Business and investment

Boost for Fairfax bid from family

From DAVID UPTON, in Sydney

Mr Warwick Fairfax's chances of succeeding with his bold $2250 million bid for John Fairfax were boosted yesterday by indications of strong support for the offer from the Fairfax family and the company's institutional shareholders.

Mr Martin Dougherty, a director of Tryart, the company making the bid, said Mr Fairfax "knew that no one in the Fairfax family would break ranks" and all were solidly behind the bid.

He said he was therefore confident the bid would succeed as the family owned just more than 50 per cent of the company.

A credible rival offer was impossible without their support and there had been no approach to Fairfax family shareholders by another party, he said.

The proposed bid, in particular the alternative offer of shares in David Syme & Co Ltd as part of the restructuring of the group, also received firm support yesterday from the company's institutional shareholders.

Under the restructuring, the wholly owned David Syme subsidiary, publisher of *The Age*, will be relisted after the transfer of John Fairfax's magazine division, *The Australian Financial Review* and a 50 per cent interest in *Business Review Weekly* to David Syme. John Fairfax will hold a 45 per cent stake in the relisted David Syme.

Mr Fairfax's financial adviser, the merchant bank Rothwells, issued a statement last night saying that the support for David Syme shares had been so strong that it would not need to find an underwriter for the proposed issue (although Rivkin James Capel has been appointed the broker to handle the on-market bid) and the terms of the offer had been altered.

The original all-share alternative of 15 David Syme shares for every two John Fairfax shares had been dropped, but the original cash offer and the share cash offer of three David Syme shares plus $4.50 cash would be retained.

Shareholders accepting the share cash alternative will be given the opportunity, on a pro-rata basis, to take up any David Syme shares that are not issued under acceptances, but must be placed to dilute John Fairfax's holding in David Syme to 45 per cent.

Given the strong support by institutions for David Syme shares, the offer of a chance of additional David Syme shares is a clever move which would keep Mr Fairfax's cash outlay to a minimum.

Mr Dougherty also said he and Mr Fairfax were confident the bid would succeed with the current offer price of $7.50 a share, and pointed to the 70c fall in John Fairfax shares yesterday to back his view.

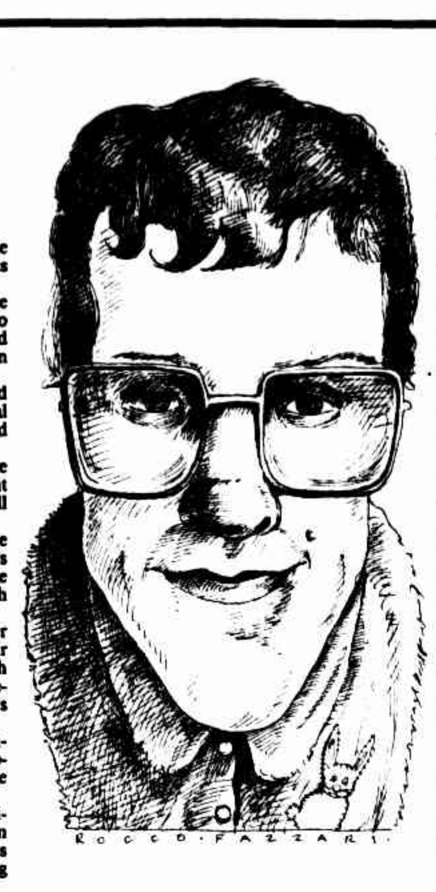
John Fairfax opened at $9.10 a share, 10c up on the previous close, and climbed in early trading to a day's high of $9.30 a share. But after about 2pm, the price dropped quickly to a day's low of $8.20 a share, with the last sale at $8.30 a share.

Market sources said the expectations of a counter bid, possibly from Mr Robert Holmes à Court or Sir Peter Abeles's TNT Group, had waned, although there was still strong speculation of some offer designed to do little more than frustrate Mr Fairfax's bid.

Mr Holmes à Court was not available for comment, but sources said he was considering his options, indicating he could become a player in the takeover battle.

Mr Holmes à Court's J. N. Taylor Holdings affiliate said yesterday it had sold 2.9 million shares in News Corporation for a total of $55.4 million. This yielded a gross profit of $4.7 million before holding costs.

