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91

III The Concept of Race and the Taxonomy of Mankind

JEAN HIERNAUX

In Montagu, A (Ed.)
1964 The Concept of Race. New York. The Free Press. Chapter III, pages 29 - 45.

Introduction

Race has been given numerous definitions Many of them are similar in meaning, but several modes of thinking about race still persist. Within a single mode, the formulation of the concept may differ, and some vagueness in it is frequent Moreover, application of the concept of race by an author to a classification of mankind does not always ... definition ... literature on race and human ... will be cited as examples. I ... ers have failed, to reach the ... n. and this as a development ... (Hiernaux 1962) presented ... ss of Anthropological and ... Once this definition is ar- ... it to current mankind, in ... apply the concept of race to a classification of mankind into races.

Control of Bakers passes to ATI

232

5/3

1986

Star 14/4/81

Own Correspondent

DURBAN — An overwhelming majority of shareholders in Bakers, the 130-year old Durban-based biscuit-making and bakery group voted yesterday to hand control to Anglo Transvaal Industries.

Three meetings held yesterday set in motion the complex arrangements under which ordinary shareholdrs in Bakers will first surrender their shares in exchange for redeemable preference shares and then redeem them at 1 535c each.

The resolutions have still to be confirmed by the Durban Supreme Court on April 21 but that is expected to be a formality.

The scheme of arrangement, which will make bakers a wholly owned subsidiary of Anglo-Transvaal Industries, was announced last December 12 and had the full support of the Baumann family, which has guided the group since its formation in 1851.

The family had the support of shareholders and the seven special resolutions passed yesterday had "yes" votes of about 98 percent.

lay, April 15, 1981

Vast Cape combine likely to expand

NM 15/4/81

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Mercury Correspomndemt

THE VAST Cape-based retail clothing combine resulting from the merger of Woolworths and Truworths can be expected to make further acquisitions as part of the deal based on 'plain old commonsense.

It would also create greater career opportunities for thousands of employees, according to the vice-chairman of the new holding company expected to be formed by a scheme of arrangements at the end of next month, Mr Tony Williamson

Addressing the UCT Graduate School of Business Association on Monday, he said no strategy had yet been mapped for new acquisitions but the merger offered a good financial base for expansion — and we'll certainly be looking

Mr Williamson warned that mergers and acquisitions on their own had not proved viable in the past and that diversification out of familiar areas was also risky business

Bad taste

The course of South African mining houses moving into secondary industry for example was not one of plain sailing

The high-flying conglomerates of the Slater Walker era in the sixties had left a bad taste because they did not know their businesses well enough

Analysing the factors that had been reconciled in the stores merger he noted that Truworths had a higher risk rating than Woolworths, with a newer management

It was a specialty group doing 75 percent of its business on credit and comprising three distinct chains with operations in Zimbabwe and the UK, while Woolworths was a homogenous group dealing in a broader range of goods sold for cash alone

More profit

The merger was taking place because, 'strategically there are long-term benefits including better quality for customers and better profits for shareholders

Although there were also short-term 'synergistic' benefits in terms of rising share values, these were not the point of the merger

Not the least of the benefits was the fact that both companies were Cape Town based and the business generated could be expected to have an impact on the city as well

Mr Williamson was aware that suppliers had viewed Truworths manufacturing capability — it produced about 35 percent of its merchandise — with some unease but they could rest assured that most would gain from the merger

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Meat industry's reaction to buyers' resistance

(186) (232) 21/4/81 STM

By Ann Crotty

The merger of the meat interests of Kanhym and Asokor with those of Karoo was the basis for the strong growth experienced in the six months ended December 31 and is expected to help maintain the growth in profit of the past five years.

In his chairman's report Dr W J de Villiers said that the increase in meat prices as well as the expansion of the group's activities resulted in an increase in turnover to R294-million for the six-month review period from R304-million for the year ended June 30, 1980

Income before tax as a percentage of turnover increased from 1,9 percent for the year ended June 30, 1980 to 2 4 percent for the six months ended December 31.

INVESTMENT

The increase in net profit percentage was attributed to greater efficiency after the merger of the various meat companies

For the six-year period ended 1979 meat prices increased by about 33 percent whereas the prices of farming requirements increased by 98 percent and consumer prices by 76 percent As a result of the slow increases in prices from 1977 to 1979 producers, and breeders in particular, supplied meat at prices which did not compensate them for their capital investment and other input costs

Long term planning would have protected the producer as it would have ensured a more gradual increase in prices The one time price adjustment after six years resulted in consumer resistance and does not compensate the producer for losses sustained over the years.

The various meat price increases from January 1980 to December 1980 were estimated at beef — 87 percent, mutton — 59 percent, lamb — 57 percent, pork — 27 percent.

Whites spend only 5,2 percent of their earnings on meat, with the rest of the population spending 9,6 percent and more money was spent on liquor than on meat in 1978 Furthermore, the meat industry is estimated to represent only approximately 3 percent of the economy and this indicates that the effect of the increase in prices cannot be as great as alleged

STIMULANT

Consumer resistance to high prices and production shortages resulted in an estimated 30 percent reduction in meat consumption

For the future Dr de Villiers sees the increase in meat prices as a stimulant for producers However, the long production cycle makes it difficult to adjust production to market fluctuations and tends to produce a cobweb type supply and demand function

Southern Insurance change

RDM 21/4/81

23

Finance Reporter

SOUTHERN Insurance Association is to become a wholly owned subsidiary of General Accident Insurance SA, says General Accident

Southern Life Association and General Accident Insurance have reached agreement in principle on this acquisition

The deal will involve the issue of General Accident shares to Southern Life

As a result of this, and the issue of shares to other minorities, the holding of the UK-based General Accident Fire & Life Assurance Corporation in General Accident Insurance SA will be reduced to about 70%

Southern Insurance has historically been the short-term arm of Southern Life, says General Accident

Its total premium income for 1981 is expected to reach R45-million, of which about R38-million will come from existing General Accident business, the balance flowing from the Southern Insurance acquisition.

The purchase of Southern Insurance will boost its standing in the short-term premium income league from 12th to eighth, says General Accident

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22/4/81

Marriage of East and West Driefontein

Gold Fields back merger to open world's biggest mining system

By Geoff Shuttleworth

Gold Fields of South Africa is to establish the world's largest gold-mining operation through the merging of operations of East and West Driefontein and the enlargement of the total area by inclusion of the North Lease section.

The new mine will be known as East Driefontein Gold Mining Co and will have a milling rate of 475 000 tons a month, with gold production estimated at 80 tons a year — about 13 percent of national gold production

The market capitalisation based on yesterday's share prices is more than R3 000-million and once the scheme of arrangement is passed the new company will have a share capital of 102-million shares

GFSA will hold slightly more than 30 percent of this share capital Texasgulf's interest in the North Drie area is relatively small and it has been allotted 294 480 new East Drie shares

GFSA chairman Mr Robin Plumbridge said at a Press briefing yesterday that it was impossible to pinpoint the cost of bringing the North Drie lease area to account but said that the tax shields afforded by contiguous mines East and West Drie would take slightly more than 68 percent off expenditure

Because the North lease area will be brought to account by the separate mining divisions of East and West Drie it will be impossible to exactly determine the cost. East and West Drie have, however, fairly extensive capex programmes

Mining in the new area is likely to be conducted around the 2 000-m level from the primary surface shaft Provision has been made for tertiary-shaft systems

One sweetener for share holders is the proposed mining of support pillars between the East and West Drie contiguous boundaries which is expected to yield about 28 tons of gold — R350-million at current prices

The larger complex will enable mining operations to be continued over about 50 years

As yet lease and tax formulas have not been finalised East and West Drie have different formulas and this is expected to remain the case Lease proposals are such that one area should be demarcated

Financial results will depend to a large extent on prevailing gold prices but taxed profits of more than R880-million are envisaged once the mining is in full swing

As far as shareholders are concerned, the whole scheme comes into operation from the beginning of July East Drie will change its year-end to June 30.

West Drie will become a wholly-owned subsidiary of East Drie in consideration for 285 new, fully paid up East Drie shares for every 100 West Drie shares

In turn East Drie will acquire from GFSA a mining lease over North Drie for 7 362 000 new, fully paid-up East Drie shares

The new shares to be issued by East Drie will not rank for dividends until the scheme has become effective Accordingly, East and West Drie will consider the declaration of dividends in respect of their existing shares in June 1981

General meetings are on June 15

Mr Plumbridge said that feasibility studies had been based on a real gold price of 460 dollars an ounce

The reasons behind the proposed merger largely surround three factors.

- The financial savings out of utilisation of the two existing mines' tax shields afford considerable benefits
- Manpower requirements, about 28 000 people, should not be significantly increased
- West Drie's mining rate will not have to taper off in 10 years' time as would have been the case without the current scheme

Mining will start as soon as consent by the Ministry of Minerals and Energy Affairs has been granted. Major mining will only get under way in about five years' time following the sinking of additional shafts.

Merger plan will make East-West Drie world's biggest gold producer

CT 22/4/81

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By JOHN MULCAHY

JOHANNESBURG — Gold Fields of South Africa has announced the merger of East Driefontein and West Driefontein, which together with the North Driefontein mining lease area will make the merged operation the largest gold producing company in the world.

Based on results for the quarter ended March 31, and at the planned milling rate of 5 700 000 tons the merged operation is expected to produce more than 80 000 kg of gold a year from which will flow annual revenue of more than R1 100-million and an annual working profit of around R880-million.

In terms of the proposals released yesterday by GFSA chairman, Mr Robin Plumbridge, West Driefontein will become a wholly owned subsidiary of East Drie from July 1 this year in consideration for 285 new East Drie shares for every 100 West Drie shares held.

East Drie will acquire from Gold Fields Mining and Development (Pty), a wholly owned subsidiary of GFSA, the mining lease over North Drie in consideration for 7 362 000 new East Drie shares.

The North Drie lease area, 985 hectares in extent, includes an area of 54 hectares over which a subsidiary of Texasgulf Inc of the US has the mineral rights. In consideration for this portion of the lease area Texasgulf will receive 291 480 shares in the new East Drie from GFSA.

One company

In essence, said Mr Plumbridge, the purpose of the scheme was to merge West Drie and East Drie into one company and take cession of North Drie "so that we can plan a major integrated operation in this very rich part of the Witwatersrand."

Following implementation of the scheme and based on recently prevailing Johannesburg Stock Exchange prices, the merged operation is expected to have a market capitalization in excess of R3 000-million.

The new East Drie will have 102 million shares in issue and GFSA will have an interest of around 30%.

Milling rate

Mr Plumbridge said the combined milling rate of East Drie and West Drie, which at present is 450 000 tons a month, will be increased to 475 000 tons a month by July, the increased milling rate being justified due to the relatively shallow tonnage in North Drie becoming available for mining in the short to medium term.

He said the rate would be sustained at this level, and there was no further increase in production envisaged at this stage.

The increased milling rate will hopefully be achieved without additional labour, said Mr Plumbridge. "The challenge to mine operators will be to get increased tonnage without any increase in labour."

New shafts

East Drie is currently mining on the southern boundary of the North Drie area, and by extending these workings a portion of North Drie could be mined within a year. Major development of North Drie will require two new shafts and Mr Plumbridge envisages large scale mining in the area in five to six years.

North Drie is underlain by an estimated 27-million tons of ore on the Ventersdorp Contact Reef averaging 14.3 g/t over a width of 172 cm and could be brought to account as an independent operation.

However West Drie's mining infrastructure already exceeds that which is required for its current production rate and this excess is expected to increase over the remaining life of the mine, so allowing North Drie to be developed at a far lower capital cost than would be required for a totally independent mine.

The surface shaft for major development of the North Drie area would probably go to a depth of 1 900 to 2 000 metres, said Mr Plumbridge, and the tail-end of the area would be accessible from the East Drie No 2 sub-vertical shaft now being sunk.

In addition, the North Drie development will fall within the tax structure of the merged operation. Mr Plumbridge said the tax formulae for the new East Drie had not yet been established but it would be a fairly simple tax situation and "will make life easier than it is at present."

50-year life

The life of the merged operation will be about 50 years according to Mr Plumbridge, which compares with East Drie's estimated life at its present production rate of 70 years, while it is estimated that West Drie's current planned milling rate of 225 000 tons a month could be maintained for about 10 years after which underground production will decline fairly rapidly over the next 10 years.

The merging of the various mining leases, which is subject to approval by the Minister of Mineral and Energy Affairs, will allow the new East Drie to remove inter-mine boundary pillars and this will commence as soon as the necessary approval is received, said Mr Plumbridge.

The ore contained in the boundary pillars is of a very high grade and the pillars are estimated to contain 28 000 kg of gold worth around R350-million at current prices.

The gold contained in the pillars will be removed as quickly as possible to avoid "losing" the ore as remnants.

The advantage of the scheme to the existing East Drie is that it will enhance the value of holdings by accelerating the exploitation of its lease area.

West Drie's mining infrastructure will provide many of the facilities required to support North Drie and in the longer term make it possible to sustain a higher production rate from the deeper levels of East Drie.

It is intended at some later stage to use West Drie's No 6 shaft to accelerate mining at East Drie in the southern area.

Production rate

Maintenance of the current production rate of 225 000 tons a month requires a continuous costly programme of shaft sinking to obtain access to tonnage in the deeper levels of the mine.

East Drie's life, estimated to be in excess of 70 years, suggests that a higher production rate should be contemplated.

Technically, says Mr Plumbridge, this would require massive additional capital expenditure on the provision of the required mining infrastructure and on technical and financial considerations such an expansion programme is not considered prudent.

To facilitate implementation of the scheme East Drie will change its financial year to June 30 and the company will issue a report and financial statements for the six months to June.

The new shares to be issued by East Drie will not rank for dividends until the scheme has become effective and East Drie and West Drie will consider the declaration of dividends in respect of their existing issued shares in June.

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GFSA announce gold mine merger

By JOHN MULCAHY
Mining Editor

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Following implementation of the scheme, and based on recently prevailing Johannesburg Stock Exchange prices the merged operation is expected to have a market capitalisation of more than R3 000-million

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The increased milling rate will, it is hoped, be achieved without additional labour said Mr Plumbridge — "The challenge to mine operators will be to get increased tonnage without any increase in labour "

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The new shares to be issued by East Drie will not rank for dividends until the scheme has become effective and East Drie and West Drie will consider the declaration of dividends for their existing issued shares in June possible to leave these wider questions open and at the same time achieve some agreement by attempting to move from very general questions to a *series of more specific questions about past and present-day South African society*. We shall attempt to do this in this introductory paper, but it will be helpful to begin with a brief exposition of the two main standpoints which can be discerned in the burgeoning literature on the topic.

2. The two major viewpoints

2.1. The older or 'conventional' viewpoint
This broad position incorporates, very generally, two main theses, which are often presented as inter-related. The one thesis is that economic growth has a range of consequences which are likely to modify the socio-political structure of society in very fundamental ways. The other thesis is that race prejudice is an irrational 'pre-modern' characteristic in society which is likely to be weakened by the increasing influence of the logic of economic rationality attendant upon economic growth. The broad value-perspective within which these views appear is usually close to that of ... and as regards their theoretical assumptions

... and sacred pillars of the traditional society, contractual relations displace status relations around which traditional life is organised; the development of impersonal markets, particularly of an impersonal labour market, force aside traditional and personal claims; physical mobility disrupts the ecological foundations of the old order, and social mobility upsets the established structure of status positions. More concretely, industrialisation is said to undermine subsistence economy, displace handicraft production, shift production from home and village to factory and city, abolish old occupations, inaugurate migratory movements from rural regions to industrial centres, remove workers from their native communities and weaken their kinship ties, throw them into association with strangers, shift concern with survival from a collective to an individual basis, provide new purchasing power through cash income, change old consumption patterns, replace old wants and expectations, destroy old career lines, and weaken traditional status

Tolux to cover more ground

Sum 24/4/81 (232)

By Anne Crotty

It is the intention of Luxembourg-registered Tolux SA to expand its interests geographically and in their annual review the directors said that moves in this direction will be made when opportunities occur

During 1980 Tolux increased to 32,8 percent its interest in Hesperus Holdings.

Hesperus has most of its funds in the Unisec Group of which it controls 36 percent Unisec owns a range of property, industrial and financial interests valued at over 150-million dollars

In 1980 Hesperus dividends per share were 26 percent higher.

Unisec earnings rose 66 percent during the year and dividends were increased by 43 percent. Unisec has forecast further growth in earnings and dividends.

The review states that in February 1981 a "takeover offer" was made for Unisec shares by "a somewhat smaller South African company Hesperus, Unisec's major shareholder, said it would not accept that offer"

The board views income prospects for Tolux as favourable The increased dividends already paid by Unisec will flow to Hesperus and thence to Tolux in the current year so Tolux should be able to consider an increased dividend again next year.

positions. These lines of change have the effect of destroying the old economy, undermining rural and village life, disrupting the traditional family, undercutting the traditional class or caste structure, disarranging the old occupational structure, destroying the old status and role structure, dislocating existing institutions, undermining paternalistic relations, transforming traditional tastes, eroding established values, weakening established systems of authority, and breaking down established schemes of social control.

(Blumer, 1965: 226)

Thus the ultimate effects of industrialisation are that 'ascribed' statuses like those associated with racial or ethnic identity vanish as factors which structure social relations. The premium placed on rational decisions will relegate racial prejudice and discrimination to the periphery of the social structure.

The South African economy is a market economy, the natural tendency of which is towards the optimal (rational) utilisation of resources. There is thus a contradiction between rationality of the market and the irrationality of racialism, in both its personal form of prejudice and its institutional ... (1967) puts it, there is a conflict between ... in this conflict ... outh Africa this ... e the available ... herefore develop ... resources. As ... e techniques to ... rguments about ... nd develop the ... another on the ... basis of industrial aptitude ... social ladder will depend largely on the necessary skills.

(*b*) Under these circumstances White workers more and more frequently will come into equal status contact with Black workers of competence equal to their own, and so the empirical basis for racial prejudice will be undermined.

(*c*) To the extent which the political factor of apartheid delays this process, it will at the same time, by interfering with the logic of the market, slow down economic growth and threaten the White standard of living. Faced with the choice between prejudice and prosperity, the already partly secularised Whites will opt for prosperity.

This process is envisaged by various writers as happening, or likely to occur, more or less rapidly and more or less peacefully. Michael O'Dowd (1966) predicts broadly similar consequences of economic growth. His

S. Tribune 26/4/81 232

Messina buys out Dutch company

Finance Reporter

THE Messina (Transvaal) Development Company has acquired a 73 percent interest in Gumiting and Mining Enterprises which owns the Goodhope diamond mine in the Barkly West area of the Cape

Messina acquired its shareholding at a cost of R1 million from Handelmaatschappij Duynvlied BV of Holland The balance of shares is held by Dr J J Scholtz, the mine's general manager

The Goodhope diamond mine has been in operation for three years, producing good quality gem stones with a size range from one quarter to three carats

Dr Anton Rupert . . . diversifying

S. Tribune 26/4/81 232

RUPERT HAS HIS SIGHTS ON MINERALS

Special Finance Correspondent

TOBACCO and liquor magnate Anton Rupert is laying the groundwork for a spectacular entry into the international energy and minerals business.

The sale this week of a portion of the Rembrandt group's holdings in British-based Rothmans International to the U S. tobacco giant Philip Morris, is another step in Rembrandt's emerging strategy of lowering its dependence on booze and fags in favour of areas with more long-term growth potential

"The Rupert company has changed its shape dramatically in the past five years and is emerging as a diversified investment company," one stock market analyst observes

The Philip Morris deal will provide the Rembrandt group with an extra 350-million dollars in foreign exchange, presumably to finance new acquisitions

A Rembrandt group spokesman in Stellenbosch said it would be "highly speculative" to guess what the funds will be used for

There are plenty of clues, however Through its interest in Rothmans of Canada, Rembrandt already has a stake in an energy company, known as Star Oil and Gas

Rembrandt formed an overseas investment company two years ago, in partnership with an unidentified European group

According to Dr Rupert, the object of the venture is to invest "in resource-based industries" The company's investments totalled about R100-million towards the end of last year, almost double the figure earlier in 1980

So far most of the investments have consisted of building up a portfolio of stocks in various companies But Dr Rupert is rumoured to be keen to take a sizeable share in a leading international mining or energy company

Monopoly board shows its teeth

S-Tribune 26/4/81 (232)

Finance Reporter

HARD hitting reports aimed at the core of big-business malpractices and market manipulation have been published by the Competition Board.

The independent investigative board, which is empowered to delve as deep as it finds necessary to uncover monopolistic intrigues, has published its first three reports on the fertiliser, poultry, sanitary ware and hardware industries.

There is more to come The board is currently carrying out 14 other investigations in which certain large corporations are likely to be embarrassingly spotlighted

Investigations underway include price discrimination involved in chain stores squeezing big discounts out of suppliers, the liquor industry, telegraphic flower deliveries and explosives — the last of which will focus on the exclusive supply agreement between AE&CI and the Chamber of Mines.

In its report on the fertiliser industry the board points out that a market sharing agreement between two of the major suppliers of fertiliser, Triomf and Fedmis, and the industry's control over the supply of essential raw materials, is responsible for the existence of restrictive practices

It underlines the fact that two major manufacturers are responsible for about 90 percent of the industry's total production and turnover.

The industry's control over supplies had led to a situation where the competitors' share of the available nitrogenous materials was limited to a fixed share of the market. The aim was not rational allocation, but restriction of competition.

In addition, import permits were granted only with the industry's permission, whereas, says the board, the Government itself should have sole discretion. This would prevent the larger manufacturers from depriving smaller firms of access to materials required for the manufacture of all the fertiliser they can produce and market.

The board recommends that administrative measures be introduced to phase out import controls on fertilisers and fertiliser raw matrials. The next step would be to replace the protection currently enjoyed by the industry through import control by tariff structure in terms of the Customs and Excise Act.

In its report on the poultry industry, the board underlines the encroachment made by the large feed producers into egg production and the resultant mistrust and suspicion of the independent egg producers

Landlock into crane industry at cost of R3-m

S. Times 26/4/81 232

By John Spira

LANDLOCK, one of South Africa's fastest-growing engineering groups, has announced yet another acquisition — worth R3-million — and has simultaneously upped its earnings forecast from 65c to 85c a share for the year to June 30 1981.

The revised earnings forecast ignores any future contributions from the new acquisition.

The group has now entered the R50-million-a-year gantry-crane industry via the purchase of 100% of the shares of Lasch Holdings for R1,947-million cash and 300 000 Landlock shares. Effective date of the acquisition is April 30 1981.

Lasch manufactures electric cranes and hoists, industrial gears and ancillary equipment, and supplies industrial machine tools to the engineering industry. Some 90% of turnover derives from sales of electric cranes.

Mr H R Lasch, who founded the company in 1935, has been appointed president of Lasch Holdings. Edward Ross (chairman of Landlock) becomes chairman of Lasch and Douglas Band has been appointed group chief executive. The management of the operating subsidiaries remains with Alex Nel.

Lasch is not expected to contribute "in any meaningful way" to Landlock's earnings for the year to June 30 1981. The acquisition does, however, raise Landlock's net worth by 50c to 220c a share and is expected to add a minimum 15c a share to Landlock's 1981-82 earnings.

Commenting on the deal yesterday, Mr Ross told Business Times: "Our purchase of Lasch gives us 30% of the country's gantry crane market — a share which we expect will expand significantly in the years ahead.

"We believe, too, that the company's machine tool division has enormous unexploited potential — a potential which we intend realising to the full."

He emphasises that the R3-million acquisition is underpinned by R4,2 million worth of assets with a current replacement value of R10-million.

The revised 85c earnings forecast — which, judging from Landlock's previous predictions, is bound to prove conservative — means that the shares are currently trading at a surprisingly low price-earnings ratio of 4,5.

The forecast also suggests dividends for the current financial year of not less than 40c for a projected yield of 10,5% — a return which implies that the shares will shortly enjoy an improved investment rating.

FACULTY OF COMMERCE

DEAN'S CIRCULAR

Confidential to Members of the Board of the Faculty of Commerce

No. 189 — 6 March 1981

NOTICE: The ... meeting scheduled for Thurs... been cancelled, as the matte... ttention can conveniently be de... Circular.

...NTS

Section A

1. Annual Re...
2. Updating c...
3. B Com qual... ...mination
4. Ratificati... results
5. Jan/Feb 19...
6. Doctor of I...
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8. Curriculum...
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11. Appointment...
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Hortors deal with Trio Rand forms printing giant

28/4/81

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S 10

By Ann Crotty

An agreement has been reached in principle between Hortors and Trio Rand which will result in the formation of the largest web off-set printers in the country.

Trio Rand is to acquire all Hortors' printing, packaging and graphics interests with effect from January 1

The acquisition will be by the issue to Hortors of 3 185 143 ordinary shares in Trio Rand amounting to 50,4 percent of the issued voting share capital of Trio Rand, and making the enlarged Trio Rand group a subsidiary of Hortors.

The merger is not expected to have an immediate impact on the earnings, dividend distributions or net asset values of either Hortors or Trio Rand but the directors of both companies believe that in the longer term the rationalisation of the printing and packaging activities of Hortors and Trio Rand will yield substantial benefits to Hortors-Trio Rand

The new company will have a turnover of approximately R70-million Mr D Zanberg, who was chairman of Trio Rand, will remain a director and a substantial shareholder of the new company.

Commenting on the merger Hortors' chairman Mr Maurice Parrington, said that the new company would be more than twice as good by having a much larger capacity to draw on This he said was important in an industry which was becoming increasingly capital intensive

Mr L E A Slater, chairman of the Argus Group, which is now the largest shareholder in Hortors, said that he was delighted that Hortors and Trio Rand were able to reach an agreement which has enhanced the value of the group's holding in Hortors.

The Argus Group has established a 46 percent shareholding in Hortors through open market dealings since March 1980.

Takeover panel of LSE to check deal by Rupert

~~148~~

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Star 28/4/81

From The Times

LONDON — The London Stock Exchange takeover panel has confirmed that it is to look into the deal announced last week between Rothmans International and the American tobacco group Philip Morris.

It is understood that the panel wants more details than were contained in the brief statement on the deal issued by Rothmans last Wednesday

This said that Morris was buying a 22 percent stake in Rothmans from its parent company Rembrandt, headed by Dr Anton Rupert.

The announcement came hours after the world's biggest tobacco company, R J Reynolds, said that month-long talks on some form of co-operation with Rothmans had ended

COLIN CAMPBELL, writes from London that there is considerable speculation that two recent bids of interest to South Africa — Standard Chartered's bid for Royal Bank of Scotland and Philip Morris's deal with Rothmans Tobacco — have a long way to go before they are finalised

On the Royal Bank of Scotland front, the Hong Kong and Shanghai Bank is expected to come back with an even higher bid, thereby upsetting Standard's latest revised offer

On the Philip Morris-Rothmans front, the market has noticed how firm Rothmans shares have been, and there is talk that Morris will eventually go for all of Rothmans

Under last week's agreement, Philip Morris bought half of Rothmans Tobacco Holdings, and thereby acquired a 22 percent stake in Rothmans International Because Rothmans Tobacco Holdings owns convertible stock in Rothmans International, Morris could end up with nearly 30 percent of the company

The shock waves of last week's event — Dr Rupert called off talks with R J Reynolds and then within hours announced an agreement with Philip Morris — are still being felt The latest suggestion is that the directors of Rothmans International, let alone shareholders, were not informed of the Rothmans Tobacco Holdings deal until after the event

MIGHTY GROUP

Market whispers abound that Philip Morris could make a full scale bid before too long at around 120 pence a share It acquired last week's stake at 170 pence a share

If a full bid does emerge, then others are likely to try their hand, including Canadian Club, part of the mighty Seagram Group.

Minet, Nedsual merger

~~88~~ 232
RDM 28/2/81

J H MINET & Company (South Africa) and Nedsual Insurance Brokers two major insurance broking and consulting firms have reached agreement in principle to merge their respective South African interests under the name of Minet SA Insurance Holdings

This was announced yesterday by Finansbank and Union Acceptances, joint merchant banks to the merger

Minet Holdings UK, a company listed on the London Stock Exchange, will hold 50% of shares, 'Nedbank Group 40% and SA executive management 10%

Mr Gerry Muller, chief executive and deputy chairman of nedbank Group and Mr Athol Hall representing Minet Holding UK will be chairman and deputy chairman respectively of Minsa which is to be constituted to reflect the relative shareholdings of both Nedbank Group and Minet

Implementation of the merger is subject to approval of the South African and United Kingdom authorities, and confirmation by respective shareholders It is not expected that there will be much delay in securing approval — Sapa

RDM 29/4/81 (2328 220)

Tobacco man in surprise attack on Anton Rupert

By NEIL BEHRMANN

LONDON — An astonishing attack on Dr Anton Rupert, chairman of the Rembrandt group, was made publicly yesterday by Mr Paul Sticht, chairman of R J Reynolds, the US tobacco giant

Mr Sticht also suggested that the R300-million deal announced last week between Rothmans International, controlled by Dr Rupert, and Philip Morris of the US might be illegal

The Philip Morris deal — under which the US group is to get control of Rothmans with Rembrandt of South Africa — was announced by Dr Rupert only hours after negotiations between Reynolds and Rothmans had been called off

Mr Sticht has effectively accused Dr Rupert of bad faith

He suggested that the proposed Philip Morris/Rembrandt partnership proposal for Rothmans might

- Break the laws of the European Economic Community in general and West Germany in particular
- Encounter strong opposition from the take-over panel of the London Stock Exchange and from the authorities in Canada

Mr Sticht said Reynolds had considered agreeing to a deal with Dr Rupert similar to that now agreed Philip Morris but had been advised it could be unlawful

In a letter to Mr Sticht, now released by him, Dr Rupert said last week that "it is universally known that we have always followed a policy of partnership our previous discussions collapsed because your group was unwilling to put your brands into a partnership deal

'After the Press announcement of our preliminary discussions (with Reynolds) I was immediately approached by four other parties, approaches which I had not solicited

'I thereupon consulted lawyers who impressed upon me that I had the obligation to my shareholders to listen to any firm offers made

"A firm offer of partnership was received which would not disturb any of our partnership companies but indeed protect them and be of great benefit to the workers and peoples of many countries

"I believe that I have done my duty

Mr Sticht has replied that "my clear view of the events is different from yours in several material respects

'During our early discussions dating back to November in London we expressed complete willingness to enter into any partnership arrangements with you or Rothmans International with only two conditions the first being that such a partnership provide that we be able to gain ultimate control at some point in the future and second that such a partnership arrangement be lawful

"We considered in depth what is apparently the same arrangement which you have now undertaken with Philip Morris and informed you in London in March that we had been advised firmly by counsel that such an arrangement would be unlawful under the anti-trust and cartel statutes in both the EEC and Germany, and that for that reason alone we considered it to be unfeasible

We also informed you that it would raise serious questions with the London panel and the foreign investment review agency in Canada

'Our view then was that you understood these difficulties, and we suggested that you confirm them with your own attorneys

Public transport and postal services barely continued to operate, while Municipal employees from all departments were used to maintain the sanitary and refuse-collection services[28] On 4 October it was decided that all but the most urgent cases before the Cape Supreme Court would be postponed for a week.[29] By now, of course, the 'Engagements Postponed' column in the Cape Times was a regular feature.

In short, Cape Town was fighting for its life, fighting to keep at bay the threat of a total collapse of the community in the face of an epidemic of unprecedented virulence and magnitude To this everything had to take a second place

Slowly, from about the middle of the third week of October onwards, the situation began to ease, the 'flu to loosen its grip on the Peninsula Whether this was because of the vigorous campaign launched against it or the extensive use of disinfectants to cleanse the streets and slums or just the natural course of the epidemic is unknown, but as the number of deaths and new cases reported fell and the demand for relief lessened, so did confidence return "I consider that the epidemic is under control", announced Dr Jasper Anderson on 15 October [30]

The City Council was less sure Fearful lest the 'flu revive as people congregated in the relieved atmosphere, on 8 October the Mayor closed down all places of public entertainment and followed this up with a request for churches to suspend their services [31] Few churches actually acceded to his request, feeling that the comfort of religion was a must at such a time, but most did curtail their services [32]

The third and last major criticism that I wish to borrow from Illich is that health care workers tend to expropriate the power and the responsibility of the individual to heal himself. As health care workers they insist that people become patients and come to them for every illness and that they come early. They resent competition from amateurs such as the wise old woman down the road, and they are horrified at the thought of antibiotics being available for sale in supermarkets. They have almost turned mutual self help and self treatment into social if not criminal offences. The expropriation of responsibility for health and illness gone so far that health care workers tend to regard pa suffering and even death as their problems. They even patients not to worry, "We are working on solutions to three".

So much for some of the visible and invisible effects (South African health care workers. What do we need to do about the situation?

<u>What do we need to do?</u>

There is no simple easy solution to the health problems of South Africa. Perhaps, despite all that I have said, what we really need to do in this country is to double the numbers of doctors and nurses. But before we do this I think we need to look again at our health problems and to learn what we can both from our visible failures and from Illich's criticisms.

What are the major health problems in South Africa? What is their incidence or prevalence? How serious are they in terms of morbidity and mortality? Are they either preventable or amenable to treatment? How expensive will this prevention or treatment be? How concerned is the community about them? As David Morley points out[12] the answers to these last five questions can be used to determine priorities.

If we look at our society as a whole we might come up with a list of medical [illegible]

Obesity

All of these visible failures of our health care system are common and if we are to deal with them we must make much more efficient use of <u>all</u> our health care workers. <u>All</u> of those working in or for or under the health care system are seen within their local communities as having some medical knowledge, and we must build on this. <u>All</u> our health care workers must be taught more about the prevention and treatment of our major health problems, and their knowledge and skills must be continually updated by means of regular refresher courses. The first four priorities on the list above are all major killers in our society and yet they are easy to either

Hortors acquires Trio Rand

RDM 29/4/81 A4 232

By SUSAN DALLAS

HORTORS has acquired Trio Rand paper and packaging in a reverse take-over deal worth R10-million

In terms of the agreement announced yesterday, Trio Rand will acquire all of Hortors printing, packaging and graphic interests retrospective to January 1, paid for by the issue to Hortors of 3 185 143 Trio Rand ordinary shares

At the current market price of 320c a share, Hortors will pay about R9 972 000 for the shares which amount to 50,4% of Trio Rand's voting share capital

Effectively, this will make Trio Rand a subsidiary of Hortors

Mr Maurice Parrington, executive director of Hortors said he expected increased production efficiency from the rationalisation of the companys' printing and packaging activities with substantial long-term benefits to the enlarged group

The merger is not expected to have any immediate impact on earnings, dividends or the net asset values of either company

The agreement — which is subject to the approval of shareholders of both companies — follows six weeks of official negotiations which included Standard Merchant Bank and Finansbank

Comment With soaring machinery replacement costs it seems more economical to aquire assets by expansion than to lay out new capital

Rupert denies double-cross

RDM 30/4/81 ~~220~~ 232

By HAROLD FRIDJHON

AN emphatic denial that Dr Anton Rupert was guilty of double-dealing in his negotiations with R J Reynolds, the American tobacco giant, was made yesterday by Mr Johan Rupert, managing director of Rand Merchant Bank, which was involved in concluding the Philip Morris deal

Mr Rupert was reacting to the attack on Dr Rupert by Mr Paul Sticht, chairman of R J Reynolds, who in a published letter accused Dr Rupert of acting in bad faith

Mr Johan Rupert said that three weeks ago when he was in New York he called on the merchant bankers, Lehman Brothers, Kuhn, Loeb, on business unrelated to Reynolds or Philip Morris He saw an old friend, Mr Mario D'Urso, a partner in the firm who acts for Philip Morris

When the announcement appeared in the Press that Rembrandt and Reynolds were talking, Mr D Urso phoned Mr Johan Rupert and asked him whether there was any way in which Philip Morris could get involved with Rembrandt

Mr Rupert suggested there was no reason why the Americans should not fly to South Africa and discuss the matter He did not raise the issue with his father

Mr D'Urso flew to South Africa with a team from Philip Morris They arrived at Stellenbosch shortly before the Easter weekend They were unable to see Dr Rupert for several days Rand Merchant Bank and the Americans put the proposition which eventually led to the Philip Morris deal

Mr Rupert stressed that Rembrandt did not know the American party were coming to this country until 24 hours before they arrived His father was not in the know

He added that the Reynolds negotiations had been dragging on for some seven to eight years without getting anywhere near a conclusion

The basic issue on which discussions had always broken down was on the question of partnership To Dr Rupert, partnership meant only that, but the Sticht viewpoint was a partnership which would lead ultimately to control This was entirely unacceptable to Dr Rupert

Mr Rupert makes the point that if Mr Sticht doubted the legality of the transaction, this should have been settled before negotiations reached what appeared to be an advanced stage

In any case there was no question of Dr Rupert's double-dealing Philip Morris and the two merchant banks came up with a straight-forward proposition on their own initiative It was not a situation of Dr Rupert's seeking

Before Dr Rupert concluded anything with Philip Morris he had notified Mr Sticht that he could see no purpose in furthering the discussions, primarily on the partnership issue, and on the question of rights to brands and licences

Likely outlets for Rembrandt cash

RDM 30/4/81 (~~80~~)(232)

By NEIL BEHRMAN

LONDON — City analysts believe that Rembrandt's sale of half its holding in Rothmans International for $350-million indicates that the group will accelerate its diversification into the mining and energy sectors

"Rembrandt's latest annual report states that the company is in partnership with a European concern aiming at investing in resource-based industries," says Mr Peter Temple, tobacco analyst at brokers Hoare Govett

"Current activity has mainly been directed to metals, minerals and energy investments which are spread geographically"

Investment by this company is about R100-million and includes R48-million after March 1980

"The identity of the European partner has not been disclosed, but it would seem probable that this venture could represent a major channel for future cash, and that strategic rather than portfolio investment is the ultimate goal"

Mr Temple speculates that Dr Rupert may have his eye on Rio Tinto-Zinc There has been no confirmation from the market, although there have been rumours that RTZ is ripe for a predator

Mr Temple says that in 1976 the Rembrandt Group bought a 25% stake in Federale Mynbou, holding company of General Mining

"The broad trend in recent years, epitomised by Rothmans International's acquiring Rothmans of Pall Mall Canada in 1978, is for Rembrandt's interests outside South Africa to be concentrated in Rothmans International Parallel to this, surplus cash will be invested in outside areas which include mining oil and other natural resources"

Genmin's annual report shows the group is taking part in several oil and gas syndicates in the Gulf of Mexico and the North Sea The group has a 6% interest in one natural gas discovery and 5% in another A 10% interest is held in a North Sea gas block and "considerable further expenditure will be required to establish the viability of this deposit", says the report

Mr Temple believes it is unlikely that R J Reynolds will make a counter-bid for Rothmans International, but in the longer term Philip Morris will try to buy out the entire company

"There is very little Reynolds can do It was outmanoeuvred by Morris," he says

Mr Nyren Scott Malden, de Zoete Bevan's tobacco analyst, reckons that any bidder would have to 120p a share for Rothmans The 170p a share which is the payment to Rembrandt includes goodwill for various cigarette trade marks

Coki declares 3,5c special dividend

STAR 1/5/81 (23c)

Coki Corporation, the listed company which controls the Metro Group's interests in retailing, has declared a special dividend of 3,5c a share

In rapid succession this year, Coki has bought a 30 percent stake in Dions, a 54 percent interest in Russell Holdings and has done a deal with the Pickard Group with regard to Union Wine

Earlier this year Coki announced that as soon as the furniture group, Russel Holdings, had declared its final figures Coki would declare a special dividend to shareholders based on the dividend income flowing through from Russels

However, according to Coki chairman Mervyn King, "Coki decided that there was no need to wait for the Russels results which are due in June We have a good indication as to what the Russells dividend will be and saw no reason to delay the declaration of the special dividend" — Sapa

REMBRANDT/REYNOLDS FM 1/5/81 (232)

Exploding cigarette barons

Failure of the talks between Rembrandt, Rothmans International and US tobacco giant R J Reynolds, and Rothmans' subsequent tie-up with Philip Morris (*Fox* April 10 and April 24) has led to an unprecedented public wrangle between Rembrandt's chairman Anton Rupert and Reynolds' chief executive J Paul Sticht Sticht, who is highly put out by what he believes was Rupert's duplicity in negotiating with Philip Morris, launched his attack on what he felt were Rupert's business methods in the following public statement

"First I was shocked Our clear understanding with Dr Rupert during discussions over these past several months was that our negotiating position was exclusive and that he would not engage in discussions with other companies while they were ongoing

"Secondly, I was most surprised at the form of the transaction, as we had been advised by counsel that such a joint venture would be unlawful under the cartel authority statutes in Germany and the anti-trust statutes of the EEC This continues to be the view of our advisers

"Lastly, I am very disappointed for the public stockholders of Rothmans International, as they are not participating in the economic benefits of the transaction in the same way as the majority shareholder, Rembrandt Group During our several discussions with Dr Rupert, we advanced proposals that would have enabled the minority public shareholder to sell his shares at a fair value contemporaneously with the disposition of his own interests — that is, an offer to purchase the entire company, RIL"

Rupert reacted by telex to Sticht (see box), stoutly defending his operating methods and particularly his "policy of partnership" But that was far from being the end of the matter

Sticht's "Dear Dr Rupert" answer to Rupert's telex makes several startling claims He begins by saying that from the outset Reynolds made clear it was prepared to go into partnership with Rupert on condition that it would "be able to gain ultimate control" when Rembrandt left the scene and if any such deal was lawful

He finds it difficult to accept Rupert's claim that he had "stuck to his guns" on the principle of partnership "At both meetings (in London in March and Madrid in April), we had substantive discussions regarding the acquisition of Rothmans International (RIL) as a whole, and spent considerable effort and time at your prodding on the question of having to achieve the maximum value to your group, while at the same time paying fair value to the public shareholders in RIL You will recall we discussed the necessity of satisfying the London takeover panel with respect to fair treatment of the minority and our expressed willingness to make any offer within the expressed total value that the RIL board would be willing to endorse"

Sticht says that while Rupert is "technically correct" in saying no firm or final offer had been made by Reynolds, he has ignored other developments "We put proposals and alternatives for the acquisition of RIL at our January meeting in SA, and with much greater specificity at our March meeting in London Since Alex Orlow, managing director of RIL, was present at these, he can confirm this These proposals were renewed in April in Madrid

The Reynolds chief also reminds Rupert that 'we considered in depth what is apparently the same arrangement which you have now undertaken with Philip Morris" But he claims Reynolds informed Rupert in March that "such an arrangement would be unlawful under the anti-trust and cartel statutes of the EEC and Germany, and for that reason alone we considered it to be unfeasible" Reynolds also says it pointed out difficulties with stock market requirements in London and Toronto "Our view then was that you understood this," says Sticht

He then reveals a deal proposed by Rupert "Further to our willingness to undertake joint ventures where they would be lawful, you asked us in Madrid to consider a joint venture with Rembandt in southern Africa on a 50-50 basis and at a very substantial price We expressed willingness and you promised to supply information to help us reach a judgment This was never forthcoming"

But what Sticht finds "most puzzling" in Rupert's message to him this week was that the Rembrandt chairman "undertook not to approach other parties" He says "You know the words were never used"

Sticht says the exclusivity agreement on negotiations happened this way "As you will know, I offered to put a total valuation on RIL on the table if you would give us an undertaking of exclusivity You agreed and I put our valuation on the table This understanding was confirmed in March in London and on April 2 in Madrid Immediately following the letter, we issued the statement (that negotiations were taking place) which you both drafted and suggested You must recall we asked

RUPERT'S RESPONSE

"**I have noted** your comments about our discussions which I believe to be unfair for the following reasons

□ It is universally known that we have always followed a policy of partnership wherever we have gone

□ Our previous discussions collapsed because your group was unwilling to put your brands into a partnership deal

□ In September 1980 you visited me at the Dorset Hotel New York, and showed me, with great pride, your presentation to a national meeting of security analysts at the Grand Hyatt Hotel and pointed out to me your statement that day that you were now prepared to enter into partnership deals 'As a company, we are well aware of the importance for R J Reynolds and the entire country that US business learn to grow and prosper outside our borders through mutually beneficial partnership agreements

□ At our subsequent meetings set up as a result of your statement, I stuck to my guns as regards partnership as I have consistently done in discussion with other interested parties

□ At our last discussions in Madrid, I undertook not to approach other parties although there had been no firm or final offer from your side What was clear however was that once again you were unwilling to enter into true partnership in spite of our pleas that you do so and your previous statement to the analysts

□ After the press announcement of our preliminary discussions and a comment attributed to someone from Reynolds that R J Reynolds was buying Rothmans I was immediately approached by four other parties — approaches which I had not solicited I thereupon consulted lawyers who impressed upon me that I had the obligation to my shareholders to listen to any firm offers made A firm offer of partnership was received which would not disturb any of our partnership companies, but indeed protect them and be of great benefit to the workers and peoples of many countries

I believe that I have done my duty and remain, yours sincerely Anton Rupert"

CCS 1 (Continued

8. Increase in Outside Shareholders' Interest

Equity of Lad Ltd at	30.6.04	30.6.05
Share capital	50 000	50 000
Share Premium	5 000	5 000
Unappropriated profit	13 000	28 000
Profit for the year	15 000	45 000
	83 000	128 000
20%	16 600	R 25 600

∴ Increase in minority share	R 9 000
Less 20% of stock profit (R3 000)	600
	R 8 400

9. Schedule of changes in working capital

	Increases	Decreases
Increase in stock		
Decrease in debtors		
Decrease in sundry debtors		
Increase in cash		
Decrease in trade creditors		
Increase in bills payable		
Decrease in tax		
Increase in sundry creditors		
Dividend payable to outside shareholders in subsidiary		
Net increase in working capital		

for the exclusivity to be continued and you responded in the affirmative, after you had agreed to open up the tax structure of RIL to us so that we could determine the final optimal deal You had already promised to send us information for the southern African partnership which you had proposed," alleges Sticht

Says Rupert in rejoinder "They have been negotiating for eight years and have had the opportunity for true partnership for a while The first paragraph of Sticht's statement, saying that thev were only interested in a partnership leading to ultimate control, says it all I am happy for my partners' sake worldwide that it did not happen "

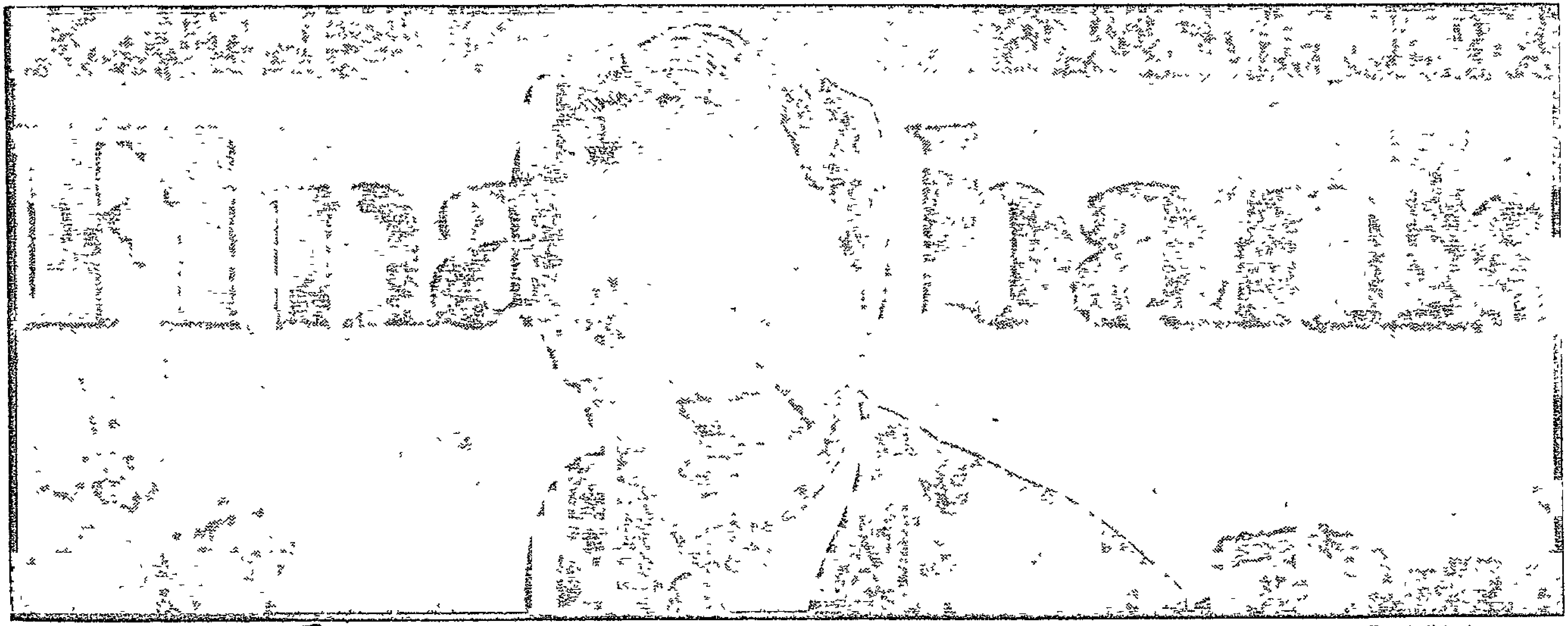
Meanwhile, as the *FM* was going to press, the shareholders in Philip Morris were being told by their president what the $350m deal entailed Wall Street analysts expected the company, which has been tight-lipped about the affair since the bald announcement, would open up at the annual meeting in Richmond, Virginia In the meantime the deal is to be investigated by the London Stock Exchange's takeover panel

But analysts are not convinced by the Philip Morris claim that the stake in RIL is purely "an investment " Jack Pickler, tobacco analyst at Wheat First Securities in Richmond, said passive investment roles were "absolutely not the style of Philip Morris " He predicted that an exchange of trademarks would follow and that Philip Morris's "very aggressive management would not sit idly by for long. They will want to make the most of this deal for their own company and I would not be surprised to see Philip Morris make a move soon "

The deal appears to offer a lot to Philip Morris on the international market, where it is currently running second to British-American Tobacco Diana Temple, tobacco analyst at Salomon Brothers in New York, said the value to Philip Morris of the Rothmans brand names could be considerable, especially in Latin America where it is hard up against BAT

John Cavill

Billions to be raised for smaller businesses



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PIET LIEBENBERG . . . SCHEME WILL FILL A GLARING GAP IN CAPITAL MARKET

New concept with R45 000-m market

By John Spira

WITH a target market worth an estimated R45 000-million, Finansbank is to launch a revolutionary concept with far-reaching ramifications

The new initiative aims to provide huge capital sums and financial know-how to the country s 15 000 medium-sized companies

Source of the funds will be the country s major financial institutions

Finansbank managing director Piet Liebenberg says the concept, termed Finansgroei will fill a glaring gap in the South African capital market, will help to create countless new jobs and will provide a major boost to the economy as a whole

He adds "The Small Business Development Corporation has been established to assist small businesses while the large corporations have ready access to capital via the stock exchange

'However those many companies falling between the two — companies which are the backbone of the South African economy — have no ready access to permanent capital funds This is where Finansgroei comes in

Mr Liebenberg points out that a plan as ambitious as Finansgroei is obviously beyond the financial scope of one institution

He has accordingly approached several of the country s major institutions with a view to obtaining their commitment.

which for a variety of reasons require capital and financial expertise

'We are not interested in turnround situations Too many similar concepts have failed because the provider of capital was hoping to get in on the ground floor, only to find that the building had dozens of basements

'We shall be happy to get in on the fourth floor and get out at the 15th

He says that Finansbank has been investigating this concept for the past several years — a procedure which included close studies of similar operations abroad and more importantly, the practical involvement of Finansbank itself in ventures which duplicate the proposed Finansgroei operation

Finansbank is currently involved in two such ventures, both of which according to Mr Liebenberg, have been highly successful

S. Times
3/5/81 (232)

syndicated basis.

Medium-sized companies — those capitalised at between R3-million and R12-million — requiring capital may approach Finansbank, and if all the figures jell Finansgroei will take a 15% to 40% stake in the company and provide the necessary capital and financial expertise

It is envisaged that once the companies assisted no longer require the commodities supplied by Finansgroei, the new company will dispose of its equity (at a profit) and use the funds to finance similar new ventures.

Mr Liebenberg stresses that Finansgroei will assist only established businesses which are running profitably and have a sound infrastructure, but

RDM 1/5/81

Uniewyn, Picotel inquiry

231
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By DAVID CARTE

Deputy Financial Editor

A JOHANNESBURG Stock Exchange investigation into dealing in Union Wine and Picardi Hotel shares has revealed that "certain transactions might constitute a breach of Section 233 of the Companies Act"

This finding, announced by the JSE committee yesterday, is the result of an investigation into dealing in Union Wine and Picardi Hotels shares between March 2 and March 11

This was immediately before the proposed Kirsh-Pickard liquor retailing partnership was announced Turnovers and share prices moved sharply ahead of the announcement

Trading in Picfin and Coki Corporation, the other affected companies, was also investigated, but the JSE found no evidence of insider trading

The JSE has sent its findings to the Registrar of Companies, who is empowered to refer them to the Attorney-General

Section 233 of the Companies Act deals with insider trading

Mr O, Consgold on the march in massive U.S. thrust

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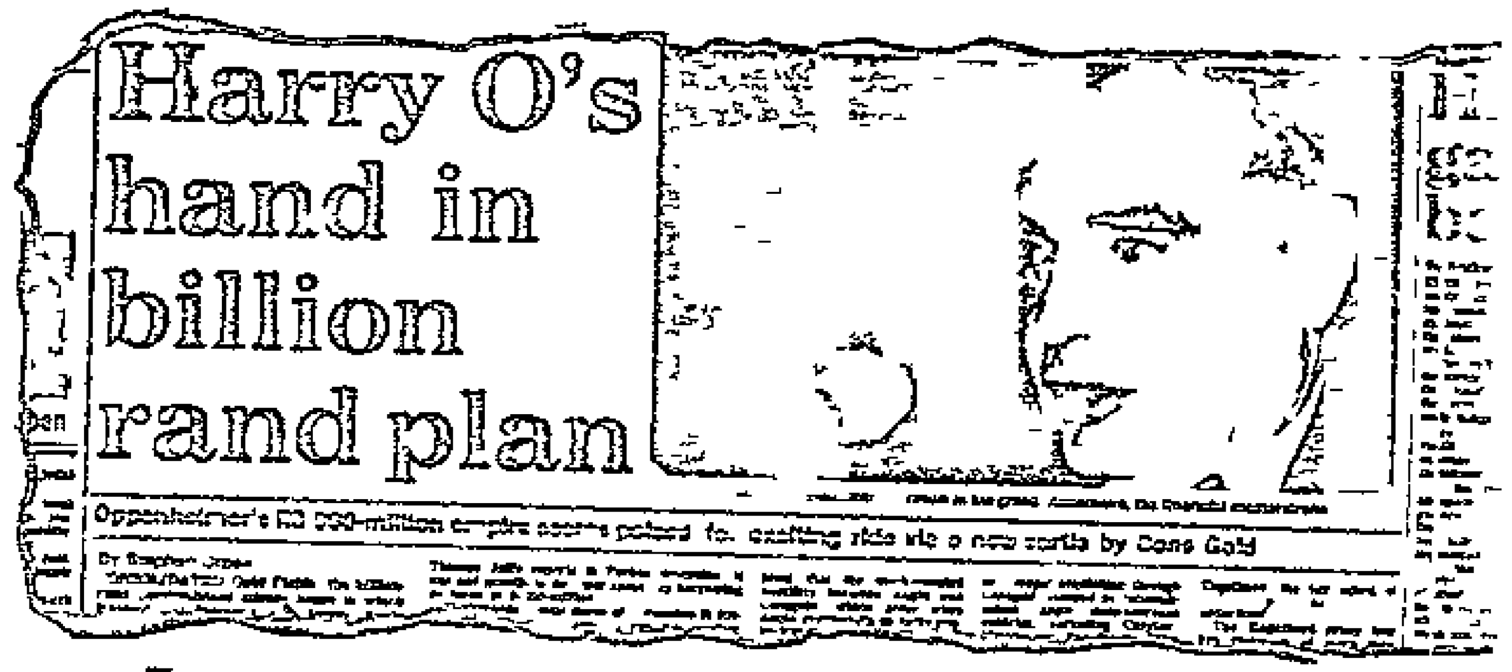
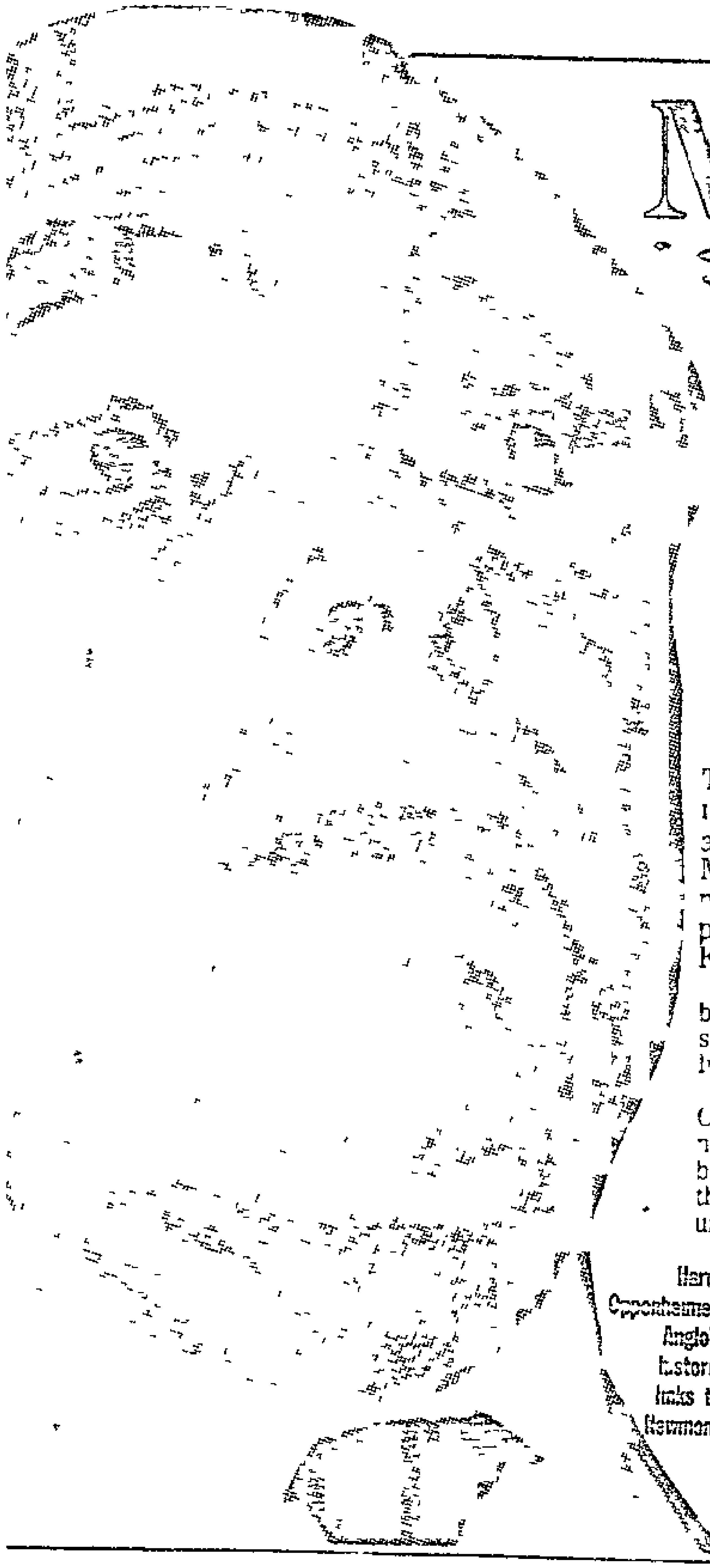


Tear out from Business Times of December 21 1980

'PART OF ANGLO'S GRAND DESIGN TO BUILD UP INTERNATIONAL EMPIRE'



Harry Oppenheimer Anglo's historic links to Newmont

By Neil Behrmann London

THE acquisition of a small stake in the large United States mining and energy concern, Newmont Mining is likely to be the forerunner of major North American expansion by Consolidated Gold Fields

In the past five weeks Consgold has bought 7% of Newmont's 25-million shares, which are currently capitalised at $1 300-million

At a Press conference this week Consgold's chief executive Rudolf Agnew said that the group intended to buy at least 25% of the company and that the stake could be built up to just under 50%

At Newmont's current market price of $70 this implies that the investment could range from $500-million to $1 000-million, and this could be even higher if the shares appreciate

Only a few months ago Newmont's shares were $38 and Consgold's average purchase price was $58 a share or $107-million

In the past few months it has been widely mooted that Consgold would buy a stake in Newmont. It helps Dodge or Asarco — large mining and resource concerns in the US

Consgold picked the best company. It has excellent management and a broad spread of interests, commented a mining analyst at a brokerage house with strong links with Consgold and the Anglo stable

About 50% of Newmont's earnings come from copper and about 45% arrives from oil and gas, coal and gold interests

Newmont has a 29% interest in South Africa's Palabora copper mine and a minerals producer in South West Africa, Tsumeb

There are also investments in Australia and Peru. Brokers such as James Capel believe that Consgold's North American expansion is part of Anglo American's grand design to build up its international empire

Anglo American holds 32% of Minerals and Resources Corporation (Minorco), which in turn has a 29% stake in Consgold

Julian Ogilvie Thompson, a key director of [illegible]

American mining sector several months ago

Anglo was not involved in the decision. The move was planned by ourselves and it is established policy, said a Consgold spokesman

We plan to increase our stake in North America '

Consgold has a 46% interest in Gold Fields of South Africa and will have a 10% direct stake in the new merger of West and East Driefontein (first disclosed in Business Times on November 23 last year).

At the end of last year total assets employed by Consgold were in the region of R1 800-million. On market values the major territorial investments were South Africa 55%, North American industrial companies 13, United Kingdom 16% and Australia 11%

Mr Agnew said that the company raised about £180-million in a rights issue a few months ago. About half of this money has been used but the company has a further £800-million which can be borrowed for further acquisitions or internal expansion

This is besides the huge cash flow which is already coming from GFSA, Australia and other successful ventures

Though Consgold denies Anglo involvement brokers close to Anglo believe that it went ahead with Anglo's blessing

Minorco is already a remarkable concern

Through Consgold it will now have an indirect stake in one of the powerful US minerals and resources companies, Newmont. The [illegible] are very exciting times [illegible] Anglo [illegible] Consgold and Minorco

can is a non-executive director of Consgold

Anglo American has historical links with Newmont. When Anglo American was established Newmont was the American half. But in the early part of this century Newmont sold its holdings in Anglo

Though Anglo American apparently does not have an interest in Newmont brokers assume that it influenced Consgold

Yet executives of Consgold insist that their decision was independent. They say that they had planned to enter the

Kallenbach group goes to Gaydon for R1m

RDM 6/5/81 c32

By HAROLD FRIDJHON

GAYDON, still listed on the JSE under "cash assets", has followed up the R3-million deal by means of which it acquired the Utas group of companies, by buying the Kallenbach group for R1 million in cash

The vendors have warranted that the Kallenbach group will earn R400 000 before tax in the financial year to June 30, 1981

In a statement, Gaydon says that the acquisition of the Kallenbach companies will have no material effect on the net asset value of Gaydon, but the directors expect that the earnings from Utas and Kallenbach will amount to about 17c a share for the year to February 1982

It is intended to change the name of Gaydon to Barbicon Industrial Holdings A detailed circular, incorporating a transmuted listing statement and giving details of both the Utas transaction and the Kallenbach acquisition, will be sent soon to shareholders

The 10 Kallenbach companies are at the upper end of the office furniture market manufacturing and marketing through their own outlets Apart from design the group's selling emphasis is on a complete service including full decor The goods they supply can be financed through their own leasing company

Kallenbach's managing director and chief executive, Mr Claude Caminer, and Mr Tony Michael will continue as top executives

Mr Peter Goldberg, managing director of Gaydon, says that a R9-million development programme for Kallenbach has already been started and and the new factory with its modern machinery should begin production by the end of July

Mr Ronald Price has joined the Gaydon board and Mr Harry Levin has resigned as a director

President Insurance takes over Senator

RDM 6/5/81

(232)

Financial Reporter

THE President Insurance Company has taken over the Senator Insurance Company as part of the rationalisation programme of the short-term insurance interests in the Rentmeester Group

The takeover, which is subject to the permission of the Registrar of Insurance, will be effective from April 1 1981.

The merged companies will operate under the name of the President Insurance Company.

To prepare the ground for the merger, Rentmeester recently acquired the shares of the minorities in Senator and most of the outstanding shares in President

Rentmeester says that the takeover will provide a stronger financial base and will result in considerable savings in administration costs.

It will create a more efficient organisation capable of providing better services to clients, brokers and agents.

(232) STAR 6/5/81

Gaydon acquires Kallenbach Group

Gaydon Southern Holdings has acquired the Kallenbach Group of Companies, office furniture manufacturers

At the same time, Gaydon has announced plans to change its name to Barbicon Industrial Holdings

Kallenbach is being acquired for a cash consideration of R1-million

As part of the transaction the vendors — the Caminer family, Mr A W Michael and Mrs C J Erasmus, have warranted that the Kallenbach companies will earn R400 000 before taxation in the financial year ending June 30 1981.

Managing director and chief executive, Mr Claude Caminer, together with Mr Tony Michael, remain as top executives of the Kallenbach group

The acquisition of Kallenbach is not expected to have a material effect on the net asset value of Gaydon. The directors expect, however, that, subject to the warranties of the vendors of the Utas Group (announced in February) and Kallenbach being fulfilled, earnings per share for the financial year ending February 28, 1982 will be approximately 17c

R500 000 Lucem deal

By SIMON WILLSON

LUCEM Holdings has bought out D & J Conversions, a Bloemfontein-based motor spares and accessories business, for R500 000

The deal, effective from June 1, will fit in with Lucem's R1-million takeover in March of the wholesale motor spares distributor Merton Group

With D & J under its belt, Lucem can continue its shift from furniture and household goods to being a more diversified conglomerate

D & J will act as an outlet for Automotive Warehousing Services (AWS), a Merton motor spares interest acquired by Lucem in the Merton deal

Lucem estimates the D & J deal will increase its earnings by slightly more than 1c a share and will decrease its net tangible assets by about 2c a share

COMMENT **The D & J deal marks the latest phase in Lucem's diversification, and looks like a characteristically sound manoeuvre by the chairman, Mr David Lurie**

East Dagga teams up with Bonanza

RDM 8/5/81

~~24~~ 23

By ADAM PAYNE

EAST Daggafontein has taken a 23% stake in Bonanza Gold Mine, a company which has been involved in small-scale mining on the East Daggafontein lease area under a tributing agreement since 1977 and which is to expand its operations to areas adjoining East Daggafontein.

The new areas to be mined include 2 876 precious metal claims on the farm Daggafontein 125 IR and 884 similar claims on the farm Rietfontein 276 IR. Both adjoin the original East Daggafontein tribute areas consisting of 1 212 precious metal claims and a mining lease covering about 21 ha which East Daggas could no longer mine economically.

The entire issued share capital of Bonanza together with certain claims on its loan account have been taken over by Messina (Transvaal) Development Company and by Southern Prospecting for R2 million.

East Daggafontein has accepted a 23% participation in the Bonanza shares and the loan account claims. This will cost East Dagga R423 000 to be met from existing cash resources. East Dagga will also allow Bonanza to continue mining in the original tribute area without paying a royalty.

Bonanza will continue to have the use of the East Daggafontein No 1 shaft to mine not only the tribute area but the adjoining areas over which it has acquired the mining rights.

The issued share capital of Bonanza will be held by Messina (62%), East Daggafontein (23%) and Southern Prospecting (15%) and the company will be managed by Messina.

The directors of Southern Prospecting are Mr Jim Wilson, Mr Ken White, Mr C Leon Christiensen and Dr R K J Wintler.

Because of the uncertainty concerning the gold price and recovery values from the Bonanza mining area, it is not possible to forecast with any accuracy the improvement in Messina's and East Daggafontein's earnings as a result of their investment in Bonanza.

COMMENT: The areas available for mining total 5 062 claims — a considerable area.

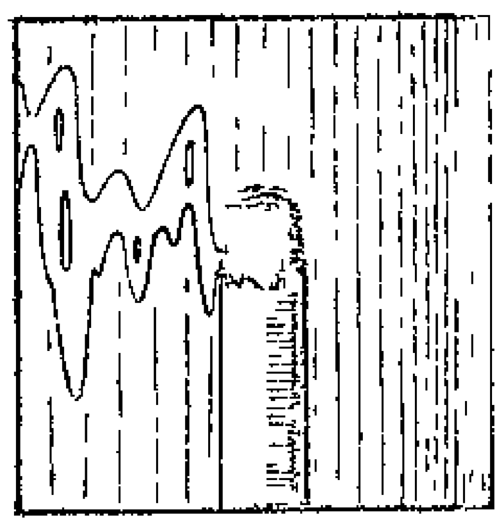
East Daggafontein had abandoned most of its claims, except for areas under tribute to Bonanza and Grootvlei.

Bonanza repegged parts of Daggafontein and East Daggafontein lease areas and now East Daggafontein has 23% of Bonanza.

This is a good consolidation. It is too early to evaluate the benefit to East Daggafontein, but the shares are probably fully valued at 365c. Some buying of the shares took place in March on unfounded rumours of an amalgamation with Grootvlei and Marievale.

CIGARETTE INDUSTRY 232 FM 3/5/81

Global demand soars



The alacrity with which the US tobacco giant Philip Morris jumped into the Rothmans International bed with SA's Rembrandt group, gave the lie to notions that the cigarette industry had gone ex growth under pressure from health lobbies around the world No group as managerially dynamic as Philip Morris (nor as highly geared — with a debt equity ratio of 1 1) cheerfully lays out $350m at an annual opportunity cost, on current US interest rates, of around $60m or 10% of last year's net earnings, without a very good reason

It is one which also explains the angry howls produced by the rejected R J Reynolds arch-rival to Philip Morris, which wanted the whole of Rothmans International And why Rembrandt's Anton Rupert did not want to deal out of the business altogether

The truth is that while the shape of the world market may be changing there is still a lot of real growth and profits to be made by the Big Five multinational groups which dominate it Bat Industries (formerly British-American Tobacco) Philip Morris, Reynolds, Rothmans and American brands Consumption of cigarettes in the industrialised western countries is slowing down — and in Britain's case even falling by 2.5% last year — as health campaigns, high excise duties and low population growth rates make their impact But it is a different proposition indeed in the developing world

A London study (by stockbroker De Zoete and Bevan) shows that each year since 1964 global demand has risen by some 110 billion cigarettes — equivalent to a market the size of Britain the world's sixth biggest

Rising living standards and fast growing populations have seen a rapid increase in consumption rates in the less developed countries They still only account for half the offtake of the mature Western industrial markets but over the past decade they have started to catch up quickly For example, the big Brazilian market has risen by a compound 6,8% a year while Venezuela has gained by 6,9% and Indonesia by 6,1%

Even then, the relative rates of consumption per capita show there is still room for more against the rough average of 10 cigarettes smoked every day by people over the age of 15 in the US, Canada and Japan, the equivalent figure for Indonesians is 3, Mexicans 4, Brazilians fewer than 6 and Malaysians just on 6

CONSUMPTION FORECASTS

1980/1984 ANNUAL GROWTH

	Billions		% per annum
World	4 350	4 800	2 0
Developed nations	1 845	1 960	1 2
Communist block	1 530	1 660	1 6
Developing nations	975	1 180	3 9
United States	615	630	0 5
EEC (excl Greece)	488	487	—
World exports	325	460	7 2

Among the mature economies Britain stands alone, showing the average post 15-year-old's "fag" consumption dropping by 4% to just under 8 a day in 10 years Even this is distorted by a swing to the cheaper "roll your own" cigarettes With average annual increases ranging from 4% in Japan to 1,8% in France during the Seventies the behaviour of the human race (even in countries where health propaganda is most powerful) seems to bear out the remark by Philip Morris chairman, George Weissman, that· "You are dealing with a deepgrained anthropological habit "

Forecasts show (see table) that demand in the poorer countries is expected to run at more than treble the rate of the developing nations over the next five years Changing patterns of consumption will however allow opportunities for the multi-nationals even inside the EEC there is the rising popularity of "blonde" cigarettes in the traditionally dark tobacco markets such as France which has forced the state monopolies — from as disparate a group as Italy, France, Austria, Portugal and Japan —, to band together to produce a "champagne" brand to compete with those on offer from the five majors And another opportunity will come for these exporters when Spain and Portugal, together consuming 72 billion cigarettes a year, find they have to open up their state-monopolised tobacco markets under EEC requirements Both are due to join the Common Market during the next four years, and Greece (22 billion cigarettes a year) which became a member on January 1, will be increasingly subject to marketing efforts by the British and American groups

THE BIG PRODUCERS

	Billions
Bat	580
Philip Morris	425
Japan (State)	300
Reynolds	280
Rothmans	180
American Brands	110
France (State)	72
Italy (State)	70
Imperial Tobacco	70
Total	2 087

Percentage of non-Communist consumption 74%

Source Tobacco 1981 — De Zoete and Bevan stockbrokers London

Other "hidden" markets will emerge as and when Third World living standards improve further in countries such as India, where the hand-rolled "bidi," made from homegrown tobacco is the most dominant, and Indonesia where its version, the "kretek," accounts for 49% of demand for the 70 billion consumed there

This background does not however totally explain why Philip Morris was prepared to do a deal with Rupert on his terms and accept a minority role with no immediate prospects of rationalising operations and cutting costs And, as yet, it is not known how much of the $350m to be paid to Rembrandt will be to pay for the rights to trademarks of Rothmans — such as Rothmans Kingsize, Dunhill, Peter Stuyvesant and the others London analysts think the brandname part of the deal may be as little as $45m (compared with the nearly four times that amount paid by Bat for the US Lorillard names)

That leaves Philip Morris facing a return of some 5,6% on its alleged portfolio investment in Rothmans unless that company liberalises its dividend policy

Wall Street and Throgmorton Street analysts continue to believe the deal was mainly motivated by a defensive act to stop Reynolds According to Jeffrey Weingarten of Goldman Sachs, New York, the positive aspects of the new partnership are confined to Philip Morris s battle with Bat in Latin America Bat with an unshaken 83% of the Brazilian market 62% in Argentina and 42% in Venezuela, has so far beaten off attempts (even by Rothmans) by newcomers to break into its preserves Invaders have usually been defeated by the combination of low start-up volumes and high distribution costs But, according to Weingarten, Philip Morris will find the Rothmans brand names useful in trying to establish its position in Latin America

EUROPEAN ECONOMIC COMMUNITY

Market shares (excluding Greece)

	1979 %	1973 %
State monopolies (France and Greece)	26 3	26 1
Imperial Tobacco (mainly UK)	14 2	19,4
Rothmans	15	14 4
Bat	12 0	11 3
Philip Morris	10 2	5 2
Reemtsma (Netherlands)	9 3	10 5
American brands	7 9	8 4
Reynolds	3 1	2 0
Others	1 9	2 6

And for the present, Weingarten sees "no significant combinations" of Rothmans and Philip Morris, which will provide short-term benefits for either company London analysts tend to concur They cannot see Philip Morris for all its aggressive reputation, imposing its will on Rembrandt although there may be a spin off for both companies from the synergic impact of more brands being offered by a single sales force — at least in the Third World where anti-cartel rules are less of a hinderance than in the US and Europe

Philip Morris and Rembrandt have both said that no further transactions are contemplated for the moment It is a statement accepted at face value in London both groups have enough hurdles to clear between American, European and Canadian regulatory authorities before the announced deal can be clinched That still does not invalidate the belief that in the longer term, even if that is five to 10 years away, Philip Morris will finally end up by bidding for the whole of Rothmans.

CONS GOLD [illegible] Newmont

At first sight Cons Gold's announcement that it had bought [illegible] of America's Newmont Mining for $106.2m and armed with resources amounting to $[illegible] billion planned to buy "at least [illegible] but less than 50%," smacked of a naivety alien to the hardboiled mining finance world. Nothing could have been more opposite to the treatment meted out to Cons Gold itself in the famous "dawn raid" of 1980 which netted the Anglo group an eventual 29%.

Having bought its initial Newmont share at $53.76 a share, Cons Gold, by implication at least, was suggesting [illegible] prepared to pay up to [illegible] needed to reach just under [illegible] commentator [illegible] power with transparent cards. Newmont promptly hit $70 before easing back into [illegible]

[illegible]

[illegible] Newmont's historic yield of [illegible] is scarcely mouthwatering.

Cons Gold has emphatically denied it [illegible] before making the move. Yet the Newmont links with [illegible] Oppenheimer [illegible] with Cons Gold in the Black Mountain mine, make it hard to fault ideas that the move is partly defensive against incursions by oil groups. And on the positive side, the Newmont stake could be the first step towards creation of an international co-operative group, with Newmont as the [illegible] horse and Harry Oppenheimer holding the reins — even if loosely. [illegible]

1981 17

(232) TAK 8/5/81

E Dagga to expand operations

East Dagga has taken a 23 percent stake in Bonanza gold mine, a company which has been involved in small-scale mining within East Dagga's lease area. The cost is R423 000.

It will now expand its operations to areas adjoining East Dagga.

The new areas to be mined include 2 966 precious-metal claims on the farm Daggafontein 125 IR and 884 similar claims on farm Rietfontein 276 IR.

Both adjoin the original East Dagga lease area which consists of only 1 212 claims and a lease area covering about 30 ha.

The cost will be met from East Dagga's existing cash resources and Bonanza will continue mining in the original tribute area without a royalty payment.

Bonanza will continue to use the East Dagga No 1 shaft.

The share capital of Bonanza will now be 62 percent held by Messina, 23 percent by East Dagga and 15 percent by Southern Prospecting. Messina will manage Bonanza.

Because of the uncertain level of the gold price and recovery levels at Bonanza, it is not possible with any degree of accuracy to forecast the improvement in East Dagga and Messina earnings as a result of their investment in Bonanza, the announcement said — Geoff Shuttleworth.

Chemical merger evokes reaction

232 Industrial Week (2/5/81)

BY JIM PENRITH

IN A move of considerable interest to the fine chemical industry in South Africa, E Merck of West Germany and local company Taeuber and Corssen have merged their SA interests to form a joint holding company, Industrial Week learns exclusively

The new joint company, known as E Merck (South Africa), brings under one umbrella the following companies

- Merck Chemicals, jointlyowned by E Merck and Taeuber and Corssen, distributors of the Merck range of fine chemicals, laboratory reagents and diagnostics
- Hickman and Kleber, whollyowned by E Merck, manufacturers and distributors of the BDH range of laboratory reagents and distributors of a large range of lab consumables and scientific instruments
- T & C Scientific Supplies, whollyowned by Taeuber and Corrsen, also distributing lab consumables and scientific instruments

Chairman of the new holding company is Ernst Taeuber and the managing director is Richard Alborough

Taeuber said the group is operating in a market which, over the past decade, has become more sophisticated This meant that high quality products were demanded, backed by technical expertise to help the market maintain its growth

"The Merck organisation, which is more that 300 years old, is world acclaimed for its products and role in research and development in the laboratory-chemical field", he said

"The Taeuber and Corssen group has been active in the same market in South Africa since 1920, and is regarded as a pioneer contributing significantly in this field"

 (232)

Sunday Express

Business

Merger heralds new full-service broking house

S. Express 24/5/81

Business Reporter

TOP life brokers, Richard Wharton Hood and Chris Heyneman have joined forces to form the HWH Group, a new full-service broking house with short-term and employee-benefits divisions.

The move comes at a time when life brokers are facing the threat of reduced cash flows from Government-imposed [illegible] to the commission rates on retirement annuity policies.

Yet, says joint managing [illegible] Wharton-Hood, this was def[illegible] not the reason for the merger.

"We felt the need to be able to offer a full range of insurance services — life, short-term and pensions.

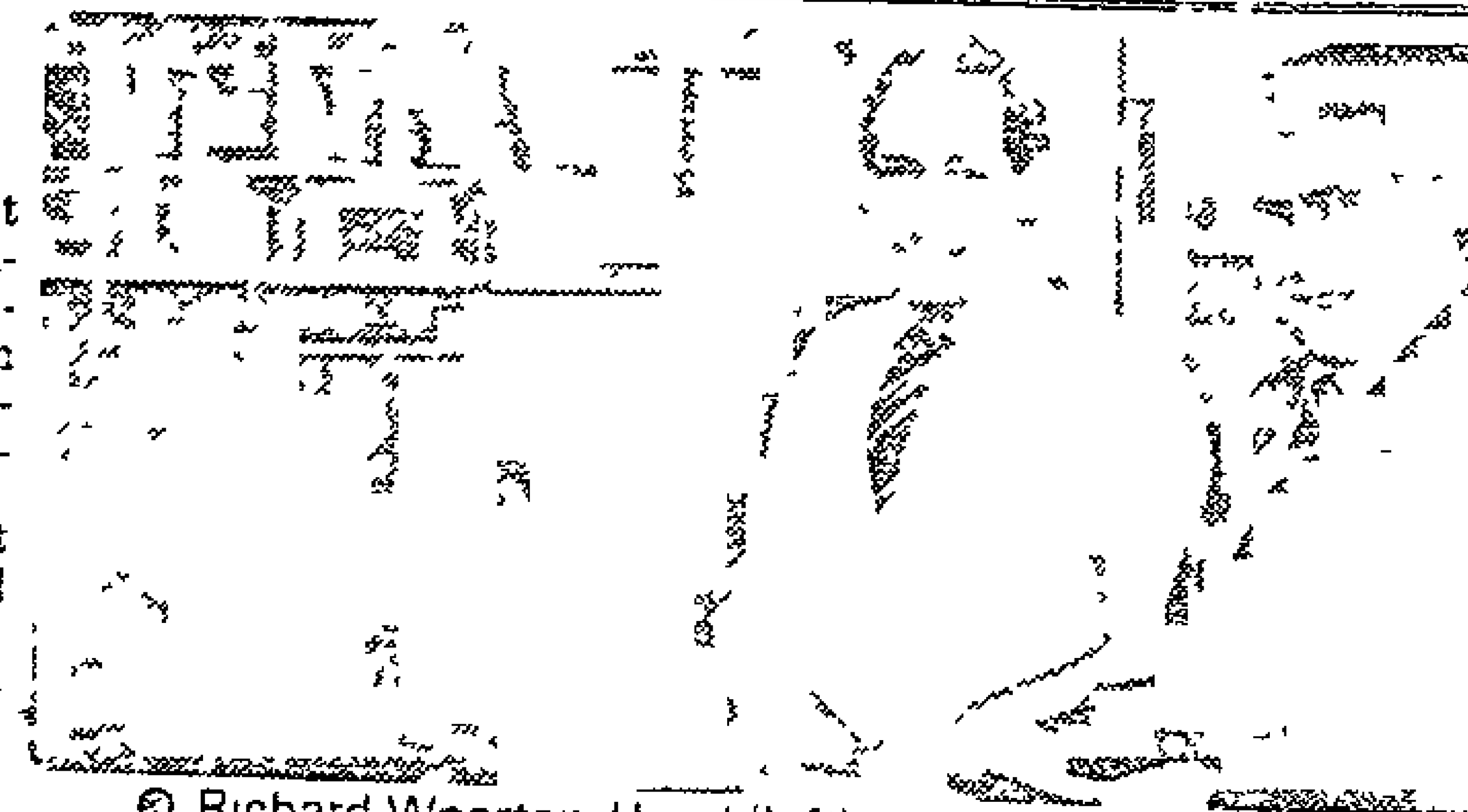
"As the size and type of our clientele grew and as we started moving heavily into the institutional field, we found we were increasingly [illegible] and employee benefits on [illegible].

