



investing for income

SECURITY ANALYSIS

PERHAPS NOT SUCH AN ILL WIND

THE POSSIBILITY of a further upward revaluation of the Japanese yen to the Australian dollar should be cheering local textile manufacturers considerably. Imports from low-cost South-East Asian countries has long been a major bane of the local industry, and, while Korea, China and Hong Kong will probably continue to provide a challenge, it seems that the major competitor, Japan, could have much of the wind knocked out of its sails.

The prospect of a revaluation should also be cheering investors. Textile and clothing manufacturers have not been doing terribly well in recent years, and this has been reflected in their stock-market status. Increasing expenses, in particular, have progressively widened the cost differential between local and overseas manufacturers, resulting in a spate of mergers and takeovers.

In the big league, the most recent merger has been that between Bonds Industries Ltd. and Coats Patons Ltd. But, unlike many others, the joining of Bonds and Coats Patons in June last year was not one of necessity. Both groups benefited: Bonds through expansion into the manufacture of man-made fibres and diversification in natural fibres and Coats Patons through the acquisition of 54 percent interest in one of the larger and more efficient Australian cotton manufacturers. The new company, Bonds Coats Patons Ltd., is now one of the largest textile groups in Australia.

Fully integrated income emanates from six distinct sources: apparel, household products, textile products, cotton yarns, thread and yarn products (for industrial and domestic use) and woven woollen fabrics (produced by the Tasmanian-based Kelsall and Kemp subsidiary). An advocate of decentralisation, the company operates through 15 production centres: eight in N.S.W., two in Victoria and four in Tasmania.

Like most other companies in the industry, costs have posed a continual challenge to management. However, the raising of prices in many basic lines

has restored profit margins to a certain extent and aided earnings.

Combined results for the restructured group are only available for the six months to December 31 (following a change in balancing date to bring the Australian group into line with the U.K. parent). During this period a net profit of \$1,725,574 was earned, after taxation of \$1,460,486 and depreciation of \$875,135. On a pre-tax basis profit was up 5.6 percent on the corresponding period.

Overall Bonds Industries' earnings in recent years have been variable, with profit slipping from \$1,539,992 to \$1,475,239 in the year to December 31 (the latter six months of which have been included in the above-mentioned figure for the combined group).

Overall the outlook for the current year is mixed. In apparel, items manufactured by Bonds Coats include knitted underwear (Chesty Bonds and Cotton-tails), sportswear and outerwear (for men, women and children), women's swimwear and lingerie and baby and children's clothing.

Despite recent clothing problems in lingerie and women's wear generally (due to differing skirt lengths and growth in demand for pantsuits — both of which have made forecasting difficult), sales in this area of operations have been good.

In household textiles Bonds is mainly involved in the manufacture of Dri-Glo and Dicky towels. However, this division is assuming a broader character following the introduction of fabrics for the home and car, and plans in hand are expected to see this range augmented further in coming months.

As far as the Coats Patons side of operations go, things have not been progressing as well. Changes in women's fashions have caused a "temporary" slowdown in sewing threads and fasteners, although sales of handknitting yarns remained buoyant, aided particularly by the increased popularity of crocheting.

The Kelsall and Kemp subsidiary has also been adversely affected through a swing to knitted outerwear fabrics and through increased imports of materials from overseas.

Bonds directors feel they have a more balanced textile operation following the merger and that the company should benefit from financial, organisational and research facilities of Coats Patons in the longer term.

Currently selling for \$1.15, Bonds 50c shares are returning yields of 8.7 percent on dividend and 16.9 percent on earnings and are covered by formal net tangible assets of \$2.31 per share. Interim dividend for the half year was 10 percent, indicating a 20 percent rate for the full year.

BONDS INDUSTRIES LTD.

	1966	1967	1968	1969	1970
December 31	1966	1967	1968	1969	1970
Taxation \$'000	854	1141	1122	1130	1298
Depreciation \$'000	01	972	1141	1047	970
Net profit \$'000	1176	1511	1509	1540	1475
Earnings rate %	27.6	36.0	35.9	36.6	35.0
Dividend %	12	14	14	14	20
High (a)	1.20	0.46	1.68	1.78	2.10
Low (a)	.96	1.10	1.30	1.31	1.20
(a) Calendar year:					
Year to date:	High \$1.50	Low \$1.08	Current		
price \$1.15; yielding 8.7			percent on dividend,		
16.9 percent on earnings.					



real estate

SOME CONFUSION DOWN AT THE 'LOO

WHILE the Sydney Strategic Plan has drawn much favorable comment, some developers are worried about the implication as far as Woolloomooloo is concerned. This is because of the confusion which reigns over development plans for the 'Loo generally.