— The Age



Mr Warwick Fairfax

Westfield picks up pace on record-setting road

SYDNEY: Westfield Holdings Ltd continued down its record-setting path at an accelerated pace in the year to June 30.

The shopping-centre and investment group reported yesterday a 150 per cent jump in equity-accounted net profit to $32.38 million for the latest year from $13.05 million the previous year and $10.4 million in 1984-85.

The Westfield chairman, Mr Frank Lowy, said the profit rise reflected higher earnings from all activities in Australia and the United States as well as expansion of the group's activities.

This saw turnover rise 31 per cent to $310.6 million from $237.2 million in 1985-86. The bottom-line profit was boosted to $87.6 million after the inclusion of an extraordinary profit of $55.2 million.

The extraordinary surplus arose mainly from the sale of the group's interest in the Jackson Moonie Pipeline for $27 million and the sale of three shopping-centre head leases in Australia for $23.6 million.

A final dividend of 3.75c a share was declared, making 5.625c for the year or 7.5c after adjusting for capital enlarged by a consolidation and subsequent seven-for-one bonus issue.

Mr Lowy said retail sales in the group's shopping centres in Australia and the US were satisfactory during the latest year, and strong demand was continuing for retail space, both in existing centres and ones under construction.

After last year's rapid growth Westfield is planning further expansion this year. Mr Lowy unveiled plans to spend $US200 million redeveloping the three Macy shopping centres in the US bought in December. Westfield paid $US363.5 million for these centres, together with a New Jersey development site.

The latest year's result included Westfield's equity share of its 50 per cent-owned investment arm, Westfield Capital Corp, which reported on Monday a maiden net profit of $33.64 million for the 12 months to June 30.

Westfield Capital's major investments include a 45 per cent interest in Northern Star Holdings Ltd, a 20 per cent stake in ACI International Ltd and 8 per cent of Coles Myer Ltd.

Big media sale to be finalised this month

BRISBANE: Westfield Capital Corp would finalise the long-awaited sale of its newspaper and radio holdings this month, its managing director, Mr David Gonski, said yesterday.

Negotiations with Provincial Newspapers Qld Ltd for the group's print-media interests were almost complete, he said. The radio-station deals were also nearing completion.

WCC's asset sale was announced early last month when the group disclosed plans to expand its Ten television network.

PNQ and WCC predicted they would reach early settlement, saying negotiations had reached an advanced stage. But after almost four weeks there has been no public sign of progress, and some analysts have suggested the $70 million price tag is too high for PNQ, which is an associate of Mr Rupert Murdoch's News Ltd.

Mr Gonski denied this, and said he expected a "fairly early resolution".

"Some sort of announcement can be expected in late September or early October," he said. "That timing has always been the aim."

The sale involves all of WCC's regional-newspaper interests, including its flagship, the *Northern Star* in Lismore. They are held through Northern Star Holdings Ltd.

Also to be sold is Northern Star's 50 per cent holding in Quest Holdings, which publishes a string of Brisbane suburban newspapers and the highly profitable *Gold Coast Bulletin*.

The other 50 per cent is controlled by Queensland Press, a wholly owned subsidiary of News. News also holds a 15 per cent interest in Northern Star.

PNQ publishes *The Daily Mercury* (Mackay), *The Morning Bulletin* (Rockhampton), *The Observer* (Gladstone), *The News-Mail* (Bundaberg), *The Sunshine Coast Daily* (Maroochydore), *The Queensland Times* (Ipswich), *The Chronicle* (Toowoomba), the *Warwick Daily News* (Warwick), and *The Chronicle* (Maryborough-Hervey Bay).

It also publishes a string of weekly newspapers in Queensland country areas.

Mr Gonski

FAI Insurances boosts net profit by 56.4pc

SYDNEY: Mr Larry Adler's FAI Insurances Ltd sealed its reputation as one of Australia's most canny insurers and investors by reporting yesterday a 56.4 per cent increase in net profit for the year ending June 30.

Sharp increases in premium and investment income and higher profits from underwriting helped to boost the net result to a record $113.43 million, compared with $72.53 million the previous year.