"In order to service this business properly we have recognised the need to pool our resources and to form subsidiary companies headed by short-term and employee benefits specialists."

The HWH Group, comprising four main operating subsidiaries with headquarters at the newly-completed HWH House in Ferndale, Randburg are Richard Wharton-Hood & Associates (life), Chris Heyneman Life & Pension Brokers (life), HWH Insurance Brokers (short-term) and HWH Employee Benefits (pensions).

Before setting-up as an independent broker last year, Wharton-Hood headed Minet Financial Services.

Joint managing director Heyneman has been an independent broker for two years. He was previously a million-dollar agent with a leading international insurance company.



Richard Wharton-Hood (left) and Chris Heyneman joined forces to offer full-service broking house

14/5/81 Star (232)

Rothmans chairman defends Rupert

From the Financial Times

LONDON—Sir David Nicholson, chairman of Rothmans International, has poured oil on the waters stirred up by Dr Anton Rupert's sale of a large stake in the company to the US tobacco giant Philip Morris

Under the terms of the deal Philip Morris is buying half the 44 percent stake in Rothmans held by Dr Rupert's Rembrandt group, which controls half the votes, for 35 million US dollars

Following reports that the Rothmans board was chafing at the lack of consultation on the deal, Sir David said yesterday that he and his colleagues had met Dr Rupert on Monday and Tuesday of this week

These consultations, he said, had convinced Rothmans that the deal would be in the full interests of shareholders and workers

Sir David added "Knowing Dr Rupert as I do, his assurances counted for a lot"

The Rothmans International board was satisfied that Dr Rupert had not been able to consult the directors directly because he had been delayed by the funeral of his long time friend and right-hand man

Rothmans is not expecting any further inquiry from the other major US tobacco group, R J Reynolds, which had approached Rothmans initially and had been expected to mount a bull bid

Sir David maintained that there would be no changes in the management of Rothmans and expected that the 50-50 share split between Rembrandt and Philip Morris would continue as part of Dr Rupert's disposal agreement

Rothmans has apparently consulted the City's takeover panel and Sir David seemed confident that as long as the equal status between Rembrandt and US interests was maintained the authorities would not be recommended to take further action

[illegible]

The initial share market reaction to Gaydon's takeover of the Kallenbach furniture group was not enthusiastic. One broker reported a number of sellers at an earlier [illegible] share price.

The negative response was apparently centred around dissatisfaction with the price Gaydon is paying for the group. Gaydon will make a R1m cash payment to Kallenbach and the vendors of Kallenbach will retain 500 cum red prefs in Kallenbach effectively worth R2 000 each.

The prefs [illegible] an annual dividend of R150 [illegible] yield and they will be redeemed over the next five years out of the profits of Kallenbach [illegible] after allowing for the pref div and for a return of 18% to Gaydon on the R1m investment.

It is this point which Gaydon MD Peter Cleverly believes the market may have misinterpreted [illegible] some brokers [illegible] the [illegible] to be redeemed [illegible] earnings of Kallenbach [illegible] if its performance is not satisfactory the shares will obviously not be redeemed.

There is however a scheme whereby the vendors will be able to convert their prefs to Gaydon ordinary shares over the [illegible] five years. Cleverly was reluctant to comment on the implications of this other than to say [illegible] the price is right [illegible] the conversion would obviously be logical.

[illegible] pre-tax profit in the year to [illegible] expected to [illegible] The PE of the [illegible] based [illegible] cash price is therefore a low [illegible]

[illegible] growth prospects of the furniture manufacturer are [illegible] The group is nearing the end of a R6m expansion programme which will triple its manufacturing capacity when it comes on stream in July. And it will also help to keep the tax rate down to minimal levels for the next couple of years at least.

The group's export market is also strong [illegible]

This acquisition should lift Gaydon's earnings [illegible] February 1982 [illegible] does not look all that [illegible] the group's earnings [illegible] acquisition of the [illegible] group was expected to generate earnings of 10c a share in the financial year just ended. So given organic growth in the motor equipment distributing subsidiary Kallenbach's contribution looks fairly small.

The deal then appears to hinge on the low tax rate available in Kallenbach in the early stages as the 18% return on investment plus the R75 000 pref div will take up R255 000 in the first year. Clearly, if there had been a normal tax charge, the required return would have been unobtainable on the published figures, though Kallenbach's enhanced earnings capacity from the second half of 1981 could change the picture from then on.

At its present price of 120c, Gaydon stands on a 7,1 times prospective PE. With more details still to come in the transmuted listing statement, the counter seems a little underpriced.

Scott Hawker

[illegible] [redacted] [illegible]

[illegible] Cold [illegible]

[illegible] Bennet and Bert [illegible] re-election and Stan [illegible] and Tony Acton were elected [illegible]

[illegible] board meeting Phil [illegible] resigned from the [illegible] directorships [illegible] At this board meeting [illegible] was appointed Chairman in place of [illegible] who is now one of the four directors of the Gough Cooper board. Roy Mawson remains MD.

No decision has yet been made on the possible rationalisation of Colostern and Gough Cooper activities [illegible]

MACCABEE FM 8/5/81 (232)

Acquisition moves

At a time when the takeover chase has been national business pastime, Malbak subsidiary Maccabee has acquired seven companies in less than 18 months This increased its total assets base by some 62% to R22m, more than doubled turnover and tripled operating profit

The quest for expansion is set to continue, says MD David Makins, with the possibility of a fifth operating arm being created in the near future to provide parent Malbak with a further earnings source

In November 1979, Malbak bought control of Maccabee for 380c a share Thereafter, three Maccabee subsidiaries were sold to previous chairman and Maccabee joint-controlling shareholder, James Haslam. This left Maccabee with an annualised turnover of R15m and operating profit of R2m Less than two years later, with booming conditions in the product light engineering field and the R6m acquisition drive, group turnover is running at an annualised R40m, producing operating profits of R6m

Further gains are on the cards as the most recent acquisition, Castor & Ladder Holdings, is expanded and rationalised

This profit performance is a result of clear operating objectives and precise acquisition criteria Makins says the group is committed to the manufacture of light engineering products, using overseas technology adapted to SA conditions Thus the group limits its expenditure on R & D, concentrating rather on adapting overseas technology to local conditions Expansion and acquisition, says Makins, are focused on complementary activities which can be rationalised with current operations

The group's precise acquisition strategies means defining areas of expansion and laying down required returns, thus "avoiding a buckshot approach " Central to this is the search for companies which can be rationalised with existing activities "We are not looking for super companies with super profits, but for opportunities to use our management skills to improve yields " This means any takeover is expected to return at least 25% pre-tax on total assets within "a reasonable time "

This allowed Maccabee to buy overseas-controlled and loss-making Don International for about half net worth Now the company is showing an annualised profit of R300 000, and further improvements are forecast

Currently, Maccabee's four divisions are automotive components, fluid handling equipment, engineering plastics, and material handling Automotive components is the largest single sector contributing around 33% of total profit And while growth in this area is in the cards, Makins says the group will not be overly reliant on any single division

Plans for the near future include the expansion of current divisions by further acquisition, and investigation into the establishment of a fifth operating arm One area being considered for this diversification is mining supplies

By adhering to clear corporate strategies, Maccabee profits have grown strongly and currently represent about 20% of the Malbak group total The only unfortunate aspect is that the company is no longer listed, and an investment is indirect through Malbak

For Malbak shareholders, however, the growing importance of Maccabee added to what should be solid profit growth from its other subsidiaries in the packaging motor and agricultural equipment industries, should ensure a sound market rating

Malbak is currently trading at 370c on a 5,4% historic yield ahead of next month's preliminary results With the possibility of a total dividend of around 28c this year the shares could well advance particularly if other divisions are performing as well as Maccabee

Des Kilalea

Woolworths, Truworths set-up

RDM 12/5/81

CAPE TOWN — There had been confusion arising from the announcement of the resignation of Mr R S Sonnenberg as chairman, said Woolworths Holdings in Cape Town Yesterday

Woolworths said it had been intended that on the merger with Truworths Mr D R Susman would be appointed chairman and Mr A G W Wiliamson would become vice-chairman of Woolworths Truworths, the proposed new name of the holding company

Mr Sonnenberg continued in his capacity as chairman of Woolworths (Pty) (the Woolworths trading organisation) he would also serve on the board of Woolworths, Truworths Mr L Shawzin, in his continuing capacity as chairman of Truworths (the Truworths trading organisation), would also join this board

The board of Woolworths, Truworths would be Mr D R Susman (chairman), Mr A G W Williamson (vice-chairman), Mr A Galombik, Mr C A Hall, Mr H C Kuiper, Mr E J Loenbenberg, Mr L Shawzinn, Mr R S Sonnenberg and Mr R W Stern

There would be no changes in the management structures of the trading companies — Sapa

Pep denies takeover

By DAVID CARTE
Deputy Financial Editor

PEP Stores is not being taken over, says the managing director Mr Tom Ball. There has been speculation about the company because of a 25% rise in the share price in less than a month.

The share price soared from 97c on April 16 to 1 220c yesterday.

Mr Ball "emphatically" denied takeover rumours yesterday.

He could not explain the increase in the share price. All he could suggest was that at lower levels, and following 56% earnings growth last year, Pep offered a far bigger dividend yield than other stores counters did.

Pep's annual report says "the present financial year should be another of great success" and the chairman Mr Renier van Rooyen forecasts turnover growth of 25% and pre tax profit growth of 30.

The report also sets financial guidelines and objectives which form the basis of the group's growth policy.

Pep aims to maintain a taxed return on shareholders' funds of 30% or more a year. Last year it achieved 46%.

Dividend and debt limitation policies have also been spelled out: annual dividends are to be three times covered and it is the aim ultimately to achieve a total liability to equity ratio of 1:1 — but "not at the cost of Pep's 30% return on equity objective".

Pep has embarked on a programme of upgrading, redesigning and relocating certain of its retail outlets. Mr Van Rooyen says the group intends to have at least 200 retail outlets moved into larger, more centrally situated premises over the next five years.

Simultaneously, and to fill the possible vacuum arising from the relocation of Pep outlets, further growth in the group's Half Price outlets is planned.

At the yearend the group had 400 Pep outlets, 71 Half Price stores and 13 Shoprite units. Since the yearend the group has opened one more Shoprite unit and six Pep and Half Price stores.

Pep's factories made their first exports last year. Mr Van Rooyen predicts that fully 5% of group turnover will be exports later.

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PLEASE CIRCLE ITEMS REQUIRED

Dominion sells 2 mines and hopes for JSE listing

RDM 13/5/81 (232)

By DAVID CARTE
Deputy Financial Editor

DOMINION Mining, the controversial unlisted mining company, is to sell its two diamond mines to Ochta Holdings for R1 800 000. It then proposes obtaining a listing on the JSE via reverse takeover of an unnamed listed company.

These proposals were revealed and approved, despite argument, at a general meeting of shareholders on Tuesday.

The chairman of the company, Mr John Stephens, said Dominion was selling its two mines, valued in the most recent balance sheet at more than R4-million, for only R1 800 000 because it lacked the "huge capital injection" required to make them profitable.

He said negotiations were at an advanced stage for Dominion to obtain a listing on the JSE through reverse takeover of an unnamed, listed industrial company.

Mr Stephens told me yesterday the reverse takeover was practically "signed, sealed and delivered".

He had already been appointed to the board of the victim company and this would be announced as soon as he supplied a picture of himself. He said the listed company was a going concern, earning a taxed profit of about R600 000.

"With the R1 800 000 we shall have in cash after selling our two diamond mines, we shall acquire, partly for cash, partly on loan account and partly for shares, unlisted financial and industrial companies.

'Once this is done, we reckon the company will be worth R4-million again and we shall have made good our capital loss on the mines"

Mr Stephens estimated that the proposed acquisitions would earn R800 000 after tax and that together with the R600 000 already being earned by the listed company, the reconstructed company would make R1 400 000 after tax.

He was quite confident the JSE would approve the move.

He would neither confirm nor deny shareholder speculation that the listed company was Hugh Parker, the Pretoria furniture company.

Another resolution at the general meeting liquidated a R1 250 000 loan account of Jesco Holdings for the issue of 500 000 new shares in Dominion at 250c a share. Mr Stephens is the sole proprietor of Jesco Holdings.

Before this, Mr Stephens had no stake in Dominion, although over several years, he frequently solicited funds from the public, describing the diamond prospects in the most glowing terms.

Over the years, Mr Stephens told me yesterday, shareholders had put "about" R4-million into Dominion. He acknowledged that to date they had received nothing from the company, except for the R1 800 000 now being offered by Ochta.

In 1979 the company lost R571 000. Major expenses were salaries, wages, commissions, emoluments and directors fees of R360 000 and legal fees of R34 000.

The company has yet to produce an annual report for the year ended June 1980 but Mr Stephens said another loss had been sustained. He could not remember the extent of the loss but it was about R140 000.

A spokesman for the auditors, Norman Sifris & Co said permission had been obtained from the Registrar of Companies to produce the accounts late because "the firm went through two different bookkeepers in 1980 and it took a long time to sort the accounts out".

He said the accounts would be posted to shareholders before the end of June — a year late. He said the 1981 accounts would not be so late.

Several shareholders at the general meeting said decisions about the sale of the mines should have been deferred until the accounts were ready but they were over-ruled.

Over several years Dominion has solicited funds from shareholders for its "outstanding" Blaauwbosch and New Elands prospects near Boshof in the Free State. It claimed its Blaauwbosch pipe, which had produced stones of 20 carats, was "the 19th biggest in the world" and had "enormous reserves".

Apart from the exciting pipes, both mines had "massive tailings dumps containing thousands of carats of diamonds".

Today, although diamonds worth only R210 000 have been recovered since the reopening, the chairman still describes the mines as "illustrious".

He says they were leading quoted stocks at the turn of the century and were closed only after floods and "mudrushes" — Blaauwbosch in 1966, and New Elands in 1974.

In 1979, the chairman told newspapers Swiss interests had bid R4 500 000 for the mines and that Belgian interests were keen to invest R2 300 000.

As recently as January 22 this year, shareholders were told in a letter that "small diamonds of high quality" were being recovered at Blaauwbosch mine, that the New Elands main pipe was a "consistent producer of good quality diamonds", that the Falk Shaft had given the company access to "another source of diamonds ready to be tapped".

The "most exciting news", for shareholders four months ago was that the company had begun to extract fissure on an open-cast basis at New Elands "and it is a proven geological fact that diamonds from fissures are larger and of higher quality than from the main pipe.

"Using just one machine, we took out sufficient lovely stones to encourage us to arrange for purchase of more heavy earthmoving equipment", said the letter, and the company was looking foward to "some very pleasant surprises".

Mr Stephens said yesterday he was highly optimistic about the mines as recently as four months ago but it only very recently became apparent that a large injection of capital was required to bring them to profitability.

"I sincerely believe the mines are worth R4-million. They are definitely worth more than R1 800 000 but that is all we could get for them. Remember, there were a limited number of cash buyers.

"Ochta has bought a fantastic proposition and after it has spent about R5-million, will do very well out of them. We just did not have the resources to carry on."

RDM 13/5/81

Boumat buys Falks Electrical

Q32

By HAROLD FRIDJHON

BOUMAT, the building supply group, has bought 80% of Falks Electrical (SA) and its subsidiaries for R690 000 The remaining 20% will be retained by the vendors, Mr J A Pollock and Mr J Hattingh who will remain in the business as managing director and financial director respectively

The purchase price will be satisfied by a cash payment of R400 000 and the issue of 50 000 ordinary Boumat shares at a price of 580c a share, the market price on March 17 1981, the date when the agreement in principle was reached

Mr David Gevisser, executive deputy chairman, said yesterday that the acquisition would have no material effect on earnings or net worth in the financial year to March 31

However, he had great hopes of the Falks companies making a reasonable contribution to group profits in the future

Falks is a long-established distributor of electric light fittings and allied lines which are either imported or manufactured in Falks' factory in Lesotho

Trading as Falks, Lumen, Cashlite and Lites, the company operates in Pretoria, Johannesburg and Kempton Park. There are plans for further expansion

Mr Gevisser said that the acquisition of the Falks companies was not a diversification for Boumat because the product range fitted into the group's sphere of operation

S.T.Bn.

Citizen to change hands?

232

13/5/81

Chief Reporter

The Citizen is about to change hands again, say staff members of the paper

They believe the present overall controllers, Perskor, may sell it to subsidiary Republican Press, which is controlled by the Hyman brothers, Mr Hint Hyman and Mr Boet Hyman

Citizen staffers say they believe the National Party wants to exercise more direct control over the paper, which has followed

To Page 3, Col 8

232 S.T.M. 13/5/81

Citizen to change hands?

From page 1

a more independent line than the NP had hoped for

But the Hyman brothers said to be well connected with the Prime Minister, Mr P W Botha, both denied takeover rumours

Another possibility is that the Citizen may be involved in share transactions which could see a change in the control of the newspaper

Denials of sale rumours have come from Citizen chairman Mr Marius Jooste and from the joint managing directors of Perskor, Mr Koos Buitendag and Dr Wimpie de Klerk

The Citizen was formed as a secret project of the defunct Department of Information in 1976 and R32-million of taxpayers' money was spent on it

In the recent election the paper took a fairly independent line

It is understood that change in ownership of the paper would enable the new owners to dismiss the editor, Mr Johnny Johnson, and appoint a new editor who would take a stronger pro-Nationalist line

Mr Johnson declined to comment

RDM 4/5/81 (232)

Gelvenor

ANGLO-TRANSVAAL Industries is holding discussions with Carrington Vivella on joint ownership of Gelvenor Textiles (Pty) Gelvenor which produces industrial fabrics and industrial fibers is wholly owned by Carrington

FINANCE

Many benefits to come from stores merger

Argus 15/5/84

(232)

THE merger of Woolworths and Truworths will produce many significant benefits, particularly in the field of quality control, technical expertise, cash utilisation and real estate, merger documents issued today show.

Woolworths is to pay R39,7-million in cash and issue 3 350 800 ordinary shares for Truworths It plans raising R25-million from an issue of variable rate redeemable preference shares and the balance will come from existing resources

According to a pro-forma balance sheet Woolworths would have earned 96,3c a share in the year to May 31 if the merger had been in effect This is about 25 percent higher than the 75,6c the company is expecting to earn in this period

Dividend payments would also have been about 18 percent higher at 44c a share, covered 2,2 times, which compares with the 38c a share, twice covered, it is planning to pay

● **Pep's** enhanced prospects have attracted the attention of investors However, to ensure that they merely invest in the company and do not try to take it over, Mr Renier van Rooyen, chairman and founder of the company, is planning to increase his stake in it

The 1981 annual report shows that he and his fellow directors bought 249 760 shares in Pep in 1980-81, increasing their stake from 11,84 percent to 16,20 percent

● **Barlow Rand** had an unaudited taxed profit of R178,7-million in the six months to March, up 27,5 percent on the R140,2-million earned a year ago

Profits attributable to ordinary shareholders increased 10,8 percent from R90,4-million to R109,2-million

Earnings a share were up 17,2 percent from 74c to 86,7c and the interim dividend is up from 18c to 21c.

Derek Tommey

The Star

15/5/81

232

15/5/81

Big v small in farming industry

OVER the last few years South Africa has seen the gradual monopolisation of its maize and beef farms The small farmer has been squeezed out And now, according to Mr Vic Allen, director of the Rural Trust, we may be seeing the demise of the small dairy farmer — crushed by maize prices which form half his overheads In twenty years the number of small, individually owned farms (those which supply the market, not subsistence farms) has been reduced by half Some were no loss, but only some

A dangerous misconception has lulled this country into believing that this has been a good thing We hear, ad nauseum, how 10 percent of farms are producing 80 percent of agricultural products While this is true it is no measure of national productivity For instance, "agri-business" is producing an average 1,3 tons of maize a hectare which is, by world standards, extremely poor A recent World Bank survey showed that large scale farming is far less productive than small scale because the small farmer knows his land, utilises all of his land and is aware that his family depends upon his farming skill In Third World countries small farm productivity is between 30 and 60 percent better than agri-business which tends to see farming as simply how much profit can be made from capital employed

One must also bear in mind that sociologically the small farm is the more important for it provides work, shelter, food and security for six times as many people for a given area than the giant farms

We have reached a point in our agricultural story where we have costly shortages and costly overproduction and where staple foods are beyond the pockets of those who work on the land There are no simple answers but we need to look long and hard at the accepted policies which direct farming in South Africa

Chairman buys more Pep

RDM 15/5/81 (232) (?)

IN RESPONSE to "continued rumours of a takeover of Pep Stores", the chairman, Mr Renier van Rooyen, denied denied that Pep was or had been involved in any negotiations with a potential buyer

He said he and other directors were increasing their stake in Pep

Mr Van Rooyen said "Clearly that does not mean that there may not be an attempt to buy a strategic stake in Pep through the stock exchange"

Pep shares have risen nearly 20% since the beginning of the May when they stood at 1 010c On May 7 they topped the JSE's most active share list, with R427 000 worth of shares — representing 38 000 shares — changing hands, fuelling rumours of a mystery buyer

Mr Van Rooyen said he was "personally in the process of increasing my shareholding in Pep, buying shares to ensure that control is consolidated"

The Pep report says that for the year to February 28 1981, Mr Van Rooyen and his directors bought 249 760 shares, increasing their holding from 11,84% to 16,30%

S Times 17/5/81 (232)

More light on grey areas in sequel to 'Who Owns Whom'

Sunday Times Reporter

STOCK-market researcher Robin McGregor is shedding more light on business's grey areas by listing 180 nominee companies and their deals

The Cape author says his probing reveals that at least 35 of these organisations have links with Anglo American

"Pinning them down took endless cross-checking, but I could not be more sure of their associations," says Mr McGregor

His sequel to last year's best-selling "Who Owns Whom" goes as far as detailing everybody owning more than 2% of ordinary shares in 260 quoted companies

This addition to Mr McGregor's informative publication in August, which sorted out 10 000 public and private companies, their directors and major holdings, takes up the intriguing story of what is really going on in South Africa's business world

Mr McGregor says "You can call this an up-date on 'Who Owns Whom', but it is a handy reference in itself and contains other useful information "

In the sequel, or supplement, are such asides as the value pattern of the rand since 1910 and circulation figures for all major newspapers

"To keep the price down I've reduced the type size and format," says Mr McGregor

When the specialist "Who Owns Whom" was published last year (almost 5 000 sold) the Business Times telephone lines were jammed for several days by readers eager to find out who really does own whom

SUNDAY TRIBUNE, MAY 17, 1981

Directors keep their company

S. Tribune 17/5/81

232

By JACK BRICKHILL Finance Editor

THE successful takeover of their own company by the directors of a large British confirming house has ensured its continued expansion in South Africa.

The Birmingham based company, Keep Brothers, escaped being swallowed up by a large group when the senior managers gained control after the Industrial and Commercial Finance Corporation's (ICFC) disposal of 45 percent of the equity

Keep Brothers, which is one of the few large houses not controlled by giant banking or mining groups, this week took over the interests in South Africa of Holt Whitney, another old established confirming house in Britain

A director of Keep, James Cecil-Wright, says the company may well have been sold to a group which would have "dictated policy with an adverse effect on our plans to continue to provide financial help to businessmen in South Africa"

Kenneth Sutler-Gore of Turners Confirming and Shipping, the Natal and Eastern Province arm of Keep Brothers, says 30 percent of Keep's foreign business is in Southern Africa. Last year the company enjoyed a turnover of R50-million with 30 percent of the foreign business in Southern Africa

Only six percent of activity is in Britain while more than 80 percent is in New Zealand, Australia and South Africa

The company provides short term finance to importers anywhere in the world to buy goods It acts on behalf of buyers to locate, negotiate, ship and finance a wide range of commodities In recent years a number of similar operations have closed, but Keep Bros has kept going and expanded.

The five senior managers provided a total of R180 000 in cash and the rest through loan stock to gain control The ICFC's shareholding in the company was obtained some years ago to ward off an unwelcome takeover bid.

JSE-listed Concor to lift payouts

RDM 18/5/81

(232) (20) (4/9)

By JOHN MULCAHY

IN a reverse takeover and listing move Elmar Holdings has acquired engineering and construction group Concor Holdings (Pty) in return for 16 169 000 new shares in Elmar

In terms of the agreement Concor will become a wholly owned subsidiary of Elmar with effect from July 1, 1980, and the enlarged Elmar will change its name to Concor Ltd

Concor Holdings shareholders will receive eight new Elmar shares for each Concor share held by them Elmar has 4 281 700 ordinary shares of 25c each in issue

Based on projected consolidated balance sheets at June 30 this year the deal will raise Elmar's net asset value from 30c a share to about 58c a share, representing an increase of 93% Estimated earnings for the same period will increase by 275% to 15c a share from 4c

Elmar intends paying a final dividend of 3c a share in October for the 18 months to June 30, giving a total distribution for this period of 6c a share, equivalent to an annualised 4c a share Based on the 15c earnings projection the dividend cover will be 3,75

The Concor group is in a growth phase, according to a statement from Metboard, and requires material profit retentions However, the new Concor Ltd s policy will be to increase dividends each year, and dividend cover is not expected to be higher than 3,75

The management of the various companies in the Concor Holdings group will continue on the same basis and terms of employment, including profit participation, as previously, and the boards of Elmar, Concor Holdings and Concor Construction will remain unchanged for the time being

The senior management are all shareholders in the company, and profit participation depends on seniority and length of service At present 46% of the shares are held by non-resident shareholders, and 54% are held by SA residents It is expected that after the Elmar transaction the SA shareholding will increase to 60%

The arrangement is subject to approval and allotment of new Elmar shares by that company's shareholders, to the granting of a listing by the Johannesburg Stock Exchange of the Elmar ordinary shares to be issued, to certain major fiscal clearances and to the approval by the shareholders of vendor companies of the disposal of a major part of their assets in exchange for new Elmar shares

Rand London takeover

RAND LONDON Corporation has acquired the issued share capital of Conveyor & Transmission Supply (Pty) — the CTS group — for R1 800 000

The company is a distributor of Dunlop industrial products and is a stockist for a range of conveyor and transmission belting and allied products

The vendors — Mr Clyde Lok, Mr Cedric Gillard, Mr John Kiely and Mr Dace Hind — will remain full-time directors of the company. Mr Lok has been appointed managing director. Four Rand London executives — Mr Bernard Holthousen, Mr Rob Bartlett, Mr Nic Steenkamp and Mr John Aubrey have joined the board

Mr Bartlett, general manager, commercial, Rand London, said that although the acquisition would have no immediate effect on the earnings of Rand London in its year to June 30, 1981, there should be substantial growth later

ATI sets sights on clothing firms

Argus 21/5/81 (232) (184)

THE giant Anglo Transvaal Industries group is negotiating to take over two Cape clothing manufacturers, Puma and Pastel Clothing, in a multi-million-rand deal.

Both factories are in Athlone Puma, employing about 600 workers, is one of the country's largest fabric knitters

Negotiations for the takeover have reached an advanced stage, says an announcement by ATI and Risa Investments, holding company of Puma and Pastel

This will be ATI's first venture into the clothing field although it is in textiles through a 56 per-cent stake in SA Fine Worsteds

ATI, with assets of around R250-million, has many industrial subsidiaries, including Globe Engineering, Irvin and Johnson, Consolidated Glass, Claude Neon Lights National Bolts, South Atlantic Corporation Denver Metal Works and T W Beckett

Tom Hood

M AND R TAKES OVER CAPE STEEL

Argus 23/5/81 232 34 189

By TOM HOOD

CAPE STEEL, one of Cape Town's biggest employers, has been taken over by Murray and Roberts Holdings in a multi-million-rand deal.

M and R has reached agreement with the shareholders to buy the entire share capital

The cost of the deal is not known although it is likely to be in cash M and R is highly liquid and raised R15-million earlier this year by an issue of preference shares

There will be no change in directors, management or staff and Cape Steel will continue to operate as a separate entity, an M and R spokesman says

The acquisition will not materially affect M and R's profits this year

DIVERSIFIED

Although still heavily entrenched in constuction, Murray and Roberts has diversified out of building and into less cyclical industries

Through its subsidiary Anchusa it has taken over a wide variety of companies, including the Elgin Holdings group of ship repair and engineering companies

Cape Steel employs more than 1 000 workers, mainly at its huge Epping factory.

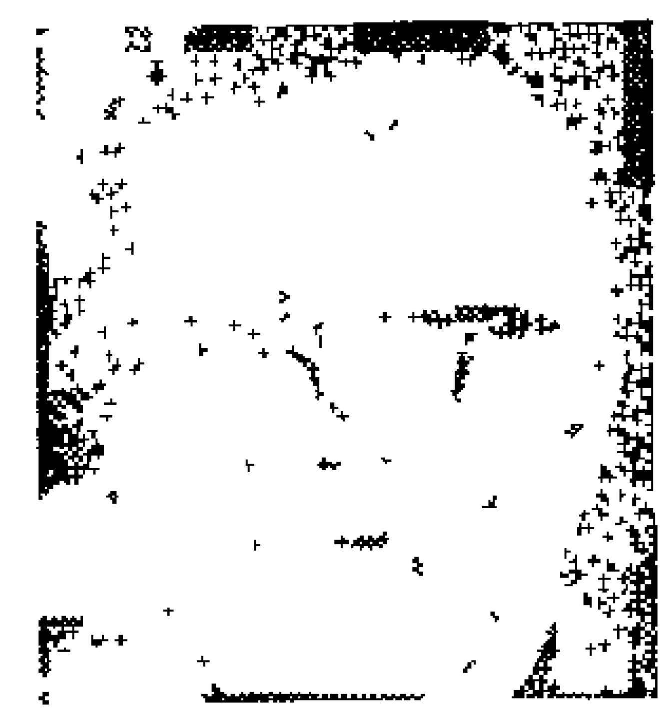
Since it started in Cape Town in 1938, it has become one of the Western Cape's major steel construction companies and has been associated with M and R companies in a number of large projects

The present managing director, Mr C Muilwijk, is only the third in the company's 43 years

One of the biggest jobs ever tackled by Cape Steel is at Koeberg nuclear power station where it has the major contract to make the huge steel liners for the containment buildings, a project needing a high degree of engineering expertise

The two vessels stand 56 m high, are 37 m wide and are made mainly from 6 mm plate. The steelwork includes a cylindrical shell, a cone section below and a dome at the top

Recent projects in which Cape Steel took part include the iron ore export harbour at Saldanha, the Richards Bay heavy minerals harbour and De Beers' diamond recovery plants at Tweepad on the Namaqualand coast



Mr C Muilwijk

All the stuctural steelwork for the Golden Acre centre, one of the largest property developments in Cape Town, was designed, made and erected by Cape Steel. It also made and erected the steelwork for 30 storeys of the Trust Bank building in Adderley Street

S Tribune 24/5/81

232

Mergers: Monopolies Board prepares guidelines

Finance Editor

THE Monopolies Board is preparing guidelines for companies involved in takeovers and mergers.

A spokesman for the board says a draft document has been circulated to business organisations and comment so far has been favourable "although certain parties have made useful comments".

The final guidelines are expected to be tabled in Parliament about September. The object is to smooth the way for companies involved in prospective takeovers but it is not necessary for anyone to consult the board beforehand.

The board has the power to issue a standstill order for three months on a deal if it thinks an investigation is necessary to ensure the public interest is maintained.

The details of the guidelines are still under wraps but it is expected they will merely elaborate on the existing provisions of the Maintenance and Promotion of Competition Act.

The new document is expected to be fairly elastic and much depends on the interpretation by the board of competition policy. The main ingredients of a successful takeover are speed and surprise and it seems likely the new document will do more to help than hinder this process.

Steel takeover

By Vera Beljakova

MURRAY & Roberts Holdings, the giant R818 million group (in terms of last year's turnover), has reached an agreement with Cape Steel Construction whereby M & R will acquire the total share capital of Cape Steel.

Cape Steel, a privately owned national company employing 80[illegible] people, has a turnover of about R35 million from its two divisions — steel and aluminium.

Waverley rights deal

By John Spira

WAVERLEY Gold Mines, listed on the JSE under Contracted Operations, has, according to Business Times sources, sold certain of its mineral rights to General Mining Union Corporation (Gencor) for a sum in the region of R850 000.

An announcement is expected within the next few days.

The deal, which covers the mining rights of two portions of two farms in the Springbok Flats area of the Northern Transvaal, explains the recent strength of Waverley shares, which have added 40c to 190c in the past month.

Some 10 months ago, Waverley rocketed from 120c to 260c in the space of five days on rumours that a mineral rights deal with Gencor was imminent.

With only 1,7-million shares in issue, Waverley's cash injection from the Gencor deal translates into a fairly substantial per share figure.

Carrig Diamonds, administered in the same stable as Waverley, will also benefit from the sale of the rights through its 12,5% participation agreement with Waverley.

S Times Bus

Steel takeover

24/5/78 (232)

By Vera Beljakova

MURRAY & Roberts Holdings, the giant R818 million group (in terms of last year's turnover), has reached an agreement with Cape Steel Construction whereby M & R will acquire the total share capital of Cape Steel

Cape Steel, a privately owned national company employing 900 people, has a turnover of about R35-million from its two divisions — steel and aluminium

Farmers big new venture

S Times 24/5/81

By Elizabeth Rouse

FEDMECH and three co-operatives in the Western and Southern Cape have formed a joint venture Fedco Cape, to handle the Fedmech farm-machinery product ranges

Fedco Cape, 51% owned by Fedmech and 49% by the co operative societies as a group at the moment comprising co operatives Caledon-Riviersonderend, Westelike Graanboere and Suid-Westelike Kooperatiewe Graanmaatskappy — started operations in April

Fedco is in full swing in Malmesbury, Caledon and George Hopes are that more co-ops will take shares in the new company The idea is that additional shares may be issued but the shareholding proportion remains 51%/49%

The joint venture was first mooted by Dr P E Rousseau, chairman of Federale, and Frans van Wyk, chairman of Boeresake In the end Boeresake decided against participation

The Fedco board consists of Dr Leon Knoll chairman, Floris Brand, Laurie Schreuder and John Turpin as Fedmech nominees, Dawid Broodryk and Att Verster as the co-op societies nominees with one vacancy on the board to be filled later from a nomination by the three co-ops

Fedco will be managed by Laurie Schreuder He will be supported by three retail outlet managers, Brian Roberts at Malmesbury, Mynhardt van Niekerk at Caledon and Robert Dick at George

Dr Knoll said at the launching of the company in Cape Town this week that the formation of Fedco represented an extension of Fedmech's facilities in the Western Cape as well as an extension of its links with co-operative societies

Fedmech already has R6-million invested in distribution, spares and service facilities in the Western Cape The formation of Fedco amplifies Fedmech's policy to provide continuity and standards of service, said Dr Knoll

Although co-operatives have the franchises of other makes of farm machinery and implements, Fedmech has a major share of the entire farm machinery market

April figures show that MF tractor sales were more than double those of April 1980 and the MF market share for the year to April 1981 of 25,2% puts MF well ahead of competitors

Fr Alex bids for Marlin

Argus 26/5/81

(232)

FRASER Alexander is to acquire control of Marlin Investments, Rand Merchant Bank says

Alderson and Flitton Holdings and Mr Peter Gain have sold their shares, amounting to more than 70 percent of Marlin, to Fraser Alexander at 185c a share. This compares with the current price of 177c and 150c a fortnight ago.

Other Marlin shareholders will have the choice of receiving 185c in cash for each share, receiving 185 ordinary shares in Fraser Alexander for every 100 shares in Marlin, or retaining their investment in Marlin

Unless all Marlin shareholders accept the first two alternatives, Fraser Alexander will maintain the listing of Marlin.

Fraser Alexander expects to pay a final dividend of 8c, making 11c for the year. This is nearly double the pre-listing forecast of 6c.

Fr Alex gets Marlin control

RDM 26/5/81

(232)

By DAVID CARTE
Deputy Financial Editor

FRASER Alexander, the newly-listed builder and operator of mining recovery plants, is to acquire control of Marlin, the listed granite producer, at 185c a share.

According to Rand Merchant Bank, Alderson & Flitton and Mr Peter Gain have sold their shares, amounting to more than 70% of Marlin, to Fraser Alexander at this price

A similar offer is to be extended to minority shareholders The 185c offer compares with the current share price of 177c and 150c a fortnight ago

Minorities can choose between 185c in cash, 185 Fralex shares for 100 Marlins or they can retain their Marlins Unless all shareholders opt for cash or Fralex shares, the intention is to keep Marlin's Johannesburg Stock Exchange listing

Alderson & Flitton opted for R1 211 000 cash for its 655 000 shares, which represented 20,8% of the equity Mr Gain, with "more than 50%", took the share option This gives him control of Fralex

Rand Merchant Bank says Fraser Alexander expects to pay a final dividend of 8c, making 11c for the year This is nearly double the pre-listing forecast of 6c

A&F says it sold its shares because Marlin has not been consolidated and therefore, after interest, does not contribute to its earnings

In addition, its business is different from that of Marlin and its stake in Fraser Alexander after this deal would not have been meaningful

The sale will not affect A&F's earnings, but will increase net worth by 3c a share

This deal leaves Mr Gain with control of Simmer & Jack, Fralex, Marlin and its 85%-owned R2 400 000 cash shell, Aliana

COMMENT: Judging by the way Marlin's share price has moved against the market in the past two weeks, security on this deal was not watertight.

No reasons are given for the deal, but apart from rationalising Mr Gain's holdings, Marlin could no doubt use Fralex's mining and engineering expertise, while Marlin broadens Fralex's scope of operations.

Marlin earned 33,8c and paid 14c a share in the year to February. This puts the offer price on a dividend yield of 7,6% and a PE of 5,5.

At current prices, the share option prices Fralex at 100c against its market price of 95c. The new projected dividend gives a yield on the offer for Fraser Alexander of 11%.

I would expect the fatter projected dividend to lift the Fraser Alexander share price and this to make the share option more attractive.

Only 58% take Sallies rights

ROM 26/5/81 (232)

By JOHN MULCAHY

ANGLO AMERICAN has become the direct holder of 17% of The South African Land & Exploration Company after the disappointing 58% response to the rights offer.

Before the rights offer — on March 31 — Anglo held 6,34% of Sallies directly. After taking up its rights and as a result of its underwriting agreement, Anglo now has 1 564 477 of the increased share capital of 9 182 700 shares.

The rights in a ratio of 35 new shares for every 100 shares held and at a price of 570c a share, were available to shareholders registered on April 24 when Sallies price on the JSE was 640c. The price has since declined, and closed yesterday at 560c.

Shareholders were uncertain about the gold price when considering the Sallies offer, as an additional investment in the mine must be regarded as speculative and improved returns depend on a sustained rise in the gold price.

The R13 700 000 raised in terms of the rights issue is to be used to finance an underground sampling operation.

The parallel offer in the Anglo group — that of Elandsrand — attracted subscriptions for 96,2%, the remaining 3,8% of the 21 135 587 shares offered to be taken up by Anglo in terms of its underwriting agreement.

Elandsrand shareholders were offered 28 new shares for every 100 held on April 24 at a price of 570c each to raise R120-million to go ahead with the urgent development of a sub-vertical shaft system and to bring the mine to full production of 180 000 tons a month.

While it appears from the results that the Elandsrand offer seemed far more attractive to its investors than did the Sallies offer to its shareholders, it should be remembered that almost 88% of the shares before the rights offer were in the hands of three shareholders — Anglo with 49,67%, Amgold with 23 05% and Gold Fields with 14 94%.

Assuming that the major shareholders took up their rights about a third of the remaining investors left the issue alone.

There has been some advice from analysts to shareholders to take up their rights in the Elandsrand offer, based on profit projections on the strength of the high-grade Ventersdorp Contact Reef, exploitation of which is expected to reach full potential in about five years.

However, there has also been a warning that drilling results on the VCR can be misleading and this uncertainty, together with continuing technical problems, has placed Elandsrand in the speculative bracket.

Pick 'n Pay heading for major new deal?

CT 27/5/81 (232) (26)

By PAUL DOLD
Financial Editor

TAKEOVER rumours are sweeping Cape Town again in the retail field and current market favourites are Pick 'n Pay and Clicks

Market speculation has been linking Pick 'n Pay with Clicks, suggesting that Raymond Ackerman will bid for this fast growing toiletries and gifts chain. Both share prices have been hardening in recent weeks.

But Mr Jack Goldin, Clicks chairman who with the Goldin family trusts is major shareholder, last night denied that any takeover by Pick 'n Pay was pending.

"There is no deal underway. We have noticed the rise in the share price and presumed it was due to the current buoyant trading conditions."

Both firms have recently been engaged in intensive discounting in the toiletries field.

Market talk locally has also been suggesting that Pick 'n Pay, undoubtedly with one of the best track records on the JSE boards, is heading for a new growth phase which could well encompass several takeovers or semi-diversifications.

Investors have noted the ultra bullish stance taken by Raymond Ackerman in his recent annual report in spite of the fact that issued capital will be increased this year due to the conversion of the prefs and are convinced that the food store tycoon is about to unveil new plans.

If market deductions are correct Mr Ackerman may well, as has been customary in the past, use today's annual meeting to disclose his plans.

He will also have a second opportunity at the group's annual dinner in Cape Town on Saturday when key awards will be presented to several executives.

There have been no further developments in the speculation surrounding Pep Stores where a mystery predator was believed to be picking up stock.

The talk followed by a sharp rise in the share price led to chairman Renier van Rooyen publicly announcing that he was increasing his stake. The share price has however remained firm.

Access changes hands

Argus 27/5/81

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JOHANNESBURG — Control of Access Investments has changed hands for about R1,4 million

The Mowszowski family of Johannesburg has acquired about 53 percent of Access from Mr Leonard Bernstein of Durban at 77c a share

Access comprises mainly investment companies and a trading company which distributes arms and ammunition — Sapa

Unicorp gets stake in Xactics

Industrial Reporter

UNICORP is taking a stake in Xactics, the Cape-based plastic bottle manufacturer, by becoming a shareholder in a new holding company whose assets are to be 70% of Xactics and 100% of Quinpak.

Xactics directors say Unicorp's stake in the holding company which is not named will be "substantial".

Control of Xactics will remain unaltered in the hands of its present directors and the membership of the company's board will not be changed.

The statement says: "The directors of Xactics Holdings, the holding company of Xactics and Quinpak and the major shareholder of Quin Corporation, are pleased to announce that the present shareholders of the holding company have entered into an arrangement with Union Corporation in terms of which Unicorp will become a substantial shareholder of a new holding company to be formed the only assets of which will be 70% of Xactics and 100% of Quinpak."

After speculation last year that the Cape firm would go for a listing using the then cash shell Quincor as a vehicle, Xactics itself went public last October, with its share offer 37 times oversubscribed.

The obvious common factor linking Unicorp and Xactics in this deal is Unicorp's packaging and printing subsidiary, Kohler Brothers.

But it is unlikely that Unicorp will be permanently happy with anything less than eventual control of the new holding company.

Quincor's attributable income after tax and dividends in the year to February 28 was R3 000 000 with earnings a share of 27,2c. Comparisons with its previous year are invalid because Quincor was a cash shell until December 1980 when it bought metalware manufacturers Hendlers.

In its first year as a listed company to February 28, Xactics turned in attributable earnings of R3 200 000 (R2 400 000 the year before) and earnings a share of 16,5c (12,5c).

Xactics in deal with Unicorp

Argus 29/5/81

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UNION Corporation has entered into an arrangement with Xactics Holdings in terms of which Unicorp will become a substantial shareholder of a new company whose assets will be 70 percent of Xactics Limited and 100 percent of Quinpak.

Control of Xactics Limited will remain unaltered in the hands of its present directors and composition of the company's board will remain unchanged.

Xactics Holdings is the holding company of Xactics Limited and Quinpak, and the major shareholder of Quin Corporation.

BUSINESS

Anglo coup in one of biggest mining deals on record

Star
June 1981
232

By Colin Campbell, Financial Correspondent

LONDON — The Anglo American Group, through its share interest in Consolidated Gold Fields, stands to gain considerable benefits following Cons Gold Fields deal with American mining company Newmount.

London analysts, assessing last week's Gold Fields' acquisition of a seven percent stake in Newmont and its intention to increase its interest to slightly below 50 percent, say it could help Anglo to become one of the biggest copper producers in the world

The relationship between the Anglo Group, Cons Gold Fields and Newmont makes Anglo an especially interesting share

London stockbrokers James Capel say "What a masterstroke it was when Anglo/Charter sold the stake in Selection Trust and the group, using De Beers cash, bought into Cons Gold With Cons Gold organising the biggest gold mine in South Africa (with Anglo as a minor holder) and now the Newmont deal, Anglo will achieve far more in one year than it could ever have done through Selection Trust in a decade "

The chairman of Newmont, Mr Plato Malozemoff, said at the time of last week's Gold Fields' announcement that "Mergers between companies taking advantage of recognised synergisms and resulting in a stronger, aggressive combinations with the same goals can be mutually beneficial, but acquisitions of utterly disparate elements building a non-integrated conglomerate in different industries with conflicting philosophies, structure and dynamics can be wasteful, if not destructive "

What is Newmont? The answer is a table of 16 important interests Magma Copper, US, Similkameen, Canada, Tsumeb, SWA/Namibia Palabora, 28,6 percent, O'Okiep 57 5 percent; Southern Peru Copper, Foote Mineral, US, Sherritt Gordon, Canada, Highveld 10 4 percent, Dawn Mining, US, Peabody Coal US 27 5 percent, Newmont Oil, Carlin Gold, US, Telfer Gold Mines Australia; Resurrection Mining, US, Atlantic Cement US

Gold Fields' Zinc Corporation of South Africa could link in nicely with Newmont's 57,5 percent Gamsberg Zinc Mine, Capel suggests as just one example

CLOSE TIES

Looking at Newmont, one sees that Anglo, with 29 percent in Cons Gold, also has close ties with Newmont in any case Highveld — Anglo 26,38 percent, Newmont 10,4 percent, Tsumeb — Anglo 2 63 percent, Newmont 29,8 percent, Palabora — JCI 41,27 percent, Anglo 4,5 percent, Newmont 28,6 percent, O'Kiep 57,5 percent Newmont

The question of synergy therefore is more appropriate in the case of Anglo American than it is for Cons Gold and is centred on the two prime target areas for Anglo — South Africa and North America

With a stake in Newmont, although through Cons Gold's eventual 19 percent holding, Anglo would finally boost its interests in Palabora, O'Kiep to add to JCI's existing interests in Palabora and Otjihase

FORECAST

"Outside of North America, Newmont has 16,7 percent of Southern Peru Copper and with Anglo's stated intention of expanding its interests in South America, any beneficial holding in Peru in which the group has no direct interests yet, will be welcome," Capel adds

The three together — Anglo, Newmont, Cons Gold — could rival anything the oil companies could do in the mining industry and would be the most formidable mining group in history

Capel say "It is a winner for Cons Gold — and therefore for Anglo In a few years' time we can envisage Mr Malozemoff as chairman of Anglo's North American interests, Sir Rudolph Agnew, chairman of the other international interests, and Mr Harry Oppenheimer tipped for president "

Powertech

3/4/81 argus

to acquire Willard

232

Argus Correspondent

JOHANNESBURG— Powertech will almost double its turnover by acquiring Willard Africa, a major industrial and vehicle battery-making company.

The consideration will be R9,5-million in cash and shares in a mix that has not yet been decided upon

Willard, which has built up a major share of the South African lead acid battery market, has sales of about R20-million and a taxed profit of R1,2-million.

In its 1981 financial report Powertech announced a turnover of R22,4-million and a pre-tax profit of R1,8-million The acquisition is not expected to have any immediate effect on earnings a share

However, it is expected to contribute significantly to Powertech's earnings in future years

Powertech takes over Willard battery

3/6/81 S7ar

(232)

Powertech will almost double its turnover by acquiring Willard Africa, a major industrial and vehicle battery-making company

The cost of the acquisition will be R9,5 million which will be paid in cash and shares in a mix still to be decided

Willard, which has built up a major share of the South African lead acid battery market, has sales of about R20 million and a taxed profit of R1 2 million

In its 1981 financial report, Powertech announced a turnover of R22 4-million and a pre tax profit of R1 8 million

The acquisition is not expected to have immediate or significant effect on earnings a share, but is expected to contribute considerable to Powertech's future earnings

In its recently published annual report, Powertech complained of the difficulty of expansion through acquisition stating that this was because of the limited number of acceptable companies available in the industry coupled with the prices being asked and paid

TECHNOLOGY

Negotiations were held with a number of companies during the year but Willards is the only one to be taken over

The considerable breadth of technology behind Willard will continue to be available to it in terms of a licence agreement between Willard and its former parent company, ESB International Corporation — Ann Crotty

CHAIN STORES PLAN TO WARD OFF TAKEOVERS

argus 232 3/6/81

TWO of the country's leading chain stores, Pep Stores and Pick 'n Pay, are taking steps to prevent sneak takeovers.

Rumours have been circulating lately that takeover bids may be made for the two companies

At neither company has the major shareholder a controlling interest

Mr Renier van Rooyen, chairman and founder of Pep Stores, told shareholders at the annual meeting yesterday that because of the possibility of a takeover attempt being made, he and a fellow director, Mr Christo Wiese, had been increasing their stake in the company.

Between them they now owned 25 percent of Pep Stores' shares.

He had also reached an informal agreement with other major shareholders in the group to safeguard the company against a 'sneak takeover.'

Mr van Rooyen assured shareholders that no negotiations for a possible takeover of the company had taken place in the past or were taking place at present.

33 PERCENT

He was not against a merger or takeover if the price were right.

Meanwhile, two directors of Pick 'n Pay, Mrs Wendy Ackerman and Mr Issy Fine, told the company's staff at the weekend that in response to takeover rumours steps were also being taken to safeguard control of the company

The Ackerman family is believed to hold about 33 percent of Pick 'n Pay's shares, and Pick 'n Pay staff a further 10 percent.

Pep Stores has a market capitalisation of R65-million It might interest a predator because of its valuable manufacturing division

Anyone securing control of Pep would be likely to strip the company of this asset.

CASH OUTLAY

It is a little more difficult to see why a predator might try to seek control of Pick 'n Pay The company has a market capitalisation of more than R100-million so a substantial cash outlay would be required

As the company's properties appear in the accounts at near their full valuation it is not easy to see how an asset stripper would gain

Pick 'n Pay's main strength is its exceptionally able management team It is not clear how a predator could put this team to any better use than it is serving at present

Derek Tommey

Willard charge for Powertech

By DAVID CARTE
Deputy Financial Editor

POWERTECH has bought Willard Africa, a major industrial and vehicle battery-making company, for R9 500 000

Willard claims 50% of the industrial battery and 17% of the automotive battery market in South Africa. It has sales of about R20-million and taxed profit of R1 200 000, says Powertech's executive director, Mr Bill Venter.

The seller is ESB International Corporation of the US which is wholly owned by Inco of Canada.

The price will be paid in cash and shares. Mr Venter says the mix of cash and shares has not been decided on. Several financing packages are possible. Altron or a South African institution, for instance, could put up some of the cash for Powertech shares or the seller could take shares in Altron.

Mr Venter said Willard was less geared than Powertech.

The acquisition of Willard is not expected to have an immediate effect on Powertech's earnings. It is expected to "slightly reduce" net asset value of 21,1c a share.

The acquisition nearly doubles Powertech's sales, which last year were R22 362 000.

Mr Venter told me there would be significant rationalisation benefits as Willard's batteries were complementary with several other Powertech products and its 22-branch service and distribution network would be useful to the entire group.

Mr Venter said that because of the vehicle and mining boom last year, Willard's results in 1980 were particularly good. They were unlikely to take off immediately from current levels.

But Powertech was confident that in the longer term Willard would "contribute significantly" to earnings.

Mr Venter said Powertech's next step would be to enter transformer and cable manufacture. The group could then offer turnkey services.

After falling short of its earnings target last year, Powertech is looking for "sound growth for the future" say the executive directors in their annual report.

They mention seven factors running in Powertech's long-term favour — the swing to electrical energy, rapid expansion of the gold, coal and uranium mining industries, developments at Sasols 2 and 3, Escom's extensive expansion programme, the electrification of black townships and the upturn in the economy.

They say whereas electricity is supplying 20% of SA's energy needs, by 2 000 it could supply 40%.

After a good year last year, subsidiary Electrical Protection Company has a number of long-term orders and is well placed to continue growth.

Circuitaire, a disappointment last year, has undergone a management shake-up and "is confident of being a more positive contributor to the group's results in the short term."

Disbar, the other poor performer last year, has been moved to the East Rand and "steps have been taken to improve site supervision and a cost reduction team has been formulated to reduce expenses and improve productivity."

COMMENT: This acquisition makes Powertech even less like Altron and the group structure with Altron at the top, Altech in the middle and Powertech at the bottom more unwieldy.

It would seem a good idea to get Altech and Powertech independently alongside each other under Altron. This implies Altech passing its shares in Powertech on to Altron. The latest acquisition and the share issue it implies might afford the opportunity to effect such a restructuring.

After a disappointing 1981, things are looking up for Powertech, which was hit hard not only by Circuitaire and Disbar but by tax last year. The tax rate is expected to stay constant and I would expect good earnings growth, especially if Willard can repeat 1980's performance.

that Share cross-holdings continue to spread but are impossible to accurately unravel because of the secretive nature of financial reporting of such groups as Rembrandt and FVB And SA's nominee laws protect this secrecy The cosy boardroom arrangements of the English-speaking director have been repeated by the Afrikaner

But some perspective is needed on this Trek Petroleum MD Donald Masson an Afrikaner who has insight into changing attitudes through his role in organisations such as the Afrikaanse Handelsinstituut claims that though Afrikaans has been the language of government for over 30 years the Afrikaner controls only 15%-20% of the economy, and less than 10% of companies quoted on the JSE are Afrikaans

Only five of the top 20 companies in the *FM*'s Top 100 this year are Afrikaans groups Of the total assets of these Top 100, worth R26 318m, only R6 299m (23,9%) is accounted for by predominantly Afrikaans companies This compares with 13 1% in 1967 and 16 5% in 1971 The Afrikaner's share of the cake is increasing — but not to the massive extent that outsiders might think

Two unique developments have speeded-up this process One was the flotation of Sasol previously a quasi-State corporation The other was the development of a local electronics industry and the resultant catapulting of Allied Technologies, controlled and ultimately owned by Afrikaner Bill Venter, into the Top 100

That aside, the major ingredients for success are as ever hard work, innovative business methods, firm but fair negotiating tactics and shrewd manoeuvering within recognised boundaries The point still has to be made though that the Afrikaner's business drive is combined with the awareness that he is spearheading certain *volk* aspirations this gives a cutting edge to his motives Witness the recent business successes of such patriots as Jan Pickard, Sentrachem's Francis le Riche, Albert Wessels, Theunis Bester of Bester Construction, Volkskas Laurie Korsten, Louis Luyt, and Renier van Rooyen — to name but a few

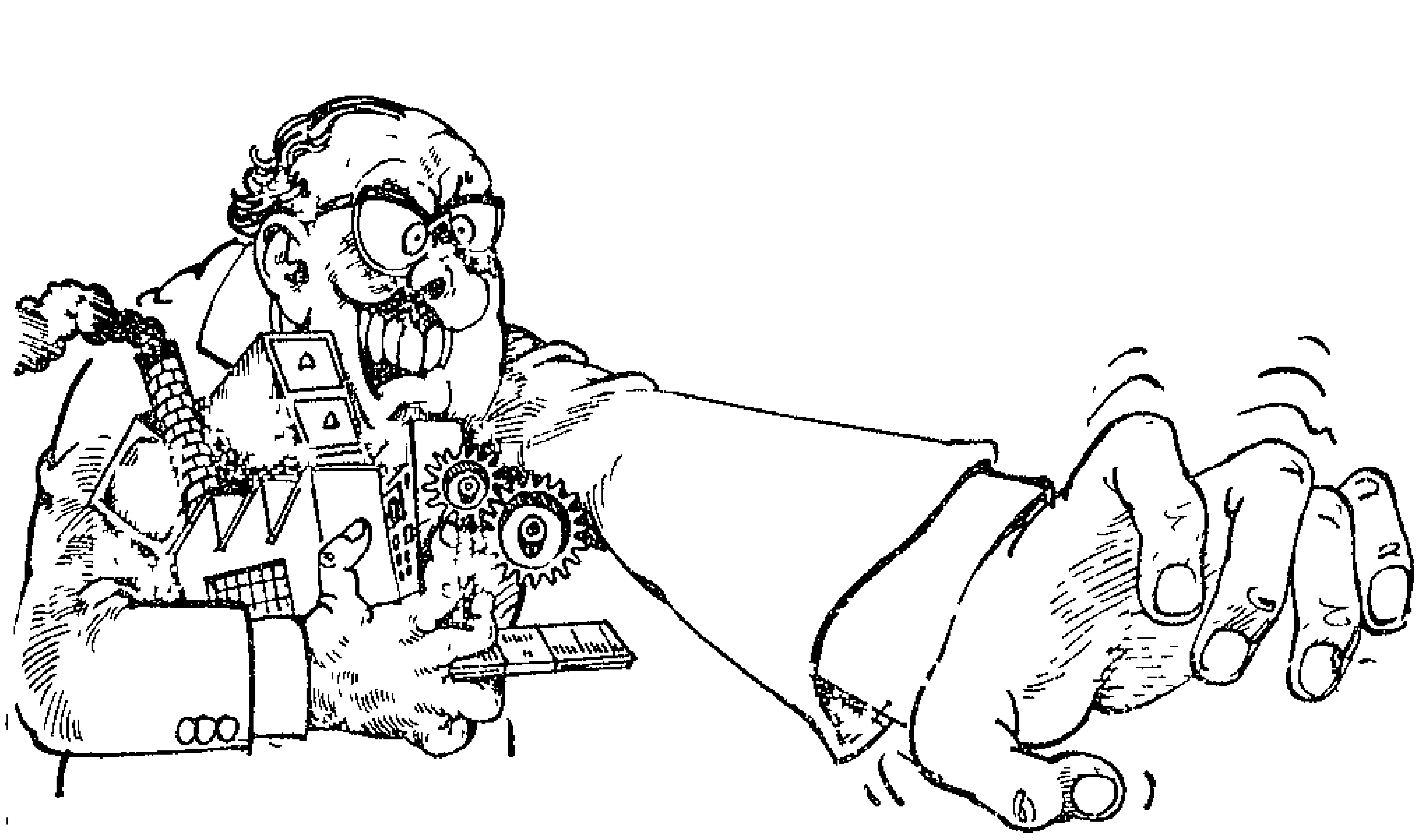
Business drive, with or without patriotism needs a testing ground For the Afrikaner it was for a long time the public sector — Escom Iscor the IDC Sasol Foskor and the SAR Holdings which some of these corporations have in private enterprise have helped create a career path which for some led to directorships outside the statutory corporations Though this path of course still exists the eradication of prejudices against Afrikaner businessmen has helped make it redundant for many of the younger, aggressive men

But what of allegations of special treatment, special deals? Critics doubt, for instance whether Anglo or Barlows could have achieved their spectacular success in the electronics industry like that of Altech with its Defence connections

There is also the more insidious work of the NP government and the Broederbond to create an environment in which Afrikaner business can thrive That may require, for example, the use of State machinery to break up existing strangleholds on whole economic sectors

And there is still concern — in all circles — that Nat ideology still pervades such sensitive areas as homelands development, where for too long clear economic reasoning has been sacrificed to political goals While of late various government think-tanks have placed the emphasis on economic rather than political development, Pretoria still seems set on pushing all the homelands to "independence"

Perhaps this is where the growing power of Afrikaner business can best exercise itself in its own as well as the national interest The fostering of a true free market structure for SA will probably only really happen when Afrikaners in business force it to happen — irrespective of the cost to political visionaries And that means pressure for the dismantling of discriminatory structures including in-



GENERATION GAP?

Tom de Beer, GM (finance) of Gencor is a good example of the younger generation of Afrikaner business executives De Beer raised no objection to discussing the issue of Afrikaner businessmen as a group But as far as his own views on the matter go it s very clear he regards himself as a businessman first and Afrikaner second The Gencor group as a whole says De Beer, operates as a very effective partnership between English and Afrikaans speakers with little thought about language differences

Perhaps what is most significant about Afrikaner businessmen like De Beer is the sheer self-confidence shown within the world of business And the counterpart to that confidence is the total absence of a feeling that Afrikaner business still had to rely on the swaddling clothes of appeals to group loyalty Instead there is a robust determination to compete in the marketplace on absolutely equal terms

De Beer rejects completely any suggestion that companies like Gencor can rely on special treatment from government because they are Afrikaner-controlled So on the issue of export licences for coal he claims that Gencor was left out in the cold like many other companies when government for reasons of its own, gave generous treatment to international oil companies instead Typically in the new state of affairs in contemporary SA, Gencor then forged an alliance with Anglo-American on the issue of a greater export allocation to the major in-land suppliers An approach which proved effective

All this is not to say that De Beer is unaware of the major political issues facing SA in the years ahead He effectively concurred in the view put to him by the *FM* that just as the Afrikaners business advance had improved relationships with the other language groups equivalent economic advances by the blacks would be necessary to defuse the economic component in race relations

The very existence of men like De Beer in the business context is living proof of the ability of free market economies to take the sting out of group resentments a lesson with powerful and hopeful implications for the future

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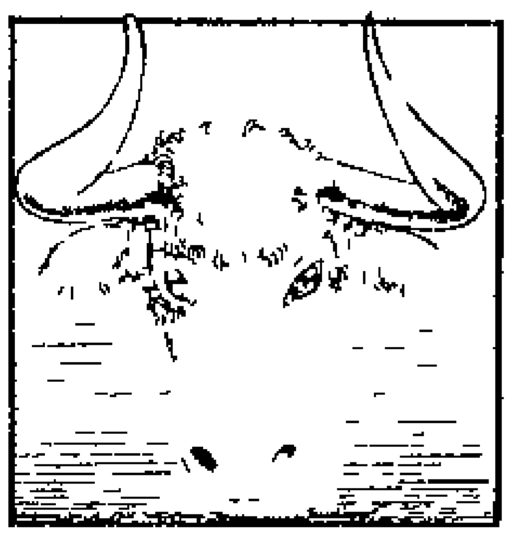
AFRIKANER BUSINESS

Are the bulls raging?



Analysing SA's business world sometimes calls for the skills of a dynastic and historical genius coupled with the tact of a family doctor. The overriding truth is that there is not one, but a number of business worlds in SA — and this is recognised when people speak of "English business," "Black business" and, of course, "Afrikaner business."

Cynics assert that all money is the same colour. But this falls down in the face of our byzantine set of cross-loyalties and priorities. Political sensitivities — indeed, ethnic ones — play a unique role. There is a great deal of secrecy and a great deal of pride, and the businessman, as his power grows, often finds himself the focal point of frequently conflicting pressures and loyalties.

The question must be asked: Is there such a thing as "Afrikaner business *per se*"? After interviewing a wide spectrum of opinion, the *FM* cannot say with any confidence that there is — though there certainly was once, and it had to be so for very cogent reasons indeed. What we did find is that Afrikaner business is at the crossroads. The bulls — as outsiders often perceive them — now have the power to make their influence felt in ever wider political and social circles.

The Afrikaner businessman started life as the underdog in a defeated nation. In their authoritative study of *The Rise and Crisis Of Afrikaner Power*, Heribert Adam and Hermann Giliomee write: "By 1912 some 85% of the civil servants were English-speaking. Even in the Afrikaans rural areas, English civil servants and teachers were prominent. In view of their economic position there was the expectation among many English-speakers that their capitalist and cultural values would continue to transform the South African political life.

"In contrast, the Afrikaners as individuals experienced critical times. As the frontier closed toward the end of the nineteenth-century the rural poor, particularly the small subsistence farmers, were pushed off the land. The rinderpest epidemics of the 1890s and the ravages of the Anglo-Boer War accelerated the flow of poor Afrikaners to the cities. In general they were so destitute and lacking in industrial or vocational skills that little apart from their sense of being white men, distinguished them from the Africans in the cities."

The burning sense of inferiority engendered by this period, the shame of the growing "poor white problem," left irremediable marks in Afrikanerdom — in the literature, art, self-image and aspirations to power that would overturn the humiliations of the past.

Political power came in 1948 — and it was then easier to enter the doors of the economic kingdom. Today's leaders are the last of that tough breed of Afrikaners who saw it as their task — a task for the *volk* — to carve out a chunk of SA's economy. A new generation of Afrikaners is preparing to take up the reins. What do they have in common — and what are the differences?

Both generations stress that the image they wish to create or project for tomorrow's archivists is that they are businessmen who just happen to be Afrikaners. They had, unlike their predecessors, the benefits of scientific, academic and commercial training, and have been able to cut their teeth in a flourishing business and social climate cleansed of anti-Afrikaner prejudices. Their outlook is far less parochial.

Again, in speaking to both generations, the *FM*'s questions led to one early conclusion. Older Afrikaans business leaders field questions smoothly, with credibility and charm — they have the answers. But younger leaders are touchy about any investigation of ethnicity in business. Part of the reason lies in wariness over any publicity concerning the role of the Broederbond and the special relationship with the ruling National Party. Coupled with this is the perception that, to meet the "total onslaught," English-speaking businessmen must be got "on-side" — that is, be drawn into a national non-sectional laager.

But to achieve this, the Afrikaner must delicately dismantle some of the protectionist tribal barriers erected over the years. To survive today, to grow tomorrow, Afrikaners now realise that business horizons must expand beyond Afrikanerdom. But the growth of Afrikaner business has resulted in a vast concentration of power in the hands of the master strategists. Possibly because of SA's comparatively small markets there is the danger of Afrikaner business, like all big business, becoming incestuous, certainly oligopolistic. Anton Rupert, founder and head of the Rembrandt empire, for one, recognises this. Rembrandt has created huge cash reserves (rumoured to total R700m) outside SA. Not much of that is expected to be repatriated.

It seems that the strategy, and *modus operandi*, of expanding Afrikaner business is still the preserve of the older leaders. Younger men seem reticent in formulating global policies — which is not to say they do not exist. Johan Rupert, son of Anton and MD of Rand Merchant Bank, claims that: "There is no single motivating factor in my generation." And refusing to answer any of the *FM*'s questions, Finansbank's dynamic Piet Liebenberg was even more blunt: "I do not like the trend of this one."

The Afrikaner is an established, mature force in business. Sanlam, Rembrandt, Trust Bank, Volkskas, Federale Volksbeleggings and Gencor bear testimony to

THE COSY BOARDROOM

The following list of directorships held by five Afrikaans businessmen is daunting. It is probably matched by many English-speaking compatriots.

William "Bill" Coetzer: Federale Mynbou (Ch), Siemens SA (Ch), Hollardstraat-Ses Beleggings, Sentrust, General Mining Unicorp, Lydenburg Platinum, Federale Volksbeleggings, Trust Bank, Sanlam, Swiss-SA Reinsurance, Highveld Steel, Anglo Alpha, Gefco.

Cornelis Johannes Human: Federale Volksbeleggings, SA Druggists, Federale Electronics, Sentrachem, Siemens, Fedchem, (Ch) Fedfoods, Bankorp, Sentrust, SA Reserve Bank (numerous subsidiaries of the above).

Pierre "Etienne" Rousseau: Federale Volksbeleggings (Ch), Samancor, Barlow Rand, Fedchem, Federale Mynbou, General Mining Unicorp, Safmarine, Sanlam, SA Reserve Bank (numerous subsidiaries of the above).

Marthinus David Marais: SKF (SA) (Ch), Deltos & Atlas Copco (Ch), Henred-Fruehauf (Ch), AVBOB Mutual Assurance (Ch), Metal Closures (Ch), United Transport (Ch), Momentum Life (Ch), Barseco (Ch), Tetra Pak (Ch), Plessey SA (Ch), Union Steel (Ch), Namascor (Ch), Trencor, Volkskas, Iscor, Metkor, Samancor, Saambou, Firestone, Tollgate, IBM SA, Mobile, Boumat, Pricefoibes, Federale Volkskas.

Fred Johannes du Plessis: Senbank (Ch), Sanlam, Bankorp, ASA, Messina, Sasol, Bankorp, Mertrust, Sanland (numerous subsidiaries of the above).

flux control and constraints on the development of black business, and pressure for "meaningful change Were the bulls to rage on this issue they would be applauded by their English and black compatriots

Unfortunately however, many tribal constraints remain Danie van Huysteen Volkskas chairman honestly acknowledges that the Afrikaner businessman "will look at what the State requires and then try to adapt to that

But there is much room for hope Today the Afrikaner seems more willing than ever to lock horns with government on issues of change — though so far, he has tended to keep the conflict within purely economic and commercial terms The break with blind acceptance was signalled by the publication in 1977 of Dr Andreas Wassenaar's *Assault On Private Enterprise* which shocked the political establishment by charging that government was mismanaging the economy and speeding the country down the road to true communism Free enterprise he accused was being strangled by public servants

English business leaders had been sounding warnings long before Wassenaar's book But the crux of the matter is that it was only when Afrikaans business began to hurt under ideological constraints and voiced objections that Afrikaners as a whole were alerted to the fact that State interference had to be curbed

Altech's Bill Venter agrees that Afrikaners are now less restrained in criticising government - but he says the style is still to keep it a private matter not to publicly embarrass authority

And while the bitterness of Afrikaner subjection in the past has been overtaken by success there seems to be a diffidence in drawing the inevitable comparison with the position of the Afrikaner under the English hegemony with that of the blacks under apartheid The ruling consensus is reflected by Dr Etienne Rousseau who suggests that the Afrikaners development strategy should be copied by blacks who should follow the same path '

The implication appears to be that blacks, coloureds and Indians should not increase their own share of an enlarging cake but that they should make their own cakes But SA's economy is unitary And the Afrikaners never had the same racially-weighted plethora of stunting regulations and laws under which blacks labour today

FVB's Dr C J F Human is perfectly correct when he says that 'Today's Afrikaans businessman owes allegiance to his shareholders no longer purely to *die volk* But shareholders know the essential part that social stability plays in healthy business The custodians of wealth know it too Perhaps the new men will still choose to apply the pressure for constructive change behind closed doors — but apply it they certainly will

ANDRE DU TOIT FM 3/6/81 (232)

An eye on monopolies

The situation in the liquor business remains fluid. The structural "overhaul" which was engineered in November 1979 brought a measure of stability. But this may have been achieved at the expense of competition. The imminent entry of a super-distributor (the Kirsh interests), which secured a financial stake in the wholesale and retail sector (via the Pickard group), has focused attention on the loose ends of the 1979 deal. The FM spoke to Dr Andre Du Toit, chairman of KWV and of Cape Wine and Distillers (CWD), in an attempt to establish the possible course of future developments.

FM: **Why did Cape Wine try to block the proposed schemes of arrangement between Kirsh interests and the Union Wine/Picotel minorities?**

Du Toit: To protect pre-emptive rights with a four-year currency originally granted by Pickard to SA Breweries. The rights were transferred to CWD when SAB became a 30% shareholder in the new wine and spirit holding company. Having given an undertaking to get out of wine and spirits, and to sell off its liquor retailing division, it clearly had no further interest in the Pickard liquor group. At the time of the 1979 agreement the sponsors of the arrangement were unaware that the then Minister of Justice had awarded Pickard an entitlement to buy an additional 75 liquor stores.

Had that been known, other arrangements would have had to be made to accommodate our desire to eliminate extensive cross-holdings between wine and beer, and between producing wholesalers and retailers.

Is that still the ideal?

Yes, I think we should strive as far as possible to restructure our liquor industry on the lines of that in the US. An exception could possibly be that no juristic person should hold more than five or seven retail licences. But even such a concession would not be desirable and should only be incorporated as a palliative of last resort.

What would you have done with Union Wine/Picotel had you been invited to exercise right of first refusal to buy out these interests?

There is no doubt that we could have carried the 1979 agreement a step further, by separating the group's wholesale and retail interests and sold off the latter just as Rediguro and SAB undertook to do.

But is it not equally undesirable that KWV, which is both producing co-op and the sole production control body, should take a stake in a wholesale producing merchant (CWD) which has more than 80% of the wine and spirit market?

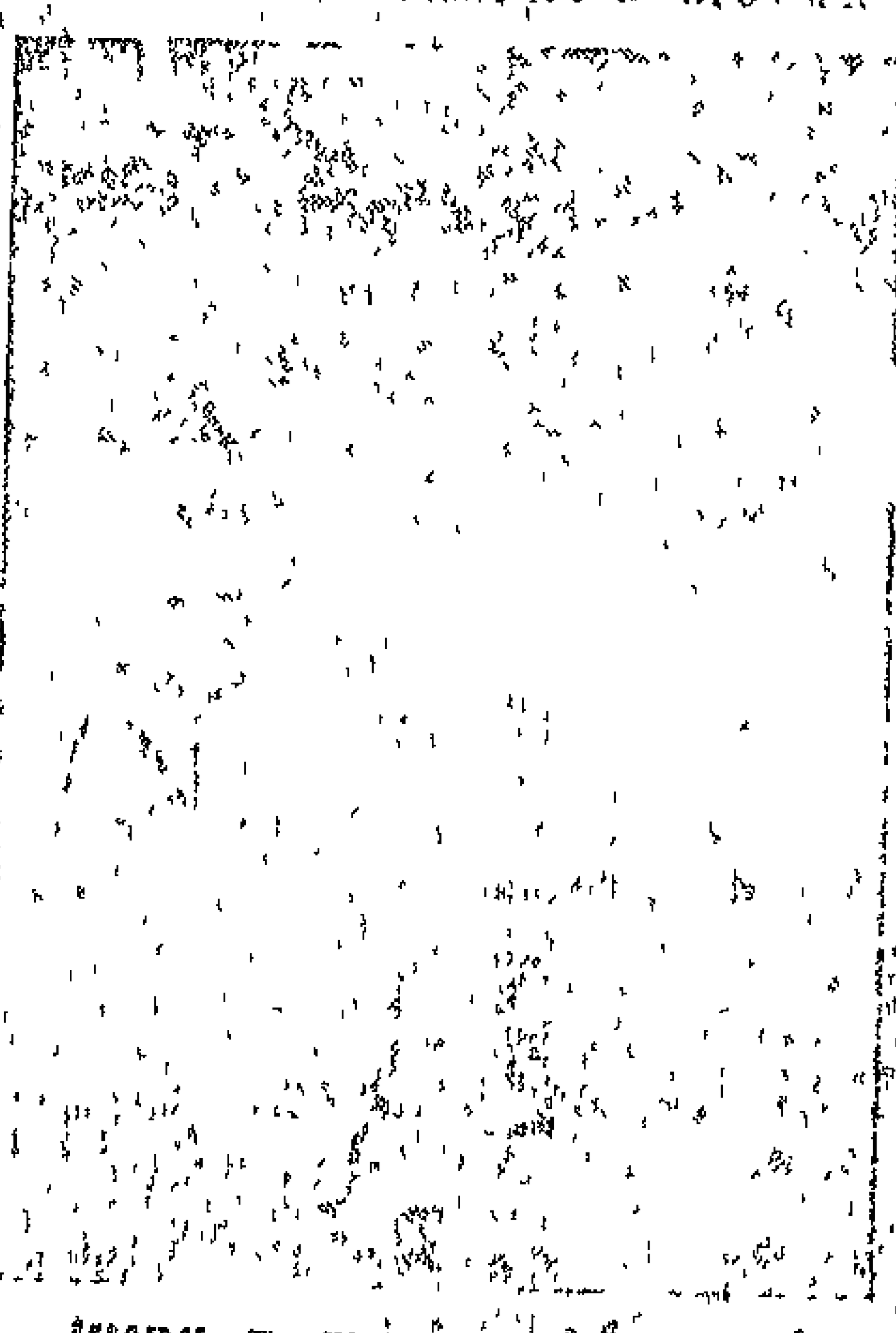
I think not. There is not all that much difference between farmers and companies which produce products of the vine. KWV's move into CWD is a small shift downstream into manufacturing and marketing. We have not gone into retailing. There is no way that we can abuse our powers of control to advance the interests of CWD in order to sweeten our financial stake. In terms of our governing act we may not discriminate against qualified buyers of our raw material. We may only withhold our products from a buyer with the permission of the minister. In times of shortages of good wine or distilling wine we create a system of rationing by which available product is pro rated among wholesale producing merchants, according to historical offtake.

Do you think the proposed Pickard/Kirsh deal is a threat to established liquor interests?

I would not like to comment on this matter at this stage because I have no idea of the structure or the nature of the business that will emerge. Perhaps I shall have something to say when they announce their plans.

Do you fear a distribution monopoly in the liquor business?

I do not think there is much danger on that. There is plenty of competition in the distributive trade. The KWV has always been in favour of freer distribution. We are on record in numerous submissions to government that we suspect that many of the problems in the industry can be attributed to a restrictive licensing system. That's why we campaigned so hard for the removal of constraints on the granting of producers wine licences.



KWV's Du Toit ... let's follow the US

Woolworths Truworths — growth ahead

CT 4/6/81 232 R61

By PAUL DOLD
Financial Editor

MR DAVID SUSMAN, chairman of Woolworths Truworths, is forecasting impressive profit growth from the new group and it is clear that vital synergies will play an important role in boosting earnings and increasing market penetration in the years ahead

Woolworths' new board sees important integration benefits for both companies flowing from the deal Mr Susman is understandably fairly cautious on making more precise predictions asthe boom — which is currently not showing any signs of slowing — cannot go on forever But, equally, it is evident that the new group will have tremendous strength in the market place with sales of some R400m and more than 438 stores across the country

Based on earnings for the past yearm pre-taxed profits of the combined group will total more than R60m

Woolworths moderate growth in recent years has disappointed some Johannesburg market analysts but in my view sharply accelerating profits will flow from the deal and, even more significant, a new dynamic market image

Woolworths and Truworths sales are buoyant, mirroring a continued surge in consumer spending, probably funded by civil service bonuses and pay rises, and trading is currently close to Christmas peaks

Shareholders of both companies overwhelmingly voted in favour of the scheme of arrangement

The scheme meetings and ordinary meetings which began in Syfrets board room early in the morning finished just before 1pm without a single question from a shareholder and throughout the proceedings there was hardly a dissenting vote

At the meetings, Old Mutual's Mr Peter Bieber congratulated both groups on the merger which would benefit all shareholders Mr Susman also paid tribute to Truworth's chairman, Mr Len Shazin

The deal was done over dinner at Mr Susman's home — both controlling families have known each other for years

"Nothing was typewritten then and in the subsequent meetings to maintain secrecy," Mr Susman said Commendably there were no leaks to the market.

It took teams of attorneys and merchant banks some two months to prepare the documents

There is little doubt that this could turn out to be one of the most successful local mergers where benefits abound

The stock market has already given its nod of approval through marking Woolworths share price higher and a further apprecation is likely if the market remains firm

Pictured at the historic meeting of Woolworths and Truworths' in Cape Town where shareholders overwhelmingly voted in favour of the scheme of arrangement were, from left Mr Jack Jowell a director of Truworths, Truworths chairman, Mr Len Shawzin, Mr David Susman, Woolworths chairman, Mr Tony Williamson, managing director of Truworths, Mr Ernst Loebenberg, a director of Woolworths, Mr Arnold Galombik of Sonnenberg Hoffman and Galombik who chaired the meetings, and Woolworths financial director, Mr Fred Kossuth In the back row are Mr Syd Miller, Woolworths secretary, Mr Aubrey Luck of Sonnenberg Hoffman and Galombik, Mr Malcolm Wyman, general manager of UAL, and Mr M Katz of Edward Nathan and Friedland

Calan buys into plastics

5/mn 23/ 7/11/81

Calan, an industrial holding company, has acquired a 50 percent interest in the newly merged operations of Fursten Plastics and Omega Barfel's Blowfilm packaging division

Both companies are engaged in the manufacture of plastic film products for the packaging industry

According to the terms of the agreement, the business and assets of Omega's Blowfilm division will be sold to Fursten Plastics

The new operation should benefit from greater volume and larger and more profitable production runs

The Calan directors do not expect the transaction to have an immediate effect on the net income or net asset value of their shares

Fursten, which was established 5 years ago, has factories in Pretoria and Cape Town

Omega's Blowfilm division, which is about the same size as Fursten, was established two years ago and operates in Olifantsfontein — ANN CROTTY

R17m ATI acquisition

Kom (032) 4/6/8

Financial Reporter

ANGLO-TRANSVAAL Industries, the Anglovaal group's industrial investment and finance company, has acquired the entire issued share capital of Risa Investments (Pty) for R17 200 000 Based on ATI's existing capital, the acquisition is expected to add 11c a share to the company's annual attributable earnings. Risa makes knitted fabrics and garments replies is often small enough to make one confident that the results do provide a reasonable idea of all graduates turned out by the Medical School up to the year 1970

2.2. General Characteristics and Job Histories of the Graduates

The average age of the graduates interviewed was 35 years, and they were overwhelmingly male Only two-fifths of the Africans had been town born, but over four-fifths of the Indians had an urban background While the Indians were almost entirely from Natal, with far the biggest number being from Durban and Pietermaritzburg, African doctors came from all over South Africa, and some adjacent territories At the time of the fieldwork two-fifths of the sample were employed in hospital service Half of the Africans and a third of the Indians were in private practice Details of their job history are provided by the following table

TABLE 1

POST-INTERNSHIP JOB HISTORY OF A SAMPLE OF BLACK MEDICAL PRACTITIONERS WHO GRADUATED FROM THE UNIVERSITY OF NATAL, INTERVIEWED [illegible]

	JOB HISTORY, GIVING SEQUENCE OF JOBS	NO OF MEDICAL PRACTITIONERS					
		AFRICANS		INDIANS		TOTAL STUDIED	
		No	%	No	%	No.	%
1	Hospital/Clinic work only	3	25,0	15	41,7	24	34,3
2	Hospital work, then general practice	12	[illegible]	9	25,0	21	[illegible],4
3	Hospital work, general practice and part-time health service	2	6,3	4	11,1	6	8,7
4	General practice only	3	9,4	2	5,6	5	7,2
5	Hospital work, then overseas work	3	9,4	[illegible]	[illegible]	[illegible]	[illegible]
6	Hospital work, overseas work, and then general practice in South Africa	1	2,1	[illegible]	[illegible]	[illegible]	[illegible]
7	Hospital work, overseas, hospital and part-time general practice in South Africa	1	3,1	[illegible]	[illegible]	[illegible]	[illegible]
8	Hospital, GP, missionary work	-	-	[illegible]	[illegible]	[illegible]	[illegible]
9	Hospital, research, GP and part-time hospital work	-	-	1	[illegible]	[illegible]	1,4
10	Hospital, Senior Lecturer, hospital work and part time GP	-	-	1	2,8	1	1,4
11	General practice later with part-time hospital work	1	3,1	-	-	1	1,4
12	General practice, hospital work	-	-	1	2,8	1	1,4
13	General practice, hospital work overseas, hospital work	1	3,1	-	-	1	1,4
	TOTAL	[illegible]	100,0	36	100,2	69	99,6

NOTE The total column includes one Coloured doctor who has worked in hospitals only

Metal Box sells CME

METAL BOX SA has sold its precision engineering company, Cape Manufacturing Engineers, to the managing director of CME, Dr E J H Wessels, and other members of its staff

CME will continue to supply specialised industrial components, gears and design and project services

Metal Box is retaining a spares manufacturing facility for its plants and its customers The group managing director Mr Derek Jacobs, says the sale of CME will have no material effect on the group's financial results

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Wholesale expansion by Fraser

Frasers is to enlarge its wholesale division in all provinces to meet growing demand for this service

Fraser policy has been to provide for the small trader In today's economic climate of ever-rising costs, the role of the traditional wholesaler is becoming more important. Not only is the small trader afforded credit facilities but, as a result of buying from a big wholesaler he has wide choice of merchandise, local and imported

Having been in wholesale since 1877, Fraser has long experience in assisting the small trader. In addition to supplying a wide range of merchandise at prices obtainable only in the major centres, Fraser provides training including bookkeeping and stocktaking

The company operates about 350 wholesale and retail outlets throughout southern Africa.