There are, in fact, three conflicting plans in existence for the area. Some 18 months ago, the State Planning Authority was asked by the Sydney City Council to prepare a plan for Woolloomooloo. The plan was accepted by the council but not formally gazetted.

Once the plan was promulgated many developers bought land in the area and prepared development plans. They included all the big names — Westfield, Summit, Mainline, Sydney Londish and Stocks and Holdings. In a number of cases development applications were approved and several projects are under way.

In the meantime, the City Council had hired a firm of consultants to prepare the Sydney Strategic Plan. When the plan was announced recently, it included recommendations that the whole of the Woolloomooloo area be residential.

While the plan is still a plan rather than a reality, and the council has yet to decide which recommendations to implement, it nevertheless gave developers cause for concern.

To complicate matters further, the City of Sydney Planning Scheme ordinance, which was gazetted only in July, included Woolloomooloo in the city centre, i.e., as commercial.

While there is certainly some sorting out to be done, nothing is likely to happen before the City Council elections on September 18. One developer commented: "The whole thing is highly political and no one will want to rock the boat before the elections."

What he meant was that the outcome of the elections may well have a very important bearing on the future of the Woolloomooloo area. With residential land in short supply and prices rising continually, Labor aldermen might well argue that the 'Loo should remain substantially residential—especially as a high proportion of residents would be Labor voters in a city or State election.

Yet big money has been paid for sites in the area between William Street and the wharves on the assumption that commercial and retail development will be permitted. Close to William Street there have been a number of sales at



the mining scene

LOOKING BEYOND THE IMMEDIATE GLOOM

FOR INVESTORS prepared to look a little beyond the immediate future, now is the time to do some selective buying, particularly in the heavyweight miners. "Buy in gloom," as Bernard Baruch, one of the shrewdest operators on the New York Stock Exchange, would say. As it stands now, it is hard to imagine a gloomier situation.

Western Mining Corporation Ltd. at \$3.25 stands out, in particular, as an attractive medium- to long-term investment. From a fundamental point of view the company is now priced close to its intrinsic worth based on a discounted cash flow analysis. This is obvious. One does not have to go into the paraphernalia of calculations. A look at the year's "high" for WMC shares would tell the story, the shares having fallen by 39 percent.

For the 12 months to June 30, WMC boosted profit by 58 percent to \$22.21 million. However, this was well below most estimates (which optimistically put

the figure at between \$25 million and \$30 million).

The main reasons for the poor results were non-recurring costs (e.g., commissioning the nickel refinery at Kwinana) and other development charges being written off against revenue, instead of being capitalised.

Despite the latest disappointment, WMC remains an attractive investment stock. An increasing contribution from non-ore sales should be evident in the current year. WMC also holds a 50 percent interest in the Geraldton iron-ore project, which would have mined close to one million tons of ore in the latest year.

Despite the subdued consumption of nickel on world markets, WMC's nickel earnings should continue to rise.

It has been widely predicted that by 1975, the world demand/supply gap for nickel will be almost closed. However, nickel, like other metals, will suffer from the vicissitudes of economic activity and industrial problems. In recent years, as a result of periods of industrial unrest and reduced output from the mine and plants of the world's largest producer, the demand/supply gap for nickel has widened considerably. However, production has now returned to normal levels.

While it appears likely that nickel supply could exceed demand by 1975, if all the scheduled new mines come into production, it is unlikely that this will happen. One of the main reasons is that many of the new developments are based on low-grade lateritic nickel ore which, by comparison with sulphides, is costlier to treat.

The depressed market and the unfavorable reaction to its latest profit results, provides an excellent opportunity to buy WMC shares at 27 times 1970-71 earnings.

minerals market

WANTED: A CEILING FOR GOLD

THE AMERICANS are still insisting that they will not accept an increase in the price of gold as part of any deal to devalue the dollar. But they may not have any choice.

Despite the confusion of foreign exchange markets and the apparent lack of interest in gold, it seems likely that bullion will not remain out of the picture for much longer.

Reports from Washington and elsewhere suggest that the nations most involved in the currency crisis will shortly demand an increase in the price of gold if they are to support American plans for their own currencies.

The Americans, from President Nixon down, have consistently denied that they would increase the price as a way out of the international monetary crisis.

Earlier they denied that they would stop converting dollars into gold.

In London, the price of gold has held well above the \$35 an ounce at which the United States previously sold to foreign holders of dollars, but there has been no dramatic jump, as might have been expected in any straightforward devaluation.