FAI directors said the results were more than satisfactory and they were confident of the continuing growth of the group.

FAI is already well poised for a bumper result this financial year after making $194 million profit from the sale of its Pioneer Concrete Services and Ampol Ltd stakes to Mr Robert Holmes à Court early last month.

FAI said total turnover increased by 29.75 per cent to $973.85 million.

Premium income rose 71.75 per cent to $446.74 million, net investment income by 47.28 per cent to a record $145.13 million and underwriting profit by 22.8 per cent to $5.67 million.

Directors have recommended an increased final dividend of 3c a share, up from 2.5c last year, making 6c for the year. The dividend will be fully franked and therefore tax-free in the hands of shareholders.

IEL secures a large stake in Rothmans

SYDNEY: Industrial Equity Ltd revealed yesterday it has built up a 10.84 per cent stake in tobacco industry giant Rothmans Holdings Ltd to become the company's second largest shareholder.

IEL is believed to have spent about $80 million assembling its stake, first buying in around August or September last year when the shares were around $8.00 (before adjustment for a bonus issue in February) and becoming a substantial shareholder on August 27, when the shares closed at $9.00.

Analysts say IEL is interested in Rothmans partly for its food operations and partly because of potential corporate activity.

Rothmans Holdings is 50 per cent owned by Rothmans International Investments Ltd, which is in turn owned partly by Philip Morris of the US and South African interests.

Analysts say there has been speculation in the past few months that Philip Morris may buy out the South African interests in Rothmans International and then take full control of the Australian company.

"If Philip Morris takes some sort of control then there could be a parent buyout," said one analyst.

Philip Morris bought out its Australian listed subsidiary about 12 months ago.

The UK group is unlikely to buy out Rothmans Holdings without the Philip Morris influence because the Australian unit bought manufacturing and distribution operations in the South Pacific from its parent last year.

The speculation of corporate activity has boosted Rothmans shares from a low of $6.30 a share in April this year to $9.50 yesterday.

But analysts said turnover has been relatively small and no major shareholders have reported selling, so IEL has probably been buying small parcels of shares over a long period.

Rothmans reported a 14.5 per cent rise in net operating profit to $60.58 million for the year to June 30.

Market focuses on media shares

SYDNEY: The Australian sharemarket moved higher in generally featureless trading yesterday, with media stocks again the major focus of attention.

Investors suffered from an apparent lack of enthusiasm throughout the session due to the closure of the London markets for the bank-holiday weekend, leaving no backlog of orders to stimulate trade.

"A lot of people were playing a game of wait and see rather than participating, due to the lack of direction from London," one broker said.

Media stocks provided the only bright light, with all eyes again on News Corp, Advertiser Newspapers and John Fairfax after yesterday's takeover announcements.

The all-ordinaries index closed 7.7 points higher at 2157.7, with much of the gain achieved in the first 45 minutes of trading, as the all-industrials moved up 12.1 to 3181.7.

Despite an early lack of interest, the all-gold marker jumped 26.7 points to 3797.0 in a late flurry of support for gold-related stocks and the all-resources rose 4.3 to 1371.7 as international bullion prices improved over the session.

The metal closed locally at $US452.15/65 an ounce from $US450.10/60 as the US dollar weakened and Japanese demand strengthened.

Thin turnover saw 98.06 million shares worth $191.42 million change hands. Rises outnumbered falls by six to five.

Industrial stocks dominated trade, with media, paper and packaging and alcohol and tobacco scrip cornering attention.

Mr Rupert Murdoch's News Corp rose 10c to $23.30 after earlier climbing to $23.50 after news of its $472.22 million bid for outstanding shares in Advertiser Newspapers Ltd. The effect on Advertiser Newspapers was more noticeable, as the stock jumped $1.64 to $8.80 in thin trade.

In a separate media shake-up, Fairfax dropped 60c to $8.40 after the $7.50-a-share offer for all outstanding scrip by Mr Warwick Fairfax's Tryart Pty Ltd.

"Reality settled in today following yesterday's wild rise in the stock as people punted on a rival bid by Robert Holmes à Court," one broker said.

"I think we can expect to see Fairfax shares fluctuate pretty wildly for the next little while, whatever happens."