Wooltru sewn up

232.) RDM 5/6/81

THE MERGER of Woolworths, Bonmore and Truworths has been approved by shareholders and the schemes of arrangement necessary to implement it have been confirmed by the Supreme Court, say Union Acceptances and Central Merchant Bank

In terms of the deal Truworths shareholders will receive R3 720 in cash plus 330 new Woolworths ordinary shares for every 100 Truworths ordinary shares held Bonmore shareholders will receive R674 in cash plsus 55 new Woolworths ordinary shares for every 200 Bonmore shares held

The listing of the new Woolworths ordinary shares will begin on June 8

'Woolworths shareholders have also approved the change of name of Woolwowrths Holdings Limited to Woolworths Truworths Limited In addition, Woolworths financial yearend has been changed from May 31 to June 30 which means that the current financial period will cover a period of 13 months ending June 30 1981

"Shares in the merged group will be listed on the JSE under the abbreviated title of Wooltru" — Sapa

Hint at Lamberts Bay and United Oceana consolidation plan

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NM 6/6/81

Mercury Correspondent

A CONSOLIDATION of Lamberts Bay and United Oceana followed by strategic use of United's London listing for possible overseas acquisitions — this was the hint given by chairman Rudi Frankel at the annual meeting here

'But it is only a thought, nothing is definite,' he told me after the meeting

If the board does go ahead with the plan it would make a great deal of sense.

Firstly, parent Tiger already controls some 90 percent of United's shares and United's continued existence, other than as a conduit for dividends from Lamberts to Tiger, hardly seems justified

From Tiger's point of view it must be keen to mop up the remaining 10 percent — only 1m shares are in private hands but clearly the board now views United's London listing as an extremely valuable asset

A merged United — Lamberts either through a share offer or reverse takeover — would no doubt command a great deal of interest in the London market, particularly considering that the group is highly liquid and its paper could be used to fund European acquisitions

Locally, Lamberts Bay is actively seeking acquisitions and in recent weeks has been close to acquiring new interests in a multi-million rand-deal, Mr Frankel disclosed.

Mr Frankel was replying to a strong plea by minorities champion Issy Goldberg, who said that the group's R35m cash could be put to better use than on loans to Tiger, the controlling parent

Goldberg suggested that an outside party should be co-opted to the board to assist the group in the acquisition programme.

Referring to rising interest rates, he said the time was now opportune for making acquisitions

Investors Intl 7/1/81

Government wants to keep key industries under local ownership

232 Finance Correspondent

A QUESTION mark has been raised over foreign-owned companies' participation in key sectors of the South African economy In one of the clearest statements of Government policy on the subject, Defence Minister Magnus Malan has spelt out Pretoria's eagerness to keep strategic industries safely under local ownership.

General Malan made a little-publicised speech in Boksburg while opening Allied Technology's new cultured quartz production facility, the first of its kind in Africa.

After pointing out that Altech was until a few years ago a foreign-controlled company, the minister noted that "in the light of the 1978 arms embargo, as well as various other threats of sanctions against South Africa the Government is anxious that strategic industries, such as the electronics industry, should be in South African hands"

General Malan added that boycotts and sanctions provided an incentive for local industry to accelerate its import replacement efforts The Government has been willing to pay a premium for locally-made strategic items and "industry should be prepared to provide for our country's requirements in as many fields as possible," he said,

Pretoria's keenness to promote local ownership of key industries has seldom been translated into active arm-twisting up to now Several strategic sectors, including oil, pharmaceuticals and computers, are still dominated by multinationals.

One of the few known cases where the authorities did give a foreign shareholder a friendly nudge was Racal, the British-owned electronics group, which is now owned by Grinaker Electronics The company openly advertises itself as a defence supplier, and there is little doubt that this side of its business was one reason why the authorities encouraged the British company to sell in 1978

The electronics industry is vital to South Africa's defence capability General Malan noted that the "pioneering work' being done at Altech was of "greatest importance to the country, especially in the military field".

Most of the leading electronics companies are now locally controlled Besides Altech, they include Barlow Electronics (part of Barlow Rand), Kentron (an Armscor subsidiary) and Grinaker Electronics (Grinel)

But there are several with majority shareholdings abroad Siemens, Plessey, the major computer suppliers, such as IBM, ICL and Burroughs and Marconi (in which Barlows has a 50 percent stake) are examples It remains to be seen whether the authorities take any further action to compel these companies to increase their local shareholding

Despite General Malan's warning, the policy will probably depend on the importance of each company and its record as a reliable supplier It's worth noting that most of the electronics companies, with the notable exception of the computer companies which have preferred to withdraw to mother countries rather than accept local ownership already have substantial local shareholders.

These shareholders, which include such staunchly South African companies as General Mining (in the case of Siemens) and Sanlam (which has a minority interest in Plessey), can presumably be relied on to keep a close watch on their foreign partners' intentions and actions in this country

Table 2 Age and sex of sample

	Infant 1 (1yr)	Child (1-15)	Female adult (15-50)	(50+)	Male adult (15-50)	(50+)	Total
Addo	6						

Giants battle to take over AA

23.2 7/1/81

By JOHN SPIRA

THE 700 000 members of the Automobile Association may be affected by a fierce battle for control of the AA's insurance company

Kirsh Industries and a consortium headed by Mutual & Federal (one of South Africa's largest short-term insurance companies) are locked in battle over a bid for control of AA Mutual Insurance Association.

AA Mutual is believed to be worth more than R20-million. It has an annual premium income of R05-million.

Mutual & Federal, in concert with Ned-Equity and Sage, recently made a bid for control of AA Mutual at an undisclosed price.

Had the bid gone through unchallenged, AA Mutual would have been split up piecemeal with Mutual & Federal taking the short term business (worth some R14.5 million in terms of assets), Ned Equity taking the life business (valued at R5 million) and Sage absorbing the AA Mutual's overseas arm (worth R1.5-million).

Cohesive

Now that Kirsh Industries has entered the picture, the possibility of AA Mutual remaining a cohesive unit has been enhanced.

Kirsh Industries' chairman, Natie Kirsh, said yesterday, "It would make a good deal of sense for the AA's management committee (which controls the AA Mutual) to accept our bid.

"By doing so they will ensure that no carve-up takes place, that there will be no staff upheavals, that management will not be materially tampered with and that the many members of the AA will receive bene-

O To Page 2

Table 3 Health facility of First Choice

	None/home	Dr. at Sunland	Dr. at Kirkwood	Clinic	Doctor elsewhere	Hospital	Other*	Total
Addo	7	32‡	1	8	2	4		54
Kirkwood	4		15	6	1		1	27
Sunbergs	4	14			5	1	1	25
Bersheba	2	4	3⊙ + 6	1	2	1		19
Total	17	50	25	15	10	6	2	125

* Other refers to indigenous practitioner, traditional birth attendant, etc.

‡ Figures underlined show which doctor was the nearest.

⊙ Those respondents who attended the surgery of one Kirkwood doctor at Bersheba on Friday afternoons.

\+ No doubt under-reported.

From Table 3 can be derived the proportion of conditions in which respondent.

. / ...

Had no treatment at all or home treatment 13,6%

Went first to a clinic

Went first ...

... reasons reported for this were:

Bid for AA control

O From Page 1

fits additional to those they currently enjoy."

Mr Kirsh stressed the wording contained in the offer announcement which states: "If the offer is accepted the AA Mutual group will not be broken up and will be managed in the same manner as before."

[illegible]

the lack of consultation between the AA Mutual's chairman and the company's top management over the Mutual & Federal offer.

If the Kirsh Industries' bid is successful, it is probable that Constantia Insurance Co (a subsidiary of Kirsh Industries and a company listed on the Johannesburg Stock Exchange) will be merged with AA Mutual.

The AA's new highly sophisticated computer network could then be applied to the marketing of insurance on a countrywide basis through the many consumer orientated stores falling under the umbrella of Kirsh Industries — companies such as Metro Cash & Carry ...

[illegible]

Should the Kirsh Industries bid succeed, the merged AA Mutual/Constantia group would be the second largest short-term insurance group in South Africa.

Table 4.

Treatment

He can tr...

cases

Doctor ex...

Never bee...

Sister ask...

Pensioners

It was cl... there was a... perhaps an ... esteem for ... women also ... there was a ... gynaecologic... this is wher... occurred. I... of the aged biased the sample in a conservative direction

. / ...

Kirsh's plans for AA Mutual

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26/6/81

By DAVID CARTE
Deputy Financial Editor

IN ITS fourth multi-million rand takeover bid in a year, Mr Natie Kirsh's voracious Kirsh Industries has launched a counterbid for AA Mutual, the AA's insurance arm.

The 700 000-member AA is negotiating the sale of AA Mutual to Mutual & Federal, the short-term arm of Old Mutual, Sage Holdings and Ned-Equity

Mr Kirsh says he can only estimate a price for AA Mutual as a talking figure has not been disclosed, but he estimates that AA Mutual is worth "approaching R20-million", which Kirsh Industries can pay in cash

Mutual & Federal, Sage and Ned-Equity propose to split AA Mutual with the short-term interests going to Mutual & Federal, the life business to Ned-Equity and the overseas interests to Sage Holdings

Mr Kirsh says he would not break up AA Mutual He would put his own listed short term insurer Constantia Insurance, into AA Mutual and let an enlarged AA Mutual continue as before with the same management

"We could offer the AA several options We could make it a straight cash purchase or offer them the option of staying aboard"

Mr Kirsh would like to see AA Mutual and Constantia Insurance motor fire accident and home policies sold over the counters of his group's wholesale and retail stores — Dion's, Russells and Metro Cash

"Sears Roebuck, the giant retail chain in the States owns All-State the biggest insurance company in America and all its stores sell policies

Mr Kirsh says AA Mutual is "the best short-term insurance company in SA"

It has developed the most sophisticated on-line computer system of any SA insurer and is tailor-made for the kind of operation he had in mind AA Mutual would also complement Constantia Insurance by spreading this company's overheads over a much bigger premium income

Mr Kirsh reckons AA Mutual with more than R100 million of premium income and Constantia with R35 million would be the second or third biggest short-term insurer in SA if he could pull off his plan

He says price is not the only consideration the AA and its members should take into account

He believes his bid will have the support of AA Mutual's management as it does not entail breaking up the company and offers management better job security

Several senior AA and AA Mutual men reached at the weekend were tight lipped but one said top management was generally unhappy with the first proposals which were presented as a fait accompli

Metal Box sells off subsidiary

S/RM (232)
3/6/81

In a move to rationalise its activities Metal Box has sold its precision engineering company, Cape Manufacturing Engineers, to Dr E J H Wessels, managing director of CME, and members of CME's existing management.

Mr Derek Jacobs, group managing director of Metal Box, said that engineering constituted a small part of their interests and differed from the mainstream of their manufacturing operations.

CME will continue to supply their specialised market which includes industrial components machined under strict quality control on conventional and CNC equipment, gears, and design project services.

Metal Box is retaining a spares manufacturing facility for its plants and its customers.

Mr Jacobs said the sale of the company would not have a material effect upon the group's financial results or performance.

Ann Crotty.

Anglo's life insurance arms in R1bn merger

By DAVID CARTE
Deputy Financial Editor

ANGLO American's two life assurance companies, African Eagle Life and Guarantee Life, are to merge to form a R1 000-million insurance giant named Anglo American Life Assurance Company.

Aiming at assets of R1 000-million and annual income of R230-million in 1982, the new company will start to challenge Liberty Life as the third biggest life assurer in SA

Now that Anglo American has acquired the 25% of African Eagle previously held by SA Eagle, both companies are wholly owned by Anglo, so there is no immediate significance for shareholders

The two companies actuarial administrative financial, underwriting medical and other services, including investment have already been integrated

This means the main effect of the merger will be on the marketing side

In the past, African Eagle Life has done its life policy marketing exclusively through its own field force, and Guarantee Life has sold its policies only through brokers AEL's large pensions division also operates through brokers

Although the marketing channels will continue to be managed and administered separately, both companies' products will be available to both the field force and to brokers

Mr Nigel Mandy, a director, says this will be significant for growth African Eagle's popular Masterplan policy, for example, can be sold by brokers in future

African Eagle Life's home services division, which collects cash premiums for policyholders' homes, will be converted into a wholly owned subsidiary of Anglo American Life and where products overlap will compete with the rest of the group

African Eagle Life, which had total assets of R828-million at the end of March 1980 is by far the biggest of the two companies to be merged At the end of March 1981 African Eagle Life will have had assets of R900-million and Guarantee Life about R100-million

Asked if the new company would ever be listed on the JSE, Anglo American Insurances chairman, Dr Zac de Beer said "I learned in politics never to say never, but at the moment the question is premature

The advantage of a listing, he said was that shareholders might be inclined to buy policies and that the company would appear more often in the newspapers

But the disadvantage was that the company would have less operational flexibility

"One can't take quick decisions if one has to to refer things to shareholders '

Preliminary discussions on the merger have been held with the Registrar of Insurance and an application will be made to the Supreme Court for approval of the merger

The merged Anglo American Life Assurance Company will start business early in 1982 'attendance' causes some difficulty, as there appears to be ... the uniformity either between hospitals or between hospital departments as to what constitutes an attendance. The official viewpoint is that these figures are kept to assess the workload of each section of the outpatient department and the whole department and that it is not a true reflection of the productivity of the staff ...

Kirsh denies AA defeat

11/6/81 232 RDM

By DAVID CARTE
Deputy Financial Editor

AA MUTUAL has already been sold to Mutual & Federal, Sage and Ned Equity and Mr Natie Kirsh's counterbid is too late, it is claimed

One of the principals of the original deal claims that agreement was reached between the AA, M&F, Sage and Ned Equity before Mr Kirsh announced his counterbid yesterday

"We had agreement in principle and were sorting out the details before signing"

But Mr Kirsh says this is nonsense, and Mr Eric Turk, director-general of the AA, says he will consider not only the Kirsh offer but any others that might come up

"There's no agreement yet," said Mr Turk. He expected AA to take a final decision in about a week

Mr Philip Sceales, chairman of AA Mutual, has denied reports of a "schism" between himself and AA Mutual's management. He denied that he almost sold AA Mutual to the trio of Old Mutual associates over the heads of its management

"Mutual & Federal came to us first and I referred the first tentative approach to the managing director of AA Mutual, Mr Warren Plummer. He has been involved with negotiations from the outset," he said

Mr Sceales said the first he knew of a counterbid from Mr Kirsh was from a journalist

Asked which suitor he favoured for AA Mutual, Mr Plummer said he did not own the company. He only worked for AA Mutual and it was 'not proper' for him to comment on the merits of those bidding for the company

It's like the civil service. You work for what ever government is in power, and the owners are the government

Mr Plummer acknowledged that he was due to retire next year and that Sage had offered him the job of looking after AA Mutual's overseas interests if the deal went through

Mr Kirsh says he would like Mr Plummer to stay on as managing director of AA Mutual if he gets it

He claims to have had many calls of support from AA members since announcing his counterbid

"I think we have a better than even chance of success," he said

Mr Kirsh's counterbid is his third clash with Old Mutual or its close associates. The first was when he took control of Metro Cash and the second was his thwarted bid for Tiger Oats last year

attend more than one hospital (4). The reason given for the lack of defined areas is that teaching hospitals require a wide selection of patients for research and teaching purposes. Also, some hospitals, for example, Karl Bremer, are open - doctors may treat private patients there.

(2.) Cost statistics.

The capital costs of facilities that have been constructed are available - for the Groote Schuur outpatient wing built in 1966,

./...

of the whole Tygerberg complex, the new Johannesburg Hospital, new Day Hospitals - the cost of building the outpatient department at Tygerberg for example is not known, nor is the estimated cost of building outpatient departments and Day Hospitals of different sizes. The costs that were incurred in refurbishing the Day Hospitals in 1969 are not known, nor ... cost of equipping a Day Hospital relative to an out... ...t department, intuitively it is less because less ...lised equipment is required. The Planning Department ... CPA draws up plans for proposed additions and modifi... ...s to existing facilities, and when funds become available, plans are passed to the Works Department which puts ...t to tender and supervises the construction. Requests ...or hospital for new equipment are sent to the Hospitals ...ert, where an executive committee considers each ...tion and approves those which it considers to have ... in the allocation of funds.

...rating costs of Provincial hospitals are kept on an ...asis - salaries and wages, provisions, domestic, ...l and radiological, pharmaceuticals, maintenance and ...t of patients (5). Separate cost figures are not ... each department. This type of costing is creating ...m at the moment - faced with escalating costs, hospi... ...nistrators are requesting the hospital departments ...osts, but since it is not known what each depart... ...spending, there is firstly, no incentive for any ...nt to cut costs, and secondly, no way of telling which departments are spending excessively or on what this expenditure is.

Budgeting is for each institution as a whole and is incremental in nature. Each year, the expenditure over the past twelve months is analysed and adjustments are made for expected price increases, expected increases in the number of patients treated, proposed salary and wage adjustments and proposed additional employment. This estimate forms the basis of the following year's operating budget. Since it is not known how much each department spends, deficits cannot be pinpointed.

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Trans-Natal buys more coal rights

CT 10/6/81 (~~245~~)(232)

Own Correspondent

JOHANNESBURG — Trans-Natal Coal Corporation has bought more mineral rights on the Springbok Flats where it is studying the economics of starting South Africa's first oil-from-coal liquefaction industry.

Trans Natal already holds the rights to about 1 000m tons of coal on the Flats.

The sellers of the rights on two farms over which Trans-Natal had an option were Waverley Gold Mines whose shares have recently been firm on the Johannesburg Stock Exchange.

Waverley has sold the mineral rights, and the rights to subscription in any future venture over 1 712 ha on the farms Volspruit 606 KS and Wellington 460 KR to Trans Natal for a total of R856 000.

The purchase of these mineral rights indicates that Trans-Natal is satisfied that coal exists on the farms.

The purchase is part of a long-term consolidation of holdings and it does not signal any new move in the study of the oil liquefaction project which, if adopted, will entail mining on a large scale to supply coal to a liquefaction plant with which Sentrachem will be concerned.

Coal from Springbok Flats has been used in pilot plant liquefaction tests in the US.

The next stage could be a pilot plant test in South Africa but no decision has yet been taken on this.

Figures published in London on the project show that annual production could move up to 18m to 20m of fuel — principally diesel — a year processed from between 5m and 6m tons of coal.

Since diesel fuel is scarce the launching of such an industry would place South Africa well on the road to self-sufficiency. The Gencor Sentrachem plant would supplement Sasol and not compete with it.

According to the London report minimum expenditure on the project is likely to be no less than R1 500m.

A feature of the project is that uranium is found in significant quantities in parts of the Springbok coal field.

It would not be viable if exploited alone but could be a useful addition to the exploitation of coal.

Announcing the sale of the rights over 1 712 ha to Trans-Natal, Waverley Gold Mines says the mineral rights over the remaining areas of the farms — 900 ha on Volspruit and 1 445 ha on Wellington — are being retained by Waverley.

The payment by Trans-Natal is made up of R469 000 for the purchase of the mineral rights, and R387 000 for the waiver by Waverley of the right to subscribe for 7% of the working capital of any company formed to exploit the mineral rights pro rata to the areas covered by these rights.

In terms of an agreement made in May 1976 Trans-Natal had the right to purchase certain mineral rights on the two farms at a price of R150 a hectare.

However, a clause in the agreement provided for escalation in the price paid linked to the consumer price index.

To the date of the agreement this month the escalation represents a price of R274 a hectare, equivalent to the R469 000 paid. The balance of R387 000 is for the waiver of the subscription rights.

In terms of a long-standing "turning to account" agreement between Waverley, Caring Diamonds and Tanks Oil and Platinum Holdings, Carings and Tanks will each receive R167 937 with the balance of R520 125 being retained by Waverley. This represents 29c a Waverley share.

Waverley says it will inform shareholders as to how these funds will be used.

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(3) Calculate t... value of the crop over the ten years, and ... ich would yield this value.

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(6) Draw up a sch... the government would have to buy or sell i... essive years of part (2). Would the governmen... greater than the amount it would have to buy o... es the answer mean that stabilization... a crop is impossible?

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Rondalia denies total AA takeover

232

10/6/81

Argus Correspondent

PRETORIA.—The managing director of Rondalia has denied the touring club will be completely absorbed by the Automobile Association.

Mr Steve du Preez said the company was standing on the threshold of big things in the tourist industry and the company would show a large profit in its new financial year beginning on July 1.

'For the past few years Rondalia has suffered the consequences of the Rondalia Bank being placed under curatorship. It forced the directors to reorganise drastically and stop all non-profit activities,' he said.

SERVICE

Last week it was announced that from July 1 Rondalia touring club members will be served by the AA until the end of September or to the expiry of their membership — whichever is the longest.

Members will then have the right to accept membership of the AA or to have no connection with any motor organisation

The AA further undertook to allow all life members of Rondalia free membership until December 1983, when they could become members of the AA without having to pay any entrance fee.

Mr du Preez said what happened was not a takeover but merely a rationalisation of 'something that should have happened a long time ago'

He added that the company had healthy profitable investments in the tourist industry and would now concentrate on them.

RESORTS

'Our interests in holiday resorts are surely the most developed of their kind. On any single day Rondalia can supply sleeping quarters for 4 000,' he said.

'The four holiday resorts, five motels and the hotel at Bushmansnek in the Drakensberg are usually completely booked in advance and extensions as well as additions are planned.

'Excluding the holiday resorts Rondalia has nine bottlestores which operate extremely profitably and the company controls the travel agency Rontoer with offices in Johannesburg, Cape Town, Pretoria and Bloemfontein'

EAGLE STAR FM 12/6/81

Feathers plucked

(232)

Allianz Versicherung of Germany, Europe's biggest insurance group has successfully plucked 28% of Britain's Eagle Star in a London Stock Exchange operation which this week sent takeover tremors rippling through the other quoted UK insurers

While Eagle Star has reacted with frosty hostility to Allianz's unwelcome arrival as its major shareholder, the deal has clear long-term implications for both companies in the UK and SA

SA, which generated premium income of £36 2m last year is Eagle Star's largest overseas operation (UK and Ireland account for 79% of its business) And Allianz's last foreign foray in 1980 was to buy the Shield life and non-life insurance operation in SA

Allianz with gross premiums of DM11,6 billion and controlling 20% of the German market, made its historic two-stage acquisition of Eagle Star at a cost of £110m, because it wants to expand outside the continent Talks on co-operation with Eagle Star broke down because, as the UK group's chairman and grandson of its founder Sir Denis Mountain put it, the deal would have been a one-way street in favour of Allianz

So Allianz opted for a frontal assault Using dawn raid specialists Rowe & Pitman (who served Anglo and De Beers so well in snatching the Consolidated Gold Fields stake last year), Allianz picked up 14,9% of Eagle Star by bidding 26% over the market price Under the new London rules — prompted by the Consgold raid — it could go no further without showing its hand and making an open tender (to give all shareholders an even chance) for another 15%

Any acquisitions over the 30% mark would automatically oblige Allianz to bid for the whole of the equity

The operation caught Eagle Star on the hop and forced it into a feisty defence which can only have delighted shareholders Sir Denis, who derided Allianz's price of 12 90 a share valuing the group at £400m suddenly disclosed to shareholders that net assets were worth at least £620m For example Eagle's life business which last year generated £12m pre-tax was in the consolidated balance sheet at a mere £100 000 He also showed Eagle to be in distinctly better shape than suspected by upping the dividend by 49%

This largesse did save Eagle Star from the humiliation of seeing shareholders queueing to accept Allianz's money But the German group still got another 13% this week in an orderly partial bid which satisfied everyone apart from the Eagle Star board

It will take some time for Allianz to derive positive benefits (apart from a good investment bought at a 35% discount to net worth and on a prospective yield of 8%) from the operation A resentful Antony Ratcliff Eagle Star's chief GM, avowing the company's total independence, said "We will not show Allianz any special favours They will be treated in exactly the same way as any other shareholder"

And rumours have been quick to surface about Eagle's possible counter-attack such as using its paper to make an acquisition and so dilute the Allianz stake

Equally, any full bid from Allianz will have to wait for another 12 months under the London Stock Exchange regulations

But the knock-on impact of the Allianz intrusion is likely to be seen long before then Other UK insurers now realise they, too, are vulnerable to predators and the London market, which has lifted the insurance sector index by 13% in the wake of the Eagle Star affair, is waiting for disclosures of hidden balance sheet wealth, higher dividends and possibly a series of defensive mergers

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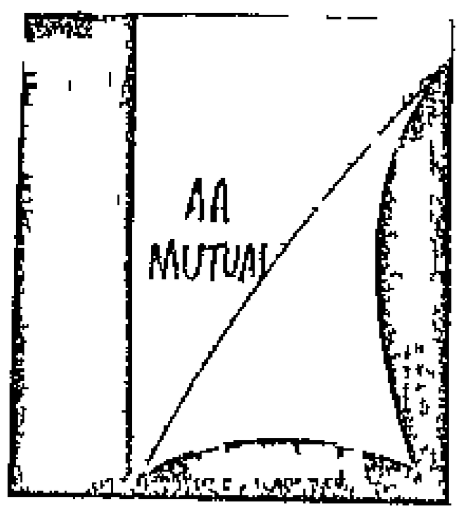
INSURANCE

Where eagles dare

(56) (232) FM 12/6/81



The gloves were off this week in the battle for SA's motor insurance plum the Automobile Association's R25m AA Mutual Insurance Association. Behind it all were two separate personal feuds between leading local businessmen. And others might still be forthcoming.

The most visible scrap is between maverick businessman Natie Kirsh of Kirsh Industries, a sprawling and rapidly growing conglomerate, and establishment leader, Old Mutual's chairman Jan van der Horst.

This is their second clash. But according to Kirsh there is no personal animus. Van der Horst, too, says this is so. He believes normal competition is being confused with personal antipathy. The first clash was when Van der Horst intervened to prevent Kirsh grabbing Tiger Oats.

The battle for AA Mutual, however, is at a different level. This time it is right in Van der Horst's own industry, insurance. Previously it concerned only Old Mutual's portfolio interests. Now it's closer to home.

Old Mutual's short-term underwriter Mutual & Federal has offered R20m for AA Mutual, reasoning no doubt that the joint premium income of R205m would make it the country's leading short-term underwriter. This would give Van der Horst control not only over the largest long-term life assurer, Old Mutual itself, but also over the largest short-term underwriter.

The plan is to split up AA Mutual, giving its short-term business to M & F, its life portfolio to Ned Equity and its London operation to Sage Holdings.

That was until Mr Kirsh came along. Natie has recently become something of a thorn in the establishment's side. In addition to his forays into the ambit of the millers, especially Tiger Oats, his ambitions in the liquor market this year caused the tightest bear squeeze the JSE has ever felt.

A few years ago Kirsh bought an underwriter called Marine & Trade, which turned out to have chronic management problems. He changed the name to Constantia and brought in Trevor Ternent to sort it out. Ternent has made great strides in doing this. And when the share price collapsed Kirsh bailed out other shareholders.

Therefore not only is AA Mutual's portfolio attractive to him as a means of enlarging Constantia, but its computerisation and other management systems would be useful finally to cure the Constantia hangover.

So Kirsh waded in with a bid equal to M & F's, but hopes to be able to trade on yet another advantage. This is what many insurance men perceive as a feud between two lawyers turned businessmen making plans for their old age.

They are the chairman of AA Mutual, Philip Sceales, well-known as a professional boardroom boffin, and the company's MD Warren Plummer, believed to be one of the best short-term insurance men in the country. He set up and is chairman of Sasria (the government-backed political riot underwriter) and is well-known as an independent-minded manager. Plummer categorically denies that there is any ill-feeling between himself and his chairman.

Market sources say that despite his impending retirement he failed to train a successor, notwithstanding the constant inflow of senior managers from numerous companies absorbed over the years by AA Mutual. They include New Zealand, Netherlands Provincial, Dominion, Century and Adriatic. Yet few, if any, of the managers from these companies are today with the AA Mutual. Plummer states the correct position is that in every case these managers were retained by parent companies.

Plummer's believed split with Sceales came a few months ago when Sceales appears to insurance men to have decided that the mutually-owned AA Mutual should become the vehicle for the executive ambitions of his retirement. He turned 70 in May and since his retirement as chairman of Dorbyl in 1976 has had no executive directorship. He is, however, well-known as chairman of the UBS and vice-chairman of Barclays.

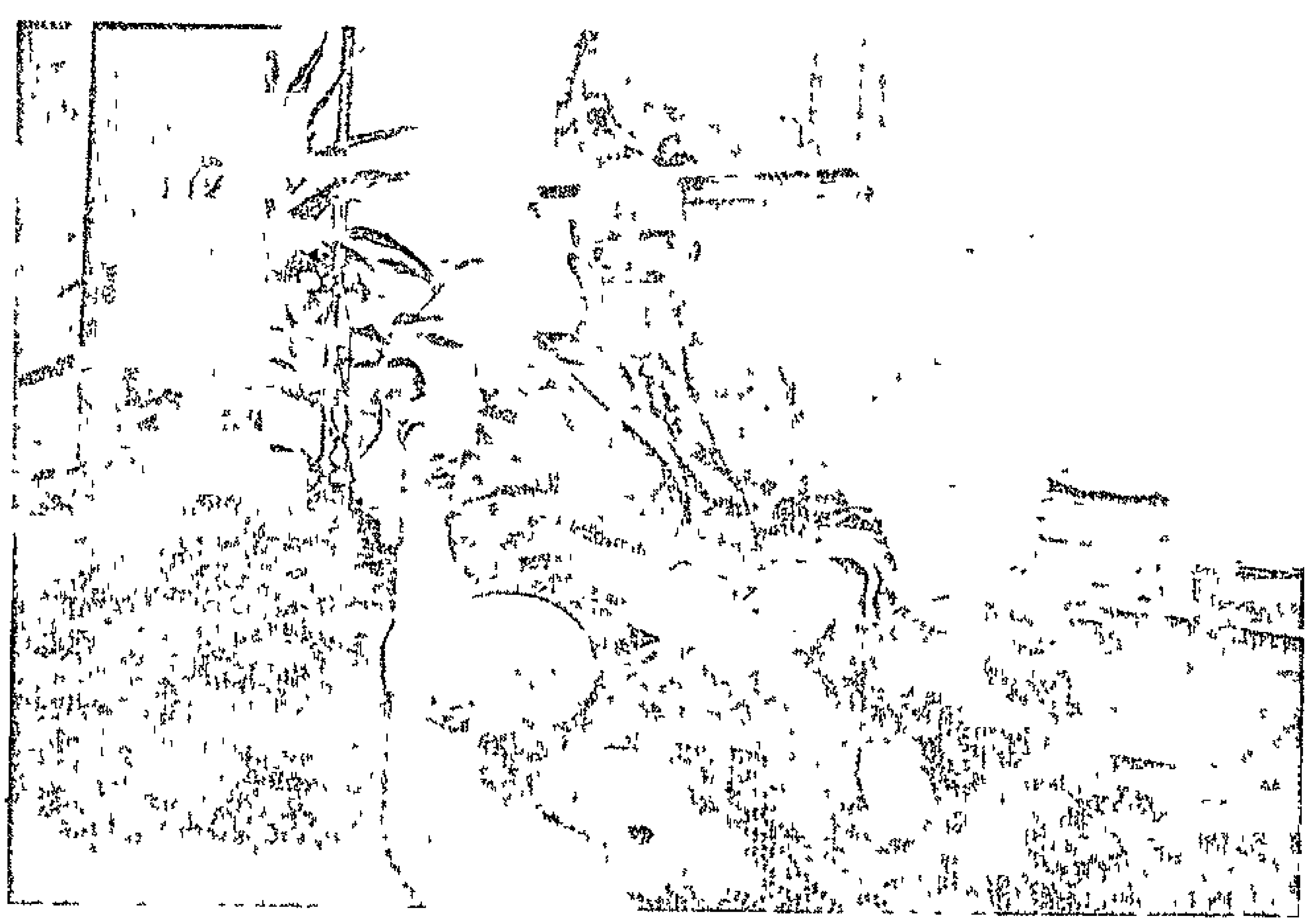
At that time Sceales began to demutualise the AA Mutual. 15m shares were issued, of which about 11.5m ended up with the Automobile Association itself. With this process began the erosion of Plummer's absolute power, which he claims he never in fact had. The object was eventually to go for a JSE listing.

Almost simultaneously, while Plummer was abroad, Sceales appointed Plummer's successor — George Murphy, the regional manager of SA Eagle in the Cape. He was appointed deputy MD of AA Mutual with effect from July 1, on the understanding that he would take over as MD when Plummer retired next March.

However, the split-up of AA Mutual which acceptance of M & F's bid implied would have left Plummer without his former position in AA Mutual. According to M & F's plan he would be joint MD with M & F's Mike Levett.

So while Sceales stands to gain a place on the Sage board, M & F board and remain chairman of AA Mutual if M & F's bid is successful, Plummer, insurance sources believe, has reason to be against it. He must be fertile ground, therefore, for Kirsh who, in return for guaranteeing him a job if his bid is successful, expects Plummer to swing the committee members of the Automobile Association in his (Kirsh's) favour. Plummer says, however, he has no special influence in the AA and is entirely neutral in the matter.

Kirsh's bid was sent directly to the AA



Ubiquitous Sceales ... even more directorships in the offing?

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

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Question 6.

1

i) The output firstly, of a farmer, can vary differently from one year to the next because he cannot

When the *FM* spoke to Sceales this week he said he had not received a bid from Kirsh and was not prepared to discuss the matter at all

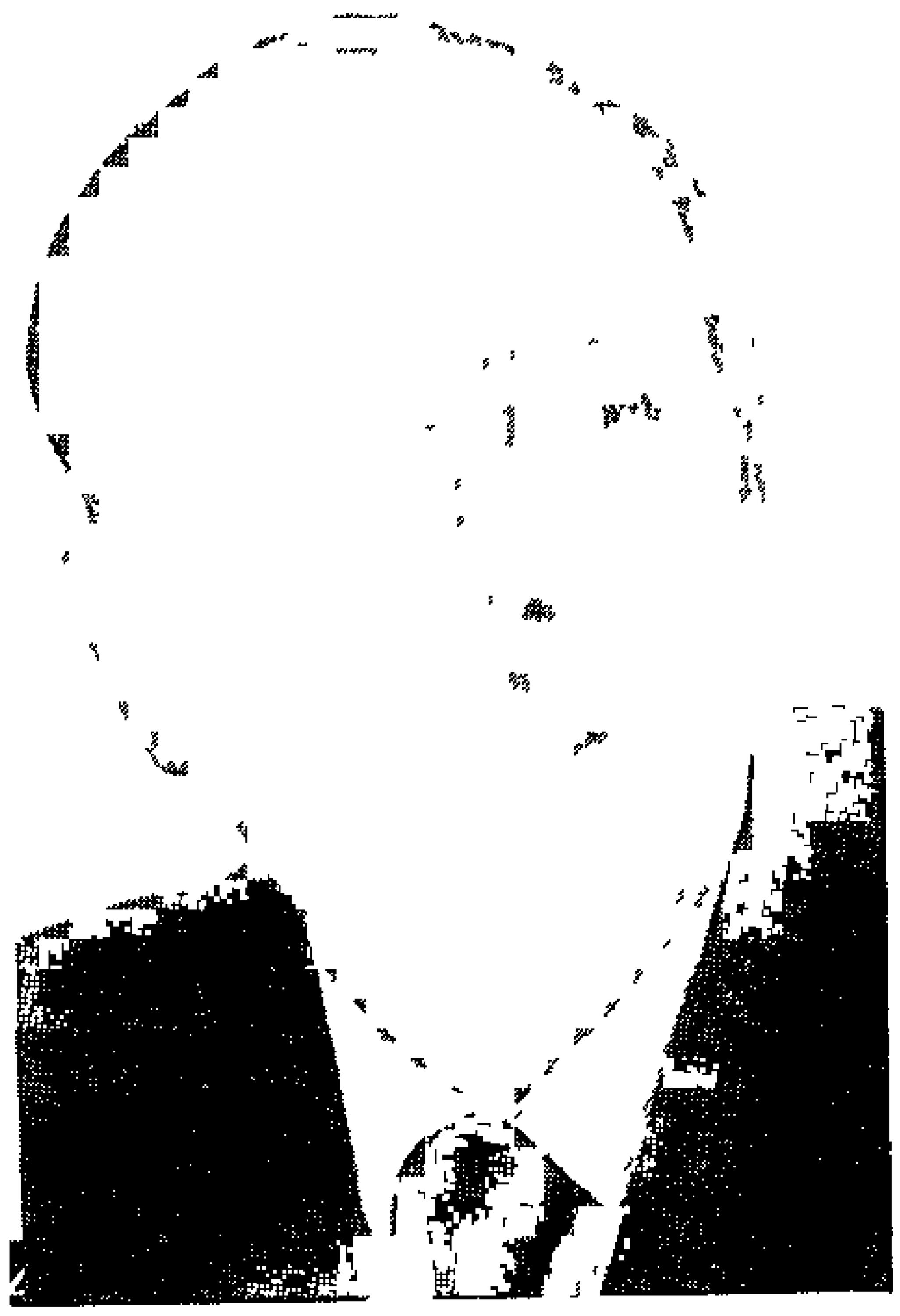
In the Kirsh camp however plain sailing was not expected A revised bid was anticipated before Kirsh s offer expires next week, from M & F and its MD Mike Levett has been closeted in meetings for days He declined to speak to the *FM*

One possibility was that Sage s Louis Shill would intervene, offering to buy AA Mutual as an entity He could then reverse it into M & F later splitting off the bits as originally planned More than anything this would indicate a desire to allay the AA directors fears for the AA Mutual s staff s jobs

Shill s office would say only no comment, ' but such a move could be a logical reaction to an AA rebuff

Reaction was not long in coming On Wednesday morning, SA Eagle s Fred Hazlett was believed to be on the verge of making a rival bid This company probably the best managed short-term underwriter in the country, is sitting on the R36m proceeds of the recent sale of its 25% interest in African Eagle Life to Anglo American interests

Hazlett is a phenomenon in the SA short-term industry He rose to fame by retiring from an old-fashioned tariff agreement and introducing new marketing techniques Having thus ensured a substantial market share, his company has not subsequently been averse to an understanding to keep an orderly market



SA Eagle's Hazlett . . . on the verge of a bid

According to industry sources AA Mutual would complement Constantia far more than either M & F or SA Eagle They have similar motor portfolios and management systems

In contrast both M & F and SA Eagle are heavily into the corporate market whereas about 60% of AA Mutual s business is personal Moreover SA Eagle has a similar management problem to AA Mutual — both Hazlett and his deputy Ken Raine are within range of retirement

In the final analysis, it may well be that price is not the deciding factor AA committee members may well decide that the interests of policyholders who are their members, and staff may be more important

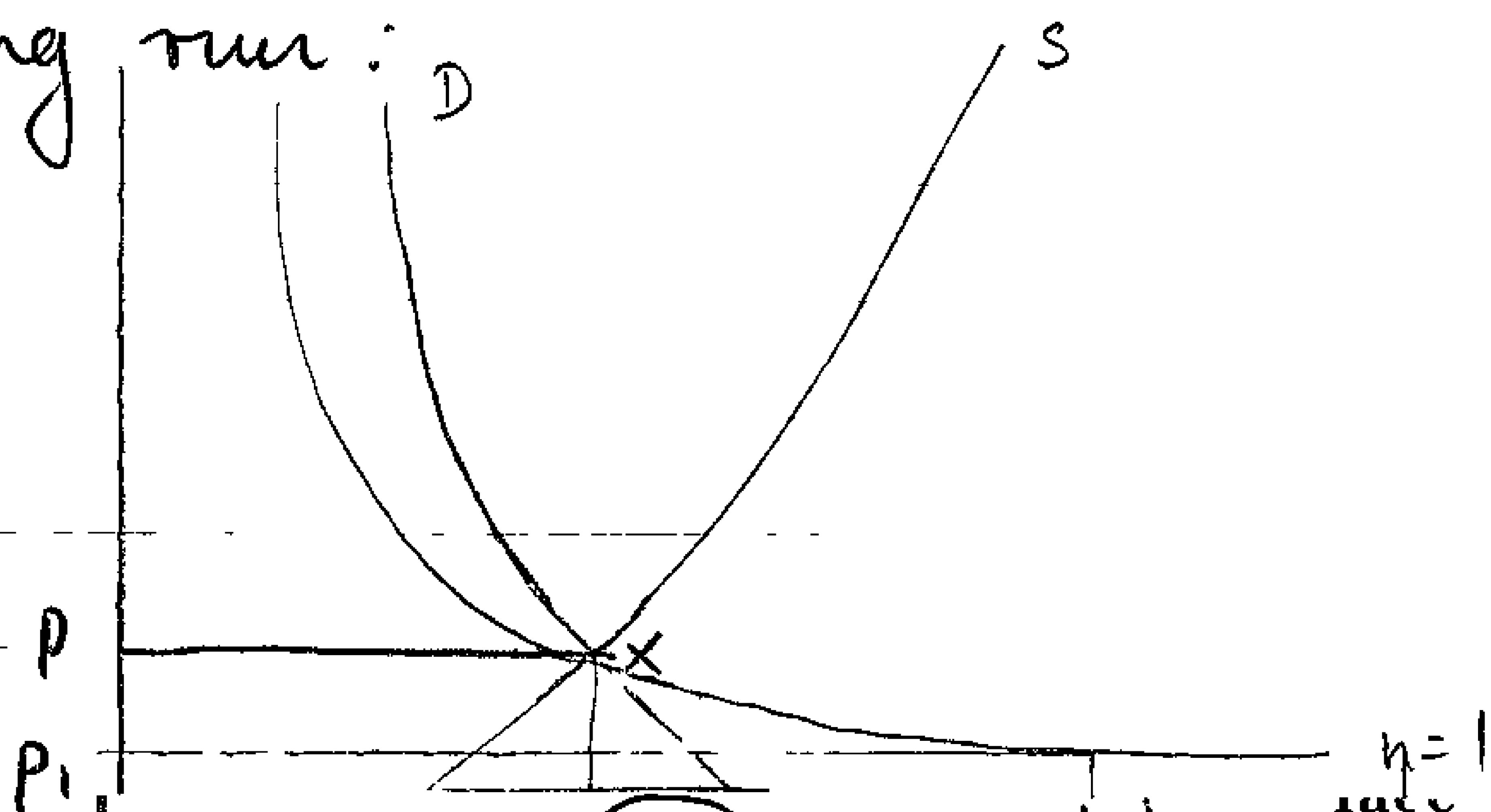
Nevertheless, no one connected with insurance (and certainly not the *FM*) believes that Kirsh and Van der Horst will give up easily And the pressure of Hazlett as a third party could add fuel to personal animosities especially if he brings in Anglo American interests He is not popular with many insurance men The weeks ahead could be full of surprises

Very inelastic demand curve (De) we get quantity quantity q for price 2, while demand curve (D) we get the same quantity for a much higher price (p'). Thus we see that it depends very largely on the demand for the good.

Should the farmer plan his output for the same prices as the years before, he will not necessarily succeed. First of all due to the unpredictable conditions that can cause his output to drop so that we have a shortage or to a bumper harvesting when we should have overproduction and a surplusage.

ii) Conditions which will stabilize the price in the long run:

Price



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ZAC DE BEER (58) FM 12/6/81 (232)

Marketing merger

Anglo American has streamlined its insurance interests, merging subsidiaries Guarantee Life and African Eagle Life The *FM* spoke to chairman Zac de Beer

***FM:* To what extent is the merger the result of the recommendations of the three outside actuarial consultants?**

De Beer: It is in no way connected to the outside consultants They advised us only on technical actuarial matters and on product designs

To what extent were administrative cost savings a factor in the merger?

A lot of the economies of merging the two companies have been achieved already — the actual merger is really the tip of an iceberg

How important is the acquisition of SA Eagle's 25% stake in African Eagle in the merger of Guarantee and African Eagle?

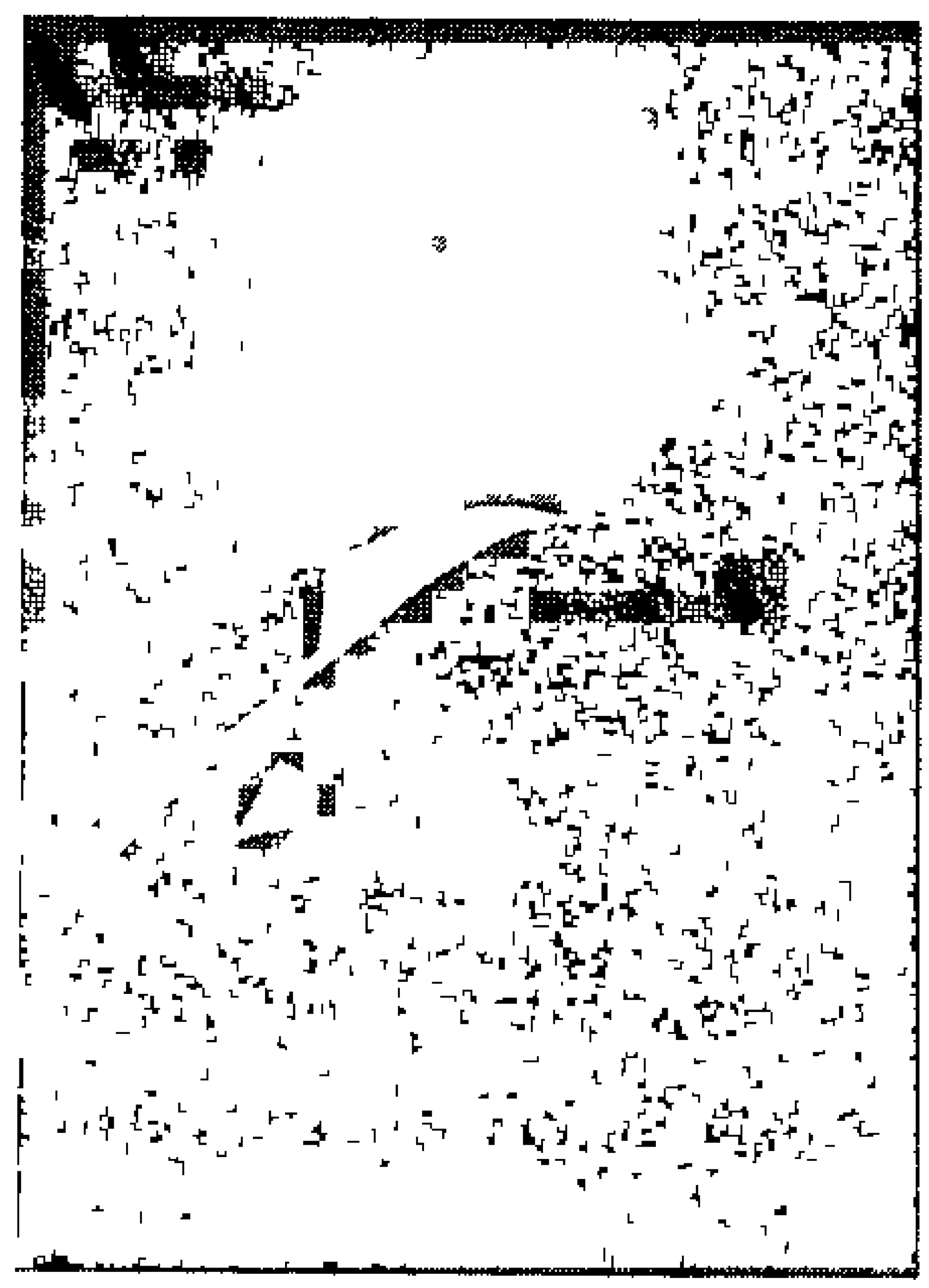
The two moves are really not connected I'm sure that my friends in SA Eagle would have been amenable to our proposals for this merger, but it is obviously easier to make this kind of change if the companies involved are wholly-owned

Is this move primarily a marketing procedure designed to court the broking fraternity rejected by African Eagle for so long?

Yes It will now be possible to market African Eagle's products through the broking fraternity The concept of African Eagle's new up-market Masterplan will be included in the new rate book But we found that brokers do not give Guarantee, which is a broking specialist, preferential treatment They go to other companies even though they might have to compete with field agents

Is this move designed to muscle in on Bowring's new Barclays connection and the resultant exposure Bowring will get to the bank's connections?

Guarantee has an established, mutually beneficial relationship with CT Bowring Bowring is actually and potentially a very big insurance broker But we do not believe that we will receive preferential treatment because of a common Anglo interest In the past, Anglo gave certain specialised business to African Eagle because of special service requirements

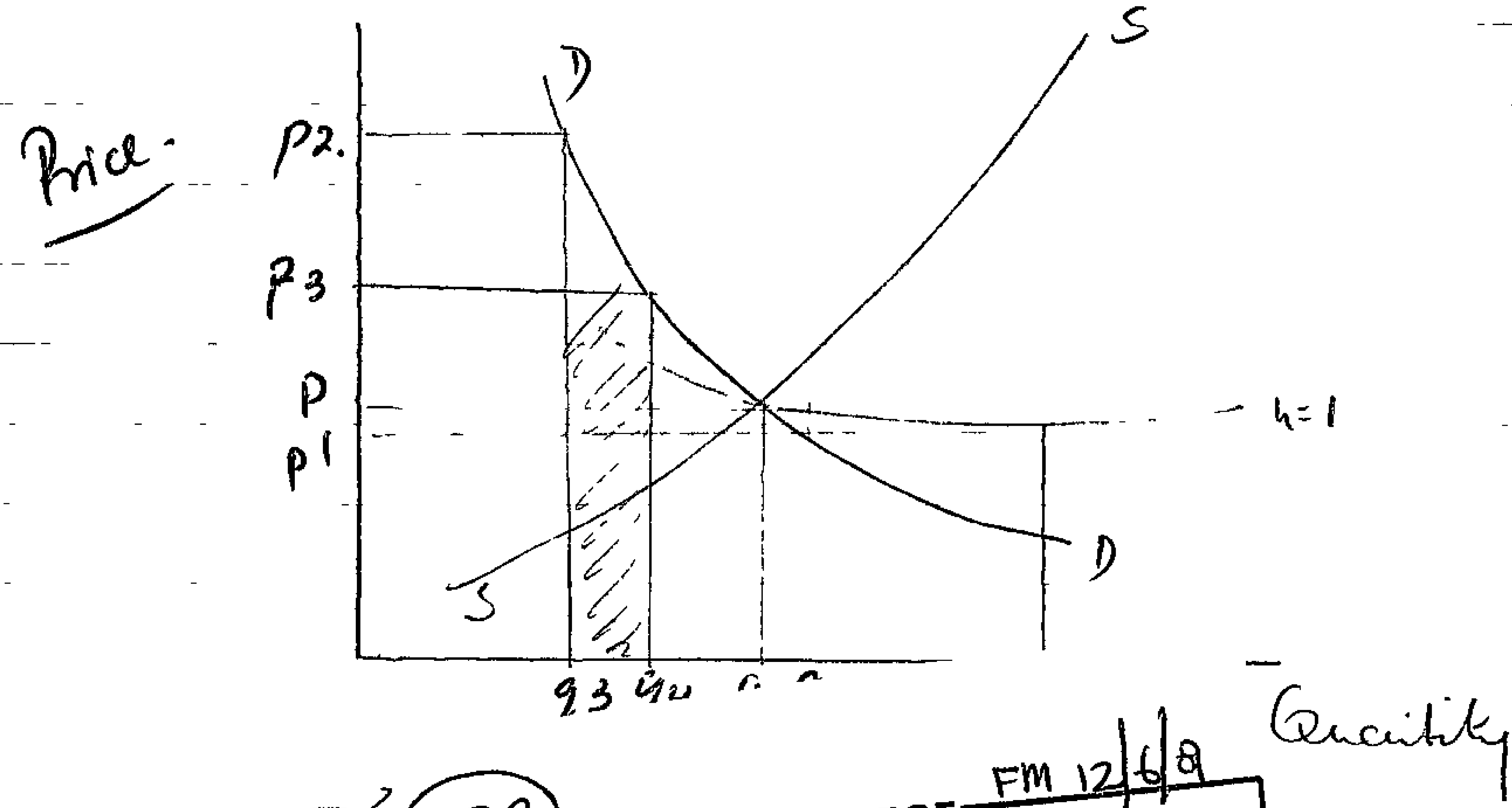


In view of African Eagle's rather negative reputation in pensions, will we now see Anglo American Life Assurance Company launch an assault on this front?

Our pensions division will constitute a major part of Anglo American Life Assurance and we certainly intend to be aggressive in our pensions marketing

What prompted you to form yet another company out of the Home Services division?

The Home Services division operates in the cash collection business and requires a different managerial approach Since we rationalised it, the Homes Services division has become profitable and stands on its own as a separate entity



FM 12/6/9

58 232

INDEPENDENTS MERGE

The merger between independent financial institutions, the Board of Executors and Fidelity Bank and Trust has been finalised, giving the group total assets of over R300m

The shareholders comprise mainly individuals who are also clients Both companies provide a similar range of services and with such a degree of compatibility it was easy for the respective managements to agree on the formation of a new financial services group

The development will complement and increase the overall range of services The group will have offices in Johannesburg Cape Town, Durban and Port Elizabeth Chief executive and MD is BOE's Neil Chapman

BOE s Dr Bert Olver says plans for Fidelity Bank to open in Johannesburg Cape Town and Durban are pending However it will not become a multi-branch operation but remain only in the four centres

The BOE has been primarily a Cape-based company until fairly recently It attends to portfolio investment the administration of estates and trusts participation mortgage bond investments and property administration It is also in the money-market and administers client s assets of over R200m

Fidelity Bank is a registered general bank active in the fields of property administration participation mortgage and the administration of estates and trusts It is also involved in the corporate instalment credit and leasing market

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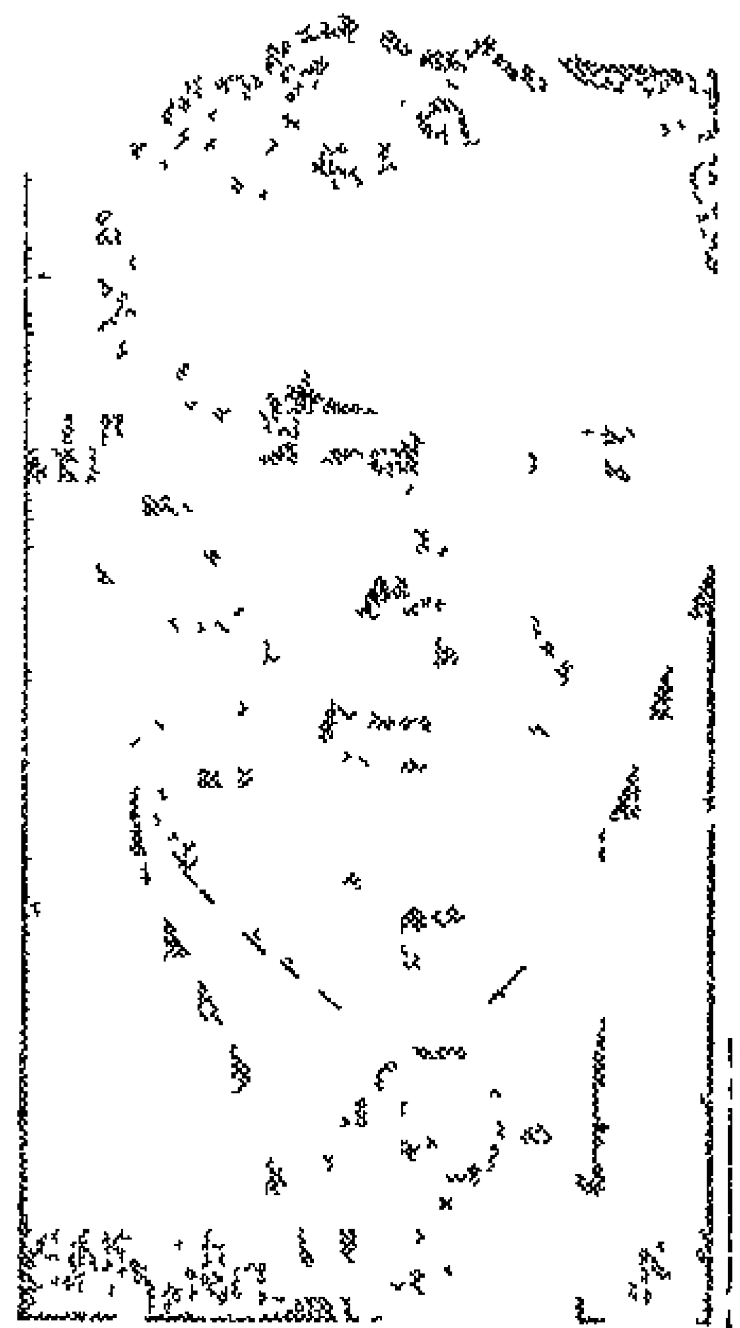
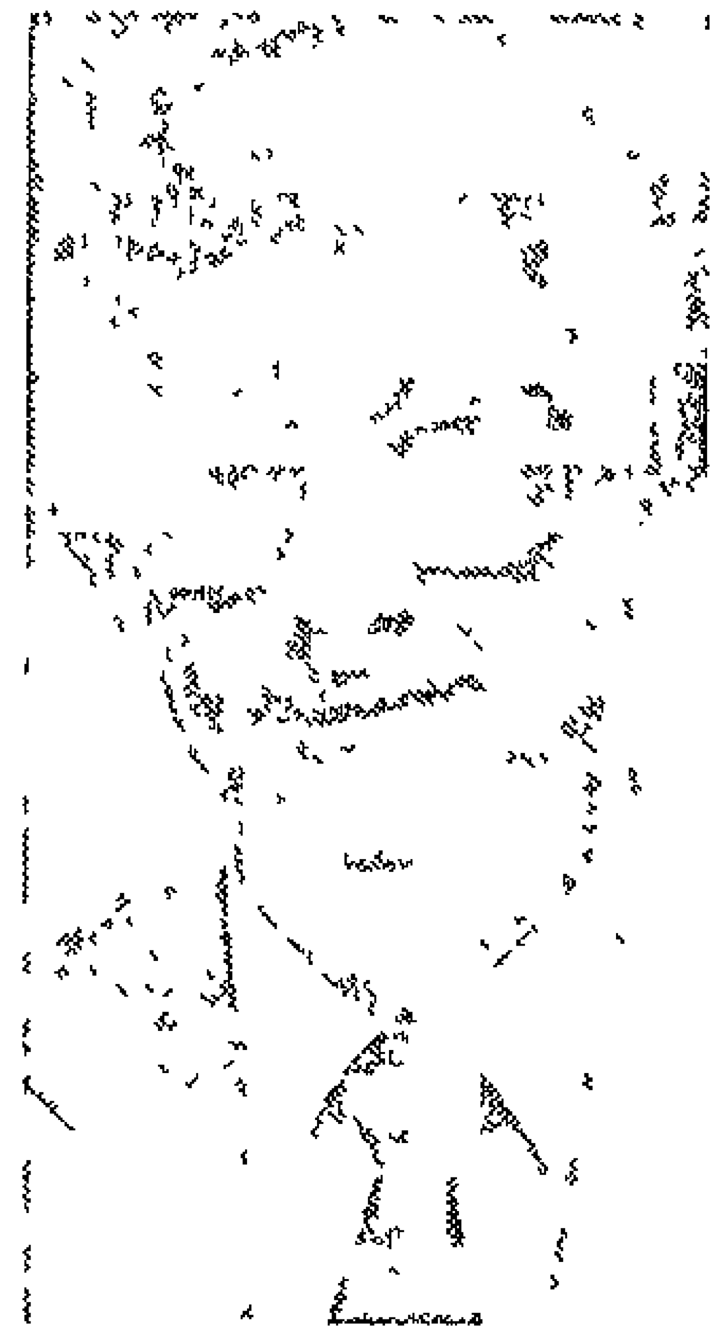


Mr W F de la H Beck
Chairman of The Board & Fidelity Bank



Mr T N Chapman . . .
managing director

R300m Cape funds merger

Financial Reporter

THE Cape Town-based Board of Executors and Port Elizabeth's Fidelity Bank & Trust have merged to form The Board & Fidelity Bank, which will administer funds of R300 million.

The new group says it will be one of the largest independent financial institutions in SA. It will have offices in Cape Town, Durban, Johannesburg and Port Elizabeth.

The Board of Executors is 142 years old and is mainly engaged in portfolio investment, estate and trust administration, participation mortgage bond investments and property investment. It is also active in the money market.

Fidelity Bank is a general bank tracing its history to the formation of the Guardian Trust and Investment Company in Port Elizabeth in 1853. Its other parent was the Aegis Investment and Trust Company.

In addition to general banking, Fidelity Bank is active in property administration, participation mortgage bonds, estate and trust administration, corporate instalment credit and leasing.

The chairman of the merged company is Mr W F de la H Beck and the managing director is Mr T N Chapman.

Rupert to buy bigger stake in mining giant

Star 12/6/81

232

By Geoff Shuttleworth

Rembrandt is believed to have taken more than a five percent stake in Federale Mynbou from Volkskas at a cost of about R40-million.

This would bring Rembrandt's stake in Federale Mynbou up to 30 percent. Sanlam holds about 45 percent of Federale Mynbou directly and with indirect holdings brings its stake up to slightly more than 50 percent.

Volkskas managing director Mr D P S van Huysteen confirmed that the bank had sold half its 10,1 percent stake in order to meet needs of the fast-growing commercial banking subsidiary Volkskas Ltd. The capital profit of R25,8 million has been transferred in entirety to general reserves.

THREE OVERSEAS

Dr Wim de Villiers, managing director of Federale Mynbou and chairman of 50,03 percent held Gencor, said that Volkskas had informed him of the decision to sell the shares but was not willing to disclose the buyer.

Chairman of Rembrandt Dr Anton Rupert and Rand Merchant Bank managing director, Johan Rupert, his son, are overseas but a spokesman for the company said that the directors were unable to comment "as it is official policy not to comment on any investment-portfolio changes."

Sanlam managing director Dr Fred du Plessis is also overseas and chairman Dr A Wassenaar was not available for comment.

Sources close to the deal believe that the sale of the stake of Fed Mynbou to Rembrandt does not endanger Sanlam's majority stake but said that it underlines Rupert's drive into mining, overseas and locally.

Rembrandt was recently involved in negotiations for the sale of some of its holding in Rothmans International with R J Reynolds, but swiftly broke off negotiations and sold half its 44 percent stake to Philip Morris. The nominal value of that sale is R350 million but this actually works out at less than R300 million after matters such as trademarks have been taken into account.

Rembrandt broadly hinted at the time of the sale in May that it was interested in mining and energy ventures, particularly in North America.

I understand that Rembrandt came very close to taking over a 20 percent stake of a major US mining concern recently, but I am not at liberty to disclose the identity of that group.

Sources close to Rembrandt believe that it will not keep to the current large minority stake in Federale Mynbou and it may well pick up the remaining 5 percent of Fed Mynbou still held by Volkskas.

Some went as far as to add that Rembrandt has probably taken up pre-emptive buying rights over the remaining Volkskas stake.

This would give Rembrandt a 35,1 percent stake. However, any attempt at gaining majority stake in Fed Mynbou would have to be done with the sanction of Sanlam.

LEADING PART

Opinion of Afrikaans business circles is that, with Dr Wassenaar and Dr Du Plessis in control at Sanlam there is little likelihood of such a move.

At the same time, relations between Gencor's Dr de Villiers and Dr Rupert are extremely good and Fed Mynbou and Gencor appear to have welcomed the enlarged Rembrandt stake.

Ever since the takeover of Union Corp by Gencor, in which Rembrandt played a leading part, this has been the case. At the same time there has in the past been antagonism between Sanlam and Volkskas.

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SALDRU/SAMST

CONFERENCE ON THE ECONOMICS OF HEALTH CARE IN SOUTHERN AFRICA

SEPTEMBER 1978

BLACK OCTOBER : CAPE TOWN AND THE SPANISH INFLUENZA EPIDEMIC OF 1918.

by

HOWARD PHILLIPS

Paper No. 36

Mondi buys Jessievale

Financial Reporter

HUNT Leuchars & Hepburn has sold Jessievale Saw Mills, the softwood operation, to Mondi Paper.

Mr Neil Morris, chief executive of HLH's timber division, said: "Jessievale has just had a very successful year but in view of the emphasis we are giving to mining timber it has become peripheral to the main stream of our business.

"We believe that it will be much more compatible with the Mondi operation where it can enjoy the benefits of size and specialisation."

Rembrandt spreads interests

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Kimet share earnings soa

14/1/81 232 ~~2??~~ S Times Fin

ACQUISITIONS AND RE-ORGANISATION ACCELERATE GROW

Finance Reporter

THE growth rate at Kimet, the investment holding company whose earnings jumped by 48 percent to 32,8 cents a share in the year ended February, is continuing to accelerate

Chairman Natie Kirsh tells shareholders in the annual report that — purely as a result of the acquisitions and reorganisation that has taken place in recent months — Kimet's earnings per share will grow by 50 percent in the current year

To this must be added the growth that will take place in the trading subsidiaries and associates such as the Metro Cash and Carry wholesale chain (where Kimet has an attributable 50 percent stake), Dion discount centres (an attributable 15,5 percent), the Russells furniture and clothing chain (an attributable 25,4 percent) and Union Wine, which is now a partnership between the Kirsh Group and Cape Town's Pickard Group

It is the Dion's Russells and Union Wine acquisitions, plus the restructuring during the past year of Kimet's preference share capital, that Mr Kirsh refers to when he says in his review "Kimet enters the new financial year a larger and financially more powerful group Solely as a result of these changes and without taking into account any growth, Kimet's earnings per share will increase by approximately 50 percent.

"Given reasonable economic conditions, group turnover is expected to reach a billion rands in the current financial year (R581-million during the 1981 year) and in view of the foundations laid in the past and the anticipated earnings growth from each of our investments, the forthcoming year should be a rewarding one"

Commenting on divisional performance, Mr Kirsh adds that the Metro Corporation, which last year provided 81 percent of Kimet's profit, has grown over the past 10 years at 39 percent

"The stake in Dion enables Metro to gain entry into one of the country's fastest growing retailers Dion has an outstanding market image, and should be a substantial growth area for the group," he said

"Russells is the largest furniture retailer in the country, having an extremely sound past profit history and an enormous distribution network, as well as a very large capital base"

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Finance firms in merger

Sta 15/6/81

232

By Ann Cotts

The newly formed Board and Fidelity Bank will be one of the largest independent financial institutions, administering assets of more than R300 million.

The new group was formed by the merger of the Board of Executors and the Fidelity Bank Trust Company and will have offices in Cape Town, Durban, Johannesburg and Port Elizabeth.

The Board of Executors was established 112 years ago and its main activities are in portfolio investment, administration of estates and trusts, participation mortgage bond investments and property administration.

Fidelity is also active in property administration, participation mortgage, administration of estates and trusts and corporate instalment credit.

Mr W F de la H Beck has been appointed chairman of the new group and Mr T N Chapman managing director.

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PLEASE CIRCLE ITEMS REQUIRED

Kirsh Industries wins fight for AA Mutual

Star 16/6/81 (232)

By Ann Crotty

Kirsh Industries has won the fight for AA Mutual, the insurance arm of the AA.

At a meeting of the AA Board yesterday it was decided that earlier plans to sell the insurance company to Mutual & Federal should be reversed and that Kirsh Industries should take over the company.

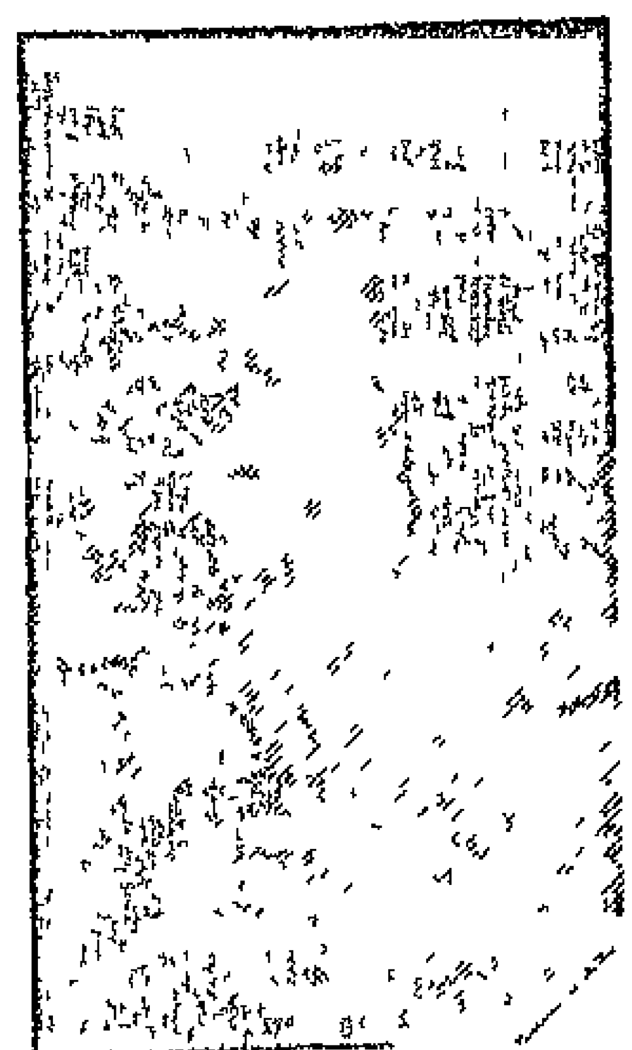
The decision, which was taken early in the day was relayed to Kirsh Industries chairman, Mr Mervyn King late last night.

BATTLE

So far neither AA Mutual nor Kirsh Industries have been able to make a public statement as the earlier bidders — Mutual & Federal — were not notified of the decision until this morning.

It is widely believed that price was not the deciding factor in a battle which probably saw both bidders increase original offers.

There is general consensus that the deciding factors in Kirsh's favour were firstly that he undertook not to fragment the company and secondly an offer to the AA to remain with the new AA Mutual.


Mr Natie Kirsh

The first point was possibly the more sensitive as the Mutual & Federal's plan for AA Mutual would have resulted in the company being split three ways with Mutual & Federal taking its short term side, Ned Equity taking the life section and Sage Holdings acquiring the international activities.

On the second point it does seem likely that the AA having built up a good insurance arm over the past months, was anxious to remain in the industry but were worried about management aspects.

PREMIUM INCOME

The Kirsh offer allows them to remain in the industry as minority shareholders in the new AA Mutual but without management responsibilities.

Kirsh Industries' victory will see the AA Mutual linking with Constantia Insurance to form possibly the second biggest short-term insurance company in the country with a premium income of about R130m a year.

Mr Kirsh has said that within 5 years it will be the biggest short term insurance company in the country.

2.- cont.........

(1) Plot this demand curve as accurately as possible, preferably using graph paper.

(2) Now suppose that over a period of ten successive years the annual "crop" amounted to outputs of 80, 60, 70, 40, 50, 80, 60, 50, 40, and 70 million bushels respectively. Calculate and tabulate the gross value of the crop in each of these years, if the demand curve scheduled above was the demand curve of each of the ten years.

(3) Calculate the average annual gross value of the crop over the ten years, and the output and price which would yield this value.

(4) Construct a schedule showing what price would have to be received for each of the outputs in the demand schedule in order to make the gross value of the crop in each year equal to the average annual gross value. Plot this schedule on the same paper as the demand curve. (It will be a curve of unit elasticity).

(5) From the dema[nd] ... on the market ... from these am... ... offered ... part (4). ... government ... have to ... (2). Would ...nt it would ...

Is any change necessary?

Apart from the fact that two new drugs are on the market, is there any need for change?

Points worth considering are:

(i) the escalating costs of hospitalisation;

(ii) shortage and cost of highly trained staff, together with their employment at their highest potential;

(iii) the high cost of disability awards, pensions and unemployment payments (Table 3);

(iv) the high cost of re-treatment ...

Slower growth for Amrel

Financial Reporter

AMREL, SA Breweries furniture and shoe retailing group, is confident that earnings per share will increase in the current year, although not at the same rate as over the past three years, says chairman David Lubner in his annual report

He said leases have been signed for 20 new furniture stores, the majority of which are being built and will be opened by September

Prospects for continued positive growth over the next three to five years are promising for the furniture industry because of the high level of housing needed and the introduction of a second television channel Electrification of major black residential areas also enhance longer term prospects, he said

But among factors which could inhibit this growth are the change in the Government's attitude to no-deposit selling in the furniture industry, he said

duties necessary to a clinic service, unlike a hospital, can receive better attention.

Variables.

When assessing the value of intensive, short-course therapies it would be foolish to be dogmatic at this juncture. All that one can assess is the merit of the I.S-C.Ts as against the older, standard regimens.

Here again it must be emphasised that a comparison of drug, purchase price is a minor factor in the overall picture. (Tables I & 3).

Far more expensive are the salaries and pension contributions of the staff employed, whether by a hospital or a clinic (Table I).

From this it follows that any regimen that cuts down the time and numbers of patients being handled is of inestimable value, but it is difficult to put a figure on this item (Table 2).

Sufficient is it to say that, to date, patients are only under daily supervision of all therapy for 100 days, formerly 130. This means that the numbers being attended to, in any one month, for daily supervised therapy has dropped by one half, 50% (Table 2).

As a result of this, patients can now receive, if necessary, supervised therapy in their homes or at work, and the relapse, re-treatment rate has fallen to the order of around 1%.

Radiographs need be far fewer and in one area they have dropped from 50 000 per annum to 23 000. This, alone, at a cost of, say, R1,00 per film pays for the Rifampicin of 337 patients, 42% of the annual need.

The Financial Status of Tb. patients

As indices could not be obtained from the Labour

19/6/81 Kom 232

Kirsh swallows AA Mutual

By DAVD CARTE
Deputy Financial Editor

IN ITS fourth takeover coup in a year, Mr Natie Kirsh's Kirsh Industries has grabbed control of AA Mutual, the AA's insurance arm, thwarting a bid by Mutual & Federal, Ned-Equity and Sage Holdings

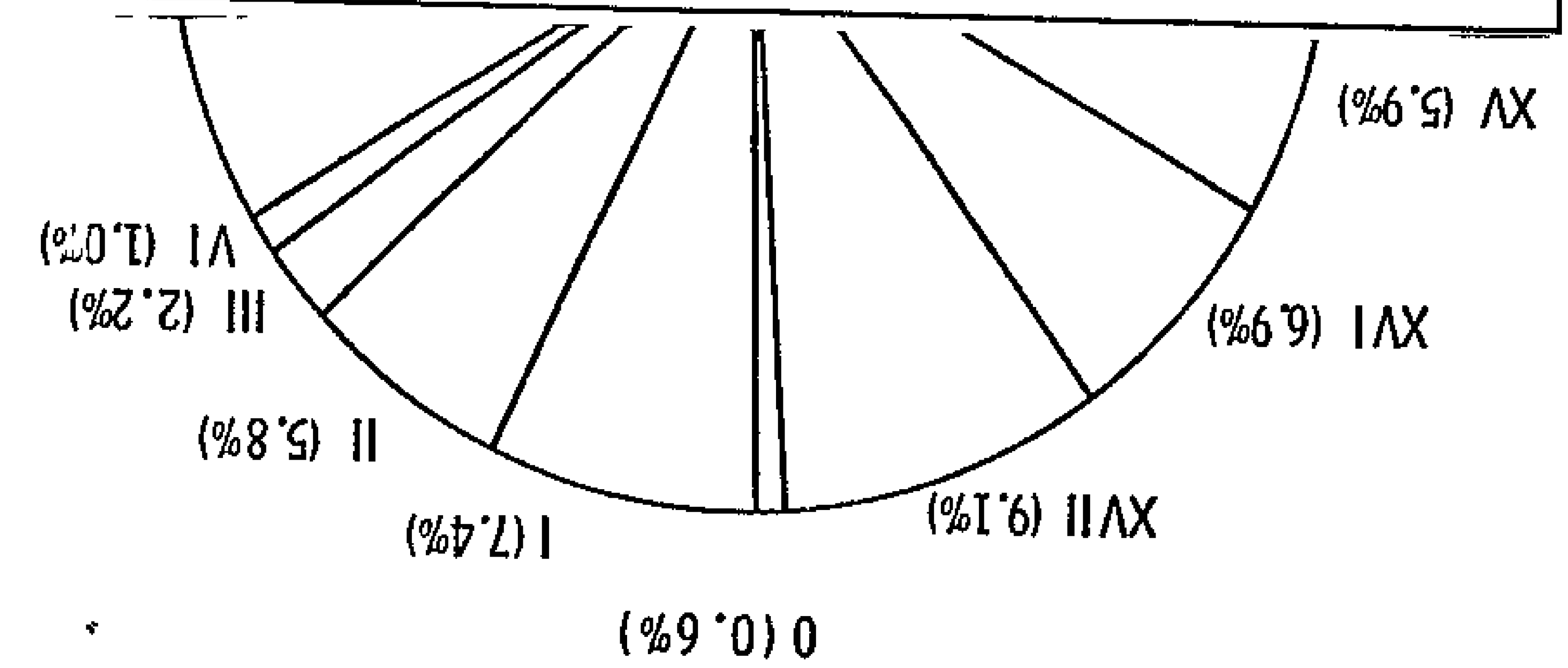
The general committee of the 700 000-member AA said it had accepted Kirsh Industries' offer of R13 300 000 cash for 58% of AA Mutual ahead of an undisclosed but higher offer from the other trio

The AA said it judged the Kirsh offer to be in the better interests of the motoring public because it would be able to maintain a 42% interest in the company

Kirsh Industries is to merge AA Mutual with its own listed insurance company, Constantia Insurance, creating a new giant in SA insurance, with premium income of about R130-million

Two other points in Kirsh's favour were that his deal did not entail splitting up the company and that staff felt happier with it

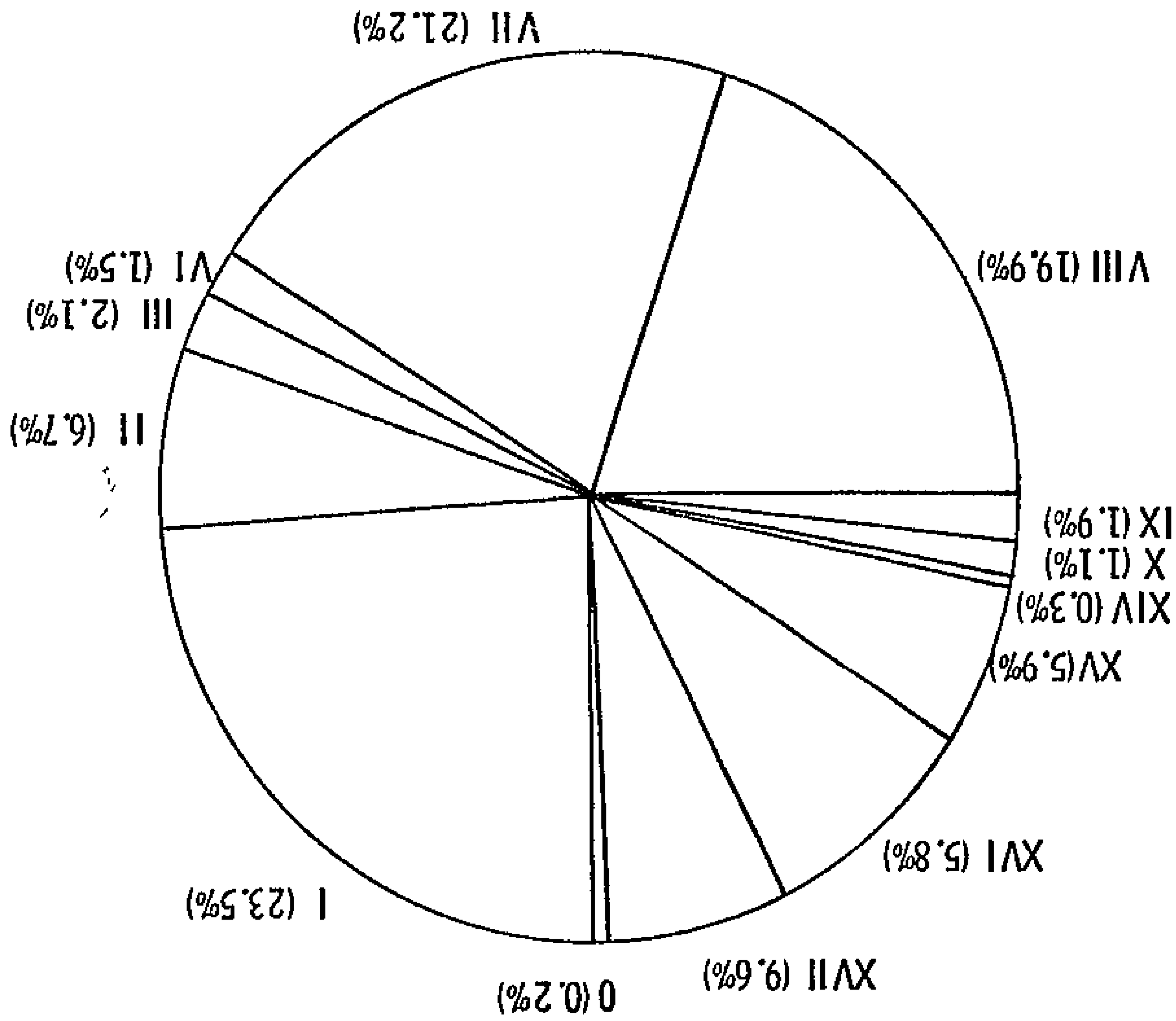
● See Page 13



ASIAN

PROPORTIONAL MORTALITY

Fig. 5 (c)



COLOURED

PROPORTIONAL MORTALITY

Fig. 5 (b)

TABLE VI

CISKEI: SERUM ALBUMIN (g/dl)

	6-23 months		2-3 years		7-8 years		Lactating mothers	
Mean	4,00		4,10		4,24		4,25	
S D	0,436		0,368		0,365		0,293	
n	189		279		222		96	
ICNND Categories	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
'Deficient'	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Kirsh takes control of AA Mutual

Kom 19/6/81 (2322) (38)

By DAVID CARTE
Deputy Financial Editor

IN ITS fourth takeover coup in a year, Mr Natie Kirsh's Kirsh Industries has snatched control of AA Mutual from Mutual & Federal, Ned-Equity and Sage Holdings.

The general committee of the 700 000-member AA announced yesterday it had accepted Mr Kirsh's bid of R13 300 000 cash for 58% of AA Mutual ahead of an undisclosed offer from the three Old Mutual associates.

The M & F, Ned-Equity and Sage Holdings offer was significantly higher than the Kirsh offer but it was for 100% of AA Mutual and entailed splitting the short term, life and overseas interests of AA Mutual.

The AA said it was primarily because the Kirsh offer enabled the AA to retain a 42% interest in AA Mutual that it was accepted

It felt this was more in the "general interests of the motoring public"

The transaction is subject to ratification by members of the AA in general meeting and certain Government consents

Undoubtedly, an important factor in Kirsh Industries' favour was that the AA Mutual staff felt less threatened by the Kirsh offer, for the staff of a victim company in a takeover generally fares worse than that of the predator company.