The managing director of the International Monetary Fund, Mr. Schweitzer, perhaps produced a clue to future policy when asked if he thought the price of gold should rise. "The definition of the parity of currencies will still have to be given in terms of gold as the standard," he said, "so it might be that values of certain currencies expressed in ounces of gold will have to change, but not more than that."

Under the circumstances, it would not be unreasonable to assume that, so long as gold has a role to play in monetary affairs, there will still be a demand for the metal. All that's happened so far is that the floor price has been removed. It remains to be seen what the new ceiling will be.

Sunrise at Weld Range

THE RECENT visit to Australia of a Japanese iron ore technical survey mission is believed to hold great promise for the development of Northern Mining Corporation's iron ore deposit at Weld Range, north-east of Geraldton, Western Australia.

The mission, which included representatives of several Japanese steel producers, spent more than a month in Australia, during which it had talks with a number of potential suppliers, including Northern Mining.

Weld Range has some 130 million tons of 60 percent iron ore, but it is understood that this figure, when added to known ore reserves in the Murchison area — which total some 300 million tons — looked particularly attractive to the Japanese. The area's established infrastructure, especially the port facilities at Geraldton, is also a factor of great importance.

Late last year Northern Mining submitted a broadly based plan for the development of the Weld Range deposit, within the framework of a regional development concept. At that time the company was planning for more than a year's work on feasibility studies and joint-venture marketing negotiations to produce a master plan for a five-million-tons-a-year production and marketing operation based on minimum 63 percent grade concentrates.

However, it is believed in mining circles that, with the assistance of its joint-venture partners in the Murchison area, Northern Mining was able to put up a five-point proposal to the Japanese mission. The Australians offered:

- Five million tons of 63 percent iron concentrates to be produced from two mines in the Weld Range area, each handling 2.5 million tons per annum.
- An alternative ten million tons a year proposal, for which ore would be produced from three or more mines in the areas comprising the joint venture.
- A scheme for upgrading the existing ore from 60 percent to the acceptable figure of 63 percent, at minimum cost.
- A railroad of standard gauge to be built by the mining industry over the 230 miles between Cue and Geraldton.
- A new harbor, rail transport, crushing and loading, general services and engineering, as part of the costs submitted.

Industry sources believe that the plan obviously includes not only Weld Range, with its 130 million tons, but also Mt. Gould and Mt. Hale (100 million tons), some 70 miles farther north of Weld Range; Robinson Range, 90 miles north-east; and Talling, south-west of the Weld Range. In terms of joint use of facilities it could even include Mt. Gibson to the south, which has some 400 million tons of lower-grade iron ore suitable for beneficiation.

\$80 and \$90 a foot and Stocks and Holdings is reported to have paid a total of \$830,000 for the Aquatic Club site—representing about \$98 a foot.

One developer alone is said to control 15 acres in the 'Loo area — all bought with commercial or retail development in mind. He is presumably biting his nails at the moment. Even the Department of Main Roads has paid \$60 a foot for properties which have been resumed for road widening purposes.

The doubts which exist in developers' minds do not concern William Street itself. Developers have echoed the general acclaim for the "Parisian Boulevard" concept for William Street and have been busy acquiring sites. Mr. Neville Tucker, who is president of the City of Sydney branch of the Real Estate Institute of N.S.W., sees \$100 a foot as being the asking price for land in William Street now.

In fact, the Royal Blind Society site at the corner of William and Boomerang Streets has already brought this figure and plans have been announced for a 36-storey complex of offices and medical suites, costing \$13 million. Three or four years ago, Mr. Tucker says, you could have bought land in William Street for as little as \$30 a foot.

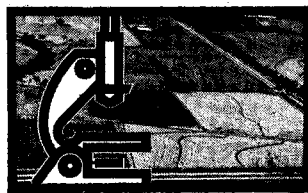
Mr. Tucker, who is director of city sales for L. J. Hooker Ltd., has no doubts about William Street's future. "While there have been no sales in the month since the Strategic Plan was announced which enable us to say how values have been affected, I believe \$100 is already the asking price," he said.

The Strategic Plan has confirmed William Street's place as the prime commercial area, second only to the central business district between Martin Place and Circular Quay. The price of \$100 a foot puts it ahead of other contenders such as North Sydney (\$70-\$80 a foot for office sites) and "Uptown" Sydney (about \$60 a foot), and well in front of the newly decentralised commercial areas of Chatswood, Crows Nest and St. Leonards.

Just how much higher land values will go depends on the final determination of plot ratios. The State Planning Authority's proposal on which developers have so far acted, provided for a basic 5:1 floor/site ratio with bonuses up to 9:1. If the ratio were increased to 10:1 as is proposed in some other parts of the city, site values would rise accordingly.