Elsewhere in the industrials sector, IEL climbed 24c to $6.20, Bond Corp 15c to $2.75 and Amatil 20c to $9.50. Comalco dropped 30c to $4.50 and ACI 20c to $4.30.

Heavyweight gold stocks benefited from a late surge of interest as bullion prices picked up.

Sons of Gwalia moved up 30c to $12.50, while Kidston and Gold Mines of Kalgurli each gained 20c to $8.00 and $9.90 respectively. However, demand was scattered, and Metana dropped 20c to $13.60 and Broken Hill Gold 4c to $1.58.

On the Sydney Futures Exchange, September shareprice-index futures climbed to 2228.0 from 2191.0 yesterday.

Asian home for Elders IXL split

By GIDEON HAIGH

Elders IXL will moor 14 per cent of its holding in Elders Resources within its new Hong Kong-based investment arm, Elders Investments, to enhance that company's attractiveness for foreign investors.

The Elders Resources holding will be one of a range of investments garnered from the far-flung Elders empire to provide a base for Elders Investments, which is to be run by Elders group strategy director Mr Andrew Cummins.

Elders Investments was unveiled on August 21 as a replacement for an earlier plan to float the entity which housed Elders' stake in BHP.

The company, to be capitalised at more than $US500 million ($A700 million) will become the fourth arm of the splintered Elders group, which plans to float its other divisions as stand-alone public companies.

Elders Resources, which is already a listed public company, will now be 36 per cent owned directly by Elders and 14 per cent by Elders Investment. Elders Investments will in turn be 75 per cent owned by Elders, although this shareholding is likely to be reduced in the coming years.

At yesterday's market close, a 14 per cent interest in Elders Resources is worth more than $150 million. The company's gold interests have established for it a solid overseas profile, particularly among the Asian investors who are likely to form a large part of the Elders Investment register.

The managing director of Elders Resources, Mr Geoff Lord, is a director of the new company and will be rubbing shoulders with a board of some eminence.

The board will be chaired by Elders' chairman and chief executive Mr John Elliott. Other directors include Mr Richard Wiesener, Mr Elliott's long-time Monaco-based business associate; Mr Ken Jarrett, chief executive of Elders Finance; and Mr James Yonge, the deputy chairman of Wardley Australia, who organised the funding package for Elders' lightning BHP market raid on April 10 last year.

Mr John Elliott

Among the other components of Elders Investments will be a 44 per cent interest in Sundor Group Inc, an unlisted US fruit juice and beverage company, previously controlled by Elders' international division.

Elders Investments will also control a 5 per cent stake in Pallas Group SA, a European investment bank founded by Mr Pierre Moussa, the revered chairman of Banque de Paris et des Pays Bas (Paribas).

Mr Jarrett is a director of Pallas, in which at one time Elders was the largest shareholder.

There will also be investments in companies throughout South-East Asia and the US, and in property development in Australia.

Elders Investments will also command a cash reserve of $US230 million ($322 million), and a committed bank credit line of $US200 million ($280 million).

The company will be based in Hong Kong, but is incorporated in Bermuda.

— The Age

Metals Ex meeting approves purchase

PERTH: Metals Exploration Ltd shareholders approved yesterday the company's $250 million purchase of Bond Corporation Holdings Ltd convertible notes.

A Metals Ex spokesman, Mr Barry Casson, said an extraordinary meeting of shareholders had resoundingly voted in favour of the deal.

Voting on the proposal was to have taken place at a meeting in Perth on Tuesday last week but it was postponed after questions about the transaction were raised by the National Companies and Securities Commission and the Melbourne Stock Exchange.

Mr Casson, an alternate director to the Bond Corp executive chairman, Mr Alan Bond, said the NCSC had asked that a statement be read to shareholders at yesterday's meeting saying Metals Exploration directors had taken all proper legal advice on the construction of the notes.

He said a letter received from the FAI Insurances chairman, Mr Larry Adler, who holds more than 20 million Metals Ex shares, representing about 15 per cent of capital, had also been read to the meeting.

Mr Adler said he had independently reviewed the convertible-notes purchase through his auditors and was satisfied it was fair and reasonable and to the benefit of Metals Ex shareholders.