Now, effectively, AA Mutual will become a predator, for Kirsh Industries' listed insurance arm, Constantia Insurance is to be merged with AA Mutual.

The Kirsh offer, unlike the alternative, also did not entail splitting the short term, life and overseas interests of AA Mutual

A spokesman for the defeated trio said they were "bitterly disappointed"

He said Mutual & Federal had a better solvency margin than either AA Mutual, since it took over New Zealand Insurance, or Constantia

This and the fact that their bid was higher, convinced them that theirs was the better offer He said the AA had not wanted to negotiate It wished only to consider offers For this reason, the Mutual trio had not been able to improve their offer.

● COMMENT: For Kirsh Industries and for Constantia, which has been too small to compete in a viciously competitive short term market, the acquisition is a coup.

Size is the name of the game in short term insurance and, with premium income of R130-million, the merged AA Mutual and Constantia will be a force to be reckoned with

It was hardly surprising that the Constantia share price gained 30c hours after the deal was clinched yesterday.

... due to the tremendous emphasis on maize as a staple food.

Results obtained for serum vitamin A levels are given in Table VII. Interpretation of these results in terms of nutritional adequacy, according to the ICNND standards, indicates that marginal vitamin A deficiency occurred in 6-34% of the age groups studied. These deficiencies were also more frequent in the rural than in the urban populations.

TABLE VII

CISKEI: SERUM VITAMIN A (µg/dl)

	6-23 months		2-3 years		7-8 years		Lactating mothers	
Mean	24,8		24,2		23,8		36,6	
S D	10,0		11,0		8,07		12,2	
n	182		274		222		96	
ICNND Categories	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
'Deficient' <10 µg/dl	5%	4%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TABLE VIII

CISKEI PERCENTAGE FREQUENCIES OF CLINICAL SIGNS SUGGESTIVE OF VITAMIN A DEFICIENCY

	6-23 months		2-3 years		7-8 years		Lactating mothers	
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
Bitot spots	0	0	0	0	0	0	2,2	0
Conjunctiva Xerosis	0	0	0	0	0	0	0	0
Cornea Xerosis	0	0	1,4	0	6,0	0	6,8	0
Skin Xerosis	6,4	4,0	10,3	2,2	25,6	11,4	2,[illegible]	1,9
Follicular Hyperkeratosis Type I	1,1	1,0	3,4	2,9	13,1	8,7	0	0

Brian Porter buys Carsons Cape in R1,6m cash deal

CT 18/6/81 232

By DALE [illegible]
Financial Editor

BRIAN PORTER HOLDINGS, which last year took a 19 per cent stake in Germiston Motors, has made another significant takeover. The group has bought Carsons (Cape), a local Peugeot dealer, for some R1,6m from McCarthy.

The deal follows Porter's recent acquisition of the Peugeot franchise in Somerset West and Worcester and will make the company one of the country's leading Peugeot dealers.

Porter is already South Africa's second biggest [illegible] dealer in terms of unit sales.

The Germiston Motors stake, which cost R1,6m, was a sign that managing director Mr Brian Porter was pushing for a larger market share [illegible] [illegible] is a further [illegible] the Cape [illegible] [illegible] additional [illegible].

[illegible] to [illegible] [illegible] [illegible] to [illegible] share of the [illegible].

At the halfway stage Porter Holdings boosted taxed profit by nearly 200 percent on a 93 percent [illegible] increase and the dividend was more than doubled from 3c to 10c.

Taxed profits topped the R2,7m mark as against the previous R839 000 and earnings per share were 19,2 [illegible] Germiston Motors contributed R[illegible] 000 to taxed profit in the first half.

The Carsons deal is expected to boost earnings per share by 12,5c in the year ending June 1982 (the deal is effective from July 1, 1981), equivalent to taxed profit of some R360 000. This looks conservative, however, [illegible] benefits should flow from the combined [illegible].

Carsons [illegible] [illegible] [illegible] [illegible] to [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible].

The [illegible] of the Peugeot franchise [illegible] Somerset West [illegible] to Porter [illegible] McCarthy [illegible] and agreement in [illegible] was reached yesterday.

Final details will be sent to shareholders for approval at a general meeting.

Mr Brian Porter says that Porter Holdings' sales are being maintained and Germiston's turnover is above expectations. The used car business is booming and the Kuils River reconditioning plant is being expanded to meet demand.

Carsons, apart from its new car operation, has an outstanding used car base.

ANGLO BOOSTS STAKE IN ENGINEERING

Argus 19/6/81

232

THE Anglo American Corporation has greatly increased its stake in the engineering sector by acquiring a substantial block of shares in Ipsa, the holding company of Dorbyl and Stewarts and Lloyds, two of the country's biggest metal working organisations.

Ipsa (International Pipe and Steel Investments SA) was formed some years ago by the British Government to hold the shares of the South African associates of nationalised British steel companies.

Ipsa has 56,2 percent of Dorbyl's capital and 52 percent of Stewarts and Lloyds.

At the time of Ipsa's formation British Steel Corporation retained 35 percent of the company's shares while the balance were held by Metkor, an Iscor subsidiary (37,3 percent), Afgate (12,7 percent) and Anglo American (15 percent).

40 PERCENT

Anglo America is now buying five sevenths of British Steel's holding for R29,5-million, lifting its stake in Ipsa to 40 percent.

The other two sevenths are being bought by Metkor for R11,7-million, which will increase its stake in Ipsa to 47,3 percent.

The move gives Metkor nominal control over Dorbyl and Stewarts and Lloyds as it holds 37 percent of Afgate's shares.

At the same time British Steel is selling its direct interest in Stewarts and Lloyds amounting to 21,1 percent of that company's shares, to the Rembrandt group for R22,84-million.

Altogether British Steel will raise more than R60 million as a result of these transactions.

The monetarist's saw that if the supply of money was increased at full employment, then there woul be an excess supply The increased demand would force up the price level. (inflationary).

~~An~~ If the M_s was reduced at full employment demand for money would increase. for credit would then force up redit. The cost of credit is the therefore the rate of interest rises

10

LIQUOR 232 152

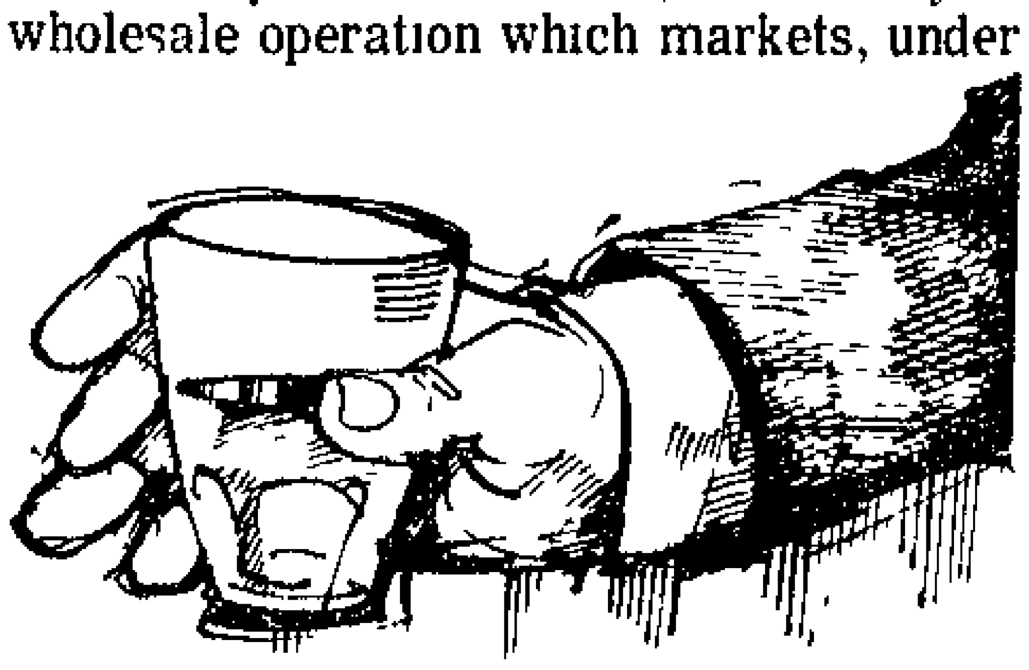
Rennies' refill

FM 19/6/81

Rennies Hotel and Liquor Holdings has purchased the liquor importing and marketing company Superior Imports from Avron Wilensky and Alec Horwitz for an undisclosed sum

Overseas principals of major Rennies liquor group, Douglas Green of Paarl (DG), and Superior Imports have approved the arrangements and will honour all agency agreements on the understanding that all companies continue to operate as they have done in the past

Rennies entered the liquor industry with the 1976 purchase of DG, essentially a wholesale operation which markets, under



its own label, products purchased through the KWV and other sources

This base was extended with the purchase of Avrons in the Cape and J D Bosman in Johannesburg — firms with a strong regional distribution and valuable portfolios of imported products

Wilensky remained as DG's joint-MD (regional) for the Cape and Horwitz for the Transvaal Both men reserved the right to retain their own agency company — Superior — on the understanding that DG would enjoy the lion's share of its product distribution, and that Rennies had an option to purchase at a later date

In exercising this option, Rennies appears to be acquiring a valuable asset Superior's agencies include Red Heart rum, SA's largest-selling imported spirit (excluding whisky), Black & White scotch, Harvey's sherries, Veuve Clicquot champagne, Cointreau and Tia Maria All these products are among the brand leaders in their particular categories DG unquestionably offers the best imported liquor distribution in SA, so market share can only increase

With imports not nearly as restricted as they have been for five years, there is every reason to believe that the profits of the agency company will comfortably justify the investment and consolidate Rennies/DG as the pre-eminent force in SA's imported wholesale liquor business

Both Wilensky and Horwitz are overseas However, Tony Bush, chief executive of Rennies trading division and a Rennies director, says "The liquor division will derive substantial benefits from this development Superior fits perfectly into the operations of DG and we are pleased to have kept the services of Superior's management team — Wilensky, Horwitz and Kevin McLintock — for the future"

He notes that the acquisition will not materially affect Rennies group earnings, or net asset value, in 1981

Cape Town company in 'delicate' coal talks

CT 12/6/81

JOHANNESBURG — Johannesburg's biggest coal merchants are likely to be taken over by Triton Consolidated Holdings, a Cape Town company, and listed on the Johannesburg Stock Exchange by reverse takeover of the listed cash shell Dermacult.

The managing director of Triton, which recently bought control of Dermacult, Mr Laurie Goldberg of Cape Town, confirmed yesterday that negotiations to achieve this were in progress.

But he said it was premature to presuppose a deal would be done.

Negotiations were at a very delicate stage and there was no certainty a deal would be concluded.

Some of the coal merchants which will be taken over if negotiations go according to plan include Coal Cartage, McPhail's, Imperial, Middelburg and Wolperts.

A coal retailing source suggested a possible price of R4 500 000 but Mr Goldberg said it would be more than this.

If the deal is clinched, a critic of the proposal said, the affected coal merchants will have a "virtual monopoly" on coal supply all over the Witwatersrand.

He said the deal would eliminate competition and coal prices in Johannesburg would rocket.

Although coal was price controlled, the controlled price has always been a ceiling, he said. Competition between dealers enabled medium size buyers to negotiate lower prices than the maximum.

If the deal went ahead this would become a thing of the past, he said.

The managing directors of the affected coal companies either could not be reached last night or refused to comment.

Sage to establish giant trust

(57) (132) S Times 21/8

IN one of the largest single property transactions in South Africa, Sage Property Trust (SPTM) will establish a new R60-million property unit trust

Called CBD Property Fund (CBD Fund), the trust's initial portfolio will comprise 15 Retco properties situated primarily in the central business districts of Johannesburg and Pretoria, plus R10-million in cash which Retco will transfer to the trust

Application will be made to the Johannesburg Stock Exchange to list the CBD Fund units, probably in October or November

SPTM, leader in the property-trust sector, will now manage three separate trusts with a combined market capitalisation of around R220-million SPTM also manages Federated Property Trust and Pioneer Property Fund

According to Union Acceptances Limited, in exchange for the assets Retco is transferring to CBD Fund, Retco will receive about 59,6-million units of 100c each in the trust

Retco shareholders will be entitled to 91 units in CBD Fund for every 100 Retco shares they hold

Retco shareholders are also being given the option of receiving cash instead of units Sage Holdings, parent company of SPTM, is making an under pin cash offer of 100c a unit

The projected dividend yield of the units is not less than 10,8 percent for the 1982 calendar year The property trust sector is currently yielding a historic 9,3 percent

South African Breweries, which holds 32 percent of Retco's equity, has given its support to the proposals Because dividends from a property trust are taxable in SAB's hands, it is obviously not in its interests to retain its holding

SAB will therefore place its units, worth about R19-million, in the hands of a consortium headed by Sage

The properties forming CBD Fund are African City, Bosman Building, Castle Mansions, Marlborough House, Medical City, Annan House, Noswal Hall, 76 Juta Street, Annuity House, all in central Johannesburg, President Place in Rosebank, Hallmark Building, Robert Kock, Steyns Building and Zanza Building in Pretoria and Retco Parow in Parow in the Cape

S Times Bus 7/6/81

Rembrandt deal on the cards

By John Spira

(232) (88) ~~(22)~~

THE mighty Rembrandt Group (Remgro) which is currently sitting on cash totalling $850-million, is believed to be on the verge of announcing a substantial international deal

South African sources close to the company comment that the mooted deal could absorb a large slice of the group's liquidity, $350-million of which has been recently generated via the sale of half of Rembrandt's 44% interest in Rothmans International to the US Philip Morris empire

Johan Rupert a Remgro director, was reported to be abroad when comment was sought from him yesterday

Business Times sources reveal that a possible target for Rembrandt is the giant UK-based mining house Rio Tinto Zinc (RTZ) -- a major producer of copper, uranium, iron ore, tin, aluminium, gold and other metals

It has interests in the US, Canada, Britain, Papua New Guinea, Zimbabwe and South Africa Its main South African interest is a 39% stake in Palamin It also has a 47% interest in Rossing Uranium in South West Africa

A bid for 20% of RTZ would, it is estimated, require funds in the region of $800-million

Rembrandt would probably not wish to acquire a stake much larger than 20% because of its policy of building up only strategic investment interests (and not management control) in companies involved in areas other than Rembrandt's traditional spheres of activity (tobacco and liquor)

It already has 20% to 25% holdings in several other companies, including Federale Mynbou — a stake which was recently increased from 25% to 30% and which dovetails with Rembrandt's stated policy of acquiring investments in mining

It is this quest for investments in mining which has spotlighted RTZ as a likely candidate for Rembrandt's next investment move

Early last month, RTZ shares firmed on rumours that it was about to be taken over This was denied by the company's chairman, but London brokers believed that in spite of the chairman's denial, a US oil company was interested in acquiring RTZ of the nationalist movement and, through the system of patron-client linkages with the rural mass, was able to gain access to political and economic power at the centre."29

In the social system in the reserves, the patron-client linkages between rich and poor fulfil important functions. "The big landowner within a village, even within an extended family, is seldom simply a Wicked Exploiter, he owes his position as patron to his readiness to provide consumer loans, jobs, help with (or against) outsiders and in particular officials; and, in general, security against disasters"

In the South African black rural areas, patron figures are not landowners because they cannot be. Mostly they are professional people and/or engaged in trade or transporting. The economic situation makes it very difficult for any significant agricultural development to take place or for infant industries to grow up. Competition from cheaper South African produced goods means that small indigenous capitalist enterprises have no "protected" period in which to grow up.

Thus it can be argued that there is no room for indigenous capitalism to develop fully in the homelands and that the richer classes will remain mainly profession people and involved in middleman and transport activitie rather than production. (Both transport riding and trading often lead to exceptionally fast profit accumulation because of the vulnerable position of the mass of people in their isolated villages).

6.2 Recurrent trends in projects, reserves and other underdeveloped economies

'Tswana may sell its share in Sun City

232

RDM 22/6/81

By PATRICK LAURENCE
Southern Africa Editor

THE BophuthaTswana Government is thinking of putting its half-share in the controversial multi-million rand Sun City complex up for sale on the Johannesburg Stock Exchange, President Lucas Mangope has told the Rand Daily Mail

His government holds half of Sun City's original R32-million share capital and has a further half-share in its expansions, including the huge new entertainment centre scheduled for completion in August

Its investment is held through its executive arm in economic affairs, the BophuthaTswana National Development Corporation (BNDC), which in turn holds the investment in trust for BophuthaTswana's people

In terms of declared policy the BNDC is committed to releasing its share in all projects to Tswana investors once the projects have proved to be viable and profitable concerns

Together with Mmabatho Sun, a smaller hotel-casino complex, Sun City is one of 12 projects in BophuthaTswana in which the BNDC has a vital interest under the tripartite system Sun City and Mmabatho Sun made a profit of R8 900 000 for the financial year which ended in March

On the prospect of the BNDC selling its shares in Sun City, President Mangope said "We are looking at several possibilities We are thinking of putting them on the Johannesburg Stock Exchange We believe that in that way we could get that money for other purposes, such as housing"

He added "We are thinking, though, of retaining a portion of the shares for our (BophuthaTswana) people We are even thinking of retaining a portion for blacks in South Africa"

Asked whether a decision was imminent, President Mangope said "Mr Sol Kerzner and Mr Wyand van Graan are working on it and I expect them to report to me anytime"

Mr Kerzner is the managing director of Southern Suns and is the driving force behind Sun City Mr Van Graan is the managing director of the BNDC

Sun City, with its glittering Las Vegas appearance and gambling casino, is at the centre of unresolved debate over its impact on the lives of local people in the Pilanesberg, near Rustenburg

Its defenders stress its role as a revenue-spinner and employment-generator for BophuthaTswana Its detractors see it as a corrupting influence, blaming it for increased prostitution, alcoholism, crime, truancy and family disintegration in the area

In response to criticism that Sun City was morally malevolent, President Mangope said "I am not the guardian of people's morals, but I would not allow anything which was overtly corrupting Corruption of people's morals was not the intention in establishing Sun City and I do not in fact believe that it is corrupting

Both the dairies and communal gardens function well as supplementary sources of income for people with some measure of security but it seems that neither can provide enough, as a sole source of income, to keep members out of migrancy.

Sage to form R60-m property unit trust

Star 22/6/81 232

By Ann Crotty

In one of the largest single property transactions in South Africa, Sage Property Trust Managers (SPTM) is to establish a R60-million property unit trust out of 15 of Retco's properties situated primarily in the Central Business Districts of Johannesburg and Pretoria.

The trust will also include R10-million in cash, transferred from Retco.

As a result of the proposals involved in the deal the value placed on a Retco share is 91c and after the transfer of certain of its assets to the trust, Retco will have a residual realisable asset value of about 15c a share bringing its total value to 106c a share.

When the move was first announced in March Retco was trading at 57c a share and at the time of its suspension on June 12 it was 75c. Retco is to retain its JSE listing.

APPLICATION

The new trust will be called CBD Property Fund — CBD Fund. Application is to be made to the JSE to list the units of the CBD Fund and this is expected in October or November.

SPTM will now manage three separate trusts with a combined market capitalisation of about R220-million. SPTM also manages Federated Property Fund (Fedfund) and Pioneer Property Fund (Pioneer).

Merchant bankers UAL say that in exchange for the assets that Retco is transferring to CBD Fund it will receive about 59,6-million units of 100 c each in the trust, after providing for charges.

Retco shareholders will be entitled to 91 units in CBD Fund for every 100 Retco shares they hold.

UAL says that Retco proposes to distribute the units in CBD Fund in this ratio, after a reduction in Retco's share capital.

Retco shareholders also have the option of receiving cash instead of units in the new trust. Sage Holdings, the parent company of SPTM, is making an underpin cash offer of 100c a unit.

Based on this underpin price the projected dividend yield of the units is not less than 10,8 percent for the 1982 calendar year. Currently the property sector is yielding an historic 9,3 percent.

The basis of allocation is 91 units in CBD Fund for 100 Retco shares. Shareholders who will become entitled to less than 500 units will receive cash of 100c a unit in place of their entitlements. However, those shareholders who want units in the fund will have the right to subscribe for 500 units at 100c a unit.

Those entitled to 500 units or more will receive allocations of units in round hundreds only. For odd-lot allocations holders will receive cash with the opportunity to round up their odd lots to a multiple of 100 units by subscribing for units at 100c a unit.

PROPOSALS

South African Breweries, which holds 32 percent of Retco, has given its support to the proposals.

Because dividends from a property trust are taxable in SAB's hands it has made arrangements to place its units, worth about R19-m, in the hands of a consortium headed by Sage, which will provide the backing for the trust.

The first financial period of CBD Fund will be from the day following the formation of the trust, around October or November, to December 31, 1982 and the total net distributable income will be declared as a dividend. The dividend will not be less than 10,8c a unit for the period to December 1982.

PROPERTIES

CBD Fund anticipates paying an interim dividend for the period to June 1982.

The properties forming CBD Fund are African City, Bosman Building, Castle Mansions, Marlborough House, Medical City, Annan House, Noswal Hall, 76 Juta St, Annuity House — all in central Johannesburg; President Place in Rosebank; Hallmark Building, Robert Kock, Steyn Building and Zanza Building in Pretoria; Retco Parow in Parow, Cape.

British Steel to sell its SA interests

Own Correspondent

JOHANNESBURG — British Steel (BSC) is selling all its interests in South Africa for R67m. The big buyers are Anglo American Corporation and Metkor, in which Iscor, the State steel giant, has the controlling stake.

Dr Anton Rupert's Rembrandt group is also playing a key role, both directly and through the 20 percent holding it has in Metkor.

I understand that Sanlam and Old Mutual will also feature.

About R21m of the proceeds of BSC's sale will be remitted overseas at the commercial rand rate but the remaining R46m will have to go out of South Africa at a discount through the financial rand market.

Mr Maurice Hall, managing director of British Steel Corporation of South Africa, told me that there was nothing political in BSC's decision to sell out of South Africa.

He said: "It is simply a financial issue. British Steel has big financial problems as is well known."

The corporation has already sold its interests in Australia and New Zealand and is negotiating sales in some other areas.

The new chairman of British Steel, Mr Ian McGregor, has apparently decided that BSC must concentrate all its efforts on its basic British operations.

It also needs to raise all the funds it can.

The official announcement from Volkskas Merchant Bank said agreement had been reached between British Steel, Metkor and Anglo under which BSC would sell its interests in International Pipe and Steel Investments, Ipsa, to Anglo and Metkor.

Ipsa is the holding company of the steel groups Stewarts and Lloyds and Dorbyl.

Anglo will now increase its holding in Ipsa from 14,7 percent to 40 percent for R29 490 000. Metkor's holding will rise from 37,3 percent to 47,3 percent for R11 660 000.

African Gate Holdings, a Metkor associate, holds the remaining 12,7 percent of Ipsa.

British Steel is selling its direct holding of 21,1 percent in Stewarts and Lloyds to "certain South African financial institutions" (this is where Sanlam and Old Mutual are believed to feature) and to "a company in the Rembrandt group" for a total of R22 840 000.

BSC is also selling its 2,4 percent in Dorbyl to Ipsa for R2 780 000.

The total R67m payment to BSC for all these arrangements will be done through the issue of redeemable preference shares.

A total of R21m will effectively be able to be paid out at the commercial rand rate through special dividends.

The balance will have to go through the financial rand market and might well be phased over a lengthy period given the sensitive nature of that market.

Unisec buys into steel

232

RDM 24/6/81

Deputy Financial Editor

UNISEC has bought 70% of Gulf (Pty), a Germiston steel company, for about R3 000 000, bringing the total it has spent on acquisitions in the last year to more than R11-million.

The 30% balance of Gulf will be kept by the vendors, mainly the chairman, Mr Gordon McQueen, and managing director, Mr Reg Wepener, who have been in steel for 25 years and will continue running the company

The vendors have guaranteed that Gulf will make R1 700 000 before tax but Unisec expects it to make R2-million

Unisec managing director, Mr Peter Thomas told the Gulf would pay a full rate of tax, suggesting a minimum taxed profit of about R1 million Unisec's 70% share means it is paying, at most, 4,3 times expected earnings for the acquisition

Mr Thomas said steel merchandising was a high growth area, pointing out that HLH expects its Wolhuter Steel to hit sales 40% this year Steel was new territory for Unisec but distribution and the financing of distribution had long been a Unisec speciality

Mr Thomas said with Unisec's financial muscle Gulf would grow at a good rate

Star 24/6/81 (232) (1457)

Hortors and Trio-Rand merge

The printing, packaging and graphics interests of Hortors are to be merged with Trio-Rand (SA) which will result in Trio-Rand being controlled by the present shareholders of Hortors, with retrospective effect to January 1.

A circular to shareholders, issued yesterday, states that at present the printing, packaging and graphics activities of Hortors operate as divisions and not as subsidiaries of the company.

To facilitate the implementation of the merger and to reduce costs, a new holding company is to be formed to acquire the shares in Hortors in consideration for the issue of an equal number of shares in the new holding company.

The new holding company will be identical to Hortors and the present shareholders of Hortors will hold exactly the same number of shares in the new holding company as they now hold in Hortors.

The formation of the new holding company will not affect the shareholders of Hortors in any way.

After the new holding company has been formed, certain assets of Hortors which are unrelated to printing packaging and graphics will be transferred to the new holding company.

It will also assume certain of Hortors present liabilities. Hortors will then be engaged solely in printing, packaging and graphics.

The directors of Hortors and Trio Rand do not expect that the merger will have an immediate impact on the earnings of dividend distributions of the new holding company of Hortors or Trio-Rand.

However, they believe that, in the longer term, efficiencies resulting from the rationalisation of the operations of Hortors and Trio-Rand, which will stem particularly from the more productive use of existing resources, will yield substantial benefits to the enlarged Hortors-Trio-Rand group. — Sapa

CAN TRADITIONAL DIVINERS AND HERBALISTS, AND MODERN HEALERS, CONTRIBUTE TO COMMUNITY HEALTH?

Traditional diviners and herbalists, and modern prophets and healers continue to practise widely in South Africa, both in country and in town (Whisson, West, Holdstock). The diviners' main function is the discovery of the cause of misfortune and they claim to be granted power by their shades -- their dead ancestors. The herbalists use a wide range of plants for medicines and learn most of their medicines from those already skilled, but they also experiment with new ones. The prophets and healers are a modern category, some of whom believe their power comes from God alone, others from God and the ancestors. They shade off into traditional diviners, and are concerned both with the cause of disease and with treatment. Many are associated with Independent African churches but not all are so connected. The majority of diviners are women and were so traditionally, and the healers are mostly women. The diviners are amaggira (Xhosa), isanusi (Zulu); the herbalists amaxwele (Xhosa), the healers amaprophetı. The same individual may practise both as a diviner and a herbalist, treating with medicines, and I use doctor as the general term corresponding to inyanga in Zulu.

What contribution do all these make, or can they make, to community health?

The extreme view of conservative whites is that diviners are a menace both to health and social relationships. Whites often identify diviner and witch, that is detective and criminal, an identification fostered by ignorance of Xhosa and the similarity of the Xhosa words iggira and iggwira, diviner and witch. Imputation of witchcraft is a criminal offence, and the diviner who names a supposed witch is a criminal in Roman Dutch law, though a respected officer of justice in traditional African law. Treatment by herbalists is judged by most western trained doctors to be hit or miss, with inadequate knowledge or control of dosage, even when the herbalist is using plants with recognized medicinal properties.

An opposite view, held by some whites, is that some blacks have an occult knowledge of medicines, as well as a developed extrasensory perception, and I know of white farmers who have gone, very quietly, not only to diviners to discover lost property, but also to Xhosa doctors for treatment for themselves or their children. I think it is usually when they are aware of friction with employees and fear mysterious injury from them, but this is rarely admitted.

What is the reality behind these stereotypes? There was a widespread and detailed knowledge of plants and properties by indigenous peoples in South Africa: a knowledge both of healing properties in plants, and of poisons, as well as beliefs based on symbolic associations not on experimental evidence. Such a belief was that the burning of dark green plants in a mealie field would help to produce lush, dark green mealies.

The South African Insti[...] notable work in collecting [...] traditional doctors and prov[...] the properties of these plar[...] Breyer-Branwijk published th[...] and Poisonous Plants of Sout[...] a very substantial contribut[...] work from the time when, as [...] Pondoland, I apprenticed mys[...] into the Institute plants us[...] her or anyone else. It should be noted that plants were used traditionally to change mood as well as to heal a cough, or colic, or treat the meat of an animal that had died of anthrax before eating it. The medicine I thought might be sought after was one used in Tanzanian to make a bride "patient and polite" with her in-laws.

Suiderland into tea

Own Correspondent

SUIDERLAND is gearing up to capture a major share of the rooibos tea industry and an announcement can be expected before the month end, according to the chairman, Dr P G S Neethling

He told the annual meeting in Cape Town that negotiations were at an advanced stage and that the group's interest would be in the packaging and distribution of the tea

Talks began seven months ago and the deal would give Suiderland a fairly big share of the market

Respect for the knowledge of traditional doctors, such as that shown by the work of the Institute of Medical Research, is not wholly new. In 1857, the first Superintendent of the Grey Hospital in King William's Town, Dr Fitzgerald, invited into the hospital and took round the wards those whom he referred to as "colleagues", that is local diviners and herbalists. He

QUANTITY SURVEYING

(Continued)

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URBAN & REGIONAL PLANNING

shown
end

LTA takes stake in UK group

RDM 1/7/81 (SUI) (232)

London Bureau

LTA, the construction group, is excercising a long-standing option to take a major stake in the United Kingdom quarrying and civil engineering group, Bath and Portland

In 1979, LTA agreed to guarantee a £3-million loan facility for the British group whose finances were hit by late payments on an Iranian road-building contract

As part of the deal, LTA subscribed for a 5% stake at 75p a share compared to the market price at the time of 50p

This week, it exercised the remainder of the option by subscribing for more new shares

Its new purchase of nearly 16%, taking it to 21% of the enlarged equity, has been bought at 85p a share, compared to the market price of 60p, up 4p but closing below its best level of 63p

Bath and Portland shares have never reached the 85p striking price during the life of the option

Colin Wood, LTA's finance director, says share stakes in foreign companies are the most appropriate means of expanding abroad

Earlier this month, Bath and Portland announced 1980 profits almost halved at £1 480 000 It is still negotiating with the UK Export Credits Guarantee Department for final compensation on its ill-fated Iranian work

The £2 720 000 proceeds from LTA's subscription will go towards repaying the £3 million medium-term loan

LTA cannot take its holding above 21% for the next three years and there are restrictions if it wants to sell

Big four coal firms sold for R7-m

RDM 1/7/81

232

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~~215~~

By JOHN MULCAHY

IT has now been confirmed that Triton Energy (formerly Dermacult) is the R7 500 000 buyer of the "big four" Johannesburg coal merchants

As predicted in Business Mail on June 19, the Triton group has acquired Coal Cartage and all its subsidiaries, Imperial Coal, B Wolpert (Pty) and Witbank, making Triton the biggest coal distributor in South Africa and on the Witwatersrand

Coal Cartage alone handles 85% of coal business on the Witwatersrand, other than purchases directly from mines, but the directors refute allegations that a monopoly has been created, preferring to call it "one major supplier of coal to the Witwatersrand to ensure superior service and to prevent shortages in the future"

The deal has, in fact, been tacitly approved by the Competition Board "Triton Energy has consulted with the Competition Board concerning its plans and the Board is, with the information presently available to it, of the opinion that there is no likelihood of the existence of circumstances which would not justify the proposed acquisitions in the public interest in terms of the Act"

The new conglomerate, which will come into effect today, will continue trading as MacPhail (Pty), and will handle about 1-million tons of coal a year

The directors of Triton Energy said at a press conference yesterday that the existing arrangements for the marketing and distribution of coal on the Witwatersrand have been unable to cope with customers' requirements, and in the winter months demand has consistently outstripped distributors' ability to supply

"Triton Energy plans to improve this unsatisfactory situation initially by rationalising coal stocking facilities within the Witwatersrand area and by improving the quality of existing transport arrangements"

First, in a move to improve administrative arrangements, all orders will be channelled through McPhail's while in time Triton Energy intends establishing a new and technologically advanced central depot for the Witwatersrand area capable of handling sufficient quantities of coal to ensure adequate supplies at all times

The R10-million coal depot, which will take two to three years to establish, will be designed to handle 2 500 000 tons of coal a year, and to hold in stock at any time around 400 000 tons

According to the directors: "It will be goodbye to the filthy coal delivery lorry, the filthy coal chips all along the driveway and the filthy bunker and bags in the back yard."

A 70 kg bag of coal, now costing R2,45 delivered, could cost as much as R6 in two years if present distribution methods are continued, while Triton estimates its own price at that time, using the new distribution system, at R3,50

Triton, its directors and its associated companies will increase their shareholding in Triton Energy to 1 743 583 ordinary shares, representing 76% of the enlarged share capital of the company

Triton Ltd, a subsidiary of Triton Consolidated Holdings, has bought Coal Cartage for R4 500 000 and Imperial for R2 200 000, both amounts payable in cash

At the same time, Triton Energy has agreed to purchase Coal Cartage and Imperial, excluding property and cash assets, from Triton in exchange for cash and shares

The consideration payable in respect of of Coal Cartage amounts to R2 295 000, by way of R765 000 in cash, and 680 000 ordinary shares, with a total value of R1 530 000

The Imperial consideration will be in the form of R586 668 in cash, and 503 703 ordinary shares in Triton Energy, with a total value of R1 193 332 — this places a value of 225c a share on Triton Energy

Triton Energy has also entered into agreements for the purchase of B Wolpert (Pty) and certain assets and the business undertaking of Witbank Coal Agency (Pty)

Consideration for Wolpert amounts to R808 530, to be satisfied by the issue of 100 178 Triton Energy shares, valued at R225 400, and R583 130 in cash

The directors say that while the principal benefits to shareholders from the transaction will only arise following implementation of certain rationalisation and expansion plans, substantial increases in profitability can be achieved through closer control over costs and elimination of waste

QUANTITY SURVEYING

(Continued)

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URBAN & REGIONAL PLANNING

shown
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LTA cannot take its holding above 21% for the next three years and there are restrictions if it wants to sell

Big coal merger should help consumer

Star 1/7/81

232

By Mervyn Harris

Adequate supplies of coal for the Witwatersrand area, even in peak winter conditions should in future be assured through a far reaching modernisation and rationalisation of the four major coal merchants in the area

This follows the takeover and consolidation of the four merchant operations into one service organisation to be named Triton Energy

The coal companies will now operate under the name of MacPhail in a deal that will initially cost more than R7 million

The move has been made as existing arrangements for the distribution of coal on the Witwatersrand have been unable to cope with customer requirements particularly in winter

The demand for coal in the area has grown by 10 percent to 15 percent a year and the merchant companies have been unable individually to finance the modernisation programme necessary to meet future needs

The new organisation, backed by the Triton group will market and distribute coal and fully service customers In the past coal merchants were merely retailers of coal

Existing fleets of coal merchant lorries will be upgraded and a major coal storage depot, which will be able to handle 2.5 million tons of coal annually will be established on the Witwatersrand at a cost of R10 million

At present the four merchants on the Witwatersrand handle about 1 million tons of coal annually

The programme to restructure supplies of coal will take about three to four years to complete and should in time lead to a more hygienic and clean coal handling and usage in the home

See financial pages

QUANTITY SURVEYING
(Continued)

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For the best student in the subject of Building Construction.

C W von During

For the second best student in the subject of Building Construction.

K Strong

URBAN & REGIONAL PLANNING

Student Planners Award
For the student who has shown ... it the end

RDM 2/7/81 MCq

Metboard buys 10% of bank

232

Financial Reporter

METBOARD, the financial services arm of the Unisec Group, has bought 10% of Investors Technical and Executors Bank for an undisclosed amount.

Investec Bank, formerly Cape Trustees and Executors, is a general bank specialising in instalment credit. Hosken Consolidated Investments, with 70% of the equity, controls it.

Metboard's managing director, Mr Perry Oertel, says the investment represents a breakthrough for Metboard into leasing and banking.

Picbel gets 9,6% of Boland Bank

CT 3/7/79 32

By ALEX PETERSEN
Finance Reporter

PICARDI INVESTMENTS (Picbel) have acquired a 9,6% share in Boland Bank, the group's chairman, Mr Jan Pickard said yesterday

The move makes Picbel the largest single shareholder in Boland Bank

Mr Pickard said the acquisition of the shares had been made "over the last year" Recent market prices of the share would put the value of the Picardi holding in excess of R2,5 m.

Part of his reasoning for the move, Mr Pickard said, was that he himself grew up in Paarl, the bank's headquarters, and he had received his first bond from Boland, and had always had a close association with the bank.

In September last year Mr Pickard was co-opted as a director of the bank

Other major reasons for the move, he said, were his group's cash situation, and the desire to safeguard the independence of Boland Bank.

"We have lots of cash at the moment and we must invest it"

In Boland's annual report, which was released last week, the chairman, Mr P B Hugo emphasized the bank's independence, and pointed out that there was a wide distribution of shareholders, and that no single shareholder, or even a group of shareholders holds enough shares to prescribe policy to the bank

In terms of the Banking

Mr Jan Pickard

Act no individual company or group of companies may hold more than ten percent of a bank's issued shares unless permission is received from the Registrar of Banks

The Picbel acquisition may be part of the explanation for the strong performance of Boland Bank shares since January this year The share has been one of the few in the banking sector whose price in recent weeks has been ahead of its January 2 level Earlier this week the share was 19% up for the year

Metboard takes 10% stake in Investec Bank

CT 2/7/81

(232)

METBOARD, the financial services arm of the Unisec group, has taken a 10 percent stake in Investors Technical and Executors Bank (Investec Bank)

The acquisition has been facilitated by the issue by Investec Bank of 146 680 new shares to Metboard

Hosken Consolidated Investments remains the biggest shareholder in Investec Bank with 30 percent of the company

Mr Michael Lewis, chairman of Investec Bank, says the association with Metboard will provide the bank with exciting new opportunities for expansion

HCI acquired its stake in Investec Bank — formerly Cape Trustees and Executors — a year ago at which stage the leasing activities of Investec were injected into the bank

Investec has been active in instalment credit since 1974 "The parentage of a small bank counts for a lot", says Mr Lewis, "and we are delighted to have this association with Metboard and a group the size of Unisec" "

It will mean that we can expand the range of our general banking activities and broaden through Metboard's prominent position in the financial community, our client base"

Metboard's managing director, Mr Perry Oertel, who together with Mr John Perkins and Unisec's Mr Peter Thomas will join the board of Investec Bank, says the investment represents a breakthrough for Metboard into leasing and banking "It is our policy to limit our strategic investments to companies which are liquid and well managed Investec Bank is singularly well qualified in both respects," Mr Oertel says

"The bank operates at the professional end of the market which is the one with which we are most familiar and there will be many opportunities for Metboard and Investec Bank to help each other in the market place

Star 2/7/81

'Exciting future' for Burad

58

232

By Mervyn Harris

The takeover of Panafic Holdings by Burad Securities should enable the company to enjoy an exciting future, says the chairman, Mr A Blumenthal, in his annual review

He devotes more than half the review to a statement from Mr R E T James managing director of Burad, who says it will be unwise to speculate about the new group's revenue potential until conditions of the sale are completed

Mr James says discussions are taking place with a view to forming a close, equity-based relationship with a big financial institution

He is, however, confident that through the injection of present Burad contracts the company should be revenue generating from the start

'We are continually investigating potential new development or acquisition opportunities to expand our base of activities

"New proposals are assessed against stringent criteria embracing our traditionally non-speculative and unusually conservative investment philosophy

He says the name of the company will be changed from Panafic to Burad Securities

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ANGLO AMERICAN 232

Goodbye Columbus

FM 3/7/81

South Africa's Anglo American Corporation is the largest foreign investor in the United States The vast mining finance house, controlled by the Oppenheimer family, ranks ahead of such giants as the Royal Dutch-Shell group (in second place) and British Petroleum (third)

Companies in the US controlled by Anglo had revenues of more than $27 billion, according to a survey conducted by the respected business journal, *Forbes* According to *Forbes*, the largest operation in the the Anglo stable is Engelhard Minerals & Chemicals (including results before the spin-off of certain operations and a name change to Philbro Corporation) Anglo controls 32% of Philbro through its Bermuda vehicle, Minorco, in which it has a stake of 43%

Philbro contributed a hefty $26,5 billion Other contributions came from depressed copper producer Inspiration Consolidated, also a Minorco satellite, which provided $178m Unlike Philbro, which had a net profit of $533m, Inspiration dropped $17,7m

The other leg of Anglo's American setup is, according to *Forbes*, Terra Chemicals International, controlled via Hudson Bay This unit yielded a net profit of $10,3m on revenues of $299m Consolidated Gold Fields of Britain is 56th in the *Forbes* table of foreign investors in the US The magazine states in a footnote that Consgold is 12,5% owned by Anglo This could be misleading as Anglo group companies together control slightly less than 30% of Consgold

If *Forbes* had included Consgold in the Anglo stable, as well it might, because if partial ownerships as low as 20% are included, then Anglo-Consgold would have added a further $815m to total revenues And if Consgold succeeds in its bid for 49% of the $1,4 billion assets of Newmont Mining Corporation, then Anglo-Consgold will stand unchallenged as the largest foreign investor in the US

Seventh largest

Newmont is the world's seventh largest copper producer Others in *Forbes'* top foreign investors in the US are the Tengelmann group (Germany), the Friedrich Flick group (Germany), Génerale Occidentale (France), BAT Industries (UK), the Beneficiaries of US Philips Trust (Netherlands), Renault (France), Nestlé (Switzerland), Bayer (Germany), Unilever (Netherlands), Petrofina (Belgium), Brascan (Canada), Schlumberger (Netherlands Antilles), Hongkong Shanghai Bank (Hong Kong), George Weston, which controls SA's Premier Group, (Canada), Volkswagenwerk (Germany), ICI (UK) and Ciba-Geigy (Switzerland)

In its introduction to the feature, *Forbes* comments "Renault, the French automaker, acquires 46% share in American Motors to jump from nowhere to the number nine spot in *Forbes'* rankings of the 100 largest foreign investments in the US Brascan, the Canada-based holding company controlled by the Bronfman family, ups its stake in Scott Paper to over 20%, propelling it, too, onto the list for the first time, in the number 14 position "

So it goes in an age of megadeals. Even if the US dollar should remain strong vis-a-vis other currencies long after interest rates here decline, foreign appetites for investing in the US are not likely to diminish Their stake is already sizeable

The 100 largest foreign investors in the US commanded — through outright ownership, control or partial interests — $179 billion in sales revenues last year, up 27% from 1979. Varying disclosure standards make it impossible to compile totals for profits and assets, but it may be of some interest that the incomplete list of the top 100's assets in the US totalled about $170 billion last year, up 30%, and the incomplete profit total was approximately $6,7 billion, up 34%

Britain remains the most important home base for foreign investors in the US with 27 of the top 100 investments involving UK firms Canada is in second place, with 18 West Germany is third with 16 Japan, its largest US investment is Matsushita Electric's wholly-owned US distributor of Panasonic, which puts it 26th on the list

RDM 3/7/81

232

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Own Correspondent

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In terms of the Banking Act no individual, company or group of companies may hold more than 10% of a bank's issued shares unless permission is received from the Registrar of Banks.

Mr Picard said that his group had not applied for such permission, although the matter had been discussed. An application would not be made unless it had the approval of the bank's board.

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QUANTITY SURVEYING (Continued)

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M P Morkel

Star 3/7/81 (232)

Unisec buys 70% of Gulf Steel

By Ann Crotty

Unisec has acquired a 70 percent interest in Gulf Steel for R3,1-million.

This is the second acquisition that Unisec has been involved in during the past 10 days.

Its financial services' arm, Metboard, recently bought 10 percent of Investors Technical and Executors Bank for an undisclosed amount.

Investec Bank specialises in instalment credit and the acquisition represents a breakthrough for Metboard into leasing and banking.

The Gulf Steel acquisition is in accordance with Unisec's policy of expansion into the trade finance and servicing sectors of the economy.

Gulf operates as a steel merchant on the Witwatersrand from its own premises in Roodekop.

With the backing of Unisec, Gulf will increase its range of steel stocks, expand the services offered to customers and also increase its export turnover.

The Gulf acquisition is not expected to have any material effect on Unisec's asset value per share or its earnings per share in the current financial year.

However, in future years it is expected that Gulf will make a significant contribution to Unisec's profits.

Haggie makes a move for half of Chloride in SA

RDM 4/7/81

232

By DAVID CARTE
Deputy Financial Editor

HAGGIE Ltd, the fast-expanding cable, wire, engineering and metals group, is negotiating an equal partnership in Chloride SA with Chloride UK, say Barclays and Standard merchant banks

If a deal is clinched, Haggie and Chloride UK will be 50-50 partners in the country's biggest battery maker and minorities will be taken out, Haggie chief executive, Mr Richard Savage told me yesterday

This means Chloride will disappear from the lists of the JSE

It also means a measure of disinvestment from SA by Chloride UK, whose holding will be reduced from 70% to 50%

Mr Savage said the main attraction for Haggie in Chloride was its involvement in energy and that its problems in recent times have been related to Chloride's involvement in and dependence on lead

Haggie subsidiary, McKechnie, held through Macdem, he said, had experience, expertise and contacts in most metals that would be very useful to Chloride

Another obvious attraction is that Chloride, like Haggie — which is owned 35% each by Anglo and Gencor — does much of its business with the mining industry

Mr Richard Savage
... Haggie MD

Mr Savage said Haggie and Chloride UK were basically agreeable to the deal and the major question mark overhanging it now was Reserve Bank permission He said an announcement would be made on Wednesday

Chloride UK would obviously want to remit as much as possible of the proceeds in commercial rands The rule is that it can remit post January 1975 distributable reserves in commerical rands by way of a dividend

Mr Savage said Chloride would not have been suspended but "when we saw the price starting to move, we had to act"

Mr Savage said after four big acquisitions in the past four years, Haggie was unlikely to do more deals in the near future He said the company was not inordinately acquisitive by nature

"In the past four years we have deliberately broadened the base of the company Previously we were too dependent on cables and the mines Samuel Osborn, the C W Wire, Macdem and Chloride acquisitions will change all that

"Once this deal is consummated, we shall settle down and streamline the enlarged organisation "

He said there was "masses of room for development" in Macdem and Chloride

Mr Savage confirmed that Haggie was benefiting not only by its new acquisitions at the moment but particularly by the softer rand

This made its exports more competitive and more profitable and imports were rendered less competitive Engineering subsidiary, Samuel Osborn, he said, was "coming up tops"

COMMENT The share moved from 455c to 520c in three days before suspension. This calls for an investigation and some action from the JSE for a change.

The company's recent history and a lot of speculation in the share in the past six months make a valuation on fundamentals difficult for an outsider

The suspension price is 9,7 times earnings and gives a dividend yield of 3,6%, so was clearly partly speculative

And last year's figures, depressed by a plunging lead price, are not "typical"

With lead prices hardening, growth expected in the mining and motor markets and a promising new miners' cap battery about to contribute to profits, the company was looking for earnings and dividend growth in the current year.

After the 23,5% earnings decline of last year, it would be disappointing if Chloride did not at least equal 1980's earnings of 70,3c in the current year The suspension price is 7,4 times this figure

A graph reflects that Chloride has reached a high of 750c in the past three years but 475c has been roughly a "mean" level

Because all the minorities are sought, a good premium should be paid to minorities. One might hope for 600c — a 26% premium on the "normal" price of about 475c

QUANTITY SURVEYING (Continued)

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Haggie negotiating equal share in Chloride

CT 4/7/81 (232)

By DAVID CARTE

JOHANNESBURG — Haggie Ltd, the fast expanding cable, wire, engineering and metals group, is negotiating an equal partnership in Chloride SA with Chloride UK, say Barclays and Standard merchant banks

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Sassoon buys 50% of Vog

(232) 8 14/7/81

BY ALEX PETERSEN
Finance Reporter

R SASSOON AND COMPANY, the city-based leisure fashion manufacturers, have bought 50% of Vog in Johannesburg, their main competitor on the Reef

The managing director, Mr Ronald Sassoon, said yesterday the move was part of a drive by the group for a bigger share of the South African leisure fashion market

But he emphasized that, apart from financial ties, Vog would remain independent "They will remain completely autonomous, and in terms of design and sales, we will continue to be competitors"

The share has cost the group over R500 000, including "a substantial cash injection"

The immediate practical change will be that Sassoons will be responsible for controlling the financial administration of Vog

"Our whole formula for running the business will be put into effect and Mr John Basson, our financial director, will be running that end of things", Mr Sassoon said yesterday

In adddition to the Vog share, Sassoons have recently launched an imaginitive advertising campaign, both in the press and on television, to help to expand their market share

"We are aiming to increase our turnover by between 50% and 60%, and we are hoping to do even better for Vog," Mr Sassoon said

Asked how the privately-held group might themselves react to takeover offers from the larger clothing giants, he said "We are in a strong financial position, and we aim to remain independent"

The Sassoon group manufactures jeans and leisurewear, mainly for the women's high fashion market, and has been an exporter to both the United States and Britain since 1978 In addition to their exports, their jeans are also made under licence in the US

Sassoon jeans are also made under licence in Israel, where they have "a very healthy share" of the fashion jeans market

"We wanted to export to Israel, but the tarrif barriers meant that we had to arrange manufacture there, using our designs and patterns"

Last week Mr Sassoon's fashion flair received recognition when he was awarded the Fair Lady Coty award in the women's sportswear section

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(13) The Mining Industry. Evidence and report of the Industrial Commission of Enquiry with an appendix. (Witwatersrand Chamber ... This is henceforth abbreviated to

... South African Labour Party ... rsity of Cape Town, 1973), v.1, ... an Typographical Journals, (SATJ) ... Journal, 1903-1905; South ... 118, article by T. Ratcliffe.

... ce of Dr W. Rogers.

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... le 154 M, S. Jennings to H. Eckstein ... h Barlow Rand Archives is abbreviated

... p. 213, 'Papers on the Miners'

... fe and Times of W.H. Andrews, ... 37), p. 36.

... vidence of G. Albu, E. Way,

... of G. Albu, R. Catlin, T. Leggett.

... gett. See also, ibid., p. 308,

... dence of J.P. Fitzpatrick.

... ings.

... See also ibid., pp. 47, 48, ... T. Leggett.

... of H. Jennings, A. Fyffe. See ... Goldmann.

... Report of Mining Industry ... p. 371, 373, qq. 3809, 3810, ... evidence of T. Willis, president of the Transvaal Miners' Association (TMA). See also ibid., p. 482 q. 5426, evidence of J. Coward. For evidence of the introduction of two drills in 1897, see ibid., p. 497, q. 5709, evidence of J. Bridgman.

(28) Katz, E.N., A Trade Union Aristocracy; A History of White Workers in the Transvaal and the General Strike of 1913 (Johannesburg, 1976,) p. 360.

(29) Jacobsson, D., Fifty Golden Years of the Rand, 1886-1936 (London, 1936), pp. 51 ff; Payne et al, op. cit., p.4; Jeppe, C.W.B.,

Mines on shares deal

S. Tubur 5/7/81 By Frank Jeans

232

Rand London Corporation and Zimro have agreed to a deal in which the former has acquired the entire issued share capital of, and claims against, Hudson Mining Company, the operators of what is believed to be the largest single andalusite-producing mine in the world at Burgersfort in the Northern Transvaal.

Central Merchant Bank says the purchase price of R4 195 000 will, at Rand London's election, on or before November 29, be satisfied either in cash or by the issue and allotment of listed shares in the Rand London group or a combination of cash and shares.

Should Rand London opt for cash, it will pay R2-million now, R1 065 000 on December 31 and R1 130 000 on June 30, next year.

Should the group go for a cash-shares arrangement, the cash potrion will be paid by not later than December 31.

Andalusite is used in the manufacture of refractory products and a large portion of Hudson Mining's production is exported.

The acquisition is expected to raise Rand London's earnings per ordinary share by about 5c (based on the company's existing share capital), for the year ending June 30, 1982 but will not have any material effect on net asset value.

Gold Mining on the Witwatersrand (Johannesburg, 1946), v.1, pp.23ff; Irvine et al, op. cit., p. 5, make the statement that it can safely be said' that the dust was not injurious. Cf. Feather, C.E., and Koen, G.M., 'The Mineralogy of the Witwatersrand Reefs', Mineral Science and Engineering, v.7, No 3, July 1975, pp. 189-1203, pp. 189-198, who describe the composition of all the ore-bearing rocks, both outcrop and deep level.

(30) McEwen, A.F., 'The Nature and Source of Dust in Mine Air, together with a brief reference to those operations which Produce Dust' in ILOSC 1930, No op. cit., No. 2, p. 5.

(31) Jeppe, op. cit., v.1, p. 147; Payne et al, op. cit., p. 4.

(32) Payne et al, op. cit., p. 4.

(33) RMPC 1903, p.15, q.27, evidence of Dr L. Irvine.

(34) Jeppe, op. cit., v.1, p.23.

(35) Ibid., p.147.

(36) BRA, H.E., v.286, file 240V, No. 2, article by H.F. Marriott.

(37) RMPC 1903, pp. 103, 111, qq. 754, 934-936, evidence of J. Richard and G. Blight (miners).

(38) Ibid., p.95, q.640, evidence of A. Sawyer.

(39) Payne et al, op. cit., p.5; Fergusson, M., and Scott, W., 'Measures for Preventing the Formation of Dust, and Precautions Designed to Prevent Persons Inhaling Such Dust as may be formed, and the Regulations relating thereto,' in ILOSC 1930, op. cit., No. 4, p. 5.

(40) Oliver, T., Diseases of Occupation; from the Legislative, Social and Medical Points of View (London 1908) p. 279. (cited Oliver (a)).

(41) Merriman Correspondence, 1915, James Barry to J.X.M., 20 Nov. 1915. See also Payne et al, op. cit., p.5.

(42) RMPC 1903, p.1, q.1.

(43) Transvaal Mines Department. Yearly Report of the Government Mining Engineer ... ending June 30 1902, pp. 8-9.

(44) Transvaal Mines Department. Half Yearly Report of the Government Mining Engineer ... December 31st, 1901, p.11.

(45) Z.A.R. Wetten, Law 12 of 1898; para. (52)-(55) Transvaal Laws dealing with Mines, Works and Machinery Regulations, 1903, Section VI, IX.

(46) ZAR Wetten, Law 12, of 1898, par.52; Transvaal Laws Dealing with Mines Works and Machinery Regulations, 1903, par. 56.

(47) Irvine et al, op. cit., p.6; Payne et al, op.cit., p.6.

(48) Oliver(a), op. cit., p.379.

Pickfords gets Lilienfelds in R1,2m deal

CT 7/7/81 ~~232~~ 232

By ALEX PETERSEN
Finance Reporter

PICKFORDS, the Cape-based removals and storage group, have acquired Lilienfelds, one of Pretoria's largest moving companies in a R1,2 million deal

As part of the takeover, Pickfords get the 93-year-old Pretoria company's recently completed 2 200 m² warehouse and office block in Silverton Dale, and a fleet of 27 vehicles

The managing director of Pickfords, Mr D Kaye, said last night that Pickfords had been looking at Pretoria "as one of our priorities" in line with the group's policy of continuing expansion

The takeover was far preferable from having to start in Pretoria from scratch, which would have required a lead time of about two years to obtain similar results

"The acquisition makes a great deal of sense as we have acquired a good solid company with an established track record"

Mr Kaye estimated the cost of the vehicles as being at roughly 40% of current replacement cost

The managing director of Lilienfelds, Mr Barry Falkson, will remain with the group until the end of this month, when he retires, and Mr Steve MacConnell will assume management of the new branch

Mr Kaye said that Pickfords, who are owned by the Unisec group, had funded the acquisition internally

In 1980 Pickfords increased their turnover by 36%, and were currently running 33% up on the 1980 figure, Mr Kaye said

Other expansion plans included a new branch in George, which was being started from scratch

Volkskas explains offer for Bankovs

Star 8/2/81

222

The Volkskas Group has announced details of its takeover bid for the Bank of the Orange Free State (Bankovs), reports Sapa.

Volkskas said that agreement had been reached in terms of which the ordinary shareholders of Bankovs would receive one ordinary share in Volkskas for eight ordinary shares in Bankovs.

The offer would be made by Volkskas Ltd (the commercial bank) and the consideration shares would be issued by Volkskas Group Ltd subject to the following

- Acceptances for 90 percent (or such lesser percentage at the discretion of Volkskas) of the ordinary shares of Bankovs be received
- Consideration shares to be issued by Volkskas would not qualify for any dividend which might be declared by Volkskas for the financial year ended March 31.
- Should the required acceptances be received, the acquisition would become effective from April 1, this year
- All fractions resulting from the consideration shares would be aggregated and sold on the Johannesburg Stock Exchange on behalf of the Bankovs shareholders

The directors of Bankovs have recommended that Bankovs accept the offer.

Shareholders holding approximately 38 percent (including the approximately 29 percent held by Rentmeesterbeleggings) of the issued ordinary shares of Bankovs have indicated they will accept the offer and the registrar of banks has indicated he will support the Volkskas offer

It was not anticipated that the offer would have a material effect on the net issue value of the earnings a share of Volkskas for the financial year ending March 31, 1982

MOVE IN EURAPE

Volkskas is understood to be testing the European capital markets for a 50-million US dollar five year loan, reports the London-based Financial Correspondent of The Star

Capital market sources say the loan will command a floating rate of three-quarters of a percent above Libor

QUANTITY SURVEYING (Continued)

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JSE to inquire into Bankovs, Chloride

THE Johannesburg stock exhange has called for returns from stockbroking firms on all transactions carried out in the shares of Chloride Holdings SA Ltd from June 15 to July 2, 1981, and Bank of the Orange Free State Ltd from June 15 to July 3 inclusive.

In a statement, the JSE said the inquiries stem from the increase in the price and volume of trading in the two shares during the said periods.

● Negotiations between Haggie Ltd and Chloride Group are proceeding satisfactorily and an announcement on the future of Chloride SA Ltd will be made on July 13; Standard Bank said in a statement.

The listing of Chloride SA shares will be reinstated on the JSE from the commencement of trading on July 13, the bank added. — Reuter.

Mr J W Braun, manager of ICS Foods, Clayville, has joined the board of ICS Foods.

TC Lands takes RM Props in share swop

RDM 9/7/81

232

By JOHN MULCAHY

TRANSVAAL Consolidated Lands is buying Barlow Rand's 69,1% holding in Rand Mine Properties for an effective R53-million, based on yesterday's closing prices.

The deal will not be in cash, but in a share swop arrangement, the terms of which are one TC Lands share for every seven RM Props shares held, while the same offer will be made to minorities

Barlows has undertaken to accept the offer in respect of all the RM Props shares held by it

Rand Mines Properties shares were suspended on the Johannesburg and London stock exchanges, the suspension price on the JSE being 730c, while TC Lands closed at 4 925c, putting a price of 700c on RM Props

In order to satisfy the terms of the swop, TC Lands will have to issue 7 454 929 shares to Barlows, and it will need to increase the authorised share capital for this purpose

The reason given for the transaction is that RM Props' business will progressively acquire a greater mining emphasis with the development of the programme for the recovery of gold from sand dumps, and the proposals offer TC Lands the opportunity of further investment in the gold mining industry

The minorities will also be given the alternative of receiving on TC Lands share for every eight RM Props shares plus a cash payment of 105c a share, which is almost equivalent to the 102c a share added to earnings by the recent R13-million property deal with the State for the sports complex at Crown Mines

The acquisition by TC Lands is expected to result in a relatively small drop in the company's earnings a share for the current year, ending June 30, but will not affect the level of dividends

Earnings a share are expected to improve in later years as RM Props gold recovery operations build up.

COMMENT: It would appear to be an internal redistribution of responsibilities, with little effect for the average shareholder TC Lands and RM Props are both managed by Rand Mines, but the decision to move RM Props across may indicate a need for capital to develop the sand retreatment project.

The deal does, however, give shareholders the opportunity to move out of property if they feel the market may be topping out, while allowing them to take advantage of the coal "boom", and at the same time retrieving some cash.

TC Lands is riding the crest of the wave with its coal investments, and stands to gain even further by the increased coal export allocation, which is expected at any time now.

RM Props dump retreatment project is now forecast to come on stream a year ahead of schedule — in January next year — at a cost of around R50-million, and at a gold price of $600 working profit should reach about R16-million.

However, the bullion price is nowhere near this level, and the prospects for the project must be reviewed in the light of the possibly lower price next year, which could mean that RM Props, if it is to proceed with underground operations at Crown Mines, CMR and City Deep, will require substantial capital, which the coal-rich TC Lands could provide.

Barlows, which at September 30 last year held 59,8% of TC Lands, will end up with at least 80% of the increased share capital

Worth noting is the fact that RM Props share price moved up 70c to 730c on Tuesday, the day before suspension, a rise of over 10% in a single day, and totally out of character with RM Props normal trading

Here again, the JSE committee may find a valid reason for investigating dealings on that day.

SA inflation rate 'to stay in double figures'

RDM 9/7/81

153

Own Correspondent

PORT ELIZABETH — South Africa's inflation rate is unlikely to return to single figures, Mr W F de la Harpe Beck, immediate past president of

"I am not criticising this action and in the foreseeable future I expect this trend to continue For this reason alone inflation will be relatively high "

Mr Beck said the expected economic growth rate of 2.5% next year did not herald a disaster.

Because it appeared that South Africa's major trading

BANK TAKEOVER 232 58

Volkskas announces plans to take over the Bank of the Orange Free State (Bankovs), a deal which would lift Volkskas's assets to more than R5 billion Both banks deny speculation that the move is a rescue operation for Bankovs FM 10/7/81

QUANTITY SURVEYING

(Continued)

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Fedmech sells 19% of Rhoplow

RDM 10/7/81

SALISBURY. — Rhoplow Ltd said Fedmech Holdings Ltd of South Africa, which previously held a controlling interest in the group, had sold 19% of the total equity in the company to Rothmans of Pall Mall (Zimbabwe) Ltd.

As a result, Zimbabwe shareholders, excluding Rothmans, hold 50,21% of the equity, Rothmans holds 19% and the balance of 30,79% is held by Fedmech.

Dividend and other policies will not be affected by the transaction and Fedmech will continue as technical advisers.

The connection with Rothmans will be of "great value" to Rhoplow it said, particularly in the field of export marketing.

Fedmech and Rothmans have between them contributed 10 550 Rhoplow shares towards the setting up of a trust fund for the benefit of employees and these shares are included. — Reuter

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M P Morkel

Wool store sold

RDM 14/7/81 232

PORT ELIZABETH — The Wool Board has sold one of its stores in East London to Car Distributors Assembly (Pty) and has concluded an agreement with Farmers Brokers Co-op to buy the Billson-Coutts wool store.

BKB and the Wool Board said the decision was taken primarily with a view to the best use of storage facilities in East London.

No financial details were given — Sapa

Insurance broking merger

CT 14/7/81 (232)

THE Board of Executors and Fidelity Bank Group Ltd and Robert Enthoven Nibicon (Pty) Ltd (REN) are to merge their insurance broking interests

REN will acquire The Board of Executors Insurance Brokers (Pty) Ltd (BEIB), and The Board and Fidelity Bank will acquire a minority interest in REN

Mr Robert Enthoven and Mr Charles Bothner will continue respectively as executive chairman and managing director of the merged insurance broking interests

REN is one of the leading independent insurance brokers in South Africa Following close on the heels of the merger between The Board of Executors and Fidelity Bank, this merger will immediately enhance The Board and Fidelity Bank's ability to provide a full range of financial services

REN, particularly strong in the Transvaal, and with branches in the major centres will, with a very high quality client base, enhance the national potential of The Board and Fidelity Bank

There is a high degree of compatibility between the two groups in respect of style and strategy — both have a reputation for innovation, personalized service and flexibility — close co-operation between the two groups will produce excellent opportunities for mutual expansion

QUANTITY SURVEYING

(Continued)

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Star 14/7/81 (232)

Fed Volk control china firm

By David Bamber

Federale Volksbeleggings has acquired full control of Continental China Holdings for an undisclosed sum

Fed Volk previously held 74 percent of Continental with the balance of 26 percent being held by the Industrial Development Corporation of South Africa (IDC)

Spokesmen from Fed Volk and the IDC declined to say how much the deal was worth but did say it involved only share-swopping.

In exchange for the Continental shares, Fed Volk has issued the IDC with 148 500 new Fed Volk shares and also handed over its minority shareholding in Ferrovorm

It could not be ascertained what the Ferrovorm shares are worth but the amount is probably not very significant as Fed Volk only held 8,7 percent of Ferrovorm's issued capital

However, with Fed Volk shares currently trading at around 505c, the new shares issued to the IDC are worth about R750 000.

Continental produces crockery for household use and for the catering industry It has factories at Blackheath, Rosslyn, Atlantis and Grahamstown.

QUANTITY SURVEYING

(Continued)

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The Committee of the Western Cape Chapter of Quantity Surveyors' Prize
For the student obtaining the highest marks in Professional Practice.

P R Swift

LTA Prizes
For the best student in each of the courses of Building Economics I, II and III in the third, fourth & fifth years respectively.

I : N D G Sessions

II : A R Low Keen

III: No award

S.A. Brick Association Prizes
...udent in the ...ding Construction.

...best student in the ...ding Construction.

URBAN & REGIONAL PLANNING

...rs Award
...t who has shown ...se at the end ...ear.

Suider gets rooibos tea

RDM 15/7/81

232

CAPE TOWN — Suiderland has bought slightly under 30% of the rooibos tea industry in a R2 800 000 cash deal which will boost earnings a share by 1,35c to 11,9c from the 10,54c as at December 1980

The chairman, Dr P G S Neethling, says Suiderland has bought B Ginsberg which deals in the packing and distribution of tea under the trade names of Eleven 'o Clock and Golden Peak with effect from July 1, 1981 The Ginsberg tea estates are excluded from the deal

The price is subject to certain adjustments, such as debtors which are expected to total R400 000 to R500 000 The seller has given the normal warranties and undertakings

In clinching the deal Suiderland pipped several other potential buyers — two of which were Reef-based groups

The group sees big potential in rooibos tea and believes there is a large export market in both Europe and the United States, particularly through health stores

Suiderland has established a subsidiary Suidertee to handle the business and the company's manager, Mr Gert du Plessis, has joined the Rooibos Tea Control Board

FINE ART & ARCHITECTURE

ARCHITECTURE

Cape Provincial Institute of Architects' Prize
For the best student in :-

Sixth Year
P F Dunckley

Helen Gardner Travel Prize
For a student who has satisfactorily completed 1st, 2nd and 3rd major courses.
P A Rappoport

Molly Gohl Memorial Prize
For the best woman student in third year.
Miss C Tredgold

David Haddon Prize
For the best student of Architecture (or Quantity Surveying) in the subject of Professional Practice.
D H Pryce Lewis

General J B M Hertzog Prize
For the best final year student.
S A Read

Osbourn Prize
For the best work in fourth year.
D H Pryce Lewis

John Perry Prize
For the best work in third year.

Star 16/7/81 232

'Tyre boutiques' plan

Natyre, a subsidiary of Calan and one of the leaders in the retreading and new-tyre distribution field, has taken over a number of existing outlets in the Eastern Transvaal and Highveld areas.

Plans are also under way to expand the concept of "tyre boutiques" which have been successful in Natal.

Outlets now under the Natyre Bandag banner are: Impala Retreading, Witbank; Trojan Tyres Middelburg; De Beer Brothers, Barberton, Bethal, Ermelo, Nelspruit, Piet Retief and Standerton.

QUANTITY SURVEYING

(Continued)

Bell-John Prize

For the best all-round student in any year of study.

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III: No award

S A Brick Association Prizes

For the best student in the subject of Building Construction.

C W von During

For the second best student in the subject of Building Construction.

K Strong

URBAN & REGIONAL PLANNING

Student Planners Award

For the student who has shown greatest promise at the end of the first year.

M P Morkel

Dock merger

16/7/81

RENNIES Shipping Holdings (Pty), Grindrod & Company (Pty) and Mitchell Cotts Transportation (SA) (Pty) have agreed to rationalise their stevedoring interests. These are conducted in South Africa by Rennies Stevedoring and Grindrod Cotts Stevedoring (Pty).

The integrated stevedoring operation will be undertaken by a new company called Rennies Grindrod Cotts Stevedoring (Pty) in which Rennies Shipping Holdings and Grindrod Cotts Stevedoring will each hold 50%.

The effective date of the rationalisation is August 1, and the head office of the company will be in Durban under a reconstituted management. — Sapa

STAR 10/7/81 (2441) (222)

Argus buys interest in electronic information

The Argus Company has bought a 50 percent share in the INFO group of companies which provides a comprehensive information service from a computer-based data bank

Mr Hal Miller, Argus managing director, said that Argus was pleased to be associated with INFO in providing an electronic information service in the major cities and towns

The service would supplement and complement the information published daily in the company's newspapers and written and electronic material would be closely integrated to give comprehensive and up-to-date details about every aspect of South African life

INFO has been remarkably successful since it began operating in April, Mr Miller said 'He was confident that the combined resources of the Argus Company and INFO would bring to both organisations even greater rewards in providing classified advertising opportunities to the public and a full directory of goods and services offered by industry and commerce

Mr Mel Cunningham, managing director of INFO, said "The electronic era has arrived and we and the Argus Group are well placed to capitalise on the exciting developments which lie ahead in the computerised and electronic dissemination of information of all kinds into people's homes and businesses"

AFRICAN EAGLE

Flying high

88 FM 17/7/81

232

For the last time as separate companies African Eagle Life Assurance and Guarantee Life have presented their annual financial statements for 1980/81

Only weeks ago parent Anglo American Insurances (AAI) announced its intention to merge the two companies early in 1982

Apart from both companies' creditable performance in a buoyant insurance market, the restructuring of their property portfolios is interesting

Zac de Beer, AAI's executive director, comments "African Eagle's improved income and cash flow can be attributed in part to its thoroughly restructured large property portfolio It disposed of its substantial holding of Sorec shares and acquired, in exchange, a first rate portfolio of directly held properties, consisting in the main of shops and offices in the major cities "

Because of differences in insurance and company tax rates, African Eagle derives greater benefit from this type of investment

The consolidated balance sheet shows a net reduction of R74,1m in property investment with a corresponding reduction in minority interests and long-term loans which is mainly attributable to the sale of investment in Sorec But the group's effective interest in property has not been reduced

Guarantee, which in the past had only minimal involvement in property, has also moved into this field

The 1980/81 financial year saw African Eagle's recurrent premium income move through the R100m mark for the first time, while investment income increased by 32% to R49,1m But in his director's report, De Beer cautioned that it would be folly to suggest that the exceptional growth experienced over the past two years is likely to continue indefinitely

African Eagle's total premium income amounted to R168,1m compared to R138m for the previous year

Guarantee's premium income moved up 31,5% to R21,2m with new business production moving from R5,8m to R7,0m.

During the year under review African Eagle also gained a controlling share (63%) in Metals & Minerals, as well as a majority share in First Consolidated Holdings, a leasing and finance company previously held by AAI

It is interesting to note that despite SA Eagle surrendering its 25% stake in African Eagle earlier in the year, African Eagle has maintained its 25% share in SA Eagle

An important achievement for African Eagle this year is that its operating costs increased by only 4% against an average inflation rate of 13,75% and a 15,7% increase in premium income

FINE ART & ARCHITECTURE

ARCHITECTURE

Cape Provincial Institute of Architects' Prize
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For the best work in fourth year.

D H Pryce Lewis

John Perry P...
...in

RDM 21/7/81

Morlite

Financial Reporter

MORLITE, Mr Jimmy Haslam's fast-growing listed engineering group, is negotiating another acquisition and shareholders have been urged to be careful in their dealings

Mr Haslam said talks were still at the exploratory stage and said he would not like to see shareholders get too excited about the deal as this would be premature

The proposed acquisition was "quite big and radical in principle"

Mr Haslam hoped the companies would be able to make an announcement by the end of the week

Star 21/7/81

SA link with US coal deal

232

ROANOKE — A Canadian-South African holding company has acquired Virginia's ninth largest coal producer as part of a 152-million dollar (R129-million) deal with the Sovereign Coal group in Bluefield, West Virginia.

Harman Mining, a Buchanan County operation produced about 400 000 tons of coal last year

The firm was bought by a joint venture of Hudson Bay Mining and Smelting, a major mining company based in Toronto, and Minerals and Resources, a Bermuda firm controlled by South African financial interests services. The Commission believed that as far as medical staff was concerned maldistribution was the biggest problem, though there was an absolute shortage as well.

Through a NHS the provision of staff and services would not be determined by the economic laws of supply and demand, but by the needs of the people. However medical practitioners would not be forced into the NHS, and private practice would be allowed to continue, in the same way as private schools continue to exist, in spite of free education.

The Commission also discussed the various types (insurance, technocratic, bureaucratic and democratic) of NHS and came to the conclusion that the democratic one would be the most suitable. In practice, this would mean that technical and administrative staff would be under close control of the people. The people would have the power in their district councils, to discuss and modify any plan coming from the central health authority.

As we have already mentioned in the introduction, the Health-Centre was designed to be the basic unit and foundation of the proposed NHS. In the preview section of the Report we find a very clear summary of what was envisaged.

"...the National Health Service in being should not be merely the mechanical projection upon a passive public of some scheme worked out to the last detail by a central bureaucracy, but that it should be rather the sum total of the activities of the Health-Centres throughout the country, each of them autonomous to the utmost extent possible, and each allowing for and expressing in its local arrangements, the almost infinite variety of the needs, and best methods of meeting those needs, in different areas.

The Health-Centre is the practical expression of two of the most important, and universally accepted, conclusions of modern medical thinkers. The first is that the day of individual-isolationism in medical practice is past, and that medical practitioners and their auxiliaries can make

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their most effective contribution to the needs of the people through group or team practice. The second is that the primary aim of medical practice should be the promotion and preservation of health.
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practice, they have as yet
expression. General practi
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Health Centre can provide ar
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The foundation of the prac
the periodic medical exami
process of health educatio
will play the leading part
prescriptions. But when i
member of the family, the
treatment will lie with th
at his command the entire
resources of the national

As has been stated above, the
Centre model offered was app
the promotion of health and the prevention and cure of disease of the people on an extra-institutional basis at grassroot level. In Part IV of the Report about the organization of the NHS, the Commission unfolded its views about the Health-Centre in further detail.

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S/Ol 29/7/81

232 (143)

Federale takeover costs R5-m

By David Bamber

Federale Volksbeleggings has acquired half of the share capital of National Ceramic Industries and of Premier Hollow Brick and Tile Company for R5-million.

Federale says agreement has been reached with Gail AG of Giessen in Germany and Dr Bruno Folli in terms of which a new holding company will be registered to acquire full control of the two companies.

Federale will hold 50 percent of the equity in the new holding company while the balance will be held by Gail AG and Dr Folli.

Federale will pay R2,5-million in cash while the rest of the R5-million will be met by the issue of 500 000 new Federale ordinary shares.

The transaction is not expected to have any significant effect on Federale's earnings a share or net asset value.

The new holding company plans to upgrade the existing National Ceramic Industries' factory and construct a new tile manufacturing plant.

These improvements, which are expected to cost about R7-million over the next 12 to 18 months are expected to double NCI's existing capacity.

QUANTITY SURVEYING

(Continued)

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K Strong

URBAN & REGIONAL PLANNING

Student Planners Award

For the student who has shown greatest promise at the end

Wesco ups holding to more than 50%

Deputy Financial Editor

WESCO Investments has increased its holding in Toyota to more than 50% by buying shares in the market, the chairman, Dr Albert Wessels, told the annual general meeting yesterday

Wesco previously had 49%, so it was necessary to buy less than 500 000 shares in order to consolidate the motor group Because shares were bought in the market, there will be no offer to minorities

In the past Wesco has taken only the Toyota dividend to account in income Now it will consolidate Toyota and this will benefit Wesco's earnings but more particularly the balance sheet

Dr Wessels said Wesco's non-Toyota interests were all performing better and was optimistic for the current year

He said Veka's sales were booming but profits could improve Metair was continuing on the recovery tack, while life insurer, Rand Life, which paid its maiden dividend last year, was growing steadily Raelite, the battery company was also performing steadily

232

Ownership & Control

1 AUGUST 1981 — 31 Dec. 1981

If a system reboot is required you will usually be asked by the operator to terminate your run and sign off. Occasionally the error may be serious and your terminal may die. If this occurs, the logging-on procedure must be repeated when the system is upped again.

3.18.2. No Response

In addition to syste[...] encounter difficulty in communicating with t[...] the reasons below:

1. Terminal hardwa[...]
2. Disconnection o[...]puter.
3. System down.
4. System up but te[...]p.

Line disconnects ma[...] central processor error occurred or occasion[...] being typed while the system was typing [...]ase the run may be lost. Try to re-establish c[...] computer by typing in the terminal identif[...] where N is the relevant code letter). If thi[...] action to be taken. A partial reboot is t[...]he terminal may again be used.

If you are not sure w[...]s down or not, type in the line deletion [...]ystem is up the response should be a <LF>; if [...]e will occur.

3.18.3. Slow Respons[...]

When the system is ru[...]kload of jobs, response time on a terminal ma[...] because of the heavy demands for the va[...]es. Usually this is noticeable as a delay [...]ssor. If this occurs when you are in CQUE[...] typing in lines if you are able. After a fe[...] following message will be received:

WA[...]ED

When this occurs no[...]ped in until the system responds with:

*RE[...]

You can check whether [...]ill connected to the system by typing in th[...]

Remgro as silent as ever

By DAVID CARTE

REMBRANDT Group says the sale of 50% of Rothmans International to Philip Morris Inc of the US will be favourable to earnings

This is the only reference to prospects made by the directors in an annual report that reveals little new about one of the most secrecy-obsessed multibillion multinationals in the world

The sale of Philip Morris occurred after Rembrandt's year-end and therefore did not affect the balance sheet

The directors say the "substantial" capital gain on the transaction will be transferred to reserves in next year's accounts

"The effect of the above transaction on future group earnings is expected to be favourable," they say

The directors report that Remgro bought 54,1% of the Trans-Hex diamond mining group for R8 900 000 and an additional 5% of Federale Mynbou (from Volkskas) for R37-million to make Remgro's stake in the Gencor holding company 30,25%

Remgro also bought 20% of Metkor for R16 500 000 and 10% of Stewarts & Lloyds for R11-million

Exchange-rate changes knocked R16 700 000 off reserves and lowered pre-tax profit by R2-million

Remgro sold portfolio investments at a net capital profit of R19 300 000

The biggest change in capital employed is a 19% rise in reserves to R826-million, reflecting the group's huge cash flow of about R160-million.

On the other side of the balance sheet, investments rose 30% to R608 million, and working capital fell R49-million, largely from a 73% rise in current liabilities to R201-million

Total debt rose 64% to R163 195 000, and net cash after payment of dividends fell R7-million to R103 345 000, leaving total net debt of R60-million against net cash of R11-million last year.

Bromain makes major US acquisition

Star 3/8/81

232

A South African company, Bromain Holdings has acquired control of an internationally known company in America

After six months of hard negotiations it acquired a controlling interest in Salton Inc of the Bronx, New York — the developers and manufacturers of the well-known Salton hotray — for an undisclosed sum

Established in 1948 with this single product, Salton Inc has grown into a major electric housewares company with a turnover of some R12-million a year

Salton Inc has for the past 18 years been the licensee to the hotray to Bromain's Teltron subsidiary, and for the past five years to Salton Limited, Bromain's UK subsidiary

"Subject to obtaining the necessary approvals, Salton Inc will be merged with Salton Limited of the UK and Bromain will control more than 75 percent of a new holding company, Salton Holdings Inc," said Mr Max Brozin, executive chairman of Bromain.

He added that the new venture would not have any significant effect on either the net asset value or earnings per share of Bromain for the current year, but was expected to make a significant contribution in future years, especially as Bromain planned to launch a major international marketing campaign for Salton products.

The main products of Salton, apart from the well-known hotray, include coffee, yoghurt and icecream makers, an electric carving knife and a toaster — Sapa

not be hit by the section as it was then worded. The 1959 amendments were intended inter alia to bring such transactions within the net of the section and based on the decision in Smith's case (supra) the amendment has achieved this result.

Timber stake for Mondi

232

The Hunt Leuchars and Hepburn group has announced that the Mondi Paper Company will acquire a 10 percent interest in its timber division with effect from September 1 ar[illegible] will increase its interest by a further 39 percent over three years

Mr C B Perry, deputy chairman and chief executive of the H L and H group, said the link with Mondi would mutually benefit both groups.

In order to facilitate the purchase of shares by Mondi, H L and H will restructure its timber division — which is expected to have a turnover of more than R100-million in the current financial year — through the formation of a new divisional holding company to be known as H L and H Timber Holdings in which Mondi will acquire its stake

Management of the company will remain with H L and H — Sapa.

Pep negotiating for control of I L Back

CT 4/8/81

96

232

STELLENBOSCH — Rembrandt Group and Pep Stores announced yesterday that the parties are negotiating on the basis of an acquisition by Pep Stores of the interest of Rembrandt in I L Back and Company Ltd

The Johannesburg stock exchange is being requested to suspend trading in Pep Stores and I L Back for one week after which a further announcement will be made A spokesman for Rembrandt indicated that I L Back broke even during the first quarter of the present fiscal year Because of the fact that the nature of the clothing industry was essentially that of a family and fashion enterprise, Rembrandt was interested when approached by Pep Stores

Mr Renier van Rooyen, chairman of Pep Stores, said that in accordance with his group's stated objective of further involvement in manufacturing in areas that concentrate exclusively on the local outside market and export trade the potential acquisition of the majority interest in I L Back, made good sense

I L Back will continue as an autonomous entity and no changes are envisaged in the marketing general policy or management of the company — Sapa

ROM 4/8/77

(232)

Pep wants I L Back

REMBRANDT Group and Pep Stores are negotiating for Pep to acquire the Rembrandt interest in I L Back & Company

The Johannesburg Stock Exchange has been asked to suspend trading in Pep Stores and I L Back for one week

A spokesman for Rembrandt indicated that I L Back broke even in the first quarter of the present fiscal year

Because the clothing industry is essentially that of a family and fashion enterprise, Rembrandt was interested when approached by Pep Stores

Mr Renier van Rooyen, chairman of Pep, said that in accordance with his group's objective of further involvement in manufacturing, the potential acquisition of the majority interest in I L Back made good sense

I L Back would continue as an autonomous entity and no changes were envisaged in its marketing, general policy or management — Sapa

Anglo stake in Salomon

com 232

By NEIL BEHRMANN

LONDON. — Philip Brothers, commodities trading company within the Minorco and Anglo American group, is combinging business operations with Salomon Brothers, the giant US brokerage and underwriting house.

11/8/81

This is a significant development for Minorco and Anglo American because the company is diversifying out of its traditional international raw materials and mining operations into banking and financial services.

Earlier this year Engelhard Minerals & Chemicals' commodity trading unit, Philipp Brothers, was hived off from its industrial companies which fabricate and supply precious metals. Philipp Brothers trades in commodities ranging from oil and metals to cocoa and sugar.

Two companies — Engelhard Corp and Philbro — are now quoted on the New York Stock Exchange and Minorco has a 27% interest in both companies. Under the arrangement, Anglo American holds 43% of Minorco's equity. Philbro will hold equal shares in Salomon Brothers and Philipp Brothers, and both companies will trade as autonomous units.

Trading volume of Salomon Brothers was \$870 000-million in the first half of this year, or \$7 000-million a day. The house is ranked second among underwriters, with 86 issues

RTZ gives fillip to Australian gem venture

4/8/81 (32)

By JOHN MULCAHY

THE Ashton diamond venture in Western Australia has gained considerable credibility with the optimistic view on the scheme expressed in Rio Tinto-Zinc's latest quarterly report.