One prominent city real-estate agent believes it is not too early to talk in terms of \$150 a foot. He believes it could be reached in the near future. He says many owners are refusing to talk sales at the moment until the development plans for the whole area are clearly decided.

One thing is certain: whether it's to be our "Parisian Boulevard" or "Champs-Elysees," William Street is undoubtedly Sydney's newest Golden Mile.



agrisearch

FROM FOOTROT TO CAULIFLOWERS

AFTER DOING MOST of the spade-work ourselves, it is rather galling to learn that the British pharmaceutical firm of Burroughs Wellcome has beaten Australia in the development of a commercial vaccine against footrot of sheep.

The original research behind this achievement was completed several years ago by the McMaster Animal Health Laboratory, Sydney. The McMaster scientists passed the recipe over to the Commonwealth Serum Laboratories for it to work out a technique for the vaccine's mass production. The Commonwealth Serum Laboratories has been mucking about ever since.

The British vaccine has already been extensively field-tested in England and New Zealand as well as in Australia. Besides effectively immunising all classes of stock, including weaners, this vaccine also cures sheep already affected with footrot provided a series of injections are administered.

This same firm also claims another important "first" — a safe drench for controlling both the mature and immature stages of the liver fluke. Its new drug is to be marketed under the name of "Coriban." The Wellcome Foundation also says that this chemical controls chronic fluke disease with fewer doses than any of the other drugs currently available to farmers. Apart from this advantage, the new drug, by being active against the immature parasites, will combat acute fluke disease, which is responsible for a very considerable mortality among sheep in some seasons in south-eastern Australia.

Fluke and footrot are the last of the major sheep diseases in this country for which there has been no satisfactory method of control.

Alleviation of the economic toll exacted by them could well be worth as much to the farmers concerned as the Government's wool subsidy. They can thank British doggedness and the strong emphasis in recent years in England on applied research aimed at capitalising on the wealth of basic research information now available.

Another recent example of British practicality, which our horticultural industry should be able to copy, is the production of mini-cauliflowers. This development also provides our agricultural scientists with an object lesson in quickly bringing a notion to commercial usefulness. Market gardeners in England harvested 150 acres of mini-cauliflowers this season. Only two years

previously Dr. P. J. Salter of the National Vegetable Research Station at Wellesbourne, Warwickshire, conceived the idea that mini-cauliflowers could offer both major and minor advantages.

He didn't call for a phytotron and an electron microscope or draw up a ten-year program of intensive basic research. He simply picked up a dibble and a few other primitive hand tools and went out into the garden. There he dug little holes close together in a well-worked seedbed and dropped a cauliflower seed in each. He was then free to adjourn to the local pub and let nature take its course. A few months later, lo and behold, mini-cauliflowers.

Actually, he planted seven different varieties at different spacings. One of the varieties performed better than the others, and a spacing of nine by four inches (equivalent to 157,000 plants per acre) did the trick, producing cauliflowers with a diameter of 1½-3in. across the curd. No doubt further experience will reveal the optimum spacing and possibly indicate that a long-term plant-breeding program might be warranted to produce a variety better suited to the crowded conditions or genetically tailored to form only small curds under any conditions, i.e., dwarf cauliflowers.

Meanwhile, growers can cash in on the existing opportunities. The greatest of these is that cauliflowers grown closely together mature together. Within a single day the whole bed reaches the correct stage for harvesting. This particular day must be carefully chosen, however, because 24 hours' departure from the optimum cutting time can mean a sacrifice of half-a-ton per acre, or more, of marketable yield.

On the other hand, uniform maturation opens the way to mechanical harvesting and great savings in labor costs. Hand-thinning and transplanting are also eliminated because the crop is precision-drilled into the field. (Transplanted crops introduce variability in maturation.)

Provided the bed is treated with a pre-emergence herbicide, weeding is virtually eliminated, too, since weeds cannot get going among the dense cauliflowers. Less fertiliser is needed, as the small cauliflowers do not waste nutrients on excessive leaf growth. Yet another advantage is that mini-cauliflowers take less time from sowing to harvest and can be fitted more easily into crop rotations.

From the housewife's point of view the mini-cauliflower is a ready-for-the-pot convenience vegetable, as it requires no trimming. Sold on a weight-for-weight basis with traditional-sized heads, mini-cauliflowers are a better buy because they are not encased in heavy unwanted leaves which have to be lugged home only to become a disposal problem. The small, whole curds also look more attractive than cut lumps when served.

In addition, mini-cauliflowers have marketing advantages. They lend themselves to pre-packaging and supermarket selling. Moreover, unlike the big heads, they can be frozen and sold out-of-season at luxury prices.



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