Mr Casson said a representative of Mr Adler had attended the meeting and voted personally.

He said "by far the majority" of proxies received by directors had been in favour of the resolution.

The convertible notes will be acquired from Dallhold Investments Pty Ltd, the family company of Mr Bond.

The 10-year bond notes convert into 12.7 per cent of the capital of Bond Corp.

The Bond family indirectly controls about 44 per cent of Metals Ex, but did not vote at yesterday's meeting.

Ashton profit up 32pc but tough times ahead

COMPANY REPORTS

MELBOURNE: Argyle diamond mine joint venturer Ashton Mining Ltd has announced a 32 per cent profit lift to $11.87 million for the six months to June 30, but directors warned of tougher conditions in the second half of the year.

They said the world diamond market remained generally buoyant but there had been decreased demand for the smaller, lower-quality diamonds which represent a large proportion of Argyle's production.

The effects of reduced demand, the absence of a price increase so far this year and the firmer Australian dollar combined to make it unlikely that the second-half results would match those of the comparable period last year.

First-half sales revenue of $42.5 million was derived from diamond sales of 4.9 million carats, compared with revenue of $23.2 million from diamond sales of 2.8 million carats in the first half of 1986.

Directors said Argyle Diamond Sales Ltd — owned 60-40 by CRA Ltd and Ashton — was promoting greater use of techniques to improve productivity in the polishing centres, which was expected to restore demand and improve prices.

CRA Ltd

SYDNEY: Falls in sales and in prices for iron ore and coal saw heavyweight miner CRA Ltd report a profit of $31.1 million for the half year ended June 30, down 48.4 per cent from $60.3 million for the same period last year.

CRA's managing director, Mr John Ralph, said it was a mixed result that was disappointing for the areas of business servicing the Japanese steel industry.

However, he said company restructuring, including the sale of some unprofitable assets, had realised an extraordinary gain of $104.8 million which lifted the bottom-line profit to $135.9 million.

This compared with a bottom-line loss of $125.8 million for the corresponding period last year, caused by an extraordinary loss of $186.1 million.

The extraordinary gains included the sales of Forrest Gold Pty Ltd for $57.3 million and CRA's 18.8 per cent stake in AFL Holdings for $24.5 million.

Turnover was $2.29 billion against $2.33 billion for the same period last year, while other income totalled $61.86 million against $161.2 million.

Feltex

MELBOURNE: New Zealand-based manufacturing company Feltex International Ltd announced yesterday a record profit for the year to June 30 and said it planned to offer a one-for-eight cash issue to raise about $NZ60 million ($A51.44 million).

The chairman of Feltex, Mr Peter Stanes, said in a statement that the company had lifted audited net profit to $NZ74.7 million, ($A64.05 million), a 58 per cent rise over the previous year's record of $NZ47.3 million ($A40.56 million).

A final dividend of 7c a year would be paid on November 17, making a steady total of 14c for the year.

Kidston puts a glow on Placer Pacific

SYDNEY: Australia's largest gold mine, Kidston, continues to put a healthy glow on Placer Pacific Ltd's balance sheet.

The company reported a $19.91 million net profit yesterday for the six months to June 30 and directors said much of the company's revenue — $71.92 million — came from Kidston Gold Mines Ltd, operator of the joint-venture gold project in North Queensland.

Placer Pacific, which was listed on the Australian Stock Exchanges in August last year, owns 70 per cent of Kidston Gold Mines through its wholly owned subsidiary Placer Industries Ltd.

The half-year result compares with the company's maiden "full year" net profit of $60.88 million for the year to December 31, 1986.

Despite the strong support given by Kidston to Placer Pacific's balance sheet, the company's future growth will come from gold and silver deposits further north in Papua New Guinea.

Directors said discussions were continuing with the Bank of Papua New Guinea to finance the promising Misima Island gold and silver project.

All other major approvals had been received from the PNG Government.

The directors said they hoped the current negotiations could be finished quickly to allow work to start on the mining operation on the island, 190km east of the PNG mainland.

Construction and commissioning of plant are expected to take 18 months.

Misima is expected to have a life of about 10 years with proven and probable reserves of 62.1 million tonnes of ore at grades of 1.35 grams a tonne of gold and 20 grams a tonne of silver.