Until now RTZ's 61,1% subsidiary CRA — which has a 56,8% stake in Ashton — has played the venture down, and earlier this year its chairman, Sir Roderick Carnegie, said there would be a tremendous capital outlay in establishing a mine in the area because of the lack of infrastructure

RTZ's quarterly intimates that development of the deposit in the Argyle area could produce a diamond yield rivalling, or exceeding, output from the largest diamond mines in the world

Structural drilling of kimberlite pipe AK-1 has shown that it possesses a lower-grade northern sector and a higher-grade southern sector, separated by a central saddle complex, and the volume of kimberlite in the pipe is thought to exceed 100-million tons.

Surface bulk sampling has given diamond yields averaging 3,8 carats/ton from 7 617 tons of kimberlite from the northern and central parts and large diameter core drilling (LDC) to depths of 90 m to 140 m has given initial sample yields averaging 5,1 carats/ton from 50 tons of kimberlite

These results have been derived from 34 samples each weighing 1,5 tons and representing 20 m lengths of core section Although LDC drilling is still at an early stage, it has provided evidence that diamonds persist at depth

RTZ notes that for evaluation LDC samples are crushed to a finer size than the surface bulk samples to release a higher proportion of very fine diamonds — on a commercial scale some of the smaller stones may not be recoverable

The results have enhanced the potential of the Ashton diamond deposits.

The small Smoke Creek alluvial deposits have been evaluated, with reserves estimated at 500 000 m³, at a grade of 8 carats/metre with 15% of the diamonds of gem quality

Of the 4-million carats of diamonds contained in the Upper Smoke Creek deposit about 15% are of gem quality and their average value has been put at $18,60/carat

The Argyle deposits are 120 km south of Kununurra in the Kimberley region of Western Australia, and with other projects under way, the area could assume an importance comparable to any other diamond field in the world

The highest grade diamonds in the world have been in Zaire where up to 10 carats/ton were obtained against an average of UNder 0,5 carats/ton in Southern Africa

Zaire's production constitutes largely industrial quality diamonds, and although its output is about eight carats a ton, only 5% are of gem quality

De Beers Finsch mine, which is the group's largest single producer, in 1980 treated 3 864 900 tons of kimberlite, recovering 2 906 961 carats of diamonds — a grade of 0,75 carats/ton

A similar treatment capacity at Ashton's AK-1 could yield 11 500 000 carats a year, based on the bulk sampling of the lower-grade surface material, or 17 800 000 carats a year of the higher grades if initial LDC sampling proves to be consistent

Output of diamonds from the De Beers group of mines is about 14-million carats a year, and world natural diamond production last year was about 50-million carats, valued at $4 000-million, with gems comprising 90% of this value

By the end of last year A$36 200 000 had been spent on exploration and evaluation in the Kimberley region of ASustralia and a further A$22-million will be spent this year

Construction of a mine and large-scale treatment plant to process the kimberlite could involve an investment of A$400-million, and discussions are under way between the Western Australian State Government and Ashton on infrastructure and the necessary power and service requirements to develop the project

With commercial production a possibility at Ashton by 1985, there is no indication yet of any measures De Beers intends taking to maintain its dominance over the world diamond industry

Anglo/De Beers has an indirect interest in Ashton through Charter Consolidated, whose 28%-owned Malaysia Mining Corporation holds 50,14% of Ashton Mining, which has a 24,2% stake in the Ashton venture

Before the Ashton joint venture exploration began in 1972, the Kimberley region was prospected by De Beers

UNIVERSITY OF CAPE TOWN

DEPARTMENT OF ACCOUNTING

TAXATION AND ESTATE DUTY II - 1981

COURSE OUTLINE/READING LIST - 3rd & 4th QUARTER

425
432
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VACATION -

14 September 21 | Tax Planning for Business Acquisitions | ss.11(22,22A

- partnerships and joint ventures (briefly)
- acquiring assets and liabilities
- acquiring shares
- interest payable on acquisition

21 September

EXAMINAT

N.B. THE TUTORIALS REFER TO 'QUESTIONS ON S.A. INCOME TAX 1980' AND THE SOLUTIONS ARE PREPARED ON THE BASIS THAT THE QUESTIONS ARE UPDATED BY ONE YEAR.

Joint property venture by LTA, Isaacs

Star 5/7/87

232

By Frank Jeans

Two major groups in construction and property — LTA and Wilfred Isaacs — have joined forces to become a power in industrial development.

It's a big "marriage" which should be successful — indeed, the first deal under the banner of LTA-Isaacs Industrial has already been finalised

The company, created jointly by LTA Construction Development Services and Wilfred Isaacs, will bring to the market a one-stop construction, marketing and management service

New scope

LTA and Wilf Isaacs are equal shareholders, but in no way will the establishment of LTA-Isaacs Industrial conflict with the existing operations of the main companies

Market research and site experience will be handled by Wilf Isaacs with "package deals" being completed by LTA construction teams. The group will be free to use outside contractors should the need arise

The establishment of LTA-Isaacs Industrial will bring new scope to the market with the creation of further investment opportunities for the institutional investors as well as the individual businessman and manufacturer on the trail of expansion to meet industrial demand.

Mr Wilf Isaacs is chairman-designate of the company, with Mr Arthur Barclay, managing director of LTA Construction Development Services, the MD designate

The team will be backed up by Chris Lombard and Andrew Chalmers of WI and Terry Smyth and K Stander of LTA

Mr Wilf Isaacs said: "For some time, we have seen the neglect of the benefits of the industrial-property market by the institutional investor because of the limitations posed by dispersed construction, management and marketing situations.

Enthusiastic

"We believe that the facilities offered by LTA-Isaacs Industrial will overcome these problems and assist in encouraging a more positive institutional investment attitude to industrial property"

Mr Barclay, equally enthusiastic about the birth of the company, said that the market can only benefit from LTA construction experience allied to his firm's marketing experience

"While drawing from the knowhow of both parent companies, LTA-Isaacs Industrial will be a totally independent and self-sufficient organisation," he says

The company will concentrate initially on the Johannesburg Reef and Pretoria areas but aims to spread operations throught the country.

Suidertree purchase

CAPE TOWN — Sunderland Development Corporation announced yesterday that its subsidiary, Suidertree (Pty), had bought the business of B Ginsberg, which deals in the packing and distribution of Rooibos tea under the trade names "Eleven o'Clock" and "Golden Peak" for R2,8 million cash.

The agreement, which came into effect on July 1, includes a warranty by the seller that the net profit before taxation for the 12-month period ending February 28 this year will amount to not less than R900 000 — Sapa

Behind the Phibro-Salomon merger

ROM

232

~~237~~

6/8/81

Anglo in a great new trading house

By NEIL BEHRMANN

LONDON — The merger between Phibro, the commodities trading company in the Anglo American Corporation group, and the giant US brokerage house of Salomon Brothers could form one of the most formidable trading houses in the world

This is the view of several dealers in commodities in New York and London The new concern will combine skills in virtually all commodities and a client list that includes governments and most of the biggest international companies

Analysts reckon that the deal is worth $550-million

The new giant will have assets of $1 650-million compared with the US brokerage house Merrill Lynch's assets of $1 100-million The basis of the deal is that Phibro Corp, a New York listing formerly known as Philipp Brothers will merge its business with Salomon Brothers

Phibro technically buys Salomon Brothers through the issue of $250-million 9% convertible debentures The capital account of Salomon Brothers will be distributed to the partners and the debentures will be convertible into Phibro common stock (ordinary shares) in 1991

In terms of New York Stock Exchange regulations, Salomon will become an autonomous subsidiary of Phibro Phibro's commodities trading unit, Philipp Brothers, and Salomon Brothers will be independent operating units

Anglo American Corporation has a 43% stake in the international resources company Minorco, which in turn has a 27% holding in Phibro Anglo's indirect stake in the commodities and financial services house will thus be 11,6%

Philipp Brothers was founded in 1914 Its headquarters are in New York, and it has 60 offices in 45 countries in Europe, North America, South America, Asia and Australia Phibro has 4 600 employees and markets 150 commodities, including ferrous and non-ferrous metals, ferroalloys, steel, coal, crude oil, and oil products, fertilisers, petrochemicals, sugar, grain, cocoa and other raw materials It also has investment and banking interests in Europe and Asia

Last year Philipp Brothers turned over $24 000-million in commodities and earned $467-million In the first half of 1981 Phibro had a turnover of $12 650 million and profits of $129-million At June 30 this year, Phibro's share capital and reserves exceeded $1 350-million

Under its old name Philipp Brothers, Phibro was the commodity marketing division of Engelhard Minerals, Earlier this year Engelhard's industrial and commodity divisions were split Phibro and Engelhard Corp, the New industrial unit are now separate quotations on the New York Stock Exchange

Minorco has a 27% interest in Engelhard Corp

Salomon Brothers was founded in 1910 and will begin its operations as Phibro's autonomous subsidiary with a net worth of more than $300-million It will continue its traditional business of underwriting, issuing and trading securities, corporate finance, municipal financial services and the servicing of domestic and international clients

For the first 10 months of its financial year to July, Salomon reported record operating profits The firm was ranked second among US investment bankers for the first six months of the year with 86 issues totalling $9 700-million Trading volume for the first nine months of the fiscal year was $870 000-million, or an average of $7 000-million a day

Salomon Brothers employees 2 400 people The firm has memberships on the New York Stock Exchange and most other US stock and commodity exchanges Its headquarters are in New York It has offices in London, Hong Kong and Tokyo

Salomon Brothers business is almost exclusively institutional and unlike Merrill Lynch it does no business with the public

It boasts one of the most outstanding credit analyst teams in the United States, headed by interest-rate guru Henry Kaufman

Phibro's chairman and chief executive officer, Mr David Tendler, will be co-chairman and chief executive of the enlarged corporation He says "We will be the world's leading merchant banker"

Mr John Gutfreund, managing partner of Salomon Brothers, who will be the other chairman said "We are on the threshold of major changes, in Wall Street This combination places us in the most prominent and competitive position for the changing world of the Eighties"

Grandbaz 40% still a mystery

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EDM 6/8/81

Mail Correspondent, Cape Town

THE IDENTITY of the buyer of 40% of Grand Bazaar's equity last September remains a mystery and the shares have not been registered in the name of the new owner.

It is 10 months since the joint chairman, Mr Max Sachar, retired and sold his shares to an unnamed party. Since then Grandbaz has declared dividends and unless these are being passed to the new owner of the shares, anonymity is costing someone cash. The motive for the secrecy makes the affair even more interesting.

The Grandbaz case must be unique in South African stock-market history with the board and minorities having no idea who holds a huge slice of equity in the group which by now could easily be more than 40%. There are 2 100 000 shares in issue. The mystery buyer may even be approaching a control situation.

This strategic stake could be useful to any one of a dozen food chains, particularly the Johannesburg-based groups who either have not yet penetrated the Cape market or who want to increase their number of Cape stores.

With the economic downswing expected to accelerate over the next 12 months an investment in foods could be attractive.

Grandbaz's chairman, Mr Manual Sachar, who founded the group 40 years ago with his cousin Max, says he is unconcerned about the existence of the mystery shareholder. He claims to have effective control, having added to his own stake in the group at the time of Max's retirement.

When Mr Max Sachar sold his shares in September 1980 the price was not disclosed. The deal was evidently part of a R[illegible]-million special bargain on the JSE involving Johannesburg interests.

Grandbaz is highly profitable and Mr Sachar says trading is marginally ahead of Budget. A new store and branch modernisation programme are under way. The group hopes to begin developing its first Johannesburg site soon, and is negotiating for branches elsewhere on the Reef.

Grandbaz's ultra-market concept has been a success and has led to a sharp rise in profits. Pre-tax earnings last year were R3-million on sales of R68-million, equivalent to earnings a share of 77,2c (62,4c).

The group, which was one of the few successful 1969 listings, has an outstanding growth record and dividends have risen from 8c in 1977 to the current 27c (22c).

Mr Sachar hints that the dividend will rise again this year.

Rooibos for Suiderland

bom 6/8/81

CAPE TOWN. — Suiderland Development Corporation's subsidiary, Suidertee (Pty), had bought B Ginsberg, which deals in the packing and distribution of rooibos tea under the trade names Eleven o'Clock and Golden Peak, for R2 800 000 in cash.

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The agreement, which came into effect on July 1, includes a warranty by the seller that the net profit before tax for the 12 months to February 28 this year will amount to not less than R900 000 — Sapa.

HLH in timber deal with Mondi

NM 7/8/81

232

Financial Editor

HUNT, Leuchars & Hepburn is to sell 49 percent of its R100m-a-year timber division to Mondi, S A's second biggest paper maker. It will be one of the major steps in assuring a timber supply for the R520m Mondi pulp mill at Richards Bay.

In the first move towards a timber partnership between giants, Mondi is to acquire 10 percent of HLH Timber on September 1 and another 39 percent over the next three years

No price has been disclosed but timber industry sources speculate that the initial 10 percent will have been priced at about R11m, which would put a price tag of roughly R55m on the deal

HLH's timber division expects sales of R100m this year, while the annual report effectively forecasts a gross profit of about R14m for its timber division

Mr Chris Perry, managing director of HLH, said the deal held substantial benefits for both parties

Mondi is 63 percent owned by Anglo American Industrial Corporation, so the deal gives HLH's mining timber division improved marketing access to Anglo mines

Resources

It also gives HLH access to greater timber resources, which, Mr Perry said, would benefit all mining timber customers

It would also enable whole tree utilisation and increase volumes, therefore reducing unit costs, at HLH's depots

In the past, the mining timber division often discarded offcuts and the top third of trees These can now be used in pulpmaking

Another benefit for HLH is that cash received over the next three years will reduce debt at a time of soaring interest rates

The main benefits for Mondi, which is to spend over R500m building a new pulp and paper mill, will be access to HLH's pulp timber as well as its expertise in hardwood exploitation

Sawmills

HLH recently sold Jessievale sawmills, its only softwood operation, to Mondi Now HLH is to concentrate purely on growing, sawing and distributing hardwood, which is used mainly in mining and pulp

It seems likely it will acquire certain Mondi or Amic hardwood sawmills and plantations, so that Mondi will no longer be involved in hardwood

The reason for specialisation is that hardwoods and softwoods are distinct industries Hardwoods, mainly wattle and gum, have a growing cycle of only eight years, while softwoods, mainly pine, have an 27-year cycle

The two types of timber go to different markets — hardwoods to mines and paper makers and softwoods to the building industry But the Mondi mill is being designed , with its sawmills, to handle both

Mr Perry said the deal would be effective for only six months of the current financial year, so would have little effect on HLH's earnings this year

Earnings

But next year he expected earnings to benefit Mr Perry said there would be a capital profit in the transaction for HLH

To facilitate its plan, HLH will restructure its timber division through formation of a new divisional holding company, to be known as HL & H Timber Holdings, in which Mondi will eventually hold 49 percent

Management of the company stays with HLH, with Mr Chris Perry as chairman, and Mr Neil Morris, as managing director

Other HLH representatives on the board will be Messrs N Hancock, A Hepburn and G S Crossman, while Mondi's men on the board will be Mr Chris Griffith, Mondi chairman, and Mr R K Donner, Mondi managing director

Asked it the present deal did not presage a bid by Anglo American Industrial Corporation for all of HLH — which nearly merged with Blue Circle last year — Mr Perry said this was a question for the major shareholders

He thought they were set on independence for HLH for the foreseeable future

Paper-maker gets timber stake

Mondi links with HLH

232

7/8/81

By DAVID CARTE

HUNT Leuchars & Hepburn is to sell 49% of its R100-million-a-year timber division to Mondi, SA's second biggest paper-maker.

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No price has been disclosed, but timber industry sources speculate that the initial 10% will have been priced at about R11-million putting a price tag of roughly R55-million on the total deal

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It also gives HLH access to greater timber resources, which will benefit all mining timber customers

It will also enable whole-tree use and increase volumes, reducing unit costs at HLH's depots In the past, the mining timber division often discarded off-cuts and the top third of trees These can now be used in pulp-making

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Phibro ridicules Salomon bail-out rumours

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NEW YORK. — Phibro Corporation's chairman, Mr David Tendler, describes as absolute nonsense suggestions that his company's merger with the investment bank of Salomon Brothers was prompted by Salomon's bond trading losses.

Mr Tendler's statement is the first categorical public denial by a senior Phibro executive of rumours that Phibro bailed out Salomon.

The talk has been going on since Monday's surprise merger announcement

Mr Tendler, who is also Phibro's chief executive officer, denied the speculation in an interview with Reuters

Mr Tendler did not comment on whether Salomon had experienced securities losses, but said US newspaper speculation had not been reliable

The speculation has put the Salomon brothers losses, arising from a sharp drop in bond prices during July, at between $80-million and $200-million

He said that Phibro as a public company had a responsibility to its shareholders and would not jeopardise their interests

"We had better be able to answer to the public," said Mr Tendler.

Mr Tender also mentioned a "definitive statement" by Mr John Gutfreund, Salomon's managing partner and co-chairman of the combined company, that Salomon had record operating profits in the first 10 months of its fiscal year, which started on October 1

As a private company, Salomon had no obligation to release details of its earnings, he said

In fact, Phibro made the initial move to Salomon, the only Wall Street firm it approached, about two months ago

Phibro, which adopted its new name on May 21 after the spin-off of Englehard Minerals & Chemicals Corporation's mining and chemical business, had had a business relationship with Salomon for about 25 years, he said

Salomon ran Phibro's commercial paper programme, for instance, although Phibro used other investment banks

"They are not our house investment bankers," he said

Under the merger agreement, which will be closed on October 1, Salomon's 62 partners will receive $250-million in debentures, convertible into 9-million Phibro shares

Then, the partners will withdraw the capital they have in the firm, and Phibro will replenish it with $300-million of its own money.

According to figures soon to be published by the Securities Industries Association, Salomon was the fourth best capitalised Wall Street brokerage firm at the end of 1980, with capital of $330-million Only Merrill Lynch, Shearson Loeb Rhoades and E F Hutton were bigger, and Salomon showed a better than average capital growth in 1980 of 45% — Reuter

CLOTHING 232

Pepping up sales

FM 7/8/81

Pep Stores' negotiations with the Rembrandt Group for the acquisition of Rembrandt's 67% controlling share interest in Cape clothing manufacturers I L Back,

(see *Fox*) is entirely consistent with Pep's intention to increase its "horizontal integration," says MD Tom Ball

Ultimately says Ball Pep expects 5% of the group's turnover forecast at more than R250m in the coming year, to derive from exports

The trouble is that these have been hampered in the past by limited manufacturing facilities

Pep entered the export market last year and overseas buyers include Ireland, England, West Germany and Switzerland

"We thought of increasing our production capacity to serve this export market" Ball says

Pep Stores, started in 1965 to serve the lower end of the retail market, entrenched itself in the lower and middle-income markets with its Half Price Stores and Shoprite subsidiaries It followed a policy of vertical integration to serve as one of its own major sources of supply and now operates 10 factories, mainly in the Western Cape, Durban and Butterworth, from which 50% of all goods stocked by the stores are purchased

However, a new approach is being taken

Says Ball In the last year or two we have moved away from vertical integration to horizontal participation in the market Our manufacturers are no longer serving the Pep Stores market only We are selling certain goods, for example blankets and shoes, on the open market as well"

In addition to its policy of horizontal market expansion, Pep is embarking on a campaign to increase in its retail market share It has budgeted about R1m this year for re-siting, enlarging and upgrading existing stores, "and having a general clean-up"

Sigma buys Leyland's factory

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7/8/8

By Mervyn Harris

Sigma Motor Corporation is to buy the Blackheath assembly plant from Leyland South Africa Leyland will concentrate its expansion programme at the Elsies River factory

The two companies announced in Johannesburg today that they were to invest more than R75-million in modernising and enlarging the two assembly plants in Cape Town

The expansion programme, when completed, will give a combined production capacity of more than 70 000 vehicles a year from the two enlarged assembly plants

The purchase price for the Blackheath plant was R15 4-million

The announcement ends speculation in certain circles that the two companies were to merge

Talks on a possible merger broke down in 1978 and this led to animosity and acrimonious accusations between the two companies

In terms of the agreement Sigma will take occupation of the Blackheath factory from December 31 1982

Sigma will immediately begin planning a major expansion programme at the plant where the company's entire commercial vehicle range will be produced

Since 1979 Leyland has been assembling Sigma's commercial vehicles at the Blackheath factory

Leyland's expansion programme will be concentrated at the Elsies River factory with the installation of equipment for the introduction of several new car and truck models

The manufacture of Leyland's present range, including the Mini, Rover and Range Rover will be continued and will be transferred from the Blackheath plant to the Elsies River factory in 1982

A long-term lease has been negotiated for Leyland to continue using the engine manufacturing plant at the Blackheath factory

Leyland manufactures four and six-cylinder engines there as well as the R40-million contract manufacture of the flywheel and ring gear assemblies for Atlantis diesel engines

The massive expansion programme will safeguard the jobs of the current Leyland labour force and will create up to 1 500 new jobs in the Western Cape by late next year and early in 1983

● See Page 19 for full details

LEYLAND AND

Sigma in R75-m plant venture

By Mervyn Harris

Sigma Motor Corporation and Leyland South Africa are to invest more than R75-million in a major expansion and modernisation programme of the Blackheath and Elsies River manufacturing plants near Cape Town

In a joint announcement in Johannesburg today, Mr Fred Bulter, managing director of Sigma, and Mr David Beck, managing director of Leyland SA, said the expansion programme, when completed, will result in a combined production capacity of more than 70 000 vehicles a year from the two enlarged assembly plants.

The announcement ends some speculation that the two companies are to merge. Talks on a possible merger broke down in 1978.

Opportunities

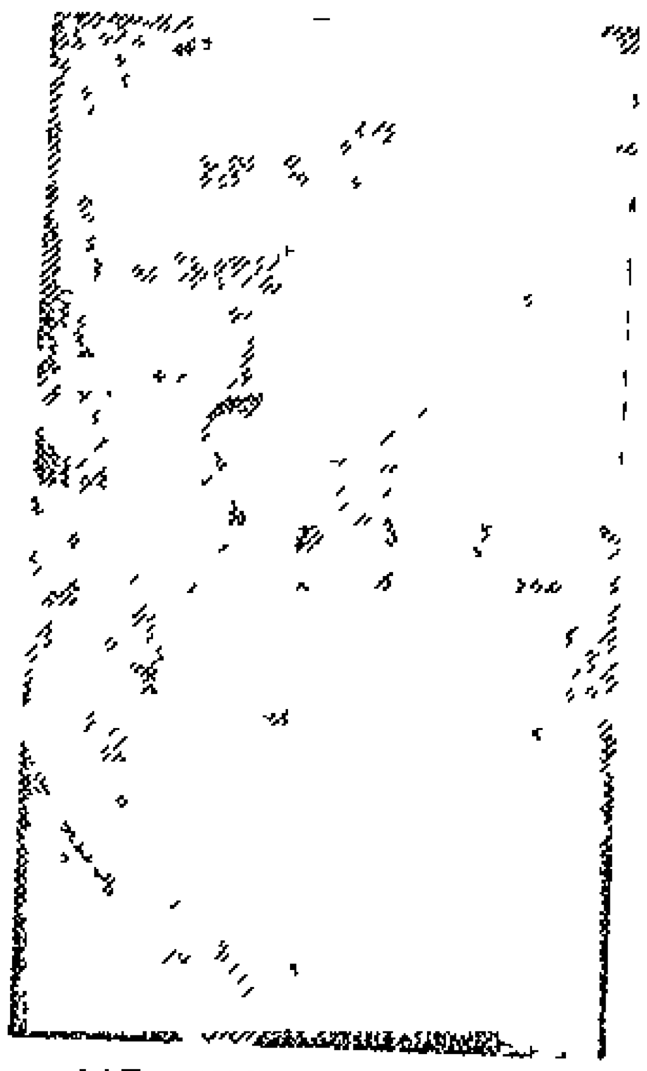
The breakdown of the talks then led to animosity and acrimonious accusations between the companies.

In terms of the agreement Sigma is to purchase Leyland's Blackheath assembly plant and will take occupation of the factory from December 31 1982.

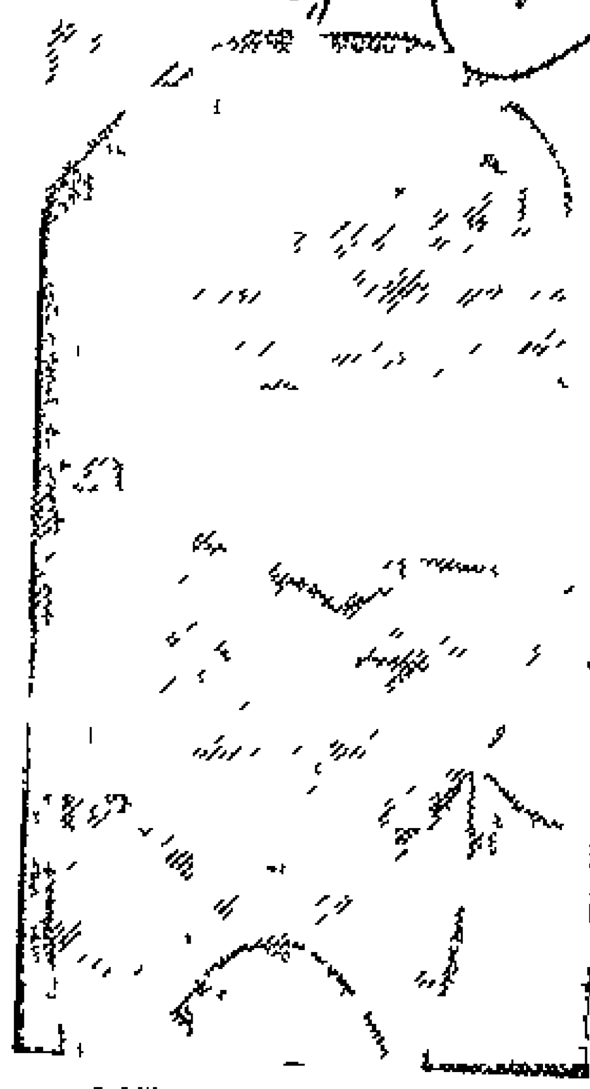
The buying price has not been disclosed.

The acquisition will boost Sigma's opportunities in the commercial-vehicle market where the corporation and its dealer network have not been fully represented.

A long-term lease has been negotiated for Leyland to continue using the engine-manufacturing plant at the Blackheath factory site where Leyland manufactures four and six-cylinder engines as well as the R40-million contractual manufacture of the flywheel and ring gear assemblies for Atlantis diesel engines.



MR FRED BUTLER



MR DAVID BECK

Essential

Sigma has found it essential to provide additional capacity to meet the growing demand for its commercial vehicles.

Since 1979 Leyland has undertaken the contractual assembly of the entire Sigma commercial vehicle range at the Blackheath factory.

More than 16 000 of these units will come off the Leyland assembly line this year.

From January 1983 Sigma will utilise the entire production capacity of the Blackheath plant to meet commercial vehicle requirements.

Sigma will immediately begin planning a major expansion programme at the Blackheath plant which will include enlarging and modernising the paintshop and body shop.

At the same time Leyland is to expand and modernise the Elsies River plant to handle the manufacture and assembly of passenger car and commercial-vehicle models.

Capacity

The manufacture of Leyland's present range, including the Mini, Rover and Range Rover models, will be continued and will be transferred from the Blackheath plant to Elsies River during 1982.

Production capacity at the modernised Elsies River plant will be more than doubled to more than 30 000 vehicles a year and will include all Leyland's passenger-car models, the Land Rover and heavy commercial vehicles and buses.

Leyland's expansion programme will be concentrated at Elsies River with the construction of a ultra-modern paintshop incorporating the latest paint technology, jigs, tools and welding equipment for the introduction of several car and truck models.

Sophisticated equipment and other facilities for doubling production capacity will be installed.

This investment will also include the expansion of Leyland's engine factory which will be extended to incorporate a modern parts warehouse for all Leyland vehicles and the Unipart "all-makes" parts programme.

More land

Mr Beck disclosed that Leyland had recently bought more land at Elsies River in anticipation of the expansion programme.

Within two years after taking over the Blackheath factory, Sigma's investment will increase the production capacity of the factory to more than 200 vehicles a day and will incorporate facilities for the introduction of a wider range of commercial vehicles.

Sigma buys Leyland plant

NM 8/8/81

232

Financial Editor

SIGMA Motor Corporation has bought Leyland's Blackheath plant and will move in from January 1983 and is to embark on a joint R75m expansion plan with Leyland to beef up this and the Elsies River plant, aimed at producing 70 000 vehicles a year.

Part of the Elsies River plant will be used for a R15m two-year expansion plan to produce, by 1983, a new Renault model slightly larger than the R5

Durban's McCarthy group will benefit from the expansion, as its owns the Elsies River plant, which was used to produce 20 000 Valiants a year Leyland has a long lease on the property

The new Renault, a front-wheel-drive four-door model, described as being bigger than the R5, with an engine capacity of between 1 400 and 1 600 cm3 and featuring excellent fuel economy, will comply with the Government's local content requirements of 66 percent from date of introduction

Both Renault and Leyland will maintain separate car marketing operations

In an announcement in Johannesburg yesterday, Mr David Beck managing director of Leyland, said Leyland's modernisation at the Elsies River plant will include the installation of unique equipment for the manufacture of the new Renault model.

He said Leyland would eventually be manufacturing 15 000 new Renault models annually.

Mr Beck said Leyland had recently purchased additional land next to the Elsies River plant, in anticipation of the expansion programme.

Within two years of taking over the Blackheath factory, Sigma's investment will increase the production capacity to more than 200 vehicles a day and will incorporate facilities for the introduction of a wider range of new commercial vehicles

This massive expansion programme will guarantee the retention of the current Leyland labour force in the Western Cape by the two companies, and in addition, it is envisaged to create up to 1 500 new job opportunities with both companies in the Western Cape by late next year and early in 1983

The Renault Five model will continue to be assembled by Motor Assemblies in Durban

Mr Fred Butler, managing director of Sigma, and Mr Beck said the acquisition of the plant was 'an expression of Sigma's confidence in the future opportunities in the commercial vehicle market'

New lease

This was a market in which Sigma and its dealer network had not, up to now, been fully represented

A long-term lease has been negotiated for Leyland to continue using the engine manufacturing Blackheath plant where Leyland undertakes the manufacture of four and six-cylinder engines as well as the R40m contractual manufacture of the flywheel and ring gear assemblies for Atlantis diesel engines.

From January 1983, Sigma will use the entire production capacity of the Blackheath plant to meet its commercial vehicle requirements

Sigma will immediately commence planning a major expansion programme to expand the Blackheath plant

Notes: to APPENDIX A on previous page (48)

Sources: Pen-BAAB Annual Reports of the Auditor-General on the Accounts of the Pen-BAAB.

Figures for 1973-4 are for 8 months only (1 September 1873 to 31 March 1974). All other years are from 1 April to 31 March the following year.

In developing a policy and practice for the administration of the black population in the urban areas the state has sought to maintain its control over labour, the differential allocation of labour created by the tribal bureaux, and created forms of political control, where otherwise the workers housed in a common area, would have potential access to collective political expression.

10 The boards were ... Administration Act of 1971.

11 Particularly the Bantu Labour Regulations of 1968.

12 The Peninsula Area Administration Board is hereafter referred to as 'Pen BAAB'

1 500 more jobs from R75m Sigma, Leyland deal

8/8/81

By LEICESTER SYMONS

JOBS in the motor industry in the Cape Town area will be increased by up to 1 500 as a result of a R75-million deal between Leyland South Africa and Sigma Motor Corporation.

Sigma will buy the Blackheath plant where its commercial vehicles are already being assembled by Leyland under contract, and use its entire capacity to produce an expanded range of such vehicles

After taking over at the end of 1982 it will modernise and expand the plant to raise production capacity to more than 200 commercials a day Under the present contract about 16 000 Sigma commercials are due to be assembled at the plant this year

Leyland will keep its plant at Elsies River and concentrate its production of cars and commercial vehicles there The company will invest R15-million in modernising and expanding the plant to raise its production capacity from 15 000 to 30 000 a year by the end of 1982 The manufacture of Leyland's Mini, Rover and Range Rover models will be transferred from Blackheath to Elsies River next year

The sale of the Blackheath plant and expansion programmes at both plants would involve total investment of more than R75-million by the two companies, said Mr Fred Butler, managing director of Sigma Motor Corporation, and Mr David Beck, managing director of Leyland SA, in a joint announcement

When the expansion and modernisation programmes were completed combined production capacity of the two plants would be more than 70 000 vehicles a year This would not only guarantee the retention of the Leyland labour force in the Western Cape by the two companies, but was expected to create up to 1 500 jobs in the area by late 1982 or early 1983, they said

The R15-million programme at Elsies River will include installing equipment for manufacturing a Renault model to be introduced in South Africa during 1983, according to Mr Beck In terms of a contract between Leyland SA and Renault, annual production of the new model will eventually reach 15 000

It will be a front-wheel drive, four-door car, bigger than the Renault 5, with an engine between 1 400 cc and 1 600 cc and featuring fuel economy It will comply with the Government's local content requirement of 66% from the date of its introduction The Renault 5 will continue to be built by Motor Assemblies in Durban

Mr Beck said Leyland was determined to keep the Jaguar and Rover names alive in the South African car market Land had been bought next to the Elsies River plant The expanded plant would produce existing models including the Rover, Land-Rover, Range Rover, Mini, trucks and buses, the new Renaults "and perhaps some other"

The company would stay in the contract manufacturing business to ensure that the Elsies River plant would run at capacity

A long-term lease had been negotiated for Leyland to continue using its engine manufacturing plant on the Blackheath site This plant produced four-cylinder and six-cylinder engines It also contained a machining plant, in which R4-million of machine tools were being installed, to produce flywheel and ring gear assemblies for Atlantis Diesel Engines under contract consciousness on the other. The category of collective consciousness must be further divided into three forms: viz: worker consciousness, trade union consciousness and (working) class consciousness. Goldberg demonstrates convincingly that Van Onselen's definition of worker consciousness is essentially "the individual's awareness of the world and his/her self-awareness"[36] and that Van Onselen's definition "is rooted in the motivation of the subject/s rather than in the objective structural determination of combined action".[37] Following Lukács, Goldberg makes the important philosophical point that "collective consciousness is not the sum of the individual 'consciousne ... er the sum nor the aver ... ingle individuals

As far as G ... on con- sciousness ... st exploi- tation and ... ggles".[39] Class consc ... lutionary change in b ... and is informed by ... iousness is essentially ... of a large part of the ... of a capi- talist mode ... es with a declining p

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Leyland deal lifts Sigma bill to R380-m

S Times 2/8/81 (232)

By Andrew McNulty

THE Sigma/Leyland deal involving a R75-million expansion and modernisation of the Blackheath and Elsies River motor plants in the Western Cape lifts Sigma Motor Corporation's spending programme to more than R380-million over the next three years

The latest deal, combined with current expansions in Pretoria, leaves Sigma — the 4½-year-old, Anglo American Corp (75%)-Chrysler (25%) company — favourably placed for domination of the passenger car and light commercial vehicles market in South African — at least in output capacity

The renewed "toenadering" between the Leyland and Sigma groups lays to rest the furore of 1979, when a planned marriage of the two groups failed to reach the altar — reputedly as a result of personality clashes.

Although managing director David Beck says that Leyland intends to stay in South Africa, it also suggests that future merger talks, which could be of great benefit to both parties depending on developments in British Leyland in the UK, remain on the cards.

Sigma and Leyland announced jointly on Friday that Sigma is to take over Leyland's Blackheath assembly plant.

A total R75-million is to be spent on the purchase of Blackheath and on new investment in the Blackheath plant and Leyland's Elsies River plant. Sigma's portion is R60-million

This is Sigma's first big thrust into the light commercial market, where it is so far poorly represented

In two years, the Blackheath production capacity will be doubled to more than 2[illegible] vehicles a day and will incorporate facilities for a wider range of new commercial vehicles

Fred Butler, Sigma managing director, tells me that Sigma is carrying out a major expansion of the Pretoria facilities that includes substantially increasing passenger car production capacity.

About R100-million has already been invested by Sigma. Spending plans over two to three years excluding the Western Cape total about R323-million

"We will be introducing new models regularly, and each costs about R15-million in tooling costs alone," Mr Butler says.

Sigma currently has about a 10% penetration of the light commercial market, largely dominating the three-ton range, but when capacity has been raised to 200 vehicles a day at Blackheath it will have the capacity to achieve a market share of 40%.

Limited by output capacity, the company has hovered near lead position in car sales this year, and marketing director Peter Moss says that they are still looking for a viable new range smaller than the Mazda 323

Leyland will more than double production of the Elsies River plant to over 30 000 vehicles a year by the end of 1982.

Phibro — portrait of an octopus

232 12/8/81

LONDON. — Phibro, better known as Philipp Brothers, is a commodities firm extraordinaire. Its merger with Salomon Brothers means that it will be one of the giant trading houses covering a vast range of raw materials and financial assets.

NEIL BEHRMANN — in the commodities markets

The company was founded in 1914 and in 1967 became part of Engelhard Minerals & Chemicals, a company in the Anglo American Corporation empire Its traders are secretive, aiming at retaining clients which include governments and huge companies

While the Engelhard divisions and Philipp Bros were roughly the same size when they combined, the commodities unit grew to such an extent that one executive remarked that the tail was wagging the beast — so much so that Philipp Bros profits soared to roughly 90% of Engelhard's revenue

In May this year, executives decided to end the marriage and two separate corporations, both with New York Stock Exchange listings, were set up Philipp Bros became Phibro Corp, consisting of the commodity trading division, and Engelhard Corp retained the precision metals minerals and chemical fabricating divisions

Minorco has a 27% interest in Phibro and Anglo American Corp holds 43% of Minorco's shares

The 1980 report of Engelhard Minerals says Phibro has an extensive marketing repertoire of more than 150 commodities Crude oil and oil products were the leading profit-makers in 1980 Other important contributors included aluminium, chrome ore and concentrates, copper metal, ores and concentrates, nickel, petrochemicals, pig iron, precious metals, ferrous and non-ferrous scrap, steel, tantalum, tin, titanium zinc and soft commodities.

It trades on its vast intelligence network Headquarters are in New York and there are 60 offices in 45 countries in Europe, North America, South America, Asia and Australia. Phibro operates in Zagreb, Yugoslavia, and deals with communist nations

Business Week says Philipp Bros was apparently ahead of the CIA in sensing that the 1978 Iranian revolution was imminent It closed its office there three months before fighting broke out

The company understands timing This partly explains the merger with Salomon Bros at a time when financial futures and currency futures markets are expanding rapidly

It entered oil trading in the early Seventies before that market was fashionable After the 1973 Arab oil embargo, more and more crude oil slipped out of the clutches of the major oil companies into the hands of independent traders, such as Philipp Bros.

In 1977 Phibro started to trade in sugar and in 1978 entered the grain business. In June this year it took over Cocoa Merchants, a London house which trades in physical cocoa and other commodities.

It has an important interest in a London Metal Exchange firm, Anglo Chemical & Ore, and in a leading metals and precious metals trader, Derby & Co

Last week Phibro acquired oil and gas reserves in the Canadian Beaufort Sea from Mr Bunker Hunt in payment for huge silver debts

Phibro is also expanding in the coal trade and distributes bulk cement in Southern California

Phibro is also involved in shipping and operates 38 vessels It has shipping offices in New York, London and Tokyo The vessels carry the company's cargoes, and those of outsiders

A Swiss bank, Phibro Bank, which recently opened an office in London, is involved in precious metals

Phibro is expanding into "counter-trade", matching exports and imports of third world countries.

Project financing and specialised leasing activities are part of its business

All will fit in remarkably well with Salomon Brothers

Phibro's chairman and chief executive officer, Mr David Tendler, who will be co-chairman of the enlarged Phibro-Salomon organisation, boasted "We will become the world's leading merchant banker."

B/8/81 Star (232)

R211 000 for Israeli venture

By Peter Allen-Frost

JERUSALEM — South African investors plan to buy large amounts of stock in the Israeli Aluminium Corporation "Klil" which this week is due to offer its shares on the Israeli Stock Exchange.

A report in the local Press said that the South African group, headed by businessman Mr Mendel Kaplan, will buy "Klil" equities valued at R211 000 — about one-third of the total share emission.

The group is reportedly Cape Town Holdings with Mr Kaplan controlling half of the company stock and several prominent South African Jewish businessmen holding the rest.

This move comes within the framework of the extended business co-operation between Pretoria and Jerusalem, permitting South Africans to invest in Israeli industrial projects.

not be hit by the section as it was then worded. The 1959 amendments were intended inter alia to bring such transactions within the net of the section and based on the decision in Smith's case (supra) the amendment has achieved this result.

(7) It is incorrect to equivalence two entities of a COMMON statement to each other, either directly or indirectly

(8) Any program unit requiring access to a common block must have a COMMON statement

(9) In a subprogram, a symbolic name appearing in a COMMON statement may not identify an adjustable array

(10) Correspondence between different entities of the same common block in different program units is determined by order and by storage unit(s).

(11) I... symbolic names of dummy arguments must not appear

(12) ... statement, an item in

Exa...

(1)

```
      ...                          2,(3,4,5), TABLE3(30)
 10   SET(K) = 0.0
      RETURN
      END
```

Program unit 2 contains

```
      .
      .
      COMMON   ARRAYS/
      .
      CALL CLARAY
      .
      .
      DO 10 K=1,10
 10   TABLE1(K) = 0
```

The CALL CLARA... 2 causes all the arrays in the labeled common bl... elements cleared to 0 0 The DO range in program u... elements in the array TABLE1.

Construction group formed

CT 16/8/81

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A SUBSTANTIAL construction group was recently formed in South Africa as a result of the amalgamation and rationalization of the the construction interests of the Ovenstone Group

It will trade as Ovcon (Pty) Ltd Trading operations will be conducted through Ovcon (Cape) (Pty) Ltd and Ovcon (Transvaal) (Pty) Ltd They will absorb operations previously carried on by HSK and Ovbou

Trading in Lesotho will be carried out by Kelvin Contracting (Pty) Ltd Bellandia Homes, the Ovenstone housing company, will continue to operate in its own right

The Ovcon Group started in August 1975 with the financial backing of the Ovenstone Group and skills of three directors Mr J W S Kaminski, civil engineer Mr D W Mace, surveyor and Mr J M Thomas chartered accountant

The new group has quite a record of work completed or in progress The projects include the R47 million State Theatre, Pretoria, the R8,7 million Cape Flats Sewage Works at Zeekoevlei for the Cape Town City Council a R16 million container workshop in Table Bay and a R6 9 million store and engineering complex for Escom at Brackenfell

For the Cape Flats sewage treatment works, Ovcon received a commendation in the 1980 Fulton Award from the Concrete Society of South Africa It is in an environmentally-sensitive area adjoining False Bay Special care was given to ensure that the works were functionally sound and aesthetically pleasing

The buildings were planned using a system of reinforced concrete portals clad with cured colour coated asbestos cement sheeting extending downwards to a concrete dado Concrete in its various forms and cement products were used throughout the works in an imaginative and appropriate manner, according to the award citation

Other contracts in progress by Ovcon include the Riverside Centre at Rondebosch rebuilding the inside of the old Civil Service Club on Church Square as offices while retaining the facade and an extension to the Meadow Feed Mills factory in Daljosofat in Paarl

Pep hopes to get Back by Monday

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~~184~~

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By DAVID CARTE

RDM 13/8/81

TAKEOVER talks between Pep Stores and I L Back, Rembrandt's clothing group, should be concluded and terms announced by Monday, says the chairman of Pep, Mr Renier van Rooyen.

Mr Van Rooyen told me yesterday that the talks were progressing, but were taking longer than expected because of technicalities

The shares of both Pep and IL Back would be relisted immediately terms were announced

IL Back, which last year lost R2 722 000, bringing accumulated losses over the years to R13 312 000, has published an annual report

The non-executive chairman, Rembrandt's Mr P F Brink, says last year's loss was "disappointing"

"It is not my intention, either now, or in the future, to indulge in optimistic prognosis," he says "Future results will have to speak for themselves The management team is enthusiastic, competent and has the full confidence of your board".

Mr Brink says I L Back's products "continue to find excellent acceptance in the market place and sales for the year increased by 28% We expect growth in sales to continue"

I L Back intends to increase its capital base Rembrandt has indicated its willingness to underwrite the increase

The balance sheet reveals that stock and debtors at the yearend were tying up R23-million or nearly all capital employed. This was after a R2-million provision against stocks

Debtors rose 29% to R11 174 000, more or less in line with sales, but the rise in stocks was 64% to R11 607 000 Total debt was R16 629 000 (R7 270 000) and shareholders' funds R4 661 000 (R7 363 000), making the debt-equity ratio 356% (99%). The net cash outflow was R2 439 000 (R1 644 000)

COMMENT. The burning question about I L Back is how Pep thinks it can succeed where Rembrandt failed.

Mr Van Rooyen would not be drawn yesterday.

But I am told by people close to I L Back that in the past year 80% of senior management has been replaced by "top clothing men", headed by a new managing director, Mr FA du Preez, 33, formerly of Unlewinkels, part of Scotts Stores

The story they tell is that previous management comprised "cigarette people from Rembrandt", who were "lost in clothing". If Pep gets I L Back, it will also get the new management

I L Back is heavily overstocked. Once that is remedied, I am told, I L Back, "which is already making profits", will go from strength to strength. This may account for the 40c spurt in the Pep share price immediately before the suspension

If the takeover talks succeed, it will presumably not be necessary for Rembrandt to make another capital injection. One would imagine it would be hesitant after its huge losses in this venture.

Grobbelaar in joint bid for Calan

Financial Editor

A TAKEOVER bid is being made for Calan by a consortium including the chairman and managing director, Mr Peter Grobbelaar

It was also announced last night that the company increased earnings by 37% in the year to June 30

A final dividend for the year has not yet been declared and the payment might form part of the takeover deal assuming it goes through

The bid is being made by Finansbank, Federated Insurance, Sanlam and a private company owned by Mr Grobbelaar and two of his fellow-directors, Mr Ron Tollemache and Mr Lou Wipplinger

Calan is a manufacturing group with interests in particular in plastics, rubber, lighting and electrical equipment

The pre-tax profit rose by 85% to R20 980 000 from R11 300 000 in the year to June 30

There was, however, a sharp rise in tax — from 28,6% to 35,2% — as capital expenditure eased

The result, after a higher payment to minorities and after a slight increase in the issued ordinary capital, was that earnings a share rose from 100c to 137c

An interim dividend of 13c (11c) has already been declared

Turnover for 1980-81 was R240-million, 31% higher than in the previous year

COMMENT. Calan's shares are spread fairly widely and no group has formal control.

However, I believe that among them Finansbank, Federated Insurance, Sanlam and Mr Grobbelaar and his associates hold about 27% of the company.

In this context that is probably effective control and it seems certain that the takeover offer will go through.

At this stage though, Mr Grobbelaar will say only: "We expect details of the acquisition to be completed in the next three to four weeks and if a transaction arises from the consortium's approach, shareholders may receive the (final) dividend as part of the proceeds of the sale of their shares"

Calan was priced at 500c on the Johannesburg Stock Exchange yesterday which puts the historic earnings yield at an attractive 27,4%

It is also well up on the group's original forecast.

Mr Grobbelaar cautiously predicted earnings of 115c for last year in the 1980 report.

The total dividend in 1979-80 was 40c and if this were pushed up, as it could be, to 50c for 1980-81 the dividend yield would be 10%

Until the details of the takeover offer are made there is nothing shareholders can do but sit and wait.

The suggestion that the final dividend might be incorporated into any offer would have tax advantages.

Calan has had a good record over the years although its investment rating seemed to slip a little last year

There will certainly be a lot of interest in discovering just what Mr Grobbelaar and the other members of the consortium have in mind for the group

Rembrandt accepts Pep's 6,68c

Shock 7c offer for I L Back

17/8/81
Rdm

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By DAVID CARTE

MINORITY shareholders in IL Back, Rembrandt's loss-incurring clothing factory, have been offered 7c a share by Pep Stores.

The offer is less than a fifth of the price at which the shares were suspended two weeks ago when Pep announced its takeover bid.

The shares were suspended at 40c on August 5 In March they were priced at 63c.

Rembrandt, 97%-owner of I L Back, has accepted even less for its 93 388 000 shares — 6,68c a share for a total of R6 243 000

The 3% Back minority is not expected to accept the bid Pep says: "It must be stated that the board of Pep has under consideration certain transactions which will affect the value of Back shares and Back shareholders are advised to exercise caution in dealings"

This strongly suggests that Pep's clothing factories might be put into I L Back and that the I L Back listing is to continue

Because a minimum of 20% of any listed company's shares must be tradeable, it seems a safe bet that Pep will use I L Back paper to make further clothing acquisitions.

Pep is also to take over loans to I L Back by Rembrandt totalling R8 500 000. Pep will pay for these in three annual instalments, starting in August 1984 The loans will be interest-free to Pep

For the I L Back shares it obtains from Rembrandt, Pep will have the option to pay the R6 234 000 in cash or to issue R1 989 000 of 14% preference shares and pay off the balance of R4 245 000 in three annual instalments

I L Back recently published a balance sheet showing net assets of R4 661 440 So, low as it is, the purchase consideration is a premium on net assets The balance sheet revealed total debt of R16 629 000 — 3,56 times equity.

Over the years I L Back has accumulated losses totalling R13 312 000, of which R2 722 000 was sustained last year

I L Back has made only one taxed profit since 1971 and that was R336 000 in 1976 shortly after Rembrandt rescued the company from judicial management

In 1978 shortly after raising R5 500 000 by way of a rights issue taken up mainly by Rembrandt, the company announced a loss of R5 200 000, effectively nullifying the capital injection

Further losses continued to whittle away the capital base and, had it not been for the current takeover, Rembrandt would have had to inject more capital into the ailing concern — hence, presumably, its eagerness to accept an apparently low price

Many of I L Back's clothing lines have won renown for quality, but the company's problems have been many and varied The overriding problem seems to have been over-capitalisation and a dearth of clothing management.

One hears from sources close to the company that the management Rembrandt installed had little experience in clothing, a highly specialised business. Apparently 80% of senior management has been replaced and the company is already running at a profit

Recently stocks and debtors have run to stratospheric levels, tying up at the last balance sheet R23-million, or nearly all of capital employed. Stocks last year rose 64% to R11 607 000

COMMENT: The offer will come as a shock to minorities, who had not seen the balance sheet before their shares were suspended. They should stay aboard and see what Pep can make of the company that has been named "The Bottomless Pit".

The share is unlikely to see 40c for some time, but will probably trade at a good premium to the 7c offer once it is relisted today.

The deal looks more favourable to Pep than to Rembrandt, especially bearing in mind the generous financing arrangements and it would not be surprising to see Pep make further gains from the pre-suspension price of 40c.

Huletts gets plant

ROM

2.32

HULETTS Engineering is to take over Mitchell Cotts Wadeville works next month

This will give Huletts additional workshop space and enable it to manufacture equipment on the Reef Until now, its equipment for the Transvaal has been made in Durban

The companies say the transaction "will not have a material efect on the earnings or value of assets of either of the two holding companies"

The move will double Huletts Engineering's throughput

Mitchell Cotts will continue to manufacture at its headquarters in Benoni

No comment on the price of the transaction could be obtained last night expressed as a fixed amount plus a percentage of the retailer's turnover. The exclusion of such amounts is understandable since they do not represent a firm commitment.

ED22 notes that if lease payments are charged against income as incurred this may result in a failure to match costs against revenue, and cites the following examples -

...re not spread ...he lease.

...ke payments ...ed asset into use.

(a) where the initial term of the lease is ...r than the period over ...e derived from the ...ption exists, the ...assured beyond

...lanatory notes to ED22 ... that the lease payments ...me in such a way as to ... the expected benefits to ...set. Thus if the lease ...d loaded, portion of the ...rred, and vice versa. This ... if the leased asset is ...ciated systematically.

Ex... ...ase payments

Al... ...item of plant with an expected li... ...ase. The initial term of the le... ...tal is to be R500 per month fo... ...50 per month thereafter. At

Argus Printing Company

*22 Mr J. W E WILEY asked the Minister of Internal Affairs

(1) Whether he has received reports of (a) the current endeavours by the Argus Printing Company to increase its control over English-language news media and (b) the said Company's alleged intention to withdraw its membership of the independent news agency SAPA,

(2) whether he will make a statement on the matter?

The MINISTER OF FINANCE (for the Minister of Internal Affairs)

(1) (a) No

(b) No

(2) The Newspaper and Imprint Registration Act, 1971 (Act 63 of 1971) requires that whenever a change occurs in regard to any of the particulars in respect of any newspaper furnished in the relevant application for registration, the proprietor of such newspaper must within fourteen days after the day on which the change occurred, notify the Director-General of Internal Affairs in writing of the change No such notification has been received in respect of the matter raised by the hon member

It is not obligatory for the proprietor of any newspaper to furnish the information referred to in section 1(b) of the question, to the Minister or the Department of Internal

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Affairs However, I am at present considering the desirability that where the proprietor is a company the shareholding should be declared

147. Cape Times, 20th June 1925.

148. Cape Standard, 27th February 1945, p.3, cols.1-3.

149. Muslim News, 12th May 1961, p.1.

150. Tatz, C.M. Shadow and Substance, pp.63-64.

151. An oral source who does not wish to be named.

152. Cape Standard, 2nd March 1943, p.9, cols.1 & 2.

153. Cape Standard, 27th April 1943, p.1, cols.1 & 2.

154. Cape Standard, 30th March 1943, p.1.

155. Cape Standard, 3rd January 1945.

156. Cape Standard, 26th January 1943.

157. Cape Standard, 8th May 1945.

158. Davenport, South Africa, p.260. Many people spoken to indicated that Harris was induced by the United Party to take this action.

159. Constitution of the Suid Afrikaanse Koorraad.

160. Muslim News, 31st March 1961.

161. Muslim News, 12th May 1961.

162. Muslim News, 16th June 1961.

163. Muslim News, 16th February 1962.

Huletts in takeover

Star 19/8/81

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DURBAN — Huletts Engineering and Mitchell Cotts Engineering have announced that agreement has been reached for Huletts to take over the Wadeville engineering works of Mitchell Cotts with effect from September 1.

Huletts are buying a going concern which will provide them with additional workshop space and the opportunity of rationalising their production by manufacturing equipment.

Huletts will continue with Mitchell Cotts' existing product lines and will add to the range — Sapa.

- size and number of wholesalers and
- quality of service offered.

Retailers.

Retailing varies greatly and is prone to many changes. The extent of sophistication of distribution methods varies greatly on the economic level in the country, economic size and philosophy of the retailer, innovativeness of the culture and many others.

Examples of activities in certain nations will follow.

Carmona 60% for Dorbyl

Financial Reporter

DORBYL has bought 60% of Carmona Engineering, and will produce cast alloy motorcar wheels instead of exclusively pressed steel wheels.

Dorbyl will invest R500 000 on developing the plant and the company has been renamed Guestro Alloy Wheels.

A spokesman for Dorbyl said "well in excess" of R100 000 was paid for the stake with an option on the balance of the company.

discretionary power by a trustee was an *event* as contemplated in s7(5).

ITC 1328 *43 SATC 56*

This important decision relates to a Trust in terms of which income was to accrue to beneficiaries subject to a discretion in terms of which trustees could credit such income to an account for the beneficiary and reinvest it. The Revenue authorities claimed that as it had not been paid over s7(5) applied. The court found that s7(1) deemed the said income to have accrued to the beneficiaries in question, that the income had vested in them and that s7(5) only applied to income neither received by nor accrued to the beneficiaries.

20/8/81 Star 20/8/81 (32)

Insurance groups merge

CAPE TOWN — Assura and its full subsidiary, Santam Insurance, are to amalgamate with a view to rationalisation.

From September 30 the name of the amalgamated company will be Santam Insurance and with the approval of the Johannesburg Stock Exchange, the listed shares would appear under the name "Santam" in the "insurance" section.

The announcement said earnings a share and the net asset value of Santam Insurance (presently Assura) would not be affected — Sapa.

2/5/81 Star

Trust Bank to enter SWA

(23) (23)

WINDHOEK — A registered commercial bank the Trust Bank is to begin operation in SWA/Namibia from the beginning of next month the managing director of the Trust Bank of South Africa, Mr Donald Swanepoel, announced in Windhoek

The bank would be a full affiliate of the Trust Bank of South Africa, Mr Swanepoel said — Sapa

Solid Hardware and Kennet go to Malbak

Star

232

Malbak, the industrial conglomerate, has acquired the entire share capitals of Solid Hardware Manufacturing and Kennet Unifoam for R12,8-million.

Financing of the acquisitions will be by means of R9-million through variable rate redeemable preferance shares and the balance from the group's internal resources.

Both companies are dominant in their fields and Malbak expects the acuisitions to add about 4c a share to earnings in the current year.

Solid Hardware is an engineering company involved in manufacture and distribution of lock and locksets. Kennet Unifoam specialises in manufacture and distribution of thermal and acoustic insulation materials.

The acquisitions reduce Malbak's net asset value at March 31 by about 20c a share but the company says this is well within the financial objectives recently spelt out in the annual report.

Malbak has made a number of acquisitions in recent months as part of its policy of controlled diversification — and the two latest additions will slot into its packaging, mining and construction-supplies division.

The share closed at 465c last night for a historic dividend yield of 5,8 percent. This is below the 6,4 percent average for the sector — **David Bamber.**

not be hit by the section as it was then worded. The 1959 amendments were intended <u>inter alia</u> to bring such transactions within the net of the section <u>and based</u> on the decision in Smith's case (supra) the amendment has achieved this result.

Malbak pays R12,8m for two firms

20/8/81

(232)

By HAROLD FRIDJHON

MALBAK, the diversified investment group with assets of more than R80-million, has acquired two private companies for R12 800 000 which should raise earnings by 4c a share in the current year

Last year's earnings were 91,6c out of which 27c was paid

The two companies are Solid Hardware Manufacturing Company (Pty) and Kennet Unifoam (Pty)

The price will be settled by Malbak's raising R9-million thorugh variable rate redeemable preference shares and the balance of R3 800 000 will be funded from the group's resources

Solid Hardweare is an engineering company which makes and distributes a wide variety of lock and locksets The vendor is a consortium headed by Solid's managing director, Mr Ralph Goldblatt.

Kennet Unifoam specialises in the manufacture and distribution of thermal and accoustic insulation materials, mainly for ceiling and panelling application The vendor is the founder of the business, Mr Eric Kennet

Malbak's managing director, Mr Grant Thomas, says the two companies have been consistent performers with entrenched positions in their markets which he regards as expanding markets.

"Both companies will fit admirably into the Malbak group and will slot into the packaging, mining and construction supplies division They will continue to be run by their management teams."

RDM 20/8/81 (232)

Fedvolks gets more Fedstone

FEDERALE Volksbeleggings has acquired a further 10% of Fedstone (Pty) which has a controlling interest of 75% in Firestone South Africa (Pty)

Federale exercised its right to increase its shareholding of 65% in Fedstone to 75% by acquiring the 10% from Sanlam and its associates

The price was R5-million and will be satisfied by the issue of 1-million Federale ordinary shares to Sanlam and its associates After the transaction, Ssanlam and its associates will retain a 25% interest in Fedstone The effective date of the transaction is August 1, 1981

It is not expected that the additional investment in Fedstone will have any significant effect on Federale's earnings a share or on its net asset value for the current financial year. — Sapa with the corrected data.

Interactive processors, by contrast, process lines as they are entered. If errors are found in a line, a di and the line may be correctly resubmitted at o such processors are @CTS and @ED.

2.2. DEMAND JOBS, COREQUE AND SOLICIT MODES

Demand jobs are run from a terminal, receiving i from EXEC as the control statements are entered.

There are several types of input mode on a time and on entering the @RUN statement on a t automatically processed in solicit mode. In input is not buffered, that is each line processed before the next line is entered. indicate that it is ready to receive the next '>' in column 1. If a line is entered before processed the current line the following message

* WAIT - LAST INPUT IGNORED

the user must then wait for the '>' to be pri before proceeding.

Another possible input mode is coreque (CQUE) m input is buffered. This means that if one or entered before the current line has been process are queued and will be read on the subsequent read

To enter cque mode the following statement must be

@@CQUE

to return from cque mode to solicit mode, the co is:

@@END

2.3. THE TERMINAL

2.3.1. How The Keyboard Works

There are three main types of terminal at UCT, ' and Graphics Display. The teletypes are slow ma output is printed on paper. The VDU's (Visual Di Graphics Display terminals display output on a scre ~~or~~ some sort and no permanent record of the output is kept, unless a hard copy unit is attached, in which case a hard copy of the information on the screen can be made.

St Helena buying Beisa's mining assets

Star 21/8/81

23

By Ann Crotty

St Helena Gold Mines is acquiring the mining assets of uranium producer Beisa for a price to be decided by the Government Mining Engineer.

Whatever price is decided on will be settled largely by the issue by St Helena of cumulative preference shares. The balance will be in cash.

As well as the mining assets, St Helena will acquire all the housing provided by Beisa for its workers in the Welkom area, and the right to mine, extract and sell all base minerals and precious metals in the Beisa mining area.

St Helena will be granted a mineral lease by Beisa entitling it to exploit the mining area which was to have been exploited by Beisa itself.

For this right a royalty of 15 percent of the gross revenue derived from the sales subject to minimum, and maximum royalties in terms of a formula contained in the agreement will be paid to Beisa.

Beisa will provide St Helena with the necessary bridging funds to finance the capital expenditure incurred since January 1 until St Helena's own cash resources are available.

The capital expenditure incurred on the Beisa mining area after January 1 will be deducted from St Helena's taxable income in the current year. It is estimated that no gold-mining tax will be payable and that the cash saving will be enough to refund the buying price and repay the bridging loan.

3. USING THE UNIVAC 1100/81 SYSTEM

3.1. POWERING ON THE TERMINAL

Power on. If the terminal refuses to comply check if it is plugged in and switched on at the wallplug.

3.2. LOGGING IN TO THE COMPUTER

3.2.1. VDU's.

There are two types of VDU configurations. The Standard type and the STN type.

1. To make contact with the computer:

   (i) on the Standard type of terminal, type in

   U1106n

   where 'n' is the code-initial applicable to the terminal being used.

   (ii) on STN configured terminals, press the key marked CTRL (Control) and 'X' simultaneously.

   The terminal will reply with

   ENTER USERID/PASSWD
   >

   reply with your

   USERI

   the computer will ther:

   a) *DESTI ENTRY
   *UNIVA SYSTEM VER. XXXX/XX (RSI)

   for a valid U ination, whereupon you can enter a run s t processing,

   or

   b) *DESTR ENTRY
   ID NO
   ENTER

   >

Minorco bid for Phibro seats

Star 21/8/81 (232)

Financial Correspondent

LONDON — Minorco, the Bermuda-based mining finance group controlled by Anglo American, wants greater board representation at Phibro, the large commodity trading company in which it recently took a 27,2 percent stake.

Minorco has only one seat on the 15-man board.

The company will be discussing the matter with Phibro, and its aim is to control three seats, the number it had before Phibro was spun off by Engelhard Minerals and Chemicals.

Hard times for uranium producer

St Helena takes over Beisa mine

RDM 21/8/81

232

By JOHN MULCAHY

ST HELENA Gold Mines is acquiring primary uranium producer Beisa's mining assets at a price which will be determined by the Government Mining Engineer (GME)

St Helena will acquire the mining assets established on Beisa's initial mining area and all housing provided for its employees in the Welkom area in the Free State

St Helena will in future years benefit to the extent of 15% of the distributable profits from mining Beisa, which is "conservatively" estimated at R3-million a year, or 31c a share

The agreement, retroactive to January 1 this year, includes the right to mine, extract and sell all base minerals and precious metals in the initial mining area

For the mining rights St Helena will pay Beisa 15% of the gross revenue from the sale of metals and minerals

In consideration for the assets Beisa will receive an amount equal to the value placed on the assets by the GME, who must value the mine for transfer duty in terms of the Income Tax Act

The figure will be settled partly in cash, but mostly in preference shares, which will entitle the holders to dividends equal to 85% of the annual distributable profits derived from the operation of Beisa

To the end of June, R132 693 000 had been spent on Beisa, and R200-million will probably be spent by the time the mine comes to full production in the third quarter of 1982

The first primary uranium-producer to be established in South Africa — West Rand Cons started life as a gold producer — Beisa's development began in June 1978, and shaft sinking has been completed

Uranium income will be bolstered by the gold content, which is of relatively low grade, but payable at current prices

The first ore is expected to move through the plant towards the end of this year, and although some doubt had been expressed on the mine's continued viability as a uranium producer, management maintained an optimistic outlook

Benefits from the improved gold price — it was languishing at $200 an ounce when the project was started — are said to outweigh losses resulting from the deterioration in the uranium market

A spokesman for General Mining Union Corporation, which has 80% of Beisa, said the decision to sell the mining assets to St Helena was not related to the slump in the uranium market as the mine's production was committed under contract

There were advantages for St Helena and for Beisa, said the spokesman, in that St Helena would be able to set the capital expenditure on Beisa against profits for tax, and Beisa shareholders would no longer have to fund this expenditure, and would still participate in profits from the mine

The spokesman said Beisa, about 20 km from St Helena, would continue to operate under its own management — "it can be compared with Randfontein's system of operating the old and new sections"

Besides the Gencor holding in Beisa, UC Investments has 15% and Anglo American the remaining 5%

Capital expenditure on Beisa subsequent to January 1 this year, including the cost of mining assets acquired, will be deductible from St Helena's taxable income this year, and it is estimated that no gold-mining tax will be payable in the current financial period

The cash saving from the tax relief will be enough to fund the cash consideration of the purchase price and the repayment of the bridging finance to Beisa

In the 12 months to June St Helena's taxed profit was R71 971 000 In the first six months of this year the mine provided R36 360 000 for tax and lease considerations The yearend will be changed to December, with the current period covering 15 months

Beisa will be left with preference shares in St Helena, some cash and various mineral rights peripheral to its present operating area

It has undertaken to provide the bridging finance necessary to put St Helena in funds to finance the capital expenditure incurred since the beginning of the year until St Helena's own cash resources are available for this

There is no indication yet on whether Beisa as an independent company intends using the cash it will have available after the deal with St Helena to exploit the remainder of its minerals reserves, or operate purely as an investment company

particularly by the reference to postponement of tax as well as avoidance - see Ferera's case (supra) in which case it was said that he was oblidged to exercise those powers in appropriate circumstances. See also King's case and Smith's case (supra). In Meyerowitz's case (supra) the court found that the Secretary did not have to tax as if the scheme had not been entered into and thus *resurrect a company* which fell away in the course of implementing the scheme.
In H. v COT (1972 (2) SA 719 (RAD), 34 SATC 39) the Rhodesian AD found the Commissioner's powers to be wide provided that the result of his action *is not to subject any portion of the taxpayers income to double income tax, because were he to do this he could not be acting in a fair or appropriate manner, as this section is not a penal one*. See also King's case where it was found that the section did not widen the net beyond the general scope of the Act.

Income - although not set out in the section it seems there must be income before the section can be invoked even if the income does not accrue to the taxpayer under attack. See King's case (supra) where it was said that the section did not widen the net beyond the general scope of the Act. See also ITC 963 (supra) where it was said that the section was never intended to hit income which under other sections of the Act was excluded or exempt. (see also King's case). In considering this aspect it seems probable that income should be considered in its more general sense of the rewards of labour or employment of capital rather than in the narrow sense used in the Act.
The general trend in Hicklin's case (supra) also appears to lend support to the views expressed here.

The tax avoided - in Gallagher's case (supra) the court accepted that when considering what tax had been avoided the total tax paid by all parties after implementation of the scheme could correctly be taken into account.

Sundry - In Hicklin's case (supra) there were two interesting comments, one to the effect that a taxpayer considering alternative courses of action was perfectly entitled to avoid tax liability by adopting some other legitimate course. In considering the Secretary's contention that it was abnormal for a shareholder to *pay* someone to buy his shares it was found that it was *an eminently reasonable consideration for shareholders to have to pay in order to get rid of the stubborn, "untidy", dormant Reklama (company), their loan indebtedness to it and their substantial tax liability,* ....

S8/24/8/81
232

Rooibos tea takeover

Suidertee, a subsidiary of Suiderland Development Corporation, has bought rooibos tea packager and distributor, B Ginsberg, for R2,8-million.

Some risk for St Helena in Beisa deal

RDM 24/7/81 232

THE St Helena takeover of Beisa was a slick piece of financial manoeuvring, but the positive effects on St Helena shareholders have been overplayed, without sufficient indication of risk

By JOHN MULCAHY

A full report by consulting engineers with the financial implications spelled out will be circulated to St Helena shareholders, who can decide whether the burden of Beisa makes it worth holding on to their shares

On the positive side, provided Beisa can stay in profit until it starts selling uranium, it should start generating substantial income, in which St Helena shareholders will participate

However, the whole deal has a distinct aura of rescue, but it is not clear who the rescuers are

On first impressions the Receiver of Revenue would appear to be carrying a large part of the load as St Helena immediately moves into a tax-free situation

The tax benefits to St Helena will continue for another year at least, although it is doubtful whether the mine will again have no tax liability for a full year

In the longer term, the tax benefits as a whole will not be as great as they would have been if Beisa continued to operate on its own and accumulated allowances were set of against future income

This poses the question of whether Gencor has doubts about the extent of Beisa's profitability — perhaps with the view that it is better to allocate the tax relief to immediate income than to work it off over several years

As it is, St Helena will gain an advantage from actual capital expenditure, but not from accumulated allowances

Given that the Government Mining Engineer will place a value on Beisa, it is likely that the final cost will be calculated on replacement value which includes financing charges and inflation

The authorities may see the benefits in accepting a reduction in income for the time being against some other form of State aid at a later stage

Whatever system is used, the cash payment to Beisa will probably be the same, and the number of preference shares issued will be adjusted to the total cost

According to available information, Beisa will cost St Helena nothing, and it will reap the benefits of income from the time Beisa starts producing later this year

The prospectus for St Helena on the Beisa takeover will, one hopes, include

o The extent of Beisa's ore reserves, as well as gold and uranium grades

o A forecast of St Helena's earnings and dividends over the next few years, on varying gold prices based on the current operation, and also estimates including the Beisa section

o An estimate of the viability of Beisa as an independent mining operation

Traditionally Union Corporation when developing a mine, has taken the property to production and then floated the company

It has now taken the step of transferring the assets and liabilities to an existing producer, and on the face of it passing the risk to St Helena shareholders

It will give Gencor and UC Investments a cash boost and a share in profits later, but any losses will have to be borne by St Helena

At gold grades of about 4 5 g/t, Beisa will be able to break even but it is debatable whether any public capital would have been attracted to a mine which is primarily a uranium producer at a time when even the most optimistic uranium market observers see no dramatic turnaround within five years

There is little doubt that on its own Beisa would have faced serious cash-flow problems until uranium was produced and sold

Beisa has the greater part of its uranium production tied up in contracts, but these begin only in 1984, unless the consumers are willing to take stock earlier Until then the mine will depend on gold revenue to keep it going

o A Gencor spokesman says there is a possibility of floating Beisa as a public company later, but it has not yet been considered Its assets will be a holding of preference shares in St Helena some cash and mineral rights peripheral to the present mining area

Timber takeover

(237) Rdm 26/8/81

ROBERT Murray (Pty), an established company in mining-timber, has bought the Taylor & Mitchell group

The acquisition is an extension of the Robert Murray's timber and sawmilling interests which are based at Carolina and Welkom, says National Acceptances, merchant bankers to the deal

Taylor & Mitchell has served the Witwatersrand market for several decades and has operations at Tzaneen and White River

Moves to form maize cartel

Shaya (18) 232
NM 27/8/81

Mercury Reporter

MOVES by manufacturers and marketers of maize products to form a cartel were aimed at bringing about 'a rationalisation of the industry to ensure a fair return for the parties on their investment', according to a 50-page agreement drawn up for signature by proposed cartel members

The agreement says the industry has for some time been 'suffering from under-utilisation of capacity coupled with a diminished demand in real terms for maize products'

Agreement

The agreement was intended to 'resurrect and regulate the market to satisfy demand from the public'. It was 'in the public interest to create stable conditions in the industry and to eliminate the chaotic conditions'.

To achieve rationalisation in the maize milling industry, signatories should 'use their utmost endeavours' to buy at reasonable cost excess milling capacity.

Under a heading, Selling Price of Products, the agreement stipulates that signatories shall not sell any products at prices less than 'the fixed prices'. Exceptions are sales to end users, excluding mines, the State, and provincial and municipal institutions, and sales in 'combat' areas where prices are lowered to do battle with rebel millers The 10-member executive committee sets the fixed price

Method

Since the common intention of the signatories is to 'prevent unfair competition and to establish and maintain a scheme for the regulation and control of the sale and marketing of the products', breaches will disrupt the scheme 'and will probably cause loss or damage directly or indirectly to all', which would not be 'readily capable of estimation in money terms' Members who breach the agreement will have to pay in damages of R75 per ton on every ton of goods sold

A method of arbitration is set out in the agreement to deal with breaches of the agreement.

Unless otherwise agreed to, the signatories must in aggregate have sold not less than 85 percent of white maize products in the agreement area in a fixed year for the agreement to come into force. The agreement area is the Republic of South Africa, South West Africa, Transkei, Venda, Bophuthatswana, Swaziland, Lesotho and Botswana.

Selling

Penalties and compensation payments are set out in the agreement Minor manufacturers — those with less than 2 percent of the total quota — and major manufacturers are divided into two classes for the payment of penalties.

The selling, letting, admitting of partners or dissolving of a partnership by any signatory is controlled. Newcomers will have to become signatories before they can hold interests in milling

The running costs of the cartel, which can include funds necessary for the buying out of a mill, will be met from a pool account to which members contribute on the basis of their quotas

In terms of the agreement, each signatory undertakes not to gain any form of advantage, either long or short term, over other signatories regarding the sale of products A following clause stipulates that this provision shall not 'restrict fair competition having regard to the accepted ethical standard of business in respect of the sale of the products'.

The agreement limits the payment of cash discounts, reductions, brokerage or agency commissions, all of which are widespread in the milling industry at present

The National Association of Maize Millers will set up a list of approved wholesalers, brokers and commission agents, but millers can use their own agents

System

At present, discounts given by millers vary between R10 and R20 a ton, and a preferential price list operates A selected wholesaler gets a discount of R15 a ton, an ordinary wholesaler R9 a ton, and a preferential buyer is allowed R4 a ton Additional discounts are also used to induce a buyer to take products from a particular mill.

The existing system works as follows: Basic prices stemming from production costs are set in each of 25 areas, including South West Africa and Botswana For example the basic mill door price of an 80 kg bag of special sifted maize meal varies from R18,15 in the Prieska, De Aar and South West Africa area to R21,81 in the Knysna, George Area.

232

~~186~~

3 maize

NM 27/8/81

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[illegible]w over move to form maize cartel

Blake Wilkins
Political Reporter

MAIZE millers with a market of more than 30 million blacks are in the final stages of forming a cartel which will control prices throughout Southern Africa.

Opponents of the cartel fear that the price of staples such as mealie meal, samp and other white maize products will rise as a result of lack of open competition

A call for an immediate investigation was made yesterday by Mr Philip Myburgh, Opposition spokesman on agriculture He questioned whether Dr Dawie de Villiers, Minister of Trade and Industries, was aware of moves to form a cartel and said the Competitions Board formed in terms of the Maintenance and Promotion of Competition Act of 1979 should investigate the proposal

Mr Myburgh warned that blacks unable to afford staple food could mobilize to protest en masse, as had happened in Poland The initial limitation of the proposed monopoly on white maize prime products would not last

Once price fixing spread to animal feeds, used extensively in the broiler, egg, pork, milk and red meat industries, the effect on food prices would be 'catastrophic'

Major groups involved in the cartel move — named in a 50-page agreement supplied by a Johannesburg source — are Tiger Oats and National Milling Company Limited, Premier Group Limited, Tongaat Foods Limited, and Fedfood Limited They have a 50 to 60 percent share of the market.

Monopolistic

Three of of these groups — Premier, Tiger and Tongaat — were also members of the ill-fated National Egg Producers' Co-operative

It is understood that the proposed cartel would avoid prosecution under law governing monopolistic practise because millers sell their products to middlemen and not directly to the consumer The raw product can be bought only from the Maize Control Board, which is expected to lose R300-million this year in dealing with the record maize crop

Millers were due to sign the agreement in Johannesburg today — with the agreement coming into effect immediately and running for 5 years — but the meeting was postponed pending the compilation of further statistics

Many small millers are being forced to enter the agreement through fear that they would be squeezed out of business in an ensuing price war, should they choose to remain independent.

In terms of the agreement, 'combat' areas would be declared where members would be permitted to sell products at less than fixed cartel prices to bring rebel millers to heel or to close down mills

Signatories will be allocated a quota based on past production figures supplied by millers themselves. Penalties will have to be paid by millers who sell above their quota, while those that undersell will be compensated

The agreement also stipulates that owners may not sell or let their mills unless the buyer or lessor agrees to become a signatory

A further provision which impinges on the rights of an owner is a clause which empowers the accountants retained by the cartel to inspect the books of account of any signatory

There are fears that the 'Big Four' will control a 10-man executive committee which will run the cartel. Exco will consist of one nominee of each of the major groups, three nominees elected by a majority vote by co-operative societies and three nominees elected by a majority of the remaining parties

Within 30 days of signing the agreement, members will have to supply a written guarantee consisting of their quota expressed as a percentage of R2 000 000.

The move to form a cartel was condemned by Mr Raymond Ackerman, chairman and managing director of Pick 'n Pay

'I have heard rumours of this and had been warned about discounts ending, but I never thought they would dare go ahead'

Mr Brian Beavan, regional marketing director of Spar, said he would oppose the formation of a cartel if it eliminated free competition

'If savings are passed on to big volume buyers, I am not against the move'

Objective

The cartel would not have as an objective the closure of rebel millers, Mr Walter Wolters, chief executive of maize milling in the Premier group, said yesterday.

Mr Wolters, who is on a committee of the National Association of Maize Millers which drew up the agreement to be signed by cartel members, said consumers were not benefiting from the price war Retailers, and more specifically cash and carry and small rural stores, were 'lapping up the profits' gained by the huge discounts

● See also Page 15.

LTA and Jacobs of California link to form national energy giant

S/a/ 28/8/81 (232)

By Frank Jeans

A new giant in the chemical, energy and minerals engineering fields has been created with the linking of the LTA group and a major international construction company, Jacobs Engineering of California.

The formation of Jacobs-LTA Engineering — the South African company will have a 55 percent interest and Jacobs 45 percent — is the "tieing of the knot" after a successful three-year courtship in which the two have been involved in projects including diamond recovery and coal processing operations.

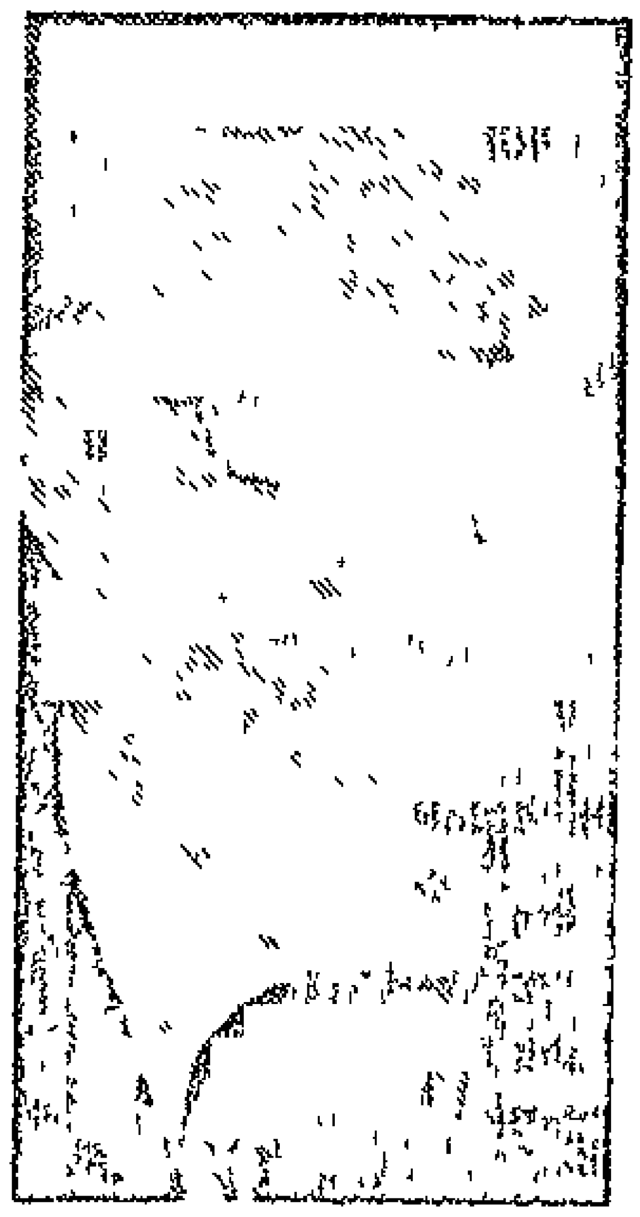
The alliance will now form the base for a spread of specialised projects in South Africa and, although an announcement on these would be premature, it can be assumed that they will cover energy and petrochemicals.

Jacobs strengthening of its stake in South Africa is through the dynamic Mitec division of LTA which controls mechanical, electrical and process engineering work, and had charge of projects such as the R100-million uranium-processing plant at Vaal Reefs.

Mr David Thompson, chairman of Mitec, heads the Jacobs-LTA combine.

Jacobs, founded by Dr Joseph J Jacobs as a chemical-engineering company in 1947, is involved in more than 30 countries and has a total contract value of 1 000-million dollars.

Jacobs is in the top league of energy-supply assessment and through computer techniques, keeps the US Government and the big oil companies up to date on demand, supply and prices for



Mr David Thompson who heads a new giant in the engineering industry.

oil, gas and petrochemicals up to the end of the century.

Announcing the formation of Jacobs-LTA in a joint statement in Johannesburg with Dr Jacobs, the chairman of LTA, Dr Zach de Beer, said:

"There are different paths to growth, but in traditional activities such as building and roadmaking — both highly competitive and cyclical — it is better to seek growth through diversification and development of skills.

"Several of our major competitors, quite naturally from their point of view, have elected to diversify right outside the construction field. I don't deny that our refusal to do so has to do with our membership of the greater Anglo American Group.

"But, I am comfortable with the idea that LTA should be and remain a specialist in the field of construction and engineering services," said Dr De Beer.

3. USING THE UNIVAC 1100/81 SYSTEM

3.1. POWERING ON THE TERMINAL

Power on. If the terminal refuses to comply check if it is plugged in and switched on at the wallplug.

3.2. LOGGING IN TO THE COMPUTER

3.2.1. VDU's.

There are two types of VDU configurations. The Standard type and the STN type.