The project is wholly owned by Misima Mines Pty Ltd, which is in turn 100 per cent owned by Misima Nuigini, wholly owned by Placer Pacific.

Placer Pacific's other major interest is the Porgera gold project in the PNG Southern Highlands.

Directors said negotiations were continuing with the PNG Government on a mining development agreement.

These talks were expected to continue at regular intervals, resulting in a draft feasibility study being completed in February next year, they said.

The Porgera joint venturers are Placer, MIM Holdings Ltd and Renison Goldfields Consolidated Ltd, each with a 33.3 per cent interest.

Placer is also the manager of the joint venture.

Kidston Gold Mines later reported a net interim profit of $31.88 million against a previous $29.46 million.

The June 30 half year also saw income jump to $69.4 million from $63.6 million.

News Corp moves to 'tie up a few loose ends'

BRISBANE: Mr Rupert Murdoch's News Corp Ltd announced yesterday its second takeover bid for an associate in two days in moves seen by analysts as "tying up loose ends".

The latest bid is for the Hobart-based newspaper publisher and printer Davies Brothers Ltd, whose flagship is the Hobart *Mercury*.

Mr Murdoch picked up about 58.3 per cent of Davies during his successful takeover of The Herald and Weekly Times Ltd earlier this year.

News Corp yesterday announced it intends to offer $25 cash for each outstanding Davies share, or one News share plus $2.00 cash. News shares closed 20c higher in Melbourne yesterday at $23.40.

On Tuesday News Corp announced a similar move on Advertiser Newspapers Ltd.

Analysts last night were predicting Mr Murdoch may have similar plans for Queensland Press Ltd in which his private company, Cruden Investments, is a major shareholder.

"It appears Mr Murdoch is tying up loose ends . . . doing a bit of spring cleaning," one media analyst said.

The Davies bid is aimed at the 41.7 per cent outstanding and carries a 75 per cent minimum acceptance condition.

The Advertiser bid, aimed at the remaining 48.7 per cent, is $9.00 a share by means of a capital return through the cancellation of Advertiser shares under a scheme of arrangement, or by direct takeover offer.

Australian dollar up as US currency eases

MONEY MARKET

SYDNEY: Overseas investment in local credit and share markets and a softer US dollar led the Australian dollar higher yesterday.

It closed at US71.60c-71.65c, up from Monday's US71.28c-71.33c finish and ahead of New York's US71.45c-71.50c close.

Traders are now looking to London to provide further direction for the currency. They said it appears well bid, with US71.80c the next key selling point.

The US dollar eased after US trade representative Mr Clayton Yeutter said there was little hope of a major improvement in the US trade deficit this year. It fell to 1.8125/30 marks and 141.65/70 yen from New York closes of 1.8160/70 and 142.40/50.

The Australian dollar firmed to 55.5 on the Reserve Bank's trade-weighted index from an early 55.4 and Monday's 55.2. It also rose to 1.2986 marks from 1.2938 on Monday, to 1.0705 Swiss francs from 1.0660, to 0.4390 sterling from 0.4373 and to $NZ1.1760 from $NZ1.1746. It was steady at 101.43 yen.

On the short-term money market the firmer Australian dollar and easier cash rates led to interest-rate declines.

Money market analysts reported heavy-trading volume in the bill market.

Most interest was in the longer-term stock — 180-day bills fell to 12.55/70 per cent from 12.80/90 per cent on Monday, as did 90-day paper which dropped to 12.27/35 per cent from 12.35/40 per cent.

Traders said the market was optimistic ahead of the September 15 federal Budget and it hopes the Government will announce a Budget deficit of under $1 billion, down from an actual 1986/87 result of $2.7 billion.

Bond yields were lower on short covering after late buying on Monday, despite the Reserve Bank selling $50 million of April 1991 stock. Traders said the stock was sold at about 12.62/12.64 per cent.

January 1991 bonds were 12.58/12.60 per cent from 12.68 per cent on Monday, March 1997 bonds were 12.86/89 per cent from 12.95/12.98 and September 1997 bonds slipped to 12.89/12.92 per cent from 12.98/13.00.