1. To make contact with the computer:

(i) on the Standard type of terminal, type in

U1106n

Monopolies Board warning on maize cartel

NM 28/8/81

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Political Reporter

MAIZE millers who approached Dr. D J Mouton, chairman of the Monopolies Board, about the legality of an agreement aimed at eliminating disruptive trading in the industry were warned that the matter would be investigated if complaints were received that the cartel was abusing its powers and causing restrictive practices not justified in the public interest

Dr Mouton said from Pretoria yesterday he had told the millers' delegation that their agreement would not be illegal in terms of the prohibition on resale price maintenance RPM applied to suppliers setting prices to resellers

He was commenting on a report in yesterday's Mercury that a bloc of maize millers — headed by the 'Big Four' — were trying to set up a cartel based on a fixed price and no discounts to wholesalers and retailers

'I told them that if the board received complaints that the agreement was not in the public interest, the board would investigate and could recommend that the agreement be declared illegal'

The investigation would be initiated in terms of the Maintenance and Promotion of Competition Act of 1979

Dr Mouton said he had not seen a copy of the agreement The millers told him they wanted to draw up an agreement aimed at eliminating 'disruptive price cutting' in the industry They were seeking to control exorbitant discounts

The Mercury carried out a limited survey yesterday of small to medium maize milling operations in Natal, the Orange Free State and the Transvaal to test attitudes on the price fixing agreement

A miller who sold his products in most parts of South Africa said some form of control was needed in the industry over huge discounts to major outlets

But axing discounts would adversely affect the consumer since retailers would pass on higher prices to the man-in-the-street

He said most mills had broken even last year because of fierce competition and an over-supply of maize products Millers wanted a reasonable return on their investment.

A Natal miller with interests in other provinces said the agreement was 'stillborn'

He believed that the agreement would be in the best interests of both millers and consumers, although he did not agree with the principle of price fixing entirely opposed to them...because they constitute a bulwark against Bolshevism... The difference between us and those parties is reform and revolution".[131] But it was not only the reformist organisations that the League would not ally with, it was actually every party: "The revolutionary socialist must be self-reliant and avoid all alliances with any other class or party as he would avoid a plague".[132]

Following this negative attitude towards alliances of any kind, the League and its ideologues made perfectly clear that their opposition to parliamentarism was not a principle but a tactical move, and nothing more. Their explanation was that parliament (although useful for the workers in the initial stages of capitalism), was not a tool in the hands of capitalists, machinery used by them to help in the production of surplus value, and a farce.[133] Parliament could not be used as a propaganda platform, either, because the capitalists had already destroyed the consciousness of the workers by turning them into 'vote machines'.[134] Workers were urged to stay away from elections and participate in industrial struggles only. The capitalists' greed for more power and their new bargaining techniques through parliament on the one side and the emasculation of trade unions and their usage as a capitalist machine on the other, was the 'double attack' the League exercised.[135] The tactic... of not participating in elections c... ins in the fraternal relations of t... urg International Socialist Leag... tary of the League, a leading theo... olshevik after A.Z. Berman's resign... ohannesburg organisation, accusing ... e Labour Party as a parliamentary '... he accepted that many class-cons... f both organisations, he accused both ... usion and political opportunism and ... ation of the Big Union and the subseque...

The disregard fo... ted by the strong action of the Le... ctively assisted political candidates ... nnesburg branch of the organisation led by Andrew Dunbar. This branch organisation used very strong language against the International Socialist League

Argus and SAAN newspaper groups

27 Mr J W E WILEY asked the Minister of Industries, Commerce and Tourism

Whether investigations have been made into the Argus and SAAN newspaper groups in terms of the Maintenance and Promotion of Competition Act, No 96 of 1979, if not, why not, if so, (a) what aspects of the said newspaper groups have been investigated, (b) for what purpose have such aspects been investigated and (c) with what result?

†The MINISTER OF INDUSTRIES, COMMERCE AND TOURISM

No With the information which is available to us there is no reason to suspect misuse of economic power as a result of the existing structures in the Press As is generally known, all other aspects of the Press are being investigated by the Steyn Commission at present

(a), (b) and (c) Fall away

28/8/81 Eoin

De Beers accused of exploiting Aussies

PERTH — The South African De Beers diamond group's involvement in the Ashton joint diamond venture — according to some unconfirmed reports the world's richest — would mean that Western Australia was "being grossly exploited," the state parliament was told last night.

The opposition Labour spokesman on mining matters, Mr John Harman said a report recently leaked to the Press had said that the Oppenheimer family was interested in buying all diamonds produced by the venture.

This would cause a drop in the value of diamonds from the project and in the royalties paid to the state because the gems would not be processed in Western Australia.

The state Minister for Mines, Mr Peter Jones, said he would have a clause inserted in the agreement between the state and the joint venturers providing a for a certain amount of Ashton gems to be processed in Western Australia. — Sapa-AP

LTA, Jacobs spliced

By PAT SIDLEY

LTA, through Mitec, has formally joined forces with Jacobs Engineering Group — a $100-million US engineering construction company, to form Jacobs-LTA Engineering

LTA will have have a 55% interest in the new company, and Jacobs the remaining 45%, but financial details have apparently not yet been made final

Jacobs-LTA will provide turnkey-process engineering services throughout South Africa

Company spokesman at the launch yesterday were reluctant to reveal details of projects, but said the company would operate in the areas around the Kunene and Limpopo rivers, the Indian Ocean "and possibly south of that".

LTA hopes to gain Jacobs expertise in turnkey engineering and Jacobs in turn believes it will will have an entree into mineral-rich Southern Africa through LTA It operates in Venezuela, Europe and the Middle East

The two companies have worked together in South Africa on several projects, including diamond recovery and coal processing

Jacobs employs 2 500 people, had a turnover of more than $323-million last year and taxed profits of $5 444 000

Jacobs is involved in a $42-million Dead Sea potash recovery project in Jordan

175

95

350

675

spected were rejected, the score would be:

-15

and the batch would be rejected. If the first 175 items inspected were accepted, the score would be:

175 + 175 = 350

and the batch would be accepted.

This example shows clearly how sequential sampling cuts down the amount of inspection in the cases of either exceptionally good, or exceptionally bad batches.

Since the calculations required are fairly complicated, some firms have written a simple computer programme which calculates the score. The inspector has simply to record whether the item has been accepted or rejected and the computer tells him either:

1 Accept the batch.

2 Inspect a further item, or

3 Reject the batch.

10.9.7.1 CHOOSING BETWEEN SINGLE, DOUBLE OR MULTIPLE SAMPLE PLANS

The choice between plans will generally be determined by the following factors:

1 Economy in the amount of inspection.

2 Whether or not the plan is acceptable to the producer.

3 Usefulness of the accumulated sample data.

4 Simplicity of procedures and administration.

The comparative virtues of the three types of plans are tabulated below:

Triomf behind closed doors

Closed

PDM 23/6/81

Operating arm deconsolidated

By DAVID CARTE

TRIOMF Fertiliser Investments has hidden its operating company, Triomf Fertiliser (Pty), from the public eye by deconsolidating it.

TFI has sold 1,1% of its shares in Triomf (Pty) to Mr Louis Luyt's LLG Investments, reducing its own stake to below 50%. This will enable it to reveal only dividends received from the fertiliser manufacturing company.

Details of income and the balance sheet of the operating company will no longer be disclosed

Triomf says it has taken the step "because of the extent, importance and sensitivity of Triomf Fertiliser Pty Ltd's foreign commercial activities"

The 1,1% stake in the operating company was sold for R1 800 000, an extraordinary capital profit of little more than R1-million

As a result of the move, Triomf's interim report has become meaningless The company reports a taxed attributable profit in the six months to June of R28 000 compared with R51 000, representing income from sources other than fertiliser

Mr J J Becker, the managing director of Triomf, said the operating company had been deconsolidated as Triomf "could only lose when it stood full frontal"

He said overseas phosphoric acid buyers became upset if high profits were attributed to high phosphoric-acid prices

Similarly, SA farmers became upset and accused Tiomf of profiteering and causing food price inflation if they heard that domestic fertiliser profits were good

Mr Becker said the company would no longer give details on fertiliser or phosphoric-acid prices or sales volumes

Although Triomf's chairman, Mr Louis Luyt, has said Triomf is working at capacity, fertiliser industry spokesmen said prices and demand during the first six months had been particularly low because of the American ban on fertiliser sales to Russia

There has been speculation that Triomf's and Fedmis's sales fell to 9 000 tons last month from 50 000 tons a month last year.

All Triomf has to say is "Problems are being experienced in the export market due to the American embargo on the export of phosphoric acid to Russia Good news is that a partial lifting of this ban was announced yesterday"

Mr Becker announced yesterday that extensions costing between R25-million and R30-million were to be made to Triomf's Richards Bay plant These would broaden the company's range of products and enable the further processing of raw phosphoric acid into other products, such as di-ammonium phosphate

Mr Luyt said in a statement that neither he nor Triomf was responsible for the construction of the much-discussed effluent pipeline at Richards Bay Triomf had merely been invited to participate

A new development which could influence a decision in this direction, he said, was the possible processing of the waste gypsum for the manufacture of cement by a consortium

This could enable the retrieving of sulphur, cutting Triomf's imports of this expensive raw material by 80% The retrieval of fluorine for use in the aluminium industry was also being investigated

Mr Luyt says Triomf is ready to terminate its bilateral marketing agreement immediately "if the other party agrees"

Mr Becker said Triomf was now less alarmed than initially at Sasol's plans to make fertiliser Triomf would be least affected among fertilser makers

COMMENT: If the dividend is maintained at 45c, the share offers a 15% yield at the current price of 30^c That may look attractive on the face of it, but Mr Luyt has failed to deliver before.

Triomf's unusual step into the darkness will not be welcomed by the market, which never has relished corporate secrecy, particularly on behalf of highly geared, highly cyclical companies with chequered pasts I would expect a further retreat.

Triomf watchers said the strong rand early in the year would have hurt Triomf, but the present softer trend would no doubt help the company in the second half

Fertiliser industry observers say that most domestic sales come in the second half and SA demand has never been higher They expect an improvement in the second half

Mr Luyt said Triomf would have no difficulty maintaining "or even increasing" its 45c dividend

Bankovs merger reasons obvious

Financial Reporter

PROFESSOR H J Samuels, chairman of Bankovs, says the reasons for its merger with Volkskas are obvious because of the trend to consolidation among banks and tighter economic conditions in the banking sector

Professor Samuels urged Bankovs shareholders at the bank's annual meeting in Bloemfontein yesterday to accept the "extremely fair" Volkskas offer of one ordinary share in Volkskas for every eight Bankovs shares

"Group forming" in the banking sector was increasing abroad and was already occurring in South Africa, Professor Samuels said

Bankovs would make a substantial contribution to Volkskas's profits

The large shareholders in Bankovs, with 44% of the ordinary shares, as well as all the directors, have indicated that they will accept the offer Offer documents will be posted on September 7

Professor W Mouton, a director of Volkskas Group, said his group did not have a general bank, and incorporation of Bankovs would enable it to offer the whole spectrum of specialised bank services through subsidiaries

"For Volkskas Group the intended incorporation of Bankovs holds the benefit of obtaining an established general bank with competent management and a personnel corps of high quality," he said

"It is in the interest of Volkskas to maintain and expand the strong ties that Bankovs has with the Free State "

UNIVERSITY OF CAPE TOWN

DEPARTMENT OF ACCOUNTING

TAXATION AND ESTATE DUTY II - 1981

COURSE OUTLINE/READING LIST - 3rd & 4th QUARTER

LECTURE DATE	LECTURE NO.	TOPIC	THE INCOME TAX ACT	MEYEROWITZ	ILLUSTRATIVE	TUTORIALS
31 August	20	Tax Planning for Asset Acquisitions - leasehold improvements - lease or buy decisions - leverage leasing	ss.1 defi[illegible] 11(f[illegible] 8(4)[illegible]			
		VACATION -				
14 September	21	Tax Planning for Business Acquisitions - partnerships and joint ventures (briefly) - acquiring assets and liabilities - acquiring shares - interest payable on acquisition	ss. 22,			
21 September						
		EXAMI[illegible]				

Pikwik makes it safe for Ackerman

232

By DAVID CARTE

29/8/81 12.10m

PICK 'n Pay's reconstruction and share split will secure control of the company for Mr Raymond Ackerman and his family and enable shareholders to participate in the company at a price of about 430c instead of the R60 required now.

Pick 'n Pay's new holding company is to be called Pick 'n Pay Holdings and will be abbreviated to Pikwik

The restructuring will be achieved in two steps First, Pick 'n Pay is to have a capitalisation issue of 40 new shares for every 100 and these new shares will be renounced in favour of Pikwik for 400 Pikwik shares

Thus, a Pick 'n Pay shareholder with 100 shares will retain his 100 shares and in addition, for no outlay, will get 400 Pikwiks

After this, Pick 'n Pay will split its shares on a 5-for-1 basis, so the holder who started off with 100 Pick 'n Pay's will end up with 400 Pikwiks and 500 Pick 'n Pay shares

Pick 'n Pay shareholders have the option of converting all or part of their existing holdings into Pikwiks, but are discouraged from doing so

The main object of the exercise is to ensure the control of Mr Ackerman and his family This will be achieved anyway, as Mr Ackerman has had indications from holders of 35% of the equity — mainly institutions — that they will stay in the bottom operating company to maximise his holding in the top company

He is to convert all his Pick 'n Pay shares into Pikwiks This and the renunciation of the 35% of participation in Pikwik means his control is secured

Mr Ackerman and UAL are adamant that those who do stay in the operating company will not be at any disadvantage, as one of the conditions of the restructuring is that any offer for the top company will have to be made to the bottom company minorities as well

In addition, any acquisitions will go into the bottom company The top company will be a pure pyramid with no other interests apart from Pick 'n Pay

UAL says that ultimately one Pick 'n Pay will be worth about two Pikwiks and at the current market price, this would put a value of about 430c on a Pikwik and 860c on a Pick 'n Pay share after the restructuring

Market watchers expected Pikwik to end up with 55% of Pick 'n Pay and Mr Ackerman to have 55% of Pikwik They expected a few minorities to swop their Pick 'n Pay shares for Pikwiks purely to be in the cheaper, more marketable stock

The three objectives of the exercise will thus have been achieved — to secure control, so that Mr Ackerman can get on with running the business without having to watch his back, to enhance marketability, and to enable acquisitions and expansion by way of share issues

N.B. THE TUTORIALS REFER TO 'QUESTIONS ON S.A. INCOME TAX 1980' AND THE SOLUTIONS ARE PREPARED ON THE BASIS THAT THE QUESTIONS ARE UPDATED BY ONE YEAR.

Sinclair Holdings takes over more companies

Star 31/8/81

232

Sinclair Holdings, acquired last December by a consortium headed by Mr Bazil Shlom, today announced the takeover of two more companies and the option to take over another in which it already has a one-third shareholding

This brings to five the number of acquisitions Sinclair has made in the past nine months

CONCLUDED

In statements published today Sinclair said it had concluded negotiations to

● Acquire the entire and paid-up share capital of Sun Chemical Corporation, manufacturers and distributors of a wide range of swimming pool and other chemicals and distributors of swimming-pool equipment and accessories, for a consideration of R1,2-million, effective from last July 1.

● Acquire the same of Premium Acceptances which, on its own account and through its subsidiary, Anchor Leasing, is in the leasing and hire-purchase financing business, for a total consideration of R674 000 This transaction is also effective from July 1

● Acquire through its wholly owned subsidiary, Poolquip ~~Industries~~, a third of the share capital of Peacock Investments, manufacturers and distributors of the Poolranger swimming pool cleaner and the Chlorobelle pool chlorinator, with the option to acquire the balance of the shareholding before March 1, 1985 This transaction is effective from last July 31.

The R1,2-million consideration for the shares in Sun Chemical Corporation is to be discharged by the issue of 1 330 000 ordinary shares in Sinclair at 90c each fully paid-up and payment of the balance in cash In respect of the acquisition of Premium and its subsidiary, Anchor 741 633 ordinary shares in Sinclair at 90c each are to be issued and the balance in cash.

ANTICIPATED

The managing director and chief executive of Sinclair, Mr Shlom, said he anticipated no significant change in the after-tax earnings of the Sinclair ordinary share for the current fiscal trading period as a result of the three deals

The Sun transaction would, however, raise the net asset value of a Sinclair share from 38c to 44c and the Premium transaction would increase it by an additional 1,5c to 45,5c

not be hit by the section as it was then worded. The 1959 amendments were intended inter alia to bring such transactions within the net of the section and based on the decision in Smith's case (supra) the amendment has achieved this result.

that subsistence agriculture should not stand in the way of an adequate wage labour supply, to the point where a very small proportion of Africans are able to obtain (on average) very low incomes from homeland farms.

ii) 'Black migrant workers in South Africa are usually only engaged periodically in employment. These workers account for an important proportion of the total labour force, and at any moment about half the potential migrant labour force is not in employment. (Sadie, 1977) Survey data indicate that, on average, migrant workers spend ten months between jobs of twelve months' duration, and that the period between jobs increases with age (Knight, 1977)' (Kantor, 1980: 107). Kantor has misread both his sources here. What Sadie said

was, 'But, a … power is
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Eddels goes to Maingard

Star 1/9/81 (232)

The Maingard consortium has acquired control of cash shell Eddels Holdings which will be the vehicle for a listing of firms specialising in agricultural chemicals and other equipment

The consortium has bought 67 percent of Eddels ordinary shares for R2,2-million and will make an offer to minority shareholders of not less than 187,5c a share.

The listing of Eddels will be transferred to the cash-assets sector when application will be made to transfer the listing to the chemical sector

The seven companies Eddels has bought for R8,7-million are collectively known as the TFO Companies They are Triomf Farmers' Organisation, Agro Serve, Panorama Chemicals, World Trading, Buildex, Port Natal Printing and Publishing, and Thomson Handen

Turnover of the TFO Companies was in excess of R60-million in the financial year to December 1980

The companies operate independently and, in certain aspects, in competition with one another. Their merger under Eddels will eliminate the competition and lead to considerable synergistic benefits with a positive contribution to the future profits of the group

Earnings to February 28 1982 will amount to not less than 40c an Eddels share and it will be policy to distribute about half of after-tax profits each year

The dividend for the financial year to February should not be less than 20c

Eddels will change its name to aFrm-ag. — Mervyn Harris.

Major loan

WASHINGTON — The World Bank will lend 51-million dollars (about R48-million) to the Ivory Coast for an urban transportation development project in Abidjan

Hauliers' stand on monopolies

Star 1/9/81 (232) (8312)

Under pressure from the giants of South African road transport, five medium-sized companies have formed a countrywide consortium of autonomous operators to block what they term "monopolistic tendencies in the industry"

Based in Johannesburg, Pretoria, Cape Town, Grahamstown and Durban, they have registered their consortium as Intertrans Movers.

With a total investment of R7-million, they are together projecting a turnover of R6,5-million for the next 12 months, while carrying goods worth R60-million

By combining resources, Intertrans will rationalise on vehicles, running costs and staff training and also secure maximum utilisation by cutting out empty legs.

Intertans president Mr Don Tager said. "The main motivation behind our merger is staving off monopolistic tendencies but it will also give customers the benefits of an integrated national group without losing the personal touch of the local operator"

The trend towards bigger and fewer road-transport combines in South Africa has grown over the past five years, he adds Practically every month sees one or other of the big groups taking over small independent hauliers.

In Europe, North America and Canada road haulage is concentrated in the hands of a couple of giant national lines which from their size and organisation, inevitably bring bureaucracy "They become aloof and insensitive to needs of individual customers Worse still, they can charge what they like and dictate terms to the public," said Mr Tager.

Intertrans is the first consortium of independent regional hauliers in South Africa. A British prototype, Pelicon, has operated effectively for three years, giving the public a positive alternative to the big national groups.

CONVINCED

Mr John Hartzenberg, managing director of Vanpack International and a director of Intertrans spent several months last year studying the latest road-haulage developments in Europe, the British Isles and North America

The success of Pelicon in Britain convinced him it was the answer to over-concentration of business in South Africa.

Since November he has been stumping the country to drum up support for a similar consortium. "It wants members in all the main regions," says Mr Tager "Currently, they are Vanpak International of Johannesburg, Daly International of Pretoria, Kings Transport of Cape Town Beaumont & Rice of Grahamstown and Freightpak of Durban".

Intertrans is also negotiating with a substantial company in Bloemfontein and also plans to spread its network to Pietersburg in the Northern Transvaal, Nelspruit in the Eastern Transvaal, George in the southern Cape, and South West Africa and to sign reciprocal contracts with major overseas companies

By DAVID CARTE

R8,75m deal promises 20c payout

Eddels buys seven firms

RDM 1/9/81 (232)

EDDELS, the listed cash shell left after the sale of Edworks to Calan, is to be used to list certain agricultural chemical and other companies.

For R8 755 000, Eddels has acquired seven companies which last year turned over R50-million and made a taxed profit of R2 120 000, equivalent to 36c an Eddels share

It forecasts earnings of 42c this year The company proposes to pay half of earnings in dividends, suggesting a minimum dividend of 20c for the current year

The companies to be listed through Eddels, which is to change its name to Farm-ag, are Triomf Farmers' Organisation, Agro Serve and Panorama Chemicals, all of which sell agricultural chemicals, Buildex, which sells chemicals to municipalities, World Trading, a small shipping and import company serving these companies, Port Natal Printing & Publishing and Thomas Handen

The companies to be listed have one thing in common Apart from the 51% stake Triomf had in TFO, they are the interests of the Maingard family of Natal

Had the company been constituted in its new form the five-year taxed profit record would have been R253 000, R393 000, R903 000, R1 704 000 and R2 120 000

The company has achieved an annual average compound earnings growth rate of 70% over five years It forecasts earnings of 42c this year — a 17% improvement

The acquisition will lift earnings 3c but decrease net asset value to 90c from 159c, which means a large premium has been paid on assets for the profit potential of the company

Eddels is issuing to the vendors, mainly the Maingard family, 4-million new shares and 2 400 000 new variable rate cum prefs of 25c, convertible into ordinaries at 50c from July 1, 1982

The price is just over four times earnings, but the terms of the acquisition mean that Eddels large cash holdings have not been touched and are still available for expansion

Triomf has sold its stake in TFO, but retains an interest in Farm-ag and will have two directors TFO is to change its name.

TFO, I believe, would have contributed about half of the profits had the company been constituted last year It sells agricultural chemicals mainly in sugar country Main opposition to this and the other agricultural chemical companies comes from Sentrachem, Fisons and Bayer

I am told that profits last year would have been significantly higher had it not been for the worst drought sugar country has ever known

Now that the drought has broken and world sugar prices have recovered, the backers of the current listing are highly confident for TFO

The Maingard family retains control The board comprises, Mr L M J R Maingard, Mr L M J G Maingard, Mr L M J P Maingard, Mr H G Loubser, Mr D van Rooyen, Mr J J Becker, Mr J G Norton and Mr R E Sherrell

COMMENT: The current price of 250c gives a prospective PE of 6 and a dividend yield of 8% on the forecast 20c, but is nearly three times asset value of 90c.

The end of the drought in sugar land makes the earnings forecast look conservative, but I should have liked greater dividend cover and would not be prepared to chase the price much higher.

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Afrox sells most of D&D for R20m

RDM 2/9/87

232

By DAVID CARTE

AFROX has sold the mining, railway and engineering contracts divisions of its mining and engineering subsidiary, Dowson & Dobson, to Coalequip for R20-million, their net asset value.

Coalequip is jointly owned by Anglo American's Boart International and Gencor It was set up only a few years ago in competition with D&D and others in the lucrative mining supply market

This is the second time Afrox has withdrawn from an area of activity outside its traditional forte of gas and welding In 1979 it sold its other major non-gas and welding interest, D&D Electronics

For some years, D&D has underperformed the rest of the Afrox group and observers of the group have speculated that D&D would be sold off.

The new managing director, Mr Peter Joubert, told Business Mail soon after taking over that if the company could not be made to achieve acceptable returns, it would be sold

Afrox retains D&D's engineering consumables, pipes and irrigation, consumer products and marine electronics activities, but company watchers suggested yesterday these and other non-gas and welding activities would be sold off piecemeal and that from now on Afrox would stick primarily to gas and welding

Mr Joubert said from Port Elizabeth yesterday that most of D&D had been sold as the board had come to the conclusion that "it didn't fit" He said D&D was still making profits when sold but returns were not acceptable. The sale, he said, would eventually be good for earnings

Sources close to the company said the price of R20-million to be settled over three years was a "bargain" They said D&D had the potential to earn R6-million before tax

Mr Tony Marshall-Smith financial director of Boart International, said the price was fair, taking into account D&D's recent performance D&D had immense unexploited potential. There was no connection between the slowdown of D&D and the concurrent launch of Coalequip by the two biggest buyers of mining equipment in SA

"There has not been much product overlap between D&D and Coalequip and both Anglo and Gencor were big customers of D&D The mining houses buy equipment on a competitive basis"

A spokesman who knows the companies well said the purchase price was particularly favourable to Coalequip as the takeover removed a major competitor or potential competitor. The mining equipment market remained competitive, but Coalequip was becoming increasingly dominant.

In 1976 D&D contributed R5 062 000, or 29%, of Afrox's gross profit of R19 484 000 In 1977 gross profit of D&D was R5 323 000, or 27% of the total

In 1978 its contributtion was R5 182 000, or 23%, of the total By 1979 the slowdown became a reverse and D&D made R4 553 000, or 19% of the total In 1980 its contribution had declined to R2 992 000 — only 10,1% of the total.

Mr Joubert said because payment was over three years, Afrox was not confronted with a problem on how to deploy the funds from the sale. The current climate was not conducive to acquisitions

Interviewed last year, Mr Joubert said Afrox would consider certain greenfields projects Asked about these yesterday, he said there was no intention to go ahead yet

Afrox observers said that now that D&D had sold its mining equipment division, there would be a push for some of its overseas franchises, but Mr Marshall-Smith said the important franchises were well and truly tied up

About 900 employees of D&D will transfer to Coalequip as a result of the deal

Afrox shares in Dowson sold

Star 2/9/81

2-32

By David Bamber

African Oxygen has sold its mining, railway and engineering - contracts divisions in Dowson and Dobson to Coalequip for R20-million

In a joint announcement Afrox and Coalequip said, "Disposal of these assets of Downson & Dobson will have no material effect on the earnings a share of Afrox"

Stockbrokers generally agreed with this statement They noted that these sections had been a drag on Afrox who could put the R20-million (equal only to the net asset values of these divisions) to far better use elsewhere

Payment will be over a three-year period and dealers are expecting this income to be used for expansion projects by Afrox

The divisions retained by Downson & Dobson include the manufacturing of pipes and irrigation, consumer products and marine electronics

From the Coalequip point of view, the deal is probably also a good one The jointly Boart International/General Mining Union Corporation owned company is a leading supplier to the coalmining industry

The divisions being bought from Dowson & Dobson will therefore be completely "at home" in their new surroundings

Coalequip's close association with the mining industry should also be able to inject some new life into these activities

About 900 Dowson

About 900 Dowson & fected by the sale They move to the Coalequip group

Confidence from printing giant

Star 8/9/87 (232)

By Frank Jeans

A new giant in the printing, packaging and graphics industries has been created with the merger of Hortors and Trio-Rand.

Mr Michael Watermeyer, managing director of the group, said that the link had created eight specialised manufacturing facilities in the Cape and four in the Transvaal — with a total workforce of 2 800, 2 000 of them in Cape Town.

This will lead to a better market spread and more cost-effective use of capital assets which, together with economies of scale will lead to greater efficiency.

"This big group will provide many opportunities for the people within it to grow with their companies and will provide opportunities for research in marketing and production."

An important area in which Hortors-Trio-Rand group is particularly strong is in its extensive web-printing facilities — three on the Reef and three in the Cape.

Web printing is a strong growth area in the industry and is considered ideal for mail-order catalogues, magazines and broadsheet newspaper supplements.

One of the fastest growing markets for the web printing is marketing material aimed at the black market, where newspaper supplements are regarded as the "shopwindows" for the display of goods.

Sunny for Aldenro

By ALEX PETERSEN

ALDENRO CLOTHING has purchased Sunny Creations in Maitland in a move to expand capacity

Aldenro managing director Mr Dennis Rogers said the acquisition, which is effective from the beginning of this month, would enable the company to expand output by about 2000 garments a day initially The bulk of Aldenro's production is contracted to Woolworths

The Sunny Creations plant, which will be renamed Aldenro Maitland, has 175 employees, of whom 77 are machinists Present output, chiefly blouses, is about 1500 garments a day

Aldenro plan to switch the production system to enable greater throughput, as well as installing new several new machines in the next few months

Eventual production capacity for the plant will be between 2500 to 3000 garments a day, Mr Rogers said, but emphasized the changes will also allow implementation of Aldenro's quality control procedures

He added that the company will invest in improving staff facilities and wage levels would be increased to match those in the company's existing plant

Earlier this year Aldenro teamed up with British clothing manufacturer, Peter Blond Ltd, which took up a 50 percent shareholding in the group

SUNDAY TRIBUNE, SEPTEMBER 6, 1981

COMPANY COMMENT

By Mike Chester

Leaner Afrox is worth a look

S. Tribune 6/9/81

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ONE OF the more interesting companies investors might look at on the industrial boards is a much leaner Afrox, which hit the headlines this week when it announced that it would divest itself of three divisions of its mining and engineering subsidiary, Dowson and Dobson.

The mining, railway and engineering contracts divisions of D and D have been sold to Coalequip — jointly owned by Gencor and Anglo American's Boart International — for its net asset value of around R20 million

This sale represents half of the Afrox subsidiary, according to the oxygen group's managing director, Peter Joubert ("depending on which way you divide it") It follows four disappointing years when the engineering firm failed to live up to its parent's expectations

In 1980 it was merely able to maintain trading profits (prior to interest) despite an 11 percent improvement in turnover

Some stockbrokers have said that D and D has effectively 'dragged down" the Afrox group's performance So that while a joint statement from the vendor and purchaser said 'Disposal of these assets of Dowson and Dobson will have no material effect on the earnings a share of Afrox", this should be read as the short term scenario.

Afrox has a historic dividend yield of 5,7 percent and an earnings yield of 11,11 percent In the past two months to Thursday it had gained in price 1,4 percent in its sector and is trading around 545c

"As a result of this (sale) and other things, the company will continue to increase earnings," Joubert told me

When asked the obvious — why Afrox got rid of the divisions — he diplomatically replied that certain parts of D and D had not "matched" the earnings performance of other sections of the group.

"The opportunity arose that someone was interested and we managed to come to a satisfactory agreement," he continued And while some observers have labelled the sale, to be settled over three years, as a bargain, to Joubert it was that rare thing — a "lovely market agreement" in which both sides were satisfied

Back in 1976 D and D added some 29 percent (R5 million) to Afrox's gross profit (R19,5 million) Next year it was down to 27 percent of the total (R5,3 million) and in 1978 the contribution was 23 percent.

From then on it was downhill all the way — 1979, 19 percent of the total of R4,5 million and last year the contribution slumped to R2,9 million or only 10,3 percent of the Afrox group earnings

This sale is not the first, or possibly the last, surgery Afrox has undertaken to amputate a gangrenous limb Last year the then new managing director presided over the sale of D and D's electronics division for R753 000

The remaining D and D divisions, engineering consumables, pipes and irrigation, consumer products and marine electronics activities apparently "fit in" better with this sleeker Afrox

"D and D is itself a conglomerate and the bits staying are the most suitable," Joubert said. "We hope in the longer term to be able to concentrate the business"

"There will be some consolidation now in the D and D business which, will be brought more tightly into the central fold, and we will then go on for organic growth and eventually, when the time is right, acquisition"

Some company observers have speculated that the rest of D and D will be sold off piecemeal and that ultimately Afrox will revert to a core gas and welding concern That sort of talk is branded by the Afrox man as 'sheer and misinformed speculation'

Despite the negative effect parts of the engineering subsidiary, over the years Afrox has done well Although the return on capital has slipped gradually back from 22,1 percent in 1977 to 17,6 percent last year, turnover has gone from 1977's R132 million to R179 million last year.

Pre-tax profit rose from R18 million to R27,2 million in the same period

Earnings a share have leaped from 34,4c a share to 60,6c, dividends a share from 14c to 29c and net asset value from 241c to 400c

This year, despite a disappointing pre-tax profit, which rose only 15,4 percent from R12 million to R13,9 million despite a turnover up 30 percent, the group is looking to a slightly better second half.

Chairman Bean Sutherland has said the latter half will reflect a slightly better share of total earnings

This is supported by the fact that in recent years Afrox has averaged 60 percent of total profits in the second ahlf — in 1980, for example, the split was R7,5 million in the first half — in 1980, for example the second

So, with a tighter, leaner and more specialist Afrox continuing a policy of rationalisation, the future does indeed look brighter

Warning on monopolies

CT 8/9/81 (232)

HOUSE OF ASSEMBLY — Monopolistic tendencies in the economy had to be controlled or the small businessman would suffer, Mr George Bartlett (NRP, Amanzimtoti) said yesterday

Speaking in committee on the Industries Commerce and Tourism Vote, he said there had to be competition in South Africa and the interests of the small businessman and the consumer had to be taken into account

Recently, large concerns and industries had been doing well but inflation had restricted the expansion of smaller businesses and eroded the purchasing power of the consumer

Referring to the building industry in particular, Mr Bartlett wanted to know why costs had risen dramatically in the past two years and why there was a shortage of bricks at present.

A survey by the Bureau for Economic Research at Stellenbosch had shown that actual building costs in August 1981 were the same as in 1974 Were the increases then due to demand inflation?

"Or is it because the companies who are manufacturing the bricks are controlling the market

"Why are there not enough bricks? In 1978 there were 300-million bricks in surplus or stockpiled Two years later there is a shortage

Mr Bartlett said where there was price control the bigger companies could manipulate the market. They could buy out the smaller concerns and write off the costs of closing them down In this way they could establish monopolies

"What I want to know is whether the Monopolies Act is working We must have competition in South Africa in the interests of the small businessman, and the consumer," he said — Sapa

Star 10/9/87 (232)

Insurance merger set

By Patrick McLoughlin

The merger of major insurance brokers and consulting firms J H Minet and Company (South Africa) and Nedsual Insurance Brokers is all set to go ahead in early September.

The merger will become official next month after receiving the approval of the South African and United Kingdom authorities and confirmation by respective shareholders.

The two firms reached agreement in principal to merge their respective national interests under the name of Minet SA Insurance Holdings (Minsa) in early March this year.

The announcement was made by Finansbank and Union Acceptances, joint merchant banks to the merger.

A top source at Nedsual said the operation would now be complete. "Everything is now in order except for some practicalities such as the constitution of boards," he said.

The planned shareholding is Minet Holdings UK, a company listed on the London Stock Exchange, 50 percent, Nedbank Group 40 percent and local executive management 10 percent.

Form-Scaff gets 70%

FORM-Scaff group has acquired 70% of Valiant Industrial Company (Pty) Valiant is a privately owned company with a R3-million turnover in industrial plastic products

Form-Scaff has the right of pre-emption on the balance of Valiant equity

Mr Jeff Liebesman, the joint managing director of Form-Scaff, joins the Valiant board which otherwise remains unchanged

The deal makes Form-Scaff's overall turnover about R30-million a year

Expansion of Valiant product range is in the offing and part of the rationale for the Form-Scaff takeover is to provide capital for that growth

parties. It is fe ... sons who have funds, and make them avail ... rprise's use, will not do so unless they e ... on these funds.[5] All capital therefo ... d this cost should be recorded. The ow ... rise are treated similarly to creditors ... t is felt that because some of the owners ... vestments for relatively short periods, they may not regard themselves as owners, and like other investors, will want to assess the performance and financial condition of an enterprise in relation to other enterprises and other kinds of investments.[6] It has been expressed that fair comparisons can only be made if recognition is given to all the economic costs incurred by enterprises as distinct entities.

Therefore, according to the entity theory, or what may also be called a distinct managerial view[7] as distinguished from the proprietary point of view, the returns to all equity holders are costs, and the total of these implicit and explicit returns would be the interest cost for the period.

I would also like to add that there are those who feel that acceptance of either the proprietary or entity theory of ownership equity is not fundamental to the issue of imputing equity interest, and that one may accept the one theory without accepting the proposed treatment of the interest charge that supplements it.[8]

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(i.)

The "Paradox of Thrift" is one of the most glaring examples of the fallacy of composition, which assumes that what is good for one unit is good for the whole. If one person saves more, then naturally his [illegible] ~~[illegible]~~ The "paradox" occurs when we try to apply this philosophy to an entire society. If everyone attempts to save more, national income will fall, which is [illegible] ~~not~~ [illegible] To explain this we assume a ~~balanced~~ economy in equilibrium, with savings and investment the only withdrawals and injections respectively — national income is at level Y(e).

If an individual decides to save more, he ~~would~~ will be faced with a new savings function. This is because the slope of the savings [illegible] the marginal propensity to [illegible] out of every extra unit individual will save a [illegible] consume. If he [illegible] more out of every [illegible] the slope of his savings [illegible], the entire community [illegible] a shift of the withdrawals have [illegible], the economy results [illegible] withdrawn from the

function is [illegible] Save (MPS). This of income [illegible] certain amount increases by M [illegible] extra unit of [illegible] function changes tends to [illegible] savings function on a [illegible] contract [illegible] The new [illegible]

Takeover rumour denied

Argus 11/9/81 (32)

THE rumour of a takeover of Cape Town printers Derek Butcher and Co (Pty) was denied by the managing director, Mr D P Butcher today.

The company, started 12 years ago, recently moved to a new factory in Maitland, where it prints about 30 monthly magazines, mail order catalogues and other business.

Mr Butcher said: 'I have no intention of selling out and I have not been discussing it with any other firm.

'The first I heard was in my club when someone slapped me on the back and said, "Right, free drinks all round today now you've been taken over".'

Competitors hearing the rumour had approached senior staff and offered them jobs.

A statement issued by the company's attorneys said: 'There is no substance whatsoever to these rumours and the company is carrying on its business as before under the same management.'

11/9/87

Cullinan and Blue Circle merge electrical interests

Cullinan Holdings and Blue Circle are to merge their electrical activities, forming one of the country's largest power engineering operations with sales estimated at around R100-million.

Taking effect on December 1, the partnership will be held 70 percent by Cullinan and the balance by Blue Circle.

The merger will represent the pooling of net assets totalling about R35-million, employing 2 800 people at various manufacturing and construction sites and distribution centres across the country.

Cullinan director Mr Ray Tyler, who will head the new operation, stresses the strong synergies arising from this merger "For both groups, this partnership will enable an accelerated advance towards previous separate, long-term targets."

Through the manufacture of both high and low voltage ceramic insulators along with a variety of transmission line components, Cullinan has strong ties to the power transmission operations of Escom, the Post Office and SA Railways.

From the Blue Circle side, the Hudacolec companies — embracing the group's electrical activities — are strong in the fields of electrical contracting including transmission lines, substations and power station cabling, electrical equipment marketing through a country-wide branch network, and electrical equipment manufacture in motors, transformers and switchgear.

Mr Tyler reports that the merger is in line with the growth emphasis Cullinan has programmed for its electrical division.

For Blue Circle, given its philosophy of maintaining investments in significant businesses, this pooling of activities gives the group a meaningful stake in a substantially larger, greater growth potential operation.

Diamond merger

12/1/81 ROR

A DIAMOND marketing company — Kimberley, Rand, Van Zwam Diamond Cutting Sales (Pty) — has been established as a result of the amalgamation of Kimberley, Rand and Van Zwam diamond-cutting companies

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The new company is said to be the largest manufacturer of Cape stones in the world. Its range incorporates all qualities of white stones in all sizes

The principals are Mr Colin Benjamin, Mr Desmond Miller, Mr Maurice Landau and Mr Harry Mannaberg

The company has been established as a result of the takeover of Van Zwam Brothers by the Labenco Diamond Group which incorporates Miller & Landau Diamonds.

75% stake in Panafic

(232)

12/7/81 By PAUL DOLD RDM

Mr JOHAN van der Burgh and Mr David Abbott, who bought control of Alderson & Flitton Holdings earlier this year, have gained 75% of Panafic.

Mr Van der Burgh says the stake is being bought in the shell which will be used for further acquisitions It is too early to speculate on what assets may be injected into the company, but they will not compete with Alderson's motor and appliance base

In terms of the deal with the Blumenthal family which o Panafic, the company will clare a minimum dividen 50c The Cape Town consort is paying 170c for its 1 50 shares which puts a ta R2 550 000 on the deal. compares with the post-deal net asset value of 150c

Assuming a 50c dividend is made, this would bring the cost of acquisition down to R1 800 000

The Panafic interests mainly the shopfitting and e neering arms — will be re chased by the Blumenthal ily for R3-million

Panafic was original have been bought by Bura negotiations fell through the shell was offered to M der Burgh

Northern Trust hand the deal which is to be ratifi t a meeting of sharehold on September 29

A similar offer at 17 will be made to minorities

Looking at the arithr of the deal the Cape Tov iter- ests appear to have bo the shell at a reasonabl rice judging from premiums being paid in the market

Mr Van der Burgh and Mr Abbott rapidly turned loser Alderson into a flourishing group

There is no link between the deal and Alderson & Flitton — the shares have been acquired in a personal capacity

SUNDAY TRIBUNE, SEPTEMBER 13, 1981

Baby born of LTA 'marriage'

S. Tribune 13/9/81 232

By FRANK JEANS

THE MARRIAGE of major South African group LTA and one of the world's leaders in chemical engineering, Jacobs Engineering of California, has resulted in the birth of a new power in the South African energy and minerals fields.

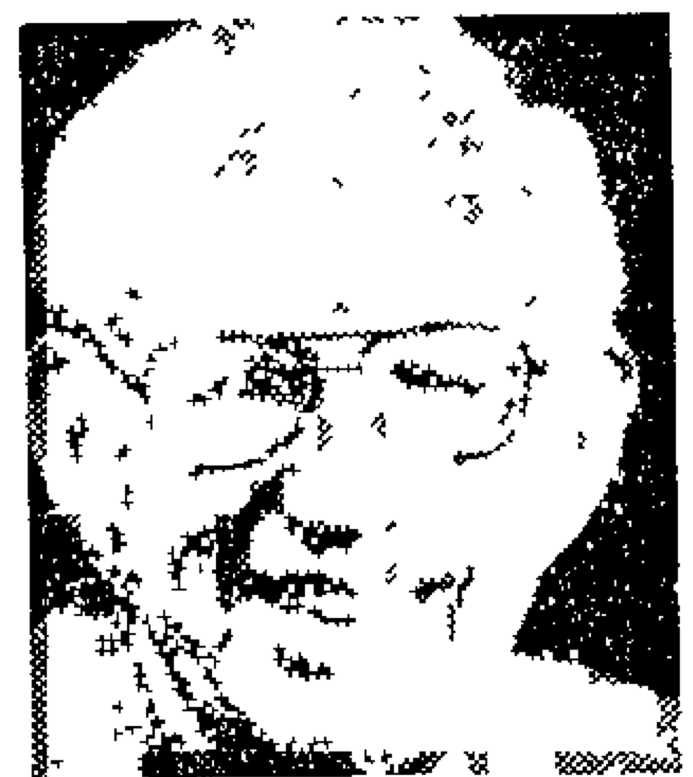
The formation of Jacobs-LTA Engineering — the South African company will have a 55 percent interest and Jacobs 45 percent — is the "tying of the knot" after a successful three-year courtship in which the two have been involved in projects including diamond recovery and coal processing operations.

Now the new alliance will form the base for a spread of specialised projects in South Africa and although an announcement on these would be premature, it can be assumed that they will cover the energy and petrochemical area.

Jacobs' strengthening of its stake in South Africa is through the dynamic Mitec division of LTA, the expertise of which in mechanical, electrical and process engineering work has controlled multi-million-rand projects such as the R100-million uranium processing plant at Vaal Reefs — the world's largest gold and uranium mine.

David Thompson, chairman of Mitec, will head the Jacobs-LTA combine.

Jacobs, which was founded by Dr Joseph J. Jacobs as a chemical engineering company in 1947, is involved in big contracts in more than 30 countries with a total contract value of 1 000-million dollars.



Joseph Jacobs

The vast experience in chemical engineering aligned to Mitec Project Engineering Services, will bring new power to the construction-engineering industry and will create a two-way bridge between the US and South Africa for the development of markets and services.

Announcing the formation of Jacobs-LTA in a joint statement in Johannesburg with Dr Jacobs, the chairman of LTA, Dr Zach de Beer, said:

"There are different paths to growth, but in traditional activities such as building and road-making which are highly competitive and cyclical, it is better to seek growth through diversification and development of skills.

"Several of our major competitors, quite naturally from their own point of view, have elected to diversify right outside the construction field. I don't deny that our refusal to do so does have to do with our membership of the greater Anglo American Group.

"But I am perfectly comfortable with the idea that LTA should be, and remain, a specialist in the field of construction and engineering services."

CULLINAN HOLDINGS AND BLUE CIRCLE IN R100M MERGER

S. Tribune 13/9/81

Finance Editor

~~[illegible]~~ 232

CULLINAN Holdings (the refractories division of which won this year's Sunday Tribune Exporter of the Year award) and Blue Circle are to merge their electrical activities.

[illegible] partnership will then be the country's largest power engineering operation with sales estimated at about R100-million.

Cullinan will hold 70 percent of the action in the new deal which will mean the pooling of net assets totalling approximately R35-million. Some 2 800 workers are involved throughout the country.

Cullinan director Ray Tayler, who heads the new operation says: "For both groups, the partnership will enable an accelerated advance towards previous long-term targets"

Through the manufacture of both high and low voltage ceramic insulators, along with a variety of transmission line components, Cullinan has strong ties to the power transmission operations of Escom, the Post Office and the SAR.

For Blue Circle, given its philosophy of maintaining investments in significant businesses, this pooling of activities, gives the group a meaningful stake in a larger growth area.

13½

are buried in the ... However, not all

financial ratios ... ice mainly non-current

assets and net inc ... and many ratios do not

involve these two ...

12 RAND DAILY MAIL, M

PP Cement gets out of Zimbabwe

Financial Reporter

PRETORIA Portland Cement, a Barlows subsidiary and the biggest cement producer in SA, has sold its 50,5% stake in Premier Cement of Zimbabwe to Portland Holdings for Z$2,85 a share

The shares will be bought inclusive of all dividends declared by Premier after the interim declared on April 1

Premier Cement minorities are to be offered a similar price

The deal is subject to the consent of shareholders, the Zimbabwe and Johannesburg stock exchanges and the Reserve Bank of Zimbabwe

The following tabl ... on the EPS of American

companies that wil ... apitalise interest in

accordance with FA ... cember 1979.

THE IMPA ... EW RULING

Company	...alizing interest costs ...ld increase earnings ... share this much ...	
American Cyana...	$ .14	4%
Armco	.04	1
Celanese	.44	6
Deere	.04	1
Dow	.31	10
Du Pont	.56	3
Hughes Tool	.11	2
R.H. Macy	.16	2
Merck	.07	2
Polaroid	.07	2
Union Carbode	.39	6
United Technologies	.08	2

Data: Lee J. Seidler - Bear, Stearns & Co.
(based on 1978 data)

A different survey carried out in the U.S.A. found that if companies had to expense their previously capitalised interest, the result would range from a decrease in EPS of 296,83%, to a minimum decrease of less than 1%.[51] Obviously,

Natyre hits out at trade 'cartel'

Star 15/9/81 232

Natyre is considering the large scale importation of tyres to counter the agreement by local manufacturers to regulate the price of tyres and the discount at which they may be purchased by dealers

Mr P Grobbelaar, chairman of holding company Calan, says in his annual report that this is one of the steps Natyre may take as the agreement eliminates, to a great extent, competition among manufacturers

"This is not in the interests of the motorist or the transport operator and will make its contribution to the rising cost of transport"

He says tyre distribution is a fragmented trade, normally fiercely competitive and which largely performs an admirable job of servicing the motorist and transport operator

"For many years Resale Price Maintenance was permitted in the trade on new tyres Even during this period the trade was competitive, often operating beneath the price levels set by the authorities

"With the abolition of resale price maintenance in 1979, the trade went through a disruptive period and yet maintained its competitive nature

AGREEMENT

"Lately, however, the SA Tyre Manufacturers Conference, an association whose members are local tyre manufacturers, has formulated an agreement among themselves to regulate the price of tyres and the discounts at which they may be purchased by Natyre and other large dealers

"In other words, one member may not sell his product to Natyre at a larger discount than any other manufacturer

"This obviously eliminates competition among manufacturers and Natyre must counter this arrangement"

Natyre is expected to make steady progress after its return to profitability towards the end of the financial year

The number of retail outlets almost doubled over the past year and the company is now looking at an annual sales growth of 33 percent for the 1981 and 1982 financial years.

The Transvaal, an area which adversely affected the overall financial results of the company in 1979, increased the number of outlets from seven to 21 and showed a large turnaround in sales

A leader in the retreading and retail tyre market, Natyre is to enter the earth mover and underground tyre market.

It hopes to gain a large slice of this which is estimated to be worth between R35 million and R90 million a year

Sentrachem takes over seed company

STAR 15/9/81

Through the acquisition by Fedmis of a controlling interest in a local seed company, Saffola, from Seedtec International of California, the Sentrachem group has announced expansion of its agricultural interests in the production of agricultural seed

A Press release says Saffola can be considered a pioneer in the development of hybrid sorghum and hybrid sunflower seed in South Africa and holds the major share of these sectors of the local seed market"

Saffola's main production areas are Western Transvaal, Northern Free State and the Eastern Highveld as well as the irrigation areas of Northern Transvaal

Its R4,5 million seed processing plant and farm is located at Kaalfontein near Kempton Park — Sapa

Maize cartel: Myburgh challenges minister

CT 15/9/81

232

HOUSE OF ASSEMBLY. — The Minister of Agriculture, ~~Mr Du~~ Plessis, was yesterday accused of adopting a negative attitude over the threatened establishment of a cartel which could monopolize the maize industry.

The Opposition's spokesman on agriculture Mr Philip Myburgh, (PFP Wynberg) said that while Mr Du Plessis had not shown tremendous interest, the Consumer Council had threatened to take the matter to the Competition Board

Mr Myburgh charged that among the signatories to an agreement to launch the cartel which would control the marketing and prices of virtually all maize products, were certain co-operatives which were "supposedly established to further the interests of farmers'

"If the minister allows the formation of this monpoly, then it is only a question of time before the monopoly is extended to include the marketing and prices of animal feeds," said Mr Myburgh

Mr Du Plessis, challenged by Mr Myburgh in a question across the floor about whether he had made any attempt to confirm the moves to form a maize cartel, said he had made inquiries with "the people who made the announcement

But he charged that some of Mr Myburgh's allegations were untrue

"Could it be that the minister does not care or disapprove of the creation of an exploitive monopoly'' Mr Myburgh asked

"If he does not, I can tell him that farmers care because after a drop in maize product consumption of six percent last year any price rise now would cut domestic consumption even further

"This will increase the export surplus as well as the export loss'

Mr Myburgh said the deputy director of the National Maize Producers' Organization (Nampo) had been reported as stating that efforts to establish the cartel should be fought tooth and nail

He said that in terms of the agreement any miller who refused to co-operate would be eliminated from the market

'If any miller decided to sell at say five percent below cartel price, the cartel would simply move in on that area, use its collective strength to eliminate that miller and then share the available market among its partners '

In reply later last night, Mr Du Plessis pledged that he would not hesitate to introduce price controls in the maize industry if it emerged that a cartel was manipulating marketing and prices

He said that when reports about the cartel had first been published, he had made inquiries but 'nobody would admit the existence of any such cartel

Fedmis buys Sarfola

(232)

Financial Reporter

FEDMIS, a Sentrachem subsidiary, has bought control of Sarfola, SA's second biggest agricultural seed distributor for an undisclosed sum.

RDM

The seller was Seedtec International of California.

15/9/81

Sentrachem says "Saffola can be considered a pioneer in the development of hybdrid sorghum and hybrid sunflower seed in South Africa and holds the major share of these sectors of the local seed market"

Saffola's main production areas are the western Transvaal, northern Free State, the eastern Highveld, as well as the irrigation areas of Northern Transvaal

Its R4 500 000 seed processng plant and farm is located at Kaalfontein near Kempton Park.

Drie Consolidated will be biggest single producer

Star 17/9/81

244

232

By Patrick McLoughlin

The merger of West Driefontein and East Driefontein Gold Mining companies on July 1 — they will become Driefontein Consolidated, the biggest single producer in the world — has made it feasible for the combined milling rate to be increased by 25 000 tons to 475 000 tons a month.

This was a main message in the review of the chairman, Mr R A Plumbridge, in the first annual report on the conglomerate

Within a range of gold prices and cost inflation rates which could reasonably be expected, the merged operation should produce a stream of distributable earnings with a present value "significantly higher" than that of the projected earnings for East Drie, West Drie and North Drie areas as separate entities he said

The merged operation permitted the contiguous East and West Drie mining-title areas, and in due course the North area, to be exploited in the optimum manner as an integrated unit

However, because of the large scale of operations they were being operated as two divisions — the East Driefontein mine and West Driefontein mine — under the same operational management structures that existed before the merger

"The average gold yield will be slightly reduced because a larger tonnage of lower-grade ore will be mined, but total gold produced should increase because of the greater tonnage milled" Mr Plumbridge reported

Application had been made for permission to mine the existing intermine boundary pillars at an early stage These pillars were estimated to contain 28 tons of gold which would otherwise not have been recoverable

Planned capital expenditure to sustain operations at the two mines was estimated at R63-million in the current financial year

Detailed planning to determine the areas which would fall under the responsibility of the mines, and their mining sequence in the medium-to-long term, was "well advanced"

Mr Plumbridge said that at this stage planning indicated West Drie would be responsible for mining most of the North Drie area and the western one third of the old East Drie lease area

This lies to the south of the West Drie's No 6 shaft and adjacent to the Western Deep Levels mine.

The continuing high rate of national inflation made it "inevitable" that working expenditure would rise sharply this year Mr Plumbridge predicted

"On the other hand, the short-to medium term trend in the gold price, presently at a comparatively low level, cannot be predicted with any degree of confidence

"However, I remain confident that in the longer term the gold price will trend upwards and will, at least, keep pace with world inflation, and that your company therefore has a most bright and exciting future," Mr Plumbridge said

In a further reference to North Drie, he stated that the merger made provision for the acquisition of the area adjoining the northern boundary of the existing East Drie lease area

Application has been made by Gold Fields Mining and Development, a subsidiary of Gold Fields of South Africa, for a mining lease for precious metals in the 985 ha area

This area was underlain by an estimated 27-million tons of ore on the Ventersdorp Contact Reef horizon and averaged 14,3g a ton over a width of 172 cm

"By agreement, the lease when granted — and I have no doubt that it will be granted — will be ceded to this company in consideration for 7,4 million shares which will be deemed fully paid," Mr Plumbridge said

Drie Consolidated has also made application for another mining lease — about 30 ha — contiguous to the existing northern boundary

When this lease and the North Drie lease are granted, the company's mining title will cover an area of about 8 155 ha in the Carletonville district, Mr Plumbridge said

Sanland change 232 RDM 18/7/81

CENTRAL Merchant Bank says negotiations have reached an advanced stage for the acquisition by Bankorp from Sanlam of all the issued shares in SPTM, the management company of Sanland.

This possible change of ownership is subject to approval by the Registrar of Unit Trust Companies.

Subject to the negotiations being concluced and the necessary approvals obtained, the name of SPTM will be changed to Sanland Property Trust Managers.

Should Bankorp acquire all the shares in SPTM, a rights issue of units in Sanland is envisaged to acquire from associated companies of Bankorp certain properties to strengthen Sanland's property portfolio

If the Holding Company ... use of its superior borrowing powers to obt... hen merely acting as a conduit pipe in trans... to the subsidiary company, at 10%, the pr... ist. It is submitted that the FASB tre... le, and practical.

In the separately issued ... nt of the subsidiary companies, the amoun... erest than can be capitalised is limited only to the interest actually incurred by the particular entity.

Controversy may reign where, for instance, because of its superior standing, the holding company may be able to borrow at say 8%, whereas the subsidiary company could only obtain the same finance at 10%, and the H Co borrows at 8% and lends to the S Co at 10%. The argument for capitalising interest in the group accounts at 10% may be strong, but I feel the cost to the group is only 8%, and the group's position is being shown in the consolidated AFS. So the application of FASB 34 would be justifiably consistent.

Further problems arise in accounting for less than 100% owned subsidiary companies, unconsolidated subsidiaries, and associated companies.

4.8.2 Minority Interests

The problem of how to deal with minority interests in the

(4) Government

(5) Company goals

(6) Distribution structure and channels.

It should be noted at this point that an international marketer's profit margin is determined by the price it receives when it sells the product to a buyer outside the firm. However, the volume of sales is determined primarily by the price paid by the final consumer. It is the ultimate consumer price that we are considering, although the two are inextricably related.

1. Costs

When a firm operates in just one market, the relevant costs are easy to determine. However, in the international firm it is not easy to determine the relevant costs for a particular market. It is very difficult to allocate indirect cost amongst countries. In addition, the international firm has a different cost structure in each of its markets. There are a number of costs which the price must cover. These are ...

(i) Ma...

When pr... ...d there, determi... ...t a great problem ... market is served ... ...lems arise when tr... ...D costs should b... ...as a number of manuf... ...s should be used.

Lucorp bid for Audiodek

2/9/81 SAQ 232

Agreement has been reached between Lucor Corporation and the shareholders of Audiodek Holdings whereby Lucorp will acquire with effect from April 1 1981 75 percent of the shares and loan accounts in Audiodek, Standard Merchant Bank announced yesterday

The purchase consideration will be satisfied by the issue of 3 million Lucorp shares The shareholders in Audiodek are messrs Monty Tolkin and Harvey Flowers, who actively manage the business, and Messrs Erica and Sid Ellerine

Messrs Tolkin and Flowers will continue to manage the busines and Mr Tolkin will be invited to jointhe Lucorp board Messrs David Lurie and Gerald Rubinstein will join the board of Audiodek

The effect on the attributable earnings or net asset value of Lucorp in the coming year is expected to be significant

The transactions is subject to approval of shareholders and to the granting by the JSE of a listing of the shares to be issued — Sapa

Thomson to buy Pithead?

S Times 20/9/81

1985 232

Business Times Reporter

THE trade and technical publishing market leader, Thomson Publications, was believed on Friday to be at an advanced stage of negotiating to take over a major competitor, Pithead Press.

Thomson, whose annual turnover is about R12-million, stands to strongly increase its dominance of the market, said to be worth at least R20-million and growing by 33% a year.

Pithead's annual turnover is estimated at R1,5-million.

It publishes several leading trade magazines, which include Coal Gold and Base Minerals, Construction Southern Africa, the Production Manager and Export News

At least six key staff members — including two directors — are known to have resigned from Pithead in the past two months

If the Holding Company were onl ... ts superior borrowing powers to obtain a lo ... ly acting as a conduit pipe in transferring ... subsidiary company, at 10%, the problem wo ... It is submitted that the FASB treatment ... practical.

In the separately issued financ ... he subsidiary companies, the amount of i ... e capitalised is limited only to the int ... urred by the particular entity.

Controversy may reign where, fo ... e of its superior standing, the holding ... e to borrow at say 8%, whereas the subsidia ... nly obtain the same finance at 10%, and the ... 8% and lends to the S Co at 10%. The ... talising interest in the group accounts a ... ng, but I feel the cost to the group is on ... oup's position is being shown in the c ... So the application of FASB 34 would be justifiably consistent.

RDM 22/9/81

Minorco final again 16c US

By ADAM PAYNE

MINORCO, which has succeeded Charter Consolidated as the overseas arm of Anglo American Corporation for investments and enterprises in North America, has declared an unchanged final dividend of 16 US cents, making a total of 22c (20c) for the year to June

The results are not comparable with those for the previous year because investments acquired by Minorco in December 1979 were held for only part of 1980 and because of further acquisitions in February this year.

However, the notable feature of the report is the total value of investments which has risen to $1 875-million ($1 016-million)

The additional investments acquired in February this year were in Consolidated Gold Fields, Charter Consolidated, Anglo American Canada and the Hudson Bay Mining & Smelting Company

Mr H F Oppenheimer, in his review as chairman of Anglo American Corporation, said these investments had significantly enhanced Minorco's position as a major international mining finance group "able to take advantage of attractive investment opportunities, primarily in mineral and other natural resource industries in North America"

Bermuda-based Minorco's earnings from operations in the year to June were $28 200 000 ($24 696 000).

The share of undistributed earnings of investments accounted for by the equity method was $158 741 000 ($87 713 000)

Net earnings were $171 768 000 ($114 815 000) and net earnings a share were $1,43 ($1,28)

Further problems arise in accounting for less than 100% owned subsidiary companies, unconsolidated subsidiaries, and associated companies.

4.8.2 <u>Minority Interests</u>

The problem of how to deal with minority interests in the

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Star 22/9/81 (232)

Lucem brick division's takeover of Cape firm

Lucem Holding's brick division is set for a new expansion

A specialist Cape producer, Killarney Brickfields, has been taken over by Lucem and the Mmabatho Stone and Brick Company near Mafikeng — in which the group has a half interest — is now into brick production

Killarney is being upgraded and is expected to raise production from the present 1,2-million bricks a month to 1,5-million.

END-OF-YEAR TARGET

The production of the brick plant at Mmabatho Stone is expected to bring on to the market an initial 1,5-million bricks a month

At Lucem's Nigel division, 4-million bricks a month are being produced.

The expansion is in line with Lucem's programme which aims to increase brick production to more than 20-million bricks a month by the end of the year

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statistic comin… to be unbiased.
Bear in mind also that bias of a sort can also enter in many other non-statistical ways.

Sampling Error

In order to determine a confidence interval for the true or population figure we need a measure of sampling error or variance of the sample estimate. This will depend on sample size and method used. We would naturally like this to be as narrow an interval as possible.

Generally statisticians try to find the unbiased estimate with the smallest sampling error (given the available resources) Occasionally a slightly biased (theoretically) estimate will have a much smaller sampling error than an unbiased one, and the decision becomes more complex. In considering any alternative to SRS we should look at these two points (and others).

Probability vs Nonprobability Sampling

These have also been labelled scientific and nonscientific sampling. Non-probability sampling need not be discussed much.

Rand Mines gives thumbs down to TC Lands

RDM 24/9/81 (232)

RAND Mines Properties minority shareholders have presented Transvaal Consolidated Lands with a "thumbs down" on its one-for-seven share swop offer.

In spite of warnings from RMP's technical managers that RMP will not go underground in the foreseeable future, and that considerable capital will be required to expand the surface sands operation, almost two thirds of RMP's minorities turned down the TCL offer.

By
JOHN MULCAHY

TCL announced yesterday that 1 557 shareholders, representing 9 277 468 shares, or 74,8%, had accepted the offer. This figure includes Barlow Rand's acceptance for its 60,1% stake in RMP, so that only 34,3% of the remaining shareholders accepted the offer.

The TCL offer, which closed last Friday, comprised one TCL share for every seven RMP shares held, or alternatively one-for-eight plus 840c cash

TCL chairman Mr Tony Petersen said yesterday his company was satisfied with the 74,8% acceptance "because it must be borne in mind that the offer was originally prompted by the changed emphasis at RMP from property to gold production".

He added that Rand Mines wanted to place control of RMP in TCL and thus put the company under a mining umbrella.

For this reason the offer was pitched at a change of control level — "we would have structured it differently if we were making an all-out bid to take out the minorities".

He said the offer was extended to minorities "to give them the opportunity of coming into TCL if they wanted, and bearing in mind TCL's past performance and its future prospects, I believe those who accepted will not be sorry".

Mr Petersen told Business Mail last week that although the TCL offer to minorities was made in accordance with the Companies Act, the company had subsequently warmed to the idea of taking out RMP as a wholly-owned subsidiary, and if the offer attracted a 90% acceptance TCL would exercise its rights to acquire the remaining 10%.

He said it would be far easier to move funds from TCL into a wholly-owned subsidiary than to approach minority shareholders to participate in further development.

The substantial capital involved in further development of RMP — the R40-million loan has yet to be repaid, and there is a strong possibility that the sands retreatment scheme will be expanded at some stage — would dilute earnings for some time, said Mr Petersen, and dividends would suffer as a result

Opposition to the offer, which initially appeared to be of little consequence, was clearly widespread, and the offer would probably have looked more attractive had the gold price not commenced a strong upward move two weeks ago

Among the voiced objections to the offer document were that the dumps had not been satisfactorily valued, that no value had been placed on the property assets, and that while a R300-million price tag had been put on underground development, there was no corresponding earnings forecast.

RMP, in turn, explained that the dump results were included in the document (65-million tons at 0,67 g/t), that the cost of establishing a mine had been given as a "ballpark figure" to indicate the enormity of the capital required, and that the offer had been based on a historic relationship between RMP and TCL share prices, earnings and dividends, rather than on the revalued assets

COMMENT: The results of the offer highlight the differences between investors and speculators on the market. While people looking for long term capital growth, solid — but unspectacular — dividend growth and protection from individual commodity price fluctuations would doubtless jump at the chance of a stake in TC Lands, the bulk of RMP's minorities may not fall into this category.

TC Lands is tightly held, with Barlows now owning 63,1% and most of the balance in institutional hands, and is regarded as one of the more solid mining investment companies.

RMP, both as a property-owning company and latterly as a potential gold producer, is a speculative stock, and this is confirmed by the low institutional holding.

Investing in a speculative stock is by definition a risk, but the rewards can be dramatic — in this case if the gold price surged and the property market took off — and it is obvious that RMP shareholders are willing to take their chances.

I am told that RMP's future development will not be influenced by the results of the offer, and shareholders will be called on to dip into their pockets for capital or accept the dilution of their shareholding.

With the Crown Mines sands project due to start production early next year Rand Mines should be in a position to decide on expansion at RMP late in 1982, so it will be some time before additional capital is required.

If nothing else, the TCL offer has given RMP shareholders a comprehensive guide to the present state of affairs, and an indication of how much it will cost them to stay aboard and reap the eventual benefits.

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50. Lockett, Peter P.: ...
Light of Recent SE...
January 1975, page ...

51. Ibid.

52. Ibid.

53. Ibid.

54. FASB 34: Op. cit., ...

55. Arcady, Alex T. and ... ": ... – Ho...
Accounting : Some P...
the Controversial F... 34",
Accountancy, March ...

56. Ernst & Whinney: Op. cit., page 42.

57. Ibid, page 49.

58. Ibid.
Also Deloitte, Haskins & Sells: Op. cit.

59. Ernst & Whinney: Op. cit., page 49.

Zanussi expansion

Financial Reporter

MR LAMBERTO Mazza, a financial consultant for Zanussi, Europe's largest appliance manufacturer, says the company plans to expand its interests in South Africa.

Zanussi recently announced a licence agreement with Defy Corporation for the manufacture of a new range of refrigerators and freezers in South Africa, involving an investment by Zanussi of R12-million.

Mr Mazza visited Defy's industrial facilities, and said they would be as advanced as any in the world.

The new range will be sold under the Defy, General Electric and Hotpoint brand names

HQn38 QC515-6 25/9/81

Competition Board (232)

*5 Mr C W EGLIN asked the Minister of Industries, Commerce and Tourism:

(1) Whether the Competition Board has completed its inquiry into the liquor industry, if so, when does he expect to receive a report from them;

(2) whether such report will be laid upon the Table, if so, when,

(3) whether interested parties will be given an opportunity to (a) examine such report, and (b) make further representations to the Government, prior to legislation being introduced?

†The MINISTER OF INDUSTRIES, COMMERCE AND TOURISM.

(1) No The Board has, however, already made good progress with its investigation, but at this stage it is impossible to indicate when the Board will submit its report

(2) In accordance with section 12(4) of the Maintenance and Promotion of Competition Act, 1979 (Act 96 of

1979), every report of the Competition Board concerning an investigation under section 10(1) of the Act which in the opinion of the Minister may be made known without detriment to the public interest, shall be laid upon the Table as soon as practicable It is therefore not possible to indicate whether the report will in fact be laid upon the Table and, if so, when

(3) (a) The report will be available to everybody, if and after it has been laid upon the Table

(b) Although it is not prohibited to consider representations which may be made after the Board has submitted its report, the purpose of the investigation is precisely that parties must make all information and evidence available beforehand to the Competition Board, which is a statutory body, for independent evaluation by the Board

BANANA INDUSTRY IS ON THE VERGE OF BECOMING A MONOPOLY

S. Tribune 27/9/81

232

~~3 Natal~~

By PAT BULGER

NATAL banana distributors met last week to discuss a new marketing strategy which could eliminate all competition and send the banana price soaring.

A Sunday **Tribune** investigation into the banana industry has disclosed:

- The price of Natal bananas has jumped by 46 percent since the Banana Board's controversial takeover of the province's industry 14 months ago.
- Natal's banana industry is on the verge of becoming a multi-million rand monopoly controlled by the Transvaal company Sentraal Piesang Kooperasie (SPK) whose director, Colonel Cornelius Huyzers, is chairman of the Banana Board
- A big Natal distributor is in danger of losing his licence thus increasing SPK's 60 percent hold on the market

Progressive Federal Party spokesman on consumer affairs, Harry Schwarz, said he would call for an immediate Government inquiry into what he called 'a gross abuse of public trust'.

"If the so-called free market system can be abused in such a way, the Government will have to step in and break the power ring to protect the consumer," Mr Schwarz said

According to a source who attended the meeting but did not wish to be named, the general manager of SPK, Bannie Bester, met with major Natal distributor D. Naidoo

Among the matters discussed, the source claimed, was the possible implementation of a marketing agreement between Mr Naidoo and SPK's distribution subsidiary Sunripe Fruits

Under the agreement, which according to the source would be considered as a long-term project, distributors who normally compete with each other to offer retailers better prices, would agree to fix prices once a week

"One distributor will not be able to approach another's clients under the agreement.

"The board has got nothing to do with this, it is simply a matter for the distributors There has been a lot of clashing and many instances where one distributor offers another distributor's clients a better price," the source said

Mr Bester confirmed the meeting took place but denied a divisional marketing strategy had been discussed

The **Tribune** has also learned that a Port Shepstone distributor is in danger of losing his distributor's licence.

The distributor, Mr Z Balejko, confirmed this

"My licence has been renewed only until November. I have written to the Banana Board asking them to give me a chance to state my case"

If Mr Balejko loses his licence he will be the second distributor to drop out The first, Mr R Budhoo, opted out of banana distribution in March this year.

Under the Banana Board scheme only licensed distributors can buy bananas from the board to sell in the major centres such as Durban and Pietermaritzburg. Competition between distributors, the board claims, is what keeps the banana price within reach of the consumer

Retail outlet spokesmen threatened "drastic action" if they found out distributors had agreed to fix the price.

"The only thing that helps us keep the price down is market flexibility," said Game Discount World's senior vice-president Alec Hurter.

"If we cannot choose distributors to get a better price we will have to take the strongest possible action to protect ours and the consumers' interests," he said

Pick n' Pay's general manager Colin Clark said he was opposed to monopolies of any sort

"They can only push the price up," he said.

Banana Board chairman, Colonel Huyzers, said he had heard nothing of the agreement to fix prices

Speaking in his capacity as chairman and not as a director of SPK, he said that while it was true the Natal banana price had risen from about R6,00 a 20 kg crate to an average of R10,00 this was because of a drought.

He added that the farmer was getting almost double what he was before the Banana Board started in Natal.

analysts who are far l ... ancial analysis. Furthermore, footnote ... th Africa would be subject to audit, but ... closure would not. This approach could cr ... environment which could encourage direct ... objectives".

Finally, reference to ... e equity method overseas yields the fo...

Monis & Fattis' fatter earnings

(022) RDM 29/9/81

Financial Reporter

MONIS & Fattis Industries, spaghetti makers to the nation, rode the boom to achieve 152% earnings growth in the six months to end July.

The independent pasta maker lifted sales 25% to R20 141 000, pre-tax profit 96,5% to R1 525 000 and taxed attributable profit 152% to R701 000. Earnings a share were 24,9c (1980 9,9c).

The directors says the improvement is largely due to prevailing economic conditions, but the flour milling and bakery divisions showed particular improvement.

They say higher interest rates are a problem but expect "satisfactory" results for the second half. They remind holders that a larger portion of investment income comes in the second half

TABLE 4. ADOPTION OF TH...

	COMPANIES WITH ASSOCIATES	ADOPTION OF THE EQUITY METHOD	PERCENTAGE.
UNITED KINGDOM (1978 - 9) (29)	233	198	85
NEW ZEALAND (1980) (30)*	172	99	57
WORLD SURVEY (1980) (31)	113	73	65

*In the New Zealand survey, a number of companies (omitted from Table 4) made no reference to associated companies. It appears from the survey that most of these particular surveyed companies had investments not qualifying as associated companies. There are at present no percentages available in the U.S.A. although

Flekser Steel sold

STAR 23/9/87

232

Lucem Holdings has announced that its steel subsidiary, Flekser Steel Holdings, has sold its merchandising operation to Macsteel with a net cash injection into Flekser of R7 million.

"This deal furthers the long-term objective of the Flekser group of concentrating activities more and more on steel servicing and processing and the manufacture of steel products," said a spokesman for Lucem Holdings in a statement released yesterday.

Lucem sells steel arm to Macsteel for R7m

ROM 22/9/78 232

Financial Reporter

LUCEM Holdings steel subsidiary Flekser Steel Holdings has sold its steel merchandising arm to Macsteel (Pty) for R7-million cash.

The deal with Macsteel furthers the Flekser group's long-term objective of concentrating its activities on steel servicing and processing, and the manufacturing of steel products

Special supply arrangements between Macsteel and Flekser are in force through which Macsteel will handle the sale of any steel to be sold by Flekser in conjunction with its steel service products

Flekser also announced yesterday that it is installing a further large cold rolling section mill, a second slitting line, increased capacity for manufactured expost products, and new and larger facilities for the manufacture of steel metal products.

Flekser's international steel product marketing from its London office will not be affected by the new arrangements.

Wednesday, September 30, 1981

Gencor asbestos bid

Offer to buy TC Lands' interests considered

RDM 30/9/81 232

By ADAM PAYNE

GENCOR, which is South Africa's largest asbestos producer through its two mining companies — Msauli and Gefco — has made an offer to TC Lands to acquire its asbestos interests.

If the deal goes through, Gencor will become one of the world's big asbestos producers with a wider spread of products — chrysotile, amosite and Cape blue — than any other world producer.

The offer is being considered. In the event of negotiations being successful, the asbestos interests bought from TC Lands will be offered by Gencor to Gefco (Griqualand Exploration & Finance Company).

Because of the announcement of the offer, the JSE agreed to suspend the listing of Gefco's shares yesterday but trading will resume in the shares today.

Gencor warns shareholders, who have seen their shares rise from 180c a month ago to 200c yesterday in spite of poor asbestos market conditions, to exercise caution in dealing in the shares until full details of the transaction have been released and says that an announcement can be expected shortly.

A Gencor spokesman said that the principal aim of the offer was to rationalise Cape blue asbestos production. Cape blue asbestos is used largely in cement pipe manufacture for which world demand has been slack.

"We cannot yet put a precise value on the offer," he said "We have talked figures subject to confirmation after certain investigations."

Although no offer figures are available, the records show that TC Lands paid R28 600 000 for its asbestos mines — Penge and Pomfret — to Cape Asbestos in June 1979, using R18 600 000 in Rustenburg's shares as part of the purchase price.

These 7 123 803 Rustenburg shares were then valued at 261c a share. Yesterday Rustenburgs were 600c a share.

In addition to the Penge and Pomfret mines, TC Lands through its operating company, Cape Mines, 10 days ago completed the purchase of the Cape blue asbestos mines operated by Asbestos Investments, 46%-owned by Everite.

Pomfret mine, bought from Cape Asbestos, is a Cape blue asbestos producer in the North West Cape and Penge produces amosite asbestos in the North-Eastern Transvaal.

It is difficult for people outside the business to put a value on the Penge and Pomfret mines and on the mines sold by Asbestos Investments to TC Lands.

One can assume that Gencor is offering paper and cash and that if the deal is successful and an offer is made to Gefco that Gefco will pay mostly in paper, since its cash resources are small

In this event, Gencor will have a substantially greater holding in Gefco than at present and Gefco's operations will be extended when the market improves.

Rationalisation

Because of the present slackness in the Cape blue market, two of Gefco's four mines in the Kuruman area, Asbes and Rirries, have been on a care-and-maintenance basis for more than a year.

The mines bought by TC Lands from Asbestos Investments are in the same area south of Kuruman as some of Gefco's mines and rationalisation of production there would be undertaken should the offer succeed.

There is excess installed capacity for production of Cape blue asbestos and in spite of the mothballing of two Gefco mines there is over-production of Cape blue asbestos

Rationalisation would make sense because the Cape blue deposits are small and scattered and Gencor's aim would be to work the most efficient and economical mines.

Up to the present, Gefco and TC Lands have been the biggest Cape blue producers with about equal output.

Amosite

Gefco's production last year was 47 311 tons worth about R25-million

TC Lands' Pomfret Cape blue mine is a modern one following a R10-million programme for a new mill and mechanisation which was completed in 1978

TC Lands' other producer is the big Penge amosite mine. Amosite has distinctive qualities not found in Cape blue or chrysotile asbestos and is used in such products as brake linings

Amosite has fared better in the market place than Cape blue Amosite output rose to 60 000 tons last year from a rate of 36 000 tons at the beginning of 1979

Cape blue prices were expected to rise 15% at the beginning of this year but the rise did not materialise because of severe competition on world markets with consumers drawing off from their own stocks. Meanwhile, mining costs rose with inflation

Consumers have been holding stocks in large quantities because of the Western world recession and because consumption has been slow

Cape blue sales to developing countries for piping and other infrastructure have been maintained but sales to industrialised countries have been down because of the recession

Gefco, and Msauli Asbestos which produces chrysotile, passed their interim dividends in July. However, asbestos observers have for some time been predicting that the market will revive in 1982, especially as substitutes have not been found for asbestos.

Asbestos exports last year were valued at R93-million fob and for the June quarter this year they totalled R27-million. Local sales exceeded R9-million in 1980

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Gencor bid for TCL asbestos

Star 30/9/81

General Mining Union Corporation made an offer to Transvaal Consolidated Land and Exploration yesterday to acquire its asbestos interests. Gencor said that the offer was being considered.

In the event of negotiations being concluded, these asbestos interests will be offered by Gencor to the Griqua-Land Exploration and Finance Company (Gefco)

Msauli Asbestos, which produces a different type of fibre to that produced by TCL and Gefco, will not be affected by this transaction

The Johannesburg Stock Exchange has been requested to suspend the listing of Gefco shares until the negotiations have been finalised, but suspension was granted for yesterday only.

Shareholders are accordingly advised to exercise caution with their shares until full details of the transaction have been released An announcement in this regard can be expected shortly — Sapa

SX

Titan revamp

30/9/81

(180) 232

Wholly-owned subsidiaries of Metkor Investments, the Titan Industrial Corporation group of companies, has been restructured.

Bright Metals, Renbolt Engineering, Titan Chain and Titan Industrial Corporation (1952) will operate, with effect from tomorrow as divisions of a newly formed company, Titan Industrial Corporation.

The former Bright Metals and Renbolt Engineering companies will become the Bright Bar and Bolt Division; Titan Chain will become the Chain Divison and the export and import steel trading operation, which formerly operated through Titan Industrial Corporation (1952), will become the Steel Export and Import Trading Division of the new company.

Susman is confident in spite of a 'probable' downturn

CT 30/9/81

(232)

By ALEX PETERSEN
Finance Reporter

WHILE turnover of the Woolworths group of companies for the current year from July is less buoyant than the preceding 12 months, the chairman, Mr David Susman, remains understandably optimistic on the group's prospects for the first year following the Truworths merger

In the Woolworths Truworths Ltd annual report, Mr Susman notes that "we must accept the probability of a downturn in view of the sharp rise in interest rates, in particular those paid by by homeowners on mortgage bonds, together with the curtailment of consumer credit

"The rate of inflation continues to be of grave concern, and until the policies applied by the authorities succeed in bringing it under control, it is unlikely that measures to stimulate further growth will be introduced"

However, Mr Susman remains confident of growth within the group, with the development of the newer stores, the opening of further stores during the year "and above all, the expected contribution from Truworths" which, he says will more than counter any reverses

Since he occupied the chair for most of the period, the former chairman, Mr Richard Sonnenberg, reports on the year to June 1981, noting that the company has earned increased profits and is paying increased dividends for the 28th successive year

In a personal touch in his final swan-song as chairman, Mr Sonnenberg writes "I trust shareholders will bear with me if I reminisce a little by recalling some of the main events in my career with the company spanning half a century

"I well remember the 30th October, 1931, when my father and I, as directors of Woolworths (Pty) Ltd, assisted by Mr F H Kossuth, who is still active as the director of finance, and Mr H Saevitzon, now retired, opened our first store in what was the old Royal Hotel dining room in Plein Street, Cape Town

It was an immediate success and encouraged us over the next few years to open stores in other centres In 1935 we were joined by Mr Elie Susman father of David Susman, who, being resident in the Transvaal, directed operations in that province

Commenting on the crucial liason which was formed with the British retailers, Marks and Spencer, Mr Sonnenberg spells out the how this influenced the key stones of Woolworths' trading philosophy

"The main inovation to which they introduced us was the principle of creative merchandising, which is the development of goods, together with selected manufacturers, as opposed to arm's-length purchasing from their standard range

"We buy not goods but production capacity and we assume the responsibility, in great detail, of specifications for that capacity We work in very close co-operation with a limited number of suppliers of fabric, clothing and food, and their innovative and technical abilities, together with our own, have enabled us to create a tightly controlled range of inexpensive and high quality goods

"It has been said that we are manufacturers without factories and that our suppliers are retailers without stores

The success of the philosophy in particular in the last decade is refelcted in the ten year financial review included in the report, which show that Woolworths' turnover has shown steady and incremental growth from R62,8m in 1972 to R272,9m for 1981

During the same period earnings per share have risen from 15,5c to 91,4c, while the dividend has climbed from 6,2c to 39c

Battle rages afresh over Union Wine

RDM 1/10/81

232

By DAVID CARTE

CAPE Wine & Distillers, Senbank and the Pickard and Kirsh groups are locked in another battle over Union Wine that could lead to the Supreme Court

Union Wine has refused to register about 900 000 Union Wine shares in the name of Senbank

Senbank bought the shares for Cape Wine in the battle for Union Wine that turned into the JSE's biggest bear squeeze in March

Senbank has threatened to make an urgent application to the Supreme Court to force registration of the shares in its name

According to sources close to the Pickard and Kirsh camp no Union Wine shares had been registered in the name of Cape Wine until less than a fortnight ago when Senbank deposited certificates for 900 000 shares, requesting registration in its name

This was six months after the shares were bought Cape Wine had previously said the shares were being warehoused for it by parties unnamed

Union Wine's company registrar refused to register the shares in Senbank's name, he said, because it was common knowledge that the shares were paid for by and belonged to, Cape Wine

And Cape Wine as a wine producer, was not allowed to hold shares of another wine producer without permission of the Minister

The Kirsh-Pickard camp maintains that Cape Wine several times acknowledged verbally in the Press and in telexes that it had bought the shares

It also maintains that Cape Wine & Distillers agreed with the President of the Johannesburg Stock Exchange to sell some shares to enable resolutionof outstanding bear sales at the end of the great bear squeeze

There was therefore no doubt that the shares belonged to Cape Wine and not to Senbank

They maintain that to register the shares in Senbank's name would be an offence, as ministerial permission had still not been obtained

A Senbank spokesman told me that Senbank bought the shares as a principle in the market and sold them to Cape Wine on the suspensive condition that the Minister's permission for the purchase be obtained.

Such permission had so far not been obtained and Senbank was therefore entitled to register the shares in its own name until permission had been obtained

Liquor industry sources say Cape Wine is unlikely to get ministerial permission to buy the Union Wine shares, for which it paid about R3 600 000, until the Competition Board reports at an indefinite date in the future

In its results published only last week Cape Wine showed an unexplained extraordinary item of R2 600 000, which most analysts of the results interpreted as being the cost of acquisition of the 900 000 Union Wine shares.

Company watchers said Senbank was eager to register its shares now because Picotel was having a rights issue to finance its retail liquor expansion

Rumour had it that relatively cash-strapped Union Wine would not follow its rights but that Kirsh and Pickard would underwrite the rights issue, thus getting a bigger stake of Picotel, which is apparently to be the retail liquor arm, while Union Wine will be a wine producer

Once its shares are registred Senbank might like to make a fight of being entitled to follow rights in Picotel as a minority shareholder in Union Wine

The 900 000 shares held by Senbank for Cape Wine represent about 18% of the equity of Union Wine, compared to the 75% stake held by Coki Corp and Picardi Finance Union Wine has 85% of Picotel but this will be reduced if it does not follow its rights

Cape Wine & Distillers had no comment yesterday

COMMENT Latest developments are further proof that Cape Wine made a monumental mistake in bidding for Union Wine in the first place It paid R3 600 000 for what - an annual dividend receipt of about R81 000? As an 18% minority, it is powerless to influence the affairs of the company Perhaps Senbank can slowly offload the shares and the whole sorry story be forgotten.

Hau59 QC575-6 2/10/81 (I32)

Competition Board: liquor trade

*9 Mr C W EGLIN asked the Minister of Industries, Commerce and Tourism

(1) Whether the inquiry being conducted by the Competition Board into the liquor trade affects the Cabinet decision of 13 November 1979 relating to the restructuring of the liquor trade and the divesting of the companies concerned of their retail liquor store interests, if so, (a) to what extent and (b) in what respects,

(2) whether his Department is taking steps to ensure that the agreed annual quota of retail liquor store interests is disposed of by the companies concerned, if so, what steps?

The MINISTER OF INDUSTRIES, COMMERCE AND TOURISM

(1)(a) and (b) The Competition Board will within the framework of its inquiry into the sale and distribution of liquor in the Republic inevitably also give attention to the restructuring of the liquor industry which was announced on 13 November 1979 The investigation has not yet been completed and it is at this stage not possible to indicate to what extent and in what respects the divesting of the relevant companies' retail liquor interests are affected by the inquiry

(2) The restructuring of the liquor trade is based upon an agreement between the companies concerned, which was approved by the Cabinet There is no statutory provision that steps be taken by the government to ensure that the contracting parties adhere to their agreement However, returns regarding retail liquor interests are called for annually from all producers and in this manner it is established whether the agreement is being adhered to

Mr C W EGLIN Mr Speaker, arising out of the reply given by the hon. the Minister and with reference to paragraph F of the Cabinet's decision of 13 November, could he tell us whether steps are being taken to ensure that other controlling bodies or organizations are limiting their retail liquor outlets to five?

The MINISTER Mr Speaker, the hon member must table that question

Question standing over from Wednesday, 30 September 1981

Company reports by ANN CROTTY

Obstacles ahead for newly formed group — Susman

Star 2/10/81 (232)

Turnover for the newly formed Woolworths Truworths group in the current financial year is expected to be less buoyant than it was in the 1981 financial year.

In the first annual report the group chairman, Mr D R Susman, said that a downturn must be expected in view of the sharp rise in interest rates, in particular those paid by homeowners on mortgage bonds, together with the curtailment of consumer credit.

"The rate of inflation continues to be of grave concern, and until the policies applied by the authorities succeed in bringing it under control, it is unlikely that measures to stimulate further growth will be introduced."

Mr Susman lists a number of factors, however, which will ensure that the company will make steady progress during the year,

- The natural development of the newer stores,
- The opening of newer stores.
- The expected contribution from Truworths.

Commenting on the merger among Woolworths, Truworths and Bonmore Investments, last year's Woolworths' chairman, Mr R S Sonnenberg, said that it resulted from the excess liquidity of Woolworths and the need to seek an investment for these funds.

Woolworths had investigated several propositions but decided that the investment should be one similar to its own activities.

It is intended that each company will retain its own character and identity but Mr Sonnenberg says that there are many areas of activity and policy which are common to both businesses and which will be developed in the years ahead.

He notes that the profits of Truworths for the 12 months ended June 1981 "approximated the forecast at the time of the merger." Because they are pre-acquisition these profits are not distributable.

Spitz equipped for future growth

Star 2/10/81 232 ~~187~~ ~~249~~

As a result of its recent diversification programme into related but wider fields of activity, Spitz is "well prepared for future growth" says the chairman, Mr Anthony Spitz.

In his annual report Mr Spitz forecasts that with the diversifications coming onstream in the current year the group should once again show a healthy growth rate "although possibly not of the same magnitude as that recorded in the past year."

In the year to June 1981 Spitz increased pretax profit by 132 percent to R2,3-million.

Acquisitions made during the year were:

- Footwear wholesaling and distribution companies Republic Shoes and S Slavin.
- A 51 percent interest in Eurofit International, the manufacturer of Bally women's clothing.
- A 51 percent stake in the women's handbag manufacturer, Continental Fashion Accessories.

The company is also establishing shops-within-shops in its AD Spitz chain for Celine and Dunhill.

Cape merger

S. Times 4/10/81

232

By Andrew McNulty

A MERGER of two computer software houses in Cape Town has resulted in the establishment of a new company, Quantum Systems

Both companies specialise in Basic and Cobol programming, and clients include Wang, Hewlett Packard and IBM users Each employs four programmers, who will be absorbed into the new company

COMPANY COMMENT
By Mike Chester

Mergers: The do's and don'ts

S. Tribune 4/10/81 (232)

FOR THOSE of us contemplating a takeover of another company — or those of us in the often rather unenviable position of being minority shareholders in a firm being taken over — a recently published booklet on the subject should be of more than passing interest.

Professor S J. Naude, who is head of the Deprtment of Mercantile Law at Unisa and a board member of the Competition Board, recently gave a very absorbing talk on the maintenance and promotion of the Competition Act of 1979, which came into force at the start of 1980, and the little book in question — The Act's Policy Guidelines.

The talk was at a seminar "for those businesses contemplating mergers or takeovers."

This was the first formal meeting and discussion of the guidelines, which were printed at the end of July, with members of the board set up by the Act — the board's director, Dr J. A Lambrechts, was one of these sitting in the aisles

Two of the battery of points made by Professor Naude in the Johannesburg seminar, which was attended by some very highpowered businessmen, were

"I think one can say the system (established under the new Act) tries to be fair and it is inexpensive in terms of money and manpower — which is important in South Africa. We could not afford what the US system costs — and it is informal.

"It is aimed at finding the merits of an acquisition rather than getting embroiled in legal arguments and costly debates on jurisdiction."

Another point made by Professor Naude was that the Act encourages consultation. Companies contemplating a takeover, who feel that they would be investigated under the Act and the take-over dissolved, are encouraged to talk privately with the board and get advice.

"That is why we expect relatively few investigations taking place, if the system of consultations is used properly," the professor said.

But he warned: "The acquisition policy has only just been published and up till now there has not been an investigation. But it would be a serious mistake to make the inference that the board is going to be reluctant to act where they ought to act

"To make the inference because there has not yet been an investigation and because we will act with circumspection (part of the Act's policy) would be a miscalculation," he said.

"In future it would be advantageous for a firm to consult us if they feel it necessary. Failure to do so may cause expense and acute embarrassment to the parties involved and their financial advisors.

The board has two important functions. firstly to advise the Minister of Industries, Commerce and Tourism on all aspects of economic competition policy, on the coordination of official competition policy, on the implementation and administration of competition policy and on new trends.

Second, it has the power to act on its own initiative to investigate and it must investigate if the Minister so directs.

The reason this Act is so important is that it repealed the regulation of the Monopolistic Conditions Act of 1955. This Act made no specific provision for investigations of mergers, take — overs or other acquisitions of control

A report on the now obsolete Act by a commission of inquiry found that the 1955 Act's inability to deal effectively with "the merger problem" was its main weakness.

The guidelines comments: "The dispensation regarding acquisitions is probably the most significant feature of the new Act."

It also goes on: "It must be appreciated at the outset that the mere fact that a merger, takeover or acquisition of assets falls within the definition of an acquisition in Section One of the Act, does not imply that it is undesirable or that action is likely to be taken against it.

"It merely means that it is legally possible to take an action against it if an investigation leads to the conclusion that it is, in the particular circumstances, contrary to the public interest.

"An acquisition could quite conceivably be highly desirable from the point of view of the public interest — which is always the crucial criterion."

"Public interest" is, of course, fundamental importance in the advice given after consultations on a proposed acquisition or to the outcome of an investigation. But no statutory definition is given. And this is quite understandable

The Act does not prohibit takeovers as such It is an enabling act which allows the newly created Competition Board to examine such situations, as well as restrictive practices

And, if the takeover is found to restrict competition in such a way that it is against the public interest, the board may then take action.

Clive Bevan, Kings Parking MD, and Fedservices MD Peet van der Walt (left)

Fedservices takes over Kings Parking

S. Times 4/10/87

FEDSERVICES, the holding company for the Federale Group's service industry interests, has acquired an 85% stake in Kings Parking Co (SA), South Africa's largest parking-garage operator

Kings Parking, which manages 40 parking operations with 14 000 parking bays and has an annual turnover of R8 million, was bought for cash from its Australian parent

Fedservices will incorporate its existing Zeda Autopark parking operations (owned through its subsidiary, Avis) into the Kings network

By John Spira

Peet van der Walt, managing director of Fedservices, comments "We consider parking garage management to be a growth area and we wanted to extend our existing interest in this field

"The most effective way of doing so was to acquire Kings, which is the market leader as well as the only national operator in the country

"We were particularly attracted by its specialised expertise and by its depth of management.

"Avis had already developed a sound parking base, but in view of the considerable demand for its main services — car and truck rental and leasing — its managing director, Glenn van Heerden, decided that it would be expedient for Avis to relinquish its parking interests"

Kings' executive directors, managing director Clive Bevan and development director Alan Calenborne, will remain with the company and will have a 15% shareholding

According to Mr Bevan, the Fedservices involvement will introduce a new growth phase at Kings

"We shall also be able to draw on Fedservices' vast expertise in the service industries field and on the support and resources it makes available to its investments

"At present, the bulk of our portfolio is in parking at office buildings or in conventional multi-storey parking garages, which we either manage on behalf of their owners or lease and operate on our own account," says Mr Bevan

"In view of the rapidly escalating demand for parking in the major areas we serve, we have now reached the point where we shall have to initiate the development of new parking structures"

Barlow Rand sells Placo

RDM 5/10 (VVO) 232

By JOHN MULCAHY

BARLOW Rand has sold its wholly-owned light aircraft subsidiary Placo (Pty) to the Heliquip group and a consortium of private interests led by Burad Securities

Placo, the sole distributor in Southern Africa of Piper aircraft, operates from Rand Airport, and is one of the "big three" light aircraft distributors in South Africa

The corporate aircraft market is believed to be worth at least R25-million a year, and Placo has just unveiled a new Piper propjet to bid for a greater share of this business

Heliquip director, Mr Peter Piggott, said the Placo takeover took effect on October 1, but he declined to disclose the purchase price "There are complicated financial arrangements"

Mr Colin Cohen, Placo's new managing director, said the Heliquip-Placo conglomerate would be a "very large company" in general aviation terms, but the aviation market was highly sensitive and for competitive reasons operating results could not be published

The Piper Corporation of the US has been aware of the negotiations, and has approved the change of control, with Placo retaining the franchise for all Piper products

Barlows said Placo would continue to develop the Piper dealership and service network to support the expanding general aviation market in South Africa

"Heliquip and Placo will be rationalising their facilities to ensure that purchasers of Piper, Embraer, Aerospatiale (civil helicopters) and the US Hiller helicopters enjoy the most comprehensive range of products and continue to receive thorough product support"

Mr Cohen said Placo, with its new generation of turboprop aircraft, was poised on the same watershed as Heliquip Heliquip is now involved in new technology helicopters, which represent an advance on the "Vietnam era" of choppers

He described the takeover as a "meeting of minds", that Barlows did not hawk the business, and neither did Heliquip approach Barlows with an offer

The two companies would start working towards the same end, said Mr Cohen, providing complete service back-up and operational expertise

Mr Cohen said Placo would be aiming at growth which it should have achieved in the past

Star 232 [illegible] 17/10/81

Joint company

A joint marketing company, Consolidated Starches, has been formed by African Products and Corn Products to market the complete and extended ranges of regular and modified starches manufactured by African Products and caramel manufactured by Corn Products.

Consolidated Starches will be administered from the head office of African Products in Johannesburg. —Sapa.

Cape Wine sets aside R2,4m for Union Wine

RDM 6/10/81 (23)

By DAVID CARTE

CAPE Wine & Distillers has made provision in its financial statements "for acquiring in due course" 943 500 shares in Union Wine being held for it by Senbank, says the chairman, Dr A J du Toit, in his annual report

For this purpose, it has set aside, as an extraordinary item, R2 408 000, being the difference between the asset value of the Union Wine shares and the R4 300 000 paid for them.

This follows the refusal of Union Wine last week to register the shares in Senbank's name on the grounds that the shares were really Cape Wine's and Cape Wine may not hold the shares until it has the permission of the Minister of Commerce and Industries, Dr Dawie de Villiers

Senbank has counter-argued that is entitled to register the shares in its name until Cape Wine gets the necessary permission and has threatened to apply to the Supreme Court to enforce registration of the shares

In his chairman's statement, Dr Du Toit says Cape Wine launched its unsuccessful bid for control of Union Wine with a view to selling off its retail liquor outlets, "thus making it easier for the government to implement the principle of total separation" between producers and retailers of liqour

Dr Du Toit expresses the fervent hope that after the Competition Board reports, the Government "will take the necessary steps to ensure total separation of wholesale and retail, so that the golden opportunity created through the founding of Cape Wine will not be lost."

The wine and deciduous fruit industries, he further asserts, are the "backbone of the Western Cape economy"

Forecasts have shown that 30% more jobs will have to be created in the next 10 years to accommodate the growing population of the region This will be possible only if the wine and other agricultural industries remain sound

Dr Du Toit says increased excise duties on the products of Cape Wine, particularly the 23% excise hike on brandy, must have an adverse effect on the sales of brandy, gin, vodka and cane Per capita consumption of these products has been falling for 10 years, he says

The industry was already saddled with a surplus and wine farmers were suffering the effects of heavy rains and floods

Despite floods in several areas, adequate quantities of wine ... 1981 crop and the 1981 vintage showed "great promise"

Dr Du Toit says wine price increases were kept to a minimum and with the economy more buoyant, sales showed a heartening upswing

Brandy sales showed moderate growth to reach the levels attained in 1976 Cane spirit consumption reached the same level as 10 years ago.

The group made a strenuous effort in exporting and lifted export sales 40%, although certain traditional wine producing countries enjoyed substantial government subsidies and Italian wine, for instance, could be sold at a lower price in the USA than it could be produced in SA

Dr Du Toit welcomes the legalisation of shebeens saying legal shebeens will improve the quality of life in black townships

Cape Wine products last year won 57 medals including 17 gold medals out of a total of 80 awarded to SA wines and spirits, "no mean feat", says Dr Du Toit

On prospects Dr Du Toit says only that the economy and consumer spending have slowed and interest rates risen Increased excise duties on brandy and other spirits and fortified wines and sparkling wines will depress sales But Cape Wine expects to maintain or improve market share.

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CFC tie with General Foods

Star 6/10/81

Cerebos Food Corporation (CFC), manufacturer and distributor of foodstuffs in the Anglovaal group, has acquired the business of General Foods Corporation's local subsidiary, General Foods, in exchange for a minority interest in CFC — Sapa.

Hortors Trio Rand union off to good start

SStar 6/10/81

232

By Ann Crotty

The merger between Hortors and Trio Rand has got off to a good start with the announcement from Hortors and the newly formed Hortors Trio Rand of sharp profit increases.

Hortors more than doubled net attributable income to R1,3-million for the six months to June.

Earnings a share were also more than doubled to 22,6c (11,2c) and the interim dividend has been increased to 7c (5c) a share

These results were achieved on sales of R39-million compared with R17,4-million in the first six months of last year.

The board has decided that the major part of all dividends received from its two main subsidiaries, Hortors Trio Rand and Kalamazoo Business Systems will be passed on to the shareholders after providing for administrative expenses and taxation, said the chairman Mr J M Parrington.

Hortors Trio Rand became a subsidiary of Hortors when Hortors sold its printing, packaging and graphics interests to the former in exchange for Hortors Trio Rand shares.

Hortors Trio Rand's financial year-end has been extended from July to December to bring it in line with that of Hortors so the results published today are for the 12 months to June and are compared with the results for the 12 months to June 1980

For the review period this company reports a 90 percent increase in net attributable income to R3,6-million. Earnings a share were 75 7c (60,2c) and dividends were 32,5c (20c) a share.

Mr Parrington said that results for the six months to December are expected to be good although not as marked as in the review period.

Kalamazoo Business Systems is also performing satisfactorily. The manual systems division exceeded budget for the period and the new micro-computer division made a good start.

Mr Parrington believes that this division has considerable potential but says that it is too early to give an accurate assessment.

He is optimistic about Hortors year-end results, saying that he is "looking forward to a good successful final six months."

Gentire SA wants UK firm

RDM 7/10/84

196 232

By DAVID CARTE

GENERAL Tire SA has made a bid for Hallite Holdings, a British manufacturer of liquid seals which is listed on the London Stock Exchange.

Gentire SA is bidding 200p a share for Hallite, which has 2 400 000 shares in issue It already has 20% of the company, so its maximum outlay, if it gets all the outstanding shares, will be about £4-million in cash

The chairman of Gentire, Dr Heskel Khazam, told me last night Gentire was buying Hallite "because it is a good investment for us". He said the company already had exchange control approval for the purchase

He said the company was making profits under today's stringent economic conditions in the UK and had great potential The acquisition would not immediately benefit Gentire's earnings

Dr Khazam had no idea how much of Hallite his company would eventually own or whether its listing on the London Stock Exchange would continue This depended on shareholder acceptance of the offer.

Dr Khazam said Gentire's buying had lifted the price of Hallite recently, but a month ago the price was 145p, so the offer price was a premium of 55p on the price a month ago

RDM 8/10/81

Anglo bids for Shangani

(270) (2321) (382)

By JOHN MULCAHY

ANGLO American's Bindura Nickel Corporation of Zimbabwe is making an offer of one new Bindura share for every five Shangani shares in a bid for 100% control of Shangani Mining Corporation.

In terms of the proposed scheme of arrangement announced in Salisbury yesterday Shangani's present shareholders — Johannesburg Consolidated Investments has 48,7% — will hold 17,8% of Bindura's share capital, with JCI holding 8,7%

If the scheme is accepted, Shangani's mining assets, certain mining claims and Shangani's current assets and liabilities will be acquired by Trojan Nickel Mines from Shangani

Shangani will then be sold back to JCI and Anglo American Corporation of Zimbabwe (Amzim) "at a nominal price"

Shangani's sole asset will then be a loan of Z$15 600 000 to Bindura, with liabilities of Z$12 600 000 for loans from third parties and the existing loans of Z$6-million and Z$13 500 000 from Amzim and JCI respectively

In recent years full provision has been made in JCI's accounts in respect of its investments in, and loans to, Shangani Because of the provisions, the proposed scheme wil have no material impact on JCI's net asset value and earnings a share in the current year

Shangani and Bindura share the use of the large nickel refinery near Bindura, and both companies have felt the adverse effects of the depressed metal market

In the half-year to December 1980 Shangani reported a loss of Z$328 000 compared with a profit of Z$697 000 in the comparable period the previous year

Production at that stage was reported to have been below forecast because of the low head grade, and this combined with increased working costs and weakening in the nickel market to depress earnings

The unfavourable factors were still evident this year, although a JCI spokesman said some weeks ago that underground development was continuing at Shangani after the phasing out of open-pit operations

Bindura's taxed profit last year was Z$9 250 000, but forecasts for this year are in the Z$6-million range

League is disillusioned

Mrs Yvonne Forshaw, vice-president of the Housewives' League, said she was "sadly disillusioned but not altogether surprised" by the commission's report.

"During the proceedings, the chairman, Mr Justice Eloff, told the former Opposition spokesman on consumer affairs, Mr Rupert Lorimer, that the commission did not have the funds to make an in-depth investigation into the industry.

"The judge said the commission would have to rely solely on evidence put before it. There were insufficient funds to go out to talk to meat farmers and butchers who may have felt too intimidated to speak before the commission," Mrs Forshaw said.

"The Housewives' League feels the commission was not able to probe the meat industry fully. Its findings, therefore, based mainly on evidence by Meat Board and prominent meat industry spokesmen, do not surprise us," she said.

Meat industry control is in hands of 3, inquiry finds

Star 8/10/81

~~3 Meat~~ 186 232

Own Correspondent

CAPE TOWN — A commission of inquiry into the meat industry has revealed a virtual control of the marketing of meat by three interests.

The Commission, under the chairmanship of Mr Justice Eloff, has found no irregularities in the meat industry, but has recommended a number of changes that should be undertaken by the Meat Board.

Apart from having virtual control of meat marketing, the Meat Board's chairman and five other members of its 13-member board are associated with one of these three interests — Vleissentraal

The other two big meat interests are Imperial Cold Storage and Supply Company Ltd and the Karoo Meat Exchange Ltd.

BIGGEST

ICS has the biggest share of the meat market and controls 30 percent of the wholesale meat industry, 10,3 percent of the retail section, 17 percent of processed meats and 23 percent of hides and skins

Vleissentraal controls 11,1 percent of the wholesale industry, 2,4 percent of the retail section, about 10 percent of processed meats and 40 percent of hides and skins and also controls about 50 percent of livestock turnover

The report also revealed that ICS and Vleissentraal were involved in joint concerns.

Karoo Meat Exchange was substantially smaller than the other two. It had a 4,2 percent interest in the retail section, 5 percent in the wholesale industry and 4 percent in meat-product factories.

The commission was "unable to find convincing evidence that the Meat Board's control militates against sound competition and price formation"

Board 'takes note' of recommendation

The acting general manager of the Meat Board, Mr E C Heystek, said today he had taken note of the commission's recommendation that the board should improve its producer relations.

It had been "unfortunate" some producers felt they had been threatened when they inquired about permits. The matter had already been taken up and the situation put right

The chairman of the Consumer Council, Professor Leon Weyers, said he accepted the finding that there was meaningful competition between the big-three meat combines — Vleisscentrall, Kanym and the Imperial Cold Storage.

But from the consumer's side there should be continuous vigilance A monopolistic situation could arise in the future against which consumers should be on guard.

Sources close to the South African Agricultural Union said farmers were satisfied with the reports.

Meat Board measures to promote price stability and an equitable access to the market had been upheld by the commission.

But it had reservations about the Meat Board policy of not granting registration to owners of supermarkets

The commission suspected "this policy may be to the detriment of sound competition and price formation."

DOUBTS

The commission found there was no evidence to show that the Meat Board's decisions "directly promote the interests of Vleissentraal"

It doubted that any legal alterations governing the appointment of producers to the Meat Board would "improve the existing set-up in any way"

The commission recommended that the Meat Board take over control of the marketing of skins and hides after documenting a series of complaints from tanners and skin exporters about a tight control held on the marketing of skins by Vleissentraal, ICS and Karoo Meat Exchange.

The commission could find no fault with the controversial set-up for the application of floor prices of meat and made no critical comments about the price-support system.

DISQUIET

But there was criticism of the Meat Board's dealing with producers over the permit system.

It could not find any evidence of irregularities, but said there were signs of an "unhealthy" situation where several producers have a sense of fear . and disquiet at not being allowed to complain or talk out."

The situation had arisen because of the penalty system used to enforce permit conditions for slaughter stock.

The commission recommended that the Meat Board look into the situation while also stating the opinion that the board was insufficiently flexible in the issue of permits.

Meat industry: 'Abuse claims unsubstantiated'

CT 8/10/91 (232)

Political Staff

HOUSE OF ASSEMBLY — The commission of inquiry into the meat industry says that claims of "abuse" and "malpractices" in the industry could not be substantiated and that there is no need to change the present system of meat marketing

The report, tabled in Parliament, said that although there was a close inter-relationship between the "big three" in the industry — Imperial Cold Storage Karoo and Vleissentraal — and concern about their growing interest in the industry, they did not have a monopoly between them

The commission also found no justification for changing the present system of representation on the Meat Board which has 13 members, six of them affiliated to Vleissentraal

IN THE HOUSE

Complaints

The commission said there had been complaints about the number of people connected with Vleissentraal on the board

"At present the chairman of the Meat Board is also the chairman of Vleissentraal, the senior general manager of Vleissentraal is a member and four of the other members are either members of the board of directors of Vleissentraal or members of the boards of directors or organizations affiliated to Vleissentraal," the report said

The general manager of the board had said that this resulted from the fact that leaders and knowledgeable people among producers were usually appointed directors of agricultural co-operatives

According to the senior general manager of Vleissentraal, this situation need not give rise to any problems since the members of the Meat Board were expected to act responsibly and without bias

The commission has also published a list of joint enterprises and arrangements between the 'big three

Cutting costs

"ICS has a 60 percent interest in Karoo 40 percent interest in a company set up to amalgamate two uneconomic units at Bethal and cutting unit costs

"ICS and Vleissentraal both have 50 percent interests in wholesale activities in Bloemfontein because turnover figures did not justify separate undertakings

"ICS and Vleissentraal have 50 percent interests each in Bull Brand Krugersdorp, including an abattoir and meat processing factory to share the high costs of building a new abattoir

"All of Karoo's hides/skins of its associated livestock agency in Kimberley in which it holds a 50 percent interest, are sold to Vleissentraal at purchase price

'All of Vleissentraal's hides/skins of its associated livestock agency in Bloemfontein are sold to Karoo at cost price

'Karoo sells all the hides/skins derived from its associated livestock agency in Pretoria to an ICS subsidiary which in turn sells equal numbers to Karoo on the Witwatersrand

'Karoo and W L Ochse and Co in which the ICS group has an interest co-operate in Bloemfontein

"Karoo and W L Ochse co-operate in Cape Town

'Vleissentraal and Natal Livestock Agencies, in which Karoo has an interest, co-operate at Cato Ridge

Witnesses of the "big three' agreed that vertical integration was a rational development since their organizations were involved in the meat industry on a large scale, that this entailed no disadvantage, and that from an efficiency point of view there were great benefits for producer and consumer

They said also that the big three were in vigorous competition with each other

The commission said there had been complaints from some producers that they were penalized for telephoning the Meat Board about permits or were given too heavy a penalty for minor infringements of their permits

'There are signs of an unhealthy situation where several producers have a sense of fear towards the Meat Board and disquiet at not being allowed to complain or speak out, the report said

'In the commission's opinion this is a matter that the Meat Board would do well to look into'

SAAN takes up 49 pc of Natal paper's shares

Star 9/10/81

~~243~~ 232

Own Correspondence

DURBAN — Mr John Robinson, life chairman of the Natal Mercury, has confirmed that 49 percent of the newspaper's shares will be sold to South African Associated Newspapers by the end of this month

But he denied that the deal would give SAAN the controlling interest

The present board of directors (five from Robinson and Company and two from SAAN) will remain as such.

"We will continue to control all policy decisions," Mr Robinson said

The Natal Mercury, one of the country's oldest privately owned newspapers, was founded by the Robinson and Collins families and has remained under their control for the past 129 years

Faced with rising costs and pressure to join the country-wide Johannesburg-based SAAN chain, the Natal Mercury has for many years battled to retain its independence

During a lean period in the early 1970s there were several bids to buy the newspaper

An offer of R7-million was made in 1973 by a former staff journalist, Mr Lawrie Morgan. He was later shown by the Erasmus Commission of Inquiry into the Information affair to have been backed by Government funds

At the time, Mr Morgan refused to name his backers and the offer was turned down Shortly afterwards, SAAN bought 25 000 voting shares and 50 000 non-voting shares for R1,3 million

Mr Robinson said that the major reason for the sale was financial

"SAAN is helping us to finance the purchase of a R4,5-million web-offset machine and has given us a 10 year contract for the Natal printing of the Sunday Times newspaper

"It has therefore been a matter of give and take on both sides, a partnership and not a turn-over, and it does not alter the fact that the Mercury still owns R100 000 shares in SAAN," Mr Robinson said

He repeated assurances that there would be no upheaval at the newspaper and no jobs would be jeopardised

Mr Robinson declined to say how much money SAAN was putting into his company, but it is understood that holders of non-voting shares are being offered R19,35 a share which is considerably less than the R25 paid by SAAN in 1973

Buy Minorco, say London brokers

S. Times 11/10/81 (232)

MINERALS & Resources Corporation (Minorco) is the subject of a strong "buy" recommendation by London stockbroking firm Scott, Goff, Hancock & Co

The firm concludes "The longer-term prospects for Minorco are extremely attractive. The company is well exposed to the recovery in international trading conditions and to metal prices, particularly copper, lead and zinc.

"The prospective rating is not demanding and we are again prepared to recommend purchases "

Minorco now owns 100% of Amcan, 35,8% of Charter, 28,9% of Consolidated Goldfields and 44,8% of Hudson Bay Mining & Smelting

"It appears," says the firm, "that Minorco will continue to be the major vehicle for the Anglo American group North American expansion plans "

After a year of strong growth Minorco's JSE yield is a thin 1,8%, reflecting the substantial potential to which Scott, Goff, Hancock and Co refers and the attractions which local investors find in buying a share which has diversified widely on an international scale.

Xactics strikes again

5 Times 11/10/83

By Elizabeth Rouse

FAST-growing Xactics the Cape Town-based plastics manufacturer has bought Time Plastics, a plastic-bottle manufacturer in Spartan, for R1,7-million, Xactics chairman Hymie Meyerson announced yesterday

The acquisition brings Xactics into the Johannesburg market of polyethylene, polyprop and printed containers and complements the group's existing PVC plant in Johannesburg

Mr Meyerson says that another acquisition is in the pipeline to 'help capture the PVC container market on a national basis He claims that this will make Xactics one of the largest plastic bottle manufacturers in the world

Time Plastics will add 3c to 4c to Xactics earnings Mr Meyerson estimates

The acquisition places Xactics in a position to achieve earnings and dividend expectations from the market

Earnings were 9 1c in the six months to August and a 3c interim was declared The market expects year-end earnings of over 22c (16,6c last year) and a dividend total of 9c (3,5c)

16) EQU... ...TMENT,
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St Helena's offer of R118-m to Beisa

244 (?) 12/10/81 232

By Ann Crotty

St Helena, a Gencor gold mine, is to pay about R118-million for Beisa's mining assets.

Payment will be settled by the issue of not more than R104,3-million in preference shares and the balance in cash.

In a circular to shareholders St Helena has outlined details of the acquisition.

St Helena shareholders will acquire a 15 percent stake in the profits of the Beisa Mine at nil cost because of a tax deferment in the financial period ending December 1981. This arises from the nature of the transaction, which is retrospective to January 1, 1981.

Capital expenditure on the Beisa Mine since that date is regarded as having been financed by Beisa Mine through bridging loans made to St Helena. However, the value of the assets acquired and the capital expenditure since January 1 are deducted from St Helena's income for mining tax purposes.

Consequently, St Helena will not be liable to pay mining tax in respect of the current financial period. This reduction in tax is used to repay the bridging loan to Beisa and so there is no adverse effect on St Helena's cash flow.

The risk to St Helena is minimal as it is able to suspend mining operations on the Beisa property if it is not profitable.

Beisa's consent must be obtained if suspension is for longer than 30 days in any year.

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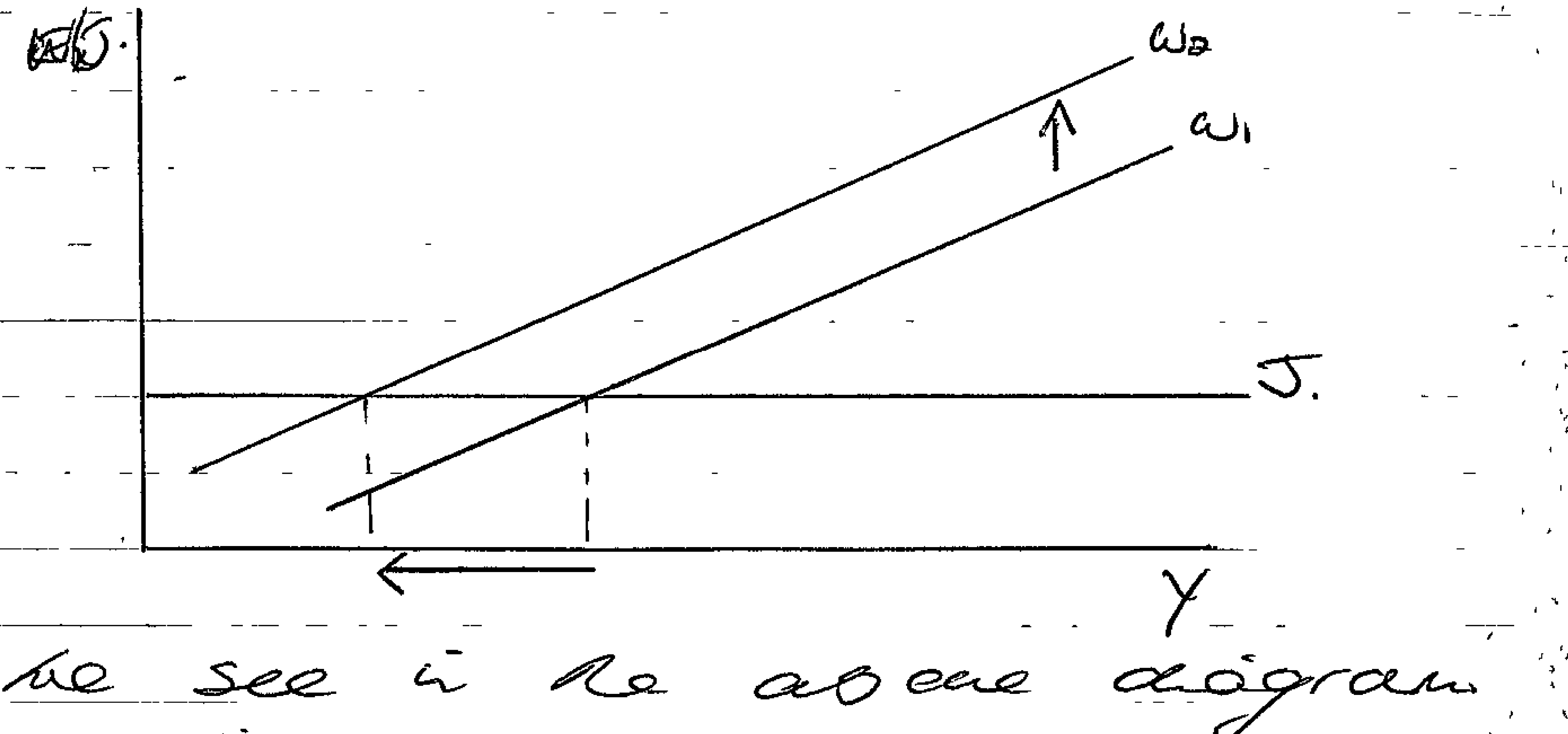

We see in the above diagram
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letely unaffected by income. There

Kanhym stake in Middelburg mine

840 12/10/81 232

By Patrick McLoughlin

Gencor's coal mining and farming combine — Kanhym Investments — will have a 6,5 percent capital participation in the new 4,25-million-ton-a-year open-cast coalmine in Middelburg

Kanhym will contribute R15,9 million to the capital cost of the Transvaal mine — of which the combine's southern coal reserve forms a part equivalent to 6,497 percent participation

Kanhym will have a 5,867 percent share in the proceeds and expenses of the joint venture known as the Middelburg Mine

The other parties to the joint venture, which has a R244 million unescalated capital establishment cost, are BP (88,5 percent) and Douglas Colliery (5 percent). Rand Mines is the operator

Production has started and it is estimated that full annual production will be reached by 1985 The mine has an anticipated life of 30 years

Minorco to go higher

ROM 12/10/81 (916) 232

LONDON. — Minorco expects a significant rise in earnings in the year to June 30, 1982, says the chairman, Mr Harry Oppenheimer.

The company had net earnings in 1980-81 of $171 800 00 — up from the not comparable $114 800 000 in 1979-80

The improvement will primarily derive from Minorco's share in the earnings of Consolidated Gold Fields and Charter Consolidated, he says in the annual report Minorco acquired a 29% stake in Cons Gold and a 36% stake in Charter in February.

Phibro Corporation's trading activities could be greatly extended after the acquisition in August of Salomon Brothers, says Mr Oppenheimer

While Cons Gold should be able to maintain satisfactory results, Minorco's base-metals investments in Hudson Bay Mining & Smelting, Inspiration Consolidated Copper and Zambia Copper Investments will not really prosper until a sustained recovery of the world economy

Ackerman's pledges

RDM 13/10/87

384 232

Mail Correspondent

PICK 'N PAY's chairman, Mr Raymond Ackerman, has urged minority shareholders to approve the scheme of arrangement which will lead to the formation of holding company for the group and vest control in the Ackerman family.

He says in letter which forms part of the offer documents that the best interests of Pick 'n Pay will be served if control is firmly in his hands and if he is in a position to allay the fears of management regarding possible takeover bids and enable the staff to concentrate on running the company.

The scheme could cost up to R1-million to implement with the bill being met by the holding company Pikwik

As previously announced, the proposals include a cap issue by Pick 'n Pay of 40 for every 100

The right to this allotment is then renounced in favour of the pyramid company Pikwik, and Pikwik in turn issues 10 of its shares for each cap share

The Ackerman family interests are to exchange 820 321 shares in Pick 'n Pay for ordinaries in Pikwik in the same ratio

Although all shareholders are entitled to offer Pikwik their Pick 'n Pay shares and receive Pikwik shares, Mr Ackerman has appealed to minorities not to do so and follow the example of institutional shareholders with 35% of Pick 'n Pay shares who have agreed to remain in the bottom operating company

If minorities decide to back his suggestion the Ackerman family will end up holding a 59,4% stake in Pikwik which will hold a 50,1% interest (9 540 220 shares) in Pick 'n Pay

Mr Ackerman says he has been conscious that shareholders in both companies should not be prejudiced in any way and he has given certain undertakings

The undertakings incorporate similar protection for Pikwik shareholders in the event of an offer being made for Pick 'n Pay

A restriction has been included in Pikwik's memorandum of association preventing the company from holding trading assets or any material investment other than Pick 'n Pay shares All expansion will be through Pick 'n Pay with Pikwik remaining a pure holding company Pikwik will distribute all its dividends from Pick 'n Pay

To add to the safeguards the major shareholders have been excluded from voting on the scheme of arrangement

The costs of the scheme will be financed through a private placing of a maximum of 250 000 Pikwik ordinaries at 400c with the staff and directors of Pick 'n Pay

The board of the new controlling company will be virtually indentical to Pick 'n Pay Pikwik's board will be Mr Ackerman (chairman), Mr A Finc, Mr A J Rosin, Mr R P de Wet, Mr C D G Hurst, Mr H S Herman and Mrs Wendy Ackerman All these directors are on the existing Pick 'n Pay board The addition to Pikwik is Cape Town attorney Mr Arnold Galombik

The major stake of Mr and Mrs Ackerman in Pick 'n Pay is given ast 791 561 shares held by Raymond Ackerman (Pty), in which they have a 97,75% beneficial interest

Australian stand against 'SA rape of gem industry'

S/o 15/7/81

232

By Geoff Kitney

CANBERRA — The Australian Prime Minister, Mr Malcolm Fraser, has warned that South African interests would not be permitted to gain control of Australia's wealth.

Mr Fraser told Parliament that he believed it would be contrary to national interest to strengthen a South African monopoly in the diamonds area

His comments indicate that the government will move to impose strict controls on the export of diamonds from the rich new Argyle diamond area in remote north-western Australia

INVOLVEMENT

They also reveal a difference of opinion between Mr Fraser and his deputy Mr Doug Anthony, over the question of South African involvement in the Australian Diamond industry

Mr Anthony who is Minister for Trade and Resources, told Parliament recently that the marketing of Australian produce was in the hands of the companies involved

"It is basically the organisation's responsibility to its shareholders to sell its products in a manner which is in the best interests of those shareholders" he said "No need is seen at this stage for the introduction of export controls on the sale of diamonds"

SWALLOWED

Mr Fraser said, however, in response to claims that the De Beers Central Selling Organisation was likely to control the diamond production form the Argyle mine said "I can see no advantage to Australia or its industry in having arrangements in which diamond discoveries only serve to strengthen a South African monopoly in these areas

"I believe that this would be contrary not only to the interests of Australia but to the interests of natural corporations"

Mr Fraser was commenting after the opposition Labour Party's spokesman on minerals and energy, Mr Paul Keating, warned that potentially huge diamond production could be swallowed up by the South African diamond syndicate, serving only to make the De Beers monopoly stronger and more resilient at a time when its old, high-cost diamond mines were rendering it less and less competitive.

Mr Keating said that the Ashton diamond project in western Australia would produce 25 million carats when in full production This would easily exceed De Beers total production of 19-million carats

Ashton would become the single most important diamond source and when other kimberlite pipes in the region were developed, Australia would become the major force in diamonds.

"The government's South African policy would lie in tatters if De Beers were permitted to absorb the Ashton project within its empire on terms and conditions disadvantageous to Australia," he said.

ZAIRE AND RUSSIA

"Zaire and Russia have already left the De Beers CSO and are marketing independently Australia can do the same."

Mr Keating said that it appeared that Mr Anthony and the Department of Trade and Resources are obviously content with the prospect of "South Africa raping our fledgling diamond industry"

Mr Fraser had, however, at least indicated some concern for the national interest and sensible commercial policy

Sinclair acquires 30 percent stake

8Day 15/10/81 (232)

Agreement has been reached for Sinclair Holdings to acquire about 30 percent of the issued ordinary share capital of GB and A from July 1 of this year.

The GBS group is the exclusive distributor for Wang Computers and word-processing equipment.

The group is also in manufactures printed circuit-boards, precision-milling operations and computer-maintenance service It owns some of the properties which it occupies

The amount payable by Sinclair is R1 662 000 of which R750 000 will be paid by the issue of 750 000 ordinary shares in Sinclair at R1 each

The balance of R912 000 will be payable in cash of which R780 000 will be applied in the subscription of additional equity capital in GB and A.

The consolidated after-tax profits of GB and A for the year ended 30 June of this year (excluding extraordinary and non-recurring items and after deduction of minority interests) was R1 164 500.

The GBS group s present controlling shareholders, Mr M E-O Hammerschmidt (chief executive and managing director) and Mr PE Bladergroen (financial director) together with all staff will remain in office, and Mr Hammerschmidt will retain the overall control of the group.

Sinclair will be closely involved in the management of the GBS group and has been given all the undertakings and rights which the directors of Sinclair consider to be desirable having regard to the nature of the investment in GB and A.

The transaction is not expected to have any immediate material effect on Sinclair's earnings or net assets a share.

However, Sinclair directors believe the GBS group has considerable growth potential and will contribute significantly to Sinclair's earnings in future years

Judge orders Unisec probe

Sage wins round in takeover battle

RDM 16/10/81 (232)

AN INVESTIGATION into some of the affairs of the Unisec property and investment group has been ordered by Mr Justice Goldstone in a Rand Supreme Court judgment.

This arises from the continuing battle by Sage to get control of Unisec. How far the judgment will help Sage will depend basically on what comes out of the inquiry.

By HOWARD PREECE

The findings would have to be sensational for Sage ultimately to succeed.

In terms of the Companies Act, the Minister of Industries and Commerce, Dr Dawie de Villiers, is obliged to appoint an inspector.

The judgment given yesterday arose from the application by Sage Holdings that an investigation be ordered and also that two companies, Newstock and Billhawk, be declared subsidiaries of Unisec.

This would have made them effectively ineligible to vote in Sage's abortive takeover bid for Unisec earlier this year.

Mr Justice Goldstone found in favour of Sage on both counts and ordered Unisec to meet the outstanding half of the costs of the contested application.

It means that Sage's holding in Unisec edges up from about 18% to 20% of the company, but that in itself will obviously not have any material effect on the control of Unisec now exercised by the present directors.

Back in April the judge found against Sage in pleas that Unisec had breached sections of the Companies Act (broadly over buying its own shares) and ordered Sage to pay half the total costs.

The 77-page judgment will necessitate the closest scrutiny by Unisec and a spokesman said last night that once that had taken place, shareholders would be advised of the company's views.

It seems that an appeal could be made against the decision on Newstock and Billhawk, but not against the investigation.

The investigation relates crucially to the relationship and dealings between Unisec and a wholly owned subsidiary, Plover.

Mr Justice Goldstone said "Certain of the matters which I have discussed make it right and advisable to order an investigation into the affairs of the respondents (Unisec).

"These are All aspects relevant to the purchases of ordinary shares in Unisec by Plover and other companies which are now wholly owned subsidiary companies of Unisec and more particularly:

"The dates and manner of the purchases.

"The sources of the funds used for such purposes.

"The motive for such purposes."

The judge said "Without in any way wishing to limit the ambit of their investigation or the matters upon which they may wish to report, I would suggest that the inspector or inspectors should report under section 258 (of the Companies Act), in addition to the general matters referred to above, upon:

"The effect of the aforesaid purchases of Unisec shares upon the control of Unisec.

"The basis upon which the private transactions for the purchase of Unisec shares were made by or on behalf of Newstock (the judge took all matters relating to Newstock to refer also to Billhawk) and, if applicable, the other subsidiaries.

"The steps, if any, which should be taken in the interests of Unisec or any of its shareholders in respect of any of its subsidiaries or shareholders in respect of any of the matters investigated.

"Whether any of the matters investigated might be of concern to the committee of the Johannesburg Stock Exchange."

Poperty stake for Duros

2017

16/10/81

~~188~~

232

DUROS, the Cape furniture group recently taken over by Gordon Verhoef & Earl Krause, is boosting its earnings a share by 34% to 9,93c (7,4c) through the injection of several property companies

The managing director, Mr Len Dixion, said agreement had been reached between the shareholders of certain property-owning companies and H Ospovat & Co, Duro's wholly owned subsidiary, for the acquisition of the property companies for R1 642 500 The price would be paid partly in cash and Duros shares

Three main properties are involved — two blocks of executive apartments in Cape Town and a Cape Town office block

In a second deal the group is buying a factory from Mobilia Furniture in Atlantis for R530 000 The factory will be used to relocate the Duros furniture operations currently housed in a Cape Town factory

Judgment's effect on subsidiaries

S. Times 18/10/87

(232)

By John Spira

MR Justice Goldstone's judgment this week in which he ordered an investigation into the affairs of Unisec has far-reaching implications for the status of subsidiaries in South African company law.

The judgment is part of the continuing efforts by Sage to gain control of Unisec

Commenting on the judgment (which declared Newstock and Billhawk subsidiaries of Unisec and which would therefore have made them ineligible to vote in Sage's abortive bid to gain control of Unisec), a spokesman for Sage says it is now plain that the *intention* of the law is that companies are precluded from purchasing their own shares

Any device to negate this intention infringes the law

He points to the following comments by the judge "In the result I agree with the submission of counsel for Sage that a company would control the composition of the board of directors of another company if by the exercise of *some power* . . . it may appoint or remove the majority of directors of that other company without the consent or concurrence of any other person."

Also " I am also of the opinion that those (Unisec) directors put themselves into a position where their duty to report to their shareholders conflicted with their duty to the company."

And "However, even if the directors of Unisec could not be faulted on the terms in which they reported to their shareholders, I would question the propriety and morality of directors of a public company placing themselves in this situation of conflicting interests."

According to a spokesman for Unisec, the judge has ordered an investigation into Unisec's affairs because certain irregularities might conceivably exist

Had he been convinced of the existence of irregularities, he would have taken immediate action

"For our part, all courses of action embarked upon by our board of directors were instituted only after careful consultation with our legal advisers and auditors

"This highlights the fact that the whole issue revolves round the interpretation of the law, New ground is being broken."

He emphasises that the judgment in no way changes the value of Unisec

The Sage spokesman draws attention to the company's initially stated intention of eventually acquiring control in Unisec.

"This remains our intention, as it makes no sense for us to continue holding a minority interest indefinitely — albeit a large one"

Motor firm bids for bigger slice of the South African market

MERCEDES PLANS R200m EXPANSION

S. Tribune 18/10/81

~~65~~ ~~192~~ 232

By Mike Peirson
Finance Editor

A HUGE R200 million five-year expansion plan aimed at giving Mercedes-Benz a chance to grab a larger slice of the South African motor and trucking cake was announced this week

The money being provided through the umbrella UCDD Group will be spent in East London, Pinetown, Johannesburg and Pretoria and provide an estimated 1 900 new jobs

Car production capacity at East London will be doubled with the injection of R47-million which will help to meet demand for both Mercedes cars and the new Honda car range to be introduced late next year

In commercial vehicle production will be upped by 70 percent in East London with a further R19 million. It should mean a monthly output of 1 000 by 1984, as against 600 now

Pinetown will get an R11.5 million new parts warehouse which will be the base of UCDD's national parts network. Total amount to be spent there is R14.7 million

The commercial vehicle engine gearbox and axle remanufacturing plant in Johannesburg is due to get R3,8-million and some R10-million will go on improvements to the group's Pretoria head office and departmental expansion.

The plan also includes:

- Installation of additional general infrastructural facilities (R27,5 million) including R10.2 million on a new paint shop and pre-treatment plant
- A R50-million investment by the dealer organisation in incremental working capital in preparation for the coming growth surge
- A further R25-million investment by dealers in land and buildings

UCDD chief executive Morris Shenker said the group intends to expand the Mercedes-Benz share in the large car market and to re-inforce its position as the leader in the heavy truck market

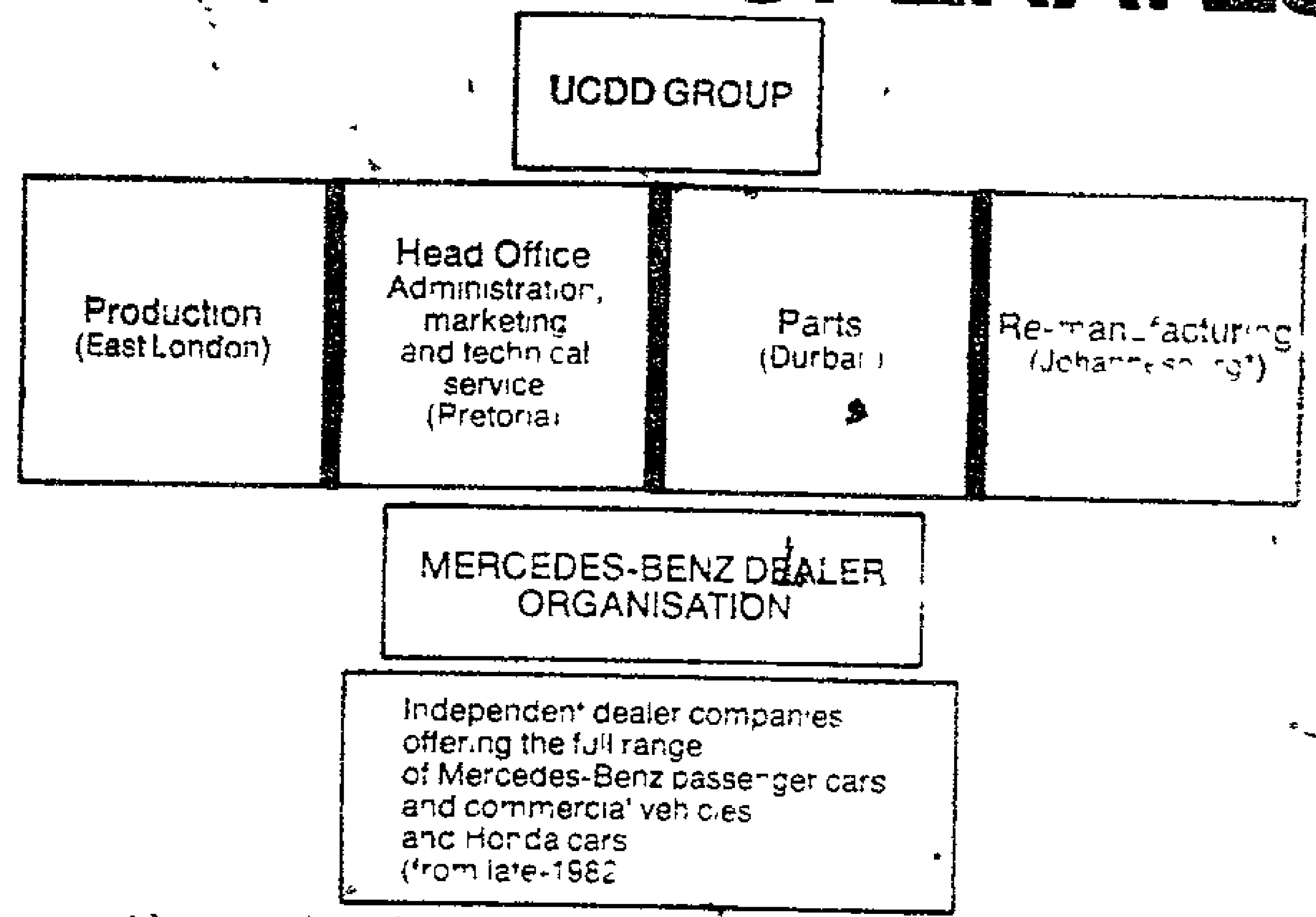
He is determined the group will obtain 40 percent of the heavy truck sector (5 000 kg and above) by 1984 with annual sales of 12 000 units

The investment programme, to be financed out of UCDD's own funds will make it one of the biggest firms in the SA motor industry and one of the country's largest private companies

Most of the new jobs will be in East London where the wage and salary bill (including bonuses and other benefits) is about R16-million a year. The company spends a further R31 6 million a year on local content purchases, rates and utilities in the Border/Ciskei area and pays freight and wharfage charges to East London port authorities of some R8,5-million a year

The Mercedes dealer organisation, which has collective assets of some R100-million in plant and equipment alone will increase this by 50 percent during the next five years to about R150-million.

HOW UCDD OPERATES



*Commercial vehicle engines gearboxes axles and other sub-assemblies

Govt threat to Coki, Picard deal

RDM 13/10/81

(232)

By GORDON KLING

THE GOVERNMENT could squash the liquor deal earlier this year between Mr Jan Picard's Union Wine and Picardi Hotel companies and the Transvaal-based retailing giant, Coki Corporation.

It disclosed in Cape Town yesterday that it knew about an attempt to thwart the deal which caught speculators on the Johannesburg Stock Exchange in the worst bear squeeze ever to hit the market when Cape Wine & Distillers (CWD) tried a blocking operation in a spending spree which drove Uniewyn share prices up by more than 1 000% in days.

With Coki's retailing expertise, Uniewyn's production and Picardi's outlets, the deal was billed as the begining of a giant new drinks combine as Uniewyn had been granted Government approval to expand its bottle-store network.

Its competitors — South African Breweries and Dr Anton Rupert's liquor interests — were ordered to reduce theirs in the interests of reducing producer control over the retail market.

The Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, however, yesterday indicated that the Government intended sticking to the spirit of the restructuring of the liquor industrey in 1979 when Dr Rupert sold his beer interests to SAB and the CWD wine cartel was formed. The moves were intended to bring about a division between the wholesale and retail trade.

Dr De Villiers said yesterday: "The Government is still of the opinion that such division is in the best interests of consumers as well as producers and it will continue to take the necessary steps in order to achieve this aim."

Referring to the unsuccessful attempt to block the deal, Dr De Villiers said: "Earlier this year Cape Wine & Distillers informed me on an informal basis about their arrangement with Senbank to buy shaes in Union Wine on the stock exchange with the object of achieving a complete division between the wholesale and retail trade."

It was this arrangement that led to shares being bought up at almost any price to the misfortune of the bears.

Dr De Villiers said: "If the acquisition of the shares were to promote the rationalisation of the liquor industry by the selling off of the retail sales outlets of Union Wine, then such acquisition would have been considered favorably by the Government. However, it now appears that the aim could not be achieved."

He had given the required approval to Senbank to transfer the Uniewyn shares it had acquired and it would dispose of them within a "reasonable period of time as agreed with the Government".

"On this condition I have given authority, in so far as necessary that the shares in Union Wine be transferred to and registerd in Senbank's name.

"Particulars regarding the acquistion of interests in Union Wine by other groups have in the meantime also been requested with a view to ensure that the principle of division between the wholesale and retail trade is strictly complied with."

An irate Mr Pickard told me last night he was surprised that Dr De Villiers had acted without consulting him — particularly because "he had given me an undertaking that he would not do this".

BP rivals to Anglo over gold

Star 19/10/81

232

Financial Correspondent

LONDON — BP is hunting for gold in Brazil

London's Daily Mail says that BP is negotiating with Compania Valo do Rio Doce, the Brazilian state mineral company, for a majority stake in a new mine in Bahia Province.

"We are the largest iron-ore company in the world but we are farming out gold exploration

"BP are negotiating with us, as are Anglo American and Gencor," said Compania Vale.

Compania Vale might retain up to two-fifths of the mine, which they found and which may contain from 50 to 100 tons of gold

Reports suggest that BP may invest R140-million in the mine.

Barbican buys four more

20/10/81 232

Financial Reporter

BARBICAN Industrial has bought four companies and expects them to double projected earnings in the year to February 1982.

Three companies — Atlas Machinery (Pty), Technomachinery (Pty) and Atlas Machinery (Natal) — are in motor and general machine tools

Barbican has also bought office-furniture company Auramark

Techno Group will cost R800 000 cash plus 800 000 shares in Barbican to be issued at 130c a share For Atlas Natal it is paying R200 000 cash

The price for Auramark is R450 000 cash and terms, plus 30 cumulative redeemable preference shares of R1 each in Auramark to be redeemed at a premium of R9 999 a share between December 31, 1983, and June 30, 1985, and bearing a dividend rate linked to the prime bank overdraft rate.

The Atlas Machinery group operates in two distinct markets, general machine tools and automotive machine tools Atlas Natal operates independently in the same sector in Natal and the Transkei

Barbican's first acquisition, the Utas group, operates in a similar field to the Atlas group Its position will be further strengthened by Atlas's prime agency in the automotive machine tool field, Berco

The directors say the activities of Atlas complement those of the other companies

The Auramark acquisition will strengthen the base Barbican has in the office-furniture market, through its Kallenbach group

In the Barbican report for the year to February 28, 1981, the chief executive, Mr Peter Goldberg, forecast earnings of 17c for the current year.

The latest acquisitions together with the improved results expected from the existing operations, are expected to increase earnings by almost 80% to more than 30c an ordinary share

There will, however, be no material change in the net asset value an ordinary share based on the adjusted unaudited pro forma consolidated balance sheet of Barbican on March 1, 1981

Pickard and Coki happy over Senbank

RDM 20/10/87

(282)

Financial Reporter

THE announcement by the Minister of Commerce, Industries and Tourism, Dr Dawi de Villiers, that Senbank must sell the Union Wine shares it bought on behalf of Cape Wine has been welcomed by Union Wine's chairman, Mr Jan Pickard.

Mr Mervyn King, chairman of Coki Corporation, applauded Dr De Villiers' statement, saying it was no threat to the proposed partnership in liquor between Coki and the Pickard Group's Union Wine and Picardi Hotels

He said Picotel, Union Wine's retail arm, had the "right" to operate 150 bottle stores The acquisition of shares in Union Wine by Coki had not changed the situation. Nobody could take away Union Wine's right to operate the bottle stores, as this would be tantamount to "taking an asset from a public company".

Mr King did not say so; but it seems that if legislation forces the separation of wholesaling and retailing in liquor — as Dr De Villiers has suggested — Coki and Pickard will dispose of Union Wine's production facilities and press on with their retailing plans

Dr De Villiers said last week that Senbank was obliged to dispose of the 943 538 Union Wine shares (22% of the total on issue) it was holding for Cape Wine.

Because of this obligation, Dr De Villiers has given authority for the shares to be temporarily transferred to and registered in Senbank's name

Mr Pickard said "The practical effect of the Minister's decision is that Cape Wine will not be entitled to hold shares in Union Wine"

RM Props boosts profit by 215% after land sale

RDM 21/10/87

232

By JOHN MULCAHY

RAND Mines Properties, control of which recently transferred to TC Lands from Barlow Rand, boosted taxed profit by 215% in the year to September, mainly as a result of the R13-million land sale to the Government

Earnings rose to 159,1c a share from 50,5c the previous year, and the annual dividend has been raised to 30c from 24c The directors say that in declaring the dividend particular consideration had to be given to conserve cash resources

RM Props has to finance the construction of the sand treatment plant at Crown Mines, which is due to be commissioned early next year

While the profit on the transaction with the State for 270 hectares of land for the new National Sports Centre has been included in turnover and profit for the year, only R5-million has been received, with the balance to be paid over the next three years

Turnover rose to R51 753 000 from R31 888 000, and taxed profit amounted to R19 872 000 compared with R6 302 000 in the previous year

Pre-tax profit was R24 833 000 compared with R9 305 000 the previous year, and tax rose to R4 961 000 from R3 003 000 The Government land sale attracted an exceptionally low tax charge, and the overall tax rate dropped to 20% from 32% last year

The dividend absorbed R3 700 000, compared with R3-million in the year to September 1980, leaving retentions totalling R16 011 000 compared with R3 292 000 last year

The high level of retention will combine with loans RM Props has raised from its bankers to finance the sand retreatment scheme

In a further move to provide funds for the Crown Mines project, RM Props has sold its 50% interest in Hewett Avenue Properties (Pty), Hillman Properties (Struandale) (Pty) and Hillman Properties (Waltloo) (Pty) to Barlow Rand Properties (Pty) for R2 250 000, in terms of an agreement which existed between the two companies

The surplus on the disposal of these properties was R631 000, which has been treated as an extraordinary item

There is an additional surplus on expropriation and sale of land by subsidiary Thesens, of R390 000, while R250 000 has been written off fixed assets owned by the Thesen group

COMMENT The dividend puts RM Props on a yield of 3,9%, indicating that the market is expecting great things from the sands project

The sand retreatment scheme will start contributing to earnings from next year, but there is a R40-million loan outstanding, and plans to broaden the scope of the dump operation

In the near term shareholders cannot expect any significant growth in dividends, while management warned that there was every possibility of calls for additional capital to finance expansion

There may at an early stage of proceedings between TC Lands and RM Props minorities have been some hope of an increased offer to shareholders, but there seems little likelihood of this materialising

RM Props remains a speculative issue, but with the financing requirement for the next few years, there is no immediate prospect of bumper returns, and at 760c — down 45c on the previous day — the share seems over-priced

RM Props boosts profit by 215% after land sale

RDM 21/10/81

~~270~~ ~~247~~ 232

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Access gets Mowfam

RDM 23/10/81

(232)

Financial Reporter

ACCESS Investments has acquired for 10-million shares at 50c and R2 121 312 all of Mowfam (Pty)

The company and its subsidiaries are mainly distributors of industrial and consumer electrical and lighting equipment, surgical and medical supplies and photographic equipment

The company, which comprises the interests of the Mowsowski family, which recently took control of Access, expects to make R1 230 000.

The directors say the acquisition should treble Access earnings a share to 9c (3,2c). Net assets will not be affected

Access is to change its name to Elcentre Corporation, one of the subsidiaries of Mowfam Mowfam's other subsidiaries are Pecron Distributors, Intamed Distributors, Horne & Platow, Surgical & Medical Supplies and L Saul and Co

The acquisition is subject to approval of shareholders and the JSE's granting of a listing for the new shares.

Landlock gets another three companies

S.Times 25/10/82 232

By John Spira

LANDLOCK, the burgeoning industrial holding company, has given practical effect to its stated intention of growth by acquisition by buying three companies this week

The most important of the three deals is the acquisition of Green & Sons Machinery for R1-million

Greens is a machine-tool merchant which last year turned over more than R4 million and made pretax profits of R450 000

The company has net assets of R1,150-million, which, under the deferred conditions of payment which Landlock has negotiated, are being acquired at a substantial discount

The deal has been backdated to July 1 but will be implemented only next week when the first payment of R200 000 will be made

Subsequent tranches of R200 000 become payable in 1982 and 1983 and R400 000 is payable in 1984

The vendors, Texmaco Textile Machinery and three individual shareholders, have the option in June 1983 to convert the outstanding R600 000 into 120 000 Landlock shares at 500c a share Landlock's shares are currently quoted at 405c

Landlock's executive chairman, Eddie Ross, comments that the Greens acquisition meets all the criteria which Landlock applies to its acquisition policies

In the first instance, the deal is sizeable, and, despite the fact that earnings and assets will not be significantly affected in the current year, Landlock can look to a more substantial contribution in the next and subsequent years

Landlock's share price has been a firm feature of the engineering sector in recent weeks, having risen from its ex-dividend price of 320c in August to its current level above 400c

Dollar storms ahead

LONDON — The dollar surged yesterday as tension over Poland was renewed Gold weakened and was fixed at $426 in London in the afternoon and $428 in the morning Friday's second fixing was $432,50

After yesterday's second fix gold quoted at $425,50/$426,50 Light selling from New York weakened the price as European buying was insufficient to take up sales

Gold shed $4,23 in Hong Kong to close at $429,92

Hong Kong and trade-house long liquidation against the strength of the dollar prompted day traders to cover their positions near the close in an otherwise featureless market

The dollar jumped more than three pfennings against the mark to open in London at 2,3110 marks

Dealers said the dispute over the West German Budget also boosted the dollar against the mark The coalition Government of Mr Helmut Schmidt has been badly split over ways of dealing wity an unexpected deficit of nearly 8 000-million marks in the 1982 Budget

CLOSING prices London $425,875, Paris $430,92, Frankfurt $430,01, Zurich $426,50, Hong Kong $429,92

The dollar strengthened after the opening and at mid-session in London it was quoted at 2,3145/60

It held above 2,31 marks in spite of suspected dollar sales by the Bundesbank

In Tokyo the dollar rose to a three-month high of 234,95 yen from 233,50 figure at the close last Friday Volume was $900-million

Opening at 232,90 yen, the day's low, the dollar inched up to 233,85 yen at the end of the morning session The uptrend continue into the afternoon

Triton bids R8,8m for Enyati Colliery

RDM 27/10/81

232

By JOHN MULCAHY

TRITON Ltd, part of the previously low-profile Triton Group, has made the first move in developing an "energy base" by making an offer of R8 800 000 for Enyati Colliery

The offer has been made by Triton and its controlling shareholders, and the intention is that Triton will hold a significant but not controlling interest in Enyati

Triton's base is in chemical and lubricant manufacturing, and it also has property assets and a substantial holding in Triton Energy (now 48,6%)

Enyati is an investment holding company with a portfolio of listed and unlisted investments and a branch railway line serving coal mines in the Vryheid area

According to Triton's directors, Enyati's activities will be concentrated in the energy field

"It is anticipated that Enyati, in conjunction with the Triton group's overseas associates, will participate in a number of energy related exploration and development projects both in Southern Africa and abroad"

Triton's chairman, Mr Rob Newman, said yesterday Enyati would provide the base for further expansion, and there were several developments forthcoming, but it was too early to elaborate

"We needed a far larger base, and Enyati will give us this"

Triton announced yesterday that it had acquired an additional 140 000 shares in Triton Energy (Tenergy) from a group of investors at 475c a share in return for 280 000 ordinary shares in Triton, and taking Triton's holding in Tenergy to 48,6% from 42,3%

Mr Newman said there was no intention to increase Triton's stake in Tenergy to a controlling position

The announcement said: "It is Triton's policy to hold a strategic shareholding in Tenergy of over 40% and this acquisition will assist Triton in maintaining this percentage of the issued share capital of Tenergy in the event of that company issuing further shares"

Fertiliser pact to be dissolved

STAR 29/10/81

232

No further steps were deemed necessary for the implementation of the Competition Board's recommendation regarding the sharing agreement between Triomf and Fedmis fertiliser companies, Dr Dawie de Villiers, Minister of Industries, Commerce and Tourism, said in Pretoria

In a statement, Dr de Villiers said the Competition Board had found that the market-sharing agreement between Triomf and Fedmis was to the detriment of consumers and the economy in general

It had come to the conclusion that the agreement was not in the public interest and should be terminated when Fedmis became self-sufficient in respect of its nitrogen requirements, Dr de Villiers said

But Triomf had already indicated in 1980, prior to the tabling in Parliament of the board's report, that it had notified Fedmis of its intention to terminate the market-sharing agreement on December 31, 1983.

"No further steps are therefore necessary by me for the implementation of the board's recommendations," Dr De Villiers said

In addition, the Competition Board had found that the financial interests held in Triomf by agricultural Co-operatives constitued a restrictive practice in terms of the Competition Act which was not in the public interest.

Since the board had started its investigation, however, Co-operatives had disposed of their interests in Triomf and the board had no need to make recommendations in this respect —Sapa

Supermarket boss says cartels and price-fixing are behind rise in CoL

E Post 29/10/87

By CHARLENE BELTRAMO

232

CARTELS, monopolies and price-fixing are the hidden causes of much of the continuing high rate of food inflation in South Africa, according to Mr Raymond Ackerman, chairman of Pick 'n Pay.

"I am sick and tired of different suppliers raising prices on the same day and then pretending they are not working together," he said in an interview.

"The biggest danger to South Africa is not SWA-Namibia or constitutional problems but the fact that people will have hungry bellies if businessmen don't stop maximising profits."

As examples, Mr Ackerman said in recent weeks two major dog food producers announced that prices would go up on November 2 and prices on the 10 kg pack, as an example, are within 1c of each other.

"Four major processed meat companies all put up their prices on October 19. All say they are not working together. Prices are going up ridiculously and I've reached the point where we don't know what to do to curb it."

Mr Ackerman pointed out that many of the people involved in the dog food and canned food markets were also involved in poultry.

And a Johannesburg newspaper investigation into the poultry industry has revealed two major areas of concern to the consumer.

Firstly, the establishment of an export association among major producers — including Early Bird, Panmure, Delmas Festive, Imperial Cold Storage, County Fair, Rainbow and Premier — which sells large quantities of poultry abroad at prices well below the ruling world average and at about half the local wholesale price.

The export association in the words of one industry spokesman, "Keeps the local market sufficiently short of chickens to enable producers to put up prices with ease."

Secondly, producers fearful of retailers or wholesalers importing cheap chickens and keeping local prices down over Christmas have dropped prices and for the first time in months provided adequate chicken supplies.

But sources within the industry believe that by the middle of November — the year's peak selling period for poultry and a time when it will be too late to place orders for imports for Christmas supplies — the price will rocket and there will again be a shortage.

In a very effective web of moves and counter-moves chicken producers have ensured they will be able to feather their nests this Christmas and prevent retailers dictating to them as they did last year when Checkers imported American chickens which sold at R1,29 kg and forced local chicken producers to drop their prices by almost R1 kg.

Since then first chicken and now all poultry has been removed from its former import permit category of food items to a category of their own.

Checkers have been blocked from importing poultry again this year by both the Government and local industry.

Last year, the Government refused to allow them to sign a year-long contract with their United States suppliers for frozen chicken at R1,29 a kilogram.

Poultry producers have since banded together in an organisation called the SA Broiler Export Association which producers say is to assist exporting producers with problems like freight charges.

But Mr Richard Cohen, a director of Pick 'n Pay, said the three major suppliers had a pooling agreement to fix the amount of exports in advance to control the local price.

"At the moment they are exporting at a loss to themselves. But locally the consumer is paying about 30c over the producers break-even margin which is a hell of a difference."

Producers claim exports are only 10% of production but newspaper investigations have shown they are closer to 20% and at times have risen to 25% of production.

Mr Des Lurie, managing director of County Fair Foods in Cape Town, a subsidiary of Tiger Oats and one of the "big three" poultry producers, denied the major producers tailored exports to control the local price".

He said there was merely a "surplus removal scheme" under the Broiler Export Association.

"The first six months of the year are not as buoyant saleswise as the last half of the year and mid-month there is a slump in sales. The surplus is then exported."

Mr Lurie confirmed that one of the big three at one stage was exporting 300 tons a week.

"Our total exports per annum are less than 20 000 tons. In excess of 90% of all poultry produced is sold in South Africa."

However, Mr Ackerman said last year export quotas were agreed to by the eight leading producers and were fixed according to Rainbow's export price. Any producer who made a loss would be reimbursed from a pool.

Inquiries have shown that this year however the producers party to the agreement had to agree to an export quota. If they do not meet the quota they have to pay a forfeit of 50c a kilogram into the pool.

Therefore a large producer who has 100 000 birds (at an average weight of 1,2kg each) ready for market each week and has an export quota of 20 000 birds (or 24 000kg) could lose R12 000 to the pool if he does not meet his export quota.

The local market produces 3,5 million birds a week (or 3 600 tons).

Mr Stan Methven, head of the Rainbow organisation, is currently the only producer who is exporting substantial amounts of poultry.

Rainbow, the largest chicken producers in the country with an estimated pre-tax profit of R30 million, recently dropped prices by 10c a kilogram, a month after putting them up to a wholesale price of R2,04 a kilogram.

Their price drop brought them closer into line with their competitors' average wholesale price of R1,84 a kilogram.

Mr Clive de Wit, national distribution manager for Rainbow, said they had cut back on exports. "Because we heard some retailers were having problems getting supplies we are ensuring there will be adequate supplies, now, over Christmas and any time thereafter."

Mr Peter Wrighton, managing director of the Premier Group, denied there was any pooling agreement. He said the recent Competition Board investigation into the poultry industry had cleared them of such dealings and that the situation had not changed.

Mr Wrighton said the wide price differences, of as much as 20c to 30c/kg between producers, showed there was no price control agreement.

Rex Trueform revamp

RDM 30/10/81 (232)

Financial Reporter

REX Trueform clothing group and its holding company, African & Overseas Enterprises, have had some internal rearrangements

Rextrue is to acquire the whole of Vella Sportswear from A&E for 180 000 Rextrue shares and R300 000 cash

Neither company's results will be significantly affected immediately, but important cost savings are hoped for in the longer term

UK brokers tip Minorco as vehicle for Anglo's expansion

Argus 4/11/81 232

FINANCE

Argus Financial Correspondent

LONDON. — Anglo's Minorco, which in the past 10 years has grown from an essentially Zambian base to a company with interests in six continents, is being viewed optimistically by two independent London stockbrokers.

The share has caught the imagination of brokers James Capel and Rowe and Pitman now that Minorco has been firmly established as Anglo's principal vehicle for overseas expansion

NEW PHASE

Its interests are wide and varied They include base metals, especially copper, precious metals, diamonds, coal, oil and gas, chemicals, fertilisers, commodity trading and mining and industrial finance

Last year several powerful and influential American and European businessmen were appointed to the board and Rowe and Pitman says the company has entered a new phase in its life in which it is starting to take a much more active part in the development of its interests.

The brokers say 'It must be emphasised, however, that although Minorco is becoming more active, it intends to remain an investment holding company.

It does not intend to become an operating company, nor does it seek to manage any of the companies in which it is involved'

NOT EXCITING

In common with most other natural resource companies, the outlook for the profitability of most of Minorco's investments in the current year is not particularly exciting, but earnings are nonetheless expected to improve, mainly because of the inclusion for the first time of full year's results from Charter and Consolidated Gold Fields.

The development which has caused most comment has been the Phibro Salomon Brothers merger.

'Each company is the leader in its field and the combined company is going to be formidable It will trade in a wide variety of commodities and financial instruments, and will become the largest investment banking organisation in the US'

COME OF AGE

The brokers say the role of copper in Minorco's life is difficult But by the end of 1982 copper could again be an important element of earnings

In James Capel's view, Minorco has now come of age

With acquisitions and mergers reducing the number of internationally tradeable mining stocks, the spotlight will fall increasingly on Minorco and its potential for growth'

At its current share price, Minorco is not a share bought for its dividend yield — the long-term earnings potential being paramount in investors' minds.

'As the world pulls out of the current recession and metal prices rise accordingly, this earnings potential should begin to show through.'

Capel is especially strong in its recommendation, pointing out that the share is only eight percent off its 1981 low and therefore, because of the thin market, is quite capable of rising

Mondi to pay R110m for Usutu

RDM 6/11/81

~~194~~ 232

Pulp mill, huge Swazi forests in deal

MONDI Paper Company, Anglo American's pulp and paper giant, is to buy Usutu Pulp Company of Swaziland for R110-million.

By DAVID CARTE

The sellers are Courtaulds of the UK and the Commonwealth Development Corporation, each of which has 50% Payment will be in cash over four years

Besides a pulping plant capable of producing 175 000 tons of unbleached kraft pulp a year, Usutu has 66 000 ha of forest land in Swaziland

Mondi plans to expand the enterprise and step up production to 200 000 tons a year

The acquisition would brings Mondi's plantation holdings to more than 310 000 ha, Mr Chris Griffith, chairman of Mondi, told me yesterday

It makes Mondi one of the biggest single private sector property owners in Southern Africa Sappi, Mondi's chief rival, at last balance sheet had 111 000 ha

A spokesman for Courtaulds, told Business Mail's London representative there was nothing political about the sale

He said Usutu was an investment and not Courtaulds basic business For this reason, Courtaulds was reluctant to invest needed capital in Usutu, which, to realise full profit potential, needed a bleaching plant

Commonwealth Development Corporation became involved in Usutu at its establishment in 1959 CDC's major initial input was its forests

Usutu at this stage makes only unbleached kraft pulp — no less than 10% of the world's total supply It provides Mondi with its first access to the kraft market

Mr Griffith said Mondi would have a ready market for Usutu's expanded production and by no means all of it would be exported, as in the past Mondi could use 140 000t of Usutu's pulp a year locally but not in its present form The unbleached pulp would be treated at Mondi's Richards Bay plant

"Usutu also gives us entry to the browns or kraft market for the first time," he said

Usutu Pulp last year made pre-tax profit of £2 900 000 on historical cost accounting and £2 100 000 on current cost accounting

Courtaulds 50% interest in Usutu was in Courtaulds most recent balance sheet at cost of £6 500 000 and on current cost accounting basis at £27 900 000 A current cost valuation of the whole plant would thus have been £55 800 000, or about R100-million at the current commercial rand exchange rate

Neither Courtaulds nor Mondi would say if the proceeds would be remitted through financial rands If so, the sale of financial rands could depress the FR market for the four years of payment

While the UK companies made their investment in Usutu Pulp long before financial or blocked rands were thought of, financial rand experts said the proceeds would probably have to be remitted through financial rand unless the Reserve Bank gave special permission

This would reduce the sterling proceeds for Courtaulds and CDC by 26% at the current FR rate

Mondi's move is the latest in something of a scramble for forest land In August, Mondi announced the purchase of 49% of the timber interests — including vast forests — of Hunt Leuchars & Hepburn for an estimated R55-million

Mondi says it is committed to a significant expansion in its pulp requirements which are currently imported

"The linking of Usutu with Mondi will ensure the optimum utilisation of the resources of each enterprise Integration can now be implemented with Mondi's forests at Piggs Peak, Swaziland to increase pulp production within the Kingdom"

The company says stepping up production to 200 000t a year will require "substantial capital expenditure"

Usutu employs more than 2 000 and Mondi before this transaction 10 500 It says the deal is in the best interests of all the Usutu workers

The deal is subject to consents and undertakings from the Swaziland Government and the exchange control authorities of Swaziland and SA

Mondi last year had assets of more than R245-million and made a pre-tax profit of nearly R42-million

Amic to be No 1 after Debincor link

RDM 10/11/81

232

Barlows drops a rung in ladder

ANGLO American Industrial Corporation is to virtually double in value to become SA's biggest industrial group after the merger announced yesterday between itself and De Beers Industrial Corporation.

Amic is to become the holder of all of Anglo's major SA industrial interests and, in the process, its market capitalisation is expected to increase from R890-million to R1 500, or possibly R1 600-million.

By DAVID CARTE

Barlows, previously No 1 with a market capitalisation of R1 330-million, has been displaced at the top of the SA industrial tree

The enlarged Amic will have a net asset value of R1 900-million and earnings of more than R230-million

In terms of the reconstruction, Amic is to take over Debincor and other Anglo and De Beers industrial interests

After the deal, it will have 40% of AECI as well as control of Highveld Steel and Natal Tanning Extract, 42% of Huletts, 23% of McCarthy Group and 31% of Ipsa, controller of Stewarts & Lloyds and Dorbyl

Amic's chairman, Mr Gavin Relly, told a Press conference yesterday that Anglo foresaw an "industrial takeoff" in SA during the next decade and Amic needed to be structured in the best possible way to take advantage of the many opportunities that were bound to arise

He said the deal tidied up Anglo's industrial interests, gave Amic an entry to the chemical sector, control of Highveld and NTE and made associates of Huletts and McCarthy.

The reconstruction gave Amic considerable extra strength and scope for greenfields projects, organic growth and growth by acquisition

The enlarged company would be able to raise finance more easily in foreign capital markets if and when the need arose

In terms of the proposals, Amic will acquire all Debincor through the issue of 100 new shares for 100 Debincor In addition, Debincor holders are being ... 100 Debin-

contains a table showing that based on 1980's earnings, the enlarged Amic would have a PE of 8 compared with today's Amic's PE of 7,2 and Debincor's 13. Based on 1981's earnings the bigger Amic has a PE of 6,7 against Debincor's 11 and Amic's current 6,4

Net asset value at last balance sheet would have been 4 130c compared with Amic's 4 023c and Debincor's 4 835c

Anglo's chairman, Mr Harry Oppenheimer, stressed that the reconstruction was not being done for any specific plan that Anglo had in mind today. It was purely to facilitate growth in the future

He said the control situation of AECI was not changed by the reconstruction and it had nothing to do with the proposed joint venture in methanol between AECI, AAC and Shell

Mr Relly said the relative valuation was "not easy", but the deal was attractive to all parties The options were "very valuable" Amic and Debincor's auditors had certified the terms "fair and reasonable"

After the proposals are implemented, the enlarged Amic will have, in iron steel and engineering 50% of Highveld, 100% of Scaw, 31% of Ipsa, 36% of Haggie, and 100% of Boart, and in chemicals, 40% of AECI

In forestry, paper and allied it will have 63% of Mondi, 100% of Bruynzeel Plywoods and 63% of

cor to buy Amic at R35 in 1982, increasing by R2,50 to R45 in 1983 and 1987

Amic and Debincor are expected to pay final dividends of 115c and 140c respectively for the year to December. Debincor also proposes to pay a 70c special dividend to its present holders funded out of the AECI dividend These dividends are not included in the reconstruction considerations

For the shares in Highveld, NTE, Huletts, McCarthy and Ipsa which Amic is to acquire from AAC and De Beers, it will issue 8 581 000 new shares

After the deal AAC will have 46% of the 45 6770 000 Amic shares in issue and De Beers 25%.

Had the enlarged Amic been constituted last year, earnings would have been 517c a share compared with Amic's 562c and Debincor's 372c

The merger announcement NTE, and in food and sugar, 43% of Huletts and 100% of African Products Its major motor interests will be 38% of Sigma and 23% of McCarthy Other important interests are 40% of Freight Services, 36% of LTA, 47% of Asea and 80% of Control Logic

Anglo says the enlarged group will be in a position to pay out a larger portion of borrowings

The main benefits for Debincor shareholders, Anglo says, are participation in the larger entity with its greater financial strength and more diverse portfolio

Based on 1980 figures, Anglo says, the equity accounted earnings a Debincor shareholder will increase by 39% In addition Debincor holders will receive valuable rights to subscribe for further shares in the enlarged Amic over six years

Finally, the enlarged Amic is expected to enjoy an improved market rating and share price

Amic giant has assets of R1 900-m

STAR 10/11/81

232

By David Bamber

The chairman of Anglo-American Corporation, Mr Harry Oppenheimer, last night announced the marriage between two giant industrial corporations which together have total net assets of nearly R1 900-million.

The super company, which will be formed as a result of a merger between Anglo American Industrial Corporation and De Beers Industrial Corporation, will oust Barlows as the country's biggest industrial group.

When the shares of the two companies were relisted on the stock exchange today, Amic moved up R2 to R35, but later fell back to R34.

There was no sale in Debincor shares.

Mr Oppenheimer said the enlarged Amic was an "exceptionally well-balanced company" which has great potential for getting new business.

The stronger balance sheet of the combined companies would strengthen the ability of the group to raise funds on the overseas market, placing the company in a sound position to expand and make new acquisitions.

While the company did not have any acquisitions in mind, Mr Oppenheimer said "I think we will find something."

Consolidating the important industrial interests of Anglo American Corporation and the De Beers group, Amic will have wide-ranging investments in selected major sectors of industry.

Among the big names in which the super group will have a stake are Highveld Steel, AECI, mining supply company Boart, Mondi Paper, Sigma Motor Corporation and the building and construction giant LTA.

The total profit of all of the companies in the group will exceed R230-million during the current financial year.

OPTION

In the mechanics of the deal, Amic will acquire Debincor on the basis of 100 Amic ordinary shares for every 100 Debincor, with Debincor shareholders having the option to acquire a further 25 shares for every 100 Debincor shares held.

Mr Gavin Relly, chairman of Amic, said it was not easy to work out the valuation of the shares of the two companies for the purpose of the deal, but added that shareholders of both companies would find "they are in a better position."

Anglo said that Amic and Debincor shareholders should receive final dividends of 115c a share and 140c a share respectively for the 1981 financial year and, on completion of the merger proposals, Debincor also proposes to pay a special dividend of 70c a share to its existing shareholders early next year.

Amcoal profit up 34% to R78m

RDM (B.M.) 11/11/81

232

ANGLO American Coal Corporation (Amcoal) surpassed all expectations in the nine months ended September, increasing attributable profit by 34,6% to R78 303 000 from R58 195 000.

By JOHN MULCAHY

In 1980 Amcoal's attributable profit was R79 087 000, and a total dividend of 108c was paid on earnings of 336,7c a share

If the rate of earnings growth is maintained, and that is the group forecast, pre-tax profit could well exceed R200-million for the 15-month period to March 31, compared with R124-million in 1980

Assuming a similar profit performance for the rest of the year, earnings should rise to about 530c for the 15 months, or an annualised 424c, and if the dividend cover is left at last year's level, the total dividend for the period to March could be 175c, or 140c on an annualised basis

This represents an increase of 30% over last year's 108c, and puts the share on a prospective yield of 3,8% at yesterday's 3 650c closing price, compared with the historic 3,1% yield now

Amcoal has changed its financial year-end to March 31 from December 31, and the current accounting period covers the 15 months to March, 1982

Turnover rose by 35% in the nine months to September to R463 143 000 from R342 048 000 in the same period last year, and earnings rose to 320,4c a share from 247,7c

A second interim dividend of 46c a share has been declared which, with the first interim of 25c, makes a total of 71c a share for the year to date, covered 4,5 times by earnings

For a number of reasons the figures for the first nine months are not strictly comparable with a year ago, the first being the introduction for the first time this year of an amortisation policy, which accounted for R9 073 000 in the period to September

In addition, the increase in issued share capital following the acquisition of Natal Anthracite reduced the earnings rose to 29,4%

Normal tax was 124% higher at R30 869 000 compared with R13 811 000, and R18 353 000 has been provided for tax equalisation

Capital expenditure on fixed and mining assets during the nine months rose to R44 278 000 from R33 270 000, and R16 578 000 was spent in the July to September quarter

Amcoal sold 26 075 000 tons of coal in the nine months to September, compared with 25 034 000 tons in the same period last year, while coke sales rose to 374 000 tons from 354 000 tons

The Anglo American coal subsidiary has a substantial capital programme ahead, more than R500-million over the next five years, to cope with increased exports, expected to rise to 13 800 000 tons in 1986 from 7 800 000 tons last year, and to service its commitment to Escom

Capital costs of the new Vaal and New Denmark collieries, to supply the Lethabo and Tutuka power stations, have been estimated at R660-million in July 1980 terms, of which Amcoal will have to pay 60%

Mergers top billion-rand barrier

Sun Times (B.T.) 15/11/81

232

THE value of mergers and acquisitions in South Africa reached almost R1 100-m last year, following an annual peak of almost R1 600-million in 1973.

By contrast, the *number* of corporate marriages last year, 92, just shaded 1973's 90.

This emerges in a fascinating new report ("A Critical Review") for the Merger Research Bureau of Wits University by I H Macgregor.

By Stephen Orpen

The review offers not only a wealth of statistical data but also intriguing deductions and comments on what has happened in the past decade in the area studied.

The quietest year in terms of merger values was 1979 (R227-million), and 1971 in terms of numbers (39).

By far the greatest average value per acquisition was achieved last year ((R9-million) compared with R2,4-million in 1973.

The average value of mergers last year was R24-million compared with R17-million in 1973.

In the last three full calendar years, mergers and acquisitions resulted in the delisting of 59 companies from the Johannesburg Stock Exchange outside the mining sector and the listing of 14 companies. In 1978 alone 36 companies were delisted.

"Records of listings and delistings since 1961 show that the total of 433 companies (as defined) listed in January 1961 has dropped to 361.

"Thus, despite the 135 companies listed in the late Sixties boom, a net 72 (16,6%) disappeared from the lists.

"The investment community must inevitably be perturbed by the narrowing of the scope for equity investment — especially the managers of mutual funds who cannot hold more than a stated percentage of the equity of any one company."

Investment managers in other countries are facing similar problems, as evidenced recently by the remarks of John [illegible], chairman of [illegible] Assurance, which has an investment portfolio worth more than R1 000-million.

Engineering has re-established itself as the major sector for mergers and acquisitions, in which it was dominant in 1961-75, 1976, 1979 and last year.

In 1977 the building sector featured and in 1978 banks and financial institutions.

Schemes of arrangement have become by far the most favoured path for mergers, followed by offers.

The author notes that "while the JSE is discouraging the suspension of shares during negotiations, the London Stock Exchange and Takeover Panel jointly issued a statement in 1977 actively encouraging a temporary halt in dealings where for special reasons a short delay in making the announcements is necessary."

"It is distressing to note that there has been no drop (in SA) in the number of occasions on which the shares affected by a merger have been suspended. Indeed, the 'mean' for mergers has increased for 1978-80."

Amic: You ain't seen nothing yet

Sun. Times (B.T.) 15/11/81

By Andrew McNulty ~~52~~ ~~700~~ 232

CAPITAL spending programmes already in hand for companies in the enlarged Amic (Anglo American Industrial Corporation) total more than R1 025-million, it was revealed to Business Times this week

This excludes spending by the capital-intensive chemical giant, AECI, now to be held 40% by Amic

These vast capital requirements are seen as a major reason for the announcement that De Beers Industrial Corporation (Debincor) is to be merged with Amic — creating an industrial juggernaut with assets of nearly R1 900-million — and combined earnings of more than R230-million

With a market capitalisation of R1 500-million to R1 600-million, Amic will outrank Barlows, whose market capitalisation is R1 330-million

The merger greatly strengthens Amic's borrowing capacity and cash resources to meet these commitments

More important, however, are likely future expansions, acquisitions and new grassroots projects — which Amic is likely to venture into at a cost of billions of rands during the decade

It is almost certain to foreshadow huge new chemical projects

The merger underlines several facts

- Amic, started by Anglo American Corp in 1963 and the subject of much criticism in the 1960s and early 1970s as it struggled to find its feet, has woken like a slumbering giant

Anglo has shown that it has come of age in the industrial sector

- The staggering spread of Anglo American's tentacles across the South African economy is shown dramatically by Amic's new portfolio

- The new Amic is the culmination — or more probably only a pause — in a spate of major developments for the group

These have included acquisitions such as the 36,2% interest by Scaw Metals in Haggie at a cost of R53-million last year; the expansion into electrical engineering and electronics by the purchase of 46,3% of Asea Electric SA for R27-million, the acquisition for R6 7-million of an 80% interest in Control Logic, a manufacturer of electronic control systems and equipment

This month Mondi (the 62,7%-held pulp and paper operation) announced that it is to buy Usutu Pulp Company of Swaziland for R110-million and step up Usutu's production to 200 000 tons a year, the deal brings Mondi's plantation holdings to 310 000ha

Expansion programmes launched recently include plans by Sigma Motor Corp to spend R320-million in capital in the next five years, Mondi is establishing a giant new wood, pulp and paper products complex at Richards Bay at a cost of R520-million, Highveld Steel is spending more than R110-million, Boart — the international mining equipment and drilling company — is to spend R31-million, and Bruynzeel will spend R17,5-million on modernising and increasing capacity

Along with the burgeoning Sigma (held 38%), McCarthy (held 23%) has emerged into a leading motor-distribution operation

Among food interests African Products (100% held) last year acquired new interests, increased its sales volumes and ranges, and is increasing manufacturing capacities

An offensive into the sugar industry during the past two years has given Amic, which has a 43% interest in Huletts, a formidable stake in the Natal sugar industry The involvement in sugar is still in the process of consolidation and will be shown to be considerably stronger than generally realised

Looking to the future, it can be expected that the intention will be to build on the apparent keynotes of the portfolio so far — stability, balance and growth

Obvious areas for a stronger presence are chemicals, food, electronics and computers

The effect of extending Amic s stake in the important chemical sector — the eventual Amic stake in AECI being 40% — was given as one of the benefits of the merger

AECI is already expecting to spend about R100-million a year through the 1980s, excluding the planned methanol plant, which would cost hundreds of millions of rands Announcements of huge new chemical projects are on the cards

The group's interests in electronics and computers are so far no more than tentative It would be surprising if they are not increased substantially before long

What is clear is that notice has been given that Anglo American's total onslaught into the industrial sector is under way in earnest

Minorco may get listing on Wall Street

Argus 23/11/81

232

Argus Financial Correspondent

LONDON. — Minorco — Anglo American's Bermuda-based international investment vehicle — could be heading for a New York Stock Exchange listing.

SHARE PRICES will appear on this page in later editions today.

That is London's feeling after confirmation that stockbrokers Rowe and Pitman have placed 3,8-million shares in Minorco at 7,54 dollars a share.

The share placement lowers the total Oppenheimer stake from 82,8 percent to 80 percent, according to City estimates

With America's Citibank holding a 5,1 percent stake in Minorco and in view of the recent association with Phibro-Salomon Bros, Minorco is well placed to follow through its obvious intention of being even more widely recognised in North America

The Anglo group at large already has a number of interests in North America, and Minorco has been elected to play the role of expanding Anglo's non-South African interests

Because of its American interests, a New York Stock Exchange listing would be a natural development for Minorco.

The share has certainly caught the excitement of London analysts, and in their latest mining quarterly review London stockbrokers Grieveson, Grant tell clients that Minorco promises to become a growth mining investment

Retail giants set to swoop on the minnows

RDM 26/11/81

(30) 232

A MAJOR realignment of South African store groups' interests is likely as cash-flush predator companies flex their muscles for increased market share

By PAUL DOLD

The stores sector on the Johannesburg Stock Exchange is mirroring negotiating activity as share prices rise sharply in tightly held stocks amid speculation about likely predator groups.

Share analysts predict that the number of retail groups will shrink after a rash of takeovers. They forecast that the major retail chains will swallow the minnows as they battle for a larger stake of the consumer's rand

Although the consumer spending growth rate is expected to fall over the next 18 months, growth by acquisiton will enable the big groups to increase their earnings and dividends fairly substantially during consolidation in the economy They will be well placed to net a far larger share of retail spending when the upturn occurs

A major consideration for the groups will be the acquisition of management teams and middle management A severe obstacle to expansion in the retail field is the shrinking number of retail specialists The accent will be on small groups with reasonably strong management teams or companies which can be readily absorbed under the existing overhead structure

Mr Raymond Ackerman's Pick 'n Pay is said to be gearing for the addition of a third chain to its hypermarkets and supermarkets. In addition the group is expected to announce its entry into Australia in a deal with an Australian company, Half Case

Control problems were overcome with the formation of Pikwik and Mr Ackerman is priming Pick 'n Pay for a series of major deals These will ensure the continued high growth of the group and safeguard its position

Mr Ackerman heads the best retail food team in SA and analysts believe he is determined to add a third medium-sized chain to the operation

With competition increasing in the food sector it would not be surprising if Pick 'n Pay chose to buy a non-food group.

One of the strongest performers in the stores sector recently has been the Cape's Grand Bazaars which is set to make a strong entry next year into the booming Transvaal market Speculators believe Grandbaz is attractive to the major chains and a bid cannot be ruled out.

The approximate 36% of the equity in the hands of a mystery buyer who may recently have been topping up his stake has added to the interest in this stock

Edgars is also widely tipped for a predator role. For some time Mr Adrian Bellamy has been keen to expand the group through acquisition. The market has been linking the group with the recovering John Orrs, but hints of any deal have met with a swift denial.

Pep Stores is being watched by analysts particularly because of its strong position in the black consumer market as well as its expanding Shoprite chain The recent appointment of a new chairman has helped to feed speculation

The Greatermans group, whose Checkers is showing tremendous growth, may also be close to a deal Checkers is tackling one of the largest expansion programmes in its history. Analysts forecast that a deal — or several deals — giving the chain new key sites is feasible They say Checkers cash flow is strong, with the group enjoying record turnover and profits

They believe that the chairman, Mr Issac Kaye, may decide to hive off the Ackermans group which has been successfully revamped by Mr Stewart Cohen to allow the maximum effort to be placed behind Checkers huge growth plans.

Ackermans, which has been given a new look within a year, looks set to earn significant profits in the next upswing and must be an attractive proposition for groups wanting to diversify into home fashion and budget clothing.

Its Cape trading results have been most encouraging and after a slow start Transvaal sales are improving Further increases are predicted as more of the stores are converted to the new look

The higher immediate returns from Checkers could influence Mr Kaye, but on the other hand Ackermans is poised for significant growth in the longer term and is well positioned in the mass middle market The group also has one of the best retail teams in SA

Given access to prime sites there is little doubt that the existing retail concept of discount houseware and affordable fashion could prove highly profitable

ST 29/11/81

Pick 'n Pay Ray

RAYMOND ACKERMAN

slips 'n drops a family business

348 232

By PAUL LANGE

CONSUMER king Raymond Ackerman lost out this week in a frantic takeover bid — to buy back the family business.

Edgars, the massive clothing group which includes Jet Stores and Sales House, beat Pick 'n Pay to the draw when they snapped up the nationwide Ackermans chain for R30-million.

Highly placed business sources disclosed this week that the reason for Edgars putting through such a speedy deal with Greatermans to secure the Ackermans chain was the threat of Raymond Ackerman, Pick 'n Pay's managing director, leaping at the chance of securing his family's original retailing business, which was sold to Greatermans in 1946

Asset value

The deal, which was put together in less than five days, is a victory for Edgars, which has wanted the chain for over a year

The managing director of Edgars, Mr Adrian Bellamy, was excited about the prospects the new chain would add to those of group.

... pleased with the

'We bought Ackermans for its asset value only — the earnings potential was not reflected in the price

"We will sell off the property, which should realise R13-million, so in effect Ackermans would only have cost Edgars R17-million"

The new crop of stores, 35 in all, will help Edgars fill a gap in its target market.

Ackermans will place an emphasis on cheapness It will, according to Mr Bellamy, cater for the lower socio-economic group, where it has "an important following"

In their other chains, fashion or value has been the key factor

"Ackermans has already been dubbed our fourth dimension," Mr Bellamy said

There are plans to expand particularly the footwear and clothing side of Ackermans

With the takeover, Edgars will be entering a new area in retailing as the recently aquired company sells foodstuffs, health and beauty products.

Enormous opportunities

These lines will be expanded

Mr Bellamy believes there are enormous opportunities for expansion within the new company

"Most (80 percent) of the stores are in the Western and Eastern Cape, which leaves many untapped areas where Ackermans outlets can be established — particularly in the Transvaal," he said

Edgars calculates that it turns over R1 200 a square metre of floor space each year.

Ackermans will add 100 000 sq m to the group's floorspace

Pickfoods surplus cash problem

(3) (181) (232) C. Times 2/12/81

By ALEX PETERSEN

FOLLOWING a bumper abnormal dividend from its shares in Tollgate Holdings, and with the restructuring of its meat interests, an extraordinary profit of R6.5m on the sale of subsidiary companies and properties to Karoo, Pickfoods immediate problem appears how to invest its surplus cash

Pickfoods chairman Mr J P du Toit, notes in the group's annual report that "the form which the reinvestment of all available funds will take on in the longer term remains unresolved"

The report shows that the group holds 458 700 ordinary shares in Tollgate Holdings Ltd In March Tollgate payed an abnormal dividend of 220c a share and a capital reduction of 50c a share

The other cash bonus to the group came from the restructuring in July 1980 of the group's meat interests

As a result Pickfoods has 10.5m or 39% of the ordinary shares in Karoo Meat Exchange, as well as 1.6m 7% redeemable preference shares of R1 each The market value of the shares, Pickfoods largest investment is about R25m

Pickfoods group income after tax and minority interests rose 30% to R4,73m (1980 R3.6m), while earnings per share rose from 63c to 82c, although dividends rose only marginally to 20c pushing dividend cover to 4,1

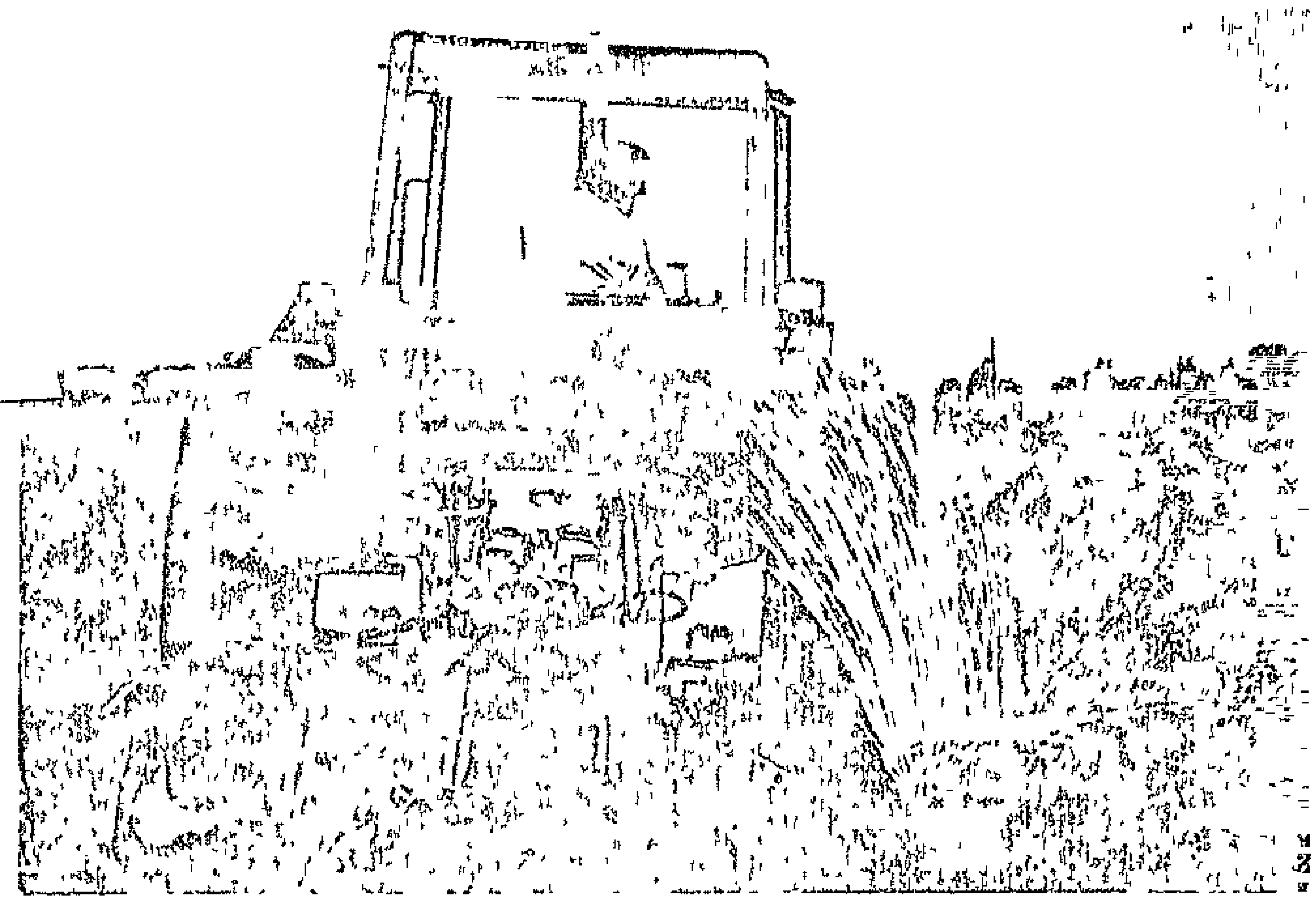
Noting that the merger of the meat interests of Kanhym and Pickfoods with those of Karoo was the basis for the strong growth experienced, Mr Du Toit points out that turnover for Karoo for the 12 months to June increased by R426m or 138% to R734m, while group attributable profit increased by R5,649m or 211% to R8 327m

According to Karoo's budget for 1981 as well as the five-year budget, Mr Du Toit reports that "healthy growth is expected and the growth in profit experienced during the past five years should be maintained"

FEDVOLKS F.M. 11/12/81

Still growing SE 232

Federale Volksbeleggings 31% profit growth in the six months to end-September is probably somewhat higher than the mar-



Fedvolks' farm equipment ploughing a deeper profit furrow

ket expected It owes much to the performance of its non-listed subsidiaries as well as to the acquisition of a controlling interest in Firestone last April For the second six months the directors expect a slowdown but the final earnings figure should be more or less in line with the 20% stated growth objective

In posting a 31% first-half earnings advance, Fedvolks performed far better than listed subsidiaries Fedfood and SA Druggists Fedfood for example, (see Fox) turned in 19% earnings growth while SA Druggists' attributable profit was 13% higher However, associate Sentrachem which has big capex programmes in the pipeline, would have contributed around R3,5m (R2,9m) to income based on its 23c (19c) final dividend

On the basis of the *FM* estimates at the time of the Firestone acquisition and a conservative estimate of market growth first-half results could have benefited by some R2,5m before offsetting the R2m-odd financing costs of the deal On a per share basis this would have boosted earnings by something under 2c a share Stripping this out would produce normal earnings growth of around 25%, which is closer to the 20% per annum three-year target set by management It also gives an indication of the strength still left in the economy

Fedvolks' farming equipment interests should have been a fairly strong contributor to this organic growth as the agricultural sector geared up for what was expected to be a bumper year Drought problems since in certain areas could have offset this to some extent Also the consumer product subsidiaries including Morkels, must have experienced solid demand which should hold up until the year-end

Financially, Fedvolks remains sound The R30m rights issue of prefs to fund the Firestone purchase and the issue of R5m worth of ords to Sanlam for an additional effective 7,5% in Firestone boosted shareholders' funds and improved gearing potential So even if subsidiaries call for more funds, as might happen in Fedfood's case, liquidity will not be strained In addition, it enables the group to take advantage of any acquisitions which may arise as happened recently with the ceramics companies

By the same token the group is well placed to fund its capex commitments At end-September Fedvolks detailed requirements of R58,1m (R20m) most of which are for Firestone and Fedfood

The six months 52,9c (40,5c) earnings figure should in the absence of major acquisitions or rights issues grow to some 142c (117,5c) by end-March to fulfil management's medium-term target This would mean a second half advance of 15,6% to 89c (77c) Such a growth deceleration is possible given the expected slowdown in the economy But with a first-time contribution from Firestone in the second six-month accounting period it would be surprising if the advance was less

If Fedvolks does earn 142c this year, shareholders should receive a final of at least 26c (21c) for a 40c (33c) total This would put the share on a prospective of 6,8% which still looks like a hold *Des Kilalea*

KANHYM/KAROO

Tidying up

F.M. 11/12/81 (232)

Kanhym is saying nothing about terms for its plans to acquire the whole of Karoo But it is a safe bet that an issue of new shares is on the cards That is clear from the company's capital needs elsewhere, particularly its developing coal venture Details should be available early next week

However it is equally apparent that the deal will not be as simple as a straight share swap For one thing that would result in Gencor losing control of Kanhym (its present interest is just a shade over 52%) for another, Jan Pickard Picfood which holds 39% of Karoo, would undoubtedly prefer cash

The two obvious alternatives therefore are a rights issue or a deal whereby Gencor acquires for cash any shares issued by Kanhym The latter has the attraction that it would probably allow Kanhym to pitch the price higher than in a rights offer It would also allow Gencor to increase materially its holding in Kanhym, perhaps to as high as 64%

Alternatives

These are not, however the only choices Another would be a pref issue although with the high market rating of Kanhym ords this might prove more costly to the company in terms of cash flow

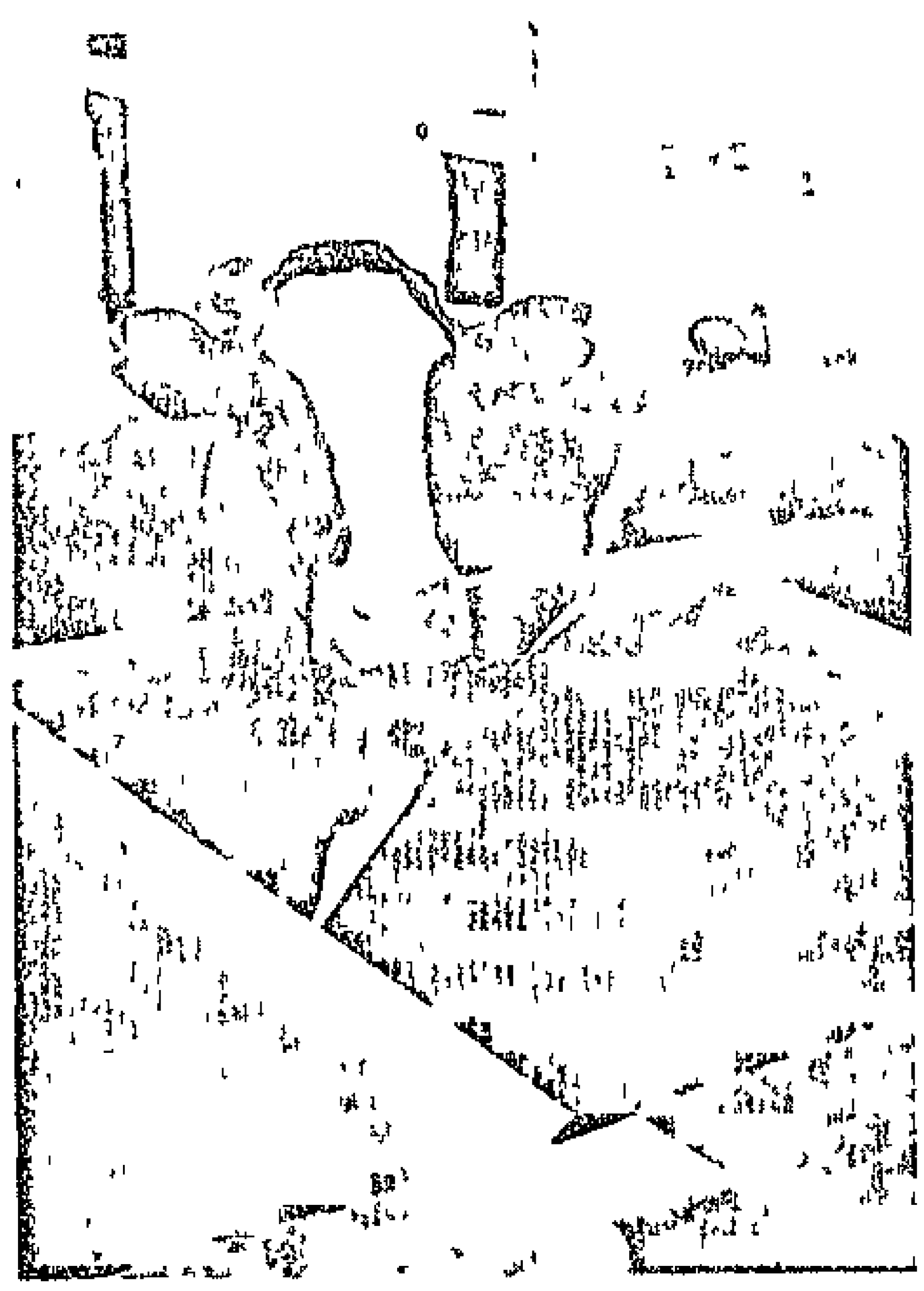
Kanhym presently owns 51% of Karoo and will accordingly be bidding for about 13 1m shares At the present market price of 275c, the cost would be R36m But after allowing for a reasonable premium and assuming Kanhym also acquires Karoo's 1,6m R1 pref shares the total cost would probably be nearer R45m

If this was financed with ords, Kanhym would have to issue at least 3 1m new shares — an increase of 33% on its present capital In return it would be buying annual earnings of around R5m based on Karoo's income for the 12 months to end June and allowing for a 20% growth rate That would be the equivalent of about 160c a share on the new shares to be issued — roughly in line with what Kanhym expects to earn on its existing capital in the current year (ending December 31)

There would however be advantages in other areas For one thing the balance sheet would be materially stronger and this would aid in financing Kanhym's share of the Middelburg coal mine and other capital projects

From Picfood's point of view, a deal along these lines would give the company a capital profit of some R7 1m on the R12m book value of its investment — reason enough to accept even though Pickard had previously insisted on retaining a minority stake when Kanhym acquired control of Karoo 18 months ago

The company would be left as a cash shell with about R50m available for investment Its only other asset of consequence is 158 700 shares in Tollgate which have a market value at present of R596 300



Kanhym . beefing up share capital

FEDFOOD F.M. 11/12/81

Digesting expansion

(~~195~~) (232)

Sharply higher interest payments and a marginally increased tax bill cut into Fedfood's interim profit, resulting in a modest 19% earnings advance to 37c (31c) a share in the six months to end-September. Turnover rose 26% to R265,2m (R210,2m) accompanied by a 33% advance in operating profit to R19m. But a 72% increase in interest payments reduced pre-tax profit by R4,2m to R14,8m (R11,9m), which was 24% up on the corresponding period the previous year.

Finance director Francois Rossouw says the company's rapid growth has outstripped the internal generation of funds and it became necessary to gear up in the past six months in order to finance substantial new investments. These included the acquisition of a 73% interest in breakfast food manufacturer Honey Crunch and the takeover of Interland Marketing, which will extend the prepared food activities of Table Top.

In addition, the group embarked on a sizeable capital expenditure programme aimed at expanding production capacity in Table Top and the Marine Products division. Table Top performed satisfactorily during the period, but the directors say lower than anticipated results from white fish activities reduced the overall contribution from the fishing division. The diversification in white fish represents a major move by the company out of the flagging pelagic fish industry and is expected to contribute materially to group profits in financial 1982.

In milling — still the group's major profit source — margins were slimmer and are expected to come under increasing pressure as economic growth begins to slow. A 20% increase in the price of maize earlier this year caused a fall-off in demand which in turn resulted in a stepped up level of competition. Nevertheless, Fedfood managed to lessen the impact of slimmer margins by extensive product development. Rossouw says no dramatic drop in demand is expected during the coming months, but a levelling off has already been experienced.

In the longer term, however, the group is obviously expecting continued growth in staple foods. Operations in this area were further expanded with the acquisition of the Koeberg feed mill at Eisantekraal, to supplement the animal feed operations near Worcester.

On the financial side, Rossouw says the group's gearing target is a 50% ratio of shareholders' funds to total assets. Although no immediate plans to reduce borrowings have been disclosed, the directors say a "strengthening of shareholders' funds will be considered." How this will be done has not yet been decided, but a similar situation arose two years ago and led to a one-for-five rights issue. A similar development could be on the cards in the next financial year.

In the near term, earnings growth seems likely to be affected as the group digests its numerous acquisitions. In addition, dividend distribution will probably be inhibited by the need to finance increasingly expensive stocks and assets. Nonetheless, the benefits of the group's aggressive acquisition programme should begin to flow through in financial 1982.

At 580c the share yields 5,9%, which is fairly attractive relative to the sector average of 5,2%, particularly in view of the medium to long-term growth potential.

TOLLGATE F.M. 11/12/81 236 232

Banking on fares

Activities *Active in the field of road transport, tourism and related services Directors control 36% of the equity*

Chairman *D M Marais managing director E E Grubb*

Capital structure *17 8m ordinaries of R1 Market capitalisation R24,0m*

Financial *Year to June 30 1981 Borrowings long- and medium-term, R11,9m, ... R2 8m Debt equity ratio 47,3% Current ratio 0,9 Group cash flow R11,4m Capital commitments R9 0m*

Share market *Price 135c (1980-81 high, 212c, low, 150c trading volume last quarter 1,3m shares) Yields 17,4% on earnings, 14,8% on dividend Cover 1,2 PE ratio 5,7*

	* 78	* 79	*'80	'81
Return on cap (%)	27 0	26 3	28 4	27 2
Turnover (Rm)	52 0	57 5	74 6	65 2
Pre tax profit (Rm)	14 3	16 5	20 8	14 8
Gross margin (%)	33 1	33 2	31 0	25 6
Earnings (c)	51 8	57 2	69 6	†23 5
Dividends (c)	11 2	12 5	16 2	20
Net asset value (c)	227	274	316	224

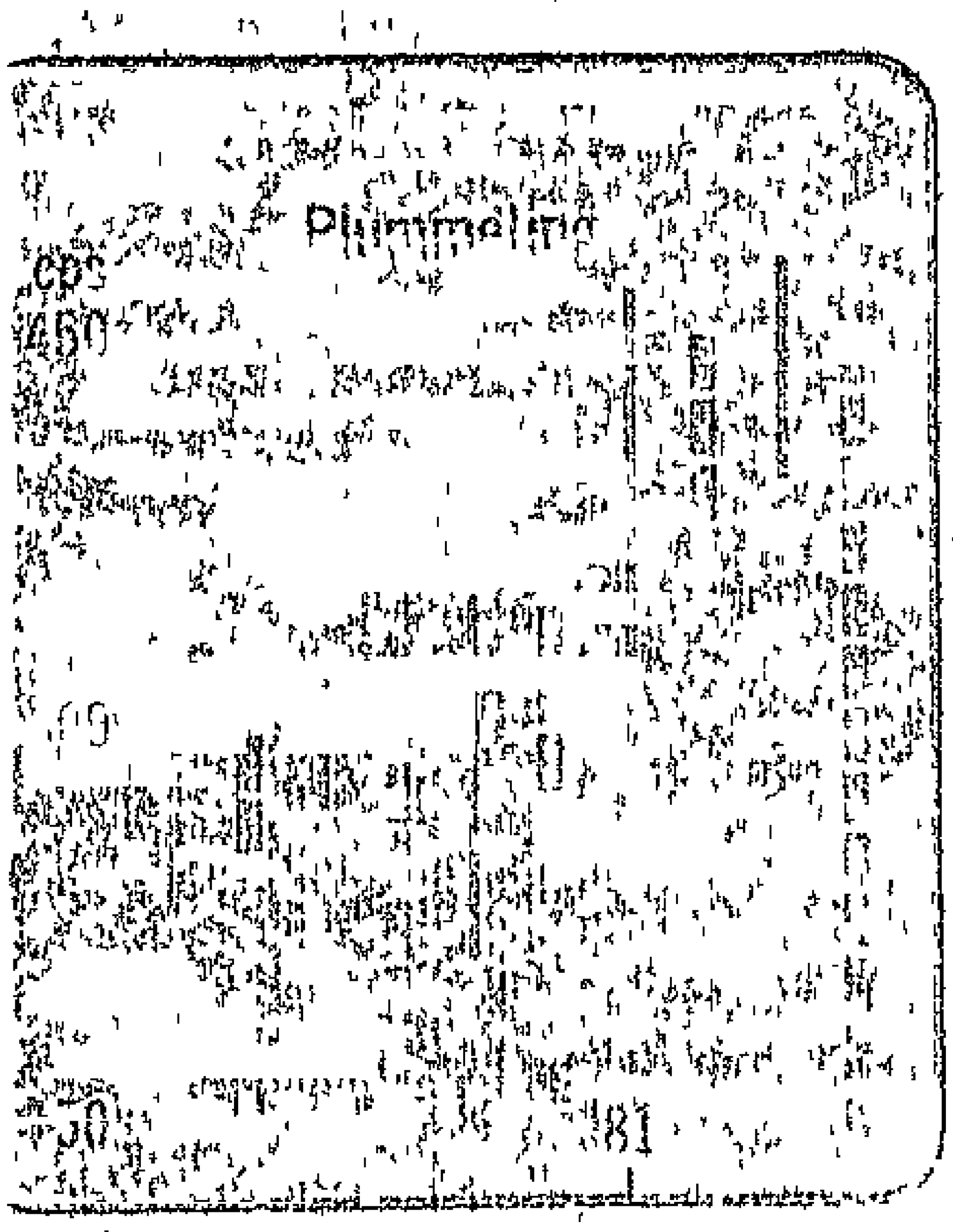
* Adjusted for cap issue † After additional depreciation

Tollgate's results and the dividend for the year to end-June obscure the extent of falling returns being experienced and the justification behind management's plea for an increase in Cape bus fares Without such an increase it seems highly unlikely that the company can continue its capital programme and at the same time maintain dividend growth

Over the past year, the group's finance and insurance subsidiaries have been sold and non-operational properties were disposed of During the year a 270c special payment was made to shareholders on top of the 20c (16 25c) ordinary dividend

These changes mean that asset yields as shown in the FM table are misleading The return on capital appears to have almost level-pegged at 27,2% (28 4%) but, stripping out the additional interest earned during the year (prior to the distribution to shareholders of the surplus R48m) and adding an extra R2m depreciation to bring the buses up to a realistic value Tollgate is returning only 15% on capital employed Obviously given the average cost of funds -- both equity and borrowings - management is concerned about continued capex

In the annual report the directors warn



R17m expenditure on current and future capital projects is being reviewed The group has submitted another fare increase application but, ahead of the government-appointed investigation into road transport, Tollgate may still have to wait some time for a response

Though the return Tollgate is achieving on assets leaves much to be desired there is still no shortage of cash in the group Funds on hand at end-June (after distributing the R48m) totalled R3,1m (R916 000) of which R1,8m is owing to shareholders for the final 10c dividend

In addition, Tollgate is lowly geared The debt equity ratio is 47,3% and the interest /leasing bill is covered nearly nine times by gross profit Provided the group can at least maintain profit, gearing can comfortably be increased

Maintaining the profit rate, however, is where the problems start Firstly, the rate of increase in bus operating costs must be crippling and, secondly, the 1981 earnings reflect the final benefits of the financing and investment, arm including Golden Arrow and Tollgate Finance These former subsidiaries were sold in October 1980 but still managed to produce 39,3% (20,6%) of after-tax profit Stripping this out, the return on group capital employed would have fallen even further

This year, management gives no forecast, as the fate of its bus fare application is unknown The share offers a 14,5% historic yield, giving some indication of how the market sees this Cape Town group and indicating that the dividend could be in danger unless the group is granted a reasonable fare increase

Des Kilalea

NAMPAK

In last week's *FM*, we incorrectly named Mr L Wilder as deputy chairman of Nampak Wilder had resigned during 1980 In addition, the picture captioned as chairman Bas Kardol was, in fact, Peter Clayton, a director of Nampak We apologise for any inconvenience caused

Jan Pickard's touchdown — right between posts

ARGUS 11/12/81

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AS a young man, Mr Jan Pickard achieved considerable fame for his prowess on the rugby field. But now he is showing that he's just as adept in the field of business.

Picardi Investments (Picbel), the top company in the business empire he has built up in the past 15 years, announced today that it is doubling its annual dividend for the second year running.

It is paying 16c a share after paying 8c last year and 4c in 1979.

And at a Press conference, Mr Pickard indicated that with six months of the financial year already over, there was a good chance that Picbel might be able again to double its dividend next year.

PICCAN

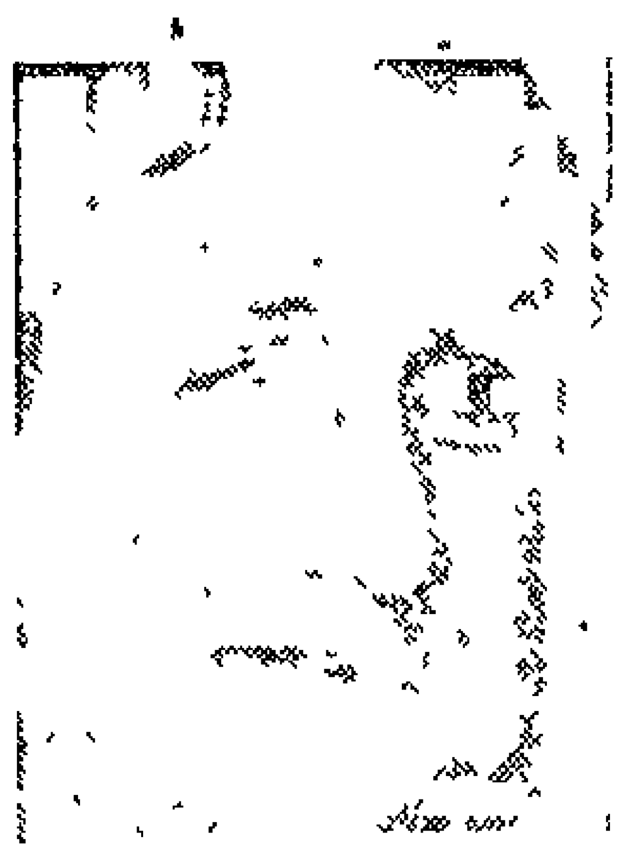
One of the reasons for the big increase in Picbel's dividend was the sharp increase in profits earned by an associated company Piccan (formerly Picardi Canners).

Piccan sold its canning interests to Langeberg Co-op earlier this year.

The move led to Piccan's net profit before tax in the year ended June rising more than six times to R2 275 000 from R359 000.

Net profit after tax and preference dividend payments rose 8,7 times from R253 000 equal to 2,7c a share to R2 215 000, equal to 23,6c a share.

An annual dividend of 8c — 2c more than the 6c forecast — has been declared.



Jan Pickard

As Piccan's profits included canning losses for the seven months ended January, profits for the year ending June, 1982, were expected to be substantially higher, in spite of the more difficult trading conditions which were likely to arise, Mr Pickard said.

Mr Pickard reports that Picardi Finance, the controlling company of Union Wine, increased its net income before tax in the year ended June by 66 percent from R3,5 million to R5,8 million, and its net income after tax by 111 percent from R1 998 000 to R4 219 000.

After taking into account dividend and attributable income of an associated company and minority interests, income attributable to ordinary shareholders was 112 per cent higher at R4 4550 000 equal to 124c a share (last year, 61,6c).

The annual dividend has been increased 50 percent from 20c to 30c a share.

BUOYANT

Mr Pickard says Picfin generally experienced buoyant trading conditions.

Union Wine's wholesale turnover rose 41 percent and breakthroughs were achieved in product development, but the final results were adversely affected by the sharp rise in interest rates on borrowed money.

Picardi Investments almost doubled its net income before tax from R6,4 million to R11,1 million.

After providing for taxation, preference dividend and minority shareholders, income attributable to ordinary shareholders was R6 366 000, an increase of 79 percent on last year, equal to 143,6c (80,4c) a share.

The 16c dividend was thus covered almost nine times by earnings.

Mr Pickard said the high dividend cover was necessary to conserve cash in companies lower down the pyramid.

Derek Tommy

Sugar mill bid meeting called off after Court ruling

N. Mercury 16/12/81

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Court Reporter

AN URGENT meeting of the 138 members of Umfolozi Co operative Sugar Planters Ltd, arranged for this Friday to consider a R42,5 million offer by Huletts Corporation to buy the Umfolozi sugar mill was cancelled yesterday by a Supreme Court ruling

The offer, first made to the sugar farmers in October, and subsequently set down for their consideration at a special meeting of the co-operative on November 11, was disclosed in papers following an urgent application brought before a Durban judge

The Court heard yesterday that the offer had not been considered by the members at the earlier meeting who voted for an adjournment of the meeting to allow a report by a financial consultant to be revised and represented

When an offer by Huletts was circulated to members they also received two evaluations by different consultants One of the reports considered the Huletts offer to be favourable to the members The other was not favourable

Present price

In an affidavit Mr C J L Griffith, chairman of St Lucia Sugar Farms (Pty) Ltd, a co operative member, told the Judge that before the November 11 meeting one of the consultants withdrew his evaluation because its calculations were based on the present sugar price

Withdrawal of the report was endorsed by the board of the co-operative and when the matter was reported at the meeting the majority of members favoured an adjournment until some time in the New Year, awaiting a revised report

However, since the November meeting 31 of the co-operative's members requisitioned the board to convene a special meeting That meeting was scheduled to take place on Friday

In their application for a court interdict to stop the meeting from being held, St Lucia Sugar Farms submitted that it would be prejudicial to members if a meeting took place without the revised report being available The matter was not urgent because the offer by Huletts was open until March 31

In reply Mr Ian Bates Smith, general manager of Umfolozi Co operative Sugar Planters said the overwhelming majority of members who voted at the November 11 meeting for the meeting to be adjourned did so on the recommendation of the board

When they later discovered that the recommendation was motivated by a threat by St Lucia Sugar Farms of legal action they had reason to reconsider their decision and wanted the offer to be considered without delay

Insecurity

Also in support of an urgent meeting a Mtubatuba farmer Mr G J Coates, said he was opposed to the Huletts offer and its consideration should not be unduly delayed He said there was insecurity among members and staff of the co operative

After Mr Justice Howard had heard argument from senior counsel for both parties he confirmed a provisional order which interdicted the co operative from holding or convening any meeting to consider the Huletts offer until after the conclusion of the special meeting which was adjourned on November 11

Mr D J Shaw QC, with Mr B Acker appeared for St Lucia Sugar Farms (Pty) Ltd and Mr R Law appeared for Umfolozi Co operative Sugar Planters Ltd

The R42 5 million offer for the milling assets of the Umfolozi Co operative was later confirmed by Huletts' group public relations manager Mr Ron Phillips

F.M. 18/12/81

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MAN OF THE YEAR

Dick Goss

To the outsider, Dick Goss is a retiring chap He avoids the limelight and is ill-at-ease in social gatherings Unlike his predecessor, the ebullient Ted Sceales, he is given to introversion, which is seen by some as aloofness

"Don't go to him with a bull proposal because he will analyse it out of existence," says a trusted lieutenant who has served with him for years "He is not an easy guy to relate to and puts the fear of God into people"

How then has he mobilised 52 000 employees into one of the most highly motivated and efficient workforces in the country? And how has he raised group pre-tax profits from R10m in 1967 to R240m this year, at the same time improving pre-tax return on assets from 12% to 22%?

Subordinates say it is through leadership based on personal example Goss has never sought popularity with backslaps in the pub, but has won the admiration and respect of his staff for his immense personal abilities and astute mind

And in a tight corner, his qualities of aggressiveness and determination shine He infects his entire staff with a zeal to lick the competition at all costs

"The tougher things get, the more dedicated we become," he says "It is almost like a war psychosis"

His own toughness probably took root while doing articles in the trust department of a firm of accountants

"I saw the seamier side of business, like liquidations and receiverships," he recalls "At a tender age I was brought face-to-face with what happens to people who go to the wall and lose everything but the bed they sleep on But, for me, it was destructive work"

His next job was different After obtaining his CA he joined SAB and, in the 30 years since, he has been the major force in building it into one of the biggest industrial groups in the country

Says Goss "The beer excise figures are our monthly score sheet and everybody down to the floor sweeper knows them and knows if we are winning or losing Without seeing the figures, I can tell how we are doing by walking into a rep's room and looking him in the eye"

He claims that lack of a beer competitor is his greatest concern at present "Uppermost in my mind is the danger of our becoming complacent My challenge is to find meaningful goals to keep us in trim

"I cannot manufacture a competitive situation, but I enforce the condition that our planning assumes we have a competitor in three years' time And we work to a formula which keeps our price increases below inflation."

These prescriptions will probably deter the competition he envisages For the SAB beer division has built up a formidable defence its diverse range of brands and packs, each with physical properties and advertising image designed to cater for a major market segment New brands and packs are launched from time to time even in the absence of competition

Any new beer aiming for a significant market share will thus have to compete eyeball-to-eyeball with an established SAB brand that is a household name Backing it up is one of the most advanced beer brewing and distribution facilities in the world

This range proved itself after SAB took over the brands of its defeated rival, Rembro's Intercontinental Breweries (ICB), in 1979 None of them was better suited for the market than the existing SAB brands, so all were phased out SAB also dropped its own Stallion 54 brand, which had been put on the market only to pre-empt the launch of ICB's Colt 45

SAB may lack a commercial competitor in the beer market, but many consider that it still faces an even bigger adversary, the SA government Goss is understandably reticent on the matter, but it is no secret that SAB has probably suffered more from government attempts to clip its wings than any other SA public company — much of it during his term as MD

Some examples

☐ When Whitbread's brewery was established, government introduced an additional excise on beer produced by big breweries SAB's big Isando brewery was the only one in the country to qualify for this burden

☐ In spite of government's declared policy of encouraging the consumption of low alcohol drinks, numerous supermarkets have received licences to sell wine, but not beer which contains less alcohol

☐ Beer excise is nearly as high as spirits excise and is 23 times higher than natural wine excise In the last budget, beer excise was raised further

☐ In 1967 government forced SAB to reduce its controlling share in Stellenbosch Farmers' Winery (SFW) to 33%

Characteristically, in countering these challenges, the group has emerged stronger each time

The performance of his beer division is less than half the story of Goss' success He led the SAB diversification into non-liquor businesses, which today contribute 53% of its earnings

The diversification was prompted largely by the forced sale of SAB shares in SFW which provided a lot of spare cash This was supplemented by cash from the sale of SAB's 300 hotels, which did not comply with the star-grading system then being introduced

Goss then began what he calls his aggressive policy of growth through acquisition He not only took an active role in running the beer division, smashing competition from Whitbread and Luyt beers in the process, but personally negotiated most of the takeovers

During this feverish activity, he was selected as the *FM*'s businessman of the year for 1969 He was hailed for leading SAB's expansionist leap and for raising after-tax profits growth from 10% to 25% a year

But his methods of managing have changed markedly He now regards the Sixties as "learning days" and likens the early phase of growth to "quickly slapping up a house without worrying too much if the roof leaks or the door does not quite fit"

Says he "I had a highly autocratic and risk-taking style, but it allowed fast decisions and implementation

"It was not conducive to people-building. So it is hardly surprising that in this period, productivity in terms of operating returns showed relatively small improvement"

Between 1967 and 1974, SAB purchased several food companies to form Food Corporation, hotels to form Southern Sun, shoe companies to form Shoe Corporation and Afcol, the furniture manufacturer In 1974 it acquired Federated Stores, at the time one of the biggest acquisitions in SA business history It comprised OK Bazaars, UDC and interests in clothing manufacturers, property and investment portfolios

Goss admits that, by then, the SAB empire had taken on a higgledy-piggledy nature which was confusing investors and depressing the share price

"The realisation took root," he says, "that we should assume a profile which would make the investor feel good"

And SAB, accustomed to its role of a liquor giant, was clearly not happy to play second fiddle in other markets

"We were not experienced in these businesses," he says, "and a number of our small companies had to compete with giants like Unilever and Premier Milling

"There was a danger we had bitten off

A SUCCESS SCORE-SHEET
SAB RESULTS

	1967	1981
Turnover	[illegible]	[illegible]
Profits after tax	R[illegible]m	R163m
Asset turn	1,00	2,18
Gross profits on sales	12%	10%
Pretax return on net assets	12,0%	21,8%
Earnings per share	4,5 cents	54,3 cents
Dividends per share	3,5 cents	27 0 cents

more than we could chew and would come a cropper, so in 1975 we introduced a new strategy more focused endeavour, organic growth, improved productivity and strict financial discipline

"A number of weak sister businesses, misfits and low potential activities were sold Since then we have had no major takeovers, but our growth rate has been identical to that during the acquisition phase"

At the same time Goss stepped back from the front line and handed over more responsibility to his managers in the field When he first took the job, only two of his managers sat on the SAB board, today there are eight

He now concentrates on corporate planning, procuring finance and top people, motivating the management team and monitoring performance

In this climate, wonderboy Sol Kerzner has pioneered a new concept in hotels and entertainment, and Meyer Kahn has put new life into OK Bazaars, the grandmother of SA discounters which was being harried increasingly by younger competitors

Says Goss "Our managers are highly imaginative and they get down to fundamentals They have the courage of their convictions, so are not afraid to take risks

"Over the years I have learned how important it is to create a confident management team If you are inconsistent, people do not know where they stand I therefore discipline myself to a constancy of conduct and I stick to set principles I no longer play too many things off the cuff, but am inclined to allow major changes in policy to evolve over time"

With this approach, taxed profits and earnings per share rose from R37m and 16,3c in 1974 to R163m and 54,3c in 1981 Productivity improved as the workforce increased from 44 200 to 52 200 and profit per employee from R1 050/year to R3 130

The diversified interests now contribute more than half of group earnings, while the beer division, which has a monopoly, has increased its share of the total liquor market from 32% to 40%

Goss backs his claim that consumers have not been exploited by this monopoly by pointing out that price increases have been well below the inflation rate And group profits on sales have declined from 12% when he took over in 1967 to 10% last year, in spite of the enormous improvements in return on assets

A more rational group configuration is now emerging where most of the companies are the biggest in their fields OK Bazaars in retailing, Southern Sun in hotels and Afcol in furniture manufacture The only exceptions are Shoe Corporation and the Amrel retail operation This suggests they are slated for further expansion

Goss affirms he is now ready for another phase of expansion through acquisition "This time we will be highly focused," he says, "and will be looking for major, worthwhile acquisitions in consumer goods"

In 1969 he said SAB was so well organised that nobody would know if he left History has proved him wrong, for his greatest achievements were yet to come

Dick Goss should be the next chairman of SAB, but not yet He is still only a vigorous 53 years old and has more clarity of vision than ever Having made SAB the giant it is today, he has also ensured that it functions without his direct, daily intervention

He is now free to lead it into new ventures from a far firmer base, for he says "I leave the office at five and never take work home. I am a very lucky man"

HULETTS/MONDI

F.M. 18/12/81

Paper deal

2.37

Huletts' sale of its 70% controlling stake in Huletts Paper to Mondi is the group's second major divestment of non sugar interests in two years The income equation makes the deal seem 'fair,' but the resultant increase in Huletts proportional exposure to the sugar industry might not be in shareholders' best longer-term interests

More importantly the sale could mean slowing dividend growth from Huletts unless dividend cover is lowered Huletts normally distributes half of earnings before additional depreciation This includes the attributable income of Hulpaper And while the income on the prefs being received from Mondi will equate 1981's dividends from Hulpaper, consolidated earnings will drop So, either cover policy changes or dividend growth slows

Hulpaper has two corrugated cardboard mills at Felixton, Natal and Piet Retief in the eastern Transvaal In the year to end-March 1981 both mills ran at full capacity and expected the same in financial 1982 The company contributed R6,3m to Huletts' after-tax earnings and had forecast maintained profit this year,

The sale to Mondi is based on Huletts' feeling that the substantial additional investment needed in the paper division would not generate an attractive return The size and nature of the investment has not been detailed but the announcement says the income of the R22,4m in 10% redeemable prefs, which Huletts will receive for its stake in Hulpaper, will equal dividends from the subsidiary in financial 1981 Huletts will also receive R1,8m, being the final dividend expected from Hulpaper for financial 1982, and a R2,1m special dividend

So the immediate return to Huletts for its controlling interest should not harm cash profits But, in view of the substantial (17) contribution the paper companies made to group earnings last year and the fact that sugar income can be greatly affected by the weather the loss of a diversified interest must carry a large cost

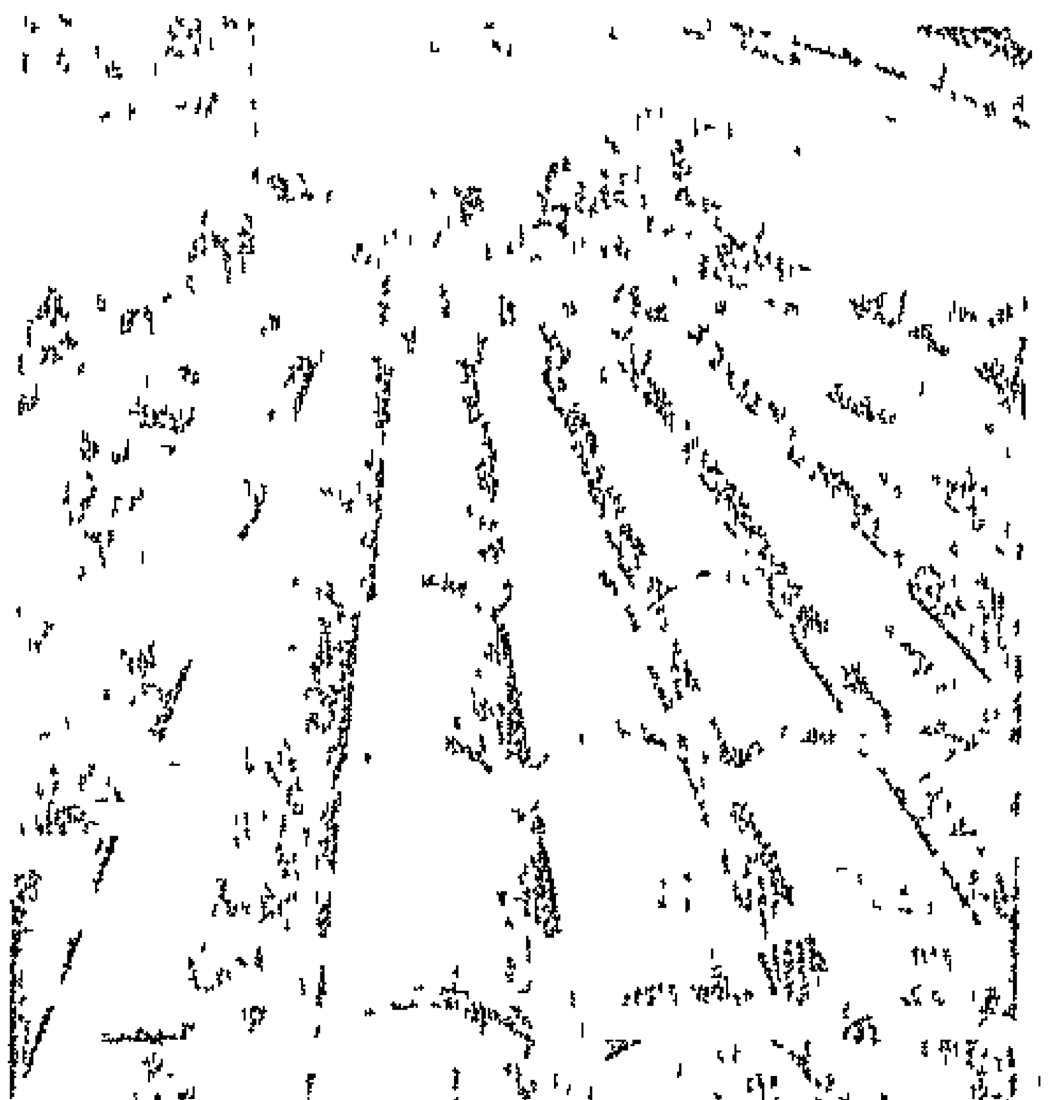
This sale leaves Huletts with its sugar and aluminium interests as the major profit sources The sugar division is currently being expanded with a R110m (1981 money) mill due to come on stream in 1985-86 Finance for the mill had already been arranged, as had funding for the foil rolling facility required by Hulamin In any case, the Huletts group is liquid At end-March cash and near-cash totalled R84m before counting pre-payments In addition, normal operations generated cash income of R33m gross on an annual basis The group was also only geared to around 17% of equity In other words, the R26,3m Huletts will receive for its stake in Hulpaper is not essential to improve capital structure for additional capital spending

Most likely the deal was prompted by Anglo's desire to put all its paper interests in one basket Being the major shareholder in Huletts and owning Mondi, Anglo was presumably faced with a conflict of interests which has been eliminated by acquiring Hulpaper And the deal fits in with Mondi's expansion plans It recently bought 49% of Hunt Leuchars & Hepburn's timber division for a reputed R27m and HLH's Jessievale sawmill for about R12m The group also bid R110m for Usutu Pulp in Swaziland and has plans to spend R520m on a pulp mill in Richards Bay

In Huletts' case avoiding investment sufficient to make Hulpaper competitive longer-term with the paper giants, also makes sense But unless the cash is put to better use in the near future the sale could harm dividend potential

In the final event, the end of the story may still have to be written Speculation in Diagonal Street suggests that Huletts' next move could be into an embrace with Tongaat Time will tell

Des Kilalea



Huletts' Paper . . . the latest disposal

BUILDING SOCIETIES

F.M. 18/12/81

A helping hand

232

The United Building Society is ~~no~~ doubt pleased by the injection of assets of some R449m acquired through its takeover of Southern Trident (ST). However ST's surplus — what an ordinary company would call profit — is such that the merger cannot be described as a financial coup. It is more likely that the UBS is offering a helping hand.

March 1981 figures reveal that the ST had the movement's lowest surplus/R100 of mean assets — 4,3c (against the UBS's 40,2c) — with a reserve ratio of 1,5% against 1,9% last year and pre-tax surplus (profit) after dividends and special appropriations of R173 000 on assets of R449m.

At the time the *FM* made the point that if the surpluses of some societies remained low, they might become "ripe" for takeover. On those figures it was clear the Trident was heading for troubled water. Had the competition for deposits been less, the best it could have hoped for was to break even.

Movement stability

The point must be made that building societies are never allowed to get into real difficulties: they simply place their liabilities and assets in the hands of another, more robust society.

It is to the movement's credit that such is its stability that bigger societies can absorb another the size of ST with no trouble.

Because Trident's profitability was very low, its absorption into the United has pulled United's key ratios down. But the society is sufficiently strong to carry the burden and recover. The new United (ST will be phased out by April) will have a reserve ratio of 2,59% and profit/R100 of mean assets of 36,4c based on March 31 figures.

United's market share will now increase by 4% thus broadening its client base and number of outlets.

Although one or two of the bigger societies are believed to want to enhance their growth and market penetration by taking over a smaller independent society, these societies have healthy ratios and are displaying a marked reluctance to merge.

But this merger demonstrates clearly that building society managers who fail to generate realistic surpluses will increasingly become vulnerable to a loss of independence.

FOREIGN LINKS

Independent insurance broker Robert Enthoven Nebicon will become one of the Big Five when Jardine Glanvill merges into it in April next year.

The Enthoven family will remain in control with Jardine Insurance Brokers (the international broking arm of Jardine Matheson), Rennies, Board of Executors and Fidelity Bank Group the other main shareholders.

Veteran insurance man, Robert Enthoven, will be executive chairman of the enlarged group, which he says is the culmination of a two-year development programme.

Unlike any other major broking company, his new group is able to combine independence with substantial resources. It has no direct ties with a large bank, building society or underwriter.

KANHYM/KAROO

F.M. 18/12/81

Benefits for all

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There are few surprises in the terms of Kanhym's offer for Karoo other than the fact that Karoo has been valued at a somewhat lower price than I had expected. In my estimates last week I valued the company, rather arbitrarily, at 330c a share — a 20% premium on the then market price.

The offer, however, values the company either at 290c (based on the exchange of one Kanhym share for five Karoos) or 288c (based on the 1 440c cash under-pin for the Kanhym shares), a premium of only 4,7%-5,5%.

It appears, too, that Kanhym is not acquiring the 1,6m Karoo prefs all of which are owned by its one-time holding company, Picfood. The combined effect is to reduce the value of the offer from my estimate of R45m to R38m.

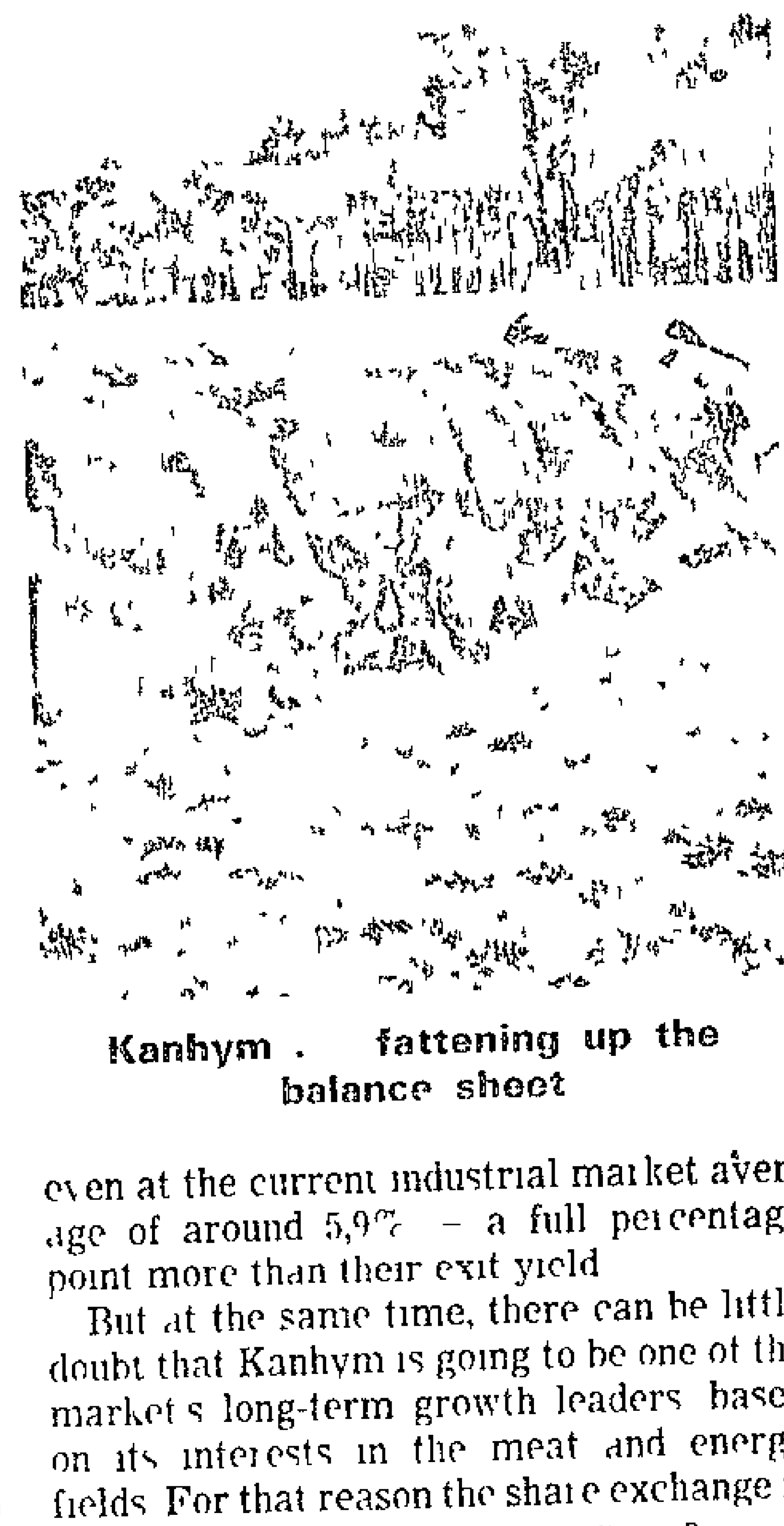
It also means that Kanhym will be issuing only about 2,6m new ords instead of 3,1m, thus enhancing the income equation. Of these 2,6m shares, 2,1m will accrue to Picfood. According to Jan Pickard, no decision has yet been taken as to whether he will keep the shares or take the cash — "What do I need more cash for?" But it seems probable that whether he needs it or not, he will get the cash. Gencor needs those shares if it is to retain control of the enlarged Kanhym capital.

At present, Gencor holds a shade under 5m of the 9,5m shares in issue. This will increase to about 12,1m and would, accordingly, dilute Gencor's interest from 52,3% to 41%. With the Picfood shares, on the other hand, its stake would rise to around 59% while if all Karoo minorities take the cash, it could go as high as 63%.

The main short-term effect as far as Kanhym is concerned is the strengthening of its balance sheet. This is reflected in the estimated 25% increase in net worth per share and will, as pointed out last week, assist in financing the group's share of the new Middelburg export coal mine and other capital projects.

Picfood, assuming the company takes the cash, will be left as a shell. Its only assets will be about R44m available for investment (including just over R30m from the present deal) plus its holding of Karoo prefs.

For other Karoo minorities, a decision on whether to take the Kanhym shares or the cash rests largely on income requirements. Karoo is projecting a 9c final dividend making a total of 14c for the year. That, in terms of the offer, would be worth 70c per Kanhym share — 10c more than Kanhym is expected to pay. Shareholders could furthermore, increase their income by investing the cash even at the current industrial market average of around 5,9% — a full percentage point more than their exit yield.



Kanhym . fattening up the balance sheet

But at the same time, there can be little doubt that Kanhym is going to be one of the market's long-term growth leaders based on its interests in the meat and energy fields. For that reason the share exchange is also attractive.

PEP/IL BACK F.M. 18/12/81

Minorities' dilemma

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Minority shareholders who were pinning their hopes in Pep Stores' ability to return lossmaker IL Back to profitability following the acquisition of Rembrandt's 97% holding in that company, had the wind taken out of their sales on Tuesday morning. Pep announced that it is to strip out Back's assets in a takeover of the company's clothing manufacturing and marketing operations, leaving Back a shell with R6,2m cash as its only asset.

Since Pep bought control of the company for R5,4m in August, Back's share price has risen steadily to a current level of 45c. But that hardly compares with the net worth of the company which will increase from 4,1c to 5,8c a share. The shell is, however, expected to be sold at a capital profit to a bidder wishing to achieve a "backdoor" listing through a reverse takeover.

Pep's directors say the 7c a share offer made to minorities after the takeover from Rembrandt still stands, although the offer could have been pitched at only 5,8c a share, based on the purchase price paid to Rembrandt. Chairman Christo Wiese says that the interest earned on Back's cash assets will have an "immediate positive effect" on the company's earnings and shareholders can therefore look forward to a dividend after the restructuring takes place.

Even so, Back minorities are faced with a difficult dilemma. Whether to stay aboard (and collect a modest dividend) in the hope that the new owners can improve the company's earnings or whether to bale out at the first sign of a decent offer for the shell. What is certain, however, is that those who bought into the company at recent price levels, are hardly likely to be tempted by Pep's 7c offer for their shares.

While it can be expected that the Back shell will probably fetch a substantial premium, it seems unlikely that any bid would be higher than 15c a share. The share has not traded for some time with sellers offering stock at 30c and buyers offering only 15c.

Wiese says Senbank — which put together the deal — has several potential buyers lined up and that the interests of minority shareholders will be "borne in mind" in considering any offers. In addition, Pep's directors say they may consider retaining a minority interest but the controlling interest in Back will definitely be sold. "Price will not be the only consideration in accepting an offer," says Wiese.

IL Back's results for the six months to September 25 show a reduction in the net loss incurred to R317 000 against almost R1,5m for the corresponding period the previous year. The directors say this is due to the efforts of Pep's management and the impact of the favourable economic climate on the clothing industry. Wiese is confident that Back's subsidiaries will return to profitability "within the next year or two" and says the process will probably be accelerated by the restructuring.

The rationalisation could have overall benefits for Pep, particularly since spare capacity in the Back subsidiaries can now be turned over to Pep. Nevertheless Wiese stresses his intention to continue running Back as a separate operation. The subsidiaries will continue to market their products through independent retailers, thus avoiding possible conflicts of interest. In addition, the disposal of Back does not change Pep's own plans to increase manufacturing capacity.

Thus, while Pep shareholders can probably look forward to improved prospects, possibly the best advice for Back's minorities is to wait and see. *Chris Wilson*

Great takeover binge continues

Prices and time right for multi-million rand spending

RDM (B.M.) 21/12/81

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By DAVID CARTE

AFTER a great spate of mergers and takeovers in the past four weeks, merchant bankers expect the pace to slow only slightly in months to come.

In the past month, as merchant banks and the chief executives of takeover-hungry companies rushed to clear their desks before the holidays, takeovers totalling hundreds of millions of rands have been clinched.

But the holiday does not signal the end of the predatory orgy. Merchant banks expect it to continue in the new year.

Some mergers and takeovers sealed in the past four weeks:

- Amic became the biggest industrial company in SA by taking over Debincor and other Anglo American industrial stakes in companies such as Highveld, Mondi, Huletts, McCarthy and NTE. Amic is now worth R1 600-million.
- Mondi bought Usutu Pulp for R110-million.
- Triton bought Enyati control for R9 400 000.
- Gencor bought out TC Land's asbestos interests for R43 700 000.
- Calan has gone to a consortium for R63-million.
- HLH bought Suiderland's timber interests for R9 500 000.
- The minority stake in Karoo went to Kanhym for R37-million.
- Hanhill bought Swazi Chemical.
- Lucor bought Audiodek for R3-million.
- Edgars bought Ackermans for R30-million.
- HLH bought WF Johnstone for R39-million to become one of SA's biggest building suppliers.
- And, not in the stock market, the United Building Society merged with R1 000-million Southern Trident Building Society.

Merchant banks attribute the spate of takeovers to a greater readiness by sellers to accept realistic prices.

"As the boom caused company profits to take off, sellers were reluctant and therefore asked totally unrealistic prices," said one banker. "As a result few deals were clinched even though most companies have been highly acquisitive for the past three years.

"Now, sellers of companies see profits levelling off and liquidity tightening and they are more receptive to a big brother."

At the same time, blue-chip companies are more liquid now than normally at this stage of the economic cycle. They still have the means to spend on expansion. In fact, with organic growth slackening, there is more of an incentive for them to buy growth by means of acquisitions than before.

This situation is expected to go on into the new year and many a chief executive today is sitting on a beach or in a bar at Plettenberg Bay considering or even discussing a proposal or two that should be clinched before April.

While they expect the takeover binge to continue, and in fact half-seriously joke that at the end of the day there will be four industrial companies left on the Johannesburg Stock Exchange — Barlows, Amic, Fedvolk and Anglovaal — merchant banks do not see new listings to replace many of the names that are disappearing from the lists.

"The only new companies we'll see listed are those that will use their listing, or rather their paper, to grow. It would take another 1969-type boom with yields on 1,5% and PEs of 12 to 15 to bring blue-chip companies with organic growth objectives back to the market looking for equity capital", said a corporate finance chief.

Merchant banks do not expect a rash of preference share or debenture issues. They say financial directors will wait for interest rates to peak before venturing into this market.

"Most company balance sheets are realistically structured at the moment and there is not much pressure on them to go for pref or debenture capital.

"Most are content to wait for this type of capital to cheapen when rates come off.

"But if inflation does not slacken and the bears, who expect interest rates to rise further, are right, some companies might be pressured back into the market."

Merchant bankers are counting on a big Budget deficit next year and are confident of good business in the capital market.

(232) Star 24/12/81

Holding increased by Boland Bank

Boland Bank is increasing its holding in the Scottish-controlled short-term insurance company General Accident Insurance Company (Gasa) to 10,57 percent from 2,59 percent

The holding company of Gasa is General Accident Fire & Life Assurance Corporation (GAFL), which operates in the United Kingdom and has headquarters in Perth, Scotland.

Boland Bank will be acquiring 214 600 shares from Gasa which is currently conducting a rights issue The issue price of the shares is 500c each.

Total cost of R1 07-million will be met by the issue of 290 000 ordinary shares of 25c from the reserve-share capital of Boland Bank at a price of 370c

The price of 370c was the average price at which Boland Bank shares traded on the Johannesburg Stock Exchange during the time of negotiations

The net asset value of a Gasa share is in excess of 500c Gasa paid a dividend of 20c a share out of earnings of 84,2c a share for the year ended December 31 1980.

The shares now issued by Gasa will rank equally with the existing shares and will qualify for the dividend to be declared for the 1981 financial year — **Ann Crotty.**

Beckett out of Tanganda

SALISBURY — The South African shareholding in two Tanganda Tea subsidiaries is being bought out by the Zimbabwe company which will become the sole owner.

Tanganda is buying the minority shareholding of T V Beckett in Tanrose Foods and Tanrose (Pvt). Negotiations are at an advanced stage.

Both subsidiaries make and distribute food products.

The agreement has still to be approved by the Zimbabwe and South African exchange-control authorities — Sapa

DIVIDEND PAYOUT

Traditionally in this country ... usual for the company to declare an interim dividend which is in most cases smaller than the final one. There are no cases here where the dividends are paid out more than twice a year exept in the case of a liquidating dividend.

In general looking at the figures yet not doing any definative studies I found out these facts(Unstubstantiated)

I)Management is more likely to raise dividends in times of confidence than to cut them in times of downturn.

2) Earnings seem to fluctuate more than dividends.

3) Prices of shares do not seem to rise sharply just before dividend anouncement but gradually and that the price of the share does not always drop by the amount of the dividend when it goes ex div and in fact if it does it normally makes a strong recovery in the next few days, depending on the condition of the market as a whole.

4) Sectors with high assett investment and thus high depreciation such as manufacturing have a more stable dividend policy.

Anglo and De Beers join in R115-m agreement

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Star 22/12/81

The Anglo American Corporation (AAC) and De Beers have reached agreement with Consolidated Mining and Industries (CMI) whereby they will acquire from CMI for roughly R115-million a 40 percent interest in Empress Saudaméricanas Consolidadas This company holds all the South African assets of CMI

In addition, the agreement provides for R25-million preference share issue by Empress. This issue will be subscribed to 60 percent by CMI and 40 percent by AAC, De Beers and Minorco

The 40 percent interest in Empresas will be held by a joint holding company in which AAC and associates, including De Beers, will hold 75 percent and Minorco 25 percent. Minorco will issue 3,8-million new ordinary shares in exchange for its 25 percent holding in the equity of the joint holding company. These shares wil rank in equal pace with the existing shares of Minorco.

Application will be made to the council of the London Stock Exchange, the Johannesburg Stock Exchange and the European Stock Exchanges, on which Minorco is listed for these new shares, to be admitted to the lists.

The shareholders will advance in cash to the joint holding company their proportionate shares of the R10-million of preference capital in Empresas to be subscribed by the joint holding company.

CMI is a privately owned group with worldwide interests in mining, industry and commerce Its mining and industrial activities in South America, conducted by Empresas, include the production of copper, silver, tungsten, nickel, niobium, phosphates and fertilisers and metallurgical activities.

The principal interests of Empresas include investments in the Mantos Blancos coppermine in Chile, the Codemin nickel project in Brazil, in which AAC and associates already hold 35 percent, the Catalao niobium mine in Brazil, the Arcata silvermine in Peru, and Petrosur, an Argentinian-based producer of fertilisers.

'New' Retco to set sights on sectional title market

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Star 29/12/81

By Frank Jeans

The consortium of businessmen which has taken over South African Breweries' 32 percent stake in the Retco property empire at a cost of more than R3,5-million is aiming at streamlining the operation with an injection of assets to create a "profitable trading activity."

And the main thrust of the "new" Retco will be into the sectional title market.

The liquidation of Retco assets will continue, apart from the holding of principal properties, thus turning the company into a cash proposition so as to pursue new development projects

The deal has been finalised in the holiday season, but it is believed that it will be next month when the board will thrash out its future plans

The consortium headed by one of South Africa's top real estate economists, Dr Peter Penny managing director of Herbert Penny, paid 17c a share and intends selling certain assets under its control to Retco for the issue of new Retco shares based on a price of 17c a share

The five other directors who replace the Breweries board are Admiral S C Bierman, Dr D J de Wet, Mr J A S Louw, Mr W G Sinclair, and Mr D C U Conradie

The offer is unconditional and will be underwritten jointly by the Board of Executors and the Southern Life Association

Retco has offloaded most of its R107-million property portfolio through the formation of Sage-controlled CBD Property Fund but the new board is wisely holding on to a prime asset — Poynton's Building in Pretoria, a good income earner at R1,36-million a year

The new board will also be taking a hard look at the Retco expenses of about R900 000 a year "These," says a statement "will be substantially reduced

Star 31/12/81 (232)

Lion Match aims at consolidation

The Lion Match Company's earnings growth in 1982 should meet the group objective of beating the inflation rate, despite adverse economic factors, the chairman Mr H A Williams, says in his annual report.

Mr Williams also said that the board's expansion policy remained in force but it planned, following recent acquisitions, to treat consolidation as the priority next year

"Thereafter we hope to benefit from extensive developments being undertaken by the parent group overseas.

ACQUISITION

"In this regard the most significant is the acquisition by the ultimate parent, Allegheny International, of Sunbeam Corporation, the largest manufacturer and marketer of small electrical appliances"

The relatively bright 1982 prediction follows a year in which Lion more than exceeded Mr William's expectations in the previous report that profits would grow in 1981 in excess of inflation.

It "has more than been met while the reservation expressed at the mid-point of the year for prospects in the second half was, in retrospect, over-cautious," he said.

DEMAND

Mr Williams said that sustained consumer demand, together with a contribution from the newly acquired Butterworth match factory from May 1, influenced the rise in the South African group turnover by 37,7 percent.

The company reported pre-tax earnings of R11,8-million for the year to September 30.

With a LIFO adjustment the figure was R11,3-million which compares with R8,2-million on an annualised basis for the previous year, a rise of 36 percent. After-tax profit was R7-million (R5-million)

If one assumes a 20 percent increase in taxed profits next year this would mean R8,4-million in taxed earnings for 1982 or 96c a share (compared with 79,97 for the 1981 year)

Mr Williams said that all major operating divisions and product groups contributed to this year's improved results but he singled out the Interpak packaging and print division for "exciting results."

The acquisition of the Butterworth match factory for R2,25-million, and a 30 percent equity stake in Chet Industries, coupled with Interpak's metalisation project, ongoing replacement expenditure and working capital requirements, had resulted in the depletion of the group's cash resources

However, the balance sheet remained strong and ungeared.

"In the current year, management will concentrate on maximising returns from the group's enlarged businesses and implementing strategies to protect and enhance those businesses in the long term" — **Patrick McLoughlin.**

FRIDAY, 23 MAY 1980

†Indicates translated version

For oral reply

Competition board

14(787) 23/5/80 232

*1 Mr R J LORIMER asked the Minister of Commerce and Consumer Affairs

Whether a competition board has been appointed in terms of the Maintenance and Promotion of Competition Act, if so, on what date was it established?

†The MINISTER OF COMMERCE AND CONSUMER AFFAIRS

Yes On 1 January 1980

Hansard 6 Question Col 363/364 14/3/80

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SOF (Pty) Ltd.

405 Mr D. J. N. MALCOMESS asked the Minister of Industries:

(1) (a) Who (i) is the chairman and (ii) are the directors of SOF (Pty) Ltd and (b) what directors' or other fees do they receive;

(2) whether the accounts of the company are audited by the Auditor-General?

The MINISTER OF INDUSTRIES:

(1) (a) (i) Mr C. F. Scheepers, Department of Industries

(ii) Messrs. D. N. A. Hunt-Davis, IDC
A. P. Mouton, IDC
J. A. Stegmann, SASOL
H. R. Wiggett, SASOL
S. P. Naude, SASOL

(b) none; and

(2) no.